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Marketing of the Future: Some Additional Thoughts

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Introduction

Those of AMJ's readership fortunate enough to have met Professor Baker will know that he is as stimulating in the flesh as he is on paper. His paper draws together some interesting and challenging ideas which should provide food for thought for practitioner and academic alike. For the most part, however, he has restricted his comments to doing marketing in the future, but spends little time discussing who will be doing the marketing. Put differently, in this particular paper he does not, for the most part, focus on marketing as a discipline, and its future, a subject which has recently pre-occupied many marketers including, in other settings, Professor Baker himself. With your indulgence, I would like to take some space to raise a challenge to the readership, for it is the considered opinion of a number of marketing thinkers that this issue will be problematic for both managers and academics in the coming decade.

Out with the Old, In with the New?

The February, 1998 meetings of the American Marketing Association in Austin hosted a plenary session for three winners of the Converse award. Professor Baker, Professor Fitzroy, Department Chairman at Monash and I were among the audience. The speakers were Jerry Wind, John Hauser and Glen Urban, and although the details of their speeches varied, their major message was consistent, marketing the discipline is in crisis, and a new paradigm must emerge. While much of their discussion focussed on academic marketing, they referred frequently to the marginalization of the marketing function in firms, and the failure of marketing practitioners to accept, let alone lead, the fundamental changes taking place in the business enterprise. They alleged that marketing had missed the quality revolution, supply chain management, information technology, process-based re-engineering and a host of other developments. Further. academic marketing had been side-tracked by its focus on the behavioral sciences, when we should have been focussed on the inter-relationships between marketing and the other functions of the business enterprise. When I asked Glen Urban, who was just returning to the faculty after a stint as Dean of the Sloan School at MIT, what all this implied for the training of our Ph.D.'s, he replied as follows:

"You have just put your finger on one of the biggest problems facing University Presidents and College Deans. You're not what we want in the first place, and you're out there cloning yourselves!"

I like to console myself with thought that I'm sure he wasn't talking about me. Further, we could argue that academic marketing outside the United Sates has kept in much closer touch with practice, and again, perhaps, take some solace. However, in calling for significant change, these speakers were only the most recent of a chorus of voices[1], and it is difficult indeed to fail to conclude that a fundamental re-appraisal is over due.

Marketing in the Future

Re-examination of the ideas advanced by Peter Drucker in his seminal writings on marketing leave little doubt that his conception of marketing was as a business philosophy, rather than as a functional department:

> 'if we want to know what a business is we have to start with its *purpose*. There is only one valid definition of business purpose: *to create a customer*. It is the customer who determines what a business is. For it is the customer, and he alone, who through being willing to pay for a good or service, converts economic resources into wealth, things into goods. What the business thinks it produces is not of first importance - especially not to the future of the business and its success. What the customer thinks he is buying, what he considers "value" is decisive...... Because it is its purpose to create a customer, and business enterprise has two- and only these two - basic functions: marketing and innovation....Marketing is the distinguishing, the unique function of the business.....Marketing is not only much broader than selling, it is not a specialized activity at all. It is the whole business seen from the point of view of the final result, that is from the customer's point of view. ***Concern and responsibility for marketing must therefore permeate all areas of the enterprise***.'[2] (Emphasis added)

As more and more companies embrace this philosophy, the emphasis on marketing as a functional department of the firm is diminishing. The Conference Board long ago documented the disappearance of marketing positions at the corporate level [3], and as companies seek to make all of their businesses more customer-oriented, driven by increased competitive intensity world-wide, the likelihood is that business management will more and more be seen as the locus of marketing decision-making. Further, the involvement of multiple "functions", often working in process teams, will increasingly be required to deal with problems previously regarded as marketing strategy problems. As McKinsey recently pointed out in discussing change at Kraft:

> The sources of customer value were no longer just marketing-based. The entire organization, from R&D to marketing, to packaging, to manufacturing and distribution, to the field sales representatives working the customers, was essential to identifying and delivering value to consumers. [4]

The manager, and, indeed, true believers like Professor Baker or myself may well see reason to rejoice about this development. As Steve Haeckel of IBM recently wrote: "Marketing's future is not as *a* function of business, but as *the* function of business"[5]. This, many would believe, represents the ultimate triumph of the marketing concept, the goal for which so many have worked.

There are, I believe, two reasons to be concerned about this change, one very practical, the other very specific to those of us who work in academic marketing. The first, practical concern is quite straightforward. As Don Lehmann put it: "focus on customers is now at least discussed by people in R&D, design, quality departments, operations, and even finance. While this is potentially very good for business, it is not good for the marketing function per se."[6] The danger, as Don and I would see it is that "the rosy picture for the marketing concept will not transfer to the marketing function/department"[7]. Managers who traditionally looked forward to building their careers in marketing are likely to face a rockier road in the future. More seriously for the firm, however, is that if marketing expertise is viewed as something to be diffused through the firm as a whole, laudable as this may be, there is a danger that the professional skills associated with first-class marketing departments may wither away.

The academic challenge is however, more alarming to those of us who live in that world. I would be the last to suggest that every US trend will inevitably be followed elsewhere, but nonetheless it is worthwhile to note that the top US business schools are all witnessing diminished interest in marketing as an MBA major. Having visited at two European institutions where the fields of marketing and strategy have merged, I find myself wondering whether this is not the inevitable result of the acceptance of marketing as a philosophy. As an academic whose interests have resided primarily in management and strategy, I find this a reasonably acceptable evolution, since in my view strategic management as a field has been notably weak in understanding of and emphasis on the customer imperative. For those of my colleagues whose interest is in the study of consumer behavior or model-building per se, however, I would construe a greater concern.

I find it hard to believe that marketing as we know it today will not be shaken to its very roots by changes that in many cases are already underway. In addition to the issues raised by Professor Baker, let me illustrate with a few pointers drawn from one of my forthcoming books, for these should at least provide food for thought:

- Vertical marketers act simultaneously as retailer, wholesaler and manufacturer, in effect disintermediating product/markets. Dell Computer, Ben and Jerry's, Starbucks and The Body Shop all obsolete the traditional distinctions between channel members used in the first sentence of this paragraph!

- As competition intensifies and the weak succumb, the survivors are correspondingly smarter and more sophisticated. Consequently, the overall ability of surviving firms to practice the principles of classical marketing will increase; however, since all survivors posses these capabilities, deriving competitive advantage from such practices will grow more difficult. Increasingly, firms will have to develop innovative ways of getting closer to customers so as to identify, in the words of the Spice Girls, "what (they) really, really want." This imperative is one of the factors leading to a shift to ethnographic approaches in market research for only deep customer insights are likely to lead to competitive advantage in the 21st century.[8]

- Market efficiency is heavily affected by information availability. Historically, information acquisition was difficult and expensive; today, the electronic revolution is rapidly transforming the situation. This process has already occurred in financial markets where real-time information is available on virtually a global basis. Similarly, the World Wide Web is providing a low cost means of accessing information in product/markets. As inefficiency is driven out of product/markets, the only sustainable price differences will be those reflecting differences in customer perceived value; those due to lack of information will disappear. Indeed, not only will information technology lower search costs by permitting it to take place vicariously, it will increasingly permit the buyer/seller matching via intelligent search engines. Disintermediation will certainly increase as a result.

- The Internet will transform the process of marketing communication. Historically, in consumer markets, information has been primarily sent one-way in undifferentiated one-to-many mass communication. Not only does the Internet allow consumers to be addressed relatively cheaply as individuals, they can easily communicate with suppliers and also with other consumers, both enthusiastic and dis-affected.

- I will go further than Professor Baker and assert that the product/service distinction may well be debunked in the future. It is essentially arbitrary inasmuch as offers purchased by the majority of buyers comprise a mixture of tangibles and intangibles. Indeed, structural changes in the economy and company strategies transform "products" into "services" and vice versa. For example, an activity conducted in-house by a manufacturer is typically counted as value-added in the product sector; that same activity (unless manufacturing), conducted by an out-sourcing supplier, is counted in the service sector. Furthermore, because McDonalds operates restaurants it is classified by the government as a service business; however, its strategy of growing take-home sales (local manufacturing of sales for later consumption) has been so successful that in the US 60% of revenues are attributed to product removed from the premises before being eaten.

Durable goods manufacturers provide some of the most interesting examples. For example, commercial jet engine manufacturers traditionally made little profit on engine "sales"; profit was made on spares and maintenance. However, as engine quality and performance has improved, the revenue yield from these activities is declining and they are actively discussing pricing on a per hour of operating life basis. Furthermore, products as diverse as automobiles, railroad cars and engines, computers and copiers, light bulbs and furniture are now offered as "services" to market segments comprising customers who prefer to avoid the initial capital outlay by renting or leasing. The really important distinction is now recognized to be that between the marketing of tangibles and the marketing of intangibles, but as any successful brands manufacturer will tell you, the latter is as central to their success as it is to major services companies.

- The advent of the Internet affords the opportunity for de-tangibilizing a number of services. Consumers will be able to vicariously explore the anticipated service experience cheaply and easily in the comfort of their own homes.
- The Internet has reduced entry barriers in many industries. Constructing a low-cost virtual presence is possible for entrepreneurs anywhere in the world; however, lack of name recognition may still be a serious problem. Managing and eliminating customer risk will be important to the success of new Internet-based businesses and may provide opportunities for branded intermediaries. Perhaps information-based products and services will gain most from the Internet revolution, since physical products, particularly if they require direct experience, may continue to require some form of conventional distribution system. [9]

I would not be as foolhardy as to suggest that I can foresee all of the changes that will be affecting our discipline in the next few years, nor so arrogant as to advocate universal solutions. However, I am willing to bet that the next five years will see very substantial changes which will mean big adjustments for marketing practitioners and academics alike.

ENDNOTES

1 For other thoughts on the subject, see James M. Hulbert and Leyland F. Pitt, "Exit Left Center Stage? The Future of Functional Marketing," *European Journal of Management*, Vol. 14, No. 1, (February, 1996), pp. 47-60 and, more recently, *Reflections of the Futures of Marketing: Practice and Education*, eds. Donald R. Lehmann and Katherine E. Jocz, Cambridge, MA,: Marketing Science Institute, 1997, recommended reading for all concerned about marketing's future. Among the academics, none have been more radical than the postmodernists, whose views are well summarized by Stephen Brown, Postmodern Marketing, London: Routledge, 1995.

2 Peter F. Drucker (1954), *The Practice of Management*, New York City, NY: Harper and Row, 37-38.

3 The Conference Board, David Hopkins.

4 Rodger Boehm and Cody Phipps (1996), "Flatness Forays," *McKinsey Quarterly*, 3, 134-135.

5 Lehmann and Jocz, op. cit., p. ix.

6 Op. Cit., p. 134.

7 Op. Cit., p. 122.

8 See, for example, F. Gouillart and F. Sturdivant (1994), " Spend a Day in the Life of Your Customers," Harvard Business Review, Jan. – Feb., 116-125. Excerpted from James M. Hulbert and Noel Capon, *Total Integrated Marketing*, New York City: The Free Press, forthcoming, 1999.

9 Excerpted from James M. Hulbert and Noel Capon, *Total Integrated Marketing*, New York City: The Free Press, forthcoming, 1999.