



## The changing marketplace challenges and opportunities

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### Abstract

The marketplace is changing rapidly due to a number of forces which include technology, globalization, social responsibility, and consumer concerns about sustainability. This has resulted in new capabilities for both consumers and companies. The paper discusses about these capabilities and focuses on how these capabilities are changing the marketplace. Finally, the paper focuses on distribution channels and heightened competition. Retail transformation and disintermediation are transforming distribution channels. Globalization is creating intense competition among domestic and foreign brands. Both marketers and customers require to be aware of these forces acting in the marketplace.

**Keywords:** marketplace, consumer capabilities, company capabilities

### 1. Introduction

The marketplace is changing rapidly. The four forces which are dramatically changing the marketplace include technology, globalization, social responsibility, and consumer concerns about sustainability (Kirkpatrick, 2011) <sup>[11]</sup>. The changing marketplace is bringing both consumers and companies, new capabilities. The marketplace is also being transformed by changes in channel structure and heightened competition (Hempel, 2012) <sup>[8]</sup>. The paper discusses the effects of all these forces in transforming the marketplace.

### 2. New Consumer Capabilities

Consumers are getting empowered due to several reasons. One of the major reasons is the explosion and widespread usage of the internet and social media. In Germany alone, the percentage of consumers over 65 years accessing the internet increased from 24 percent to 33 percent from 2011 to 2012 (Mansell, 2012) <sup>[13]</sup>. The usage was linked to a social media service. The number of Germans browsing the web wirelessly increased to 29 million in 2012 and hit 60 million in 2016. More than ten percent of the Germans used tablets to access the internet in 2012 (Atsmon *et al.*, 2012) <sup>[2]</sup>. Almost two-thirds of the German companies surveyed in 2012 reported positive feedback to their social media activities (Facebook, Twitter, customer feedback communities, social media newsrooms) (Kiron *et al.*, 2012) <sup>[12]</sup>.

Customer empowerment is not only about the internet and technology. Consumers have access to information at their fingertips. Consumers also have a number of choices and are willing to move to another brand if they think that they are not being treated right or do not like what they are seeing (Kiron *et al.*, 2012) <sup>[12]</sup>.

There are several instances when companies had to feel the heat because of customer empowerment. Kate Fisher was a customer of Progressive Insurance. She was killed by an underinsured driver who ran a red light. Her family believed that they needed to sue the driver for negligence of duty. They

also expected Progressive Insurance to pay them for the irreparable loss. However, Progressive Insurance actively participated in the legal defense of the negligent driver (Holm, 2012) <sup>[9]</sup>. Kate's brother, Matt Fisher was furious and uploaded a post on Tumblr which read, "My Sister Paid Progressive Insurance to Defend Her Killer in Court". The post attracted attention of social media users. The post was picked up by media outlets and sparked public outrage on Progressive's Facebook and Twitter pages. More than 1000 customers were motivated to discontinue services with Progressive. Many more promised not to do business with the company (Holm, 2012) <sup>[9]</sup>. Progressive Insurance defended its position by citing reasons for its actions. Critics were enraged by its awkward responses which included: "We fully investigated this claim and relevant background and feel we properly handled the claim within our contractual obligations". Periods of tension followed between Progressive and the public. Finally, Progressive had to settle with the Fishers for tens of thousands of dollars. The amount was much more than the \$76000 the family had sought (Holm, 2012) <sup>[9]</sup>. Updated information, communication, mobility, and empowerment allow customers to make better choices. They are also able to share their preferences and opinions with others around the world. All these have resulted in new consumer capabilities (Precourt, 2011) <sup>[15]</sup>.

### 2.1 Usage of the Internet as an Information Tool

Consumers can *get* almost any available information on the internet. The internet acts as a powerful information and purchasing aid. Consumers 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. They can perform these activities from the home, office, or mobile phone. The internet *also* allows consumers to bypass limited local offerings and receive significant price savings. The internet has also allowed consumers to engage in "showrooming". They can compare the physical products in

the stores, compare prices online, and finally purchase the products online (Trapini, 2010) <sup>[18]</sup>. Consumers can keep track of practically any type of company information. Companies require to be transparent in their corporate words and actions. Consumers can constantly compare their words and actions in real time (Feifer, 2012) <sup>[4]</sup>.

### **2.2 Communication and Purchasing on the Move**

Consumers embrace the latest technologies and integrate smart phones and tablets in their daily lives. Research has shown that a majority of consumers evaluate products online before purchase. European consumers are particular about product quality and prices. Majority of European smart phone owners use their devices to research products and make purchases (Feifer, 2012) <sup>[4]</sup>. Mobile phones have become an integral part of life and there is more than one mobile phone for every two individuals on the planet. Also, mobile phones are manufactured ten times more than babies are born (Kiron *et al.*, 2012) <sup>[12]</sup>. Telecommunications is one of the world's trillion-dollar industries, along with tourism, military, food, and automobiles (Feifer, 2012) <sup>[4]</sup>.

### **2.3 Sharing of Opinions on Social Media**

Consumers can use the social media to communicate with others, have discussions, and share opinions. Social media platforms like Facebook, Flickr, Wikipedia, and YouTube allow individuals to develop personal connections and share ideas and views (Feifer, 2012) <sup>[4]</sup>. Websites like TripAdvisor for travelers, Dogster for dog lovers, and Moterus for bikers bring together consumers with a common interest (Stuart, 2008) <sup>[17]</sup>. Auto enthusiasts can talk about chrome rims, the latest BMW or Porsche model, and where to find a local mechanic.

### **2.4 Active Interaction with Companies**

Consumers can interact directly with companies. They can choose their favorite companies and decide from which company to buy the offerings. They can also decide on from which company to receive marketing and sales-related communications, discounts, coupons, and other special deals. With smart phones, consumers can scan barcodes and QR (Quick Response) codes to access a brand's website and other information (Trapini, 2010) <sup>[18]</sup>.

### **2.5 Acceptance and Rejection of Offerings**

Consumers have access to every type of information. So, they may see fewer product differences and feel less brand loyal (Stuart, 2008) <sup>[17]</sup>. Consumers have also become more price and quality sensitive and finalize on a brand only after analyzing the value it is offering. Now-a-days, consumers also dislike advertising. Overall, consumers are overloaded with information. So, they are more intolerant about undesired marketing. They can choose to opt out from communications offered by companies, screen out online messages, skip commercials with their DVRs, and avoid marketing appeals through e-mails or over phone (Stuart, 2008) <sup>[17]</sup>.

## **3. New Company Capabilities**

Like consumers, globalization, social responsibility, and technology have also generated a new set of capabilities for

companies. The capabilities help companies to cope and respond to the environment.

### **3.1 Usage of Internet as Communication and Sales Channel**

Companies can use the internet as a communication and sales channel, including for individually differentiated goals. A website can list products and services, history, business philosophy, job opportunities, and other information of interest to consumers worldwide. Companies realize that communications on social media help them promote their products and services and attract customers online. For example, Solo Cup marketers realize that linking their storefronts to their website and Facebook page makes it easier for the company and also for consumers to buy Solo paper cups and plates while engaging with the brand online (Horovitz, 2006) <sup>[10]</sup>. Advances in factory customization, computer technology, and database marketing softwares allow companies to offer customers who order and buy products online. For example, customers can buy M&M candies with their names on them, Wheaties boxes or Jones soda cans with their pictures on the front, and Heinz ketchup bottles with customized messages (Horovitz, 2006) <sup>[10]</sup>.

### **3.2 Collection of Information about the Marketing Environment**

Companies can collect detailed and in-depth information about markets, customers, prospects, and competitors. Companies may make use of the internet to conduct marketing research. They can arrange focus groups, collect primary data by distributing questionnaires online, receive and analyze customer opinions, and gather primary data in several other ways (Gownder, 2011) <sup>[7]</sup>. Companies can collect customer information like preferences, demographics, and profitability. For example, the drugstore chain CVS uses loyalty-card data to better understand purchasing behavior of customers, frequency of store visits, and other buying preferences. Its ExtraCare program supports 69 million shoppers in more than 7300 stores. Eighty-two percent of CVS's front store (non-pharmacy) sales happen because of the ExtraCare program (Gownder, 2011) <sup>[7]</sup>.

### **3.3 Communication with Customers**

Companies can reach customers quickly and effectively via social media like Facebook, LinkedIn, and Myspace.com. Companies also use mobile marketing effectively to send targeted advertisements, coupons, and other promotional messages (Menchaca, 2009) <sup>[14]</sup>. GPS technology can help companies pinpoint the exact locations of customers. Companies can send promotional messages when customers are inside shopping malls. Companies may send them messages with wish-list reminders and coupons or offers valid only for that day. This form of location-based communication is convenient for customers. The strategy may also increase the sales of a product. Social media and buzz are also useful. 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 website (Gonsalves, 2009) <sup>[6]</sup>. Because of all these initiatives, by mid-2012, the

@DellOutlet Twitter account had more than 1.6 million followers (Menchaca, 2009) <sup>[14]</sup>. Word-of-mouth marketing agency BzzAgent recruited 600000 customers to spread positive word of mouth about products and services used by them. They voluntarily join promotional programs to promote products and services they are satisfied with (Gonsalves, 2009) <sup>[6]</sup>.

### 3.4 Improvement of Internal and External Communications

Companies can improve purchasing, recruiting, training, and internal and external communications. Companies can advertise about vacant positions online, shortlist potential candidates, and conduct recruitment processes online. Many companies have internet training products for their employees, dealers, and agents. With the widespread usage of social media companies now seldom use blogs. "We want to be where our customers are", said Bank of America. For this reason, Bank of America dropped its blog in favor of Facebook and Twitter (Yu, 2012) <sup>[19]</sup>. Farmers Insurance uses specialized softwares to help its 15000 agents nationwide maintain their own Facebook pages (Kirkpatrick, 2011) <sup>[11]</sup>. Employees can query each other, seek advice, and exchange information via intranets and databases. General Motors launched a platform called mySocrates in 2006 to carry announcements, news, links, and historical information. This single online employee portal allowed General Motors to transcend business units. The online portal allowed General Motors to do \$17.4 million in cost savings (Yu, 2012) <sup>[19]</sup>. Popular hybrid Twitter or Facebook-type products designed especially for business employees have been introduced by Salesforce.com, IBM, and several start-ups (Achohido, 2012) <sup>[1]</sup>.

### 3.5 Improvement of Cost Efficiency

Corporate buyers can achieve substantial savings by performing the buying processes online. They can use the internet to compare seller's prices and purchase materials at auction. They can post their own terms in reverse auctions online (Dodes, 2012) <sup>[3]</sup>. Companies can improve logistics and operations to have substantial cost savings this also improves accuracy and service quality. Small businesses can use the internet effectively to do business. Physicians operating a small practice can use Facebook-like services such as Doximity to connect with referring physicians and specialists (Dodes, 2012) <sup>[3]</sup>.

## 4. Changes in Channel Structure

One of the main reasons of customers having more choices is that distribution channels have changed as a result of retail transformation and disintermediation.

### 4.1 Retail Transformation

The world of retailing is changing at a fast pace. Store-based retailers are facing tough competition from different players. These include catalogue houses, direct-mail firms, newspapers, magazines, and TV direct-to-customer advertisements, home-shopping TV, and e-commerce. Retailers are responding to the changing scenario by offering entertainment in their stores with coffee bars, demonstrations,

and performances, marketing an experience rather than a product assortment (Atsmon *et al.*, 2012) <sup>[2]</sup>.

### 4.2 Disintermediation

The concept of traditional flow of goods has been changed by early dot-coms such as Amazon.com, E\*TRADE, and others. These companies have successfully created disintermediation in the delivery of products and services (Atsmon *et al.*, 2012) <sup>[2]</sup>. Traditional companies respond by engaging in reintermediation, and becoming brick-and-click retailers. They add online services to their offerings. Some retailers with plentiful resources and established brands became contenders than pure-click firms (Atsmon *et al.*, 2012) <sup>[2]</sup>.

### 5. Heightened competition

Globalization has created intense competition among domestic and foreign brands. Consumers are preferring private labels over established brands. They also prefer mega brands. Competition has also become tough due to deregulation and privatization (Glazer and Korn, 2012) <sup>[5]</sup>.

Retailers market their own store brands known as private labels which are increasingly indistinguishable from any other type of brand (Stephen and Galak, 2012) <sup>[16]</sup>. Many established brands are diversifying into related product categories and becoming mega brands. They explore new opportunities at the intersection of two or more industries. Computing, telecommunications, and consumer electronics are converging. Companies like Apple and Samsung release a stream of state-of-the-art devices from MP3 players to LCD TVs to fully loaded smart phones (Hempel, 2012) <sup>[8]</sup>. Many countries are introducing deregulations to create healthy competition and growth opportunities. In countries like the United States and India, laws restricting financial services, aviation, telecommunications, and electronic utilities have all been relaxed to encourage greater competition (Kirkpatrick, 2011) <sup>[11]</sup>. Many countries are also converting public companies to private ownership and management with a view to increase their efficiency. The telecommunications industry has seen privatization in countries like India, Australia, Japan, Turkey, France, Italy, and Germany (Hempel, 2012) <sup>[8]</sup>.

### 6. Discussions

The marketplace and the marketing environment are changing fast. The marketplace is fundamentally different because of several forces. These forces include technology, globalization, social responsibility, and consumer concerns about the environment. These forces have created challenges and significantly changed marketing management.

The forces have resulted in many new consumer and company capabilities. Consumers can use the internet as a source of information and purchasing aid. Information technology has allowed consumers to search, communicate, and purchase on the move. Consumers can make extensive use of social media to share opinions, seek suggestions, and express loyalty. Customers can interact directly and actively with companies. Consumers are empowered enough to reject any marketing communication they find inappropriate.

Companies can use the internet as a powerful information and distribution channel, including for individually differentiated goods. Companies have marketing intelligence which allows

them to collect in-depth information about markets, consumers, prospects, and competitors. Companies can reach customers faster and efficiently through social media and mobile marketing. Companies can send targeted advertisements, coupons, and information to potential customers. Companies can improve purchasing, recruiting, training, and internal and external communications. Companies can improve their cost efficiency during purchasing by using the internet to compare seller's prices, to purchase materials at auction, or to post their own terms in reverse auctions.

Academicians may conduct an in-depth analysis of the changing marketplace. They may also analyze the strategies required for satisfying customers. Based on studying and analyzing the changes in the marketplace, they might suggest new and better initiatives for satisfying customer requirements better. Practitioners and marketers may analyze the changing marketplace and align their strategies accordingly to satisfy their customers. They may also evaluate which of the strategies they need to adopt to delight their customers.

## 7. Conclusions

The paper discussed about the various aspects of the changing marketplace. The four forces – technological changes, globalization, social responsibility, and customer concerns about sustainability – have resulted in new capabilities for both customers and companies. Distribution channels have changed as a result of retail transformation and disintermediation. Competition has toughened because of globalization, intense competition among domestic and foreign brands, the rise of private labels and mega brands, and a trends towards deregulation and privatization.

The discussions have both theoretical and managerial implications. Based on the discussions presented, academicians may understand the changing marketplace better, conduct a further review of the changes taking place in the marketplace, analyze the capabilities of customers and companies, and suggest improved strategies for marketers. The discussions will sensitize managers of companies about the importance of understanding the changing marketplace, necessity to adopt to the marketplace, and develop and implement strategies accordingly. Efforts were made to include the latest and relevant literature for understanding the marketplace. Future researchers and practicing managers may utilize the discussions done in the paper to delve deeper into understanding the changing requirements in the marketplace and develop strategies accordingly. They require keeping themselves updated about the latest trends and developments taking place to delight their customers.

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