

Based on: "Marketing Myopia" by Theodore Levitt

"Marketing Myopia" is an article published in the *Harvard Business Review* in 1975. The very fact that it is still being used as a teaching tool in a marketing class in 2006 speaks volumes for the article's central message, that top executives must define their industries correctly. It seems simple enough, and yet Levitt supplies the reader with many examples of industries that have either given up profitable opportunities or simply drowned in a sea of red due to their industry classification. The Boone and Kurtz text, Contemporary Marketing, emphasizes this point as early as chapter 1 (pages 13-15), warning the reader of management's possible failures due to industry classification errors in a section headed "Avoiding Marketing Myopia."

Industry classification errors do not occur because top management believes that it operates in a different field than it actually does, per se. Rather, Levitt drives home the point that most successful companies identify themselves to be a part of larger industries. For instance, McDonald's and Burger King may think of themselves as being in the restaurant business, but in reality they should realize that they are in the business of feeding the hungry; ExxonMobil and British Petroleum, likewise, may consider themselves to be in the petroleum industry, but they are in fact in the business of producing usable energy for the average citizen.

Levitt gives many examples of industries that have completely failed, including a humorous anecdote about a British millionaire who, myopic and overly optimistic, "unintentionally sentenced his heirs to poverty" by putting all of his estate in street car securities. Levitt continues that "[H]is posthumous declaration, 'There will always be a demand for efficient urban transportation,' is no consolation to his heirs who sustain life by pumping gasoline at automobile filling stations." (34) This goes to show how real the possibility of being 'inflicted' by marketing myopia is, even for seasoned businesspeople. Notice also that, in this specific case, the posthumous declaration is right on target, but it is not explained just *how* people would obtain their transportation. Obviously street cars have evolved.

This concept is at the heart of Levitt's article. Rather than defining one's industry to be "the street car industry" or "the railroad industry," companies would be much more successful if they thought of themselves as being in "the transportation industry." After all, most of the time technology evolves but the needs to be fulfilled remain the same.

Another cause of marketing myopia is what Levitt calls the "idea of indispensability." This concept is embodied by many industries, including the petroleum industry. Levitt says that "[t]he petroleum industry is pretty much persuaded that there is not competitive substitute" for its products, and that all energy providers will ultimately use a derivative of crude oil, whether in the form of gasoline, diesel, or kerosene (34). This self-assured attitude exists "despite all historic evidence against it," writes Levitt, going on to cite the times when the petroleum industry literally almost fell to its knees (35).

For instance, Levitt speaks of the gas revolution that posed a threat on the petroleum industry, although ironically it is none other than the petroleum industry that owned the natural gas it was threatened by. "By all the logic of the situation," writes Levitt, "the oil companies themselves should have made the gas revolution. They not only owned the gas; they were also the people experienced in handling, scrubbing, and

using it, the only people experienced in pipeline technology and transmission, and they understood heating problems.” (35) And yet, the natural gas revolution took place outside of its owners’ industry, posing a threat rather than an opportunity for those who should have reaped its benefits by default. This is just one example of how defining an industry correctly can be the difference between sweet success and not-so-sweet bankruptcy.

The example of the petroleum industry illustrates the point that companies should not work against new technology and innovative ways of fulfilling needs. This is a rather obvious concept, but when businesses have invested millions of dollars conducting their activities a certain way, it is not easy to simply embrace new techniques and release old ones. However, as Levitt points out, a company that is not affected by marketing myopia will realize that it cannot hold on to the idea of “doing things the way we have always done them,” because the competition will probably be doing the same things more efficiently and at less cost. This effectively makes the entire situation an “either take it or leave it” game, and those who “leave it”---ignore the new advances in competitive industries---are those that come to the brink of failure, where survival rates are slim. The foresightedness that should ideally be present to make intelligent, long-term decisions is often overtaken, partly by a fear of the unfamiliar, and partly in a seemingly natural human instinct to fight evolution.

Yet another cause pinpointed by Levitt in “Marketing Myopia” is what he calls “production pressures.” It is very true that any executive would be very happy to know that his or her company has the capability to produce more products at ever-decreasing costs and sell them for ever-rising profits. However, when this type of situation exists, “all effort focuses on production [and] the result is that marketing gets neglected.” (36)

It is understandably difficult to persuade top management that it really needs to focus some of its energy on marketing its goods, not just producing them and assuming that they will be purchased and consumed by faithful customers, especially when their products are selling very well. It is also understandably difficult for an executive to suddenly have to face a sudden change in the market that favors another industry that uses newer, better technology. Embracing change and not feeling assured of the market for one’s product is the map of success drawn out by Theodore Levitt.

A further problem identified by Levitt is the danger of research and development, especially in industries that are becoming increasingly technical. “Because electronic products are highly complex and sophisticated, managements become top-heavy with engineers and scientists. This creates a selective bias in favor of research and production at the expense of marketing.” (38) This creates an atmosphere of creation and delivery rather than that of listening to and satisfying customers. Marketing is given what Levitt terms “stepchild status.” This is the epitome of marketing failure.

A company’s mission statement is a powerful tool in avoiding marketing myopia. “A mission statement specifies the organization’s overall goals and operational scope...” (Boone and Kurtz 42) Levitt thinks that most companies fail when it comes to correctly describing their operational scope, and think of their industries too narrowly. According to Levitt, corporations need to go down to the most basic level of the need they are ultimately fulfilling, whether it is quenching people’s thirst or giving them a mode of transportation. This view has many practical applications. For example, Levitt describes the “fiscal purgatory” that Hollywood suffered through as a result of its incorrect definition of its own industry. Hollywood thought of itself as being in the movie business,

and consequently saw any other form of entertainment, such as the rise in the popularity of television, as a bitter foe. However, had Hollywood defined itself to be in the entertainment industry, it would have seen a great opportunity in the television section of the entertainment business, and evolved to create more television shows than movies. Movies, of course, were on a steady decline, but since Hollywood felt threatened, not relieved, by the success of television, it paid the price through waning profits and lots of headache.

Theodore Levitt's prescription for the phenomenon he calls marketing myopia is simple: go back to basics. If companies would only reflect on what they really do, and how they fit into the grand scheme of things, they would probably gain a lot of insights into the directions they should be heading in and the future hurdles they should be planning to avoid, many times by seeing them as best friends, not bitter enemies. Executives would, if they look at their companies from a broad perspective, be able to integrate their customers' needs and create products that really satisfy them. After all, the end consumers are the bloodlines of the company, which would produce goods and services for no one if their target markets did not exist. Why, then, does Levitt cite companies that act as though they could not care less what their customers think? Obviously, they demonstrate this type of behavior by lending themselves to production rather than marketing, selling rather than building lasting relationships with their consumers. Companies need to think about why their customers need their products or services, and they need to innovate to find better ways to create and deliver these items when and where the consumer demands. Unfortunately, many companies do not seem focused on the consumer, and even the thousands of dollars they spend on "market research" usually get boiled down to a bunch of useless numbers and percentages. The complete integration of consumer needs into every aspect of the company, from chief executive officer to salesperson, from designer to distributor, is a surefire way to keep consumers happy and keep profits rising in an ever-changing world.