QUARTERLY

MarketingNews

AMERICAN MARKETING ASSOCIATION AMA.ORG FALL 2021

LOST IN THE HAYSTACK

We're losing the customer in the big data pileup

AMERICAN MARKETING ASSOCIATION

Guiding Light

Just as a keel keeps a sailboat centered and sturdy against strong gales, so must marketing leadership serve as a steady, forward-thinking guide for teams burdened by the toppling forces of ever-shifting market trends and customer behavior.

In the abstract, leadership has become a fluid concept. It is much more incumbent upon leadership teams these days to pay heed to the well-being of their employees, who have been battered by the unforgiving elements of a global pandemic, years of inequity or exclusion, or even a management style that's far too conservative. This era upon which we embark, the "Next Normal," calls for a considerable degree of imaginative spark, while still maintaining a happy corporate culture.

Russ Klein, CEO of the AMA, calls the next evolutionary step in leadership, "Leadership as a Service (LaaS; page 4). "Transformational leaders," he writes, "should clearly explain how they've reached decisions in an effort to build a learning organization that rewards curiosity and uses failure as a teacher, too. Doing so will send a positive signal to others to practice finding and using their own mentors. This is an allied tool to internal co-creation."

Adaptation, leading with empathy—not so unfamiliar convictions. It's up to leadership to put them into practice.

JULIAN ZENG
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The Service of Leadership

In a whiplash "post-pandemic environment," employees, customers and investors have looked to their leaders for guidance and comfort. Leaders who want their organizations to meet this moment and succeed long-term need to move away from the status quo and change their approach to how they'll lead the necessary transformations.

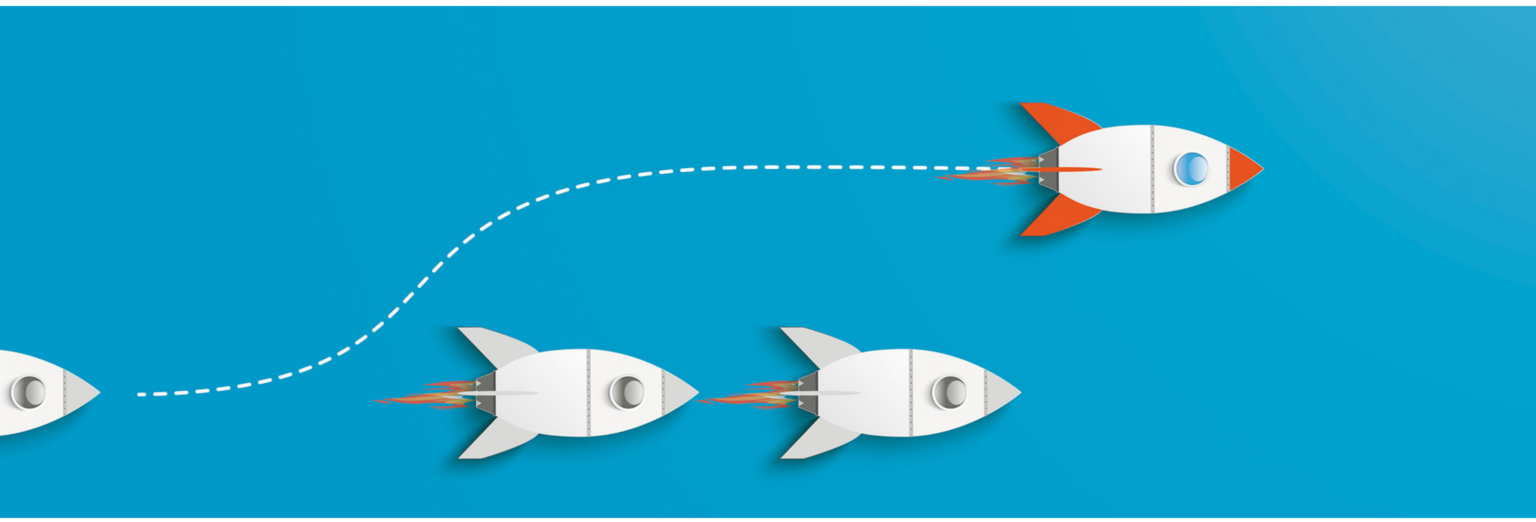
Transformational leaders are continually thinking about what their organizations should become, anticipating how employees and customers will react and change as context and the world around us changes. My own experience on this topic has been a journey of growth. I once thought, as a leader experienced in successful turnarounds, that change management and transformations were one in the same. They are not. I learned this firsthand in a humbling chapter of my time as CEO of the American Marketing Association. In short, I tried to transform the AMA before it had the capacity for transformation, mistaking my experience in turnarounds via change management for true transformation. They are both important skill sets. There can be change without transformation, but not transformation with only change.

Transformational leadership requires a vivid idealization of a future state. It requires inspiration, whereas successful change management can be brought about with effective motivation only. Transformation must be achieved through co-creation, a process desired but optional in change management. Lastly, transformation must enroll employees and stakeholders in a vision in which they can see themselves playing meaningful and fulfilling roles.

Transformationalists must project confidence and optimism in the face of ambiguity, uncertainty, volatility and complexity. In fact, solving for complexity has been cited by experts as the most important skill for a CEO.

Corporate America and every organization is hopefully aware of the concept of servant leadership, which recently experienced its 50th anniversary as a form of "modern leadership." Robert K. Greenleaf first coined the phrase "servant leadership" in his 1970 essay, "The Servant as a Leader." However, it's an approach that people have used for centuries. As a servant leader, you're a "servant first"—you focus on the needs of others, especially team members, before you consider your own.

Organizational dynamics and what constitutes an effective leader have continued to evolve. Work done by various research entities suggests the concept of servant leadership has endured even after hitting its golden anniversary. Today's leaders are expected to be open, transparent, empathic and teachers, all qualities congruent with servant leadership. However, I see a distinct evolutionary stage of servant leadership in a concept called Leadership as a Service (LaaS).



While fractional leadership consultancies are not new and have become a cottage industry in their own right, there is another way to evaluate such resources in the context of LaaS. Perceptions of pro-tem leadership talent parachuted in from outside organizations generally do not enjoy the same esteem as full-time leaders inside organizations. LaaS is a framework for full-time leaders to create value in their organizations with more precision—especially as organizations gain a better understanding of the distinctive difference between change management and true transformation.

Leadership as a Service makes clear the value of responsibility versus accountability. The example I use is from when I was president of Burger King. The person on the shake machine is responsible for making shakes, but they are responsible for noticing other pressing needs such as an elderly person struggling to open the front door. A responsible employee knows they can stop making shakes for 30 seconds and go to help the customer get in.

Power of continuity is establishing a safe and stable workplace in which we can deepen institutional knowledge, develop mastery of skills, and grow trust through shared experiences and tacit knowledge. Leadership as a Service recognizes that "employees are the new consumer." Employees in 2021 have experienced extraordinary mental or emotional pressures and they expect to use smarter, more flexible working practices and to work for leaders who are effective, authentic and compassionate. They want their leaders when and where they need them but insist on empowerment with autonomous, independent decision-making, not micro-management. Transformational leadership often involves major structural change (acquisitions, disposals, partnerships and organizational redesign); widespread deployment of new technologies; considerable effort; and cultural change.

Transformational leaders—both in the C-suite and in critical roles in the organization (i.e., a head of a business unit)—should clearly explain how they've reached decisions in an effort to build a learning organization that rewards curiosity and uses failure as a teacher, too. Doing so will send a positive signal to others to practice finding and using their own mentors. This is an allied tool to internal co-creation.

Today's leaders should no longer have the orientation, "Build to last"—they must build to adapt. In this role, they must navigate ever-changing uncertainty to work the edges of the organization. Not unlike military leaders in the Middle Ages, transformational leaders don't sit back and send others to the edges of conflict (or unclear opportunities)—they are out front, at the edge of the known, seeking to make sense of what others may not see.

LaaS means leaders are always seeking a contextual understanding of their organization, keeping a finger on the pulse and awareness of those at the "edges" or frontline who require clear communication, alignment and inspiration to deliver on the vision. As politicians and rock bands continue to tour in front of their fans, there's no substitute for being there as a CEO either. It's why in seven years at the AMA, I have never said no to an AMA chapter invitation.

Successful transformation requires harnessing the leadership team and organization's collective intelligence, energy and experience. The type, degree and magnitude of change in a transformation demands too much for an individual or small team's capacity, especially considering that it can take between seven and 10 years to take effect. That's right, transformations are almost never completed in fewer than three years.

Transformational leaders empower others to operate with relative autonomy. Only in this way can an organization move at the speed of trust. They must encourage team members to think, learn and act differently, finding new ways to create value for customers by activating their entrepreneurial spirit.

Consider evolving your own style to Leadership as a Service to get the most efficient and effective return on your time, effort and talent.

RUSS KLEIN
CEO

Digital Marketing Spending Soars

Results from the 27th edition of The CMO Survey show that marketer responsibilities and strategic roles have increased against a rise in digital spending

BY CHRISTINE MOORMAN | FOUNDER AND DIRECTOR, THE CMO SURVEY

Digital marketing spending has grown to comprise 58% of marketing budgets, reflecting 15.8% growth over the last year, and is projected to grow by 14.7% in the next year. In the wake of this spending, the 27th edition of The CMO Survey finds that digital marketing is the No. 1 responsibility reported by marketers, superseding a dominant historic focus on brand-related activities. These and other results are based on a sample of 282 top marketers at for-profit U.S. companies, 94.1% of whom are VP-level or higher.

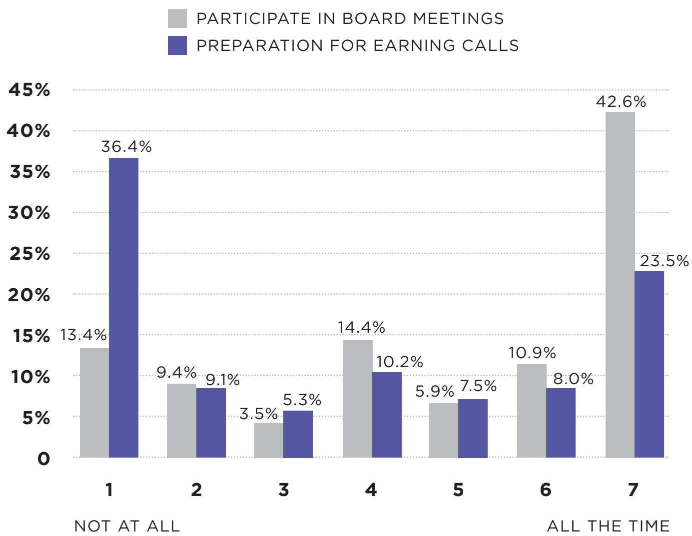
The pandemic has prompted many companies to undergo a rapid transformation in their go-to-market models. More companies report moving past the nascent phase of their digital transformations (31.1% in this phase a year ago to only 8.6% today) and into emerging (53.1%), integrated (26.9%) or institutionalized (11.4%) phases. Marketing leaders report being asked to lead 73% of the digital transformation in companies, challenging assumptions that such processes are managed primarily by technology leaders.

Marketing leaders are also asked by their CEOs or CFOs to participate in board meetings (at a rating of 4.9) and in the preparation for earnings calls (at a rating of 3.6 on a 7-point scale where 1=never and 7=all the time) more than ever. Although there is room for improvement, these encouraging results indicate marketing leaders are earning a seat at the table more than is suggested in the popular press.

As CMOs earn opportunities to spotlight the role of marketing with key stakeholders, they face increasing pressure to signify the value of their marketing efforts, with 59% of marketing leaders reporting increased pressure from CEOs and 45% reporting increased pressure from

How often is the senior marketing leader asked by the CEO or CFO to participate in board meetings or earning call preparations? (1 = never, 7 = all the time)

	Board Meetings	Earning Calls
Average Participation	4.9	3.6
% of Companies Above Average Participation	59.4%	49.2%
Who Participates More	Companies with: • >10% Internet Sales • $26-$99M Revenue • 1,000 to 2,499 Employees	Companies with: • >10% Internet Sales • $26-$99M Revenue • 100 to 499 Employees



SOURCE: THE CMO SURVEY

CFOs. Most marketers report that they are able to show the short-term impact of marketing spend using quantitative tools, while the majority report that showing the long-term impact remains more of a qualitative assessment.

Considering the specific metrics used, marketing leaders report that sales impact and customer engagement make up almost 50% of the evaluation. Consistent with this finding, sales revenue and digital performance are the most consistently tracked marketing outcomes. Metrics such as brand equity value and customer lifetime value, on the other hand, are rarely tracked. Marketers expect the use of artificial intelligence or machine learning for prediction and measurement to triple over the next three years.

Overall marketing spending increased by 5.2% over the last year and is expected to grow next year by 13.4%. Traditional advertising spending projections increased for the first time in a decade with expected growth at 1.4% for the next year. Marketing expenses as a percentage of company revenue declined for the first time since 2017, but climbed as a percentage of company budget. Given the growth in overall marketing budgets in the past year, evidence suggests that revenue climbed more during the same time frame, driving down marketing expenses as a percentage of company revenue.

Marketers' optimism for the U.S. economy rebounded beyond mid-pandemic levels and started to stabilize around pre-pandemic values. Optimism hit 69.6 (out of 100), up from 66.3 in February 2021 and up dramatically from 50.9 at the height of COVID in June 2020. Consistent with this, marketers report large increases in revenue gains (11.1%) and profits (10.4%) following only 0.3% revenue gains and 2.6% profit gains in February 2021. The Delta variant has tempered optimism for the next quarter, but, overall, marketers report a more optimistic outlook for their largest revenue markets.

Considering human capital issues, companies report an average increase of 10.6% of marketing spend on diversity, equity and inclusion (DEI) in the past year, up from 8.9% just six months ago. Against that spending, marketers report more changes to the DEI of marketing training, segmentation/targeting, product/service design, and partnerships. At the same time, companies are making minimal changes to their marketing strategies to reach more diverse customers. In fact, almost a quarter of companies are not changing their marketing strategies at all, citing difficulty envisioning and assessing the value of DEI-related opportunities as the top barriers.

When asked about how post-pandemic work-from-home opportunities are impacting their marketing organizations, marketing leaders report more opportunity to hire people who want to work from home (74%) than to lose (33%) these workers. Likewise, marketing leaders report more opportunity to hire people who want to work from office (62%) than lose (12%) these workers.

Complete results of the 27th edition of The CMO Survey, including detailed marketing and performance trends across industries, can be found at cmosurvey.org/results. MN

Five Things CMOs Should Understand About Market Research

Marketing leaders, it's time to abandon your old habits and make a significant investment in an overhauled market research strategy

BY HORST FELDHAEUSER | GROUP SERVICES DIRECTOR, INFOTOOLS

Pressure on CMOs and marketing departments has been increasing for years, and the past year has acted as an accelerator. Digital transformation, growing expectations from customers and internal audiences, shifting audience priorities and shrinking budgets are just a few of the challenges. Add the "proving ROI" layer on top of this and being a marketing leader is not for the faint of heart.

Consumer insights are at the core of the marketing function in many businesses, providing a foundation for customer-facing decision-making, communications, product development and more. While many see this as a cost center in their marketing budgets, I've repeatedly seen primary research deliver ROI for large organizations when treated as an investment. It is, as I outline further, business-critical—and there are ways to do it more effectively and efficiently. Over the years, I have identified a few things I wish CMOs and marketing leaders knew about market research and consumer insights. Here are five of them.

1 PRIMARY RESEARCH IS BUSINESS-CRITICAL

There has never been a more important time to understand consumer and business behavior. Primary research allows you to hear firsthand from your audience about their feelings, actions and planned actions on an issue or topic that is important to your business. From surveys to individual interviews, methodologies abound and can be customized to address questions that directly need strategic, data-driven answers. The bottom line: This kind of research is essential in gaining the in-depth insights necessary to stay informed of swiftly changing audience perceptions and overall market conditions. It's not the one and only, but should be part of your repertoire—it's worth the investment.

2 HOLISTIC CUSTOMER VIEWS ARE NECESSARY

While primary research, such as survey responses, can give you the "why," other data sets can give you the "what." For consumer insights to work, multiple streams of data must be brought together for the big picture. This can include everything from sales data, big data, business metrics, passive behavioral information, social listening data and more. Bringing everything together is the only way to deliver actionable insights for decision-making. And we need systems that can do this elegantly and with ease, so we can immediately see relationships among the data for better understanding.

3 CROSSTABS ARE A WASTE OF TIME (AND MONEY)

This outdated way of sifting through and reporting on data is costing valuable resources. And yet, researchers are still using crosstabs, hundreds of Excel tables with static data, like it's still 1990. Insights are hiding in your data that may not be easily revealed by doing simple crosstabs. Innovations are now available to allow insights to shine—and truly influence business outcomes—by offering interactive, dynamic, online analysis and reporting. These kinds of efficiencies can instantly deliver a data-driven foundation for insights generation and decision-making across a company. There needs to be a frank conversation among leaders and an insistence that things be done differently.

4 ENTIRELY NEW INSIGHTS ARE RARE

What we call "insights" these days is often not more than information. Those "aha" moments—the brand new nuggets of truth that shock and amaze us—are few and far between. However, the insights that we do glean from the data, "aha" or not, will provide a solid foundation on which to base decisions, providing a roadmap for every stakeholder in the company—including marketers, R&D departments, brand managers, salespeople and executive team members. But we need to make those foundational nuggets accessible without multiple time-consuming steps along the way, and this means leaving traditional, manual processes behind.

5 DATA HAS NO VALUE

That is, until it is shared and used for action. Companies make large investments in collecting and storing data, but the true value is realized when positive business actions and decisions are traced directly back to that data. The first step in this process is allowing stakeholders to interact with data, gain understanding from it and take actions prompted by that understanding. This doesn't have to be scary—different roles have different needs when it comes to data analysis and reporting. The right solution can offer tiered permissions and access that will allow people to dig into the data and find the insights that will drive better strategies. Give these people the power to get that value. Share knowledge, ideas and learnings widely, among teams, partners and other stakeholders. This is the only way to get a genuine ROI on data investments.

When everything around us is changing at a rapid pace, brands absolutely must stay a step ahead of their audiences in order to succeed. Now more than ever, an investment in market research can have significant payoff and a positive impact on outcomes. CMOs, it is time to maximize the value of your market research program by leaving behind cumbersome ways of doing things, and approaching the insights function with an eye toward the future. MN

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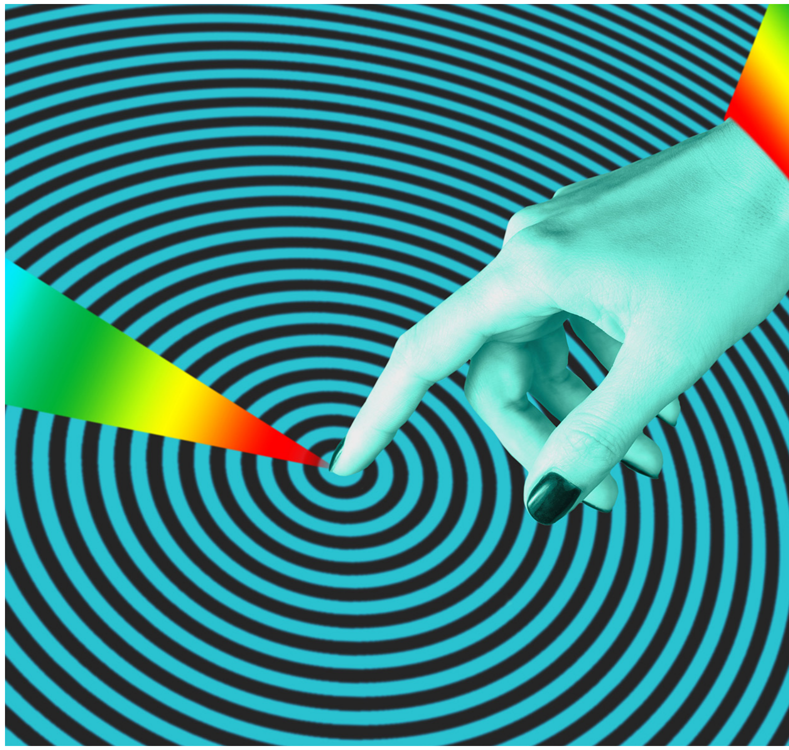
Creative Trends to Watch for in 2022



Three takeaways for marketing leaders from a study of creative teams

BY RUSS SOMERS | CHIEF MARKETING OFFICER, INMOTIONNOW

As we emerge from the pandemic into the Next Normal, marketers and business leaders are rethinking everything.

That's a sweeping claim, but I think it's true.

Many of us are redesigning our offices and work culture. Marketers are redesigning performance marketing models in the face of fast-approaching privacy changes to third-party cookie handling. We are redesigning business models to focus more on tactics like product-led growth—and less on a traditional marketing mix—to drive better outcomes.

When faced with such sweeping changes, design thinking—a process that starts with user insights, challenges assumptions and redefines problems—is a powerful tool that every marketing leader should be using.

And if you want to understand design thinking, there is no better place to start than by understanding your design and creative teams. How have creative teams evolved during the pandemic, what are they focused on now, and what can we learn from their approaches?

Research shows that creatives are faced with fewer resources and greater demand. They helped their businesses pivot to remote work last year by improving productivity and learning new technical skills. Further, and in contrast to the trend of bringing design talent and work in-house for the past several years, in-house creative teams are more inclined to partner with outside creative agencies and freelancers.

That's according to key findings in a new report based on a survey of 400 creatives and marketers. The fourth annual Creative Management Report by inMotionNow and InSource, a professional association for creatives, identified industry changes stemming from the pandemic, along with creative trends to watch over the next year.

These findings demonstrate just how much creative teams have evolved. More importantly, it underscores why marketing and business leaders have become increasingly reliant on creatives for that vital design thinking—not just for design and deliverables.

Below are three takeaways for marketing leaders.

1 Providing Strategic Value Is Now TableStakes for Creative Teams — Balanced with Speed, Resource and Volume Constraints

The study identified the top three challenges facing creatives as follows:

- The speed at which they are expected to work (73%)
- Too few resources to accomplish the work (61%)
- High demand for more creative content (59%)

While those are all familiar challenges to most creatives, what they did not identify as a top challenge is of equal interest: Respondents didn't identify "being seen as a strategic contributor" as among the top three—for the first time in the four-year history of the survey.

"We have a seat at the strategic table, but that's because we've earned it and we continue to earn it every day and raise the bar on what we can contribute," said Hank Lucas, head of creative services at global life sciences organization MilliporeSigma.

Lucas was one of five outside experts who contributed written analysis about the survey's findings to the report.

"We're not just here to make some pretty stuff," he said. "Tell us what you're trying to achieve and let us help you move the needle."

2 Creative Problem-Solving and Adaptability Were Crucial to Remote Work

In subsequent questions, respondents were more precise about the specific resource constraints presented as the pandemic unfolded. While 58% said their workloads had increased, about one-third said their teams experienced layoffs and furloughs. In addition, another 31% faced budget cuts which eliminated some of the technology tools that facilitate the creative process.

Despite the adversity, creatives rose to the occasion and brought their problem-solving talents and adaptability to bear. Most creatives (57%) claimed they "became more productive" despite cuts to budget and staff. Another two-thirds of respondents learned new skills such as video, livestreaming and podcasting, all of which proved pivotal to business continuity during remote work.

The resource constraints may have also prompted creative and marketing leaders to rethink the in-housing trend—that is, bringing design talent and work in-house rather than using external agencies—that's unfolded in recent years.

While in-house creative teams still manage much of the work, the majority (86%) reported that they currently partner with agencies and freelancers. Further, in 2021 about one-third of teams are planning to increase the work they send to outside resources. This creates new opportunities and demands for tools and processes for collaboration.

When prompted why they hire outside agencies, respondents stated that their top reason was in order to access specialized skills (64%). Subsequent responses were a need for increased capacity (44%), assistance with strategy development (24%) and quicker completion of work (20%).

"The beauty of working with freelancers is that you don't have to go through this whole hiring and onboarding process," says April Koenig, founder and CEO of Creatives on Call. "You can find people who have the targeted skill sets that you need and get them in and get the work done quickly."

She notes that approach may also help with fatigue and burnout, which have become critical leadership issues over the past 12 months. "This really helps alleviate some of the physical and emotional pressure that teams face when the organization is so reliant on them," she says.

3 Creatives Speak Data As Fluently As Marketers Do, with Powerful Reporting and Metrics

Don't be surprised if your creative leader starts your next meeting with data. Creatives have steadily turned to analytics and reporting to better understand—and justify to business leaders—their needs to greater resource allocation. Respondents indicated that the focus on metrics had clear objectives, including:

- Manage team capacity and resources (57%)
- Plan for future needs (51%)
- Foster continuous improvement (51%)
- Promote the value that creative delivers (44%)

Similarly, some of the top metrics creatives are tracking include:

- Total projects completed (68%)
- Total projects requested by a person or department (42%)
- Rounds of review to final approval (39%)
- Average time to complete by project type (28%)

"Creative teams should focus on intelligent use of data to find real insights. Getting to those insights is not separate from the creative process, it is intrinsic to it," Alex Blum, founder of Blum Consulting Partners, Inc., reported in his commentary. "Use the raw data and metrics to generate insights to develop a virtuous cycle that leads to more creative solutions. Building on that cycle over time is how you get to interesting and creative work."

Indeed, we believe the next step is to expand creative metrics from measuring outputs to measuring outcomes. In other words, adding the efficacy of creative content in market in addition to measuring the efficiency of the creative process.

The New Creative Organization

Individually, each of these three takeaways are interesting for creative and marketing leaders. Collectively, they point to a transformation that's underway in many creative organizations in terms of what they produce and how they produce it. They underscore how marketing leaders can learn from their creative teams in applying design thinking to the challenges we face.

As Matthew Rayback, creative director at Adobe, wrote in the report, "The creativity that was needed in the past is not the creativity that is needed today."

Using a car factory as a metaphor, he describes how "creatives used to be the assembly line to make a single car. But now we're asking creatives to produce huge volumes of cars, and we need them all personalized, and we need to keep iterating on the car, constantly making tweaks and adjustments. The assembly line we built can't accommodate that speed or volume."

As a result, he notes, creative organizations are evolving. "We need to ideate and get stuff out there fast, test it, and do it again," he wrote. "We're not designing cars, we're designing a factory that can make multiple different kinds of cars, at any given time." MN

AMA AMERICAN MARKETING ASSOCIATION | Foundation

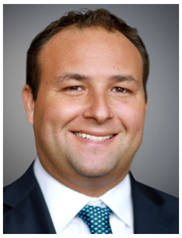
The American Marketing Association Foundation (AMAF) champions individual marketers making an impact in our profession and community. We recognize marketing visionaries who have elevated the field, and we support the next generation of marketers who will transform the profession. Congratulations to our most recent award winners!

2021 4 Under 40 Emerging Leaders Award

This award honors individuals who have made significant contributions to the field of marketing and its sub-fields and have demonstrated leadership and continuing service.

WINNERS:

Chris Bellinger
Vice President, Creative & Digital, Frito-Lay North America



Zach Harris
Vice President of Marketing, Water Portfolio, PepsiCo Beverages North America

Lindsey Hefta
Director of Marketing, Dakota Credit Union Association

Arianna Orpello Lewko
Head of Consumer Marketing, Consumer Bank/Marcus, Goldman Sachs

2021 Nonprofit Marketers of the Year

This award honors extraordinary leadership and achievement in the field of nonprofit marketing, specifically how recipients' work has helped advance the field or transform their organization.

NATIONAL NONPROFIT WINNER:

Amy Pearson-Wales
Senior Vice President, Communications and Public Affairs, SightLife

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REGIONAL NONPROFIT WINNER:

Christian Doucette
Director of Community Engagement, CaringKind, The Heart of Alzheimer's Caregiving

#GivingTuesday is November 30!

Mark your calendar and plan to participate in #GivingTuesday on November 30.

Recognize AMA student leaders making a difference in diversity leadership and social impact by donating to the AMA Foundation on #GivingTuesday. Your donation will go toward our collegiate scholarship program.

Find out more at **ama.org/GivingTuesday**

Journal of Marketing Awards

2021 Sheth Foundation/Journal of Marketing Award

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Kay Lemon and **Peter Verhoef**
"Understanding Customer Experience Throughout the Customer Journey," Vol. 80, No. 6

FINALISTS:

Dominique M. Hanssens and **Koen H. Pauwels**
"Demonstrating the Value of Marketing," Vol. 80, No. 6

Kelly Hewett, William Rand, Roland T. Rust and **Harald J. van Heerde**
"Brand Buzz in the Echoverse," Vol. 80, No. 3

Cait Lamberton and **Andrew T. Stephen**
"A Thematic Exploration of Digital, Social Media, and Mobile Marketing: Research Evolution from 2000 to 2015 and an Agenda for Future Inquiry," Vol. 80, No. 6

David A. Schweidel and **Wendy W. Moe**
"Binge Watching and Advertising," Vol. 80, No. 5

Christine Moorman and **George S. Day**
"Organizing for Marketing Excellence," Vol. 80, No. 6

2020 Shelby D. Hunt/Harold H. Maynard Award

WINNER:

Anton Siebert, Ahir Gopaldas, Andrew Lindridge and **Cláudia Simões**
"Customer Experience Journeys: Loyalty Loops Versus Involvement Spirals," Vol. 84, No. 4

FINALISTS:

Yashoda Bhagwat, Nooshin L. Warren, Joshua T. Beck and **George F. Watson IV**
"Corporate Sociopolitical Activism and Firm Value," Vol. 84, No. 5

John P. Costello and **Rebecca Walker Reczek**
"Providers Versus Platforms: Marketing Communications in the Sharing Economy," Vol. 84, No. 6

Christian Homburg, Marcus Theel and **Sebastian Hohenberg**
"Marketing Excellence: Nature, Measurement, and Investor Valuations," Vol. 84, No. 4

Jingjing Li, Ahmed Abbasi, Amar Cheema and **Linda B. Abraham**
"Path to Purpose? How Online Customer Journeys Differ for Hedonic Versus Utilitarian Purchases," Vol. 84, No. 4

Sunil K. Singh, Detelina Marinova and **Jagdip Singh**
"Business-to-Business E-Negotiations and Influence Tactics," Vol. 84, No. 2

2020 AMA/Marketing Science Institute/H. Paul Root Award

WINNER:

Yashoda Bhagwat, Nooshin L. Warren, Joshua T. Beck and **George F. Watson IV**
"Corporate Sociopolitical Activism and Firm Value," Vol. 84, No. 5

FINALISTS:

Yixing Chen, Ju-Yeon Lee, Shrihari (Hari) Sridhar, Vikas Mittal, Katharine McCallister and **Amit G. Singal**
"Improving Cancer Outreach Effectiveness Through Targeting and Economic Assessments: Insights from a Randomized Field Experiment," Vol. 84, No. 3

Abhishek Borah, Sourindra Banerjee, Yu-Ting Lin, Apurv Jain and **Andreas B. Eisingerich**
"Improvised Marketing Interventions in Social Media," Vol. 84, No. 2

Yanfen You, Xiaojing Yang, Lili Wang and **Xiaoyan Deng**
"When and Why Saying 'Thank You' Is Better Than Saying 'Sorry' in Redressing Service Failures: The Role of Self-Esteem," Vol. 84, No. 2

Samuel Stäbler and **Marc Fischer**
"When Does Corporate Social Irresponsibility Become News? Evidence from More Than 1,000 Brand Transgressions Across Five Countries," Vol. 84, No. 3

Journal of Marketing Research Awards

2020 Paul E. Green Award

WINNER:

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"Bayesian Synthetic Control Methods," Vol. 57, No. 5

FINALISTS:

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"The Polarity of Online Reviews: Prevalence, Drivers and Implications," Vol. 57, No. 5

Anocha Aribarg and **Eric M. Schwartz**
"Native Advertising in Online News: Trade-Offs Among Clicks, Brand Recognition, and Website Trustworthiness," Vol. 57, No. 1

Ryan Dew, Asim Ansari and **Yang Li**
"Modeling Dynamic Heterogeneity Using Gaussian Processes," Vol. 57, No. 1

2021 Weitz-Winer-O'Dell Award

WINNER:

Navdeep Sahni
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An Organizing Framework for Customer Satisfaction

Frameworks unrelated to customer satisfaction can lead executives to greenlight strategy initiatives that fail to improve target metrics

BY SHRIHARI SRIDHAR AND ROGER BEST

Customers are the most significant source of any company's cash flow, and customer satisfaction is the most reliable way for CEOs to increase sales and improve stock performance. Furthermore, executives can use customer satisfaction as an organizing framework for their overall strategy.

Customer Satisfaction and Value

Forty years ago, Richard Oliver showed customers were satisfied with a company's offerings when the firm met or exceeded the implied promise in its value proposition. Since Oliver's seminal 1980 paper in the Journal of Marketing Research, scores of studies, summarized in 2010 by Carly Frennea and Vikas Mittal, have shown satisfaction is the most reliable measure of customer value. Improving customer satisfaction increases customer repurchase, retention, and share of wallet. Satisfied customers offer favorable word of mouth and referrals, leading to increased customer acquisition—all of which grow company sales, margins and EBITDA.

CEOs can use customer satisfaction as a fulcrum for their strategy framework. Douglas Bowman and Das Narayandas (2004) showed companies can build strategy by focusing on initiatives that truly satisfy customer needs. The researchers linked performance to various strategic areas, such as sales and bidding, product quality, product line breadth and pricing, and showed companies must

> The key to driving customer satisfaction and sales is understanding 80% of customer value accrues from just three to four strategic areas...

ensure their ongoing execution levers satisfy customer needs to enhance performance in each area. For example, sharing underlying pricing information satisfies the customer need for transparency.

The key to driving customer satisfaction and sales is understanding 80% of customer value accrues from just three to four strategic areas, as Vikas Mittal and Shrihari Sridhar have shown.

Bowman and Narayandas implemented their approach for a major processed metals vendor. Linking satisfaction in each strategic area to overall customer satisfaction, the researchers found knowledgeable sales representatives and product line breadth were critical. The initiatives reliably increased overall customer satisfaction, as well as sales and margins, while initiatives like improving packaging did not.

Customer Satisfaction and Value-Based Market Segmentation

Almost every major company can organize its customer base into several distinct market segments, and CEOs can use satisfaction to target the right customers across segments.

When CEOs try to grow their companies organically via product depth within an industry sector, they must remember customer satisfaction levels vary across offerings. Bart Lariviere and colleagues (2016) studied the link between customer satisfaction and shareholder value across 137 companies from 2000 to 2009. They found the link is especially low for companies selling durable products and services (e.g., shoe stores and cut-and-sew apparel manufacturers) because of the industries' short purchase horizons and extensive switching between preferred providers. Durable products CEOs should focus only on new areas where their firms can deliver the same customer value they offer in existing areas without incurring excessive additional costs.

Trying to add customers via new products, geographies and industry sectors where a company's strategy framework cannot deliver superior value lowers the consistency of a firm's value proposition. Rajdeep Grewal, Murali Chandrashekaran and Alka Citrin (2010) studied seven airlines from 1997 to 2005 and found increases in overall customer satisfaction improved financial performance. For example, Southwest Airlines enjoyed shareholder value growth by providing the highest customer satisfaction levels among the seven airlines in the late 1990s. The authors also found low customer satisfaction consistency (i.e., high customer satisfaction variance) hurt the airlines. As Southwest added more routes, larger planes and performance-enhancing winglets in the early 2000s, the company ignored what customers wanted—punctuality and reliable onward transport. As a result, Southwest experienced a drop in shareholder value as its customer satisfaction consistency suffered.

Customer Satisfaction and Financial Market Response

CEOs can use customer satisfaction to communicate their companies' fundamentals to financial markets. Increasing customer satisfaction enables CEOs to lower the cost of debt financing. With higher customer satisfaction, a company is more likely to retain customers and generate stable cash flow, signaling a lower default risk to debtors. In a study based on the American Customer Satisfaction Index, Eugene Anderson and Sattar Mansi (2009) examined 166 firms from 1994 to 2004 and found each customer satisfaction unit increase was associated with a 2% lower debt financing cost. In the first quarter of 2019, non-financial corporate businesses held $9 trillion of debt, with AT&T ($166 billion), Ford Motor Company ($100.7 billion) and General Electric ($95.2 billion) being some of the largest holders. For AT&T, reducing debt financing by 2% would have saved $99.6 million.

Brokerage firm analysts, investment bankers and private researchers offer stock buy/hold/sell recommendations based on a firm's customer base quality, projected financial strength and incremental product value. CEOs communicate their strategy through annual reports, earnings calls and investor presentations in an attempt to garner favorable stock recommendations. A simpler way to show their companies' strength would be to improve customer satisfaction. Xueming Luo, Christian Homburg and Jan Weiske (2010) tested the link between customer satisfaction and brokers' stock recommendations using companies from 24 industries from 1995 to 2006. They found improving customer satisfaction increased recommendations, reasoning satisfaction signaled robust future cash flows and profitability.

CEOs concern themselves with providing customers the best possible value, managing markets and segments to maximize profits, and improving stock market outcomes. And customer satisfaction provides executives a simple, practical framework to manage their goals. Focusing on customer satisfaction enables CEOs to align their strategy and execution not only with the needs of their customers, but also with the expectations of their board and investors. MN

Why and When Market Share Drives Profit

Examining why the value of companies' market share varies so widely across industries and competitors.

BY ABHI BHATTACHARYA, NEIL A. MORGAN AND LOPO L. REGO

Recent research supports the use of market share for goal setting and performance assessment by indicating a modest but significant average positive relationship between market share and firm economic performance. In a new Journal of Marketing study, our research team explains why a market share-profit relationship exists and how this understanding can be used to explain the very large difference in the value of market share between firms and across industries.

Using a large longitudinal sample of firms operating in a wide variety of markets, measures of both revenue and unit share, different definitions of the firm's "market" in computing market share, and different econometric approaches, we provide the first direct empirical assessment of the three primary causal mechanisms that have been theorized to link market share with firm profits—market power, firm efficiency, and signaling unobserved quality. On average, we show that most of the variance in the market share-profit relationship is explained by the market power (firm's ability to raise prices) and quality signaling (reducing customers' quality uncertainty with respect to the firm) mechanisms, with less support for the learning effects (experience effects increasing firm operating efficiency) mechanism. We also show that these causal mechanisms can be used to explain and predict the very large differences that exist in the market share-profit relationship across different types of marketplaces and firms. In addition, we identify two conditions under which market share is negatively related to firm profits: "niche" strategy firms and when firms "buy" market share. We show that these same three mechanisms explain the market-share profit relationship even in these conditions where it is negative.

For policymakers, our study provides new insights into when market share may lead to market power and potential abuse that requires regulation. Importantly, our results show that firm profits from market share arise via quality signaling and learning-based efficiencies as well as market power. Thus, policymakers should not directly equate market share and market power: While they are often related, they are far from synonymous. Rather, our results indicate that regulatory authorities can be less concerned by a firm's market share in marketplaces in which customer quality uncertainty is significant and where efficiency-enhancing learning benefits from market share may exist (e.g., young firms, service firms). In such conditions, market share could enhance rather than harm consumer welfare by reducing consumer-firm information asymmetry and potentially lowering costs.

This new understanding of these mechanisms linking market share with firm profits is also important to managers given the widespread use of market share as a marketing performance measure. Our results show where and why managers may be more or less advised to rely on market share to set marketing goals and monitor marketing performance—including when doing so can even lead to lower firm profits.

We also provide new insights on when managers would be advised to pursue market share. For younger firms and for non-banking services firms, it may make sense to set market share goals and monitor performance. It may also be more beneficial for firms operating in marketplaces with high levels of quality uncertainty and those with higher customer switching costs. However, it makes less sense for banks and firms in industries in which pricing power is low and/or quality is relatively certain. Older firms may also find market share to be of less value as a performance metric. Firms pursuing a niche strategy should either ignore market share or ensure that they assess it only within their selected niche market definition. MN

Additional practical insights

- **Never use unit market share measures—** Although widely used in practice to set marketing goals and monitor performance (e.g., auto and motorcycle manufacturers, many consumer packaged goods companies), our results reveal that unit (volume) market share is not predictive of firm profit.
- **Revenue market share—**When market share's value is indicated by the presence of one or more of the three mechanisms, set goals and monitor performance using revenue market share because this does predict firm profits.
- **B2C Product and B2B Service firms should set goals and monitor performance** using absolute revenue market share metrics because this is the strongest predictor of firm profit for these types of firms.
- **B2C Service and B2B Product firms should set goals and monitor performance** using revenue market share relative to the "Top 3" market share firms in their industry metrics because this is the strongest predictor of firm profit for these types of firms.
- **Even in industries where market share predicts profits, do not "buy" market share (i.e., lower prices to gain market share)—** Our results show that even though firms do this infrequently, "buying share" is not a profitable move.

How Does Main Street Drive Wall Street?

Does customer satisfaction affect stock prices? Recent JMR research on the marketing/finance interface seeks answers.

BY UDIT SHARMA AND XIAOXU WU

Customer satisfaction continues to be one of the most deployed metrics by marketing executives to measure the quality of their customer-firm relationships. Extant research in marketing has broadly reached a consensus regarding the positive effects of customer satisfaction on a variety of customer mindset-based (e.g., attitudinal loyalty), product market-based (e.g., revenue) and accounting-based (e.g., profitability) firm performance outcomes. However, research findings for the effects of customer satisfaction on financial market-based outcomes such as abnormal stock returns are mixed and inconclusive.

Furthermore, relatively little is known about the mechanisms through which customer satisfaction affects abnormal stock returns. This is an important issue because executives are answerable to the investors and must know whether and how investments in customer satisfaction initiatives and processes would generate above-market returns for investors.

Interestingly, a recent article by Ashwin Malshe, Anatoli Colicev and Vikas Mittal tackles this important issue by introducing a novel mediating mechanism of short interest, a measure of short seller activity. The authors compile longitudinal data from 273 United States based firms from various public and proprietary sources and undertake a rigorous examination of the effects of unexpected changes in customer satisfaction and dissatisfaction on abnormal stock returns. They find that an unexpected change in customer satisfaction and dissatisfaction both significantly impact abnormal stock returns, and the effects are fully mediated through short interest. The results also indicate that there are asymmetric effects of customer satisfaction and dissatisfaction on short interest, and customer dissatisfaction is more consequential for firm's financial market-based performance.

The authors also identify two conditions when such effects of customer satisfaction are more relevant for firms. Their findings indicate that such effects are more relevant for firms with lower capital intensity and firms that operate in industries with lower competitive intensity. This is because firms with lower capital intensity have higher flexibility to leverage growth opportunities associated with an increase in customer satisfaction, and customer satisfaction as a resource is less imitable by competitors in industries with lower competitive intensity.

This study's findings offer valuable guidance for executives for correctly assessing the value relevance of customer satisfaction. Executives would benefit from incorporating short interest of their firm's stocks to assess the impact of customer satisfaction on abnormal stock returns. This would prevent potential underinvestment in customer satisfaction improvement efforts, reducing the likelihood of undesirable customer outcomes such as customer defections and negative word-of-mouth. Considering the evidence for more pronounced impact of customer dissatisfaction, executives would benefit from making investments targeted at mitigating customer dissatisfaction followed by or in addition to investments targeted at increasing customer satisfaction. Previous research also shows that mitigating dissatisfaction is not only cheaper but also more effective for customer retention. Overall, the findings for the significant effect of customer satisfaction on abnormal stock returns provide further justification for firms to continue investing in customer satisfaction for term firm performance benefits.

Considering such substantive implications and recent events that have heightened public interest in short selling, we reached out to the authors to know more about their inspiration to study customer satisfaction and gain additional insights about their study.

Q Your paper introduces a novel mediating mechanism of short interest in the relationship between customer satisfaction and abnormal returns. What inspired you to study from the short seller perspective, and can you give us some insight into how that idea came to be and evolved?

A The research idea started with an observation that the short-term impact of customer satisfaction on abnormal stock returns is essentially zero, even though the long-term positive impact has been supported by previous research. This pattern provided evidence that stock market investors likely overlook changes in customer satisfaction in the short term. However, there are some sophisticated investors in the stock market who understand the value relevance of the consumer mind-set metrics such as customer satisfaction. In 2017, when the research project was started, the financial press had begun to focus on the use of alternative data by hedge funds and short selling accounted for an estimated 25%-30% of trading volume on NYSE and NASDAQ. The focus on short sellers is important because short selling is risky and needs skills and sophistication to profit, indicating that short sellers have higher motivation, ability, and opportunities to detect, process, and utilize information advantage from metrics such as customer satisfaction.

Q Could you please share with us some insight about the mediating roles of different investors' behavior in the relationship between marketing assets and stock returns? Is it important for managers and researchers to treat investors differently?

A Executives and researchers will benefit from understanding the different motivations and goals of different investors. Long-term investors such as pension funds and mutual funds are likely to have an amenable relationship with a company's top management team and tend to be dependent on the management for information. Activist investors, however, often take an adversarial stance against the incumbent management but may install new management that works with the activist investors. Finally, most, if not all, managers dislike short sellers because short sellers hope to benefit from a decline in the firm's stock price. This makes short sellers highly independent from a firm's management because they have opposing goals. As such, short sellers have a strong incentive to be objective while evaluating the firm's operations and strategies.

Q What are the main takeaways you hope your audience (marketing practitioners, investors or marketing researchers) will take from this paper?

A For investors, this article presents new evidence that customer satisfaction and dissatisfaction can affect stock prices even in the short term. It will serve investors well to pay attention to the changes in these consumer mindset metrics in order to construct, balance, or rebalance their stock portfolio. For marketing researchers, the authors emphasize on the importance of understanding and examining the effects of customer satisfaction and customer dissatisfaction separately because many important strategic outcomes are likely to differ based on customer satisfaction and dissatisfaction. The starkly stronger asymmetric effect of dissatisfaction than satisfaction suggest that researchers are missing out on nuanced relationships by ignoring the asymmetry. Strategy research should examine how and when companies can benefit more from dissatisfaction mitigation efforts rather than satisfaction maximization efforts.

Q The marketing–finance interface is an important research field in marketing. Could you please share with us some general thoughts about the field or recommendations for future research?

A The marketing-finance literature will benefit from adopting machine learning (ML) models. Advances in computer vision and natural language processing have made it relatively easy to use unstructured data such as in company tweets, social media posts of multiple stakeholders, websites, and other forms of communication by them. MN

Shedding Light on the Dark Side of Firm Lobbying

BY GAUTHAM G. VADAKKEPATT, SANDEEP ARORA, KELLY D. MARTIN AND NEERU PAHARIA

Lobbying, or attempts to sway government officials to make decisions beneficial to the lobbying firm, is an important means for businesses to manage their regulatory environment. Lobbying spending has increased by more than 130% since 1998 (Center for Responsive Politics) and many large firms maintain their own government affairs divisions, which retain dozens of lobbyists.

A new Journal of Marketing study reveals a dark side to these benefits. Our research findings emphasize to managers that it is important to consider customer effects (e.g., potential loss of customer focus and reduction in customer satisfaction) of firm lobbying. These effects are surprising given that lobbying has been shown to have positive accounting and financial market returns, with some evidence that these returns can be even higher than returns to investment in activities such as R&D. Investors view lobbying as favorable toward market value projections and it can signal critical firm influence when policies that affect them are being debated. However, to date, these assessments of lobbying's benefits have been conducted absent consideration of the firm's customers. Our findings show this is a significant oversight.

In an investigation of the lobbying effects on customer outcomes, our research team finds that increased lobbying spending leads to decreased customer satisfaction, which in turn reduces the effect of lobbying on firm value. Yet, it is unclear if customers are aware of a firm's specific lobbying efforts. Because of this, our team took a close look at what is happening inside the firm that causes increased lobbying spending to reduce customer satisfaction. Our research shows that lobbying leads to a loss of customer focus. That loss of customer focus can reduce customer satisfaction. This is an important finding for firms because it reveals an unintended customer consequence of lobbying.

Our longitudinal analysis of firms shows that when accounting for customer satisfaction loss, the benefits firms otherwise receive from lobbying can be reduced. So, what, if anything, can firms do to prevent or minimize such losses? Our research shows several marketing-focused moderators can shift firm attention back to customers and reduce customer satisfaction losses from lobbying. First, firms with a marketing CEO suffer less customer satisfaction loss from lobbying. A CEO with a marketing background (as opposed to a CEO with some other functional area expertise) understands the need to monitor customer expectations and create customer value and thereby can align firm lobbying efforts with customer priorities. Firm spending on marketing-focused activities such as R&D and advertising also helps reduce customer focus loss. And finally, when firms lobby specifically for product market issues, they experienced reduced customer satisfaction loss. Taken together, these mitigating forces reveal that if firms choose to engage in lobbying, those efforts should be either aligned with customer-focused activities or counterbalanced by customer-focused resource allocations.

We advance public policy implications from our results as well. Public sentiment suggests a growing distaste for lobbying and close ties between business and government. Our findings suggest that greater limits may be warranted in some areas to promote positive customer outcomes. Although counterintuitive, greater lobbying limits may work to benefit firms by redirecting focus to customers and by improving the quality of the firm's long-term customer outcomes.

Regardless of whether greater limits on lobbying are imposed, our study supports the need for continued disclosure mandates. Due to the Lobbying Disclosure Act, customers, special interest groups, advocates and researchers can better understand the role of lobbying in modern business practice. Although this reporting necessarily creates a burden for firm compliance, it may have the unexpected benefit of showcasing when firms lobby for product market issues, which as we note can reduce otherwise negative effects on customer satisfaction.

In summary, lobbying is a source of firm spending that can have a negative connotation, even though finance and economics fields have demonstrated the positive effects of lobbying for firm performance. Our investigation sheds light on a critical dark side and reveals that the firm's focus on customers may be diminished when it also lobbies. Firm focus can be reoriented to customers, but doing so requires intentional, marketing-focused efforts. We highlight those efforts and explain their implications in the full study. MN

The Imperative of Imagination

The future of insights lies in senior leadership's imaginative capacity for empathy, provocation and activation

BY J. WALKER SMITH | KNOWLEDGE LEAD, KANTAR

The imperative of imagination is the future of insights. The marketplace to come will require more expansive thinking and decision-making. To meet this challenge, business leaders need and want insights to step up to a leadership role premised on a new way of working, one that is grounded in the structures, processes and practices of a more imaginative way of doing business.

Imagination may sound like reaching for the stars, but it is actually back to basics. The legendary Harvard marketing guru Ted Levitt best articulated this in a handful of classic essays well-known to every marketer. Levitt wrote that the kernel of business success is not making choices but "thinking up the possibilities from which choices are made." Imagination is something business leaders do every day when they put themselves in their customers' shoes or when they think anew about the definition of their categories or when they choose one direction over another for innovation, advertising and purpose. Imagination is business 101.

Business leaders need more of it now, and they want their insights functions to be the spark that will steward it forward. Not to own it outright—rather, to ensure its integrity and to put it into action.

Imagination is the overarching takeaway from Insights 2030, the 18-month project completed recently by Kantar about the future of insights. The purpose of Insights 2030 was to identify the critical contribution that senior business leaders want from insights and the associated playbook for action. The key finding is the imperative of imagination.

Insights 2030 builds upon foundational work that Kantar published in 2015 documenting the superior performance of companies built around customer-centricity. That earlier work played a leading role in recentering the corporate imagination around the core principle of putting the customer at the center of everything. Developments in the marketplace have made it clear, though, that there is more than one way to put the customer at the center. Customer-centricity without imagination is less than optimal.

For Insights 2030, Kantar conducted hundreds of in-depth interviews with business leaders around the world as well as a global survey among 1,700-plus senior business and insights leaders. Three themes emerged—empathy, provocation and activation. Each of these requires that insights adopt a more imaginative way of working that can spark and impel senior management toward a more expansive, more original way of apprehending and reacting to the marketplace.

Empathy is the foundation. Future success necessitates a deeper understanding of the journey of people's lives, not just more data about the consumer journey to the store. As one business leader put it, "Data are people in disguise." Another said, "Eighty percent of our data is commercial; 20% is consumer. We lose sight of the people buying our products on a regular basis." Insights must develop a richer diversity of data, resources and skills about the human experience.

The era of big data arrived several years ago with the promise of ever-more specificity about consumers in the marketplace. That promise has been fulfilled, but despite more knowledge there is not necessarily more learning. As big data piled up, the customer, the person at the center has often been lost in the haystack of data and information. Business leaders know more than ever about the "what" but no more than before about the "why." What senior leaders fret over now are big ideas. Thus, the premium on empathy.

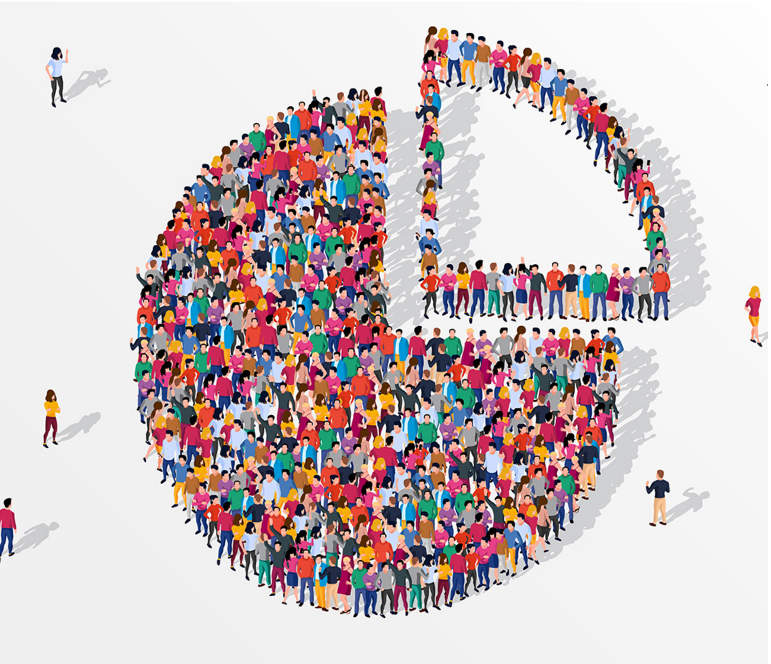
Upon the foundation of empathy rises a more assertive view of the marketplace. Insights must embrace provocation. One of the most frequent complaints expressed by senior business leaders in Insights 2030 was that insights teams only know the data, not what is best for the business. In the words of one, "Insights is traditionally quite comfortable stating 'research says' or 'data show.' This passes the responsibility to others. There is a need to express an opinion beyond what the research says—giving conclusions, implications and recommendations."

A critical part of provocation is looking ahead with foresight or looking beyond marketplace realities toward marketplace possibilities. Senior business leaders are unequivocal that insights leaders must be full-throated participants in the business. Several said they got the most value when insights dropped the scales from their eyes with a view of the future that completely redirected the business. This sort of lightbulb moment should be the metric of success for insights.

Much has been made in recent years about insights functions telling credible and compelling stories about consumers. But in the Insights 2030 interviews, business leaders were clear that they wanted stories tied to activation. Insights must do more than advise on strategy. Insights must be involved in activation as well.

Content analysis of the Insights 2030 depth interviews found that the most frequent topics brought up by insights leaders were about skills sets and lines of reporting. Marketing leaders, on the other hand, talked most about insights having an impact on business strategy. In other words, insights leaders are focused first on insights and only then on the business. The seat at the table coveted by insights leaders will come naturally when insights are better aligned with the priorities of senior management.

Empathy, provocation and activation define the more expansive way of thinking and acting that business leaders want insights to spark within their companies. They want imagination from insights.



An analysis of the quantitative survey for Insights 2030 operationalized the dimensions of empathy, provocation and activation as a set of specific structures, processes and practices. A similar model was developed for customer-centricity. These two constructs were largely independent, except for four items common to both. Two were about customer-first; one was about distilling insights; the fourth was about building strategy. These four elements are the essential building blocks of an insights organization. Imagination adds the vital spark.

The constructs of customer-centricity and imagination differentiate companies that focus first on customer-centricity, those with top priority on imagination, and those committed to a high level of both. Among companies with a primary emphasis on customer-centricity, 68% outperformed competition. This is strong, but imagination is more powerful. Among companies with a primary emphasis on imagination, 72% overperformed. Stronger still were companies high on both customer-centricity and imagination, with 87% overperforming. Imagination is a multiplier—the 19-percentage point jump from 68% to 87% is a multiplier difference of 28%. Insights 2030 also found that an emphasis on imagination greatly reduces the risk of failure.

There is plenty of room for improvement. Only 14% of respondents in Insights 2030 reported that their companies were high on both customer-centricity and imagination. For the typical company, current success does not mean there is nowhere to go. Every company and every insights function can make measurable improvements in ways of working and thus in marketplace performance.

The marketplace has entered an era in which disruptions are the new normal, which is to say that disruptions will be a feature of the marketplace, not the exception. The period from the mid-1980s to 2007 was a relatively stable period that economists now refer to as the Great Moderation. Subsequent to the financial crisis, volatility and uncertainty have increased dramatically. The coronavirus pandemic has ushered in the realization that the events of this century, both good and bad, are the harbingers of a future of disruptions.

Disruptions will be systemic things like climate, cybersecurity breaches and geopolitical turmoil. But they also include commercial discontinuities such as big data, e-commerce and AI, as well as next-generation discontinuities such as hybrid work, blockchain, mobile commerce, Gen Z, supply chain interruptions, continuing cheap capital, clean energy, biomedical advances and space exploration.

Most of the standard ways of doing business were invented and perfected during a past that saw greater stability than will be true in the future. Disruption will challenge existing operating and business models. New approaches will be required, and that means the imperative of imagination is essential for the new normal of disruptions.

Business leaders turn to insights during times of disruption. There was a several-month stretch during the pandemic year of 2020 when business leaders lost the narrative of the marketplace guiding their decision-making. More than ever, they looked to insights leaders for guidance—a “lighthouse” in the words of one business leader; “mission control” in the words of another. The top two things that business leaders said they needed to know coming out of the pandemic were all about a deeper understanding of the new consumer, which means even more imaginative support and guidance from insights. Disruptions put insights front and center.

Putting insights at the center is the secret sauce of success. Insights 2030 found that companies with insights at the center significantly out-perform competition and almost universally operate with customer-centricity and imagination at the heart of their businesses—87% and 97%, respectively.

Disruption sounds ominous, but in business circles, disruption is always viewed as an opportunity. For example, in 1992, Jean-Marie Dru, then chairman of BDDP, later merged with TBWA, took out full-page ads worldwide to champion the idea of "creative disruption," or progress by breaking conventions. Harvard professor Clay Christensen followed soon thereafter with his 1997 bestseller, "The Innovator's Dilemma," that pioneered the idea of "disruptive innovation." Most recently, in 2019, then-CEO of P&G, David Taylor, introduced the concept of "constructive disruption" that puts purpose, values and principles at the heart of business strategy. For business leaders, disruption always presents itself as opportunity, and with it comes a driving need for imagination.

To build imagination from empathy, provocation and activation, insights functions must benchmark themselves against a core set of structures, processes and practices. Insights 2030 identified 10 such things that define a transformational journey for insights functions, one that must be customized to each company. But there are a few takeaways relevant to all insights organizations across all types of companies and categories.

Insights must put the human experience at the center, more so than customers per se. This takes a refreshed mission and a forward-looking market narrative along with a greater diversity of data, skills and expertise. Business leaders recognize this. One of the gaps found by Insights 2030 concerns leadership skills for insights leaders. Business leaders place more value than insights leaders on non-research skills that can make a difference in the business, not just in research.

To fully embrace provocation, insights functions must deliver lightbulb moments by telling a business story rather than just a consumer story. A big part of this entails a new hiring profile that puts less emphasis on research skills and more emphasis on management or even consulting skills. Business leaders expect insights leaders to work more like senior management than like senior researchers.

All of this leads to activation, which market-leading companies are institutionalizing with formal activation teams and with greater use of tools and resources to free up insights people to think and act more imaginatively. Leading companies use the power of AI and automation and the availability of high-quality outsourcing partners to refocus insights on strategies and activation.

Management presumes that insights functions have unfettered access to the tools and data needed to deliver an imaginative way of working and thinking. By contrast, insights teams do not feel they have that level of freedom and empowerment. So, insights must be more assertive in leveraging this implicit permission by making it a rule to ask for forgiveness not permission. In years past, the call has been for insights to be more involved in creating company strategy. This is no less important, but the call now is for insights to be more involved in implementing company strategy. To do this, insights must step up and make itself heard.

The future of insights is a stronger nucleus of customer-centricity that is supercharged and animated anew by the structures, processes and practices of empathy, provocation and activation. In this manner, insights can reenergize the ways in which corporate leaders apprehend and envision the marketplace. This is the imperative of imagination. MN

The Mythology of Totemic Brands

Radical new principles of engagement to help you see your brand more clearly

BY JENNIFER MURTELL | VICE PRESIDENT OF STRATEGY – ASIA PACIFIC, MARKS

The universe of brand-building has seen unprecedented change and unrelenting velocity. There are "back to basics" modalities that champion a return to classic equity-first approaches, "eternally fluid" methodologies that attempt to respond to dynamic technology, and a million approaches in between—all trying desperately to keep up with our shifting brand landscapes and increasingly complex brand ecosystems.

In the race to the top of responsive innovation and experience-building, a few recent trends are resurfacing as powerful approaches to the intersection of brand, behavior and psychology. The concept of "tribal branding," of understanding and activating our collective behaviors and unmet evolutionary needs, cuts through the clutter of motivations, tactics and touchpoints. It may just help you see your brand more clearly.

What Are Totems?

By definition, a "totem" is a sacred object or symbol for a group of people: a clan, lineage or tribe. While the term totem has roots in the Ojibwe language, the concept isn't limited to indigenous peoples of the Americas—it's universal to a number of cultures worldwide. A tribe would often have its own distinctive totem that embodied a group identity and an object of worship. Totems played a transformative role, with altruistic and aspirational characteristics guiding their path toward something better. Totems are unmistakable symbols for human aspiration and desire. This idea is so strongly embedded in our subconscious that it persists today.

What Are Brand Totems?

Despite its common use, "branding" is a term that resists focused definition. But in our modern context, and with the rise of a more holistic approach to brand experiences, the short-form definition of branding mirrors Marty Neumeier's quote from his book, "The Brand Gap": "It's not what you say it is, it's what they say it is"—your brand is not defined by those who manage it, rather it is created in the minds, attitudes and perceptions of your

consumer. This suggests where the control levers lie, and one powerful lever is storytelling. A look at successful modern brands and their most fervent supporters reveals the importance of well-designed narrative concepts. Use of mythmaking devices like allegory (brand story), aura (brand essence), arcadia (idealized community) and antinomy (brand tension) is the "secret sauce" of brands, and its potency has the power to jump over our rationality and tap into our lizard brain. From Tiffany's turquoise box to the friendly rebellion of the Linux penguin, modern brand equities have the power to tap into our primitive evolutionary codes and create telegraphic language that can mean so much more than the sum of their parts. Consequently, totemic brands are rich with storytelling and emotional resonance, and consumers, romanced by the story, behave as subcultures, as communities – even as religions.

Why do totems resonate with us right now?

"The Culting of Brands," a book by Douglas Atkin, provided an early peek into this mythmaking formula. Using cults as a provocative anchoring analogy, Atkin asserts that like cults, brands can inspire consumers to exhibit great devotion or dedication to a person, idea or thing, fueled by innovative ideologies. When cult members experience an intense sense of belonging, they will powerfully advocate for it. In return, the cult dedicates itself to making members feel special, individual and even superior, reframing this separateness as virtue: "You're different, we're different too, and different is good." Similarly, totemic brands replace a culture of need with a culture of desire or worship. Totemic brands take refuge in the world of the sacred and mythological. They transform themselves into modern-day totems through codes that point to a more meaningful existence. This approach elevates brands beyond simple core equities or clever marketing concepts in the consumers' minds, into a belief system that becomes integral to creating culture and building identity.

Few brands inspire the fervor and dedication as Apple. With every store opening or product launch, Apple consistently draws crowds in the thousands. The brand creates a climate of dizzying anticipation and emotional fuel, with consumers happily reciprocating, demonstrating advocacy by telling their own stories. Store openings have inspired endless social media content, including live countdowns, videos of on-the-street unboxings, fights, even marriage proposals. With every event, brand faith grows.

This kind of devotion, historically relegated to religious fervor, has prompted the media to refer to Apple as a "new religion." Not surprising is the mythology built around founder Steve Jobs, described as America's "tech messiah." Jobs blurred the line between selling and evangelism, selling a distinct vision of the world. Advertising amplified his vision, with strategies that railed against conformity and corporate brainwashing that advocated for liberation, creativity and freedom of expression—think different, just like us. Harley-Davidson leverages the same mythological or religious equation, embedding the virtue of difference into their brand: "Harley Truth #1: Harley is not for everyone." The iconic motorcycle transforms machine into totem and transforms those identifying with the Harley tribe into virtuous rebels. The motorcycle becomes a marker of identity—a symbol that stands for independent working-class masculinity and outlier freedom. Consequently, the relationship between brand and consumer is neither functional nor instrumental, but deeply symbolic.

Totemic equities are earned, not designed

The search for meaning and connection is distinctly human. Our need to understand the world around us and to find our place in it, is a powerful motivational force. And in our current climate of seismic change and radical uncertainty, we look to cultural markers to guide and keep us connected to each other. Brands that pay attention to the aspirational and emotional desires of consumers as well as our shifting cultural landscape will continue to grow their totemic power. They will respond with brand narratives and experiences worthy of mythmaking—deep, telegraphic meaning that acts as the lens through which the world makes a little more sense. That's a brand promise.

This is a new and challenging era for brands, where a fractured world looms large in our collective psyche. In this state, brands must think and act in new ways, responding to consumer fears and appeal to their aspirations of hope. Totemic brands offer a new value equation, one that promises to solve problems beyond business, designed for moral leadership, that responds authentically both to their consumers and to the needs of the communities they serve. So how can we reposition our brands and our perspectives, to respond more authentically to the chaos?

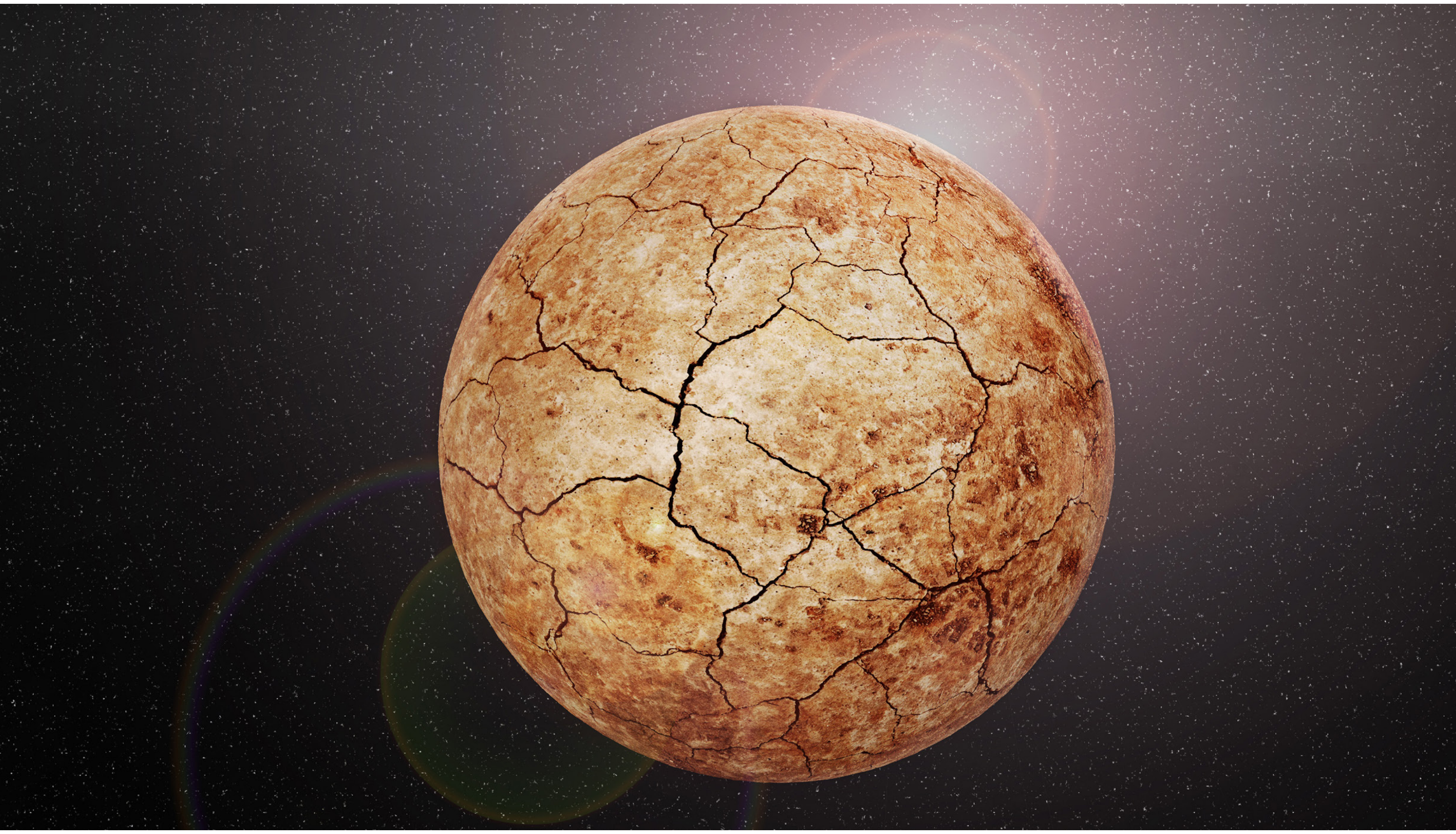
Totemic Transformation Principles

Six fundamental shifts mark a powerful totemic brand. Consider what your brand can do to shift paradigms in your organization, and make it happen—there's no time to waste.

1. **Shift from individual to interdependence:** Totemic brands push beyond a glib appeal to individualism and ego, into manifestations of interdependence. This shift forces a rethink of old success metrics, championing instead a definition of success defined by the collective, the larger brand ecosystem and creating a virtuous

stakeholder circle that prioritizes higher-order human needs and longer-term brand investments over short-term success.

2. **Shift from reactive to proactive:** Totemic brands demonstrate the courage to elevate themselves from reactive, fear-based decision-making to adaptive and dynamic strategies that take measured risks that deliver greater value. Decisions grounded in data, consumer insight, core values, purpose and collaboration keep them pointing north and keep them responsive to the inevitability of change.
3. **Shift from listening to feeling:** Totemic brands evolve from a position of passive listening into empathetic action, equipped to respond authentically to the deep human truths and dynamic tensions that shape consumers' lives today. They create the connections needed to bind brand promise to experience. They design products and experiences with people, not for people. They tell stories that move and empower us.
4. **Shift from analysis to action:** Totemic brands extricate themselves from analysis-paralysis and push themselves into action. They champion and activate nuances in consumer research, instead of buckling under the pressure of homogeneity. They hold sacred the role they play in the lives they touch, and they transparently address and reconcile past behaviours and historical baggage. Their brand actions are radically transparent.
5. **Shift from perfection to iteration:** Totemic brands dispense with unrealistic expectations of perfection and move towards iterative invention. They co-create, evolve and innovate collaboratively. They allow the shifting landscape of today to guide them to tomorrow courageously. They build longer-term strategies that allow for change. They scenario-plan with optimism with an eye on future possibilities.
6. **Shift from power to empowerment:** Totemic brands position themselves as enablers of empowerment, not the arbiters of power. They see the world through their consumers' eyes and respond to their needs and aspirations. They relinquish the illusion of control, understanding that their brand is only as successful as consumers believe. They understand leadership is not about maintaining power, but empowering others toward collective success. **MN**



Let the Cookies Crumble

How to shift from cookieless campaigns and build healthier customer relationships

BY TIFFANY SCHREANE | NEW YORK-BASED MARKETING AND ADVERTISING PROFESSIONAL

What's an event without cookies? (Pun intended!) Digital marketers have begun to strategize how they will continue to create effective, targeted campaigns in 2022 without the use of Google's third-party cookies. As one Forbes articles points out, "The disappearance of third-party cookies doesn't mean an end to measurement; it just means what and how we measure is going to change."

What can marketers do today to create effective cookieless marketing campaigns? Follow these steps toward building more sustainable customer relationships.

It's a Party

We're talking about first-party data, to be exact. Third-party data may be disappearing, but that doesn't mean we're lacking in beneficial data to help inform marketing campaigns. Strong first-party data remains, while second-party data can help fill in some gaps.

First-party data lives at the center of cookieless and targeted campaigns. As a Nielsen study from April shows, 86% of marketers say that first-party data is essential to their business marketing efforts. Further, experts suggest that companies look to build out their own targeting solutions using first-party data to help shape campaigns. Over the years, marketers have gotten smarter about educating themselves on different types of first-party data that is at their fingertips. They have rigorously analyzed this data to help them produce beneficial insights, building measurement strategies that feed marketing campaigns. Valuable insights such as executing personalized campaigns can be produced through analyzing first-party data.

Data quality and cleansing are still stumbling blocks for most marketers and will continue to be as marketers make the shift to cookieless campaigns.

Here are some key data points to help prepare for this shift:

- Review all of your first-party (and any second-party) data accessible within your organization
- Confirm the quality of all data to ensure data is cleansed for campaign measurement intelligence; additionally, confirm the frequency that data quality will be audited
- Establish a measurement strategy up front during the marketing planning phase to verify that any data needed is being tracked

Culture and Community

Are brands truly listening to their customers and communities, or are they just performing hollow acts? Whether B2B or B2C, customers will look for ways to do business with brands that align with their customers core values. According to Keesa C. Schreane, author of "Corporations Compassion Culture: Leading Your Business toward Diversity, Equity, and Inclusion," creating a compassionate and equitable corporate culture and improving employee engagement are vital brand values and have the potential to help a business's bottom line.

"[Customers] want to spend their money with brands that care about what they care about. They are consciously making spending choices based on their relationship with a brand and alignment of values," says Christina Garnett, senior marketing manager at Offline Community & Advocacy. "Brands need to keep this in mind when they look to connect with their audience and work to build consumer relationships with them."

Here are some examples that help shape company culture impacting brand value and help with the bottom line:

- Create a happy corporate culture. Allobee is an end-to-end all encompassing business solution for solopreneurs, micro-businesses, small businesses and startups. One way this company ensures a happy culture is by including a "Bee Kind Clause." This clause helps sustain a kind atmosphere—eliminating the possibility of microaggressions and hostile environments for its employees, freelancers and clients.
- Don't just tell us your company believes in equal opportunity—show us. This has the potential to impact B2B growth. Maya Watson, head of global marketing at Clubhouse, took to LinkedIn to express why she and her team have turned down working with multiple advertising agencies. "I will not work with an agency that doesn't have a diverse team. It's a non-negotiable for me. It's still surprising to me when I show up to a pitch and this is the case. Just a PSA for anyone who wants to work with us."
- A people first organization that cares just as much about their employees as their customers is the most organic marketing strategy a company can implement. Not to mention, this is a brand value that aligns with customers and will help increase the bottom line.

The Continuous Pivot

Identifying a silver lining around the last 18 months, marketers had to shift from the typical marketing playbook and significantly change their strategy. In altering these marketing strategies to meet new goals, new insights were unveiled. Even better, in some cases cost efficiencies were found that can be utilized in further marketing campaigns. Parameters of marketing—especially digital and social media—are evolving every day. The key to keeping up with the momentum is to continuously pivot your marketing strategy. The famous saying "Get comfortable being uncomfortable" applies to marketing strategy as well. Innovation and predictive strategy based on data and analytics should always be a part of the conversation.

What are some ways to ensure you are continuously pivoting?

- Review a trend analysis of campaign results (try looking back just two years for a relevant analysis).
- Identify what worked and what didn't, analyze and understand the different nuances of the marketplace as well as the brand campaign, and be sure that outside forces didn't contribute to negative results.
- Don't be afraid to try new things. If budget allows, put some money toward new marketing channels. After all, the goal is to reach as many potential customers as possibleyou won't know what worked unless you try it. MN

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