Papers

*Business writer **Alan Mitchell** has columns in* Marketing Week *and* New Media Age. *This article is an edited extract from his forthcoming book* Marketing Right Side Up, *published by HarperCollins Business.*

In one-to-one marketing, which 'one' comes first?

Alan Mitchell

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Abstract

Marketing, as a process of connecting buyers and sellers, has traditionally been a seller's monopoly. Now the information age is throwing up new business models and brands — such as consumer agents — which act for and on behalf of consumers as buyers and which enable consumers to take part in the marketing process. Consumer agents will turn the world of traditional marketing upside down, posing a threat to some brands. But they also open up huge new opportunities to re-engineer marketing processes and costs; to dramatically cut the cost of going to market. Indeed, the agent revolution could significantly boost the competitiveness of those brands willing to relinquish their monopoly on marketing to share it with their customers.

Keywords: brands, buying club, communities of interest, consumer agent, information age, one-to-one marketing

Introduction

Seven years ago, in 1993, Don Peppers and Martha Rogers heralded a new period of marketing turmoil and innovation with the publication of their visionary book *The One-to-One Future*. Back then, the Internet had not impinged on the consciousness of thought leaders like Peppers and Rogers: *The One-to-One Future* did not even mention it. Yet they foresaw the essence of what was to come. 'The real future of 1:1 media may be a form of direct response marketing in reverse,' they wrote. 'Consumers will direct messages and offers to audiences of marketers, who will respond.'[1]

Since then, 'one-to-one marketing' has become an almost ubiquitous buzz phrase; almost a cliché used to cover everything from good old-fashioned junk mail to the most sophisticated forms of mass customised communication and production. Yet there is little evidence that marketers are taking Peppers and Rogers's prediction seriously. In practice, the almost universal assumption is that marketing is something that marketers do *to*, or *at*, customers; that the first 'one' in one-to-one is always the marketer.

Not for much longer. Thanks to the novel capabilities opened up by the information age, consumers — aided by entirely new breeds of business and brand — are seizing the opportunity to become the first ones in one-to-one: to bring Peppers and Rogers's 'direct marketing in reverse' to life. In doing so they are generating a tidal wave of change affecting everything about brands, marketing, the relationship between organisations and individuals, and the key drivers of business success.

Alan S. Mitchell
121 Abbeville Road,
London SW4 9JL
E-mail: asmitchell@aol.com

The information age is unleashing a tidal wave of change

Understanding the nature and implication of this tidal wave is critical for those who do not want to be beached by it.

The information age in perspective

Current developments in information technologies are unfolding so fast, in so unsettling and complex a manner, that it is very easy to see only thousands of different trees and get thoroughly lost in the wood. But one has to see the wood to grasp why and how the new one-to-one marketing will become so important. Here is one way to put things into perspective.

In the industrial age, companies created wealth by processing matter ever more efficiently and effectively: gathering it up, manipulating its qualities, assembling it into useful things, making it available to consumers through ubiquitous distribution networks, and so on.

In the information age, the baton of incremental wealth creation — we are standing on the shoulders of giants here — comes increasingly from the efficient, effective processing of information. Driven by Moore's law — where the costs of computing halve every 18 months or so — the information age is being catapulted forward by the plummeting costs of gathering, storing, manipulating, analysing, connecting, and distributing bits of information.

Marketing is at the epicentre of the information revolution

This is easily said, but it is not so easy to comprehend. Its full implications are vast, diverse and stunning, and affect the very nature and shape of modern economies. Marketing, which is a quintessential information-processing activity, finds itself at the epicentre of these developments. One aspect is the knowledge explosion — a hugely important development, but not the focus here. Another aspect, however, is massively reduced transaction costs.

Until very recently, the rate of improvement in the productivity of matter processing far outstripped the rate of improvement in the productivity of information processing. Result? Year after year, decade after decade, a growing proportion of total economic activity has been swallowed up by information-processing tasks in all their various forms: keeping records, organising and coordinating, transacting, communicating, interacting etc.

Economists John Wallis and Douglass North, for example, reported that by 1986 the proportion of US economic activity devoted to 'transacting' — where 'transacting' includes every imaginable cost companies incur in taking their goods or services to market (ie not only advertising and distribution but negotiating and signing contracts, assessing and covering risks etc) — doubled over the last century to around 45 per cent of the total.[2]

Marketing now accounts for a half of all economic activity

More recent research by McKinsey & Company suggests that interaction costs — 'the searching, coordinating, and monitoring that people and firms do when they exchange goods, services or ideas' — account for just over a half of all US labour activity. And that is not counting a significant proportion of the remaining half which is eaten up by non-interactive information processing in the forms of individual analysis, data processing, and so on.[3]

The information age creates the mother of all price disruptions …

The fundamental effect of the ever-accelerating revolution in information processing costs, therefore, is a massive and ongoing transformation of the cost structure of every organisation. It is creating, among other things, the mother of all price disruptions. And it will seep into every nook and cranny of economic activity, including marketing.

But it is the knock-on secondary and tertiary effects, such as who has access to information and the way information flows through society, that concern us most here. One knock-on effect, for example, is that the faster the cost of information processing falls, the more it is 'democratised'. Whereas information processing was once the exclusive preserve of giant institutions with gargantuan budgets, more and more ordinary people can afford to do information processing of their own. A trivial example is the rising number of households with a PC. Tomorrow, however, we may see a shift in the ownership of data and databases. Whereas before it was simply assumed that companies (the people with resources to do so) built up databases about consumers (the people without the resources to do so), it is becoming increasingly feasible for consumers — or agents acting on behalf of consumers — to build up databases about companies. A fundamental shift in the balance of power, in other words — and not just speculation, as shall be seen.

… and a fundamental shift in the balance of economic power

What about information flows? One effect of plummeting information gathering, storing and processing costs is that companies can afford to hold ever more and richer data about customers. The 'downward' flow of information — 'down' the supply chain from sellers to buyers (see Figure 1) — grows ever bigger and ever richer. The biggest and most obvious example of this development is the rise of direct and database marketing itself — made possible by computers' ability cost effectively to gather and store information such as the names and addresses of customers, transaction histories etc. The US business magazine *Business Week* rightly captured the importance of this development when it described the database as the biggest thing to hit marketing since 'New! Improved!'.

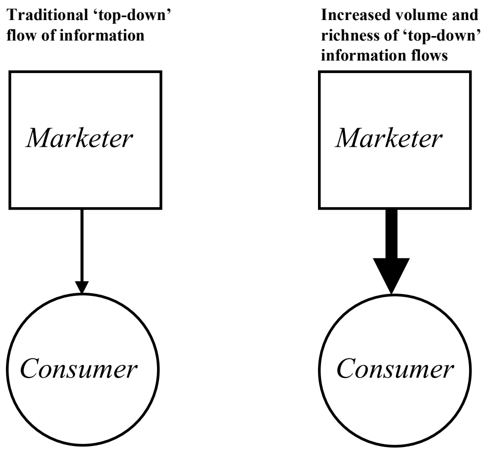

Figure 1: 'Downward' flows of information are rapidly increasing

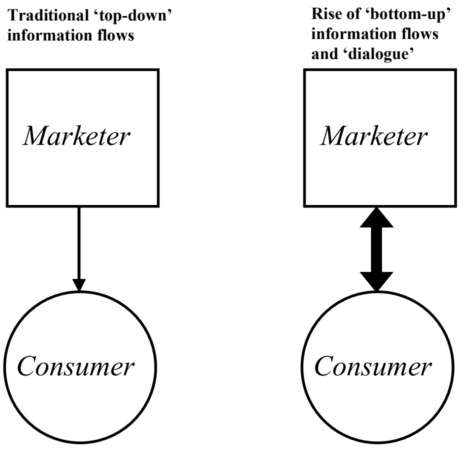

Figure 2: 'Upward' flows of information transform marketing

Another important effect is the rise of 'upward' flows of information, thereby making a two-way flow possible (see Figure 2). That has been the source of great excitement in marketing recently, creating buzz themes like dialogue, relationship marketing and interactive marketing — the title of this journal.

Interactivity is not new: just look at the call-centre boom. But as it becomes ever easier and cheaper — and natural — for customers to talk to companies as well as for companies to talk to customers, a whole range of new business models are emerging to take advantage of the possibilities. A classic example is Dell Computer's 'direct' model, which is predicated on upward flows of information — making things to order rather than making things and then trying to sell them.

Industries are in the midst of a root-and-branch structural overhaul

Another, still unfolding, effect is a revolution in distribution channels, especially of digitisable products and services. Internet banking, MP3 and other forms of downloadable music, online newspapers and information sources all work on the basis of users 'sucking' information from providers, rather than providers pushing the information at users. The net effect is a root-and-branch structural overhaul of each of the industries concerned. Why bother with CDs, CD shops and even record companies if you can download the music direct from your favourite pop band, for example?

Yet another important variant on the theme of up-and-down flows of information is the 'virtual exchange' which brings buyers and sellers together electronically, rather than their having to go to a physical marketplace. These virtual exchanges are popping up in every market imaginable, from stocks and shares to car components to vegetables to aluminium to local second-hand and 'almost-new' products. They promise to cut the costs of transactions dramatically — once again causing upheaval for traditional distribution channels.

But even as a growing range of industries are transformed by these shifts, the tide of change sweeps forward. Increasingly, for example, information is beginning to flow 'sideways', as well as up and down supply chains, thanks to the Internet and Internet-related phenomena such as the e-mail explosion, Internet chat forums, the emergence of

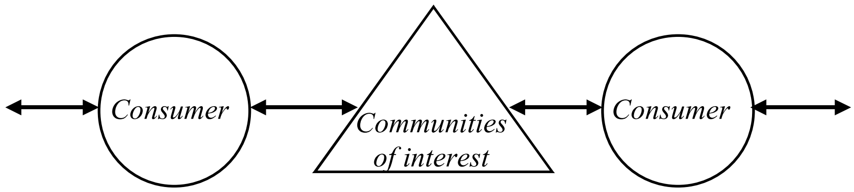

Figure 3: 'Horizontal' flows of information create new types of business

'Sideways' flows of information create totally new business models

online communities, 'electronic word of mouth', and so on (see Figure 3). This development is still at its very earliest stages, but its implications are profound. Cost-effective, mass-scale horizontal or 'sideways' flows of information create the foundations for a whole new set of business models.

Some of these new business models revolve around communities of interest — groups of people who share an interest in a similar subject or purpose. Communities of interest are natural forums for exchange, not only of chat but paid-for information, products and services. And as Kevin Kelly, executive editor of *Wired* magazine, points out, they fulfil an important commercial role, solving the problem of 'the unserved middle'. Thanks to modern communications technologies, nowadays companies can do mass broadcasting relatively efficiently and are becoming increasingly efficient at communicating on a one-to-one basis too. What they still find difficult to reach is this unserved middle: medium-sized groups motivated by similar interests.[4]

Communities of interest as marketing forums are still in their infancy. Only slightly more advanced are auctions such as eBay and QXL, which depend on sideways flows of information and transactions as the foundation of their businesses. They started out in funny areas like memorabilia and antiques but they are going mainstream very fast, in both consumer and business-to-business markets. Indeed, Forrester Research predicts that within a few years up to 50 per cent of all business-to-business sales volume will be auctioned. Then, of course, there are also reverse auctions like Priceline, Nextag and Ybag, where companies effectively bid for consumers' business.

These new business models disrupt traditional marketing

In each case, these emerging new business models disrupt the environment traditional marketing and marketing strategies were constructed to serve — a world dominated by top-down flows of information from seller to buyer. But there is more. Down, up and sideways flows of information are not mutually exclusive. They can combine, and when they do so they generate the potential for even more fundamental business innovation.

One example is Amazon.com's ambitious attempt to become a 'retailer of retailers'; 'a place,' as CEO Geoff Bezos puts it, 'where you can buy anything'. With its new Z-stores initiative Amazon creates one single interface with the consumer — its existing relationship — and allows many businesses to reach that consumer through that one interface. It acts as a virtual funnel of information and transactions, rather like traditional retailers act as a physical funnel of products to consumers via their stores. Amazon's role is to act as a central coordinator. A consumer

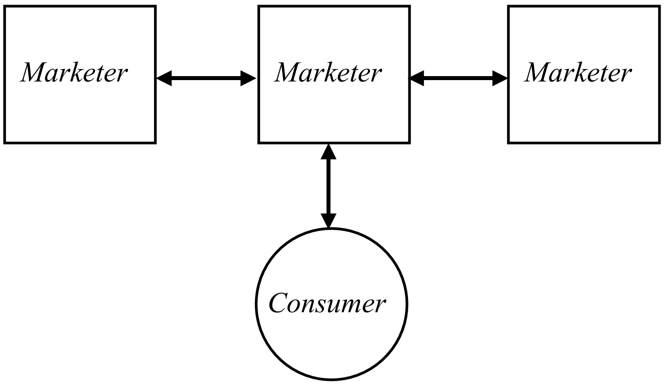

Figure 4: 'Horizontal' communication between companies allows for creation of 'one-stop' shopping

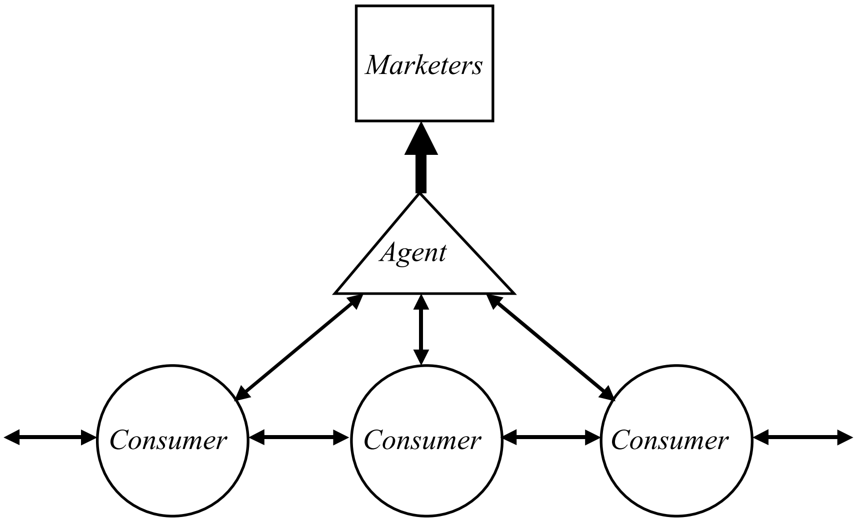

Figure 5: Rise of 'reverse marketing', eg search agents, buying clubs, reverse auctions etc

searching for item X goes to Amazon.com first, and Amazon communicates horizontally with the business supplying X to coordinate the transaction (see Figure 4).

Another example is the infomediary, which collects information for, on and about buyers and uses this information to get the best deals for them, including filtering commercial messages on their behalf so that they only get the messages they are interested in.

Yet another variation on the theme is to combine 'sideways' and 'upwards' flows of information to create buying clubs. The basic idea of a buying club is to gather consumers together to use their collective muscle — rather like a trade union — to negotiate with suppliers to get a better deal. Imagine, for example, a player that gets all those buyers interested in buying a Ford Focus together — say 5,000 of them. It gathers them together and says to Ford, 'here is the opportunity to sell 5,000 Ford Focuses in one go, without having to go through any dealers or paying any dealer commission. What do you offer? Oh, and by the way, we are also talking to General Motors and VW and Renault and

The rise of the organised consumer

Nissan about similar cars with similar specifications.' Experiments with this theme are springing up everywhere, Mercata, Accompany and Letsbuyit being some prominent examples (see Figure 5).

From 'offer' to 'agent'

So far all marketing has been about helping sellers to sell

Buying clubs epitomise the shift triggered by the information age: the emergence of a new, additional form of marketing which is done for buyers rather than for sellers. Within all the hype, the controversy, the hustle and the bustle of the Internet, it is easy to underestimate — even completely miss — this simple but crucial development. For the past hundred years or more — ever since it was invented — marketing has been about one thing and one thing only: helping sellers sell.

Every single stormy debate within this vast and rich discipline — stand-alone versus umbrella brands, product versus corporate brands, direct marketing versus broadcast marketing, sponsorship versus advertising versus direct mail versus public relations, and so on — has been conducted within the same teacup. They have all been arguments about how best to help sellers sell.

Tomorrow, marketing will also be about helping buyers to buy

But now the information age is opening up a completely new dimension in marketing: a new type of marketing which is not first and foremost about helping sellers sell, but about helping buyers buy — where the first 'one' in one-to-one is the consumer. Yesterday, competition revolved around which organisation or brand's offer delivered most value to the consumer. Offer-based marketing will not go away. But now a new dimension of competition is emerging by which *all* organisations and brands will be judged: the degree to which they are willing and able to add value for consumers by acting on their behalf within the marketplace, as their agents.

There are many different types of agent. Infomediaries gather and use information to help consumers make better choices; they deploy databases for buyers rather than sellers. Auctions and reverse auctions enable consumers to 'play the market' in ways which keep them in the driving seat. Buying clubs actively intervene in transactions to help buyers get a better deal. Communities of interest, which organise consumers around both shared content and shared purposes, can do all of these things.

Corporations' monopoly on marketing is being broken

Agents achieve these objectives by exploiting the potential of the new types of marketplace created by the information age. To say, as many marketers currently do, that the Internet represents a new 'channel' to market misses the point. To call it a new channel assumes the continued existence of the very thing that it is undermining: the monopoly control of downward flows of information from seller to buyer.

As McKinsey consultant Kenneth Berryman points out, new flows of information mean that three very different types of e-marketplace are now emerging: traditional seller-controlled marketplaces; neutral marketplaces (such as auctions) set up by third-party intermediaries to match buyers to sellers more efficiently and effectively; and 'buyer-controlled' marketplaces (such as buying clubs) set up 'with the aim of shifting power and value in the marketplace to the buyer's side'.[5]

Agents give consumers a choice of market, as well as a choice of product or service

From now on, therefore, customers not only have a choice about which product or service to buy *within* the marketplace, they also have a choice *between* different types of marketplace. This creates a crucial change: both the offer *and* how it comes to market must add value for the buyer.

Traditional offer-based marketers underestimate this change at their peril. It creates a new dimension where they must add value if they are to flourish. Buying agents trump traditional offer-based marketing by turning its high point — the best possible offer — into their raw material. They subsume it into a bigger service — delivering superior ways of searching for and accessing this best possible offer, changing the focus of 'quality' and 'price'. Quality expands to include the easiest, most convenient way of finding exactly the right offer for an individual buyer's needs, while price includes sourcing the best offer at the minimum possible price, in the cheapest possible way.

Agents create a new division of marketing labour

In changing this focus, agents unbundle traditional marketing, which has always been a mixture of two different processes. On the one hand, market-*ing*, in its broadest sense of going-to-market, fulfils the crucial economic function of connecting the right buyer to the right seller. On the other hand, marketing is also about influencing the other party to 'buy my offer as opposed to my competitor's'. Traditionally, sellers have taken responsibility for this connecting function, seizing the opportunity to influence buyers in the process. But as Boston Consulting Group consultants Philip Evans and Thomas Wurster point out, by creating new ways to connect buyers to sellers, agents disentangle the two, thereby threatening this traditional source of brand influence.[6]

Agents also professionalise the consumer buying process. Producer-oriented marketing — the marketing we are all familiar with — is done by sellers for sellers. It focuses on efficiently identifying, communicating with and closing transactions with the right consumers to maximise profit. Buyer-oriented marketing is the mirror image of this process. It is done by (or on behalf of) buyers for buyers, focusing on efficiently identifying, communicating with and closing transactions with the right vendors to maximise buyer benefit. To the extent that agents achieve this function, they become the consumer's equivalent of the marketing department; they do marketing *for* the buyer instead of marketing *for* the seller.

Agents are not confined to the Internet

But agent brands are not confined to the Internet — the actual notion of agency is hardly new. 'My solicitor' is my agent within the legal system, acting on my behalf, representing my interests. 'My doctor' is my agent within the health system, helping to sort out my health problems for me.

Many traditional brands will evolve into agents

What the new virtual agents do, however, is open our eyes to the fact that the agent role has almost universal application within the consumer/marketing arena. Which way forward for retailers, for example? At one stage in their history they acted as a mere distribution channel for manufacturers: a manufacturer's agent. In some industries, such as cars and computers, they still do. But in others, such as grocery, they have evolved to become independent middlemen, exploiting their role as a gatekeeper of transactions.

The next step is to move on to Berryman's third type of marketplace: to deploy information-intensive expertise in IT, logistics and buying to become buying and service agents for their customers: both sourcing the goods their customers want at the cheapest possible price and delivering to where they want, when they want, at the lowest possible cost. Why try to launch new virtual buying clubs when we already have organisations — modern retailers — which aggregate the buying power of millions of customers?

Many other traditional 'selling' businesses are equally well poised to migrate towards an agency model. Manufacturers such as Dell are effectively making themselves their customers' agents in the world of IT. Instead of making a computer and then trying to sell it, Dell seeks to act on its customer's behalf, making the computer he particularly wants, when he wants it. Banks and credit card companies, meanwhile, have vast amounts of information about their customers and what they buy. They could use this information on their customers' behalf in a multitude of ways — if they had a mind to do so, and if they could win enough customer trust to do it.

Most distinctions between dot.coms and bricks and mortar are superficial

In fact, thinking about it, the current fashion of dividing the commercial world into traditional bricks-and-mortar businesses and new, virtual dotcoms is superficial. From a marketing perspective, the really important distinction is between those brands (including bricks-and-mortar, dotcom, and any combination of the two) which see the information age as an opportunity to do good old-fashioned offer marketing more efficiently and more effectively, and those brands (bricks-and-mortar, dotcom, plus any combination of the two) which are seizing the chance to win consumers' preference by becoming their agents.

Who are brands for?

The shift from offer to agent turns the world of marketing upside down. Or to be more precise, right side up. In this world of 'reverse marketing', as McKinsey's Hagel calls it, virtually every established marketing precept goes into reverse.[7]

Agents side with buyers, not sellers

The first, critical reversal is that agents are on the buyer's — or consumer's — side, not the seller's. Because agents earn their living not by helping sellers to sell but by helping buyers to buy, the main axis of competition is not about product or service attributes *per se* (which are often now taken as a given) but, to use Evans and Wurster's words, 'how closely they affiliate to the buyer's interests'.[8] As McKinsey consultant John Hagel comments, 'you have to adopt the customer's side'. This 'fundamental mindset shift is probably one of the most challenging and wrenching changes that a large company has to go through'.[9]

Most marketing assumptions are completely seller-centric

Moving towards an agency branding approach involves rethinking many basic marketing assumptions. For example, the entire edifice and paraphernalia of marketing as we know it — brands, advertising, direct marketing, market research, public relations, and so on — are affiliated to the seller's interests: they are there to help sellers sell. This is not to say that consumers do not benefit from such activity: competition over whose 'offer' is best means that 'New! Improved!' offers are always being made available at ever better prices. Nevertheless marketing and brands were still invented by sellers for sellers. As Evans comments, 'Everybody says we are close to the customer, our job is to solve customer problems. But the truth of the matter is that this is a means, not an end. You get closer to the customer in order to sell the product.'[10]

How does your marketing add value to the consumer?

That is why when companies talk about marketing effectiveness, their sole criteria for measuring it is the degree to which the company's — not the consumer's — objectives are achieved cost effectively. With the rise of the 'agent' brand, however, marketing effectiveness has also to be judged from the consumer point of view: how does it add value for the consumer? If you were selling your company's marketing in its own right, would the consumer find it valuable enough to buy?

This is not a flippant question. Currently, marketers simply take it for granted that when a buyer buys a product at a certain price, he is prepared to pay the costs of marketing that product. These costs are rolled up into the price. If the consumer thinks this price is fair, he will pay it. But new forms of marketplace are creating alternative lower-cost ways to connect buyers and sellers, and they can make this final price appear excessive. Buyers will refuse to subsidise marketing activities that do not add value from their perspective.

Take cars as an example. Typically, one-third of the final selling price of the average car is accounted for by the costs of trying to sell it — including the costs of general brand advertising, of constructing lists of prospective buyers and sending them 'one-to-one' mailings, of dealer commission, etc. If purchasing a car via a buying club can eliminate the need for many of these activities, why should the consumer continue to pay for them?

Traditional notions of trust and brand loyalty also get thrown into the melting pot. In the industrial-age world of offer marketing, the focus of trust is on the product: will it do what it promised to do? In the information-age world of agents, however, a new dimension of trust emerges: are the people behind the product really working on my behalf, 'on my side'?

The acid test of brand loyalty is usually the price premium consumers are prepared to bear, but in the emerging era that is turned on its head. The real test is how loyal the brand is to its customers, and one form that test takes is whether the brand always strives to deliver the best deal, including price. The brand's reward comes not in terms of extra margin, but in other forms such as increasing share of requirement, forgiveness of mistakes, willingness to receive and impart information, and degree of brand advocacy.

Indeed, we may find ourselves questioning precisely who or what brands are supposed to represent. As John Hagel remarks:

Traditional branding is also seller-centric

> **'Today's brands are product or vendor-centric brands — they are statements about the quality or attributes of the product or vendor. On the Internet, the most powerful brands will be**

customer-centric brands — they will be statements that the brand-holder knows the individual customer better than anyone else and can be trusted to tailor the appropriate bundle of products and services to meet the needs of that individual customer. The most appropriate holders of this new kind of brand are intermediaries, rather than product or service vendors themselves. Implication: today's brands may be wasting assets and the challenge for management will be to evolve to the new kind of brand before existing brands lose their ability to capture and retain attention.'[11]

In the new one-to-one marketing, therefore, it is quite possible that the most powerful, influential brands are not those which represent 'them' (sellers and their offerings), but which represent 'me' or 'us' in our dealings with 'them'. One possible scenario: a new brand ecology where consumers' prime relationship shifts from existing suppliers to a small group of privileged 'inner-circle' information, sourcing and service agents that they trust to act on their behalf in key areas of life such as household replenishment, home buying and maintenance, personal mobility, personal finances, health, etc.

Agents will be the new superbrands

Such 'inner-circle' agent brands will have some powerful potential advantages over traditional brands. These include greater 'share of trust', because these agents would only be employed to work on buyers' behalf, and greater share of purse, because one of the ways agents add value is by delivering complete solutions, rather than just the ingredients to those solutions. Another huge potential advantage is exclusive access to another resource of exponentially rising value: customer information.

The hole at the heart of marketing

A bizarre irony lies at the heart of industrial-age marketing. As every marketer knows, information about the consumer is the wellspring of marketing. Success depends on getting close to your customer, knowing and understanding him so that you can give him what he wants. Yet the industrial-age mass markets that spawned modern marketing could never tap this wellspring at source.

Consumers were anonymous buyers of products, not named customers. Transactions and interactions were conducted on a remote arm's-length basis, usually via intermediaries such as retailers and the media. Exchanges were of money for goods, and nothing more — no additional information changed hands. The system of wealth creation that revolved around mass production, distribution and advertising positively resisted variations from the standardised average. There was no effective mechanism, or incentive, for the consumer to pass information to the supplier to say, 'actually, this is how I want it'.

The promise of database-driven relationship marketing was that it would fill this information void at the heart of modern marketing. By identifying the names and addresses of customers and potential customers and instigating a two-way flow of information it would help build a more mutually satisfying relationship between the two sides.

Why database marketing never fulfilled its promise

But this promise has never been fully realised, for a very simple reason. One-to-one marketing, data warehousing, sophisticated modelling and analysis, customer retention and loyalty schemes, relationship marketing, customer relationship management — they can all be hugely powerful tools. But they have been put to use within the confines of the old model to make it work more efficiently and more effectively, not to transcend its limitations. The form — dialogue, relationships and interactivity — may be two-way and mutual. But the content is still one-sided. It is only there to help sellers sell, not to help buyers buy; it is for sellers, not 'for me'.

The real price of consumer information is agency

As agency marketing matures it will increasingly expose this fault line: the information age opens up a critical new dimension of exchange between buyers and sellers. In the industrial age, consumers handed over money in exchange for goods and services. Increasingly, in the information age, consumers will also hand over an equally precious resource — information from and about themselves — but only in exchange for agency services. The real price of information — of getting close to and understanding your customer — is agency. It is through agency that marketers will at last fill the hole at the heart of marketing; and it is through agency that database and relationship marketing will at last find its real home.

Reversing the marketing arrow

The agency revolution creates massive new opportunities

Confronted with the burgeoning agency revolution, most traditional marketers react in one of two ways: denial ('it will never happen') or terror. A third response is more appropriate. This is a massive opportunity, opening up two vast new continents of potential to explore.

The first continent of opportunity lies in moving from inefficient stimulus-response make-then-sell production systems to sense-response make-to-order systems. Because traditional make-then-sell systems operate with an information void at their core they are plagued with mismatches between supply and demand. They invariably end up making the wrong thing (that fails to sell); not making the right thing (thereby losing sales opportunities); making too much of one thing (ending up with huge amounts of stock which are extremely expensive to store and get rid of); or making too little of another (leading to angry and disappointed customers). They also incur huge additional 'marketing' costs through often-fruitless attempts 'to enforce predictability on to the market' by moulding or manipulating the market into buying what they want to sell.[12]

Agents are triggering a fundamental re-engineering of marketing

But as Dell CEO Michael Dell has demonstrated, huge amounts of unnecessary cost simply 'fall out' of the system if you can reverse the flow of the marketing arrow to become the customer's production agent and make what the customer orders, to his specification. The end result is both better (ie more appropriate) and cheaper. Sense-and-respond, rather than traditional stimulus-response, marketing responses tend to be both cheaper and more effective.[13]

The second continent of opportunity lies in reversing the flow of marketing communications too, to re-engineer marketing processes.

Again, this enables marketers to achieve more, at less cost. Going to market is an expensive business for both sellers and buyers. It involves them both in a series of time- and information-intensive activities such as identifying who or what they are looking for, searching for the best offer, making comparisons, judgments and choices, communicating, persuading and negotiating, undertaking transactions, ensuring fulfilment, organising, coordinating, administrating. But because both buyers and sellers are undertaking these activities, there is often a large degree of duplicated effort — which agents help eliminate.

For example, when a buying agent knocks on the door of our car company saying 'we have 1,000 people who want to buy X' he short-circuits most of the company's 'marketing' processes. To be more precise, he undertakes them for the company; he helps re-engineer the marketing process, redividing the traditional division of labour to let the consumer (and his agent) take on more of the work. In doing so, he gives the company the chance to eliminate vast swathes of cost — such as dealer commission and a high proportion of communications costs — in one fell swoop.

Go-to-market costs could plummet

According to McKinsey's Hagel, currently, for example, around 70 per cent of all marketing communications spend goes towards attempts to 'pre-emptively capture the attention of the consumer in advance of the purchase occasion'. In reverse marketing, 'successful marketers will learn how to list themselves effectively in search environments, how to engage the consumer at the time of purchase, and how to tailor products and services in ways that reduce incentives to switch to other vendors'. And in this way, many (though not all) of these costs can be eliminated.[14]

The new marketing mix

Dare traditional brands embrace the agency revolution?

Traditional brands therefore have some strong incentives to tap into the agency revolution. But are these incentives high enough to compensate for the sacrifices, such as loss of margin or control over the marketing process?

One part of the answer is that they may not have any choice. Another part of the answer, however, depends on whether the business is cut out to be an agent brand. Some industries, such as entertainment and pharmaceuticals, create wealth by generating new intellectual property, and are less suited to an agent role than others. One putative yardstick for judging an industry or company's 'agency potential' is the degree to which it adds value for its customers via its ability to gather and process information from and about them. The higher this proportion — for example, in retail, banking and insurance — the greater the agency potential.

A related consideration is the degree to which the marketing flow needs to be reversed. For example, even if a car company did shift a growing proportion of its volume via buying agents, it would still need to keep its brand famous, and it would still incur significant distribution costs. Giving up some control does not mean giving up all control.

Indeed, any environment where all marketing activities flow one way — whether from buyer to seller or from seller to buyer — is likely to

Both seller-centric marketing and buyer-centric marketing have their place

be inefficient and dysfunctional. Thus, a buying agent may be able to source a certain product very efficiently and effectively, but if that agent works only on instructions of what to buy, the buyer may not be aware that a 'New! Improved!' product is now available. Being alerted to this new product — being 'sold' to — actually adds value in this case.

What is needed, therefore, is a new division of marketing labour with the right mix of 'consumer pull' agent-based communication and of 'producer push' offer-based communication. Both 'push' and 'pull' have their place.

Powerful new win-win solutions are possible

The trick is to forge a win-win mix that creates the most value for both consumer and supplier. Different types of agent will produce different types of optimum mix depending on factors such as what the buyer is trying to achieve and how sophisticated he is. Arguably, for example, music buffs will aggregate more around communities of interest than buying clubs, while buyers of financial services will gravitate towards infomediaries and reverse auctions. And so on.

The new marketing mix will, in other words, be extremely complex. But the underlying message is extremely simple. In future, the first one in one-to-one marketing will increasingly be the consumer or his agent, and this development will shake marketing theory and practice to its very roots. All other developments have been mere changes in the marketing weather. We are now at the beginning of a global climatic change which will transform the marketing agenda over the years to come. Denial is not an option. And there are huge opportunities for those who decide to go with the flow.

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