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Social business: a way to reinvent marketing

Necessity is the mother of reinvention. Social business (as opposed to social media) provides marketing a unique opportunity to reinvent itself by redefining its role in driving the business model
Mahesh Enjeti explains

The intent of this opinion piece comes from two global research projects, the MIT Sloan-Deloitte 2012 Social Business Global Executive Study and the IBM 2011 Global CMO Study. Its content however is shaped by my journey as a practising, consulting and educating marketer.

The term “Reinvention” is often viewed with indifference. Its association with “wheel” (as in “reinventing the wheel”) tends to suggest a retrograde step, a wasteful re-creation of something that already exists. It is not seen as providing a new lease of life.

Yet, marketing as a profession has over decades dramatically reinvented businesses, big and small, by targeting a different segment, repositioning an existing offering, modifying packaging, launching a new creative, discovering a new channel or enhancing value perception. Ironically, the discipline has not been able to reinvent itself despite the occasional effort to leverage a new mantra, management fad or mobile technology.

Unreal vision and stark reality

Marketing has long lamented about its diminishing relevance and eroding position. A chorus often heard is that the function is becoming even more synonymous with marketing communications, is considered a cost rather than an investment, mostly an afterthought to strategy, often a short term response to declining sales, and more recently regarded merely as the means to deliver websites and facebook ‘likes’. This view is somewhat exaggerated but not too far from reality.

Philip Kotler and co-authors captured this underlying sentiment in their recent article based on the IBM 2011 Global CMO Study¹. They suggest that marketing in its ideal form encompasses two fundamental principles:

- Full control of the marketing mix to deliver best value and
- Decision making based on solid understanding supported by hard data relating to customers and other stakeholders

Their analysis of interviews with 1700 CMOs from 64 countries and 19 industries² revealed a chequered picture in ratings out of 5: for exercising full control on the marketing mix and use of robust data (3.5), control of product (3.5) and control of place (3.2). Not surprisingly, marketers have the greatest control on promotion (4.2) and least on price (3.1).

Some might argue that fragmentation of marketing responsibilities, absence of a strong business orientation among marketers, growing marketing expertise among non marketers, and relative perceived unimportance of marketing in a growing service economy (where the producer is much closer to the consumer) may all have contributed to this current state. I would add to this marketers’ own inability to define and effectively deliver on their essential roles (as opposed to their titles) and our failure to clearly articulate the discipline’s core value proposition. How can we change this?

¹ “The Gap between the Vision for Marketing and Reality” by Philip Kotler, Bobby J. Calder, Edward C. Malthouse and Peter J. Korsten, MIT Sloan Management Review, September 18, 2012

² 17% of CMOs were from North America, 35% from Europe, 4% from Japan and 44% from Growth markets; they worked in Communications (16%), Distribution (36%), Financial Services (24%), Industrial (21%) and Public sector (3%)

The MIT Sloan-Deloitte 2012 Social Business Global Executive Study provides some useful cues and clues.

How social meets business

Before we dive into any detail, it is important to restate how social business was defined in this study: “Activities that use social media, social software and social networks to enable more efficient, effective and mutually useful connections between people, information and assets. These connections can drive business decisions, actions and outcomes *across the enterprise* (emphasis added)”.

In addition to 3478 participants from 24 industries across 115 countries, the study³ included interviews with thought leaders and business executives and a review of recent research in social business.

The Report is peppered with meaningful examples of how companies are deploying social business to deliver enterprise wide value. SUPERVALU, the third largest grocery chain in the U.S. used Yammer as a collaboration platform for 4300 store managers to share successful promotions and store displays through videos and posts. In one live test, participating stores recorded a 13% increase in sales compared with the rest.

Pepco, a utility company, in a highly regulated energy industry is employing social gaming to entice customers to reduce their electricity consumption.

Social business is reaching out to people within IBM while also providing tools to interact with partners and clients.

The idea for Lego’s Minecraft Micro World came from a Lego fan. More importantly, it caught management’s attention because of the 10 000 votes it received within just 24 hours.

An iconic fast food chain, a large media outfit, an insurance provider, a financial services giant, an almond growers’ association, an enterprise software company, a leading edge research facility have all used social software in some form (Facebook, Chatter, Twitter, Yammer, the cloud, a dedicated webpage and so on⁴) to make business happen.

The examples cited might suggest that the big end of town has alone been active in embracing social business but the survey reveals that management support - a critical ingredient for social business success - is stronger in small companies (those with fewer than 1000 employees) and large enterprises (those with more than 100,000 employees).

A sizeable opportunity, a seizable initiative

What has all this got to do with reinventing marketing, the sceptical and impatient among us might wonder. The MIT Sloan-Deloitte Study⁵ surfaced a few pointed insights:

- Marketing, sales and customer service are most responsible for driving social software
- The most important use of social software is for managing customer relationships followed by innovating for competitive differentiation.
- Importance of social business is expected to rise across industries by 250% in three years.
- Chief Executives, presidents and managing directors recognise the relevance of social business to their organisation at twice (or nearly twice) the rate of CFOs/CIOs

³ Although somewhat skewed in terms of its sample representation, the survey included regions and industries with a greater propensity for social business

⁴ My take - the software is only the medium, what matters is the engagement through the message

⁵ The full study can be accessed at <http://sloanreview.mit.edu/feature/social-business-value/> by registering

- Metrics may not be critical when companies are experimenting with social software but can help managers assess, encourage and reward behavioural changes, even shift corporate culture as social business gains momentum

The key implications are that, as drivers of social software, marketers can potentially take ownership of social business and leverage it to inform and influence enterprise-wide outcomes, from leadership through operations to HR, not just marketing (for example, customer relationship, co-creation). Now is the time to act (three years could be too late). We have a rare opportunity to become more visible at the C table and metrics should not be the tail that wags the dog.

Kotler *et al's* analysis of the IBM CMO study suggests that while some industries may not favour marketing, neither a company's industry nor its location has a direct bearing on its marketing orientation. Organisations that have high control over the 4Ps⁶ and data use were also found to be more progressive in embracing new forms of marketing, better prepared to deal with change and complexity, and outperformed the rest of their industry in financial results. Interestingly, high regard for marketing by other C-suite executives is inferred to be the cause rather than the effect of marketing success.

My premise is that marketing can reinvent itself by utilising social infrastructure beyond customer conversations and listening posts to provide invaluable insights into re-jigging the underlying business model rather than use it as a mere channel for communication. This will enable us to reclaim our role as creators of value for the *business* as much as for the consumer. However, if we get buried in the mechanics of social media campaigns and monitoring of tactical metrics, this all important responsibility could be usurped by another function.

How can social business transform marketing?

Social business can help improve many of the decisions we make today from the mundane to the life-changing.

Customer feedback sought by organisations is often likely to capture extreme views (the very positive or the very negative). Monitoring social conversations can not only track the reactions to these extremes but also help read the 'median' pulse. Even if the research is not always a true representation of the universe, it would help marketers to be better informed and more proactive.

Social software can be a useful gauge of customer perception of value. Its spontaneous, real time, *in situ* estimate of value can be more meaningful than the most sophisticated, quantitative attempt to measure it. Given that pricing is one of the areas on which marketers have the least influence, a dynamic monitor of how people perceive, articulate, validate or even reject the value of a purchase in an unprompted environment can provide useful cues on pricing decisions.

Social can also make or break a business. Research is a good example. In the past, a nonconformist view from a focus group participant would have been buried in "aggregated" research findings denying the business any opportunity to test or pursue a 'left field' product idea. More seriously, it may even have led to ignoring the potential threat of a disruptive innovation from a little known competitor (or an emerging substitute).

Social infrastructure will allow businesses the ability to sense, validate and respond to these undercurrent shifts in ways that were previously unimaginable. If marketing is able to test some of these concepts in an online research community or similar forums, its contribution could be invaluable to the business. The New Coke fiasco of the mid-1980s would have been a far less expensive experiment in a social business enabled world.

⁶ The 4Ps are arguably the greatest boon to marketing mankind as well as its worst curse. They condition marketers to think inwardly. Social business can bridge the gap between the organisational and consumer view.

Bring in the new but don't ring out all that's old

The new social business order will require marketers to rediscover the fundamentals of the discipline.

A necessary by-product of social business is Big Data. Massive amounts of 'dynamic' data points will require even greater skills in analysis and interpretation. Insights will go beyond discrete learnings to visualisation of whole patterns.

On the flip side, behavioural data in the absence of knowing the underlying drivers can be meaningless. As neuroscience keeps unearthing the power of the subconscious mind, savvy marketers will realise that Big Data needs to coexist with traditional and new motivational research.

The individualised nature of transactional data should not lead us to undermine the importance of market segments either. A marketer needs to see the trees as well as visualise the wood. Understanding segment behaviour is the key to creating demand; knowing the customer as a person and an individual is the means to satisfying it. Social business should balance the opportunity to enter people's lives with the risk of intrusion whenever or wherever.

Blend brand and business

The MIT-Deloitte study concluded that "Social tools allow small companies to appear larger than their actual size and large companies to portray themselves as less than corporate behemoths". This has implications for organisational culture and business/brand behaviour. Social business can help align a brand more closely with the business and vice versa.

Marketers are sometimes obsessed with brand expression to the point of disregarding brand experience – leading to a disconnect between brand promise and delivery. Understanding the people and the processes within an organisation that deliver the brand experience is as important as learning how well a brand's creative, visual or verbal identity resonates with the consumer. Social business serves as the missing conduit. Strategically-driven marketers will know that "A brand is *not* a function of marketing. It is the very foundation of a business."⁷ Marketing cannot hope to reinvent itself as long as the brand is viewed as distinct from the business it represents. Brand behaviour is business behaviour⁸.

Al Ries suggested in the *Advertising Age* last November⁹ that marketing no longer holds the same relevance as in the 1950s, when "The marketing department established for the engineer, the designer, and the manufacturing man what the consumer wants in a given product, what price he is willing to pay, and where and when it will be wanted". Instead Ries argued that Marketing today is the preserve of the top management and a marketer's role is essentially branding.

While I agree with Ries' surmise of the state of marketing, I am disappointed with his interpretation of Branding (as largely distribution and awareness) and its seeming divide from the rest of marketing and the organisation.

Change and challenge

Reduced to its basics, social media is digitised conversation and social business merely virtual management through 360° stakeholder engagement. It is the way business always ought to have been done but never had the tools for. Marketing now has the wherewithal. But do we have the will?

Adopting the social business paradigm requires courage and conviction and will not be without its challenges and conflicts, temptations and threats. It will be accompanied by a greater diversity of talent, cross industry hiring, emergence of the generalist marketer, the disappearance of the divide

⁷ www.saimarketing.com.au

⁸ www.saimarketing.com.au

⁹ 'Let's get real: It's not Marketing we do today, it's Branding'.

between products and services, the coming together of neuro and behavioural data, a new era of brand custodianship and more.

The biggest challenge (apart from the pressures of ROI) will be in the area of corporate social responsibility. Social business will extend the reach of CSR from the community to the individual. Unbridled consumerism, deliberate product obsolescence, poor data security, privacy violation, disrespect for the consumer or environment will each have the potential to disrupt the fortunes of companies, large and small.

The marketing 'wheel' has come full-circle. It's now time for us to hold it by its spokes and steer it as a segue to our reinvented future.

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