



The Fix

A How-to Guide for Breaking Bad
Habits That May Well Wind Up Killing
Your Business. Chris Kneeland

Why do people take pain meds?

Presumably because something hurts and they want the pain to go away.

But what do pain pills actually do to fix the problem? Nothing!

They simply make the problem more bearable.

So, hopefully while you're taking pain pills, you're undergoing some other form of treatment to fix whatever is causing the pain.

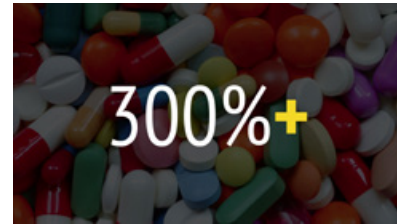
But there's a downside to taking painkillers. In fact, I can think of at least three:

1. Negative side effects (hint: read the warning label).
2. You can potentially overdose and end up killing yourself.
3. You can become addicted to them.

If you take the same drug over a prolonged period of time, the desired effect becomes harder and harder to achieve. So you start taking more and more of the drug to get the same benefit. Trying to maintain the status quo is how addicts end up losing everything they have.



Relative to prescription pain medication, we have a crisis in North America. The number of people who are addicted to pain pills has risen by 300% in the past 10 years. That's a staggering statistic, but I'm obviously not writing this to discuss a societal issue. I want to use this problem as a metaphor for a business problem that is equally rampant and serious.



The drugs that businesses are addicted to, are discounts, coupons, BOGOs, off-price flyers, free-with-purchase offers... the list of ways to get that short-term sales high goes on. Too many good marketers are engaging in bad, self-defeating, costly behaviour, with an over-reliance on incentives, and all the accompanying mass advertising required to promote them.



If you have to continuously discount your product or service, or scream to the largest possible audience in order to get people to notice you, and to care enough about you to buy—then your business isn't healthy. Either you're offering goods or services people don't really want, or your brand is failing to demonstrate a compelling value proposition that meets consumer expectations for your category.

Brand leaders across North America have become overly fixated on dealing with the symptoms of their pain, rather than address the core issues that cause them to have to resort to bribery just to get people to buy. And the proliferation of incentives and advertising has become so bad that many businesses are now overdosing on these short-term stimulants.

The End of an Era

A recent study by Deloitte reports that the life expectancy of a Fortune 500 company went from an average of 75 years a half century ago to 15 years today. That is such a dramatic decline, it's hard to believe. But, then you witness brands like Target taking a \$5Billion haircut and leaving Canada with its tail between its legs, and you start to realize that very few businesses are too big to fail. I worked with Blockbuster as that multi-billion dollar business got really ill and eventually died. It was one of the most frustrating assignments of my professional career, because their CEO was in denial and wouldn't spend time and money correcting the real problems.



In this context, if you're working at a company that has been around for more than 15 years, your brand is now a senior citizen. Are you doing the right things to stay looking and feeling young and healthy?

My colleagues and I are concerned that most businesses aren't doing new things. Our observation is that most brands are overly dependent on mass advertising and sales promotions, rather than doing what we call "real marketing".



Consider: in the same time period that prescription drug addiction grew by over 300%, spending on mass media grew by over \$40 billion—*annually*. That's a *lot* of extra money. So, what wonderful benefits have brands received for this tremendous incremental investment? Well, by all the measures we can get our hands on, hardly any. Consumer engagement is tanking. And consumers' relationships with most brands are at all-time lows.

Remember the 80/20 rule? Conventional wisdom used to be that 20% of your best customers were so loyal they generated 80% of your sales. That is no longer true. In the past decade, your best customers have become so promiscuous that we now have the 40/60 rule—it now takes twice as many good customers to generate 20% less sales than they used to.

Clearly a brand prescription based on more promotions and more advertising isn't resonating with the consumers who matter the most to brands.

Just Because We Choose to Ignore a Problem, Doesn't Mean It Isn't There.

April 16, 2014 was a very interesting day for marketers. On that day, *Ad Age*, a publication which makes it's living, and exists solely to cater to the advertising industry, published an article which led with:

"Here's a message to CMOs: Consumers don't trust your ads." It went on to say that "even the most advanced campaigns don't deliver competitive advantage anymore."

It's a day that should have resulted in CMO's calling emergency meetings to gather their teams together and ask "Now what should we do?" Unfortunately, that day came and went, and most marketing behaviour hasn't changed.

Now, if *Ad Age* can admit advertising is broken, why are we still overinvesting in it?

Some people argue: “My brand is the exception. Our campaigns work. I have reports that show me a spike in sales.” I can’t dispute that. In fact, I say “no kidding.” Consumers love sales. It’s because of these temporary “fixes” that businesses get hooked on them in the first place.

My concern is three-fold:

First, are you truly measuring the cost of getting that quick fix so you can determine if it’s truly worth it? All of the marketing activity required to instantiate and publicise the sale comes at a cost we seldom measure correctly.

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My second problem with sales promotions is that too many marketers justify them as loss leaders, believing they will expose new audiences to their brand who will then be converted into loyal customers for repeat full-price purchasers of what’s currently on sale, and other products or services. Unfortunately, the post-sale period almost always returns to normal sales days after the promotion, so the halo effect is nearly non-existent.

In fact, *Forbes* wrote a compelling article last year about the Groupon's slow, painful death. The deal site thrived during the recession by preying on marketers desperate for traffic and eager to believe anything that would help them maintain comp sales.

But most businesses who retained Groupon's services regretted it, and didn't use them again because all Groupon offers did was attract the worst kind of customer and destroy margins in their wake. Groupon's share price is now a fraction of what it used to be, because businesses felt burned by their rich sales-driving tactics.

My final problem with sales promotions is this: I'd love our industry to get to a place where every dollar we spent on ads or sales promotions was viewed as a professional failure.

I had a chance to work with Best Buy for many years, and was there when they bought Geek Squad. Robert Stephens, the founder who built that amazingly quirky brand, likes to tell people "Advertising is a tax brands pay for being unremarkable."

Too many businesses think marketing's job is to concoct alternative reasons to purchase, rather than improving the inherent value proposition of their products or services.

In doing research for our book we reviewed publically posted job descriptions for marketing leaders within Fortune 500 companies and nearly 90% emphasized managing the creation of marketing communications rather than improving products, brand positioning, service offerings, corporate culture, staff on-boarding, training and retention, or customer relationships.

That needs to change.

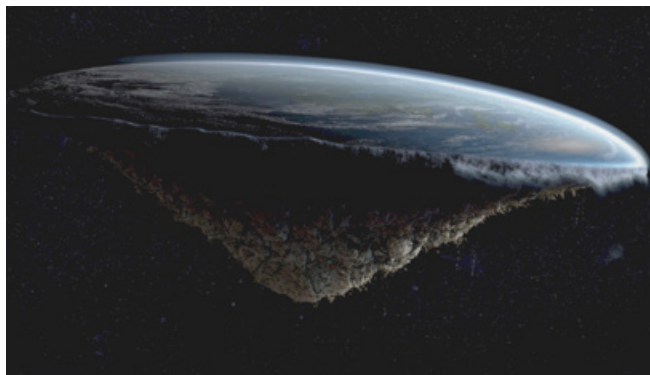
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Marketing is so much more capable and impactful than just coming up with copy or images. We need to redefine what Marketing is accountable for, and how we do what we do. And it gets to be a zero sum game. We simply need to redeploy the monies spent on paid media and markdowns and start investing in the things that will actually make our businesses better. What we offer, how we offer it, and our relationships with our existing customers.

Turns Out, The Earth Wasn't Flat After All

Where did our unholy fixation with advertising and sales promotions come from anyway?

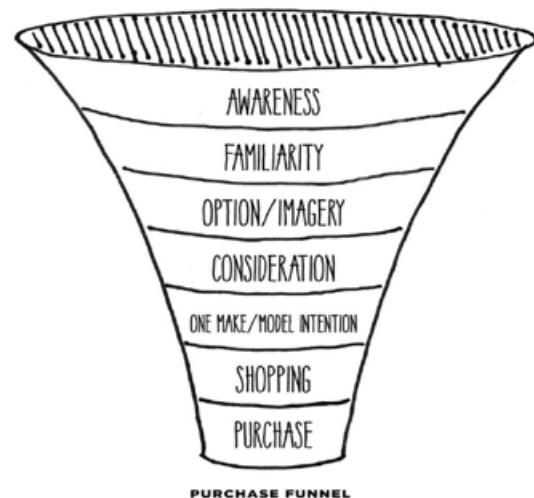
Well, to understand that we need to go back in time and consider the paradigms governing our craft. By paradigm, I mean a fundamental belief that informs all our thoughts and actions.



For context, consider what is arguably the biggest false paradigm of all time—the one that had people believing the earth was flat. When the first scholars and explorers started to question that cherished belief, they were killed as heretics. But eventually the evidence became overwhelmingly obvious. And early adopters of the new ‘round earth’ theory went on to discover new lands, new peoples, and new fortunes.

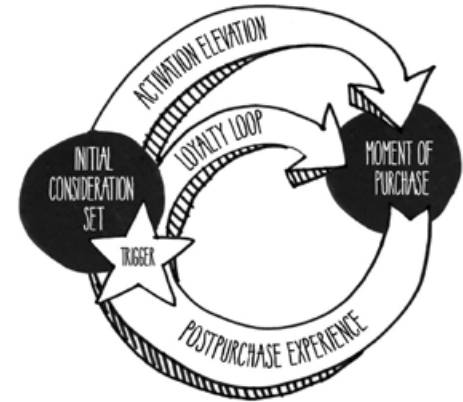
Well, there is a marketing paradigm that is as popular, and as false, as believing the world is flat.

This is the purchase funnel. Most of us marketers had it drilled into us in college. Its framework was invented in 1898. It was last modified in 1924, nearly a century ago. Since the early 1960's it's been a touchstone for most brands—either consciously or subconsciously—helping them make marketing decisions. Since Awareness and Familiarity are the first two steps, many businesses prioritize those marketing activities. In fact, because these two tasks seem so important in this framework, comprising over 50% of the funnel's area, many brands spend over 50% of their marketing budgets, their marketing personnel's time, and their agency relationships, on activities designed to generate awareness and familiarity.



But open your mind to an alternative way. Consider Harley Davidson. I assume we can all accept the fact that Harley Davidson is an icon. Pretty much any time you can get consumers to tattoo your brand on their body, you know you've got something pretty special. Well, their global CMO revealed that he only spends 15% of his marketing budget on awareness building activities. If you want to achieve the kind of results Harley achieves, why not do the same type of marketing they do? It starts by rethinking the entire marketing paradigm.

Here is the new reality. In 2010 researchers from Harvard wondered if the purchase funnel was still relevant, so they did some research. They discovered *nothing* about it is still true. In fact, there are only four moments that really matter to consumers, and as such, there are only four moments that should matter to marketers. I'll briefly explain each one, and as I do, imagine if your company did something as blunt as allocate 25% of your time, personnel and budgets to become expert at each of these four phases.



The first step is labeled Consideration. When consumers identify they have a want or a need, they begin to proactively investigate the best possible options. There are two ways for brands to get onto their radar. The first is very expensive and inefficient. It's called advertising. The second is called marketing. I'll explain the difference with an example.

I challenge you to drive around your town on a weekend with the radio on, and not hear a commercial for a mattress company. Mattress companies carpet bomb the airwaves hoping and praying that somebody listening will need a new bed. And probably some small percentage of the population does, and appreciates the ads promoting some special offer. But, Select Comfort, maker of the Sleep Number bed, doesn't participate in this advertising arms race.

Instead they focus on purchase triggers. They buy data that lets them know who is most likely to be in the market for a bed, using triggers like a marriage or divorce, graduation or pregnancy, or people suffering from back pain. They also set up showrooms in malls and offer free sleep diagnostics and use the data capture as sales leads.

They have become expert at direct marketing and sending versioned collateral based on need and immediacy. Select Comfort has grown revenues from under \$600MM to over \$900MM over the past few years using this hyper targeted marketing approach.

Consumers are simply too overwhelmed by all the advertising stimuli we bombard them with, and they have become expert at learning how to shut them off or fast forward past them. A “yell and sell” go-to-market approach no longer make sense.

The second phase is called Evaluation. Unlike a funnel that tapers, Harvard discovered that consumers actually add brands to their consideration set as they become more informed. That means that brands that weren’t initially top of mind, now have a second chance. As consumers do their homework—usually online or by talking with friends—they add more options. This reality has birthed an entire discipline called “content marketing”.

Content Marketing helps brands be persuasive in a really substantive way, and not enough marketers are really good at it. Instead of 30-second commercials or clever print ads, content marketing prioritizes things like blogs and white papers, ratings and reviews, infographics and online videos, strategic partnerships and customer service. The same talented art directors, copy writers and designers who currently make your ads should be repurposing their skills to optimize your website, improve your store experience, reimagine your product packaging (and even perhaps your products) and create all your internal training and recruiting materials.

Perhaps the best example of a brand that excels in the Evaluation phase is Zappos. They spend next to nothing on advertising, but have prioritized their marketing efforts on four areas: customer service, attractive shipping policies, website optimization (so they rank high on organic search), and producing tremendous online content. They don't make the shoes or clothes they sell, and they really have no competitive advantage except their approach to marketing. When you see how effectively they do what they do, especially compared to others in their space, who are woefully addicted to buying impressions, it makes sense why Amazon wrote them a check for a billion dollars.

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The third phase is Purchase. The old funnel completely overlooks the fact that somewhere between 30-50% of purchase decisions are made at the point of sale. That means that consumers couldn't reach a decision in the first two steps, so they decide to just show up to the store or the Internet and make a decision there. This is game changing for brand leaders who want to improve conversion. Unfortunately we've worked with many clients who defer all control of their front line staff or customer service agents to Operations or HR. How many CEO's or CMO's give their website analyst sufficient time to explain ways to boost site conversion? Or work hand in hand with visual merchandisers to optimize store experience? My guess is very few. Too many brand leaders falsely assume Marketing's job is to get people to show up, and then somebody else's job is to close the sale.

Marketing's job is to own the customer experience. And while Superbowl commercials are undoubtedly fun, it's the unsexy things like packaging, and warranties, and return policies, and point of sale displays, and staff training that should be Marketing's primary focus.

“ Too many brand leaders falsely assume Marketing's job is to get people to show up, and then somebody else's job is to close the sale. Marketing's real job is to own the customer experience.

In 2009, marketers at Hyundai worked with one of our company's partners, Brand Keys, to understand what they could do to help consumers buy cars at the onset of the recession. All the auto dealers were panicked and were dropping prices and offering attractive financing offers left, right and centre. But Hyundai was already a well-priced vehicle. They didn't need to offer consumers more margin-eroding discounts. Rather, the research revealed what consumers really wanted was assurance. In an unstable economy, they needed to know they could make their car payments if they got laid off. So, rather than joining the noise of rebates and employee pricing, Hyundai offered an Assurance Program, allowing their customers the opportunity to return their car for a full refund if they lost their job. That provided dealers with the ultimate closing tool at point of purchase. Salesmen were able to use that marketing program to exceed consumer expectations. And that year, while sales were down 37% in the auto category at large, Hyundai's was up 14%. They did real marketing.

The final moment that matters in this new customer model, didn't even exist in the original purchase funnel. It prioritizes the post-purchase experience. It deals more with advocacy than awareness. If brands can get this part right, consumers will skip the first two steps of the process the next time they are in market and go straight to you to purchase. That's called the loyalty loop.

In addition to their repeat purchases, this is where brands can create opportunities to amplify positive word of mouth. All that is required is that we spend more effort making the ownership experience more exceptional. And if you consider the alternative, it's really a no-brainer. Consider these stats:

86% it's important to have a positive brand experience
after making a purchase

If the ownership experience fails to meet expectations...

65% Complain to family and friends

41% Write an email/letter

34% Write online reviews

19% Complain on social media

1% Make additional purchase

Consumers simply have too many choices now to put up with mediocrity. We're living in an age of hyper-commoditization, and as marketers we need to step up and help our brands become better. Rather than telling people we're great, we need to actually become great. Our customers don't need more ads or sales promotions, they need to feel valued and appreciated, and have the confidence that we're consistently living up to their ever-changing expectations.

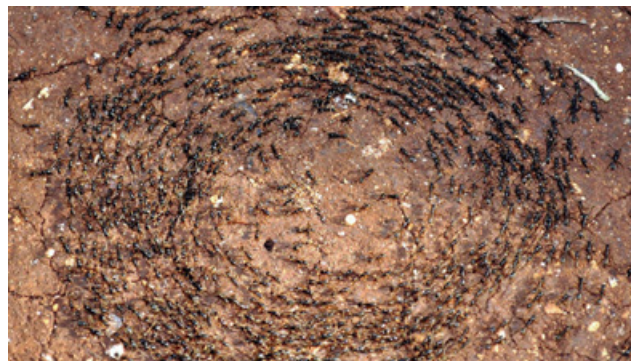
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Old Habits Can Spell Death

Let me shift gears for a moment, and share a different metaphor, because I realize that I may be preaching to the converted. You obviously read this far, because you believe there is a better way.

Often, people will tell me they want to do great marketing, and want to build an amazing brand, they want to prioritize consumer engagement activities instead of executing against the same old promotional calendar, year in and year out. But they are stuck in organizations that suppress change and are being lead by old dogs who refuse to learn new tricks. When I walk into a company that is marketing essentially the same way they were 5-10 years ago, I am reminded of something I saw in Africa on a family trip I took last year.

While my wife and kids were enthralled with lions, elephants and cheetahs—I was enamoured with the ants. There is a phenomenon in nature called a death spiral. It happens because ants take “follow the leader” to a whole new level. It’s programmed in an ant’s nature to follow the ant directly in front of it. And only that ant. Sometimes you get a mile-long column of ants, each narrowly focussed on the one in front. Problem is, if the lead ant becomes confused in its trek, it can sometimes wind up following an ant further back in the line. And the column ends up marching in a circle—a death spiral—until they all expire from hunger and exhaustion.



How many times have you seen a new CEO or CMO enter an organization intent on changing things? They have some bold new ideas and want to reimagine the brand's positioning, offerings or marketing approach. As they begin to implement change, the Board, or the shareholders, or their peers on the senior leadership team, start to hold them accountable to legacy metrics and demand things be done how they have always been done. Some attempts at reinvention may be humoured until there is a bad month, or a bad quarter, and then the new leader is forced to fall in line and resume the same behaviours as their predecessor.

But because the old ways don't work as well any more, the new leader has to spend more money, and deploy more resources, just to try to keep up with what was done previously. Promotions become predictable, the results are lackluster, morale suffers, more artificial stimulants are thrown into the mix to try to spark demand, and businesses suffer from all of the negative symptoms of addiction.

It's hard to argue with the law of diminishing returns. Let's learn from the ants. Look UP and see if your marketing efforts are a perpetual cycle of sameness.

Let me conclude with three fundamental truths that I believe to be self evident:

I believe many brands are taking the wrong prescription for what truly ails them. Too many brands are overdosing on markdowns and mass advertising. These are usually unfortunate distractions to doing the things that truly make a positive difference and contribute to a healthy bottom line.

“It’s hard to argue with the law of diminishing returns. Let’s learn from the ants. Look UP and see if your marketing efforts are a perpetual cycle of sameness.”

Secondly, I believe improving consumer engagement will boost the overall health of your business faster than just about anything else. I don’t have the space to elaborate on everything that qualify as consumer engagement (For some reason, ChangeThis isn’t giving me the small bible length they gave Seth Godin). However, these things basically deal with correctly identifying the consumer expectations for your category, and then delivering on those expectations better than anyone else.

It involves Marketing with a capital M—harking back to when it included the four P's: product, price, place and not just promotion. Marketing is a noble profession that should become more empowered within each organization. No one else is more qualified to improve everything that touches the consumer, and oftentimes that involves touching internal employee engagement and improving corporate culture as well.

Finally, I believe you should use the most enviable brands as beacons to show you the way. They are our shining examples of enlightened marketing. They are led by people doing amazing consumer-engagement activities.

The whole purpose of this manifesto, and of writing the book, *Fix*, is to demonstrate that a healthy revolution has already begun. Many marketers are reimagining their job descriptions, and of better things to do with the millions of dollars senselessly deployed on paid mass media.

I read recently about Nike—a cult brand, to be sure. A few years ago they began a very conscious marketing strategy to wean themselves off traditional advertising. They are now spending 40% less on channels like TV and print, redeploying those funds into consumer engagement activities like Nike+, and building a social media audience that now exceeds the exposure it used to receive with its Super Bowl ads. As a result, its revenue has grown from \$20 to \$27Billion in the past few years. They are proof that any brand can rehabilitate itself.

I hope if there are any promotional junkies or mass advertising addicts reading this, you treat this manifesto like an intervention. **I hope you go forward from this closing sentence with the courage and confidence to change your path, and start thinking of marketing in an entirely new way.** 📌

Info



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ABOUT THE AUTHOR | Chris Kneeland is Cult Collective Ltd.'s Head Strategist and CEO. Beyond his family, his life's overriding passion involves helping brands reimagine new ways of doing things. In particular, he's committed to helping clients redeploy mass-media dollars into customer engagement activities that actually matter.

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