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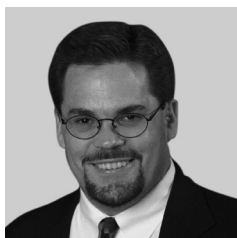
Q & A WITH JOHN T. GOURVILLE AND
THOMAS J. STEENBURGH



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MARKETING MANAGEMENT PORTFOLIO



John T. Gourville



Thomas J. Steenburgh

MARKETING IN THE FAST LANE

HBS marketing professors **John T. Gourville**, faculty chair of Strategic Marketing Management, and **Thomas J. Steenburgh**, faculty chair of Business-to-Business Marketing Strategy, recently discussed emerging trends in how customers buy and how companies go to market.

Why should companies invest in marketing today? How should they decide which investments to make?

Professor Steenburgh: When times are tough, many companies instinctively work to reduce costs. But it's actually a great time to highlight value, because customers are looking for companies to solve their problems in a new way. You should think harder about what it is you do that really makes a difference for customers, and then focus your products and services on their needs. It's an opportunity to change your position in the marketplace.

Professor Gourville: Keep in mind that competition intensifies in a downturn, so you must really know what customers want and be the best at delivering it. You get there by investing. If you cut the budget instead, you may seriously damage your company and your brand. Take R&D investment, for example. Marketing informs the company about the types of goods and services it should be producing. If you cut the budget, you won't have a pipeline of new products ready to hit the market when the economy starts to improve. The company that didn't cut back on R&D will have an advantage when an upturn takes place.

Can adjusting the price help companies respond to market uncertainty?

Professor Steenburgh: Just like slashing budgets, cutting prices can be destructive. I've researched how firms manage marketing actions to improve earnings and have found that right before an earnings report comes out, companies often take drastic price action. For instance, they may drop prices quite a bit to pump up short-term demand, but this takes demand away from the future. You're constantly playing catch-up. In the long run, this cycle takes value out of the firm.

Professor Gourville: When the economy is volatile, customers cut back on the quantity of things they buy or on their discretionary spending. Instead, they flee to value. The value proposition becomes that much more important. Firms that provide value have done quite well. It's harder to succeed when the value is less tangible.

What marketing trends has your recent research uncovered?

Professor Gourville: Advances in technology are driving one big long-term trend: consumers' increased level of activity during the buying process. They're more informed and are more likely to seek out the best deals. In some industries, they're actually influencing the kinds of products being developed. It's a huge trend, and it's accelerating. When consumers are ready to buy a car, for example, they come in knowing the invoice price. Car buyers and sellers used to negotiate down from the manufacturer's suggested selling price, but today they bargain *up* from the invoice price. At the same time, the discussion has shifted from purchase price to other things, such as which features are going to be included and the trade-in price. It has completely changed the dynamics of how people buy cars.

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The old view is that marketing is about convincing people to buy things they don't really want. That's the wrong way to think. Given the evolution of the consumer, today's marketers need to figure out what people want and then sell it to them at a price where they deliver value and the firm captures value.

Professor Steenburgh: I completely agree. Technology has given customers an incredible amount of power in the buying process. For example, in business-to-business markets, buyers no longer pick up the phone. They'll do background research to gather information about product offerings before the seller even gets through the front door. This has changed how companies go to market. Today, you must have a presence out in the marketplace before you can even approach a buyer.

Professor Gourville: Another key trend is that many touch points that traditionally have been part of brand building have been replaced with other less human interactions. For example, supermarkets now have self-checkout lanes and online ordering. This strips away all but the core product—and the customer's effort. As a result, customers have higher expectations of the products. When consumers are doing all the work checking out at a supermarket, they're going to expect a good price on the products.

How is social media affecting marketing dynamics?

Professor Steenburgh: In business-to-business markets, the goal is to be in front of customers when they are ready to make a decision. Some companies, when they're in on a deal, win more than half of the time. The problem—they're only in on a third of the deals. Social media can help address this challenge. Companies create a social media presence around events in which customers are known to have certain problems, and that draws customers in at a time when they are ready to buy. Firms might use social media to attract customers to their website and then do traditional selling at the point-of-sale to close business. Technology is used differently in different stages of the decision-making process, so the goal of marketers is to employ the right tool at the right time to get the customer to buy.

Professor Gourville: Social media also can create new challenges for marketers. For instance, it can help companies to communicate their mistakes much more quickly. One of our colleagues wrote a case called "United Breaks Guitars." This focused on a viral video about a musician whose guitar was broken by United Airlines. Thanks to visibility on YouTube and Twitter, the video became one of the most widely viewed videos on YouTube in a very short period of time—and it created a tremendous backlash for United. Information that would have slowly worked its way into the marketplace a generation ago now becomes widespread almost immediately.

Professor Steenburgh: As marketers look at ways to take advantage of social media, it's interesting to note that social media really doesn't play a big role in the generation of revolutionary product ideas, because customers don't know what they want. Consumers can't anticipate that they want an iPod until they actually see an iPod. Once you've had your brainstorm, social media can disseminate the information—it gives you scale very quickly. You now see markets being made overnight that just weren't there before.

Following product launch, social media can play a role in product refinement. It's a new channel for learning how you can tweak a product to better suit the market.



Professor Gourville: If a firm is going to put itself out there as a listener to social media and become part of the conversation, there must be evidence that they're reacting to the information that's coming in. Not everything customers say has to be incorporated into what the company does, of course, but customers should feel they are being listened to—that some of their ideas are having an impact. Maybe it's only one out of every one hundred or one thousand ideas, but if people can say, "This originally came up in a blog by X and now it's led to a great new feature," they will feel empowered. But if it's evident that their input is going unheard, they may gripe about the product instead of giving constructive feedback.

How can marketers learn more about the needs of today's customers?

Professor Gourville: Understanding the needs of customers is especially important today, when products like the iPad enter the marketplace so much more quickly than in the past. Think about how long it took the home computer to work its way into a majority of households. This is partly due to the rapid dissemination of information via social media, but it's also because product cycle times have become so compressed. In the past, a product might have been on the market five years before it was revamped. Now, a new version of that product comes out every year. As things speed up, the company that knows more about its customers is going to do better.

Professor Steenburgh: Many firms are trying to take a more analytical view of their customers. Good marketers take advantage of the information they have in order to find and target the customers who will get the greatest value out of their product or service. That's one of the trends you'll see more of going forward. Another new valuable source of information is the online review, which provides marketers with quick and dirty market research. It helps you understand the needs of your customers and also helps you identify the problems with your product. You can also leverage reviews of your competitors' products to identify weaknesses that present you with a market opportunity.

What are some of the innovative strategies you have seen from marketers?

Professor Steenburgh: Companies in business-to-business markets are using their global presence as a laboratory to refine their processes, align their organization, and in turn, drive better results. As an international organization, you can learn from one market and apply successful approaches to other markets.

One of the universal things that good companies do is to say "no" to a set of customers. Especially in tough times, you want to take in all the business you can. But it's important to be able to say, "I might be willing to work with you, but not at that price. If you really have to go that low, please look somewhere else." These are the companies that are able to retain profitable customers in the long run. It's a hard discipline to develop, but it's something that you need to do to succeed.

Professor Gourville: Successful firms make it a priority to understand what their consumers currently want as well as the broader needs of consumers. This is one thing that Apple does very well. It brings out products that consumers don't know to ask for but that they love. That's why certain firms tend to lead and other firms tend to follow when it comes to introducing innovative products.



Why is now a good time for executives to attend a marketing program like those offered by HBS Executive Education?

Professor Steenburgh: Today's business world is in a period of great change along several dimensions. Technology is changing very quickly, creating a period of rapid innovation. This leads to many new ideas. When you come to our programs, you hear about new approaches that you hadn't realized companies are actually undertaking. You'll see ideas flowing from one company to another about how to deal with sticky problems and how to improve their strategies for dealing with everything from social media to customer acquisition to global marketing.

Professor Gourville: Marketing fundamentals are not changing. It's still about creating and capturing value, developing products that consumers want, and selling products to them at a price they can afford—all while making money for the firm. HBS Executive Education programs can help you do that in the context of today's marketplace. They can help you figure out exactly what your customers want, which ones want which product variations, and how to deliver products to them economically.

What types of executives is Strategic Marketing Management designed for?

Professor Gourville: Perhaps you are a senior or mid-level executive and find yourself in some sort of marketing role or have marketing people now working under you—or perhaps you now have a role in creating new products or promotional campaigns. In Strategic Marketing Management, you learn the structure of how to approach key marketing challenges. With the economic downturn, the march of technology, and social media, marketing is becoming more challenging. But the opportunities for the firm that gets it right are much more significant. We help executives take advantage of those opportunities.

How does the Business-to-Business Marketing Strategy program differ?

Professor Steenburgh: Business-to-business markets have a very different set of challenges than consumer markets. When you're selling to businesses, the buying process is very different—it's longer and involves more people. Many intermediaries can affect price as well as how you deal with the customer. As a result, we spend a lot of time discussing questions like: How should you go to market? How do you manage customers in complex markets? How do you manage a product line strategy in these types of markets? We also deal with organizational issues, such as how marketing and sales can work together.

How do the participants contribute to the learning experience?

Professor Gourville: Attendees tell us that one valuable aspect of these programs is the large number of very passionate, very intelligent people from many different backgrounds. More than half of the program participants are typically from outside the United States, and the group represents diverse industries—pharmaceutical, textile, consumer packaged goods, financial services, computer software, and so on.

Initially, it may seem that the participants are facing different problems, but it soon becomes clear that there is a lot of similarity. Somebody says, "You know, that's the exact problem I'm facing," even though they had never thought about what they could learn from another industry. At a time when ideas are becoming more important and more powerful, these programs offer an opportunity to learn not only from instructors and the cases, but also from all the other people taking part in the program. The combination of these elements makes the HBS Executive Education experience invaluable to our participants.



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