

## Marketing in the New Economy: When Push Comes to Pull

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This somewhat provocative and deliberately unfinished article, written in response to the March 6<sup>th</sup> evening discussion on marketing, is designed to stimulate “deep thought” and dialogue regarding: 1.) the role played by the marketing function in commerce; 2.) the use of technology to transform that function and 3.) the contribution that hi-tech women might play in that transformation.

The article asserts that marketing in its current form -- as a divisional corporate function, designed to position, place and push products to target audiences -- will be replaced by a much more fluid ecology of dynamic processes, alliances and cultures that will enable customers to pull products and services towards them when needed or wanted. Technology is enabling that transformation and women have a leadership role to play in its evolution.

### Historical Context

Marketing “took off” as a post war activity in direct response to: a.) excess productive capacity; b.) the need to differentiate products and services; and c.) the emergence of multiple communications channels. While increasing levels of sophistication have been applied in terms of market segmentation, benefit analysis, channel selection, brand development, positioning, media purchasing, campaign management and, most recently Customer Relationship Management (CRM), marketing remains, at its essence, **a push activity**. Traditional marketing starts with the Product and, for any given group of targeted customers deploys the well known mantra of the Four Ps: Positioning, Promotion, Pricing and Placement.

Marketing’s ethos and goals are embedded in and coloured by the values, perspectives and rules governing commerce as a whole and these too are relatively youthful having emerged at the turn of the last century with the development of the assembly line and mass production. Thanks to the influence of such pioneers as Frederick Taylor, Henry Ford and Arthur Sloan, the dominant worldview in commerce is currently based on a mechanical, linear and often military perspective.

Taylor, whose landmark work, *The Principles of Scientific Management* guided Henry Ford, drew his ideas on efficiency of organisations from physics (pre the Quantum kind!). Workers, he said, were to be viewed as passive units of production and the system or the workplace was like a machine. This mechanistic business model was further refined by Arthur Sloan, President of General Motors in 1923. He introduced the multidivisional firm in which companies are divided into semi autonomous business divisions operating on a command and control basis.

As the business world was flooded with ex military personnel post WWII, it is not surprising that the military metaphor has dominated our thinking since. Enterprises, like armies or battalions, compete to “capture a market” using an arsenal of weaponry (persuasive advertising and communications) to “gain the high ground”. The prizes in this war are the hearts and minds of consumers that, regrettably, are often de-humanised and objectified by the very statistical approaches used to better understand their behaviours and preferences.

The language of commerce is loaded with mechanical, engineering terms drawn from a love affair with locomotives, cars and airplanes. Companies and economies are viewed as machines that can be “kick-started”, “got back on track”, re-engineered and fine-tuned (watch out for the screwdriver!) in order to wrest ever higher productivity from employees and profit margins from customers. Organisational structures, like armies, are hierarchical and employees, as the combat troops, are expected to obey orders (stick to the script) and are provided information on a strictly “need to know” basis.

### Power Shifts

But as we move into the brave new world of a new Millennium, there’s a revolution brewing that threatens to crumble the edifices of the corporate world. Not, I must add, for destructive purposes but merely to redress an imbalance of power. This imbalance has existed since the

emergence of mass communications and mass production and refers to the relationship between company and customer; corporation and employee; machine/system/bureaucracy and human being.

Interestingly, and especially so for “hi-tech women”, that revolution has been seeded or triggered by 1.) rapid and fundamental developments in information and communications technologies; 2.) fundamental shifts in our scientific understanding of how the world actually works that are informing vastly different business models and management theories; and 3.) staggering improvements in the material standards enjoyed by the western world.

But before we delve further into the reasons behind this shift in power from company to consumer, let’s take a closer look at what that shift looks like.

- Despite all our attempts at relationship building (in 2001 expenditure on CRM software exceeded \$9.4 billion) consumers demonstrate increasingly fickle, almost promiscuous behaviour and they aren’t happy: according to a comprehensive survey conducted by AT Kearney in September 2000, e-retailers are missing out on \$6.2 billion in lost sales, equivalent to 13% in total revenue because online customers fail to complete a transaction.<sup>1</sup> Other sources corroborate a series of inadequacies in e-commerce as currently practiced: 75% of respondents abandon their shopping carts without making a purchase according to Bizrate<sup>2</sup> and 80% give up according to AT Kearney.<sup>3</sup>
- Thanks to the ubiquity of information on the net, savvy consumers now occupy a world of near perfect information that is reducing many products and services to commodities:

*Today’s customers in digital markets are like spoilt children both fortified and frustrated by an impression of almost infinitesimal choice. When there’s always another supplier at my fingertips, always a better deal around the corner, and I have access to those things through a plethora of channels and devices, is it any surprise that I feel no need to bond with a particular supplier? Each new standard of service that’s set simply raises the bar, and added value rapidly degenerates into perceived commodity.<sup>4</sup>*

- Networked economies enable peer to peer communication—not only are the natives restless but they are talking to each other:

*Networked markets are beginning to self-organise faster than the companies that have traditionally served them. Thanks to the web, markets are becoming better informed, smarter and more demanding of qualities missing from most business organisations.*

*People in networked markets have figured out that they get far better information and support from one another than from vendors. So much for corporate rhetoric about adding value to commoditized products. Companies that don’t realise their markets are now networked person-to-person, getting smarter as a result and are deeply joined in conversation are missing an opportunity.<sup>5</sup>*

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<sup>1</sup> *Promiscuous Consumers: Invisible Brands, Delivering Value in Digital Markets*, Michael Bayler and David Stoughton, Capstone Publishing, 2002

<sup>2</sup> Quoted by Luc Carton in [www.eshopability.com](http://www.eshopability.com)

<sup>3</sup> A.T. Kearney, *Satisfying the Experienced On-line Shopper*, Report, 2000

<sup>4</sup> *Promiscuous Consumers: Invisible Brands, Delivering Value in Digital Markets*, Michael Bayler and David Stoughton, Capstone Publishing, 2002

<sup>5</sup> *The Cluetrain Manifesto: the End of Business as Usual*, Rick Levine, Christopher Locke, Doc Searls, David Weinberger, Perseus Publishing, 2000

- In an increasingly interconnected unpredictable world, the perceived boundaries that define roles are blurring and our essential humanity is asserting itself.

*We are not seats or eyeballs or end users or consumers. We are human beings and our reach exceeds your grasp. Deal with it!*<sup>6</sup>

*This is what will separate the full-blown human economy from the transitional phase we are going through now. Empowered self-confident customers will see through the hype and demand to be treated how they want, when they want.*<sup>7</sup>

Consumers are not mere consumption units (passenger nights, revenues per room) but people and people that talk to one another, and try to help each other. Consumers are also employees, shareholders, voters, investors, association members, family members, lovers, friends and, in short, human beings – all steadily, uniquely, consciously or unconsciously engaged in a lifelong journey of experience and self-discovery as described in the 1950's by Maslow as a Hierarchy of Needs from survival to self-actualisation.

- A critical mass of people in the western world are fast approaching the point of “consumptive satiation”. They are searching for meaning from experiences not the acquisition of things. In a recent survey, acquiring material possessions was identified as important by only 38% of an adult sample compared to nurturing relationships with family and friends (98%)<sup>8</sup>. Our lack of time – not always money – causes us to value enterprises that appear to help us achieve our personal objectives in a world of seemingly endless choice.

It is this assertion of humanity that was first heard in the 60's when the phrase “do not fold, spindle or mutilate” came into vogue. (Note: only those of you old enough to remember punch cards are likely to recognise that phrase!). While individuals were protesting that we are not “cogs in a wheel”, punch cards or canon fodder, quantum physicists were proving that the universe is not a predictable machine operating according to fixed laws but a highly complex system of networked systems characterised by uncertainty and biologists were embracing and developing the new science of ecology. It took until the late 1990's for various business pundits to recognise that the scientific basis for Taylor's and Sloan's theories of business was collapsing. Peter Drucker stood alone in describing business as community until 1992 when Michael Rothschild wrote in *Bionomics*:

*A capitalist economy can best be comprehended as a living ecosystem. Key phenomena observed in nature – competition, specialisation, cooperation, exploitation, learning, growth and several others – are also central to business life. ....Information is the essence of both systems. In the biologic environment, genetic information, recorded in the DNA molecule, is the basis of all life. In the economic environment, technological information, captured in books, blueprints, scientific journals, databases and the know-how of millions of individuals, is the ultimate source of all economic life. ....Organizations, like organisms, are built in complex hierarchies. One is made up of cells within tissues within organs, within organisms within populations, while the other is comprised of work teams inside departments inside divisions inside businesses inside industries. Some organisms and some organisations, like bacteria and single-person offices, are miniscule but found in huge numbers and varieties while others, like blue whales and IBM are massive and few*<sup>9</sup>.

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<sup>6</sup> *Ibid*

<sup>7</sup> *Brandstorm: A Tale of Passion, Betrayal, Revenge*, Will Murray, Financial Times – Prentice Hall, 2000

<sup>8</sup> From a survey of UK adults conducted by Unmissable.com

<sup>9</sup> *Bionomics: Economy as Ecosystem*, Michael Rothschild, Henry Holt & Company, 1990

On the surface of things, Rothschild's work fell on what appeared to be barren ground – but beneath the surface of things, momentum was building. Six years later, James Moore grabbed more attention with *Death of Competition: Leadership and Strategy in the Age of Business Ecosystems*.

*The new paradigm requires thinking in terms of whole systems – that is, seeing your business as part of a wider ecosystem and environment. Our traditional notions of vertical and horizontal integration fail us in the new world of cooperating communities. In place of industry I suggest a more appropriate term: business ecosystem. The term circumscribes the microeconomics of intense co-evolution coalescing around innovative ideas. Business ecosystems span a variety of industries. The companies within them co-evolve capabilities around innovation and work cooperatively and competitively to support new products, satisfy customer needs and incorporate the next round of innovation. **The dominant new ecosystems will likely consist of networks of organizations stretching across several different industries.***<sup>10</sup>

The notion that economies are ecosystems and enterprises are species that both collaborate and compete is now hitting mainstream business thought, emerging as an “idea whose time has come”. In 2000, and coming at the subject from a technology perspective, Don Tapscott and colleagues introduced the term “business web or b-web” to describe the same phenomena<sup>11</sup>. Patricia Seybold also speaks of the Customer Scenario Net.

*A Customer Scenario Net is a customer- and project specific set of interrelated tasks that can be managed via the Internet to accomplish a specific outcome. It's a particularly dynamic form of e-market. The players involved and the services offered will depend on the customer's context.*<sup>12</sup>

More recently, the business press is witnessing a spate of books applying insights gained from the science of complexity to model new business structures and collaborative models.<sup>13</sup>

So back to marketing! Thanks to our customers' desire to be treated respectfully as individuals; the ability of technology to enable two way conversations; and a new ecological perspective that sees businesses as complex, adaptive systems connected to, influencing and influenced by all other parts of the business ecosystem, we foresee a very different commercial landscape and an exciting new role for marketing .

This new commercial landscape will demonstrate five new features (there will likely be more but this article was designed to stimulate debate. It's not a finished piece of work – so please, come co-create with me!)

1. There'll be a shift in focus from promoting to listening, from selling to serving, from control to relationship building and from marketing as sophisticated promotion to a committed form of customer care.

We call this *Dancing with the Customer* – as all commercial activities will be calibrated with and support the customer's cycle of need. The customer will declare an intent: for example, “I need a vacation”; “I have to move house”; “I need to plan for retirement”; “I want to educate my children” and a web of connected enterprises, each focusing on a process or service that could be used to help the customer achieve his

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<sup>10</sup> *The Death of Competition: Leadership Strategy in the Age of Business Ecosystems*, James F. Moore, Harper Business, 1996

<sup>11</sup> *Digital Capital: Harnessing the Power of Business Webs*, Don Tapscott, David Ticoll, Alex Lowy, Harvard Business School Press

<sup>12</sup> *The Customer Revolution*, Patricia Seybold, Crown Business, 2000, p74

<sup>13</sup> Examples include *The Ecosystem* by Thomas Power and George Jerjian, Pearson Education, 2001; *Adaptive Enterprises, Creating and Leading Sense & Respond Organisations*, by Stephan Haeckel, Harvard Business School Press, 2001; *The Soul at Work: Unleashing the Power of Complexity Science for Business Success*, Roger Lewin and Birute Regine, Orion Business Books, 1999.

intent will form to support the customer. The customer and his or her task will be the unifying thread that glues the supplier enterprises together.

While travelling along their cycle of need (from stating their intent, searching for alternatives, comparing, selecting, purchasing, assembling, experiencing, evaluating) the customer occupies the centre of a web of relationships comprising a network of inter-dependent suppliers who share the same focus and objective: ensuring that the customer's needs are met. Whether they realise it or not, these suppliers form a unique virtual and event-driven community or "business web" around that customer and his or her time-specific task. This "business web" is virtual, temporary and dynamic and encompasses not only the various suppliers but participants in those suppliers' own value chains.

*Dancing with the Customer* means delivering a "cycle of service" that calibrates with that "cycle of need" such that all effort is placed on helping the customer accomplish a specific task within the cycle.

Thus, this cycle of service is event and profile driven – the customer calls the shots and takes the lead. The dance requires a two-way dialogue not only between supplier and customer but also between multiple suppliers who share responsibility for delivering the total trip experience.

In a smoothly functioning ecosystem, customers will be able to pull towards them the information and services they need that are specific and relevant to their needs. Winning suppliers will be those who deliver relevant, appropriate and timely services to facilitate those needs. Winning suppliers will also recognise that they cannot go it alone – their best chance of success lies in collaborating with suppliers of complimentary services and forming a **supply community** to satisfy the diverse and complex needs of today's travellers. Or to quote Reed, "The most successful businesses on the Internet will hunt in packs".<sup>14</sup>

2. The task/event driven approach will have been made possible by the widespread and radical re-structuring of companies and divisions that will make the Business Process Re-engineering (BPR) activities of the 1990's look like child's play. Large rigid corporate structures will "atomise" into smaller units based on core competencies and the customer segments that those core competencies are best designed to serve.<sup>15</sup>

In addition to focusing carefully on customers' needs and responses, executives running these smaller, more agile and focused enterprises, will place equal emphasis on identifying and evaluating suitable partners and collaborators with whom they will team to deliver a complete set of services.

Collaboration will be triggered by the customers' need or "declaration of intent". That intent will resemble a droplet of water falling on the flat surface of a calm lake – ripples of activity will emanate and "touch" a network of suppliers and, in turn, stimulate them to offer a response.

3. This task/event driven approach (that infers a response by the producer) will also be enabled by the widespread adoption of open standards, XML-wrapped web services and service-oriented architectures.

*Web Services are: Encapsulated, Loosely Coupled, Contracted Software Functions, Offered Via Standard Protocols. Encapsulated means the implementation of the function is never seen from the outside. Loosely coupled means a change in the implementation of one function does not require change to the invoking function. Contracted Software Functions means there are publicly available descriptions of*

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<sup>14</sup> *The Rule of the Pack*, David Reed, Harvard Business Report Reprint 1020C

<sup>15</sup> For more on the deconstruction/atomisation of the large corporation see, *The Atomic Corporation: A Rational Proposal for Uncertain Times*, Roger Camrass and Martin Farncombe, Capstone 2001

the function, its behaviour, input/output parameters (XML), how to bind to it and the contractual terms and conditions for its (re)use. **Standard protocols** are W3C's TCP/IP, HTTP and SOAP. The global repository for the publication of web services is the UDDI registry, maintained by IBM and Microsoft.<sup>16</sup>

Web Services will permit the repackaging of existing digital assets (e.g. business processes defined in program code) so they can be wired into other applications<sup>17</sup>. Even legacy code (COBOL, RPG etc) can be 'wrapped' as a web service. This brings about three profound implications:

- a) Organisations can develop applications by 'wiring' Web Services together (that are proven, well tested and from trusted sources) thereby decreasing development costs and time to market;
  - b) Organisations can derive revenue from existing (proven and well tested) code by deploying its business processes to partners in a seamless automated fashion: and
  - c) a technology shift in computing can occur whereby business solutions are constructed from distributed, co-operative application components or services that dramatically reduce and simplify development to enable companies to focus on delivering services relating to their main business, rather than code production.
4. A collaborative, event-driven team approach to satisfying customers needs will, in turn, be enabled by a new ecology comprising five general types of enterprise species that will emerge in the overall business ecosystem<sup>18</sup>:
- *Service /competency providers*: individual enterprises that supply one or other of the following: goods and services, information, functionality (tools), quality assurance. These competencies or services linking to them will be made available via the web as XML-wrapped "web services" for invocation on demand.
  - *Brokers*: enterprises that aggregate services from the pool identified above and add value in the form of choice, quality assurance, independent evaluations, searching and comparing tools;
  - *Channel Managers/Distributors*: will provide conduits to customers and their agents and will include iTV channels delivered into the home, airline, hotel, office; web portals (wireless and otherwise), Call Centres, print media, kiosks etc.
  - *Affinity Agents or Life Agents*: These are the enterprises that are closest to the consumer and focus all their energy on serving the consumer. It is a symbiotic relationship. They exist to save the customer time and or money and draw down from the web those products and services that the customer needs to solve a problem, complete a task, or meet an objective. In return, the customer entrusts the agent with a substantial amount of personal detail (their personal profile) and encourages the agent to learn more about themselves and their preferences through the act of serving them.

We call them *Affinity Agents* because we suspect they will attract users who have some form of affinity with each other. For example, they may focus on a *market segment* ("yuppies", or retirees in the CD economic group); *special interest groups* (such as antique enthusiasts, ramblers, skiers, motor racing

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<sup>16</sup> Leon Benjamin, co-founder of DestiCorp author of *Web Services in the Context of Digital Oil & Gas* and other articles on [ecademy.com](http://ecademy.com)

<sup>17</sup> A good source of articles and links regarding web services is [www.ecademy.com](http://www.ecademy.com)

<sup>18</sup> These five types are working postulations being developed by DestiCorp for the travel and tourism industry but do apply in other fields.

enthusiasts, Harley Davidson owners), or could be associated with a profession (eg lawyers or nurses) or belong to a similar church. We call them *Life Agents* because they will take care of all aspects of Life – from romance (dating agency), buying a house and organising one's personal financial affairs, personal shopping, pension planning, raising children, helping take care of older parents.

They will offer their member enormous convenience and savings due to their ability to procure in bulk, trawl the web for opportunities, compile user reviews from peers etc. While they do not yet exist in large number, several business pundits and visionaries have forecast their emergence include Farncome and Camrass, authors of *The Atomic Corporation*<sup>19</sup> and Hagel and Singer in *Net Worth* back in 1999.

*Customers won't have the time, the patience, or the ability to work out the best deals with information buyers on their own (nor will vendors have time to haggle, customer by customer). In order for consumers to strike the best bargain with vendors, they'll need a trusted third party – a kind of personal agent, information intermediary, or infomediary – to aggregate their information with that of other consumers and to use the combined market power to negotiate with vendors on their behalf....we argue that companies playing the infomediary role will become the custodians, agents and brokers of customer information.*<sup>20</sup>

- **Network Providers** will create and supply the infrastructural glue that binds all participants together and will enable trade to occur in a safe, secure and efficient manner. Over time, all content and functionality (software tools) used by the acts in the tourism ecosystem will be supplied as XML wrapped "web services" that can be invoked and used over the Internet, assembled to create higher order applications and perform tasks. The Network Provider is a neutral agency that provides all the services necessary to connect buyers and sellers in a secure, reliable, managed fashion.<sup>21</sup> These services include Security (authentication, authorisation, encryption), Directory, Messaging, Orchestration, Billing & Metering, Quality Assurance) Note: network providers in this model equate to "Context Providers" identified in Don Tapscott's<sup>22</sup> original anatomy of Business Webs and, in his view, are destined to achieve the lion's share of the spoils.

5. While marketing in terms of developing brand awareness will continue to be necessary, we anticipate at least three important changes:
  - a. In addition to positioning the product or service in the mind of the consumer, enterprises will spend as much time positioning their unique capabilities to potential alliance partners. B2B marketing will equal B2C marketing in importance and spend and the content of the message will be less focused on the attributes of the product and more on the integrity, trustworthiness and service quality of the enterprise.
  - b. The power of peer to peer dialogue will necessitate innovative approaches to product/service differentiation. In a world of perfect information and enormous choice, we expect that companies may well be judged not just on their

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<sup>19</sup> *The Atomic Corporation: A Rational Proposal for Uncertain Times*, Roger Camrass and Martin Farncombe, Capstone 2001

<sup>20</sup> *NetWorth: Shaping Markets When Customers Make the Rules*, John Hagel III and Marc Singer, Havard Business School Press,

<sup>21</sup> *Vitiris and the Web Services Ecosystem*, Killdara.com, whitepaper, 2001

<sup>22</sup> *Digital Capital: Harnessing the Power of Business Webs*, Don Tapscott, David Ticoll, Alex Lowy, Havard Business School Press

products and service but on what they “put back”; their commitment to solving global issues; their sense of public responsibility. Anita Roddick may just have been a little ahead of her time. The market is catching up.

- c. The boundaries between marketing and selling will continue to blur and the role and decision-making power of the “front-line” employee to determine how to deliver will increase dramatically. Winning enterprises will not only be the most agile, but also the most creative and “sensitive” to the real, and often unexpressed needs of the customer. In a world of continuous and radical change, attempts to plan and control from the “top down” will be thrown out the window. Leaders will no longer dictate policies, or even scripts for employees to follow but instead will focus on creating the conditions necessary for committed customer care. Individuals capable of “deep listening”, sensitivity, empathy, “feeling solutions”, intuition, empowering others, and multi-tasking will be prized. The fact that women appear to have these qualities may, at last, cease to pass unnoticed and we may find our passage through glass ceilings becomes less painful.

I make no apology for taking such a broad brush approach to marketing and the changing business environment in which it occurs. We are cursed or blessed to be living in very interesting times and the willingness to step back and see how “it all fits” is sadly not commonplace. I don’t claim to have any answers but do believe that we must engage in dialogue and idea sharing: it’s an intellectual form of “holding hands” or collective “map making” as we make a turbulent passage from one view of the world to the next.

London, April, 2002