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Marketing – A Discipline in Crisis

The development of the fields of service marketing and relationship marketing in general and especially according to the Nordic School of marketing thought clearly demonstrates how the scope and content and hence the whole nature of marketing are changing. The highly structured approach of mainstream marketing with its inside-out focus on marketing mix management and the 4P model (McCarthy 1960), consisting of a narrow set of decision-making variables, increasingly becomes a straitjacket for the development of marketing theory and practice alike. Almost regardless of industry and of whether the core of an offering is a service or a physical product or something else, the interface between a firm and its customers and the number and variety of customer touchpoints in that interface have grown far beyond the simplistic customer interfaces on which mainstream marketing is based.

Research has not only shown that marketing has to renew itself to be able to handle growing and multi-faceted customer interfaces, but also that it has to be developed so that, when appropriate, it can allow long-term relationships with customers to develop and to be nurtured. Rigid frameworks and transaction-oriented models will not make this renewal possible. Moreover, they also make mainstream marketing overly tactical and do not allow for strategic considerations. Marketing itself lacks the possibility to be strategic, but, in addition, the way marketing has developed has also cut the strings between marketing planning and strategic planning at the corporate level. As McGovern *et al.* observe, 'in too many companies marketing is poorly linked to strategy' (2004, p. 72). The tactical orientation has removed innovativeness from marketing and prevents marketing

from being adaptive to changes in the environment (Day and Montgomery 1999, p. 3).

During the past quarter of a century, most of a firm's business functions and processes have undergone a substantial change. Through automation, process re-engineering, total quality management, just-in-time logistics and other business restructuring efforts, manufacturing and operations, logistics and warehousing, deliveries and many other processes have been developed and improved in such dramatic ways that someone who knew how these functions and processes looked fifty years ago would not believe their eyes today. Moreover, through the introduction of computerized systems, information technology, extranets and intranets and through downsizing, re-engineering and outsourcing, management and administrative routines and processes have also changed. Meanwhile, when coming back to his job a marketer who has spent the past fifty years on the moon would feel quite comfortable. Except for the introduction of a few new communication and distribution channels, no fundamental structural changes and innovations have taken place. Furthermore, marketing productivity lags behind the productivity of other functions. As reported by Sheth and Sisodia (1995), from 1947 to the mid-1990s, manufacturing and operations costs have decreased from 50 to 30 per cent of total costs, and during the same period management and administrative costs have decreased from 30 to 20 per cent of total costs. Meanwhile, marketing's share of total costs has increased substantially between the 1940s and the 1990s. No major improvement in the relative productivity of marketing has occurred since that time.

In a lead section on the need for a 'marketing renaissance' in a 2005 issue of the *Journal of Marketing*, distinguished marketing professors, albeit all but one from North America, voice their concerns regarding the status of marketing theory (Marketing Renaissance, 2005). The problems of mainstream marketing are clearly recognized, but all the articles seem to be restricted by conventional marketing thinking and frameworks. Very few innovative suggestions are made. However, in one article, Stephen Brown describes how prominent top management team members representing large firms discussed the importance of the customer to the firm. When discussing how to handle the relation between the firms and their customers, they do not mention marketing at all as an important actor in customer management (Brown 2005). Brown reports: 'Notably, none of the executives mentioned marketing as being responsible for the customer' (2005, p. 3). He also notes that marketing and sales seem to have a major role in 'making promises to customers and generating new business', whereas 'the keeping of promises and building customer loyalty is typically considered

the responsibility of others in the enterprise' (2005, p. 3). These observations that customer management is considered an issue for other organizational functions than marketing and that marketers are given responsibility only for the tactical tasks of persuading customers to buy should be a serious warning signal for mainstream marketers, academics and practitioners alike, to wake up and throw away their blinders and, provided that they already have started, continue looking for a new marketing logic. While others take over the responsibility for interpreting customers' thoughts, preferences and expectations and turning them into strategic and tactical customer management, marketing's basic framework keeps the marketers' thoughts and actions within the borders set by the 4Ps of the marketing mix. Mainstream marketing continues to be oriented towards doing something *to* customers, instead of seeing customers as people *with whom* something is done. This conclusion made by Dixon and Blois (1983) over two decades ago is still very much valid. As a consequence of this, development marketing has become less relevant for top management and corporate decision-making and hence also for shareholders. An unfortunate additional consequence is that marketing has become increasingly less relevant for customers as well.

A stream of studies and reports from the USA as well as from Europe demonstrates that marketing's impact on the thoughts and decisions of top management has been declining and the customers' voice has become less important in corporate decision-making. Gradually marketing is losing its credibility and the marketing function is in decline (see, for example, Webster Jr., Malter and Ganesan 2005). Although this is not the case for every firm everywhere, nevertheless it looks like a trend. Increasingly marketing professionals seems to be less represented on the board of directors and even on top management teams. According to McGovern *et al.*'s large study of US firms (2004), less than 10 per cent of the board's time is spent discussing marketing and customer-related issues. In another US poll, almost half of CEOs interviewed make the point that marketing organizations need improvement (*Chief Executive*, 2004). This view is echoed in a European study by McKinsey, which indicates that over 50 per cent of CEOs interviewed have a negative impression of their marketers (Cassidy, Freeling and Kiewell 2005). Another study from the USA demonstrates that chief marketing executives do not last long (Welch 2004).

Mainstream marketing seems to have pushed marketing into a vicious circle: because of its frameworks and models, marketing has become overly preoccupied with tactical issues and become less strategic, which makes top management less interested in listening to marketers and more inclined to turn to others to

make strategic decisions regarding customer management, which in turn makes marketing even less strategic and more tactical.

The facts that marketing is the only business function that has remained untouched by major structural and managerial changes and that marketing's productivity has constantly diminished clearly demonstrate that marketing, still dominated by conventional frameworks and models, is doing a remarkably bad job in taking responsibility for customer management. Mainstream marketing is preoccupied with the wrong activities and is utilizing wrong and less effective resources, or is at least only partly doing the right things. In 1998, Ian Gordon put it like this: 'Busy attending the practice of marketing, marketers may not have noticed that marketing is, for all its practical purposes, dead . . . Marketing rarely achieves its promise of differentiating and developing enduring, competitively superior value.' (Gordon, 1998). Seven years earlier, Regis McKenna concludes, in a discussion of the decline in North America of advertising, the flagship of conventional marketing, that 'the underlying reason behind [this decline] . . . is advertising's dirty little secret: it serves no useful purpose . . . Advertising misses the fundamental point of marketing – adaptability, flexibility and responsiveness.' (McKenna, 1991). Undoubtedly, this is to take it to the extreme, but the point is well taken.

The productivity of marketing cannot be improved within the existing frameworks and structures. As long as marketing's major responsibility is customer acquisition and promise-making, the costs of marketing will continue to grow, and its effectiveness will continue to go down. Taking the Internet and interactive and mobile communications media in use and turning to direct marketing channels and event marketing have offered no real innovative and structurally new improvements. The development of brand management and adopting a branding terminology in marketing is only more of the same, in some situations making conventional marketing more effective perhaps, but offering no innovative new avenues for customer management. Marketing as a discipline is in crisis. And marketing as a business practice responsible for customer management is losing credibility.

Because marketers, alongside salespeople, should be the ones who know best how to translate customers' preferences and expectations into corporate strategies and customer management programmes and activities, they should be the ones who take responsibility for customer management. However, in strategic decision-making, due to the marginalization of marketing and its lack of innovativeness, the voice of the customers is interpreted by people who by and

large through training and experience are often less customer-focused than marketers should be. However, as long as the marketers are hostages of outdated and too narrow frameworks for thinking and doing, marketing's vicious circle will continue to spin in a direction which is unfortunate for marketers and customers alike, and in the final analysis for the firm and its shareholders as well.

In the three parts of this book that follow a service-based logic for marketing is explored: service marketing (Part One) and its extension into relationship marketing (Part Two) and a concluding analysis of a service logic as a foundation for a contemporary marketing theory (Part Three).

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