Marketing Doctor

Marketing Check-up

Nortel

As of March 5, 2024

Condition: Deceased

Trust was the product

Nortel made the equipment phone companies and large businesses used to run their networks. Its customers bought something they would rely on for years, so trust was the real product. In 1999 Nortel spent heavily to recast itself as a supplier for the Internet age. Within a decade the promise had outrun the business and the trust was gone. This check-up looks at the marketing story, what broke and what business-to-business companies can learn.

Key takeaways

- In 1999 Nortel planned to spend almost $150 million on advertising, at least three times its 1998 budget, with a campaign built around the Beatles song Come Together.
- The campaign recast an old-line phone equipment maker as the Internet's supplier, a promise that depended on one boom in telecom spending.
- Restated results and the 2004 firing of its CEO, CFO and controller damaged the trust that customers buying long-lived equipment depended on.
- When survival doubts surfaced, customers were advised to review purchases beyond their current budget year. Nortel filed for creditor protection in January 2009.

Marketing health check

Area	Finding
Positioning	Overreached. An Internet-age promise the business could not keep.
Trust	Broken. Restatements and executive firings undermined a supplier customers had to rely on for years.
Customer base	Concentrated. Growth rode one telecom spending cycle.
Advertising	Loud. The 1999 budget tripled for a famous campaign.
Customer communication	Late. No specific public plan for customer support when survival doubts surfaced.

Timeline

When	What happened
1998	Northern Telecom agrees to buy Bay Networks for US$9.1 billion and soon becomes Nortel Networks.
1999	Advertising budget rises to almost $150 million for a campaign built around Come Together.
Jan 2000	Nortel becomes Canada’s largest corporation by market value.
2000	Nortel spends US$19.7 billion on acquisitions at the top of the telecom boom.
Feb 2001	Mid-quarter, Nortel cuts its revenue growth forecast from 30 to 35% to 10 to 15%.
Oct 2003	Nortel says it will restate results back to 2000.
Apr 2004	The CEO, CFO and controller are fired for cause.
Dec 2008	Nortel calls itself “a viable partner for the long term.”
Jan 2009	Nortel files for creditor protection in Canada and the U.S.
2011	Its patents sell for US$4.5 billion to a consortium including Apple and Microsoft.

What happened: a brand promise bigger than the business

In 1998 Northern Telecom announced the US$9.1 billion purchase of Bay Networks and soon took the name Nortel Networks. In 1999 it planned to spend almost $150 million on advertising, at least three times its 1998 budget, with a campaign built around the Beatles song Come Together. Chief executive John Roth called his effort to transform the company "a right-angle turn."

The campaign worked as attention. By January 2000 Nortel was Canada's largest corporation by market value and employed about 94,000 people. But the story depended on one thing staying true: telecom operators spending heavily on new networks. In 2000 alone Nortel spent US$19.7 billion on acquisitions to meet that demand.

Demand turned. On February 15, 2001, with the quarter half over, Nortel cut its 2001 revenue growth forecast from 30 to 35% to 10 to 15%. In October 2003 it said it would restate results back to 2000. On April 28, 2004, it fired its CEO, CFO and controller for cause.

The diagnosis: trust was the product

- **The story ran ahead of the business.** A promise to supply the Internet age needed results to match. When results fell short, the advertising made the gap more visible.
- **Growth rode one buying cycle.** Customers were concentrated in one industry spending wave, so one turn broke the forecast mid-quarter.
- **The numbers were part of the promise.** For a supplier whose equipment customers plan to run for years, reported results signal whether you will be around. Restatements damaged that signal, even though a court acquitted the three former executives of fraud charges in 2013.
- **Customers were left to guess.** In December 2008 Nortel called itself "a viable partner for the long term," but offered no specific public plan for customer support.

The treatment it needed

A regular marketing audit asks whether the story a company tells matches what customers buy and what the numbers show. Nortel needed to make only claims its results could support, spread its customer base so one buying cycle could not sink it, and treat clean reporting as part of the brand. When survival doubts surfaced in late 2008, it needed to show customers, with specifics, how their equipment would be supported.

The result: customers planned around it

On January 14, 2009, Nortel filed for creditor protection. In June 2009, as it moved to sell its businesses, one analyst told customers to go ahead with purchases already budgeted but to review plans beyond the immediate budget year. For a long-term supplier, that is the brand failing in plain sight.

The value left was in technology, not in the name. In 2011 a consortium of Apple, EMC, Ericsson, Microsoft, Research In Motion and Sony paid US$4.5 billion for more than 6,000 patents and patent applications. The Nortel brand, once advertised as the Internet's supplier, did not survive.

Lessons for your marketing

1. Keep your public story inside what your results can prove. Advertising makes a gap bigger, not smaller.
2. If customers buy from you for years, your reliability is the product. Treat clean reporting and steady communication as marketing.
3. Know how much of your revenue depends on one group of buyers or one spending cycle.
4. When doubts appear, show customers early and specifically how you will support them.
5. Measure trust, not just awareness. A famous name customers no longer rely on is worth little.

The doctor will see you now.

Book a free marketing check-up at marketingdoctor.ca/contact. We'll examine your marketing, show you what's holding growth back and prescribe what to fix first.

Sources

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