MARKETING IN THE INTERNET AGE: WHAT CAN WE LEARN FROM THE PAST?

BY LISA HARRIS AND GERALDINE COHEN

ABSTRACT

This article examines whether business really is undergoing a revolution or just the latest in a series of incremental changes with the universal and seemingly exponential spread of Internet technology. While it is tempting to regard the Internet as a unique challenge through its dual role as a driver of change and provider of tools for change, the article begins by drawing upon a number of historical precedents in order to question some of the 'hype' surrounding current Internet developments. By analysing relevant literature and primary data from a number of case studies in the UK and USA, we then examine the particular challenges facing marketing to establish whether there are any parallels in marketing history from which lessons for the future may be learned. We conclude from our examples that many 'new' developments have in fact been practised for centuries and traditional processes are an important constituent of 'evolutionary' rather than 'revolutionary' innovation.

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KEYWORDS

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Introduction

> *'A century's end breeds hope, instils fear and demands forecasts. Social thinkers speculate where trends are taking humanity. Technologists extend their own trends and try to guess the shape of future inventions. Business leaders look at these predictions and wonder what it means for their companies, people and markets. These forecasts share what one author has called 'chronocentricity – the egotism that one's own generation is poised on the very cusp of history.' Change always seems to be accelerating. We can't imagine it continuing, so some global transformation must occur.'* (Hanson, 2000 p. 433)

The amount of rhetoric dedicated to the 'Internet revolution' in recent years means that one is tempted to regard it as a unique challenge, acting both as a driver of change and as a provider of the tools of change. Kanter (2001) provides a welcome dose of reality amongst the hoards of Internet evangelists. She notes:

> *'Many discussions of the New Economy take place in an historical vacuum. Mention the Internet, and intelligent people sometimes act as if they have had a portion of their brain removed – the memory… As we search for the new and different things that occur in the wake of revolutionary communications technology, it is also important to recall what can be learned from previous waves of innovation' (p.3-4)*

Kanter goes on to highlight the key theme of this article. In our enthusiasm to keep up with the ways in which the world is changing, we often fail to notice just how much remains the same. In her words:

> *'History demonstrates that new channels tend to coexist with old ones and sometimes even join them…Yes, the technology is revolutionary, network economics are different, and all the wheels must turn a lot faster, but the problems of leadership, organization and change are similar to those we have experienced for decades' (p.5)*

In particular, we examine whether marketing is really undergoing a 'revolution', or just the latest in a series of incremental changes with the universal and seemingly exponential spread of information technology. The article begins by examining the literature on earlier revolutions to ground the analysis in the historical context of change and question some of the 'hype' surrounding current Internet developments. The challenges currently facing marketing are then summarised under the headings of 'offer', 'markets' and 'relationships' and contrasted with 'traditional' priorities to investigate whether there are any parallels in marketing history from which lessons for the future may be learned. Contemporary marketing case studies are drawn upon throughout the analysis and we conclude from our examples that many 'new' developments have in fact been practised for centuries and traditional processes are an important constituent of 'evolutionary' rather than 'revolutionary' innovation.

The Historical Context

Why should we study history? The noted marketing historian Ronald Savitt contends that:

> *'Historical study adds a robust quality to a discipline. It enables scholars within the discipline, as well as the society at large, to gain an understanding of its origins and its patterns of change...historical study helps to establish an identity for a discipline by providing some idea of where it is and what it is.'* (1980, p.52).

Because the future has always been viewed with apprehension, historians have tried to find recurrent patterns which could explain present events and help with their predictions. Tedlow (1996) in his "New and Improved: The Story of Mass Marketing in America" supports this view:

> '…*Whether you realise it or not, every day you carry with you a picture in your head of how things got to be the way they are. This is particularly true in the world of marketing, and especially in advertising, which is suffused by rumour and lore. A work of history cannot reveal to you the way things will be, but it might help you disabuse yourself of your own preconceptions of the way things once were.'* (p. X*)*

Vink (1992) notes that the historical approach as a research tool is often overlooked because of a bias towards 'progress', meaning a tendency to emphasise the future rather than the past. In his words:

> *'…business managers have viewed themselves as transformers of the present into the future and have considered paying attention to business history to be a wasteful luxury, if not a hindrance to their continuous renewing efforts'. (p. 220)*

He goes on to describe how the passage of time lends a rosy glow to past events, smoothing out conflicts and erasing the memory of strategic alternatives. Past decisions therefore may appear obvious with the benefit of hindsight, offering little insight to contemporary agendas that seem annoyingly messy in comparison with what has apparently gone before. Similarly, Franke (1987) observed that the transformations wrought by the Industrial Revolution were spread incrementally over some 200 years, and its overall impact would not have been obvious at any specific instance during this period. It is only the comparative viewpoint offered by hindsight that makes the extent of change so apparent. Although admittedly writing in a pre-Internet era, he claimed that it would be well into the 21st Century before all the necessary organisational changes could be implemented to allow a technological transformation of business on a scale commensurate with that of the industrial revolution.

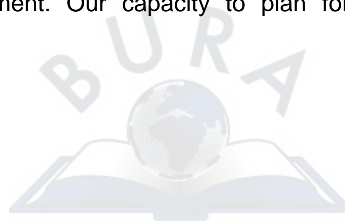
Hanson (2000) draws some uncanny parallels between the Internet and the growth of radio in the 1920s. He demonstrates that change is always with us, however radical we might think the Internet is 'altering' marketing practices at the moment. His description of radio developments highlights that they made a huge impact on the society of the 1920s. Hanson reminds us that radio '*…so captured the public's imagination that commentators claimed it would revolutionise culture, education and commerce'* (p2). Similarly, David (1990) compares the growth of information technology to the early days of electricity, which was also allocated a 'revolutionary' label when first made available. He shows how it took several decades for people to learn how to make the most of the new technology and overcome their preference for 'traditional' and familiar alternatives. The same argument has been used persuasively by Simon (1987) in his study of the steam engine. Jardine (1999) looked further back into history, and claimed that the emergence of the printed book in the 15th Century was equally as radical in its impact on contemporary life. Interestingly, however, she notes that it took some fifty years for the printing business to become profitable, with a number of prominent early market entrants going out of business along the way. If a common pattern from these historical examples is not yet obvious, the following quote from Charles Fraser (written in 1880, reproduced in www.economist.com in 2000) should clinch matters:

> *'An agent is at hand to bring everything into harmonious cooperation, triumphing over space and time, to subdue prejudice and unite every part of our land in rapid and friendly communication….and that great motive agent is steam.'*

Gordon (2000) argues persuasively that computers do not measure up to some of the earlier innovations described above in terms of productivity improvements generated. He observes that Internet sales tend to be merely redistributions of existing trade rather than new business generated, thereby adding to costs more than to revenues. In addition, while information can now undoubtedly be presented more cheaply and conveniently than in the past, the content itself is not always new in the manner that earlier innovations such as steam or electrical power were. This viewpoint contrasts with current enthusiasm which separates marketing into 'traditional' (increasingly a euphemism for 'boring and old fashioned') and 'internet' (meaning 'innovative and exciting') versions. However, in support of Gordon the historical example described earlier shows that the marketing opportunities radio provided to reach a mass market were also deemed radical and revolutionary at the time, but now form just one aspect of the communications mix.

In their study of the social influences upon technology, MacKenzie and Wajcman (1985) claim that a new technology is created in the context of existing systems. It only appears to be radically different from what has gone before with hindsight, because the benefit of a historical perspective filters out less successful alternatives. They criticise the idea that a technology can be 'invented' as a single inspiration in isolation of the influence of existing practices, by noting that the only hindsight allows a particular invention to be traced back to a single inspirational source. In reality, competing projects may have overlapped and been developed concurrently, but only the story of the 'winner' survives the passage of time. In support of their claim, the authors cite Ogburn and Thomas (1922) who argue that technological developments were an inevitable result of the synergy created as innovators merged technological capability and contemporary artefacts within new contexts. They concluded that the major constituent of a new technology was in fact the existing process, often applied in new situations and modified in an incremental fashion over time by many developers working independently. This theory is supported by a number of authors who have studied the subject in very different contexts, notably Gilfillan (1935) in his comprehensive study of the development of the ship, and Hughes' (1979) analysis of the development of electricity.

To summarise this brief analysis of historical examples, it can be argued we tend to assume that contemporary changes are the most significant because we are closest to them and do not have the clarity accorded by distance from the phenomenon. It is evident that earlier innovations have had radical impacts on society, but their significance might not have been appreciated at the time because the perspective lent by distance is necessary to comprehend the full extent of the changes taking place. The value of such historical thinking for marketers centres upon the additional insights it provides to analysis of the current business environment. Our capacity to plan for the future can be enhanced by



understanding how earlier innovations appeared at the time, so that we do not apply the standards of the present to the past through the 'rosy glow' of hindsight. Indeed, as discussed in the previous paragraph, if the existing process is a significant building block for innovation, then perhaps as marketers we should not be too quick to abandon traditional practices in our enthusiasm for new ideas.

So how will we look back upon the 'Internet age'? Will future technological 'revolutions' eclipse the current 'hype' so that Internet Marketing, for example, is eventually destined to become absorbed, along with its precursors such as printing and radio, into the umbrella (and often faintly derisory) label of 'traditional practices'? Or does it really herald something radically different from what has gone before? In the next section the history of the marketing function is briefly reviewed in order to apply the principles of historical analysis described above and investigate whether marketing really is being 'transformed' by contemporary technological developments.

The History of Marketing

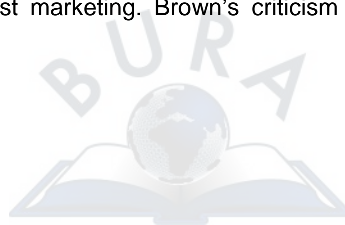
Marketing as an exchange process can be traced back to the times when our ancestors began to produce crops or goods surplus to their own requirements and used them to barter for other things. An embryonic marketing occurred when the needs and wants of the customers were identified and anticipated and the surplus was tailored to fulfil these requirements. Hence the first elements of marketing, selling and advertising have been around as long as trade itself. There has been a widespread misconception that as long as the methods of production were inefficient, the goods were scarce and the competition underdeveloped, the producers did not really need marketing. Everything that was produced could easily be sold.

Many marketing historians have based their formulations of the growth of marketing on Keith's widely cited article "The Marketing Revolution" (1960) which followed marketing's development at the Pillsbury Company for almost a century between 1869 and 1960. According to Keith, Pillsbury's marketing pattern encompassed four eras: The Production Era (from the firm's beginnings in 1869 into the 1930s) was characterised by a concentration of efforts and capital into production. It was kick-started by the availability of raw material and mechanical power necessary in the manufacturing process. Pillsbury, typical for many production companies of that time, concentrated on its mission of manufacturing one basic product. The Sales Era (from the 1930s until 1950s) for Pillsbury was marked by vigorous efforts into selling supported by market intelligence and consumer advertising. Customers needs and wants became paramount: *"For the first time we began to be highly conscious of the customer, her wants and her prejudices, as a key factor in the business equation"* (Keith, 1960 p. 36). The distribution network was given a renewed attention, and its importance as the vital link with the customer became more focused. The Marketing Era (1950s until 1960s) saw the emergence of brand marketing, with one individual having total responsibility for the brand, covering pricing, research, competition, servicing, advertising planning and control, sales promotions and budgets. The competition became acute and the focus on the customer paramount. In his conception of the Marketing Control Era (1960s onwards). Keith saw the beginning of a new and revolutionary phase whereby the consumer orientation would become the focus for the whole company.

Marketing historians considered that the Pillsbury experience was typical of many American companies and generalised Keith's periodisation in order to explain the evolution of marketing. Because of its elegant simplicity and seemingly wide application it was used extensively in academic texts and teaching of marketing. Unfortunately it obscured the level and extent of development of earlier marketing practice. Fullerton (1988) presents an historical analysis in which he persuasively argues that such a crude classification is fundamentally wrong. Instead, he puts forward an alternative conceptualisation that regards the historical development of marketing as essentially an evolutionary process, involving simultaneous radical change, incremental change and also continuity. Brown (1995) is also scathing of the accepted wisdom that effective marketing is a relatively new phenomenon:

> '*Activities analogous to marketing, as we now understand it, undoubtedly occurred before the marketing revolution of the 1950s, but it is common knowledge, among marketing textbook writers at least, that these activities were basic, naive, rudimentary and primitive. At best, they can be described at proto-marketing practices rather than marketing practices per se. They refer to marketing as a function, which has to be performed in all exchange situations, rather than in the modern sense of a marketing-orientated management philosophy. As is often the case, however, this common knowledge is more than a little suspect. Notwithstanding the dangers associated with the Whig view of history - interpreting the past by the standards of the present - pre-marketing era marketing activities, so to speak, were often highly complex and astonishingly sophisticated, more sophisticated on occasion than today*.'

He notes, for example, that traders in pre-Hellenic Greece displayed admirable customer focus, and the medieval book trade espoused a range of marketing strategies including selective distribution, celebrity endorsement, sponsorship and test marketing. Brown's criticism of the dominant (albeit inaccurate)



marketing principles as espoused in the major marketing textbooks supports the argument made earlier in this article of the value of vigorous historical analysis. Sheth and Sisodia (1999) also emphasise the need to re-think '*marketing's law-like generalisations'* in the Internet age. In particular they note that the physical separation between buyers and sellers is now threatened by dis-intermediation and re-intermediation, linear concepts such as the product life cycle and diffusion of innovations are increasingly compressed, market segmentation is challenged by mass-customisation and the traditional obsession with competitive advantage is now often replaced by co-opetition. They conclude that '*these changes are rendering much of marketing's toolkit and conceptual inventory somewhat obsolete'* (p. 84). So it seems the usefulness of accepted neat but simplistic marketing models has always been questionable, and certainly inadequate to describe recent developments.

This brief historical review demonstrates that because conventional views of the development of marketing do not truly reflect reality, current assumptions that the Internet represents an unprecedented challenge for marketers may equally be flawed. Historical evidence has been put forward which demonstrates that earlier technological developments were also regarded as radical, but significant change took a long time to diffuse through the economy and the existing process still played an important role in innovation. Bearing these caveats in mind, we will now look more specifically at the extent of change that recent technological developments have wrought upon the marketing function. In order to categorise our analysis we have utilised a framework made up of three key elements, namely 'offer', 'relationships' and 'markets'.

Offer

During the last few decades we have seen a remarkable growth in the global economy. Companies in all parts of the world have marched relentlessly to conquer remote markets. The aim has been to reach customers across the space continuum, and it seems that as this process nears completion the challenge is to add time as the next dimension. The Internet is also reducing the distance between buyers and sellers, allowing dis-intermediation and in some cases entirely eliminating the need for an expensive sales force, distributor or other intermediary (a new business model famously exemplified by Amazon's direct sales of books to a world-wide audience). In an environment where products and services are available 24 x 7 to what is potentially a global audience, delivery is central to success of the offer. Firms across a wide range of industry sectors are currently grappling with logistical issues that demand increasingly integrated business processes for tracking and fulfilment purposes. Another major change that technological developments have rendered in the 'offer' to customers relates to speed. In the past, one major change per decade may have sufficed. The pace of innovation forces companies to change on an ongoing basis, and many marketers now acknowledge that a new product may be well on its way to obsolescence by the time it reaches the market.

In reference to how enhanced visibility on the Web allows rapid diffusion of innovations and reduced product life cycles, Tapscott et al (2000) note that '*products are becoming experiences. The old industrial approaches to product definition and product marketing die.'* (p.190). Products are now so bound up with associated services that it is possible to customise the 'bundle' to individual requirements. This process is termed mass customisation, and it is viable because Internet technology allows the economies of scale and capacity of mass production to be retained (Chaffey et al 2000). Mass customisation is therefore the antithesis of mass marketing which dominated the 20th century, and it allows the customer to become intimately involved in the design and production process within an organisation. Indeed, the trend towards mass customisation allows interactivity, relationship building and hence the natural evolution of communities with similar needs, a process seemingly far more intuitive than the artificial methods of market segmentation that it is seemingly replacing. A classic example of the trend towards online communities of interest is demonstrated by the technical support function at Cisco (Chaffey et al 2000). The company found that the most cost-effective way to support complex and customised products was to let customers help other customers solve their problems, so an online community self-help system (described by managers as a 'self-inflating balloon of knowledge') was set up.

Nadler and Tushman (1999) describe how organisations in the Internet age increasingly have to *'manage intra-enterprise cannibalism'*, meaning the need to develop and support new product lines or distribution channels that might eventually dry up existing revenue streams. Many firms are struggling with the economics of this concept because adding Internet-based channels to market can merely add to costs by offering more choice to existing customers, instead of attracting additional business. For example, RS Components has won many awards for the significant investment made in its innovative and highly successful website, but the firm admits that the volume of paper catalogues it produces has only stabilised, and not decreased as might be expected. RS Component's strategy is based on the premise that: 'If you don't cannibalise your own customer base, then your competitors will be happy to do it for you" (private conversation, January 2000). Kumar (1999) reports that companies tend to use existing distribution networks for too long, fearing the wrath of powerful resellers within the channel. The

temptation of course is not to 'rock the boat', but the opportunities for firms who are proactive in their consideration of electronic routes to market are considerable.

Although historical examples of cannibalisation are rare, the authors quote one notable exception as being Tom Watson Jr's development of the IBM 360, which had the potential to wipe out many of the company's best-selling existing product lines. His willingness to put the firm's major revenue stream at risk was remarkable because it was so uncommon at the time, but it seems that in the successful organisation of the future, such product cannibalism will become a routine aspect of marketing strategy. They also note how the current business environment will require organisations to develop different kinds of structures in order to manage different channels of distribution simultaneously. Firms such as WH Smith (www.whsmith.co.uk) exemplify the trend towards 'clicks and mortar' or 'wannadot' operations (Kanter 2001) whereby synergies can be generated by the availability of a choice of traditional and new delivery mechanisms. Stores in prime high street locations throughout the country can promote special Internet dealing offers, provide terminal access to online ordering for products not held in store, and also act as a collection point for returned goods that were delivered direct to the home. The recent alliance between Amazon and Walmart demonstrates the continuing importance of established brands and physical store locations. Increasingly, of course, delivery mechanisms are being further complicated by the need to develop and integrate other types of Internet access through mobile phones or digital television.

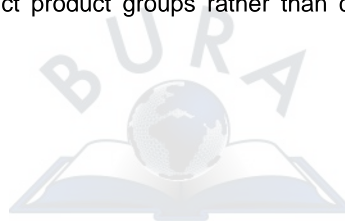
Another key aspect of a firm's offer is the price charged, a feature which was competition's defining characteristic in the classical era of Adam Smith. In the world of anonymous small producers and merchants trading in commodities, products were undifferentiated and competition was through price. This picture was valid in the United States until the railroad revolution of the 1840s changed the business framework forever. The development of high manufacturing concentration came as a consequence of changes in the transportation infrastructure, and through enormous economies of scale in the distribution sector, thereby allowing a small number of firms to become dominant. These firms, such as General Motors, Du Pont and Standard Oil achieved reduced operating costs per unit, and were able to offer quality merchandise at very low prices while still making substantial profits. As Tedlow says:

> '*Price as a competitive weapon now had to share the stage with a number of other tools. Competitors in oligopolies had to make a threefold investment in production, distribution and an organisation of managers to administer their facilities.'* (p.165)

New services such as Internet Banking allow costs to be reduced and hence special pricing deals offered as processing responsibility is shifted from counter staff to the customer. As mentioned earlier, the creation of online community groups as a key component of the offer has paid handsome dividends for companies like Cisco where considerable cost savings have been made as a result of customers competing to answer each other's technical queries. One of the Internet consultancy firms we are working with is currently upsetting the established (and often lucrative) fee structure in the industry by charging a price for its services based entirely on the success of the strategies that are recommended to its clients. For example, if a client's turnover increases as a result, then the firm takes a percentage of the increase as its fee. If no increase in turnover occurs, then no fee is paid at all. Even more radically, Tapscott et al (2000) note that the very concept of a price is now being called into question as customers access mechanisms allowing them to state how much they are prepared to pay for a particular level of service. For example, customers increasingly expect discounts for bulk or repeat purchases or acceptance of slower delivery times.

The maze of information available on the Web has created opportunities for new types of intermediary such as sites which provide price comparisons across a range of vendors (see for example www.screentrade.co.uk or www.priceline.com) and also aggregator sites which allow groups of individual customers access to bulk purchase discounts (see for example www.letsbuyit.com). The apparent transparency of web pricing through the development of such services is not, however, putting an end to price discrimination; in fact quite the reverse appears to be true upon close inspection. Woolley (1998) describes how technological developments have given a new twist to the traditional strategy of price discrimination. Software can already study the way an individual navigates through a web site, establish whether the visitor is price sensitive or not, and price accordingly. Woolley notes that the ability to recognise individual customers, remember what they paid in the past and charge a customised price based upon the order history, is not too far off. Such discrimination makes sense in situations where fixed costs are high and variable costs are low, provided suitable firewalls are in place to prevent customers finding out what others are paying!

This brief review demonstrates that the Internet is forcing a fundamental rethink of the very notion of what a firm's offer to the customer actually represents, and how significant changes in organisational structure may well be necessary. As one of the authors has described elsewhere (Harris 2001) organisations that have historically revolved their business structures, management hierarchies and marketing strategies around distinct product groups rather than customer needs may well find such



arrangements increasingly inappropriate. However, although the potential for change in the offer is evident, in practice few organisations have yet embraced mass-customisation in more than an embryonic form.

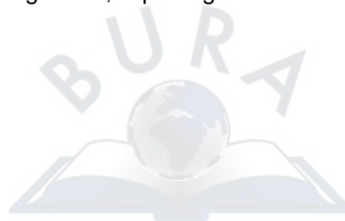
Markets

The Internet has already made a big difference to global business operations. Air travel, for example, accounted for $5 billion of the total $7 billion spent on travel on the Internet in 1999, according to a marketing-strategy company called PhoCusWright (The Economist, 2001). It estimates that by the end of 2001, online ticket sales will be at nearly three times that level. The potential for further increase is huge with online flight reservations at only 4% of the total U.S. market and 1% of the total European market. Cutting out the cumbersome process of issuing cardboard tickets and simplifying booking and check-in can also be attractive to customers. Some airlines, such as Northwest and Swissair already offer on-line facilities for seat selection and check-in, as well as for booking and paying for flights. At the other end of the scale Charles Tyrwhitt, a small U.K. shirt manufacturer to the exclusive ABC1 segment, is adopting a 'clicks and mortar' strategy with the aim of transforming a niche player into a global one and reach annual sales of £100 million in six years. The company's potential lies in its ability to carry more than 3,000 lines of stock at any one time, with each shirt being offered in up to 48 combinations of size, cuff and sleeve. It is able to maximise online sales by targeting groups of people more effectively than could ever be done through mail order (Renton, 2000). The Internet has proved to be the perfect messenger for niche interests, serving individual tastes and diverse geographical demands. The key to the success of niche net businesses is first and foremost brand awareness, but the promotional spend necessary to achieve brand recognition amongst the online clutter is now challenging the resources of the smaller enterprise**,** at least through traditional promotional mechanisms. BBC News online is another example where the battle between general and niche is being fought. The way it uses its huge breath of content, both broad-brush and localised, demonstrates the diversity of users and their demands. In just one day 98,450 different stories were read, amounting to a staggering 20% of all the stories the site has ever produced (Barkham, 2000) .

In the context of the traditional marketing mix, the word 'place' has by necessity had a physical meaning, but Internet markets are of course virtual in nature because there is no direct contact between buyers and sellers. Rayport and Sviokla (1996) refer to this new phenomenon as 'electronic marketspace' and it is currently being colonised by a number of new intermediaries. Chaffey et al (2000) distinguish neutral intermediaries such as www.industry.net which provides details of engineering companies to 600000 members, and buyer-controlled intermediaries such as www.zygonet.com which allows companies to put their buying requirements out to tender to a range of suppliers. Hagel and Armstrong, (1997) show that the Internet supports the emergence of virtual communities and commercial arrangements that disregard traditional boundaries between firms along the value chain. The emergence of such B2B e-marketplaces is leading to business processes being shared among firms from different industries, and the rise in information-based products and services on the Internet has led to the circumvention of traditional intermediary business and information brokers. As evidenced by the travel industry, traditional market structures are being transformed and are giving rise to new forms of intermediaries and business models. The division of markets by spatial competition is also evaporating because of the scalability and virtual geographical nature of the Internet.

An e-marketplace is essentially an Internet based exchange that acts as a special kind of firm, producing a combination of two basic goods. The first is a listing service for suppliers to publish online catalogues of their products for sale, and buyers to post orders. The second is a trading mechanism which provides the means by which these two mediums can transact. The recent emergence of e-marketplaces in a variety of forms, across a number of industries and products, means that the boundaries between markets are becoming harder to define. As Economides (1996) notes, the potential exists for "new, innovative ways of organisation of transactions, matching of orders, and price discovery" to be developed. At present, it is difficult to predict the likely success of e-marketplaces because most of the FTSE 100 and Fortune 500 companies are locked-in to existing electronic technologies such as EDI, which represents an expensive point-to-point trading network. However, while many e-marketplaces are currently striving to reach critical mass, their potential is evidenced by a number of recent studies. For example Forrester Research (Feb 2001) found that more than 75 % of companies envisaged trading online by 2004, and at least 50% expect to participate in four or more e-marketplaces by 2004. According to Durlacher (2000) B2B e-commerce is estimated to account for almost 20% of GDP in the UK and approximately 12% of GDP in all of Europe by 2004. The automobile industry is leading the way with a forecasted spend of almost 200,000 million Euros by 2005.

Established B2B e-marketplaces are incorporating a variety of value added services in their offering in order to attract participants and differentiate themselves from their competition, and thus create a sustainable revenue model that is also profitable. These services include auctioning, collaborative planning, improved knowledge management, reporting and visibility, forecasting and replenishment, e-



procurement, supply-chain management and e-logistics services. With the introduction of new technologies that take advantage of this e-marketplace phenomenon, markets can perform transactions on a global scale, and thus grow exponentially. Some of the most notable early impacts on market structure have been in the financial services industry, where online brokerage services such as E*Trade have taken market share away from many of the established brokerage firms, such as Goldman Sachs. Each user of E*Trade for example, benefits from a larger network, since this facilitates the exchange of 'investor tips' and the usage of discussion forums on the membership web pages. As a result, more and more traders are willing to join the E*Trade 'community' and thus use the E*Trade platform for trading. The cost efficiencies and informational advantages associated with trading stocks online has led to the exponential growth of such internet trading platforms, commonly referred to as automated trading exchanges. The auction industry has also witnessed a similar change, with the emergence of global online auction based e-marketplace firms, such as eBay (a consumer-to-consumer e-marketplace).

Academic research on e-marketplaces is still sparse but recent writers have emphasised the value of high connectivity (Dutta and Segev, 1999), a focus on transactions (Balakrishnan, Kumara and Sundaresan, 1999), networks and information goods (Shapiro and Varian, 1999) and high richness and reach of information (Evans and Wurster, 1999). Other sources of value in e-marketplaces include improved access to valuable resources and capabilities that reside outside of the firm (Gulati, 1999), shortened time to market, enhanced transaction efficiency, thus improving the market mechanism between buyers and suppliers, and reduced transaction costs (Kogut 2000). They also reduce asymmetries of information, and improve the co-ordination between firms within an industry (Gulati, Nohira, and Zaheer, 2000).

It is tempting to conclude from the examples in this section that the Internet is transforming market interactions, but once again the story is more about potential rather than actual change. It can also be argued that the Internet merely provides a more efficient and transparent medium through which traditional interactions between sellers and buyers can occur.

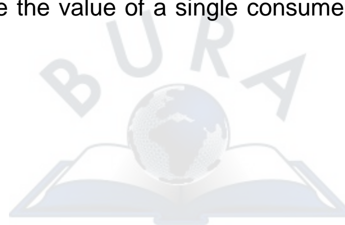
Relationships

The concept of 'one to one' marketing communications to build relationships with customers has been popularised by Peppers and Rogers (1997). There has since been considerable speculation about the potential of the Internet to facilitate such relationship marketing (see for example Parker 2000, or Newell 2000). In so-called 'eCRM' personalised email messages can be distributed to highly targeted groups of customers at a very low cost. Increasingly sophisticated software allows the name of the user to be incorporated into the web pages, any previous transaction details to be displayed, and related areas of interest to be flagged. Hamel, (2000) notes that intranets have the potential to create an 'information democracy', thereby rendering the boundaries that delineate corporate authority increasingly permeable. A company's communications with its customers and other external stakeholders are unlikely to be effective unless employees within the firm are aware of (and prepared to buy into) the message that the firm is trying to put across. As Siegel (2000) warns:

> *'The customer-led company has a broad interface across which all employees can get to know their customers. Employees invite customers in to collaborate on new products, support systems, and methodologies…Facilitating those interactions will take new communication skills, new tools, and the ability to move people in and out of product teams easily'. (p.35)*

Hoffman and Novak (1997) claim that the Web can free consumers from their traditionally passive role as mere receivers of marketing communications as implied by the traditional '4P' model. This is because it gives customers much greater control over the information relevant for decision-making, and allows them to become active participants in the marketing process. Firms have the opportunity to reap the benefits of this innovation in interactivity by getting closer to the customer than ever before, thereby facilitating the growth of lasting and profitable relationships over the longer term. For example, an Internet technology firm that we are working with delivers its product directly over the Internet by allowing website visitors to download free trial versions of the software. It then invites them by email to attend a free workshop at a convenient location in order to learn more about using the product effectively, and to network with other attendees. The workshops focus on education and there is no 'hard selling', but over 50% of the people attending the seminars actually go on to purchase the product. Once again the focus upon interactivity of communications and taking a long term view on customer relationship profitability is indicative of a fundamental shift in marketing mindsets.

The same authors also note that the limitations of relying on old paradigms become apparent when "advertising effectiveness" is tied to ratings or circulation models where larger numbers are preferred. For example, the use of 'hit' and 'visit counting' methods implicitly seek to achieve mass audience levels as emphasised in traditional media. They note that the Internet permits a quantum leap by tying advertising effectiveness explicitly to customer response. Hence the possibility exists to develop new measurement systems that capture the value of a single consumer's visit and subsequent response in



innovative ways. The authors argue that the traditional 'one-to-many' advertising model now only has limited use and they claim that nothing less than a new marketing paradigm is required. Recent work by Godin (1999) and Parker (2000) confirms the imminent demise of the 'one-to-many' message, and this renders traditional advertising and public relations increasingly marginal to marketing activities. Instead, both authors advocate the development of one-to-one relationships through 'permission marketing', whereby customers who have expressed an interest in a particular product or service are offered incentives to accept targeted advertising on a voluntary basis. By focusing appropriate attention on these individuals, trust can be built, brand awareness improved and long term relationships developed. Needless to say, in practice the key enabler of the permission marketing process is the Internet. In Godin's words: *"As new forms of media develop and clutter becomes ever more intense, it's the asset of permission that will generate profits for marketers"* (p. 52). This position is endorsed by Tapscott et al (2000) who claim:

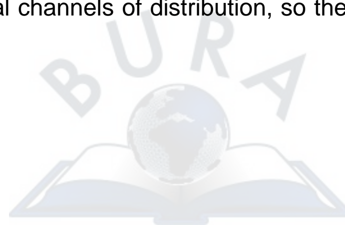
> *'Advertising, promotion, publicity, public relations, and most other aspects of corporate communications are archaic concepts. They exploited unidirectional, one-to-many, and one-size-fits-all media to communicate messages to faceless, powerless customers.' (p. 191-2)*

Another nail in the coffin of traditional marketing communications is their reliance upon departmental solutions that address only one part of the customer account relationship. Increasingly, with the growth of inter-organisational networks on the Web, customer communication is no longer just one customer talking to one enterprise. To provide the kind of service that improves the chance of customer loyalty, companies need to co-ordinate their partners and vendors through extranets that facilitate the sharing of information across company boundaries. Associated datawarehousing and datamining tools facilitate the gathering, analysis and management of information necessary to formulate and implement marketing strategies. Kalakota and Robinson (1999) suggest considering partners and vendors to be part of the firm's extended enterprise, and this means sharing customer communication issues with everyone in contact with the customer through integrated applications such as customer service, field service, sales and marketing. The approach is referred to as 'all-to-one' marketing by Luengo-Jones (2001) and is endorsed by a global technology firm that the authors of this article are working with. The firm believes such integration to be the most critical issue currently facing 'clicks and mortar' firms in developing a successful internet strategy. They note that practical organisation of marketing functions and activities within such inter-firm networks may be complex. Decisions need to be taken on where responsibility lies for particular tasks, to avoid duplication and customer confusion. Open policies of information sharing mean a whole host of issues have to be addressed concerning the 'ownership' of customer data, not withstanding the technical difficulties inherent in integrating computer systems belonging to different organisations.

Kalakota and Robinson (1999) believe that the dominant business design of the future will consist of a flexible network of relationships between firms, customers and suppliers creating 'a unique business organism' (p.18). Such structures enable resources to be pooled and hence generate economies of scale, with each network member contributing its particular expertise. It might be argued that these strategies are not new, and represent little more than the outsourcing of non-core activities to reduce costs. The authors, however, argue that enthusiastic protagonists are going much further; changing corporate cultures, accessing key skills and implementing sophisticated technological systems in a manner that no individual firm could achieve alone. While there are undoubtedly many firms that have an established tradition of successful inter-organisational networking, recent Internet developments have made such initiatives increasingly central to eBusiness strategy. At an early stage of the Internet era, Tapscott (1995) predicted the creation of competitive advantage in a digital world through collaboration as networks of enterprises generate efficiencies for the benefit of all parties. In his most recent work (Tapscott et al 2000) he is unequivocal about the value of such networks which he terms 'Business Webs' or 'B-webs':

> *'Business webs are inventing new value propositions, transforming the rules of competition, and mobilising people and resources to unprecedented levels of performance. Managers must master a new agenda for b-web strategy if they intend to win in the new economy' (p 17)*

The notion of developing and sustaining advantage over competitors is deeply entrenched for marketers. However, Hamel, Doz and Prahalad (1989) in an influential early article advocate strategic alliances and networking between firms with their proposal that collaboration rather than competition is a winning strategy. They concluded that firms benefiting from competitive collaboration see it as competition in a different form, regarding 'harmony as the most important measure of success, co-operation as limited and learning from partners as paramount' (p.67). Sheth and Sisodia (1999) claim that the historical focus on inter-firm competition (classified by market share) is now increasingly replaced by 'co-opetition' whereby firms can generate synergies through the pooling of resources or skills sharing in order to serve highly fragmented markets more effectively. Hoffman and Novak (1997) add the observation that the Web increases the power of the customer and decreases the power of the firm when compared with traditional channels of distribution, so they claim that the best communication



efforts are likely to be collaborative rather than combative in nature. Managing collaborative channel relationships involves a whole new set of dynamics to a firm with a more traditional operating history (see for example Harris 1999). Key challenges for marketers now include defining the boundary between competition and collaboration.

Although of course greatly facilitated by technological developments, a focus upon effective management of key stakeholder groups is not actually new. Fullerton (1988) quotes from Shaw (1916) as follows:

> *'Today, the progressive man makes careful intensive studies not merely of the consumer's recognised wants, but of his tastes, his habits, his tendencies in all the common activities and relations to life. This he does in order to track down unconscious needs, to manufacture goods to satisfy them, to bring these products to the attention of the consumer in the most appealing ways and finally to complete the cycle by transporting the goods to him in response to an existing demand.' (p.116)*

Relationship marketing can also be compared with 'consumer engineering' which is an expression coined by Sheldon and Arens (1932) to describe the design of new products or the redesign of old ones to meet carefully researched consumer needs. It was practised in Germany and the UK as well as in the USA. Most of all, relationship marketing has been practised for centuries by professional bodies such as accountants and lawyers by the very nature of the services they provide. So once again it seems that while technology certainly enhances the scope and efficiency of stakeholder relationship management, the subject is hardly revolutionary.

Conclusion

Further in depth research is obviously necessary into this fascinating and rapidly developing area to develop and assess appropriate new business models. In this article we have tried to learn from great 'revolutions' of the past to dig beneath the 'hype' still surrounding much discussion of the Internet. We acknowledge that historical analysis is not a scientific tool, but contend that attention to historical detail allows a degree of rigor to be applied to a subject – the impact of the Internet - that is in danger of being lost in hyperbole. It also enables us to expose some of the great marketing myths (Pillsbury being a classic example) that have been repeatedly peddled as 'great truths' through inattention to historical detail. Merely updating Keith's model by adding an 'Internet era' would perpetuate such simplistic treatment and add little to our understanding of the dynamics of change. We have a natural human tendency to over-estimate the extent of change, but in reality new generations tend to display considerable continuity with those which have gone before. A 'feel' for history warns that many others before us have enthused about unprecedented 'revolutions'. Our historical review also demonstrated that the existing process is often a major constituent of new technologies, which are then modified incrementally over an extended time period. This finding is supported by the struggles of many 'dotcoms' to sustain their initial momentum and a number of mergers between 'online' and 'offline' businesses where new technological capabilities are enhancing established operations rather than replacing them. Turning to the history of marketing itself, there are obvious parallels here with Fullerton's view of the subject's development involving evolution – rather than revolution - through simultaneous change and continuity.

It is evident from our analysis that some heralded 'innovations' such as relationship marketing can turn out to be little more than 'new wine in old bottles' when the historical context is considered. It must also be said that some of the marketing models described here do appear to be entirely new, for example mass customisation, emarketplaces and personalised communications based upon customer permissions, but are still at a very early stage of development. It is certainly true that the pace of change permitted by Internet developments is unprecedented. However, our analysis supports both Gordon's claim that the content of change does not always match up to that delivered by earlier great innovations, and Kanter's point introduced right at the start that certain enduring truths about the management of people and change have not gone away. In this context it is interesting to conclude by referring to Leibovich (1999) who notes how stories have recently emerged even from Internet-luminary Amazon.com of time-worn industrial tensions between highly paid executives and 'sweat shop' working environments for book packers, union and anti-union interests, and evangelical managers and dissatisfied employees.

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Application questions

1. Do you believe that marketing is truly undergoing a ‘revolution’ through the explosive use of the Internet or is the Internet just the latest in a series of incremental changes with the seemingly exponential spread of information technology?

2. Is there a consensus in your organisation that the use of the Internet has revolutionised its practices beyond recognition?

3. Is the Internet forcing your organisation to fundamentally re-think what your firm’s offer to the customer actually represent and to consider the possible changes in the organisational structure that might be necessary?