Marketing myopia, theodore levitt

The rapid increase in technology, economic downturn and globalization has led the businesses to reflect about their organizational goals and policies. It is of imperative importance that an organization knows where it is heading. Businesses may have cutting-edge technology, large customer base and skillful employees which are an asset for any organization but it would all fall behind if that organization does not have a clear and concrete understanding of what it is trying to achieve in the long-run. It is the vision and goals of the company that direct its people to work for a purpose and is fundamental to the success of a company. Visions help to define the working practices, relationships, procedures and strategies for production which is turn determines the magnitude of progress of the organization.

Theodore Levitt, in his article " Marketing Myopia", compels the readers to understand the importance of effectively set visions which are a catalyst for the company's success. Most of the industries focus largely on their refined product and become victims of downfall in the long-run. They do not realize the cause of their diminishing growth because to them their strategies in product development and product enhancement are top-notch. They tend to blame external factors which might have contributed to their downfall but they fail to see the bigger picture underneath: their goals and visions did not focus on consumer preferences and needs. Theodore Levitt explains this phenomenon by the carefully penned term ' Marketing Myopia' which refers to the short-sighted visions by the top-management that is focused on enhancing products rather than assessing customer needs.

Levitt explains the downfall of railroads stating that the industry was defined incorrectly. The management should have seen ' railroads' as a ' transportation means' rather than just ' railroad industry'. The stagnation of this industry thus was because of incorrectly defined vision.

According to Theodore Levitt, there are no ' growth industries'. He believes that in today's times there could be many substitutes for any number of products and the company's which focus on capitalizing their ' growth opportunities' fall into a ' shadow of obsolescence'. They fail to see the prospects of substitute industries which could wipe-out their businesses. For example, the silk industry in Europe has been thoroughly diminished because of introduction of viscose rayon as it costs less and has the ability to replace silk.

In short, Levitt tells us that the companies are doomed to fail if their visions and purpose is obscure. In order to succeed, organizations should have crystal-clear goals that focus on the customer needs and preferences rather than on the product.

This paper will discuss some of the pros of the article ' Marketing Myopia' and some criticisms about the same along with examples.

HIGHLIGHTING THE STRONG POINTS:

Theodore Levitt emphasized that the organizations which are working on the belief that their products are unique; are ' growth opportunities' for them and would continue to give them success, do not realize that their dependence on such belief could be their downfall. He describes this view in these lines: " Industries that assume themselves to be riding some automatic growth escalator invariably descend into stagnation. The history of every dead and dying " growth" industry shows a self-deceiving cycle of bountiful expansion and undetected decay." He further gives four strong points arguing why these industries slow down in their growth conquest.

1. The belief that growth is assured by an expanding and more affluent population.

2. The belief that there is no competitive substitution for the industry's major product.

3. Too much faith in mass production and in the advantages of rapidly declining unit costs as output rises.

4. Preoccupation with a product that lends itself to carefully controlled scientific experimentation, improvement, and manufacturing cost reduction.

I would be discussing these strong points here with the help of examples.

1. Population Myth:

Theodore Levitt rightly argues that when the market for the product is growing the management tends to stop thinking about the future assuming that the growing market is the indication of future success. The management then focuses on expanding its production rather than thinking about marketing. The main focus of their concerns becomes selling which stems from the needs of the seller instead off the needs of the consumer. The management tends to ignore the changing trends and needs of the customer which leads the company to their doom.

Iridium, which once was a high-flying organization on Wall Street, got the biggest failure in the market. Iridium introduced satellite phones in late

1990s that could work anywhere in the world. It was a brilliant idea which was flopped within a year pushing the company towards bankruptcy and leading the CEO to resign. The company invested billions of dollars in this project which backfired because the focus of their initiative was not the consumer. They assumed that the growing advancement in information technology and the larger customer base for mobile phones would be enough to build an expensive project on. They did not take marketing efforts seriously and failed to realize ahead of time that the consumers were not willing to pay high prices for their product and they did not take note of the fact that the cellular phones could become popular during that same time period. The market for satellite phones was not tested before launching the phones which did not get the success hoped by the management.

2. No Competitive Substitution Myth:

The second argument by Theodore Levitt, the belief that there is no competitive substitution for the industry’s major product, could easily bring about the downfall for the organization. When the management tends to have faith in the fact that their offerings are indispensable, they stop thinking about the future. They focus on producing that ‘ indispensable’ product and do not take into consideration the changing environment and the threats of possible entrants or substitute products. This belief takes the organization into stagnation.

In this age, mobile phones have more or less replaced the fixed connections. The competition is between the landline services and the mobile phone companies. Now multiple wireless access technologies are also in the fast race with the GSM technologies.

3. Faith in Mass Production:

Declining unit costs as production rises is a very attractive incentive for producers. They tend to focus on the production and costs rather than focusing on the marketing and consumer preferences. Once they have mass produced their products, they are inclined towards selling it instead of marketing it which becomes the reason for their downfall. As time changes, the consumer preferences change as well. . It is a known phenomenon that people and their behaviors have to change with the changing environment they live in. With today's changing milieu, an individual must be willing to abandon old techniques and learn new ones.

Henry Ford, developer of assembly-line technique for mass production, introduced Model T automobile and revolutionized the transportation business. He started producing Model in large quantities. It was a success initially and was hailed as the everywhere. As time changed, the consumers started thinking in terms of benefits and value they get from the Model T car. They demanded more features especially color options. Ford replied saying, " Any customer can have a car painted any color that he wants so long as it is black"; it was because black color used to take less time in drying. After some time, the production of Model T stopped as consumer wants changed and the industry got competitive.

It is important for the organizations to take in view the changing trends and consumer wants. The industries in today's age are highly competitive and uncertain. Thus to avoid stagnation, marketing should be given specific importance.

4. Preoccupation with Scientific Research and Development Techniques:

Theodore Levitt says in the article, “ The greatest danger which faces the glamorous new companies in this field is not that they do not pay enough attention to research and development, but that they pay too much attention to it.”

It is true that most technological firms tend to focus their efforts towards scientific implementations and research and development which raises their cost and increases their chances of failure if the innovations are not receptive to the consumers.

Nokia, a world-leading organization in cell-phone industry, is fighting a battle with Apple Inc. for the market share of smartphones. The recent milestone in the cell-phone industry is the application feature. Apple has the largest market share in smartphone segments while Nokia is spending millions of dollars for R and D in this area yet its sales are diminishing. The software Nokia uses is failing which is the reason for continuous scientific research in this regard. According to Bloomberg. com, “ Nokia’s share of worldwide smartphone sales fell to 41. 2 percent in the first quarter of 2009 from 45. 1 percent in the year- earlier period, while Apple’s doubled to 10. 8 percent.”

EXAMPLE OF MARKETING MYOPIA:

Marketing Myopia does exist in almost all the industries where the top management fails to see the bigger picture. When the organizations take profit-making approach or mass production techniques, they tend to lose sight of the customers who can change the fate of any organization.

Theodore Levitt gave us illustrations about myopic industries though most of his discussion was based on the ‘ railroad’ dilemma or the oil industry. Marketing Myopia, however, could be found in any organization. An example taken from Ivey Business Journal is presented here which discusses the downfall of P&G owned coffee roasting company, Splendid, and the rise of Starbucks.

“ For several decades Procter & Gamble owned Splendid, an Italian coffee roasting company and a leading brand in the Italian take-home coffee market. Through Splendid, P&G had access to a powerful reservoir of knowledge about the production, distribution and marketing of authentic, Italian espresso coffee, and to powerful insights on the consumer experience of enjoying an espresso or a cappuccino in an Italian coffee bar. But it viewed the potential of this knowledge narrowly: as a way to adapt the famous P&G brand building and product management skills to the Italian market – a peculiar place where people drank thick, dark coffee in preference to the traditional American brew. P&G’s myopic view of competition – both in Italy and, back home, in the U. S.- and its failure to engage with the world as a source of innovation, left the way open for Starbucks, a minute coffee roasting company from Seattle.

In the mid-eighties, Starbucks’ CEO spent some time in Italy and studied the technology and consumer behavior in the Italian coffee market – knowledge that P&G had already “ in-house” at Splendid for ages. He then combined what he learnt in Italy with world-class retailing and “ fast-food” management techniques perfected in the United States. To the recipe, he added his understanding of American consumers and New York financial market to craft Starbucks strategy. The results are now legendary.

What made the success of Starbucks was not an innovative coffee blend – but rather an innovative “ knowledge blend.” The amazing thing is that P&G had privileged access to all the components of the recipe, though some components were in other countries (Italy, for starters) or in other industries (for example, fast-food). But myopia was surely limiting – and hurting — P&G, as it couldn’t see much beyond its existing markets across the street. Eventually, in 1992, P&G sold Splendid to Philip Morris’ Kraft General Foods.”

HIGHLIGHTING THE PROBLEMS OF MARKETING MYOPIA:

Considering the fact that what Theodore Levitt said in his article ‘ Marketing Myopia’ was completely flawless would be ambiguous. Like every theory, Marketing Myopia also has its negative points.

Railroad and Movie Industry:

Theodore Levitt has explained the concept of marketing myopia with the help of the examples of railroads and Hollywood industry. He has pointed out that the failure of railroads was not due to the introduction of other transportation facilities availability rather the incapability of the management in defining the purpose of railroad industry as just ‘ railroad-oriented’ instead of a ‘ transportation-oriented’. If they had identified themselves as transportation-oriented, they would have been able to see the market conditions more clearly and hence be prepared for any threats coming their way. Levitt has also explained about the Hollywood business in the same context: that they failed to define their purpose as ‘ entertainment-oriented’ and stuck with their myopic view of Hollywood as ‘ movie-making business’ which led to its near collapse because they did not treat TV as an opportunity. This led to their self-deceiving belief and TV became their threat and a much bigger industry.

In 1990, David J. Morris Jr. of University of New Haven, published an article in the Journal of the Academy of Marketing Services. He explained that the reason railroads came to their demise and the fiscal purgatory of Hollywood industry was not because they were myopic. He explained that their failure was due to the Government regulations that did not give them the chance for expansion even though they tried.

In his article, he has stated that the US Government Regulatory body shifted to trucks, auto and air after World War II because of which the railroads got left behind. In his view, the railroads tried to expand into related transportation areas but the railroads suffered because of 70 years of government destruction. Morris has also explained that the Hollywood industry took steps to acquire television stations but the Federal Communications Commission denied this request to Paramount Pictures Inc. The movie industry also became a supplier to the television industry as the motion pictures were in colored and the television was still in black and white. Some motion picture producers also rented out studio space to television. The problems in movie industry thus were not because they were myopic rather because of antitrust policies and Government regulations.

It is true that most managements fail to see the bigger picture while trying to focus on their product and define their purpose obscurely and finally getting caught up in myopia but the history of railroads and Hollywood industry show that they were not myopic rather victims of Government regulations.

Stakeholders:

Theodore Levitt stresses upon the need to focus on the customers and their preferences. In his article, he has emphasized the role of marketing repeatedly saying that the success of the firm in inevitable if the market has been thoroughly researched and the visions and goals of the company are defined on the basis of the marketing efforts. But he does not explain about the role and need of the stakeholders of the organization who also play a big part in the future of the organization.

An organization may have an excellent product, well-defined market segment and a considerable market share and yet it could all fail if there are any problems in the workforce, distributors or suppliers. The focus should be the customer but the stakeholders should also be taken into consideration while defining the vision of any organization.

Likewise, the marketers should also focus on the current environmental situations, environmentalists and legal regulations instead of just focusing on the customer.

Leadership Issues:

An organization could also fail if the leadership has no purpose for the organization. It is important to define the purpose in terms of market conditions but an organization should also have a purpose and a reason to exist; when it is lost the organization would fail even if their product and customer base is strong. Theodore Levitt has stated that in order to succeed in future an organization must have customer-oriented goals but the management should also have a vision to lead so that it could fulfill the purpose of those customer-oriented goals.

For example, before 1984, AT&T had a purpose and a reason to survive. The organization had talented employees and excellent services. The company started failing due to changing technologies and shifting regulations. Michael Armstrong was hired as the CEO with the hope that he would prevent AT&T from failing. That unfortunately did not happen because the vision of the CEO to lead was hazy. He started laying-off employees and losing acquisitions and cost-cutting strategies which backfired. The reason was simple: Michael Armstrong did not have a clear understanding of how to lead and could not therefore manage the customer-oriented visions.

CONCLUSION:

Information in today’s time has become more liquid and accessible. The organizations which want to grow in this world need to recognize the need for knowledge about the changing trends, technologies and customer preferences.

Marketing Myopia as defined by Theodore Levitt could teach a lot of organizations the importance of clearly defined purposes and customer value. The organizations need to look around them to the changing environment-not only local changes rather a bird’s-eye view of the world around them. If the top management fails to see the local and global implications of the changing trends and decides to just focus their attention to their product then they are bound to get caught in myopia. This age is not one for an isolated entity. It is also of great significance that the top management analyzes the over-all impact of their strategies with the view to the market and start to think imaginatively. In the recent years, the understanding of marketplace trends and its competitive implications has led the organizations to change their strategies and policies. The competitive pressures influence the businesses to act speedily and innovate productively. The only profit-making approach towards business does not hold true in these times because a single idea, a new product or even a new use of an existing idea can change the marketplace rapidly. The organizations have to continuously evolve and innovate in order to stay in this cut-throat competitive environment. If the management fails to do this, them the organization is bound to be caught up in the self-deceiving cycle of bountiful expansion and undetected decay.