

Changes in the Marketing Discipline: The Challenges Ahead

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Rapid changes in information and telecommunications technology coupled with increased globalisation are influencing marketing. A number of the salient developments taking place in the marketing discipline are considered. These are challenges that local organisations must meet if Malta is to continue to move forward successfully.

Marketing is changing at an unprecedented rate and this has important implications for both organisations and business academics. Until some years ago marketing was a very new discipline in this country. Though often misunderstood, it is today widely accepted. However perhaps more than any other discipline marketing has evolved considerably from how we knew it some years back. Two key factors have been at work in stimulating these changes. First the impact of changes in information and telecommunications technology has provided data handling capabilities that were unthought of. Secondly the increased globalisation of firms is resulting in product offerings that often have no clear country of origin and whose constituent parts are made in different parts of the world. Indeed, a good part of our export industry

consists of such firms. What follows are some thoughts, or reasonable projections, on the possible developments in the area of marketing resulting from these two key factors.

Marketing will Increasingly be seen as an Organisation-wide Responsibility

A market orientation – the requirement for organisations to focus on the needs of customers in guiding their strategies – has been the focus of marketing education and training efforts for many years. Presumably, the market oriented organisation will be more successful, whatever that means. Until not so long ago any marketing course would primarily focus on the marketing mix and its constituent elements of price, product, price and promotion. If we go back to basics it was Drucker (1954) who noted that:

Marketing is not a function, it is the whole business seen from the point of view of the customers.

There is broad agreement that market orientation as a philosophy consists of three core aspects, namely: a customer orientation; the integration of effort and meeting organisational objectives, often in terms of profitability (Kohli and Jaworski, 1990; Kotler, 1991; McGee and Spiro, 1988; Runyon, 1980). For something supposedly so important as market orientation, there have been few serious attempts to measure the construct, and even less effort expended on significantly linking it to performance criteria such as profitability, growth and market share. In short: does it really pay off for an organisation to be market oriented? Modern thinking on the implementation of the market concept focuses on market intelligence. Market intelligence is seen to be not just based on verbalised customers' opinions but 'a broader concept' in that it includes consideration of: external market factors, such as competitors, and regulation, that affect current and future customer needs as well as performance. Jaworski and Kohli (1993) have contributed to our understanding by providing an operational definition for market

orientation as a construct. They do this by comparing the three core elements of market orientation as a philosophy, to the perceptions of practising managers. This enables them to offer the following definition:

“Market orientation is the organization-wide *generation* of market intelligence pertaining to current and future customer needs, *dissemination* of the intelligence across departments and organization-wide *responsiveness* to it”.

This operational definition has provided researchers and practitioners with MARKOR, an instrument for measuring market orientation (Kohli, Jaworski and Kumar, 1993). This has attracted much research attention in the USA, and has also been used to measure marketing orientation in firms in a number of countries. By using MARKOR, organisations are able to measure and assess their level of market orientation. An even more fundamental question is already being answered: And does it make a difference? Jaworski and Kohli suggest it does. Results from UK and Malta also suggest that market oriented firms are more profitable, enjoy higher levels of growth, and overall, exhibit better performance (Caruana and Pitt, 1995).

The significant criticism the marketing concept has received over the years appears to have been a problem with implementation. One reason for this has been because there has been no complete agreement as to what constitutes market orientation. Thus, what is often implemented in the name of a market orientation differs considerably. Kotler (1991) asks:

“How many companies have actually implemented the marketing concept? The answer is too few. Only a handful of companies really stand out as master practitioners of the marketing concept ...”

There appears to be a significant gap between the marketing philosophy that many academics have put forward and what has been implemented by many firms in the name of the marketing concept. The level of market orientation of a firm depends on the degree of implementation of the marketing concept. This is clearly an organisation-wide endeavour.

The Necessity of having a Formal Marketing Department will become Increasingly Questioned

Drucker (1954) emphasised that marketing is not a function and Jaworski and Kohli (1993) emphasise organisation-wide dissemination and responsiveness. Yet marketing has often been treated like the other business functions of finance, operations and human resources and often made the responsibility of a separate department or office. Managers have tended to mistake structures for implementation. Marketing is not a departmental function and the term *market* oriented is to be preferred to *marketing* oriented as this highlights its organisation-wide application. This almost sounds like a trivial point. Yet it shifts the emphasis of marketing away from a departmental function to an organisation wide responsibility. A *marketing* orientation is seen to be specific to the activities of the marketing department or division. Organisations create structures to implement a strategy. The strategy is clear, it involves the implementation of the market orientation across the company. The marketing department has often been seen as the embodiment of the marketing concept. The problem is that marketers do not, and can not, do the jobs that produce customer satisfaction. That is done by the clerks on your counter if you are a hank; by the employees that make the hamburger and serve it, if you are in the take-away business. When business managers mistake market organisation for market orientation and allow so called customer experts to be created and then delegate the management of customer satisfaction to them, disaster occurs. What perhaps is even worse is that the people in other departments, such as the clerk on your counter, starts to think that marketing is not his or her job but the job of some department at head office or somewhere. The net result is that marketing organisations halloon and market orientation shrinks. The key job of the marketer in any corporation is self destruction – in the sense that the best marketer makes marketers out of others (Bonoma, 1990). When a true market orientation is achieved, the organisation can do away with much of the need for a specialised marketing function. The culture of the firm has been changed to total customer sensitivity.

Marketing will become Increasingly Concerned with Managing Relationships

Sustaining loyal customers is the main reason for the existence of the company. Companies increasingly understand the life time value of customer relationships where the goal is no longer the single transaction but repeat transactions and customer satisfaction. The globalisation of competition together with the accelerating changes in technology, competition and customer preferences have necessitated new forms of organisations, variously referred to as alliances, vertical integration and networks. Indeed global competition is increasingly taking place not between single firms but between networks of firms (Morgan and Hunt, 1994). To be an effective participant in the global market it is necessary to be a reliable member in some network. Relationship marketing is a term that has crept into the marketing vocabulary in recent years. It refers to all marketing efforts directed towards establishing, developing, and maintaining successful relational exchanges (Hunt and Morgan, 1992). Relational exchange is by its very nature of a long term kind. Marketing and strategy are starting to merge. Strategy is really about relationships with customers broadly defined and therefore including suppliers, distributors, employees, governments and more. Marketing is best equipped for managing these relationships. (Morris, Pitt and Bromfield, 1994). As a result of the focus on relationships and increased globalisation the shape of many organisations of the future will be more like a wheel. That wheel may not be very round and the spokes will certainly not always be equidistant from the hub, but at this hub will reside a number of functional specialities, that through information technology, enable the management of the various strategic partnerships on the wheel (Webster, 1992).

Marketing will come to take place just as much Internally as Externally

Organisations need to maintain relationships not just with buyers but also internally, laterally and with suppliers. Buyer partnerships involve

relationships not only with final customers but also with distribution intermediaries such as wholesalers, supermarkets and other retailers. Supplier partnerships focus on the partnering involved in relational exchanges between manufacturers and their goods' suppliers, such as in "Just In Time" (JIT) procurement, as well as relational exchanges with service providers such as advertising agencies. Internal partnership refers to the relational exchange with employees (or what has also been referred to as internal marketing, particularly in service companies) as well as relations with the various intra-organisation structures (divisions, departments) and entities (subsidiaries, business units). Finally, lateral partnerships focus on the various types of alliances with competitors as well as with government/s in such things as joint research and development. It is believed that the relationships brought about by relationship marketing can provide a comparative advantage in resources that can result in a position of sustainable competitive advantage in the global market place and, hence, superior performance. In this scenario, Webster (1992) sees the company as boundary-less where internal functions blur as each adopts paramount responsibility for the organisation delivery of customer satisfaction. In the end customers do not buy products or services but want satisfaction, experience and performance (Shostack, 1977). The level of relationship commitment and trust are the two key mediating variables that are critical in the management of relationship marketing. Relationship commitment refers to an enduring desire to maintain a valued relationship while trust exists when one party has confidence in an exchange partner's reliability and integrity (Morgan and Hunt, 1994). The promises made, particularly by service firms, play a significant role. In traditional external marketing the firm uses the marketing mix (often referred to in its simplest form as the four P's of marketing, namely: Product, Place, Promotion and Price) to make promises to customers. Internal marketing which involves ensuring proper employee recruitment, motivation, and support systems enables the promises made to be kept. Relationship building takes place through interactive marketing when the customer interacts with the organisation and is satisfied that the promises that are made are being kept (Bitner, 1995). Relationship marketing has a number of implications to practising man-

agers. Thus, management must choose partners carefully; they need to structure partnerships cautiously; allow sufficient time for relationships to grow; maintain and encourage open lines of communications; and finally, maintain a corporate culture that is open and trustworthy. Relationship marketing is not a passing fad but represents a significant shift in the marketing discipline. Marketing will likely no longer be the responsibility of a few specialists who primarily focused on coordinating the elements of the marketing mix. Marketing will devote more attention to the management of the organisation's relationships with its various partners. It will come to be the responsibility of everyone in the organisation.

Marketing will Increasingly Focus on Segments of One

The ultimate stage in market segmentation involves custom building a product offering that meets the requirement of individuals perfectly. This practice is not as uncommon as it may at first sound. It has been practised for a long time in a number of diverse areas that range from clothing, jewellery, homes, consultancy and in other markets. Without doubt it represents the highest level of marketing as the individual needs of the customer are being met *exactly*. This level of satisfaction can only be offered at a very high price. The mass production techniques of the industrial revolution contributed greatly to human development and brought a huge number of products to people at prices that they could afford. To some extent customers compromise variety and a degree of satisfaction for economic efficiency. Micro marketing is a phrase that has been in use for at least a decade. In its purest form, micro marketing is mass marketing on a one-to-one basis. The growth of affordable computer capability, coupled with excellent databases has made it possible to do exactly what the term micromarketing implies. It will become increasingly possible to identify individual customer needs and the maintenance of individual records on a mass scale that enable direct communication and promotion efforts to be directed at customers on a day to day basis. In many circumstances, custom building may as yet not be economically feasible. However,

the rapid changes in technology will alter all this. Processes will become increasingly versatile and increasingly geared to deliver custom built items. Moreover the better availability of more detailed data will make marketing increasingly scientific enabling better modelling and accountability. The challenge in understanding customers and 'soft' data will however remain.

Going Forward

These developments in the marketing discipline together with other variables will increasingly influence many local firms in the years ahead. Some of these issues, like the effect of increased globalisation of business, have already started to be felt by some companies and local firms must determine who they need to form international alliances with if they are to survive. They are some of the challenges ahead. The technological changes also offer challenges to marketing and other academics. If we are to continue to contribute to the intellectual capital of this country we need to restructure what we provide to our students. It will no longer be sufficient to provide information or knowledge. Thanks to the developments in information technology both are rapidly on the way down the road to commoditisation. If we want our student output to remain relevant in the changing reality, marketing and other business academics, in particular, must stay at the cutting edge with research and direct experience of industry so that we can act as brokers of wisdom.

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