Yoram (Jerry) Wind

A Plan to Invent the Marketing We Need Today
A Plan to Invent the Marketing We Need Today

The world in which marketing operates has fundamentally changed. Thomas Friedman has sketched the outline of the new realities of our “flat world” and Kenichi Ohmae has discussed the requirements of operating on “the new global stage.” The rise of China, India and other emerging economies has demanded new market strategies to reach developing countries. Technologies from the Internet to biotechnology are fundamentally changing science and society. At the same time, social concerns from environmental impact to corporate social responsibility are changing the relationships of companies to the societies in which they operate.

New channels and technologies are transforming the media through which marketing works. Virtual worlds such as Second Life are giving new meaning to the concept of “place” in marketing. Collaborative projects such as open source software and Wikipedia are transforming the consumer into a cocreator. Movies and entertainment have broken out of the television box and into the iPod, cell phones and computers. The broadcast has been transformed into the podcast. TiVo and other technological innovations have made the mass media more customized, eliminating the predictability of traditional advertising. (See “The Changing Context,” p. 23.)

This world has led to a new breed of consumers. They expect customization (make it mine), communities (let me be a part of it), multiple channels (let me call, click or visit), competitive value (give me more for my money) and choice (give me search and decision tools). The era of the passive consumer is history. Empowered consumers are increasingly in control, which dramatically changes the role of marketing. This shift in relationship between consumers and companies is the most fundamental change in the history of marketing, even more dramatic than the historic shift from a product orientation to a market orientation.

Of course, there are limits to these shifts. Consumers may expect more, but there is more pressure on their time — so while they may be given the opportunity to cocreate customized solutions, some segments may in the end just want that standardized product off the shelf.

Has marketing research and practice kept pace with the emerging new realities? Most marketing is too focused on the developed world rather than the developing world, where many future opportunities lie. With increasing pressure for organic growth, marketing has been called upon to play a broader role in the company, but is it ready to take a seat at the corporate table? There is a need for greater collaboration with finance, operations and other areas of the company, but is marketing too isolated as a discipline?

Through its maturation as a discipline over the past half century, marketing has emerged as a rigorous field. Tools such as conjoint analysis, economic and econometric modeling, behavioral economics, data mining, and techniques derived from mathematical psychology have raised the level of rigor and strengthened the insights that marketing can contribute to the enterprise. But many of the most rigorous tools were developed years ago. Today’s challenge is how to move from using old tools that are focused on...
solving problems of the past to developing new and rigorous tools that are relevant to the challenges of today and the future. We need both rigor — using scientifically valid methods to address marketing problems — and relevance — a true focus on the evolving needs of managers and their organizations.

At this point in the development of marketing, we have a difficult choice. We can choose rigorous tools that are less and less relevant to the challenges at hand. Or we can choose more relevant approaches that lack rigor. We have lost the focus on the dual objectives of rigor and relevance. Academics focus on rigor with limited attention to relevance, while practitioners focus on relevance with limited attention to rigor. This is not an acceptable situation. We need both rigor and relevance. But to achieve this we may need to rethink and transform the field of marketing.

**Increasing Rigor and Relevance: Seven Strategies**

I propose seven strategies that can increase both the rigor and relevance of marketing research and practice. These strategies will raise marketing’s usefulness and impact on the organization while sustaining its rigor and achieving the desired outcome for all its stakeholders. While some of these strategies have been discussed before, they all make important contributions to increasing rigor and relevance and have to be considered together.

1. Bridge the disciplinary silos. Within organizations, silos — separating different disciplines — limit both the rigor and relevance of marketing. For example, research and development, operations, and marketing are often separated in organizations, yet they all must come together for effective new product development. Finance and marketing have typically been in separate worlds — or even opposing camps — but the measurement of return on investment in marketing or the measurement of brand equity, which is vital to improving these investments, depends upon perspectives from these two worlds. The relevance of marketing is limited the more it is isolated from other disciplines. Its rigor is also limited if it is separated from the metrics, methods and feedback supplied by these disciplines outside of marketing. Even sales and marketing are often separated into different silos in ways that limit the impact of each.

In addition to these silos within companies, many other silos limit the relevance and rigor of marketing, including:

- **Company and consumer:** The divisions between the company and its consumers limit the effectiveness of marketing. As empowered consumers become coinventors, coproducers and even comarketers, these barriers need to come down and marketers need to change their view of the consumer as a passive recipient of marketing messages. In a YouTube world, where people are customizing computers, jeans and their own communications, consumers can actively develop and disseminate marketing messages.

- **Behavioral and quantitative approaches:** Marketing is divided between behavioral and quantitative approaches to marketing questions. Increasingly, the recruitment of faculty and doctoral students, and the design of workshops, are focused separately on behavioral and quantitative approaches. Ideally, the two sides should come together. Markets can be seen through either a behavioral or quantitative lens, but as with binocular vision, we gain more depth when we look through both.

- **Academic and practitioner:** With a few notable exceptions, such as the Market Strategies International and the American Marketing Association’s Advanced Research Techniques Forum and the more recent Mplanet, most marketing organizations hold separate conferences for academic and industry participants. The more researchers and practitioners are in separate worlds, the less impact rigorous academic marketing research and modeling will have on practice, and the less relevant will be the problems posed to academic researchers. A true collaboration offers the best opportunities to ensure that academic
researchers are focusing on the most important questions for practice and that the answers they develop are rigorous and empirically tested.

■ Marketing and other disciplines: Just as barriers exist between different functional areas within the company, marketing is cut off from other relevant disciplines in business and even outside of business. Advances in fields such as computer science, complexity science and neuroscience have tremendous relevance for marketing, yet their application to marketing has been very limited because of these disciplinary silos.

■ Analysis and subjective judgment: In making marketing decisions, there is a divide between the worlds of rigorous analysis and subjective judgment. On one hand, those with a more quantitative approach are creating detailed models and tools to produce data-driven results. On the other hand, in a field that relies so much on creativity and intuition, subjective judgment is still vital to decision making and to ensuring that decisions are relevant to the current challenges. There are rich tools that help to bridge this gap, such as the Analytic Hierarchy Process and Analytic Network Process, which facilitate creative problem definition, the generation of innovative options, their rigorous evaluation reflecting all available data as well as the manager’s subjective judgment, and the results of sensitivity analysis. This methodology, which was developed by Thomas L. Saaty, has been applied in marketing and is accompanied by powerful software for decision making called Decision Lens. How can we build on such work to combine the rigor of analysis with the relevance of subjective judgment?

■ Geographic regions: As the world has become flatter, marketing continues to be focused primarily on the United States and other developed regions. Different approaches to marketing are being practiced — or need to be practiced — in other parts of the world. We also can gain insights from emerging markets that can change the way we approach marketing in the developed world. And we need to recognize the growing “ricochet economy” created by immigrants, with market flows running across traditional geographic boundaries.

2. Shift from traditional management to network orchestration. The recent waves of outsourcing and offshoring are just the tip of the iceberg in building networked businesses. Businesses need to connect with markets and resources across the boundaries of enterprises and nations. As marketing increasingly depends on such a networked approach, there is a need to shift from traditional management approaches to “network orchestration” — the capability to build and manage networks. In global manufacturing, for example, companies such as Li & Fung Ltd., based in Hong Kong, have developed strategies for competing in a flat world by developing and managing fluid networks of independent enterprises around the world. Li & Fung does more than $9 billion in manufacturing for some of the world’s leading brands but does not own a single sewing factory.

The shift toward network orchestration requires three shifts in thinking and action:

■ Balancing a focus on the company with a focus on the network: Traditionally, managers have focused on optimizing the company. Instead, they need to focus on optimizing both the company and its network, since competition is increasingly “network against network.” Companies within these networks focus on creating a marketing ecosystem with partners, as Google Inc. has done in building its enterprise by increasing its connections and out-maneuvering other networks such as Yahoo! Inc.

The Changing Context

It is no wonder that some of the marketing concepts and models that were developed in the last century are no longer relevant today. There have been dramatic changes in the environment that require us to rethink our approaches to marketing. Among these changes are:

• Post-9/11 global terrorism
• A turbulent global economy
• The pervasive impact of the Internet and constant advances in information and communication technologies
• Continued advances in science and technology-based inventions
• The empowered hybrid consumer who expects customized products and services, messages and distribution channels
• The reluctant consumer — with declining response rates, TiVo and increasingly negative attitudes toward marketing and advertising
• Decreased consumer and employee loyalty
• The vanishing mass market and increased fragmentation of all markets
• A blurring of the line between B2B and B2C
• The rising importance of the developing world
• Opportunities for outsourcing and digital outsourcing/offshoring of marketing services (beyond call centers)
• Increased focus on public/private cooperation (nongovernmental organizations and others)
Balancing control with empowerment: Vertically integrated organizations have strong control systems, but networked organizations rely on empowered employees, customers and partners that require a different kind of control. These loose-tight connections with partners and customers are vital to creating networks that are strong enough to achieve results but flexible enough to be reconfigured rapidly.

Balancing specialization with integration: The specialized enterprise is made up of disciplinary silos. The more these silos are bridged, the more the network requires integration. In opening new markets, for example, sourcing from these markets is often treated separately from the marketing challenge of developing consumer markets in these same regions. But closer collaboration between operations and marketing can help the departments share insights and “sell to the source.”

Overall, companies need to move from a focus on the competencies they own to those they can connect to. This also holds true for marketing. Not all of it needs to be done in-house. Procter & Gamble Co. has shown how externally focused “Connect & Develop” open innovation strategies for new product development can significantly add to the productivity and creativity of traditional, internally focused R&D. Our marketing strategies and models need to be designed for a world built around broader networks rather than based on marketing that is controlled and organized internally or working with a few close partners.

3. Change the focus from CRM to CMR. The high failure rate of customer relationship management initiatives may indicate that they are focused on the wrong question in an interactive age. In addition to companies managing their relationships with customers, we need to create platforms that allow customers to manage their relationships with companies. In other words, we need to forge “customer managed relationships.” AMR Corp.’s Sabre reservation system put the power in the hands of travel agents. With online sites such as Expedia, Travelocity or Priceline, the power is placed even more directly into the hands of end consumers. Progressive Corp. shows competitive insurance quotes on its own site. Instead of a focus on selling a product, companies give consumers decision tools to help them learn and make their own purchase decisions.

The focus of marketing needs to augment the traditional solution development with the creation of a set of tools that allow consumers to cocreate the right solution. In addition to selling music CDs, which requires extensive marketing research and strategic planning, companies need to allow customers to create their own playlists, which requires considerably less research but more attention to the design of the overall system.

4. Shift from company-branded products to customer-branded solutions. Most drug companies create separate drugs for diabetes, high cholesterol and hypertension, but many patients have all three of these conditions. The focus on developing and selling specific products instead of offering an integrated solution can blind marketers to the possibilities for more effectively meeting consumer needs. To create these solutions, companies need to bridge the brand silos. Separate brands are needed to develop strong identities for products, but if customers need more than one product, they have to do their own integration of brands — often within the same company.

Companies also can collaborate in branding across companies. For example, Nike Inc. and Apple Inc. realized that they shared many of the same customers — athletes who listened to digital music while running or working out. They worked together to create an integrated system of sneakers and clothing designed to carry iPods and relay workout data from sensors in the shoes to the iPod, which then serves as an electronic coach. Users of the Nike + iPod system can also upload information to a computer to track their progress or compete virtually against friends in other parts of the world.

In addition to branding, companies need to engage customers in codeveloping, coproducing and
comarketing these solutions. Can customers create their own branded solutions that are unique to them, in the way that they assemble playlists on iTunes or draw together widgets on a computer desktop? To recognize such solutions, marketers need to think more broadly about how they develop and apply their brands and how they can brand solutions for customers with unique sets of needs.

5. Use analytics and metrics as the glue. Analytics and metrics can be used to increase the rigor of marketing activities and to hold together marketing initiatives that span many enterprises. With increasing attention to the ROI of marketing, we need to rethink the measures we use to track and evaluate investments in marketing. Financial measures are too narrow, too late and too backward looking. They also don’t look deeply into drivers, and they ignore the real value of intangible assets.

What are the right measures of success? Studies have found that 71% of companies do not have a financial causal model or driver maps for their marketing activities, and 78% of companies do not validate the link between nonfinancial measures and future financial results. Data in many companies are broken up into different “data fiefdoms” that create islands of analyses that are unconnected to each other.

Companies need to carefully identify the measures that count, not the ones that are easy to measure. Measures of customer profitability such as lifetime value of the customer can offer significant insights about the value of marketing activities and potential for growth. But they are more difficult to develop, so marketing managers often focus on more simplistic measures. Market share may be easier to determine than share of wallet, but share of wallet may be more useful in driving profitable growth.

Marketeters tend to look at the available data rather than develop the data needed to gain truly valuable insights into the market. Metrics can also be used to reexamine resource allocations. Most companies can significantly improve the productivity of their marketing activities by simply reallocating resources. Metrics help to ensure rigor in assessing the impact of specific strategies and investing in those with the highest returns.

Farris, Bendle, Pfeifer and Reibstein have developed a set of more than 50 key marketing metrics. These metrics measure the share of hearts, minds and markets and other performance measures needed to guide enterprise management and the various marketing decisions such as promotion, advertising and distribution. This is a great step forward in making the work of marketing more rigorous. Still, we need more work on the guidelines managers use in determining the right metrics at the right time and in simplifying this complex set of metrics.

These metrics can be drawn together into dashboards that help integrate marketing perspectives into business decision making. Dashboards also encourage organizations to think through the drivers that are “under the dash” and can provide leading indicators of marketing success or failure while linking marketing to other parts of the business. For example, a dashboard at Johnson & Johnson focuses on three core processes — demand generation, order creation and order fulfillment — and how they are related to the enabling processes of business strategy and information, people development, finance and information management. These are all then linked to performance measures such as sales, income and capital efficient profitable growth. The marketing initiatives in demand generation, for example, can now be directly related to performance outcomes. This adds to rigor and helps to bridge business silos.

What are the right measures of success? Studies have found that 71% of companies don’t have financial causal models for their marketing activities; 78% don’t link nonfinancial measures and future financial results.

The development of metrics is not only valuable in marketing strategy but also in academic research. The more companies are gathering and analyzing metrics, the more data will be available to researchers to develop broader insights and knowledge of marketing. Researchers can also help practitioners to transform the avalanche of data that are and could be collected by modern businesses into actionable insights. This is an area that requires the interplay between research and practice for success.

6. Adopt the adaptive experimentation philosophy in all your activities and strive for empirical generalizations.
“Adaptive experimentation” is a philosophy that integrates research and action, allowing experimentation with diverse strategies. This is particularly important for both research and practice in today’s swiftly changing business environment, where both managers and researchers must challenge their assumptions and devise fresh tactics.

For example, suppose a company sets a $100 million marketing budget for a product launch. A year later, it has spent the budget and management are able to assess the results. Or are they? They have detailed data on every aspect of the launch campaign, but they still cannot answer a fundamental question: Was this the optimal budget? What would have happened if the company had spent $50 million or $150 million? With a single, one-time test, management has little guidance to help in setting the next budget.

Suppose that, instead, management had set up a carefully designed experiment to test different levels of spending. In one market, they would invest at a level comparable to a $100 million launch; in a second market, they would invest comparable to $50 million; and in a third, comparable to $150 million. At the end of the year, they would be able to compare the results of the different markets and then use this learning as the foundation for the next set of experiments in the following year. If the $150 million budget level happens to emerge as the hands-down best option, then the company could invest 80% of its total budget in that strategy on the next round. But it still might devote the remaining 20% of its total budget to other experiments, looking at even higher or lower levels or experimenting with other variables. A single test offers a single answer, but multiple strategies, with a rigorous experimental design, offer opportunities for greater learning. This improves the relevance of the studies and the overall rigor of the conclusions drawn from them.

The goal of these experiments should be to distill the resulting knowledge into “empirical generalizations.” Experimentation generates creative insights and fresh perspectives, while a focus on empirical generalization draws knowledge from these insights. The development of empirical generalizations requires at the minimum meta-analysis and can involve the development of rule-based expert systems reflecting the accumulated knowledge.

7. Challenge (and change) your mental models. The world in which marketing operates is clearly changing in fundamental ways. Yet our old mental models for marketing continue to shape how we approach marketing challenges and the development of marketing theory. As Albert Einstein said, “Without changing our pattern of thought, we will not be able to solve the problems we created with our current pattern of thought.”

In Moneyball, author Michael Lewis describes how the Oakland Athletics team under Billy Beane won in Major League Baseball with a smaller budget than its peers by challenging the conventional wisdom of building the team. While other teams were hiring big name players, Beane, using careful analysis of statistics, looked for a different set of players, such as hitters with high on-base percentages or pitchers who got lots of ground outs. This allowed him to cut costs by hiring younger players. As Lewis writes, “At the bottom of the Oakland experiment was a willingness to rethink baseball: how it is played, who is best suited to play and why.”

Are there similar opportunities to rethink our approaches to marketing by challenging conventional wisdom? In particular, we need to rethink our mental models to embrace the evolving segment of empowered consumers with new ways of understanding their behavior, capturing the data on their behavior, analyzing it, and designing strategies to affect their behavior in a way that is consistent with the company’s objectives. This requires creativity and the development of innovative approaches. There are some encouraging first steps, such as the Google approaches to gain insights into consumer behavior using AdWords conversion tracking, the numerous features of Google Analytics including cross channel conversion tracking, and evaluation and innovative services such as Google Trends. But much more is required.
There are opportunities to fundamentally rethink our approaches to marketing. For example, when Toyota Motor Corp. initially launched its new Scion brand targeting youth markets, it shunned traditional advertising, instead spending 70% of its promotion on street events. Even the remaining ad spending was directed primarily toward the Internet. Video games are using product placement within the context of the game. For example, in the Tony Hawk’s Underground video game, players cannot move up to the third level until they drink a Pepsi.

These and other new channels and innovations raise some interesting questions: If TiVo users are no longer looking at TV commercials, then how can companies best get their advertising messages across? How can companies tap into the rising interest in social networking Web sites such as MySpace.com? Do new media channels make a $2.6 million investment in a 30-second Super Bowl advertisement more or less valuable? How do we design marketing messages and strategies for a world where consumers are using Google and other search engines to actively search for information rather than passively receiving marketing messages? The expansion of simulated environments such as Second Life (an Internet-based virtual world created by Linden Research Inc.) has created parallel universes for advertising, but what combination of “first life” and Second Life approaches is most effective?

We are seeing innovative experiments in pricing, such as Priceline.com Inc.’s customer-led pricing, eBay Inc.’s auction model, or the use of “pricing for performance” in pharmaceuticals. For example, when Johnson & Johnson launched its new cancer drug Velcade in Britain, it proposed that the national health service should pay the average $48,000 price tag after a course of treatment only if patients’ tumors had shrunk sufficiently. This payment for performance is very different from the typical approach: payment for the drug upfront, regardless of results.

There are also new definitions of businesses, shifting from providing a service to facilitating a service provided by users themselves. For example, instead of hiring external consultants, executives are turning for advice to peers through platforms such as the California-based Alliance of Chief Executives, which provides a private, confidential environment for CEOs to learn from their peers, gain from them a deeper understanding of the changing business environment and discover new opportunities (www.allianceofceos.com). They say these networks offer them advice they can trust and that their peers, unlike consultants, who are concerned about losing a contract, are unlikely to pull any punches in offering advice. This is a very different model for providing advice to senior business leaders. Instead of supplying consultants, organizations such as the Alliance create platforms for users to counsel one another.

The boundaries between industries and between customers are being reshaped. Starbucks Corp. is now selling music in addition to beverages and food, and even experimenting with allowing customers to develop their own customized soundtracks. Procter & Gamble is taking a networked approach to marketing, calling upon networks of “buzz agents” to serve as an auxiliary sales force. In 2001, it started Tremor, a project that drew together a quarter of a million teenagers to help pitch products of P&G (and other companies) to their friends. In 2005, P&G launched Vocalpoint, a word-of-mouth program that grew to more than 600,000 mothers who shared samples, coupons and opinions with their friends. P&G has harnessed the power of hundreds of thousands of teenagers and mothers into two auxiliary sales forces. Such engagement is proving to be increasingly significant to marketing success. Some recent studies have shown that engagement is eight times as important as gross rating points in generating advertising impact.

Very often the mental models embodied in conventional wisdom about marketing are the greatest obstacle to creative thinking that can increase both rigor and relevance. One method of shifting mindsets can be seen in the strategy of reverse mentoring, in which young mentors work with more experienced managers to help them understand new markets and new technologies. Could a similar project be undertaken to expose...
academic researchers to the demands of managers or vice versa? There are other tools for sparking new insights, such as inviting radicals to the table, as IBM Corp. has done, or setting up an initiative to “destroy your brand” as General Electric Co. has done. These and other approaches can help to probe our current models for weaknesses and point the way to new ones. If the mental models no longer fit the current context, they need to be changed.

**These seven strategies** are just a start. They are not exhaustive. We need to explore other approaches to increase rigor and relevance and improve the outcomes. We need rigor without rigor mortis. We need relevance without relativism. We will only develop creative approaches, however, if practitioners and academic researchers work together to look at rigor, relevance and the resulting outcomes. This work requires close collaboration.

As difficult as these changes may be, we have no choice but to begin to rethink marketing if we are to be relevant to the challenges of this transformed world and produce rigorous solutions to address these challenges. When the world changes, we need to change our mental models. Otherwise, like generals who are fighting the last war, we will be trapped by the past. Marketing practitioners and academic researchers need to recognize that our own battlefield has changed. We need to work together — in industry and academia — to develop new thinking, frameworks and tools designed for this new world.

**Yoram (Jerry) Wind** is the Lauder Professor and a professor of marketing at the Wharton School of the University of Pennsylvania. He is also founding director of the SEI Center for Advanced Studies in Management, the founder and academic director of the Wharton Fellows Program; and the founding editor of Wharton School Publishing. Comment on this article or contact the author through smrfeedback@mit.edu.

**REFERENCES**


10. Farris, “Marketing Metrics.”


**Reprint 49411.**  
Copyright © Massachusetts Institute of Technology, 2008. All rights reserved.
Articles published in MIT Sloan Management Review are copyrighted by the Massachusetts Institute of Technology.

Electronic copies of MIT Sloan Management Review articles as well as traditional reprints and back issues can be purchased on our Web site: sloanreview.mit.edu or you may order through our Business Service Center (9 a.m.-5 p.m. ET) at the phone numbers listed below.

To reproduce or transmit one or more MIT Sloan Management Review articles by electronic or mechanical means (including photocopying or archiving in any information storage or retrieval system) requires written permission. To request permission, use our Web site (sloanreview.mit.edu), call or e-mail:

Toll-free in U.S. and Canada: 877-727-7170
International: 617-253-7170
Fax: 617-258-9739
e-mail: smrpermissions@mit.edu

Posting of full-text SMR articles on publicly accessible Internet sites is prohibited. To obtain permission to post articles on secure and/or password-protected intranet sites, e-mail your request to smrpermissions@mit.edu.

Hyperlinking to SMR content: SMR posts abstracts of articles and selected free content at www.sloanreview.mit.edu. Hyperlinking to article abstracts or free content does not require written permission.

MIT Sloan Management Review
77 Massachusetts Ave., E60-100
Cambridge, MA  02139-4307
e-mail: smrorders@mit.edu