



YUNIBESITHI YA BOKONE-BOPHIRIMA  
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**A VISIONARY GLIMPSE INTO THE CHANGING  
FACE OF MARKETING**

**Prof CA Bisschoff**



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# A VISIONARY GLIMPSE INTO THE CHANGING FACE OF MARKETING

## 1. PREAMBLE

Traditionally, marketing as managerial functionality resides within the proven line-function hierarchy of an organisation. Communication flowed mainly downwards into the marketing department, whilst also sideways to the other managerial functions such as production, logistics, technology and finance departments. The marketing manager partook in the strategic planning of the organisation playing the role of functional line-management.

Relevant market forces have in the last decade also influenced the traditional views of marketing in action, and resulted in a strong shift towards value-based marketing, service delivery and customer relations. These activities and philosophies are currently integrated within main marketing thrusts and employs technology in assistance. Mostly management operates within the traditional structural design of the organisations. This philosophy of organisational structure is becoming increasingly under pressure in a modern marketing and organisational structural setting. Consequently, market development and customer advancement tend to keep up with evolution, yet managerial structures remained fixed over the last number of years. This creates a pitfall of efficiency erosion in the application of management and marketing in practice. Ferreira (2003), in this regard mentions that 50% of managers take work home, 47% reports distractions from core managerial tasks and 61% claims damage to relationships. All these symptoms are a result of the current managerial structures and its inability to adapt to the forces of environmental change. In the modern market environment, the application of pressure poses new marketing challenges. Some authors have therefore adopted terminology such as "radical marketing" in modern marketing literature as they believe that drastic changes are unavoidable.

Environmental changes imposes not only an alternate behavioural scenario for marketing managers and practitioners, but also an alternate structural design for astute organisations to be able to confidently face future challenges in their strive for competitiveness. As a result, to operate within this altered environment, the composition of the marketing manager *per se* is also under scrutiny for future configuration.

## 2. MODERN MARKET FORCES

A number of market forces are influencing the changing face of the marketing environment. Not surprisingly, some of these forces have been known for a number of years. Not only did their influence extend into the current era, but also

played a role in the evolution of marketing philosophy and market behaviour. To clarify, technology could serve as example. Technology has always been to the aid of marketers. However, pressure on markets and marketing does not result from technology itself, but the advancements and applicational value that is associated with technological innovation and development. Which innovation played (or are still playing) the most significant role in the marketing evolution: the printing press by Guttenberg, the radio, Alexander Bell's telephone or the 3<sup>rd</sup> or 4<sup>th</sup> generation interactive websites?

Allowing for visionary error, a number of changes are evident in the market- and marketing environments, and poses challenges marketers should consider in the near and not so near future. The most evident ones are:

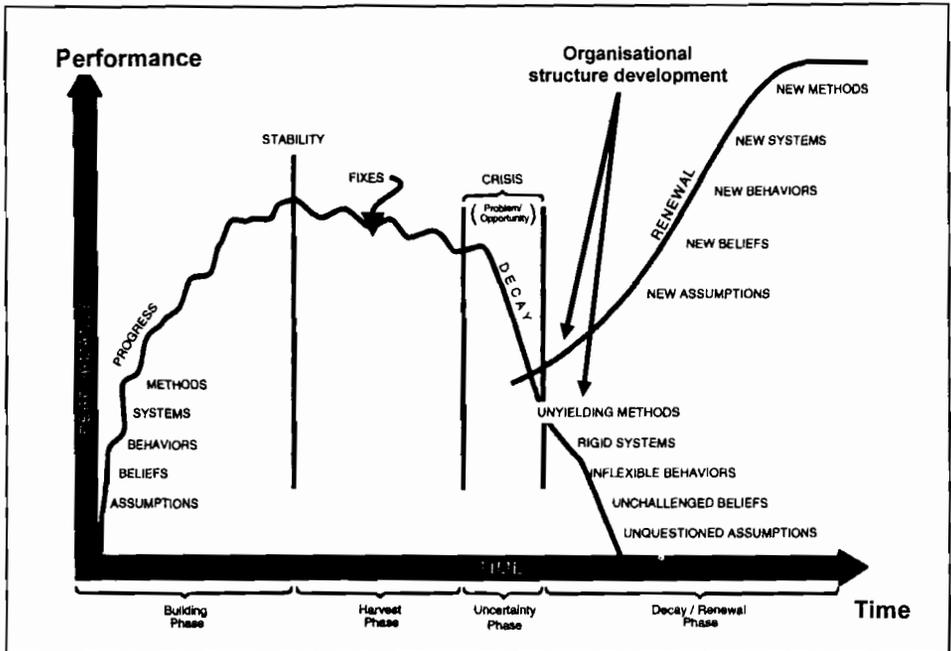
- **Relationships with customers**

A strong drive towards "personalisation" is developing. The focus of the modern marketing philosophy on exchange relationships aims at exchanging values between the marketers and customers on a more personal level. Marketing initiates, negotiates and manages acceptable exchange relationships with key interest groups to ensure a Sustainable Competitive Advantage (SCA). "Value" from the customers' perspective relates to the development of long-term mutually beneficial relationships. Customers will have to be contacted more frequently, more directly and more personally (increased direct marketing). However, a more focused approach is required to effectively communicate marketing values to the customer. Customer demographics, interests and behavioural segmentation are to be employed at an alleviated level to successfully facilitate a scenario (or at least a perception from the customers' perspective) that real one-on-one communication is in action. Once the cornerstones of truly sufficient information and communication channels are laid, real dual-beneficial relationships between the customer and the organisation could be established. Current organisational structures do not support this philosophy, and even hampers the astute marketing visionaries who currently attempt to establish real relationships. The different structural settings in organisations of Information Technology and Marketing as separate departments are but one example of such constraints. In this regard Conner (1998: 199-203) points out that structural renewal is eminent, and that management structures have entered the development phase of either decay or renewal (see figure 1).

Hence, the first two challenges that are facing future marketers are:

- *Challenge 1: Successfully facilitating an organisational structure and environment where customer interactivity becomes reality.*
- *Challenge 2: Establishing integrated interactive systems and dual-beneficial and personal relationships with the customer base.*

**Figure 1: Phases of organisational development**



**Source:** Adapted from Connor (1998: 199)

The focus of the new economy shifts towards personalised customer needs and stronger emphasis on the services markets, customer relationship management and the decentralisation of power and responsibility (Toffler, 2003: 3). Individuals have vast personal powers and freedom (even legally with the pressure on human rights and legislation to that effect). This freedom- and power trend will continue to rise in the future and it will also have an effect on the markets and market behaviour. Managerial influence (currently reserved to a large extent for the privileged managerial core) is exerted in business decisions (directly or indirectly) by non-management individuals from all levels of the organisation. As a result:

- *Challenge 3: Successfully facilitating an organisational structure and environment where managerial influences from all personnel become a reality.*

Digital networks, customer relationship management and services will increase in their importance in maintaining the customer base locally as well as globally. The demanding customer will be typical rather than exceptional, and this tendency will increase in the future. As a result, to maintain

competitiveness, companies should apply its resources to ensure fast, effective customer satisfaction by managing towards customers' additional demands (additional to the original product or service purchased). This concept ties in well with the value concept, and adds the surrounding services to the core product or service. A total value package is therefore purchased, giving birth to the concept of particle marketing as a function of real personalisation and the one-to-one marketing philosophy.

- *Challenge 4: Coping and even employing stringent customer service levels (as demanded by customers) into a competitive advantage by not only delivering required service levels, but also excelling in this demanding environment.*

- **Technology drives**

The availability of electronic processing power, data collection and collaborative commerce agreements between organisations leads to an explosion in data availability. However, a major problem is becoming not the collection of data, but the processing of data into useful marketing information in practice.

Huge opportunities to extract marketing information exist due to the enormity of available secondary data. This, however, also poses to be a threat as the enormity of the data makes the organizing of thereof into a usable format more difficult. Concerning primary data, a new approach to marketing information and research is needed. Due to growing consumer resistance towards formally structured and participative research techniques, availability and also reliability of primary data is under pressure (Evans, Nancarrow, Tapp & Stone, 2002:580). Data starvation increases and will continue to do so. As a result, the modern trends in consumer behaviour include increased consumer privacy and poor response rates on questionnaires. Research therefore needs to move more towards non-participative methods and secondary information extraction – a view already partially recognised by management (Leeflang in Bradley, 1995).

Continued managerial focus on E-commerce as a marketing transport beam and managerial tool is constant in an evolutionary cycle. Current perceptions on managerial applications of web sites, for example, are changing and new thought is opening a number of futuristic applications. In this regard Sarner & Berg (2003: 5) state that:

*"By 2004 15% of Fortune 500 companies will have built 3<sup>rd</sup> generation web sites"*

A short clarification of web-site evolution appears in the table below:

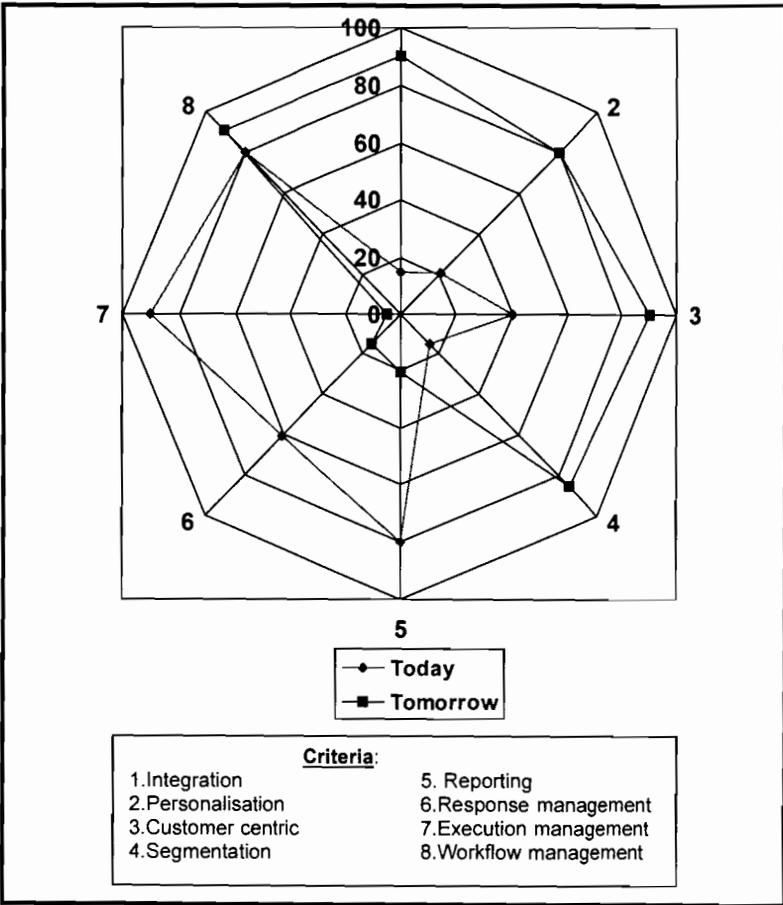
**TABLE 1: WEB-SITE EVOLUTION**

<p><u>Generation 1 web-site:</u></p> <p>Developed and active during the years 1996-1999 with the primary goals of information transfer, basic internet functions, no or very limited transaction powers, brand awareness and brand names. Thus to a large extent an electronic brochure ware function.</p>	<p><u>Generation 2 web-site:</u></p> <p>Operated as Stand-alone interactive sites active during years 1997-2002. Primary goals include customer interaction, transaction ability as well as brochure ware.</p>
<p><u>Generation 3 web-site:</u></p> <p>Built for the years 2002-2007 with specific focus on E-CRM (Customer Relationship management) and aims to achieve the goals of a real service channel towards existing customer base. The primary goal is to focus on customer retention and secondary, to extension of the customer base. Mutual benefit relationships via true interactivity are foreseen.</p>	<p><u>Generation 4 web-site:</u></p> <p>Envisaged for the years post 2004 up to 2007 with the primary focus on inter-enterprise collaboration as an extension of collaborative commerce. A strategic thrust includes the value chain optimisation via real customer integration, real-time research &amp; data collection, advanced personalisation and a range of smart devices.</p>

**Source:** Sarner & Berg (2003: 5)

Concerning the application of web sites as managerial tool, it is evident that current applications focus strongly on internal managerial assistance rather than externally towards customers and building mutual benefit value-relationships. Figure 2 displays current versus future expectations. In the figure it is clear that criteria 1 – 4 relates to external applications and the customer while criteria 5-8 relates more to managerial functioning and assistance. From the figure it is evident that there is a clear shift away from criteria 5-8 towards criteria 1-4 in the future. Once again the question to ask remains: Are organisations geared to accept these market shifts, conceptually as well as structurally?

**FIGURE 2: WEB-SITE APPLICATION**



**Source:** Adapted from Sarner & Berg (2003: 5)

In summary, what challenges are posed by technology and information drives?

- *Challenge 4: Sustaining accurate data collection, data organizing (primary as well as secondary data) and transforming it to market-valuable information.*
  - *Challenge 5: Really integrating the use of technology into marketing application and facing future developments in a true symbiotic relationship rather than employing functionalities, as random demand requires.*
- **Biotechnology is the second information revolution (Bisschoff, 2003)**

Information professionals, rather than biologists, are creating an economy that will have a more profound impact on the world than the Digital Age. Just as computers need operating systems and application software to make them functional, so does every living organism. Each with its own system and software. The rapid development of biotechnology seeks to manage the complexity of the DNA molecule of living organisms. The increase in population and the breaking down of barriers in genetically engineered production of food, medicine and other applications thereof are fast becoming a market-force to be reckoned with. Once these bio-technical products enter the markets on a broad scale, their impact on the industrial economy would be, to say the least, significant. Currently the bio-economy is in its development phase, but estimations and market trends predict that it would move into the growth phase within the next few years. Biotechnology focuses primarily on three fronts, namely:

- consumer tastes and preferences;
- growth potential and its resistance to climate, illnesses and pests; and
- durability for longer shelf-, fridge- and storing-life

However, are markets ready to accept these foodstuffs in their homes? A specific challenge for markets exists in the perceptual change to be brought about in customers' frame of reference and to successfully eliminate the resistance factor associated with bio-engineering.

- *Challenge 6: Overcoming consumer behavioural resistance (as well as misplaced perceptions and beliefs) towards bio-engineered products.*

In addition, bio-technology opened up a new consumer market, namely that of natural or pure foodstuffs. Significant markets are opening up and have their

own specifics and requirements. These markets demand that produce, poultry and meats are not only bio-technology free, but also chemically free. These natural markets are showing a growing tendency that is on the increase in specifically the consumer markets.

- **Globalisation**

The past century has seen development of Economic Power Groups (European Union, ASEAN, NAFTA) as well as standard currency formation. Logically the Eurodollar is not the only standardised currency that is expected to realize. Expectations of a limited number of currencies to service the world economy (or greater parts thereof) are in the making. Technology has already diffused the regulation of foreign currency by central banks to a large extent, and free international trade is becoming as easy as local transactions. Implicative too, is the fact that the distribution function to the marketing mixture is becoming more and more distorted. The emphasis moves to the delivery ability and a new slogan "*location is nothing*" rather than the traditional "*everything*" is realising. In addition, the fading of international trade restrictions (partially due to governments' inability to control the transactions) and economic integration, create a scenario of international marketing behaviour. The handling of diversity of multi-cultural consumers, international manufacturers, international brands and international distribution networks are therefore increasing in importance.

- *Challenge 7: Increasing focus on multi-culturalism, transaction speed (emphasizing product distribution) and internationalised competitive pricing as strategic thrusts in global marketing scenarios.*

- **Diffusion of marketing theories and models**

Traditional marketing philosophies are strongly based on consumables. However, as seen in the last number of years, the services industry outperformed the products industry. Consistently, shifting the marketing focus strongly towards the intangible nature of services, and also engaging a service component to most products. Pure products rarely exist in today's markets. These trends will continue in years to come, shaping marketing further into the intangible theory and further away from traditional views of the product as integral part of the marketing mixture. Virtual reality has already replaced a number of product buying behaviour characteristics, and will continue to accelerate the diffusion of traditional marketing models and theories. More powerful conceptual models in marketing research are also required to enhance individual relationships with different consumer groups, and more data and better analytical tools or techniques are constantly researched. The focus on new models, marketing aids and frameworks are developed within the scientific marketing environment. Although various

multivariate techniques and econometric marketing models exist and act as excellent advancements in marketing research, new hybrid 4<sup>th</sup> generation models with built in learning capabilities and underlying intelligence are developed to service research needs.

- *Challenge 8: Restructuring and adapting to the growing intangibility of marketing and successfully incorporating new market characteristics in marketing strategy.*

- **Market evolution**

Currently, marketing philosophy strongly relies on behavioural solidity of the traditional nuclear family structure. Although many a visionary reposes the concept of change in the nuclear family, family structures operate as functions of its environment (Toffler, 2003:4). Following a historic perspective, it is evident that family structure has always been strongly influenced by environmental change.

For example, during the agrarian age, the wife and children functioned from the home as base and a collective family structure typically stretched over three generations (grandparents, parents and children). After the Industrial revolution, family structures changed towards a nuclear family structure with the family size becoming smaller. The economic development and social emancipation of women resulted in women competitively entering the workforce. This brought about numerous changes in consumer behaviour due to the role of women in the family and society, as well as the time constraints being placed on women. Reversed roles in family with women as head of families who not only acts as primary breadwinner, but also as decision-maker, are a common occurrence (Shiffman & Kanuk, 2004: 336).

Various market supply and buying behavioural changes resulted, for example, in the food industry (pre-cooked & frozen dinners and cereal breakfasts) in the textile industry (corporate women ware), the electronic industry (cellular phones and other devices designed stylishly and for specific use of women). The list is virtually endless – all due to changes in the environment (Cairncross, 2002: 1). It stands to reason that the nuclear family is very unlikely not to be influenced by new market and environmental influences. The popular *family life-cycle stages* (Shiffman & Kanuk, 2004:357-365) are under pressure as a result of the accelerating economic activities in the new environment. While the economy activities are accelerating, so does the life-cycle and behaviour within the nuclear family structure.

Toffler (2003:5) further envisage fundamental changes in family structures, some of which are already in action. Various new types of family structures are emerging, such as the single parent (due to either divorce or death of a partner), unmarried single parent and gay marriages (with or without children). In itself, this does not pose such a revolutionary market challenge.

However, currently the roots of these new family structures are already embedded in most communities (and growing). In addition, a significant growth is evident in the gay market as a result of the social acceptance and a more liberal view in the modern era towards gays. The modernistic approach also enables marketers to recognise and openly target these markets without fear of prejudice and discrimination. Serving as a *dual-income-no-kids* market, this market also has an increased attractiveness due to its attractive disposable income.

More revolutionary is the fact that the core of consumer behavioural research and marketing practices resided within the family life cycle. The disintegration, or rather acceleration thereof, poses a new set of environmental marketing variables. A new set of stages in the family life cycle are emerging and gaining momentum. These are the re-marrieds (re-married once, twice, more than twice) and the various short-term (5-8 years) informally structured relationships. In such relationships children could be mothered or fathered by third or fourth individuals from previous short-term relationships (Toffler, 2003: 4).

Socially, psychologically, and also for marketing practitioners, this environmental evolution that influence the family structure, poses a massive challenge to be met in future. The new and diverse structures in the family support emotional detachment (or at least partially detach) of children from their parents (real parents as well as their current guardians). Specifically relevant to marketers is the fact that in such family structures, the financial commitment rather than emotional commitment from parents (or at least one of the parents) becomes the key commitment.

Financial planning, youth decision-making and independence result as allowances to children are increased to extend beyond normal pocket money needs to include products and services such as clothing and tuition fees. Positively viewed, children will be better-educated consumers since they are entrusted with their allowances on a larger scale and are handling the responsibility to do so from an earlier age. The marketing challenges are to:

- *Challenge 9: Developing the youth market as an independent market segment and recognizing its intelligence, disposable income and decision-making capabilities.*
- *Challenge 10: Incorporating and educating this new breed of consumers in a responsible and ethical manner (bearing constraints in mind such as children's advertising), so that they become loyal market participants.*

The evolution in the marketing environment and the identified challenges impose a number of strategic managerial implications that impacts on the organisation in its strive for competitiveness.

### 3. STRATEGIC IMPACT

Focusing on the strategic impact of the environmental changes, it is evident that marketing as a functional strategy needs to be revisited and restructured on both the operational and strategic levels. Operational adaptations and improvisations are no longer sufficient to effectively service marketing as functional managerial discipline. In the changing environment, mercifully, the universal truth "*Structure follows Strategy*" still remains applicable, and could serve as a point-of-departure in strategy and structural renewal. In application it is clear that marketing, as discipline should first revisit its strategic positioning and general strategy before attempting to address the current unsatisfying organisational structures. Furthermore, the strategic thrust of marketing management should act in synergy and be aligned with organisation strategy and all its changing environments.

Although designing and constructing new organisation structures pose to be a challenging temptation, it is reserved for future research. However, there are a number of strategic issues to resolve in the 21<sup>st</sup> century that would serve as pointers (and others as market and industry dictate) towards the future research on structural reconstruction. Some of the more important strategic pointers are:

- **Risk, diversification and core business:**  
Modern organisations are diverse in nature with a resulting diverse risk profile. However, a thrust towards frequent re-visiting and definition of the organisation's core business provides interesting permutations to the risk profile and the inherent risk relationships.
- **Outsourcing, strategic alliances and co-operation with competitors:**  
Strategic consensus on alliances, sometimes with competitors, is but one of the areas where astute organisations ascertain their competitive advantage, and pressure to do so is already mounting (Cairncross, 2002:3). Increased future focus on perceived value (where: value is a f{quality, price}) as a universal competitive concept resides within the organisation's ability to provide the value, irrespective of its origin and in the process creating an alliance, agreement or awarding a contract to the benefit of all parties involved. Evidently, competition from unexpected sources is increasing, and identification of real needs and real benefits to customers are not negotiable (Bisschoff, 2003:8). For example: the need for a vehicle. Is the real need to possess vehicle? Transport? Prestige? Or even all the needs combined?
- **Virtuality, line structures and matrix networks:**

Increased activities on virtual business activities and managerial levels are documented. Astute organisations are moving away from traditional line-structures, creating scenarios where intricate matrix support networks are established as managerial structure. By no means does this mean that new structural design should follow blindly. This phenomenon's realisation in practise, however, points towards a need to alternative structural needs, and that the limited line-function support are but a symptom of the illness of multi-levelled hierarchical structures.

Although future organisations' structural design needs further extensive research, it is evident that strategists agree that current organisational structures do not facilitate optimal marketing performance and that this issue could only be addressed after strategy is agreed on. What is not agreed on is exactly how such new structures should fit into organisations.

It seems logical that structures should follow the route of a flat top structure that facilitate multi-dimensional matrix networks as structure. Applied specifically to marketing, it implies that the traditional department of marketing would (and should) actually disseminate throughout the organisation, not ruling out the virtual networks as creators of value.

Finally, this scenario provides the logical evolution and not paradigm shift where a revolutionary approach of innovative thinking could result in a totally new structural approach where almost no structure prevails. Within such structures, concepts such as intuitive improvisation (also referred to as the art of genius) and responsive flexibility become part and parcel of the structural design (Hartley, 2003:253-254). Consequently, such a revolutionary approach would be taxing to manage in current paradigms of management. This scenario calls for active collaboration between academia, researchers and visionaries, and managers in organisations, to successfully address the structural imbalances of the present.

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