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Opinion Piece

The new (and ever-evolving) direct and digital marketing ecosystem

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Abstract

Marketing is operating within a complex and rapidly evolving ecosystem that combines internal and external resources. This article considers the elements that are in play and how they are affecting the way in which marketers themselves need to evolve.

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Following the leaders

An economic community in business

In much of my recent work, the notion of an ‘ecosystem’ has surfaced. Popularized by environmentalists referring to a community of living organisms, the concept has had a firm place in business strategy since it appeared in Moore’s 1993 article ‘Predators and prey: A new ecology of competition’¹. He defined it as ‘an economic community supported by a foundation of interacting organizations and individuals’. He suggested that the members of the ecosystem — suppliers, lead producers, competitors and other stakeholders — ‘tend to align themselves with the directions set by one or more central companies’. Moore pointed out, correctly, that the leaders may change over time.

Power of IT ecosystems

In the world of marketing, ecosystems have slightly less coherence than in the world of information technology (IT), where ecosystems are defined by grouping around the main software providers. At the centre of IT ecosystems lie software designs, standards and application programming interfaces that allow independent developers to interlock with the leader’s software, as well as marketing and service partnerships. The leader focuses on building, managing and servicing the ecosystem and defending it from competitive invasion. The adeptness of companies like Apple and Google in building ecosystems around their products and services contrasts with the failure of companies like Nokia. In the big systems world, software companies like SAP and Oracle have strong reputations for ecosystem building and maintenance.

Regulatory interference

Regulators can interfere with ecosystems, particularly those designed to monopolize an industry, as Google, Apple and the mobile network operators have discovered. This applies even if an ecosystem faces strong challenges from other ecosystems (eg, the tussle between Google and mobile network operators over mobile telephony).

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Convergence of ecosystems

In marketing, we are seeing the emergence of a digital marketing ecosystem. But its evolution is complicated by the convergence of the marketing ecosystem with those of information and communications technology (itself a product of the separate, now merged ecosystems of telecommunications and IT) and with part of the financial services ecosystem (the bit that deals with payments). These ecosystems are all still evolving rapidly by themselves.

The slow death of cash

In payment systems, for example, digital marketing companies like Amazon are competing with digital payment companies like PayPal and Squared, conventional payment companies (like the members of the MasterCard and Visa consortia) and telecommunications providers with mobile payment services. At the same time, their ecosystems are supplanting older ones that are dying (though taking a long time to do so). Digital marketing is taking over from conventional marketing, digital payment is taking over from cash, and web and cloud-based IT is taking over from physical servers and installed software.

Multi-sector deepening

Meanwhile, all these ecosystems are ‘deepening’ in the sense that their impact on the lives of customers is becoming more important. The deepening of each ecosystem partly depends on the deepening of other ecosystems, so that there is a super-ecosystem under formation, in which deepening in different sectors and capabilities takes place at the same time, with some of the individual ecosystems both providing and using the capabilities of other ecosystems. You could call this ‘multi-sector deepening’.

Deepening of the marketing ecosystem

The evolution and deepening of the marketing ecosystem is allowing companies to understand and reach their target markets faster, more accurately and cost-effectively, facilitating customer retention and development, while paradoxically also making it much easier for new entrants to attack incumbents’ customers.

The main components of marketing deepening are:

- Move away from face-to-face (in selling and service) to remote/direct marketing, first via call/contact centres and then web/digital.
- Introduction of competition in previously (over) regulated sectors requiring companies to become much more skilled at marketing (eg, in telecommunications, financial services, travel, logistics, utilities).
- The evolution of marketing technologies and processes (customer databases, analytics, contact centres, digital) to allow sectors that previously relied little on marketing to start using it more actively (eg, retailers, leisure, airlines, broadcast/printed media, the sectors mentioned above and the public sector, especially health, taxation, benefits).

Components of the marketing ecosystem

The new marketing ecosystem now includes all of these (and probably more):

- Client companies.
- Marketing agencies that help clients develop and implement marketing and communications strategies and targeted campaigns — these are increasingly digital, that is, web-based, and a whole new generation of

small agencies has arisen to serve the needs of particular customers or to provide specialized services.

- Market research companies that help their clients understand their customers and prospects.
- Telecommunications network companies who help client companies to be in touch with their customers anywhere, any time.
- Telecommunications services suppliers, such as contact centres and associated software suppliers, helping companies establish and maintain contact with customers and meet their customer service needs.
- Database management companies managing client companies' customer data (in whole or in part).
- Data brokers who provide data to enhance these databases, for example, individual and household/company characteristics sourced from lifestyle surveys, other companies' customer files, the electoral roll, and credit referencing.
- Database software suppliers who help companies hold and access data (for processing, analysis and use at point of contact with customers) and, in some cases, visualize the outcomes of analysis so decisions can be made better and faster.
- Analysis software suppliers whose software enables analytics to be undertaken.
- Application providers that are specialists in their sector, for example, mobile banking.
- Analytics consultants specializing in advanced analytical methods.
- Web software providers (browser, search engine, social media etc) who provide online ways of finding and managing customers and, in some cases, provide the analytics to help clients understand effectiveness.
- Affiliates who 'grab' customers from the web and 'sell' them to client companies or their agencies.
- Marketing/management consultants who help companies strategize and manage their developments in this area.
- Training organizations (like the Institute of Direct and Digital Marketing) that help all the above maintain and develop the skills they need.

Matching external and internal ecosystems

To match this 'external' ecosystem, inside large client companies an 'internal ecosystem' has developed, merging (in principle at least) the capabilities of different departments, some of which used to work quite separately. This includes:

- Systems, database and business intelligence professionals playing a critical role in managing marketing, sales and service information and liaising with external suppliers;
- Internal clients (eg, brand, product and sector managers, programme managers, marketing communications specialists, pricing managers, channel managers, direct and digital marketers) responsible for delivering the client company's profit through marketing;
- Insight managers, who develop objectives, strategies and tactics to help their company understand their customers, partners, distributors and competitors better, including identifying the need for particular analyses

(digital and offline), and then carry them out and present conclusions for action;

- Contact centres covering web, email and telephone-based interactions;
- Marketing communications teams managing agencies and internal clients;
- Human resources professionals whose job it is to ensure that the client has the skills required by all the above.

For many of these, workload has become at least 50 per cent digital — and sometimes 100 per cent.

Fast-evolving specializations

However, the digital dimension of many of these tends to be quite specialist. The part of the external ecosystem with which they liaise may be evolving so fast that they have to spend much of their time keeping up-to-date with developments in it, preventing them from looking inwards to their colleagues in their internal ecosystem. This specialization ensures that their employer gets the best performance, but can also lead to poorly integrated performance and sometimes conflict.

Senior management aware of the ecosystem

All is not lost, however. Companies that are aware of this tendency can do a lot to counter it by ensuring that training, internal communication and even management structures focus on integration. In fact, they *must* do this because one of the most important requirements for survival in a rapidly evolving business ecosystem is that senior managers are fully aware of the ecosystem, how it works and how it is evolving. In this respect, it's different from a biological ecosystem in which the players are unaware of the existence of the full ecosystem — but that's because they are mostly plants and animals. Here the paradox is that the only ones who are aware of ecosystems — humans — may not be very good at maintaining and developing them.

Reference

1. Moore, J. F. (1993) 'Predators and prey: A new ecology of competition', *Harvard Business Review*, Vol. 71, No. 3, pp. 75–86.