## a dramatically changed marketplace

these three forces—technology, globalization, and social responsibility—have dramatically changed the mar- ketplace, bringing consumers and companies new capabilities. the marketplace is also being transformed by changes in channel structure and heightened competition.

### new consumer capabilities

social media is an explosive worldwide phenomenon. in germany, the percentage of consumers over 65 accessing the internet increased from 24 percent to 33 percent from 2011 to 2012; most belonged to a social media service. the number of germans browsing the web wirelessly increased to 29 million in 2012 and was expected to hit 60 million in 2016. more than 10 percent of germans were using tablets to access the internet in 2012. almost two- thirds of german companies surveyed in 2012 reported positive payback to their social media activities (facebook, twitter, social media newsrooms, customer feedback communities).37

empowerment is not just about technology, though. consumers are willing to move to another brand if they think they are not being treated right or do not like what they are seeing, as progressive insurance found out.38

progressiveinsurance katefisher,aprogressivecustomer,waskilledbyanunderinsured driver who ran a red light. her family felt they had to sue the driver for negligence to prompt progressive to make up what the driver could not pay. matt fisher, kate's brother, was furious when progressive actively participated in the negligent driver's legal defense. his tumblr post, "my sister paid progressive insurance to defend her killer in court," was picked up by media outlets and sparked public outrage on progressive's facebook and twitter pages. more than 1,000 customers reported dropping progressive, and many more said they would not do business with the company. although progressive felt it had defensible business reasons for its actions, critics were enraged by its awkward responses, like: "we fully investigated this claim and relevant background and feel we properly handled the claim within our contractual obligations." after a few tumultuous days, progressive reportedly settled with the fishers for tens of thousands of dollars more than the $76,000 they had sought.

expanded information, communication, and mobility enable customers to make better choices and share their preferences and opinions with others around the world. table 1.2 summarizes some of the new consumer capabili- ties we outline next.

• consumers can use the internet as a powerful information and purchasing aid. from the home, office, or mobile phone, they can compare product prices and features, consult user reviews, and order goods online from anywhere in the world 24 hours a day, seven days a week, bypassing limited local offerings and real- izing significant price savings. they can also engage in "showrooming": comparing products in stores but buying online.39 because consumers and other constituents can in fact track down virtually any kind of company information, firms now realize that transparency in corporate words and actions is of paramount importance.

• consumers can search, communicate, and purchase on the move. consumers increasingly integrate smart phones and tablets into their daily lives. one study found the majority of european smart phone own- ers use their devices to research products and make purchases.40 there is one cell phone for every two people on the planet—and 10 times more cell phones are produced globally each day than babies are born. telecommunications is one of the world's trillion-dollar industries, along with tourism, military, food, and automobiles.41

• consumers can tap into social media to share opinions and express loyalty. personal connections and user- generated content thrive on social media such as facebook, flickr, wikipedia, and youtube. sites like dogster for dog lovers, tripadvisor for travelers, and moterus for bikers bring together consumers with a common interest. at carspace.com, auto enthusiasts talk about chrome rims, the latest bmw model, and where to find a great local mechanic.

• consumers can actively interact with companies. consumers see their favorite companies as work- shops from which to draw out the offerings they want. by opting in or out of lists, they can receive marketing and sales-related communications, discounts, coupons, and other special deals. with smart phones, they can scan barcodes and qr (quick response) codes to access a brand's web site and other information.42

• consumers can reject marketing they find inappropriate. some customers today may see fewer product differences and feel less brand loyal. others may become more price- and quality-sensitive in their search for value. almost two-thirds of consumers in one survey reported that they disliked advertising.43 for these and other reasons, consumers can be less tolerant about undesired marketing. they can choose to screen out online messages, skip commercials with their dvrs, and avoid marketing appeals through the mail or over the phone.

new company capabilities

at the same time, globalization, social responsibility, and technology have also generated a new set of capabilities to help companies cope and respond (see table 1.3).

• companies can use the internet as a powerful information and sales channel, including for individually dif- ferentiated goods. a web site can list products and services, history, business philosophy, job opportunities, and other information of interest to consumers worldwide. solo cup marketers note that linking their store- fronts to their web site and facebook page makes it easier for consumers to buy solo paper cups and plates while engaging with the brand online.44 thanks to advances in factory customization, computer technology, and database marketing software, companies can allow customers to buy m&m candies with their names on them, wheaties boxes or jones soda cans with their picture on the front, and heinz ketchup bottles with customized messages.45

• companies can collect fuller and richer information about markets, customers, prospects, and competitors.

marketers can conduct fresh marketing research by using the internet to arrange focus groups, send out questionnaires, and gather primary data in several other ways. they can assemble information about individual customers' purchases, preferences, demographics, and profitability. the drugstore chain cvs uses loyalty-card data to better understand what consumers purchase, the frequency of store visits, and other buying preferences. its extracare program supports 69 million shoppers in more than 7,300 stores. eighty-two percent of cvs's front store (non-pharmacy) sales go through the extracare program.46

• companies can reach consumers quickly and efficiently via social media and mobile marketing, sending tar- geted ads, coupons, and information. gps technology can pinpoint consumers' exact location, letting marketers send them messages at the mall with wish-list reminders and coupons or offers good only that day. location- based advertising is attractive because it reaches consumers closer to the point of sale. social media and buzz are also powerful. over a two-year period, dell took in more than $2 million in u.s. revenue from coupons provided through twitter and another $1 million from people who started at twitter and bought a new computer on dell's web site. by mid-2012, the @delloutlet twitter account had more than 1.6 million followers.47 word-of-mouth marketing agency bzzagent recruited 600,000 consumers who voluntarily join promotional programs for products and services they deem worth talking about.

• companies can improve purchasing, recruiting, training, and internal and external communications. firms can recruit new employees online, and many have internet training products for their employees, dealers, and agents. blogging has waned as companies embrace social media. "we want to be where our customers are," said bank of america after dropping its blog in favor of facebook and twitter.48 farmers insurance uses specialized software to help its 15,000 agents nationwide maintain their own facebook pages.49 via intranets and databases, employees can query one another, seek advice, and exchange informa- tion. seeking a single online employee portal that transcended business units, general motors launched a platform called mysocrates in 2006 to carry announcements, news, links, and historical information. gm credits the portal with $17.4 million in cost savings to date.50 popular hybrid twitter/facebook-type prod- ucts designed especially for business employees have been introduced by salesforce.com, ibm, and several start-ups.51

• companies can improve their cost efficiency. corporate buyers can achieve substantial savings by using the internet to compare sellers' prices and purchase materials at auction or by posting their own terms in reverse auctions. companies can improve logistics and operations to reap substantial cost savings while improving accuracy and service quality. small businesses can especially unleash the power of the internet. physicians operating a small practice can use facebook-like services such as doximity to connect with referring physicians and specialists.52

one of the reasons consumers have more choices is that channels of distribution have changed as a result of retail

transformation and disintermediation.

• retail transformation. store-based retailers face competition from catalog houses; direct-mail firms; newspaper, magazine, and tv direct-to-customer ads; home shopping tv; and e-commerce. in response, entrepreneurial retailers are building entertainment into their stores with coffee bars, demonstrations, and performances, marketing an "experience" rather than a product assortment.

• disintermediation. early dot-coms such as amazon.com, e*trade, and others successfully created dis- intermediation in the delivery of products and services by intervening in the traditional flow of goods. in response, traditional companies engaged in reintermediation and became "brick-and-click" retailers, adding online services to their offerings. some with plentiful resources and established brand names became stronger contenders than pure-click firms.

heightened competition

while globalization has created intense competition among domestic and foreign brands, the rise of private labels and mega-brands and a trend toward deregulation and privatization have also increased competition.

• private labels. brand manufacturers are further buffeted by powerful retailers that market their own store brands, increasingly indistinguishable from any other type of brand.

• mega-brands. many strong brands have become mega-brands and extended into related product categories, including new opportunities at the intersection of two or more industries. computing, telecommunications, and consumer electronics are converging, with apple and samsung releasing a stream of state-of-the-art devices from mp3 players to lcd tvs to fully loaded smart phones.

• deregulation. many countries have deregulated industries to create greater competition and growth oppor- tunities. in the united states, laws restricting financial services, telecommunications, and electric utilities have all been loosened in the spirit of greater competition.

changing channels

• privatization. many countries have converted public companies to private ownership and management to increase their efficiency. the telecommuni- cations industry has seen much privatization in countries such as australia, france, germany, italy, turkey, and japan.53

marketing in practice

given the new marketing realities, organizations are challenging their marketers to find the best balance of old and new and to provide demonstrable evidence of success. "marketing memo: reinventing marketing at coca-cola" describes some of the many different ways that that top marketing organization has changed.

marketing balance

companies must always move forward, innovating products and services, staying in touch with customer needs, and seeking new advantages rather than relying on past strengths. india's

hindustan unilever asks all staff members— not just marketers—to obtain a "consumer license" to work on its brands, which requires spending 50 hours of face time with shoppers. as one senior executive noted, "our consumers are moving faster than marketers do; whether in terms of rural or urban changes or the way they consume media and entertainment."54

moving forward especially means incorporating the internet and digital efforts into marketing plans. marketers must balance increased spending on search advertising, social media, e-mails, and text messages with appropriate spend- ing on traditional marketing communications. but they must do so in tough economic times, when accountability has become a top priority and returns on investment are expected from every marketing activity. the ideal is retaining win- ning practices from the past while adding fresh approaches that reflect the new marketing realities.55

coca-cola is fundamentally changing the way it does marketing, primarily by adding a strong digital component to its traditional marketing tools. the new model is based on moving consumers from impressions to expressions to conversations to transactions.

coca-cola defines consumer expressions as any level of engagement with brand content: a comment, "like," or share on facebook, a tweet, or an uploaded photo or video. coca-cola strives to put strongly sharable pieces of communications online that will generate impressions but also lead to expres- sions from consumers who join or extend the communication storyline and ultimately buy the product.

these communications focus on the core themes of "happiness" and "optimism" that define the brand's positioning. one successful application is the video of the "hug me" vending machine in singapore that dispensed cans of coke when people put their arms around it and hugged it. within in a week, the video generated 112 million impressions.

coca-cola actively experiments, allocating 70 percent of its budget to activities it knows will work, 20 percent to improving those activities, and 10 percent to experimentation. the company accepts that experiments can fail but believes in taking chances to learn and develop better solutions. even in its traditional advertising and promotion, it looks for innovation.

for instance, coca-cola places much importance on cultural leadership and causes that benefit others. the mission of its artic home project is to protect the habitat of polar bears—who have starred in animated form in its holiday ads for years. committing $3 million to the world wildlife fund, coca-cola drew attention to the project by turning its traditional red cans white.

sources: joe tripodi, "coca-cola marketing shifts from impressions to expressions," harvard business review, hbr blog network, april 27, 2011; tim nudd, "coca-cola joins the revolution in world where the mob rules," adweek, june 19, 2012; surajeet das gupta and vivea susan pinto, "q&a: joseph tripodi," business standard, november 3, 2011; "coca-cola sets facebook record," www.warc.com, september 6, 2012.

marketing accountability

marketers are increasingly asked to justify their investments in financial and profitability terms, as well as in terms of building the brand and growing the customer base. organizations recognize that much of their market value comes from intangible assets, particularly brands, customer base, employees, distributor and supplier relations, and intellectual capital. they are thus applying more metrics—brand equity, customer lifetime value, return on marketing investment (romi)—to understand and measure their marketing and business performance and a broader variety of financial measures to assess the direct and indirect value their marketing efforts create.

marketing in the organization

as the late david packard of hewlett-packard observed, "marketing is far too important to leave to the marketing department." increasingly, marketing is not done only by the marketing department; every employee has an impact on the customer. marketers now must properly manage all possible touch points: store layouts, package designs, product functions, employee training, and shipping and logistics. to create a strong marketing organization, mar- keters must think like executives in other departments, and executives in other departments must think more like marketers. interdepartmental teamwork that includes marketers is needed to manage key processes like production innovation, new-business development, customer acquisition and retention, and order fulfillment.