



BY JOHN GRAHAM

Why It Took Wal-Mart So Long to Embrace Marketing

(and why others continue to sit on the sidelines)

Many companies ignore marketing or don't take it seriously—until something goes wrong. Then, they can't become true believers fast enough. A high-profile example is Wal-Mart. For decades the storied retailer was welcomed with open arms in most communities, with the few exceptions simply proving the rule.

Then, in the last few years, Wal-Mart was getting beaten up rather badly. All of a sudden the company that rested on its laurels of low prices got religion and today is spending tens of millions of dollars on public relations, advertising and community relations efforts and designing more attractive stores.

It's even patting itself on the back for being the largest corporate donor to charitable causes in the nation. Taken together, these incursions into marketing are aimed at changing the public's perception of the company.

Wal-Mart is far from alone in coming late to marketing. Just when you think you've heard all the reasons why companies ignore marketing, another one pops up. Here is what might be called "the top nine."

1. *"Everybody knows us. We've been in business for 34 years."* This is at the top of list for one reason: it can be heard any day of the week, expressed by people who really believe it. It conjures up the ghost of G. Jay Parkinson, president of the famed Anaconda Mining Company, who said, "This company will be going strong 100 years and even 500 years from now." It must have come as a surprise when the company declared bankruptcy just three years later.

Sales are about *today*, while marketing is about *tomorrow*, something Mr. Parkinson's arrogance didn't permit him to understand. Evidently, the folks at Ford have trouble with it, too. They talk about

"bold" but deliver ordinary. At GM they rely on add-on gimmicks like OnStar to sell cars. They worry about today, while Toyota, for example, has a vision of what best serves the customer that reaches far into the future.

2. *"We're doing just fine. We don't need marketing."* This has been the Wal-Mart mantra for decades as they relied on their "lowest prices" pronouncement to keep the customers coming back for more. It worked for a long time. Until the world's largest was being battered from just about every angle.

Facing flat sales, customer defections, in-store issues, an inability to attract more affluent consumers, employee unrest and louder-than-ever objections to proposed store locations, the folks at Bentonville have embraced marketing in a big way, all to the credit of CEO Lee Scott. They finally realized that Sam Walton's message of "lowest prices" was only half his message. "Treating people fairly" was equally important.

3. *"Marketing? What we need are sales."* If anything was ever obvious as a pancake at IHOP, it's that every business needs

sales.

Far too many of those in business have great trouble grasping an essential concept: what every business *really* needs is *customers*. The life insurance agent needs someone to talk to about protection and securing the future, the boat dealer hooks customers who have a dream of being a "captain" and the department store owner wants consumers who expect a certain type of experience.

It's interesting that the CEO of McDonald's put the brakes on building new stores after realizing that all those new golden arches weren't producing

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enough gold. Today, McDonald's major initiatives focus on the quality of its service, a people-pleasing menu and cleanliness. That's marketing. Maybe the CEO really gets it. He started on the grill at 16 and never made it to college.

4. "We know our industry. We don't need market research. It's a waste of money." If businesses gave the same careful attention to marketing research as they do to making other purchases, their advertising would be far more successful—particularly today.

The advertising media are in turmoil. Nothing is for sure, even as billions of advertising dollars migrate to Google and other Internet venues. Does it work or is it simply following the current pied piper?

Those who are glibly writing off print advertising could be somewhat premature. The combination of print and electronic may prove to be a winning duo. Many publications are highly innovative, including *The Wall Street Journal* with its very effective new approach to business journalism, both in print and online. The use of instant online alerts by *WSJ* and other publications is compelling.

Cable's power is just now coming into its own with its powerful capability to deliver programming that delivers viewers.

But nothing is effective if it isn't based on solid research.

5. "Our logo is just fine. Anyway, logos aren't important." A Stanford University graduate student tells of upgrading from a Geo Prizm to a Toyota Corolla. "I felt that I had upgraded my life," he reports. "Here I was in a higher quality vehicle that was more attractive—and no doubt safer."

You don't need to be a Stanford graduate student to get the joke. He was surprised to discover that both cars were made on the same production line in Fremont, California. He points out that only the name—and the brand image were different. "And that, say the experts, is the beauty of branding." He's right.

6. "Why bother marketing? Everyone in our industry is just about alike." Perhaps the most appropriate response to this common rejection of marketing is to say, "I beg your pardon." However, visit a particular industry's

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trade show. Walk up and down the aisles and ask yourself, "Which companies stand out?" The answer is very few, if any.

By 2003, all the locally owned banks on Cape Cod had disappeared. That gave a former bank executive, entrepreneur and Cape Cod resident an idea for a commercial bank that was locally owned and managed by Cape Codders. It didn't take long for the Bank of Cape Cod to open. One of the primary roles of marketing is to distinguish one company from another when they all look alike. That's why this new bank will be a success.

7. "Our CEO doesn't believe in marketing." More often than not, the CEO doesn't understand marketing, either. It's easy for some CEOs to feel that they should have all the answers and relying on marketing to help grow a business may seem like using a crutch, a sign of weakness. Apple stockholders are deeply grateful that their CEO, Steve Jobs, doesn't feel that way.

A host of Apple rumor blogs keeps the guessing at a high pitch, particularly before one of Jobs' legendary performances. That's the marketing. More CEOs could benefit their companies by learning from Steve Jobs.

8. "Cold calling is our marketing." Dialing for dollars is still popular. Make enough calls and you're destined to get lucky once in a while. But, as a life insurance salesperson, who had been in the business for more than 30 years, said, "I woke up this morning and realized that I will be doing today what I did my first day in the business—trying to find someone to talk to." There's nothing wrong with making calls. It just works much better if you're known and appreciated by those you call. Again, that's marketing.

9. "We sent out a bunch of letters and didn't get any response. That stuff doesn't work." This deserves to be last on the list because it demonstrates such a monumental amount of marketing ignorance.

Every parent arrives at the brink of despair, having told their sons and daughters hundreds of times to pick up their rooms. Then to their surprise, the offspring emerges one day as the ultimate neatnik.

Marketing isn't about sending out letters (or anything else), it's about touching continuously in a variety of ways until one day, they become customers. Who will be Apple's customer base for its elegant and expensive iPhone? A solid percentage will be among the 70 million people who love their iPods.

Being there when the customer is ready to respond is the key, so that over time the whole becomes greater than the sum of the parts. This is also what it means to build a brand.

Wal-Mart woke up to marketing none too early, but in the nick of time. They've discovered that low prices are only part of the equation and being valued is something quite different but absolutely necessary. That's the marketing story.

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