

Why it's essential to put the 'market' back into marketing

We need to rethink how to engage with new kinds of consumer markets, say **Scott Thomson**, Naked Communications, and **Dr Alex Bentley**, University of Durham

SINCE LAST YEAR'S SEISMIC collapse of financial markets, there has been an audible rustle of head-scratching by economists who didn't see it coming.

The unforeseen and unpredicted scale of the crisis has since been more than matched by the expression of loud and vociferous opinion, sometimes from the same people, about how governments can, or should, intervene in future.

There is now an ongoing reappraisal of national approaches to managing and influencing increasingly interconnected global financial markets; and the rules on how we now navigate uncharted fiscal waters are being written as a direct result of this largely unexpected change.

However, when it comes to the world of marketing, where consumer habits have been transforming dramatically for some time, there sometimes seems to be less of an apparent 'rethinking' of rules of the road, and more of a forced 'rebooting' of established approaches.

Marketing planning meetings occur daily with phrases and language that sometimes reflect a mismatch of old and new, such as: 'identifying influentials' (who may not exist) (1), 'targeting communities' (who may reject such militaristic analogies and approaches), and 'producing virals' (less something that can be made than something that happens).

There is nothing wrong, *per se*, with 'segmentation', 'targeting', or 'positioning', but some of the old language doesn't fit so well with a planning world now obsessed with 'collaborative communities', 'networks' and 'propagation'. This mismatching can, at best, become oxymoronic (is it right to 'segment' a community?) and, at worst, may lead us down some fundamentally flawed paths.

In a similar fashion to the ongoing reappraisal in the global financial world, we should be reassessing how to analyse and influence new kinds of connected consumer markets, which can operate independently of any brand influence, and where good and bad news travels further and faster than ever.

We have to ask ourselves a number of difficult questions, such as: 'Are our mar-



In Melanesian culture, the donor of a gift gains competitive status at the receiver's expense

keting practices based on correct assumptions about how a market can be influenced and grown?' Or, put simply: 'Where is our understanding of the nature of 'markets' and their dynamics in everyday modern marketing?'

1) The nature and value of social networks as 'markets'. Amid the current craze over social networks, it can sometimes be easy to overestimate their short term significance (and underestimate their longer-term impact) on marketing practice.

What is not in question is that their success is based on some fundamental human traits that have been around for some time - if we forget that, we are in danger of missing the mark - and unlocking their potential value. It is the concept of 'markets' themselves that is key. Only by examining the true nature of markets can we sort the valuable marketing wheat from the social chaff.

Markets mean trade, which in turn means survival, but they also help us define who we are as a community. We don't just trade things - we 'exchange words', and 'trade places', and the origin of culture itself lies in different degrees of 'value exchange', whether that value is tangible or intangible.

Market exchange, in its essence, basically serves to maintain human relationships. Thousands of years ago, the first Melanesians risked the treacherous Pacific

ocean, not merely to obtain 'stuff from hundreds of miles away but to make personal connections, marriages and alliances, and other 'phatic' exchanges.

There is a lot of traditional anthropological thinking that revolves around 'gift-giving' as not just being a seasonal kindness, or an economic exchange, but a highly competitive means of boosting the status of the gift-giver at the expense of the indebted receiver. When we all engage in this 'status competition' at once, what often emerges is not chaos, as might be expected, but elegant markets that are often, importantly, not apparent to any one individual.

In his classic study of Melanesian society, *Argonauts of the Western Pacific* (1922), Bronislaw Malinowski famously noted that the "extensive, complicated, and yet well ordered" Kula exchange system across the southern Pacific was the result of no conscious design or institution.

More recently, Stephen Lansing has described how traditional Balinese water temples feature water goddesses who preside over a finely tuned 'market' of irrigation water. Without conscious design, the water temple system has evolved over centuries of worship, and yielded optimal rice growth and control of pests.

These anthropological cases mirror Adam Smith's 'invisible hand' of markets being made up of the collective self-inter-

ested actions of a multitude of individuals who know their own motives but have no knowledge of the total outline of any of their social structure.

2) The misplaced cult of the individual. If the important stuff related to understanding markets comes out as a result of individual actions, but often bears no direct relationship to individual motivations, why is our marketing culture obsessed with the reported attitudes and actions of those individuals? Why are we more preoccupied with the 'physics' of individual actions than with the 'chemistry' of collective outcomes?

People have never been autonomous 'individuals', as market surveys will often treat them, since our brains have evolved to be social, and social exchange is the key (2). Humans are the only primate species where mothers regularly share their own newborns with members of their group (an act of immense trust), and the instinct to share and exchange is so basic that scholars such as Sarah Hardy and Haim Ofek (3) argue that, more than a million years ago, our pre-human ancestors only managed to survive through mutual exchange of hunted meat for gathered roots or nuts.

Fast-forward to a knife-crime-ridden council estate in Glasgow in the last century, or a part of London where fighting dogs are a fashionable accessory, and we see the ongoing need to have the ability to assess the potential benefits and risks of interacting with strangers. We have basically evolved to be great predictors of the behaviours of others, if only because our survival used to depend on it, and some times still does.

Assessing risk, reading others, and trading and exchanging are at the heart of what makes us human. These social functions are so inherent to our functioning that, on brain scans, for example, the regions where physical pleasure registers are the same places where social acceptance lights up (4).

Government policymakers are on to part of this, with new initiatives such as the 'Social Brain' project at the Royal Society of Arts (socialbrain.rsablogs.org.uk). In parallel, there is a growing cottage

industry in the analysis of networks, or the simulation of markets by modelling the activities of many individual agents. But this may be misplaced since such 'agent-based modelling' only shows us that it is very difficult to assess the behaviour of specific individuals without gauging the context of that behaviour, which is basically what the rest of the market is doing.

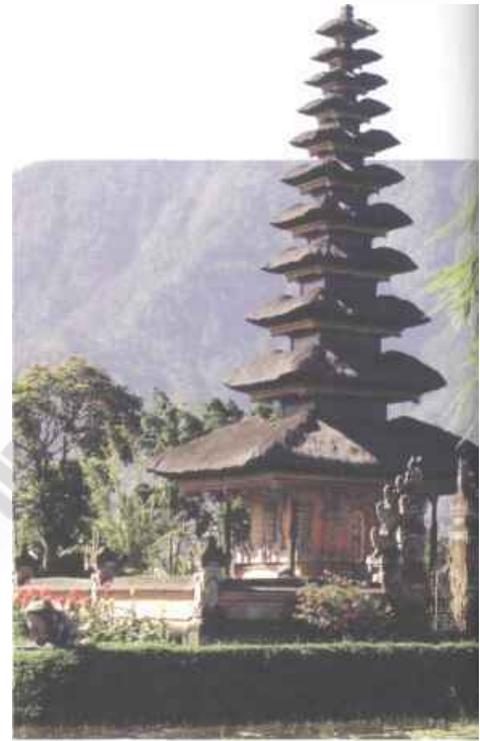
If we accept all the above as fundamentally true, then why, as an industry, don't we regularly make the market, and not the individual, the starting unit of analysis and planning? Why don't we learn from academics studying complex 'systems' as that complementary starting point?

Even if we conclude that things are too complex to be predictive, we should not just hang our hats on other planning methods that offer the comforting myth of predictability. We would better practise proper 'due diligence' in the knowledge that full, unfettered predictability may be unattainable.

3) Markets: a competition to co-operate. Online social networking is nothing more than a market for information between individuals, with the continual production of new ideas. The goal for many is to have as many people as possible notice your information, and so the process can paradoxically be seen as a competition to 'co-operate', in the sense of a race to be credited for sharing the most information.

If this is true for modern day communities, the same has always been true of their predecessors and, if we are to leverage their true value, we cannot ignore all the legwork done in trying to understand these ancient equivalents of modern communities.

Just as the Melanesians' Kula system was a competitive means of boosting the status of the gift-giver, the recent financial bail-outs can be seen in more than money terms by considering the revised statuses of 'giver and receiver'. This sheds light on comments made by Jimmy Cayne, former chief executive of US bank Bear Stearns, regarding Timothy Geithner of the New York Federal Reserve: "The audacity of that prick, in front of the American peo



pie, announcing he was deciding whether or not a firm of this stature was good enough to get a loan."

Cayne knows all too well that, while the bailout money may have come his way, prestige definitely went the opposite way, towards the giver.

Much in human society reflects a form of 'prestige market', where each social interaction effectively changes the status of two individuals (5). We learn who is important from other people, so when we see Jim deferring to Susie in the boardroom, we know that we should listen more to Susie than to Jim - at least on that particular issue. Jim has effectively just transferred prestige to Susie, in a 'prestige market exchange'. Susie might then like to see people deferring to Jim, because then they will defer to her by association, so she collects a bit of value - a 'retainer fee', if you like - from an interaction involving two other people. This kind of social transfer happens constantly in online social networks.

The best a brand can hope for in entering such a domain is that they likewise gain prestige value from an interaction between two other people. The worst that a brand can do is undermine the prestige of market participants, which can, unfortunately, be the case with much misguided branded content development.

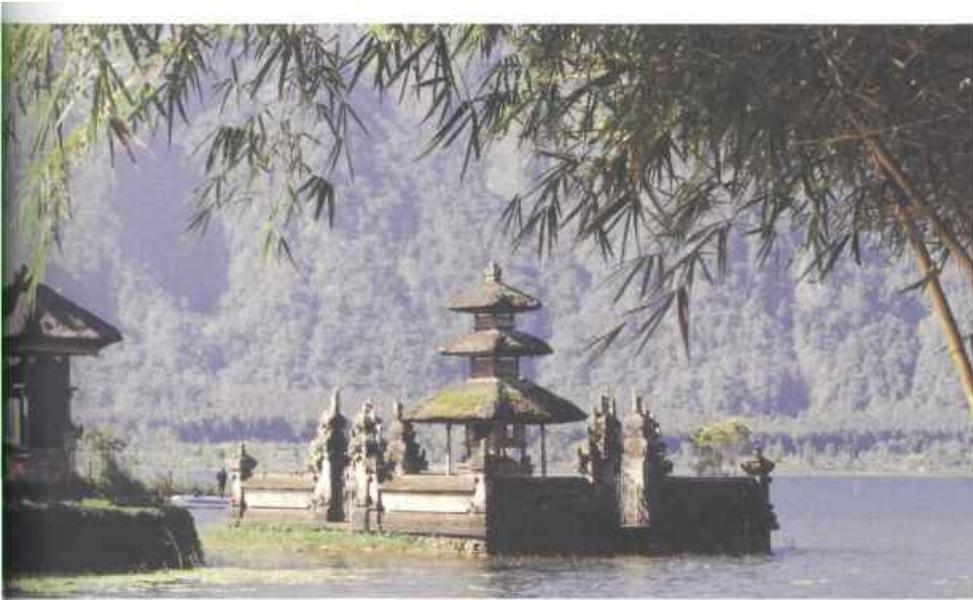
Achieving the most popular page in

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your community is not a fuzzy, feelgood moment, where everyone likes you; it is the acquisition of economic influence in an exceedingly competitive online market. The only difference with online markets is that we can see the network connections that once were implied or internalised in our memories; if Jim defers to Susie, we can often tell pretty easily, because Jim, with 20 friends, posts a blog link to Susie, who has several thousand other followers.

4) Marketing is like pinball, not ten-pin bowling. This might lead us to think that network analysis is the key to it all. If we can 'map' these interactions online, we can see how the world works. Well, probably not, if only because each part of our lives represents a different network, and that network changes - often radically - every day.

The constant communication among so many people is essentially impossible to track meaningfully and learn from at that individual level. Yet this is precisely the point: markets emerge from messy interactions and, as market planners, it is better to read the ebb and flow of overall market conditions than it is to hunt for silver bullets. We have to recognise the limited degree of influence we have in this context. We should no longer look at marketing investment as analogous to a well-thrown ten-pin bowling ball

The Balinese water temple system is a finely-tuned 'market' of irrigation water, which has evolved over centuries of worship to yield optimal rice growth and control of pests

aiming for a particular point of impact.

Instead, we should look upon it as more akin to a game of pinball, and recognise that once we set the ball in play, we have limited but crucial points of influence, but that there are ultimately other market forces at work.

This is not to say we cannot maximise the chances of investment success, as there are some clearly emerging 'new rules' we can adopt to help our chances:

- a) Understand markets by focusing the totality of market changes. Make the system as a whole the core bit of analysis, not the individual or the network of individuals. We should aim our tools and technology here, moving away from, for example, the analysis of individual attitudes towards incorporating social and market 'frames' of reference.
- b) Forget researching individual self-perception, but do collate individual perceptions of others/wider market trends, and our perception of what those 'others' are up to.
- c) Make people your partners, make your own prestige markets and build communities of competitive-creation (not just co-creation). Check the extent to

which they consider your brand as a valid constituent part of their changing market, and how your brand exists in terms of 'market prestige'.

- d) Forget the myth of the silver bullet for targeting, but instead map and quantify market propensities for brand traction, uptake and spread.
- e) Forget over-prolonged but diligent planning projects leading to 'large informed punts', and instead put in place accountability frameworks that get an immediate read on any gained market traction, and then scale up investment accordingly.
- f) Do more innovative stuff more quickly, and learn fast.

5) Put the 'market' back into marketing. It is all too easy after big market events, such as the recent financial crash, to grab for the lexicon of natural disasters, describing the events as a 'tsunami of negative sentiment hitting markets', or as 'earthquakes shaking the foundations of the world economy'. As cliched as these metaphors may be, they do, however, capture the unexpected nature and the scale of some market events. Markets, just like the shifting patterns of tectonic plates, may be too complex to be predictive and, if we accept this as the true state of affairs, the implications for modern marketing practice are clear.

First and foremost, we need to put markets, and our understanding of markets, back into marketing.

- 1 A Bentley and M Earls: *Forget influentials, herd-like copying is how brands spread. Admap (Nov) 2008, pp19-22.*
- 2 RIM Dunbar and S Shultz: *Evolution in the social brain. Science 317:1344-1347, 2007.*
- 3 H Ofek: *Second Nature: Economic Origins of Human Evolution. Cambridge University Press, 2001.*
- 4 MD Lieberman and NI Eisenberger: *Pains and pleasures of social life. Science 323: 890-891, 2009.*
- 5 J Henrich and F Gil-White: *The evolution of prestige. Evolution and Human Behavior 22: 1-32, 2001.*