

The Future of Marketing - Some Personal Observations

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INTRODUCTION

This paper speculates on the future of marketing, as a management discipline, from a personal perspective, and draws on the insightful observations in the two papers by Baker (1998) and Hulbert (1998). The focus will be on marketing within organisations, either profit or non-profit and I will address the question of how this may change and what its future is likely to be, drawing on a range of ideas and disciplines to develop possible future themes for the theory and practice of marketing. To provide a structure for these comments, I will address the context, content and process of marketing.

CONTEXT OF MARKETING

Since the focus in this paper is on the development of marketing thought inside organisations, it is apparent that such developments will, in turn, be strongly influenced by the evolution of organisations themselves, what their form and structure is likely to be, how they will be managed and so on. It is my proposition that as organisations change, so will marketing, in both its content and process.

More specifically, exploring the context of marketing requires an understanding of two broader issues, namely:

- what is the likely future business environment faced by organisations
- what is the likely future organisational response to this environment, in other words, what will organisations look like in the future

THE GLOBAL CONTEXT

In his paper, Michael Baker indicates why the future is important, yet it is notoriously difficult to predict, and the difficulty increases as the time horizon extends. While detailed and precise predictions of the world to be faced by organisations is next to impossible, there are a number of current trends which I would confidently expect to continue for several decades. I would also put forward the proposition that these trends are common across industries, markets and economies and are themselves global in both their occurrence and impact.

I suggest that the most significant developments, in terms of their likely impact on organisations are:

- the globalisation of markets
- the increased importance of information technology
- new forms of competition which are denoted here as “vertical” or “network”

- increased levels of customer sophistication with a consequent difficulty in predicting and understanding changing customer values

The emergence of global markets has been well documented in both the academic and business literature, and such an assertion is hardly likely to be challenged. Globalisation brings with it new competitors with different skills and backgrounds, different ways of conducting business, new customers with different values. It also contributes to more innovation requiring faster competitive response, new uncertainties in channels of distribution, and a requirement to understand the new market and competitive imperatives. Global competitors have different requirements in their investment decisions, for example, moving investment off shore with consequent impact on employment. Globalisation will also bring a rise in the number of indirect competitors, and a difficulty in understanding and predicting competitor behaviour. Another driver of globalisation has been Governments and their changing patterns of regulation and privatisation with many Government firms now facing substantial competition from the private sector, while other Government firms are emerging as major international competitors.

Globalisation is also being driven by developments in information technology where the term is used to include both computing and communications. I would expect that the current trends of reduced cost, increased speed, increased functionality and so on of information technology would continue. These developments are changing the economics of information, reducing barriers to entry and altering the relationship between firms in the value chain (Evans, 1997). New information technology changes search costs, permits contact with individual customers and breaks down or redefines distance barriers. Since distance is less of a barrier with the internet, customers can communicate, and more importantly, shop from a much wider array of providers. Perhaps the best known example would be the future competition between local bookshops and “virtual” bookshops such as Amazon. Such developments may also permit greater opportunities for individual tailoring of products and more mass customisation. It is possible, for example, for me to order what is essentially my own newspaper, to be delivered electronically, reflecting my unique sets of interests in politics, technology and sport (www.pointcast.com).

As the internet becomes larger, more complex, with more information stored there, customers will need assistance to work their way through it, to identify the goods that the

individual customer is interested in. We can expect considerable developments in computer systems which scan the information available and sort it, or classify it, into products according to some preference ranking. So the "buyer" is really a computer system, and marketing to these inanimate but intelligent agents will surely present a different challenge.

One other consequence of this information revolution is that it is becoming increasingly difficult to establish a differential advantage based on technology. Technological information flows rapidly around the world, new patents granted in say the US are quickly known in all countries. For this reason, several commentators have suggested that future competitive advantage will be based on people and "software", not physical plant and "hardware". Software could be in people skills, customer or supplier relationships and so on.

The internet itself is also likely to have a major impact on organisations - and it is still in its infancy and developing at a rapid rate. In some areas which involve little in the way of a tangible product, such as financial services, the impact is likely to be considerable. Advice on share buying and selling, information on vacations and travel can all be delivered through electronic means and purchases will become more common as secure means of payment are developed. The impact on intermediaries and channels of distribution is also likely to be substantial. Why use a local travel agent when bookings can be made directly with the hotel or airline. These new technologies have the potential to radically redefine the value chain, as Encyclopedia Britannica has discovered. For other tangible goods, such as books, compact discs and automobiles, among many others, the internet is a useful information tool and ultimately, one expects, a major source for purchasing. Since goods have to be delivered to the customer, so logistics systems may well form the basis of competitive advantage in future. So the internet can be expected to have a major impact on the marketing of information products, on portable products and on branded products.

As has been identified by Hulbert, in many industries the very nature of competition is being re-defined. Historically, competition has been visualised as between two firms, direct competitors at the same level in a value chain. But there is another type of competition which Hunt (1994) called network competition between two coupled chains of organisations. This is apparent in say, the steel industry, where the value chain stretches from mining iron ore to the final production of a steel can for

beverages. In competition with this value chain is another one, based on aluminium, with stages of mining bauxite through to fabrication. But both compete in the same end use market - beverage containers. Changes, whether from technology, politics and so on, at any stage, in one chain will affect the viability of the entire chain. In these and other such vertical chains we can expect to see far greater cooperation between firms at different levels of the value chain.

Another likely trend is the increasing sophistication and unpredictability of customers. With new competitors, global competition and increasing social and political change, customer value will be much more difficult to predict. Customers have more choices on how they spend. They will become more difficult to predict and more purchases will be discretionary. This indicates that customer value will be harder to predict and will change faster. In addition, we can expect them to adopt new information processing systems enabling better assessment and evaluation of products. This may result in greater price competition if differentiation is seen as more ephemeral than real.

ORGANISATIONAL CONTEXT

To discuss the future of marketing we also need to give some consideration to the future of organisations — are they likely to get bigger or smaller? More local or more global? As the nature of the organisation changes so will the nature of marketing in that organisation.

Again, with a myriad of organisations from different industries and cultures it is not easy to be explicit and definitive. But I suggest that we are likely to see a continuation of several current trends, namely:

- flatter organisational structures
- higher levels of responsiveness and flexibility
- more cross functional cooperation and teams
- more attention to individual staff to tap in to their creativity and sense of commitment through empowerment
- greater attention to the management of intellectual capital
- networks and alliances between firms

Another area for speculation is the future size of firms. We have recently seen several "mega mergers" as between Chrysler and Daimler-Benz, and mergers of this size are being created in such diverse industries as banking, pharmaceuticals, airlines and telecommunications. Yet as mentioned above, there is a real need for organisational flexibility, responsiveness, speed, accountability and creativity at all levels in the

organisation. How this will be accomplished and how flatter structures will be implemented in such huge firms remains at best a puzzle. How to be internationally competitive, and yet locally responsive will be a challenge to such behemoths. New competitors, changing customer requirements will place a premium on flexibility, responsiveness and speed, and these huge firms may not have it.

The need for organisational flexibility arises from the dynamic environment faced by these firms. Customer value is dynamic, continually evolving. Any competitive advantage is transient and must be continually renewed. So the strategic capabilities of the firm, focused as they are on customer needs and value, need to be continually evolving. Organisational flexibility and adaptability are certainly essential for long term health.

Increasing competition from globalisation is forcing firms to critically assess their distinctive competencies. If these are lacking, or are not at world best practice level, the firm will be at a competitive disadvantage. One way to resolve this is for the firm to form an alliance with another firm who does possess that competence. So it is expected that there will be an increasing number of alliances formed. These networks may then consist of firms who compete in some markets and cooperate in others. Some commentators even go further and suggest that some firms may be essentially hollow - a small integrating group at the centre of a network of other firms.

Baker has emphasised the importance of intellectual capital and I would suggest that this will be important for all firms not just knowledge intensive firms. I suggest that all firms are becoming more knowledge intensive, that knowledge itself has become more complex. Managing knowledge generation, dissemination and utilisation is becoming ever more important for firms and is a possible basis for competitive advantage. Learning and knowledge capture, ensuring that there is organisational as well as personal knowledge accumulation is sure to be one of the major concerns for organisations of the future

Another contemporary organisational response to a changing environment has been the attempt to structure around a limited number of key processes, each managed by an inter-disciplinary team. Since I regard it as unlikely that all staff of the firm will be organisationally located in one of these processes, a more likely future is be the development of hybrid organisations, a mixture of vertical functions and horizontal processes (Day 1997). Management of such processes will involve multi-disciplinary teams, utilising functional skills, process management skills and team skills.

Marketing writers, from Drucker to Webster, suggest that firms must be customer focused or customer driven, a view to which I would whole heartedly subscribe. But it should be emphasised that any organisation has three key stakeholder groups - customers, shareholders and employees, and that organisations have to be focused on the needs of each or, stating this in another way, firms have to deliver value to each. These three major stakeholder groups all have their own definition or measure of value. Shareholders define value in terms of return on their equity invested, adjusted for risk. This is generally taken to mean dividends and / or capital growth. Staff want acceptable salary levels, career opportunities and to be treated as individuals. Customers want products with value that meet their needs. There has been considerable debate as to whether firms have to make choices between these three stakeholder groups or can one satisfy all three simultaneously, or should one have primacy over the others (McTaggart, 1994).

CONTENT OF MARKETING

So how does marketing add value to an organisation? What unique contribution does marketing make to an organisation? I suggest that this contribution is to do with customer requirements, customer value, customer decision processes, managing the customer / firm relationship and managing demand. To review possible futures for marketing defined as such, I will follow Webster and discuss marketing as organisational culture, as strategy, and as tactics (Webster 1997, p. 39).

Marketing as organisational culture or business philosophy

At this level, marketing is a set of beliefs about the fundamental importance of satisfying customer needs. This concept goes back to Drucker (1954, p. 37) who noted that the only purpose of a business is to create a customer and he suggested that this concern should permeate all areas of the firm. This view was further developed by McKitterick (1957, p. 78) who suggested that the firm must conceive, and then do what is in the interests of the customer.

However, I suggest that we in marketing frequently exaggerate, or are far too exclusive, in our view that marketing as the only business philosophy. While it is true that a firm needs to be customer driven, this does not mean to imply that it is unique. All the functional areas of management, not only marketing, have the attribute of operating at these three levels. If we reflect on the finance function of a firm, then this can also be described as

operating at three levels:

- at the philosophical level: all staff must accept the need for the firm to operate profitably
- at the strategic level: what financial structure should be adopted, what are appropriate levels of leverage
- at the tactical level: how to raise debt, for example, on the Eurodollar market

Similarly with the other functions of business. We expect some human resource concepts to permeate the organisation. But at the strategic and tactical level there are tasks and decisions assigned to professionals.

The importance of marketing to a firm is related to the rate of change of customers and competitive intensity. If there is little or no change in the external environment, then marketing is not a critical management function. But since many, if not most, changes in customer value are outside the control of the organisation, a lack of change, a lack of willingness to adapt will ensure that the firm will become extinct. As was noted earlier, customer needs and values are changing at an increasing rate. Due to competition and changing tastes, customers are becoming more sophisticated, more knowledgeable, more aware, with less time devoted to purchasing, possessing more choices and so less predictable — all of which makes a marketing philosophy essential to the survival of the firm.

Marketing as strategy

It has been suggested by some commentators that strategy itself is dead—that in a turbulent, world in which we cannot predict the future, there is no need for strategy. All we need is flexibility, responsiveness and tactics. This seems to me to be unlikely. Development times are such that we need to form a view of the future and work towards that future. So at the strategic level, the role of marketing is in customer selection, positioning, competitive advantage, measuring customer value and communicating this to other functions, identifying entry strategies into new markets and developing new bases of competitive advantage. If the purpose of the firm is to create a customer, if customer value is critical, who in the organisation is responsible for measuring and assessing this?. While it is certainly true to suggest that everybody in the firm has to be focused on delivering customer value, it is marketing staff who are actually responsible for defining and measuring customer value. As customer choice expands, as new competitors emerge, this strategic role of marketing is becoming more difficult.

At the strategic level, how can we expect the strategic role of marketing to evolve? Certainly marketing will make increasing use of information technology for customer

analysis, segmentation and communication. With these developments, we may be able to extend the definition of the market, identify new segments, see opportunities for mass customisation and segments of one and identify new bases of competitive advantage. At the same time, marketing will have to become more global in its outlook. Even small and medium sized firms should be able to take advantage of new information technology to become global in their scope.

Baker also highlights the growing importance of relationship marketing as opposed to transaction based marketing. There should be a shift in focus to developing and maintaining long term relationships with customers, a move from transaction based exchange to relationship based exchange. Marketing will need to develop such relationships not only with customers but also with alliance partners. (Ballantyne, 1996, p.4.)

Marketing should also show more concern with the effectiveness of marketing practice. Unfortunately, marketing staff often display lack of interest and commitment to evaluating their effort and response to that effort.

As organisations move to some form of process management and team based management, marketing staff will need process skills as well as functional skills. This implies skills in leadership, team management and communication. It is to be expected that marketing must take the lead role in the management of several of these processes, such as the processes to define, develop and deliver customer value (Day, 1997, p. 53). At the same time, other functional areas such as Human Resources would be expected to take lead roles in, say, leadership development.

Marketing will also need to give much more attention to developing creative strategies, strategies which are frame breaking, which will require a synthesis of insight and analysis. Marketing must be one of the lead groups in the firm for information about customers and competitors.

Some marketing academics seem to regard marketing and strategic management as identical, and bemoan the fact that strategic management is taking over what used to be marketing - particularly at the strategic level. I suggest that this view simply indicates a lack of understanding of the domain of strategic management. Marketing staff, as professional marketers, have little to add to such concerns as corporate governance, financial structure or methods of organisational change. However there are many decision areas of strategic importance to the firm, in which marketing staff would be expected to have a major input. This includes decisions on positioning, competitive

advantage, the determination of capabilities and the focus of the R&D effort.

Marketing as tactics

New tactical roles for marketing will emerge as the strategic role of marketing changes. As marketing becomes more global, more information technology intensive, more team focused and more concerned with the implications of network competition, so will its tactics evolve. As an illustration, the growth of electronic commerce will call for new tactics in communications, logistics and market segmentation to implement strategy. In addition, marketing tactics are likely to be used by a number of other functional groups in the firm. For example, the Treasury function of a large, publicly listed company will generally include a group whose job is to communicate with shareholders. Such a group has to develop two way communication processes, to be aware of shareholder requirements and at the same time communicate the results of the firm. These tasks are partly marketing ones, but I would anticipate that they will be done by Treasury staff, not by marketing staff. But these Treasury staff will need to be skilled in marketing.

PROCESS OF MARKETING

As was noted by Hulbert, we also want to give some consideration to who will undertake marketing tasks in the future. Will we, for example, see a hollowing out of marketing staff? It may well be that some roles which are marketing related will be done by others, for example, front line staff in a service organisation. Possible marketing roles for Treasury staff have already been mentioned. Other functional groups can also be expected to require better marketing skills. For example, are accounting systems designed with user requirements in mind or to suit the needs of accounting staff? So I would expect to see much greater concern with the need for internal marketing, where many organisational groups will need to become client focused. Other marketing roles may become automated, to be done by computers and communications systems.

But to the extent that marketing has to deal with, to make sense of an unpredictable and turbulent external world of customers and competitors, so will the need for skilled, knowledgeable marketing staff persist. These staff will need to be more creative, more analytical, less ethnocentric, able to contribute to shareholder value through their actions.

CONCLUSION

In this paper I have attempted to steer a middle course between complacency and unremitting gloom. If, as was

described earlier, marketing is concerned with customer value and so on, then I can see no reason why the need for skilled professionals should diminish. But we can expect marketing to change. Accounting has been with us since the late 1400's (Crosby, 1997, p. 212), and is likely to be with us for some time yet. This is not to say that it has not evolved and changed during that time, but the essential feature—to provide a fair and accurate statement of the financial health of a firm—has remained unaltered. Similarly for marketing. Yet as both practitioners and educationalists, it is essential that we have a view on the future. As educationalists, our task is certainly not to be educating marketing managers for today's environment. Our graduates today will be expected to make an organisational contribution for possibly 20 - 30 years. As educators we need to take a long term view, and more specifically, have a view as to what that future is likely to be. What skill sets or what conceptual understanding and frameworks will practitioners need in the future? Hopefully this paper has provided some suggestions as to what these could well be.

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