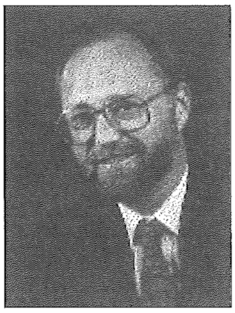
I. Marketing strategy in a Changing World



Graham Hooley
redni profesor
Aston Business School
Univerza Aston
Velika Britanija

Abstract

"If it is to achieve sustainable success in the demanding world marketplace, tomorrow's company must be able to learn fast and change fast. To do this a winning company must inspire its people to new levels of skill, efficiency and creativity, supported by a sense of shared destiny with customers, suppliers and investors." R.S.A. (1994)

In the highly competitive markets envisaged for the foreseeable future ability to assimilate and act on knowledge, to create strategies based on assets and competencies, to establish close, deep relationships with chosen customers in clearly defined market segments, and finally the ability to re-define the scope and role of marketing within the organization will be the bases for creating competitive advantage.

Izvleček

Marketinška strategija v spreminjajočem se svetu

»Če podjetje želi uspeti na zahtevnem svetovnem tržišču, mora biti sposobno hitro učiti se in se hitro spreminjati. Da bi uspešno podjetje to storilo, mora motivirati svoje ljudi za nove ravni usposobljenosti, učinkovitosti in kreativnosti in to podpreti z občutkom skupne usode s kupci, dobavitelji in investitorji.« R.S.A (1994)

Na visoko kompetitivnih trgih prihodnosti bo osnova za ustvarjanje konkurenčne prednosti zmožnost asimilacije in ravnanje na podlagi znanja, ustvarjanje dobičkonosnih in kompetentnih strategij, uveljavljanje tesnih, globokih razmerij z izbranimi potrošniki v jasno definiranih tržnih segmentih in končno zmožnost redefiniranja obsega in vloge marketinga v organizaciji.

1. THE CHANGING COMPETITIVE ARENA

To claim that "the only constant is change" is trite but true in today's business environment. The recent UK study by the Royal Society for the encouragement of Arts, Manufactures & Commerce (R.S.A.) termed "Tomorrow's Company" identified a number of major changes taking place in business markets:

> The pace of economic change is accelerating. During the Industrial Revolution it took 60 years for productivity per

person to double. China and South Korea have done the same in 10 years.

There is an explosion in innovation and new knowledge generation that is also accelerating. Every year as much new knowledge is generated through research and development as the total sum of all human knowledge up to the 1960s.

Competitive pressures are intensifying. Computer manufacturers, for example, need to reduce costs and improve product performance by around 30% per annum to remain competitive.

Manufacturing can now take place almost anywhere. Companies are constantly seeking more efficient manufacturing options and that typically means sourcing from wherever makes economic sense. 1993 figures show UK manufacturing labor costs at half those of Germany but twice those of Korea and Taiwan. Labor costs in Poland, Thailand, China and Indonesia are significantly lower still.

New organizational structures are emerging as firms seek to make themselves more competitive. Firms have reorganized, reduced overheads, de-layered, merged, created alliances and partnerships in attempts to create advantage in the market place.

International trade is being liberalized through the GATT and World Trade Organization but there are still massive regional trading blocks within which regional, nationalistic, ethnic and religious groupings seek to retain individual identity.

Company actions are becoming increasingly visible, especially their effects on the environment. Customers are demanding more both economically and environmentally.

At the macro-level these changes can be grouped into economic, technological, social, legal and political issues. Most macro-environmental factors are outside the control of individual firms. Few companies have the ability to significantly influence political, economic, social, and technological processes. Most need to ensure they understand and predict the changes going on.

A number of further trends can be seen in today's markets that are likely to continue into the foreseeable future.

First, customers are becoming increasingly demanding of the products and services they buy. Customers demand and expect, reliable and durable products with quick efficient service at reasonable prices. They also expect the products and services they buy to meet their needs. Different customers have different wants and needs and hence companies have an opportunity to select segments where their offerings most closely align with those needs and where they can focus their activities to create a competitive advantage.

A second major trend, one that particularly differentiates the late 1990s from the 1980s, is that customers are less prepared to pay a substantial premium for products or services that do not offer demonstrably greater value. While it is undeniable that well developed and managed brands can command higher prices than unbranded products in many markets, the differentials commanded are now much less than they were and customers are increasingly questioning the extra value they get for the extra expense. Marlboro cigarettes are a case in point. On 2nd April 1992 ("Marlboro Friday") Philip Morris announced a one fifth reduction in price of its market leading brand of cigarettes to defend market share against aggressive US rivals. The brand had lost substantial market share to lower priced competitors. Customers were simply not convinced that Marlboro was worth the premium price it had been charging. The implications are clear. Differentiation needs to be based on providing demonstrably superior value to customers.

A third major trend is in both the level and nature of competition. Competition is becoming more intense and more global in nature. As international trade becomes more liberalized under the aegis of the World Trade Organization (WTO), the successor to the General Agreement on Tariffs and Trade (GATT) so firms face tougher international competition at home and increased opportunities abroad. Time and distance are shrinking rapidly as communications become near instantaneous. When Deng Xiaoping, the Chinese Paramount Leader, died on 18th February 1997 news of his death reached London, Washington and Bonn before many in Beijing knew about it. Firms are increasingly thinking global in their strategies, especially as cross-national segments are beginning to emerge for products and services from fast foods through toys to computers and automobiles.

Not only are markets becoming more competitive through more players emerging in them. Those firms that survive and thrive in these more competitive conditions are, by their very nature, tougher competitors. Weak firms are being shaken out of markets where they do not have clear positionings and attendant capabilities. The implications of heightened, more aggressive competition, both domestic and international, are that firms will need to look even more closely at their scope of operations and targeting in the future.

A study undertaken with colleagues from the University of Maribor* confirmed that these trends originally observed in Western markets are equally apparent in Central and Eastern Europe. Table 1 below shows some of the significant findings.

* The empirical research reported in this paper was funded by the European Union under its ACE 94 initiative. The contributions of Professors John Fahy, Tony Cox, David Shipley, Krisztina Kolos, Irma Agardi, Krzysztof Fonfara, Marin Marinov, Svetla Marinova, Boris Snoj and Vladimir Gabrijan to the four country study are gratefully acknowledged.

Table 1: Changing Customer Expectations

First figures show percent of respondents from each country agreeing with the statement

Figures in italics show which factors have had a big effect on the businesses concerned

	Total	Hungary	Poland	Bulgaria	Slovenia
Changing Customer Expectations	(n=2672)	(n=585)	(n=386)	(n=1080)	(n=621)
Customers are increasingly demanding better quality and reliability	96% 63%	93% 53%	98% 73%	96% 63%	98% 65%
Customers are becoming increasingly price sensitive	94% 79%	95% 75%	89% 66%	94% 89%	94% 72%
There is increasing customer choice	94% 62%	94% 59%	98% 62%	92% 68%	97% 52%
New market segments are emerging with different needs and expectations	85% 42%	81% 34%	77% 32%	90% 55%	86% 35%
Customers are becoming increasingly sensitive to the environmental impact of business	60% 21%	79% 53%	38% 18%	65% 13%	59% 26%

It is clear from the above table that the trends experienced in western markets are equally evident in CEE. Despite concerns over costs and prices customers do increasingly expect better quality and reliability in the products and services they buy. They have more choice, and because of that new market segments are starting to emerge. These offer great market opportunities for the firms that can spot them and lead them. While recognition of the emergence of new market segments is high, relatively few firms believe they currently have a big impact on their business. Similarly, increasing concern for environmental issues was noted but its current impact on specific businesses reported as limited. Again, this may signal a potential area for innovative and progressive firms to move ahead of their less innovative competitors.

In addition to changes in customer requirements and expectations many of the key pressures on business from other quarters were also mirrored in the research. Table 2 shows some of these.

Table 2 : Pressures on Business

	Total	Hungary	Poland	Bulgaria	Slovenia
Changing Business Pressures	(n=2672)	(n=585)	(n=386)	(n=1080)	(n=621)
There is increased pressure to keep business costs down	93% 75%	93% 63%	89% 66%	90% 83%	99% 76%
New products & services are coming to market more quickly than in the past	85% 55%	86% 50%	94% 56%	77% 60%	93% 52%
Technology is changing rapidly	66% 37%	73% 44%	73% 41%	49% 26%	86% 49%

Cost pressures dominate business worldwide. They are particularly apparent during times of economic depression such as that experienced over the last few years. It is unlikely, however, that as economies in the region begin to grow more strongly as Poland and (to a lesser extent) Hungary are now doing these pressures will subside. Tomorrow's company needs to be both effective (giving customers what they want) and efficient (doing it as cheaply as possible).

Technological change also affects all markets. The figures here were actually lower than might have been expected perhaps reflecting the current technological infrastructure in some older industries. We must anticipate for the future that technological change will gather momentum. It was noticeable that more rapid change was acknowledged in Slovenia than the other countries studied reflecting the high technological base of the economy.

Concerns have been expressed, however, concerning the general infrastructure in which business is conducted in CEE in general. Table 3 below shows some of the main factors.

Table 3 : The Infrastructure for business

	Total	Hungary	Poland	Bulgaria	Slovenia
The Infrastructure for business	(n=2672)	(n=585)	(n=386)	(n=1080)	(n=621)
Over-taxation on enterprises is reducing the funds available for re-investment	96% 82%	94% 82%	92% 78%	99% 97%	96% 76%
The level of official bureaucracy is a deterrent to foreign investment	72% 42%	63% 43%	58% 35%	90% 45%	60% 39%
There is a high level of business uncertainty in the market	71% 63%	62% 49%	50% 37%	89% 88%	59% 45%
The "black market" is a deterrent to trade and legitimate enterprise	65% 40%	75% 57%	39% 28%	71% 33%	63% 42%
The political situation in the country is conducive to business activity (disagree)	63% 47%	52% 34%	49% 28%	86% 69%	42% 30%
The legal framework in the country is conducive to business activity (disagree)	75% 48%	61% 32%	60% 43%	88% 60%	75% 46%
The financial infrastructure is conducive to business activity (disagree)	80% 59%	63% 34%	63% 42%	98% 84%	77% 49%

Clearly there is a role for governments in providing and encouraging the conditions under which enterprise can flourish.

2. ORGANIZATIONAL CHANGE

The 1990s saw a major emphasis in many western organizations on corporate "downsizing" or "restructuring". In attempts to deal with the difficult economic conditions of the early 1990s in western, developed markets costs came under increasing pressure and layers of both workers and managers were removed. In CEE also the impact of deregulation and privatization has been to push unemployment levels to heights never (overtly) seen under the planned economies of the past.

While "downsizing" is now less fashionable, as firms have realized that there is only so much fat that can be cut before you damage the muscle and too aggressive slimming can lead to "anorexia industrialis" (*the excessive desire to be leaner and fitter leading to total emaciation and eventual death*) its impact on organizational structures for the new millennium has been far broader. These are manifest in two main directions. First the impact within the firm, second the impact on inter-firm relations.

Within firms the boundaries between functional areas are becoming more blurred. Where firms were once organized with clear cut divisions between marketing, finance and operations it is now recognized that "functional silos" can result in myopic operations and sub-optimal strategies. In leading firms the functional boundaries have long since been replaced by process teams that can view the operations of the organization in holistic terms and will not be hampered by petty rivalries between functions.

At the same time the role of marketing per se in the organization has been challenged (Brady and Davis 1993; Doyle 1995). In 1994 Lever Brothers abolished the job of marketing director, merged sales and marketing departments into business groups focusing on consumer research and product development. They also created "customer development teams" responsible for relationship building with key retail customers (The Economist 9.4.94).

Marketing departments can get in the way of serving customers for two main reasons. The first is territorial. They may see dealing with customers as their preserve and wish to retain the power and influence that goes with that. Second, however, they may encourage others in the organization to off-load responsibility for customer building to the marketing department. This creates the dangerous view that others don't need to concern themselves with customers, someone else will take care of it.

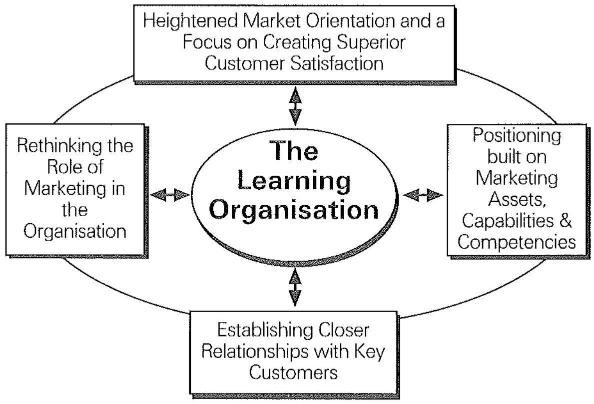
Between firms the boundaries of where one finishes and the next starts are also increasingly blurred. Boundaries with suppliers, distributors and customers are changing as more businesses understand the need to manage the entire value chain from raw materials through to customers, and work more closely with partner firms to achieve added value through the chain. A number of authors now refer to the "virtual organization" (Piercy and Cravens 1994) as networks and alliances create supra-organizational entities.

The above major trends and changes taking place both in markets and organizations lead to a need to reassess business strategy in general and marketing strategy in particular. The strategies that will be successful in the future will need to be responsive and adaptive rather than rigid and fixed. Key will be creating an organizational context in which learning can take place, market changes can be identified and capabilities can be fashioned to ensure a strategic fit between market and firm.

3. FUNDAMENTALS OF STRATEGY IN A CHANGING WORLD

Figure 1 below shows a number of factors that are increasingly essential in dealing with complex and changing circumstances.

Figure 1: Fundamentals of Strategy in a changing World



3.1 The Learning Organization

Central to developing a sustainable competitive advantage in rapidly, and often unpredictably, changing circumstances, is the ability to learn and adapt. The competitive dynamics of markets with new entrants, substitute technologies and shifts in customer preferences can swiftly erode static advantages built on the "generic" strategies of cost leadership or product differentiation (McKee and Varadarajan 1995). Organizational learning, however, offers the potential to both respond to, and act on opportunities in the markets of the firm. Indeed, Dickson (1992) suggests that ability to learn faster than competitors may be the only real source of sustainable competitive advantage.

Learning is manifest in the knowledge, experience and information held in an organization (Mahoney 1995). It resides both in people and technical systems. Learning involves the acquisition, processing, storing and retrieval (dissemination) of knowledge. A major challenge for many organizations is to create the combination of culture and climate to maximize learning (Slater and Narver 1995). At the human level managerial systems need to be established to both create and control knowledge. At the technical level systems need to be established to facilitate the accumulation and storing of relevant information in a manner that makes it readily accessible to those who need to access it.

Much of an organization's knowledge base typically resides in the heads of managers and workers. When personnel leave through "downsizing" or recruitment by competitors that knowledge may be lost, or more damagingly, gained by a competitor. Employment contracts of key personnel are increasingly including "golden handcuffs" that prohibit critical managers from taking their knowledge to competitors. Organizations are also increasingly looking for ways of extracting the knowledge of their key people and transmitting it to others in the organization, through expert systems and training processes, so that the knowledge is more secure and embedded in the fabric of the organization.

Of particular importance in the context of marketing strategy is the development of knowledge and skills in how to create superior customer value. Slater and Narver (1995) show that a primary focus of market orientation is to create superior customer value, and that in turn needs to be based on knowledge derived from customer and competitor analysis, together with knowledge gleaned from suppliers, businesses in different industries, government sources, universities, consultants and other potential sources. They conclude that learning organizations continually acquire, process and disseminate knowledge about markets, products, technologies and business processes based on experience, experimentation, information from customers, suppliers, competitors and other sources. This learning enables them to anticipate and act on opportunities in turbulent and fragmented markets.

While the central requirement for competing in the future is learning, a number of other more specific building blocks can be suggested as important ingredients in fashioning competitive strategy.

3.2. Heightened market orientation & focus on creating superior customer value

In increasingly crowded and competitive markets there is no substitute for being market oriented. Put simply a market orientation focuses the firm's activities on meeting the needs and requirements of customers better than competitors. This in turn requires finding out what will give customers value and ensuring that the firms energies are directed at providing that. Identifying ways of providing superior customer value is one of the central challenges of management for the new millennium.

A market orientation does not imply over-sophisticated marketing operation. Indeed it has been argued by some that marketing departments can themselves get in the way of providing superior customer value.

As Simon (1996) shows, German mid-sized "hidden champions" demonstrate a clear focus on providing solutions for their customers. These companies go deep rather than broad (they specialize in narrow niches of the market) but operate across global markets. Their success is based on understanding their customer needs and being highly responsive to delivering solutions to customer problems. They typically have dominant market shares of their chosen niches world-wide. For example, Krones has 80% worldwide market share in bottle labeling machines, Hauni is world market leader in cigarette machines with 90% share of high-speed machines, Brita has 85% of the world market for point of use water filters and Baader's share of the world market for fish processing equipment is 90%. All have a narrow focus but operate across global markets.

Winterhalter Gastronom make dishwashers for commercial use. There are many markets for these products including hospitals, schools, companies, hotels, military institutions etc. each with different product requirements. Many products are on the market and Winterhalter found that, globally, they only commanded 2% of the market. This led to a re-focusing of the firm's strategy. First they decided to focus solely on hotels and restaurants (the second part of the company name was added after this decision to focus was made). The business was re-defined as the supplier of clean glasses and dishes for hotels and restaurants. In addition to designing the dishwashers to meet the specific requirements of the hotels and restaurants the company extended its product line to include water-conditioning devices, an own brand of detergent and round the clock service. Thus they were taking full responsibility for the provision of the clean glasses and dishes, going into depth with the chosen segment, rather than simply offering dishwashers across the market and leaving the provision of services and detergent to others. The company now has a world market share of its chosen segment of 20% and climbing (Simon 1996).

In the quest to provide superior customer value no firm can stand still. What offers better value than competitors today will be standard tomorrow. Innovation, the constant improving of the offering to customers, is essential for sustained competitive advantage. Again Simon's hidden champions demonstrate this clearly. Many of these firms created their own markets through technological breakthroughs but then continued to innovate to stay ahead of further industry entrants. They typically hold relatively large numbers of patents and derive disproportionate amounts of profits from new products. Critically, however, they achieve a balance between being technology driven and market led. While they are determined to exploit their technological advantages they also ensure that these are aligned with changing market requirements. W.L. Gore Inc, for example, an American "hidden champion", maker of semi-permeable Gore-Tex fabrics has exploited its technological lead in fabric manufacture to develop products suitable for its customers in the garment and shoe industries (Simon 1996).

The focus of activities in firms that are truly market oriented and intent on creating superior value for their customers is on finding solutions to those customers' problems. Rather than a focus on selling the firm's own existing products it sets out first to identify current and future customer problems and then to find solutions to them. Solutions may involve creating new products and services, integrating the offerings of other providers (through alliances), and even in some instances accepting that customers cannot be well served and recommending alternative suppliers. After exhausting all other options a truly market oriented firm can gain more customer goodwill (and ultimately more long term business) by admitting that it cannot provide exactly what the customer wants rather than trying to persuade the customer to accept second best, or even pretending that the solution offered is appropriate.

3.3. Positioning built on Marketing Assets, Capabilities and Competencies

Much of the emphasis in the strategy literature in the early 90s has focused on the "resource based theory" of the firm (see Grant 1995 for a summary). The theory emphasizes the need for strategies to be based on the resources and capabilities of the firm, rather than merely chasing customers irrespective of the ability of the firm to serve them. Resource based theorists, however, are in danger of losing sight of the fact that resources are only valuable when they are translated into providing something that customers want. This is the essence of the "asset based marketing" approach (see Hooley & Saunders 1993).

Markets change and so too must assets and competencies. They need to be constantly improved and developed if the firm is to thrive. An essential task for marketing management is to identify the competencies and assets that will be needed in the future, as well as those that are needed today, so that they can be built or acquired in advance.

Marketing assets are any properties that can be exploited in the market place to create or sustain a competitive advantage. They range from recognized brand names, through unique use of distribution channels, to information and quality control systems. These assets are the resource endowments the business has created or acquired over time and now has available to deploy in the market. Competencies are the skills that are used to deploy the assets to best effect in the market. Day (1994) refers to them as the glue that binds the assets together and enables them to be deployed advantageously. He also offers a formal definition of capabilities:

> *"Capabilities are complex bundles of skills and collective learning, exercised through organizational processes, that ensure superior co-ordination of functional activities" (page 38).*

This definition is in line with Barney (1991) who suggests that it is management that are important in the resource based view of the firm because they make use of the assets and other resources available to them based on their knowledge of the market acquired through their previous learning.

Competencies and Capabilities

Day (1994) goes on to identify three main types of competencies: outside-in; inside-out; and spanning and integrating competencies. Outside-in competencies are those skills and abilities which enable a business to understand its customers and create closer linkages with them. They include market sensing skills, or the abilities of the firm to assess and judge changes in its markets. Specific skills include the ability to conduct and interpret marketing research, and the capability of disseminating that information to those who need to know within the firm. Also relevant are customer bonding and linking skills which help build closer links with key customers.

Inside-out competencies are the internal capabilities of the firm and its employees that might be deployed in the market place to provide better products and services to customers. They include financial management, cost controlling skills, technological skills, logistics management, manufacturing processes, and human resource management.

Spanning and integrating competencies bring together the inside-out and the outside-in to ensure delivery of appropriate products and services to customers. They include customer order fulfillment (which is achieved through understanding customer wants and needs [outside-in] and using internal systems and procedures to ensure delivery [inside-out]). *Perhaps the most significant spanning and integrating* capabilities are the ability to set competitive, yet profitable, prices and the development of new products. Both require a clear understanding of market needs coupled with internal, technical capabilities.

Alliance based assets and competencies

Not all assets and capabilities may be vested in the focal firm. Increasingly companies are creating alliances and networks with others that enable them to leverage further assets and competencies of partner firms. Alliances can offer four main sets of assets and competencies: access to new markets; access to managerial competence; access to technological competence; and economic benefits.

Access to new markets might be provided through the networks and reputation of the partner firm. Western firms entering the newly emerging markets of central and Eastern Europe, for example, have typically done so through alliances, joint ventures or acquisitions with local firms that know the market, have some existing market presence on which to build and, perhaps most crucially, understand how to do business in that very different market environment. In essence the local firm provides market knowledge and existing relationships that can add to the fund of assets and competencies of the foreign partner (see Hooley et al 1996).

Alliances may provide further managerial competencies above access to markets. These can include technical skills in dealing with local technologies, and human resource skills in dealing with local staff.

In strategic alliances technological competence can be gained through technology transfer and the sharing of core skills and processes. Alliances may be created to allow all partners to share in the enhanced technical abilities of the partnership.

Economic benefits of alliances include the sharing of risks and costs (such as with new product development), taking advantage of locational assets such as cheap labor or availability of raw materials, volume and scale opportunities and access to funds.

Taken together marketing assets and competencies/capabilities are the basis on which any competitive positioning is built. Ideally firms are seeking to build their positions on the basis of assets and competencies which are superior to the competition's and difficult to duplicate. They are also seeking to create or acquire assets and competencies that can be exploited in many other situations (e.g. extend their brand name into new markets, exploit their technology in new industries, use their networks in different ways). A critical issue for the future is how different assets and competencies can be combined to create new products and services (Hamel and Prahalad 1994).

3.4. Establishing closer relationships with key customers

Relationship marketing (Gummesson 1987; Grönroos 1994; Payne 1995) has been one of the most significant developments in marketing thought of recent years. While it has been recognized as important in some markets for some time (e.g. financial services) it is now generally agreed that customer retention, through superior service and relationship building is applicable in far wider markets.

In consumer markets relationships may be built initially through branding and reputation creation, while in business markets relationships are more generally built at an individual level. Simon (1996), however, stresses that the relationships which endure in business markets are those based on sound economic and business grounds rather than, perhaps ephemeral, personal/social bases. Relationships and reputations can be far harder for competitors to copy than possibly transitory product features, special offers or deals.

Zeilke and Pohl (1996) show that key factors for success in the machine tool industry have changed since the start of the 1990s. In 1990 the keys to success were cross-functional teams, single sourcing and group working. These factors were seen to differentiate the better performing firms from the weaker ones. By 1996, however, these operational characteristics had become standard in the industry and no longer differentiated winners from losers. What now differentiates the more successful companies is their relationships with customers and suppliers. The market leaders are now managing the complete value chain with suppliers becoming increasingly concerned with new product development and quality improvement. They are also linking pay and other rewards with customer related performance targets. While efficiency has been the focus at the start of the decade, the emphasis has now shifted to customer and supplier relationship management.

3.5. Rethinking the role of marketing in the organization

The above lead to the inevitable conclusion that the role and function of marketing within the organization (or within the "virtual network") needs to be redefined and reasserted.

Basic to that rethinking is to escape from the notion that marketing is essentially a business function, a department on the organization chart. Increasingly marketing is being seen as a process within the value chain, a process responsible for ensuring the creation of value for customers in both the short and long teem. This requires a focus more on marketing skills rather than marketing titles (Brown 1995). Structures need to be created that facilitate rapid response and flexibility rather than hinder it. Indeed, it interesting to note that some of the best firms such as Virgin, Marks & Spencer and BodyShop don't even have marketing departments yet few would dispute that they are close to their customers and responsive to their needs (Doyle 1995).

Simon (1996) also notes that many of the firms in his sample of "hidden champions" do not have marketing departments. They share, however, two main traits. First they are extremely close to their customers and ensure that all employees recognize their role in serving them. Second, they focus on solving customers' problems through innovation to constantly improve on their offerings to customers, continuously providing additional customer value . These two traits are the essence of a market orientation but are achieved without the trappings of a marketing department.

It is important in defining the role of marketing for the future to recognize that marketing operates at two main levels: strategic and operational. At the operational level brand managers and marketing managers deal with day to day marketing tasks such as liaison with market research companies, advertising and public relations agencies and so on. In FMCG companies they also spend much of their time organizing trade and consumer promotions, special deals, competitions etc.

At the strategic level, however, marketing is more concerned with decisions as to which markets to operate in and how to compete successfully in them. At this level marketing is not a functional activity but requires input from across the organization of alternative perspectives and skills.

Marketing needs to become and remain flexible and responsive to change. That entails distinguishing the philosophy from the trappings. At a strategic level everyone in the organization should place customers at the forefront of their minds because, as the CEO of Xerox says in the firm's mission statement, at the end of the day it is customers who will decide whether the firm survives and whether employees and managers have a job or not in the future.

Handy (see Abrahams 1996) talks of "shamrock organizations" emerging for the future. These will consist of three leaves. The first will be a small core of professional senior managers on fixed contracts who will be running the business and making the strategic decisions such as the markets in which the firm will operate and the ways in which it will create competitive advantage (positioning decisions, see Hooley, Saunders and Piercy 1998). The second leaf will be those on fixed term contracts providing services such as public relations, database management and advertising. These managers will be specialists in operational and implementation aspects of marketing but will be closely directed as to where their efforts should go. The third leaf will be ad-hoc contractors whom will supply specialist expertise as and when needed, such as advertising agencies, marketing research agencies, design consultancies etc.

4. CONCLUSIONS

In the highly competitive markets envisaged for the foreseeable future ability to assimilate and act on knowledge, to create strategies based on assets and competencies, to establish close, deep relationships with chosen customers in clearly defined market segments, and finally the ability to re-define the scope and role of marketing within the organization will be the bases for creating competitive advantage.

References & Further Reading

Abrahams, B. (1996), 'Life after downsizing" *Marketing*, May 30th, 26–27.

Armistead, Colin G. and Graham Clark (1992), *Customer Service and Support*, London, Financial Times Pitman Publishing.

Barney, Jay B. (1991), 'Firm resources and sustained competitive advantage", *Journal of Management*, 17 (1), 99–120.

Berry, L. L. and Parasuraman, A. (1991), *Marketing Services: Competing through quality*, New York, The Free Press.

Brady, J. and I. Davis (1993), 'Marketing's mid-life crisis", *The McKinsey Quarterly* 2 (2), 17–28.

Brown, Antony (1995), 'The fall and rise of marketing", *Marketing Business*, February 25–28.

Cooper, Robert and Elko Kleinschmidt (1995), 'New product performance : keys to success, profitability and cycle time reduction", *Journal of Marketing Management*, 11, 315–337.

Day, G. S. (1994), "The capabilities of market-driven organizations", *Journal of Marketing*, 58 (3), 37–52.

Dickson, P.R. (1992), 'Towards a general theory of competitive rationality", *Journal of Marketing*, 56 (Jan), 69–83.

Doyle, Peter (1995), 'Marketing in the new millennium", *European Journal of Marketing*, 29 (13), 23–41.

Doyle, Peter and Veronica Wong (1996), EMAC Paper.

Economist (1994), 'Death of the brand manager", *The Economist*, April 9th, 79–80.

Grant, Robert M. (1995), 2nd Ed, *Contemporary Strategy Analysis*, Cambridge Mass: Blackwell Business.

Grönroos, Christian (1994), 'From marketing mix to relationship marketing: towards a new paradigm in marketing", *Management Decision*, 32 (2), 4–32.

Gummesson, Evert (1987), "The new marketing - developing long term interactive relationships", *Long Range Planning*, 20 (4), 10–20.

Hamel, Gary and C. K. Prahalad (1991), "Corporate imagination and expeditionary marketing", *Harvard Business Review*, July-August, 81–92.

Hamel, G. and Prahalad, C. K. (1994), *Competing for the Future*, Boston, Harvard Business School Press.

Hooley, Graham and John Saunders (1993), *Competitive Positioning*, London, Prentice Hall International.

Hooley, Graham, Tony Cox, David Shipley, John Fahy, Jozsef Beracs and Krizstina Kolos (1996), 'Foreign direct investment in Hungary : resource acquisition and domestic competitive advantage", *Journal of International Business Studies*,

Hooley, Graham, John Saunders and Nigel Piercy (1998), *Marketing Strategy and Competitive Positioning*, 2nd ed, Hemel Hempstead, Prentice Hall International.

Kotler, Philip, Gary Armstrong, John Saunders and Veronica Wong (1996), *Principles of Marketing : the European Edition*, London, Prentice Hall International.

McKee, Daryl and P. Rajan Varadarajan (1995), "Introduction : special issue on sustainable competitive advantage", *Journal of Business Research*, 33 (2), 77–79.

Mahoney, Joseph T. (1995), "The management of resources and the resource of management", *Journal of Business Research*, 33 (2), 91–101.

Moore, Geoffrey A. (1991), *Crossing the Chasm*, New York, Harper Collins.

Piercy, Nigel and David Cravens (1995), "The network paradigm and the marketing organization", *European Journal of Marketing*, 29 (3), 7–34.

Pine, B. Joseph II (1993), *Mass Customization*, Boston, Harvard Business School Press.

R.S.A. (1994), *Tomorrow's Company : the role of business in a changing world*, London, RSA (Royal Society for the encouragement of Arts, Manufactures and Commerce).

Saunders, John and Jim Saker (1994), 'The changing consumer in the UK" *International Journal of Research in Marketing*, 11, 477–489.

Simon, Hermann (1996), *Hidden Champions*, Boston, Harvard Business School Press.

Slater, Stanley and John Narver (1995), "Market orientation and the learning organization", *Journal of Marketing*, 59 (July), 63–74.

Tellis, Gerard and Peter Golder (1996), 'First to market, first to fail : real causes of enduring market leadership", *Sloan Management Review*, 37 (2).

Zeilke, Andreas and Matthias Pohl (1996), "Virtual vertical integration : the key to success", *McKinsey Quarterly* (3), 160–163.