

[Transcript] The Diary Of A CEO with Steven Bartlett / The Marketing Professor: The Biggest Business Mistake You're Probably Making Without Realising It

This is actually the great curse of a lot of modern business, given the title of your podcast, which is that people generally over obsess about things which are immediately quantifiable and under invest in things which are valuable, but hard to actually put a figure on. Yeah. And so things like engagement or loyalty, of course. I mean, it's worth noting that customer loyalty is much, much slower to measure than, for example, conversion. And so the extent that money

is invested in performance marketing or the bottom of the funnel relative to, let's say, wider brand fame, it's a widespread problem in the whole business world, which is that the money isn't necessarily being spent in the channels it is because it's more effective there, but simply because it's easier to prove that it has an effect. The truth of the matter is, the world will always be too uncertain for us to know who our customers are in advance. And therefore, since 97% of the potential customer base aren't in market at any given time, and therefore won't be uncovered by search or remarketing or whatever, spending money on the 97%

of people in advance ahead of times is still a very effective thing to do. The reason people do too little of it is that it's hard to quantify. On that particular point, then, having worked in the advertising industry, this is a conversation we have all the time with clients, which is you'll meet a certain type of client who's very religious about the bottom of the funnel. If I can't track it, and I don't know exactly... I won't do it. I won't do it. Then you'll sometimes meet the opposite, which is someone who just loves to spend on brand. They're both wrong.

Mark Ritz, a very good marketing professor, always talks about the importance of bothism. And he says, it's vitally important that when I actually speak about the importance of brand marketing, that you do not interpret this as denigrating digital marketing. In fact, I go a bit further and say, the bottom of the funnel, in many respects, is the thing you have to optimize first. Because there's no point in, actually, if there's a bottleneck at the bottom of the funnel, if there's some constraint or a problem or a failing, if you have very poor conversion, okay? There's no point in spending money on advertising because you'll just introduce more people to a disappointing experience. You're wasting money. So you've got to get the back end, and I would argue the first thing in theory you should optimize if you're being an absolute purist is repeat purchase. Because having gone through the expense to acquire these customers, actually, that's the metric that always fascinates me because we were talking earlier about electric cars. And I said, the question about electric cars isn't how many people are buying them, okay? It's not what percentage of the new car market in the UK in July were plug-in vehicles. Now, only question worth asking really in the long term is, does anybody who buys an electric car go back to buying a gasoline car? Because if the answer that is hardly anybody, then okay, you don't know the exact shape of the S-curve, but you know the growth is going to be pretty spectacular. And so the thing to understand, I think, in a market is to what extent does your product actually convert someone to something. And then the lifetime value of that. And so you'd start with repeat purchase, then you go to conversion, and then you'd work your way up. But what tends to happen is that when people are obsessed with quantification of everything, okay? It's worth noting, by the way, that all big data comes from the same place, the past, all right? So there's a limit to how much big data, particularly if you've had some major event like a pandemic in between, how much big data can actually tell you about the future

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in any case. As David Ogilvy famously said, you're not advertising to a standing army, you're advertising to a moving parade. People are coming in and out of market all the time. And so you're absolutely right. You get some people who are just fame junkies. And by the way, I suppose there are brand categories where that's appropriate. If it's sold through retailers, you know, in other words, if it's mostly sold in the physical space, you might argue to an extent, you know, for let's say a Burger King or a McDonald's, that's not a totally crazy position. Although it is now because suddenly they've got to think about delivery and whether people order through the app

or order through an intermediary, because it has a major bearing on their business.

But at the same time, yeah, I mean, the tragedy is this idea, this false dichotomy between brand advertising and what you might call performance or digital marketing, as if you have to be in one camp or the other. Where is the balance though? And how does one go about? Is it just intuitive? Is it just a few minutes? There are figures on this. So if you look at the work of Lisbonette, for example, and Peter Field, the ratio shifts a little bit.

But generally, they'll stipulate a figure around about the 60-40 mark in favour of what you might call brand mass media expenditure. Because they have a mutually beneficial relationship.

The first 20 years of my life, I spent in direct marketing. And actually, you know, because direct marketing was unfashionable, we spent a lot of time denigrating advertising spend because they got much bigger budgets than us, not necessarily rightly. But they were also, you know, much more indulged than we were, because they didn't have to prove effectiveness down to the same sort of level of statistical significance. But we came to realise pretty quickly that actually, first of all, there's nothing harder than direct marketing a product that nobody's ever heard of. And that every time, just to give an example, every time American Express went on television or advertised big in mass media, the response rates to direct mail would not quite double, maybe, but they increased pretty significantly.

You had to work less hard.

And you had to work. It's that wonderful phrase which comes from a book by, let me get his job right, his name right. I think it's Matt Johnson, who's just written a book called Brands That Mean Business. And his wonderful line is, having a great brand means you get to play the game of capitalism in easy mode. And what is true is fame, to some extent, brings a load of benefits which aren't necessarily sales related. So, for example, you can cock up and your customers will be more forgiving. Take the example of Apple.

I mean, on a couple of occasions, Apple has produced products which had fairly major flaws, which might have proved pretty fatal to lesser brands. The famous phone where if you held it in the wrong way, it didn't make phone calls, for example. And given the reality distortion field around the Apple brand, people have passed over those incredibly rapidly. And so, people are less price sensitive. That's not easy to measure by the way as well. It's very easy to measure the extent to which something has an effect on sales, but the effect to which something has an effect on price elasticity and the extent to which you can command a premium. Because it's a great brand. Because it's a great brand. It's harder to measure because you don't have the counterfactual. When you sell something, the counterfactual is that you assume that you wouldn't have sold it otherwise. But if you sell something for a high price, you can't in fact determine that without your advertising, you wouldn't have sold it for that premium price.

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So, it's to some extent this quest for perfect measurement to reduce marketing to a kind of Newtonian physics is a bit of a false goal. Ladies and gentlemen, The Diary of a CEO book is finally out. It's been published today. The 33 Laws of Business and Life. I've spent many years writing this book, but I spent even longer, about a decade and a half, compiling the information

that exists in this book. If you are somebody that has any intent at some point in your life of building something, whether it's building a great team at work, whether it's a football team, a netball team, a business, an organization, a charity, anything at all that you want to build that's going to require you to understand people, understand how to tell great stories, and maybe most importantly of all, understand yourself, then I believe this book is a must read. And you know, I've written a book before. This is my second book, but this is the one. This is the book that will give you the most value. There's a link right now in the description below and for 30 people that order the book and post it on their social media and tag me, you'll be getting a very special gold version of the book. Please read it, then please message me on every social media platform and let me know what you think. Thank you.