

**Against the Odds –
The Marketing Dilemma of Physical Products in an Increasingly Virtual World**

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Abstract:*Objectives:*

The overarching battle between the physical place and the virtual space is part of an intensive discussion. Much related literature addresses exemplarily the dilemma of the global Home Entertainment Industry and its struggle to compete with its physical product of optical discs against virtual services of dematerialised downloads. With regard to effects on an increasing number of further industries in the near future an additional question is, how marketing strategies and tactics in a declining physical market place may be sustainable and how effective applied frameworks, which were created for markets of different rules, can fight against increasing emergent online developments.

The underlying long-term study this paper presents in some excerpts researches the Home Entertainment Industry and intends to find explanations, why this industry has failed so far to provide sustainable answers, which may be helpful for other industries, too, to recognise underlying patterns being advantageous to develop a sustainable, future-oriented marketing strategy.

Within the objectives of this paper the marketing mix is exemplarily challenged. Created several decades ago, before ICT-based opportunities changed the environment of market activities, it is still widely used in practice, but academically critically discussed. The marketing mix refers much to transaction, which as the criticism highlights, neglects the shift to relationships being the basis for successful customer lifetime value and long-term organisational advantages. One of the implicit challenges is that the virtual space threatens the P, place, directly. The music industry's professional body IFPI recommended its members in 2009 to reflect on a strategy of access instead of physical sales: Virtual dissemination vs. physical distribution / unlimited access instead of limited product offer. This example gives reason to question, whether a number of marketing frameworks can still have the same value in such a changed world.

Methods:

The research adopted the strategy of a case study using grounded theory. It is a single case study, based on one industry, the Home Entertainment Industry. It is undertaken in qualitative

form and follows an inductive approach. Case study and grounded theory are appropriate to find explanations for the contribution of theory development. By this research strategy the case can be underpinned by rich data, which does not only rely on academic theories and findings alone, but studies developments happening “out there” in the real life and the interaction between agents and occurrences.

Results:

The results of the research provide evidence that the Home Entertainment Industry is unlikely to be able to survive in its present structure, when it relies on its physical product as the major focus of its established business model. Alienating market linkages caused by shifting consumer behaviour, which is influenced by postmodern trends, weaken this industry’s relations with its hyper-consumers. The postulate of consumer culture theory that the link (social experiences and sharing) is more important than the thing (product) allows explanations, that a physical product does not necessarily support the tribal affiliation. Further, the easiness of access, the decisively increased availability of content, beyond institutional control, offers rich experiences for consumers, which are not possible by an industrially pre-determined and filtered product offer. The facilitation of access and direct consumption do a job for consumers, which was impossible before the times of ICT. Hence, the proposition is that as long as this industry continues to emphasise the physical product it will endanger its existence by becoming obsolete. A consequence, which may be shared by other industries soon.

The marketing mix in its present structure helps physical products and distribution much better, than virtual services. It is therefore suggested that the marketing mix needs to be reviewed. A future marketing mix should consider that transaction (effect) is increasingly subject to relationships (cause), which the postmodern consumer frequently favours. The place will often be replaced by space as virtual distribution augments. Price is likely to follow more innovative models, which may find some explanation by the model of 0-economy and similar innovative market linkages. In the consumers’ desire of social links promotion is expected to find improved opportunities in an environment of facebook and the like. Overall, the product becomes for specific industries a service. Similar findings can be stated for the further three established Ps.

Conclusion:

It is too early to formulate a new theory based on these findings, since the focus of the research in one industry is too narrow and presently only a few other products can be dematerialised as easily as music, movies or games. But identified evidence supports the assumption that with growing technological advantages, such as e-books and 3-D laser printers, other industries will find themselves in similar threatening environments challenging their business models, structure and existence.

The marketing mix's present structure should be reconsidered since it is at the risk of reduced relevance for postmodern requirements in a more and more ICT-dependent world. This should not be part of a P-extension as various academics suggest, but by a clear focus on the new orientation, which respects tactically the marketing mix's original intentions of organisational marketing strategic guidance in the market place.

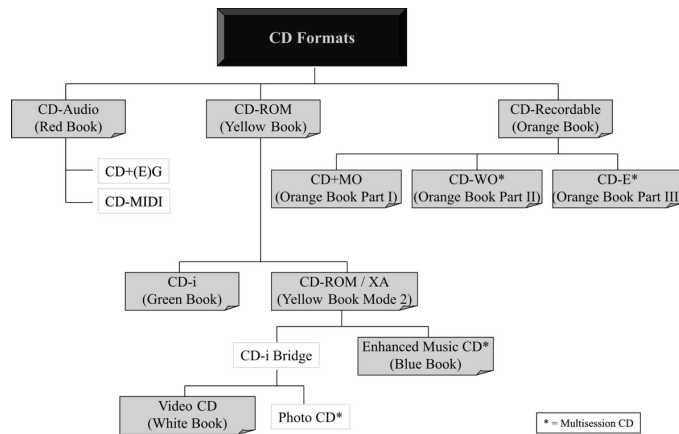
Key Words: Marketing Mix, innovation, Home Entertainment Industry, institutional control, technology, market linkages.

Introduction

The global Home Entertainment Industry (HEI) is an established market force, which controlled its environment for over 100 years (Kusek et al. 2006). This control is exerted by a quasi-monopole and was nearly perfect comprising artists, producers, content, and even consumers, who had no other choice than to buy such content on DVD and CD, which the industry's players decided (Kusek et al. 2006, Moyon et al. 2006, Chapple. 1980). The HEI provides a structure, which divides its world into two major parts, so-called majors, such as Hollywood studios and big international music corporations (similar for games) and the others, most times independent players. Just to state as an example, the five, after the merger of Sony and Bertelsmann then four major music incumbents counted historically for app. 85% of the market share, while a myriad of smaller labels had to be satisfied with the remaining 15%. For any artist the achievement of a contract with a record company was decisive for a career (Kusek et al. 2006). But even then, artists are frequently rather controlled in what they have to record, which clothing style to wear, etc. – they become part of a sophisticated branding strategy with the objective to fuel the opportunities of the tactical marketing mix for a maximised ROI. The structure of the film industry provides many similarities, but its physical product inherits one important difference: A music album consists of a variety of

tracks, again the industry decides how many on one album, while movies contain just ‘one’ track, i.e., one movie.

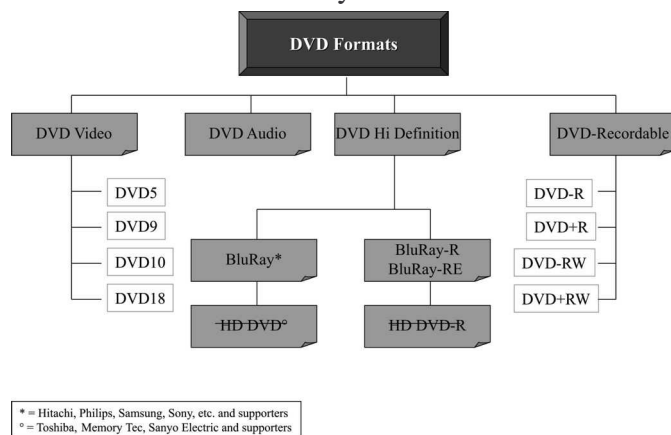
The product in its present dominant design is the optical disc in its various formats of DVD



and CD. Utterback defines the dominant design as the product, which has achieved features and a product performance, on which both sides of the markets, those offering the product and those purchasing it, have agreed (1996). The transport of content was well regulated and stable: First cylinders, then for a very long time

shellac discs, followed by vinyl discs, then CD and some specialist formats like Super Audio CD (SACD) or Music DVD. The whole environment is physically oriented: Markets, distribution and products as an established structure of an organisation’s resources, processes and values and it is a decisive part of the established business model.

The length of a film requires storing a huge amount of data of both motion pictures and sound. This made the game for the movie industry technically more difficult. It took until the late 70s of the last century until VHS made films a mass home entertainment pleasure, which



contrasted to TV by the opportunity to enjoy a movie at any time. Since 1997, DVD replaced VHS in a rapid overtake and since a short period of time the new high definition format Blu-ray, winner of a fierce format war, is available. Both families own unsuccessful formats, but the mass products CD and DVD

compensated all formats failed.

Now, for the HEI the comfortable world of the past has obviously come to an end. While consumers embraced the shift from vinyl records to CD and VHS to DVD, since digital technology is far superior to analogue technology, Blu-ray struggles since its inauguration and

the acceptance rate is highly disappointing. The P = product has gone the wrong direction in its struggle against disruptive innovation and overshoots customer expectations by being a just marginal innovation needing substantial consumer investment in further devices (Oestreicher et al. 2010, dvd-intelligence. 2010a, Christensen et al. 2004, Jayalath. 2010).

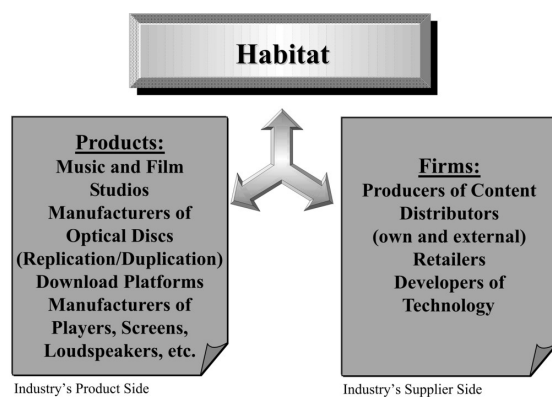
Thesis 1: (Physical) Products cannot compete against disruptive (virtual) ones by incremental innovation only.

Much explanation can be found in the theories of innovation, which Abernathy et al., Christensen, Christensen et al., have provided, but as well in the research and findings by Oestreicher and Oestreicher et al. (1983, 1984, 2003, 2003, 2004, 2009, 2010, 2009a, b). The emerging result is that the perfectly controlled world of the HEI goes more and more to pieces. This is expressed inter alia, by a decline of physical album sales. The example shows the development in the USA (RIAA. 2008, 2010):

1. Physical* (Music)											
Year		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CD	Units Shipped	942,50	881,90	803,30	746,00	767,00	705,40	619,70	511,10	384,70	292,90
	Value (US\$)	13214,50	12909,40	12044,10	11232,90	11446,50	10520,20	9372,60	7452,30	5471,30	4274,10
	Average/unit (US\$)	14,02	14,63	14,99	15,05	14,92	14,91	15,12	14,58	14,22	14,63
CD Single	Units Shipped	34,20	17,30	4,50	8,30	3,10	2,80	1,70	2,60	0,70	0,90
	Value (US\$)	142,70	79,40	19,60	36,00	14,98	10,90	7,70	12,20	3,50	3,10
	Average/unit (US\$)	4,17	4,58	4,36	4,34	4,83	3,89	4,53	4,69	5,00	3,44
2. Digital (Download)											
Album	Units					4,60	13,60	27,60	42,50	56,90	76,40
	Value (US\$)					45,50	135,70	275,90	424,90	568,90	763,40
	Average/unit (US\$)					9,89	9,98	10,00	10,00	10,00	9,99
Single	Units					139,40	366,90	586,40	809,90	1033,00	1138,30
	Value (US\$)					138,00	363,30	580,60	801,60	1022,70	1220,30
	Average/unit (US\$)					1,01	0,99	0,99	0,99	0,99	1,07

Just for music albums the further decline from 2008 to 2009 continues by -21.5% for the physical product against an increase of downloads by +20.2% (RIAA. 2010). The figures for other areas in the world are not very different.

The Challenge of Combined Forces – Technology and Market Linkages



Innovation has two strong streams, technology and market linkages (Abernathy et al. 1983, 1984). In all format shifts before, always one technological progress removed the older technology. This had caused casualties. The vinyl record industry as VHS duplication became obsolete and many established companies

disappeared. In the understanding of the HEI as a habitat (graphic left) of various sectors this

concerned mainly the manufacturers of the physical product, but had much less significance for other industrial sectors, since they were able to continue with their established business model (Cassia et al. 2006, Oestreicher. 2009a, Oestreicher et al. 2010). But emergent, ICT-based technologies added the second force of innovation to the technological shift, now comprising market linkages, too. This combination of both forces seems to be one too many and threatens the survival of the wider HEI habitat.

With regard to (post-)modern markets the acknowledged differentiation into b2b and b2c communication with customers is challenged as being insufficient today. The proposition is that organisations need to divide their customer approaches in more detail and consider that today at least three further concepts play an increasing role: c2c, c2b and, with huge effects, P2P. One problematic of modern markets is that these concepts imply more consumer choice: E.g., a consumer can search the Internet or a physical shop for music, movies and even games. Here he/she can profit from b2c market communication as part of the marketing mix Ps of product and promotion. Instead of purchasing at the POS, he/she can take either advantage of a P2P-offer, the free of cost exchange, or use a c2c offer, e.g., purchasing a used disc via Amazon or Ebay. With regard to the marketing mix, a further implication is that instead of purchasing a pre-recorded disc with fixed content, the consumer can take advantage of the dematerialised offer of the virtual download involving the P, price, too, since a selective and individualised offer is then accepted at a much cheaper price or at no cost due to filesharing (Oestreicher. 2010). Such behaviour may be explained further by the concept of the 0-economy, which Kelly suggests by his thesis “follow the free” (1997). This short example does not only provide evidence for the known interaction between different Ps, but as well, that their application, in the ways the marketing literature suggests, may have weakened in such challenging environment.

Thesis 2: When technology and market linkages turn against an established industry, the threat of triggering Schumpeter's Wind of Creative Destruction grows substantially affecting various Ps of the marketing mix at the same time (1950, Mc Craw. 2007).

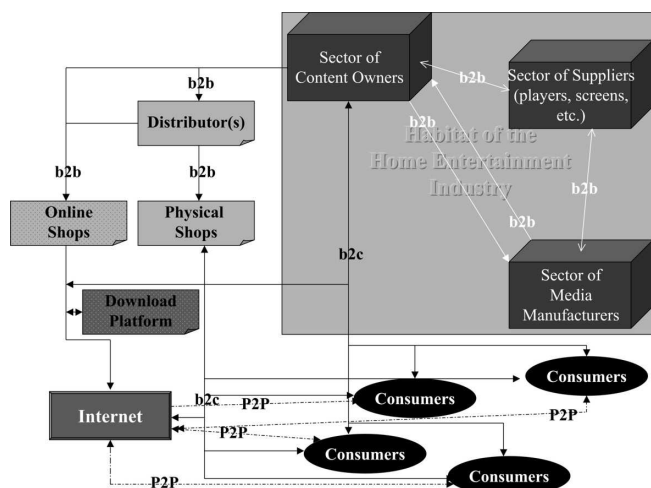
The control mechanisms stated before mean that the institutional offers of the HEI to consumers sought for the control of products and markets. This endeavour excluded many artists, producers and music styles from their access to markets. As Kusek et al. and Anderson argue, due to ICT consumers discovered that there are many more, often unknown styles of

music, which were rejected by HEI considerations of a profitable marketing of content (2006, 2007). The free access (at least by choice) the Internet provides triggered two effects. Artists and/or producers can address their consumers directly now, including the opportunity to exclude the HEI, and do business with their target group directly. This results in 1) an increasing shift from the physical place to the virtual space, challenging this P substantially, and 2) may explain, why sales of physical products decline sharply, while – a paradox – consumption raises permanently (Kusek. 2009, Oestreicher. 2009b). Kusek et al. and Anderson argue both that the strategy of purchase should be reconsidered by a strategy of access (2006, 2007). The consideration is that this is comparable to those times before the HEI made music a product, whilst it was a direct service between performing artists and their auditorium until the inauguration of the physical product (Kusek et al. 2006).

This results consequently in a two-fold (marketing) dilemma:

1. In 2009, the professional body IFPI recommends to its members to reflect on new strategies of access (IFPI. 2009); the underlying question is, whether this attempt may already be too late with regard to the loss of market linkages, since the threat of downloads (technology) is not new and the industry did little to strengthen its relevant market linkages in these years.
2. The discovery of so many new and unknown music styles made consumers even more selective furthering the concept of the prosumer and fragmented consumer segments, i.e. fuelling fragmentising markets (Kusek et al. 2006, Kotler et al. 2002).

Thesis 3: The innovation of prosumer-oriented individual purchase and consumption shifts market linkages; from institution-centred to consumer-centred innovative forms of consumption (Oestreicher et al. 2010).



It should be highlighted that the scenario presented challenges the traditional marketing strategy of segmentation, an argument being supported by the jobs-to-be-done theory (Christensen et al. 2004). Overall, light should be shed on the fact that the major focus of the many

interactions between HEI market participants, which even involve stakeholder criteria, shift to online activities. This argues that the physical place, as important P, loses importance, which is increasingly and continuously transferred to a 'S' now, the (virtual) space. The left-hand graphic above shows the complexity of the HEI habitat, the few physical, but many virtual opportunities of interaction and the communicative complexity to manage these. This situation is supported by two statements of Levine et al.: "Markets are conversations" and "the end of business as usual", to which David Bowie's famous interview is added that music will be 'freely' available like water or electricity (2001, cited in Kusek et al. 2006). That such shifts affect and threaten the HEI to become obsolescent is a likely consequence.

By considering the HEI product strategy, there is the tension between physical, pre-recorded discs, vs. the dematerialised download, for which the characteristics of being more a service than a product is applicable. The price is challenged by (e.g.) 0-economy models (Kelly. 1997). A connection to Christensen et al.'s theories of disruptive innovation and jobs-to-be-done can shed further light on the underlying reasons, why the established business models, by consideration of the traditional marketing mix, are less and less accepted (2004, Oestreicher. 2009a). I.e., the proposition is that the HEI, as an exemplary industry for such developments, loses its market linkages.

Thesis 4: When P2P models become an option and the concept of the 0-economy "follow the free" finds inroads to consumer behaviour, traditional revenue models may become obsolete (Kelly. 1997).

Other zones of problems are the areas of Process and Physical Evidence. Processes are concerned with achieving customer satisfaction. As an own short, unstructured and non-representative study among German consumers has indicated in 2007, there is high dissatisfaction with a) the physical place involved, b) the product and c) the pricing strategy of the HEI. The physical place offers pre-recorded albums only, a general problem of the physical product, which contradicts by its nature the prosumer concept and forces, by price, to purchase what the industry and not the consumer has decided. This suggests that the process of customer satisfaction is not met. Another marketing aspect, Love Marks, gains importance, too. The argument is that despite careful organisational planning not all music recordings proved to be successful. The number of flops this industry has produced is high. For decades it was common and from an organisational perspective understandable practice to mix hits

with flops on one album to improve the ROI. As old as this practice is the consumer complaint, which needs to be subdivided in

1. General consumer complaints that tracks have to be bought, which are simply not wanted. This is assigned to the prosumer concept.
2. Labels' exploitation of consumers, since the percentage of hits vs. flops on one album is unfavourable. This is counted as low Love Marks by consumer perception.

As a summary this suggests that the process does not fulfil customer satisfaction. The download opportunities extinct such consumer disadvantage, since the full and free choice of purchasing only those tracks desired provide full freedom for customers' individual selection. An assumption, underpinned by the 2007 survey, is that consumers take this new freedom as a welcomed opportunity of some form of "pay back" to the industry by excluding it increasingly and download directly from artists or other opportunities. This counts additionally to the loss of market linkages. The movie industry is different here, since an optical disc offers space for one film. This means that if a film is not successful, consumers simply won't buy it, as no mixture between blockbusters and low-end films can take place. Further, the movie industry profited additionally from the size of data. Downloading a relatively short music track of megabytes is different to the download of a movie in gigabytes. But this advantage is likely to disappear with regard to permanently improving landlines, as an influence of the innovation force, technology.

Thesis 5: Processes of consumer satisfaction are important in an environment of high innovative forces; if they are subject to an asymmetrical structure instead of symmetrical balance of interests of both sides of the market, the likeliness that consumers adopt quickly the new opportunities – here by virtual services of the online space – grows decisively.

The argumentation of process involves, besides other Ps, the Physical Evidence. If a label is counted as a part of this P, a wrong assumption the HEI made was that consumers pay attention to a label. As Kusek et al. argue, consumers were attracted by artists, not by labels (2006). It should be critically stated that the assumption is that a few labels were an exception. Special interest labels in jazz, classical or ethnic music attracted consumers to search specifically among their market offers, but for the vast majority of labels it is assumed that they had no real meaning for consumers' perception and awareness in being *the* essential

trigger for transaction. When ICT offers the opportunity to be in direct contact with the artists', instead of the institutional offer, the question is, why should consumers prefer the industrial offer then? In a cause-and-effect relation this pleads again for the advantages of ICT-offers drawing attention to the 'S', space, once more and shows from a different angle that the innovative forces, technology of download, and market linkages combine synergistically against the HEI.

The Dilemma of the Established Marketing Mix

It is suggested that the arguments presented show that the established marketing mix is confronted with a high number of constraints, when it comes to a scenario, in which the virtual space provides more advantages. Especially then, when the product can be dematerialised, dissolved from combined market offers (multi-track discs) of the habitat and when further marketing concepts, like values of sympathy, fragmentising markets and challenges of the classical segmentation strategy, are involved. Evidence is provided by Anderson and Kusek inter alia, who present official statistics how sharply the total quantity of the best selling albums have declined: 35.7 Mio albums of the best five sold in the year 2000 to a mere 19.7 Mio. units just five years later and whilst downloads of Internet albums increased substantially. For the argument of fragmenting markets further evidence is provided, since more different albums achieve high sales, but on a lower average per album (2007, 2009).

Two Ps not been discussed yet are Personal and Promotion. A third frequently used is Packaging. Packaging is not part of the established marketing mix by a common understanding, but some marketing literature applies it. Its consideration is rather easy by a first view: No product (if the product becomes a dematerialised service) means no packaging. By a deeper study this criterion is less obvious. So called collectors' editions, packaged in steel cases, wooden boxes, sophisticated carton packaging represent the industry's endeavour to increase the attractiveness of the physical product against the virtual service of the online space. Added value, one further (marketing) concept, is considered as one reply this industry provides with regard to the online challenges. Here, a clear contrast is essential with regard to price and product. Manufacturing of such extraordinary packaging is frequently ten or more times more expensive than the transporting medium of the optical disc. This increases the retail price substantially, requiring that consumers accept a higher price "just for" packaging. But often the content of the physical product is still the same. To balance this disadvantage,

the HEI adds some more value to the physical product by additional bonus tracks in the field of music or extra features or using extended directors' cuts for films, which was a marginal innovation within the product strategy. As justified as this approach may be, it furthers market linkages only with those customers, being passionate and prepared to pay the premium.

With regard to product, this suggests, that this way luxury packaging created a niche. With reference to product categories beyond the HEI this is neither new, nor extraordinary. A standard product competes with a luxury version. However, the optical disc business needs a mass product market to be viable. The core challenge remains nevertheless unchanged, both versions have to fight against the low-, frequently 0-cost version of the dematerialised download and, to repeat, b2c competes against P2P. That luxury editions do not stop the decline is confirmed by Casselman, who reports that the demand for special, luxury packaging has decreased sharply over the last few years, forcing to adapt special packaging capacities of his leading manufacturing company substantially (2009).

Two further concepts need to be respected equally, 1) the different behaviour of digital natives and digital immigrants and 2) postmodernism and hyper-consumerism (Prensky. 2001, Rémy. 2009, Lipovetsky. 2009). Digital natives explains the different behaviour of those consumers, who have been born or grew up with the ICT-environment, while digital immigrants adopted the new opportunities, but have their roots in a time, when the physical market place was the only POS (Prensky. 2001). The behavioural patterns between both groups differ significantly as the attitude towards quality and products as such does. With regard to place vs. space it is assumed that technologisation has shaped consumption patterns significantly different. As Lipovetsky argues, in the youth of those Prensky describes as digital immigrants, the possession of 20 or 30 music albums (no or only a beginning of movies available for Home Entertainment) was a wealth and richness of ownership (2001, 2009). Nowadays thousands of music tracks and a wide collection of movies are stored on computers. This is a different perception of choice, richness and it is easy and convenient access for (immediate) consumption on various and increasingly convergent players. To remind, any optical disc requires a special player and the physical product has a specific size, which cannot be reduced (two formats of 12.5 and 8 cm are known). An MP3-player can store a huge amount of content and is fully mobile and versatile at a very small size. Hi-speed USB sticks (25 MB in 70 seconds) start to reshape this world again by making USB HD-ready

(O'Rourke. 2010). These are totally different product strategies, which count for two habitats, the content by medium and the different means of players (Cassia et al. 2006).

Following a synthesis is proposed: The dematerialised product, or virtual service offers full mobility, easy access, immediate consumption and permanent availability; additionally it favours the prosumer concept of individual choice and purchase at a comparably lower price. These are advantages, which the physical product cannot fulfil or has at least difficulties to meet; even, when institutional interests would like to introduce these to the physical product offer, the present technological constraints of the physical product do not support such approaches. Such reduced opportunities are a disadvantage, which has its effects with regard to market linkages, when consumers are comparing the physical product and the virtual counterpart(s).

In a simplified way, Vandermerwe's concept of the Customer Activity Cycle counts 18 steps for consuming a track on an album, which contrasts against eight for the dematerialised download. This facilitates consumers' lives in addition to other advantages stated before, as the jobs-to-be-done theory holds (cited in Oestreicher. 2009a, Christensen et al. 2004). These advantages can be completed by Kim et al.'s framework of the Buyer Experience Cycle presenting a number of further areas of advantage in its categories purchase, delivery, use, supplements, maintenance and disposal (2005, Oestreicher et al. 2010). Both frameworks together propose for physical HEI market offers an even wider field of disadvantages and involve a number of Ps simultaneously, especially place, price and product.

Beyond those criteria, which are counted as being more tangible, the intangible side of the consumer behaviour needs consideration, too. Closely related to the work of Cova and to the Consumer Culture Theory, Rémy points out that the "thing", product, is less important than the link (2009). This approach supports the understanding of a product as the experiential means, not the end, to create social relationships. The experience by a product, here music or films, creates opportunities to share these experiences with peers. Hence, the desire for the freedom to share products, i.e., facilitation by files, is better supported by dematerialised downloads than products, since it makes sharing more immediate and facilitates instant ways of exchange via ICT. The result is a next argument, why the physical place is in disadvantage and how the decline of the physical product may find explanations, while the consumption through filesharing and downloads increases dramatically (RIAA. 2009, 2008, Kusek. 2009,

IFPI. 2010, 2009). This suggests that the physical place and its physical product do not support the core ideas of the P2P concept. Lipovetsky and Garcia-Bardidia argue that the Internet fuels the concept of communities and tribes with own shared values and believe (2009, 2009). It is argued that postmodern hyper-consumers may develop liaisons to products and labels, but increasingly frequent they do business preferably among themselves, explicitly excluding established institutional participants or shape the rules differently using c2b and P2P communication (Antorini. 2007, 2009).

In such turbulent environment of demanding and challenging markets – both critical elements of organisational strategies – Promotion becomes increasingly difficult (Johnson et al. 2008). Fragmentising consumer segments, exploding communication channels and decreasing purchase of physical products do not only challenge promotion strategies, they ask the major question, how consumers can be reached and stimulated for physical transactions in an economically viable form justifying investments in mass media like advertising, radio or TV. The prior versions of standard products and special, luxury editions subdivide such efforts even more and make a satisfying return on promotion investment more difficult. Tribalism and P2P augment the exclusion of institutional participants; consumer instead of organisational values are playing against focused promotion. Unstructured interviews, undertaken over a longer period of time with advertisement managers of the most important German HEI magazines, underpin a rapid decline of content owners' preparedness to invest in advertisements.

Thesis 6: When innovation facilitates consumption and offers consumers new experiences by initiating more social links, the likeliness that such new experiences, the virtual space offers, are quickly adopted and challenge established institutional ways of strategies aligned to various of the Ps of the tactical marketing mix.

Much promotion was transferred to the Internet. This was not always successful, which does not count for the HEI alone, since what works offline, does not necessarily work online (Ries et al. 2004, 2001a, 2001b, 2001c, Grimm et al. 2003). This is considered as a major challenge for the HEI, to reflect on different ways of promotion, suggesting this time not a disadvantage between the physical place and the virtual space, but a significant difference. However it should be reminded that solving the question of different promotion, does not resolve the tension of the always-present overarching battle of the physical product vs. the virtual service.

A major question with regard to economic justification of promotion investments remains still to be answered: How can effective and efficient promotion be strategically placed, when single tracks, penny products, are in the centre of consumer attractiveness instead of comparably rather expensive albums? And this involves a following question, how can such advertisements draw consumers' awareness towards institutional offers against their potential preference of P2P filesharing. This sector of the marketing mix remains with more open questions, than it can provide answers, leading to the supposition that a major dilemma of the established marketing mix can be found in and around this P.

Personnel, the last marketing mix P, has many opportunities to make the HEI market offers a good experience. Sophisticated experts in classical music of Die Schallplatte in Vienna, the same in jazz and classic at Beck am Rathauseck in Munich or at Hug in Zurich purchased special albums for specific consumers. They were sure that the customer in mind has interest in purchasing these specific albums just for their recommendation. Such knowledge addresses many marketing concepts, starting by CRM, CLV, involves the process of customer satisfaction, physical evidence and many more aspects of the marketing mix. These examples have been studied by a high number of personal observations across various countries during the 1990s. Nowadays, consumers may just do it for themselves (Antorini. 2009, 2007).

P2P-evaluation, anonymous or communicatively automated platforms can replace missing specialists' knowledge. Amazon's personal and individual recommendations, based on most sophisticated software are famous, but they cannot replace neither the personal, social interaction, nor can they tell an interested consumer the emotional reasons, why he/she should find what he/she looks for within such recommendations. Consciously challenging the original meaning of the marketing mix P = Personnel, it is provocatively argued that peers may replace the role of the knowing staff in physical shops. P2P recommendations can play a more and more significant role in influencing preparedness for purchasing, since the specific knowledge in specialists' shops has significantly declined. Frequently accessed online, P2P recommendations may make the virtual purchase not much more than a consequent step forward or lead to direct interaction of sharing. This can also help to explain the process, why consumers are doing it among themselves. Within this discussion, it should always be considered that content and discs are part of FMCGs, therefore low-involvement products, which do not require a sophisticated process of decision-making.

Good organisation-consumer relationships, a salesperson's recommendation, i.e. a trustworthy CRM, have diminished in this industry. The physical place has changed and lacks often of the presence of knowledgeable staff. Superstores following Porter's cost leadership strategies and transaction cost theory destroyed much of the traditional HEI retail structure (2004). Strategies of the cheapest price were applied, but did not resolve the dilemma, that consumers still have to purchase a pre-recorded fixed product involving all further disadvantages of the physical product presented. Frequently supermarkets have low quality personal not being able to make individual recommendations by personal knowledge with regard to specific consumers' desires. Hence the likeliness exists that automated Internet processes, whether for the purchase of a physical or a dematerialised product, will likely suffice to do the same job: Within the explanations of the jobs-to-be-done theory a facilitation of the purchasing process to which P2P-recommendations can contribute additionally (Christensen et al. 2004).

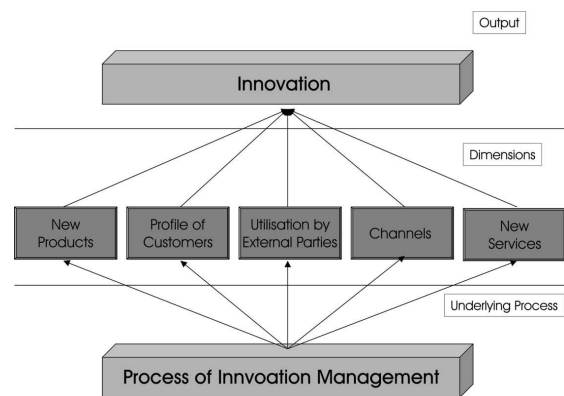
Thesis 7: When personal is reduced and less qualified due to cost advantages, relationships with customers are declining and the linkage of physical evidence and place, the POS, is endangered; this challenges consumers' preparedness to accept and follow institutional promotion and decreases ways and importance of CRM bearing the danger that P2P recommendations are more heard in the over-communicating world, with the effect of additional augmented pressure on physical transactions.

This leads to a final argument here, which applies directly and indirectly to many Ps of the marketing mix, choice. A good and sufficiently spacious shop may store 3,000 different titles. The virtual space of a download platform or online retailer may count unlimited offers. The place has the disadvantage that it cannot be easily extended – the space just takes another set of data for a new product on. Its advantage here is that server power can be extended nearly immediately and make the product range 'endless', plus all dematerialised titles are immediately available for instant consumption and a shop's opening times are of no concern.

The Dilemma of the Established Marketing Mix

Oestreicher et al. argue that the HEI is not managing the process of innovation correctly. The tendency to fight with marginal improvements against architectural innovation in the field of technology is likely creating a discontinuity for its market linkages (2010, Abernathy et al. 1983, 1984). Supposing a strong interdependence of both forces of innovation may potentially guide to some understanding: If a manager considers the traditional marketing mix, he will

likely find solutions, which recommend, how incremental improvements of established market offers can be supportive to regain acceptance by the target groups. I.e., as the marketing mix was incrementally adapted and improved over the decades of its existence, the marketing mix may be able to cope with small evolutionary developments. Freeman contributes a supportive argument for potential weaknesses of evolution stating that ICT is just the fifth *revolution* in modern history of economy (2009). Hence the challenging question is, whether small adaptive steps for the marketing mix can be sufficient, when revolutionary forces of innovation evolve their power, not forgetting that the marketing mix was developed for physical markets, when, e.g., ICT and multichannel were still foreign words. I.e., such complexity, as Goffin et al's graphic to the right shows, may overstress the marketing mix' capabilities due to an over-complexity of dimensions for which it was originally not created (2010).



By exemplary application of the HEI, this paper contributes to the existing marketing mix' academic criticism, presenting arguments that dilemmas evolve around each P, when highly innovative dynamics emerge. It would be short sighted to say that only the HEI as a global, but relatively small industry is affected. New technologies have started to challenge the markets of prints, books, software and so on. A next level challenge is already starting, subject to innovative 3-D laser printers¹, which may evolve as small prosumer "factories" at consumers' homes (Anderson. 2007). Again ICT, the space, will be involved, since 3-D printing needs inter alia 3-D layouts. Increasingly affecting effects are suggested, which will likely involve more and more industries in the near future.

Academia has just started to address this marketing mix dilemma. Chaffey et al. identify key areas for adaptation in the field of all seven Ps (2009). The focus is on adaptation, not revolution. Chaffey et al. address innovative business models like the long tail concept, the prosumer concept, the law of the few, new pricing strategies and many more. Even a critical discussion about channel conflicts or an outline of the new business organisation model of the

¹ <http://www.youtube.com/watch?v=HdzooQQDWGg&p=39321AD0BAA9EC82&playnext=1&index=3>

virtual organisation is presented (2009). All this discussion is purposeful for organisations to reflect on future opportunities in different market places or perhaps space(s), but will they be sufficient for the tactical level? As argued earlier, the extended impact on the HEI is seen in the combination of both forces, technology *and* market linkages: By a holistic marketing model, marketing needs to develop strategies for the right products for maintaining and strengthening market linkages. As the marketing mix is a tactical tool, the conclusion is that 1) the marketing mix can only be as effective as the superior strategy decisions provide direction and 2) that these strategic decisions may have to be based on a rather different set of assumptions and planning now.

E.g., Chaffey et al. highlight online research addressing the well-known sentence that all marketing starts with R, research (2009). But Christensen et al. and Utterback found that market research failed dramatically, since no data exists for radically innovative products (2004, 1996). As justified as Chaffey et al.'s statement is, with regard to the theories of innovation, especially in their more radical edge, scepticism is expressed, whether organisations may find the necessary support in such research, since there may be no reliable data for new markets, especially in the fluid phase of innovation. This argumentation returns to the discussion about the product. A successful product has, at least in the field of consumer goods, a dominant design, features, on which both sides of the market have agreed before. But as the studies in innovation and the resulting theories provide evidence it takes quite a while, until these features are successfully fixed between the parties involved (Christensen et al. 2004, Utterback. 1996, Abernathy et al. 1983). The HEI knew that the standard design of the regular DVD was highly accepted, since offering far superior quality to the prior format VHS. The industry's conclusion was that a new, more superior format, Blu-ray, should be the solution against downloads of far inferior quality. By technology alone this conclusion may be logically consequent. The Blu-ray is far superior to any known standard before, but (as concluded):

- Blu-ray is not what innovation defines as the Ideal Final Result [IFR] (Oestreicher et al. 2010).
- Blu-ray overshoots the expectations of the mass of consumers' expectations (Christensen et al. 2004).
- Blu-ray does not support immediate consumption, P2P behaviour of postmodern hyper-consumers and by Vandermerwe's Customer Activity Cycle and Kim et al's

Buyer Experience Cycle does not facilitate consumers' experiences and lives (cited in Oestreicher. 2009a, 2005, Lipovetsky. 2009, Rémy. 2009, Christensen et al. 2004).

As a summary this suggests that the outcome for the HEI will be negative. The innovative Blu-ray technology improves the present existing market offer as Chaffey et al. indicate, but it misses the real technological and (market) linkage needs (2009). This is only one example desiring to shed more light on the dilemma to which many further explaining examples can be added. Its concern is to support the need of a new theory and contribute some critical reflections to it, in which a focal point is that evolutionary developments of the existing marketing mix will not be able to deal with radical market forces. In short, the present marketing mix is expected to fall increasingly short in providing the right solutions for organisations and the market environment in such a complex context.

Innovation and Marketing Mix

A number of theses have been formulated. Academic valid and reliable answers cannot be offered yet as much further research is necessary. The purpose is to draw attention to a zone of problems, which emerged since a while requiring for and inviting to further studies within various industries. For the HEI fact is that downloads are around since many years, their danger could be seen, appropriate marketing strategies and tactics were possible, but the pattern researched before returned again (Christensen et al. 2004, Utterback. 1996): The HEI waited until it is (likely) too late.

Thesis 1: (Physical) Products cannot compete against disruptive (virtual) ones by incremental innovation only.

As explained, the HEI faces a shift from product to service. The Point of Sales may not be the place of preferred transaction anymore. It has more meaning than exchanging words to suggest that the Point of Sales is becoming the Point of Access. E-books, news, magazine content, reports, software, all kind of information are increasingly more accessed than sold. Price, the cheapest price is still more expensive than "follow the free", which addresses the old question, what is the value of information, or content (Kelly. 1997)? Consumers acknowledge cost in manufacturing optical discs, a newspaper or book, as for any other physical product. But for them the digital duplication of a file is quasi 0; the cost of content

production is for consumers' perception less present: Hence, a shift from P, product, to S, service with a 0-cost (price) expectation as 0-economy and Ideal Final Result propose finds low barriers (Kusek et al. 2006, Kelly. 1997, Oestreicher et al. 2010). The physical dominant design is in decline, probably forcing various sectors of the HEI into endgame strategies, which some HEI participants (e.g., Warner Bros, EMI) have already adopted for their product manufacturing a while ago – print companies and publishers are highly worried, too. Service and access represent the likely future HEI dominant design being less and less controlled by its habitat. Consumers have found ways to do it for and among them selves and enjoy the new freedom the services provide, which none of the physical institutional market offers deliver the same way. The process of customer satisfaction is not sufficiently met by pre-recorded content, while physical evidence, such as HEI brands, has little meaning, since consumers enjoy content and performing artists, not labels. A radically new way of consumption *and* experiences outperforms the established institutional marginal physical developments.

Thesis 2: When technology and market linkages turn against an established industry, the threat of triggering Schumpeter's Wind of Creative Destruction grows substantially affecting various Ps of the marketing mix at the same time (1950, Mc Craw. 2007).

The HEI industry had 10 years time to study, assess and develop new strategies. As Kotler et al. stated as early as 2002, when downloads were still much less comfortable and a rather young trend, consumers are not anymore a marketing object for intensified promotion, but have become the market force (2002). Instead of concentrating on processes to regain and re-establish consumers' trust and preference, this industry criminalized many of those they desperately need for survival. In its endeavour to defend the status quo and its market control, the HEI tried to declare all downloads as illegal. This pleads again for the fact that this scenario is not only a marketing affair. As innovation expresses, what was invented cannot be made un-invented. Bearing this in mind, there was enough time to prepare for the new market environment and to develop renewed customer satisfaction. Instead addressing fundamental shifts, Sony and alike pumped 3 billion US\$ in the Blu-ray victory fighting against Toshiba's HD DVD format, leaving Toshiba, as it is reported, with >1.0 billion loss (Oestreicher et al. 2010). Instead of developing new processes of customer satisfaction in form of innovative business models, this industry was focused on a format war in a constantly and sharply declining market place, while acceptance of the virtual service and consumption via download rapidly increased (Oestreicher et al. 2010, RIAA. 2008, 2009, IFPI. 2009, 2010). This is

suggested as opening flanks widely, which allow the wind of creative destruction a potentially full blow. Casualties in the HEI habitat occurred already, especially in the ranks of the optical disc manufacturers. Austria's Kdg-mediatech abandoned its Welsh factory most of the other British and some other countries' manufacturers went out of business. Until spring 2010 Technicolor, the world's # 1 replicator with strong international roots in physical distribution, was protected by chapter 11, while other replication plants, as industry insiders reported in interviews held in 2010 are on sale, but do not find new investors (dvd-intelligence. 2010b). Manufacturers of replication lines, like some manufacturers themselves address meanwhile new business opportunities, as further primary research in this industry provided evidence (Oestreicher et al. 2010).

In short, the industrial structure needs renewal, innovation for itself, since the decline in favour of the virtual product is expected to continue (Wilks. 2009). A potential solution could have been found in Kim et al.'s concept of value innovation logic instead of remaining in the industry boundaries of the conventional logic (1998, 2005). The marketing mix was of little help, since the overlaying strategic issues were not considered correctly. On the other hand, an in-depth, sophisticated assessment of the HEI odds by the marketing mix may have shown that there are fundamental problems. Hence, it is suggested that not everything can be a burden of weaknesses of the marketing mix. It needs good strategic skills, deep analyses and then an appropriate consultation of all Ps and their interactive effects, which is more on the practical side of managerial knowledge, skills and decision-making.

Thesis 3: The innovation of prosumer-oriented individual purchase and consumption shifts market linkages; from institution-centred to consumer-centred innovative forms of consumption (Oestreicher et al. 2010).

The prosumer has received the power to select individually, to share experiences and to interact directly among peers. This is suggested as one of the major implications for the HEI environment and the marketing mix. When consumers have direct access to the essential feature of the product, its content, making organisational participation for the consumption process obsolete, then the marketing mix and its Ps are of little help. As the criticism about the marketing mix expresses, it is an organisation-centred framework, in which customers have not enough consideration. The general logic is that P2P activities are difficult for organisation-customer relationships per se. When in addition love marks due to dissatisfaction

with price and place are low, physical evidence (e.g. brands) provides little attractiveness and, when personnel (in shops) is of decreasing CRM-support (process), than the supposition arises that consumers are challenging the purpose of organisational participation in their consumption behaviour and patterns. Hence, the need for innovative market(ing) models respecting what consumers really want seems rather obvious to revitalise relationships. Again, special attention is drawn to d'Almeida's argument of the shift of an economy of transactions to an economy of relationships, which is of significant importance here (2001).

Thesis 4: When P2P models become an option and the concept of the 0-economy "follow the free" finds inroads to consumer behaviour, traditional revenue models may become obsolete (Kelly. 1997).

The resources, processes, value theory (RPV) tends to hold that organisations embrace innovation, when it favours their existing ways of doing business (Christensen et al. 2004). Much of the content owners' RPV are focused on physical distribution being a decisive part of their revenue streams. Transaction cost theory helps also to explain physical distribution as a major driver of transaction costs. As a third argument is presented that physical distribution supports the established control mechanisms (Moyon et al. 2006). This is in conflict with P2P favouring free access and free consumption patterns being therefore the opposite of what HEI firms look for. The loss of the status quo leads to uncertainties in a field, which provided historically much certainty and profit. Kelly argues that today, organisations need to abandon the perfectly known and embrace the perfectly unknown (1997). As much as Kelly's thesis may contribute to the understanding of the concept of turbulent markets, as difficult this is with regard to human managerial behaviour, as psychology can explain. From a world of decade-long successful market exploitation offering an abundance of revenues to 0-cost models, in which the driving force is not anymore the organisation, but the consumer-driven market development is a most difficult change. With regard to physical distribution, implying social care for all those employed in this sector is considered as another huge challenge. Full revenue models vs 0-economy, dismantling many organisational resources at the same time, while consumers may be more in control than firms, exceeds likely organisational experiences and requires a size of change management, which goes beyond what most stakeholders will easily accept. In such complexity the nature of the marketing mix can be of little help, since it is not its purpose.

Thesis 5: Processes of consumer satisfaction are important in an environment of high innovative forces; if they are subject to an asymmetrical structure instead of symmetrical balance of interests of both sides of the market, the likeliness that consumers adopt quickly the new opportunities – here by virtual services of the online space – grows decisively.

What is invented cannot be made un-invented. As argued at various occasions, the HEI had a long time to explore and install a world, which allowed perfect control in nearly all directions and processes of its activities. As much criticism over the time confirms, this structure is suggested as an asymmetric construct. Within the general discussion about corporate social responsibility asymmetric constructions have received a very sceptical assessment arguing that they turn against the organisational welfare in the long-term (Werther et al. 2006). As the short survey among German consumers has informed, they dislike(d) the behaviour of the HEI industry, a finding, which is also supported by Moyon et al.'s studies in this industry, which allows the conclusion that the values of sympathy, which consumers feel for the HEI are rather tarnished (2007, 2006). Kusek et al. report about consumers' surprise, how many unknown music styles exist, which they were not aware of before the direct access to ICT-based Internet content (2006). Not everything can be used against this industry's behaviour, since, as the transaction cost theory supports, there is much content, which does not find sufficient demand as a product to make it for a company economically viable. I.e., here the application of the marketing mix contradicts that firms invest in products with not sufficient ROI, at which price ever, and which would not find shelf places in shops. But it cannot be neglected that the industry has probably acted much more in its own, than in a balanced interest of both sides of the market.

The radical innovation of the download has dissolved the content from the product and separated it from the place. This way consumers can take advantage of ICT-based innovation 1) for extensive, experiential discoveries of styles beyond any organisational profitability (related to the concept of fragmentising markets) and 2) organisations are supposed to suffer, since their prior establishment of the marketing mix – especially with regard to customer satisfaction – was organised too organisation-centric. This twofold structure is expected to have fuelled speed and preparedness to adopt the innovative online offers additionally, beyond many other reasons, and despite initial inferior ICT quality and disadvantages due to broadband problems.

Thesis 6: When innovation facilitates consumption, allows consumers new experiences by initiating more social links, the likeliness that such new experiences, the virtual space offers, are quickly adopted and challenges established institutional ways of strategies aligned to various of the Ps of the tactical marketing mix.

Access has become a facilitator for commodity products. Whether it is filesharing for this case or SaS-models beyond it, an influence on established revenue models will be a consequence. The HEI has refused to accept the new environment and to adapt to it. Another example of a dominant, rather asymmetric market, is Microsoft preparing its next generation system Midori to meet the new SaS requirements, while its Office Suite competes increasingly against Sun Microsystem's OpenOffice 0-cost software and globally organisations and authorities have started to replace MS Windows by other 0-cost market offers. Innovation's Ideal Final Result is considered playing an important role in these new behaviour and consumption patterns (cited in Oestreicher et al. 2010). I.e., innovation has not only taken place in one dimension of the dematerialisation of the physical product (technology), but as well in shifting markets (market linkages). This suggests that innovation-driven developments exceed not only the limited industrial borders of the HEI and beyond and make incremental improvements by conventional logic insufficient; when value innovation logic is available, it means that radical new markets may emerge, which are likely overstressing the options of the established marketing mix (Kim et al. 1998, 2005).

Additionally, the concept of convergent technologies has shaped the HEI marketing environment substantially different. The dominant design of this industry requires specific devices for consumption, a laser-based player. Alternating opportunities, like USB sticks or memory cards have never been promoted or considered in full. While copy protection systems, which all failed so far, were developed again and again and recordable discs fall short in the easiness of use, memory sticks and cards allow the rapid exchange of content and facilitate consumption on a variety of different devices and are fully mobile. This easiness will now be further improved by the new format of hi-speed USB-sticks (Oestreicher et al. 2010). This challenges the conventionally oriented HEI product strategy additionally by a different angle.

However, Lipovetsky argues, consumers live in an over-technologised world today (2009). Huge amounts of data can be carried around, played on various devices, shared with friends

online or at social meetings, offering not only the pleasure of sharing experiences, but as well to exchange those digitised files of content without overcoming copyright protection systems, while taking advantage of an abundance of non-institutional ICT-based content offers. 18 steps to listen to a CD track against eight to listen to the same on a computer or similar device are an argumentation in its own right. Global consumers, or better prosumers can disseminate MP3-compressed files immediately avoiding those many disadvantages, when a disc is involved. Files are sent across continents, bridge time zones and invite for discovery tours of unknown styles creating an environment in which industrial and shareholder interests play little or no role among peers. ROI and established economic models are of no concern, when consumers do it for themselves. This is a different, intangible world of immaterial values, in which the link is more important than the thing leaving price, product, place and organisational promotion, the four transactional Ps of the marketing mix, far behind. New consumption-based models were suggested by Oestreicher et al., which the industry did not develop in due time and which may have helped to satisfy consumers in their desire of creating links with the support of incumbents (2010).

The wide industrial understanding of dividing the world into b2b and b2c communication does not suffice anymore. Amazon, e.g, is for the HEI an online retailer first, hence b2b. The HEI can promote via Amazon b2c; but it is also a platform for c2c. At the same time consumers are exchanging their product experiences via P2P reviews, which may contradict the HEI promotion efforts. Little doubt exists, whose credibility is more trusted, organisations or peers. Additionally, Amazon offers not only the physical HEI product, but the dematerialised, prosumer-friendly download, too. The proposition is that Amazon has adopted a hybrid-strategy: As an online retailer it has still roots in the physical place, at least by the delivery of the physical product to its customers, but as a meanwhile extensive download platform, too, it follows the “new” consumer patterns. The HEI had the same opportunity, but decided on various defensive strategies of its status quo and adapted slowly (Oliver. 1991). Amazon accepted the challenge of such complications in consumer and product communication and shows interest in liaising with its customers subject to their preferences. Amazon takes advantage of the new ways of consumption, while the HEI struggles for survival.

Thesis 7: When personal is reduced and less qualified due to cost advantages, relationships with customers are declining and the linkage of physical evidence and place, the POS, is

endangered; this challenges consumers' preparedness to accept and follow institutional promotion and decreases ways and importance of CRM bearing the danger that P2P recommendations are more heard in the over-communicating world, with the effect of additional augmented pressure on physical transactions.

As argued for thesis 6, the “free” world of P2P filesharing allows consumers to take advantage of P2P recommendations. Promotion is said to have less credibility than editorials and less power of conviction, than peer evaluation of products and services. This was similar for the times, when the physical product world was still intact, but range and scope, hence the impact, were far smaller. Pressure on prices and hyper-competition led to an organizational adjustment and application of the marketing mix, which may have gone a few steps too far. When there is no skilled, knowledgeable personnel around, the physical environment does not facilitate the purchasing process. As observation in this research has proved, the space does not provide the information consumers look for. Hyper-competition demands a strong focus on cost advantages and retailers have put the price at the forefront of the hyper-competition. But if price is the decisive trigger for the desired transaction, than other Ps, processes among them, have to be neglected, since they enhance transaction costs. Quickly a vicious circle is created, in which an economy of relationships is rather difficult to maintain (d’Almeida. 2001). Therefore, when the elements of relationships are sacrificed for the benefit of the best retail price, the idea of the marketing mix as the variables for differentiation is by the ‘true’ understanding of this tactical tool at least neglected, but probably violated. When additional innovative effects as the global P2P exchange replace the missing relationship elements and links, a disconnection from institutional offers becomes a threat. When then the opportunity of artists, producers and other sources of content undermine the best price by a 0-cost model, then there is probably not much left, which creates sustainable institutional market linkages per se. Where is the need for the HEI anymore, where its *raison d’être*, then?

To be accepted in a world, in which consumers do it increasingly among and for them selves needs a symmetric organisation of market offers, which are considering more than profit maximisation and shareholder benefits. It is about relationships and acceptance. When tribalism and elements integrated in the consumer culture theory gain momentum and when technological innovation of substantial degree challenges industrial assumptions and strategies an accepted position close to the tribes and its members creates values in the permanent struggle for survival (Werther et al. 2006, Rémy. 2009). To be heard in an over-

communicating world needs more than the one P, the cheapest price, being still more expensive than peers' 0-price.

Conclusion

Addressing the marketing mix is just an example. There are further frameworks, which are still applied in more or less similar ways as before the emergence of the radical forces of the Internet. Observing and studying these developments, undertaking research in the field of innovation raises increasingly doubts about their effectiveness, when they are applied unchanged. Research guided to the development of the theories of innovation, but as they tend to hold, it is not about technology alone. Marketing theory needs to be linked much closer with them. Organisations follow still too often strategic patterns, which have proved to be ineffective in other similar environments before, but there are little empirical explanations yet, why organisations do so and how they can find better solutions for more sustainable market linkages.

The outline of the seven theses does not provide academic evidence, but could offer some guidance for further research. Neither the argumentation is complete, nor does it request that there are no alternative routes, which may provide better solutions for the HEI. Innovation is a major driver of economic progress; organisations must innovate, even in decline (Bénavent. 2010). When radical innovation occurs, then it may create new and different markets, like the download market. A new consumption and behaviour pattern has emerged, unknown before, and has transferred power from organisations to consumers. For the HEI such radical innovation may easily lead to a discontinuous business model. Therefore, a key proposition for this scenario is that the marketing mix was not sufficiently designed and developed further to be of decisive support, even if the superior level of strategies is correctly developed.

The depicted case of the HEI provided a number of evidences that its present structure is endangered. As interviews with industry participants in various areas of its habitat provided evidence, the estimation for the survival of the dominant design of the physical product is calculated between three to five years, without expectations of any physical successor. If these expectations become reality, the future product for this industry will be a service and the place will fully shift to the space. Whether the price will remain the same is questionable. Flat rates or pay per use instead of fixed purchase are only two of a variety of different pricing strategies, the model of the 0-economy may create additional shifts (Kelly. 1997). Promotion

will become rather difficult, since the abundance of content on offer outside the HEI and driven by P2P recommendations will make promotion strategies more than difficult. Processes of consumer satisfaction may find a better place in a tribal environment of the postmodern hyper-consumerism, than by influence of organisational structures. Personal may be required more in the field of IT-services than in those departments existing today, these may simply become obsolete. The physical evidence, mostly attributed to labels here, is on stake, too.

This is just the case of the HEI, other industries, publishing, printing and alike, will face similar challenges and threats of obsolescence. They could learn from the mistakes, which were and are still made and draw the right conclusion that what was invented cannot be made un-invented. E-books, e-papers and free of cost information of news services are around since many years, but disruptive innovation took most times quite a while until it took off the ground. It may be that devices like Kindle will be the trigger for the wind of creative destruction, the killer-application of this industry. Further industries, those with products, which cannot be easily dematerialised, may have more time left, but this does not suggest that they are not endangered. Energy suppliers (another asymmetric model) are just one other case, which may be affected by the wind of creative destruction soon.

Some academics suggest further Ps, an approach, which is considered as distracting from the core problem. As personal observation across various industries shows, there is often a lack of good implementation and application of the existing marketing mix. Emphasis on just a few or only one P, most times price, neglects the importance and effects of the interdependence with other Ps. Additional Ps will complicate the situation further without addressing the core problem. The different Ps are a set of variables, which can be used to shape an edge in competition. This advantage needs sound application and an overview about effects across all Ps.

The shift from 'P' to 'S' is presented as a symbol, but the increasing shift from place to space is already a reality for some industries and products. For the marketing mix and other frameworks developed for physical markets and in a time, when organisational influence was much more important, the time has come for a more fundamental redesign, which supports the initial purpose again, but now finding direction and answers for and within markets of strong innovative forces.

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