

Putting the customer first is no longer the best marketing strategy

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Businesses that want to thrive in the 21st century need to throw out the old marketing playbook that puts the customer first, according to new research from the McCombs School of Business at The University of Texas at Austin.

The most successful marketers of the past few years were less focused on their customers than they were on building relationships across industries and carefully considering their products' end user—even if that wasn't their direct customer.

This monumental shift in the field was observed by Sebastian Hohenberg, assistant professor of marketing, along with Christian Homburg and Marcus Theel of the University of Mannheim in the first empirical studies defining and analyzing the previously nebulous strategy called "marketing excellence," published in the July 2020 issue of the *Journal of Marketing*.

The researchers found that portfolios with companies pursuing this new, broad-based approach generated abnormal returns of 8.58%, returns that outpace those associated with

standard marketing approaches.

The researchers also mimicked an investor with \$100 from 2000 to 2018 in portfolios containing companies employing traditional marketing strategies, which emphasize putting the customer first and gaining competitive advantage, versus an investor with \$100 in a marketing excellence portfolio. The investment in traditional portfolios yielded \$744, while the marketing excellence portfolio grew to \$1,313—with the most dramatic jump in growth in 2017-2018.

"We teach our students that companies can grow organically by focusing on the customer and doing that better than competitors. That's the story we've always told, and that's what the bulk of companies still believe," Hohenberg said. "But that's not what the best companies these days are actually doing."

To understand what they are in fact doing, the researchers interviewed 39 senior executives from growing businesses. They used a [machine-learning algorithm](#) and an original dictionary to scan the text of 8,317 letters to shareholders from U.S. companies, hunting for words associated with these novel marketing insights—words such as "ecosystem," "symbiosis," "end user," "touchpoint," and "trial-and-error." They compared growth across these companies and found that investors in businesses that announced marketing excellence strategies consistently increased their expectation of [company](#) value.

What impresses investors today is a company's willingness to look at the broader [business](#) ecosystem—to venture outside the industry for partnerships and for new talent.

The researchers also found that today's successful players are drilling down all the way to the needs of the product's end user, a stark departure for business-to-business companies that are used to thinking mainly about their direct buyers. For

example, a marketing excellence-focused chemical supplier making coatings for an automotive company is following the behavior of the car's driver.

"Today, if you're only hiring people who have experience in your industry, you're becoming too homogenous," Hohenberg said. "In order to anticipate [market](#) change, you really need to understand the end user and the behavior changes that are happening at that level."

In order to adapt quickly enough, growing businesses today are shedding some of the internal systems that can stall their response. For instance, one IT company in the study has largely done away with departmental divisions.

Hohenberg said that 10 years ago, not many businesses could handle the complexities of breaking down departmental walls, connecting with the end user, or partnering outside their own industry. But with recent digital advancements, these broad-based activities of marketing excellence are well within reach—and well worth the effort, as the research found.

But he said that simply sprinkling the annual report with the right buzzwords won't do the trick. In the study, the algorithm caught whether mentions of marketing excellence activities were past- or future-tense. Past-tense references indicated stronger signals of marketing excellence implementation and were associated with almost double the growth.

"Investors are very clever people who only update their beliefs if they see the company walking the talk," Hohenberg said.

More information: Christian Homburg et al. Marketing Excellence: Nature, Measurement, and Investor Valuations, *Journal of Marketing* (2020). [DOI: 10.1177/0022242920925517](https://doi.org/10.1177/0022242920925517)

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