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## Why Marketing Needs to Adapt

**W**hy do marketers need a new approach? With the rise of social media, marketers entered an era of heightened exposure in which any kind of product or brand failure has the potential to echo virally and at lightning speed through the marketplace. This vulnerability has intensified the pressure on companies to treat customers better and to share information with them in a more transparent manner. And the information sharing has evolved to include the active solicitation of feedback to incorporate at increasingly earlier stages of the product cycle. Many refer to this period as the “age of the empowered customer.” In this book I’ll explain how it’s also poised to be an “age of the marketer.”

This heightened exposure has certainly benefited the customer, but it has also benefited those companies that have organized themselves to harness customer feedback to quickly improve their products and services. Those companies that can meet and exceed customer expectations (that is, create a great customer experience) have a competitive advantage. Because marketers play a critical role as a conduit between the customer and the company, they are positioned to have a greater role in the business than ever before. In fact, if they get it right, they have an opportunity to serve as the steward of the overall customer experience.

Many marketers are starting to recognize this possibility. But few would claim to be close to achieving this stewardship role. The truth is, there are far more companies that don’t get it right. If anything, they are undermining

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the customer experience. But let's consider for a moment what kinds of customer experiences trigger criticism and harsh responses. No doubt some of these examples will ring a bell for you:

- The company whose software you use to organize your photos does a major relaunch of its site with no warning, and suddenly you can't find all of your photos. You visit their community to find that many users are having the same issue, but no one seems to have a definitive answer on how the new system works.
- You buy a product from the manufacturer, only to have one of its retailers offer you the same product at a discount a week later. You e-mail customer support; they are unaware of the promotion and unwilling to offer you a refund.
- You reach out for customer support on Twitter, go through the process of mutual "following" so that you can direct-message and then explain the issue, only to get redirected to another channel where you have to start all over again.
- You research a product online and find some great reviews, but you've also spotted some dismal ones, and the company has not responded to the concerns. You reach out on social media to hear from the company, but they don't respond.
- You visit an online clothing retailer and browse its entire sweater catalog. The company follows up with a series of e-mails containing offers, but none are for sweaters. You then pass by one of the company's retail stores on your way to work and discover that there was a storewide sale over the weekend.
- You call one of your phone service provider's retail locations to ask if it does handset exchanges in-store. The representative says "yes" and tells you to come over, but when you arrive you discover there's an hour wait for service. The clerk asks for your phone number but then tells you that you have to stay in the store in order to keep your appointment. When your turn finally comes up, the clerk informs you that in-store exchanges are subject to a restocking fee that does not apply to online exchanges.

Every one of these examples is the result of a failure that is due—at least in part—to marketing platforms and practices that have not kept pace with innovation and customer expectations. They represent a disconnect

between marketing and the group responsible for developing the product or service. None of these, moreover, is a small failure, because even a single poor customer experience can do long-lasting harm to the company's reputation (especially if you haven't delivered a particularly great experience in the same period). What's more, within every one of these examples there are many opportunities for the company to deliver a consistent and great experience that could differentiate it and establish loyalty.

These are hardly isolated examples. Many companies suffer from these same flaws. Comcast is frequently held up as a poster child for customer complaints—complaints over customer service, billing practices, and the customer experience on its websites. In fact, so long is the list of complaints that there's even a Twitter hashtag—#comcastoutrage—where the disgruntled can vent. At the heart of the complaints is frustration over Comcast's approach to its core service: The company forces customers to buy services in bundles that include many items that they simply don't want. Granted this can be an effective way to get customers to try new content, but Comcast has taken it to such an extreme that it actually infuriates customers.

The fact is that Comcast's approach has for years been out of sync with the market's direction. And that is why services like HBO diversified and joined forces with younger Comcast competitors that are allowing customers to buy just what they want, when they want it.

An empowered marketing organization that was aligned with the rest of the company would have early on recognized this as a problem with the marketing mix (in this case, the mix of products and prices). It would have engaged with the core service team to address it. In companies where marketing is disconnected, marketing is relegated to amplifying the success of good products—which often don't need much help—or doing damage control by spinning the facts in the best possible light (if the product is bad). Either represents a reactive, if not impoverished, approach to marketing from which the stewardship of customer experience is out of reach.

To put this in perspective, consider that just 30 years ago, we were still living in the so-called broadcast era of marketing, when brand perception could be managed quite effectively by marketers. Then, innovation was often driven by marketing, and product development had less influence; it was there to execute. Companies could get away with this approach because consumers had little ability to share their experiences freely or amplify their voices above the companies' megaphones. So companies faced less pressure to improve their products and services. On top of this, the broadcast system

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constituted an ecosystem that favored a smaller number of bigger brands competing for attention.

What's remarkable is how quickly things changed. Greater access to affordable development tools, combined with the rise of social media, drove the pendulum to the opposite extreme. It happened with such force that at the most innovative companies innovation is now more often driven by product management. The problem now is that companies have gotten so good at innovating quickly that they can readily replicate each other's products and services. What they cannot replicate as easily, however, is a consistent and great customer experience. This fact is what's driving the pendulum back toward the middle where the group managing the product or service development and the marketing group need to collaborate closely in order to compete effectively in the marketplace.

Companies like Comcast are sitting on top of an enormous opportunity, though, because they have relationships with the majority of customers in their market spaces. And those customers have feedback and ideas that Comcast could transform into value—if Comcast could only overcome its unbalanced approach to product development and marketing. Indeed, it's got a lot of work to do: Millennials do not see Comcast as the innovative content-delivery platform that it once was. Rather, they are apt to think of Comcast as an entrenched company that lobbies the government to maintain unfair (i.e., monopolistic) access to the market.

The fact is that Comcast has enjoyed a de facto monopoly for a long time, and that has insulated it from the need to treat customers well. It's as if the company is still operating in the broadcast era. Comcast may be profiting from this insulation, but in the process, those functions that would make it competitive in a nonmonopolistic market have atrophied. To thrive in the future, Comcast will have to undergo a major transformation in order to compete with the wealth of innovative alternatives now available on the content distribution side of their business—never mind facing off against the new entrants whose aim to establish alternatives to landline-based Internet connections would threaten Comcast's monopolistic access to customers.

In fairness, Comcast seems to be recognizing these challenges; the company has already appointed new management with a stated goal of focusing on customer experience. And it is making progress. Managing a turnaround will not be easy, but it is possible if the company embraces a new approach to both innovation (new service development) and marketing that is

balanced and collaborative. This book is about that new approach and how it aligns product and service development with marketing. This approach is designed to help companies like Comcast understand their customers better, harness their feedback, and design for customers' evolving needs. It's not a new multiyear strategic plan, rather it's an approach that delivers one small victory after another in a battle to stay relevant.

## What Does Modern Marketing Feel Like Today?

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Modern marketing is fundamentally about competing on the basis of the customer experience. Doing so effectively requires new practices and platforms; throughout this book, I map out the path to modernizing marketing. My intention in using this term is to underscore a company's ability to compete on the basis of customer experience.

To get a sense of the direction marketing is taking, consider this hypothetical example, based on a real product and its real issues. You're a successful millennial with a top job at a growing company based in a major metropolitan area. You're in the market for a new car, but you harbor mixed feelings about new cars because they're hard on the environment. So you've decided on an electric car, which reflects your environmentally conscious values. You're hoping you can find one that will also send a message about your accomplishments (not to mention satisfying your ego's need for speed).

This may well be your single biggest purchase to date. As you are inclined to do, you'll start your search by browsing on your mobile device and asking for suggestions on social.

Facebook picks up your intentions and presents an ad for a hybrid Cadillac. You knowingly take the bait and investigate its site. You also download the Cadillac's mobile app before heading out to the dealership to learn more. Sitting in the car, the first thing you notice is the Cadillac User Experience (CUE) display. You can connect your phone but that doesn't add much value to your experience. That's disappointing. You take the test drive, though, and return to the showroom to briefly get some idea about available options and pricing.

Later that day, you get a notification on your phone pointing to an article about Tesla that a friend is sharing with you on Facebook. You've heard

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that the car was rated “best new car of the year” by a number of automotive publications and reviewers. The article touts new features coming out in 2015 that will make it impossible for the car to run out of range. It’s hard not to worry about range with an electric, so this peaks your interest.

You learn that Tesla updates its cars in the same way that your phone gets updated. In this case, the company released a firmware update that directed drivers to one of its SuperCharger stations when their cars were running low on battery. With your phone in hand, you check out Tesla’s mobile app and discover that it lets you check the car’s charging progress, preheat or cool the car, locate it, and even access it remotely. You jump to Tesla’s website, which lets you schedule a test drive.

There’s nothing typical about Tesla’s showroom. For one thing, it’s in a retail location, nestled between a home furnishing store and a clothing boutique. For another, they’re expecting you. There’s certainly nothing typical about Tesla’s approach to making and selling cars. You learn that Tesla does not release cars on an annual basis like Cadillac. Instead, the company is continuously improving and updating the car’s hardware and software; the model you’re interested in, for example, will add additional self-driving features with future software releases. Teslas are made to order and offer many configuration choices that you’ll want to explore. The entire buying experience is different.

You resist the urge to make a rash decision. Of course, these cars are made to order so you couldn’t drive away with one right now even if you wanted to. Plus, you can’t ignore the fact that the car costs a good bit more than the Cadillac and much more than you ever imagined spending on a vehicle. But this car doesn’t feel like something that starts depreciating as soon as you drive out of the dealership. On the contrary, the car seems like it will improve over time.

Now you need to get a better idea of the car’s reputation. What do its owners think? Unlike the Cadillac, Tesla has a community of owners who are actively engaged online. So you start poking around.

You discover that Tesla has had some issues, for example with the battery. The car originally lowered itself at high speeds to improve efficiency. Unfortunately, this feature caused battery damage for some drivers when they ran over objects in the road or hit rough pavement. But Tesla addressed this with a software update that disabled the height adjustment as well as with the installation of new bottom-plate hardware. The company also issued a series of communications to owners about the problem and provided release

notes for the software update. Most important, users remained satisfied, undeterred, even; they continue to recommend the car.

A negative piece you came across in the *New York Times* claimed that Tesla's mileage estimates were inaccurate. Elon Musk, Tesla's CEO (and product architect), promptly refuted the story, using data from the car that the journalist drove. He also took the opportunity to point out that Tesla is constantly improving the customer experience based on similar data and input from customers.

Your experience thus far has been great: clear, consistent, and straightforward. Granted, there have been some issues, but that's to be expected from a company that's disrupting an industry. In fact, part of what sets Tesla apart is how it has responded to these issues—which is to say, promptly, factually, and transparently. What you hear on social media aligns with what the company is saying. This is the car you're going to buy.

## Driving into the Future

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Tesla develops and manufactures its cars using an adaptive approach that makes it possible to innovate quickly and respond to unexpected circumstances that in another era (or with another company) could have derailed a fledgling business. On Tesla's manufacturing side, the approach is called *Lean*; on the software side, it's called *Agile*. Both are adaptive approaches. From a marketer's perspective, what is most impressive is that the automaker's approach to marketing echoes, complements, and enhances its approach to development. It's as if the marketing and the product development are so tightly aligned that they're virtually indistinguishable. With Tesla, this may literally be the case, considering that Elon Musk is as much a product guy as he is a marketer (whether he admits this or not). Marketing and product development can iterate right alongside each other, as they evolve the product and brand ever more closely to the customer's ideal. And, perhaps most importantly, they are in lockstep when it comes to delivering a consistent and great user experience.

In fact, Tesla extended its development approach to marketing, which turns out to be a critical first step on the road to modern marketing. As you'd expect, Tesla established a community early on; it is listening to customers and addressing product concerns in a public way. Such transparency is at the heart of an adaptive approach.

Tesla stands in contrast to Comcast along many dimensions: industry, age, size, and competitive profile. But the most important dimension in which the two companies differ is internal alignment. Comcast is not old in years, but it is in terms of its innovation and marketing practices. Upstart companies with agility—those that can adopt contemporary approaches out of the gate—are driving Comcast’s customers to “cut the cord.” To maintain its historic growth rate, it must change more than the way it develops new services; it must develop them in lockstep with marketing.

For the marketing group, modernization has major implications for two areas: (1) marketing practices and (2) the platforms and technology that support those practices. Of course, these implications are intertwined and can’t be understood independently. What we’ll discover, as with Tesla, is that the practices that Comcast needs to adopt are actually derived from those used by product development. Marketing must follow development’s example to facilitate this transformation.

## The Relationship between Product Development and Marketing

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The processes that development organizations employ to develop products or services have, of course, evolved over the years. Traditionally, they started with the business requirements document, which would then go to design. Once designed, the product would get thrown over the fence to development, where it would undergo many stages of revision. Finally, it would be tested for release. Throughout the process, the product would be handled by a handful of separate teams. The product owner, or business lead, might not have checked in on the process until nearly the end of the project.

Over the past 15 years or so, as the pace of innovation has accelerated, and product development cycles have been compressed, this traditional approach has become increasingly impractical. This is because the old way attempts to predict what the end state of the product will be, whereas the new way adapts the product or service direction to customer feedback along the way. Though both approaches include the same steps (e.g., design, development, testing), the predictive approach measures twice and cuts once, whereas the adaptive approach is constantly measuring while making many small cuts.

Agile (the dominant adaptive approach to building software) is optimal for contexts where you can't predict what you'll need to build but where time-to-value is of the essence. Popularized by start-ups that needed to be able to pivot quickly as they zeroed in on the right product/market fit, Agile has become solidly mainstream, implemented at some of the biggest technology companies in the world (including Oracle). It's been critically important for big companies, where a rapid response to market changes is invariably a tougher undertaking.

So what does all this have to do with marketing?

Most marketers have not experienced Agile first hand. This isn't surprising; marketers haven't traditionally cared much about how things worked under the hood, as long as they worked. That was IT's job.

Good marketing has always required having a deep understanding of how the company's products and services are purchased and used. But that's no longer enough. We must also understand how these products and services are *developed*. This is because marketing needs to actively collaborate on the development of products and services. For one thing, the adaptive approaches to development depend on constant feedback from customers to support iteration. Marketers, as the stewards of the brand's community, are perfectly positioned to act as a feedback conduit between the customer and the product development organization. As such, marketers have the potential to play a more effective, more strategic role in facilitating the product/market fit. Indeed, Tesla is attempting just that, albeit in a rudimentary way: The company's community forums call for direct feedback with posts whose subject lines read "TESLA WANTS FEEDBACK ON ANY POOR (OR GREAT!) CUSTOMER EXPERIENCES" (their caps).<sup>1</sup>

There's another reason why marketing needs to understand product development: The technology required to execute modern marketing is a service in its own right. In other words, marketers must act as the product owner as they integrate a range of marketing technologies and build out their platforms. Such platforms will have to deliver consistent and great customer experiences. And that's important because customer experience is quickly becoming the battleground on which companies compete. A recent Gartner survey of marketing leaders found that 89 percent of companies "plan to compete primarily on the basis of the customer experience by 2016." Yet "fewer than half of companies surveyed rate their customer experience as exceptional today."<sup>2</sup> This seems overly optimistic (not to

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mention somewhat characteristic of self-reported data), although it does support the general trend of viewing the customer experience as the foundation of competitive advantage.

Clearly there's a chasm between the aspiration and the reality. Following traditional approaches, marketers would plan to take a year designing and building a bridge to cross that chasm. But because the marketing technology landscape is so complex and is evolving so rapidly, the far side of the chasm will have moved by the time the marketer gets there. That's why adaptive approaches are so essential. Adopting an adaptive approach has become an imperative for marketers who aspire to become stewards of the customer experience.