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OPINION

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Viewpoint

We still can't see after years of having marketing myopia

John Forrester

In 1960, Theodore Levitt wrote "Marketing Myopia," a widely quoted and frequently reprinted Harvard Business Review article warning of being product-oriented rather than customer-oriented.

Prime examples are creation of the Ford Edsel, New Coke, and smokeless cigarettes, rather than the products consumers wanted.

"The organization must learn to think of itself not as producing goods or services but as buying customers, as doing the things that will make people want to do business with it," Levitt wrote.

In today's economy, increased standardization, market globalization and the widespread availability of information make Levitt's message more important than ever.

A customer-oriented firm is led by marketing, and the process is well understood: Identify customer needs and craft a distinctive and compelling value proposition that meets them, at a profit. Yet despite the simplicity of this proposition, company after company becomes consumed with technology or production and either fails to satisfy customer needs, make a profit or both.

Consider the telecommunications marketplace and, in particular, low-earth-orbit (LEO) satellite companies.

On Nov. 15, the Nasdaq halted trading of Globalstar and the company indicated it likely would seek protection under federal bankruptcy laws. Globalstar would be the last of three major players in the LEO satellite marketplace to declare bankruptcy and all three might well go down in history as some of the most spectacular business failures ever.

Iridium and ICO-Teledisc already have restructured and re-emerged with operational satellite systems, and both market communications services to niche markets.

The cost of failure

Globalstar's LEO system cost an estimated $3.3 billion to launch and through the first three quarters of 2001, reported losses in excess of $400 million. Roughly speaking, for each minute of service, the company earns about 45 cents in revenue and spends more than $7.

Economies of scale notwithstanding, volume is not the answer. Iridium's losses were even more staggering. Iridium investors, led by Motorola, poured $5.1 billion into the Iridium network before the company went bankrupt and sold for a cool $25 million.

As it turns out, customers had little interest in $1,000 handsets, low-speed (10 kbps) connections and $7 per-minute tariffs. These numbers might have attracted people located incommunicado on oil platforms, cruise ships and remote mountain locations, but where else? What was the compelling value proposition here?

The year 2001 will witness the collapse of roughly 500 dot-coms. How many of these companies forgot about their customers as they sought first-mover advantages?

Competition and technology developed fast, at Internet speed, and left little time for customer research. What were these companies building that would make customers want to do business with them? How did they plan to change buying behaviors?

Marketing doesn't change

J.P. Getty once said, "If you want to succeed in business, find a need and fill it." And to find needs, companies must continually conduct qualitative and quantitative research.

This means dialogue and observing what customers buy and don't buy, what they request and what they reject, how they buy, how they pay and how they use customer service. It means capturing and recording information and deploying new technologies to gain knowledge and insights.

In short, it means developing a fact-based understanding of customers, their buying behaviors and the competitive landscape. Or, in the words of Theodore Levitt, it means "the seller takes cues from the buyer in such a way that the product becomes a consequence of the marketing effort, not vice versa."

Admittedly, rapidly changing markets will necessitate tradeoffs and companies won't always have the time needed to assess opportunities. Nonetheless, companies would be well served to remember the process: Identify customer needs and craft a distinctive value proposition that meets them, at a profit.

One reason many dot-coms and telecommunications companies got in trouble was that profit was never a near-term or even medium-term objective. Instead, these companies concerned themselves with their product and investors lost billions.

On the heels of such catastrophic failures, massive layoffs, excess capacity and declining confidence are adversely affecting U.S. and world markets.

Rolling up the sleeves today will ensure continued relationships with existing customers and help identify new prospects and growth opportunities.

Marketing will become increasingly important for start-ups as well. Given recent failures, entrepreneurs can expect investors and venture capitalists to examine closely their commercial strategy as well as intellectual property. Many investors are avoiding early-stage investments altogether and waiting for proof of concept in the form of customers and predictable revenues.

In the end, it's the role of marketing -- and marketing alone -- to attract and keep a customer. And, with marketing identifying customer needs, it's the role of the organization to build something that someone will buy.

John Forrester is a Jacksonville-based business consultant.