Global Megatrends Push IMC Concepts to Forefront of Strategic Business Thinking

By Matthew P. Gonring

The new economy is rapidly changing the global competitive landscape. Matthew Gonring identifies four global "megatrends" that are challenging the ways many companies conduct business today. In the following article, he asserts that for companies embracing IMC, these challenges translate into significant opportunties.

Introduction

Customer-focused thinking has long been the battle cry for integrated marketers. Know your customers, segment your audience, measure return on investment (ROI) and target your messages have been mantras screamed from the halls of Northwestern University and other institutions of higher learning since 1991. Proponents understand that IMC can increase message consistency, extend brand awareness, and multiply customer retention. However, even with past successes, never before have the underpinnings of IMC been so critical. With the new economy upon us, the concepts of IMC have been pushed to the forefront of strategic business thinking by several global megatrends that include:

1. Technology
2. Globalization
3. Intangibles
4. The war for talent

Together, these megatrends power the new economy, creating a competitive marketplace where expectations are high and second chances are rare. In order to make the strong entrance and swift decisions required for survival, companies must know their customers at all times. If they don't, what was once considered strategic tweaking in the old economy will be suicide in the new. With the abundance of megatrends taking us forward, the future leaders of the new economy will be those companies that give IMC concepts center stage.

Technology and the Internet

At the root of the new economy and its rapidly progressing growth is technology. Whether we are early adopters or technophobes, technology touches every part of our lives making our world faster, smarter and more mobile than ever. Amidst the proliferation of online businesses, the Internet has made online business models and offerings transparent. Such transparency has two key results. First, competitive advantages historically enjoyed by companies have diminished. Products and technologies that were once unique can now be duplicated within months, while services can be copied within days or even hours. Second, because with a Web site there is a single source of company information for all to see, message inconsistencies are more easily discovered. If outgoing messages do not align with product or service offerings, a company's brand is jeopardized.

The adage that "knowledge is power" seems to hold true as customers expect far more in the New Economy.

Just as Internet technology has leveled the competitive playing field by providing a window into the competition's strategy, technology has also placed the power of information in the customer's hands. Today, customers are more knowledgeable and demanding than ever of marketplace conditions. They are able to research product attributes, investigate competitors' offerings and compare prices. The adage that "knowledge is power" seems to hold true as customers expect far more in the new economy.

While technology gives increased power to competitors and consumers, that same technology also enables the principles of IMC to operate on new levels. Mechanisms for two-way communication are more efficient and fluid than ever. Concepts such as customer relationship management (CRM) strengthen relationships with the help of databases, creating customer profiles that become smarter with each data entry. By using technology to support IMC concepts companies have the ability to exceed customer expectations and outsmart the competition.

Globalization

Adding to the complexities of the new economy is globalization. In the past, movements toward the globalization of U.S. companies were driven in large part by the government. However, commitment to overseas business development vacillated, often rising and falling with the political climate (Garten, 1998). For those companies that did conduct business globally, trade embargoes stymied true global trade.

But the tides are changing. As transaction capabilities are advanced by technology, the geographic boundaries of trade are beginning to disappear. Additionally, global trade agreements between countries, including China and the United States, have created a windfall of economic opportunity. Global mergers and acquisitions are developing every day at a record pace with deals of record size. Global networks, both technological and organizational, are connecting organizations in all parts of the world. Driven by the first truly global companies and supported by trade agreements, globalization is here to stay.

This high degree of consolidation and global connectivity creates a need for global communications strategies.

This high degree of consolidation and global connectivity creates a need for global communications strategies. It only makes sense. As different cultures, ideas, currencies and economic ideals converge, it is imperative that the strategies behind global organizations are consistent around the world and across the board.

However, while global strategies must be consistent, companies cannot ignore unique attributes of different cultures. Analysts suggest that in order to globalize, companies must attempt to localize globally (Schibsted, 1999). To succeed globally, companies need to establish a strong local presence and build brand recognition in each targeted market.

One example of a framework that addresses both global and local strategic needs is the work of Mohanbir Sawhney, a professor of electronic commerce and technology at Northwestern University's Kellogg Graduate School of Management, and Kellogg graduate student Sumant Mandal. Sawhney and Mandal suggest that the global corporations of tomorrow will have a three-part structure. The first part is a global core that includes business and strategy; the second is a shared services layer housing human resources, marketing and procurement; finally, the third layer is composed of local market units that allow global companies to address marketing, logistics, regulations and partnerships at a local level (Sawhney and Mandal, 2000).

In the Value Dynamics framework, the customer is just as important as the components found in the financial asset and physical asset categories

Intangibles

With competition and customer demands on the rise, companies will win market share by giving intangibles as much attention as the revenue line on their balance sheet. Intangibles including brands, thought leadership, cultures, relationships, intellectual capital and supply chains will be the differentiating factors for success in the new economy. Unlike business in the past, today's marketplace puts a much higher value on intangible assets. Companies such as Microsoft, America Online, and Amazon.com have capitalized market values that correspond with their intellectual capital, rather than hard goods produced or manufactured. Companies seeking success in the new economy will recognize that while traditional accounting models do not take into account the assets making up value in the new economy, the intangible elements cannot be overlooked.

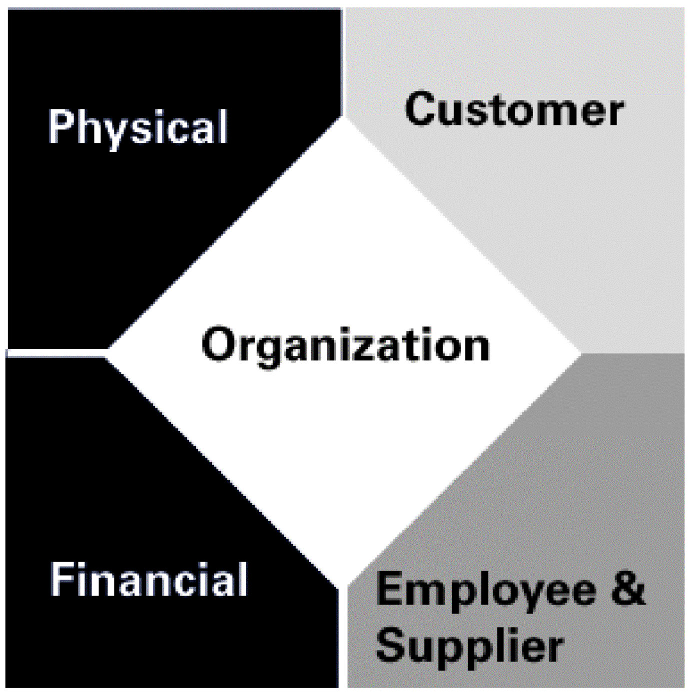
The valuation of companies based upon people-controlled characteristics means companies must be cognizant of customers' changing needs. As the competitive marketplace expands to the ends of the earth, the fight for market share is becoming increasingly fierce.

Arthur Andersen's recently published book, *Cracking the Value Code* (Boulton et al, 2000), explores intangible value in great detail. The authors, Arthur Andersen partners Richard Boulton, Barry Libert and Steve Samek, set out to explore how successful businesses are creating wealth in the new economy.

In their book, the partners map out a framework called Value Dynamics. The Value Dynamics framework provides a context for organizing all sources of value. It includes two traditional asset categories - financial capital and physical assets, and adds three new categories of assets - customer, employee and supplier, and organization.

When put together, the five asset categories cover the following significant assets:

- Physical: land, buildings, equipment and inventory
- Financial: cash and cash flow, receivables, investments, and relationships with providers of debt and equity
- Employee and supplier: employees, suppliers and partners
- Customer: the end user of a company's product or service, as well as its channels of distribution and affiliates
- Organization: leadership, strategy, structure, culture and values, processes and systems, knowledge, the capacity to innovate, brands and intellectual property



Source: *Cracking the Value Code,* Arthur Andersen

From an IMC standpoint, what resonates is the increased notice paid to such things as brands, knowledge, people, suppliers, culture and values. And, of course, the customer. In the Value Dynamics framework, the customer is just as important as the components found in the financial asset and physical asset categories. Imagine that - a customer being considered just as valuable as a factory or piece of machinery. With customers receiving as much attention as a factory or piece of machinery, and employee leadership and culture looked at with the detail of cash flows and receivables, IMC advocates can be assured that IMC concepts have been drilled down into the organization. After all, intangible thinking is based on core IMC beliefs.

War for Talent

Behind the intangible factors that determine success or failure in the new economy lies employees. People develop technology, store the intellectual capital, and drive innovation with which the new economy is built. People create and control the knowledge, ideas and relationships upon which wealth is now created. And in today's highflying economy, good and talented people are the single scarcest resource for organizations and a significant factor in an organization's ability to sustain growth. To make things more challenging, in addition to being scarce, talented people are increasingly mobile in the new economy - jumping from one hot opportunity to the next - taking a company's intellectual capital with them from job to job.

The importance of retaining talent is highlighted by the largely held belief that in the new economy, the only competitive difference organizations in the same industry will have is their brand. While some companies believe a brand is the responsibility of the marketing department, reality indicates that a brand is only as good as the people that support it. If a customer's experience does not align with a company's messaging, the brand is tarnished. In a business environment marked by intense competition, companies cannot afford to miss a beat.

Just as a brand is one of the most valuable intangibles to a company, it is also becoming increasingly important for individuals to brand themselves. The new economy has become an incubator for entrepreneurial spirit and that spirit is running rampant. *Fast Company* characterizes the entrepreneurial buzz as "Free Agent Nation" (Peters, 1997). Tom Peters says we should all be in a "brand called you" mentality. In record numbers, Harvard MBAs are shunning corporate America,

consulting firms and investment banks for Silicon gold. Even within long-standing, rigid, white-collared corporate cultures, entrepreneurial attitudes are being championed.

The importance of employees has risen to new heights because without human capital, an information-based economy cannot exist. As a result, the war for talent is more like guerilla warfare. If companies do not seek to understand and retain this often-neglected segment of the audience base, they may be forced to watch the foundation of their company walk out the door. From a Value Dynamics and IMC standpoint, employees are as vital to success as customers.

The New Economy is Integrated Marketing's Time to Shine

Ten years ago, the business world was not quite ready to embrace the principles of IMC. But as the environment developed over the past decade, IMC grew in stature because it makes good business sense, especially in today's fast-moving economy. IMC and the four major new economy megatrends - technology, intangibles, globalization, and the war for talent - are made for each other.

Technology has opened up numerous doors in terms of knowledge of the customer, speed to market and connectivity. Globalization has increased the importance of a unified strategy while highlighting the need to recognize and address cultural differences. The increasing value assessed to intangibles such as brands, employees and customer/supplier relationships is changing financial outlooks across the board. The war for talent has turned the recruiting tables upside down, because an information economy cannot exist without human capital.

In a business environment where all four megatrends effect the way we go to market, following the IMC principles of knowing your customers, building your brand and measuring effectiveness will put companies one step ahead of the competition. For companies that currently embrace IMC, the new economy megatrends translate into opportunities. Placing the customer and other key stakeholders at the center of your business strategy has never been more important. The highly competitive marketplace has made relationship building paramount in the quest for success. For companies who do not see IMC as vital, it is time to reconsider.

References

Boulton, R., Libert, B., Samek, S. (2000). *Cracking the Value Code.* Arthur Andersen.

Garten, J. (March 23, 1998). "Why the global economy is here to stay," *Business Week.*

Peters, T. (August 1997). "Brand Called You" *Fast Company.*

Sawheny, M., M Sumant. (May 2000). "Go Global" *Business 2.0.*

Schibsted, E. (November 1999). "All the World in Stages" *Business 2.0*

MATT GONRING is currently vice president of corporate communications for Baxter International, a global medical products and services company. Prior to joining Baxter, Gonring was global managing partner of integrated marketing and communications for Arthur Andersen. Gonring has also held marketing communications and media relations positions with USG Corporation, United Airlines and Northwest Airlines.

Also contributing to this article were AMANDA ALBRIGHT and GEORGE RAFEEDIE.