Changing the rules of the marketing game

Simply giving customers what they want leads to product homogenisation, says Gregory Carpenter. To gain an edge, companies must also shape what customers learn.

Driven by intense competition and increasingly sophisticated customers, business is rushing to "get close to the customer", to become "market driven".

Industrial giants such as General Electric, consumer goods leaders such as Unilever and rapidly growing smaller organisations such as 3Com are initiating or resuming a dialogue with customers, scrutinising market research, drawing on new ideas to improve products, building stronger customer relationships and reorganising to speed products to market. They are, in the classic definition of the marketing concept, seeking to "give customers what they want".

Though the benefits to customers have been enormous, the rush to embrace the marketing concept has had some unanticipated consequences.

In many cases competitors are speaking to the same customers, analysing similar if not identical market research data, drawing new managers and new ideas from the same sources and benchmarking the same companies. As a result they are approaching markets with the same perspective and producing products that, while offering high value, are competitively indistinguishable.

This lack of differentiation presents an important challenge to the marketing concept. As a result, the concept itself is evolving.

The current view of marketing is that it is about "giving customers what they want". Companies should learn what buyers want and devise efficient ways to deliver it. Marketing is essentially about discovery. The core assumption is that buyers know what they want.

The evolving marketing concept challenges this view. Increasingly, strategies are being built on the idea that, at least initially, buyers do not know what they want but instead learn what they want.

Under the conventional view of customers, how they perceive, value and select brands are the essential "rules of the game". Every competitor must play by these rules. On the other hand, if
buyers learn what they want, then brand perceptions and preferences are outcomes of the learning process. The rules of the game, in other words, evolve as buyers learn. That evolution depends, in part, on what companies teach buyers.

For example, Motorola, Nokia and Ericsson are shaping buyer perceptions of cellular phones, the features customers value and how buyers choose a cell phone. Brand strategies play a central role in defining the rules of the game.

The emerging concept suggests that marketing is part learning — gaining an understanding of what buyers know now and of the process of buyer learning — and part teaching — playing a role in the buyer learning process. It is about being market driven and “market driving”.

**Consumer learning**

At the root of much consumer learning are goals that motivate it. All individuals and organisations have goals that they seek to achieve. An individual goal might be “to look younger”; a corporate goal might be “to be number one in the industry”.

Individuals and organisations turn to brands to achieve those goals. Many of the brands or products we turn to are obvious. To provide transportation we look for an automobile and to protect ourselves from the elements we buy clothing. Over time, the goals associated with product categories and brands grow from a simple set of functionally orientated goals to a more elaborate set of functionally and emotionally orientated goals.

The recent popularity of sport-utility vehicles is illustrative. These provide their owners with valuable functionality: transportation that is safe and reliable in most weather. But they also satisfy other less obvious, though no less important, goals.

For the frazzled, often anonymous suburbanite, a sport-utility vehicle can provide a sense of independence, distinctiveness and ruggedness. Buyers have learned that these goals, although not naturally linked to the family car, can be achieved by owning a sport-utility vehicle.

Through a similar process, links are learned between brands and customer goals. The goals associated with brands differ from brand to brand in the same category.

Among sport-utility brands, Mercedes-Benz provides safety and prestige, Range Rover enables its owners to portray themselves as refined individuals who are sensitive to tradition and Lexus provides peace of mind and a modern, smart self-image.

These links between brands and goals are created and nurtured over time. Some are built inadvertently. The popularity of Harley-Davidson motorcycles with motorcycle clubs has enabled Harley-Davidson to link its brand with buyers’ desire for a rough, rebellious image. However created, these links are a fundamental result of consumer learning.

The concept of brand–goal links has important competitive implications. The conventional view is that the customer compares brands along only one dimension, making comparisons across brands simple. In more formal economic terms, the customer seeks a single goal—utility.

The emerging view is that buyers seek many different goals and that within the same category some brands can be linked with multiple goals in unique combination. Volvo has successfully linked both “be a responsible parent” and “add excitement to my life” to the Volvo brand through its new V70 station wagons, which combine a high-performance engine with a family car, blurring the traditional distinction between “sports car” and “family car”.

By successfully linking these goals — along with the “safety” so long associated with the brand — Volvo has defined the brand as delivering value that no other can. Brand–goal links such as these, built through strategy and learned by consumers, make the similar incomparable.

**Brand perceptions**

Initially, of course, we have no perceptions of any brands. All our brand perceptions are learned. They have a number of important properties.

First, perceptions of brands in the same category are not necessarily equal. We may have a richer, more complex set of associations for “Coca-Cola” or “Jaguar” than we do for “Cott” or “Mitsubishi”.

A richer set of associations can increase the ease with which we recall a brand, affect our feelings towards it (increasing trust or confidence, say) and affect our price sensitivity. It is hard to justify a price premium for a brand we know little about.

Second, even brands with the same associations can be perceived differently because the vividness of those associations differs. Both Levi’s and Lee jeans are “American”, “rugged”, associated with the American West, and similarly designed and priced. Yet perceptions of Levi’s are likely to be more powerful and more vivid. These differences are the result of brand strategy. We are certainly not born with richer perceptions of Levi’s or Coca-Cola.

The process of acquiring brand perceptions has important implications for the marketing concept and for the nature of competition. If consumers
know what they want, then they establish the perceptual dimensions along which they perceive brands and all brands are subject to them.

To be sure, Mercedes and Lexus can be perceived differently along those dimensions and one can be perceived as superior to the other. But both are evaluated along the same dimensions. The objective of strategy in that case is to discover and respond to the established perceptual criteria.

On the other hand, if buyer perceptions are learned and if that learning depends on brands' strategies, then marketing's objective is very different: to influence the evolution of perceptions in a way that competitors cannot effectively imitate. The

an effective wound preparation and, generalising from this observation, inferred that the effectiveness of petroleum jelly lies in its translucence and purity.

Subsequent trials and advertising confirmed this conjecture and translucence became favoured over opacity in the petroleum jelly market. That preference structure prevails today, over 100 years later.

**Decision making**

Buyers learn how to choose brands. The conventional view is that buyers consider all the alternatives, evaluate their differences – making the necessary trade-offs – and ultimately choose the brand that maximises self-interest.

Implicitly or explicitly, this model of consumer decision making is the foundation for much current

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**Brand preferences**

In every category, our knowledge of how products satisfy different goals is learned. To see this, consider a market over its life. Initially, buyers have no idea how to value product attributes and thus no way to evaluate alternative brands.

Buyers may sample several brands, liking some more than others. This experience triggers the process of consumer inference. "What are the characteristics of the ones I like and the ones I don't?"

Obvious differences in brand or attributes are assumed to be the "cause" of these differences. You may conclude that you have a preference for a brand or some combination of attributes.

If you prefer Starbucks coffee to other brands, you might judge that you do so because of the darker roast and particular blend of beans. In reality, of course, the source of a satisfactory outcome can never be precisely determined. Many consumption experiences are ambiguous (for example motor oil, batteries and many professional services).

Nevertheless, buyers form a naive "theory" relating brand features to satisfaction, which is reinforced by advertising and repeat purchase. In the process, preferences form and evolve through the interaction of buyer experience and brand strategy.

This suggests that what customers want depends on what customers have experienced. Brand strategy plays a defining role in this evolution and can have enduring consequences. Consider the case of Vaseline petroleum jelly.

Introduced in 1880, Vaseline was advertised as a healing agent of unsurpassed purity. Competitors at the time offered jellies based on black coal tar derivatives. Sampling Vaseline, a translucent, highly pure gel, buyers learned that its attributes produced

thought about marketing. For example, many market research methods are built on it. It implies that buyers use only one decision strategy – maximise self-interest by considering all the alternatives along all the dimensions on every occasion.

In fact, people make decisions in many ways, responding to the situation and the need. We draw on a repertoire of decision rules. In purchasing a battery we use a very different decision process than we would in buying jeans or selecting a car.

In selecting a battery, use is uninformative, so we might consider only brands we have tried, ignoring cheaper alternatives as too risky. In the case of jeans, we might compare all brands to Levi's, not to one another. In choosing a car, we might consider only brands that meet some minimum level along certain dimensions (for example, quality, safety, fuel economy) and then select among those brands along another dimension (styling, price).

The decision rules buyers learn depend on the strategies brands pursue. If all brands deliver value with respect to the same goals (for example, video recorders) and comparison of brands is easy, buyers may simply exhaustively compare alternatives.

In more complex situations, buyers may resort to strategies that simplify things. For example, in a market with many brands, each with a complex goal structure (for example, shampoo), comparisons are difficult. Buyers may use simpler decision rules – buy the one on special offer or the one recommended by a friend.

**Competitive advantage**

Consumer learning has profound implications for the nature of competition and competitive advantage. If buyers learn what they want, competition is less a race to meet consumer needs than a battle
over how perceptions, preferences and decision making will evolve in a market. It is a battle over
the rules of the game. Below are two cases that illustrate this.

**Pioneering advantage**

In many markets, the pioneer (first entrant) outsells
the others in its category, in some cases for
decades. Brands such as Wrigley's chewing gum,
Cerber baby food and Kleenex tissues have
retained the largest shares of their markets despite
numerous competitive entries.

The traditional view of the marketing concept is
that pioneers have higher shares because they
have pre-empted the "best position" in the market,
leaving less attractive positions for later entrants.

The consumer-learning view is fundamentally
different. On this view, prior to the pioneer's entry
the category is ill-defined. Buyers do not know what
goals to attach to brands, how to perceive differ-
ences between them, the value of those differ-
ces or the best decision strategy. The rules of the
game are yet to be defined.

The pioneer plays a defining role in the market.
It builds the first brand-goal links, defining the basis
of value for the category, and it begins the process
of establishing brand perceptions. As a result, the
pioneer is often strongly associated, even synony-
muos, with the category (think of Kleenex or Xerox).
Such brands come to mind more quickly and
reliably and are perceived more vividly than later

**Product differentiation**

Consumer learning occurs in mature markets too.
Product differentiation is one excellent example.

The classic view of product differentiation is that
it is about discovery: finding a relevant, widely val-
ued but unsatisfied dimension. This approach
implicitly assumes that buyers value some aspects
of a product that have simply been ignored. Once
all valuable attributes have been discovered, further
differentiation is impossible.

The consumer-learning perspective suggests, in
contrast, that differentiation can be successful even
if no "undiscovered" dimension of preference exists.
It is possible so long as a new dimension exists that
buyers can learn is valuable. The differentiating
attribute need not be relevant, valuable and mean-
ingful to buyers. It can be irrelevant. This strategy
"meaningless differentiation" is widespread.

For instance, Alberto Culver differentiated Natural
Silk shampoo by advertising that it "put silk in a bot-
tle". A spokesman for Alberto Culver later told Brand
Week, however, that silk does "nothing for hair".

How can an irrelevant attribute become a mean-
ingful basis for differentiation? First, a brand with it
attracts attention. Facing the shampoo shelves, the
consumer's eye might be caught by Natural Silk's
claim to include real silk. That moment of attention
might produce an inference that the product must
be valuable. Using the shampoo successfully might
confirm this. Buyers may even come to believe that
the silk causes the shampoo to work well.

Second, an irrelevant attribute simplifies brand
choice. For example, when choosing among three
very similar brands of shampoo, consumers have
an incentive to infer that the irrelevant attribute is
valuable; by doing so, they can dismiss the two
brands without it, leaving an unambiguous choice.

**Conclusion**

Throughout the evolution of the marketing concept,
the basic notion that advantage can be created by
giving customers what they want has remained
unchanged. All that has changed is the way in
which customers are satisfied.

Today, organisations are gaining a deeper under-
standing of customers. They are learning about the
goals they hope to achieve and then creating pow-
erful links between those goals and their brands.

Good companies are giving customers what
they ask for. But great companies are creating mar-
kets, even ones that customers have never envis-
aged, shaping their evolution and producing com-
petitive advantage unattainable a generation ago.

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entrants, making the pioneer the "standard". It is
often the brand buyers sample first. All brands are
compared to it and all suffer by comparison.

Attacking such a brand is a daunting proposition.
A later entrant may position itself near the pioneer
because that is what consumers request. It will then
invariably be compared to the pioneer. But without
the rich, vivid perceptions that the pioneer evokes,
the competitor will be overshadowed.

On the other hand, if a later entrant positions
itself away from the pioneer, it will suffer because,
although more differentiated, it is now less ideal. It
will also evoke less vivid, weaker perceptions and
have less influence in the decision process.

Pioneering advantage arises not simply from
playing the game first and thus better; it arises from
defining the game that later entrants must play. The
challenge for later entrants, therefore, is not to play
better than the pioneer but to change the nature of
the game, just as Gillette is doing through new
shaving technology and Starbucks is doing through
strategic innovation in the US coffee market.