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Contesting the future

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Abstract

This paper looks at some of the wider influences on marketing generally and direct marketing in particular and challenges some received wisdoms. Looking at some of the trends observable in society and at parallels from politics it helps raise our awareness of alternative scenarios for direct marketing. The world is changing very fast; what was true five years ago or today does not necessarily hold good for the long term.

Introduction

Nearly ten years ago, in 1989, Francis Fukuyama wrote a book called *The End of History*, claiming that as far as the big ideological picture was concerned it was the end of contests. There was only one way of running society and this way was the neo-liberal capitalist way.

Many people have subsequently questioned Fukuyama's thesis: it seems we are surrounded by ideologies and interest groups contesting the future. In politics there is the 'Third Way' versus some other way. There's the imperative of individualism versus a more cohesive society and community. There is the old battle between the global and the local. Closer to home there is the issue of above versus below the line: closer still, the demands of the individual for privacy while the consumer wants more customisation.

Dichotomies can be genuine and life often dictates there will be winners and losers. Life often also proves dichotomies to have been false. Many issues in marketing are presented as false choices, or at least as choices between the wrong things. This paper takes a wider-angled view on issues impacting marketing and, in particular, to look at the future from five vantage points. The future is unknowable, but it grows out of the present. As the social and economic body grows, it takes unpredictable turns, but the 'genes' in that body today are a programme for the future that we should, in principle, be able to decode.

Five places from which to see the future

Increased competitive intensity

The first way to see the next five years, is as a place of dramatically increased competitive intensity. This will condition much else that happens in marketing, for two reasons.

In the political and social world, there has been a long-run decline in trust in and deference to traditional institutions, which increases our pre-disposition towards the *new*. But surely, in marketing we are steeped in that idea? We understand the power of the new and how seductive it can be. It promises novelty, excitement, surprise, innovation, change and

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**Seduction by
'the new'**

everything that makes life fresh and challenging. Think about the increased currency that seems now to attach to the new. We have new Labour, new Britain, new Europe, new millennium, new marketing — they all slip off the tongue so easily. Why?

Go back to the decline in deference to the traditional. There is a deep distrust of 'insiderism' and of the familiar. Take science and its expert spokesmen. The speed of change means that their frameworks for understanding and predicting the world have again and again proved to be misleading. Dieting used to be a way of losing weight; now it can undermine the ability of the body to lose weight. Alcohol in moderation helps you to ward off heart disease and cancer. Building more roads was a way of reducing congestion; now we're told it produces more traffic. The creation of the welfare state was to produce a new dawn, a socially cohesive society and an end to problems of health and deprivation. Now the view is gaining ground that the demands it set in train are insatiable and that the welfare state has been responsible for creating a dependency culture.

**Fewer barriers to
entry**

In this kind of world the barriers to entry represented by familiarity and acceptance of a hierarchy are less. There is this deep distrust of 'insiderism', people and institutions that are established, tradition and most things that are not new. This is why so much boundary hopping goes on. We used to talk about the incumbent's advantage, to say that if you're an established player in an industry then, because you know how the rules work in that industry, because you've got the infrastructure, the retail branch network or the technology you have a competitive advantage. Now one hears less about the incumbent's advantage and more about the 'tyranny of the installed base': 'how can we compete with the newcomers'; 'we're stuck with IT we bought a couple of years ago, a retail branch network and a way of thinking and business processes that hold us back... And consumers don't feel any need to stick with what they know these days, in fact the reverse.'

**Commodity prices
are lower than ever**

Secondly, consider what's happening to prices. The oil price is half what it was two years ago. For all commodity prices, the *Economist* index is lower in real terms than when it first started 150 years ago. In 14 of the 15 largest industrial countries factory-gate prices have been falling year on year and in countries as diverse as Switzerland and China, consumer prices are falling year on year. The Chinese have just introduced price controls, not to stop prices increasing — but to require prices not to be reduced.

What are the reasons? Technology is one. But excess capacity is the other. In the last 20 years there has been an investment boom. (See Figure 1). Between 1987 and 1992 Japan added industrial capacity the equivalent of France to the global economy as a result of increases in investment. That's OK for a time. One can build the world's tallest building and then an even taller building; but at some point people will notice there are no tenants. So there is no rental income, no value and at that point the crash comes. This is what was starting in Asia a couple of years ago.

Figure 1: The rate of growth of global investment and consumption, 1980–97 (%)

* Gross fixed non-residential investment

** Private consumption and government current expenditure

Source: estimates based on OECD, UN and IMF data

Huge excess capacity in many countries

We face dramatic excess capacity in many industries. In the motor industry it is reckoned that one could shut down the entire US auto production and still have 10 per cent excess capacity over global demand in 1999. That is bound to produce pressure on prices.

Marketing in a world of falling prices is profoundly different from marketing in a world of rising prices. When prices are stable, or falling, then it's worth holding off buying. If prices are rising, *now* is a good time to buy. There are some industries, for example computers, that give us a glimpse of what marketing in this kind of world might be like. For example, has any reader bought a PC and felt good about it? Or have you felt anxious, and subsequently duped, resentful and belligerent?

We saw a more general example of this phenomenon last Christmas – people holding off, waiting for the nerve of the retailers and manufacturers to break. Add into this the Internet and the Euro and there will be much greater price transparency. We are moving into a world of 'frictionless capitalism'. There will be no place to hide those unearned margins in the future.

A preference-driven future

The second way to see the future is as one driven by people's *preferences*. If one looks at the weight of information flows they have traditionally been from suppliers, via the apparatus of marketing communication, to consumers. What is now beginning to happen is the emergence of a much greater weight of traffic going the other way.

There have always been ways that consumers indicate their preferences. For example, when you buy something, when you visit a website, when you click on an ad on a portal, you leave a trace that reveals something about yourself. That's always been so, but in the interactive future it's going to happen a lot more.

The new thing here is the ability of consumers to issue invitations to suppliers to bid for their business. I will tell you about myself so that you can evaluate the best offer for me as a customer. We are moving in the

Communication flows go into reverse

Consumers will invite tenders for their business

Citizens, like consumers, are much more confident

consumer market towards what we have seen in many business markets for a long time. But how will consumers feel about this?

The data in Figure 2 are from research undertaken by one of the author's companies, Medeo, the business of which is to develop applications of just this sort. As can be seen, 60 per cent of the sample in the survey said that they would seriously consider using a service offering targeted coupons.

Technology is not the only reason why this move to a preference-driven future is occurring. The author conducted some research into public attitudes to direct democracy — referendums, citizens' juries and the like. Figure 3 illustrates some of the results from the research. As can be seen, the public is keen and confident to take charge of political affairs. If we have that level of confidence in politics, we should not be surprised that individuals are keen and confident to take charge of consumer affairs — and will welcome a preference-driven future.

Figure 2: Enthusiasm for 'televouchers' amongst those responsible for grocery shopping

Source: Medeo 'Preference Broker Survey' 1998 (fieldwork by BMRM)

Customer service will challenge the ethic of branding

A new role for marketing and the brand

Customer service is of growing importance in most companies and industries. But does this create difficulties for brands and marketing? Brands have acquired a number of characteristics. For example, branding happens in a public realm — people wear brands. Companies and customers are proud to be possessors of the best brands. Brands also evoke values that are universal, require consistency and involve dealing with consumers in the mass. To do these things brands also have to be loud and proud and confident.

Now consider customer service. The values of customer service are fundamentally different. In many respects they are fundamentally opposed to the culture of branding. Where branding is about things happening in public the culture of service is about privacy; where branding involves universal values and deals with consumers in the mass, service is about the particular. If brands talk, customer service listens. If branding is confident, service is deferential — the customer knows best. If branding says you come to us, service says no, we come to you.

Marketing feels beleaguered

Understanding this dichotomy between the culture of service and that of marketing and brands helps to explain some problems. When people say marketing is too important to be left to the marketing department, they really mean that marketing people are conditioned by an ethic that does not work in customer service-oriented organisations. When marketing complains that it is beleaguered and maligned, this reflects a failure to understand that its skills are not the skills needed for the future.

Figure 3: A self-confident electorate

Source: Prospect/BMRB poll, October 1998

Commoditisation?

Does all this therefore mean we face a contest for the future — service versus brands? And that we may face a world where it's the Internet, instant access, preference-driven and the ultimate in service — the end result being commoditisation and the disappearance of brands?

That's how it appears. But are we looking at brands and marketing from the wrong place? The marketing process is like a one-way mirror. Marketing holds up a mirror to the consumer and the marketplace, reflecting the values and needs of consumers — they see themselves in this mirror. Of course, it's not a complete picture, it's designed to flatter. Behind the mirror sits the marketer — the evil genius, the manipulative, hidden persuader trying to spot vulnerabilities and weak points.

Brand as 'window on the world'

The metaphor isn't comfortable or healthy. A much healthier alternative would be the brand as window whose characteristic is that people outside can see inside.

So with this metaphor we are living in a world of transparency. However, windows also provide a *vision* for those inside the building to see out. The virtue of this metaphor for marketing and the brand is that it is as much about the process by which a company can develop a vision about its future, its marketplace and its destiny as it is about the consumer seeing an honest and transparent company. To that extent, maybe there is a choice to be made about the responsibilities of marketing and customer service. Maybe the customer service function ought to be doing all the consumer research, looking after the call

Branding should not aim for consistent execution in a service environment

centres, the Web site and many of the other new interfaces between the company and its consumers. That leaves marketing with a seemingly ironic destiny — looking inwards to the essence of the company, its beliefs and its principles as much as it is looking outwards.

Another way in which this dichotomy may be resolved is to think about the process of branding in different ways. Take the emphasis in branding on consistency against that of customer service on the unique and particular. We've seen the problems this creates when somebody from a product environment moves into a service company taking the marketing lessons they learned with them. It doesn't work for the employees nor for the customers. However, what if the emphasis on consistency is subtly evolved to one on *recognisability*? Maybe with a small adjustment of thinking and language we could avoid a future in which it's either brands or service, one winning and the other losing — and maybe that would lead us towards the holy grail where we crack the problem of branding services.

Insights from sociology

The penultimate way to look at the future is sociological. We lived in a world, until not long ago, which was reasonably tightly defined. Group reference points were clear and self-contained. Everyone knew his or her place. The worlds of men and women, old and young, upper and lower were easy to see and distinct.

The bonds within groups have weakened

Now the bonds within these groups have weakened. This goes further than saying there are new ways in which our society is segmented. In a sense it is not segmented at all. Group bonds have weakened and become cross-cutting. This is illustrated by the phrase 'People like us don't...'. You don't hear that. 'People like us don't drink wine, people like us don't go abroad for our holidays, vote Labour, wear designer clothes, get interested in cooking ...' The old injunctions to 'know our place' no longer have force. The idea that a person could be easily and monolithically put into a box is just wrong.

Are databases less relevant?

In this kind of society people are freer and easier. Serendipity becomes a way of life. In this world we no longer go out to eat or to shop. We eat or shop when we're out. The data show that when people go shopping they know the broad *categories* they want to buy, but they choose the brands when they are in the shop. The days when we needed to plan and budget to help us to resist the temptations spread before us by those clever marketers have gone. We can hang loose, metaphorically promenading through the shopping mall of life. The consumer is increasingly open-minded about doing virtually anything and, in a world where more and more happens in cyberspace, they could do it with virtually anyone in any part of the world and maybe even 24 hours a day. If one thinks about this the future becomes a bit challenging. If we are talking about consumers not having a plan against which they are working, being more serendipitous, does that mean that purchase history is irrelevant? Does it mean that all that investment in databases has been a waste of time and money? This is overstating the case — but think about it.

Maybe we welcome
junkmail?

If it seems too far-fetched to be worth a thought, what about the free phenomenon? Free e-mail, free ISPs, free PCs and most recently free telephone lines — if one is prepared to accept adverts intruding. The scarce commodity today is attention, eyeball and eardrum time. Business knows it's a race to capture that scarcest of commodities in the late 1990s and early 21st century — people's attention.

But how can we explain it from a consumer point of view? One might say it's easily explained. Consumers are mercenary. If they are offered something free, they judge it to be worth it for a few intrusive ads or another pile of junk mail. But what if the explanation goes further? What if the open-minded, searching and serendipitous consumer actually welcomes these unpredictable, unplanned interruptions? Extending the point, would many actually welcome a bit of untargeted advertising and direct mail, just in case it tickled their fancy? Research to test this hypothesis might just produce some insights that challenge what has become the overwhelmingly received wisdom on this subject.

Emotional marketing

Empathy politics...
and empathy
marketing

Finally, let's get emotional about the future. Step back a little bit into the world of politics. Politics is facing some of the same challenges as marketing. It too lacks easily definable, stable and identifiable social groups. It's no longer possible to press a social policy button or to pull a tax lever and produce precise and predictable outcomes. In response we are seeing a new politics emerging, sometimes dubbed a 'politics of empathy'. Blair and Clinton are favourite examples of empathetic politicians. The writers in America talk about the highest form of politics for Clinton being able to say with sincerity 'I feel your pain' or 'I share your joy'. The behaviour of Tony Blair when Princess Diana was killed was another example of this empathetic politics. The use of market research and focus groups to get under people's skin, to find out how they *feel* about things is also illustrative of the central role emotions now play in politics.

There is a portent here for marketing. One could ask what's new? Marketing has been there for ages, and brands have always been about emotions. But what about marketing getting directly and more deeply involved in people's experience and with their feelings in a way that can be detected in politics. This might create a challenge, perhaps not so much for marketing *per se*, but certainly for direct marketing which has always prided itself on being the more rational cousin of the marketing family.

So why might this new imperative arise? Readers who are fans of the *Harvard Business Review* will have seen a debate developing in those pages on the advent of the 'experience economy'. The author's view on this debate is illustrated graphically in Figure 4. As affluence increases and experience accumulates, spending motivation moves beyond basic necessities through comforts and treats, possessions to boost social standing, to spending to display discernment to a world where we look for meaningful self-actualising experiences in the marketplace.

Figure 4: The evolution of consumer needs

If this model is valid, the question arises of what does marketing do and what does it look like in the experience economy?

**Markets today are
product shaped...**

Markets today are dominated by the imperatives of production technology. We talk about being in a consumer society, but in reality product dominates. Markets come 'product shaped'; as cars, clothes, groceries, banks or insurance. This is not consonant with the way we experience life, motives or problems. We forcibly fit our cognition to the shape required by products. We 'get our minds round' these things, otherwise we could not function in society. However, if markets were experience-shaped they would come as mobility, appearance solutions, cocoons, security or household management.

**...they will become
'experience shaped'**

With more and more time, life and commerce moving to the Internet we will face fewer restrictions from physical production realities. Markets can be shaped to our experience. When one looks at the Internet that is what one can begin to see. Successful Web sites often seem to be successful because they fit round our experience, be it childbirth, car ownership or an interest such as wine and food. One of the characteristics of these experience-shaped markets is that they have room for leisure, community and education as well as buying. It could be suggested that they actually need these things to be part of the process. In the experience economy, buying becomes secondary.

There is nothing new under the sun. We go to the supermarket primarily to buy things, secondarily for the experience. We go to the pub primarily to have an experience and secondarily we spend some money. This feels like the shape of the future, a world where markets are humanised and reconnected with wider aspects of life. And this involves thinking about the pub as the business model of the future.