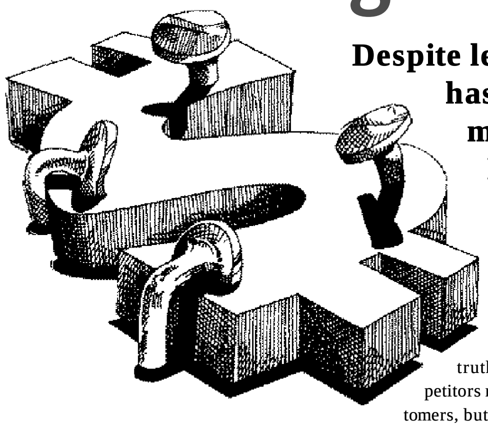
By G.A. "Andy" Marken, Marken Communications, Inc.

Facts Get in the Way of Winning Customers, Marketshare

Despite leading market research firms that show solid marketing has a cumulative effect, management often views the marketing budget as an expense rather than an investment. It's time for managers to nail down marketing plans.



Ries and Trout (*Marketing Warfare*) brought us the vernacular of the military establishment. Tom Peters (*In Search of Excellence*) gave us a more peaceful approach by urging us to listen to customers. Corporate management has been reading the words without digesting the essence of the statements. The result is managers still are focusing on pulling in new customers month after month and quarter after quarter, and leaving existing customers to fend for themselves.

As they view the battles of the marketplace through the wrong end of the telescope, company management emphatically states that it knows what customers want and need. These are the people who proclaim that they have the pulse beat of the marketplace despite the fact that they haven't been on a customer sales or follow-up call for six months. Management has flown over the battlefield but hasn't made the time nor found it necessary to spend time in the trenches with their foot soldiers—sales, support and service. They've spent so much time focusing on beating the competition that they've lost sight of their ultimate goal—winning customers. Corporate managers should listen as Ted Levitt, former editor of *Harvard Business Review*, tells us, "The purpose of business is to create and keep a customer." Rather than changing their service and support for existing customers, companies continue to blame the competition for "stealing" people away. All the while they are perfectly straight-faced when saying: "We already know who our customers are. Our business comes from word of mouth. Everyone knows us." Or, "Business is great, so we don't need to market."

Knowing Customers

If you know who your customers are, don't you think that maybe your competitors know them, too? Of course they do. And if the truth were known, the best competitors not only know your customers, but they spend time with them listening to their wants, needs and concerns. They don't approach their business using hit and run tactics such as lower prices or next-generation solutions and technology. Instead, they focus on winning that customer over by providing advice, assistance, support and service. While you're out trying to win over a new customer, you quietly lose an existing one. Wouldn't it have been better and more economical to have retained that customer you already knew? It may have cost $1,000 to keep the customer, but it will cost $5,000 simply to replace them. It's little wonder marketing costs continue to rise.

Word of Mouth

One of the great lies in marketing is that the company relies on word of mouth advertising to attract new business. The fact is that everyone relies on word of mouth to get new customers. Ford does it. McDonald's does it. IBM does it. Coca-Cola does it. Hershey does it. In fact, for years Hershey was proud of the fact that word of mouth was the only marketing activity they had. The problem was they lost customers and marketshare. They had to become more aggressive and more visible in their marketing and communications efforts. Word of mouth is a powerful tool, but you have to look at all aspects of it.

For example, noted marketing expert Bill Davidow recently noted that Technical Assistance Research Programs (TARP) pointed out that only one out of every 25 unhappy customers complained to the manufacturer. That's great, since none of us like to hear complaints. Unfortunately, those other 24 unhappy customers did tell 10 people about their dissatisfaction. The fact is that since we feel we "deserve" to be satisfied, we don't voice our satisfaction at the same rate. In fact, satisfied customers tell only five others. In short, relying solely on word of mouth marketing and communications is a losing battle.

Everyone Knows Us

"Everyone" knows Compaq, Lotus, IBM, Cisco, 3COM, Dell, Nortel, Ascend, Hewlett Packard and a few other prominent names. Likewise, "everyone" knows Ford, McDonald's, United Airlines, Panasonic, Toyota, Coke, Porsche and similar names. Unfortunately, everyone doesn't know the name of every small, medium or even many large organizations in horizontal or vertical markets. Ford, McDonald's, Coke and IBM regularly carry out extensive and expensive name recognition research projects. At no time has any of them scored 100 percent in the area of name recognition. In many instances, when the name was known it was for the wrong reason. This is especially true in industries that change so rapidly and radically such as the water quality industry.

If your company has been in existence for five years it probably doesn't look anything like it did when it began. Chances are you've had a few management, product, service and distribution changes over the years, with more planned for this year and next. The way the "known" companies mentioned earlier stay known is by consistently and aggressively marketing and communicating their message(s) to the marketplace. They manage their risks and they manage their opportunities, rather than having the risks and opportunities manage them. They manage risks and opportunities by listening. They listen to existing customers, prospects and lost customers. They find out who these people are, what their needs and wants are, their likes and dislikes and their decision-making processes, as well as the options they consider. With this kind of information, they are in a position to significantly minimize risks and optimize opportunities. It's no wonder they win more frequently, have greater sales and continue to increase their marketshare.

Business is Great

The biggest problem with this industry is that it goes in cycles. And all too often management of second and third tier firms use the peaks and valleys as excuses for their marketing and communications activities. When the company is on top of the mountain, business is so good that the backlog is almost unbearable. They have "more business than they can handle." Hence, they don't need to be aggressive in their marketing and communications. In fact, they have to "keep a lower profile" because they couldn't satisfy the customers' needs even if they sent a certified check with the order. On the contrary, when the company is in a valley, business is so bad that they can't afford the luxury of marketing or communications.

The way well-known companies stay well-known is by consistently and aggressively marketing and communicating their message(s) to the marketplace.

Instead, they need to conserve all of their resources and focus their efforts in immediate sales. Despite the overwhelming statistics by the Business and Professional Advertising Association (BPAA) and leading market research firms that show solid marketing has a cumulative effect, management views the marketing budget as an expense rather than an investment. At the first whisper of problems or given an excuse, they will slash their marketing and communications budgets. However, the marketplace's consistent winners understand that solid marketing and communications develops growth for management's firms in the future. Any retreat from that position can likewise have a negative effect on growth. The winners' performance also shows that when downturns occur, they are less severe for management than their knee-jerk competitors and they recovers more quickly. In other words, they are in a better position to manage their growth and their market dominance.

Levels of Expectation

When it comes to planning and managing growth, too many firms think in terms of a one-year plan or, worse yet, a one-quarter plan. Companies seem to take pride in their organization's ability to produce immediate, innovative and sweaty solutions to perplexing adversity. At the other end of the spectrum, the chairman of Japan's giant Mitsui Corp. was once asked if his organization had a long-range plan, and his response was yes—a 200 year plan. By keeping short-term and long-range plans in proper perspective, a company continually can fine-tune its marketing, products and communications efforts. Using these war room plans, management has to continuously and fearlessly spend time at the front to get inputs and ideas from customers, prospects, salespeople, service engineers and support technicians. They continually must come out from behind the protection of their desk and make decisions based on the reality that people, not technology or lofty plans, sell and buy products. Then the facts won't get in the way of their success.

About the Author

Andy Marken is president of Marken Communications, Inc. in Santa Clara, Calif. He may be reached at andy@markencom.com.

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