How Information Technologies Impact on Marketing Practices: Reinforcing Versus Enhancing and Transforming

Richard W. Brookes, Roderick J. Brodie,
Department of Marketing, University of Auckland

April 2003

Despite the strong interest in how information technologies (IT) and marketing practices are developing in tandem, there has been little empirical research to clarify precisely what impact IT is having on marketing practice. Using qualitative data from studies of forty-eight New Zealand and thirty-eight Irish firms we study the impact of IT on marketing. Using Orlikowski’s (2000) classification we examine the extent to which IT is reinforcing current practices versus the extent IT is either enhancing or transforming marketing practices. Consistent with other recent studies (Brady, Saren and Tzokas 2002; Leverick et al., 1998; Fletcher and Wright, 1997; Bruce et al., 1996) we show that most firms in our study are currently operating at the reinforcing stage, with far less operating at the enhancing or transformational stages. We then compare firms where IT is reinforcing marketing practices with firms where IT is enhancing or transforming marketing practice highlighting the critical developments that are needed to progress to the transforming stage.

Key Words: IT, Marketing Practice, Inertia, Transformation
How Information Technologies Impact on Marketing Practices: Reinforcing Versus Enhancing and Transforming?

Richard Brookes & Rod Brodie
University of Auckland
Mairead Brady
Trinity College, Dublin

CODE Seminar
May, 2003
Contemporary Marketing Practice (CMP) Research Programme

- CMP research project was started in NZ in 1996
  - extended to Canada, Finland, Sweden, Ireland, Argentina, Thailand, UK, Germany, USA, SE Asia, Africa...

- Objective?
  - “to profile marketing practice in a contemporary environment, and to examine the relevance of relational marketing in different organizational and cultural contexts”

- Synthesis of European, North American, Latin & Australasian thinking

- Pluralistic action learning approach
  - integration of qualitative and quantitative methods


- Papers published in JMM, JSM, JBV, JM,...
  [http://cmp.auckland.ac.nz](http://cmp.auckland.ac.nz)
CMP Framework: Five 'Aspects' of Marketing Practice...

- **Transaction Marketing**
  - managing the marketing mix to attract and satisfy customers

- **Database Marketing**
  - using technology-based tools to target and retain customers

- **e-Marketing (eM)**
  - using the Internet and other interactive technologies to create and mediate dialogue between the firm and identified customers

- **Interaction Marketing**
  - developing interpersonal relationships between individual customers and sellers

- **Network Marketing**
  - positioning the firm in a connected set of inter-firm relationships
CMP Findings from the recent NZ & UK study...

• Support earlier CMP findings in that while different types of firms may emphasize different approaches to the market, they also practice all aspects of marketing to a certain extent.

• IT has *extended* marketing practice by allowing for the emergence of first DM and now eM, BUT these marketing approaches co-exist with others, and any/all may be relevant to the organization.

• At this point, no clear support for the argument that IT-enabled interactivity has 'fundamentally changed' how all firms relate to their markets.

• RATHER a 'bricks and clicks' *balance* that suggests IT-enabled interactivity offers different opportunities to different organizations in different contexts.
DM and eM Relative to Other Aspects of Marketing Practices

Transaction Marketing  Interaction Marketing  Network Marketing

Database Marketing  e-Marketing
NZ/UK study distinguished between 3 types of IT induced change (Orlikowski 2000)

1. Inertia Role
   • use ITs to retain and preserve their existing ways of doing things and therefore they *reinforce* the status quo (46%)

2. Application Role
   • use ITs to augment and reinforce their existing work practices and therefore *enhance* the status quo (34%)

3. Change Role
   • occurs when ITs are treated as a philosophy, infusing and altering every business consideration, and therefore they *transform* the status quo (20%)
Purpose of this Study

To provide a more in-depth understanding about the nature of IT-induced change in Marketing?

Report on qualitative discussions by middle managers about:
1. Organisation’s purpose
2. Nature of the initiatives
3. Organisational characteristics of the initiatives

Content analysis of discussions by two groups of managers
• NZ (n=48) Ireland (n=38)
• consumer/ B2B and goods/services firms
1. Inertia Role: Reinforcing the status quo...

- “IT is seen as an ‘add-on’ – a tool to achieve and do business, but it has not been addressed on an integrated basis or in terms of producing effective hardware, software, systems and support personnel - including a basic website.” (Consumer Goods Co.)

- “The introduction of new network system has replaced old paper-based system that was then entered into a central database. No training has been given on how to use information that is stored in database for ‘coal face’ applications.” (B2B Goods Co.)

- “Website used as an on-line brochure but follow up carried out via traditional (phone) methods. Email used extensively but often just to arrange meetings. Database is used for information storage and reporting but only generates the same reports as used over previous years.” (Consumer Services Co.)
Reinforcing the status quo:
Organization's Purpose is...

• Unlikely to 'drive' the IT initiatives

• Involve 'inside-in' thinking

• Short-term gain horizon with little long-term thinking

• Tactical mind-set

• Reactive/ad hoc in thinking

• Maybe some concern that going 'IT-interactive' will inhibit close personal relationships.
Reinforcing the status quo: Nature of IT initiative ...

- ‘imposed’ on marketing
- replacing or updating an existing (outlived) function or process
- treated in isolation of other IT initiatives
- add-on to existing ways of operating
- strictly existing state-of knowledge
- unclear about how they are likely to be appraised
Reinforcing the status quo: Organizational culture & processes...

- Leadership support of IT may range from guarded to hostile, and to be inadequately resourced

- ‘Risk-avoidance’ culture

- IT setbacks may justify halt to future initiatives
2. Application Role: Enhancing the status quo...

• “(1) We are one of the few companies in our industry to have a website. We generate about 5% of our leads from our website. The website gives customers instant access to our product catalogue. (2) We are in the process of getting a CRM package up and running so that we can better utilize our time and take advantage of our leads. (3) In house design department - new products are developed and proofs etc. are emailed and instantly accessible. This cuts an enormous amount of time out of the design process.” (B2B Goods Co.)

• “The investment banking industry uses IT primarily to ensure front office has fast access to market and latest information. In terms of marketing, the ongoing development of a client relationship management system will enhance the status quo.” (Consumer Services Co.)
Enhancing the status quo: Organization’s Purpose...

- May ‘drive’ some IT initiatives
- ‘Inside-out’ thinking
- Short-term gain horizon but maybe some long-term view
- Mainly tactical mindset
- Limited proactivity in thinking
- May be an attitude that going ‘IT-interactive’ will help in customer relationship building.
Enhancing the status quo:
Nature of IT initiative ...

• involved marketing input

• enhancing a current function or process

• seen as a way to enable greater integration of current IT initiatives/ data sets/ functions/ processes

• facilitating incremental improvements

• ‘up with the play’ technologies

• appraised mostly in terms of cost/ efficiency gains
Enhancing the status quo:
Organizational culture & processes...

• Leadership support of IT is likely to be in the form of pragmatic acceptance and resourcing

• ‘Risk-management’ culture

• Unclear how much any current IT setbacks may affect future initiatives
3. Change Role: Transforming the status quo...

- "Our company is working as a test project for two major telecommunications companies in B2B supply chain management projects, described by both companies as E-procurement." (B2B Goods)
- "Using IT gives our knowledge 'form', ie. turns verbal or intangible concepts or ideas into a visual and understandable picture." (B2B Services)
- "Technology has enabled our business (small firm) to reach new international markets in an economic way. This lets us transform our marketing programme." (B2B Goods)
transforming the status quo...

• "Marketing uses the internet extensively to support and improve marketing efforts like direct e-mailing, on-line order booking, on-line discounts etc., creating databases, searching and identifying new customers etc... (We) are encouraged to utilize IT-savvy office facilities to redefine the marketing efforts." (Consumer Goods Co.)

• "We are the first company in the world - 'early adopter programme' - that is testing a connection between (an external) CRM package and (an internal) financial package." (Consumer Goods Co.)
Transforming the status quo:
Organization’s Purpose...

- Like to ‘drive’ the IT initiatives
- ‘Outside-in’ thinking
- Long-term-gain horizon through short-term gains
- Strategic/’change the rules’ mind-set
- ‘First-mover’ advantage thinking
- Strong attitude that ‘IT-interactivity’ will enhance existing relationships and help in creating new ones
Transforming the status quo:
IT initiative more likely to be...

- jointly led by marketing
- extending a current process, or creating a new one
- seen as a way to more fully integrate or change current IT initiatives/ data sets/functions/processes
- driving desired transformational change
- at forefront of existing technologies
- appraised in both cost/efficiency and market building terms
Transforming the status quo:
Organizational culture & processes...

- Leadership support of IT is likely to be that of encouragement and to provide necessary resourcing

- ‘Opportunity/change seeking’ culture

- IT setbacks seen as part of the learning/advancement process
Conclusions and Managerial Implications

- Most companies are currently not 'jumping on the bandwagon of IT transformation'.
  - Only a small minority of firms currently see themselves as high users of IT,
  - However, this proportion increases substantially when managers are asked to consider the future use of IT in 5 years time.
  - Growing realization that over the longer term, IT will play a substantially more important role.
- IT development must be viewed within the totality of organisational change and relationships.
  - Many potential stumbling blocks need to be overcome.
  - Barriers are predominantly organisational rather than technical or human,
    - Ranging from internal organisational fears about learning how to use new ITs, to external organizational concerns about personal relationships being undermined by the substitution of human interactions by ITs.
  - Critical role of middle managers to the success of organizational change:
    - Personally committed to championing the change.
    - Having to attend to the emotional reactions and concerns of others, especially subordinates.
Further Research Questions

• Nature of change
  • Are ITs reinforcing, enhancing, transforming the status quo in some staged/systemic fashion?
  • To what extent is change market-led or market driven?

• Organisational issues
  • What are the inhibitors and facilitators of eM adoption and penetration - and the organisational change management implications?
  • How is IT-enabled interactivity influencing internal relationship marketing practices?

• Economics of change
  • What are the 'returns' from IT/eM investments?
  • Which specific marketing processes create value?
    • operations (supply chain) mgt, product service innovation, CRM?
  • What drives the investments in IT-enabled interactivity?
Broadening the Framework for Understanding of the Impact of IT: Four Questions

• **On organisations…**
  • as ITs have moved from the back end of the business system to the front end, are they now a ‘disruptive force in the marketplace’… and thus is marketing now ‘following technology’?

• **Management of change…**
  • do organisations manage the introduction of greater IT-enabled interactivity within the context of management of change theories and practices, and with a clear strategic goal, such as to: reinforce, enhance or transform their status quo?

• **IT-enabled interactivity …**
  • is the Internet just another tool; a new channel; does it ‘change everything’; or are firms finding their own ‘balance’?

• **Internal communications & relationship marketing**
  • do organisations understand how the possibilities of improved external relationship marketing through IT-enabled interactivity now impact on their management of internal marketing relationships?
Broader Issues of How ITs Impact on Marketing Practices

IT impacts on organisations and consumers

IT change goal:
- Reinforce?
- Enhance?
- Transform?

Management of change

Internal relationship in marketing

IT-enabled interactivity in marketing