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Marketing is changing... are you?

As the world evolves, so do consumers and, in turn, marketing's role. **Chris Grannell** notes five major shifts.

Marketing – the interface between companies and their markets – has never faced more pressure to change than it does now. On the fault-line between technology, finance, society and culture, the practice of marketing is today being rocked by developments in all of these areas.

Here are the top five changes that marketers need to respond to in the way they practise their craft.

CHANGE ONE: DATA

Today, we live inside a giant database. Our purchases are tracked by store cards; cookies discretely report back from our computers; ISPs contribute to a giant live census; musings, questions and opinions are aggregated and made available for free; our postcodes tell a story. GPS coordinates take this further still. We can be part of a randomised trial without even realising it.

This data-rich environment means that a lot of the mystery has gone from marketing. Where once the marketer was hired for zany ideas that were shrouded in mystique, he or she is now required to take responsibility for the customer. This is frequently as much about numbers as it is about pictures.

The near-instant availability of so much market information means that data needn't only be used retrospectively. The impact of real-time insights on how businesses operate is only just beginning to be felt – such as in the imminent arrival of the whole-of-business dashboard, which had been a thing of fantasy for several decades. Since Kaplan and Norton introduced the balanced scorecard, people have tried to build company dashboards. Only now we have the data to do it properly.

Another consequence of our data-rich universe is the ability to use observed customer behaviour to drive the presentation or configuration of products and messages. This happens when web pages are tailored to match the searches that lead to them, or when stored profile data is used to present relevant offers to particular customers. This is not of course the 'end of segmentation' as is sometimes claimed, but quite the opposite since it aims to closely match (or even create on the fly) products to customer requirements. Without data it is impossible.

CHANGE TWO: ACCESS

For most companies, it is now possible to have direct channels of communication, feedback, transaction and delivery to their customers, regardless of where those customers are. Consumers now spend 28 percent of their time online, according to Morgan Stanley and Yahoo!. This is time when, in theory at least, firms can connect directly with their customers' eyeballs, ears and fingertips. When organisations have immediate access to their customers and end consumers, the rules of the promoting and selling games change completely.

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What do the changes to the depth and breadth of data mean in practice? Overall, marketers need to demonstrate to brand owners that their decision making is rigorous. More specifically, they should begin to ask themselves the following questions:

- what behaviours can we identify and what conclusions can we draw, and
- what tests can we run on live data – what works best?

Measurement and ROI should feature within planning, leading to questions like:

- what worked last time, and how well, and
- what does it cost to acquire, serve and retain clients?

Marketers also need to think about how they use existing data within the customer experience:

- what can we personalise?

Companies also have to make policy decisions about how and where they will make use of the volumes of data available to them – or face data overload and marketing paralysis.

The promise of customer relationship management (CRM) 20 years ago is starting to bear fruit by the basket load, now that customer feedback can be readily captured and aggregated without the interference of pesky intermediaries or the cost of stamps. The scalable intimacy that can be achieved means that a single company can present tailored communications or targeted products with pinpoint accuracy if it wants to, and capture direct customer feedback on what happens next.

Ideas like crowdsourcing (getting large groups – typically consumers – to debate and vote on new ideas like product enhancements and thus feel warm and fuzzy about the brands involved) are possible because of access. Similarly the ability to service so-called 'long tail' markets (small and typically fragmented customer groups interested in unpopular, niche or weird stuff) stems from the ability to access customers wherever they are. Access changes the cost equation too. It is simply much, much cheaper to reach customers today than it was 15 years ago. By profitably opening up niches, access allows companies to economically avoid crowded parts of markets. But access also means that the number of suppliers chasing the same part of the market can balloon. The 'Flat Earth' concept (where everyone jostles with each other in a perfect, online market) is frequently overstated. But the insight at its core – that everyone with an IP address is equally within reach – is all about access. And while the interaction between brand and customer is far from symmetrical, it has a backchannel which previous generations could only dream of.

Where from here? Brand owners need to think carefully about how the structure of their industry is changing. New customers are within reach, and existing customers can be reached more precisely – with tailored services if required. Key themes for marketers to consider are:

- Are we making the most of the opportunities to broaden and deepen the access we have to customers?
- Can we usefully connect with customers at different times and locations to normal?
- Should we target new customer groups?

Marketers also need to consider the downside of broadening access:

- Do we face new competitors – perhaps from distant geographies?

And finally, self-selection and feedback should be considered:

- How can getting customers to choose play a role in our strategy? Is feedback being captured and included in strategic development?

CHANGE THREE: INTERCONNECTED CONSUMERS

People have always enjoyed connecting with each other – it's just much easier now than ever before. Moreover, in a world where the sheer volume of content and breadth of options becomes overwhelming, consumers will increasingly turn to their peers for guidance during the buying and selection process.

Today, consumers are no longer the fragmented folk that we used to think they were: individually weak in the face of corporate might. Today's consumers talk to each other, and frequently their voices become powerful enough to be heard above the din that brand owners have paid for.

While the downside is frightening, the upside of interconnected consumers is exciting. For firms that can influence the content of this human network, it's an enormous (and potentially cost-effective) promotional channel. A recent paper from McKinsey and Co declares, 'word of mouth is the primary factor behind 20 to 50 percent of all purchasing decisions'.

It's perhaps inevitable given the value of referrals that some firms have started to think about tweets having monetary worth. The launch website for the book *Oh My God What Happened And What Should I Do?* (aptly enough about digital marketing) offers free downloads to anyone willing to tweet the book's details to their followers.

Interconnectivity also makes self-expressive behaviour (the public display of affiliation) much easier, and its reach more widespread. Some brands have been able to tap into this phenomenon (think iPhone, Twitter) with epidemic results. At its most extreme, brands that open themselves up to interconnected consumers can operate as 'collaborative' or 'participatory' endeavours. Today only a small number of brands are truly operating in this way (arguably Flickr, FourSquare, Airbnb), but companies like these achieve stellar levels of advocacy from their customers.

Whether participatory brands become commonplace remains to be seen, but the interconnected consumer is here to stay, and has implications for every type of business. The connected consumer presents an enormous threat to unresponsive organisations used to a world of one-way communication. Questions for marketers to think about include:

- What's advocacy worth to us?
- How might we encourage it?

Marketers who wish to make the most of interconnected consumers must have the courage to lose control, to celebrate and encourage the voice of the customer within the marketing mix – and in doing so to accept the risk and increased scrutiny that this brings.

Smart organisations realise that sustainability can be a source of competitive advantage. A recent report by Accenture claims that 93 percent of CEOs 'believe that sustainability issues will be critical to the future success of their business'. Commitment to sustainability can deliver significant commercial benefits – not just cost reduction through improved efficiency but valuable outcomes like reputation and revenue growth (new customers, higher premiums and new markets). Added to these is a curious category of advantage: something that occurs when a leading firm gets ahead of the game by stealing a march on competitors and leaving them wheezing and gasping to catch up.

At the broadest level, there are three market-based strategies to sustainability: respond to the market, change the market, or camouflage the product (by making it look more like regular alternatives). Pursuing any of these three options – and deciding which is the best approach – depends upon a marriage of market-based information and a firm's capabilities.

> "Next year's competitor may not be the familiar adversary down the road, but a confident and dynamic Chinese, Indian or South African firm."

The hard questions are:

- Are we – as an organisation – ready to open a Pandora's box of real consumer influence?
- How far are we prepared to go?

Strategies to encourage and facilitate advocacy might not be right for every brand. One recommendation is universal though: all companies should routinely listen in to what consumers say about them.

CHANGE FOUR: SUSTAINABILITY

Against the backdrop of enormous sociopolitical and demographic strain, marketing needs to listen to customer sentiment and anticipate future demands, regulations and expectations. Marketing needs to tell brand owners what trade-offs customers are willing to make, and what they are prepared to pay more for.

The old model of rationalist consumption had mainstream purchasers considering either (a) price or (b) their own interests when planning and making purchases. This two-part equation can no longer explain (or for that matter, predict) consumer behaviour.

Regardless of a company's position on green, no marketer can neglect the green issue entirely. As BP's recent and very public experience shows, the days of sweeping misdemeanours under the carpet are long gone – particularly given the ready availability of information (see Change Three).

As brand owners consider how the commercial rationale for pursuing a sustainability agenda might work, the key question for marketers appears deceptively simple:

- How might 'green' create opportunities for us to get ahead of competitors?

The marketing function in any company should have its finger on the pulse of where customers' hearts and minds are at on green issues:

- Where do our customers stand on sustainability?
- Does it create value for them, and if not, how might it?
- What trade-offs will they accept?

Based on this insight, marketers seeking to pursue sustainability need to decide which strategy they will follow:

- Will we promote green, camouflage it, or add something else to it?

CHANGE FIVE: SUPPLY-SIDE

There are changes on the provider side of the fence as well as amongst markets. Cheap goods from China are just the start. So-called 'frugal innovation' means that new competitors who do things very differently to established players are emerging from developing markets. Firms that operate in new markets – where they grapple with twin challenges of poor infrastructure and limited affordability – are bringing simpler (and hence cheaper) offerings to many different points in the value chain.

Two years ago – when maxed-out credit was but a glimmer in bankers' eyes – marketers might have thought, cynically, that 'sophisticated' consumers could always be persuaded to look beyond price if the aura of their products was appropriately fancy. But cars and phones that are a fraction of current prices will be hard for anyone to completely ignore. (Why buy one car when you can have three?)

Developing markets don't just bring lower prices. Unencumbered by the legacy systems that dog their old-school competitors, many suppliers in high-growth regions will outperform their Western competitors in terms of innovation and ideas before too long. And we can expect that global companies upstream will increasingly design and develop products with the needs of emerging markets in mind as they turn their attention to the potential rewards to be had in large and rapidly-growing consumer populations.

Make no mistake, these are supply-side changes that will ultimately affect Western consumers. Already products from the developing world are starting to flow back into Western markets – both as OEM component suppliers and increasingly as customer-facing brands. Next year's competitor might not be the familiar adversary down the road, but a confident and dynamic Chinese, Indian or South African firm.

Above all else, supply-side changes mean that brand owners need to prepare for instability. Against this backdrop, marketers should seek to protect or develop competitive advantage:

- How are we different from competitors with new components or products?
- Does that difference create value for customers – and if not, what else might?

While their supply chain colleagues consider new suppliers, marketers should expect new competitors:

- Is outsourcing the answer?
- Should we try some of whatever our new competitors are having?

In particular, marketers need to help companies to respond in the face of a competitor offering a disruptive product:

- What's our response to very low prices? Is the answer to launch a disruptive innovation of our own?

WHERE NOW?

Where does this leave marketers? It's practice rather than principles which needs to change. In fact, the essential tenants of marketing – targeting and relevance; differentiation and consistency; and the importance of market-based assets are as important (if not more so) than they were thirty years ago.

But many lingering outdated behaviours of the marketing industry – the obsession with advertising (TV in particular), and with traditional agencies performing traditional siloed roles – will look increasingly out of place in a world which has fully embraced these five changes. Standard marketing practice for many years has been dominated by the creation of advertising substance – pictures, words, moving images – rather than innovation, ideas or propositions. This cannot continue.

Mark Read, WPP's director of strategy, has said that the modern marketing services firm needs to offer 'creativity plus media plus data plus technology' . The world of the client-side marketer needs to make a similar shift. Brand owners who find that their marketing engagement isn't changing to meet these new realities will be well advised to tear down their marketing departments and rebuild from scratch.

It's a new world for sure, but smart marketers should find much that's familiar about it. After the gale force of change has died back down to a breeze, things will look very different for sure. But underneath the debris, the destruction and the havoc, the fundamentals will remain unchanged. Brands, reputation, trust, relationships – these will remain the true currency of marketing, even if the way we build them has changed forever. **M**