

Marketing: Quo Vadis?

A Discussion paper

By

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Keywords: Context; customer-perceived value; customer engagement; customer offering; customer experience; customer satisfaction; customer loyalty; marketing trends; marketing tasks.

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Abstract

This paper seeks to encourage debate as to the true role of marketing in this decade. Is it a function (a skill not always well defined); a philosophy (mantra or real-time belief); or something else entirely? The paper explores these questions and discusses six key trends:- relationship marketing, the use of new technology, the transformation in the concept of customer value, measurement and accountability, innovation and learning and globalisation - that are shaping the evolution of marketing. Figure 3 presents a graphic view of much of the argument in the paper covering the need to generate customer engagement, deliver customer experience and customer satisfaction and hence customer loyalty.

Keywords: Context; customer-perceived value; customer engagement; customer offering; customer experience; customer satisfaction; customer loyalty marketing trends.

Introduction

These are interesting times for marketers - partly in the sense of the Chinese curse. Most markets in developed economies have excess supply. The need for marketing has never been greater. Yet, instead of developing their marketing departments, *many firms have reduced them*. This paradox- ironically reflects the success of the original marketing concept. Several years ago Drucker (2001) argued that as the role of business is to create customers, its only essential functions were marketing and innovation. He wrote, 'Marketing is not a function, it is the whole business seen from the customer's point of view'. As markets have matured and become more competitive this concept has been accepted in theory but not so much in terms of practice.

Paradigm shift

Since the 1990s many firms have seen a paradigm change from a sellers' to a buyers' market (Kotler 2009). In a sellers' ($D > S$) market the basic business strategy is to mass produce and reduce costs to achieve profits. However, in a buyers' ($S > D$) market suppliers need to provide what customers (whether consumer or B2B) want.

Some firms have benefited from strong sellers' markets for years and then suddenly found themselves facing strong buyers' markets. The main challenges are:

- Competition
- Customer choice
- Customers demand more value for their money
- The increasing importance of customer-perceived value (Kotler *et al* 2009).
- Importance of market customisation
- Importance of branding

- Need to secure customer loyalty by a policy of *engagement* to deliver a good customer *experience*

Most now accept that corporate survival and performance depend on a firm's ability to offer customers what they demand. In manufacturing, many firms became aware of the importance of the marketing concept too casually and too late and an over-emphasis on cost-cutting reduced the ability to create long-term customer-perceived value (CPV).

Practical expression of the marketing concept

In a sellers' market it is hard to fail. A buyers' market, however, demands real marketing and the challenge is how to proceed. Traditionally the response has been to focus on the 'four P' marketing mix McCarthy (1960). Others expanded this to include three extra Ps to cover service markets (Booms and Bitner, (1981).

How relevant are these mixes to marketers in strong buyers' markets? Can they form the basis of a sound marketing plan when they do not cover key contextual factors and fully account for the competition? Also, are most companies really marketing oriented or still largely least cost production oriented?

To progress the search for an effective marketing mix it helps to briefly discuss some other approaches. A popular one amongst many academics is that of the Service Dominant Logic (Lusch and Vargo 2004). However, the S-D logic can be seen as just another restatement of ideas from earlier phases in the development of marketing thought. It does not place equal importance on both 'product' and 'service' attributes that form a CPV offering. An interesting model that developed out of some work by

IMD's Kashani and Turpin (1995) can be summarised as the 'six C's approach.' This calls for firms to address context, customers, competition, cash, channels (distribution and marketing communications) and company style (least cost or market oriented). The model performs well as it addresses key business concerns in buyers' markets (Kotler 2009).

View from the top

Insert Figure 1 about here

For a firm to practice the holistic marketing approach it needs a CEO who appreciates the basic philosophy of marketing. It usually requires a CEO to design, develop and introduce a new corporate culture. It is about managing change. Figure 1 shows a simple *businessman's compass* that works well in sellers' markets (left hand side) and which tends to encourage the growth of strong finance/production fiefdoms. The right hand side of Figure 1 shows a different picture. Here all functions are of equal importance. The CEO's task is to charge the marketing function with the responsibility of discovering what customer's value and then to co-ordinate all the firms functions to deliver the right CPV offering.

This needs skill and may take time to achieve. This paper outlines some ideas affecting, in theory and practice, the development of functional marketing. However, progress will be checked if firms are slow or reluctant to adopt the holistic marketing concept. This requires an intent to change the organisational culture and *modus operandi*. Unlike marketing, which can be defined both as a philosophy and as a

functional activity that can be imparted to everyone in an organisation, but few can define management.

Insert Figure 2 about here

Figure 2 shows a definition of *management* which a CEO could use to design a marketing oriented culture.

Marketing as a process

Inherent in the marketing concept is the idea that *market orientation* and the creation of *customer value* are the concern of all in the firm, not just of those in the marketing function. The dramatic advances in productivity, 'total quality', and customer service since the late 1990s, have impacted on all business functions. Until recently, marketing people have, if anything, been less involved in these developments than people in other functions: the impetus has often tended to come from the quality movement in operations management.

Another factor has been the *increasing pressure for accountability* (Farquhar 2009). Arguably, marketing people could and should have done more to show the *effectiveness* of their decisions and spend. However, it is the nature of marketing that much of its value is by nature non-quantifiable - especially for those activities aimed at building long-term CPV and market position. Either way, marketing's failure to prove its worth to accountants has weakened its voice and encouraged the shift of resources towards activities with clear short-term gains. Another worrying trend in

many firms is the continuing under-investment in R&D (Moncada-Paternò-Castello 2010).

Firms are now seeing the long awaited arrival of *marketing as a holistic process, a way of running the whole business*. Successful marketing involves all functions within the firm. This paper discusses six major trends in marketing. All have a major impact on marketing but also affect other functions. Finally the future of marketing as a function is addressed.

The six key trends or issues are:

1. relationship marketing
2. the use of new technology
3. customer value and the morphing of 'product' and 'service' attributes
4. measurement and accountability
5. innovation and learning
6. globalisation

1. Relationship marketing

A vital trend in buyers' markets is the emphasis on customer retention and 'relationship marketing'. In many markets, the cost and difficulty of attracting new customers means that it is more profitable to concentrate on retaining a long-term relationship with existing ones. Customer relationships are among a firm's most valuable assets. The issue is complicated by two opposing trends:

- *Most markets are becoming more competitive* with increasingly sophisticated customers and many similar customer offerings. During recession, there is a limit

to the price premium that strong brands such can charge. In this sense, customer-switching costs and brand loyalty have never been lower.

- Also, in many markets - especially in B2B – there is a growth of *closer, longer-term partnerships between firms within the same value chain*. These partnerships involve collaboration on new CPV offering development and also increase the interdependence of IT systems and other processes. A major trend in supply chain management has been to reduce the number of suppliers and to build a reliable value chain. This involves activity to increase customer-switching costs, justified by the increased CPV of the coalition.

These opposite trends have led to a shift in emphasis from the marketing function *per se* to a more sales-based transaction approach in key account management. It is also common in tough market conditions for firms to panic and seek to buy business by discounting risking brand reputation, future strategy options and profits.

In many marketing departments there have been organisational changes; brand or product managers being replaced by more market-oriented marketers. Many consumer companies are also building long-term relationships with individual consumers via database marketing. This reduces the gap between fmcg and B2B marketing.

2. The use of new technology

Many of the trends, challenges, and opportunities and some of the organisational changes in marketing relate to new ICT. The routine use of modern communications especially the internet, are crucial for the success of innovative organisations, especially those with global reach. Also, marketing has some unique new

opportunities in the use of ICT. These can be grouped under two headings: database marketing and new media applications.

Database marketing

Linked to the trend toward relationship marketing is the use of long-term marketing programmes using large databases (Zahay, Charlotte and Schibrows 2009).

Database marketing has three key characteristics:

1. Increased *targeting* in terms of either market segments or individual customers and prospects: the database enables the marketer to customise marketing activity.
2. Increased emphasis on marketing as an *interactive process through time*: the database records which communications have targeted each customer or segment, and the response. This can influence the choice of subsequent communications.
3. Usually associated with direct mail, database marketing involves *a range of media*, combining direct personalised media - mail, telephone, personal selling with direct-response advertising.

New media opportunities – from mass broadcasting to personal engagement

Marketing has opportunities with new media, especially the internet (Tăranu, 2011).

Today everyone is a marketer. Never before has it been possible for people to convey their judgements on CPV offers on such a massive scale. The age of blogs, forum postings, reviews and comments on social media platforms such as Facebook,

LinkedIn and Twitter, probably generate more marketing messages than are broadcast by marketing departments. This is the essence of *real* marketing.

Firms have to progress from mass communication to allowing existing and potential customers to have an active role. This places the emphasis on direct customer *engagement*. Attentive listening by organisations will provide the opportunity to identify, develop and test key CPV attributes.

Developments in print, direct mail, and radio are all able to deliver audiences which are more segmented than for television (Stephen and Galak 2009). Other opportunities include 'electronic brochures', home-shopping via interactive TV, video on demand, etc. This poses a threat to commercial TV channels and advertising agencies who are having to adapt to a more fragmented media regime. It will also impact on distribution logistics, as items are increasingly mailed, home-delivered, or collected by customers from a convenient pick-up point. The long-term effects of these changes will be substantial and firms need to start exploring them now.

3. The CPV approach to marketing absorbs 'product' and 'service' approaches.

Linked to relationship marketing is the new focus on providing CPV throughout the firm. A clear symbol of this trend has been the initiatives of total quality such as Kaizen and Business Process Re-Engineering. In both of these believe that *customer satisfaction is the key determinant of long-term market success* (Po-Tsang Chen and Hsin-Hui Hu 2010). This stresses the idea that the ultimate judges of quality are customers not company designers and that intangible and tangible attributes are of equal importance (Hueiju and Wenchang 2009).

Internal marketing

Within firms, the idea has gained credence that all - even those with no direct contact with external customers - have their own internal customers (Wieseke, 2009). As a result, the concept of customer service is starting to run through entire businesses (Aburoub, Hersh and Aladwan 2011). Innovations in customer service include the growing provision of unconditional service guarantees and increasing focus on 'service recovery'. (Engelen and Brettel, 2011).

4. Measurement and accountability

Another trend is the interest in measurement and financial accountability in marketing (Stewart 2009) with its emphasis on measuring the response - to each marketing activity and using the data to improve activities to the same customer or segment (Ganesh and Paswan 2010; McDonald, 2010). Measures of market response and customer loyalty can also be used to allocate priorities between different types of activity.

Another effect has been to encourage firms to allocate marketing resources towards those activities with quantifiable results, such as short-term price promotions. It may also have become harder to justify investments in long-term brand building if firms allow cost pressures to assume too heavy an influence on their functional marketing.

Brand equity

As a counter to these pressures for financial accountability, there has been interest in the idea of brand equity, i.e. that strong established brands are valuable assets (Verbeeten and Vijn 2010). Further, there have been many attempts to place a

financial value on these but progress has been slow for two reasons. First, valuing a brand involves making subjective judgements about future cash flows or profits. The valuation also depends on its purpose, e.g. acquisition, balance sheet, or internal management. Moreover, in the case of brands arbitrary judgements have to be made about separating the value of the brand from the rest of the business. This is problematic for corporate house brands (Shamma and Hassan, 2011). Second, it is difficult to standardise brand equity metrics or valuation and there is a proliferation of definitions and methods. The resulting confusion has, arguably, reduced the credibility and influence of marketing.

While it may be a mistake to believe that we will ever devise a valid method for estimating the value of brand equity, this does not justify today's lack of standardisation. Firms should start by developing some standard measures and definitions, as an aid to clear analysis and discussion. This especially applies to managing the same brands across borders.

Electronic data sources

There has been more progress in other areas of marketing metrics. In particular, our ability to measure short-term market response has been greatly helped by the availability of electronic data sources, notably EPOS (Ketikidis, 2010). Another interesting development is the use of 'single-source' data, consumer panels which measure both purchases and media exposure for the same consumers.

Measuring long-term advertising effects

One of the hardest activities to justify within a regime of quantitative measurement and accountability is long-term media advertising. It is difficult in depressed global buyers' markets to quantify the full long-term effects of marketing strategy and advertising (Ataman, Van Heerde and Mela 2010; Pergelova, Prior and Rialp 2010). This will always remain an area for informed business judgement rather than technical optimisation.

5. Innovation and learning

Today's emphasis on innovation and learning has many implications for marketing. In NPD activity, speed is now seen as crucial, especially in technology-intensive industries. The importance of being first to market may have been overstated: the evidence is that the long-term winners in new markets are not necessarily the pioneers, but rather the firms that develop and dominate the market during its crucial second phase of 'early growth'. This relates to organisational learning. The pioneer has the chance to pre-empt all later entrants, but is also more likely to make mistakes in the design or marketing of the new CPV offering. Later entrants can learn from the pioneer's mistakes at much lower cost.

The emphasis on speed to market will continue but there may be a trend towards more frequent, incremental attribute improvements and a little more caution by testing a CPV offering and its marketing prior to full launch. However, once the new CPV offering and its marketing mix are ready for launch, the international *roll-out* is likely to be very fast. So the emphasis will be on speed as well as on 'getting it right', but

focusing as much on shortening the 'time to peak sales' as on shortening the pre-launch 'time to market'.

Learning about market response

Innovation, learning and speed are not just passing fads; they will be a key feature of management in most firms for the foreseeable future (O'Connor 2009). This approach involves working with customers; especially with those who lead their industries or - in the case of consumer markets 'early adopters' or 'opinion formers'. A related trend is the use of free-phone advice numbers, prize-draw questionnaires, etc, to encourage direct communication with consumers.

There is also interest in experimental or even 'expeditionary' marketing. The former refers to controlled incremental experiments in the real market, with line extensions, trial price packages, etc. Major retailers have greatly benefited from an ability to conduct low-cost marketing experiments. *Expeditionary marketing* refers to a willingness to try more radical customer offerings and marketing mix activities (Hamel and Prahalad 1991, 1993). This approach has been a feature of Japanese industries like consumer electronics, mainly noted for their success at continuous incremental innovation. A classic case of expeditionary marketing was the Sony Walkman, which was developed in response to a bold hunch, not because of any perceived gap identifiable from market research. In this situation, key marketing skills still include the use of diagnostic research, but also require *learning from the market response* more efficiently and faster than the competition.

6. Globalisation

Finally, all these trends are occurring in a global context. There has been progress at reducing trade barriers between countries, especially within Europe. (Hollis, 2011). In high-technology industries, key drivers behind globalisation are cost efficiency and knowledge sharing. The economics favour firms with a high R&D spend and CPV innovation, and with production economies of scale, so that costs are spread over a global market. To achieve this combination, firms need to invest heavily in global CPV oriented marketing sub functions such as distribution and marketing communication. For different reasons, many luxury brands and an increasing number of service based customer offering businesses are also becoming global and this trend seems likely to continue. The reasons vary, typically including cost efficiency and shared learning (as in high-technology industries).

Managing marketing across borders

There is no clear separation between international marketing and the rest of international management. Among the multinationals, the trend is towards organisations structured into businesses aimed at global or - especially for packaged goods - regional markets (e.g. the European business of Heineken's beer), rather than the traditional collection of national businesses reporting to national general managers. Nevertheless, organising for transnational operations remains problematic and most CEOs see it as an area for further improvement.

A pressing issue is the balance between global or regional and local branding and marketing. A less widely discussed issue is pricing: as national barriers and shipping costs decrease, we are likely to see a reduction in price differences.

The future of marketing as a function

Six current trends or issues in marketing have been highlighted. The broader issue of marketing as a separate functional mix has also come under question, partly as the marketing concept is now so widely accepted and is increasingly being implemented across all the functions within firms.

What does all this mean for marketing, and for the future of marketing as a function?

Perhaps the main implication is that there is likely to be a continuation of the importance of marketing as a *philosophy* for a firm. The competitive pressure to be market-oriented and responsive will escalate. Therefore organisational changes and increasing customer contact with all functions and at the top of the organisation will become essential. Another aspect of market orientation will be greater diffusion in firms of information about customer satisfaction and market performance.

The need for marketing as a function will also continue. However, it is unlikely that there will be a return to large corporate marketing departments. Even within individual businesses and business units, the number of career marketing people on the payroll may be small. The trend is towards sub-contracting much of the detailed research, analysis, and in some cases even the practice of marketing to specialist agencies. Firms will occasionally use such agencies for *ad hoc* projects, but the trend will be towards longer-term relationships. This will provide a good blend of mutual understanding, specialist expertise, knowledge of particular market contexts, and low fixed costs.

For marketers that remain in the firm, the challenge now is to become more efficient and accountable. To spend more time in direct contact with customers and to work more closely with colleagues from other functions and from other countries. There is also a challenging and crucial task for marketers to become involved in managing the customer database by working closely with the various specialists who extract usable information from market research, modelling, and with the development of IMC mixes. To succeed, they will need a blend of human, analytical and time management skills.

Thinking strategically

The need for time management skills relates to the single biggest challenge - and opportunity - for the marketing function: to rise above the day-to-day and start thinking more strategically.

This is much harder to achieve. The trends described mean that the marketing task has become more complex. The rate of change in customer demands, markets, and technology has increased. Relationships with customers, outside agencies, other functions and colleagues from other countries are time-consuming. So too are some of the planning and control systems resulting from the emphasis on metrics and accountability.

The net effect is a more complex task undertaken by fewer people. Sound marketers have a close and detailed knowledge of the market; a holistic understanding of their firm's competitive strengths and weaknesses; a balanced view of the external threats and especially opportunities it faces; and a well considered perspective on an viable

longer-term marketing strategy. If daily pressures prevent the development of this knowledge and vision, firms can become tactical, reactive and regress to a cost driven transactional approach to business.

An effect of time and performance pressures is that, although the need to be outward-looking is widely seen, it is hard to find the time to put this into practice. This includes time with today's customers and time analysing today's competitors. But, perhaps more important is the need to spend time developing a better shared understanding of the way the firm's markets may develop in the future, and who its competitors will be tomorrow.

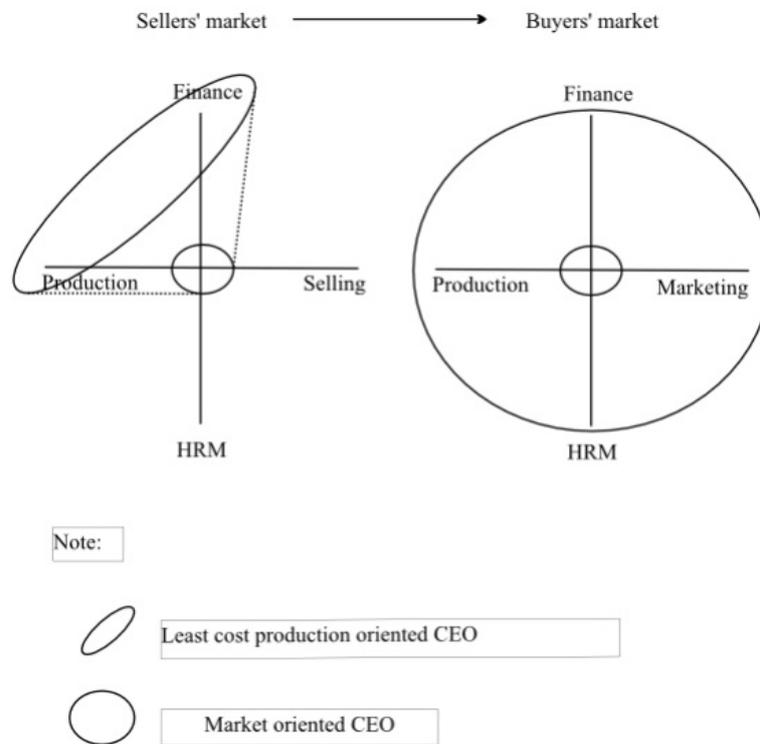
Summary and Conclusion

This paper has sought to encourage debate as to the true role of marketing in this decade. Is it merely a function (a skill not always well defined)? Or a philosophy (mantra or real-time belief)? Or something else entirely? The paper explored these themes and discussed six key trends that are shaping the evolution of marketing.

Insert Figure 3 about here

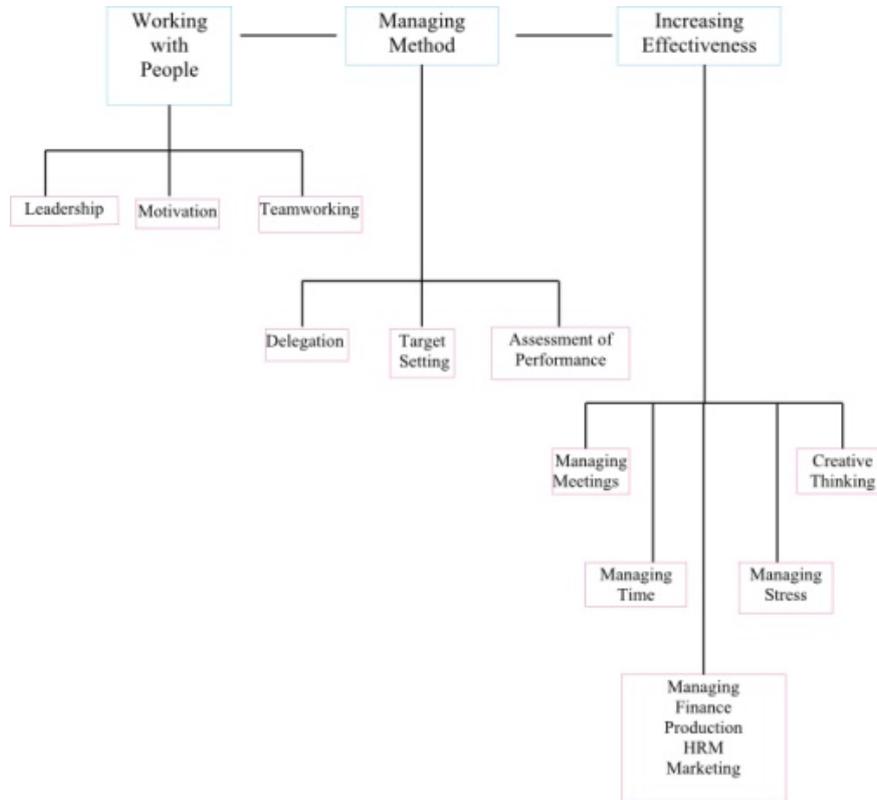
Given unprecedented time and performance pressures, none of this will be easy, but it is important and should be interesting too – and not just in the sense of the Chinese curse.

Figure 1 Businessman's compass



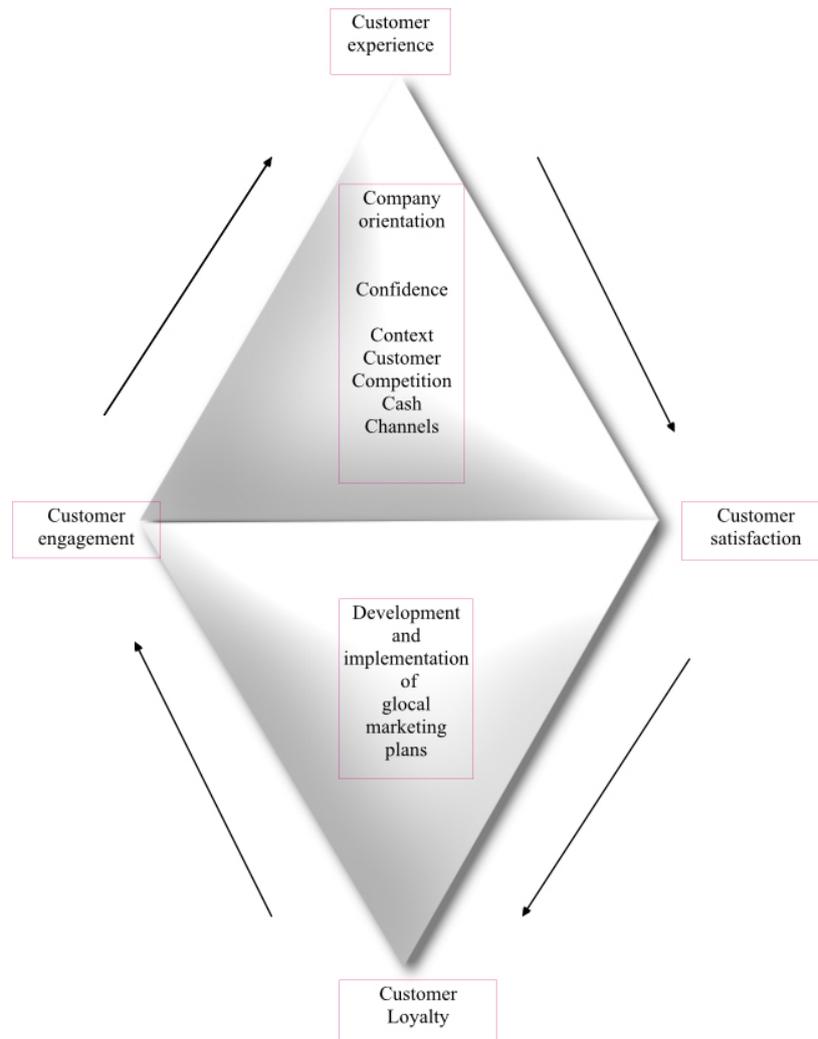
Source: Goodman, University of Durham

Figure 2 Defining Management



Source: Goodman, University of Durham

Figure 3 Diamond Marketing Mode – It's all about customers



Source: Goodman, University of Durham

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