Editorial

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The text for this issue's lesson is taken from that most popular of popular marketing aphorisms, to wit: 'when you're up to your neck in crocodiles, it is all too easy to forget that your original objective was to drain the swamp'. That is, for anyone who was ever mystified by why that suggestion would turn up regularly on courses otherwise dedicated to the practice of marketing: circumstances have a habit of getting in the way of strategic plans, however well laid.

Or as former Prime Minister Harold Macmillan is alleged to have told one journalist, when asked what it was that was most likely to blow a government off course: 'Events dear boy, events'.

Therefore, it is with the continuing evolution of marketing – particularly as marketing becomes more complex, more interwoven, and tasks that once seemed simple and straightforward are now ever more difficult to monitor, let alone measure.

This tendency is highlighted by two papers in the current issue. First is the paper by Stone and Ozimek – to which I must own up to having contributed to – on how new technology and a new model for doing business closely paralleled recent developments in customer relationship marketing (CRM). Second is the pair of somewhat broader practice papers on the subject of social media – both the guidelines for using them and new approaches to measuring.

Common to both is the sense that marketers set off in the belief that they were on their way to one highly desirable destination – and then ended up

somewhere altogether different. Let us begin with the longer and more academic paper. Two trends have been evolving in parallel within the power supply industry over the last decade or so.

First, as governments have liberalised their energy sector, splitting up old-fashioned state monopolies and allowing competition for the first time, and therefore the marketing function has come that much more to the fore. For the first time, electricity and gas companies have needed to compete with one another and – initially, at least – it is very clear they did not have the skills to do so. In the United Kingdom, there have been constant issues over mis-selling (sales reps for one power company transferring customers from another without having made the consumer fully aware of what has been going on): there has also been a need to move from a centralised and highly paternalistic approach to energy markets, shifting, instead, to a much lighter-touch, customer-facing one.

Hence CRM. Hence single customer view. Hence, over time, an increasing reliance on service values and a slow redefinition of the product not just as simple commodity – gas or electric – but as an entire service.

The second trend is based within the supply network itself and has burst on to the scene comparatively more recently. This is the shift from simple hierarchic grid system to smart grid. As the article explains, a smart grid is so different that it would be a mistake to think of it as simply the current grid with a number of clever features added. A smart grid turns the traditional distribution model on its head.

Therefore while, from one perspective, it allows the central supplier infinitely greater control over what is happening at each and every level within the grid, it also adds a number of seriously different components: far greater information, encouraging consumers to change their energy usage behaviour; remote control, enabling consumers to manage their power supply and even to manage individual appliances over long distances. Even, with the new world of the Internet, from a different continent. Finally, it provides consumers with the ability to feed power back into the net, meaning that at any given time, an individual may be a customer of an energy supplier or, in their own small way, a supplier to that company.

The whole will require radically different frameworks for action – and the difference goes well beyond the simple technological change involved. Thus, the fact that a customer may sometimes also be a supplier means redefining the legal relationship between that individual and the core company. And while the power within the relationship remains within the larger organisation, there is already some evidence of customers of smart grids banding together: in effect forming supply unions.

Therefore, instead of one individual attempting to negotiate terms with an organisation that otherwise deals with millions, that individual in future may be part of a bloc including hundreds, thousands, or even tens of thousands of other customers. Smart grids are likely to make supplier switching that much easier to do: which means that one future threat to a company that refuses to play ball is the departure of customer blocs en masse. Imagine: at some future date, customers demand tariffs be fixed in a certain way and also demand a set level of remuneration for their input to the grid.

At present, the logistical nightmare of shifting supply for one customer means it is highly unlikely that more than a small

proportion will churn at any one time in response to pricing pressures. But in that future time? The option will exist for 10 000 customers to walk out in one go. Unlikely: yet when that day arrives, the entire market will have changed.

Another development, barely envisaged even 5 years ago, is the model by which customers acquire the ability to generate their own power – and therefore to input into the grid. In this instance, it is economics that is the key: the prices at which electricity will be bought in by suppliers are currently pre-set in the United Kingdom for many years to come.

With that certainty comes market opportunity. A number of suppliers are now providing households with the capacity to generate renewable energy – primarily solar photovoltaic systems – at no cost to the property owner. The households benefit in terms of overall reduced bills: but the company making the initial investment has a guaranteed income stream over the lifetime of the generator. Both parties benefit – and estimates of the rate at which renewable sources will be adopted may have to be revised sharply upward.

What is very hard to get across is just how different the business models are looking now from what they looked like 5 years ago – and how different again they are likely to be looking in another 5 years time. With hindsight, almost everything seems obvious. Of course, that is simply not true.

At the end of the first decade of the twenty-first century, we have grown used to the Internet and to the various fads and fashions that it regularly spawns. Many of us regularly interact with it using an application known as Twitter. We do so at work, at home and in transit between the two. Twitter seems to be a natural progression of web technology. In reality it is nothing of the sort.

From the other end of the telescope, casting forward from the standpoint of

1990, or even 2000, the idea that individuals would be so wedded to a messaging system based around short 140 character text messages would have seemed incredible. Instead, Twitter has gone from strength to strength, becoming a web phenomenon in its own right. Along the way, it has generated a host of epiphenomena – ranging from politicians sacked for unwise comments made on twitter, to managers having to set up new rules around the conduct of meetings and the correct use of phones (and BlackBerries, and iPhones) within the hours of business.

One lesson here is very obvious: that the future is never easily predicted. Another, which springs from the growth of smart grid, is how other technologies and other approaches can help an organisation to prosper irrespective of how change manifests itself. Smart grid technology is likely to usher in approaches and ways of working not yet envisaged. Yet, the business fundamentals remain the same – and it is to these that the paper returns.

CRM provides an insight into how a customer-focussed business might look before it is forced to become so by changes in the market and the technology: and an organisation that is genuinely wedded to principles of working with customers and listening to them is going to find survival that much easier than one that is not.

It is against this backdrop of technological change and marketing continuity that two of our practice papers are written. From Matt Ramsay comes an overview of how social networking media are redefining the playing field for companies, accompanied by a list of dos and don'ts if organisations wish to make the most of them. From Tim Hipperson, a useful practitioner's insight into how the analysis of brand advertising needs to change to take account of the vastly increased range of media in the mix.

One start point for this is the salutary lesson dealt to Gap recently following their

redesign of their logo. They decided to expose their brave new design on a social network populated by Gap customers and were at once bowled over by the negativity of the comment they received. They reacted – but too little too late – and after a sorry saga that saw Gap first inviting customers to re-redesign their logo, and finally back down in abject capitulation, returning to the old, the new power of the internet to influence company policy was established.

There are new rules out there: that is beyond question. Which of the new rules, however, can be said really to count? When are they being used to justify mere institutional laziness?

That is the issue at the heart of Hipperson's paper, in which he suggests that the era of traditional analysis, with statistical tests and confidence intervals, is no more. Rather, with so much data flowing from so many sources, the day of mixed insight teams, drawing in individuals from the strategic planning and creative areas, and moving away from hard quantitative analysis has arrived.

Is he right? In one sense, that is absolutely what is happening – has been happening – over the last couple of decades. Marketing – even direct marketing, which once set out its stall as the essentially measurable discipline – has become less so, rather than more.

Therefore is the advent of social media the last straw, finally reducing marketing analysis to simple monitoring and measuring of trends? On that one, the jury is possibly still out. Certainly, the complexity in the media sphere is supportive of that view. After all, if so much is going on that you can hardly keep up, measurement must inevitably suffer.

Alternatively, it might be argued that such an approach is a cop-out: marketing laziness and the ultimate capitulation to a much broader lack of numeracy in the field. Time will tell. Though as argued at

the outset, where we eventually end up is unlikely to be where we intended to go.

Flexibility and good customer-oriented principles remain, the one unifying thread, linking the very earliest days of marketing to where we are now. Companies with those qualities are likely to prosper: those without are less likely to.

Which brings us back to this issue of the Journal. It is a double issue – so somewhat longer than usual: a range of papers cover customer loyalty in the telecoms industry, consumer personality in determining preference for online banking, contact density, the effect of retail service quality and database management. Those are all, as ever, solid academic papers, based on current research by academics in the field.

This issue we are also introducing a section dedicated more specifically to practice. In fact, little changes, as we have always covered practice papers, which include a write-up by those currently working in the field of customer management of issues they face and the solutions they have found. Best Practice. The main difference is that we are now grouping these together, and therefore in future, readers will be able to distinguish between the two types of paper that much more easily.

We hope it is a change that you will see as being for the better. As always, we welcome your feedback.

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