

Overview

FIVE TRENDS IN BUSINESS THAT WILL IMPACT OUR RELATIONSHIPS WITH CONSUMERS

The Environmental Movement and Their Issues Will Not Go Away

These issues are extremely complex. There are no easy solutions. Air pollution, water pollution, and ground pollution are all major, growing concerns, and businesses are getting blamed for the environmental fix that we're perceived to be in. So far, all solutions seem to be immensely expensive.

The environmental movement will have a major impact on the way we package and promote products. The shortage of landfill space is reaching acute proportions in the United States. Consequently, marketers are coming under increasing fire for environmentally unfriendly packages. Biodegradability is becoming a major consideration for all packaged good marketers.

There Will Be Continued and Continuous Pressure for Marketing Efficiency

We will continue to see major trade-offs being made between the short-term results of direct promotion and the long-term, equity building, results of advertising. I fear too many US companies are depreciating their brand equities for short-term sales results—in too many categories, price promotions are becoming the norm, and not the exception. However, the greatest marketing efficiency is retaining your current customers. In consumer services, it is estimated that it is five times more expensive to gain a new customer than it is to retain a current one. And, because of this marketing efficiency and the competitive edge it offers, the customer satisfaction movement will not go away in the foreseeable future.

Product is no longer “JUST” product. The total product-service bundle is becoming key to the purchase decision. Simple product differentiation is no longer the key determinant between the competitive set in a product category unless there is an innovative breakthrough in design or technology. Rather, the service component is more and more becoming the key differentiator in many purchase decisions—both in the consumer and the industrial sectors of the economy.

Customers are much less tolerant of bad products and bad service. Shopping is less pleasurable. It takes too much time, it's too inconvenient, and it more often exposes the shopper to negative service encounters. Customers are more actively trading off price against service and convenience. Said differently, customers are buying VALUE, whether they define that value in terms of product, or in terms of service, or both.

Like Business in General, the Pace of Marketing is Accelerating

First, it was READY, AIM, FIRE. Then it was READY, FIRE, AIM—meaning fix the product in the marketplace. And within the last year, I heard a marketer say “READY HELL, IT'S JUST FIRE.” We're beginning to understand that the first product in a new category is often so dominating that it becomes terribly expensive for a second producer to take over the lead, no matter how superior the second offering, or how much advertising

weight is put behind it. So, the watch-word for many marketers is to get into the marketplace first, whether the product is ready or not. And this mentality has been at the root of too many ill-conceived product extensions and brand extensions. This marketing excess is also responsible for the extreme amount of fractionalization in many product categories—in *analgesics* alone, there were over 280 product/brand offerings at last count. No wonder grocery stores are demanding compensation for shelf-space slots.

As in All Aspects of Business, There is an Ongoing Acceleration in the Marketing and Product Research Process

Corporations need more information, faster, than ever before. We must be able to better supply corporate marketers with what they need, when they need it, without detracting from the quality of our product or service. The decision of who to use for research services is more and more often being driven by who can provide quality research services fastest. Although accuracy and quality are still the dominant determinants of the research purchase decision, speed is becoming a more important factor. This may put many in-house product research operations in jeopardy. . . those that remain slow, will not survive.

The Marketplace is Fragmented—The Mass Market no Longer Exists

Market segmentation is the key to meeting customer needs. Whether you call it regional marketing, micro marketing, neighborhood marketing or whatever, successful businesses of the future will depend on more finely targeting their products and services to specific customer groups. A key assumption of a market segmentation strategy is that producers cannot be all things to all people—they must pick their segments and concentrate on those.

Likewise, we must realize that consumers are not alike, despite what many of our R&D people would like to believe. We deal with a highly segmented society—both attitudinally and behaviorally. Our consumers have different sensory activities and capabilities, they have different ways of distinguishing foods and food ethnicities, and they react differently to testing situations.

This is the environment we will face throughout the decade of the 90s—increased environmental sensitivity, pressure for increased marketing efficiency, faster marketing, faster information, and the death of the mass market.

I hope you're prepared for it.

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