
A crisis in marketing?

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Marketing should be viewed as a process that encompasses all of the facets of an organisation that are involved in making and fulfilling its promises to customers.

Christian Grönroos is a professor of marketing and chairman of the Centre for Relationship Marketing and Service Management (CERS) at the Hanken Swedish School of Economics in Helsinki, Finland. He has authored many texts and articles in service management and relationship marketing, and is a frequent visitor to the Department of Marketing at the University of Auckland.

As a ground-breaking scholar in the Nordic school of marketing, he is an influential and sometimes controversial commentator on the state of marketing practice and marketing theory. Here he talks to Richard Brookes about the changing nature of marketing, and the issues facing marketing practitioners and scholars. Brookes is Associate Professor and Head of the Department of Marketing at the University of Auckland. His recent book “The New Global Marketing Reality”, co-authored by Roger Palmer of Cranfield University, examines changes in marketing practice, and the implications for managers.

UABR: In your latest article you argue that marketing both as a management discipline and as an academic discipline is in a state of crisis. Why the crisis?

Grönroos: There are a lot of studies coming out of Europe and the United States, perhaps also here in New Zealand and Australia, showing that marketers are no longer regarded very highly in large corporations. And also it seems as if marketing is increasingly considered on a tactical rather than strategic level. Marketers are managing short term promotional and advertising campaigns, but not necessarily thinking in terms of how to build customer relationships and brands longer term. This means that marketing and marketers become less and less relevant both for customers and for top management, and hence for the corporation and its stakeholders.

UABR: Why less relevant for customers?

Grönroos: Marketers are doing the wrong thing. As an

example, marketing is a lot of tactical advertising campaigns, a lot of price offers, a lot of coupons. But customers might be more interested in the service of a company, deliveries and maintenance, repair, how easy it is to use the product, how well the service functions, and so forth. And in most organisations those issues are handled outside the marketer’s area, particularly if marketing is seen simply as a function of the marketing department.

UABR: Are you suggesting that maybe the business world has moved in a certain direction and that marketing practitioners haven’t kept pace with that? Or are marketing practitioners simply wrong, regardless of what way the world is moving?

Grönroos: I think realities are changing at a faster rate than marketing practice. One of the reasons for that is our conception of what marketing is and what it should be. We

have definitions of marketing and ideas about organisations that almost force marketers to stand still, instead of moving forward and doing new things in new ways.

The original marketing definition by the American Marketing Association (AMA)¹ has been and still is considered “the” marketing definition—at least in the western world. It was grounded in the realities of

the 1950s and 1960s and it was appropriate in the context of fast-moving consumer goods. But 55 years later, a lot has happened but the definition hasn’t changed. For example, there is no reference to the customer!

UABR: But don’t marketers still have to develop a product, they still have to set prices, still have to promote it, and distribute it into a market place?

Grönroos: Yes of course they do, but they have to do a lot more. Marketing has to get into places or situations where the company meets its customers as consumers or users. That would mean that marketing thinking has to exist in processes and activities where the customer is asking “Is the company doing a good job or not?” Examples include the way deliveries are handled, repair and maintenance activities, call centre activities, invoicing. None of this is part of marketing, based on the definitions we have.

UABR: Is that because marketers haven’t made it happen, or is it because the organisations haven’t let marketers make it happen?

Grönroos: I think it’s both. Organisations rely on the

Grönroos’ new definition for marketing:

“Marketing is a customer focus that permeates organisational functions and processes and is geared towards making promises through a value proposition, enabling the fulfilment of expectations created by such promises and fulfilling such expectations through support to customers’ value-generating processes, thereby supporting value creation in the firm as well as its customers’ and other stakeholders’ processes.”

marketing department for direction, and marketers have typically wanted marketing to remain a function or specialist area.

Marketing as a function becomes a specialty, and it's rarely integrated with other functions or departments. The problem is that the processes are constrained by the boundaries of the functional area, whereas the customers are not. Customers can interact with companies in many ways that marketers are not aware of.

UABR: The original definition of marketing was centred around the notion of individual satisfaction. You now talk about the notion of value, and that customers are looking for some kind of value. Are you arguing therefore that marketers don't understand the concept of value, and how value is both defined by the customer and delivered in consultation with the customer?

Grönroos: I don't think marketers understand the concept of value. I think the concept of value is very elusive. Nobody really understands what it is, how it should be understood or how it could be measured. But the main problem is that we have this basic thought in marketing that we should facilitate the exchange of products for money, and that marketing is all about activities that are geared towards creating exchange. Creating exchange means that value is pre-defined and pre-produced before the consumer comes into the picture.

The implication is that the customer has little influence or impact on the value that is created for him or her (or a business as a customer for that matter) by the product or the services or the bundles of products or services or information that they have purchased and are trying to use.

UABR: It raises an interesting challenge, then, because many of us who teach marketing use Michael Porter's value chain model to show that layers of value are created progressively, with the end result being an improved profit margin. Are you arguing that the value chain hasn't got the same relevance today because the customer is the one who actually determines what the value is and whether they accept it?

Grönroos: I think it depends how well you understand and implement Porter's value chain idea. What a company does is prepare itself to ensure customers get value –developing, producing and distributing to create value for customers. In other words, it promises value.

What the company doesn't do is deliver value. It creates the circumstances so that the customer can get or believe in the value of the products or services that they have bought and used. That's the difference, so I would say the Porter model still applies if we see it in a certain way. The idea is called "value-in-use", meaning that value is created when products, goods or services are used, and not when they are produced.

UABR: In other words taking

a customer-centric rather than producer-centric view of marketing. Can you give me an example of this idea of value-in-use?

Grönroos: If you go to a restaurant and have to wait so long for lunch that you don't time to eat it, then there's no value, however good the meal may be. So value is not created before the customer uses what the company has developed. An empty airline seat is of no value to the airline or a potential customer, but it's of some value to other customers because they can have more space for themselves.

UABR: Yes. You made another point about that too – about the risk of ignoring the customer, or misunderstanding the customer's perspective.

Grönroos: The customer should not be by-passed. However if marketers are responsible for doing market research and gathering information on how to relate the company to the customer, then we are talking only about what the marketers are doing and seeing. If we don't study the other touch-points in a focused way, then the gap between what customers would like a company to do, and what the company does, grows wider.

UABR: Does the new definition of marketing from the AMA² encompass those kinds of concerns? Or is it inadequate, even though it was written only a year or two ago?

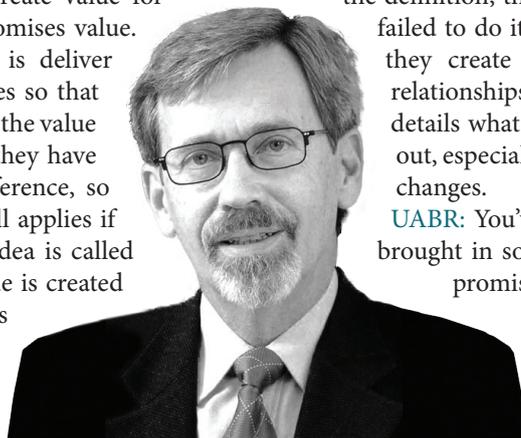
Grönroos: I think AMA was trying to solve some of these problems and I don't think they were very successful. If you look at this new definition, it's the old AMA definition but something to do with managing what they call "customer relationships" has been added.

UABR: Should they have given a direction on that or should they have left it open to allow the marketers or the context of their organisation to define what relationship marketing is?

Grönroos: I think they should have left it open. I sense it was put in there because it has become a buzzword, both for marketing practitioners and academics. There's a lot of academic research which somehow misuses the concept of relationship marketing, trying to make it a communication tool in the promotion part of the marketing mix toolbox. If that's the case, you are misusing the relationship marketing idea and the potentiality of that idea. So coming back to the definition, they possibly tried to be contemporary, but failed to do it in a very successful way. I actually think they create more confusion by bringing customer relationships into the definition. The more a definition details what could or should be done, the more is left out, especially when time goes by and the environment changes.

UABR: You've proposed a new definition, and you've brought in some interesting ideas about processes and promises, can you explain that?

Grönroos: I think marketers generally agree that marketing is a matter of managing processes. If marketing is to develop in a way that's relevant for



customers, top management and for shareholders, then we should build the definition totally on this notion of marketing as facilitating and managing processes. I propose that these processes would include a first phase of “making promises” to customers: what the firm wants to do in order to support the customer’s value generating processes. As the customer is creating value for himself or herself when using a service or a product, the company should support those processes with physical products or services, with information, with repair, maintenance, call centre advice, whatever is required in various situations. The company would make promises about “what we want to do or can do in order to support your value generating processes”. From there the company would go on to the second phase, which would be to fulfil the promises - the firm actually has to deliver on the promises. The firm has to perform in such a way that the customers feel that they get the support they were promised. The AMA definition doesn’t talk at all about fulfilling promises, or talk about what companies do. It talks about delivering value, but it doesn’t say anything about why or how. Which leads me to the third phase I am suggesting in the definition: “enabling promises”. Because traditionally marketing is seen as a specialist function, we think that people that do marketing are trained as marketers so we don’t have to enable them. In reality today, a lot of marketing activities that influence the customer’s perception of the firm, along with their satisfaction and their willingness to buy again, doesn’t happen in the marketing department. The non-specialists are involved, for example, in delivering goods and doing repair and maintenance jobs, training customers, all sorts of things - something other than what we would traditionally call marketing roles. Their work communicates positive perceptions of the firm, and they become what my colleague Evert Gummesson at Stockholm University calls “part-time marketers”. While they’re doing their job, they should do it in a way which makes customers feel that “I trust this person, I believe that what he or she is doing is good for me, I want to continue my relationship with this firm”.

UABR: So where’s the connecting link then? How do you know that all staff are fulfilling the marketing promises of the organisation?

Grönroos: What’s needed are internal activities, processes and programmes that make sure that “part-time” marketers share the same attitudes and that those attitudes will materialise in their interactions with the customers. In service marketing it’s called internal marketing, and relationship marketing is related to this idea.

UABR: Whose responsibility is that?

Grönroos: I think it raises another question: Who has responsibility for marketing at large? Of course top management, the CEO, and regional and local managers have to take overall responsibility for marketing. That is because even when there is a very special person as the marketing director whom others trust, he or she doesn’t have the

authority to go out and tell people in other departments that “Hey, this is how you should think, this is how you should develop your processes” and so forth.

UABR: I’m getting a little bit discouraged, because I’m thinking the marketer’s job is getting harder and harder to manage. If organisations are part of networks, then “touch-points” with customers are becoming more and more diffuse. Are we therefore losing the ability to manage those touch-points in a way that we can enable and fulfil promises?

Grönroos: Yes, I agree, but regardless of networks, it becomes much more difficult and problematic to manage marketing when we take it out of the marketing function. The question is: Is it worthwhile for marketers to strive to do more, to become more relevant or not? If marketing stays within a marketing department, I firmly believe that it will increasingly distance itself from reality and what customers and management consider to be important. It will become more tactical, and others will take over the responsibility for “How do we take care of customers?”

UABR: So what’s the prognosis? If marketing becomes less relevant, what will be the characteristics of the successful organisations in the future who actually do make the promises, enable the promises, and fulfil the promises well?

Grönroos: I hope there will be advances in marketing and that marketing will be considered more of a process that is present in large parts and in many functions of our companies, and that one finds ways of organising and planning and implementing activities accordingly.

UABR: If you were to give marketing executives two pieces of advice that would make the marketing function or processes more relevant, and more important in organisations, what would these be?

Grönroos: Well, one thing would perhaps be to understand that it is the customers of the firm who decide what’s marketing and what’s not, including what is “value”. The customers decide which are the marketing resources and activities of the firm, and the customers decide what should be marketed. Ensure that you deliver on time, that your people are interested, that you feel that you can trust them. Find out what the customer is influenced by and what is important to the customer and what is important to making the customers trust us, and feel satisfied with us, and willing to continue doing business with us. The other piece of advice would be to accept that the marketing department takes a diminished role in the corporation, because when products provided to customers are more complicated one single organisational function cannot take total responsibility for marketing. Marketing is no longer the department where the customer is taken care of, but only a support department, with several organisational functions also taking a customer focus and taking responsibility for marketing. I think it really is a challenge that should be taken seriously if marketing is to be developed in a positive way.

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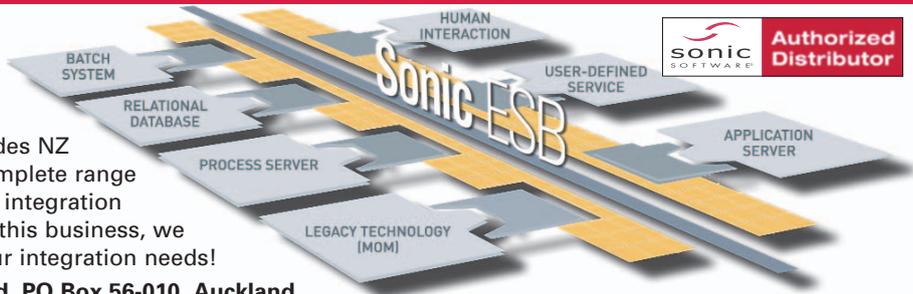
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References

1. “Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.” (AMA, 1985).
2. “Marketing is an organisational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders.” (AMA, 2005)

Commentary by Victoria Little

Victoria Little is a Senior Lecturer in the Department of Marketing at the University of Auckland.

Christian Grönroos is an influential marketing thinker. His work captures the realities of doing business in both large and small firm contexts. It also encompasses the increasing trend towards “service-isation”, or incorporating knowledge and relationship aspects into firms’ value propositions. In Australasia our smaller firms and particularly our industrial firms don’t have the luxury of large scale marketing departments, so research based on large US firms can seem less relevant to our situation. On the other hand, work from the Nordic school has resonated with the entrepreneurial and internationalising firms in our smaller economies, and has consequently been very well accepted.

In this interview, Richard and Christian covered a lot of ground. While definitions may not stir the blood of most managers, they are useful in encapsulating the essence of what is defined, so that we can more easily trace conceptual development. We can see that the US view of marketing has changed from a focus on the 4P’s (product, price, promotion, place) and exchange, to one that acknowledges the role of processes and relationships. Another refinement is locating marketing clearly in a department or function rather than more amorphously within the organisation. Perhaps this modification reflects the changing business context in the

US - more industry concentration (larger firms) and less domestic orientation (global firms). This is at odds with the Australasian experience. While we are increasingly accustomed to thinking globally, our resource base and hence structures are modest compared to US firms. I have found that in most successful NZ based firms, the CEO is the marketer in chief. While a marketing director’s ability and charisma can help (expert and referent power), organisational muscle is required (legitimate, coercive and reward power) to effect change in cross-functional processes. A further important point is that overall responsibility for some of the company’s most valuable assets, its brand or brands, needs to reside at senior management level rather than with a product manager with a degree and two years experience.

Like Richard, I too wonder about the future of marketing. In 1995 Peter Doyle wrote a thought provoking paper,¹ concluding that marketers will migrate to either a specialist or generalist role. Doyle considered marketing specialists would deal with core marketing tasks like market research and marketing communications. Generalists, on the other hand, would occupy senior management roles, leading cross-functional change programmes impacting on the firm’s value creating and delivering performance. It seems that Doyle and Grönroos have reached similar conclusions. My overall take out is that in small economies, managers at all levels require a broad management education, and that effective marketers need to become skilled in managing across functions and between networks. Marketers are required to have broader and deeper skills - “and-and”, rather than “and-or”. In academia, marketing researchers have tended to focus on “marketing as a function” or “marketing as an organisation-wide philosophy”. Clearly we too need to acknowledge the new business realities, and to incorporate the “and-and” into our research and into marketing education.

Reference

1. Doyle, P. (1995). Marketing in the New Millenium. *European Journal of Marketing*, 23(9), 28-30.