



Cranfield University

Stan Maklan

“How should firms develop and or change their marketing competencies when developing relationships with consumers online?”

School of Management

PhD Thesis

Title Page

Cranfield University

School of Management

PhD Thesis

Submitted 2003-2004

Stan Maklan

Research title: “How should firms develop and or change their marketing competencies when developing relationships with consumers online?”

Supervisor Professor Simon Knox

Presented 24 March 2004

Acknowledgements

Without the support, encouragement and patience of my family, supervisor and colleagues, it would not have been possible to conduct my studies and submit this thesis.

My wife Anne and daughter Alice have been tolerant of having a part-time husband and father for months on end whilst I prepared interim reviews and the final thesis, the worst part of which being the unpredictability when an inspiration or breakthrough would propel me into a few weeks of intense concentration and writing. I hope the experience will encourage my daughter to pursue her own goals in life, and appreciate the effort required to achieve them.

My supervisor, Professor Simon Knox, was a friend, mentor and colleague before I embarked on this project and remains all three – a testament to his patience and kindness. I am fortunate in my choice of supervisor to have found someone who gets his greatest academic pleasure through the accomplishments of his PhD students. Cranfield's marketing department is much the richer for the expanding network of his students that continue to contribute to its teaching, research and executive development efforts.

At Cranfield, PhD students enjoy the keen interest and support of the entire faculty. I was fortunate to have an internal review board comprised of people that gave an extra effort to help sharpen my thinking and provide advice: Professors Cliff Bowman, Adrian Payne, Joe Peppard and John Glen. John is an economist and directed my reading to the essential literature for that portion of my literature review, greatly shortening my way through what is over 200 years of literature. Cliff is a resource based theorist who challenged me throughout the process; when preparing this thesis I continually asked myself – “can I answer the Bowman questions?” If the theorising is strong in this thesis, it will be in no small measure to his help. Joe is both a resource based theorist and action researcher; a prodigious reader who continually found relevant publications to complete my reading /thinking. He graciously read early drafts of this thesis offering invaluable help in its presentation and rigour. Action research is hard to write up in the context of a thesis and we both learnt from this exercise.

The managers from two firms with whom I worked were bright, helpful, challenging and highly motivated. They were fun to work with and their contribution is enormous.

Finally, I must thank the support groups who provide an unrivalled service to Cranfield PhD students. The School's research office provides continual and pragmatic help through the process and Anita Beal at the library relentlessly chased down hard to find publications, references and related material for four years on my behalf whilst Heather Woodfield was an invaluable help on style, grammar and referencing.

Abstract

An empirical study is reported which attempts both to improve marketing practice whilst developing key aspects of marketing and resource-based theory. The thesis describes how firms can develop marketing competencies to exploit emerging online marketing technology and business opportunities. In doing so, the thesis provides empirical evidence that opens up what is widely acknowledged in the literature as “the black box of resources”. Specifically, it explores the way marketing competencies develop as the result of investment in complementary marketing resources and conscious management activity.

A literature review is presented which identifies generic marketing competencies and how they are expressed across a continuum of three forms of marketing: transaction, relationship and network. From this insight, the researcher develops a framework and a set of tools that help managers identify their firms’ current marketing competencies and develop future marketing competencies needed to implement their marketing strategies.

A co-operative inquiry research design is developed that permits managers to use and develop further these frameworks and tools, improve their day-to-day practice and contribute to academic literature and theory.

The experience of two sets of managers trying to develop their firms’ online marketing competencies through co-operative inquiry is presented. One inquiry is with a highly successful dot.com and the other the UK division of a leading automotive manufacturer. The findings from each are compared and the researcher develops contributions to both theory and practice. The contributions confirm and illuminate much of the extant, conceptually-grounded dynamic capabilities literature. The major implication for marketing theory and practice is that online consumer relationships can only develop incrementally along a continuum of marketing competencies. Details as to how these marketing competencies develop and change are discussed. Secondary contributions involve economics and the nature of co-operative inquiry within a marketing context.

The validity of co-operative inquiry, and therefore of this research, is discussed in detail. Limitations of the research and its future directions are discussed.

Table of Contents (by Chapter)

1	Glossary	1
1.1	Definitions relating to Resource-Based Theory.....	1
1.2	Definitions relating to marketing theory and literature.....	2
1.3	Definitions relating to economic theory	3
1.4	Definitions relating to methodology	4
1.5	Definitions relating to the flutter inquiry	4
1.6	Definitions relating to the BMW inquiry.....	5
2	Structure of the PhD thesis	6
3	PhD focus.....	7
3.1	Research question	7
3.2	Focus of the PhD thesis.....	7
3.3	Why does the researcher believe this to be important?.....	8
3.3.1	Importance to practice and theory.....	8
3.3.2	Importance to the researcher	8
4	Literature review	9
4.1	Impact of the internet on marketing theory and practice	11
4.2	Choice of literature	13
4.3	Resource-Based Theory (RBT).....	14
4.3.1	Linking resources to profit.....	14
4.3.2	Distinguishing competencies from resources	15
4.3.3	How competencies develop	18
4.3.3.1	The role of goal-seeking behaviour or intentionality.....	18
4.3.3.2	Competencies can develop as a consequence of new product development.....	19
4.3.3.3	Competencies can develop from conscious learning	19
4.3.3.4	Summary of section 4.3.3	20
4.4	Building a framework from the marketing literature.....	21
4.4.1	Locating the discussion within the marketing literature	21
4.4.2	Identifying the role and function of marketing	22
4.4.3	Determining the marketing competencies from the role and function of marketing literature.....	25
4.4.3.1	Transaction marketing	28
4.4.3.1.1	Demand management in transaction marketing.....	28
4.4.3.1.2	Creating marketing knowledge in transaction marketing	28
4.4.3.1.3	Building customer value propositions in transaction marketing	29
4.4.3.1.4	Determining the firm's relationships with customers in transaction marketing.....	29
4.4.3.2	Relationship marketing	29
4.4.3.2.1	Demand managing in relationship marketing	29
4.4.3.2.2	Creating marketing knowledge in relationship marketing.....	30
4.4.3.2.3	Building value propositions in relationship marketing	31
4.4.3.2.4	Developing the firm's relationship with customers in relationship marketing	31
4.4.3.3	Network marketing	32
4.4.3.3.1	Demand management in network marketing	32
4.4.3.3.2	Creating marketing knowledge in network marketing.....	32
4.4.3.3.3	Building value propositions in network marketing.....	33

4.4.3.3.4	Determining the firm's relationship with customers in network marketing	34
4.5	Extending the marketing competencies framework with the economics literature	35
4.5.1	Neo-classical economic assumptions.....	35
4.5.2	Externalities	36
4.6	Gaps in the literature	40
4.6.1	Identifying resource and competencies.....	40
4.6.2	Linking resources and competencies with performance	41
4.6.3	Explaining how resources and competencies co-evolve.....	42
4.6.4	Integrating RBT and marketing scholarship – a research agenda.....	43
4.6.5	Summary of literature gaps.....	44
5	Research design	45
5.1	The research question	45
5.1.1	Purpose of the research	46
5.1.2	Theory testing versus theory building.....	46
5.1.3	Observability.....	46
5.1.4	Expert versus lay language and critique of lay accounts	47
5.1.5	Role of researcher	47
5.1.6	Implications from analysis of the research question.....	47
5.2	Philosophical position.....	48
5.3	Methodological alternatives.....	51
5.4	Co-operative inquiry	53
5.4.1	Definitions of action research	53
5.4.2	Choosing the action research method for this thesis.....	55
5.4.2.1	Goals of this research.....	56
5.4.2.2	Scientific versus task focus.....	56
5.4.2.3	Contribution to theory and practice	57
5.4.2.4	Action versus purely understanding the phenomenon	57
5.4.2.5	The role of the researcher	57
5.4.2.6	Conclusion	58
5.5	Making the method operational	59
5.5.1	The research process	59
5.5.1.1	Set up	61
5.5.1.2	Workshop 1	63
5.5.1.2.1	Marketing competencies' scoring tools	63
5.5.1.2.2	The marketing competency grid	65
5.5.1.2.3	Determining potential marketing resources	66
5.5.1.3	Data capture, researcher's reflections and briefing co-researchers for next phase.....	66
5.5.1.4	Preparation 1	68
5.5.1.4.1	Assessing if a potential marketing resource is valuable	68
5.5.1.4.2	Assessing if a potential marketing resource is rare.....	70
5.5.1.4.3	Assessing if a potential marketing resource is imperfectly imitable	70
5.5.1.4.4	Assessing if a potential marketing resource is non-substitutable	72
5.5.1.5	Workshop 2.....	73
5.5.1.5.1	Agreeing the company's current marketing resources.....	73
5.5.1.5.2	Discussing the marketing strategy	73

5.5.1.5.3	Implications of strategy upon marketing resources	74
5.5.1.6	Preparation 2	75
5.5.2	Workshop 3	76
5.5.2.1	Agreeing future marketing competencies	76
5.5.2.2	Actions	77
5.5.2.3	Wrapping up the process	77
5.5.3	Validation - Exit interviews	78
5.5.4	Further follow ups	79
5.6	Selection of firms	80
5.6.1	Commitment to action and the inquiry process	80
5.6.2	Extremes of the phenomena of interest	81
6	Findings from the flutter inquiry	82
6.1	Background to the company and its online consumer marketing	82
6.2	Background to the members of the inquiry team	84
6.2.1	GF (project sponsor)	84
6.2.2	TL	84
6.2.3	BE	85
6.2.4	NA	85
6.3	Set up	85
6.4	Identifying current marketing competencies	87
6.4.1	Creating demand	88
6.4.2	Planning focus	89
6.4.3	Basis of competition	89
6.4.4	Overall	89
6.4.5	Other competencies	89
6.4.5.1	Current creating marketing knowledge competency	90
6.4.5.2	Current building customer value propositions competency	90
6.4.5.3	Current determining the firm's relationship with customers competency	90
6.4.6	Flutter's current marketing competency grid	91
6.4.7	Quality of the conversation	91
6.5	Identifying flutter's current marketing resources	93
6.5.1	The potential marketing resources	93
6.5.2	VRIN testing the potential marketing resources	94
6.5.2.1	VRIN testing customer insight	95
6.5.2.2	VRIN testing the customer base	96
6.5.2.3	Agreeing flutter's current marketing resources	97
6.5.2.4	Reflections on identifying current marketing resources	98
6.6	Identifying flutter's future marketing resources	99
6.6.1	Agreeing the marketing strategy	99
6.6.1.1	The impact of strategy on developing future marketing resources ..	99
6.6.2	Researcher's reflections	101
6.7	Identifying flutter's future marketing competencies	103
6.7.1	Creating demand (future)	104
6.7.2	Planning focus (future)	104
6.7.3	Basis of competition (future)	104
6.7.4	Overall score (future)	105
6.7.5	Other competencies (future)	105
6.7.5.1	Creating marketing knowledge (future)	105
6.7.5.2	Creating customer value propositions (future)	105

6.7.5.3	Firm's relationship with customers (future)	105
6.7.5.4	Flutter's future marketing competency grid	106
6.7.5.5	Researcher's reflections	107
6.8	Actions	108
6.8.1	Demand management (actions).....	108
6.8.2	Creating marketing knowledge (actions).....	109
6.8.3	Building value propositions (future).....	109
6.8.4	Managing the firm's relationships with customers (future).....	109
6.8.5	Barriers and enablers to action.....	110
6.9	Exit interviews	111
6.9.1	Improvements to co-researchers' practice	111
6.9.2	Democratic process.....	113
6.9.3	Co-researchers' learning	114
6.9.4	Follow up contact with flutter managers	115
6.10	Key findings from the flutter inquiry.....	116
6.10.1	Findings related to RBT	116
6.10.2	Findings related to online marketing	118
6.10.3	Findings related to network marketing	120
6.10.4	Findings related to network economics (externalities)	120
6.10.5	Findings related to co-operative inquiry	121
7	Findings from the BMW inquiry	123
7.1	Background.....	123
7.1.1	BMW's UK business	123
7.1.2	Automotive block exemption.....	125
7.1.3	BMW's existing online marketing.....	126
7.1.4	Sequence of events in this inquiry	127
7.2	Background to members of the inquiry team.....	128
7.2.1	RD (Ecommerce and CRM Manager) – project sponsor.....	128
7.2.2	NH (Head of Advertising)	128
7.2.3	NB (After-Sales Development Manager)	128
7.2.4	IM (National Service Manager)	129
7.2.5	TW (IT Manager).....	129
7.2.6	DT (Head of BMW GB Motorcycles)	130
7.3	Set up	131
7.4	Identifying BMW's current marketing competencies.....	133
7.4.1	Creating demand measure.....	134
7.4.1.1	Product	134
7.4.1.2	Place (i.e. distribution).....	134
7.4.1.3	Price	134
7.4.1.4	Promotion (i.e. advertising and other forms of marketing communication)	135
7.4.1.5	Scoring the creating demand measure	135
7.4.2	Planning focus measure	136
7.4.3	Basis of competition measure	136
7.4.4	Brand.....	137
7.4.5	Overall score	138
7.4.6	Other competencies.....	138
7.4.6.1	Current creating marketing knowledge competency	138
7.4.6.2	Current building customer value propositions.....	138
7.4.6.3	Current determining the firm's relationship with customers	138

7.4.7	BMW's current marketing competency grid	139
7.4.8	The quality of the conversation.....	139
7.5	Identifying BMW's current marketing resources	141
7.5.1	Potential current marketing resources.....	141
7.5.2	VRIN testing potential marketing resources.....	142
7.5.2.1	VRIN testing customer experience	142
7.5.2.1.1	Valuable	143
7.5.2.1.2	Rare	144
7.5.2.1.3	Imperfectly imitable.....	145
7.5.2.1.4	Non substitutable	145
7.5.2.2	VRIN testing dealer-customer-BMW relationship	145
7.5.2.2.1	Valuable	146
7.5.2.2.2	Rare	146
7.5.2.2.3	Imperfectly imitable.....	147
7.5.2.2.4	Non substitutable	147
7.5.2.2.5	Overall.....	147
7.5.3	Agreeing BMW's current marketing resources	148
7.5.4	Quality of discussions	149
7.6	Identifying BMW's future marketing resources	151
7.6.1	Limited change scenario	151
7.6.2	Radical change scenario.....	151
7.6.3	The analysis	152
7.6.4	Researcher's reflections	154
7.7	Identifying BMW's future marketing competencies	155
7.7.1	BMW's future demand management competency.....	155
7.7.1.1	Creating demand (future).....	157
7.7.1.2	Planning focus (future)	158
7.7.1.3	Basis of competition (future)	158
7.7.1.4	Brand (future).....	158
7.7.2	BMW's future creating marketing knowledge competency	159
7.7.3	Future building customer value propositions.....	159
7.7.4	Future determining the firm's relationship with customers.....	160
7.7.5	BMW future marketing competency grid	160
7.8	Actions arising from this inquiry	161
7.8.1	Inhibitors to developing marketing competencies	161
7.8.2	Concluding the workshop: "Where do we go from here?"	163
7.8.3	Researcher's reflections on discussion about actions	165
7.9	Post inquiry	166
7.9.1	Exit interviews	166
7.9.1.1	RD.....	166
7.9.1.1.1	Improvements to practice and actions.....	166
7.9.1.1.2	Democratic process.....	167
7.9.1.1.3	Co-researcher learning	168
7.9.1.2	TW	169
7.9.1.2.1	Improvements to practice and actions.....	169
7.9.1.2.2	Democratic process.....	169
7.9.1.2.3	Co-researcher learning	170
7.9.1.3	IM.....	170
7.9.1.3.1	Improvements to practice and actions.....	170
7.9.1.3.2	Democratic process.....	171

7.9.1.3.3	Co-researcher learning	171
7.9.1.4	NB	171
7.9.1.4.1	Improvements to practice and actions.....	171
7.9.1.4.2	Democratic process	172
7.9.1.4.3	Co-researcher learning	172
7.9.1.5	DT	173
7.9.1.5.1	Improvements to practice and or actions	173
7.9.1.5.2	Democratic process	174
7.9.1.5.3	Co-researcher learning	174
7.10	Follow up meetings with BMW	175
7.10.1	Follow up meetings with RH	176
7.10.2	Follow up with RD.....	176
7.10.3	TW follow up meetings	178
7.11	Key findings from the BMW inquiry.....	179
7.11.1	Findings relating to marketing	179
7.11.2	RBT related findings.....	182
7.11.3	Findings related to network economics (externalities)	183
7.11.4	Findings related to co-operative inquiry	184
8	Comparing flutter and BMW key findings	185
8.1	Process for comparing the key findings.....	185
8.2	Findings related to RBT	186
8.2.1	How competencies develop and change	186
8.2.1.1	Evidence of incremental, competency led nature of co-evolution.	186
8.2.1.2	Marketing competencies do not evolve independent of each other	187
8.2.2	The role of managers in competency development	188
8.2.2.1	Management cognition and decision making can drive the process....	188
8.2.2.2	Tacit knowledge can be surfaced and acted upon.....	189
8.2.3	VRIN helps managers understand resources, but not plan for their future development	189
8.3	Findings related to co-operative inquiry	190
8.3.1	First person inquiry findings.....	190
8.3.1.1	Improvements to practice.....	190
8.3.1.2	Promoting democratic, participatory inquiry.....	191
8.3.1.3	Learning	192
8.3.2	Second person inquiry findings	193
8.3.2.1	Improvement to practice	193
8.3.2.2	Democratic process.....	194
8.3.2.3	Learning	194
8.4	Findings related to marketing	195
8.4.1	Marketing competencies framework.....	195
8.4.2	Companies have a mixture of marketing forms.....	196
8.4.3	Active marketing participation is needed for creating new forms of marketing knowledge.....	196
8.4.4	Lack of resource and competency stewardship	196
8.4.5	Externalities create a boundary condition of relationship marketing	197
8.5	Findings related to Economics.....	197
9	Contributions to knowledge and practice	199
9.1	Contributions addressing identified gaps in the literature	200

9.1.1	Identifying resources and competencies	200
9.1.2	Linking resources and competencies with performance	201
9.1.3	Explaining how marketing competencies develop	202
9.2	Contributions with respect to the Srivastava et al agenda for research in marketing	203
9.3	Contributions with respect to externalities (economics).....	205
9.4	Contributions with respect to using co-operative inquiry in marketing research	206
9.5	Contributions to practice.....	207
9.6	Co-operative inquiry can further RBT research.....	208
10	Validity of findings	210
10.1	How should we evaluate the validity of co-operative inquiry?	210
10.2	Adherence to generic principles of action research	210
10.2.1	Commitment of the inquiry teams to action	210
10.2.2	Generates knowledge of use to co-researchers	211
10.2.3	Adherence to democratic principles.....	211
10.2.4	Cycles of reflection and action	212
10.3	Ensuring action research is rigorous	212
10.3.1	Implications beyond immediate action	212
10.3.2	Explicit concern with theory.....	213
10.3.3	Transparency of the research design.....	213
10.3.4	Emergent theory.....	213
10.3.5	Incremental theory building.....	214
10.3.6	Presentation of research	214
10.3.7	Method and orderliness.....	214
10.3.8	The process of data exploration	215
10.3.9	Necessary but not sufficient conditions	216
10.3.10	Focus on that which cannot be captured by other approaches.....	216
10.3.11	Triangulation.....	217
10.3.12	The role of history and interpretation	217
11	Limitations of this research.....	218
11.1	Theory.....	218
11.2	Design	218
11.3	Findings.....	219
12	Researcher's final thoughts and directions for future research.....	220
13	Reference list	222

Table of Figures

Figures in Thesis (Not Appendices)

Figure	Title of Figure	Page Number
1	Focus of PhD	7
2	Literature Review Structure	9
3	Changes to Marketing as a Result of the Internet	12
4	Choice of Literature	13
5	Linking Assets, VRIN, Resources, Advantage and Rent	15
6	Two-Part Model of RBT and its Link to Profit	17
7	The Resources and Competencies Development Flow	20
8	Key Authors by Form of Marketing	24
9	Initial Marketing Competency Framework	27
10	Final Marketing Competency Framework	39
11	The Spiral of Understanding	49
12	Forms of Knowing	50
13	Research Design Overview	59
14	Detailed View of the Research Design	60
15	Demand Management Competency Scoring Tool	64
16	Marketing Competency Grid	65
17	VRIN Assessment Tool (Value) - Resource Pathway	69
18	VRIN Assessment Tool - Rare	70
19	VRIN Assessment Tool - Imperfectly Imitable	71
20	VRIN Assessment Tool - Non Substitutable	72
21	Future Marketing Competency – Barriers and Enablers	77
22	Semi-Structured Interview Outline	78
23	Contrasting BMW and flutter's Online Consumer Relationships Context	81
24	Flutter Inquiry, Timing of Events	86
25	Current Demand Management Competency at flutter	87
26	Flutter's Current Marketing Competency Grid	91
27	Customer Insight - Comments from Flip Chart	94
28	VRIN-Testing Results (flutter)	98
29	Changes and Developments of (Potential) Marketing Resources	100
30	Future Demand Marketing Competency at flutter	103
31	Flutter's Marketing Competencies - Current vs. Future	106
32	Flutter Actions Agreed at Workshop 3	108
33	Individual Scores	113
34	Summary of Marketing Competency Shifts (Current to Future)	118
35	Network Economics - Observations versus Predictions	120
36	BMW Inquiry - Sequence of Events	127
37	Current Demand Management Competency at BMW	133
38	BMW's Current Marketing Competency Grid	139
39	Customer Experience - Comments from Flip Charts	142

40	Scope of Customer Experience - NB	143
41	NB Mapping the Value of Customer Experience	143
42	Dealer Relationships - IM	145
43	VRIN-Testing Results (BMW)	149
44	BMW Future Scenario Resource Impact Matrix	152
45	Future Demand Management Competency at BMW	156
46	BMW Future Marketing Competencies Grid	160
47	Follow Up BMW Meetings	175
48	Summary of BMW GB Marketing Competencies Shifts (Current to Future)	179
49	Contributions and Literature Gaps	200
50	Srivastava Research Agenda	203

Figures in the Appendices

Figure	Title of Figure	Page Number In Appendices
51	Creating Marketing Knowledge Competency Scoring Tool	5
52	Building Customer Value Propositions Competency Scoring Tool	6
53	Determining the Firm's Relationship with Customers Competency Scoring Tool	7
54	Reflecting on Transcripts	8
55	Current Creating Marketing Knowledge Competency at flutter	12
56	Current Building Customer Value Propositions Competency at flutter	14
57	Current Determining the Firm's Relationship with Customers Competency at flutter	15
58	Customer Base Comments	18
59	Partnerships Comments	19
60	Brand Comments	19
61	People Comments	20
62	Future Creating Marketing Knowledge Competency at flutter	24
63	Future Creating Customer Value Propositions Competency at flutter	26
64	Future Determining the Firm's Relationship with Customers Competency at flutter	28
65	Current Creating Marketing Knowledge Competency at BMW	34
66	Current Building Customer Value Propositions Competency at BMW	37
67	Future Determining the Firm's Relationship with Customers Competency at BMW	39
68	Quality of Conversation BMW – Identifying Current Demand Management Competency (Workshop 1)	42
69	Comments under Sales and Marketing Systems	47
70	Comments under Brand	47
71	Comments under People	48
72	Comments under Communications	48
73	NH Preparation	51
74	Quality of Conversation BMW – Agreeing VRIN Scores for Potential Resource (Workshop 2)	53
75	Future Creating Marketing Knowledge Competency at BMW under the Limited Change Scenario	60
76	Future Creating Marketing Knowledge Competency at BMW under the Radical Change Scenario	60

77	Future Building Customer Value Propositions Competency at BMW	62
78	Future Determining the Firm's Relationship with Customers Competency at BMW under the Limited Change Scenario	65
79	Future Determining the Firm's Relationship with Customers Competency at BMW under the Radical Change Scenario	65

1 Glossary

1.1 Definitions relating to Resource-Based Theory

Marketing Resources	Resources are firm specific assets such as brands, customer relationships and distribution that are linked to sustainable competitive advantage and ultimately above average profit in Resource-Based Theory.
Potential Marketing Resources	A term used by the researcher for this thesis. It relates to the process of identifying firms' marketing resources. In the research process, potential marketing resources are first identified and then tested against VRIN criteria. Those potential resources that pass the criteria are then referred to as marketing resources.
Marketing Competencies	<p>Competencies are the means by which a firm reconfigures, enhances and develops its resources in response to environmental change or managerial goals. Examples of marketing competencies include brand-building, relationship development and generating customer insight.</p> <p>In the strategy literature, this definition of competency is most often called dynamic capabilities (Eisenhardt and Martin, 2000; Teece, Pisano, and Shuen, 1997; Eisenhardt and Martin, 2000). Others identify a similar phenomenon as architectural competence (Henderson and Cockburn, 1994), capabilities (Amit and Schoemaker, 1993) and combinative capabilities (Kogut and Zander, 1992).</p> <p>Competencies, in this thesis, are not defined as attributes and skills of individuals (Carson and Gilmore, 2000); they are defined as attributes of organisations and or groups.</p>
VRIN	Abbreviation for the four criteria that determine whether a resource is a potential source of sustained competitive advantage: valuable, rare, imperfectly imitable, non-substitutable (Barney, 1991).

1.2 Definitions relating to marketing theory and literature

B2B marketing	Business to business marketing: a situation where the firm's primary customer relationships are with other businesses.
B2C marketing	Business to consumer marketing: a situation where the firm's primary customer relationships are with consumers.
P2P marketing	Peer-to-peer marketing: a situation where a firm facilitates the direct interaction of its customers amongst themselves.
Direct relationship	The firm converses, and or transacts, with consumers directly in-person, via the telephone, online media, post or other medium.
Online relationship	Direct relationship that occurs, at least in part, in online media. These relationships are generally interactive.
Online media	Distributed intelligence systems that facilitate interactive, online communication networks such as the internet.
Transaction marketing	Buyer-seller relationships characterised by discrete, market-based transactions. There may be an element of repeat transactions based upon trust, brand and convenience.
Relationship marketing	Buyer-seller relationships are managed as strategic assets by the selling firm and its customers exhibit a degree of commitment to the seller. The seller's offer is determined, to some extent, by negotiation with the buyer.
Network marketing	Buyer-seller relationships are mediated by a confederation of strategic alliances between buyers and sellers. The seller's offer is determined, to some extent, by the complex, multifaceted network organisation and its role within that network.

1.3 Definitions relating to economic theory

Neo-classical economics	The basis of most modern economic theory. It assumes: (1) a market place of sufficiently large numbers of suppliers and customers such that the decisions of each do not affect decisions of other economic agents, (2) all economic agents have perfect information and (3) there are no transaction or search costs. Suppliers act to maximise their immediate profit whilst buyers act to maximise their utility for any given expenditure. The market finds a stable equilibrium at a price that completely clears production. At this point, customer utility is maximised, price minimised at the marginal cost of production and rent is eliminated. Such markets are said to be perfect, perfectly competitive and or efficient. Neo-classical economics divides into: (1) micro-economics, the study of firm equilibrium and (2) macro-economics, the study of market or national equilibrium.
Rent	Firm profits that are consistently greater than those required merely to compensate shareholders for their risk-adjusted investment. In perfect markets, rent is eliminated over time through the increased entry of new competitors.
Externalities	The impact that the activities of one or more economic agents will have on the behaviour of other agents. Neo-classical economics assumes that economic agents make their decisions independent of each other and therefore there are no externalities.
Network (in economic theory)	Economic agents linked, virtually or physically, such that the perceived value of connecting to a network depends on the number or type of other people connected. Examples include railways, IT, telephony and broadcast systems.

1.4 Definitions relating to methodology

Network (organisation theory)	Flat organisational form that is contrasted to vertically organised hierarchies. Networks are characterised by informal relationships between equal social agents and agencies.
Co-operative inquiry	Research method that seeks to contribute both to knowledge and practice. It is democratic and participatory, research with rather than on people. It has the development of the managers' own knowledge and practice as a major objective.
Inquiry team	The individuals that form, on a free-will basis, to conduct a co-operative inquiry. The team includes the researcher.
Co-researchers	The designation of the members of the inquiry team; the term supports the democratic nature of the inquiry.

1.5 Definitions relating to the flutter inquiry

Back	Take a position that an event will happen. For example, if one backs Manchester United to beat Chelsea by two goals and that is the outcome, the backer will win the bet.
Lay	Take the contrary position to backing. If one accepts a bet from "backers" that Manchester United will beat Chelsea by two goals, and Manchester United fails to beat Chelsea by two goals, then the backer will pay the layer of the bet.
Peer-to-Peer	In the context of this inquiry, it describes a form of betting where the backer and layer of the bet interact directly.
Exchange	In the context of this inquiry, it describes a form of betting where backers' and layers' betting is intermediated through an exchange.
Liquidity	Refers to the amount of money and activity in an exchange. A highly liquid online betting exchange is one in which there will be ample numbers of people willing to, for example, back the bets I wish to lay and vice-versa.
Partnership	Describes the relationship between web sites wherein one pays the other for referring web traffic.

1.6 Definitions relating to the BMW inquiry

Customer Database	Information technology hardware and software that permit the firm to store, access and analyse information about individual customers. Customer information includes contact history, purchases, warranties and contact details.
Analytical Tools	Software that permits the firm to analyse the customer data so as to understand customer behaviour better and, at times, predict individual customer behaviour.
Workflow	Information technology software, normally used at call centres and dealers, to automate the firm's response to individual customer requests. This accelerates customer service processes, enables the firm to handle a large number of requests accurately and feeds into the database. The analytical tools can predict behaviour on the basis of the requests and the firm can take action to influence that behaviour.
Campaign management tool	A software programme that helps managers design, execute, monitor and evaluate direct marketing campaigns to customers. Normally the tools run off the customer database and integrate with workflow systems.
CRM (Customer Relationship Management)	Activities that attract and develop profitable customers often using information technology to manage large numbers of individual customers. The technologies include the internet, call centres, campaign management tools, workflow, databases and analytical tools.

2 Structure of the PhD thesis

The remainder of this thesis is structured as follows:

Chapter 3	Research question, why it is important and focus of the PhD.
Chapter 4	Literature review and identification of the research gap.
Chapter 5	Research design inclusive of philosophical position, methodology, research process, tools used to generate data and selection of companies.
Chapter 6	Findings from first inquiry (with flutter.com).
Chapter 7	Findings from second inquiry (with BMW GB Ltd.).
Chapter 8	Comparison of findings.
Chapter 9	Contribution to theory and marketing practice.
Chapter 10	Validity of findings.
Chapter 11	Limitations of the research.
Chapter 12	Researcher's final thoughts and directions for future research.
Chapter 13	References.

3 PhD focus

This section outlines the PhD question, why it is important and the scope of the PhD.

3.1 Research question

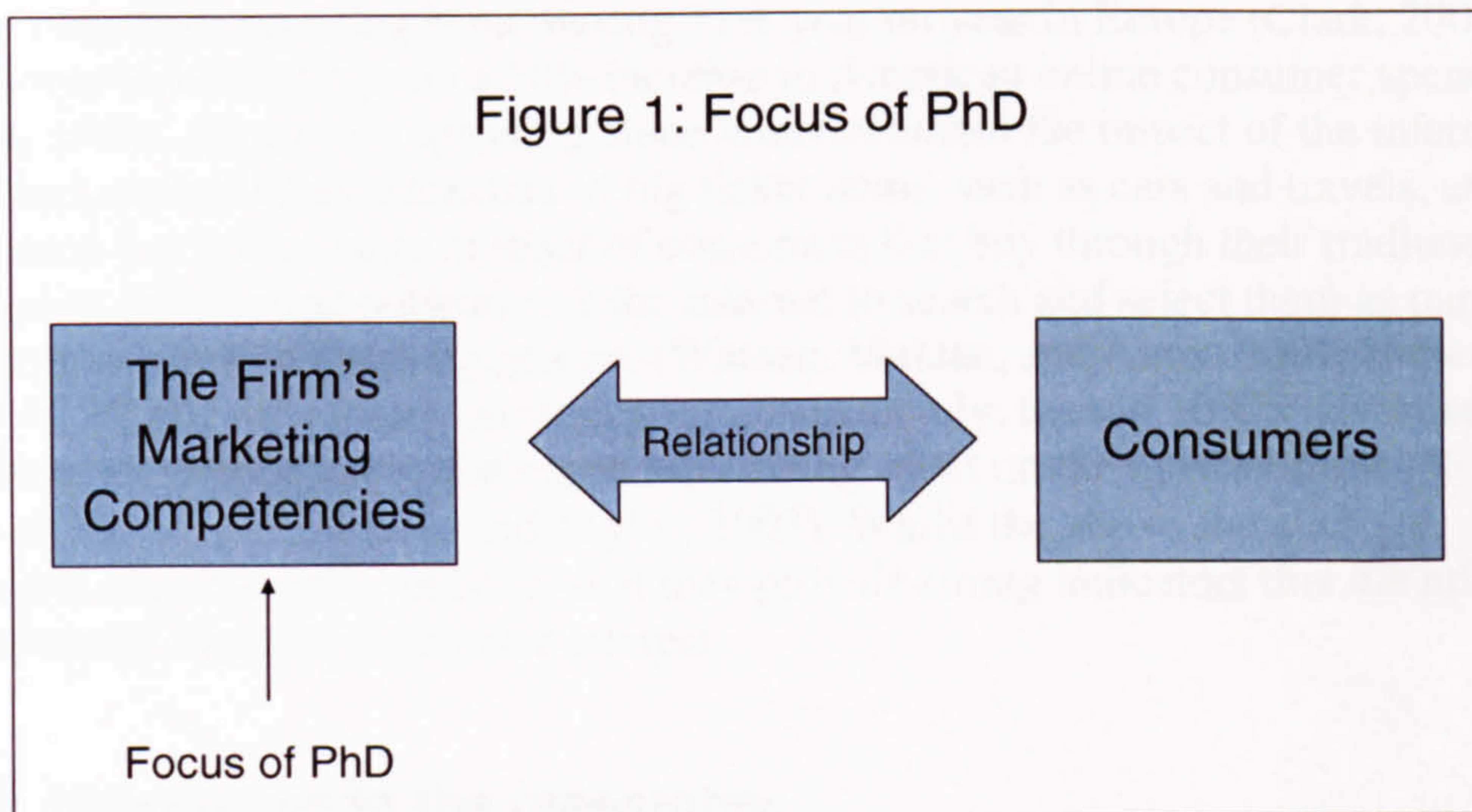
The research question is:

How should firms develop and or change their marketing competencies when developing relationships with consumers online?

The objective of the research is to contribute both to management practice and theory.

3.2 Focus of the PhD thesis

The focus is upon the marketing competencies within the firm rather than consumer behaviour or the relationship between consumers and the firm (Figure 1).



Unless otherwise stated, this thesis uses the term “marketing” to refer to a set of managerial processes, routines and orientation rather than the marketing function within a company¹.

¹ This definition is consistent with that offered by Doyle (2000:70) “Marketing is the management process that seeks to maximise returns to shareholders by developing and implementing strategies to build relationships of trust with high value customers and to create a sustainable differential advantage.”

3.3 Why does the researcher believe this to be important?

3.3.1 Importance to practice and theory

There is limited empirical research assessing how the internet impacts marketing practice or theory. Leading scholars and practitioners suggest that the internet will create a new marketing paradigm with profound implications for the theory and practice of marketing (Doyle, 2000; Reichheld and Schefter, 2000; Sheth and Sisodia, 1999; Kelly, 1998; Hoffman and Novak, 1997; Rayport and Sviokla, 1995; Rayport and Sviokla, 1994). Yet empirical evidence illustrates that marketing practices have not yet changed in response to the internet (Day and Hubbard, 2003; Coviello, Brodie, Danaher, and Johnston, 2002), suggesting that marketing practice has failed to change sufficiently in response to changes in the environment and the opportunities afforded by new technology (Sheth and Sisodia, 1995). This creates a gap between marketing practice and the pursuit of shareholder value (Doyle, 2000).

The need for business to develop marketing competencies in consideration of the internet is not disappearing post the burst of the dot.com bubble because the internet's influence on consumers continues to grow. The BBC (2003b), citing the Office for National Statistics, reports that in January 2003 online sales achieved 6% of all UK retail sales. The Internet Media in Retail Group (BBC News, 2003a) reports that UK consumer spending is growing 19 times faster online than in conventional retail channels. This trend is not confined to the UK: Jupiter MMXI Research finds that online consumer spending is increasing 71% year on year in Europe (Clark, 2002) and ComScore Networks reports a 20% increase in American online consumer spending (Clark, 2002). Measuring spending alone underestimates the impact of the internet on consumer marketing as marketers of big ticket items, such as cars and travels, are convinced that a very large number of consumers that buy through their traditional high-street distribution network use the internet to search and select them as part of the purchase decision making process (Watson, Maklan, and Knox, 2001; Butler and Peppard, 1998). Advertisers are acting commensurately; the top 10 US advertisers increased the proportion of their total advertising spent on the internet from 1% in 2000 to 7% in 2003 (Waters and Taylor, 2003). Whilst the above statistics are anecdotal, the researcher believes that they provide strong indicators that the internet is not merely a passing consumer interest.

3.3.2 Importance to the researcher

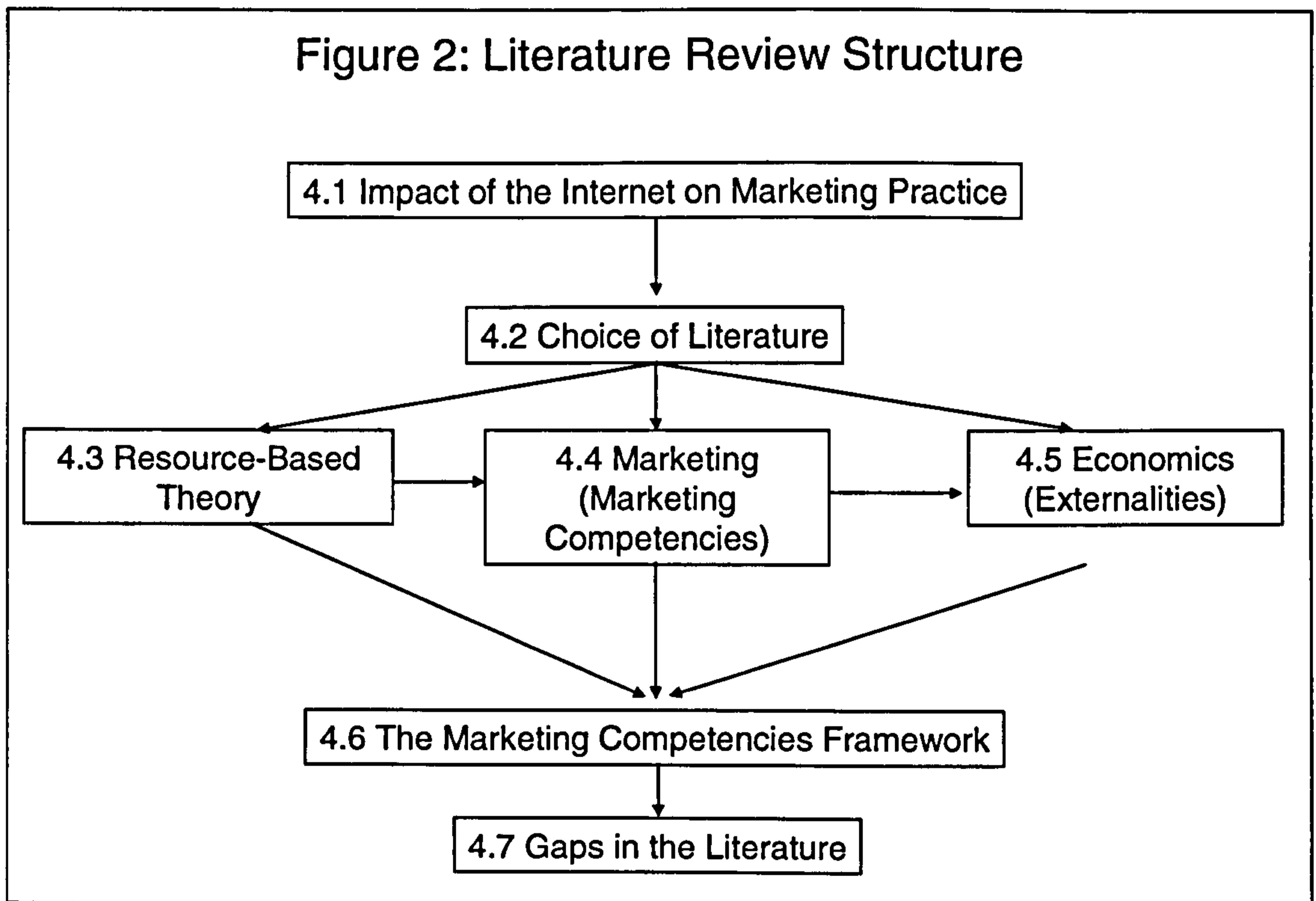
The researcher's own experience helping companies implement online customer relationship management programmes suggests companies' return on large-sized investments in internet and consumer database technologies were compromised by a lack of marketing competencies required to exploit them profitably. The researcher's interest in undertaking doctoral studies is to help companies develop the marketing competencies needed to exploit the opportunities generated by online consumer relationships in a manner that leads to sustained competitive advantage, the antecedent of creating above average profits and shareholder value.

4 Literature review

This section locates the research question in an identified literature gap that consists of three elements:

- Many marketing scholars and practitioners assert that online consumer relationships will create a new marketing paradigm requiring discontinuous changes in marketing competencies. They fail to provide empirical evidence of either the paradigm shift or the marketing competencies that need to be developed.
- The lack of rigorous and empirical academic research leaves marketers with only practitioner guidance that directly addresses the research question. Practitioner literature is generally not grounded in a theoretical context nor is it empirically validated.
- The lack of empiricism arises because of the difficulty observing (marketing) competencies using traditional Positivist methodologies (Godfrey and Hill, 1995). Whilst strategy scholars acknowledge the problem (Rouse and Daellenbach, 1999), they do not provide guidance on how to address it.

This section illustrates how the researcher identifies the research gap and uses the literature to build a framework for assessing marketing competencies that will be instrumental in research design of the PhD. Figure 2 illustrates the structure and order of the literature review.



The structure and flow of the literature review are as follows:

Section 4.1 reviews the extant literature that describes the potential impact of the internet upon marketing theory and practice. It concludes that there is insufficient empirical evidence, grounded in recognised bodies of academic literature, to conclude how marketing competencies should change in consideration of online consumer relationships.

Section 4.2 identifies the literature from which the research question will be answered. Resource-Based Theory (RBT) is selected as the foreground theory for discussing marketing competencies; marketing and economics are background theories.

Section 4.3 reviews RBT to define terms and concepts and identify the extent to which marketing competencies are explored by RBT scholars. It demonstrates that there is no fully developed framework in the RBT literature that enables the researcher to observe, categorise and understand marketing competencies amongst companies developing online consumer relationships. The section concludes that the researcher will therefore need to create such a framework for this thesis.

Section 4.4 reviews the marketing literature that discusses marketing competencies so that the researcher can build that initial marketing competencies framework. This section also identifies limitations in the marketing literature when discussing the impact of networks upon marketing competencies.

Section 4.5 addresses the above limitations. It identifies economic literature where the impact of networks is more rigorously assessed and adds the implications of that literature to the marketing competencies framework built in Section 4.4.

Section 4.6 identifies the gaps and discussions in literature into which this thesis will contribute.

4.1 Impact of the internet on marketing theory and practice

“From virtually any perspective, the Internet can be considered a market discontinuity” (Peterson, Balasubramanian, and Bronnenberg, 2001:121)

Scholars and practitioners have identified how online relationships potentially change marketing by altering what Sheth and Sisodia (1999) believe are marketing’s law-like generalisations. A number of scholars and practitioners elaborate through a series of conceptual arguments outlined below.

The underlying economics of consumer search and personalisation will be transformed (Doyle, 2000). Consumers will access more information, more quickly and more cheaply, and this will impact their buying behaviour (Sheth and Sisodia, 1999). The online medium’s cost structure allows traditional mass marketers to personalise customer service.

Consumer behaviour and expectations will change as they become used to interactive media experiences (Dussart, 2001; Sheth and Sisodia, 2001; Hoffman and Novak, 1996) and join online communities (Hagel and Singer, 1999; Kozinets, 1999; Hagel and Armstrong, 1997).

Customer relationships will change due to the new medium in which they are increasingly conducted; although the direction of that change is argued. Marketing scholars believe that the internet will promote stronger buyer-seller relationships through continuous and interactive dialogue (Bauer, Grether, and Leach, 2001; Reichheld and Schefter, 2000) whilst others believe that because the internet promotes perfect information and lower transaction costs, customers will favour markets over relationships (Dolan and Moon, 2000; Malone, Yates, and Benjamin, 1987).

Information about products and services will uncouple from physical supply chains, thus creating new information chains that can destroy existing physical value chains (Kelly, 1998; Weiber and Kollman, 1998; Evans and Wurster, 1997; Rayport and Sviokla, 1995; Rayport and Sviokla, 1994).

The online environment makes it easier for businesses to compete as networks against other networks as opposed to the current norm of individual businesses competing with other firms (Achrol and Kotler, 1999).

However, the above conceptual literature is largely devoid of empirical validation. What empirical studies exist are confined to consumer behaviour and attitudes towards brands (Degerature, Rangaswamy, and Wu, 1999). If the impact of the online environment upon marketing is largely speculative, it does not surprise the researcher that the literature addressing the question of how marketing needs to evolve in response to the internet is even less grounded in scholarship.

Figure 3 illustrates that the literature identifying how marketing competencies should change to support online customer relationships is all conceptual; the

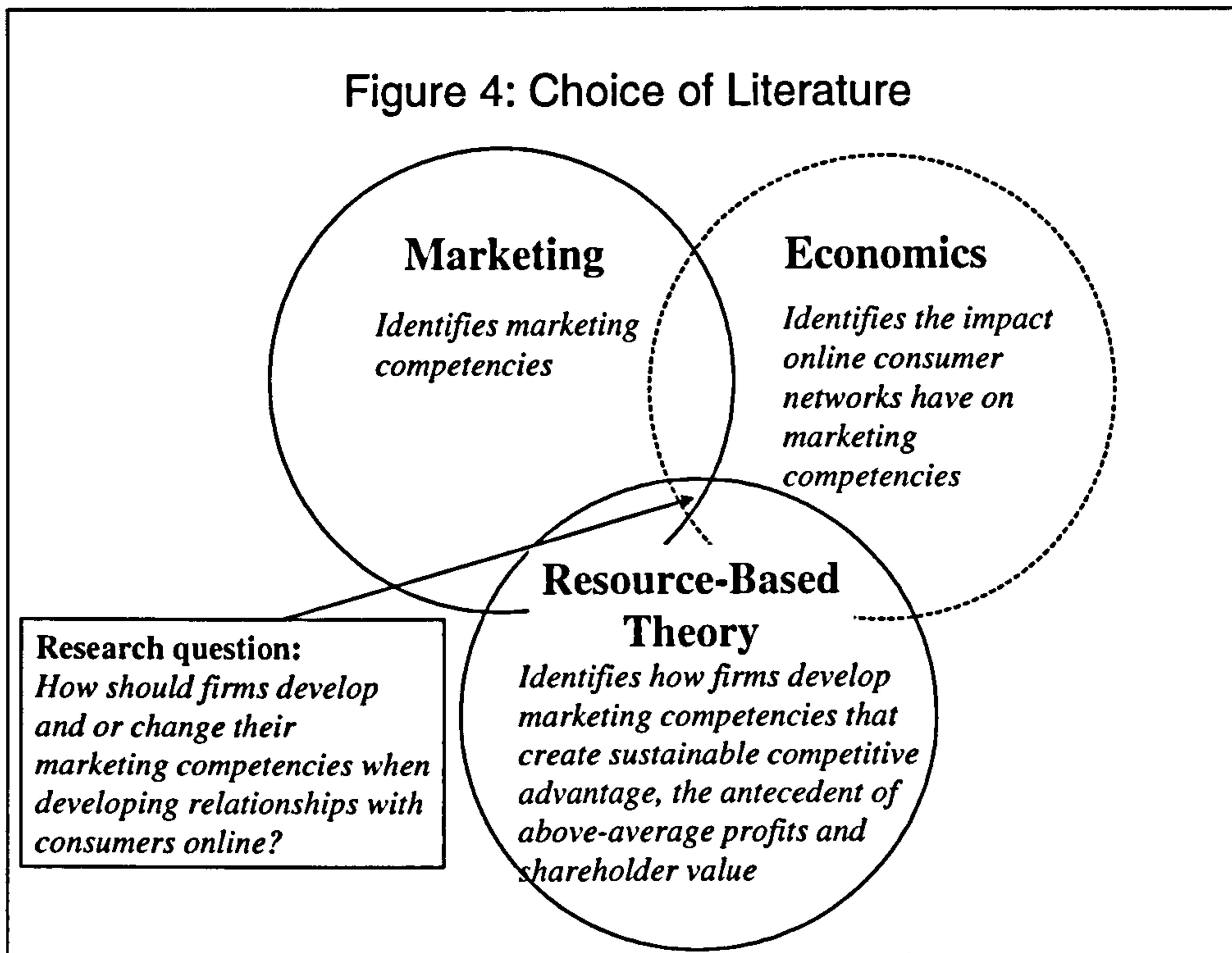
recommendations of the authors are supported by the logic of the authors and anecdotal evidence of successful marketing online. The researcher has not identified a substantial body of empirical research in this area.

Figure 3: Changes to Marketing as a Result of the Internet		
Author	Focus of Publication	Empirical or Conceptual
Dolan and Moon (2000)	Identifies new pricing models made possible by the internet (e.g. reverse auctions).	Conceptual
Doyle (2000)	Explores the impact of the internet upon the traditional elements of the marketing mix.	Conceptual
Hagel et al (1999; 1997)	Develops a business model for creating and managing online consumer communities.	Conceptual
Hanson (2000)	Text book on internet marketing that covers supporting customers online, pricing, personalisation, web site traffic building etc.	Conceptual
Nuance et al (2000)	Explores new business models and forms of marketing online.	Conceptual
Parsons (1998)	Article by McKinsey consultants suggesting how to acquire, retain and develop customers online.	Conceptual
Siegel (1999)	Offers advice on how to build online consumer communities.	Conceptual

The researcher therefore concludes that he will need to look beyond the marketing literature for a framework or body of theory that will address the research question. The choice of literature is discussed in the next section.

4.2 Choice of literature

The selection of the thesis' literature and theoretical lens is to some extent a personal choice of the researcher (James and Vinnicombe, 2002) and Figure 4 illustrates the researcher's selection logic.



Resource-Based Theory (RBT) is used to link changes in marketing competencies and sustainable competitive advantage, the antecedent of above average profit. Once the researcher illustrates this link and how competencies develop, the marketing literature will identify marketing's competencies. This literature is augmented with the branch of economic theory that focuses upon "network effects" (externalities) because authors who believe emerging consumer networks will radically alter marketing, normally draw upon economics to justify their claims (Hagel and Singer, 1999; Siegel, 1999; Kelly, 1998). The thesis contributes mostly to discussions within the resource-based and marketing literatures, hence the economics circle in Figure 4 is given less prominence by being in a dotted rather than solid line. Each of the three chosen literatures will be discussed in order in the next sections: RBT, marketing and economics.

Whilst the research question asks how firms should change their marketing competencies, the change management literature is excluded from the scope of the thesis. The researcher's use of "should" is tied to the researcher's objective of helping managers understand and develop marketing competencies that they need to implement their marketing strategy, rather than the process by which managers effect changes to people's behaviour within the organisation which is the focus of change management (Balogun and Hope-Hailey, 1999).

4.3 Resource-Based Theory (RBT)

This section demonstrates the link between competencies and above average profit² or rent. Section 4.3.1 identifies the origins of RBT as focused upon the link between resources and rent. Section 4.3.2 explains how subsequent scholarship unbundles resources into two constituents: resources and competencies. The link between competencies and rent is then established. Section 4.3.3 reviews the literature on how competencies develop.

4.3.1 Linking resources to profit

RBT is a theory of the firm originating from industrial organisation (IO) research (Conner, 1991). RBT scholars view the firm as a goal-seeking, learning entity (Conner and Prahalad, 1996; Conner, 1991) whose investment decisions and management policies result in firms creating unique assets and inputs into production processes within the firm (Nelson, 1991). Where such assets and inputs allow firms to conceive and implement strategies more effectively and or at lower cost than competitors, competitive advantage is created (Barney, 1991; Barney, 1986). The criteria for determining whether an asset/input can create sustainable competitive advantage are suggested by Barney (1991) as valuable (with respect to a business outcome), rare, imperfectly imitable and non substitutable. These criteria are widely referred to by RBT scholars as the VRIN criteria. Assets/inputs meeting these criteria are hereafter termed “resources” in this thesis. The researcher notes that there is no empirical support substantiating the role of VRIN criteria in creating sustainable advantage. Resource-based advantages persist because resource markets are imperfect³ (Barney, 1986). This persistence of advantage has been elaborated upon further by resource-based scholars:

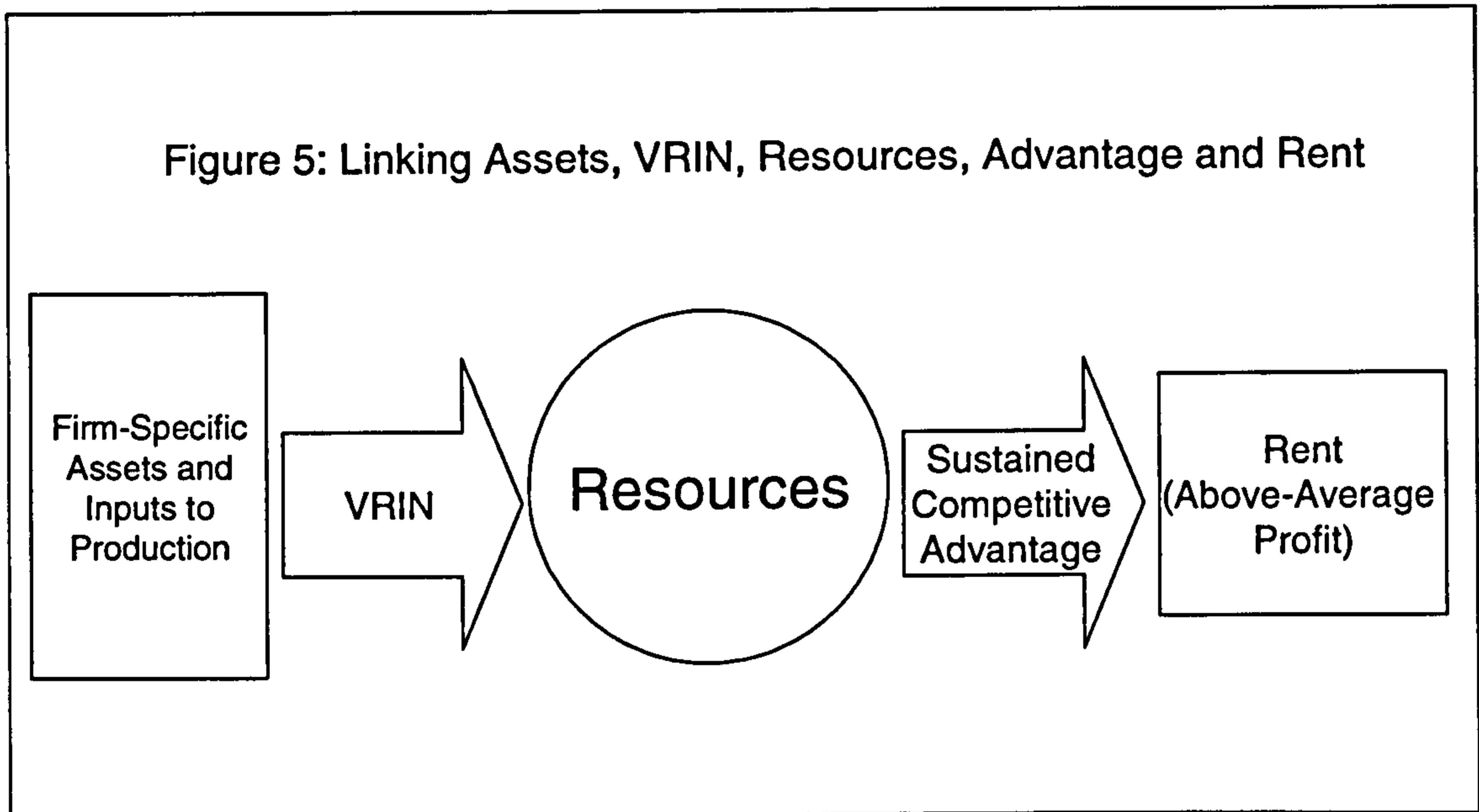
- Resources accumulate over time and that accumulation process means that resources cannot be traded as commodities (Dierickx and Cool, 1989).
- Resources arise from decision-making processes that are firm-specific (Nelson, 1991), ex ante imperfect (Amit and Schoemaker, 1993) and constrained by each firm’s unique history (Teece, Pisano, and Shuen, 1997).
- Resources can be deeply embedded in complex social networks (Black and Boal, 1994) and this makes it difficult for resource owners to understand how each

² RBT scholars tend to use the economist’s term for sustained above average profit - “rent”. Rent is profit in excess of that needed by the firm to fund the investment in the business needed to maintain its current level of activities. Neo-classical economic theory predicts that competition will eliminate rent in the long term (Conner, 1991).

³ Barney (1991) suggested that if resource markets were perfect and all firms had perfect information, they would bid away any rent arising from the resources needed to implement any given strategy. As this does not happen, resource markets are imperfect and firms should exploit unique resources that they have accumulated either through luck or past investment decisions.

component of its resources combines to create a valuable resource, let alone competitors.

Persistent competitive advantage is assumed by RBT scholars to create rent, that is persistent, above average profits. Figure 5 summarises this section by illustrating that firm-specific assets/inputs which meet the VRIN criteria become resources that create sustained competitive advantage, the antecedent of rent.



4.3.2 Distinguishing competencies from resources

Early RBT scholars defined resources widely. For Barney (1991:101), resources include “all assets, capabilities, organisational process, firm attributes, information, knowledge etc. controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness.” This definition has been criticised as conceptually vague and capable of demonstrating only a tautological relationship between resources and sustained competitive advantage (Maklan, Knox, and Ryals, 2003; Priem and Butler, 2001). This broad definition of resources is a “black box” that demands more research into how resources are built, interact with other resources and ultimately create competitive advantage (Priem and Butler, 2001).

Whether by coincidence or acknowledgement of the criticisms, RBT scholars subsequent to Barney’s 1991 publication sought to elaborate further upon the definition of resources: how they develop and lead to competitive advantage. Unfortunately, this research has generated much confusion with respect to language and concepts (Hoopes, Madsen, and Walker, 2003; Peppard and Ward, 2004). The researcher illustrates this confusion by reviewing widely cited articles in the field below, each of which offers different terminology, definitions and overlapping concepts.

Amit and Shoemaker (1993) divide Barney’s broad definition of resources into a static component (resources) and a dynamic component (capabilities); the latter is

defined as a firm's ability to deploy resources in combination with organisational processes to a desired end. For example, a brand is a resource but brand marketing is a capability. They also introduce a third term: strategic assets, which they define as resources and capabilities that are sources of competitive advantage because of their VRIN-like characteristics and they correspond to what is required in the industry to be successful.

Henderson and Cockburn (1994) use the term competencies for that which Barney terms resources and identify two forms of competency: component and architectural. Component competency is local knowledge, skills and problem solving routines that allow firms to complete tasks and processes. Architectural competency is the ability of the firm to integrate and use component competencies to create fresh component competencies as required.

Prahalad and Hamel (1990) identify core competencies as the source of competitive advantage. They define core competencies as the ability of managers to integrate technology and skills across a company in order to form new competencies.

Teece, Pisano and Shuen (1997) establish a five part framework for RBT that builds from basic (tradable) commodities that do not confer competitive advantage, through VRIN like resources and ultimately to dynamic capabilities that enable the firm to rejuvenate its resources. Their writing spawned the dynamic capabilities school that is supported by publications from Eisenhardt and Martin (2000), Dosi and Winter (2000), Rindova and Kotha (2001), Miller et al (2002) and Warren (2002).

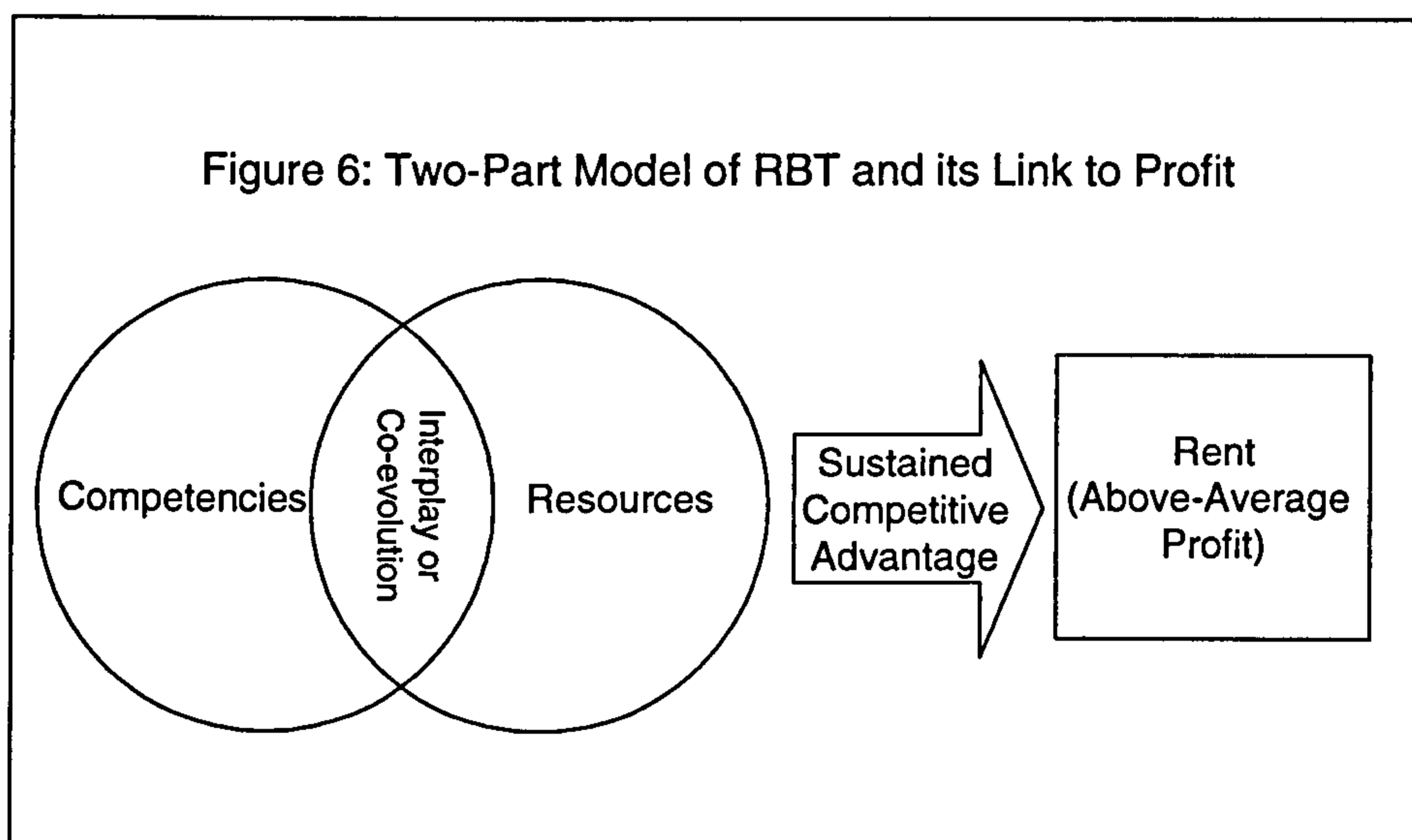
Eisenhardt and Martin (2000) link dynamic capabilities to rent by suggesting that whilst it is the heterogeneous distribution of resources amongst firms that creates rent, dynamic capabilities create and maintain those resources. "Dynamic capabilities are the antecedent organisational and strategic routines by which managers alter their resource base....to create new value-creating strategies. ...They are the drivers behind the creation, evolution and recombination of other resources into new sources of competitive advantage" (Eisenhardt and Martin, 2000:1107). Their value "lies in the resource configurations that they create, not in the capabilities themselves. Dynamic capabilities are necessary but not sufficient conditions for competitive advantage. We argue that dynamic capabilities can be used to enhance existing resource configurations in pursuit of long-term competitive advantage..." (Eisenhardt and Martin, 2000:1106).

A "capabilities approach to strategy" is endorsed by marketing scholar George Day (1994:38) where he defines capabilities as that which enables business processes to configure and deploy resources. For Day (1994:39), it is the capabilities that become embedded in the specific context of a firm and it is "distinctive capabilities" that create competitive advantage.

Srivastava et al (2001) build further upon Day's work by suggesting that customer value is created by the market-based processes which convert stocks of resources into customer solutions. Market-based capabilities are the goal-directed, managerial processes that design, manage and measure the effectiveness of market-based processes.

In trying to synthesise the confused literature about the constitution of a resource, the researcher agrees with Makadok's (2001) review of this issue. He concludes that there are two main traditions within RBT: Ricardian and Schumpeterian. Ricardian thinking is codified into the resource-based view and focuses upon owning resources that confer competitive advantage. Schumpeterian thinking is codified into the dynamic-capabilities-view and highlights capability building. Capabilities, he defines as a special type of resource that permits the firm to enhance the productivity of its other resources in the manner described as dynamic capabilities by Teece et al (1997) and Eisenhardt and Martin (2000).

Makadok's synthesis permits the researcher to use a two-part model of RBT that separates competencies from resources and identifies how those two concepts relate to each other. Figure 6 decomposes the "resources" concept illustrated in Figure 5 and shows how resources are really a more complex interplay or co-evolution of a static and dynamic component.



Ricardian thinking contributes the concept of static stocks or assets that are VRIN and whose ownership confers sustained competitive advantage. These are referred to as resources in this thesis. Schumpeterian (dynamic capabilities) thinking contributes the idea that resources need to be configured, deployed and continually rejuvenated for resources to be able to create sustained competitive advantage. The researcher calls the Schumpeterian contribution *competencies* in this thesis. The researcher uses the term competencies rather than capabilities or dynamic capabilities because:

- The researcher believes that marketers, a core audience of this thesis, would not necessarily be familiar with the term dynamic capabilities.
- Capabilities have been defined in a number of ways and any reader familiar with the concept might hold a different meaning to that intended by the researcher.

As Figure 6 illustrates, resources and competencies are continually co-evolving. Having distinguished competencies from resources, the next section will discuss how competencies develop.

4.3.3 How competencies develop

This section illustrates that competencies are developed by goal-seeking managers who make resource-investment decisions, over time, based upon imperfect information and foresight.

4.3.3.1 The role of goal-seeking behaviour or intentionality

The literature concludes that competency development is initiated by managers seeking to gain competitive advantage for their firms.

Dosi et al (2000:2) state that competencies “fill the gap between intention and outcome” and “it is in the building of (competencies) that the role of intentionality is most reliably displayed”.

In a similar vein, Coates (2002:437) states that “resources change as a result of innovative managerial behaviour, as it is the use of the resources and not the resources themselves that are generating competitive advantage”.

Sanchez and Heene (1997:307) view the firm as a goal-seeking, open system of interrelated asset stocks and flows. “In this systems’ view of a firm, strategic change within a firm is motivated by managers’ perceptions of strategic gaps between the firm’s current stocks and flows of assets and capabilities on the one hand, and the stocks and flows they believe will be needed to achieve the firm’s goals in its competitive environment on the other.” They go even further (1997:308) than the previous scholars and state that managerial cognition is at “the head of a chain of causality” and “the cognitive abilities of managers...and organisational capacities for learning are the engines of strategic change that directly determine the resource endowments of individual firms...(1997:313).”

Grimm and Smith (1997:36) acknowledge that the Schumpeterian tradition within RBT is wholly dependent upon the notion that people engage in purposeful action and that managers are motivated to act by the desire for abnormal profit.

Kogut and Zander (1992:385) claim that “firms invest in those (resources) that correspond to a combination of current (competencies) and expectations regarding future opportunities”.

For something to be considered a competency, it “must meet three conditions of organisation, intention and goal attainment,” according to O’Driscoll, Carson and Gilmore (2001:74). The authors acknowledge that a firm’s marketing competencies reflect, in part, management intention and enacted strategies (O’Driscoll, Carson, and Gilmore, 2001; O’Driscoll, Carson, and Gilmore, 2000).

4.3.3.2 Competencies can develop as a consequence of new product development

This section identifies empirical studies demonstrating that new products that represent a major departure from the firm's current portfolio force the firm to develop new competencies. In effect they "force" competency development.

Kale et al (2002) find that formal alliance management functions improve the firm's alliance capability more than mere experience or accumulated tacit knowledge about alliances. Two case studies published by Bowen et al (1994; 1994) from the IT and photographic film industries respectively demonstrate how firms create new resources and competencies as a by-product of new product development. Coates and McDermott (2002) arrive at the same conclusion from a case study of a computer chip maker.

These empirical findings support the conceptually based conclusions of Leonard-Barton (1992) and O'Driscoll et al (2001) who warn that the path dependent nature of competency development can lead to rigidity; failure to respond to changes in the environment. Invoking the concept of creative destruction, Leonard-Barton (1992) suggests that new product development can force the firm out of its current competency development path. Prahalad and Hamel (1990) hold a similar view and suggest to firms that they invest in new technologies and competencies that spawn future, as yet unspecified, new product and market opportunities.

4.3.3.3 Competencies can develop from conscious learning

RBT scholars present conceptual arguments that competencies can be developed through directed and conscious learning activity.

Zollo and Winter (2002:340) distinguish between developing competencies through "passive experiential processes of learning (by doing)" which they describe as "semi automatic stimulus response processes and tacit accumulation of experience (2002:341)" and "deliberate cognitive processes (2002:340)" that involve articulation and codification of tacit knowledge.

This distinction is supported by marketing scholars Slater and Narver (1995:64) who state that double loop learning is more likely to create the competencies that lead to sustained competitive advantage than single loop learning⁴.

The role of double loop learning is echoed by Miller et al (2002) who advise companies to create competitive advantage by designing virtuous cycles that enhance competencies. They warn (2002:46) that: "Such virtuous cycles do not happen by themselves. Design and leaders play a key role." Further they argue for managers to

⁴ Argyris and Schön (1978) distinguish between organisations that improve tasks (single loop learning) and those that engage in critical self reflection to question why they are focused on those tasks and to what aim (double loop learning).

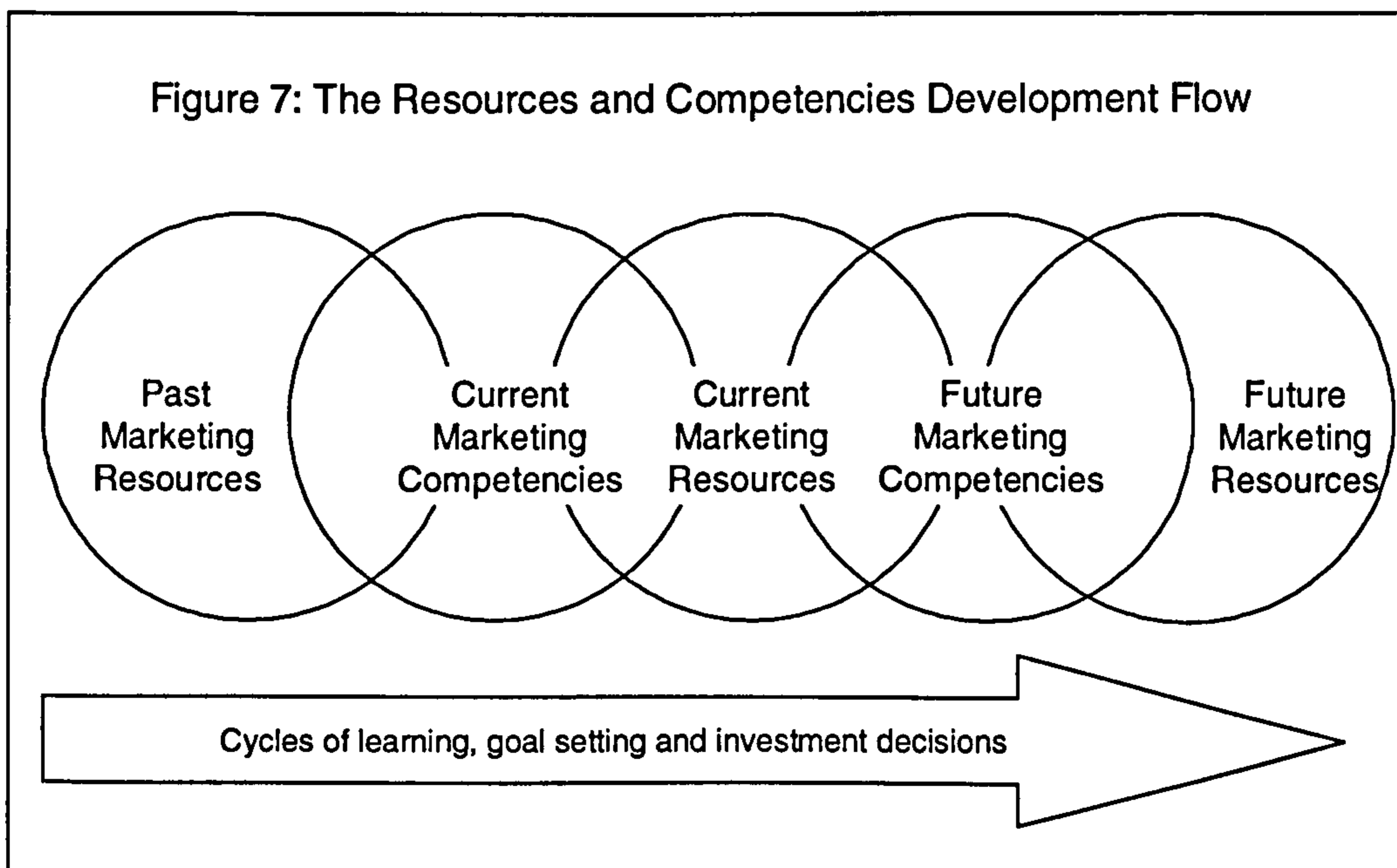
develop competencies through both action and reflection. “Knowledge about (competencies) comes in part from reflection (2002:59)... Reflection, however, is not enough. True self-knowledge demands action and experimentation (2002:50).”

Pisano (1994) concurs and demonstrates the impact of conscious experimentation on the development of R&D capabilities suggesting (1994:99): “where organizational theory and practice are not well developed, detailed up front planning may accomplish little. Instead, the organizations may need to experiment by implementing a specific change and observing how it works in practice.”

King and Zeithaml’s (2001) investigation of the impact of resource causal ambiguity upon firm performance (measured as return on assets), finds that firm performance is positively related with top and middle managers understanding and agreeing about their firms’ resources. They conclude that the value of consciously managing the firm’s competencies outweigh any disadvantage of making them more transparent and therefore subject to competitor imitation.

4.3.3.4 Summary of section 4.3.3

To summarise Section 4.3.3, competencies can be developed consciously by managers who want to help a firm achieve its goals. That development can be forced through investment in new products, technology platforms and markets. Managers can also develop competencies through learning. The implication of the latter approach to competency development logically implies that in looking at a resource at a given point in time, one sees the embodiment of that resource’s historical evolution through many phases of resource-competency-resource-competency development. This dynamic flow of resources and competencies, developed through management decisions over time, expands on Figure 6’s illustration of resources and competencies and is illustrated in Figure 7.



4.4 Building a framework from the marketing literature

This section builds a framework for identifying and understanding marketing competencies that will ultimately permit the researcher to answer the research question. This is accomplished by first locating the discussion within the marketing literature, categorising and analysing the literature and then building the framework.

4.4.1 Locating the discussion within the marketing literature

This thesis builds the marketing competencies framework from the discussion in the marketing literature that focuses upon identifying the role and function of marketing.

There is a very limited body of marketing literature that discusses directly the concept of competencies as defined in this thesis and that is because marketing scholars have only just begun to use RBT overtly as a frame of reference for advancing marketing theory and practice (Hooley and Fahy, 2002; Srivastava, Fahey, and Christensen, 2001). These authors do not offer any reasons for marketing scholarship being so slow to embrace what is acknowledged as the most active area of strategy research over the past twenty years (Priem and Butler, 2001). The researcher can only speculate that marketing scholarship has generally eschewed the development of an overarching theoretical framework (Hunt, 1983) in favour of more limited explanations of exchange relationships (Möller and Halinen, 2000; Hunt, 1982) and a more overt concern with practice.

However, Srivastava et al (2001) identify four key articles that use RBT as a framework for marketing. They are Srivastava et al (Srivastava, Shervani, and Fahey, 1998), Kohli and Jaworski (1990), Day (1994) and Hunt (2000). These articles are discussed below to help the researcher identify the role and function of marketing. None of the articles, however, provide a comprehensive framework for this thesis because, as Srivastava et al (2001:778) suggest, the latter three are “almost entirely bereft of any (overt) reference (to RBT)” and fail to articulate fully the process by which marketing resources generate competitive advantage.

Kohli and Jaworski (1990:6) are strongly associated with a construct they call “market orientation” but it is limited to the generation and deployment of customer insight: “Market orientation is the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it.”

Day (1994) expands the construct of market orientation so that it is more of a concept of aligning the firm to its environment. For Day, market orientation is the “outside-in” alignment of the firm to its market environment involving three competency sets: (1) outside-in competencies of market sensing, customer relating, channel bonding and technology monitoring, (2) inside-out competencies required to understand the firm’s resources and their potential applications and (3) spanning competencies to align the firm’s resources to the market environment. However, Day neither describes, nor limits, the distinctive characteristics of the inside-out and spanning competencies. He provides only a limited discussion of the link between competencies and resources.

Srivastava et al (2001) define more specific marketing resources and competencies and illustrate how they link to sustained competitive advantage in a manner consistent with RBT. They identify the role and function of marketing (2001:785) as “seeing the current, emerging and potential world differently so that customers’ needs can be identified, elaborated and translated into product specifications.” They identify three marketing competencies: product innovation, customer relationship and supply chain management. However, they limit the role of marketing in each to, in effect, being the voice of the customer in those processes as opposed to the end to end management of each of those processes. In this way, the authors’ definition of marketing competencies converges with Day’s (1994) definition of spanning.

Finally, Hunt (2000) takes this concept of alignment much further than the above authors and seeks to put a marketing voice in an agenda for developing a new general theory of economics. He identifies his own variation of RBT which he calls Resource-Advantage Theory.

With the exception of Kohli and Jaworski (1990), the authors identified by Srivastava et al (2001) define marketing competencies very broadly. Each of the authors believes that in a market oriented firm, everything the firm does is with the perspective of customer in mind. Therefore, marketing must be involved with everything the firm does and ensure that it is managed from the perspective of the customer. This risks making market orientation tautological and impossible to make operational; the same critique levelled against RBT by Priem and Butler (2001). It is worth noting that of the four authors, only the Kohli and Jaworski concepts have been made operational by other researchers and tested empirically⁵.

The researcher therefore concludes that there is insufficient marketing literature overtly using RBT that would enable him merely to adapt a marketing competencies framework needed for this thesis from extant literature. The RBT-marketing scholarship identified by Srivastava et al (2001) is too broad, ill defined and or beyond the scope of the thesis. However, there is a strong tradition of marketing scholars looking at sustained competitive advantage through the development of unique resources and capabilities albeit using different language from RBT scholars. Therefore, the researcher has looked more broadly at marketing competencies within the context of the role and function of marketing.

4.4.2 Identifying the role and function of marketing

The researcher identifies the literature that discusses the role and function of marketing through academic guidance provided by the Cranfield School of Management, database word searching and “snowball” search method, that is, identifying relevant articles and using their reference list for further reading until the researcher exhausts the reference lists. The researcher then characterises and analyses the literature to create a framework for identifying marketing competencies.

⁵ Narver and Stanley (1990) tested the effect of Kohli and Jaworski’s notion of market orientation (1990) upon profitability amongst the business units of one firm.

Webster's (1992) oft-cited article outlining the historical evolution of the role of marketing is the researcher's starting point. He identified that the role and function of marketing is inextricably linked to the relationship between buyers and sellers in a market-based economy. He suggests a seven point continuum of buyer-seller relationships that starts from facilitating exchange through various forms of relationships through networks and ultimately vertical integration, which he considers the negation of market exchange. He identifies these states as:

1. Transactions.
2. Repeated transactions.
3. Long-term relationships.
4. Buyer-seller partnerships.
5. Strategic alliances.
6. Network organisations.
7. Vertical integration.

Webster's seven point continuum is simplified to a three point continuum by the researcher and made consistent with well-established organisation and economic literature that has long held that there are three mechanisms for customers to use when seeking to satisfy their needs: markets, hierarchies and networks (Thompson, Frances, Levacic, and Mitchell, 1991). Market mechanisms mean that customers' relationships with firms are characterised by transactions (single or repeated). Hierarchies are buyer-seller relationships which over time could be characterised by partnerships. Networks are strategic alliances and networks. Vertical integration is a theoretical end point. The researcher discussed this simplification of Webster's continuum with the author by phone and email (Appendix 1) who agrees that for purposes of characterising the literature in the context of this research, it is consistent with his article.

Coviello et al (2002), in looking at marketing practices, also identify these three types of relationship between customers and companies: using the term interaction marketing for relationship marketing. They add a fourth set of practices, *database marketing*, which is a blend of transaction and relationship marketing practices and a fifth set (2003) of marketing practices, e-marketing, which lies between database and interaction marketing. Their empirical research finds that companies' marketing practices are normally a blend of marketing types: particularly between adjacent marketing forms. For example, transaction marketers often have some database marketing practices and interactive marketers do some network marketing, but it is far rarer for transaction marketers to do network marketing. This suggests that marketing practices exist upon a continuum between transactions and networks, consistent with Webster's (1992) framework.

For the sake of parsimony and consistency with the organisational and economic literature, the researcher characterises the literature into a continuum with three distinct forms of marketing: transaction, relationship and network. The key articles (in ascending date order) that comprise each of the forms of marketing and their core ideas are illustrated in Figure 8.

Figure 8 : Key Authors by Form of Marketing

Form of marketing	Author(s)	Focus of article (s)	
Transaction Marketing	Levitt (1960; 1986)	Creating consumer demand.	
	Kotler (1969; 1972)	Facilitating voluntary exchange.	
	Sheth (1973)	Industrial buying framework.	
	Bagozzi (1974; 1975)	Understanding exchange process.	
	Peter, Olson (1994)	Understanding consumer behaviour.	
	Kohli, Jaworski (1990)	Market orientation.	
	Narver, Slater (1990)	Market orientation.	
	Hunt (1992)	Marketing as understanding exchange relationships.	
	Day (1994; 1998; 1999a; 1999b)	Market driven organisation.	
	Hoffman, Novak (1996; 1997; 1999; Hoffman and Novak, 1997)	Understanding consumer behaviour online.	
	Relationship Marketing	Berry, Pasasuraman et al (1985; 1991)	Relationship marketing, quality in context of service marketing.
		Christopher, Payne (1991; 1995)	Integration of marketing, service and quality.
		Craven, Piercy (1994)	Relationship marketing competencies.
(Peppers and Rogers, 1994; Pine, Peppers, and Rogers, 1995; Peppers and Rogers, 1997)		Customer loyalty.	
Berry (1995)		Multiple levels of relationship marketing, role of internal marketing and trust.	
Hallberg (1995)		Customer loyalty.	
Reichheld (1996)		Consumer, employee and investor loyalty.	
Gummesson (1987; 1998; 2000b)		Network/interactive model and implementing relationship marketing.	
Coviello et al (2002)		Marketing practices; comparing transaction to relationship mostly, some comparison to network marketing.	

Type of Relationship	Author(s)	Focus of article (s)
Network Marketing	Piercy, Cravens (1995)	Maintaining market orientation when marketing strategy is made by a network.
	Möller, Aino (1999)	Business networks.
	Kozinets (1999)	Consumer behaviour in online communities.
	Achrol, Kotler (1999)	Marketing competencies in networks.
	Carson (2000)	The role of managerial intention in developing marketing competencies in a network environment.
	Peterson et al (2001)	Online marketing competencies.

4.4.3 Determining the marketing competencies from the role and function of marketing literature

This section creates the initial marketing competencies framework. This framework is in the form of a matrix; across the top of the framework are the three forms of marketing described in Section 4.4.2. Along the side of the framework are four generic marketing competencies that are derived from the role and function of marketing literature. This section identifies those competencies and how they vary across the three forms of marketing. It also describes how the researcher analyses the role and function of marketing literature to identify four generic marketing competencies.

The researcher begins the analysis of the identified literature with the transaction and relationship marketing literatures because they are the starting point of the marketing continuum and there is a well-developed discussion about the impact of relationship marketing upon the competencies in marketing. Those that advocate relationship marketing as a new paradigm for marketing, such as Berry (1991), Christopher et al (1991), Sheth (1995) and Gummesson (1987), provide a very rich description of the relationship marketing competencies by way of contrasting them with traditional transaction marketing competencies.

Following the method used by Coviello et al (2003; 2002) in creating a similar framework⁶, content analysis of the transaction and relationship marketing literature enables the researcher to synthesise the competency discussion and identify a limited set of competencies commonly discussed but interpreted differently by adherents of either form of marketing. The researcher is sensitised to RBT and the two part model of resources (resources and competencies) identified in Figure 6; this helps the researcher identify common themes across the literature and differing definitions

⁶ They create a framework of marketing practices (instead of competencies) across five forms of marketing (transaction, database, e-marketing, interactive and network).

used. Publications are analysed for their discussion of the role of marketing within the firm, its unique competencies, core assets for which it is responsible, key areas of managerial focus and business processes⁷. Once the competencies for transaction and relationship marketing are identified, the researcher analyses the network marketing literature with respect to those competencies and extends the framework to all three forms of marketing.

The researcher's synthesis of the literature generates four marketing competencies:

- Demand management.
- Creating marketing knowledge.
- Building customer value propositions (e.g. brands).
- Determining the firm's relationship with customers.

Figure 9 is constructed from these four marketing competencies together with the three forms of marketing: transaction, relationship and network. Each cell of this four-by-three framework describes how a marketing competency is interpreted under each form of marketing. The researcher attributes these descriptors to the works of these key authors as shown by the arrows in Figure 9.

⁷ Eisenhardt and Martin (2000) suggest that business processes are the building blocks of competencies and therefore it is relevant to consider them in the context of a marketing competencies framework.

Figure 9: Initial Marketing Competency Framework

Marketing Competency	Transaction Marketing	Relationship Marketing	Network Marketing
Demand management <i>Kotler</i>	Identifying and exploiting consumer demand over time.	Identifying, aligning with and exploiting stakeholder interests over time.	Managing consumer communities. <i>Kozinets</i>
Creating Marketing knowledge <i>Peppers</i>	Consumer and market insight.	Insight and management of consumers' total life cycle benefits and costs.	Mediating information between network members. <i>Berry</i> <i>Reichheld</i>
Building customer ¹ value propositions <i>Bagozzi</i> <i>Hunt</i> <i>Kotler</i> <i>Sheth</i>	Integrating elements of the marketing mix (4Ps marketing).	7Ps marketing (4Ps plus people, provision of service and processes).	Brand mediation – assembling brand components to meet network needs. <i>Achrol</i>
Determining the firm's relationship with customers <i>Kohli</i> <i>Narver</i>	Facilitating the firm's organisation and business process development to align to consumer needs over time.	Integrating people, processes and technology to form learning relationships with individual consumers.	Allowing consumer communities to leverage the competencies of the firm. <i>Christopher Coviello</i> <i>Piercy</i> <i>Craven</i> <i>Gummesson</i> <i>Peppers</i>

¹ The term "customer" is used to mean consumer or "end user" of goods and services. The term customer, rather than consumer, is used because it was more comfortable for the managers that participated in this research. This framework is the basis of tools used by managers that are described subsequently. It was important that managers could understand these tools easily.

The following four sub-sections describe the four competencies for each of the three marketing forms.

4.4.3.1 Transaction marketing

4.4.3.1.1 Demand management in transaction marketing

Figure 9 summarises demand management in transaction marketing as “identifying and exploiting consumer demand over time.”

Levitt (1960) noted the passage of an economy where production of quality goods would always find a customer, to a more affluent consumer society where productive capacity potentially outstripped demand and the managerial focus was on creating new markets through innovation, advertising and exporting. “Marketing Myopia” (Levitt, 1960) moved the focus of marketing from selling that which one can produce, to the identification and satisfaction of customers’ needs. He identified marketing competencies of imagination and leadership to identify and exploit broad classes of customer need. This focus on fulfilling customers’ needs and desires, rather than the internal operations of the firm, is championed by Drucker (1955), Webster (1988) and Day (1994). Kotler and Levy (1969) go perhaps further in suggesting the role of marketing relates to all forms of voluntary human exchange. Levitt (1986) subsequently expands upon Marketing Myopia (1960) to develop a more comprehensive framework for making operational the central, consumer-demand-led orientation of marketing.

4.4.3.1.2 Creating marketing knowledge in transaction marketing

This is defined in Figure 9 as “consumer and market insight.”

Scholars have identified the critical importance of knowledge and consumer insight to make operational the demand-led nature of transaction marketing.

For Kotler (1972), consumer and market insight was the essence to understanding exchange. The marketing competency he identified (1972:50) was to “understand the market in order to be effective in creating value. This is the essential meaning of the marketing concept”. Kohli and Jaworski (1990) believe that market orientation emanates from the synthesis of insight about the firm’s external environment.

Other scholars have provided more clarity and elaboration to the concepts of market and consumer insight. Understanding consumers’ needs and purchasing styles and the relationship between consumer attitudes and behaviour is a core function of marketing (East, 1997; Oliver, 1997; Peter and Olson, 1994). Identifying “who are the competitors; what are their objectives; what are their strategies; what are their strengths and weaknesses; and what should the strategy be towards them?” (Doyle, 1994:119) is another critical function of marketing. Finally, environmental scanning (McDonald and Payne, 1996), that is, understanding social, political and economic

trends that might impact consumer preferences and behaviour is another role of marketing.

4.4.3.1.3 Building customer value propositions in transaction marketing

Figure 9 summarises this as “integrating elements of the marketing mix (4Ps marketing).”

The literature describes a marketing competency of using customer and market insight to guide the integration of the marketing programme into a coherent customer value proposition or brand.

Integrating elements of the marketing mix has long been a pillar of transaction marketing (Gronroos, 1994). Boden (1965) identified twelve elements that comprise the marketing mix: product planning, pricing, branding, channels of distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling and fact finding/analysis. Subsequently, these became bundled and renamed as the 4Ps of marketing (Gronroos, 1994; Christopher, Payne, and Ballantyne, 1991): product, price, promotion and place.

4.4.3.1.4 Determining the firm’s relationships with customers in transaction marketing

Figure 9 identifies this as “facilitating the firm’s organisation and business process development to align to customer need over time.”

Numerous scholars associated with both the marketing concept and market orientation discuss the primacy of marketing in ensuring the firm remains aligned to its environment, particularly its customers, over time (Day, 1994; Kohli and Jaworski, 1990; Narver and Slater, 1990). Anderson (1982) combines Resource Dependency theory with the marketing concept to suggest that marketing’s competency is to ensure the ongoing support of the customer. In effect, his view is that marketing provides the consumer’s internal champion within the firm.

4.4.3.2 Relationship marketing

The above four generic marketing competencies are interpreted differently in relationship marketing. These are described below.

4.4.3.2.1 Demand managing in relationship marketing

Figure 9 summarises this as “identifying, aligning with and exploiting stakeholder interests over time.”

The relationship marketing literature assumes a win-win perspective between consumers and their suppliers (Knox, Maklan, Payne, Peppard, and Ryals, 2003). Companies gain from relationship marketing by increasing revenue whilst reducing marketing costs (Sheth, Sisodia, and Sharma, 2000; Reichheld, 1996). Consumers gain through entering relationships with companies because when they can buy customised products and services, they get what they really value and reduce the attendant transaction costs (Christopher, 2001; Christopher, 1997; Christopher, 1996; Sheth and Parvatiyar, 1995; Bakos, 1991). Relationship marketing scholars and practitioners predict that consumers will increasingly demand more individualised service and solutions (Sheth, Sisodia, and Sharma, 2000) that will be delivered profitably through mass customisation (Pine, Peppers, and Rogers, 1995) and highly flexible supply chains providing bespoke solutions for individual customers. In addition to the mutual gains in value, the social and information aspects of business relationships create at least as much value for both customers and companies as does the exchange of goods and services (Gronroos, 1994; Gummesson, 1987). So consumers will value the relationship in addition to the increased value of customisation and lower transaction costs.

To make relationship marketing operational, firms identify profitable customers, differentiate marketing plans based upon individual customer profitability, interact with individual customers and customise the offer and or experience (Parsons, Zeisser, and Waitman, 1998; Peppers and Rogers, 1997; Hallberg, 1995). For relationship marketers, profitable customers are identified on the basis of their lifetime economic value (Peppers and Rogers, 1997) or on their economic value augmented for the value of that which customers teach the firm (Maklan, Knox, and Ryals, 2003; Ryals, 2002; Ryals, Knox, and Maklan, 2000).

4.4.3.2 Creating marketing knowledge in relationship marketing

This is defined in Figure 9 to mean “insight and management of customers’ total life cycle benefits and costs”.

In order to align the firm’s offer with individual customer needs over time, the firm must develop insight into how individuals extract value (total benefits) in use, what are their total costs of acquiring, using and then disposing of the product or service (Ryals, Knox, and Maklan, 2000; Christopher, 1997) so that they might develop their offer in consideration of individual customer needs. Such detailed individual customer knowledge is also required to enable marketing planning to refocus from share of market to share of targeted consumers’ spend (Peppers and Rogers, 1994).

In addition to knowledge about commercial transactions, achieving service quality (Berry and Parasuraman, 1991) that is consistently better than customer expectations (Oliver, 1997) is another core component of relationship marketing. This requires marketing to understand customer service expectations and what is communicated at each point of the customer service experience.

4.4.3.2.3 Building value propositions in relationship marketing

This is defined in Figure 9 as “7Ps marketing – 4Ps plus people, provision of service and processes.”

Commenting on the shift from transaction to relationship marketing, Christopher et al (1991) suggest that traditional 4Ps marketing should become 7Ps marketing with the three new Ps being: (1) Provision of service, (2) People and (3) Process. In a relationship environment the firm’s value proposition (brand) moves beyond its products and services to include its total value delivery inclusive of services around the core offer (Christopher, 1997; Christopher, 1996) and business processes (Knox, Maklan, and Thompson, 1999; Knox and Maklan, 1998). The services and processes are often delivered to customers directly by the firm’s people.

4.4.3.2.4 Developing the firm’s relationship with customers in relationship marketing

This is defined in Figure 9 as “integrating people, processes and technology to form learning relationships with individual customers.”

Relationship marketing research suggests that in order to identify, understand and respond effectively to individual consumers, firms must create a learning relationship with customers: “A learning relationship ensures that it is always in the customer’s self interest to remain with the firm that has developed the relationship” (Peppers and Rogers, 1997:15). A firm characterised by relationship marketing integrates “these computer-enhanced capabilities – information management, interactive communication and customised production” (Peppers and Rogers, 1997:13). These capabilities permit the firm to provide ever improving consumer experiences so that the customer becomes ever more committed to the firm.

This process of building a stock of equity that buffers the firm against consumer defection has been grounded theoretically in the confirmation/disconfirmation paradigm (Oliver, 1997) whereby repeated experiences that meet or exceed prior expectations build trust and commitment. This process has been illustrated by Christopher et al (1991) as a “ladder of loyalty” whereby repeated good experiences move consumers from casual transactional buyers to ever higher rungs of the ladder of increasing commitment and loyalty.

4.4.3.3 Network marketing

This section focuses upon networks not as a means of industrial organisation (Möller and Halinen, 1999; Miles and Snow, 1986; Ouchi and Price, 1978) but in a situation when consumers interact directly with each other (Hoffman and Novak, 1996).

4.4.3.3.1 Demand management in network marketing

Figure 9 identifies this as “managing consumer communities.”

Whereas demand management focuses upon product markets in transaction marketing and profitable customers in relationship marketing, in a network, demand is a function of the community. This is best illustrated through the example of the first telephone: who bought the first telephone? Clearly its utility grew as the community of users increased to the point where it was essential to most people. Fax machines exhibited similar characteristics. Online exchanges such as E-bay create demand by managing a community of people engaged in the buying and selling of their possessions. The consumer utility or value created by communities is more thoroughly discussed in the next section which reviews the economic literature concerning externalities and network effects.

Researchers suggest that in future, consumers will form online communities that specify the goods and services they want and the terms of exchange. Suppliers will need to learn how to work with, or build, such communities rather than try to sell directly to individuals (McWilliam, 2000; Kozinets, 1999; Hagel and Singer, 1999; Hagel and Armstrong, 1997). Anecdotal evidence of the existence of such networks exists in reverse auctions (Mitchell, 2001) where consumers band together, facilitated by the network operator, to drive prices down.

4.4.3.3.2 Creating marketing knowledge in network marketing

Figure 9 identifies this as “mediating information between network members.”

Perhaps the biggest single difference between networks and other forms of firm-consumer relationships is that knowledge is developed and shared extensively through a network to a far greater extent than in other forms of exchange (Hakansson, Havila, and Pedersen, 1999; Siegel, 1999; Kelly, 1998). This suggests that the marketing knowledge competency in a network is less focused upon building internally managed “stocks” of insight; it seeks to create community knowledge that facilitates collaboration across all network partners in order to satisfy customers (Achrol and Kotler, 1999). Neither transaction nor relationship marketing competencies generate knowledge from the myriad of contacts that exist in a network (Gummesson, 1987).

Tapscott (1998) illustrates this phenomena through a book he wrote about young people’s attitudes to the internet; he wrote it collaboratively, online, with over 300

young people. The community development of the Linux operating system is another such example of how knowledge is community owned and developed. Successful online communities develop rich content and the role of the focal marketing firm is to facilitate its development in a manner that can be understood and effectively used by the members of the community (McGovern, 1999; Tapscott, 1998; Hagel and Armstrong, 1997).

Achrol and Kotler (1999) call such shared knowledge function information intermediation because it allows the consumer to benefit directly from his or her own personal profile and contact history whilst leveraging the focal firm's supply chain competencies.

4.4.3.3 Building value propositions in network marketing

Figure 9 identifies this “brand mediation – assembling brand components to meet network needs.”

The network marketing literature describes two types of value proposition: (1) the focal firm brands its problem solving abilities and (2) the focal firm brands certain aspects of the community it has organised.

The problem solving value proposition is called a “customer opportunity network” or “brokerage” business (Achrol and Kotler, 1999; Vandermerwe, 1999). Here, the focal marketing firm stands between a community of consumers and numerous supply chains. The focal firm is expert at working out with the community exactly what services and products the community requires and then arranges for them to be built and integrated into a comprehensive solution to the community's problem. The value proposition is built upon the firm's problem-solving and services. The term *brand mediation* was coined by Achrol and Kotler (1999) to describe this form of brand value through minimising consumer search costs; the community convenor has intimate knowledge of the consumer need and of the suppliers' capabilities. Brands have always had a search and information value (Ward and Lee, 2000; Hauser, Urban, and Weinberg, 1993) and this value has unique characteristics in the network environment.

Where the focal firm seeks to dominate the management of the network, it creates branded “infomediaries” (Hagel and Armstrong, 1997). Infomediaries (Hagel and Singer, 1999) aggregate consumers; based upon its knowledge of, and history with, community members, it intermediates between all supply chains and its consumer group. Amazon is an example of a firm trying to become an infomediary as it expands from its base in books to a broad range of products and services. The value proposition for an infomediary develops from either the type of people in the network or the activities with which the community engages (consumption, commerce, hobbies).

4.4.3.3.4 Determining the firm's relationship with customers in network marketing

Figure 9 identifies this as “allowing consumer communities to leverage the competencies of the firm.”

Despite a vast literature that describes how many companies are shifting from transaction to relationship marketing (Ryals, Knox, and Maklan, 2000), very little academic research has been published as to how consumer relationships are managed in a network. Practitioner publications (Hagel and Singer, 1999; Siegel, 1999; Hagel and Armstrong, 1997) focus upon the self-directed nature of online communities. They illustrate how “power” shifts from the manufacturer or service provider to the community and how the community will determine which business the firm is in. Self-directed consumer communities may be the ultimate extension of the marketing concept and market orientation: the direct strategic management of the firm by its consumer community through interactive and continual dialogue, not necessarily mediated through market place exchange and signals. In such a scenario, the firm exists as a bundle of competencies that are directed and used by the community in pursuit of its own goals. The firm enters into a strategic discussion with its communities to determine its strategy. Relationships are not managed; they are a strategic dialogue (Siegel, 1999: 9).

4.5 Extending the marketing competencies framework with the economics literature

The researcher established, in Section 4.1, that the network marketing literature is limited and lacks strong empirical or theoretical support. This section therefore supplements the marketing literature with economics, a field of scholarship that has built theory around the role of networks (externalities).

The argument put forward by many who believe that the internet represents a new marketing paradigm (Sheth and Sisodia, 1999; Kelly, 1998; Hagel and Armstrong, 1997) essentially borrows from economic theory and predicts that the internet radically affects transaction costs throughout the supply chain and violates important assumptions about stable market equilibrium.

Neo-classical assumptions about rising marginal costs and declining marginal benefits in relation to quantities produced and consumed, underpin the theory of stable market equilibrium (Economides, 1996a; Shapiro and Varian, 1999a). Without a natural tendency towards stable equilibrium, companies well-placed in the emerging consumer communities and information networks will enjoy ever-increasing, exponential return on investment. This is obviously attractive to firms and investors alike and, if true, would suggest marketers must develop the competencies to identify and exploit those communities and networks.

This section identifies how networks violate some important assumptions contained within the dominant, neo-classical, economic theory. It then reviews the economic literature that discusses how network effects, or externalities in the parlance of economists, affect marketing and updates the network marketing component of the marketing competencies framework.

4.5.1 Neo-classical economic assumptions

Free markets will find a stable equilibrium of supply and demand through the price mechanism (Marshall, 1991). Where firms face rising marginal costs and consumers face diminishing utility with increased supply of any goods (the 50th tomato one consumes is less appealing to one than the first!), then a freely established price will find the equilibrium between the firm's marginal cost and consumers' marginal utility. At that price there is no incentive for either the firm to produce more or the consumer to consume more (Marshall, 1991) because further production would reduce profit and further consumption would be at a price greater than the marginal utility of the product. When the firm sells its last unit of output at its marginal cost of production, it has maximised its profit, but it does not make excess profit or rent. When a consumer has bought his or her last unit of goods or services at a price equivalent to its marginal utility, consumer welfare is maximised and he or she has no incentive to buy more or less.

In neo-classical economic theory, the firm is a “price-taker” merely producing commodities in response to price signals from the market place and the consumer a utility-maximiser that does not value anything aside from products and prices.

Economists qualify this model with their famous cry of “ceterus paribus”: all other things being equal (Marshall, 1991:31). In order for the price to equate marginal cost and consumer utility, products must be homogenous (no differentiation), information about the products is perfect and freely available to all economic actors, there are no significant transaction costs inclusive of search, negotiation and complementary services and the actions of economic agents are independent from each other.

Marketing and RBT scholars challenge many assumptions of neo-classical economics. They do not see the firm as a passive price-taker, rather it is a dynamic goal seeker making strategic choices (Child, 1997; Teece, Pisano, and Shuen, 1997; Conner, 1991). Consumer demand is not homogenous (Hunt, 2000; Hunt and Morgan, 1995). Marketing creates demand out of latent demands not yet expressed in identifiable consumer demand (Prahalad and Hamel, 1990; Levitt, 1960) and consumers value brands. Consumers also value suppliers with whom they have relationships (Gummesson, 1998). Nonetheless, economists are sanguine about the assumptions of the neo-classical model and many leading scholars have long believed that it is more important that their model makes useful predictions than accurate descriptions of reality. That is, it is more important that economies behave “as if” the model were true (Friedman, 1953). So instead of validating their model at the level of each assumption, economists relax the assumptions of their model, one by one, in order to assess the impact of any one assumption upon markets and consumer utility.

4.5.2 Externalities

This section relaxes one of the assumptions of the neo-classical model; economic agents are independent of each other, the absence of that which economists call externalities. Shapiro and Varian (1999a:183) define externalities as “when one market participant affects others without compensation being paid.” An oft-quoted example is the role that expectations of standards play upon consumer choice: most consumers buy Microsoft computer operating systems and office applications, in large part, because it is the standard that everyone else will use.

Externalities make equilibriums less stable and less price-driven than described by Marshall; the markets are considered “tipsy”, winner-takes-all in nature (Shapiro and Varian, 1999a; Arthur, 1990). Farrell and Salome (1986) discovered one reason why markets are tipsy in their study of the adoption of new technology. They found that product incompatibility impacts the level of demand predicted from neo-classical theory. Installed users facing new technology where standards and interoperability are important, pay a disproportionate amount in transient incompatibility costs. They argue that this can cause “excess inertia” and limit the adoption of new technology. Conversely, they suggest if the installed base is worried that it will be stranded if a new standard is adopted, it will create “excess momentum” for new technology.

Economides (1996b) finds that externalities distort both the micro (firm) and macro (market) economics. He explores the macro economic impact of networks and finds

numerous examples where markets fail to maximise social welfare because the external benefits of the network effect are not recognised or shared equally by individual firms. At the firm level, Economides suggests that where network effects are strong, profit maximisation behaviour by the firm short-term will not always maximise long-term profit.

Shapiro and Varian (1999a) conclude that where externalities are important:

1. The firm is a strategic actor. The firm is not merely efficiently producing to demand, it tries to stake out a dominant role in emerging markets through a political process of influencing standards, switching costs and complementary products.
2. The firm sets prices for its own goods and services in consideration of customer value, market and competitive strategies rather than on marginal cost, which often approximates zero in information markets. Pricing intellectual property is a strategic decision in the goal of building a dominant position in key networks and firms are urged to plan for constantly eroding prices (Kelly, 1998). The notion of one, market-clearing, price for the market is challenged as interactive relationships allow for price discrimination based on how much each individual buyer values the goods and services. In effect, the demand curve is segmented individually rather than being the aggregate instrument of the market. Operationally, firms can offer different prices for essentially the same goods through auction strategies and create different versions of essentially the same service to address individual customer needs at different prices. The motivation of this pricing strategy is not merely to maximise revenue per customer, but to dominate intellectual property within consumer networks.
3. The utility of individual goods and services depends on the population of those goods and services in the market, the network effect, and the ability to connect to that population through standards and interoperability. Televisions, aeroplanes, railways, electricity supply, VCRs, software, mobile phones and faxes are all examples of goods where consumer choice is guided to choose the standard so that they may access either the suppliers of services or other users. Individuals' preferences are, in very large measure, determined by their expectation of other agents' behaviour.
4. The firm's position within these networks is a major contributor to its profitability and competitive advantage. Companies seek to persuade the market that their offering is the emerging standard so that actors' expectations ensure that this transpires (Carpenter, 2000; Shapiro and Varian, 1999a).
5. Networks create powerful externalities and complementary products and services around themselves; these complementary supplies are an important buying consideration. Therefore the role of marketing extends to understanding and managing other companies' goods and services.

Shapiro and Varian (1999a; 1999b) propose implications for marketing where network effects are strong:

- Operate a price discrimination policy setting prices for individual consumers dynamically on the basis of individual value.
- Create multiple versions of products in support of price discrimination (product versioning).
- Identify and manage consumers' switching costs to achieve "lock-in".
- Improve the management of intellectual property and rights to consider their potential strategic importance in a network environment.
- Manage network feedback effects by expectations management, obtaining key intellectual property, strategic management of standards evolution and developing complementary goods and services.

For Shapiro and Varian (1999a; 1999b), network effects lead to standards wars and they suggest firms should develop the following assets needed to win those wars:

- Control over installed customer base.
- Intellectual property rights.
- Ability to innovate.
- First mover advantage.
- Manufacturing ability.
- Strengths in complements.
- Reputation and brand name.

Many of the key assets needed to win standards wars, such as brand, innovation and customer base, are developed through marketing competencies described in the marketing literature. However, the context in which these competencies exist is different. For example, reputation and brand name in transaction marketing emanates from the core functionality of the product or service (Levitt, 1986) and have an objective of making the firm's products and services more attractive to potential customers. In relationship marketing, the 7Ps build brands that bond with individual customers (Christopher, Payne, and Ballantyne, 1991). To win a standards war, brand influences consumers' expectations about standards, complements and customer base as much as (if not more) than it influences consumer affect and relationship.

Whilst Shapiro and Varian focus upon information technology products where they believe network effects are strong, Economides (1996b) suggests that any firm whose market is characterised by strong complementary relationships will benefit from the lessons learnt in the economics of networks. Taking this further, Hagel and Armstrong (1997) suggest that companies that manage to occupy a key role in consumer networks can build externalities. They identify "infomediaries", a consumer network that forms to promote the interests of its members. These infomediaries will create external effects widely and therefore companies must act pre-emptively in building network marketing competencies (Hagel and Singer, 1999).

Augmenting the network marketing competencies with the economics literature generates the final marketing competency framework. The contributions of economics are in italics.

Figure 10: Final Marketing Competency Framework			
Marketing Competency	Transaction Marketing	Relationship Marketing	Consumer Network Marketing
Demand management	Identifying and exploiting consumer demand over time.	Identifying, aligning and exploiting stakeholder interests over time.	Managing consumer communities. <i>Managing the evolution of standards, technology and complements.</i>
Creating marketing knowledge	Consumer and market insight.	Insight and management of consumers' total life cycle benefits and costs.	Mediating information between network members. <i>Insight and management of consumer switching costs.</i>
Building customer value propositions	Integrating elements of the marketing mix (4Ps marketing).	7Ps marketing (4Ps plus people, provision of service and processes).	Brand mediation – assembling brand components to meet network needs. Additions to 4Ps and 7Ps marketing: <ul style="list-style-type: none"> • Price discrimination. • Product versioning. • Managing consumers' expectations about standards, technologies and complements.
Determining the firm's relationship with customers	Facilitating the firm's organisation and business process development to align to consumer needs over time.	Integrating people, processes and technology to form learning relationships with individual consumers.	Allowing consumer communities to leverage the competencies of the firm. <i>Secure advantageous network position:</i> <ul style="list-style-type: none"> • <i>Control over installed customer base.</i> • <i>Intellectual property rights.</i> • <i>Ability to innovate.</i> • <i>First mover advantage.</i> • <i>Manufacturing ability.</i> • <i>Strengths in complements</i> • <i>Reputation and brand name.</i>

4.6 Gaps in the literature

Previous sections outlined how RBT explains persistent above average profit or rent. Rent arises from achieving sustained competitive advantage through the development of idiosyncratic, non-tradable (VRIN) resources. The researcher uses the literature to decompose resources to identify its static (resources) and dynamic (competencies) components. Resources and competencies co-evolve (Figure 7) over time through successive cycles of reflection and action that can be consciously directed by managers. The literature suggests that managers can direct this process through conscious learning, investing in developing resources and developing new products or technologies that represent a major departure from the firm's existing product portfolio. The marketing literature fails to reveal a complete framework grounded in RBT for identifying, let alone managing the development of, marketing competencies. There is, however, a well-developed literature on the role and function of marketing that the researcher synthesised into a framework. This framework was augmented by the economic literature on networks (externalities).

However, RBT's critics believe that the above argument about how resources explain rent, and how resources have both static and dynamic components that co-evolve through conscious management decision making, lacks empirical validation (Priem and Butler, 2001). Specifically, RBT scholarship is criticised for its inability to:

- Identify resources and competencies.
- Link resources and competencies to performance.
- Explain how resources and competencies arise and develop.

These three criticisms are discussed in the following three sub-sections. In addition, a fourth sub-section identifies gaps in literature concerning the integration of marketing theory with RBT so that firms can develop their marketing competencies in consideration of sustained competitive advantage. The following sub-sections therefore identify the research gaps this thesis addresses.

4.6.1 Identifying resource and competencies

Even scholars who have published empirical evidence in support of RBT acknowledge the difficulties they encounter separating the impact of individual resources and competencies from the firm's overall bundle of resources and competencies (Henderson and Cockburn, 1994), assessing the VRIN characteristics of resources (Makadok, 1999) and observing through surveys and longitudinal studies, resources or competencies that contain large elements of tacit knowledge (Rouse and Daellenbach, 1999; Godfrey and Hill, 1995).

Priem and Butler (2001) argue that an inability to observe resources renders RBT inoperable at a practitioner level and thus of little practical value. They cite Thomas

and Tymon (1982) in suggesting that for a theory to be a valid area of management research, managers should be able to action its implications through its causal variables. The authors argue that simply telling managers to find VRIN resources whilst RBT remains a “black box” is not helpful.

Hoopes et al (2003) acknowledge that whilst RBT has accentuated the importance of firms in strategy research, it fails to offer guidance on the key questions that will take the research forward. The authors suggest that RBT scholars have not been able to make RBT operational or develop systematically, a means for the theory to be falsified. Whilst RBT has dominated the conceptual landscape of strategy research, “empirical research...has not evolved” and “many scholars argue that the theory is essentially a tautology” (Hoopes, Madsen, and Walker, 2003:889)

4.6.2 Linking resources and competencies with performance

Despite the popularity of RBT amongst strategy scholars, there is limited empirical evidence within the strategy literature that links specific resources and competencies with persistent, above average profit (Priem and Butler, 2001). The researcher identifies two publications that are noteworthy and discusses their limitations immediately below:

- Miller and Shamse (1996) identify a causal relationship between different resource-competency bundles and firm performance amongst Hollywood studies. They find that as the environment changed, resource-competency bundles that generated superior performance changed commensurately. The researcher however questions the extent to which the authors are able to observe competencies as defined in this thesis through the publicly available data used in their study (Godfrey and Hill, 1995). For example, as a measure of creativity they use a number of Oscar awards; the researcher suggests that award-winning is not purely a function of creativity: there are politics, personalities and other factors involved. As a measure of ability to manage complexity they use size of production budgets; big budgets could also represent inability to plan and control, egos of film producers and number of special effects rather than complexity alone.
- Narver and Slater (1990) demonstrate how the market-orientation⁸ competency related to superior SBU⁹ performance within one firm. Greenley (1995), however, demonstrates that in the UK, this is true in unusual circumstances only.

It is more common for researchers to link resources and competencies to an intermediate determinant of firm performance (Hoopes, Madsen, and Walker, 2003) and to assume an ultimate relationship to above average profit (rent) as illustrated by the following examples:

⁸ Market orientation is described as the ability of the firm to scan its environment effectively, distil valuable insight from that process and communicate the implications of that insight to the rest of the firm (Narver and Slater, 1990; Kohli and Jaworski, 1990).

⁹ SBU – Strategic Business Unit, often an operating division of a multi-divisional company.

- Henderson and Cockburn (1994) demonstrate a link between resource-competency bundles to R&D output rather than to profit directly.
- Makadok (1998) finds that first-mover advantage leads to sustained price premiums but does not provide any evidence that such strategies are ultimately more profitable than other entry strategies.
- Kale et al (2002) demonstrate that a dedicated alliance management resource is a better predictor of alliance success than experience alone, but their criteria of success are not directly related to long term profitability.
- Marketing scholars have tried to demonstrate that brands and corporate reputation¹⁰ create shareholder value but have not found a widely-accepted method, grounded in a recognised body of theory to do so (Tollington, 2001). Most empirical work in this area uses intermediary proxies of shareholder value such as brand equity (Aaker, 1996; Keller, 1993; Srivastava and Shocker, 1991).

Advice to managers with regard to investing in resources is paradoxical, perhaps a result of the lack of clarity as to how resources and competencies co-evolve. To improve firm performance, theory suggests that managers should identify and understand how current resources create value to guide investing for the future. Simultaneously, RBT scholars warn that the past is not a guide to the future; focusing upon current resources can make companies blind to the need to change them (O'Driscoll, Carson, and Gilmore, 2001; Leonard-Barton, 1992) as the environment changes (Miller and Shamse, 1996). The literature does not offer a coherent framework for understanding how resources should develop in the future. The above conclusion is supported by Srivastava et al (2001) in relationship to the literature on marketing competencies.

4.6.3 Explaining how resources and competencies co-evolve

Leaving aside the issues of how resources and competencies should evolve to maximise firm performance, there is no coherent pattern to empirical research that explains how they evolve: a critique shared by Priem and Butler (2001:34). Section 4.3.3 describes that they can be forced through investments in new products or the result of a conscious learning effort.

However, the empirical research fails to provide any insight into the composition of resources and how they evolve (Priem and Butler, 2001),¹¹ nor offer empirical research into marketing competencies from the perspective of RBT (Srivastava, Fahey, and Christensen, 2001).

¹⁰ Brands and reputation are widely acknowledged in the RBT and marketing literatures to be resources capable of generating rent.

¹¹ The researcher identified only one such study. Helfat (1997) demonstrates how firms with bundles of related resources, that which they term complementary assets, demonstrate greater competency in research and product development in the Oil industry.

The co-evolution of marketing resources and competencies remains, in the researcher's assessment, a "black box".

4.6.4 Integrating RBT and marketing scholarship – a research agenda

Srivastava et al (2001) identify the following agenda for marketing and RBT research to work together and contribute to each other's scholarship¹²:

1. Marketing scholars should identify customer value more specifically and relate it to marketing resources, thus providing RBT with the exogenous determination of value it lacks to help guide marketing investment decisions.
2. Understand better how resources and capabilities contribute to generating and sustaining specific forms of customer value. The authors acknowledge that such research requires "process-driven and case rich methodologies" (Srivastava, Fahey, and Christensen, 2001:796) given the tacit nature of so many market-based resources.
3. Research focus should move from identifying current value-generating resources to identifying future resources.
4. Relate entrepreneurship and managers' goal-seeking behaviour as a mediator of resources to customer value because "resources do not by themselves transform into customer value" (Srivastava, Fahey, and Christensen, 2001:796).
5. Understand how marketing resources and competencies emerge, evolve and depreciate. This line of research, the authors suggest, will explain why specific customer-based advantage occurs as demanded by Priem and Butler (2001).
6. Understand how resource evolution relates to market place change and based upon that understanding, longitudinal work is required to validate it.
7. Illustrate the role of marketers as decision makers with respect to choosing which resources to deploy against opportunities and allocating investments across the resource base.
8. Further discussion of the role of such investments in creating customer value and if they should be treated as expenses or investment. (Capraro and Srivastava, 1991; Srivastava and Shocker, 1991)

¹² To avoid confusion, the researcher has adapted the article's language to make consistent the use of the terms resources and competencies throughout the thesis. The researcher has had a telephone conversation with one of the co-authors of the article to ensure he understands their terminology.

4.6.5 Summary of literature gaps

In order that the researcher may answer the question how should firms change/develop their marketing competencies, the gaps in literature that need addressing are as follows:

1. How can managers identify and understand their marketing competencies?
2. How are their marketing competencies related to sustainable competitive advantage?
3. How can marketing competencies needed for online customer relationships be developed/managed? Beyond high-level statements that competencies are managed by goal-seeking managerial decision-making, can this thesis develop a managerial framework, grounded in theory, to manage this process?
4. How does the management of marketing competencies required for online customer relationships inform both marketing and RBT theory development? This relates to the Srivastava agenda identified in Section 4.6.4.

5 Research design

This section establishes the coherence between the nature of the research question, the research's philosophical position and the method for conducting research including details of implementation.

This section will discuss in order:

- The nature of the research question (Section 5.1).
- The choice of philosophical position (Section 5.2).
- Methodological alternatives and choice of method (Section 5.3).
- Discussion of chosen method (Section 5.4).
- Step by step, making the research operational (Section 5.5).
- Suggested criteria for evaluating the quality and validity of the research. (Section 5.6).
- Selection of firms to participate in the study (Section 5.7).

5.1 The research question

The research question is:

“How should firms develop and or change their marketing competencies when developing relationships with consumers online?”

Blaikie (1993) advises researchers to consider the nature of their research question along the following criteria:

- What is the research purpose – exploration, description, understanding, explaining, change or evaluation?
- Is the research constructing or testing theory?
- How observable is reality?
- Does the research rely upon expert or lay language?
- To what extent will the researcher critique lay accounts?
- How objective should the researcher be?

Each is discussed below in the context of the research question.

5.1.1 Purpose of the research

There are two purposes of this research: (1) to improve (change) online marketing practices within the firms participating in the study and (2) contribute to the relevant bodies of literature/theory (principally marketing and RBT).

There is an instrumental aspect to the question. The research promises to identify how to change online marketing competencies in order to improve firm performance. Therefore, the method must do more than just observe and understand marketing competencies; it must allow managers to develop their firms' marketing competencies so that the process can be observed and reported upon.

5.1.2 Theory testing versus theory building

This research will contain elements of both.

The research question focuses on helping companies change their marketing competencies but in order to do this, the literature review concludes that a framework for identifying them needs to be developed from RBT, marketing and economics literatures and a theory (RBT) is needed to link competencies with sustained competitive advantage.

The marketing competency framework represents a mixture of widely held suppositions about marketing, RBT and externalities in economics as well as empirically validated theories. RBT provides a theoretical framework for linking competencies to sustained competitive advantage. Empirical findings presented in this PhD will be contrasted to those theories and suppositions. In some cases, the findings will provide empirical evidence confirming existing theories and suppositions in this area where large gaps in empiricism have been identified in the literature review. In other cases, the findings will either contradict them or suggest boundary conditions. Finally, the findings may extend the theories and suppositions.

5.1.3 Observability

Observability of the phenomenon of interest has been identified as a major problem with RBT research (Rouse and Daellenbach, 1999; Godfrey and Hill, 1995). Competitive advantage arises from the VRIN characteristics resources (Barney, 1991) and the causal ambiguity of resources to profit; RBT suggests that the more ambiguous the link between resources to profit, the less imitable they are and therefore the more likely they are to create sustained competitive advantage (King and Zeithaml, 2001). The more observable the resource, the more likely it is to be imitable. The paradox for managers (King and Zeithaml, 2001), and by implication for researchers, is to base strategy on developing resources that by definition they cannot easily observe or understand.

Many scholars argue conceptually, that when looking at resources or other phenomena that are based upon tacit knowledge and embedded in unique

organisational contexts (Rouse and Daellenbach, 1999), research must be conducted from the “inside” of the team building marketing competencies (Evered and Louis, 1981) with high levels of interaction between researcher and managers (Rouse and Daellenbach, 1999).

5.1.4 Expert versus lay language and critique of lay accounts

The RBT language is confused (Peppard and Ward, 2004); a widely-agreed, expert language does not exist for the phenomena of interest. The researcher asserts that the same is equally true within the academic and practitioner literature for the phenomena of online marketing. Given the complexity of the concepts and confusion around the language, expert language is not possible, yet a critique of lay accounts is equally necessary. The research design must allow for the language to emerge from the interplay of expert critique and lay accounts.

5.1.5 Role of researcher

Identifying marketing resources and how they co-evolve with marketing competencies at the level of the firm requires substantial access to managers. The degree of tacit knowledge bundled in resources requires an active researcher to facilitate managers raising that tacit knowledge to a more conscious level (Ambrosini and Bowman, 2001) for scrutiny and assessment against the VRIN criteria. Assessing potential resources against VRIN criteria requires the researcher to understand how the individual firm creates value (or cost advantage), the firm’s competitors, the historical development of the firm, marketing resources and potential substitutes for those resources.

The researcher contends that it is not realistic to expect that this level of knowledge or data will be generated through short interviews with managers or self-completed surveys. Research will require privileged access (Clark, 1972) to managers that have an immediate and pragmatic incentive to engage in the research.

5.1.6 Implications from analysis of the research question

The objectives of the research, the difficulties in observing the phenomenon and the confusion over terminology in both RBT and online marketing suggest that it is not possible for the researcher to answer the question “from afar” through detached observation. Given the causal ambiguity and tacit nature of resources, the researcher must interact with managers so that managers understand their marketing resources and can begin developing marketing competencies to accommodate online consumer relationships.

5.2 Philosophical position

This section identifies the philosophical position taken in the thesis and its consistency with the nature of the research question. The philosophical position is drawn from literature that accepts an “objective” reality but one that is inter-subjectively constructed through individuals and groups reflecting on their daily experiences to create theories about reality. The researcher labels this as the “participatory view” and it is strongly aligned to that which Reason (2001) calls the “participatory worldview” and Skolimowski (1994) the “participatory mind”.

The core philosophical debate has been described as a prize-fight: in the red corner is phenomenology; in the blue corner is positivism (Easterby-Smith, Thorpe, and Lowe, 1991). Researchers are advised to use that continuum when positioning their own contribution to knowledge (Blaikie, 1993). Reason and Heron (1999) and Reason and Torbert (2001) identify the tension between the empirical-positivist view and the contrasting interpretive view which they call the language turn. They, however, argue for a third dimension to this discussion, the “action turn”.

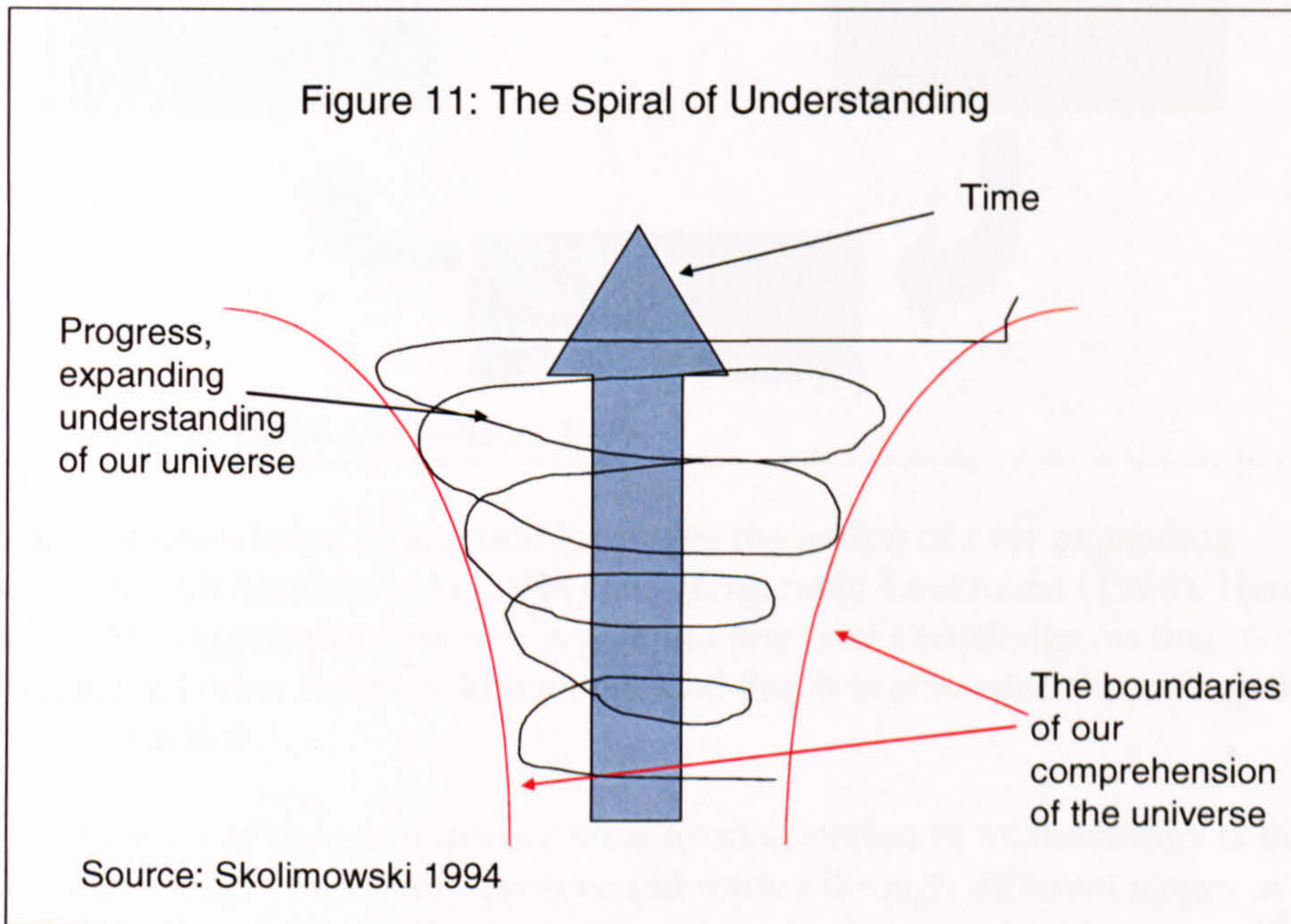
The “action turn” critiques both extremes and, in their place, sets out guiding human values and research principles supporting those values. These correspond to a participatory view that contains the cornerstones described below.

This PhD takes the position that reality is inter-subjectively created through people’s ever-expanding cycles of action-reflection-theorising. Researchers observe that evolving reality by observing these cycles, the focal point of which is people’s informed and committed action (Reason, 2001; Skolimowski, 1994; Argyris, Putnam, and McLain Smith, 1985; Argyris and Schön, 1978; Argyris, 1973; Berger and Luckmann, 1966).

Berger and Luckmann (1966) argue that reality is socially constructed by informed, committed actions of people. They argue that people live in a real world, a world that they share with others. Common-sense knowledge is the basis of our living in that world, a knowledge that is institutionalised and given to people through processes of socialisation. At certain times, we reflect upon that knowledge and transport ourselves to a new understanding of reality. This is an intentional process of discovery, directed at enhancing our living in this shared world. As people make new claims of reality, they externalise their reflections and know-how, submitting these to the review of others. Man is committed to sharing knowledge and having it accepted. The authors identify steps in this process as (1) externalisation of knowledge, (2) objectification, (3) legitimation and (4) finally internalisation; “We not only live in the same world, we participate in each other’s being (1966: 150).”

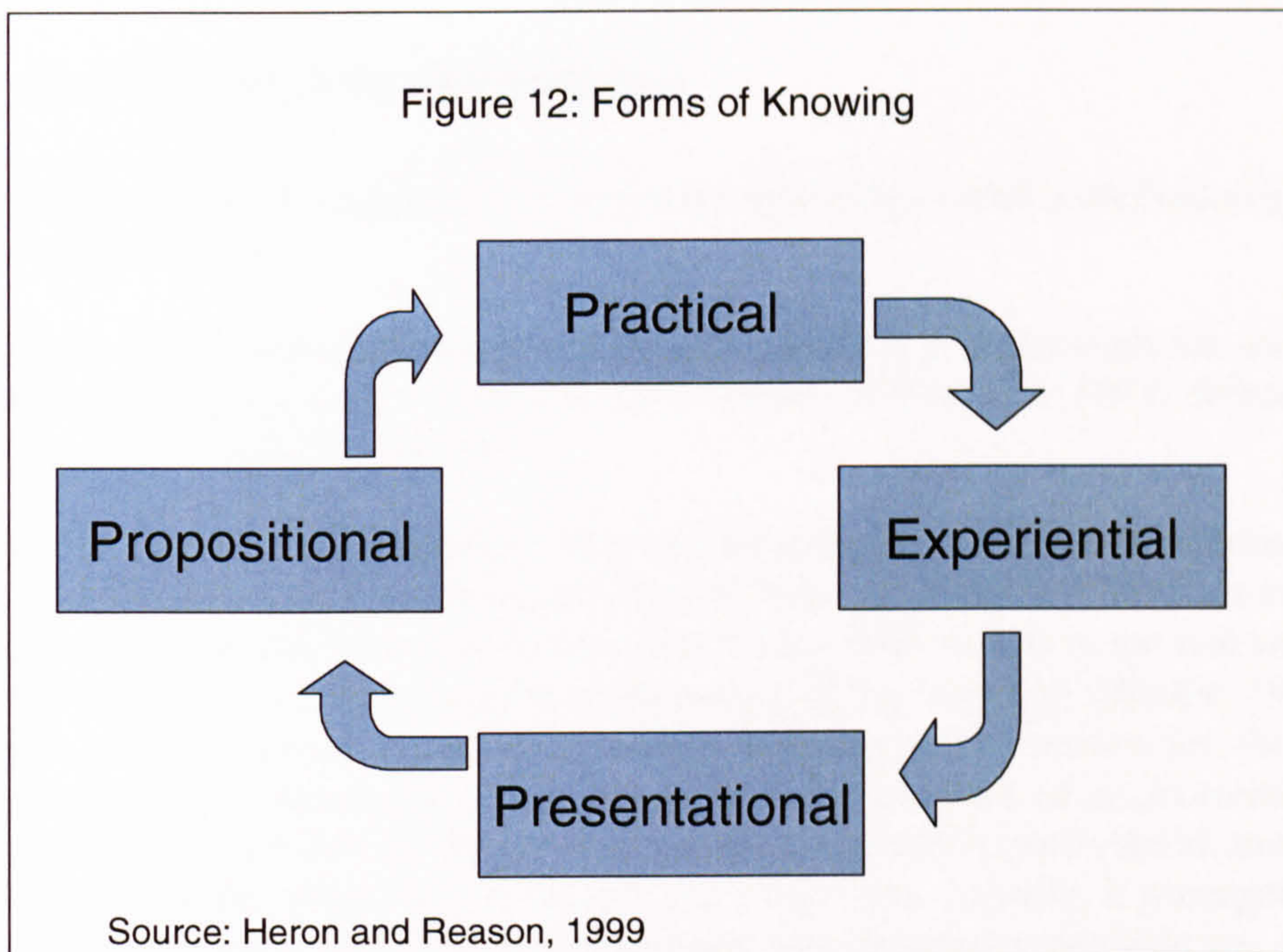
The co-creation of reality rejects “the Cartesian dualism, which radically separates mind from the body, and mind from nature (Skolimowski, 1994: 39)”. “We simply cannot find, see or envisage, in reality more than our senses, our intellect, our sensitivities, our intuition... allow us to see (Skolimowski, 1994: 15)”. Equally, the participatory view rejects extreme phenomenologist perspectives of man deriding them as reducing man to the status of being purely a “language animal” destined to live in nomadic, “existential anguish” (Skolimowski, 1994).

The participatory view believes in human progress and hope. One of Skolimowski's (1994) criticisms of the view that man is merely a language animal, is that it fails to allow man to transcend his individual capacity for knowledge creation; there is no augmentation of man's capacities. Evolution is the process of augmentation of our consciousness and the continuous acquisition of new sensitivities through which we react to our environment in more knowing and purposeful ways. Skolimowski (1994: 80) draws an upward cone (Figure 11) to define the ever expanding limits of what we can conceive as reality; inside the cone is a similarly upward spiral of understanding, or epistemology.



Heron and Reason (1999) propose an extended epistemology consisting of four interrelated and mutually reinforcing phases of knowing (Figure 12):

- *Experiential knowing* is through direct contact and intimacy with a person, place or thing. It is the difference between visiting a city such as Venice, and merely reading about it in a travel guide.
- *Presentational knowing* emerges from experiential knowing. It is normally expressed in illustrations, role-play, drawings, dance, music etc.
- *Propositional knowing* is knowing “about” something and is normally expressed in terms of theory, frameworks, models etc.
- *Practical knowing* is “how to” do something and is expressed as a skill or “knack”. Riding a bicycle illustrates practical knowing; propositional knowing of velocity and centrifugal forces do not enable you to ride.



This model of knowledge production leverages the notion of ever expanding knowledge in both Skolimowski (1994) and Berger and Luckmann (1966). Heron and Reason (1999) suggest that primacy is given to practical knowledge, as that consummates all other forms of knowledge and that it is generated through cycles of reflection and action.

A key implication of the participatory view upon selection of methodology is that its view that knowledge continually evolves and moves through different stages or types of knowledge. Not all knowledge is therefore universal, generalisable and verifiable in the manner prescribed by positivist science (Evered and Louis, 1981). In the participatory view, knowledge is not merely a “stock” or asset; it has inherent dynamic and evolving quality and is constantly being transformed by human interaction with it. In this, the researcher sees a parallel to the concept of resources and competencies; resources and competencies continually co-evolve together.

Reason and Torbert (2001) add a moral purpose to the creation of knowledge. Agreeing with Berger and Luckmann (1966) that all people participate in the creation of the world, they argue that the purpose is neither contribution to an abstract notion of science, deconstruction of taken for granted realities, nor development of emancipatory theory, but to forge a more direct link between intellectual knowledge and moment to moment personal and social action. Knowledge creation should contribute to the flourishing of human persons, their communities and eco-systems. In this, they create a link between epistemology and the social purpose of inquiry. The researcher suggests that in the context of management inquiry, the knowledge created should be of direct service to those contributing to its creation.

5.3 Methodological alternatives

This section identifies the process by which the researcher chose a methodology amongst alternatives.

The nature of the research question and the philosophical position leads the researcher to reject methodologies associated with the extremes of Blaikie's (1993) dichotomy of positivism and constructionalism.

Section 5.1 identified the limitations of positivist research in the context of this question: research objectives, observability and language. Positivist methods assume an expert language that has a one-to-one relationship with objects in the real world and a researcher is able to correct the inadequacies of lay language (Blaikie, 1993). Given the language issues around both online marketing and competencies, the researcher does not believe there is an expert language in which he could create a questionnaire or interview guideline whose language would be understood, in the same manner, across individuals even within a single firm. Equally, if managers are not explicitly aware of their marketing resources and attendant competencies, it is unreasonable to expect them to observe and report upon them for the researcher through a non intrusive instrument.

The researcher also rejects methods associated with the other extreme of Blaikie's continuum, an extreme where knowledge is housed within only an individual's language and perception: that which Reason and Bradbury (2000) call "the linguistic turn" of research. Focus on individual language or interpretivism¹³ would limit knowledge creation and understanding to the participants' reality and truth (Blaikie, 1993:122) and therefore is likely to fail to promote change within the marketing competencies of an organisation. The linguistic turn denies the objectification of truth commensurate with the participatory philosophical position (Berger and Luckmann, 1966; Skolimowski, 1994). It also does not allow for the collective construction of managers' understanding of their marketing resources and competencies. Neither positivist nor extreme interpretivist perspectives address the question of the usefulness of the knowledge generated to those who contribute most to this process: managers. Therefore, approaches away from the extreme positivist and interpretivist positions were considered, namely ethnography, case history and a grounded approach.

Ethnography might be one way to observe marketing competencies, but it fails to address fully the research objectives:

- Ethnography is not normally associated with helping firms change business practices; it normally generates descriptive data (Carson, Gilmore, Perry, and Gronhaug, 2001:149) and focuses upon understanding business practices from the perspective of the people within the firm.

¹³ The researcher uses the term interpretivism as defined by Reason and Bradbury (2000). Other scholars have defined interpretivism more broadly to mean all that which is not positivist (Carson, Gilmore, Perry, and Gronhaug, 2001:5).

- Most ethnographic studies are lengthy to conduct (Carson, Gilmore, Perry, and Gronhaug, 2001:149) and this limits its usefulness for changing marketing competencies within most commercial businesses. Usefulness to managers is both a legitimate consideration for researchers (Evered and Louis, 1981) and requirement for securing the privileged access to managers needed to answer the research question.

Eisenhardt (1989) states that case study can be used in a dual theory-testing and building role and researchers can react to learning and self reflection during the research process. However, the researcher does not believe that case study is sufficient for raising managers' tacit knowledge about resources to a level sufficient for them to understand them and begin developing the marketing competencies needed to change them. For managers to change their marketing competencies, more is required than a researcher's analysis of interviews presented back to the managers. Case study method is too focused on the expert researcher to meet the aims of this research. The researcher believes that managers must work collaboratively in order to build the knowledge of resources and competencies and this is commensurate with the thesis' philosophical position.

The researcher also considered, but rejected, using a grounded approach (Glaser and Strauss, 1967). The grounded approach offers benefits for research in marketing: it is rigorous, sensitive to the subtleties of the data and allows for theoretical sensitivity by allowing the researcher to step back from the analytical process periodically to question the data (Carson and Coviello, 1996). However, the researcher agrees with Carson and Coviello (1996:54) that "it is a method which is perhaps best employed by a qualitative researcher who is a phenomenologist by training" and is not the best choice for those researchers who are "not phenomenologist by heart or nature": the latter phrase accurately describes the researcher. Analogous to the researcher's critique of ethnography and case method, a grounded approach is focused too much upon the expert researcher rather than the needs of managers and is therefore not aligned fully to participatory philosophy. It is, for the researcher, too closely aligned to the "linguistic turn" (Reason and Bradbury, 2000).

Therefore, the researcher chooses co-operative inquiry¹⁴, a methodology within the action research tradition that is closely aligned with the participatory philosophy. It addresses Blaikie's (1993) criteria as follows:

- *What is the purpose?* Co-operative inquiry creates a community of co-researchers (including the researcher), who are directly affected by the research's outcomes and participate in the research in order to effect change in their organisation.
- *Observability of reality?* The co-researchers discover the firm's complex bundles of resources through repeated cycles of reflecting on action. This inter-subjective creation of knowledge is more generalisable than that generated by methods associated with phenomenology.

¹⁴ A full description of co-operative inquiry follows.

- *Is it theory building or testing?* Both. Co-operative inquiry does not accept the trade off between theory testing and building (Reason and Torbert, 2001); it establishes a direct link between an epistemology of practice and the creation of knowledge. Gummesson (2000a:209) describes how an individual project may give rise to local theory; numerous related projects and reflections thereof can give rise to more general theory that is tested and modified in local situations.
- *Expert or lay language?* The language that develops is the result of the interplay between the researcher and his co-researchers.
- *Expert critique of lay language?* The co-operative nature of the inquiry allows for expert critique of lay language and for marketing practitioners to critique expert language.
- *How objective should the researcher be?* The researcher is part of the research process and this is discussed below.

5.4 Co-operative inquiry

This section describes co-operative inquiry as used in this research and why the researcher chose it from the wide variety of related action research methods. The variation in methods arises from the different backgrounds of important researchers in the area and the emphasis they placed upon different objectives (Coghlan and Brannick, 2001).

5.4.1 Definitions of action research

There are a myriad of methods within the action research tradition (Coghlan and Brannick, 2001; Eden and Huxham, 1996; Chisholm and Eden, 1993) reflecting different fields of scholarship of the originators and different objectives for inquiry. This section reviews some of the attempts to characterise action research and how this thesis fits within those characterisations.

Coghlan and Brannick (2001) identify 10 traditions of action research and key authors and writings associated with each.

1. Traditional action research, as practised by K Lewin (1973), is aimed at solving a problem collaboratively whilst generating new knowledge.
2. Participatory action research focuses on the concerns of power and how the powerless are excluded from decision making (Whyte, Greenwood, and Lazes, 1991).
3. Action learning focuses on a learning approach to solving problems at work. It is similar to traditional action research, but lacks the focus on generating usable knowledge or theory (Revens, 1998).

4. Action science emphasises the damaging effect of the cognitive processes of individuals' theory-in-use. It suggests that a skilled interventionist can help organisations generate action based upon valid information, free choice and commitment (Argyris and Schön, 1978).
5. Developmental action inquiry develops a new form of leadership based upon inquiry conducted in everyday life, dealing with data encountered in the moment and engendering others to do likewise (Torbert, 1981).
6. Co-operative inquiry is research with people rather than upon people reflecting this tradition's focus on the self-determining nature of people (Heron and Reason, 1999).
7. Clinical inquiry focuses on trained helpers who act as organisational clinicians looking at what constitutes a healthy system and system dynamics (Schein, 2000; Schein, 1987).
8. Appreciative inquiry focuses on learning and reflecting the language and construction of reality of the co-researchers (Cooperrider and Srivastava, 1987).
9. Reflective practice focuses on how individuals engage in critical reflection on their own actions (Schon, 1983).
10. Evaluative inquiry, which is closely related to action research, focuses on inquiry that generates organisational learning (Preskill and Torres, 1999).

In addition to identifying the many traditions within action research, some categorise them to provide clearer choices for researchers. For example, Gummesson (2000a:117-118) divides action research into two main streams and clearly, the thesis is located in the latter:

1. *Societal Action Science* is concerned primarily with emancipatory social goals and enabling the powerless in society to take greater control over their lives.
2. *Management Action Science* is concerned primarily with the company as a business. It seeks to create actions that create business success, improve managers' practice and contribute to theory. It acknowledges that research is the result of cooperation between the researcher and the client organisation, acknowledges the complexities of the situation, takes place in an ethical environment, involves all types of data gathering, requires "constructively applied pre understanding of the corporate environment", is concluded in real time and requires its own quality criteria (2000a:118-123).

Chisholm and Eden (1993) divide action research into northern and southern hemispheric approaches. The former focuses on improving organisational performance and contributing to social science whilst the latter focuses upon novel approaches to social problems, social change and societal transformation.

Eden and Huxham (2001) suggest action research can be categorised by four different purposes: (1) theory building akin to grounded theory development, (2) organisational development, (3) self-development and (4) empowerment.

Breu and Peppard (2003) identify four traditions and major authors with each:

1. Action research that aims to contribute both to practical problem-solutions and advance social science theory (Rapaport, 1970).
2. Action science that claims a “scientific” basis to its analysis of the conflict between espoused theory and theory-in-use, the latter largely tacit and reflective of dysfunctional modes of organisation (Argyris, Putnam, and McLain Smith, 1985).
3. Co-operative inquiry that focuses upon the concerns and interests of the people that are part of the activity being researched (Heron and Reason, 1999).
4. Participative action research that is committed to transforming social organisation and context as part of an emancipatory process (Whyte, Greenwood, and Lazes, 1991).

5.4.2 Choosing the action research method for this thesis

The above section demonstrates a wide variation of action research methods, classification schemes and considerable overlap between methods. The research question is relevant to a number of action research methods. The researcher is unable to find empirical studies about competencies that use action research to guide this thesis. The researcher is therefore left to either select one variant of action research or synthesise elements from a number according to the objectives of the research and the nature of the question. The researcher chooses the latter route, deciding that the wide variety of related methods that exists means that the field is not rigidly defined.

The above literature that tries to characterise action research traditions does identify key trade offs with regard to the research considerations that discriminate between action research methods:

1. Does the research have emancipatory or organisational (managerial) goals?
2. Will the researcher’s intervention claim to be scientific or task focused?
3. To what extent does the research wish to help co-researchers’ daily practice versus contribute to academic theory?
4. To what extent will the research set the priority between action understanding underlying phenomena?
5. What is the role of the researcher with respect to the managers or co-researchers: expert, one of a team or clinician?

This section discusses these trade offs in consideration of the philosophical perspective and the nature of the research question. The discussion of the trade offs enables the reader to understand the nature of action research undertaken in this PhD.

5.4.2.1 Goals of this research

All forms of action research will include both organisational and emancipatory goals. Democratic participation of managers in the research process, a core principle of most forms of action research, will improve managers' confidence and ability to make decisions that are in their own interest (Argyris, 1973). However, this research emphasises organisational goals over emancipatory. The researcher's assessment is that the way operational managers view the question, and its importance within their overall professional and personal lives, makes it unlikely that managers would view the question in emancipatory terms and language. This assessment was validated through the researcher's initial contact with potential clients for the research. In the two studies presented in this thesis, the client sponsors stressed that the inquiry teams could be very operational and commitment would be possible only if there were concrete actions affecting live projects and pressing business problems. This conclusion is consistent with the stance taken by Gummesson (2000a) for using action research in marketing contexts.

5.4.2.2 Scientific versus task focus

Argyris (1985; 1973) claims scientific validation for his theories about individuals, teams and organisations operating within type 1 or 2 organisations. In type 1 organisations, people do not act upon valid information and free choice and this leads to a sense of failure, alienation and dishonesty. The dishonesty manifests itself through a gap between what people really do and believe in (theory-in-use), and what they claim to do and believe (espoused theory). Most people are unaware of the gap between theory-in-use and espoused theories due to the lack of opportunity for critical reflection or double loop learning. Scientific intervention, using Argyris' intervention process, exposes that gap and provides teams with the skills necessary to bridge it and build a Mode 2 organisation. For interventionists, unfreezing the organisation, getting its members to reflect critically on its theory-in-use versus espoused theory, is a necessary precondition to success.

In the context of claiming scientific validation for action research, Argyris advises researchers to build an effective learning system before the tasks can be achieved. However, this research question, and its context, suggest that managers participating in this research will have an initial focus upon the tasks. From this it may be possible to build more effective learning systems within the client organisations to deepen and prolong the inquiry's benefits. Whilst the researcher does not believe that privileged access would be granted for a focus on the type 1 versus type 2 organisation, the literature made the researcher sensitive to the issues and ready to engage with issues of type 2 learning if and when they arise.

5.4.2.3 Contribution to theory and practice

The participatory view integrates theory and practice and the methodology should reflect that this research intends to contribute to both. Lewin, acknowledged as the founder of action research (Reason, 2001), claimed that the objective of his research was to contribute equally to theory and practice (Coghlan and Brannick, 2001). Rapaport (1970:499) also supports this dual role: “Action research aims to contribute both to the practical concerns of people in an immediate problematic situation and to the goals of social science by joint collaboration within a mutually acceptable ethical framework.”

Because this research is designed to contribute to theory as well as practice, it is different from management consulting (Gummesson, 2000a). The marketing competency framework, which will subsequently be shown to be central to making this research operational, is built from theory and academic literature. The empirical findings from the field research will be related to the theories underpinning that framework; this was planned by the researcher up-front. In choosing to contribute to theory, the researcher eliminates methods such as action learning, which focus on learning and managers’ psychological development.

5.4.2.4 Action versus purely understanding the phenomenon

This research intends to do both in equal measure. The literature is clear that managers’ action validates the action research methodology because it demonstrates the generation of valid information, free choice, participation and a willingness of co-researchers to submit their new knowledge to scrutiny (Argyris, 1973). Equally, the inquiry informs a wider community within the client firms so that it may improve its practice overall. For this to happen, knowledge generated needs to be understood and generalised to at least the level of the firm and presented in a sufficiently propositional manner (abstract) so that managers not involved with the inquiry can learn.

5.4.2.5 The role of the researcher

This section defines the role of the researcher, the PhD candidate, with respect to the managers who would work with the researcher as co-researchers in an inquiry.

Positivist methods ensure that the researcher does not “contaminate” the data by interfering with the research subjects whereas in phenomenological studies, the researcher is an interpreter of subjects’ language and experiences (Blaikie, 1993:210). Previous sections have established the researcher’s contention that it is not possible to observe marketing competencies as a detached, objective researcher because managers will require active assistance if they are to raise their tacit understanding of marketing resources and competencies and then change their competencies so that the research question can be answered. As Rouse and Daellenbach (2002:964) argue, when discussing competency research into research and development, “without research inside these firms, it is still impossible to determine what allowed one firm’s

R&D efforts to be more effective than another firm's". The issue for researchers is not whether to stand apart from managers or not, but how best to work within firms: as a clinician asking questions, as an equal embarking on a journey of discovery or as an expert working in a participatory and democratic manner? The researcher chooses the latter based upon a logical argument, validated by the researcher's experience of asking companies to participate in this research. For managers to engage and make changes to marketing competencies, they must expect practical improvements to their day-to-day practice. This is fully consistent with Heron and Reason's (1999) and Berger and Luckmann's (1966) views of knowledge development and action research practice (Reason and Bradbury, 2001). The researcher must bring expertise, experience and even prior frameworks to the research in order to make it effective (Gummesson, 2000a; Carson and Coviello, 1996); in managerial action research, the researcher is not merely a facilitator (Gummesson, 2000a). However, if managers are going to make changes to their marketing practices, they must take actions based upon valid information and commitment (Argyris, 1973). This will not happen without a democratic and participatory inquiry undertaken in the managers' interest that is characterised by both single and double loop learning (Argyris, 1973). Therefore, the researcher is a co-researcher in a group committed to action and aware of his impact on the knowledge creating process (Friedman, 2000; Heron and Reason, 1999).

There is discussion in the action research literature about the extent to which the researcher is totally immersed with his or her co-researchers, taking purely a facilitative and data capture role versus a more dominant role. Chisholm and Eden (1993) find that action research projects cover a broad range from researcher dominated to collaboratively managed. Blaikie (1993:84) describes a trend within feminist studies that suggests the researcher must be in the same "critical plane" as the co-researchers rather than replicating society's existing (and unequal) social structure by imposing prior and non feminist ideas into the inquiry. The researcher concurs with Blaikie (1993:210) that this is an extreme position and is inspired more by scholars from within the managerial action research perspective, such as Gummesson (2000a) and Checkland (1998), who expect action researchers to provide expert assistance and bring prior knowledge to inquiries. Acknowledging the researcher as part of the study is supported by Reason and Torbert (1999) who suggest that co-operative inquiry researchers understand the inquiry from three perspectives: first person (what the researcher learnt), second person (the inquiry team's learning and action) and third person (creating a community of inquiry past the immediate team). Any inquiry contains elements of all three: this PhD focuses upon second person inquiry but identifies first and third person inquiry outcomes where relevant.

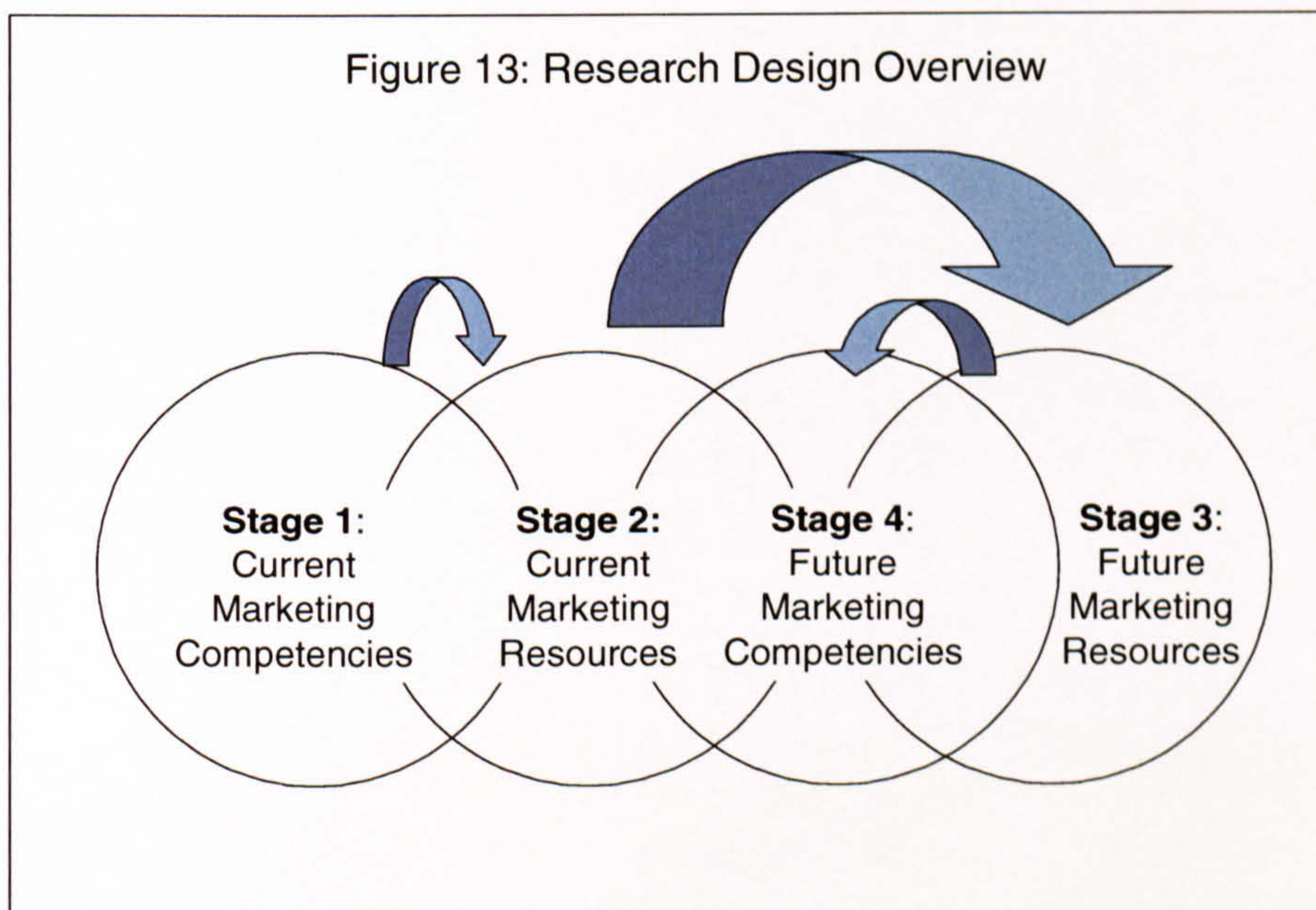
5.4.2.6 Conclusion

Considering the above trade offs, this research will employ co-operative inquiry as a synthesis of the definitions offered in Section 5.4.1 by Breu and Peppard (2003), Coghlan and Brannick (2001) and Heron and Reason (1999). This form of co-operative inquiry emphasises organisational goals, is task focused, contributes to theory and practice and emphasises managerial action and understanding in equal measure. The next section outlines the role of the researcher in co-operative inquiry because understanding that role forms part of the quality and validity considerations.

5.5 Making the method operational

5.5.1 The research process

The research process is designed to allow the research to observe the reality of the resource-competency development flow illustrated in Figure 7 (Section 4.3.3.4). As Section 4.3.2.4 states, competencies exist in the context of a continual sequence of co-evolving resources and competencies. To observe that reality, this thesis intervenes into the real resource-competency development flow in the four key stages as illustrated in Figure 13.



Stage 1 determines the firm's current marketing competencies using tools developed from the marketing competencies framework (Figure 10) and deployed at a workshop. The tools, their development and deployment in the workshop are discussed in Section 5.5.1.2. Stage 1 raises managers' tacit knowledge about their firm's marketing competencies and resources and creates the basic data from which managers identify their current marketing resources.

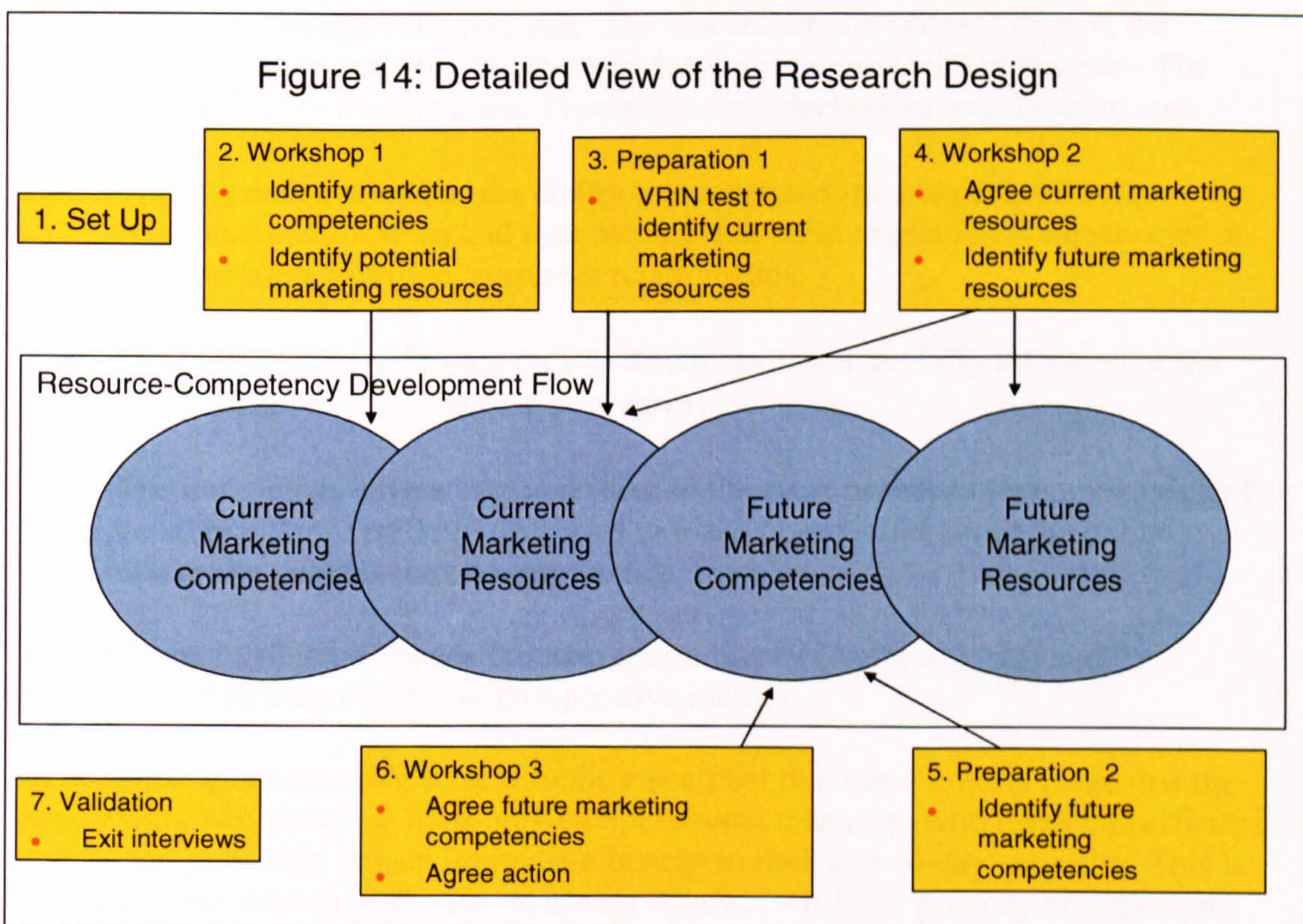
In stage 2, potential current marketing resources are identified by the inquiry team, reflected upon by managers, discussed by the entire team and finally agreed by the team.

Once the inquiry team has agreed the current competencies and resources, it moves to stage 3: the final circle of Figure 13 bypassing for the moment future marketing competencies. During stage 3, the inquiry team agrees how the marketing resources identified in stage 2 need to develop in consideration of the firm's online consumer marketing strategy and the inquiry team identifies any new resources that need to be developed for the future.

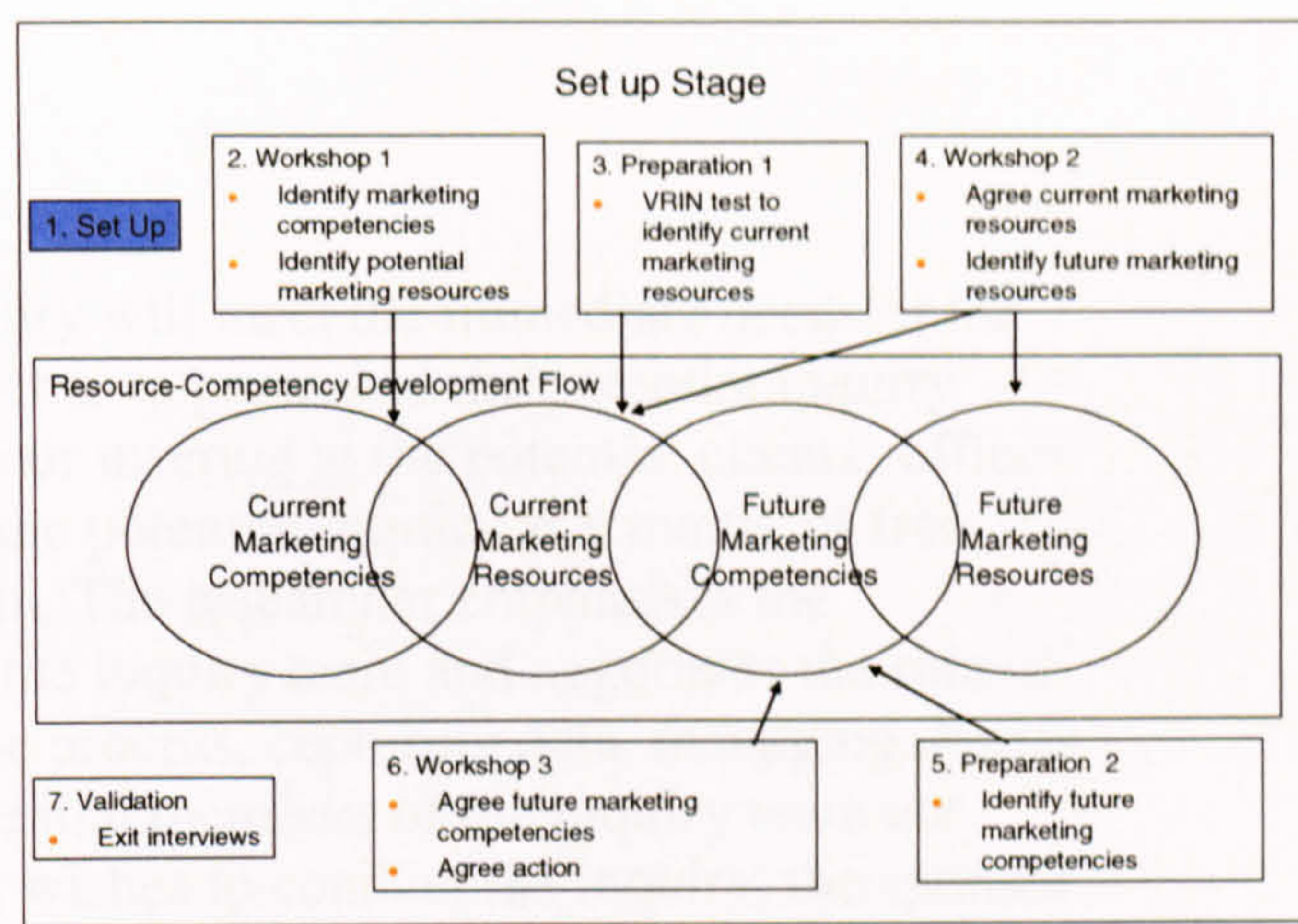
Once the current and future marketing resources are identified, the inquiry has the “end points” it needs to identify the future marketing competencies that enable the transition from current to future resources. In stage 4, managers use the marketing competencies tools from Stage 1, but in the context of the future, to identify their future marketing competencies.

The four key stages are followed by the managers agreeing formally and or executing actions arising from the inquiry and one-to-one exit interviews with each manager. The exit interviews provide additional validity checks on the research. Semi-structured interviews investigate if individual managers notice improvements in their day-to-day performance, the relationship between researcher and co-researchers, commitment to action and overall effectiveness of the inquiry. The outline of the semi-structured interview is presented in Section 5.5.3.

Figure 14 provides a more detailed view of the interventions that execute the above mentioned four stages. The thesis’ phenomenon of interest, the marketing competencies that firms should develop (future marketing competencies) in the context of online consumer relationships, is illustrated within the resource-competency development flow as a box containing the sequential flow of resource-competency circles coloured blue. The interventions that enable the researcher to observe the phenomenon of interest are illustrated in gold-yellow coloured boxes numbered one through seven. Figure 14 illustrates reality (the resource-competency development flow in the blue circles) and the observation of that reality in the yellow boxes.



The following sections describe each of the seven interventions.



5.5.1.1 Set up

The set up is a process by which the researcher and potential client company evaluate the mutual benefits of proceeding with the inquiry and plan for it. The criteria for approaching companies are discussed in Section 5.7.

The set up starts with the researcher meeting a sponsor within the potential client company and this proved always to be a middle manager from within the marketing function. It is normal for co-operative inquiry to be initiated by a PhD candidate and there is no inherent contradiction between the candidate's desire to complete his studies and the co-operative nature of the inquiry (Reason, 1999).

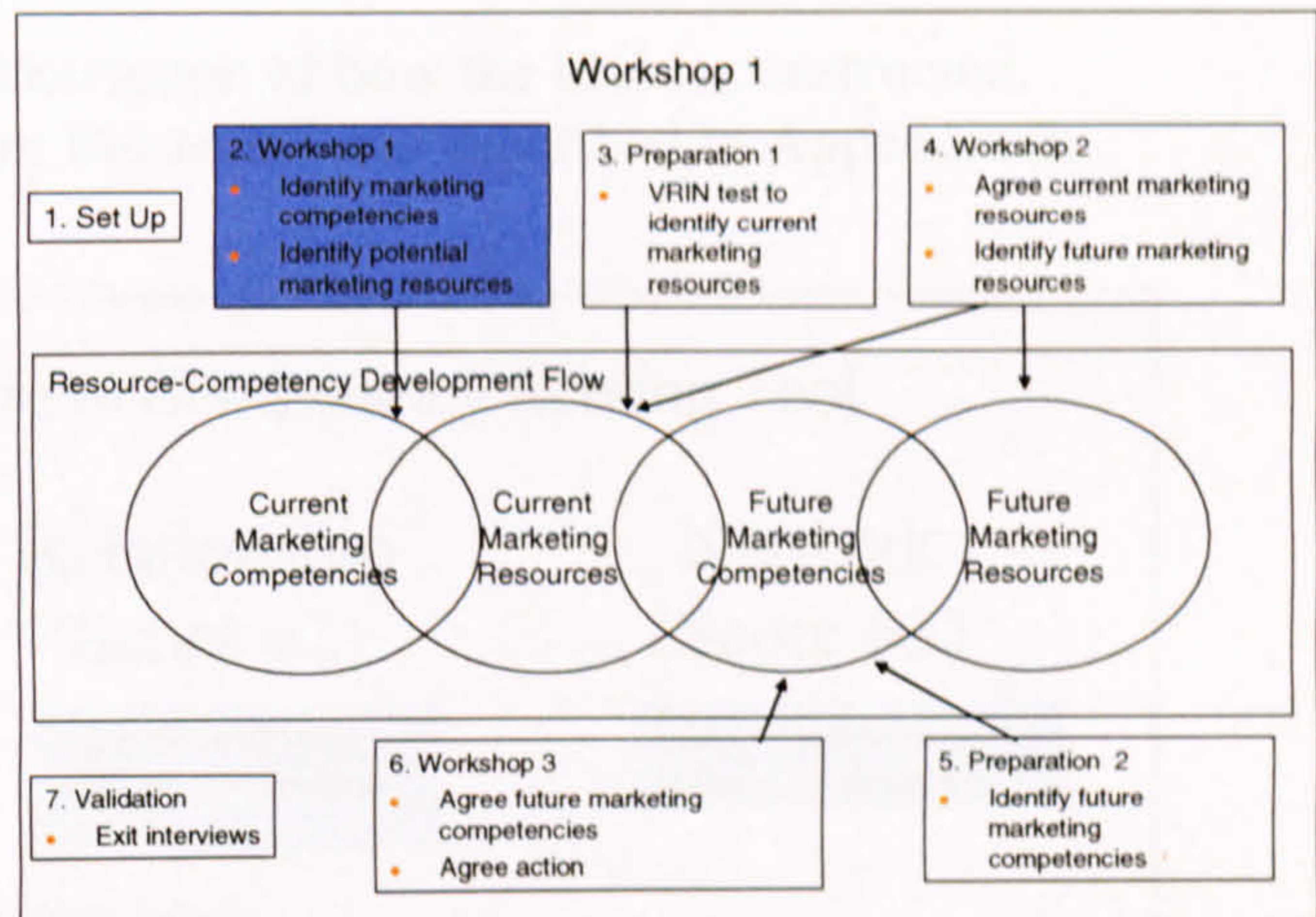
The researcher exposes the client to the core ideas, frameworks and tools of the research and describes both the process and its potential benefits. The client describes the decisions facing marketing managers and some of the difficulties it has developing its online marketing. If there is interest, the sponsor and researcher meet again to ensure that the inquiry can meet the client company's specific needs, timeframes and that the relevant managers are available. The researcher and sponsor discuss the potential inquiry team and then the sponsor discusses interest with colleagues. The researcher suggests to the client that the criteria for selecting an inquiry team are:

- The assembled team has the ability to understand most aspects of online consumer relationships and take actions that build marketing competencies in consideration of online consumer relationships.
- The individuals participate on a free-will basis and are fully informed of the commitment expected before they agree.
- The individuals have a personal stake in the issue because of a combination of genuine interest, difficult decisions to make or anxieties about the online marketing policies they are promoting.

These criteria fulfil the demands of intervention theory (Argyris, 1973) and the suggestions of Reason (1999) for co-operative inquiry.

All potential sponsors made it clear to the researcher that these criteria mean that the inquiry team will comprise hard-pressed operational managers who expect an efficient process and to be able to gain immediate benefit in their day-to-day activities. This is consistent with notions of privileged access (Clark, 1972) and primacy of action and practical knowledge within co-operative inquiry (Reason and Torbert, 2001).

Once the sponsor is confident that the inquiry will meet the immediate needs of the company, he or she arranges for the researcher to present to the potential inquiry team. Normally this occurs within a two hour meeting at the potential clients' offices. The researcher takes great care to present the potential inquiry as a matter of free choice for each member of the inquiry team. The researcher emphasises the commitment expected of each member of the inquiry team and negotiates the role of the researcher with respect to managing the process, capturing data, managing diaries etc. At the end of the presentation, the potential members of the inquiry team are asked to express their interest. If the client wishes to conduct the inquiry, the sponsor and researcher plan and set diaries for the workshops described below.



5.5.1.2 Workshop 1

Workshop 1 identifies the client company’s current marketing competencies and the potential¹⁵ marketing resources associated with those competencies. The workshop lasts three hours and is divided into two halves. During the first half, the inquiry team uses tools provided by the researcher (described below) to raise tacit knowledge of the company’s current marketing competencies and make them more explicit. During this process, descriptions and attributes of marketing resources are inevitably raised because of the interrelated nature of resources and competencies. These descriptions and attributes are captured on flip charts by the researcher. During the second half of the workshop, the captured data is analysed by the group to determine potential current marketing resources. The analysis process is discussed in greater detail in Section 5.5.1.2.3 below.

The three hour duration of workshops was the result of discussion with the participating companies’ sponsors who felt that operational managers would not devote full days for each workshop. Three hours was negotiated between the researcher and clients to reflect a balance between giving the inquiry serious attention and the needs of operational managers.

5.5.1.2.1 Marketing competencies’ scoring tools

Marketing competencies are identified in workshop 1 by the inquiry team using tools developed from the marketing competencies framework (Figure 10). This section describes the tools and how they are created.

The competency tools described in this section break the high level descriptions contained in individual cells of Figure 10 into a finer-grained level of detail as described below.

There are four workshop tools: one for each marketing competency. Each tool helps co-researchers identify (score) where the firm is along the continuum of the three marketing forms. The current demand management competency scoring tool is

¹⁵ See Glossary, Section 1.1 for definition of potential resources.

illustrated in Figure 15 and followed by a description of how the tool is constructed. The other three competency scoring tools are illustrated and described in Appendix 2.

Figure 15: Demand Management Competency Scoring Tool

<u>Form of Marketing</u>	Transaction (Score =1)	Relationship (Score =2)	Network (Score =3)	
	•Identify and exploit demand	•Identify and exploit individual stakeholder interests	•Identify and leverage community resources	
<u>Measures</u>	<u>Marketing Focus</u>			
	Score			
Creating Demand	<input type="checkbox"/>	<ul style="list-style-type: none"> •Market segmentation •Brand/reputation •Mass marketing skill •Advertising/promotion •Partnerships 	<ul style="list-style-type: none"> •Customer segmentation •Customer development •Differential marketing - bi-directional 	<ul style="list-style-type: none"> •Community portfolio •Standards leadership •Complements development
Planning Focus	<input type="checkbox"/>	<ul style="list-style-type: none"> •Market share - turnover 	<ul style="list-style-type: none"> •Share of wallet 	<ul style="list-style-type: none"> •Frequency, recency and value of contacts
Basis of Competition	<input type="checkbox"/>	<ul style="list-style-type: none"> •Scale •Innovation 	<ul style="list-style-type: none"> •Scope •Service quality 	<ul style="list-style-type: none"> •Leverage standards, installed base •Content management
<i>Overall</i>	<input type="checkbox"/>			

From left to right at the top of Figure 15 are the three forms of marketing and a short descriptor (in a blue box) from Figure 10 that summarises the key differences in the demand management competency between them. Down the left hand side of the tool, the key attributes of each competency are listed. These are called “measures” in the tool because co-researchers put scores (measures) against each. These measures, and the marketing focus bullet points against each, are generated from content analysis of the literature (Figure 8) by the researcher. The bullet points help inquiry teams assess and score their firm’s competencies from one to three.

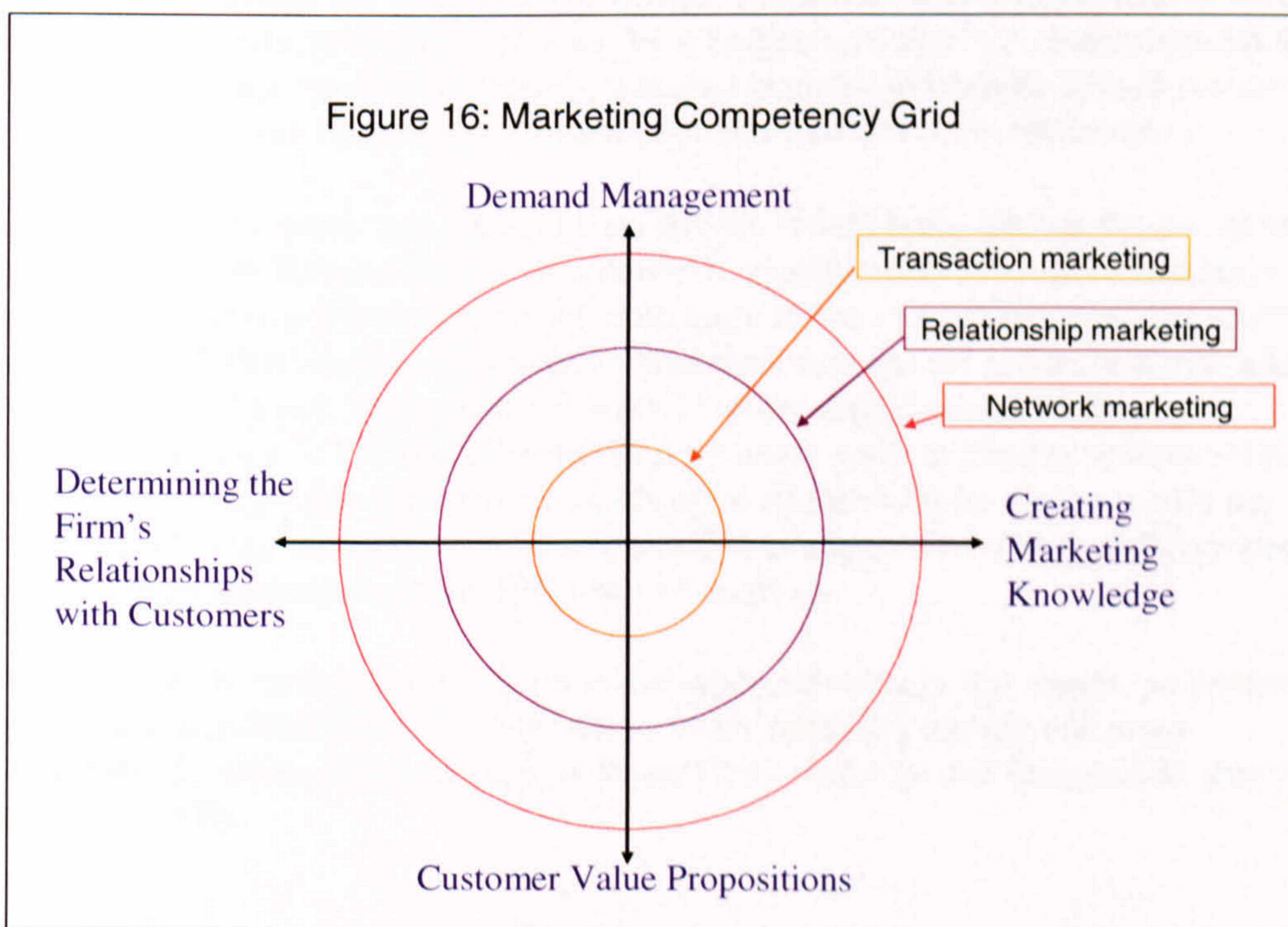
By way of illustration, this paragraph examines the literature supporting how the researcher describes the “creating demand” measure across the three marketing forms. The literature illustrates marketing’s roots and focus in the facilitation of exchange between customers and companies (Webster, 1992; Levitt, 1986; Enis, 1973; Kotler, 1972; Kotler and Levy, 1969; Levitt, 1960), and its commensurate marketing focus of identifying profitable product market segments, creating individual product brands, maximising market share through product innovation and maximising the profit from each transaction. The change in marketing focus from transaction to relationship is extensively documented in literature (Ryals, Knox, and Maklan, 2000) with its focus on maximising share of the potentially most profitable customers over an extended time period through customisation, service and differential marketing (Peppers and Rogers, 1994). Writers have identified that networks, particularly online networks, represent a new paradigm (Sheth and Sisodia, 1999) and demand a new marketing focus (Achrol and Kotler, 1999). Network marketing seeks to position the firm advantageously within a network by setting standards, building strong communities,

developing desired content or building an important customer (Achrol and Kotler, 1999; Shapiro and Varian, 1999b; Kelly, 1998).

During the workshops, the inquiry teams score each measure as follows: 1 for transaction marketing, 2 for relationship and 3 for network. This assumes that the three forms of marketing are equal-distant; this remains an unproven assumption of this research. The inquiry teams discuss and agree the use of partial scores: for example, a score of 1.5 for “generating demand” indicates that the team feels that its competency was a mixture, half way between transaction and relationship marketing on that measure. This mixture of competencies between marketing forms is supported empirically by Coviello et al (2002) who find that most firms’ marketing practices are a mixture of adjacent marketing forms. Once each measure is scored, the inquiry team discusses if all the measures should be equally weighted or if some are more important than others. The overall score for the competency is a weighted average of the measures.

5.5.1.2.2 The marketing competency grid

Once all four tools are completed by the inquiry team during workshop 1, the four overall marketing competency scores are plotted on the marketing competency grid (Figure 16). The grid transposes the three marketing forms into three concentric circles. The four marketing competencies are illustrated as two axes intersecting the three concentric circles. The scores for the four competencies are plotted on the grid and the points are connected to form a diamond-like shape. This is done in the first and third workshops for the current and future marketing competencies respectively and illustrates the shift from current to future competencies required. The grid was considered by co-researchers as a useful, one slide summary of an inquiry’s findings.



5.5.1.2.3 Determining potential marketing resources

Once the competency scoring is completed, the inquiry team looks at each of the flip charts of comments about marketing resources as captured by the researcher. The researcher facilitates a discussion that prompts a shared understanding of what the comments mean, elaborates on some and eliminates others felt no longer to be important. Using different coloured marker pens, the team circles comments related closely to each other in the same colour. This generates discussions as to where various comments belong and forces the team to come back to some and reallocate them dynamically as this exercise progresses. By the end of this exercise, the comments are sorted into a limited number of groups. For each group, the team re-reads the comments in that group and generates a label or name that characterises the grouping. This is discussed until consensus is achieved.

Those labels, and the understanding behind them that the team generates, represent potential marketing resources. They are assets such as brands, relationships and databases but it is not yet known if they generate sustained competitive advantage. To determine whether these potential marketing resources are resources in the RBT-sense, the team needs to assess them against the VRIN criteria. This is done in the next step of the research process. The potential marketing resources are allocated (on a voluntary basis) amongst the co-researchers. Each co-researcher assesses his or her allocated potential resource(s) individually outside the workshop and presents an analysis to the whole group at workshop 2.

5.5.1.3 Data capture, researcher's reflections and briefing co-researchers for next phase

This section describes the process by which the researcher captures the data from the first workshop, reflects upon it and uses the reflections to brief co-researchers on the next step of the process. The process is repeated at each subsequent step of research so that the researcher continually captures, reflects and briefs co-researchers.

The researcher discusses data capture with the potential clients during the set up and the first workshop. Reason (1999) recommends rotating roles amongst the inquiry team for data capture. However, he presents these in the context more of that which Gummesson (2000a) defines as societal rather than managerial action research where the inquiry could touch upon personal and transformational issues such as race, gender and ecology. It became clear to the researcher early in the discussions with potential companies, that the time demands upon operational managers would not permit them to take on such roles. The researcher is expected to manage the process inclusive of data capture and the first level of analysis.

The researcher records all contacts on audio tape and collects flip charts, presentation material and any other artefacts. The artefacts are normally transferred to an appropriate electronic medium such as PowerPoint slides so that they can be stored and shared easily.

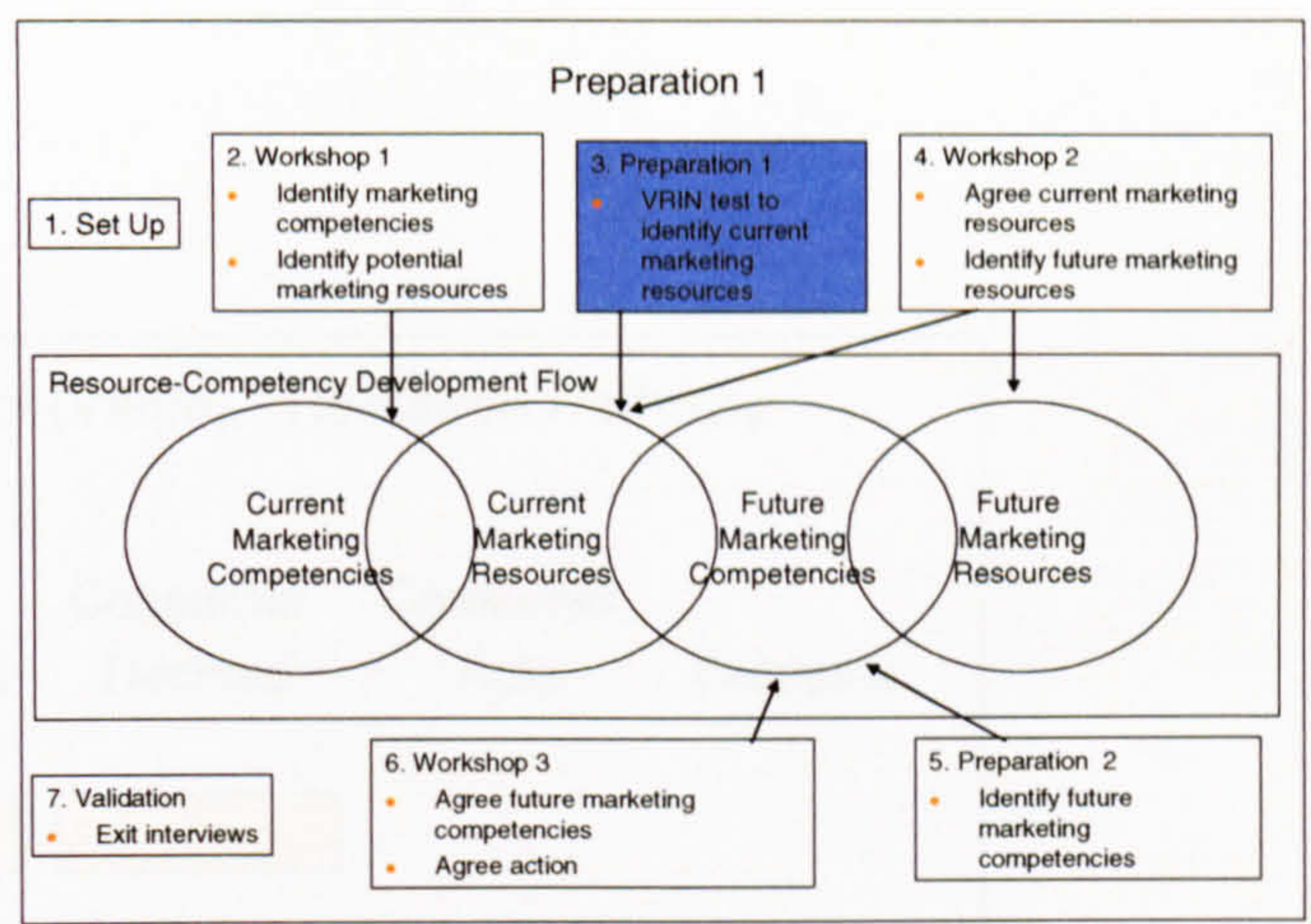
Within two days of the workshop, the researcher reviews the audio tapes in the manner suggested by Argyris (1973). Whilst listening to the tapes, the researcher records notes on “paper” (in a Word document) that is divided between the left and right-hand sides. On the left-hand side, the researcher records what he believes to be the key aspects of the conversation as it unfolded and on the right-hand side, against various comments or points of the meeting, the researcher notes what he felt at the time, why he might have made a certain intervention in the process and reflections on what other co-researchers might have been feeling at the time, based on their comments and the researcher’s recollection of body language, tone of voice etc. The researcher pays attention to the content of the meeting (what are the issues facing the firm, what are its competencies etc.) and the quality of the co-researchers’ engagement. The researcher considers the extent to which everyone participates, the degree to which the co-researchers are getting comfortable and expert with the concepts and frameworks used and evidence of critical reflection amongst the groups. The researcher is equally attentive to his own performance; is he saying too much/too little, being too directive/letting the workshop wander, drawing contributions out of his co-workers or (subtly) putting his agenda too forcefully? A section from such reflections from workshop 1, of the flutter inquiry, is attached (Appendix 3) to illustrate this. Workshops generate between seven and 12 pages of reflection.

Sharing these reflections with co-researchers is negotiated between researcher and co-researchers. Initially, the researcher tried to share his complete reflections with the inquiry team but this was not appreciated. The managers are too busy to review them, fail to see the point and suggest that it makes the inquiry feel too academic and psychological. Where the researcher has some conclusions or relevant observations for which he wants feedback, he discusses them with the sponsor informally or raises them at the next meeting. This business-like approach to the inquiry is appreciated by the co-researchers as evidenced by their formal and informal feedback throughout the inquiries.

The formal briefing for the next step of the process is prepared by the researcher in PowerPoint and sent to each co-researcher via email within a few days of each workshop or preparation session. The briefing contains:

- Review of the workshop or preparation and its conclusions, particularly the results of any tools. For example, after workshop 1, co-researchers receive the results of all four competency scoring tools, the completed competency grid, the list of potential marketing resources and a full set of descriptors or items associated with each potential resource. Reviews are published as PowerPoint presentations and are in length between 20-70 slides.
- Briefing notes for the next step and the tools to be used. Briefing packs range between 25-60 PowerPoint slides.

Co-researchers are encouraged to comment and frequently do, either to add new thoughts, clarify their position or ask for further explanation. This is normally done via email, either directly to the researcher or to the entire group.



5.5.1.4 Preparation 1

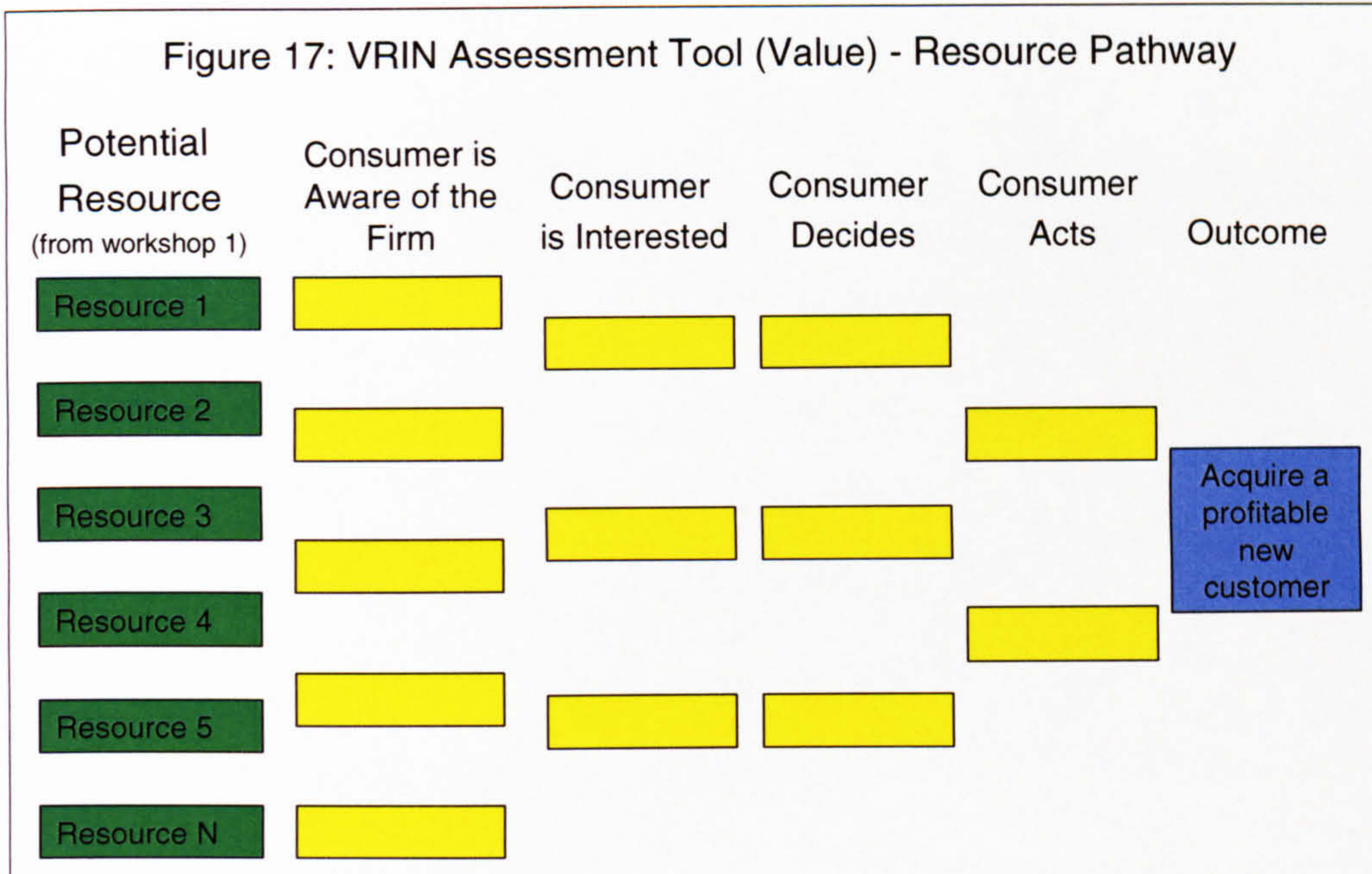
At the end of the first workshop, co-researchers are asked to reflect individually upon at least one of the identified potential marketing resources and assess if it truly met the VRIN criteria and therefore could lead to sustained competitive advantage. They prepare a presentation on their reflections so that the entire inquiry team can discuss and ultimately agree what are the current resources. However, co-researchers changed this process in the inquiries so that they could work in pairs and asked the researcher to attend those meetings to answer questions that might arise.

Practical means for managers to identify and assess potential resources are not well-developed in the RBT literature, possibly because of the tacit knowledge underpinning many resources (Ambrosini and Bowman, 2001). Barney's (1991) VRIN criteria are widely cited by scholars but neither Barney, nor those who develop his work further, offers practical guidance on making the criteria operational. It is therefore left to the researcher to develop tools for the inquiry based upon the literature and discussions with academic advisers at Cranfield School of Management (Professors Knox and Bowman). Four tools are developed, one for each criterion and they are discussed below. Co-researchers typically prepare written answers and or comments on questions asked by the tools, based upon their individual reflection. They discuss these answers in Preparation 1, modify where necessary and prepare a presentation for the second workshop in the form of PowerPoint slides.

5.5.1.4.1 Assessing if a potential marketing resource is valuable

Valuable resources reduce costs or increase profit (Barney, 1991). There are some resources that can create value in isolation from other resources, such as a patent or an advantageous location. However, resources mostly work in combination with other resources (Bowman and Ambrosini, 2000) and are rarely isolated sources of profit. Therefore, one needs to try to untangle resource-bundles to identify the value of any one resource; this has been acknowledged as difficult and a priority for RBT development (Srivastava, Fahey, and Christensen, 2001). Determining if a resource is valuable is made operational by Ambrosini and Bowman (2001) using mental mapping, an iterative process that guides managers of a professional services firm to reveal the steps or the pathway, from a successful business outcome (e.g. winning a major new order, acquiring an important new customer) through to the resources that ultimately underpin that outcome. The researcher creates an analogous pathway tool to enable co-researchers to reflect upon how the resource that they are assessing links to value (Figure 17). The successful outcome in Figure 17 is to acquire a profitable new customer and this outcome is chosen upon the basis of discussion with the participating co-researchers.

Figure 17: VRIN Assessment Tool (Value) - Resource Pathway



Down the left-hand side of the tool are the potential marketing resources identified by an inquiry team in the first workshop. Across the top are the steps of a widely-accepted cognitive model that suggests consumer behaviour is a function of purchase intention (Peter and Olson, 1994). The resource pathway tool helps the inquiry team assess how potential marketing resources interact to create value and which resources they feel contribute more than others. Focusing on a potential marketing resource, a co-researcher maps the way a potential marketing resource combines with other potential marketing resources through a consumer purchase process to lead to the acquisition of a new customer. The valuable outcome in Figure 17 is determined by the co-researchers in the first workshop.

In working with Figure 17, co-researchers consider:

- How does the potential marketing resource being analysed work through to the successful acquisition of a profitable new customer?
- Does it work with other resources? How? Which is the more important?
- Does the resource enable you to do it better than competitors? Or at a cost lower than competitors can achieve?

The pathway is modified by co-researchers as they feel necessary. Mostly, it promotes a deeper reflection amongst the inquiry team rather than acting as a key artefact of the inquiry.

5.5.1.4.2 Assessing if a potential marketing resource is rare

A resource is rare if it is not so abundantly available to allow all competitors access to it, in sufficient quality, quantity and timeliness for their production processes at a market price (Barney, 1991). Therefore rarity is defined in relationship to competitors. The tool is developed by the researcher and it states the Barney (1991) definition of rarity in italics and then asks questions (bullet points) designed to elicit reflection on the part of the co-researchers (Figure 18).

Figure 18: VRIN Assessment Tool - Rare

Rarity is defined as something of some value that competitors find hard to obtain in sufficient quantity, quality or time

- Who are the benchmarks:
 - Major direct competitors?
 - Indirect competitors?
 - Current business partners that could compete with you?
- How do you know the quality of the resource available to competitors? What are the benchmarks or measures you are using to answer this question?
- If you need more data about competitors' resources, how would you get it?

5.5.1.4.3 Assessing if a potential marketing resource is imperfectly imitable

A resource is imperfectly imitable when a competitor cannot duplicate the resource at equal quality (functionality) for an equal cost (Barney, 1991). To understand if a resource is imperfectly imitable, one must look at the historical evolution of the resource (Barney, 1991) and judge the extent to which it developed in an idiosyncratic, path dependent manner (Nelson, 1991) or through luck (Barney, 1986); neither of which is likely to be available to competitors. Equally, a resource may be imperfectly imitable where the link between the resource and valuable outcomes is causally ambiguous (Barney, 1991) or the resource is socially complex (Dierickx and Cool, 1989). If managers, let alone competitors, do not understand how a resource is built or contributes to value, it is less likely that it can be imitated.

The tool developed by the researcher restates the Barney (1991) definition of imperfectly imitable (*italics*) and then is a series of questions designed to elicit reflection on the part of the co-researchers (Figure 19).

Figure 19: VRIN Assessment Tool – Imperfectly Imitable

Competitors cannot achieve the same effectiveness or cost for that resource

- How did this resource develop within the company?
 - Internal development versus alliance, bought in know-how
 - Rapid development versus slow, idiosyncratic process
 - Trial and error versus traumatic events and reorganisations
 - Extensive documentation of the magic formula or intuitive knowledge
 - Dependence on key individuals
 - Extent to which there is a shared “culture,” or way of treating customers and partners that is intuitively followed
- Can competitors figure out what you do to be so good?
- If they can, can they easily do the same?
 - What would it take in time and money?
 - Can they do it as well? At the same cost as you can?

5.5.1.4.4 Assessing if a potential marketing resource is non-substitutable

Barney (1991) suggests that, whilst it may not be possible for a competitor to imitate another firm's resource exactly: (1) it can substitute a similar resource that enables it to conceive, and implement an equivalent strategy and (2) different resources can be strategic substitutes. Equally, it is important for managers to realise the risks of being caught in a resource trap (Ambrosini and Bowman, 2001; O'Driscoll, Carson, and Gilmore, 2001) such that the firm fails to see how its resources can be made obsolete by imaginative competitors.

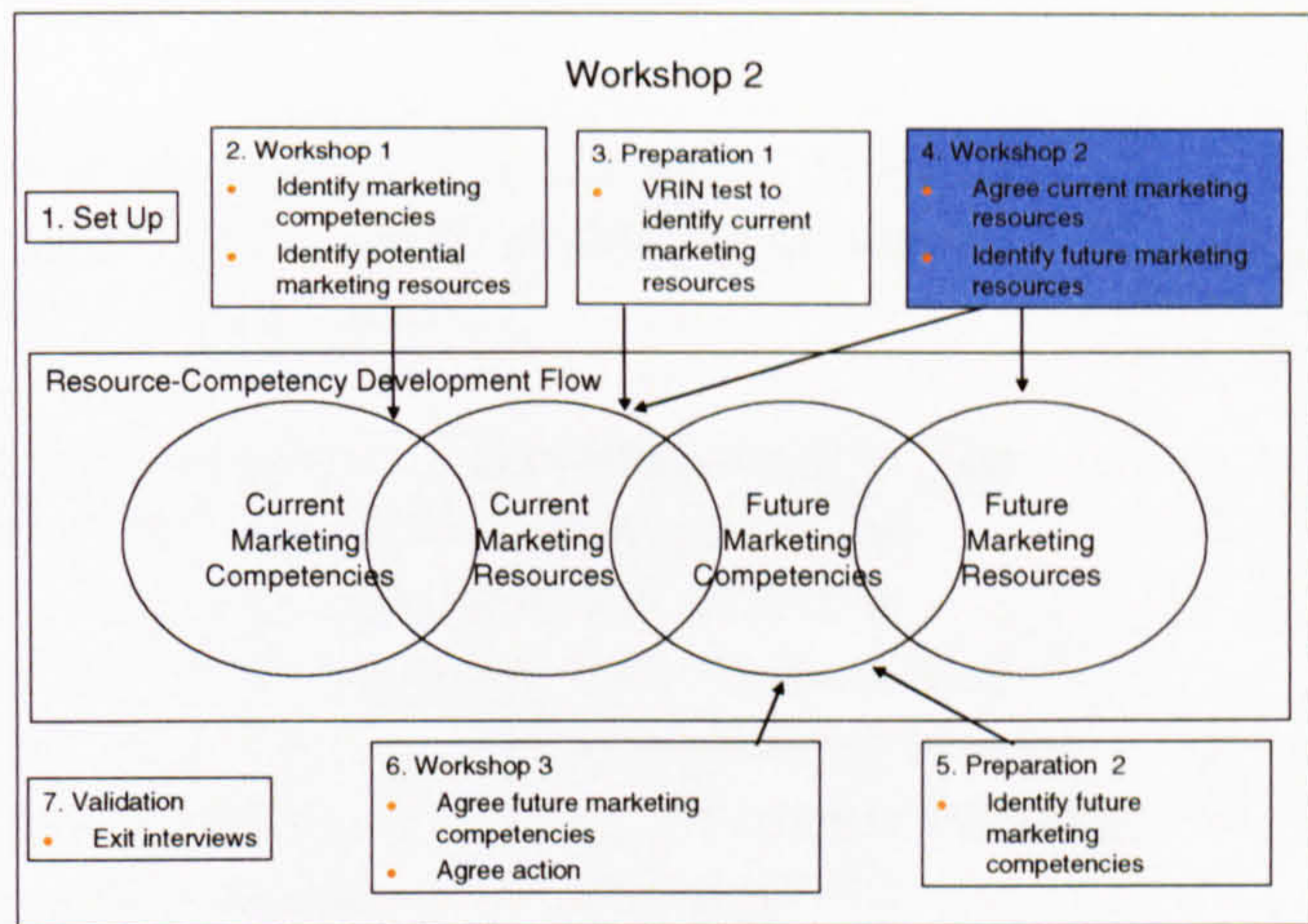
One assesses substitutability by reflection and foresight into alternate means of creating customer value. The inquiry uses hypothetical scenarios suggested by the researcher and co-researchers: the scenario describes a situation where competitors do something potentially damaging to the company, competitors from outside the industry enter with a radically new consumer offer, business partners seek to compete with the firm or Government legislation alters the industry.

The tool developed by the researcher restates the Barney (1991) definition of this criterion and asks a series of questions designed to elicit reflection on the part of the co-researchers (Figure 20).

Figure 20: VRIN Assessment Tool – Non Substitutable

Whilst resources may be idiosyncratic, competitors can deploy resources that have equivalence with respect to benefits and cost. Best practice and benchmarking disciplines tend to "level the playing field". Assessing this criteria requires insight and foresight to determine if a potential resource really has close substitutes.

- Is there someone else able to build the same behavioural understanding of betting, perhaps on a broader scale?
- Can interest groups or customer alliances build the same understanding?
- Will customers take control of their data somehow and dis-intermediate you?
- Will the data be made open to all?



5.5.1.5 Workshop 2

Workshop 2 has three parts: (1) agreeing the company's current marketing resources, (2) discussion of the company's marketing strategy and (3) determining the impact of the marketing strategy upon the marketing resources, that is, predicting the future marketing resources. This last point includes the identification of new resources because firms that build their strategies only in consideration of their current competencies are not able to respond effectively to discontinuous change.

5.5.1.5.1 Agreeing the company's current marketing resources

Co-researchers present their slides assessing the extent to which their selected resource(s) meet the VRIN criteria, scoring it 0 to 4 with one point for each criterion met. Co-researchers present in turn in no particular order. Each presentation lasts between five to ten minutes and is followed by a discussion with the entire inquiry team. The researcher encourages a lively discussion that challenges taken-for-granted assumptions about the company and its marketing resources. If other co-researchers do not challenge the presentation with sufficient rigour (as perceived by the researcher), the researcher asks open-ended questions, such as: How do you know this or that to be true? Have you evidence? Do you think your competitors agree with your assessment? The team revisits the scoring and amends, where necessary, the number of points awarded. At the end of the presentations, the researcher puts on a flip chart the list of resources and the points awarded against each in order, starting with four. The inquiry team then agrees which are the VRIN-passed (strategic as they began to be called) current marketing resources. Normally this status is conferred upon potential resources scoring 4, but at times the team would agree that a resource was sufficiently VRIN-like with a 3 or 3.5 score. This process takes about one and a half hours.

5.5.1.5.2 Discussing the marketing strategy

The role of managerial cognition, goal setting and intention in shaping and leading the development of resources and competencies is well established in the literature and

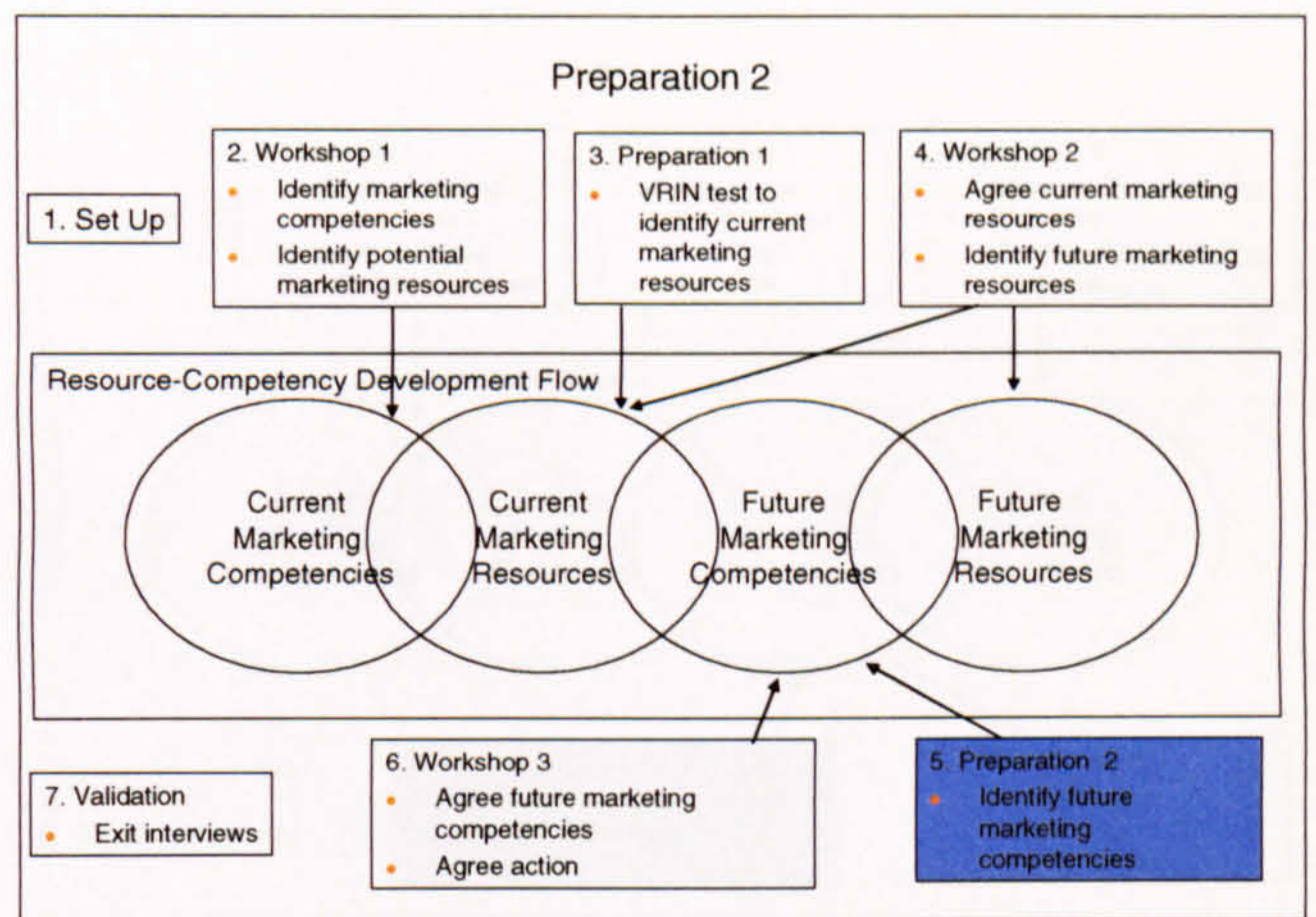
discussed in Section 4.3.3. It is therefore legitimate to accept managers' intentions, goals, strategies, desires and or plans as a basis upon which to determine which marketing resources the company will require in the future.

The second part of workshop 2 discusses the company's marketing strategy. The project sponsor, or the co-researcher with greatest involvement in setting the marketing strategy, chairs this part of the workshop. The chair describes the marketing strategy for both the short term (one year) and long term (three to five years) and the ensuing discussion identifies (or confirms) critical marketing actions that are relevant for the forecasting of future marketing resources. Examples include clearly identified new markets, new countries of operation, product portfolio expansion, volume growth or customer repurchase improvements. Other co-researchers contribute their understanding of the strategy until there is a shared understanding of it. This part of the workshop lasts for 30 minutes which proved to be sufficient in both inquiries because managers had a similar understanding of the marketing strategy. The researcher is not briefed in advance of the chair's discussion of strategy; this discussion and its implications for the final third of the workshop emerge from the workshop alone. It is not possible for the inquiry team to assess if the strategy is "right" or even workable. However, what is important for the development of marketing competencies are the investments in resources and competencies that managers make as a result of their appreciation of strategy and what it demands of their day-to-day operations. Intentionality in developing marketing competencies does not require the marketing strategy to be "right" or externally validated, only that managers act as if it is the strategy that they are trying to implement.

5.5.1.5.3 Implications of strategy upon marketing resources

The inquiry team then discusses the impact of the marketing strategy upon the current marketing resources to identify how they must evolve in the future. Each resource is discussed sequentially; sometimes its evolution is obvious, other times there are alternate scenarios to consider. The discussion is unstructured and each co-researcher is encouraged to contribute and think broadly about the potential impact of strategy upon marketing resources. Then the researcher facilitates a discussion that tries to identify new potential resources that the strategy may require. A clear view of the future marketing resources emerges from this discussion as well as the gap between current and future marketing resources that must be bridged. This part of the workshop lasts for most of the final hour of the workshop.

During the final few minutes of the workshop, the inquiry team plans for the next step, preparation work 2. During preparation work 2, co-researchers will revisit the four marketing competencies and prepare presentations for how they must evolve in order to bridge the gap between current and future marketing resources. They will use the competency scoring tools described in Section 5.5.1.2.1, but this time without the researcher facilitating the process. The co-researchers express a desire to remain in pairs and for the researcher to attend the meetings during which they discuss future marketing competencies. The pairs agree which competencies they will score and present back to the full team at the final workshop.

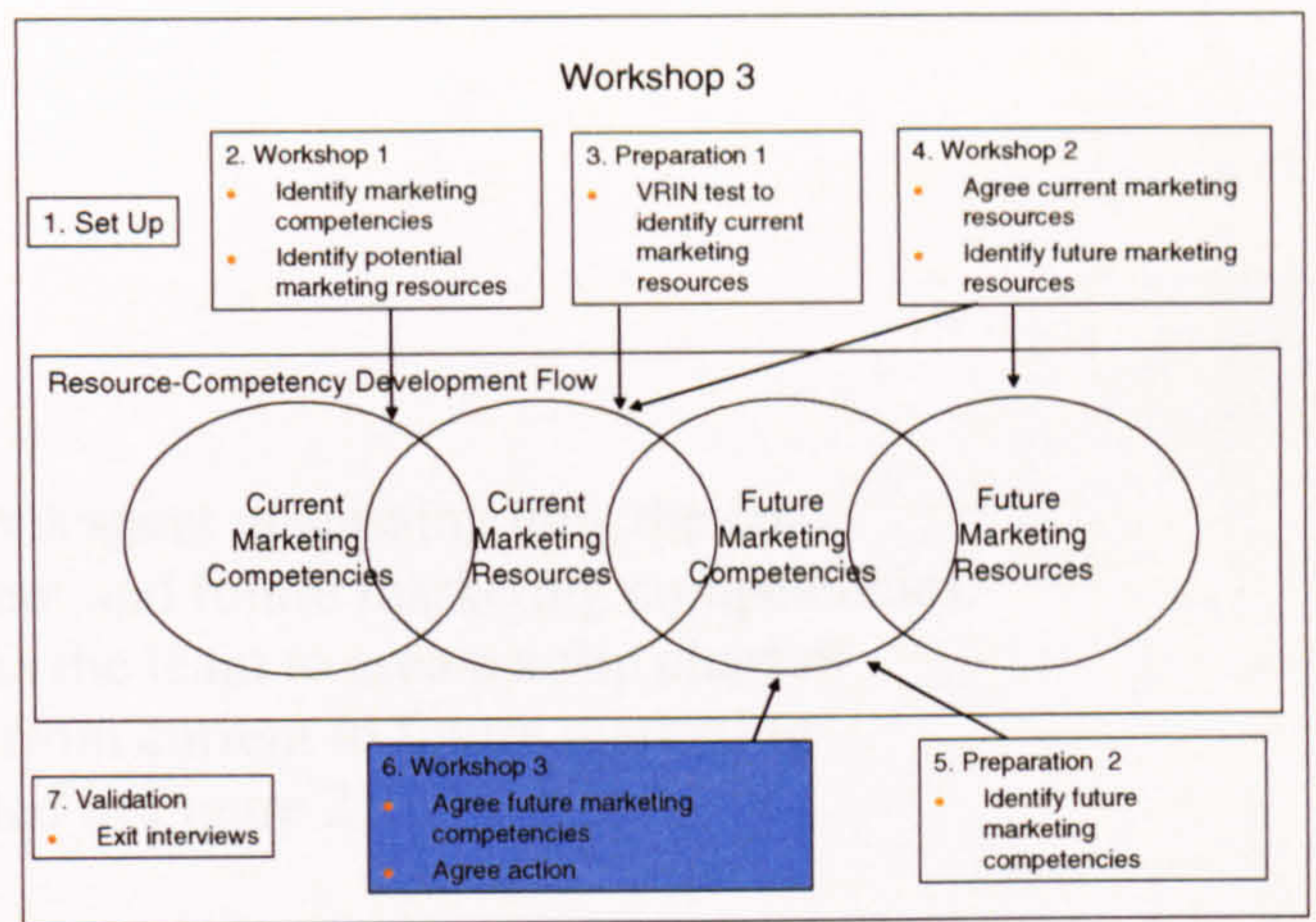


5.5.1.6 Preparation 2

The co-researchers review the briefing material and meet in pairs to discuss their chosen competency (or competencies); the researcher is present filling the same role as in the first preparation work.

The pairs score the appropriate marketing competency tools in the context of the future marketing competencies needed to build the agreed future marketing resources. The pairs prepare a presentation of their scores in PowerPoint format for the next workshop. These meetings last approximately one hour.

The individual presentations are accumulated by the researcher and put into a briefing PowerPoint document for workshop 3. In addition, the researcher prepares a new marketing competency grid illustrating both current and future marketing competencies and the shifts in each competency suggested by the results of this step of the process. In the briefing document, the researcher asks co-researchers to consider that shift and prepare individually their thoughts on the enablers and barriers they face in achieving this shift because this will form part of the workshop 3 discussion.



5.5.2 Workshop 3

The objectives of workshop 3 are to agree future marketing competencies and create a plan of action that will begin to build them.

5.5.2.1 Agreeing future marketing competencies

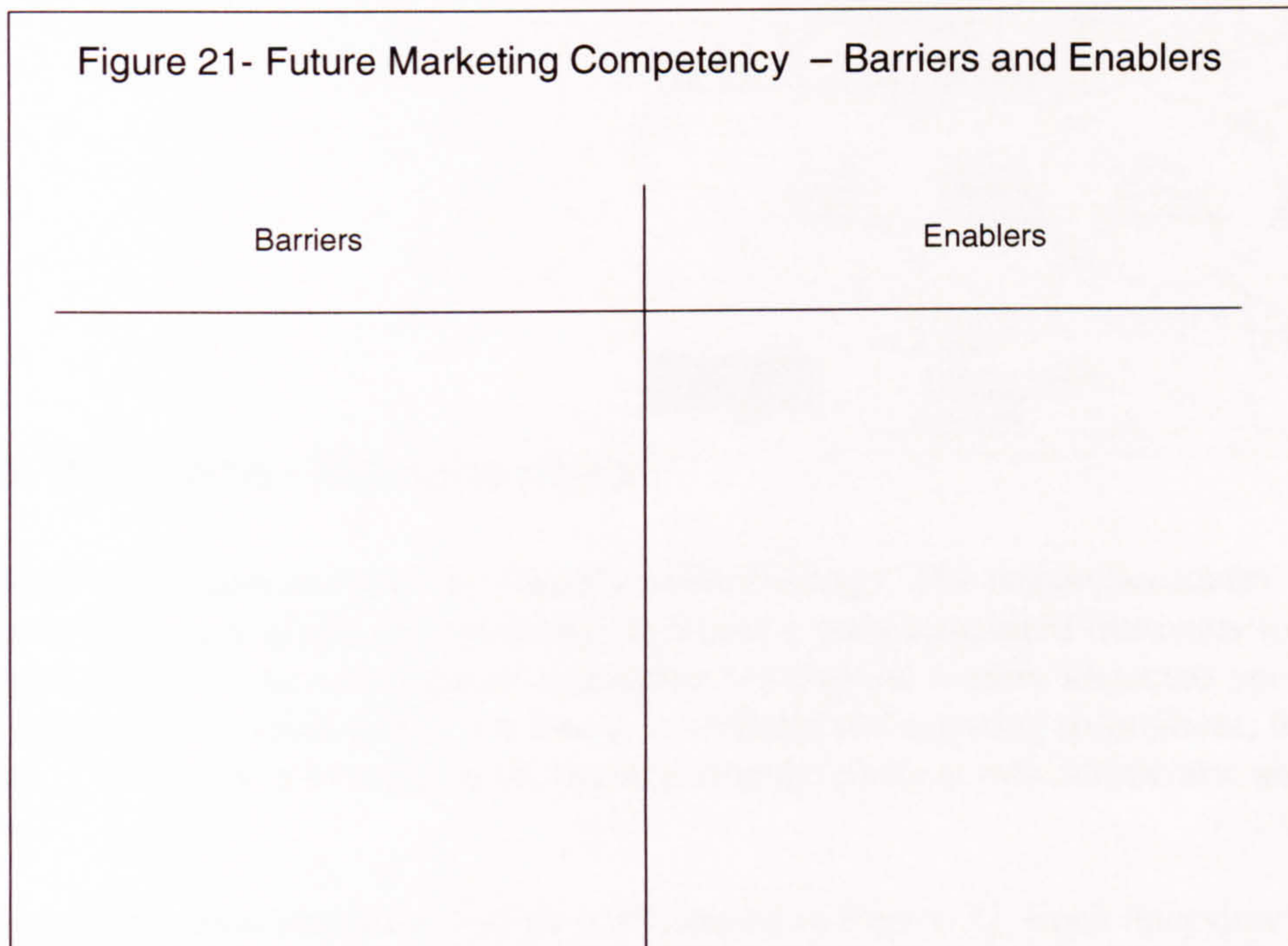
The co-researchers present their completed future marketing competency scoring tools and their rationale. Each competency is discussed in turn by the entire team until a consensus score for each emerges. The agreed future marketing competency scores are plotted on a flip chart illustrating the marketing competency grid and the agreed current competency scores.

The gap between current and future is discussed; the shape of the grid is reflected upon. This permits individuals to question the overall direction or individual competencies. At the end of this part of the workshop, the inquiry team has a rich understanding of both the magnitude of change required and the nature of that change.

This process takes one hour.

5.5.2.2 Actions

The next one and a half hours of the workshop is spent discussing how the co-researchers intend to fill the gap between current and future marketing competencies. To facilitate this discussion, the researcher asks the team to create a flip chart of barriers and enablers to achieve the transition from current to future marketing competency (for each competency) as illustrated in Figure 21.



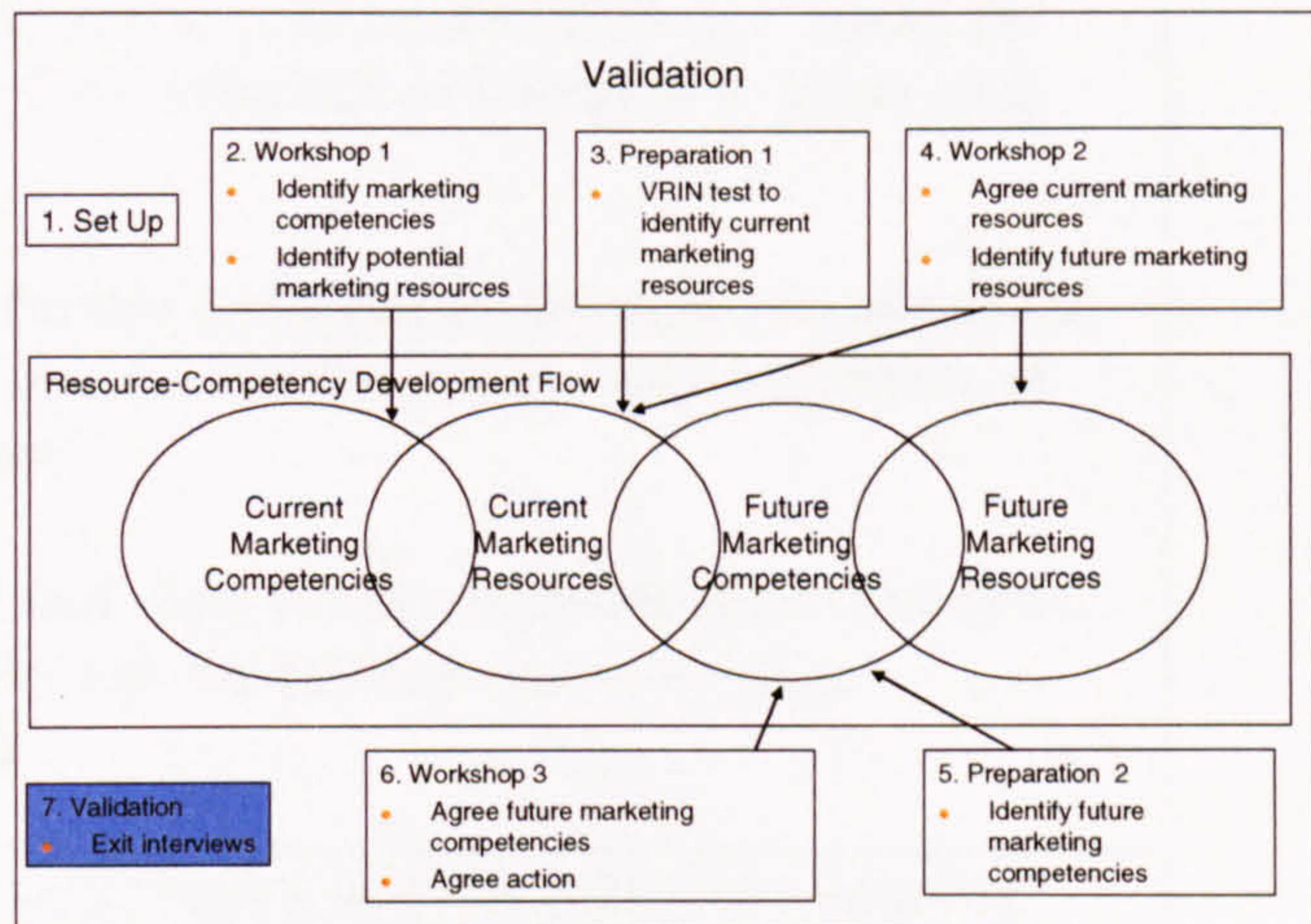
Following the completion of these tools, the researcher facilitates a discussion about the immediate actions that have already been taken as a result of the inquiry process, and will be taken in the immediate future by the co-researchers to develop the agreed future marketing competencies. These are written up on flip charts: one or more for each competency. At the end of this part of the workshop, the inquiry has produced evidence of committed action, the result of free choice and valid information commensurate with Intervention Theory (Argyris, 1973).

5.5.2.3 Wrapping up the process

The final half hour of the workshop is spent reflecting upon the process. The researcher asks each co-researcher to reflect and comment for four to five minutes on the usefulness (or not) of the past workshops and preparation steps, changes in their own practices, changes to their knowledge of marketing and any other comments that they care to make.

The co-researchers are asked if/how they would like the researcher to close his involvement. The co-researchers' preference is for the researcher to develop a further

PowerPoint briefing document that summarises the entire process so that they have a reference point for further progress against the development of marketing competencies. The researcher offers to present this final report either to the co-researchers or to a larger audience within the company. Such “follow-on” work is discussed in detail under the findings. The researcher confirms that co-researchers are willing to meet individually for “exit interviews”.



5.5.3 Validation - Exit interviews

Exit interviews help establish the validity of the findings. The researcher meets privately with each of the co-researchers and uses a semi-structured interview to probe on the extent to which the co-researcher felt that the inquiry impacted upon his or her practice and knowledge, felt free to contribute and question throughout, felt confident about his or her role in the inquiry, that the process was democratic and honest.

The semi-structured interview outline is illustrated in Figure 22. Each interview lasts approximately one hour.

Figure 22: Semi-Structured Interview Outline

Focus area	Specific probes
Improvements to individual's practice	<p>What actions have arisen out of your involvement with the inquiry? What, if anything, are you doing differently? What, if anything, are your co-researchers doing differently?</p> <p>What do you believe that you learnt through the process? What do you believe that your co-researchers learnt through the process?</p>
Principles of co-operative inquiry	To what extent was the inquiry the result of the team's commitment and effort versus the researchers'? Please score between 1 to 10 with 10 representing "completely the

	<p>result of the team's commitment and effort".</p> <p>To what extent are the frameworks, tools and language that we ended up with yours versus the researcher's? Please score between 1 to 10 with 10 representing "yours".</p> <p>Do you believe that the process was democratic, participatory and run in your interests? Please assess the performance of the researcher with respect to promoting these criteria.</p> <p>Please provide further comment on the performance of the researcher, the structure of the process and the quality of your contribution.</p> <p>Do you believe that there remain relevant issues that were not discussed through the process due to politics, personalities etc?</p>
Evidence of sustained learning being created	<p>To what extent will inquiry become part of the ongoing development of marketing competencies?</p> <p>To what extent will this inquiry be extended beyond the immediate team?</p>

5.5.4 Further follow ups

The researcher makes himself available to present the final PowerPoint slide set to the inquiry team or a wider audience within the client company. In addition, the researcher is available for further meetings with regard to the development of marketing competencies.

Regardless of the form of follow up requested by the client organisation, the researcher maintains contact with the project sponsor for a further year following the inquiry to provide an indication of the extent to which the agreed actions were executed and to observe evidence of sustained learning within the inquiry team.

5.6 Selection of firms

The findings of this thesis are based upon co-operative inquiries conducted with two firms: flutter (an online peer-to-peer betting network) and BMW GB, the UK distribution and marketing arm of BMW. Both companies and their online activities are discussed in greater detail in the proceeding sections.

These firms were selected on the basis of the researcher's assessment of their commitment to action, willingness of the managers to commit to the process and illustration of the extremes of the phenomena of interest. These are described below.

5.6.1 Commitment to action and the inquiry process

Given the importance of action and democratic participation in establishing validity, the participating firms, and their marketing teams, needed to be actively engaged with the development of their online marketing competencies. Both companies were actively developing their online consumer relationships. Each had a relatively small team of people responsible for both strategy and execution. The findings will illustrate that in both instances, the teams were struggling with the issues related to advancing their marketing competencies and actively seeking new knowledge that might help them.

Both companies had important online consumer relationship activities. Flutter's primary means of communicating and transacting with its customers was online. It was absolutely essential for its survival. BMW was the first major UK car manufacturer to provide online consumer contact. Its site receives millions of visits per annum and is an integral part of the consumers' car decision making process. BMW's online activities are described more fully in Section 7.

Both sets of managers (flutter and BMW) had the authority and control to make some decisions and guide their decisions through to implementation. In BMW, where major decisions often involve a wider consensus, the team was active in a broader corporate decision making process concerning online consumer marketing.

5.6.2 Extremes of the phenomena of interest

Eisenhardt (1989) established the principle that in order to observe a phenomenon through qualitative research methods, one should select instances at the extreme ends of that phenomenon. Figure 23 illustrates this in the context of this research.

Figure 23: Contrasting BMW and flutter's Online Consumer Relationships Context		
Criteria	BMW	flutter
Role of online consumer relationships	Part of an overall marketing mix. Primary consumer contact is through the dealer network.	The primary means of direct consumer contact with the company. Flutter is a "pure play" dot.com.
Decision making (re: online marketing)	Well structured decision making process requiring consensus across functional groups and often internationally. Decisions take time to make and implement. Managers are expected to manage the entire process to ensure business objectives are achieved through the system.	Small and entrepreneurial company. Decision making is very quick and managers are expected to take decisions very quickly and use their initiative and judgement.
Decision makers (inquiry team members)	Experienced professionals. Most had been with BMW for a long time.	Young and inexperienced. Flutter was a start up; some had no previous work experience.
Type of company	Large, global, well-established, well resourced, famous brand and established business processes for almost all areas of managerial activity.	Small, entrepreneurial, start-up, one country, few established business processes.
Market environment	One of the world's largest markets, well-established competitors, stable market shares, measured pace of innovation.	New market with few established competitors. The external environment changes rapidly.

6 Findings from the flutter inquiry

This chapter outlines the findings from the flutter inquiry. It is divided into the following sections:

- Background to the company and its online consumer marketing (Section 6.1).
- Background to the members of the inquiry team (Section 6.2).
- Set up (Section 6.3).
- Identifying current marketing competencies (Section 6.4).
- Identifying current marketing resources (Section 6.5).
- Identifying future marketing resources (Section 6.6).
- Identifying future marketing competencies (Section 6.7).
- Actions (Section 6.8).
- Exit interviews with co-researchers (Section 6.9).

6.1 Background to the company and its online consumer marketing

Flutter was founded by three American management consultants from the firm of Bain & Co. They created a peer-to-peer online betting service and secured an estimated \$3 million in funding (Wood, 2002). It was launched in London due to the more tolerant legal environment on gambling in the UK versus the USA. At the time of the inquiry, it employed approximately 50 people.

Peer-to-peer betting meant that individual betters could log onto the flutter site, choose from a menu of activities or “products” such as football, horse racing, greyhound racing and place bets: to back or lay. Flutter managed the site and settled customers’ wins and losses. For this service, flutter charged customers 2.5% of any bet made (back or lay).

The primary consumer benefits of peer-to-peer betting are eliminating bookmakers’ margin¹⁶ and for the first time, ordinary betters can lay not just back. The secondary benefit is emotional: not betting against “the house” in favour of a more level playing field directly against other betters.

¹⁶ The researcher learnt through the inquiry that co-researchers believed that bookmakers such as William Hill had a 20% gross profit margin on ordinary betting on horse racing and football.

Flutter was launched in February 2000 offering a web-based means for consumers to negotiate bets (and set odds) directly with other consumers. Flutter hoped that the social interaction would create a unique community that would “lock in” consumers as their online betting friends might not be on other sites. Flutter built the largest number of online betters through traditional mass marketing. At the same time as flutter was launched, Betfair, a UK based competitor, entered the market. Its model was different. Instead of encouraging betters to find one-to-one matches for their bets, it created an anonymous betting exchange whereby individuals’ bets (back or lay) were aggregated and resolved through the exchange without the individuals having to parcel their bets for individual takers or even communicating with the taker of their bet. Betfair’s exchange betting appealed to the serious gambler more than flutter’s one-to-one betting. By the end of the year, flutter had only 4% of the online betting market (Wood, 2002). The researcher estimates that Betfair had at least 50% of the market. Flutter had a large number of infrequent, small betters who were unprofitable to service and expensive to acquire through traditional mass marketing means. High customer acquisition cost coupled with low average revenue per customer was endemic to consumer dot.coms during the late 1990s according to research from Mckinsey & Co (Agrawal, Arjona, and Lemmens, 2001).

Flutter’s low market share was a major concern because share is important in this business. Betters log onto sites that have a very large amount of backing and laying in their areas of interest because that makes it more certain that bets are accepted. For example, if a customer wishes to lay £100,000 on a particular football match outcome, he or she knows that only a site with a large volume of activity would have sufficient numbers of backers (of sufficient size) to accommodate this amount. The better will not bother wasting time with smaller sites but opt for the biggest immediately. Betting sites that are sufficiently large to accommodate bets quickly are said to be highly “liquid” and liquidity is necessary to be successful in this business.

Early in 2001, flutter implemented a wide-ranging change programme. As part of that programme, it changed its marketing strategy to imitate that of Betfair. It hired a professional marketer (GF) with experience from the National Lottery to work for the Commercial Director. Together, they instituted changes based upon their combined expertise, flutter’s experience to date and a detailed analysis of its user base and customer behaviour. The first part of that change programme was to play “catch up” with Betfair by (1) changing its product from a peer-to-peer service to an anonymous exchange and (2) targeting big betters. The changes improved the firm’s performance and by December 2001 it was generating an annualised income of £30 million, achieved 30% of the market (Wood, 2002) and was confident that it would pull ahead of Betfair in the following year.

However, this success presented flutter with a dilemma. Whilst imitating its competitor improved performance, it could not overtake its competitor merely through imitation. GF felt that flutter’s offer was so “me-too”, it could not overtake Betfair merely continuing with the same strategy. Flutter needed to develop a distinctive marketing mix in order to be number one. The PhD inquiry was seen as a means of resolving this dilemma whilst improving marketing performance. Conscious development of flutter’s marketing competencies could create some differentiation of flutter to Betfair.

Subsequent to the inquiry, Betfair and flutter merged. The merged entity is following the marketing strategy and marketing competency development that flutter identified for itself during the inquiry. As of July 2003, the combined entity employed 250 people and its betting site was generating £600 million of bets per annum; it is the world's largest online betting company. It now has operations established and planned in a number of countries.

6.2 Background to the members of the inquiry team

The four person marketing team all participated in the study and a brief description of their background follows.

6.2.1 GF (project sponsor)

GF was the project sponsor. She was flutter's Marketing Director and had a special direct responsibility for its brand development.

She had 10 years of previous marketing experience: firstly with one of the world's largest consumer goods (fmcg) companies and more recently as marketing manager of the UK's National Lottery. She was in her mid 30s.

She was brought into flutter early in 2001 to create new peer-to-peer gambling products. As she, and the firm, realised that its model was not working, she helped reposition flutter to look more like Betfair.

At the first meeting with the researcher, GF stated that she felt flutter must differentiate itself from Betfair and welcomed the opportunity for some outside expertise.

6.2.2 TL

TL was flutter's Commercial Director and had a wide portfolio of responsibilities. In addition to customer acquisition, retention and brand development, he led negotiations with Government, industry bodies and international expansion.

TL came from Bain (UK) but was not one of the three original Bain employees that founded the firm. He was, however, their first UK employee and a shareholder. He was in his mid 30s.

In the researcher's assessment, TL was an accomplished deal maker and negotiator. His Bain background gave him an appreciation for management concepts and strategic thinking. He communicated to the researcher that he felt his team needed some time and help to think more strategically and felt that this research presented such an opportunity. His responsibilities created enormous pressures on his diary and attention which created both the interest in reflecting on his practice but the need for that reflection to be purposeful and productive.

6.2.3 BE

BE was responsible for customer acquisition and analysis of the customer data generated by the site. BE is an Oxford graduate (Geography) and this was only his second job. He was in his mid 20s.

He was the prime analyst of the customer data and drew conclusions about customer behaviour and motivation. He would use this customer insight to manage a series of partnerships with other web sites: determining on which sites flutter's URL¹⁷ should appear, and how much flutter would pay for each lead generated. In addition, he would discuss his customer analysis with the other marketers as part of their team learning. He expressed an interest in this inquiry on two levels: (1) a basic curiosity about management theory and (2) practical help for him in his day-to-day activities.

6.2.4 NA

NA was responsible for customer retention and service strategy. This was NA's first job and she was in her early 20s.

She was responsible for understanding why customers defected and what flutter could do about it. Her prime task was to email, weekly, 50 lapsed users and follow up with them. Of the 50, 20 would respond to her emails and then she would engage in a one-to-one conversation (normally online) to rectify any problems. Her emails came out in the name of TL and TL would personally intervene in some of the conversations. This generated a shared understanding about customer retention, service problems and customers' expectations. She expressed an interest in the inquiry as a means of improving her practice and management development.

6.3 Set up

The researcher was introduced (via email) to the CEO of flutter, one of its three founding members, by a mutual business associate who worked closely with one of flutter's largest venture capital investors. The CEO referred the project to the marketing director (GF) and a meeting was held 28 September 2001.

The researcher outlined the potential to GF who proceeded to coach the researcher on the basis of what she had seen presented. The researcher's presentation, developed from PhD review presentations within Cranfield and pitches to business acquaintances and potential client companies, was too "academic" and needed simplification before presenting to the full marketing team. She also suggested that the intention to have the workshops last between five and six hours was too long. Flutter managers had too much to do day-to-day to take what would be seen as whole days out. Nonetheless, she was very interested in the inquiry and identifying, and then developing, flutter's marketing competencies.

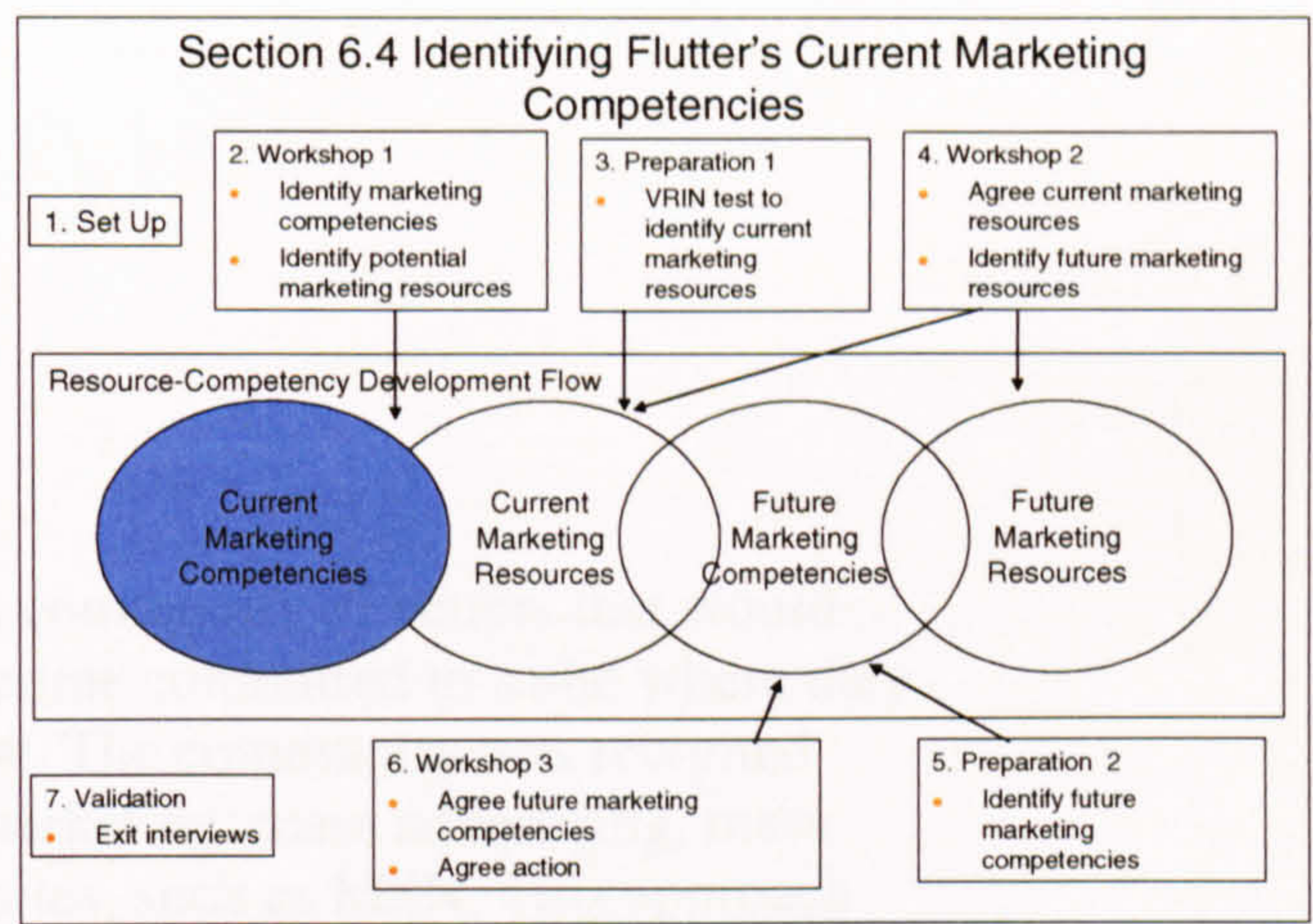
¹⁷ URL – the unique internet identifier for flutter. Partner web sites put a link to flutter (its URL) on their own site to encourage their visitors to visit flutter. Partners received money for every visitor flutter received from their sites.

The researcher then simplified the presentation and prepared more fine-grained workshop tools. This process involved three critical friends, colleagues that provided ongoing critique and questioning of the inquiry from its inception (McNiff, Lomax, and Whitehead, 1996): (1) Professor S Knox of Cranfield, (2) Professor C Bowman of Cranfield and (3) Ian Ryder, Marketing Director Europe Unisys. The researcher met with each at least twice during the set up stage to discuss various iterations of the tools and processes. The three critical friends suggested the researcher make the presentation language more intuitive for managers; RBT uses words that managers use every day, such as resources, but in a very precise and non intuitive manner. They also suggested that the researcher develop visual tools for workshops. This coaching from GF, and the advice of the critical friends, ultimately resulted in the research process, workshop length and tools illustrated in Section 5. The need to simplify complex concepts was a first person finding for the researcher.

The meeting with the full marketing team was held 11 October 2001 for two hours and a decision was reached during the meeting to proceed with the full inquiry. A follow up planning meeting was held with GF on 24 October 2001. The rest of the timings are indicated in Figure 24.

Figure 24: Flutter Inquiry, Timing of Events

Event	Timing
Set up phase	September and October 2001
Workshop 1	7 November 2001
Preparation 1	Following two weeks
Workshop 2	27 November 2001
Preparation 2	Following week
Workshop 3	12 December 2001
Exit interviews	9-24 January 2002
Final report	January 2002
Follow up conversations with inquiry team	Last contact July 2003



6.4 Identifying current marketing competencies

This section describes flutter's current marketing competencies and provides the marketing competency scores generated by the inquiry team during the first workshop. This is accomplished by describing the demand management competency to illustrate how the team created scores and the depth of the reflection. The other three marketing competencies are discussed in this section only briefly; a thorough review of the discussions and scores appears in Appendix 4.

The completed demand management competency scoring tool is illustrated in Figure 25. The inquiry team scored this competency as 2.0: relationship marketing. The discussions of each of the three measures that generated that score follows below.

Figure 25: Current Demand Management Competency at flutter

<u>Form of Marketing</u>	Transaction (Score =1)	Relationship (Score =2)	Network (Score =3)	
	•Identify and exploit demand	•Identify and exploit individual stakeholder interests	•Identify and leverage community resources	
<u>Measures</u>	<u>Marketing Focus</u>			
	Score			
Creating Demand	1.8	<ul style="list-style-type: none"> •Market segmentation •Brand/reputation •Mass marketing skill •Advertising/promotion •Partnerships 	<ul style="list-style-type: none"> •Customer segmentation •Customer development •Differential marketing - bi-directional 	<ul style="list-style-type: none"> •Community portfolio •Standards leadership •Complements development
Planning Focus	2.2	<ul style="list-style-type: none"> •Market share - turnover 	<ul style="list-style-type: none"> •Share of wallet 	<ul style="list-style-type: none"> •Frequency, recency and value of contacts
Basis of Competition	2.0	<ul style="list-style-type: none"> •Scale •Innovation 	<ul style="list-style-type: none"> •Scope •Service quality 	<ul style="list-style-type: none"> •Leverage standards, installed base •Content management
<i>Overall</i>	2.0			

This is the first competency scoring tool used by the inquiry team and the scoring progressed through the three measures sequentially.

6.4.1 Creating demand

Flutter's launch marketing focus was to build a community of betters that would generate a large number of transactions and become committed to a site where they frequently bet directly against people they knew. The community was recruited through activities associated with transaction marketing: mass advertising, mass publicity and partnering with high-traffic web sites, such as MSN. This approach created the largest customer base amongst online betting firms, a position flutter still held. Despite recruiting large numbers of people, this approach to demand creation was judged to have failed, particularly in comparison to Betfair. Betfair appealed to the small number of highly active big betters in the UK through an anonymous betting exchange. Exchange betting is inherently more liquid and efficient as it aggregates backers and layers. Additionally, big betters prefer anonymity, not wishing to reveal their views on events and change the odds against them. Flutter managers felt that their efforts had attracted large numbers of small, unprofitable betters whilst incurring larger marketing and support costs than Betfair.

GF suggested that the founders did not understand gambling nor did they test their model before launch. She was critical of their initial vision and the lack of gambling experience. She claimed the notion of people betting against others directly, setting their own odds and enjoying the gaming and social aspects thereof was flawed. Serious gamblers are motivated by money alone, and they don't want a direct relationship with the people from whom they wish to take money.

TL agreed that the launch model was very routed in transaction demand management but that flutter was becoming much more of a relationship marketer. He cited flutter's increasingly sophisticated segmentation model that targeted high value customers and the reduction in mass marketing (e.g. advertising and promotion) as evidence of this shift.

..... "We were taken by surprise when we found one customer betting a quarter million pounds a month." (TL)

One of the new demand management initiatives was the lapsed-user programme run by NA. She emailed 50 high value users each week that had not bet in the past month and had a high response rate. Based upon the responses, the entire marketing team solved individual customer problems and effectively reactivated large numbers of high value customers. This was one of flutter's first efforts at differentiating its customer service across its customer base.

....."People are saying "wow, what incredible customer service." (TL)

Flutter managers agreed a score of 1.8 on this measure.

6.4.2 Planning focus

The demand planning focus contained elements of marketing focus from all three forms of consumer relationships and was therefore difficult to score. Flutter's financial plans were built upon individual "products" (flutter managers' term) such as horse racing, greyhound racing and football matches rather than share of individual customers' betting or any measure of community activity. However, the flutter managers acknowledged that they were increasingly focused on identifying large betters, maximising revenue from them through differential marketing and cross-selling products. Flutter did not formally generate share-of-individual-customer-betting statistics, but felt that their major customers split their bets between flutter and Betfair so that it intuitively understood the share of wallet of the big betters. The conversation also identified some areas of marketing focus that are characteristic of network marketing, such as providing content and support for partner web sites that generate traffic (hence potential customers) for flutter. These partner web sites were referred to as distribution partners within flutter. Flutter's support of its distribution partners was considered to be more tailored to each partner's customers and or community than Betfair's. This customisation of content meant flutter communicated to each online community in a different and relevant tone of voice to that community. The inquiry team agreed a score of 2.2 for this measure.

6.4.3 Basis of competition

The way in which flutter competed for revenue was a combination of product innovation and customer service. Flutter's launch exchange site was ill-suited for the needs of heavy betters and had been completely reengineered over the six months prior to the inquiry. The team felt that flutter's core betting exchange, following the recent changes, was as good as Betfair's with respect to features, and it was more reliable, faster and easier to use. Equally, NA's lapsed-user programme was cited as evidence of the type of service quality associated with a relationship approach to marketing. There was little evidence of network marketing. The team scored this measure 2.0.

6.4.4 Overall

The team discussed the relative importance of each measure and decided to weight each attribute equally in the absence of any compelling reason not to. This generated an overall score for the current demand management competency of 2.0.

6.4.5 Other competencies

This section provides a brief review of the other three competency scores; the details of the discussions are appended in Appendix 4.

6.4.5.1 Current creating marketing knowledge competency

This competency scored 2.3.

As part of flutter's realisation that exchange betting was a better business strategy, flutter's marketers identified that a small percentage of its customer base generated the majority of its revenue. They realised that there was a small community of serious betters that Betfair had attracted and that they would need to win over those customers. For example, if a few large customers were laying greyhounds and there was insufficient greyhound backing in the site, flutter would disappoint and potentially lose business from these important customers. Therefore, flutter's Marketing group had, over the past six months, learnt how to build the compensating betting behaviour needed to satisfy large customers' needs. In this instance, Marketing actively recruited greyhound backers to the flutter site, which required an understanding of which distribution partners had on-line communities comprising large numbers of greyhound backers, as well as understanding greyhound backers' average size of bet and frequency of betting. Similarly, Marketing had learnt that a few large customers' winnings could drain liquidity out of the site and they needed to compensate for the success rates of individual customers by understanding individuals' success rate and recruiting compensating behaviour to the site. Through this desire to satisfy the needs of large betters, flutter built a very comprehensive understanding of individual customer betting behaviour, its impact upon the overall site and distribution partners' customers (other online communities). The latter knowledge pushed the score past relationship marketing and reflected some aspects of network marketing.

6.4.5.2 Current building customer value propositions competency

This competency scored 1.4.

Flutter's launch strategy was characterised by mass marketing: traditional consumer brand marketing. It focused upon building awareness and interest amongst a broad target group: internet users interested in sports. Its proposition was casual, fun betting; even its name (flutter) was a colloquial English term for a small bet. The co-researchers suggested that flutter's image was a barrier to attracting the serious better whom it was now targeting. Whilst its customer services and support activities were increasingly focused upon the biggest betters, it had failed to develop the brand commensurately.

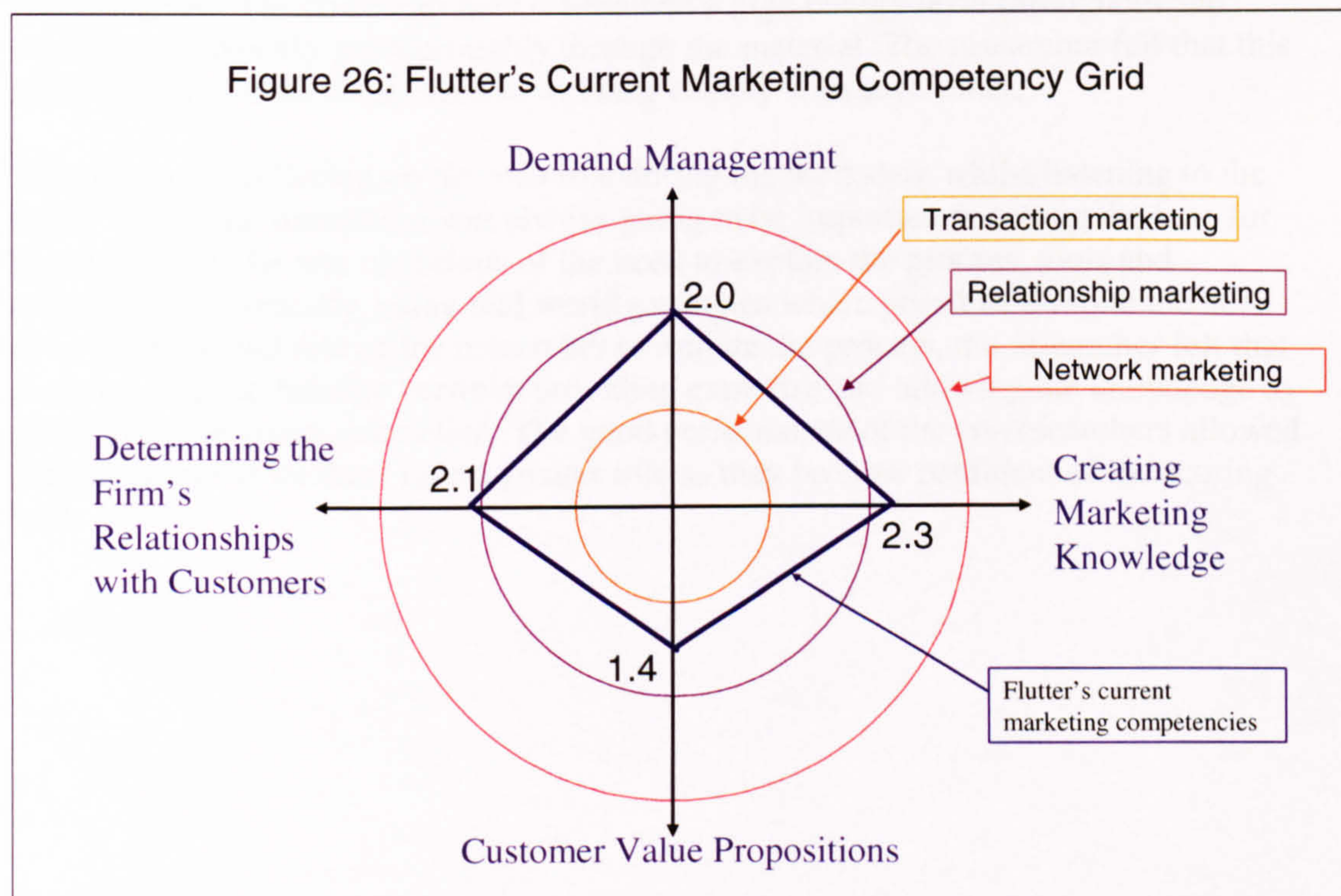
6.4.5.3 Current determining the firm's relationship with customers competency

This competency scored 2.1.

This competency contained elements of all three forms of marketing. The customer governance measure score reflected the firm's product focus; P&L was calculated by product line (e.g. greyhound, football, rugby) and there were no customer segment managers to "face-off" with product managers as one might find in relationship marketing (Peppers and Rogers, 1997). Business development was, by the time of the inquiry, clearly directed at attracting and developing the biggest betters; it scored exactly 2.0. Product and service development supported this key-customer focus but moved beyond pure relationship marketing by making flutter resources and know how available to the communities of its business partners. It scored 2.3 to reflect an element of network marketing.

6.4.6 Flutter's current marketing competency grid

The above scores generated the competency grid illustrated in Figure 26.



6.4.7 Quality of the conversation

The researcher listened to the tapes after the workshop to capture the data, reflect upon the discussions and prepare the briefing for preparation 1. In addition to these task related objectives, the researcher consciously listened for the following:

- Was the discussion democratic and participatory?
- How did the co-researchers perform using the tools, which were new to them?

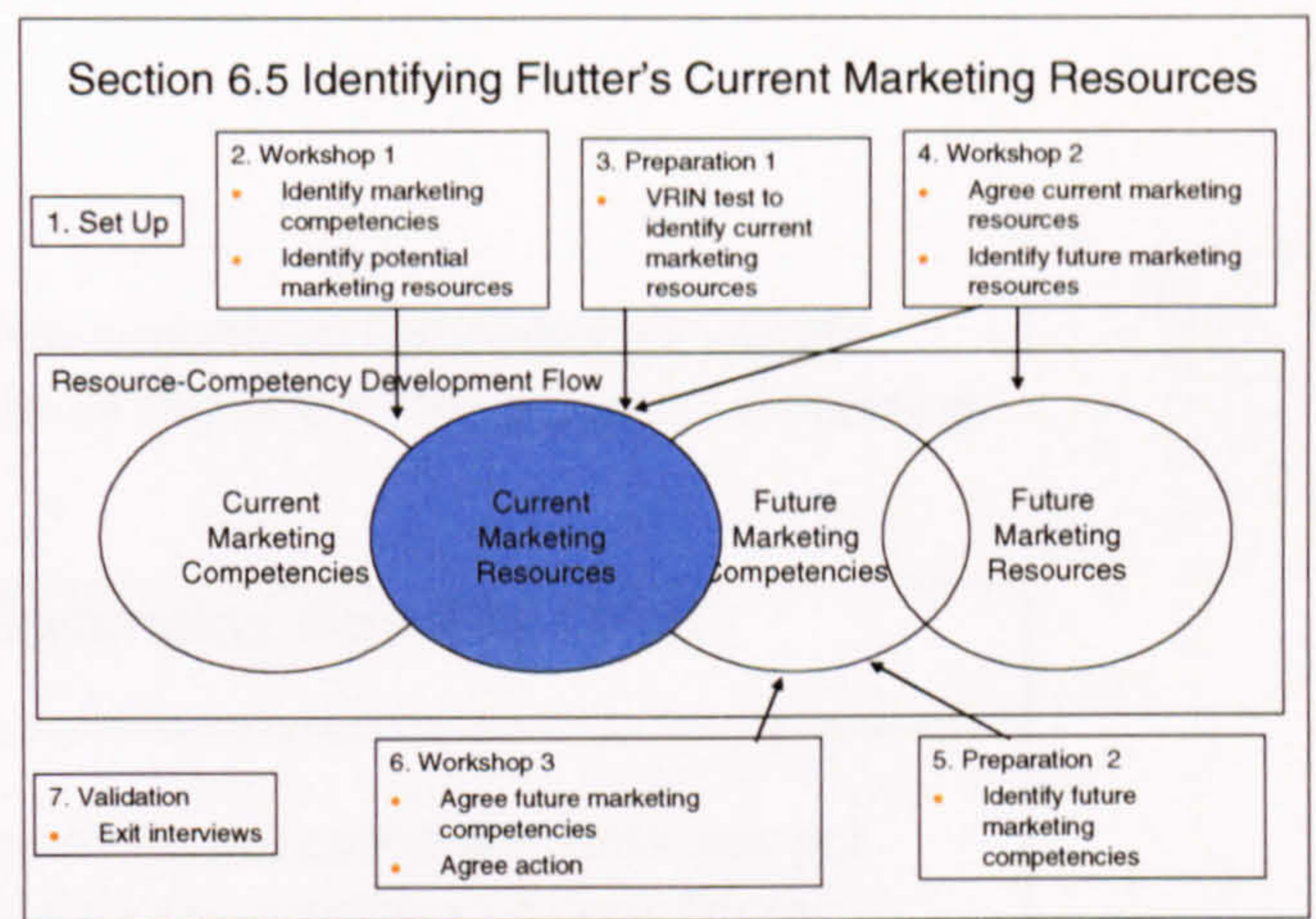
- What was the role of the researcher upon the group's discussion?

The researcher's reflections upon these three questions are discussed in sequence.

The conversation was very participatory and all co-researchers contributed throughout with no apparent regard to seniority or role. The comments were, in the opinion of the researcher, of high quality: thoughtful contributions built on previous comments producing ever better insights. Co-researchers appeared comfortable challenging each other constructively and asking questions on points that they hadn't fully understood. There was no apparent order to who would question or challenge whom; the conversation seemed to flow comfortably. There was no evidence that any one or two co-researchers were influencing the scoring.

The researcher accepts that there was a lot of material for the inquiry team to work through in the first workshop and given the co-researchers' lack of familiarity with the bodies of theory and the competency scoring tools, their performance was good and confident. The co-researchers maintained a high energy level throughout and worked very quickly yet thoroughly through the material. The researcher felt that this was a group of individuals used to working closely with each other.

The researcher reflected on his own role during the workshop whilst listening to the tapes. The initial discussion was always going to be important in setting the tone for the inquiry and he was conscious of the need to explain the process, tools and concepts pragmatically, using real world examples where possible. Despite the need for a strong initial role of the researcher to initiate the process, the researcher felt that there was a good balance between providing expertise and allowing the knowledge to grow from the group interaction. The good performance of the co-researchers allowed the researcher to let them take a greater role as they became confident of the scoring tools.



6.5 Identifying flutter's current marketing resources

This section describes how the inquiry team generated a list of potential marketing resources, assessed them against the VRIN criteria and then agreed which ones met the criteria and were therefore marketing resources.

6.5.1 The potential marketing resources

The potential marketing resources that emerged from the first workshop were:

1. **Customer insight** – understanding serious betters' behaviour and its impact upon the overall site.
2. **Customer base** – the largest online betting customer base inclusive of several hundred key betters.
3. **Partnerships** – commercial deals with third-party web sites that generated traffic and help with customer acquisition. For example, Football 365 was a football enthusiasts' site that referred its members to flutter when they wished to bet.
4. **Brand** – the customer perception of flutter as a highly liquid, effective and trustworthy betting exchange.
5. **People** – which they defined as teamwork, attitude and the shared learning in the marketing team.

The comments from the workshop flip charts that comprised the customer insight resources are illustrated in Figure 27. The details of the other four potential marketing resources are in Appendix 5.

Figure 27: Customer Insight – Comments from Flip Chart

We understand betting behaviour, such as revenue per customer, turnover per customer, customer profitability, profitability to the customer of their flutter transactions, win - losses per customer, bet versus lay behaviour and impact that has on other players and impact of the site on behaviour.

We understand big betters' behaviour.

We understand the move from getting people to register, transact and then the number and quality of transactions.

We learnt what customers want.

We send personalised emails to about 50 per week and get a 20% response.

Lapse for open service issues (easily resolved), holidays, money and some of them – relates to their experiences which we try to solve.

We understand retention better than acquisition.

We understand how to read niche markets, how to analyse behavioural data, email traffic and reach conclusions. Desk top research, everyone following email discussions and getting involved, database and other analytical tools. This understanding is individual and shared – developed together.

We understand our share of market and the frequency, recency and content of our customer contact. We do not look at this data by network affiliate yet. Share of market and share of wallet are close to each other in this market.

We have skills in interactive marketing with our key betters.

We do float new ideas with our users to learn quickly and leverage our customer insights.

We have a massive database.

6.5.2 VRIN testing the potential marketing resources

This section illustrates the findings from pairs of co-researchers VRIN-testing the potential marketing resources during preparation 1. Customer insight and customer base will be described in this section because (1) they ultimately end up being the most important marketing resources and (2) they were analysed by different pairs and

this demonstrates the quality of discussion across all the co-researchers. The other VRIN testing discussions are described in Appendix 6.

6.5.2.1 VRIN testing customer insight

Consumer insight was analysed by GE and BE. They felt it was a valuable resource because it: (1) enabled flutter to improve its consumer offer and gain business from the largest betters, (2) promoted a clearer sense of purpose and direction within the Company and (3) helped flutter identify how to grow profitably. The ability of customer insight to help flutter manage its site's liquidity was important. Potential betters will only bet where there are others willing to take their bet (be it back or lay). As stated in Section 6.1, without sufficient liquidity, potential betters get frustrated. Understanding the different behaviour and motivations of backers versus layers and winners versus losers across the different events (football, horses, and greyhounds), allowed flutter to recruit customers to fill gaps and manage its growth profitably. For example, at the time, it was looking for greyhound layers because BE's customer analysis revealed that the average greyhound backer bet 20 times more than a layer. This insight allowed BE to work with partners to acquire specific types of customers at the right price.

..... "When we started we had very little consumer insight. That is why we came up with a spurious offer of mass betting. We tried to create a customer behaviour that is not there. Customer insight has allowed us to target a different customer with a different product. The insight led us to create customer value – demonstrable from our results. It led us to a new vision." (GF)

..... "Now we have focus. We tried to be too many things for too many people. We did not know how to describe our company and now we are very focused." (BE)

..... "We have the evidence and the data. We can stay focused. Having customer insight has helped us establish our business and internal processes. (It has had an important) impact on advertising, PR, promotions. We don't do just anything anymore..... Now we can expand our offer. For example, we now target bookmakers because we understand gambling so much better. Bookmakers have liabilities that they can lay off on our site. We went to a show, acquired about 12 bookmakers." (GF)

There was a long discussion about rarity and imitability. The relevant benchmark was Betfair who had launched with a more successful business model. Fixed-odds betting shops (e.g. Ladbrokes, William Hill) did not have the individualised consumer insight to develop. BE and GF attributed Betfair's success to its founder's intuition and launch vision whose city-trading style, tone of voice and site navigation were evident in Betfair's strategy and web site. BE and GF concluded that flutter, having to recover from an unsuccessful launch model, was forced to develop a greater competency in generating marketing knowledge than its competitor and therefore its resulting customer insight resource was not perfectly imitable and was rare.

The pair discussed the interdependencies between individual betters' behaviour and the need to manage the balance across betters on the site.

..... *"(It's up to us) to manage the whole thing to make it work to create the perfect market. (We understand) that people that lay take more risk and pump a lot of money into the site; if they are losing then we might lose them and that hurts the site.....Betfair is not considering this aspect at all."* (GF)

BE and GF felt that they would like more knowledge of Betfair and agreed to validate this assumption before the next workshop with someone they felt had more direct knowledge. BE and GF said that a new online betting company could imitate flutter's web site functionality and offers. However they would not generate the same consumer insight from their site and such imitators would always lag flutter in innovation and customer service.

To push the discussion on substitutability, the researcher asked them to consider if the betters could organise themselves online and take control of the betting exchange site but as the conversation progressed, the inquiry team began to appreciate that the betters could not do the "behind the scenes" work to balance winners and losers, backers and layers. Individual betters do not develop the insight into the interdependencies between betters needed to manage it without flutter.

They concluded that customer insight met all four VRIN criteria for being a resource.

6.5.2.2 VRIN testing the customer base

TE and NA analysed the customer base. TL opened the discussion about value by saying "our customer base is our greatest resource" and went on to describe how 80% of flutter's revenues were generated by 500 of its 15,000 customers. These key customers were valuable for a number of reasons: (1) they generated revenue and profit, (2) created market liquidity and (3) to a limited extent, they recruited other serious betters to the market. TL found that the value of customers was best revealed through the critical event of expanding into a new market. He was currently working with some of its leading customers to create the necessary liquidity to expand into new markets. Without the liquidity, flutter's ability to gain market share amongst the serious betters was constrained. So flutter needed to develop a network of betters that normally compete with each other and only occasionally communicate with each other.

.....*"If you can get 20 key customers (into a new market), then they drive the liquidity and that drives the market. Identifying and getting those people are critical. They are almost stakeholders in the business. We can't stimulate that; we need them to stimulate that (new business)."* (TL)

TL and NA discussed the extent to which the customer base was rare but concluded that it was in fact a shared resource with Betfair. Flutter had attracted many of its key

customers from Betfair through product and brand enhancements when it switched its target strategy from casual to serious betters; thus they felt that the flutter customer base was imitable. It was thought to be non-substitutable because market liquidity built idiosyncratically through a unique development of a network of betters, none of which interacted directly with each other. TL began to use the word “eco-system” to define this fine balance between winners and losers, backers and layers across different betting markets (e.g. football, horses and greyhounds).

TL and NA scored the customer base (inclusive of liquidity) 3 out of 4. Reflecting at the end of the discussion, they suggested that perhaps the customer base was not the best name for this resource. The “eco-system” that developed around flutter’s key betters was a more accurate reflection of the underlying resource that the first workshop had labelled “customer base”.

6.5.2.3 Agreeing flutter’s current marketing resources

Each pair presented its slides on the potential resources that they had VRIN tested at the second workshop. The presentations followed the conversations that the researcher had attended in preparation 1. The other pair would ask questions throughout, challenge thinking and draw the parallels from what they were hearing to what they had thought about during their preparation session.

There was evidence that the reflections made during the preparation had already led to some actions and improvements to practice. For example:

- Early in the presentation of the first potential resource, customer insight, GF mentioned the concept of the “eco-system” a few times; this language had been generated by the other pair (TL specifically) at their preparation. The language of the eco-system had already been generalised and accepted within the inquiry team between preparation 1 and workshop 2.
- BE casually mentioned that he had conducted some tests of the Betfair site to validate some of his assumptions about the rarity of flutter’s customer insight. He tested aspects of the links between Betfair distribution partners and the Betfair site and concluded that Betfair was paying the same incentive to distribution partners regardless of each partner’s customer profile. BE surmised that Betfair lacked flutter’s approach to paying partners based upon differentiated customer behaviours (e.g. extra incentive at that time for greyhound layers) and he identified new tactics for some distribution partners on the basis of this insight. GF and BE had also discussed further the extent to which Betfair’s marketing reflected the intuition of the founder, or a systematic and growing customer insight, and they presented a logical argument that Betfair was still operating to the intuition of the founder.

There was a long discussion about the scoring of the eco-system potential resource. The team agreed with NA and TL that the eco-system ran through everything flutter was doing, but that it might be imitable and therefore not strictly meeting all four VRIN criteria. The conversation focused upon the extent to which the eco-system was developed through customer insight; if it was, flutter was generating a “head-start”

against competitors who would have to learn about managing the eco-system to imitate it. BE and NA felt that as the learning about it was continuous, new entrants might never catch up with flutter. That left Betfair, whom the group decided had a good eco-system but lacked the systematic customer insight to develop it as well as flutter was doing. The team concluded that both customer insight and the eco-system were marketing resources, accepting that the discussion about the eco-system's imitability would continue. Figure 28 summarises the VRIN-testing scores as agreed by the team.

Figure 28: VRIN-Testing Results (flutter)	
Potential Marketing Resource	Number of VRIN Criteria Achieved
Customer Insight	4
Customer base – relabelled “eco-system”	3
People	2
Brand	2
Partnerships	2

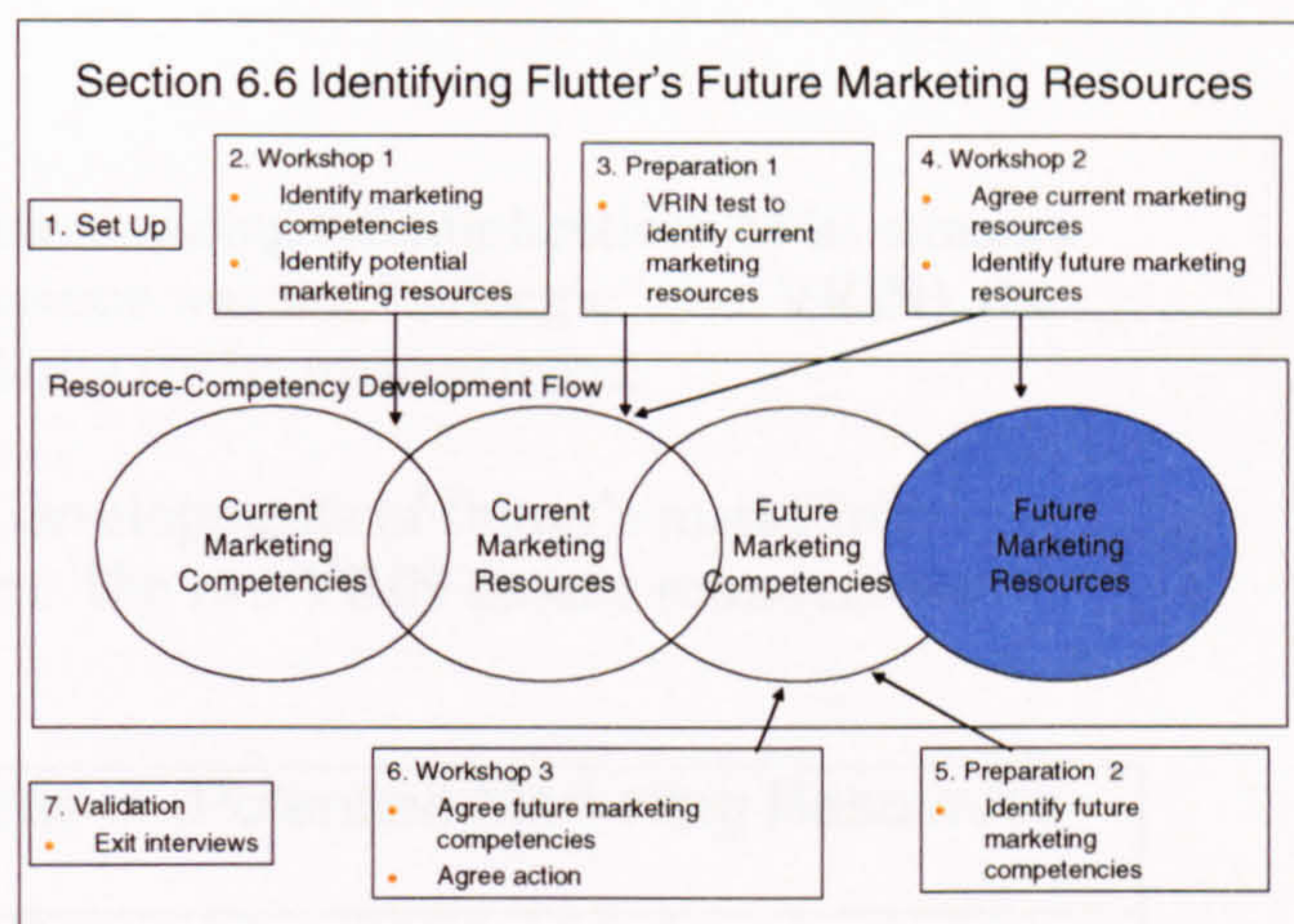
6.5.2.4 Reflections on identifying current marketing resources

This process encouraged co-researchers to reflect cyclically about their resources because this process of reflection occurred over three separate activities: workshop 1, preparation 1 and workshop 2. The quality of the contributions remained high through the process and the co-researchers had good memory of what had transpired during previous conversations; this was helped perhaps by the relatively short time between each stage.

Breaking into pairs provided another means of encouraging everyone to participate and take on some leadership roles. For example:

- NA, who was the quietest in the first workshop, participated fully in the preparation stage and by the second workshop appeared more confident and her level of contribution increased.
- BE took the initiative to do some testing on the hypothesis that he and GF generated during the preparation stage and then contributed some new empirical evidence to the second workshop discussion.

The researcher's notes indicate that he became aware through this process that flutter operated in a market with strong externalities or network effects. The eco-system was a network and flutter was attempting to create the perfect market where its behind the scenes efforts managed the interdependencies between individuals' behaviour so that the big betters would be encouraged to bet even more.



6.6 Identifying flutter's future marketing resources

6.6.1 Agreeing the marketing strategy

Having agreed the current marketing resources, the inquiry team then predicted flutter's required future marketing resources during the second workshop. These would be comprised of the current resource, modified in light of flutter's marketing strategy, and any new resources identified as necessary for the execution of the marketing strategy.

This discussion was led by the most senior member of the team (TL). He outlined the marketing strategy as being to continue gaining share of customer spend from the big betters in the UK whilst repeating its exchange sites abroad; Hong Kong was planned for 2002. The other flutter managers were familiar with these strategic directions as they had been discussed frequently by the marketing team at their formal and informal meetings. The agreed wording of the future marketing strategy was:

- Flutter will become a multinational business entering markets where betting is popular and the legal framework permits.
- Flutter will gain share of wallet of the best customers, who are Betfair's best customers as well. This will be a function of customer development, service, product development and increased liquidity.

6.6.1.1 The impact of strategy on developing future marketing resources

The co-researchers wanted to discuss the impact of this strategy on all five resources, not just the two that were deemed to be VRIN, because:

- The eco-system seemed to be a theme across all of them.
- A priori, the co-researchers could not determine which potential resources might become strategic resources in the future.

- The team was very interested in understanding the implications of its strategy across all five because even if a resource was not “strategic” (i.e. VRIN), the team still had operational responsibility for its management.

Figure 29 identifies the agreed changes or developments of flutter’s marketing resources and potential marketing resources. The two VRIN-passed resources are identified in the shaded boxes.

Figure 29: Changes and Developments of (Potential) Marketing Resources	
Resource (or potential resource)	Impact of the marketing strategy
Customer insight	<ul style="list-style-type: none"> • Transfer insight to new markets and products. • Increase bookmaker knowledge. • Learn how to do cross-selling. • Learn about networks of market-makers.
Eco-system: customer base	<ul style="list-style-type: none"> • Focus on recruiting and developing market-makers, not merely profitable customers. • Proactively de-market to customers that drain the system. • Build networks – encourage big betters to build parts of the flutter eco-system by recruiting their personal networks of betters to the flutter site.
Partnerships	<ul style="list-style-type: none"> • Partnerships need to support flutter’s overseas expansion recognising that truly global deals are difficult because flutter won’t be in the USA. • “Big league” partners need to be developed.
Brand	<ul style="list-style-type: none"> • From “me too” to a differentiated brand. • Global brand required for overseas expansion.
People	<ul style="list-style-type: none"> • “Scale up” the limited number of marketing people and make their skills transferable abroad. • Decision about how we manage growth overseas without losing the learning capability.

Flutter would leverage its customer insight resource to gain share of the UK market and expand to Hong Kong. The team wanted to make this insight more explicit; “codified” was the word used in the workshop. This would enable it to transfer to new geographic markets and products. The customer insight resource would be extended to build the eco-system further and specific targets for this insight were: (1) bookmakers, who were seen as the next logical group of business partners for flutter

because of their potential contribution to the site's liquidity¹⁸ and (2) light gamblers, whose behaviour was needed to balance the system. Marketing would develop its ability to cross-sell to customers and restrain the activity of those customers who drain the eco-system of liquidity and create imbalances through the eco-system.

The eco-system (customer base) resource would be managed for improved liquidity. The inquiry team members would "co-opt" key market-making betters¹⁹ and build smaller eco-systems around their activities. Related to this, flutter would provide special incentives to these key market-makers so as to recruit their network of betters to the flutter site.

TL suggested that partnerships, currently not a strategic (i.e. VRIN-passed) resource, might become strategic if flutter became the first multinational operator. Flutter would be the most attractive partner for web sites looking for an international betting partner enabling flutter to create partnerships that recruited new customers at lower cost than its competitors. TL observed that flutter would need to "move into the big leagues" and increase the professionalism and manpower devoted to partnership management when dealing globally with major web sites.

The inquiry team had difficulty identifying the impact of the marketing strategy upon the brand and felt uncomfortable with this conclusion:

..... *"At some point, we will move beyond me-too to Betfair"* (TL)

The team agreed that the strategic (i.e. VRIN) aspects of the people resource were embedded in consumer insight. Nonetheless, TL suggested that flutter needed to "scale up" the marketing people resource and make it transferable to overseas markets.

The researcher asked the inquiry team to think about additional resources not covered by the five current potential marketing resources that might be needed to execute the marketing strategy. None were identified.

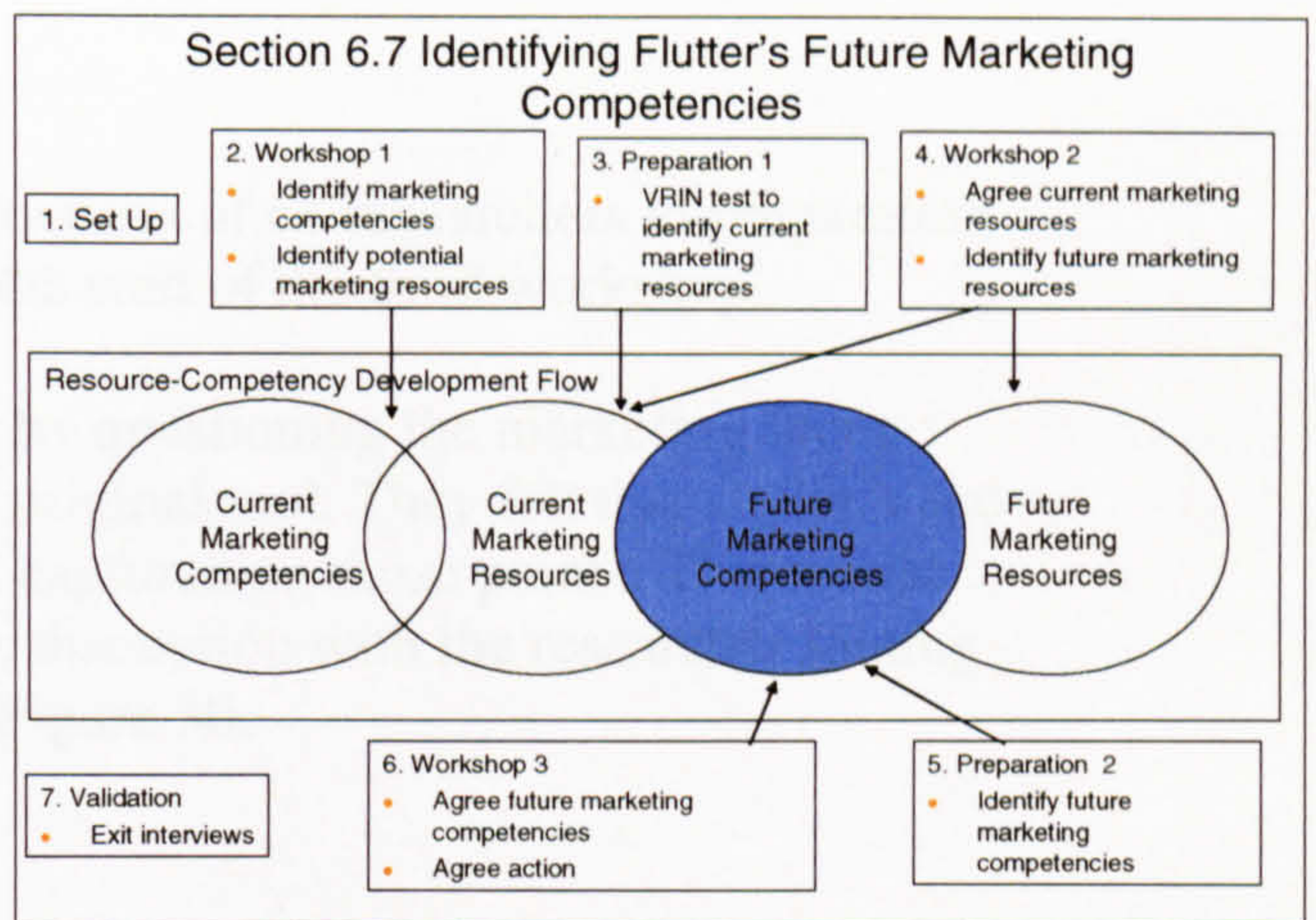
6.6.2 Researcher's reflections

The researcher noted that flutter managers took far greater control of the inquiry process during the second workshop. The amount of time that the researcher talked in the second workshop was much less than in the first. There was very little time spent discussing the frameworks and tools; flutter managers had become confident and competent in applying the tools and concepts to their business. The inquiry team was developing its ability to be self-critical and reflective. Members of the team were

¹⁸ Bookmakers traditionally spread their risks in a process known as "laying off" bets. Successful bookmakers, because of the size of the risk they carried, could add significantly to the site's liquidity. Flutter was already experimenting serving bookmakers at the time of the inquiry.

¹⁹ The team felt that some of the biggest betters on the flutter site could build markets for flutter through both the size of their betting activities and through the network of colleagues and associates that they might encourage to bet with flutter as well. These most influential of customers might also be well known amongst serious betters; when their activity on flutter's web site became known, they would become magnets attracting other betters who respected the influential customers.

spontaneously asking each other the type of questions that the researcher would have asked had there been less contribution from co-researchers. Examples of this include co-researchers asking aloud: are we just repeating accepted wisdom on this issue, or are we convinced? How do we know that? Can we find out more information? They considered marketing resources in the context of their ability to add value to the business and then kept asking if those resources made the business more competitive, more profitable.



6.7 Identifying flutter's future marketing competencies

This section identifies flutter's future marketing competencies and describes how the inquiry arrived at them by illustrating the future demand management competency scoring tool. Detailed descriptions of the other three competencies are in Appendix 7.

The overall score for future demand management was 2.4 versus 2.0 for current demand management, signalling a move towards a mix of relationship and network marketing from pure relationship marketing. The future demand management competency scoring tool is illustrated in Figure 30. The reader will note that the tool has been modified by the inquiry team on the basis of the co-researchers' ongoing reflection through the inquiry. The changes are highlighted in red and are explained in the subsequent sub-sections. There have been changes to the other three competency scoring tools and these are also identified in Appendix 7.

Figure 30: Future Demand Management Competency at flutter

<u>Form of Marketing</u>	Transaction (Score =1)	Relationship (Score =2)	Network (Score =3)
	Identify and exploit demand	Identify and exploit individual stakeholder interests over time	<ul style="list-style-type: none"> •Balance supply & demand •Manage consumer communities
<u>Measures</u>	<u>Marketing Focus</u>		
Creating Demand	Score 2.5 <ul style="list-style-type: none"> •Market segmentation •Brand/reputation •Mass marketing skill •Advertising/promotion •Partnerships 	<ul style="list-style-type: none"> •Customer segmentation •Customer development •Differential marketing - bi-directional 	<ul style="list-style-type: none"> •Build market liquidity •Referrals, word of mouth •Community portfolio •Standards leadership •Complements development
Planning Focus	Score 2.8 <ul style="list-style-type: none"> •Market share - turnover 	<ul style="list-style-type: none"> •Share of wallet 	<ul style="list-style-type: none"> •Balance supply and demand •Frequency, recency •Value of contacts
Basis of Competition	Score 2.0 <ul style="list-style-type: none"> •Scale •Innovation 	<ul style="list-style-type: none"> •Scope •Service quality 	<ul style="list-style-type: none"> •Market liquidity •Market functionality •Standards •Installed base •Content management
<u>Overall</u>	Score 2.4		

The competency scores were first generated by pairs of co-researchers in preparation 2 and then agreed by the full inquiry team at the start of the third workshop.

TL and NA opened their preparation meeting by questioning the marketing focus bullet points under network marketing on the original tool. They felt that flutter's ecosystem was a network but its essence was not captured on those points. This would make scoring difficult. There was a three-way discussion with the researcher joining in and the tool was modified as illustrated in Figure 30.

6.7.1 Creating demand (future)

The creating demand measure moved from 1.8 in the current competency scoring tool to 2.5 for the future. The pair felt that flutter would change its approach to building its business from its current approach of developing one profitable customer at a time, to building whole markets quickly. Big betters could create the liquidity required to build those markets quickly and TL argued that they had an economic interest in working with flutter to build new markets. The researcher noted that TL demonstrated a large shift in his language from the first workshop where he talked mostly about targeting the big betters. In this second preparation session, he suggested that getting flutter's big gamblers to draw in their own networks could reduce the cost of creating more demand and enable flutter to leverage its scarce people resource and capacity for more work:

..... "It makes the business easy to run when your customers are doing the work for you. Relationship marketing can be draining..." (TL)

6.7.2 Planning focus (future)

The planning focus measure moved from 2.2 (current) to 2.8 reflecting the view that in order to build markets in this way, growth must be planned as a balanced ecosystem:

..... "We must maintain the focus on the customer acquisition strategy to ensure that backers and layers are in sync. When you step back, our customer acquisition is really focused on backers. Then (we talked to) bookmakers and serious betters, we encourage people to lay. We have brought on the layers and the same backers are now upping their spend. We were not maxing out on the backers before." (TL)

6.7.3 Basis of competition (future)

The basis of competition did not change, remaining at 2.0. The conversation, however, focused upon a change in the basis of competition from attracting key customers to developing liquid online betting markets, country by country, quickly. The conversation led the pair to modify the bullet points for network marketing - basis of competition (Figure 30).

6.7.4 Overall score (future)

The overall score of 2.4 was generated as an average of the three scores in the absence of anyone feeling that one measure was more relevant than the others.

6.7.5 Other competencies (future)

The following sub sections provide a brief summary of the discussions about the other three competencies, the full details of which are in Appendix 7.

6.7.5.1 Creating marketing knowledge (future)

This measure scored 2.8 versus 2.3 (current marketing knowledge competency score). The co-researchers identified the role of learning about big betters' behaviour, and insight into the role flutter's partners' customers played in the successful implementation of flutter's new exchange betting model. They agreed that maintaining a balance over the exchange site as it grows requires enhancements to flutter's marketing knowledge. For example, flutter would need to know more about big betters' networks, smaller betters' behaviour²⁰, partners' communities and customer acquisition costs via different media. The co-researchers talked about the evolution of this competency in terms of continuing the current trajectory of its evolution although becoming more fine-grained.

6.7.5.2 Creating customer value propositions (future)

This scored 2.5 versus 1.4 (current). It was the biggest shift in competency score albeit from the lowest baseline. The co-researchers felt that the flutter brand was a problem; the customer image still represented the launch position of casual, amateur betting. They identified the need to create a brand for the eco-system; the inquiry team could not find any examples of other successful system-like brands. Unlike creating marketing knowledge, this shift was not about continuing and deepening the current situation; flutter was seeking a change in direction. There was an aspiration to address the brand problem, but the shift was so large that the team admitted it did not know what to do about it.

6.7.5.3 Firm's relationship with customers (future)

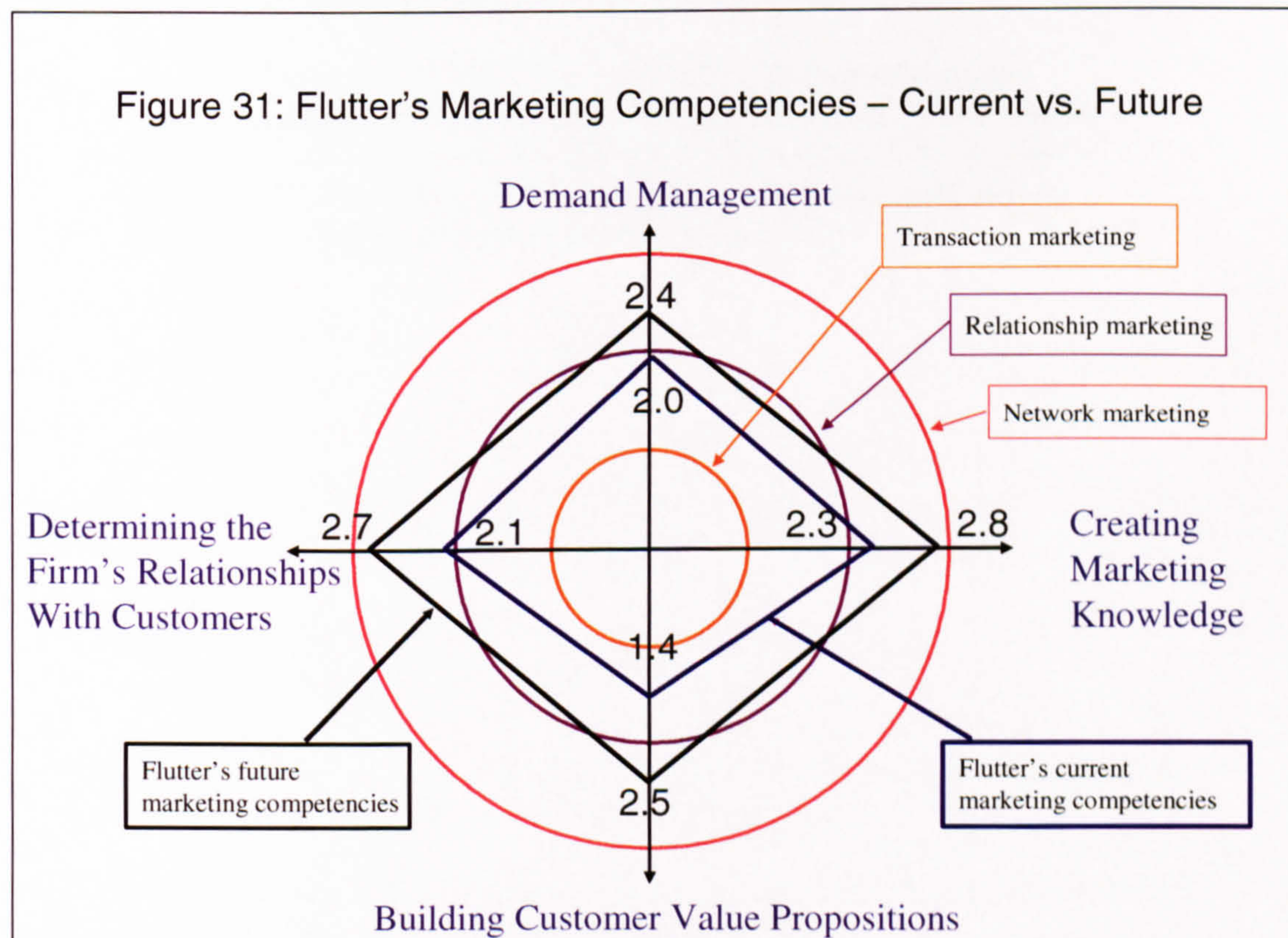
This scored 2.7 versus 2.1 (current). The biggest shift in co-researchers' understanding of how they must manage customer relationships was the realisation that satisfying the individual needs of big betters alone, would not permit flutter to

²⁰ Smaller betters were identified as a potential means of addressing imbalances in the eco-system. The inquiry had not yet identified what "smaller" meant with respect to turnover. It is the researcher's opinion that his co-researchers meant smaller than the big betters, but nonetheless regular betters for whom patterns of behaviour and response to marketing stimuli could be determined.

continue growing its business. The continued growth of flutter's eco-system demanded Marketing to maintain a balance across the activities of its customers because even one big better could unbalance the eco-system. When the eco-system became unbalanced, other customers were frustrated because the site could no longer accommodate their betting behaviour. For example, if a few people won too much, there would be a reduction of site liquidity or if there were insufficient layers on a football match, those who wished to back, would not be able to execute their bets and would go elsewhere (e.g. Betfair). In managing customers in the future, flutter would need to consider not only individuals' profitability, but their impact on the overall system. Flutter would need to learn the subtle skills of limiting the activities of some of its best customers at certain times and increasing the activity amongst other customers, who might not be as profitable, but whose behaviour addresses an important imbalance in the eco-system.

6.7.5.4 Flutter's future marketing competency grid

Figure 31 illustrates the future marketing competency grid compared with the current. It became a key artefact in the final workshop where actions were discussed as it provided a visualisation of what the inquiry had discovered to date.



6.7.5.5 Researcher's reflections

The future marketing competencies were developed by pairs of co-researchers during the preparation 2 stage and discussed and agreed at the beginning of workshop 3.

The researcher noted that the trend for the co-researchers to control the discussion and be more confident with the tools and concepts used during the inquiry that was evident in workshop 2, progressed even further in this stage. By the end of the discussion to agree future competencies, there was clear evidence that the inquiry team had developed the capacity to challenge itself: self-critical reflection and double loop learning. For example, in looking at the illustration of current versus future marketing competencies, BE initiated a discussion by noting that the shape of the future grid was so symmetrical, that he wondered if the inquiry team was not being sufficiently critical in its thinking. Others added that it was likely that they had been too generous in scoring the current marketing competencies as they probably had assessed the current situation both on what flutter really did and what they planned to do. The group discussed what the implications of this were upon the pragmatic actions that they were planning in consideration of the inquiry and felt that re-examining the current competency scores would not make any difference.

..... You are probably right, but I think the direction and shape remains valid and what we need to do becomes clear. I think this is a useful visual summary and think we should redraw it every few months to see how we are tracking against our future competency goals... that seems the most important score. (TL)

6.8 Actions

This section describes the actions that resulted from the inquiry, inclusive of planned actions. Figure 32 provides a summary in table format, followed by commentary to illustrate key points.

Figure 32: Flutter Actions Agreed at Workshop 3	
Marketing Competency	Agreed Actions
Demand management	<ul style="list-style-type: none"> • Initiate a referral marketing programme • Leverage network of key customers. • “Fill-out” the eco-system with bookmakers and light betters to relieve bottlenecks/improve liquidity.
Creating marketing Knowledge	<ul style="list-style-type: none"> • Increase collaboration with Customer Services, Product Development and Content Management departments (dissemination of knowledge). • Reinstatement of the customer electronic bulletin board.
Building customer value propositions	<ul style="list-style-type: none"> • No action agreed. It was acknowledged that in the short term future, flutter would need to create a more differentiated brand based upon the consumer benefits of its eco-system management.
Determining the firm’s customer relationships	<ul style="list-style-type: none"> • A new service policy has been developed and implemented during the inquiry as a result of the inquiry. • Differentiate customer treatment more on the basis of their contribution to the eco-system than individual profitability alone. For example, offer special advice to those losing a lot of money in order to retain them.

6.8.1 Demand management (actions)

During the discussion about leveraging key customers, TL informed the group that he had approached the CEO with the idea of offering the key market-making betters share options in flutter as a way of providing them with a powerful incentive to bring their networks to the flutter eco-system and assist flutter in developing new product markets. The idea was under consideration.

Experiments were underway about referral programmes. Some initial contacts with key betters were establishing the most appropriate way of approaching key betters so as to motivate their behaviour without diminishing their attitudes towards flutter.

Working with bookmakers had started, albeit tentatively, before the inquiry began but it was agreed that this activity would be accelerated and directed by the new-found understanding of how flutter wished to build its eco-system resource.

The team acknowledged that extending demand management to bookmakers and lighter betters would impact the other competencies. New marketing knowledge would need to be generated, different types of customer relationship skills would be needed (particularly for bookmakers) and the corporate brand development would be even more difficult to execute.

6.8.2 Creating marketing knowledge (actions)

The inquiry had already spurred co-researchers into sharing their new insights with Customer Services, Product Development and (web page) Content Development functions. GF and NA led this sharing effort as they felt it was important that others bought into the concept of the eco-system and that this term gained acceptance and “currency” across the Company. GF reported to the team that the head of flutter’s Product Development function asked to join the inquiry as it moved forward as he wished to study the outcome and draw implications for his own practice.

One year ago, flutter had withdrawn its electronic bulletin board that provided a discussion forum for customers. This was done both as a cost saving and to make less publicly visible the high level of complaints about the quality of the site. TL had been strongly in favour of the move whereas GF suggested such customer feedback would provide an excellent means for flutter to keep improving the site. They had agreed to disagree on this policy but at the final workshop the issue surfaced again. TL agreed that it was time to reinstate the bulletin board given both the learning from the inquiry and the improved quality of the site (there would be fewer negative comments than was the case in the past).

6.8.3 Building value propositions (future)

The conversation focused on the corporate brand rather than its specific product value propositions. Of the marketing competencies, this one was most ignored during the shift from flutter’s launch transaction marketing approach to its more recent relationship marketing approach. Investments in advertising and traditional brand management were halted to save money and focus management on more immediate priorities. The team agreed that a big shift was needed but that it could not yet conceive the actions. The team acknowledged its discomfort at this and GF agreed that she would take this issue away and come forward with specific proposals.

6.8.4 Managing the firm’s relationships with customers (future)

Between the second and third workshops, NA had drafted a new customer service policy that had been agreed with the Customer Services department. The changes to the policy acknowledged the team’s thinking about how it wished to develop demand in the future. Differences in how flutter provided customer service would no longer

depend solely on a customer's estimated profitability, but incorporate measures of the customer's impact on the overall eco-system.

6.8.5 Barriers and enablers to action

The pairs of co-researchers had prepared the barriers and enablers of action tools as described in Section 5.5.2.2 (Figure 21). However this did not appear to have contributed much to the inquiry. Some of the actions were already being implemented and no one identified any major barriers to implementation of future marketing competencies save the limits of time and money within which any manager operates. The researcher felt that in the very fast-paced world of a dot.com start up, decisions were made quickly, executives were close to operations and the culture was very much "just do it" rather than to build political consensus over time.

6.9 Exit interviews

This section presents the results of the exit interviews.

6.9.1 Improvements to co-researchers' practice

Individuals' practice was improved by the learning gained through cycles of action and reflection.

..... *"The whole process was extremely useful for me personally....and (I) could apply it to my everyday role here. (It) gave everyone in the group the chance to synthesise the actions they do in the day and get them down on paper..... We all knew about them (resources and competencies) such as the eco-system but never had the chance to sit down, discuss and understand how important it was for the future."* (BE)

..... *"The way of validating which marketing competencies were strategic was also very good – it was useful to get numbers, analytical substance behind what were only theories in the past. Only criticism is that we did not have enough time as we are too busy to really think about if it is the right score we are giving this."* (BE)

When asked about actions, BE responded...

..... *"Definitely, I have prioritised the customers that I have dealt with according to some of the learnings that I have drawn from this. They are things I knew in the past but would not have acted upon them. I have definitely used things I have learnt here. I have used this process as a way of inputting what I do to the rest of the group and teaching the group what I do, but other things, like the brand, I am learning from others.... this (inquiry) has added more purpose to it (the marketing team's work) and expedited the process a lot. It is difficult to say if we would have acted in the same way."* (BE)

GF felt that the quality of the marketing discourse in flutter, prior to the inquiry, had been low and was pleased that Marketing was leading this inquiry whose remit touched on areas that few in flutter recognised as marketing, such as customer service and site liquidity.

..... *"People here felt that marketing was about delivering advertising."* (GF)

GF attributed the development of a new customer service plan that created differential treatment for customers for the first time, to this inquiry.

..... *"It validated some of the stuff we do, the eco-system. That got taken through to CS (Customer Service Department) and they built a new CS plan around that."* (GF)

GF also began informal meetings with the head of Product Development to discuss what she was learning from this inquiry and if they could tie improvements to the site to the learning. The head of Product Development was fascinated by the study and spent 30 minutes with the researcher after the GF exit interview.

NA started to engage with the Customer Services department in a completely different manner based upon the learning from the inquiry. Talking about acting on the idea of differentiating customer service for its most important customers, she said that

.....“It had kind of been there, but never pushed forward. After the first workshop we realised that these customers are really important.” (NA)

Prior to the inquiry there was no strong relationship between her lapsed user programme and CS; they did not share knowledge nor had NA *“really talked to them before”*. She took the initiative after the first workshop and built a better working relationship with that team. CS and NA began to share customer files so that CS knew which customers Marketing thought made the most important contribution to the eco-system and CS began to feed NA contact information on key lapsed users to enable NA to improve her mailings to those people.

TL admitted scepticism at the start of the project:

.....“My concern was that we would go too high level or abstract, but after the second session we started to dig and people really engaged.” (TL)

He personally felt that the demands of a start up like flutter meant that he could never find the time to reflect on what he was doing. The structure and process forced him to make the time and he very much appreciated it. His own practice did improve as the result of this project.

.....“I get one or two customer issues a day and now I automatically lock in to how important they are (in the eco-system) and that is locked in, it’s a given now.... Do I want to deal with this issue, how important is it?” (TL)

He also borrowed a term from the marketing knowledge competency grid and claimed that the dissemination of marketing knowledge was improving as a result of the learning on this inquiry.

.....“That was very clear that we sit down with the Customer Service team and the Product Development team and communicate the right knowledge.” (TL)

The researcher also reflected upon improvements to his own practice as part of thinking about adherence to principles of co-operative inquiry. The researcher did so by contrasting how he felt about the inquiry and his contribution contrasting that with his previous experiences as a management consultant. Aside from the overt concern with contributing to theory, the researcher found two major differences between being the catalyst for the flutter inquiry and consulting: (1) consulting assignments are undertaken for senior management’s benefit with clear expectations of outcomes whereas inquiry is for the benefit of operational managers and their own improvement

and (2) inquiry demands the researcher to reflect upon each meeting with greater rigour in order to adhere to its democratic principles.

The researcher felt more “with” the co-researchers than in traditional consulting assignments, under less pressure to deliver to the expectations of people not directly involved in the inquiry and a more sensitive listener. The subsequent section demonstrates that the co-researchers felt much the same and rated the researcher’s performance highly.

6.9.2 Democratic process

Figure 33 illustrates the scores on a scale of 1-10 generated from individual exit interviews (Section 5.5.3 – Figure 22) as to the extent to which co-researchers felt that the inquiry process was managed by and for them and that the frameworks generated were “theirs”, relevant to flutter’s immediate needs.

Figure 33: Individual scores					
	TL	GF	BE	NA	Average
Process	7	8.5	8	9.5	8.25
Frameworks	6.5	8	8	8.5	7.75

The team viewed the researcher’s role in managing the process as helpful rather than controlling. There was strong endorsement for him attending the preparation sessions, summarising key meetings and producing PowerPoint slides before the workshops for people to review.

.....An ultra democratic approach “would not have worked. It was good that you gave us structure” or it would not have got done. It would have gone to the bottom of the pile. It worked that we set apart time to talk... had we been left to sit at our desks and fill in the forms, it would not have got done.” GF said emphatically, “At no point did I feel like we were filling in boxes... at all. I felt you were doing it more for us than for you all the way through. One of the things that really helped was that it was very much about us but the examples and theory helped. You combined the theoretical bits with the – let’s put it into practice- and we changed the wording to suit us”. (GF)

Co-researchers endorsed the need for someone to own and manage the process, but appreciated the researcher’s flexibility and sensitivity in so doing:

.....“You took on a lot of the burden but that is just accelerating the process... it was critical looking at how hard those guys work. You drove it from a work rate and structure... we drove you away from some hypotheses... we said “no that is wrong”... had we just rubber stamped, it would not have been as valuable... you had a good balance”. (TL)

.....“It was important that it was an 8 (referring to the process and framework 1-10 scores) in order to make it an efficient process. In the first two meetings it was your process, but when we started to (work) with it, it was a team

process. I think you were very good at revisiting and being flexible in working with us to come to definitions. We might not go the step further. You pulled out the stuff that was important.” (BE)

..... “By the end of it, you just sat back and let us get on with it. We knew what we were trying to do.” (NA)

When probed about hidden agendas, unsaid “truths” and people’s ability to speak their mind and be critical, individual co-researchers stated that flutter, and their group in particular, was open and honest. Team members did not believe that there were hidden agendas, gaps between espoused theory and theory in use (Argyris, 1973) that compromised the inquiry. Asked about hidden agendas, NA said

..... “Absolutely not. We are quite honest and happy to argue. No one put on any pretence and (assumed that they were) always right. There was no hierarchy.” (NA)

6.9.3 Co-researchers’ learning

There was strong evidence that the team learnt through the process and intended to establish a sustainable learning system and expand the inquiry. All of the co-researchers felt that there was strong learning through the process, itself a function of their reflections individually and collectively. The learning was ascribed to a combination of being given some time and structure in which to think as well as working together.

All felt their critical facilities grew with increased familiarity with the theories, frameworks and tools. They all suggested that their assessment of the current marketing competencies was, in retrospect, “too high”. They also felt that as the shapes of their competencies rectangles were so similar current to future that perhaps they had not been discriminating enough.

..... “Picked up that the rectangular shapes were too similar and we were too nice to ourselves at the beginning.... We were a lot more critical at the last one (workshop).” (NA)

..... “Where we want to be, we got pretty close, where we thought we were a bit ambitious. I would have the marketing knowledge closer to a 2, again on the customer relationships side we were closer, ask me again... between 1 and 2.” (TL)

..... “ We were critical about revisiting our scores (and) ... the work of the other groups.” (BE)

There was also a strong endorsement of the view that the inquiry revealed tacit knowledge and made it more useful to the firm.

..... Definitely. I am very aware of how long it takes people to adapt their way of thinking to new theories and new vocabulary. So the word eco-system was

introduced a long time ago and yet it is only through constant repetition that it gets through to the rest of the company that you get any adoption. This process has really helped drill these theories and that vocabulary through the group and that would filter down to the company.” (BE)

There was evidence that the team intended to make this inquiry an ongoing process to reinforce and extend the learning.

GF invited the head of Product Development into the process and was keen to move to a further level of detail. She wanted more precise actions to follow and for them to be developed in a shorter time period.

TL invited the researcher to present to the Board of Directors and to hold a follow up workshop to measure progress bridging the gap between current and future marketing competencies (Figure 31) and implementing the agreed actions (Figure 32).

.....“Going forward we would use all of it (learning from the inquiry)” (BE)

...”This is going to affect where I take my career, with regards to what I concentrate on and which bit of my experience here I take.” (BE)

6.9.4 Follow up contact with flutter managers

Flutter and Betfair merged shortly after the end of the inquiry process and before the researcher’s scheduled presentation to the founders. Two of the inquiry team accepted positions with the merged company; TL and BE took similar positions to their current roles in the new and enlarged group. However, the slides prepared for the scheduled presentation were agreed by all four members and this provides a measure of validation of the researcher’s description of the findings.

The researcher has had three follow up telephone meetings with each team member and regular email contact. BE confirmed that the assumptions made about flutter’s superior (versus Betfair) customer insight resource and conceptualisation of the ecosystem were accurate. He was implementing the marketing competency plans agreed in the flutter inquiry in the merged company.

The researcher co-authored a case history with GF published in the European edition of an international textbook on marketing research (Maklan and Field, 2003). Each co-author wrote 750 words about the inquiry from their own perspective and then met to compare notes and agree a final wording. The copy is attached in Appendix 8 and provides further evidence of the adherence to the principles of co-operative inquiry.

The flutter managers all received an earlier version of these findings to permit comment. Only BE had time to read and comment; for the others, it was too much of a commitment with no practical benefits for them.

6.10 Key findings from the flutter inquiry

This section draws conclusions from the key findings of the flutter inquiry with respect to RBT, marketing, economics and action research. These conclusions will, subsequently, be compared with those generated from a second inquiry before the researcher proposes his final contributions to knowledge and practice.

6.10.1 Findings related to RBT

As suggested by literature (Rouse and Daellenbach, 1999), resources proved very hard to observe directly. Resources were inter-subjectively created by managers and therefore continually evolving. The inquiry team was able to develop a more profound understanding of flutter's marketing resources through repeated cycles of reflection and action. As the inquiry progressed, and the understanding of flutter's marketing resources and competencies developed, the competencies themselves began to change as a result of that understanding. Because resources and competencies are continually co-evolving, the researcher concludes that it may not be possible (or relevant for practitioners) to define unchanging, objective marketing resources for flutter. Researchers must break into the resource-competency development flow to observe either. Therefore, detached observation through surveys, interviews or case study would not enable observation of flutter's marketing resources and competencies.

The inquiry kept looking for marketing resources by bundling, redefining and reconsidering the pathway to value. In this sense, the process is subject to the criticism that RBT is tautological; the inquiry kept redefining resources until it found the essence of what was behind flutter's recent success. This was evident in the discovery of the eco-system resource. However, from a managerial perspective this process of discovery and learning was tremendously valuable for flutter as it enabled it to make better marketing decisions and for its managers to improve their practice.

The understanding of current marketing resources was greatly aided by VRIN-testing. Whilst in the literature, VRIN is used for assessment or evaluation, in this inquiry VRIN-testing was a means of revealing tacit knowledge and moving between layers of understanding. The knowledge generated was inter-subjectively created; there were no detached measures of right or wrong when applying them. With use, co-researchers became much more confident in their application of them to flutter's marketing resources.

When considering future marketing resources, VRIN-testing was less useful. The inquiry did not see a need to VRIN-test the future resources agreed in workshop 2 and did not limit its study of the impact of marketing strategy upon future resources to the two VRIN-passed ones. Flutter managers insisted on including in the analysis, those resources that failed the VRIN-testing because they would need to develop them nonetheless.

A purely VRIN focus on identifying and developing resources risks reinforcing core rigidities, the competence trap (O'Driscoll, Carson, and Gilmore, 2001; Leonard-Barton, 1992) and would not have allowed flutter's marketers, for example, to recognise that the corporate brand might become a resource in the future. An implication of this was a realisation that the firm must reverse its neglect of brand management.

Having identified the brand as a future strategic resource, even though it failed to meet the VRIN criteria, the inquiry failed to provide any action or real commitment to action that made the researcher confident that flutter would successfully develop that resource and the value proposition competency underlying it. This was in stark contrast to the actions for the other three competencies, many of which began during the inquiry process. The researcher notes that the value proposition competency shift from current to future was very large whereas the others were more modest. Yet, no actions were identified to make this large leap. This supports an assumption of the marketing competency framework, that competencies lay on a continuum between transaction and network marketing and evolution between them is gradual rather than characterised by big, single leaps across the continuum.

There was little, if any one-to-one relationship between flutter's marketing resources and its marketing competencies despite their interdependent nature. Brands and building value propositions were the most directly related, but for example, flutter's eco-system relied upon at least three competencies: demand management, generating marketing knowledge and managing customer relationships.

6.10.2 Findings related to online marketing

This section discusses findings relating to the observed changes between current and future marketing competencies, summarised in Figure 34.

Figure 34: Summary of Marketing Competency Shifts (Current to Future)		
Competency	Score: Present – Future	Agreed Actions
Demand management	2.0 to 2.4	From growth in turnover to balanced growth across the system. Share demand creation with market-makers.
Creating marketing knowledge	2.3 to 2.8	Extend creation and dissemination of knowledge to more detailed understanding of individual's impact on overall system. Extend the eco-system to bookmakers and some light betters.
Building customer value propositions	1.4 to 2.5	From a purely descriptive "label" approach to branding to the creation of a relevant, differentiated offer.
Determining the firm's relationship with customers	2.1 to 2.7	Shift criteria for determining valuable customers from individual profitability to a balance between profitability and contribution to the system. Develop a programme to encourage market-makers to help build the system. Extend relationship management to bookmakers and perhaps light betters.

The development of network marketing competencies was predicated on a successful move from transaction to relationship marketing; the network marketing competencies were an extension of the relationship marketing ones.

The change in the creating marketing knowledge competency was the precursor for changes to other competencies. Without the detailed understanding of individuals' behaviour and its impact on the overall eco-system, flutter could not develop its customer and demand management competencies. The importance of these competencies was reflected in the priority attached to consumer insight as a resource at the beginning of the inquiry and its high score for the future: 2.8, the highest of the four competencies. The future competency was a deepening of the current competency rather than a shift in direction.

Flutter's future demand management competency would emphasise the need for balanced growth through its eco-system. It was already focusing its customer acquisition activities on relieving bottlenecks in the eco-system, such as greyhound layers. Supply and demand in this system were related and demand management had some of the attributes of being a broker. However, flutter's role was to act behind the scenes to ensure the system was balanced and liquid as well as create individual customer solutions. Demand creation, in part, could be shared with market-makers who had the most to gain from increased market liquidity. This future competency also represents a shift from a relationship to a network marketing focus as flutter planned to create incentives for market-makers to share demand creation and consciously plan for a balanced growth across the eco-system. This shift would require commensurate shifts in creating marketing knowledge and customer relationship competencies.

The customer relationship competency would reflect the balanced growth of the eco-system. Flutter needed to learn how to manage the careful balance between rewarding profitable customers whilst ensuring that the eco-system would grow in balance and how to manage key market-makers. The future competency would entail changes to the current competency. Flutter would become as interested in the individual customer's impact on the overall system as the customer's profitability. It would also extend its relationships to bookmakers and some light betters in consideration of their impact on liquidity. The development of this competency would represent a shift from a relationship to a network marketing focus.

Whilst building the value proposition competency represented the biggest percentage shift of all scores, the inquiry team was not clear on the future competency direction. This was evidenced by the fact that it is the only competency area where there were no identifiable actions. This size of the shift was likely the result of the low (perhaps more realistic) estimate of flutter's current competency. The flutter team may have equated value proposition (brand) with flutter's reduced spending on advertising, PR and promotion and thus scored it low in the first workshop. There was a realisation, by the end of the inquiry, that flutter would need to develop a differentiated value proposition as it tried to pull ahead of Betfair and competed abroad against local firms. However, there was no clear and committed action plan against this task. Little can be concluded therefore about the nature of brand in an online network environment from this study.

6.10.3 Findings related to network marketing

The inquiry team felt that there was a relationship between the three forms of marketing in the framework: transaction, relationship and network. Flutter moved through all three forms in a short period of time. The flutter launch was based on mass marketing associated with a transactional relationship with consumers. A few months before the inquiry, flutter moved to relationship marketing and this inquiry helped co-researchers realise that flutter needed to develop into a network marketer. The move to network marketing was predicated on flutter having developed significant relationship competencies in creating marketing knowledge and demand management growing from its customer insight resource.

Consumer communities are considered to be a driver of discontinuous change for marketing practices in much of the online marketing literature (Achrol and Kotler, 1999; Kozinets, 1999; Sheth and Sisodia, 1999; Hagel and Armstrong, 1997; Hoffman and Novak, 1997; Hoffman and Novak, 1996). These authors propose that consumers will band together in communities characterised by both social relationships and consumption activities. Flutter's unsuccessful launch strategy suggests a boundary condition on the network marketing frameworks advanced by this literature. Flutter was the catalyst for a particular form of community: economic and not social in nature. The marketing focus suggested by this literature, with its emphasis upon social needs, is not aligned fully to the needs of flutter's form of community and hence important modifications were made to the competency scoring tools which were based upon this literature. The inquiry also advanced the researcher's and co-researchers' knowledge of how eco-systems function.

6.10.4 Findings related to network economics (externalities)

The economic nature of flutter's eco-system, and its impacts on marketing practices, are a result of strong externalities as defined by economists (Shapiro and Varian, 1999a; Economides, 1996a). Section 4.5.2 identified the predictions of economists upon marketing where externalities exist and Figure 35 compares the flutter findings to those predictions.

Figure 35: Network Economics – Observations versus Predictions		
Marketing Competency	Predicted Impact upon Marketing Focus	Findings from Flutter Inquiry
Demand management	Manage the evolution of standards and technology and development of complements.	Flutter's marketing team managed the evolution of liquidity but not technology and complements.
Creating marketing knowledge	Insight and management of switching costs.	Switching costs, whilst evident, were not as important as understanding customers' impact on the eco-system.

<p>Building customer value propositions</p>	<p>Changes to 4Ps:</p> <ul style="list-style-type: none"> • Price discrimination. • Product versioning. • Promotion objectives focus on managing expectation around standards and technology. 	<p>Product versioning and price discrimination were not evident; however, flutter did vary its service to frequent losers.</p> <p>Promotion objectives focus upon building and branding site liquidity (e.g. target greyhound layers).</p>
<p>Determining the firm's relationship with customers</p>	<p>Secure advantageous network position:</p> <ul style="list-style-type: none"> • Control over installed customer base. • Intellectual property rights. • Ability to innovate. • First-mover advantage. • Manufacturing ability. • Strength in complements. • Reputation and brand name. 	<p>The most salient marketing focus was reputation. Flutter built its reputation as an effective betting exchange with serious betters. However, Betfair's first mover advantage in reputation was overcome by flutter's better ability to manage the entire eco-system. Betfair's installed base, that is, existing customer base, was not the barrier to competition predicted by the literature. There was little intellectual property or complements. If one defines manufacturing ability as liquidity, then this did feature in flutter's relationship competency.</p>

6.10.5 Findings related to co-operative inquiry

Flutter managers appreciated co-operative inquiry was effective and time efficient for very busy operational managers.

Individuals' practice was improved and co-researchers felt more confident in their marketing knowledge, developed a common framework and language to support online marketing competency development and marketing practice at flutter improved. There is every reason to believe that this improvement would have been sustained over time; the merger with Betfair makes it impossible to verify empirically that this is the case.

The team's practice, including that of the researcher, was improved. Over the inquiry, the inquiry team refined its understanding of the strategic resource base and created a much more developed and common understanding of the eco system, its components, how it related to market liquidity and consumer insight and how it could be developed. The team created knowledge relevant to its operational needs and by reflecting upon that, became much better network marketers.

The findings support Gummesson's description of management action research (2000a:118-123). Action was taken, the knowledge created enables contribution to practice and theory, the research was highly interactive and the researcher played an

active role that enhanced the quality of knowledge production. The inquiry was part of a change process, for which pre-understanding (e.g. initial frameworks and tools) was vital to its success and knowledge was produced in real time. This inquiry demonstrates that it is possible (and necessary) for the researcher to play an active role without compromising the democratic and participatory nature of the process and managers' commitment to action.

The inquiry was helped by the dynamic nature of flutter and its business. Managers were committed to action and able to make small improvements to their practice whilst the inquiry was proceeding. The size of the business, the freedom to act and the fast-moving nature of the business contributed to the cycles of reflection and action that are central to co-operative inquiry.

7 Findings from the BMW inquiry

This chapter outlines the findings from the BMW inquiry. It is divided into the following sections:

- Background to the Company and its online consumer marketing (Section 7.1).
- Background to the members of the inquiry team (Section 7.2).
- Set up (Section 7.3).
- Identifying current marketing competencies (Section 7.4).
- Identifying current marketing resources (Section 7.5).
- Identifying future marketing resources (Section 7.6).
- Identifying future marketing competencies (Section 7.7).
- Actions (Section 7.8).
- Adherence to the principles of co-operative inquiry (Section 7.9).

7.1 Background

This provides a more detailed background to the firm than that provided for flutter due to the more complex nature of BMW's business. This section describes the background to BMW's UK business, an explanation of automotive block exemption²¹, BMW's existing online marketing activities and the sequence of events in the inquiry.

7.1.1 BMW's UK business

BMW is a market leader in the prestige automotive sector. It competes with Mercedes, Audi, Jaguar (division of Ford) and Lexus (division of Toyota). BMW GB is BMW's UK distributor and a wholly owned subsidiary of BMW AG which is headquartered in Munich. BMW GB is tasked with achieving profitable sales of BMW cars, accessories and parts as well as delivering high standards of customer service and brand development in the UK. Its primary tasks are the development of

²¹ Automotive block exemption relates to European legislation on automotive distribution and after-sales service. Major legislative changes were due to be announced whilst the inquiry was going on and the findings will demonstrate the important impact of this legislation on BMW managers' views of the need for changes in marketing competencies.

the UK dealer network, warranty management, advertising, promotion, pricing and determining the car accessories that form part of the standard UK car package. Product strategy, design, development and manufacturing are managed in Munich. Logistics is a shared responsibility between Germany and its countries.

BMW bought and subsequently disposed of Rover plc during the 1990s and in that process retained control of the Mini brand. Responsibility for the design and strategy of Mini moved to Munich, but the car is still built in the UK and distributed through BMW dealerships. Therefore, Mini dealer management and after-sales are managed by BMW GB. Mini's marketing and sales IT systems, including its customer database, are also managed by BMW GB as well. However, Mini's advertising, pricing, promotion and direct mailing are managed separately from the BMW GB marketing team.

BMW GB sold approximately 82,000 new BMW cars in 2001. Sales of new Minis in 2002 were approximately 35,000. BMW also sells a large number of used cars, accessories and financial products. The Company does not disclose turnover and revenue by geographical markets but the researcher estimates its UK turnover in 2001 to be between £2.5 billion and £3.0 billion. BMW GB was established in 1981 and prior to that date, BMW sold 20,000 new cars per annum through a third party agent. Market share, volume and profit have increased consistently, year after year since that time with the exception of one year only.

All BMWs are sold through authorised dealers that BMW GB manages. BMW GB kept a strict control over the number of dealers in the UK, their locations, the quality of the showrooms, sales training and service. There are approximately 154 BMW dealers in the UK owned by 90 different people/companies. Most dealers had been with BMW for many years and many are very wealthy due to the success enjoyed by the brand. The average profit per dealer was £750,000 per annum in 2001. Dealers are expected to meet BMW GB's standards for customer service and create the right brand environment for BMW. Attainment of these standards is measured continually through customer surveys and direct contact. Dealers are encouraged to make large investments in building and maintaining the highest quality showrooms, service facilities and staff training. For example, an average dealer invested over £250,000 preparing their showrooms for the Mini launch even before they knew their allocation of cars and its target retail price.

In addition to the dealer environment, BMW GB is responsible for brand development. This consists of advertising, promotion and some centralised customer support.

Consumer relationships are managed through dealers except for serious disputes between a dealer and customer where BMW GB acts as a final appeal court. However there is a grey area in this division of responsibilities between BMW and its dealers that is a constant source of negotiation. For example, if BMW GB funds and manages a web site that generates sales leads, BMW GB directs these leads to the right dealers and monitors the rate at which the leads are converted into completed sales. There is no compulsion on the dealers to act upon centrally generated sales leads and if the dealers don't act upon them, then the return on investment of centrally generated lead generation activities is poor and this calls into question central marketing investments.

However, if the centre does not invest in marketing, then overall demand might fall and all the dealers will ultimately be worse off.

7.1.2 Automotive block exemption

Potential changes to legislation of what is commonly referred to as “block exemption” feature prominently in the subsequent discussion of findings and therefore are summarised here as described by the co-researchers. The researcher has not undertaken a literature review of the issue as what matters in this inquiry is how the issue is perceived by the co-researchers.

The distribution of new automobiles within the European Union had always been subject to the block exemption from normal rules of competition. The block exemption allowed manufacturers to engage in practices that would be considered restrictive in many other industries. For example, manufacturers controlled the number of dealers per country, their geographic location and restricted technical expertise and information about car parts and servicing to their dealer network. Whilst consumers were free to buy cars from authorised dealers in other countries and import them to the UK, in practice, this was very difficult.

Block exemption was granted to the automotive manufacturers because, they claimed, the product and its servicing were sufficiently complex and expensive to require dealers to make substantial investments in sales and service training. Without protection from “free for all” competition, they argued, there would be no incentive to make such investments. This would make the consumer worse off in the long term, because they would buy inappropriate cars, with inappropriate financing and poor quality maintenance.

BMW managers acknowledged that block exemption was controversial and there was a feeling within the UK that it was a major reason why car prices had been more expensive in the UK than in other European countries. Block exemption was also seen as a contributing factor to high costs of after-sales service.

Block exemption was not granted in perpetuity. It came up for renewal in the 1990s and was extended to 2002. The appropriate EU Directorate was due to make proposals on its renewal and or modification September 2001; by the time of the first workshop, the Directorate had not yet published proposals. Critical to this inquiry, each member of the inquiry team felt that regardless of the Directorate’s proposals, car and after-sales service would be more competitive in the medium to long term future.

The Directorate did publish its recommendations early in 2002, after the final workshop but before the wrap up meeting. During the exit interviews, each BMW co-researcher said that these proposals went much further than he or most of his colleagues had expected. The detailed changes were described to the researcher by the project sponsor:

- BMW dealers could sell cars wherever they wished, thus permitting, for example, a Dutch dealer having a showroom in the UK.

- Third party retailers could buy BMWs from BMW GB at similar terms to its own dealers.
- Service and technical support must be offered to third party after-sales service companies on similar terms to dealers. BMW still has the right to insist that third parties demonstrate that they can provide a targeted quality of repair.

The changes are taking effect over time. Some changes took effect from October 2002, others from October 2003 and still others will take effect in the near future.

7.1.3 BMW's existing online marketing

BMW GB has had a web site since 1996, one of the first major car manufacturers to do so in the UK. In addition, it provides support for its dealers to develop their own web sites and analytical marketing tools for them to develop insights from web traffic data. Approximately 125 of the Company's 154 dealers had their own web sites at the start of the inquiry.

During 2001, BMW GB's web site received 400,000 monthly visits of an average 20 minute duration. Of those visits, 130,000 were unique. 45,000 digital brochures were downloaded each month. The web site generated 88,000 car sales leads that year, including 3,500 requests for test drives. BMW's LifeStyle Division sold £250,000 of BMW clothing through 3,400 orders online. All members of the inquiry team suggested that this figure would have been far greater if not for chronic out-of-stock situations throughout the year.

In 2001, BMW piloted an online scheme (BMW Direct) whereby one of its large corporate clients allowed its executives to configure their own BMW online and order it directly. The order was passed to a dealer for fulfilment as BMW GB could not directly sell cars to the public. This pilot was considered very successful; self-configured cars generated an average incremental £5,000 per unit in revenue and over 2,000 people configured their own car. The pilot was extended to more corporate clients through 2002 and is now being pushed down to the dealers to manage.

In the summer of 2002, BMW relaunched its used car online support service. Originally introduced in 1998, the service was greatly enhanced. It allows fully flexible national or dealer searches and stock notification. The relaunched service integrates dealers into a network and distributes used-car leads. A customer can find a car and immediately register their interest in buying that car. Each dealer can use the system to edit any car details and print their own point of sale material.

The management of BMW's online presence lies with BMW GB's marketing department. It maintains a national database, designs and operates the web site and will interact with any customers (online) that submit details to the web site.

7.1.4 Sequence of events in this inquiry

Figure 36 illustrates the timing of the major steps of the inquiry.

Figure 36: BMW Inquiry - Sequence of Events	
Event	Timing
Set up	Aug-Oct 2001
Workshop 1	5 November 2001
Work Package 1	12 November 2001
Workshop 2	23 November 2001
Work Package 2	Early December 2001
Workshop 3	14 December 2001
Exit interviews	1-11 February 2002
Wrap up presentation	25 February 2002
Follow up meetings and phone calls (7 in all)	Last contact May 2003

7.2 Background to members of the inquiry team

7.2.1 RD (Ecommerce and CRM²² Manager) – project sponsor

RD is a computer engineer by education but had spent the past 17 years in BMW UK Marketing. He was in his mid forties. He had been recently given the task to head up BMW GB's CRM programme and this included recommending policy and practice for direct relationships with consumers online. In addition to online relationships, he managed the customer call centre and direct mailings. He expressed a desire to develop BMW's online CRM capabilities; he believed that long term changes in automotive distribution would force BMW to develop direct relationships with consumers. As the inquiry progressed, it became clear to the researcher that he was widely respected within BMW as an experienced, pragmatic and effective manager. RD was not responsible for CRM at Mini.

7.2.2 NH (Head of Advertising)

NH managed BMW GB advertising development and the advertising agencies. He was in his late forties. Advertising and brand image were developed in conjunction with the UK Marketing Director and BMW AG Marketing. He had held this position for over seven years as had most of his contacts in BMW AG advertising with whom he needed to work. BMW GB had one advertising agency for national campaigns and separate agencies for other media. In addition, dealers appointed agencies to manage local (tactical) advertising and promotion: NH was responsible for building the infrastructure that ensured all these agencies communicated one clear brand positioning. NH did not manage the advertising development of Mini. NH left BMW six months after the end of the inquiry.

7.2.3 NB (After-Sales Development Manager)

NB described his responsibilities as the “commercial side of after-sales and marketing”. He was in his mid forties. He worked with BMW GB's Marketing function and its dealer network to develop turnover and profit in parts and accessories. He had been with BMW GB for three years; previously he held a similar position in Nissan UK.

Car owners whose vehicles were still covered by BMW's warranty generally went to BMW dealers for after-sales service. Dealers were obligated to use BMW parts during that warranty period only, so there was little competition for parts during the warranty period, generally three years and extendible to five. The BMW dealer network faced competition post warranty from independent garages, chains (e.g. Kwik-Fit) and

²² CRM = customer relationship management

retailers (e.g. Halfords) on accessories such as roof racks. Additionally, BMW was keen to expand its Lifestyle Division (clothing) for which NB was responsible. NB was responsible for both BMW and Mini.

NB was not briefed extensively by RD before he agreed to participate but was very interested in developing BMW GB's online marketing competencies in support of Lifestyle. He believed that as block exemption was eroded, BMW GB would require new marketing competencies in order to meet the requirements of a more competitive market.

7.2.4 IM (National Service Manager)

IM was responsible for the technical side of BMW service, working with dealers to ensure that they could provide service of the highest quality; after-sales service is considered a major factor leading to customer retention in this industry. He was in his fifties. Service quality is a function of the investment dealers make in their service centres, training and through the promotion of values/norms throughout the BMW dealer network. In addition to encouraging dealers to make these investments, IM represented BMW when customers could not resolve service issues satisfactorily through the dealer network; what he called "the court of final appeal". For example, if a car repeatedly broke down, IM could authorise a replacement free of charge at BMW GB's expense. More often, he would broker a deal whereby the costs of satisfying an unhappy customer would be shared between the dealer and BMW GB. IM was responsible for service and warranty of all products sold through the BMW dealer network including Mini.

He was also drafted into this project by RD and came to the first workshop with a limited idea of its objectives and his role.

7.2.5 TW (IT Manager)

TW was the manager in the BMW GB IT function responsible for developing and managing marketing and sales technology and process solutions. He was in his early forties. He was a member of the IT function but worked full time with Marketing to provide the necessary business input into the development of BMW GB's information technology. He described his job as working with marketing and sales managers in translating what the business needed into IT solutions that would work within the technical architecture and strategy of BMW AG and BMW GB.

TW was performing this function three years ago when BMW AG embarked upon the development of a customer database and analytic software (Top Drive). It was a global initiative but piloted in the UK. It had not produced any deliverable results at the time of the inquiry and was being superseded by another global initiative (Initium) that was even more ambitious. TW and RD were key UK representatives on the global work groups being formed to oversee Top Drive and Initium.

TW supported the existing online marketing technologies, the BMW GB web site and related online technologies for BMW GB. He was very familiar with the business and technology model behind both online marketing and CRM. TW supported Mini's sales and marketing systems as well as BMWs. He was invited to participate by RD and welcomed the opportunity.

7.2.6 DT (Head of BMW GB Motorcycles)

DT was scheduled to be part of the core team but was forced to miss the first workshop through work pressure and the final workshop after breaking his leg in a motorcycle accident. He attended the second workshop and preparation 2 meeting. He was in his fifties.

DT was in charge of marketing BMW motorcycles in the UK and had recently joined from Harley Davidson where he had direct experience of that company's relationship marketing programme: HOGS (Harley Davidson Owners Group). HOGS is renowned in the CRM and marketing fraternities as a highly successful initiative and a major contributor to that brand's improved business results during the 1990s.

He was invited to add external experience and perspective to the group and felt that he would contribute more to the learning than he would get out of it; nonetheless he was happy to participate.

RD also invited the BMW manager responsible for consumer finance (car loans) to participate but could not secure his involvement.

7.3 Set up

In June 2001, the researcher was introduced to RD through the Chartered Institute of Marketing (CIM) where he chaired its E-branding research programme. RD had recently been appointed to head BMW GB's E-Commerce and CRM effort and was interested to learn of this PhD research.

The first meeting was mid-August 2001. RD explained that online marketing and CRM were new, global BMW initiatives and he was concerned that BMW had a history of central marketing initiatives that failed to have impact at country level. He described that BMW's current, Munich-led, CRM programme (Top Drive) had been under development for three years but, despite the UK Company acting as a pilot and development ground for the programme, it had failed to produce workable solutions for BMW GB. RD was disappointed that BMW GB had invested time and money and delayed local relationship marketing programmes. This experience soured RD's enthusiasm for large, centrally directed programmes. He was particularly receptive to the message that co-operative inquiry favours learning-through-doing. He agreed to seek approval from his marketing colleagues and the marketing director for the inquiry.

RD then agreed to select the team to participate and asked for the researcher's advice. The researcher suggested that he find operational managers facing immediate decisions about investing/developing online consumer relationships with BMW drivers and willing to engage in cycles of reflection and action.

RD decided not to hold a separate introduction session (as happened with flutter) but to invite participation and introduce the project during the first workshop²³. This had repercussions which are discussed in various sections of the findings. In a meeting almost one year after the workshops, the researcher reviewed this decision and RD said that at the time he felt that had we gone through a process of volunteering, the project would not have started in a timely fashion. He was very committed to its outcome and used his role, and the topicality of CRM, to ensure that the inquiry would happen.

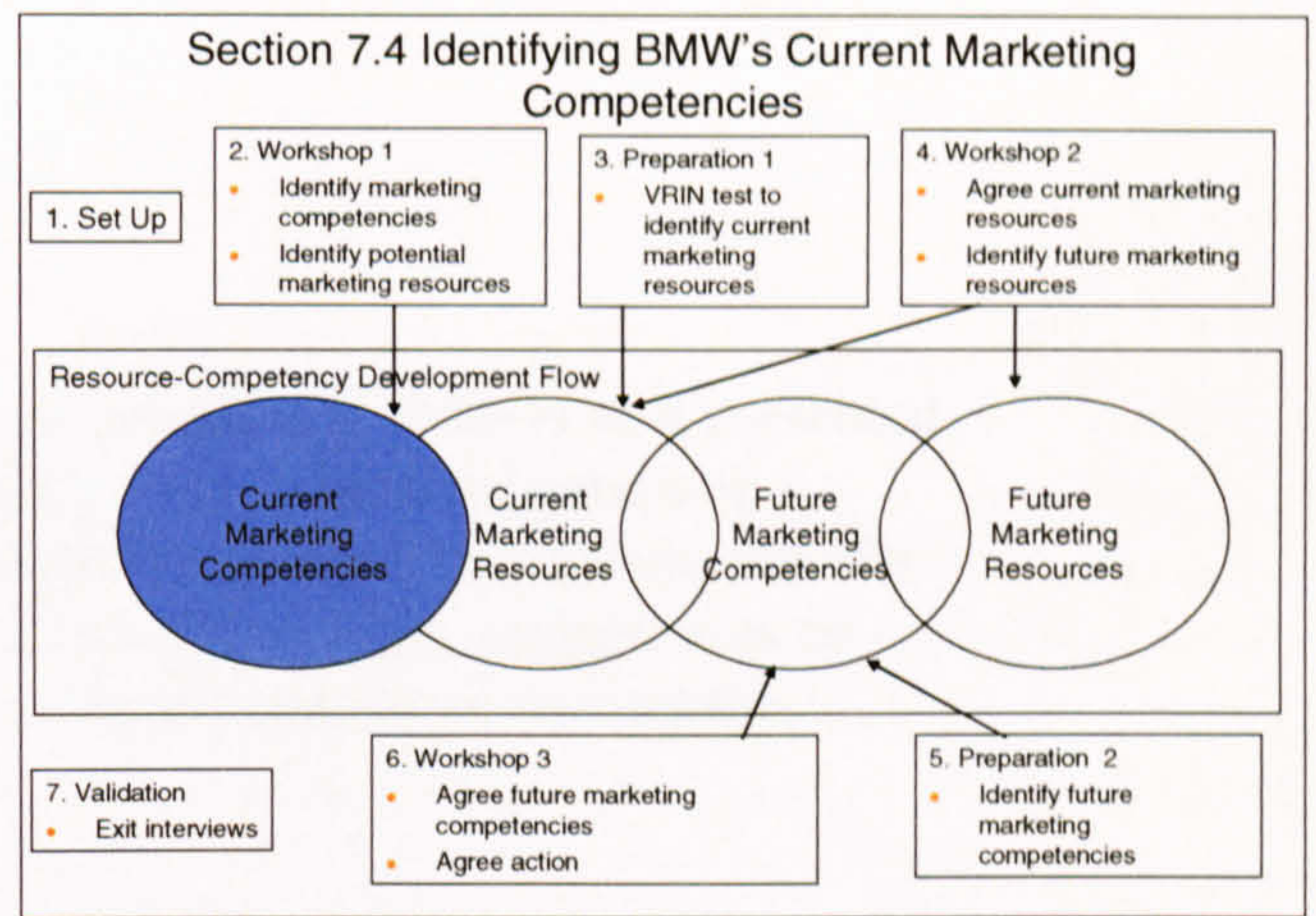
RD led the first part of the discussion and the researcher presented the project using the flutter introduction slides and exercises, albeit modified appropriately for BMW. This introduction led to several animated discussions about the role of brand and image in which everyone present participated, some exhibiting great passion in support of their points of view. The team discussed how changes to block exemption might impact brand image. The conversation moved to dealer relationships. The co-researchers felt BMW was much better than competitors at managing its dealer network because BMW's dealers had long tenure, enjoyed the best margins in the business and BMW had been successful in its product marketing strategy. They also felt that BMW had a level of confidence and cooperative spirit which was unique in the automotive industry. They contrasted that with Mercedes who was buying out its dealers (destroying decades of trust) and the mass market brand dealers living on

²³ The first workshop was four hours to allow the extra time needed for the introduction of the project.

razor thin margins and subject to wild swings in demand. They were concerned that as BMW increased its volumes, dealers would be pushed to chase volume and this would be a new and uncomfortable experience for them. The conversation then shifted to the future and team members expressed a wide degree of concerns about new forms of distribution, BMW's plans to expand its product range and the potential loss of exclusivity as BMW sales volumes increased. There was a range of opinions about the potential role for interactive, one-to-one consumer relationships but a consensus that developing online relationships would be an essential part of BMW's future marketing activities.

Through these discussions, the researcher outlined the stages of the inquiry and his expectations of their participation. After about one hour, the researcher asked every member of the group if they were still interested in the project and wished to proceed. He emphasised that it was not the time for politeness and if they would prefer to think about it, the researcher would be happy to return at another date to discuss further. However, there was no hesitation and each member of the team volunteered to carry on for the three workshops demonstrating enthusiasm for the project.

The researcher reflected that the co-researchers had great passion about their Company, its brands and its products. There seemed to be genuine concern that BMW should excel at all aspects of marketing and that excellence must extend to online consumer relationships. There was also considerable uncertainty with regard to changes in the distribution of automobiles and the fact that this would directly affect their day-to-day practice.



7.4 Identifying BMW's current marketing competencies

This section describes BMW GB's current marketing competencies and provides the marketing competency scores generated by the inquiry team during the first workshop. This is accomplished by describing the demand management competency to illustrate how the team created scores and the depth of the reflection. The other three marketing competencies are discussed in this section only briefly; a thorough review of the discussions and scores appears in Appendix 9.

The completed demand management competency scoring tool is illustrated in Figure 37. The inquiry team scored this competency as 1.7. The discussions of each of the three measures that generated that score follows below. The co-researchers modified the tool during the first workshop; these changes are highlighted in red and also discussed below.

Figure 37: Current Demand Management Competency at BMW

<u>Form of Marketing</u>	Transaction (Score =1)	Relationship (Score =2)	Network (Score =3)	
	•Identify and exploit demand	•Identify and exploit individual stakeholder interests	•Identify and leverage community resources	
<u>Measures</u>	<u>Marketing Focus</u>			
	Score			
Creating Demand	1.5	<ul style="list-style-type: none"> •Market segmentation •Brand/reputation •Mass marketing skill •Advertising/promotion •Partnerships 	<ul style="list-style-type: none"> •Customer segmentation •Customer development •Differential marketing - bi-directional 	<ul style="list-style-type: none"> •Community portfolio •Standards leadership •Complements development
Planning Focus	1.3	<ul style="list-style-type: none"> •Market share - turnover 	<ul style="list-style-type: none"> •Share of wallet 	<ul style="list-style-type: none"> •Frequency, recency and value of contacts
Basis of Competition	1.5	<ul style="list-style-type: none"> •Scale •Innovation 	<ul style="list-style-type: none"> •Scope •Service quality 	<ul style="list-style-type: none"> •Leverage standards, installed base •Content management
Brand	2.5	•Image	•Advertise to owners	•Negative associations
Overall	1.7			

7.4.1 Creating demand measure

This scored 1.5. The workshop discussion that generated that score is best presented using the 4Ps framework, perhaps the most widely used conceptualisation of transaction marketing (Gronroos, 1994). Although Workshop 1 did not use the 4Ps framework, the researcher's reflections and analysis of the tapes, suggest it as an efficient framework for describing the discussion in the context of writing this section.

7.4.1.1 Product

Product was the immediate focus of the discussion. The BMW car was described as a "driver's car", that is, it creates a driver experience that will feel more "connected" to the road rather than the refined luxury of, for example, a Mercedes. The team said that the driving experience is due to the Company's unique design and manufacturing strategy; it remains the only volume car maker to produce rear-wheel drive cars. All high performance sports cars use rear-wheel drive and it is an article of faith with everyone in the Company that this is the way to build cars that are exciting to drive. The cars are also perfectly balanced between the front and rear of the car. These two design traditions are convictions that BMW uniquely maintains amongst volume car makers. This results in cars that generate a superior ride and experience for those people that enjoy the "driver's car" experience. The team acknowledged that not all people like that experience; BMW was a "niche" product but unique for those looking for its driving characteristics. All BMWs, to date, are built to generate that experience so that the customer value created is attributable more to the manufacturer than it is to any one model (e.g. 3, 5 or 7 series).

7.4.1.2 Place (i.e. distribution)

Distribution has always been through BMW authorised dealers. These dealers have made significant investments in their showrooms, staff development and technical service to provide excellent service and environment. The ability to control distribution, coupled with the desirability of the product has created higher trade-in values (lower depreciation) for BMW than almost any other car sold in the UK.

7.4.1.3 Price

RD described the BMW's value proposition as "head and heart." The cars are highly desirable and that appeals to the heart. The absolute price of the cars is higher than the average prices in the market and this generates higher margins and maintains an aura of exclusiveness. However, BMW cars depreciate at a slower rate than average and require minimal servicing, so that the total life cycle cost of car ownership is as low as that of mass-market cars; that is the "head" part of the equation. For BMW, new and used car prices are important elements of the "head" side of the offer.

7.4.1.4 Promotion (i.e. advertising and other forms of marketing communication)

The primary means of promotion is via TV advertising and high quality dealer showrooms. Direct marketing from BMW and its dealers supplements the above. BMW's UK advertising strategy, and agency, have been consistent since 1981, providing ample time for the establishment of the brand message, feel and tonality of advertising.

7.4.1.5 Scoring the creating demand measure

The co-researchers felt that BMW was building some relationship marketing competencies and hence felt that they should score this measure above 1. They noted that the BMW product portfolio was set to expand demonstrating a more segmented approach to marketing; SUVs had just been launched, the 7 series was being made more upmarket, a 1 series at the lower end of the BMW price range was planned and Minis were now being sold in BMW dealerships. They felt that BMW should increasingly cross-sell cars, or at least their dealers should. They felt constrained as to how much of a relationship BMW GB can have with its drivers because dealers intermediate the relationship:

..... "These guys (dealers) have got their agenda, we've got ours and these are again many and varied because they're owned by, what is it 90 different partners, 154 dealers, 90 different owners and again they've got their own list or agenda ... and our ability to influence these guys is to a greater extent limited by their willingness, ability and involvement and adherence to our brand".

(NB)

There was little discussion about network marketing; the team felt that they did not target networks of individuals aside from corporate sales, which the team agreed to consider separately from the prime thrust of this inquiry.

7.4.2 Planning focus measure

This scored 1.3.

...”Right now we are pushing hard for (unit) sales volume, more so than normal”. (RD)

BMW GB must meet volume and margin targets agreed with Germany whilst maintaining or improving brand equity and after-sales service²⁴. In addition, BMW GB measures individual dealer performance through customer surveys. Market share is not a focus of marketing planning because market share is not the basis upon which BMW competes.

There was no plan or target that was based upon either individuals or networks of individuals. The researcher prompted his co-researchers with the often quoted Honda USA strategy of capturing “share of garage” from its range of cars, motor boat engines, lawn mowers and motorcycles. There was no equivalent for BMW; although the conversation encouraged IM to speculate that the Mini might become a good cross-selling opportunity as a second car.

Whilst the planning focus is therefore overwhelming on meeting target numbers of cars, customer service planning and strategy through the ownership life cycle, inclusive of warranty and customer service experience, led co-researchers to score this measure above 1.

7.4.3 Basis of competition measure

This scored 1.5 reflecting co-researchers’ desire to indicate that BMW emphasises volume of new cars sold and its share of total after-sales business.

....”share of wallet, presumably we’re talking solely about the first sale of a car here, which in my domain, we do look at it by share of wallet for after-sales. What percentage of the service business do you go elsewhere (non BMW dealer) for? Where do you buy a replacement tyre or accessories such as roof racks?” (NB)

The team felt that mass market car companies are driven by new car sales volume; economies of scale create low average production costs and provide margin for advertising and product development which generate greater sales and so forth. The volume car market is characterised by savage price competition. BMW had the luxury of more demand for its cars than it was willing to produce. Production traditionally failed to meet demand as the Company did not want to dilute the brand’s exclusivity

²⁴ BMW AG has set up a world-wide system of third-party consumer research assessment of the perceptions of the brand in each country and owners’ perceptions of BMW after-sales service. This ensures that national operating units, such as BMW GB, do not meet short term targets at the expense of the long term health of the business by cutting marketing or service quality.

excessively. “We don’t want to become an upmarket rep’s car” commented several team members. BMW did not compete on market share, it needed to achieve the volumes associated with a minimum efficient scale for production and to maximise the margin through its mix of cars, brand image and premium pricing.

Brand and product, whilst the driver of BMW’s success, needed to be complemented by after-sales service and high resale values. This pushed the score on this measure beyond pure transaction marketing.

7.4.4 Brand

Co-researchers added this attribute to the demand management tool as they felt the descriptions of the three existing attributes did not capture fully the role of brand in demand generation. The researcher acknowledges that “brand/reputation” is a bullet point under the creating demand measure of the competency scoring tool (Figure 37). However, the researcher wanted to promote co-researchers’ ownership of the tools and did not challenge their request for adding brand as a separate measure. As the overall score is a weighted average of the scores of individual measures, there is no significant impact upon the competency score.

The team felt that the brand denoted status and image to the buyer (transaction marketing), ongoing information and prestige to the owner (relationship marketing) and an impact on friends and neighbours (network marketing); the “neighbour effect” it was called in the workshop.

...“There is no advertising better for BMW than a new, clean car on a neighbour’s drive.” (RD)

The neighbour effect has its negatives due to BMW’s association with aggressive drivers and status-conscious achievers.

...“When I had a red BMW, no one would give way for me to let me in.” (NH)

...“We still suffer from the yuppie image.” (IM)

... “A 7 series, with blackened windows, is associated with drug dealers.” (NB)

BMW had worked hard through advertising and communications to move away from the 1980s yuppie image in response to a potential backlash. It was recognised that not only did the brand have to appeal to its potential customers, but that it should not generate negative images amongst the general population or potential customers would be put off by the “neighbour effect.”

This overt understanding and response to potential owners’ concern over what others would think of their brand choice, led the group to score this attribute at 2.5.

7.4.5 Overall score

The weighting of the individual measures was discussed and some discussion about the importance of product versus service. However, no one was able to suggest an objective standard or scientific approach to weighting and therefore it was agreed to take a pure average of the four scores.

7.4.6 Other competencies

A brief review of the discussions over the other three competencies follows. Detailed descriptions are in Appendix 9.

7.4.6.1 Current creating marketing knowledge competency

This scored 1.1, a score given to each of the measures. The co-researchers felt that BMW's marketing knowledge was restricted to product market data and that there was little systematic analysis of customer specific data and no information about the networks in which its customers may be situated. They felt that where there was knowledge about individual customers, dealers held it, and BMW GB could not access it effectively.

7.4.6.2 Current building customer value propositions

This scored 1.2. BMW's value proposition was thought by the co-researchers to be one of the strongest in the UK. It has been consistently built over a 20 year period to the same brief and direction since BMW GB was established. The value proposition is routed in the product range and hence the value promised to customers and organisation's focus are strongly tied to the product. However, the brand image reflects an equal measure of product and organisation messages; any BMW product has to live up to the corporate image. That corporate image is also delivered through the quality, tone and customer experience of the dealer network pre and post sales. The extent to which BMW delivers a corporate brand at every customer contact point pushes the score above 1, pure transaction marketing.

7.4.6.3 Current determining the firm's relationship with customers

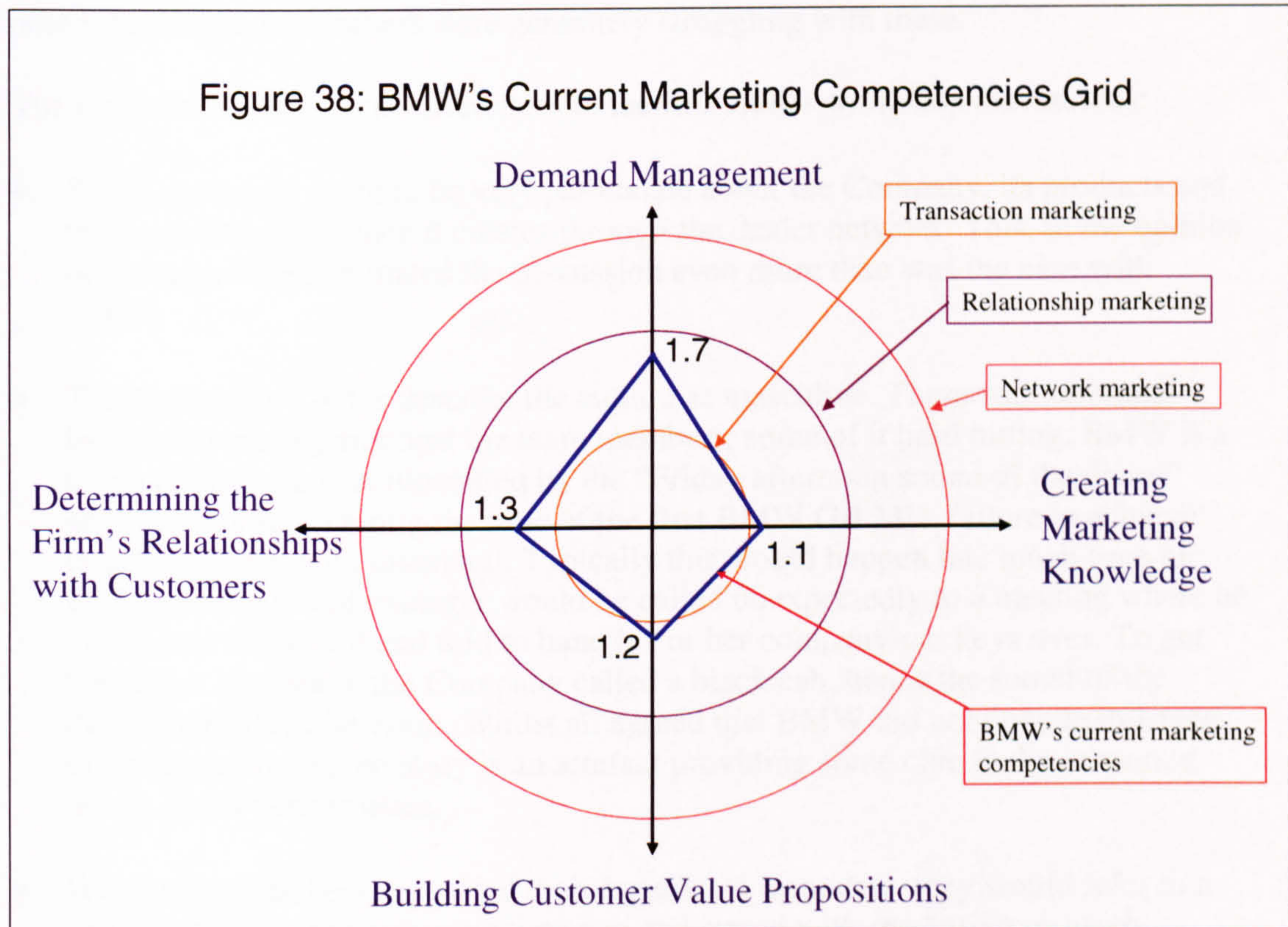
This scored 1.3. Currently, BMW GB's relationship with BMW drivers is largely transactional. It sells cars (plus financing) via its dealers and accepts a warranty obligation. There is a limited head office direct marketing programme directed at BMW drivers; it sends brochures about product line updates and promotional literature at certain key dates in the car ownership cycle²⁵. However, Company policy

²⁵ Most buyers of new BMWs will seek to trade in their car and purchase another after three years. From a period of 2.5 to 3.5 years post purchase, drivers are "in the zone" and BMW GB used direct marketing to maximise repurchase of its brand.

is that the ongoing customer relationship is managed by the dealer. The role of BMW in customer relationships, aside from product development, is to create demand amongst the target group, direct that demand to the dealers and let the dealers close the sale and service the car thereafter.

7.4.7 BMW's current marketing competency grid

In Figure 38, the current marketing competencies scores are transposed to the marketing competencies grid.



7.4.8 The quality of the conversation

This section reviews the researcher's reflections upon the quality of the conversation and the commitment of the co-researchers.

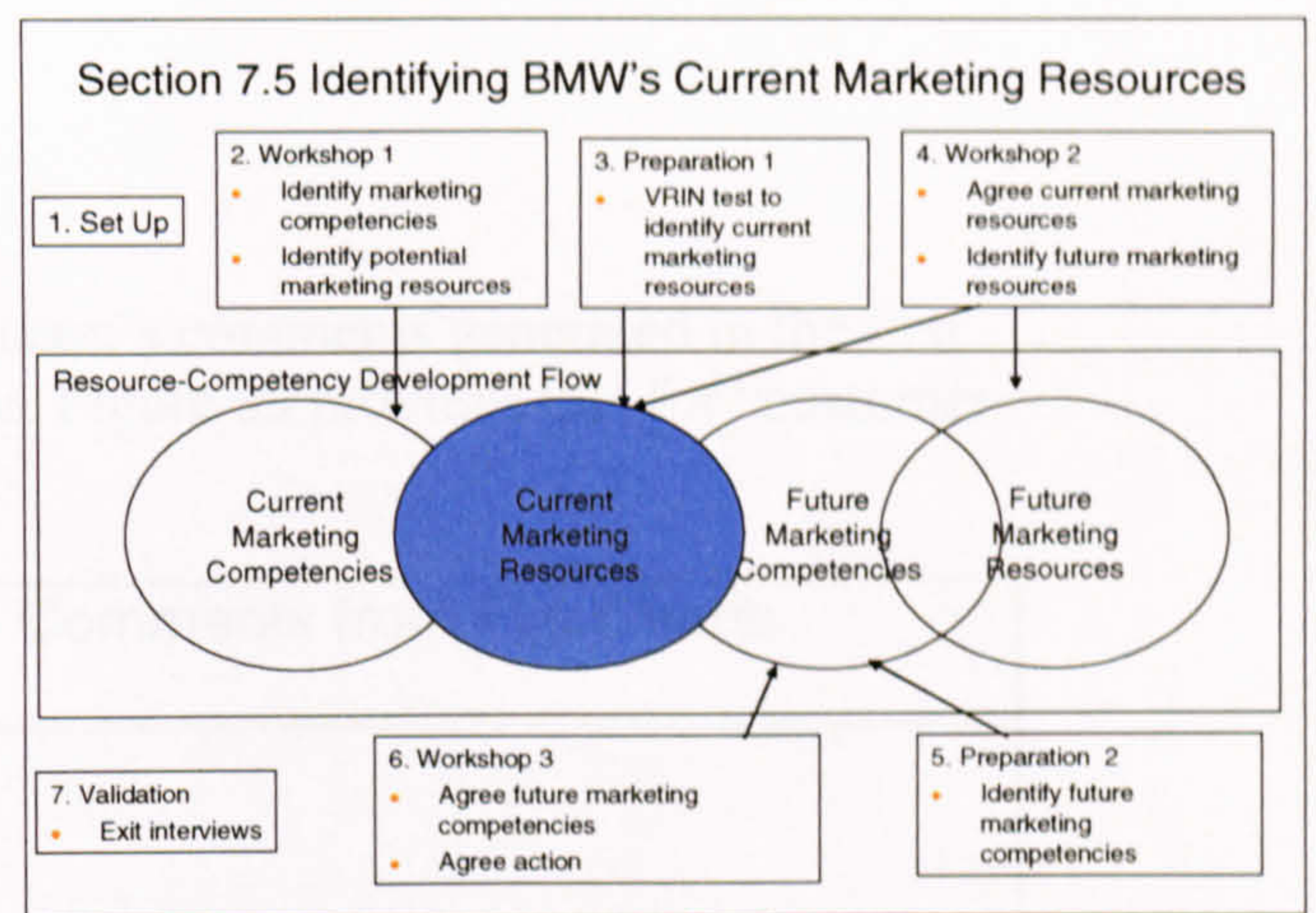
Appendix 10 illustrates what the researcher felt to be the characteristics of the discussion. It was lively, everyone participated, a wide variety of views were brought into the conversation and co-researchers' contributions built upon the previous points raised.

The researcher reviewed the tapes sensitive to the issue of commitment; most of the co-researchers committed to the inquiry without the benefit of a briefing session such as that conducted for flutter. Despite coming to the meeting cold, RD's colleagues

seemed very enthusiastic about the project and demonstrated a very high level of involvement. The researcher noted a possible theme through the discussion as follows: there would be big changes in the environment that would affect BMW's marketing: including legislation, distribution, consumer behaviour and online technology. That which had made BMW so successful over the past 20 years could be under attack. The internet was not the biggest issue for each of the team members, but it was a highly visible embodiment of many of the issues that BMW faced: direct consumer relationships, alternate channels of communication and distribution and an environment where BMW's traditional strengths provided little advantage. As a national marketing and sales unit, the managers had only limited power to develop its own policies for the internet and the broader issues that it represented. The researcher noted that the co-researchers were genuinely struggling with these.

The researcher noted some differences to the first flutter workshop discussions:

- BMW managers seem to be very passionate about the Company, its products and the customer experience it creates through the dealer network. This, in the opinion of the researcher, animated the discussion even more than was the case with flutter.
- The researcher's notes describe the culture as masculine. There was continual banter and teasing amongst the team members, some of it hard hitting. BMW is a tough environment as illustrated by the "Friday afternoon sound of the diesel" story told by RD. During the time of the first BMW GB MD, failure to achieve targets was met with dismissal. Typically this would happen late lunch time on Friday. The affected manager would be called unexpectedly to a meeting where he or she was dismissed and told to hand his or her company-car keys over. To get home that afternoon, the Company called a black cab, hence the sound of the diesel on Friday afternoon. Whilst all agreed that BMW did not operate this type of policy anymore, the story is an artefact providing some clue to the corporate norms about performance.
- When co-researchers supported their arguments from data, they would refer to a one-off study conducted some time ago and stored with marketing research "somewhere". There was no "live" and interactive data that could generate rich consumer insight as with flutter. This observation was supported with data from a conversation with one of RD's direct reports (RH) months later. RH was experimenting by inviting small groups of target BMW customers to come into a convenient location for a general talk about cars and BMW in general. This was, he felt, the first such direct consumer interaction the Company had organised.



7.5 Identifying BMW's current marketing resources

This section describes how the inquiry team assessed BMW's potential current marketing resources, assessed them against the VRIN criteria and then agreed which were current marketing resources.

7.5.1 Potential current marketing resources

The inquiry team identified five potential marketing resources in the first workshop through the process described in Section 5.5.1.2.3. These are identified immediately below.

Customer experience: This is how the customer experiences owning, driving and maintaining a BMW through the product life cycle.

The triangle of relationships between BMW GB, its dealers and BMW customers: This potential resource comprises three dyadic relationships: the customer-dealer, the customer-BMW, BMW-dealer. In addition, it includes the people working in the dealer network and the managers of the dealers.

Marketing, sales and service processes and systems: This potential resource comprises BMW's computer systems supporting the sales and servicing of BMW cars, the customer database, the people that can analyse the data and BMW's QMA²⁶ programme.

The BMW brand: This potential resource is defined as the customers' perception of BMW products and Company and their affinity towards them.

BMW GB communications: This is defined as that which is communicated to customers at all points of customer contact inclusive of their sales experience in dealer outlets, advertising, direct marketing and the after-sales experience.

BMW GB marketing people: This is the head-office managers and staff responsible for the marketing and sales policies and programmes of BMW GB, inclusive of the development of the above four potential resources.

²⁶ QMA is BMW's dealer management training which includes modules about direct marketing, customer databases etc.

Appendix 11 provides a full list of the inquiry team’s comments generated in the first workshop that comprise each potential resource. Figure 39 provides this for “customer experience.”

Figure 39: Customer Experience – Comments from Flip Charts
<p>Dealer showrooms. Terms and conditions. Technology. Fit and finish of the cars. Handling characteristics. Unique drive experience positive for those that like it. Costs (total costs). Perceived versus real costs. Notification of service times. Cost of service. Service quality. Reliability of car. Warranty experience – comprehensiveness, ease of access. Friends’ comments. Friends’ enjoyment of drive. Updates about the car and new products. “In the zone” sales experience. Sophistication of trade in and trade up policies. Product “recall” for service. Telling friends about the car. The anticipation between order and receiving; how well the delay is managed. Emotional feeling owning a BMW.</p>

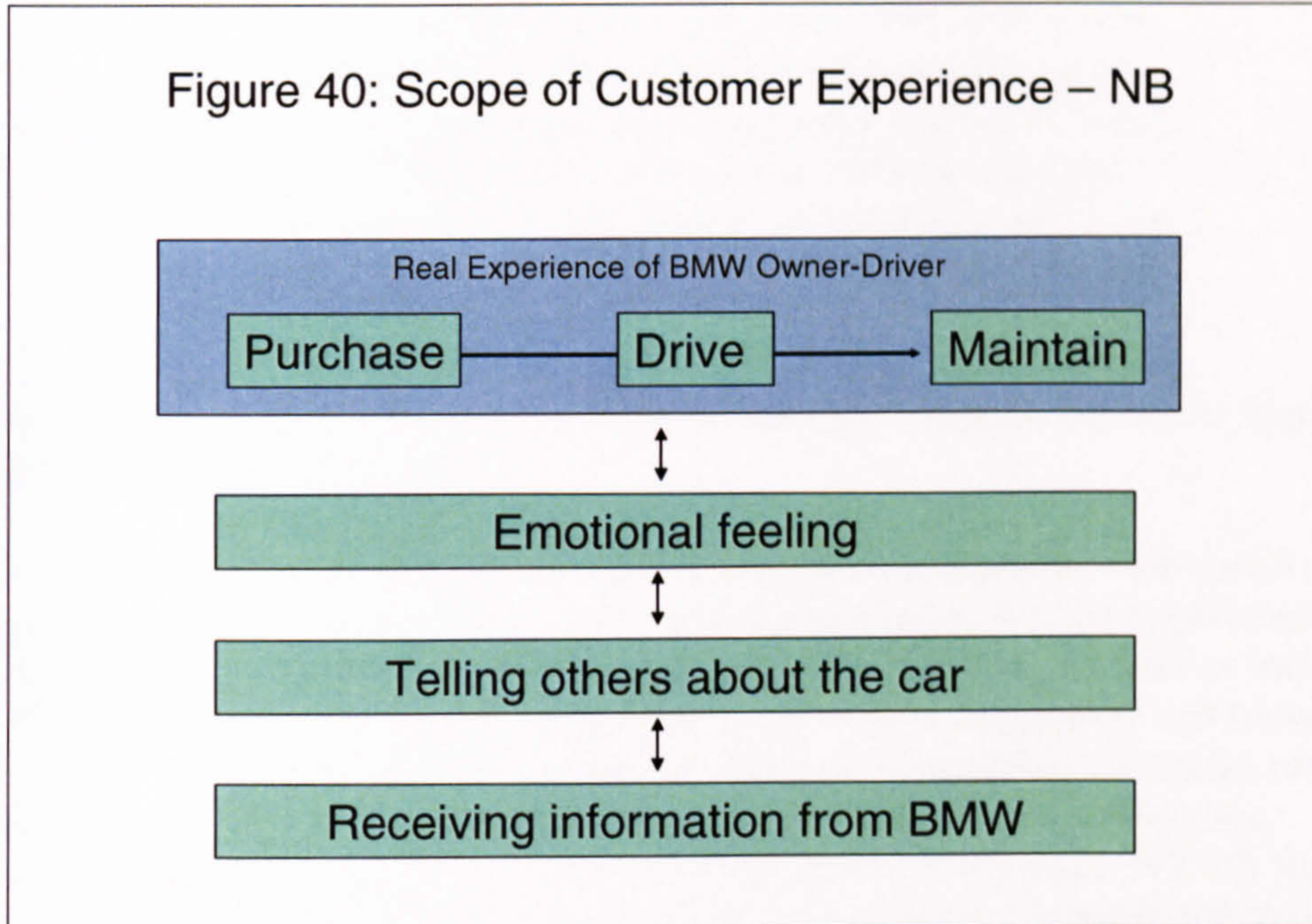
7.5.2 VRIN testing potential marketing resources

This section illustrates the process of VRIN testing potential marketing resources by describing the discussions for two of them: customer experience and the dealer-customer-BMW relationship. The discussions of the other potential resources are in Appendix 12.

7.5.2.1 VRIN testing customer experience

NB volunteered to assess this potential resource. He began his reflections by first identifying what he wished to consider as part of the customer experience based upon his recollection of the first workshop discussion and the researcher’s briefing notes. He proposed Figure 40 as a visual definition of the elements of customer experience. NB’s definition identifies what he termed the “real experience” and how the customer interprets that experience (emotional feeling about the car and the Company) and the extent to which that makes the customer a brand advocate (what he or she tells others about owning a BMW).

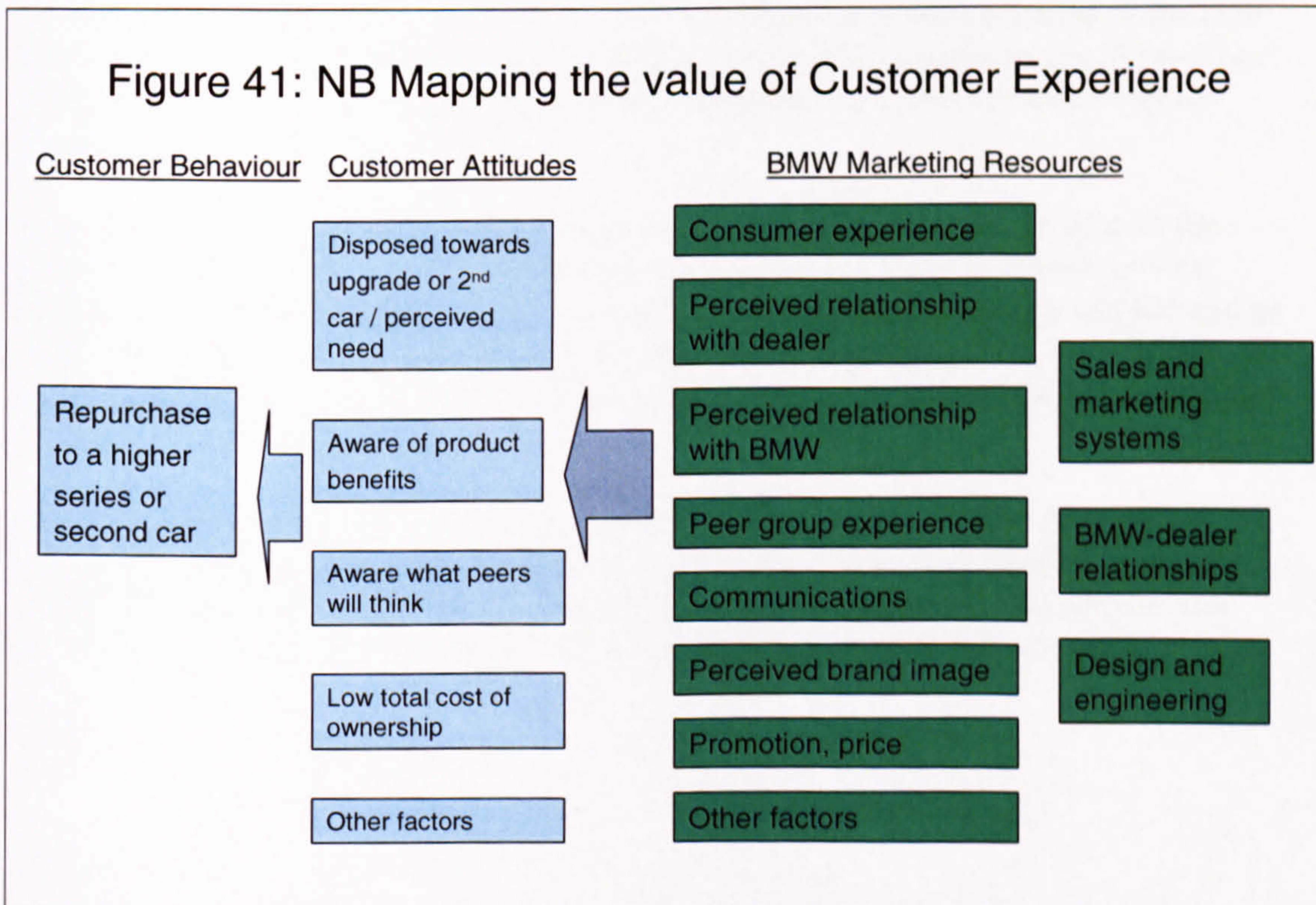
Figure 40: Scope of Customer Experience – NB



7.5.2.1.1 Valuable

NB adapted the resource pathway tool (Figure 17) when he analysed how customer experience worked with the other potential resources to create value for BMW (Figure 41): defined in this case as car repurchase.

Figure 41: NB Mapping the value of Customer Experience



... We monitor the customer experience regularly through different surveys of satisfaction, service experience, brand image and so forth. The data does not give us a really consistent view of why people buy something else (after a BMW) or where they go to, aside from those that just had a bad experience and won't rebuy. Customers generally do not leave the brand because they are dissatisfied with the car, its performance or the dealer servicing. I think people move on because they fancy a change or there is a better perceived offer. (NB)

The brand's loyalty and retention are good by industry standards but below that of Mercedes: BMW's benchmark.

NB then discussed the after-sales service and described it, from the customer's perspective, as a chore rather than a value added experience. A good experience is defined by customers as being executed professionally, quickly and with as little inconvenience as possible. BMW dealers invest heavily in technology and training to ensure quick, reliable and effective servicing. Dealer history of service helps maintain resale value of the car. Most dealers will pick up and deliver cars within their encatchment area thus providing customers with added convenience. NB felt that BMW's commitment to professionalism and after-sales service contributed strongly to customers' emotional satisfaction with their BMW and gave them added confidence to talk positively about the brand to their friends.

NB concluded that the customer experience was valuable.

7.5.2.1.2 Rare

The BMW driving experience is rare amongst volume car brands because of the path dependent nature of the development of BMW design and manufacturing. Rear-wheel drive, which is a key to creating that driving experience, exists in exclusive sports models, such as Ferrari and Porsche.

The after-sales service component of experience is rare because, at the time of the inquiry, BMW dealers received unique training, technology and access to service advice from BMW AG. This is now considered a restrictive practice by the EU and as of October 2002, BMW must make its service advice available to all. Nonetheless, 20 years of consistent training and development amongst a limited number of dealers has created a rare service.

BMW's customer satisfaction scores were higher than those for most of its direct competitors but Skoda and Lexus were scoring better. Lexus and Skoda appeal to a different target market and offer a very different driving experience so satisfaction scores alone do not provide BMW with a full understanding of this resource.

7.5.2.1.3 Imperfectly imitable

The BMW driving experience was imitable but probably at a cost competitors will find prohibitive. This is because the other volume car makers, manufacturing strategy is based upon front-wheel or four-wheel drive and they lag behind BMW in rear-wheel drive expertise. Moreover, they appear unwilling to abandon their front-wheel drive strategy because of its cost advantage.

Dealers' after-sales service has been imperfectly imitable because of BMW's control over technology and training. In addition, the social networks that exist between dealers and BMW GB allow the dealers to leverage fully all BMW warranties on behalf of the customer. Some of these advantages will erode under the new competition rules.

7.5.2.1.4 Non substitutable

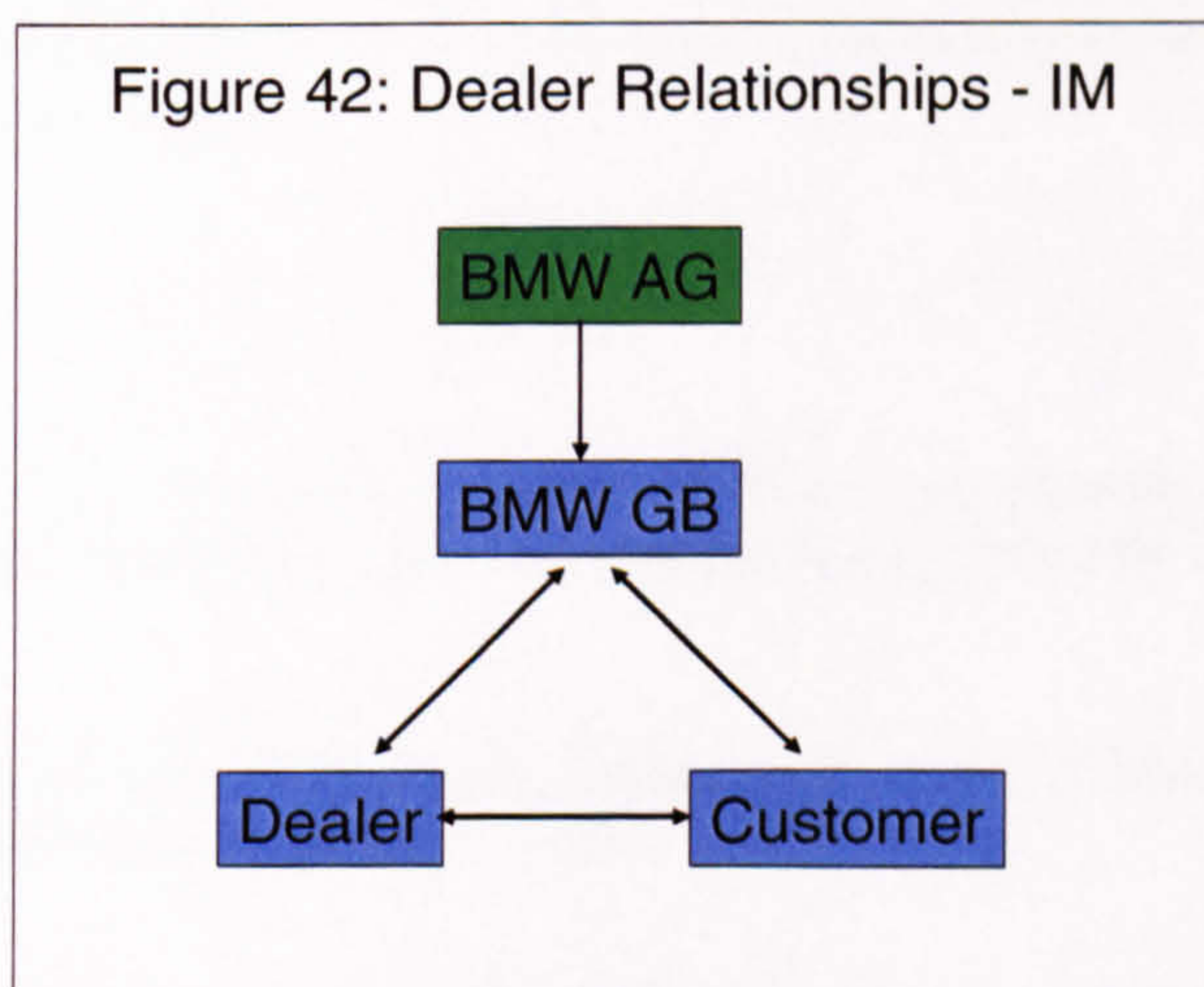
With respect to the driving experience, four-wheel drive is a partial substitute for rear-wheel drive. Reflecting commonly held wisdom within the team, NB stated that Jaguar introduced four-wheel drive to provide a more BMW like drive in a manner more consistent with Jaguar's technological and manufacturing expertise.

In the short term, there are no substitutes for good after-sales service. However, in future BMW cars will require less servicing, perhaps once every three years. The team felt that any significant easing of the block exemption would open up the service market to chains such as Kwik-fit who would provide lower cost servicing.

NB felt that to date the driver experience has not been substitutable but that there are potential risks in the emerging de-regulated environment, hence he scored this 0.5 to generate a total score for this resource of 3.5 out of a possible total of 4.

7.5.2.2 VRIN testing dealer-customer-BMW relationship

IM had volunteered to assess this potential resource. He first drew the relationships he felt constituted this resource in Figure 42.



At the time of the inquiry, the relationships were all held within the blue coloured boxes, but BMW AG was developing plans to centralise customer relationship management and communicate with customers directly; hence it is coloured in green to represent a speculative addition to the relationships. IM suggested that the emotional aspects of the customer relationship with the BMW brand would be covered under the brand resource assessment and that IM would focus on the dealers' role in the triangular relationships of Figure 42.

7.5.2.2.1 Valuable

Customer value is generated early in the customer's purchasing process through providing a quality customer experience. Quality was defined by IM more as professionalism than as theatre: that which Disney and perhaps even Starbucks try to provide. BMW dealers strive to provide convenience, knowledgeable sales staff, effective ordering and fair pricing. High quality showrooms and service centres provide an environment commensurate with BMW's brand image and enhance customers' sense of self worth. This customer experience is the result of sustained investment on the part of the dealers.

IM stated that cars are increasingly designed and built for low total cost of ownership; major faults are less frequent than they used to be and this trend will continue. Therefore, car maintenance becomes simpler, less frequent and less expensive: the "annual service" becomes less and less a source of customer value.

... "It is when things go wrong that we can really demonstrate our service level and its value to customers." (IM)

Increasingly, it is the ability of the BMW network to recover when things go wrong that will define, for the customer, quality service. The long-standing and very collaborative relationships between BMW GB and its dealers greatly facilitate this. Warranty and exceptions (customer goodwill) are generously given so that few customers feel anxiety when faced with an unexpected problem. IM immediately recognised that the high profitability of the dealers and their confidence that BMW GB will settle claims reasonably with them facilitate this process.

Nonetheless, IM concluded that the dealer-BMW relationship is valuable as it permits the delivery of a consistently high level of service (enhances driving experience) and supports high residual values.

7.5.2.2.2 Rare

This very collaborative and trusting relationship between manufacturer and dealer is rare in the British car market, a view later confirmed by NB who had previously worked at Nissan.

... "The dealer network has been stable for 20 years: dealers are very profitable: they trust us." (IM)

The average BMW dealer generated £750,000 profit in the previous year; profit margins of 3.5% of turnover were 3.5 times the industry level. This high profitability committed the dealers to BMW, made it easier (versus rivals) for head office to encourage them to invest their money in new facilities and generally support the Company's marketing and sales plans. Few competitors could make this claim. Mercedes had recently announced that it was going to take control of its distributors, creating tremendous ill-feeling through its dealer network. Jaguar's corporate and market performance has had so many violent swings over the past 20 years.

IM was very confident that this trust and collaboration were unique in the UK car business.

7.5.2.2.3 Imperfectly imitable

IM was very clear that this relationship was built on trust and mutual success; itself rare and could only be built up over time based upon repeated experiences. He felt that it would not take a competitor the full 20 years to replicate BMW's network, but it would take many years nonetheless. Therefore this resource passed this criterion as well.

7.5.2.2.4 Non substitutable

There were potential substitutes. Firstly, BMW was planning to build cars that would require normal maintenance every third year as opposed to annually. Some BMWs currently planned for launch will have service intervals every other year. This will weaken the customer-dealer relationship. Secondly, IM discussed the possibility of new forms of car distribution encouraged by deregulation which was under consideration at that time. The scenario he painted was that cars could be sold by low cost multi brand supermarkets and serviced by low cost multi brand service chains such as Kwik-fit in the UK. This would essentially isolate the current dealer network and make it a costly overhead. IM felt that the dealer relationships and network could be substituted as cars become even more reliable and block exemption abated.

7.5.2.2.5 Overall

IM was convinced that these relationships were a source of sustained competitive advantage. He scored it 3.5/4.0 taking a half-point off for potential substitutes; however he claimed that such substitutes are some way off in the future.

7.5.3 Agreeing BMW's current marketing resources

Each co-researcher presented their slides to the full group²⁷. NB and IM had reflected further on their respective potential resources and prepared further slides. NB explored some consumer research documents and provided a sales funnel illustrating six stages in the customer ownership cycle culminating in repurchase and “drop-out” rates for each of the stages.

The conversation was animated and there was genuine controversy and debate over the nature of resources. This was particularly true during IM's presentation of the dealer-customer-BMW resource. Many of his colleagues challenged the value of the dealer network for BMW and its ability to adapt to changes both in BMW's marketing strategy and automotive distribution. DT asked provocatively, if Tesco²⁸ decided to sell cars and we allowed BMWs to be sold there, would we sell any less? Would it hurt the brand? Then the rarity of the resource was questioned by NB asking if BMW has to open up its dealer network as legislation changes, how long would it take new dealers to achieve the same level of quality and professionalism as the current network? NB was of the view that it might only be a few years, whilst IM and others suggested at least five, and more likely ten years. The intense discussion did not dramatically affect the VRIN scoring against this potential resource but it did give co-researchers real confidence and experience with the concepts and tools of the inquiry.

The customer experience presentation made by NB was not as hotly debated. The unique driving characteristics of BMW are an article of faith for its managers and they believe that for those drivers who like that “connected” feel of the BMW drive, it is valuable. None of the companies that BMW sees as its direct competitors (Mercedes, Lexus, Jaguar and Audi) are likely to want to, or be able to, imitate that drive.

Brand was also accepted as a VRIN resource. It was valuable to owners as a mark of distinction and personality type (successful, energetic). It was rare (unique) and had been built in a path dependent way that is hard to imitate. Car brands have, as the co-researchers were fond of saying, “heritage” that cannot be instantly replicated. NH, who led this part of the discussion, suggested that it is possible to conceive substitutes if consumer tastes move away from the almost romantic attachment of drivers to performance cars like BMW. There was already evidence that Skoda for example, attracted well-to-do drivers who felt that they were being smart for getting what essentially was a high quality VW for less money. NH speculated that perhaps design brands, as exemplified by the Audi TT, rather than performance brand images, might drive customer choice.

Sales, marketing and service systems are valuable to customers and unique to BMW, but increasingly the firm is using third party software so it is imitable and substitutable.

²⁷ DT was the exception to this. He missed the first workshop and preparation steps so he observed and commented on the presentations only at workshop 2.

²⁸ Tesco is the UK's largest grocer with approximately 25% of the market. It has a reputation as a strong consumer advocate, low prices, high quality and high market share in whichever markets it chooses to compete.

Communications was felt to be easy to imitate; any quality communications consulting firm could reverse engineer what BMW was doing to derive the “formula”.

People, the professional, committed and long serving cadre of marketing people that intuitively knew how to manage the brand, dealers and product introductions were seen to be valuable: BMW’s marketing spend as a percentage of its turnover, was well below that of its competitors and lower than that of other major BMW markets, and yet its brand was at least as appealing. RD attributed this to the quality of the marketing people and the way they effectively managed. However, others challenged him on the rarity of the resource; NB and DT who had recently come from other organisations suggested that this was not a rare resource and certainly imitable.

Hence the agreed VRIN scoring appears in Figure 43.

Figure 43: VRIN-Testing Results (BMW)	
Potential Marketing Resource	Number of VRIN Criteria Achieved
Customer experience	4.0
Brand	4.0
Dealer-customer-BMW relationships	3.0 or 4.0
Communications	2.5
Sales, marketing and service systems	2.0
People	1.0

7.5.4 Quality of discussions

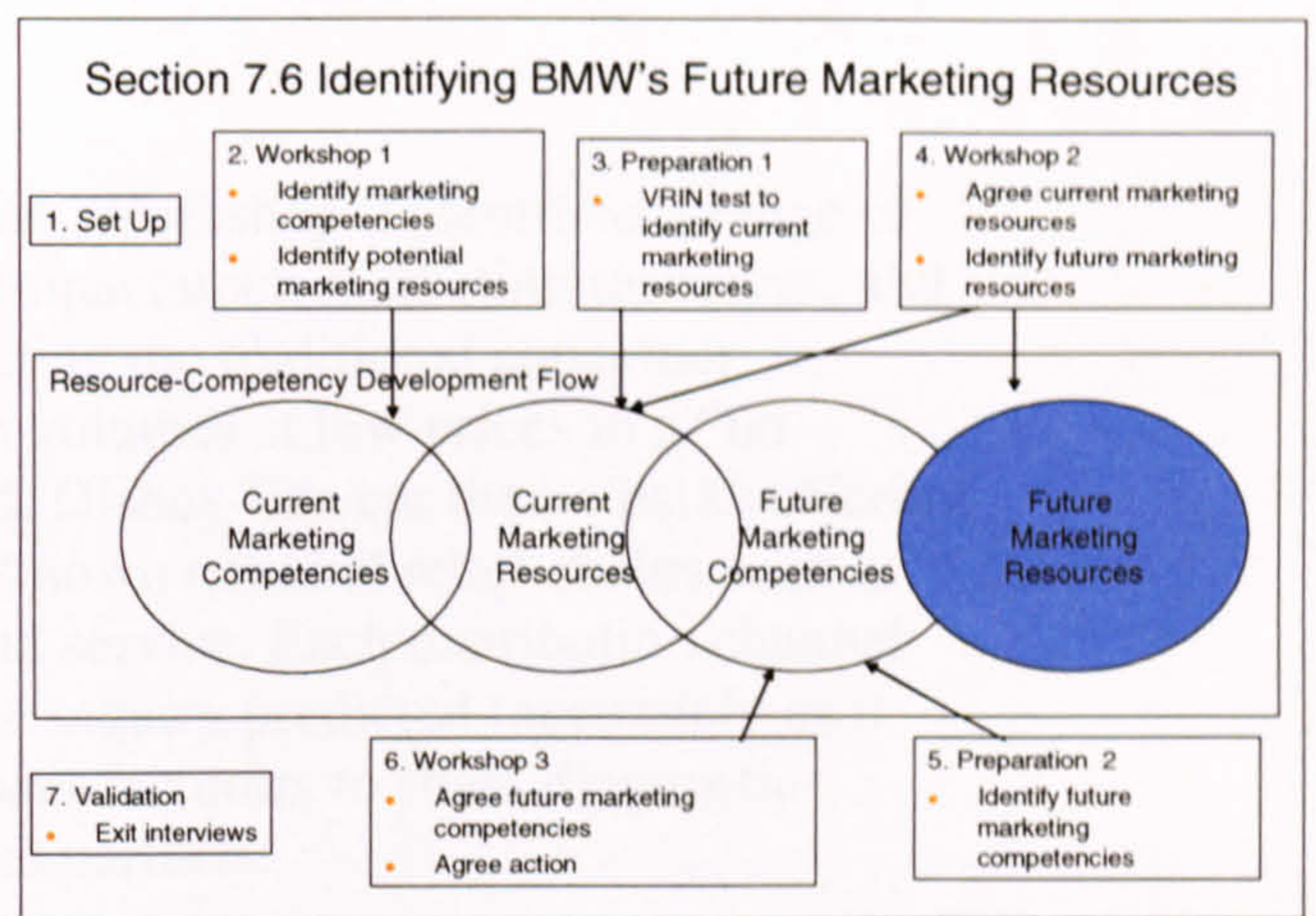
Appendix 13 is a transcript of a conversation about resources that the researcher believes illustrates a number of points about the quality of the discussion.

The managers “attacked” this problem of identifying resources from potential resources with real commitment and enthusiasm. The conversations were animated and some meaningful debate occurred. The manner in which (potential) resources were interconnected (e.g. customer experience and brand, customer experience and dealer-customer-BMW relationships) was clearly identified.

Cycles of reflection and action were evident. NB and IM in particular made strong efforts to think about their VRIN testing, prepare slides, discuss them with the researcher, prepare further slides and then discuss their points of view with their colleagues. Through this process, the co-researchers became much clearer about the nature of resources and competitive advantage.

The manner in which this discussion occurred can be characterised as extremely forthright; the researcher noted that he understood better what RD meant by the BMW culture: professional, relentless and a bit ruthless. The researcher was confident that agreed scores and understanding were not the result of people merely being polite to each other.

The researcher also noted the issue of resource and or competency trap (O'Driscoll, Carson, and Gilmore, 2001) was beginning to emerge in this inquiry. BMW's dealer network and its productive relationship with dealers was a major contributor to the firm's success. However, if distribution changes, and BMW cannot envisage a distribution strategy that is not dealer-centric, then other companies who currently lack a good dealer network may use lower cost third parties and the current resource could ultimately prove to be a competitive disadvantage.



7.6 Identifying BMW's future marketing resources

Unlike with flutter, the BMW inquiry team did not immediately suggest one clear direction for the marketing strategy at this juncture of the process. There were a number of possible reasons offered by the co-researchers for this: (1) BMW is a much more complex organisation comprising various groups and factions each with perhaps a slightly different understanding of the marketing strategy, (2) global strategy is formulated in Munich and communicated down to BMW GB and (3) BMW GB managers are operationally focused and hence do not normally engage fully in a strategic discourse. Whilst acknowledging those factors, the team did agree that of immediate relevance for their own practice is the uncertainty over distribution. Within a few minutes of discussion, the discussion focused upon there being two possible scenarios in which BMW GB should consider its marketing strategy and the implications on marketing resources; these are described below²⁹.

7.6.1 Limited change scenario

Under this scenario, the impact of changes to block exemption would have a minimal impact on the business. Most BMW cars will still be sold and serviced through BMW dealers. BMW will create a more direct relationship with its customers in line with industry norms, customer expectations and the evolution of the internet. As the interval between servicing becomes longer, BMW will fill the gap with direct communications.

7.6.2 Radical change scenario

Scenario two acted as a foil to the above, and it represents a revolution in the way cars are sold and serviced in the UK. Brand manufacturing will be separated from distribution, and distribution possibly separated from after-sales service. This dis-integration will be driven by the emergence of a choice of distribution channels, each

²⁹ The researcher acknowledges that this was not systematic marketing strategy planning. However, that was not the objective of this stage of the inquiry. The discussion of the marketing strategy allowed the inquiry to find a pragmatic way to assess the potential impact of the future on BMW's marketing resources.

competing with its own unique value proposition. Workshop 2 identified a range of distribution offers as a means of analysing the impact upon marketing resources, and they are: (1) the tied BMW dealer network offering the traditional consumer experience, (2) multi brand dealers selling high volumes at low prices in a “no frills”/low service environment, (3) multi brand, Disney-like car theme parks offering innovative consumer experiences and (4) well-known national retail chains such as Tesco and Halfords offering selection, value and service. Each distribution channel would offer high quality after-sales service. The inquiry predicted (accurately as it turns out) that EU legislation would obligate manufacturers to share diagnostic technology and warranty advice with all channel partners.

The team identified two immediate implications of this scenario for BMW’s marketing strategy. The first response identified was “make and forget”: BMW makes the car and leaves pricing, retail environment and after-sales service totally to the discretion of channel partners. The alternate response was for BMW to evolve its focus from selling cars to a broader customer solution such as personal mobility. “Make and forget” was presented as an hypothesis during the discussion but failed to find broad support. The co-researchers felt that BMW’s response to radical change would be to expand their customer value proposition to encompass a broader customer mobility solution and build stronger direct consumer relationships to counter the power of intermediaries.

7.6.3 The analysis

Co-researchers wanted to focus upon the agreed resources that were felt to be strategic: those with the highest VRIN scores (customer experience, brand and dealer-customer-BMW relationship). However, they did not wish to ignore the other, non strategic resources for much the same reasons as with flutter.

At this juncture of the workshop, the researcher drew a matrix to relate comments arising from the discussion according to which marketing resource and scenario they related. Over a 30 minute discussion, the co-researchers developed the contents of the Future Scenario Resource Impact Matrix illustrated in Figure 44. VRIN resources are shaded. Details of the discussions that generated these comments are in Appendix 14.

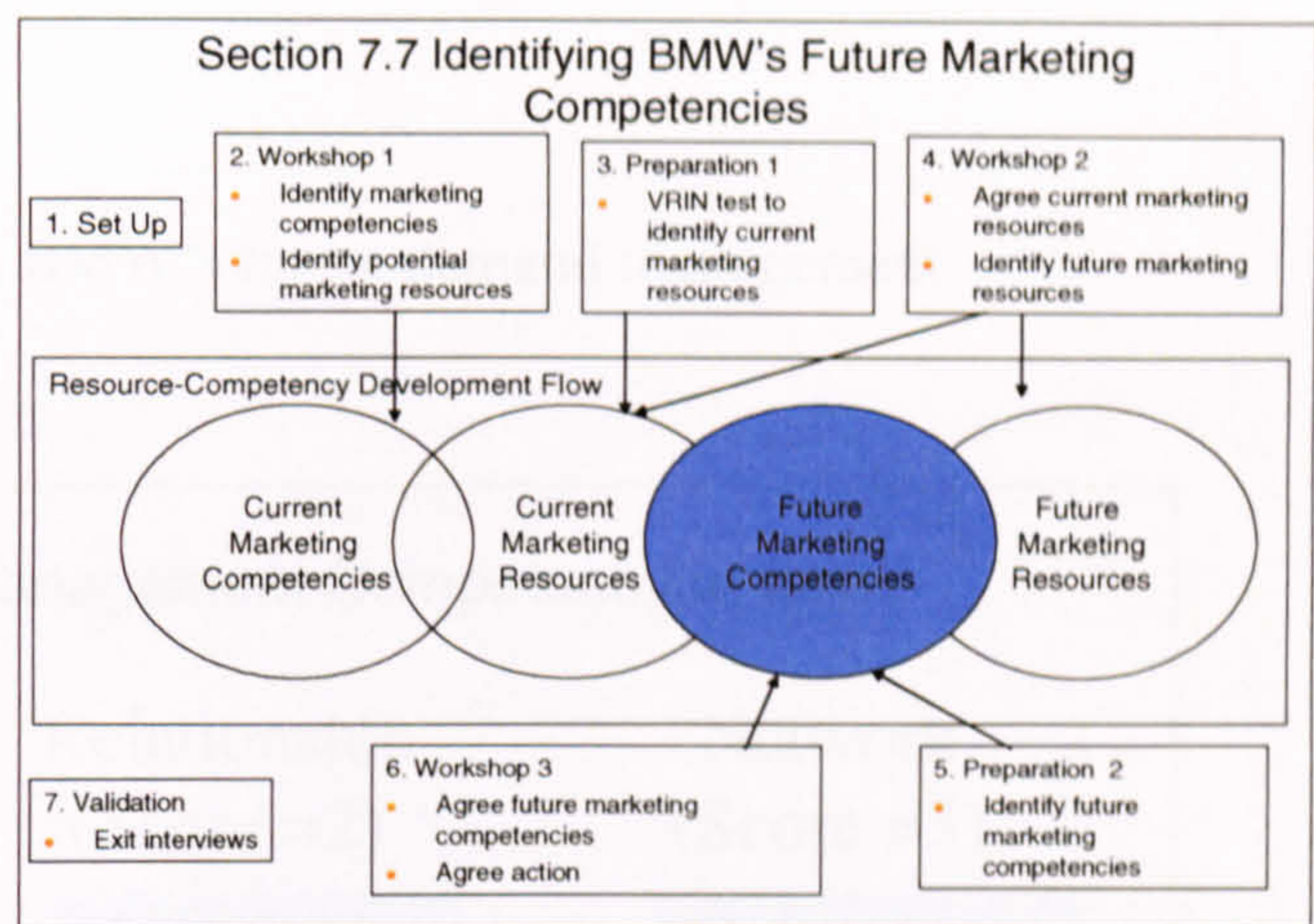
Figure 44: BMW Future Scenario Resource Impact Matrix		
Marketing Resource	Limited Change	Radical Change
Customer experience	<ul style="list-style-type: none"> Gradual enhancements of customer experience needed, particularly online services direct to customers (not intermediated by dealers). 	<ul style="list-style-type: none"> Loss of control over total customer experience. Compensate where possible through more direct marketing. Build customer experience through third party distributors.

Marketing Resource	Limited Change	Radical Change
Dealer-customer-BMW relationship	<ul style="list-style-type: none"> • More balance in the triangle, BMW will not totally outsource the customer relationship to dealers as it currently does. It will find an appropriate balance between BMW GB and dealers. 	<ul style="list-style-type: none"> • BMW will need to treat all channels to market equally. • Loss of special relationship, intimacy and trust with dealers. • Management, systems, structures to manage multiple channels of distribution that do not exist yet (nor planned). • Increased direct relationship to customers.
Brand	<ul style="list-style-type: none"> • Limited impact upon brand. 	<ul style="list-style-type: none"> • The “heart” of the brand proposition continually reinforced. • The “head” under threat if loss of control reduces resale value.
Sales, marketing and service systems	<ul style="list-style-type: none"> • Systems extend from BMW GB through the dealer network better. • Increased range of media (internet, phone, mobile, PDAs) customers will use. • Integration of customer contact systems with dealers. 	<ul style="list-style-type: none"> • Need to accomplish all that it must do under the limited change scenario as well as extend that functionality to third party distributors.
Communications	<ul style="list-style-type: none"> • More media to complement existing dealer network and communications. • More interactive, less brochure focused. 	<ul style="list-style-type: none"> • Direct, interactive customer communication becomes even more important as a means of building the new brand, relationship and experience resources.
People	<ul style="list-style-type: none"> • Limited impact. 	<ul style="list-style-type: none"> • New culture, people, skills to deal with powerful, non traditional, third party distributors and interactive customer communication.

7.6.4 Researcher's reflections

Listening to the tapes and reviewing the collateral generated from the workshop that developed Figure 44, the researcher noted that of the high VRIN scoring resources, only the dealer-customer-BMW relationship would be dramatically affected by even a radical change in marketing strategy. The biggest impact of potential new distribution models upon BMW's current marketing resources would be upon those that do not confer competitive advantage: systems, communications and people. The researcher noted that this could affect the urgency with which BMW GB acts on the basis of this inquiry.

Whilst each co-researcher had strong views about changes to distribution and its potential impact upon BMW, this seemed to be the first time that those most responsible for an operational response sat down to consider the issues and plan for them. The very operationally focused co-researchers had been given limited time only to reflect upon even fundamental issues affecting their practice.



7.7 Identifying BMW's future marketing competencies

The co-researchers decided to break into pairs to do the second preparation work. This section will demonstrate how this was conducted through the illustration of the future demand management competency. Details of the discussions for the other three competencies are in Appendix 15.

7.7.1 BMW's future demand management competency

This competency was analysed by IM and NB. They decided to score this on the basis of a "mid point" between the extreme scenarios of minimal or radical change.

... "It will be too difficult to keep both scenarios in my head, so let us say that they were useful for getting our heads around the issues and assume that the world does not stay the same nor completely change in the next few years. We will develop this on the basis of a nominal mid-point between the two. How does that sound to you?"
(NB)

... "Yes, and even if all the legislation is due to change, it won't happen tomorrow, so let's do that." (IM)

Figure 45 illustrates the scoring results for BMW's future demand management competency.

Figure 45: Future Demand Management Competency at BMW

<u>Form of Marketing</u>	Transaction (Score =1)	Relationship (Score =2)	Network (Score =3)	
	•Identify and exploit demand	•Identify and exploit individual stakeholder interests	•Identify and leverage community resources	
<u>Measures</u>	Marketing Focus			
	Score			
Creating Demand	2.0	<ul style="list-style-type: none"> •Market segmentation •Brand/reputation •Mass marketing skill •Advertising/promotion •Partnerships 	<ul style="list-style-type: none"> •Customer segmentation •Customer development •Differential marketing - bi-directional 	<ul style="list-style-type: none"> •Community portfolio •Standards leadership •Complements development
Planning Focus	2.5	<ul style="list-style-type: none"> •Market share - turnover 	<ul style="list-style-type: none"> •Share of wallet 	<ul style="list-style-type: none"> •Frequency, recency and value of contacts
Basis of Competition	2.0	<ul style="list-style-type: none"> •Scale •Innovation 	<ul style="list-style-type: none"> •Scope •Service quality 	<ul style="list-style-type: none"> •Leverage standards, installed base •Content management
Brand	2.3	<ul style="list-style-type: none"> •Image 	<ul style="list-style-type: none"> •Advertise to owners 	<ul style="list-style-type: none"> •Negative associations
<i>Overall</i>	2.4			

The discussion of this competency started with fundamental questioning of the role and value of national sales and marketing companies such as BMW GB. IM and NB “lived” in scenario two for awhile and convinced themselves that a multi channel environment would encourage BMW AG to manage on a European basis. They estimated the cost of BMW GB’s marketing, sales and service organisation at 1.5% of UK turnover, an attractive potential cost saving. NB said that at the previous day’s UK management meeting it was noted how much more influence AG is trying to assert in day-to-day operations. He also recounted that when he set up BMW Lifestyle online to sell clothes, AG insisted that online commerce would be run centrally. He described this as a “major battle” won by GB on the grounds that delivery from Germany was slower and problem resolution when things go wrong would be more difficult remotely. NB also noted that Mercedes set up a central customer call centre in Holland but closed it fairly quickly when it determined that it could not provide the right customer experience centrally.

NB and IM identified a number of online services under development whose objectives were to increase sales and improve customer service.

- The biggest initiative was “Top Drive”, a global relationship marketing initiative that was to provide a customer database and analytics technology.
- Piloting use of web cam with insurance adjusters to speed claims.

- Online service booking.

NB felt that once the web cam pilot succeeded, it could be extended to assessing used car values and that would support online used car trading.

7.7.1.1 Creating demand (future)

This score increased from 1.5 (current) to 2.0.

The conversation focused upon NB's concern that under the radical change scenario, the customer purchase process could change. Where competing channels have meaningfully different offers, the customer might seek advice on the right deal first and then choose from a set of acceptable brands to make that deal happen. Finance, leasing, selection of different cars through the year and guarantees on residual values might drive customer selection to a much greater extent than it does currently. This conversation illustrates this point:

... "It makes consumers less of a product brand based choice and more of a solution choice, in that scenario our brand strength is (weakened)" (IM).

... "It is not the fact that Tesco sells us that diminishes the brand: it is the fact that solutions become more interesting than the product." (NB)

... "There will still be many customers who will want to have a conversation with a dealer about the car. The romance of the car is important." (NB)

... "Yes, but if our service is only really appreciated when there is a problem, the brand attachment can be lessened (as the market liberalises) and there is more choice (of solution and package)." (IM)

Under a radical change in distribution, BMW would then need more than its traditional reliance on the product to drive people to the dealers in order to be seen as a place to begin the car search. NB, on several occasions, mentioned that Tesco overturned the power of consumer goods companies, and now dictates its terms to the manufacturers. During the conversation, he had a "eureka" type moment when he redefined relationship marketing from BMW to customer to a vision of the entire chain: BMW to distributors to customers.

They concluded by scoring this attribute as a 2.0 under the belief that as distribution liberalises, BMW GB will need to manage actively customer development and loyalty across channels. The researcher then asked if they would really sell any more cars if they moved to a relationship marketing strategy in order to probe for their commitment to the shift, but they stuck by their scores.

7.7.1.2 Planning focus (future)

This score increased from 1.3 (current) to 2.5.

The relatively high score on this measure reflected IM and NB's view that in order to support relationship marketing in a multi channel environment, where the mean time between repeat purchases was three years, BMW GB would need to find a means of maintaining dialogue over time. BMW maintained customer contact and involvement at low cost because its customers got regular services through the dealer network. IM and NB felt that as service intervals lengthened and many customers opted for non-dealer after-sales service, customer contact and commitment would erode. BMW GB would need to compensate by building greater customer contact and interest in the brand over a three year period at an affordable cost. Demand management would, in future, involve understanding and managing the recency and frequency of customer contact.

7.7.1.3 Basis of competition (future)

This score increased from 1.5 to 2.0.

The conversation began by refuting the existence of standards and network externalities in this industry. They acknowledged that there were some negative aspects to some people's perception of the typical BMW owner but that the Company had successfully managed this issue for over 10 years.

NB and IM felt that as distribution changes, services would be a major marketing tool for BMW. Services were the means by which BMW could maintain customer contact cost effectively. It was also a focus of immediate attention; they returned to the use of web cams to improve customer convenience and speed of insurance funded body repair work. It was the focus on services which generated the increased score.

7.7.1.4 Brand (future)

This score decreased from 2.5 to 2.3.

IM and NB discussed the negative images associated with BMW. BMW Marketing actively manages this through its advertising treatment, careful product placement, dealer training and other forms of communication. Depending on the extent to which distribution changes, BMW will need to rely upon more than its traditional product branding to generate demand. There is no obvious reason for the decline in brand measure and the researcher believes it is because NB and IM did not refer to the current score when deciding upon the future score.

7.7.2 BMW's future creating marketing knowledge competency

This competency was analysed by TW and DT. They decided to complete the scoring tool for both scenarios; Appendix 15 illustrates the results. The current competency scored 1.1 and this increased to 2.0 and 2.8 under the limited and radical change scenarios respectively.

They felt that even to support the modest improvements in BMW's ability to communicate directly with customers, the Company would have to develop its ability to build and manage customer databases, conduct meaningful analysis of customer data, draw sensible conclusions from the analysis, translate those into effective communications or direct marketing campaigns, generate customer response, feed that response to the dealers and follow up to ensure dealers act upon it. Customer data was very limited, and it focused upon warranty matters rather than the customer's interests, motivations and potential for further business. The transfer of customer insight around the business was limited by the dealer network.

DT felt that his experience at Harley Davidson was relevant to the analysis of the radical scenario. His old company set up consumer communities around the product, organised biking tours and social events that drew in new members of the community. TW agreed that if BMW worked through powerful third party distributors and continued its product development policy into more niches, then community based marketing knowledge would need to be developed.

7.7.3 Future building customer value propositions

RD and NH analysed this competency. They generated just one score for much the same reasons as IM and NH, plus they felt that this competency would not be dramatically affected by distribution scenarios.

The score increased from 1.2 (current) to 1.9. They felt that regardless of changes to automotive distribution, consumers would expect to deal with BMW directly in the future and over the internet.

... "People want to talk to people that can make decisions. Our audience is demanding and intelligent and they are likely to start demanding a dialogue with us." (NH)

7.7.4 Future determining the firm's relationship with customers

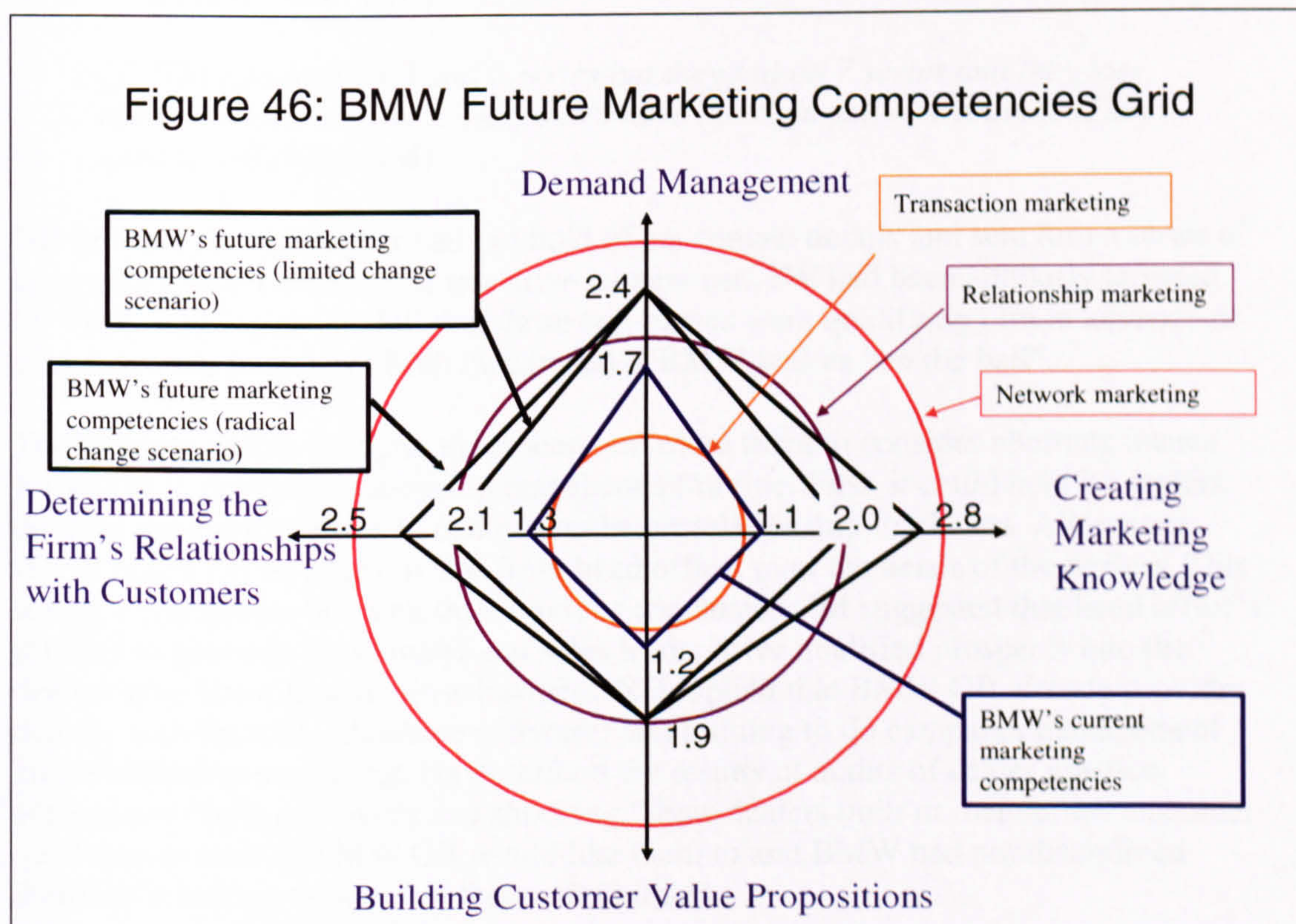
TW and DT analysed this competency and decided to score it separately for each scenario because intuitively they felt that this was most sensitive to changes in distribution strategy.

The score increased from 1.3 (current) to 2.1 and 2.5 under limited and radical change scenarios respectively.

Under a limited change scenario, the co-researchers felt that consumers would insist on some relationship with BMW for much the same reason that RD and NH arrived at separately above. Under a radical change scenario, BMW could not rely on its dealers to manage customer relationships and would manage customers centrally, relegating dealers to purely logistics and servicing functions. This had important implications upon all the measures: the development of customer management functions within BMW GB, marketing planning by customer group as well as product and services development in consideration of the customers' communities.

7.7.5 BMW future marketing competency grid

The competency scoring results generated the competency grid illustrated in Figure 46 which contrasts the current marketing competencies to future, under two different scenarios (for marketing knowledge and customer relationship competencies).



7.8 Actions arising from this inquiry

The final workshop was to agree the actions needed to generate the competency shifts illustrated in Figure 46. Unlike in the case of flutter, where the discussion about factors inhibiting change did not produce much relevant data, inhibitors to change were a focus of the final BMW workshop.

7.8.1 Inhibitors to developing marketing competencies

The dealer network was identified as the major inhibitor to change. This came up throughout the workshop and this section brings together the main points but not necessarily in the chronological order in which they came up.

There was a widely held view that the dealers lacked the interest, incentive and experience in lead generation and outbound marketing.

... “They (the dealers) are waiting there for someone to walk in who is dressed right and has a cheque book in hand”. (NH)

... “The competencies in database management and prospecting are appalling.” (NB)

*... “They are not very good at promotional marketing or lead generation”
“They don’t sell” (RD)*

... “They do well on 3 and 5 series but they fail on 7 series and they lose out to Mercedes S class. They don’t have the right skills or attitude. They need to sell those. (IM)

NB brought up how Jaguar had got hold of his contact details and sent him a series of compelling direct mailings to test drive its new car. TW had been similarly targeted by Volvo and Jaguar; he felt that those companies were qualifying him in advance of major new car launches. Both questioned if BMW was as “on the ball”.

To stimulate further thought, the researcher asked them to consider alternate means for BMW to develop relationship management online. First, it could help its dealers develop the competencies to make them better relationship marketers. Alternately, BMW could run its relationships from head office, over the heads of the dealers. This set off a real debate but with little obvious conclusion. IM suggested that head office’s job was to generate the demand and sales leads: drive qualified prospects into the dealers who know how to close business. RD replied that BMW GB already provides dealers with the tools (database software) and training to do campaign management and relationship marketing. He described the results of audits of dealer practice somewhere “between spotty and shocking.” Few dealers built or maintained customer databases as well as BMW GB would like them to and BMW had not disciplined them for it as long as they met their sales targets.

... “The dealer profit is not under threat and they don’t have to work too hard. The dealers can convert the footfall into sales in a rising market. They are not marketers.” (RD)

...They are not marketers. Building a customer database is too hard and maintaining it is harder. Most don’t do it. We don’t have much information on what they do on that side because they are their own companies. We can give them tools but they are all their own companies. We advise them through regional managers but we can’t dictate to them.” (TW)

RD added that when he talked to dealers about CRM, they asked why they should invest time and energy generating more demand when they could not increase their allocation of cars. Because dealers did not see the commercial benefit, RD felt that even high quality sales leads, generated by BMW GB through direct marketing and the internet, were not always followed up by the dealers.

During this discussion, TW observed that the team was backing away from agreeing to the future competencies that they themselves suggested at the work package stage. NH said that the dealer-BMW GB relationship was at the heart of the future of BMW GB’s marketing role. He asked the researcher to comment on who should own the customer relationship. The researcher replied that was a matter that the team needed to work through for themselves if they were to be committed to any changes in competencies.

Leaving the role of dealers, the team moved to an inhibitor that they felt affected the development all marketing competences: the relationship with BMW AG. A number of points came up:

- BMW GB is not totally free to price the cars.
- Supply chain is not locally driven, and cars are allocated to GB and then to dealers.
- Budgets are always tight. Money and people needed for the development of new marketing competencies are severely limited. Relationship building would be people intensive due to its focus on flexibility, dialogue and customisation; there was no appetite to increase head office resources on the mere promise of potential long term benefits.
- BMW AG was pursuing its CRM agenda without the full support of national businesses.

Finally NH articulated what turned out to be another major point, and one the workshop came back to later, that BMW GB was a lean organisation that had not marketed in any other way. It did not have the expertise, know how and “fat” to reallocate to other initiatives.

7.8.2 Concluding the workshop: “Where do we go from here?”

The discussion about inhibitors to change lasted for about one and one half hours without obvious conclusion. TW, normally the quietest of the co-researchers, began to occupy a more chairman-like role to bring his co-researchers to a decision point. He began this by noting again that the co-researchers seemed to lack commitment to the competency developments that they had all proposed just an hour and a half ago and suggested that BMW GB does not have a clear strategy with respect to its future online customer relationships. When he started the inquiry, he had expected RD to have known what Marketing wanted from the internet and CRM, so that he could support the strategy with the technology. NH asked RD if he had conferred with BMW AG about what they expect to happen with customer relationships and RD replied that BMW AG claims to be clear, but on closer inspection, is not.

RD built on this intervention suggesting that BMW GB has been so resource-limited that it handed too much of the responsibility for direct marketing and relationship building to outside agencies. He now felt that such agencies do not have the competencies to do this, or the ability to inform the debate about online marketing and CRM. His agencies could only suggest what he called nebulous CRM programmes that were irrelevant to the business.

The researcher then shared his reflections about this meeting suggesting that for the past few weeks, the team built a picture of BMW moving from being a very transaction marketing company to being more of a relationship marketer. However, when faced with determining specific actions and committing to them in this meeting, it was less sure of this move and could not even convince themselves.

RD said that he felt that BMW would benefit from online relationship marketing but he worried about its ability to get the data that it needs to build that competency and the cost of that data. TW suggested that he did not even know enough about what questions to ask of systems and capabilities to support Marketing; he returned to the theme that Marketing must be clearer in what it needs. RD then suggested that the follow up from this series of workshops would be that he would try to answer TW's questions and get consensus on the way forward.

IM suggested that the onus was on Marketing to lead on this issue and he appreciated being involved in their deliberations. He said that he would be involved with one of the Initium teams being led from Munich and felt that this inquiry

“made us think through the whole process which we don't get the chance to theorise and reflect back on what we do. We are in a grey haze around block exemption and have no plans to respond.” (IM)

There were no specific actions coming out from this for his day-to-day practice.

NB felt that BMW did not know enough about its car owners, or was able to do enough with what it does know, to support fully what he was trying to do in

developing the after-sales market. IM supported him and said that we look at a specific issue, such as losing share of after-sales tyres, but don't really know how to ask why and what to ask dealers to do about it. NB said that he was aware of the problem, it was a constant "niggle" but that this process had made him more accurately aware of the implications about such lack of knowledge and customer contact. He was unsure what to do about it but it would be a much higher priority; as the market evolves, he would need to be more informed in his customer insight and action planning. There were no specific actions that he would commit to from this process.

NH felt that it was invaluable to stop and think about this issue as they had spent so much time "dancing around" it without moving forward. He was convinced that BMW GB needed to do more strategic work on the issues raised at the third workshop and that it should not just walk away from the workshops. He was concerned that there were insufficient resources in the business to develop new competencies but the investment in those resources would only happen on the basis of a solid business case. He concluded by stating that a real business need should be identified or BMW should drop it (online marketing).

RD shared his personal reflection that through the process the team individually and collectively developed real enthusiasm for change but at the workshop, the team had strong doubts. He felt that he was in a better position to propose some actions in the very near future. His overwhelming conclusion from the inquiry was that neither Munich, nor expert third party consultants could tell the inquiry team what CRM meant for BMW GB. The team responsible for CRM in BMW GB would need to answer the question "what sort of online customer relationships do we want?" From the answer to this question, the team would be able to determine the data and insight BMW GB needs to implement its desired CRM programme. Once this would be agreed, he would lead the process to compare what BMW has already developed against that which the team felt it needed. He believed that much of what would be required in the short term would have been developed over the past few years and could be made ready for immediate use by the new CRM system: Initium or any other system the Company decides upon. The gap analysis would determine specifically how much investment in marketing is required, over what time frame and the "deliverables" for that spend.

"We must move from theory about CRM. Why the net? We had a false start with it before and now we need to understand what we do with it." (RD)

TW had the last word by adding that he had an affinity for theoretical models but still wanted to know how they fitted with real life. He stated that BMW GB's IT sales and marketing systems are appropriate for its current business. This was because BMW GB lacked a clear vision for anything more sophisticated. He said, before BMW invests further in systems, it needed to answer the fundamental or big questions that RD had just outlined.

The researcher was then asked to summarise the process and where we had got to in a formal presentation that would be made to the full team and then the marketing director.

7.8.3 Researcher's reflections on discussion about actions

Until the third workshop, the team had steadily developed a view that BMW GB was an excellent transaction marketer that needed to add equally strong relationship and network marketing skills. These would be developed largely through online consumer relationships and services. This had implications upon each of the four marketing competencies largely as predicted by the marketing competencies framework developed by the researcher from the literature.

When asked to commit to action, they challenged the relationship and network marketing edifice that they had constructed. The main themes emerging out of this pull back were:

The team could not articulate a compelling business case for moving from transaction to relationship marketing in terms relevant to their normal criteria of incremental revenue and or reduced cost. During the previous workshop and work package sessions, there was inexorable progress in the resource analysis and competency scoring tools towards embracing relationship and network marketing activities. When faced with committing to actions, they could not find the business case for so doing.

There was an imperfect alignment between the managerial interests of BMW GB and its dealers. Whilst the inquiry team felt that BMW's dealer relationships were an important, if not strategic, resource, they did not feel that dealers exhibited sufficient ambition and long term vision. As long as demand exceeded supply, BMW GB managers did not think that BMW GB could embrace new marketing competencies.

BMW GB middle managers were operationally excellent, but restricted in their ability to contribute to policy formation. With respect to the language of the action research literature, they were excellent at single rather than double loop learning. Policy, such as that for online marketing and CRM, was made in Munich and communicated to BMW GB and other country operations. BMW AG solicited comment on how best to execute the policy and implications upon resources and budgets but not about the policy itself. On several occasions the researcher asked if the team would be interested in involving BMW AG in our discussion and was told, pointedly, that this was not the way GB worked with AG. BMW GB managers would build GB Board consensus for a position on CRM and allow the Board to present that to AG. Similarly, the GB Board would solicit comments from its middle managers on the resources and details of policy implementation but middle managers had to manage any comments about the nature of the policies very carefully. On several occasions, team members repeated the line that "give us a target and we will achieve it" or "we always make our targets."

BMW managers could fall into the resource trap if the environment changes rapidly; managers were really good at what they did so they could not muster the compelling argument for change. Whilst they realised that the world might change on them, building new marketing competencies required a more compelling case than merely

as a contingency against future threats. Dealers were not interested in speculative futures and the internal people didn't have the compelling reason to force change. BMW GB was a product marketing and dealer support group that might take on a relationship marketing role but did not wish to alienate its channel to market, nor did it have the money, time or people to build relationship marketing resources and competences.

7.9 Post inquiry

This section describes the co-researchers' views of the inquiry's actions, commitments, learning and process obtained via the exit interviews. It also provides a detailed account of a long series of follow up meetings between the researcher and BMW. The meetings were mutually instigated; BMW wanted a sounding board for some of their ideas and the researcher wanted to see how the inquiry had led to improvements in practice and practical actions.

7.9.1 Exit interviews

Unlike flutter, there are important differences in the data generated by the individual co-researchers in the exit interviews. Therefore, the researcher will briefly describe the individual conversations and describe his reflections on them. The interviews are written up with the same sub-headings as for flutter: improvements to practice, democratic process and co-researcher learning. Interviews were semi-structured and followed the outline described in Section 5.5.3 (Figure 22). The interviews lasted for approximately one hour. The researcher was unable to talk with NH; he left BMW about six months after the inquiry finished.

7.9.1.1 RD

This interview was the longest, lasting over 90 minutes.

7.9.1.1.1 Improvements to practice and actions

"I have, but it is probably not the action you would expect. We have been talking about CRM for years and doing little about it. There has been a lot of theory applied by the central project but very little marketing. The Marketing department is sucked into debates about software selection, the viability of software vendors, the limitations of centralised systems and adaptability of a German system. What we should be saying to our colleagues are these: the requirements of our market are these, deliver against our requirements with a system that is better, less expensive and easier to operate. We will take it because it will enhance our marketing effort. Actually, we are talking about the how and not the why." (RD)

"CRM is such a nebulous term and hard to get hold of it. We can sell more cars... Jim (the BMW GB CEO) is saying we will sell 50% more cars and you

had better invest for growth. Our problem is that we are not getting the basics right, we are not doing good direct marketing, joined up marketing. To achieve our plan we need to take one step backwards before going forward, we have the wrong focus, the focus on the system not the marketing. We need to get the basic information and then we can get smarter about moving to a customer centric operation". (RD)

"We need to get our ducks in a row. If that means we need to have a debate with Germany, let us have that debate now. We have a great database now that we can't use because we have let it drift because it has been jam tomorrow. If we are going to move forward, let's start now." (RD)

Other specific decisions that RD made as a result of the inquiry and his own continual reflection on the issues included:

- One of his team (RH) would manage overall online customer communication for the Company.
- RH would develop a new online relationship marketing programme entitled "BMW Owner" which would, for example, allow owners to book service appointments online and receive special body repair services in the event of an accident. The focus was very much on making existing services easier to access or developing new services intimately related to the core automotive proposition. RH would manage that project.
- Direct marketing would be moved from agencies to management in-house. This was something that RD and the researcher had talked about at various times over the inquiry. RD had come to the view that agencies were not set up to provide the ongoing customer relationship management. BMW GB had taken on content management of its internet site and was learning about that. Whereas traditional advertising was largely outsourced, online marketing required in-house resource.
- RD outlined his intention to deal with customer data. He reiterated that a priority would be to clean up the customer data he currently owned, buy an inexpensive campaign management tool for direct marketing purposes and execute direct marketing better.

7.9.1.1.2 Democratic process

On the 1 to 10 scale of process and frameworks, RD put both at 6.5, suggesting that they were complex and it took some time to get used to them.

However, he was very positive about the cycles of reflection and action.

... "The mechanics we used, the map and the filtering process were very strong. It made people think about what makes BMW strong..... In CRM we have lost sight of the end game to keep them longer and sell more cars. It is being hijacked by the system which has a life of its own." (RD)

He said that the inquiry brought home the difficulties he brought up at the first meeting with the researcher in August 2001, namely, how does one articulate the benefits of online marketing and CRM to the Company? BMW sold more cars than it could supply. The dealers made so much money that they were hard to motivate and there was a lack of urgency for change.

Between the final workshop and this meeting, the European Commission published their proposed amendments to block exemption. RD was asked to rate the likely impact of the changes on the marketing of cars in the UK from 1 (little impact) to 10 (big impact). He felt that short term, the impact was between 2 and 3; however, five years from now, the impact would be between 6 and 7. This was more change than he had thought would happen but it would not result in the “free for all” feared by some in the industry. The biggest impact would be the split of sales and service and easier for people to buy online.

He volunteered that the team was divided between action oriented people (e.g. TW) and longer term strategic thinkers (DT) and that this was brought up in the final workshop.

7.9.1.1.3 Co-researcher learning

The researcher suggested that one other action of this project was that everyone was marching up the CRM hill and at the final workshop, decided to march down again. RD concurred:

... “if we have made people understand the question and given them a tool set to be able to question the whole ethic of CRM, great... we may end up saving ourselves a lot of time, effort and money going down a blind end. There is a whole raft of people being indoctrinated with the CRM promise of this golden age and they are all going willy nilly to Munich having workshops. The managers, the NBs and IMs, need to be able to say to them – hold on one minute. If we have given them that questioning ability I would be delighted, particularly [TW] as he is very good at asking the common sense questions.” (RD)

RD and TW, the axis of CRM implementation at BMW GB, were now convinced that the first priority was to “fix” the existing consumer database and add financial services customers to it. Then they would use existing analytical tools and experiment with campaigns, learn from them and develop this skill further.

... “We should not invest in any new resources without getting our house in order, because we have good resources that have been left in disrepair” “We are being promised a lot of stuff (Germany) but there is no way given our resources and objectives that we would be able to use it. It is great to have all the toys in the box, but we haven't the ability to use it. A good foundation will help us know what we need.” (RD)

The “learn and do” approach which interested RD at the project’s inception was strongly appreciated and RD said the inquiry validated that approach.

... “BMW Direct was built quickly and cheaply as a one off project that was relevant to the business’s needs, big CRM projects are not.” (RD)

7.9.1.2 TW

7.9.1.2.1 Improvements to practice and actions

... “I am much keener at getting answers to questions that we have than we were before. I hope RD is going to take it on and I will challenge him if he doesn’t. All of us came to a point of not knowing what we want (in the final workshop) and that has opened the door (for him to question harder). I look at CRM in a wider prospective now.” (TW)

He said that “There is a lot more focus on it (online marketing-CRM) now” and that he was writing a report on it for the Board.

He suggested the inquiry informed BMW but did not create committed action because the group was not set up to lead a change programme at the beginning.

7.9.1.2.2 Democratic process

He felt that the process was democratic and participatory. There were no hidden agendas and people made their perspectives and opinions very clear during the workshop. At times “I find it difficult to get my point in as some people are always yakking on so much.” But by the end of the process, when he realised that no one really knew what the objectives of CRM and online marketing were, he found more voice.

When asked about the clarity of the researcher’s slides, briefing notes et al., he pointed to the process slide and said:

... “I liked the slides and working within a framework. I have just completed some academic qualifications and I enjoy the framework approach. I liked the approach you took in this project. Sometimes we lost track where we are trying to get to, not through your fault. Conversations meandered at times, but in the end, it works very well.” (TW)

When asked to use the 1 to 10 scale assessing if the research objectives, frameworks and tools were the researcher’s or became the team’s, he said it would score in the middle then added through no fault of the researcher.

... “You have given us the foundation insight... but until we can say this is where we are going, they aren’t really actioned.” (TW)

In terms of the researcher's performance:

... "You were good at facilitating the group, bringing us back to - look guys this is what we are trying to do here - feeding back to us - this is what I think you said; is that what it means? You were quite, no, you were very good at playing things back and questioning, helping us bottom out our thinking." (TW)

7.9.1.2.3 Co-researcher learning

He felt the starting point was for RD to produce a policy paper defining CRM and the extent of BMW's ambition, get that agreed by the Board and then carry on from where the team left off at the third workshop.

... "I thought Marketing had all the answers.. I was surprised to learn that it doesn't. I now will take a much tougher role in making sure Marketing defines its briefs with clarity...not take anything for granted." (TW)

The researcher asked about barriers to getting the clarity he sought and suggested that BMW had been looking at this for a long time and still appeared uncertain.

... "We are very very driven by achieving targets which is very good ... but we don't spend enough time looking at the bigger picture to realise that we are not answering the fundamental question of what it is we are trying to achieve. That is what the culture is like." (TW)

7.9.1.3 IM

7.9.1.3.1 Improvements to practice and actions

... "The whole thing was more of an interest rather than (directly related to my) work practice...I was invited by RD and I don't get involved in marketing except on the fringe. I guess RD would say that I do have views and it is good to have views outside of Marketing. On a day-to-day basis I do not do marketing. It was an interesting academic exercise as opposed to take it back to work and use it." (IM)

Then he talked about his participation in the global CRM workshop the previous week when he spent three days helping Initium in its scoping phase. There were 150 people involved in the three day event. He mentioned that he felt much more comfortable having been through the process: he understood the CRM jargon better, the key concepts and the extent to which "Marketing does not have all the answers."

He commented that RD did not attend and attributed this to RD's dissatisfaction with the central process. He was going to speak to him to ask him to represent the UK

Company more forcibly as he did not see any other option but to accept that the central initiative was the “only game”.

7.9.1.3.2 Democratic process

He felt that the direction of the inquiry process scored between 4 and 6.

... “RD must take this and drive it. How easily will he be able to influence decisions as they are head office taken? All we can do is influence HQ.” (IM)

... “For me, I did not understand CRM and it looks like few others do....When it came to define it, it was clear we did not really understand it.... I assumed our marketing colleagues had it all figured out but they did not...We tend to be reflective once a year at planning and budgeting time...I will take my time away for one day.. I try to do it at the weekly management meeting but they are short meetings so we don't. Our brief is implementation and not policy making.” (IM)

When asked about the usefulness and ownership of the frameworks, he said that there was a lot of marketing jargon associated with them and it was quite theoretical. However, after the second workshop, he was comfortable with them and confident in using them. On a scale of 1 to 10, he hesitated and then said that they were certainly the researcher's at the beginning of the process, becoming ours (BMW's) but if in six month's time BMW uses them, then will become ours (BMW's). He said that it was up to RD to drive that forward.

He suggested that the researcher's facilitation was good, particularly mentioning summing up diverse views and “a better job of articulating and drawing the sense of it than we can do”. He particularly enjoyed the preparation work and presenting back and felt that was good facilitation.

7.9.1.3.3 Co-researcher learning

For IM, the learning focused upon CRM, the issues in developing it and particularly the need to arrive at a strategic decision re: the role of the dealers versus BMW GB. He had already felt better prepared for a global CRM (Initium) effort and would continue learning about this area as he chaired some activities in that programme.

7.9.1.4 NB

7.9.1.4.1 Improvements to practice and actions

NB had no specific actions or changes to his day-to-day work as a result of the inquiry. He felt that there would have been more personal and collective commitment to action if RD had briefed them more thoroughly before the start.

... “I really had no idea what this (the inquiry) was about before it started.” (NB)

... “If I am honest, it was more for your benefit than BMW’s; we are aware of the issues. The good thing was to spend some time looking at our business in a different way, in a different group. I did get some benefit but more you than us.” (NB)

He stated that he loved change and would like to get something dramatic that he could get hold of. He felt that deregulation was an opportunity and risk and that if BMW didn’t change it risked being overtaken by car companies and service providers in the after-sales market.

He felt that the next step would be to focus and decide if CRM was framed as the ability to contact customers more directly or how to market in a multi channel environment.

... “We, as a subsidiary, are extremely good at what we do in all areas. But AG has other ideas and we should involve them.” (NB)

7.9.1.4.2 Democratic process

... “The way you handled us is spot on. You made it clear what the purpose of individual meetings was, what was expected, what we are doing, what happens and what I was getting. It was a surprise (positive) about my level of expertise, requirements and experience. We did not know that there was a third party involved. We did not realise that someone of your calibre was coming to work with us, get our input and be so collaborative.” (NB)

The tools and frameworks were said to be helpful; however:

... They err on the side of academic but that is not a bad thing. The academic world is good at summarising things and presenting them back. These issues are octopi for us and we appreciate when someone has the clarity of mind to summarise on one piece of paper. The way you presented back has been very helpful and good.” (NB)

He felt that the frameworks and tools were good, the language was OK but it took awhile to understand VRIN. He scored both the process and the frameworks in a range between 4 and 6, and suggested if they carried on being used by BMW then those scores would increase.

7.9.1.4.3 Co-researcher learning

The preparation sessions were the part he enjoyed the most and got the most out of; they forced him to reflect on the subject and he learnt a lot from that process.

He had not seen BMW GB tackle anything as complex as the implications of block exemption or CRM before and wondered if it would be able to develop its policy. He came three years ago from Nissan and had not seen much willingness to experiment and learn from it. He expressed concern about BMW being complacent about online marketing and not willing to learn more about it.

... “This is the way we do things and it has worked well and there are so many people that have been here for 20 years and will struggle with changing if we need to.” (NB)

7.9.1.5 DT

7.9.1.5.1 Improvements to practice and or actions

There were no actions or impact on his day-to-day operations.

... “I apologise that I only participated in a few sessions due to illness mostly. I have been leading my own team through a similar process of reflection and change over the past year and I really had not expected to take out anything from my participation. RD called me and asked me to provide an outside perspective and act as an agent provocateur: BMW GB management was generally long serving and very stable and won’t think out of the box.” (DT)

He thought that it was unlikely that the existing management would conceive radical new strategies. This was a point of personal importance to him as, unlike cars, BMW Motorcycles were not in strong demand and he felt that he had to move the brand and its operations away from the car company in order to succeed.

He had already spoken with RD between the second workshop and this exit interview to convey his views about CRM, online marketing and the issues around change within BMW GB.

His concern was around complacency.

.... “This is where we will be caught. Our dealers don’t know how to get mean and dirty. We are traditionally a target driven organisation. Jim (CEO) is fond of saying give us a target and we will hit it. For example, we treat clothes like a piston. In my previous firm we set up a £23 M business through third parties and we need some of that thinking in Lifestyle.” (DT)

... “there has to be some discontent to create change but there is no discontent.This is not a learning culture. It is a very directive (culture).” (DT)

7.9.1.5.2 Democratic process

He suggested that he had not seen enough of the inquiry to comment extensively on the process. On the basis of limited participation, in terms of it being the researcher's process (1) or the team's (10) he gave it a 4 and then added a comment that the firm finds it hard to learn from such processes; it responded much more to demanding targets than to reflection.

7.9.1.5.3 Co-researcher learning

He had already briefed RD after the second work package and offered him advice. DT suggested that BMW find some project with which to experiment and "fail," but to learn from that. He cautioned that the professionalism and successful track record of BMW in the UK does inhibit people's willingness to experiment and fail.

7.10 Follow up meetings with BMW

The final workshop failed to provide the same degree of clarity of action as was the case with flutter. RD requested further input from the researcher and the researcher wanted to continue contact with BMW to observe what actions ultimately arose as a result of the inquiry. Figure 47 identifies the follow up meetings held with BMW managers subsequent to workshop 3 and the exit interviews.

Date	Attending from BMW	Purpose of Meeting
20 February 2002	RH ³⁰	Discuss involvement with BMW owner site (2 hours).
25 February 2002	RD, TW	Wrap up the inquiry process and identify next steps (2.5 hours).
26 April 2002	RH	Progress update on BMW owner site (2 hours).
23 July 2002	RH	Progress update on BMW owner site (1 hour).
21 August 2002	RD	Phone call update (45 minutes).
15 October 2002	RH	Phone call review of BMW online activities (30 minutes).
27 November 2002	RD	Progress update on CRM, online marketing and review of initial thoughts on the inquiry (1 hour).
9 January 2003	TW	Progress update on the various CRM and online marketing programmes (30 minutes by phone).
20 May 2003	RD	Review of the write-up, conclusions and update on online marketing (1 hour by phone).

³⁰ RH was a direct report to RD and responsible for online marketing at BMW GB. Before joining BMW just one year previously, he had worked for a large, direct marketing agency.

7.10.1 Follow up meetings with RH

RH had read the researcher's summary of workshop 3 and preparation slides for the upcoming wrap up session. He endorsed the idea of building BMW's online marketing competencies through a series of limited initiatives such as Owners' Club and was attracted to the cycles of action and reflection approach of the inquiry. He planned to convene a small group of individuals starting spring 2002 to build a site that would "go live" summer or autumn. He invited the researcher to be part of his steering group and build cycles of reflection once BMW had begun to learn from the site. Three separate meetings or phone conversations have occurred since. The Owners' Club was delayed due to limited support staff and went live only mid-2003.

7.10.2 Follow up with RD

The purpose of the researcher's first follow up meeting with RD was to facilitate a wrap up meeting to which all the inquiry team members were invited; RD and TW attended. The meeting lasted for 2.5 hours. Both had reviewed the researcher's interim report that was in the form of PowerPoint slides. At this meeting, the two BMW managers re-affirmed that they would adopt a policy of supplementing BMW's global CRM and online marketing initiatives with local experimentation and learning. This exchange, two-thirds through the meeting, seems a good summary to the researcher.

... "Like the emperor's clothes, no one is brave enough to ask what do you mean by CRM when the programme is so powerfully supported... we are burning so much money on Top Drive... loads of time, loads of money and getting nowhere" (TW)

... "they (AG) are doing lots of planning but there is no basis for those plans" (RD)

... "Thank you very much, you have recognised that fact" (RD)

"Here is a case where we focus on the system and not the benefit. We have followed the mantra of having one view of the customer to empower your call centre people. Great, empower them to do what? To whom, when and for what end? No we concentrate on having one view of the customer-wow-great!" (TW)

The researcher brought up the issue about how BMW learnt and a very frank conversation followed about the culture of unquestioning achievement of targets and how that made it difficult to find the legitimate opportunity to discuss the targets and influence policy. Owner's Club was identified as a potential learning project from which BMW GB could try to make some generalised findings about online customer relationships and use them as facts with which to influence the central CRM policy. TW and RD supported the idea of cycles of reflection and action as a way to guide Owners' Club but RD reiterated his view that he felt it unlikely the conclusions of

further collaborative inquiry would influence central policy. It was resolved that the researcher would coach RH in the development of Owners' Club and that the Interim Report would be presented to the relevant BMW GB directors.

In the subsequent two meetings with RD, one by phone and one in his office, the following were discussed:

- RD's programme of building online marketing and CRM from current resources and competencies has been accepted in the UK and by BMW AG. It was initially agreed that the UK would not be a major contributor of resources to the global CRM initiative (Initium) in its early stages. Early in 2003 Initium was wound down by BMW AG. It had agreed that a more cautious approach to marketing resource development was required.
- The ambition, budget and functionality of Top Drive had been clarified through spring 2002. It was delivered late spring 2003 comprising a customer database, analytical tools, a call centre software solution with workflow to automatic and control inbound sales leads. Dealers would have access to the system so that they could see the leads and realise that their response to the leads was being monitored.
- BMW GB cleaned up its existing customer database and used inexpensive analytical and campaign management tools in order to improve its direct marketing and lead generation processes immediately. The customer database was being migrated to that delivered by Top Drive this summer.
- RD had contributed to changes in the marketing organisation that brought together all the areas responsible for online consumer communication under him.
- RD had dramatically changed BMW GB's relationship with direct marketing agencies. He had moved agencies in response to a feel that the incumbent was unable to deliver the pragmatic small improvements he decided upon at the close of the inquiry. He had also brought the actual consumer online contact in-house because he did not feel that agencies could perform this function adequately and he wished BMW GB to start learning about how its customers behaved online.
- BMW AG acknowledged GB's policies on the development of marketing competencies and resources. Many other BMW country marketing teams have visited GB for a fuller briefing on its plans and strategies.

At the November 2002 meeting, the researcher shared with RD his impression that RD seemed very sanguine about online marketing and CRM at BMW GB, in contrast with a notable degree of anxiety when we first met; he had worked out a policy and approach to the issues with which he was comfortable and was supported by the business. His pragmatic approach was yielding results and he had a clear idea of the immediate priorities. We tried to identify the contribution of the inquiry to this resolution and RD suggested that it was one of a number of strands that came together. He felt that ultimately "good sense would have prevailed" and the burst of

the dot.com bubble would have undermined the credibility of an overambitious central initiative. The inquiry was very important in encouraging/allowing him to challenge the dominant thinking, bringing people on board with his reasoning and developing a clear purpose to the experiments that he was now running.

7.10.3 TW follow up meetings

In a follow up phone conversation, TW had a very similar perspective to RD on what had been accomplished:

- BMW GB had cleaned its database and improved its direct marketing.
- RD had reorganised a bit and brought it in-house.
- Munich's Top Drive would be delivered comprising the elements that RD had identified to the researcher. There was no outbound marketing in the first release of Top Drive.
- Initium had been made "more practical" (TW's words) and would be delivered many years into the future.

Perhaps most importantly, he felt that BMW GB had convinced Munich that CRM should be developed in an evolutionary fashion through a series of practical initiatives rather than a series of "big bang" changes every five years linked to new technology.

TW felt that the inquiry was one of a number of contributors to these outcomes.

... "It is not possible for anyone to isolate the impact of any activity on policy development. It certainly allowed me to question the central initiative with a lot more confidence and promoted a middle management position in GB that we effectively sold upwards. It was a rare opportunity for operational managers to question the objectives of the programme rather than just how they will achieve it. This has not moved into questioning of profit and sales targets, that is still command and control; but we did have the opportunity to do with CRM and found a strategic voice." (TW)

He did talk about his personal development since the inquiry; he has developed a reputation for asking tough, sensible questions that need to be asked. He has since been asked to participate in two company business process developments and provide a critical perspective.

7.11 Key findings from the BMW inquiry

This section identifies the key findings from the BMW Inquiry.

7.11.1 Findings relating to marketing

The discussion of the impact of the inquiry upon BMW UK's marketing competencies is more complicated than that for flutter because:

- The inquiry team considered both a radical and conservative scenario and each had different future state scores.
- Whilst at the final workshop, the team agreed the future marketing competency scores, it demonstrated a lack of committed and informed action in support of the ambitious competency shift agreed.
- Subsequently, RD made the major decisions resulting from the inquiry workshop based upon the knowledge generated from the inquiry process.

Despite these differences, Figure 48 summarises the inquiry team's agreed marketing competency changes from workshop 3 consistent with the presentation of findings for flutter. This facilitates comparison and highlights the interdependency between marketing competencies. In analysing the findings, the researcher considers these agreed changes and the post inquiry decisions made by RD. The highlights of the impact upon marketing competencies in the future radical scenario appear in italics in the right-hand column of Figure 48.

Figure 48: Summary of BMW GB Marketing Competencies Shifts (Current to Future)				
Competency	Current Score	Future Conservative Scenario	Future Radical Scenario	Highlights
Demand management	1.5	1.5	2.3	<p>Under the conservative scenario, the process of demand management is largely unchanged: BMW GB will work to drive traffic through its dealer network. The dealers will close the sale.</p> <p><i>The biggest contributor to the score increase is the measure of planning focus. In a radical multi channel environment where mean time between repeat purchases is three years, the team</i></p>

				<i>felt that BMW would need a very different approach to planning and the maintenance of consumer dialogue.</i>
Creating marketing knowledge	1.1	2.0	2.8	<p>The process of driving traffic to dealers will be enhanced by a new customer database, data mining and direct marketing resources. Marketing will need the competencies both to use these tools effectively as well as communicate the findings and leads to dealers.</p> <p><i>This score increased the most. BMW would need to own the total customer experience across channels which would cause it to develop competencies understanding individual customers and each of the channels in which BMW was sold.</i></p>
Building customer value propositions	1.2	1.9	1.9	<p>Regardless of scenario, the brand would have to move beyond purely product and performance related characteristics to embrace aspects of the Company brand.</p> <p>In the conservative scenario, the Company brand endorses a much broader range of product (1 series, SUVs and BMW Lifestyle products).</p> <p><i>In the radical scenario, the Company brand reassures people of the product across channels and must extend to move beyond product attributes to include the firm's ability to interact with customers when making a deal.</i></p>
Determining the firm's relationships with customers	1.3	2.1	2.5	<p>Highly related to the new marketing knowledge that will be generated, BMW will wish to interact with customers centrally. There will be more sophisticated database marketing to profile customers and plan interventions in the ownership lifecycle. Even limited changes in block exemption mean that aspects of this competency must be developed at UK head office.</p> <p><i>Under the more radical scenario, this relationship marketing competency will have to be stronger and contain aspects of lifestyle networks.</i></p>

The actions of BMW are consistent with a modest progression of marketing competencies and resources. It will implement some aspects of database marketing and online services, and reflect upon the results of that effort. To maximise the learning opportunities, it has brought much of its database and online marketing customer contact data back in-house and hired analysts.

The marketing competencies framework, and its derivative competency scoring tools and marketing competencies grid, helped BMW GB change its marketing competencies in response to online consumer relationships. The findings are consistent with the thesis' view that marketing competencies exist along a continuum of transaction, relationship and network marketing and firms can only move incrementally along that continuum. At the start of the inquiry, BMW's current competencies were scored by the tools as transaction marketing, although there were some relationship marketing elements of after-sales service. The inquiry team experimented leap-frogging relationship marketing and moving to a network marketing set of competencies. However, they could not make a compelling case for such a move and, in the year post inquiry, they moved incrementally from transaction towards relationship marketing.

BMW's ability and desire to change its marketing competencies were limited by its success with its current transaction marketing competencies. It could neither conceive the compelling business case nor the strategies for relationship or network marketing, let alone implement them. Unproven risks of future changes in automotive distribution are not, in themselves, compelling enough.

The findings demonstrate how marketing competencies are interrelated. For example, managing customer relationships and creating marketing knowledge move in step with each other: one cannot change the nature of BMW's relationship with customers without commensurate increase in knowledge. Creating marketing knowledge seems to be the restraining factor in that relationship. Until BMW better appreciates the value of customer insight, it cannot be expected to invest in it. Yet, until it has more customer insight, it can not change its relationship with customers and prove its value. Failure to resolve this paradox could result in BMW's demand management competencies never evolving.

RD's approach of developing competencies incrementally is a pragmatic way of resolving this paradox. He was incrementally building marketing resources for database marketing that would encourage new competencies in lead generation, resulting in higher repurchase rates. Success should encourage BMW to develop further its marketing resources thus creating a further cycle of competency development. Equally, developing simple online customer services that improve the owner experience, build competencies in customer management resulting in higher repurchase rates. The major risk of following this incremental change plan lies in the radical scenario of market change. Should the changes to block exemption create new competitors whose competencies and resources support relationship marketing, BMW would find it difficult to build new competencies rapidly in response to the threat.

7.11.2 RBT related findings

The findings are consistent with the co-evolution of marketing resources and competencies in Figure 7. BMW's current resources limited the development of relationship and online marketing competencies. This illustrates the path dependent nature of resource and competency development and illustrates how firms can fall into a "competency trap" even whilst aware of major changes in their environment.

Marketing resources, whilst tacit, were quickly raised to a more explicit level of understanding through the research process. The definition of resources remained stable over the course of the inquiry.

More problematic for the inquiry team was to agree which resources were strategic (VRIN) and the competencies needed to maintain those strategic resources. For example, the nature of the dealer relationships, and how they created superior performance for BMW, was well understood. The extent to which those relationships could survive the emerging new automotive distribution set up was strongly debated in the second workshop. Agreement was reached on the basis of compromise rather than a true meeting of minds. NB and DT, both fairly new to BMW, mentioned in the exit interviews that they felt long serving members of the firm were a bit complacent about this.

This debate created new knowledge about strategy for the inquiry team. VRIN tools proved extremely useful in creating the cycles of reflection and discussion that sharpened the team's thinking. Separating out the substitutability of resources from the other three VRIN criteria were very important for the team and highlighted the competence trap (O'Driscoll, Carson, and Gilmore, 2001) widely recognised in the RBT literature. Barney (1991) develops the VRIN criteria conceptually, but no researcher has ever validated the constructs empirically. Nonetheless, the VRIN criteria were easily understood and each seemed to deal with a unique aspect of the sustainability of the competitive advantage arising from the resource. There is nothing in either the researcher's reflections, or BMW managers' feedback, to suggest that a more comprehensive, empirically verified and detailed application of resource-criteria would have improved the inquiry.

Of the VRIN criteria, only people and sales systems failed to be considered valuable; sales systems scored 0.5. Managers found it harder to discriminate between resources on the basis of the value criterion. The team's conceptualisation of value was broad and many resources combined to create value with the result that it proved hard to untangle that bundle and allocate value points to its constituent parts. However, drawing a value pathway encouraged managers to understand the part played by individual resources in creating value overall.

Substitutability was the criterion that provoked strongest arguments. It was inherently the hardest of the four VRIN criteria on which one could assemble more objective facts. It requires imagination and entrepreneurship to conceive how a new competitor or technology could radically alter the automotive business.

When considering how marketing resources should evolve in consideration of alternate strategies, VRIN criteria did not discriminate between (potential) resources

that passed or did not pass the VRIN criteria. Managers still wanted to plan for the evolution of all their resources and some of the strategic resources today may not be tomorrow. BMW's resources were bundled together and interrelated and that also made it difficult to avoid planning for the evolution of non strategic resources. For example, the dealer relationships were a function of the brand and the customer experience; dealer relationships help build the brand and the customer experience. Similarly, competencies are interrelated and not tied to any one resource; each supports (in part) a number of resources. Perhaps it is because there is no one-to-one correspondence between resources and competencies, and that resources are interrelated, that BMW could not merely consider strategic (VRIN) resources when planning the development of competencies.

The BMW resources most affected by the radical scenario were not the VRIN-passed, strategic resources, and this is possibly why the inquiry team found it difficult to agree changes to marketing competencies at the final workshop. The findings show a negative relationship between VRIN scores and the compelling case for change and provide empirical evidence for the relevance of VRIN criteria in strategy development:

- The driver experience and brand were the only resources to be unequivocally given 4 out of 4 on the VRIN score (workshop 2) and they are hardly affected by changes to the radical scenario outlined during the inquiry.
- The BMW-dealer relationship score was contested between a 3 and a 4, but it would be affected by the radical scenario, less so by the conservative one.
- Communication, people and sales systems would be most affected by either conservative or radical scenarios but they scored 2.5, 2 and 0.5 respectively; not strategic resources.

7.11.3 Findings related to network economics (externalities)

Under the conservative change scenario, externalities were limited to the brand through peer group influences upon consumer perceptions. BMW had worked hard to shed itself of the negative aspects of the 1980s yuppie brand image. Standards, market liquidity, complements and first-mover advantage are not relevant in this market.

Under the radical scenario, and during the second work package, managers felt that BMW's competencies would move past relationship marketing towards network marketing. However, there was little of the analysis of externalities that was present during the flutter conversations. This reinforces the point that managers cannot conceive strategies, marketing resources and marketing competencies too far from their current state. Upon reflection of the outcome, many of the scores over 2 reflect a desire of managers to do "a lot more than current" rather than a profound appreciation of network effects. There was a view, particularly amongst the team preparing customer management and customer knowledge competencies (TW and DT) that a radical scenario would involve a regular ongoing dialogue with BMW car owners. As there was little intrinsic about the cars that would promote such ongoing dialogue, BMW would follow the Harley Davidson motorcycle strategy of creating events and

communities around BMW ownership: selling the idea of being part of BMW as much as car ownership. DT, former marketing director of Harley Davidson UK, championed this idea in the second preparation session and his experience undoubtedly influenced the team and helped move the competency scores towards network marketing. Whilst such networks and communities may exist amongst Harley Davidson owners, BMW had failed to manufacture a community around its products and the co-researchers could not create a compelling rationale for so doing in the third workshop.

7.11.4 Findings related to co-operative inquiry

Unlike flutter, this inquiry did not have a “straight line” of progress. BMW managers built a conceptual edifice of being relationship or network marketers but failed to commit to any major decisions as an inquiry team, whereas flutter managers built a consistent progression from current to future state and had begun implementation even before the final workshop. BMW managers explored the implications of relationship and network marketing and could not make the business case. They then returned to a simpler, more pragmatic policy and began implementation during the year thereafter.

TW suggested that the inquiry was not set up to lead change because some of the participants were observing rather than taking decisions.

The inconclusive outcome of the final workshop is entirely consistent with the literature. Co-operative inquiry was far more effective amongst BMW managers that had a real stake in the outcome of the process and were actively reflecting on their day-to-day practice as predicted by the literature. The inquiry team members most directly affected by the outcome of the inquiry were RD and TW, and they reflected most seriously through the process and demonstrated either decisions and or practice improvement as a result of the inquiry. The results from the exit interviews reflect this split: those directly affected by the outcome of the process found more improvements to their practice, thought the process and frameworks more relevant and had greater learning. It is worth noting that neither RD nor TW could determine the extent to which improvements to practice and learning resulted from the inquiry versus all the other activities and events in their professional lives.

BMW managers appreciated co-operative inquiry as effective and time efficient.

8 Comparing flutter and BMW key findings

8.1 Process for comparing the key findings

This chapter presents the researcher's reflections upon the two inquiry teams' key findings in order to identify the most important areas of similarity and difference. This synthesis of the findings is then used as the basis of the researcher's proposed contributions to knowledge in Chapter 9.

The overwhelming majority of action research theses and articles reviewed by the researcher report upon an individual social or organisational context; action research does not have a widely-accepted and well-defined approach to comparison across inquiries³¹. In the absence of a standard approach, the researcher is left to review relevant studies and describe his approach so that the readers may judge if they endorse this approach.

Since the findings from the flutter and BMW inquiries are analysed by the researcher with a view to ultimately contributing both to theory and practice, the researcher uses the filter of the bodies of literature informing the thesis (Figure 4) and is conscious throughout this process of addressing identified gaps in the literature (Section 4.6).

The researcher reviews each inquiry's findings and decides with which body of literature it might be associated. For example, the finding that flutter managers wanted to understand the changes their marketing strategy had upon both VRIN-passed and non VRIN-passed potential resources is associated with the RBT literature. The allocation of findings to bodies of literature was done on paper by the researcher. Separate pages were created for marketing, RBT, economics and action research literatures. Once all the findings were allocated to bodies of literature, the researcher looked for themes within each body of literature. For example, under RBT, the researcher grouped together all the findings related to VRIN from both inquiries. Then under each grouping or theme, the researcher looked for similarities and differences between the two inquiries' findings. The researcher noted, for example, that in both inquiries co-researchers analysed the changes required upon VRIN-passed and non VRIN-passed resources when considering future resources.

Although this chapter compares findings from two inquiries, the above process should not be evaluated against the Yin (1994) and Eisenhardt (1989) descriptions of case method. Co-operative inquiry is similar to case method in so far as it seeks to make contributions that are "generalizable to theoretical propositions and not to populations or universes (Yin, 1994:10)" and "the investigator's goal is to expand and generalize theories (analytical generalization) and not to enumerate frequencies (statistical generalization)(Yin, 1994:10)". Unlike case method, however, the focal point of analysis and knowledge generation is with the inquiry team that is reflecting upon

³¹ The researcher is aware of two important exceptions. Dr. L Ryals compared the results of two extended, interactive case studies and Dr. D Bickerton compared the results of a pilot and two action research inquiries.

their day-to-day practice with a view to improve it. Traditional case method seeks to create a rigorous and repeatable means by which other researchers could analyse the data (without direct input from the managers that participated in the study) and arrive at similar conclusions (Yin, 1994). Researchers from within the action research tradition make the connection between the data and theory recoverable (Checkland and Holwell, 1998), not repeatable. Co-operative inquiry is not an excuse for a researcher to obtain privileged access to a managerial situation and gather data that will be analysed by the researcher alone.

8.2 Findings related to RBT

8.2.1 How competencies develop and change

In these inquiries, marketing competencies develop incrementally along a continuum from transaction to network marketing. Competencies co-evolve with resources and this process is incremental; competencies develop first, then resources grow to support further competency development. The rate of the co-evolution is contingent upon the frequency of consumer purchase and or contact with the company. These findings are discussed and supported in greater detail below.

8.2.1.1 Evidence of incremental, competency led nature of co-evolution

Flutter launched itself as a mass-marketing, transaction business and secured only 4% market share. One year after launch, it changed its marketing strategy to focus upon acquiring heavy betters as customers and imitated the exchange betting strategy of its biggest and more successful competitor. In effect, this was a change from transaction marketing to relationship marketing. Flutter was able to develop relationship marketing competencies in less than one year. The researcher thinks that this rapid development is due, in part, to that fact that there were a limited number of heavy betters, they interacted with flutter several times each day so there were fast learning cycles. Flutter's customer insight and market liquidity resources developed in tandem with its developing marketing competencies, particularly demand management and creating marketing knowledge. It appears that the competencies led the cycles of resource-competency development. By the time the inquiry began, flutter had already developed relationship marketing competencies (and some network marketing ones too). The resources, liquidity and customer base, were developing albeit slowly. Its marketing competencies were more advanced than those of its main competitor, Betfair (i.e. to the right on the continuum), but its liquidity and customer base resources were not as developed as Betfair's. Nonetheless, the move from transaction to relationship marketing served as a springboard for flutter's development of network marketing competencies. Flutter did not move, in one giant leap, from transaction to network competencies.

BMW had strong transaction marketing competencies but limited relationship marketing competencies: this, despite three years of investing in a customer database and direct marketing programme called Top Drive that was to propel BMW forward quickly towards relationship marketing. However, investing in a marketing resource (customer insight) did not lead to the development of the attendant marketing competencies.

By the second preparation exercise, the BMW inquiry team members were, on paper, moving from transaction marketing competencies to network marketing. However, in the final workshop, the team could not make a committed decision to do so. Instead, after the inquiry, BMW built limited relationship marketing competencies that represented an incremental move along the marketing competencies continuum. New marketing competencies developed much slower at BMW than at flutter. The researcher believes that this is in part because of the more arms length relationship with consumers and longer time between customer contacts with the organisation. Its learning cycles about how customers respond to new initiatives was slower than flutter's. It is unlikely that BMW can move significantly along the competency continuum quickly.

There is insufficient data to conclude that frequency of customer interaction is the only factor that affects the rate of competency development. Factors such as culture, competitive pressure, industry norms and complexity of the organisation are likely as important but they are outside of the scope of this research.

8.2.1.2 Marketing competencies do not evolve independent of each other

In both inquiries, as the companies moved along the marketing competencies continuum, the four marketing competencies all developed albeit at different rates; changes to one competency necessitated changes in others.

Demand management was the catalyst for change in both companies. Flutter planned to overtake Betfair building new eco-systems quickly (e.g. Hong Kong) rather than win market share one customer at a time. Its managers became conscious, through the inquiry, of the resources that would enable successful implementation of that strategy and began developing the necessary marketing competencies to build those resources. BMW managers worried that changes to distribution could dramatically affect how cars would be sold and the impact upon volumes that would go through its current channel to market (dealers). The development of multi channel distribution would be the catalyst to changes in creating marketing knowledge and managing customer relationship competencies.

In both inquiries, changes to either the customer relationship management or creating marketing knowledge competencies had obvious and immediate impact upon the other. For example, in BMW (Figure 46), those two competencies move almost in parallel from current, conservative scenario and radical scenarios. As BMW managers wanted more interactive customer relationships, they identified the customer information and insight that it required. Flutter was only able to differentiate customer relationship strategies on the back of dramatic advances it made about individual

customers' behaviour and their impact on the overall eco-system. BMW was not able to develop its customer insight significantly over the past few years despite its huge investment in Top Drive. Without increased knowledge, the managers could not conceive, let alone implement, changes in customer relationship management. Intuitively, it is hard to conceive a situation where a firm moves from either transaction to relationship or relationship to network marketing where new consumer insight and information are not necessary in order to manage relationships differently.

The most loosely connected competency in the two inquiries is creating value propositions (brand); its shift from current to future was the smallest in BMW and whilst large in flutter, the discussion revealed that the shift was entirely aspirational and unsupported by any concrete actions. In BMW, its core "head and heart" value proposition needs minor modification even under a radical scenario of distribution changes whilst flutter is unsure how to build its brand in support of its marketing strategy.

8.2.2 The role of managers in competency development

8.2.2.1 Management cognition and decision making can drive the process

The findings provide empirical data illustrating aspects of the role of management cognition and decision making on the co-evolution of marketing resources and competencies.

Middle managers³² in both inquiries were highly effective at developing marketing competencies whereas the top-down, globally managed BMW initiatives failed to do so. BMW GB did not build new marketing competencies despite central direction and investment in Top Drive and its proposed, Munich-led successor, Initium. It was only through a conscious process of reflection and action by its middle managers that BMW GB understood, identified and committed to develop its marketing competencies and to the limited upgrade in marketing resources necessary to achieve that development. Similarly, flutter's launch marketing strategy, devised by the founders, was changed by the conscious learning and experimentation of Marketing. It is clear that the flutter's operational marketers led the development of the new, successful marketing strategy and activities.

The research identifies a boundary condition on developing new marketing competencies through management initiative: the compelling case for change. Flutter began to develop new marketing competencies when it was clear that its business model was failing. BMW was successful and that made it difficult to push its dealers too hard on the issue of online relationship marketing competencies or to implement an ambitious online marketing programme centrally.

³² The researcher classifies TL as a middle manager for this inquiry. The executive level is the three founding partners.

8.2.2.2 Tacit knowledge can be surfaced and acted upon

The findings illustrate aspects of the role of tacit knowledge in the formation of marketing resources and, by implication, marketing competencies.

Neither set of managers had reflected upon their marketing resources and competencies in a structured manner previously. Marketing investment decisions were made intuitively following the path dependency model (Dierickx and Cool, 1989). However, it did not take managers very long to make their tacit knowledge more explicit. This level of explicitness was sufficient for the inquiry process to identify current and future marketing resources, begin the development of future marketing competencies as well as improve their day-to-day performance.

The findings support Ambrosini and Bowman's (2001) view that there are degrees of "tacitness" in management knowledge: some tacit knowledge is more easily surfaced or made explicit than others. This finding, coupled with Gummesson's view (2000a) that social research divides between emancipatory and managerial streams, suggests that getting managers to reflect upon their resources and competencies successfully raises the type of tacit knowledge involved to a level where managers can learn and make decisions on the relevant issues.

8.2.3 VRIN helps managers understand resources, but not plan for their future development

VRIN is a useful tool for helping managers understand current resources but has limitations for the development of future resources. Specifically, this research finds that if firms make resource investment decisions guided solely by VRIN assessments of their current resources, they risk falling into the competency trap/core rigidities problem identified previously in this thesis.

In both inquiries, co-researchers insisted on considering both the strategic (VRIN-passed) and non strategic resources when looking at the future because, a priori, they could not tell which would remain strategic. Flutter's current resources remained strategic for the future but it also needed to make its brand a strategic resource. In BMW, none of its strategic resources were dramatically affected by radical changes in automotive distribution; its non strategic resources were however strongly affected. These management conclusions may not have been reached had the inquiry limited itself to the study of strategic, that is, VRIN-passed resources.

Perhaps an explanation for this finding is that it is a combination of strategic and non strategic resources that creates value as defined by the value pathway (Figure 17). Value is hard to allocate to any one resource and therefore one needs to consider resource bundles when creating future resources.

Marketers defined value from the perspective of the customer through critical incidents such as recruiting a new customer (flutter) or securing repeat purchase (BMW). This is consistent with the advice offered by Srivastava et al (2001) that RBT should use customer derived measures of value. The inquiries did not pursue the

extent to which these events create rent for the company and this is a limitation of the study. The inquiry teams did not find a means to isolate the contribution of individual resources to creating value.

For flutter managers, the imitability and rarity of potential resources invoked the most discussion whereas for BMW managers it was the potential substitutability of its dealer network that was hotly debated. BMW is highly successful and therefore, almost tautologically, has marketing resources that are valuable, rare and imperfectly imitable.

8.3 Findings related to co-operative inquiry

Findings are categorised by the three levels of co-operative inquiry (first, second and third person) described in Section 5.4.2.5.

8.3.1 First person inquiry findings

First person findings relate to the extent to which the researcher's practice improves as a result of the inquiry. The context in which the researcher assesses this is his consultative and facilitative practice as he did not share line management responsibilities with his co-researchers.

8.3.1.1 Improvements to practice

It is hard to establish an objective baseline of practice against which to measure improvement. The researcher can only offer his reflections and the comments of those that helped him make the reflections.

The researcher was an experienced consultant before embarking on the PhD and had worked with large companies creating online marketing and customer relationship management programmes. His performance was rated highly in annual review processes by the leading multinational consultancies for which he worked, and by clients in assignments where customer satisfaction was objectively measured. Even against this high nominal benchmark, the researcher feels that his facilitative and consulting practice improved considerably.

An immediate change to the researcher's consulting practice is the use of a more standardised approach to the process of managing a client engagement. The researcher's experience had taught him to be very pragmatic, flexible and opportunistic in approaching each engagement: to focus perhaps excessively upon achieving well-defined outcomes on time and budget. PhD research forced the researcher to adopt a consistent approach to research design, data gathering and analysis. This had the effect of improving the quality of the researcher's consulting practice. Through continual and more rigorous reflection on the process and the content, findings were not overly influenced by the researcher's prior knowledge: the

data was allowed to talk and teach the consultant. Despite this increased rigour, the flutter managers' exit interview scores indicate that they felt the inquiry process, tools and frameworks were theirs. In the case of flutter, the rigour of the PhD and adoption of co-operative inquiry seems to have increased both quality and the client's sense of ownership and commitment. However, the BMW managers scored this lower whilst their comments in the exit interviews indicated that they appreciated the researcher's expertise, frameworks and facilitation. Those that felt the strongest that the frameworks and tools were the researcher's property more than the inquiry team's were the individuals that had little stake in the outcome. The researcher believes that the increased rigour of the PhD process has been largely positive upon the researcher's performance but he will in future inquiries be vigilant to ensure that rigour does not impact clients' sense of ownership.

Another change to the researcher's practice is embracing the role of co-researcher as opposed to expert consultant. This allowed the researcher to enjoy the inquiry far more than would have been the case as a normal commercial consultant. There was no end result which had to be delivered and the team's learning process led the discovery, analysis and actions. It was a refreshing, and in many ways, a liberating experience. The findings support the researcher's view that flutter managers saw the researcher as a member of the inquiry team whilst the senior member of the team, TL, appreciated the good value delivered by the researcher's interventions. BMW managers felt that the value would become evident only if and when BMW acted upon the inquiry's conclusions. Nonetheless, the data from exit interviews indicate their appreciation of the researcher's role as part of an inquiry team: they were complimentary on the balance struck between moving through the process and allowing the team to own the outcomes. Had the researcher promised distinct business outcomes to BMW, which is the traditional commercial approach to selling consulting services, it is likely that the researcher would have been seen to have failed by his co-researchers.

8.3.1.2 Promoting democratic, participatory inquiry

The findings support that the researcher adhered to the principles of co-operative inquiry; the inquiry was self reflective, democratic and participative. It is hard to validate this assertion directly, but the researcher sought comment from critical friends and client sponsors through the inquiries. Individual exit interviews with co-researchers provided a rich and detailed assessment of the researcher's practice.

In exit interviews, all co-researchers appreciated the researcher's expertise and a number said that it had exceeded their expectations. They appreciated straight answers to questions of marketing theory and practice, rather than just saying "what do you think?" There was no hint in the data that co-researchers felt pushed in certain directions, pre-ordained answers or hidden agendas. The exit interviews, particularly in the case of flutter, stated that the researcher maintained the right (in their perspective) balance between ensuring successful completion of the process whilst respecting the democratic and participatory nature of the inquiries. Whilst the concepts and frameworks were considered theoretical and complex by co-researchers, they all felt that the researcher explained them, and their theoretical underpinning in a relevant manner and with real-world examples. Through the inquiry process, the

researcher helped co-researchers take some ownership of the frameworks, particularly the scoring tools.

There was little difference in feedback between the two inquiries. The researcher feels that this is a positive finding given that in the case of BMW, many managers were recruited to the inquiry without adequate opportunity to consider their involvement before the first workshop. The researcher concludes that the adherence to the principles of co-operative inquiry contributed strongly to his ability to overcome this potential limitation and secure strong participation from BMW managers.

8.3.1.3 Learning

There is an inherent trade off in the research design between the PhD's need to contribute to academic literature and the need to make the process accessible to operational managers if it is to improve practice. The researcher does not believe there are any rules or guidelines as to working through that trade off, but the PhD experience has made him more self-aware and confident of keeping the right balance.

During the inquiry set up phase, BMW was more suspicious of theory and academically inspired frameworks than flutter. The project sponsor at flutter (GF) critiqued the researcher's initial presentation as being "too academic" but the researcher felt that the tone of voice used by the Personnel Manager at BMW in the set up stage of that inquiry was far harsher and directive. However, the exit interviews from both inquiries suggested that the frameworks and the language were difficult to understand fully at first, but by the first preparation and second workshop respectively, BMW and flutter managers were confidently using the tools.

To be effective helping managers improve their performance requires the right balance between acting purely as a catalyst and facilitator and being directive. Busy operational managers at both companies told the researcher that they needed simple, clear tasks that could be completed quickly in the name of pragmatism. However, co-researchers in both inquiries enjoyed and learnt much from the more reflective preparation sessions. Merely establishing an inquiry without a process and a road map would have certainly frustrated co-researchers and they would not have seen the process through. However, overcompensating for managers' desire for simplicity with too prescriptive a research design would have circumvented the reflection process. Again, the researcher concludes there is a trade off between simplicity and intellectual stretch in research design that he is now better able to understand and manage.

The researcher's performance in an inquiry is also contingent upon the extent to which an inquiry is set up to lead organisation change. The flutter managers' assessment of the researcher's performance is stronger than that of BMW managers. However, flutter managers were given the opportunity to commit to the inquiry in advance, and used it as both a learning opportunity and a platform for real actions. The BMW managers, in the exit interviews, acknowledge the researcher's contribution to the inquiry and that it remains their responsibility to move to action. The researcher could have refused to engage with BMW unless conditions similar to those at flutter were in place. This would have been to delay the research process and refuse to help co-researchers because they failed to meet all the researcher's criteria.

The researcher chose to engage with BMW: to be as helpful as possible and mature enough to accept personal and professional risk. Co-operative inquiry helped the researcher to be more aware of the risks of the BMW engagement and provided a participatory approach to knowledge generation that had the effect of sharing that risk with his co-researchers.

8.3.2 Second person inquiry findings

8.3.2.1 Improvement to practice

The team engaged in cycles of action and reflection in order to build their knowledge of marketing resources and competencies as relates to their day-to-day practice. Whilst both teams demonstrated cycles of action and reflection to build their practice, flutter moved faster and more directly from reflection to action. Flutter managers were actively engaging with consumers online and the inquiry became indistinguishable from their day-to-day work. This made the knowledge generated practical and relevant and their decisions were informed and committed. BMW managers split between those that had decisions to make and online marketing programmes to manage and those that were merely contributing. The former group, RD and TW, made informed and committed decisions on the basis of the knowledge that the team had created but their decision making was not synchronised with the cycles of reflection and action to the same extent as their counterparts at flutter. The researcher believes that this is in part due to the difference in cycles of customer interaction between the two companies. Flutter managers were directly engaged with customers and customer contact was frequent so that they could measure the impact of changes to their practice in a matter of weeks. BMW sold cars to customers every three years and the customer contact was through dealers. The relationship between changes in practice and business outcomes will be harder to measure and take much longer to become apparent at BMW than at flutter.

The process by which both teams built knowledge is consistent with that outlined in Section 3: Figure 14 (Spiral of Understanding; Skolimowski, 1994) and Figure 15 (Forms of Knowledge; Heron and Reason, 1999). With continual cycles of reflection and action, both teams became more skilled at the tools and the concepts consistent with the spiral of understanding. Flutter managers became highly skilled at self-critique and leading the discussion as to the nature of their competencies by the second workshop. The BMW managers became sufficiently skilled to engage in self-critique at the final workshop as well. Flutter managers built knowledge through the four forms suggested by Heron and Reason: practical, experiential, presentational and propositional. The inquiry intervened at the level of presentational and propositional, particularly through the work packages that pairs prepared. Given the regularity with which they interacted with customers, the managers were able to experiment and assimilate their learning as practical knowledge. The speed at which this learning cycle moved in its industry promoted rapid and profound learning. BMW managers had limited online consumer relationships to manage and the long development times of central online marketing initiatives meant that they could not experiment. The knowledge creation concentrated on leveraging their experiential knowing developed over many years in the industry, presentational knowing (workshops and work

packages) and the propositional knowing inherent in creating models of how BMW might interact with customers given various distribution scenarios. The product life cycle, the limited opportunities for direct consumer contact and the limited online consumer marketing did inhibit the knowledge creation process particularly for those not directly responsible for online consumer marketing.

8.3.2.2 Democratic process

The researcher believes that there is a limit to how much one can observe at a team level on the basis of a limited number of workshops. It was not an expectation of the research that the inquiries would generate the degree of organisational change outlined in Intervention Theory (Argyris, 1973). However, advocates of co-operative inquiry seek to make inquiry a natural part of organisational life (Reason and Bradbury, 2000) and the researcher reflects upon the extent to which this occurred in both inquiries accepting the limited data.

The co-researchers in both inquiry teams stated with equal conviction in exit interviews that they didn't feel inhibited through the process and that they were able to contribute and critique as they wished. The frankness of the workshop conversations, the challenging questions, the cycles of reflection and action all suggested a high degree of participation and involvement in both inquiries. Both sets of operational managers were used to workshops prior to the inquiry, so it is difficult to isolate completely the impact of these inquiries upon the two teams' practice. However, it emerged during the exit interviews, that the inquiries encouraged co-researchers in both teams who had previously felt inhibited discussing online marketing because of their lack of formal marketing education (TW-BMW, BE and NA-flutter), to contribute strongly. This improved the quality of the final workshops. For example, TW played an important role in facilitating a conclusion from BMW's final workshop and BE provided his team with useful critique and insight.

The process did allow flutter managers to re-open the issue of the bulletin board that TL had closed down over the objections of his team; TL reversed his position on it. The data is too limited to identify if this created a more democratic and participatory decision making process in that team or if it is a one-off decision by TL.

At BMW, there is less evidence to suggest that the team will adopt inquiry as an ongoing practice. The relationship between Munich and BMW GB remained non-discussable; the researcher raised the subject regularly, but his co-researchers were not receptive to reframing their views of that relationship or involving Munich in their deliberations. The ultimate decisions about CRM were made by RD unilaterally, albeit in consultation with his colleagues.

8.3.2.3 Learning

Co-researchers learnt as individuals and as groups.

Individuals commented that they had learnt about the subject matter and some had learnt skills of critical reflection and inquiry: notably TW at BMW and BE at flutter.

The process also left the two inquiry teams with greater knowledge and competencies. The flutter managers all claim improved practice by the time of the exit interviews and provided specific examples. At BMW, TW felt that his own ability to critique perceived wisdom and ask challenging questions was greatly enhanced by the process and RD was able to provide an enhanced leadership role in establishing a plan for online marketing at BMW GB.

8.4 Findings related to marketing

8.4.1 Marketing competencies framework

The findings support the usefulness of the marketing competencies framework (Figure 10) and tools developed for this PhD for improving marketers' practice.

In both companies, managers felt it natural to conceive their marketing competencies in respect of their relationship between their firm and its customers. The transaction, relationship and network marketing forms were relevant and understood by managers. This was evident by the high quality and level of contribution of co-researchers from the start of the inquiry and their ability to use the tools confidently in a relatively short time period.

The four generic marketing competencies were largely complete, comprehensive and had minimal overlaps. Both firms suggested modifications to a limited number of the competency scoring tools reflecting their firms' unique circumstances. BMW added one measure to the demand management scoring tool: isolating the concept of brand from creating demand. The definition of creating demand does include the concept of brand and the researcher attributes this addition to the dynamics of the team on the day. Flutter made more changes to the scoring tools; under the network consumer relationship, the description of the measures was modified in each tool. This reflected the team's view that the original tools focused upon communities as networks based upon the marketing literature whereas flutter's consumers formed an economic, not social network. In the creating marketing knowledge scoring tool, the team added two lines: channel partnerships and media.

The framework and the tools were easy for managers to assimilate and use. Both sets of managers commented at the exit interviews that they were complex and difficult to use at the start of the inquiry, but the findings state that flutter managers exhibited great confidence and skill with the tools by the second workshop and some BMW managers prepared extensive and informed slides for the first preparation work (i.e. VRIN testing).

8.4.2 Companies have a mixture of marketing forms

In both inquiries, the focus of marketing represented a mix between transaction, relationship and network marketing confirming quantitative empirical evidence published by Coviello et al (2002). This mix between forms of marketing is consistent with the findings of Section 8.2.1.1 wherein marketing competencies and resources evolve incrementally; neither inquiry led to a leap between forms of marketing. The titles transaction, relationship and network marketing can be conceived as way-points on a continuum of marketing forms rather than rigid, mutually exclusive, descriptions of a company's marketing form.

8.4.3 Active marketing participation is needed for creating new forms of marketing knowledge

There was a sharp difference between the two inquiry teams' creating marketing knowledge competency and attendant resources of customer insight. Flutter managers were more actively engaged with their customers and hence dealt with customer data that was richer, more contextual and current than did their BMW counterparts who tended to rely on research reports. However, flutter's marketing knowledge was generated equally by rigorous formal analysis of the data and was not purely experiential and anecdotal. BE and NA were the prime movers of this analysis, and the ability of the whole team to learn from the analysis accelerated the development of the marketing knowledge competency. One of the actions taken by RD following the inquiry was to cancel BMW's contract with a third party marketing agency for the storage and analysis of online customer data. BMW appointed a full time analyst to manage the data and conduct the analysis in-house. RD, supported by TW, believed that this would accelerate BMW's ability to learn from customers online.

8.4.4 Lack of resource and competency stewardship

Neither flutter nor BMW have clear governance and policies for their strategic marketing resources and most of their marketing competencies.

Flutter had a marketing manager in charge of brand (GF), but brand failed to pass the VRIN criteria. BE was acknowledged as the expert in customer analysis and came closest to providing leadership for the customer insight resource. BMW had an advertising manager (NH) but responsibility for the brand was shared widely within the UK organisation and Munich. BMW GB divided the responsibility for the BMW-dealer-customer triangle of relationships between IM who directed BMW-dealer and various head office marketing people involved in marketing to customers through dealers.

Of the marketing competencies, both had leaders in charge of the policy for determining the firms' relationships with customers: TL at flutter and RD at BMW. TL also provided a strong leadership role in creating demand, but not in the overall

balancing of demand across backers and layers, winners and losers. None of the other competencies had clear governance and policies for their development at either firm.

The competencies framework is grounded in an extensive literature, dating over 40 years that identifies roles and functions of marketing that are critical to business success. Marketing and strategy literature also identify the role of resources that is normally associated with marketing (brand, customer relationship, distribution) in creating sustained competitive advantage. Yet, despite extensive academic and practitioner comment on the importance of marketing resources and competencies, their development was a mixture of management initiative plus unplanned by-product of marketers' day-to-day practice at both companies.

8.4.5 Externalities create a boundary condition of relationship marketing

When flutter managers became conscious of the shift in their marketing focus from relationships to networks (eco-system), they began to appreciate that flutter should not always seek to maximise customer satisfaction and betting activity from even its most profitable customers. Large betters could unbalance the flutter eco-system and that system required balance to continue growing. That balance was perhaps worth occasionally frustrating key customers.

Smaller external effects exist within the luxury car market; BMW GB was conscious of not selling too many cars in order to maintain its image and resale value.

8.5 Findings related to Economics

Whilst externalities did not exist for BMW, the inclusion of network marketing in the marketing competencies framework contributed to both inquiries. Network marketing was central to the flutter inquiry where managers realised that its eco-system was a network. It allowed, for example, flutter managers to realise that merely satisfying the biggest customers was not enough; they needed to compensate for their behaviour on the site to maintain its balance between winners and losers, backers and layers. Even in the BMW inquiry, the concept of network marketing allowed managers to experiment with alternate marketing forms and understand the limitations of what they could do online with consumers.

The findings that comment on the Shapiro and Varian (1999a; 1999b) suppositions about network marketing and standard wars are all located within the flutter chapter and the researcher will not repeat them here.

The BMW inquiry suggests that network marketing strategies, such as those suggested by Shapiro and Varian, cannot be grafted upon markets where externalities do not exist. That is, marketers cannot manufacture network marketing merely to fit with what was a current management fad. BMW online marketing strategies that relied upon forming clubs, communities etc. failed to secure managers' commitment.

The BMW inquiry provides little additional data or insight to the flutter findings on economics. Nonetheless, in both inquiries, the researcher believes that the inclusion of network marketing within the marketing competencies framework contributed to managers understanding of their businesses. Network marketing helped flutter managers reflect upon their marketing focus and realise that flutter was operating a network. BMW managers were able to use network marketing to build a hypothetical scenario which they could discard in the final workshop.

9 Contributions to knowledge and practice

This section develops the key findings identified in Chapter 8 into more precise contributions. Co-operative inquiry aims to contribute both to knowledge and practice. The contributions to knowledge cover the four forms of knowledge identified in Figure 12: practical, experiential, presentational and propositional. This chapter focuses upon the propositional (academic knowledge) and experiential (improvements to managers' day-to-day practice). Therefore contributions are not limited to identified gaps in the literature as much as would be the case if the research was based upon hypothesis testing. This chapter identifies contributions with respect to the following:

- Section 9.1 discusses the contribution in respect of the literature gaps identified in Section 4.6.
- Section 9.2 discusses the contribution in respect of Srivastava et al's (2001) proposed research agenda for RBT in marketing also identified in Section 4.6.
- Section 9.3 discusses the contribution in respect of externalities (economic theory).
- Section 9.4 discusses the contribution in respect to conducting co-operative inquiry in a marketing context.
- Section 9.5 discusses marketing practice.
- Section 9.6 discusses the contribution of co-operative inquiry to the study of RBT.

The contribution of the research to the researcher's, and co-researchers', day-to-day practice has been discussed as findings in Section 8.3 and will not be repeated in Chapter 9. The implications for theory and academic literature of these improvements to practice are discussed in Section 9.5.

9.1 Contributions addressing identified gaps in the literature

Figure 49 summarises the contributions against the literature gaps identified in Section 4.6. These contributions are discussed below.

Figure 49: Contributions and Literature Gaps	
Literature gap	Contribution
Inability to identify, and therefore manage, marketing resources and competencies.	Marketing competencies framework. Marketing competencies scoring tools. Research method.
Linking resources and competencies with performance.	Linking resources and competencies with sustained competitive advantage, the antecedent to performance.
Explaining how competencies develop.	Competencies evolve incrementally along a continuum of transaction, relationship and network marketing. Competencies and resources co-evolve together but competency development precedes resource development.

9.1.1 Identifying resources and competencies

The marketing competencies framework and its attendant competency scoring tools implemented through co-operative inquiry permit managers to identify current and future marketing resources and competencies and direct their development. The competency framework grounds the research design in marketing, economic and RBT literatures. Co-operative inquiry allows co-researchers to identify resources and competencies from a holistic perspective, that is, it acknowledges the interrelated nature of resources and competencies and their basis in tacit knowledge. Direct and immediate observation of marketing competencies is not possible, but they can be surfaced through cycles of action and reflection and projected into the future. The researcher is unaware of other published research in marketing that takes a positivist perspective and has been able to observe marketing competencies and project how they should evolve.

The marketing competencies framework has parallels with Coviello et al's (2003; 2002) marketing practices framework which has been empirically tested, using quantitative methods. This provides the researcher with added confidence into the appropriateness of the framework. The competencies framework and Coviello et al's

practices framework both identify their phenomena of interest upon a continuum of marketing defined by the end points of transaction and network marketing. The objective of Coviello et al's research is to create a generalisable description of practices, whereas the objective of the marketing competencies framework is to facilitate local knowledge of resources and competencies. As such, the marketing competency scoring tools are not iconic and unchanging artefacts of the research. Each inquiry team modified them, albeit modestly, to make them more relevant to their day-to-day practice. However, the base scoring tools can be used in other inquiries.

The marketing competencies framework is useful for scholars and managers seeking to understand and direct competency development of any magnitude and in any direction along the continuum of consumer relationships: transaction, relationship and network. The framework, and attendant workshop scoring tools, do not make a normative judgement that network marketing is somehow better than relationship or transaction marketing just because it is to the right of the spectrum and is associated with the highest score (3) on the competency scoring tools. The framework was useful to the BMW inquiry even though its result was to promote only a limited development of marketing competencies. The researcher believes that the BMW findings suggest that the PhD methodology would be equally effective for firms moving from right to left on the continuum, for example, from relationship to transaction marketing. Any researcher using the PhD methodology must ensure that all co-researchers understand that the point of the inquiry is NOT necessarily to move from left to right on the continuum.

VRIN criteria are made operational for empirical research; the researcher is unaware of other published studies to do so. They are useful for helping managers understand their resources and promote serious reflection about unchallenged assumptions of the business. They are less useful for projecting future resources of the firm, arguably more important for marketing practice.

9.1.2 Linking resources and competencies with performance

RBT research has failed to link resources or competencies empirically to firm performance directly (Section 4.6.2). However, there are empirical studies that link resources and competencies with intermediate proxies of performance, such as R&D output (Henderson and Cockburn, 1994), price premiums (Makadok, 1998), alliances (Kale, Dyer, and Singh, 2002) and brand equity (Srivastava and Shocker, 1991). This thesis follows that tradition and links firms' bundles of marketing resources and competencies with sustained competitive advantage, as understood by managers, assuming that this leads to improved firm performance. Limitations of this approach are discussed in Section 11.

However, none of the above mentioned studies addresses the concerns of Priem and Butler (2001) who, citing Thomas and Tymon (1982), state that theory worthy of research must allow managers to action its implications through causal variables. There is an important paradox in RBT scholarship (King and Zeithaml, 2001): RBT predicts that the most potent resources are those which are so complex, embedded in social networks and causally ambiguous that they defy managerial understanding let

alone competitive imitation. However this is completely unhelpful for management theory and study. Therefore, unless RBT moves from theory to practice, it risks becoming a field of study confined to a few well regarded academic journals with limited implications upon the practice of management.

This thesis addresses the paradox by providing a research method and tools that enable managers to build the marketing competencies that will create sustained competitive advantage. The theory and frameworks become applicable to managerial teams' real and immediate business problems. The knowledge generated by the process is understood by, and useful to, practitioners. Competencies can be developed consciously by managers with the expectation that they will create resources leading to sustained competitive advantage. The links between managerial intention or expectations around those marketing resources and competitive advantage are assumed by the research as is the link between competitive advantage and profit.

9.1.3 Explaining how marketing competencies develop

Marketing competencies evolve incrementally along the continuum defined by the three forms of marketing: transaction, relationship and network. Firms cannot "leap" along the continuum; both inquiries suggest that one must first have competencies associated with relationship marketing before one can be a network marketer. This may explain why so many established businesses have failed in their relationship and online marketing investments.

Marketing competencies co-evolve with marketing resources although the inquiries failed to find one-to-one relationships between specific resources and competencies. The bundles of marketing competencies and resources co-evolve more than any one resource-competency relationship.

The speed at which this competency-led co-evolution develops seems to depend upon the frequency of customer contact with the firm. Flutter has constant contact with big betters and was able to develop its competencies through the three states of marketing within a 12 month period. BMW has a three year sales cycle with annual customer services and it will likely take much longer for it just to move from transaction marketing to some level of relationship marketing.

The compelling short-term business case for developing new marketing competencies is another factor that influences competency development. Even though BMW managers were unanimous in believing that the end of block exemption could profoundly affect their business, they were unable to agree an ambitious programme of competency development. The current marketing strategy had been so successful, that head office Marketing could not force changes in marketing practices on its dealers. This phenomenon has been identified by numerous authors as the competency trap (O'Driscoll, Carson, and Gilmore, 2001). This research suggests that merely understanding the phenomenon is not enough to overcome it. BMW is implementing a slow, evolutionary approach to competency development in order to avoid the trap whilst maintaining business support for the investment in new resources and competencies. Whilst rapid development of marketing competencies was not possible in BMW because the dominant business logic inhibits radical change, an evolutionary

approach to resource-competency development may act almost as a real option³³ against changes to the environment. Marketing is still fulfilling its traditional role of integrating the firm with its environment (Day, 1994), albeit slowly. Such a situation reinforces the need for managers to raise their tacit awareness of resources and competencies and manage their development consciously.

9.2 Contributions with respect to the Srivastava et al agenda for research in marketing

Srivastava et al (2001) bemoan the lack of research in marketing that uses RBT as a theoretical framework. The authors maintain that both bodies of theory have much to offer each other. They suggest areas of research in traditional areas of marketing expertise that would contribute to the development of RBT. Figure 50 uses the Srivastava et al research agenda first identified in Section 4.6.4 to identify the extent to which this thesis contributes to it.

Figure 50: Srivastava Research Agenda	
Suggested area for further research	Thesis contribution
Marketing scholars should identify customer value more specifically and relate it to marketing resources thus providing RBT with the exogenous determination of value it lacks to help guide marketing investment decisions.	This was not done within the inquiry. The determination of value during VRIN testing was made by the inquiry team without rigorous external validity.
Understand better how resources and capabilities contribute to generating and sustaining specific forms of customer value. The authors acknowledge that such research requires “process-driven and case rich methodologies” (2001:p796) given the tacit nature of so many market-based resources.	This is limited to the VRIN testing exercise. The thesis helps understand how marketing resources and competencies create sustained competitive advantage. The research method uses rich data.
Research focus should move from identifying current value-generating resources to identifying future resources.	This is a unique contribution to knowledge of this research. The method adopted in this research allows the researcher to identify future marketing resources and the future competencies needed to generate them.

³³ Real Options were developed as an analysis tool to overcome the limitations of traditional financial analysis to reflect the value of learning and risk reduction. An option is the right (not the obligation) to buy or sell an underlying asset, traditionally a financial asset, at some future time. Real Options are so called because the underlying asset is real, not financial (Buckley and Tse, 1996).

Suggested area for further research	Thesis contribution
Relate entrepreneurship and managers' goal-seeking behaviour as a mediator of resources.	The method, in allowing co-researchers to generate future resources and competencies, explicitly acknowledges the role of goal-seeking and entrepreneurship in the co-evolution of resources and competencies. The findings conclude that managers' direct involvement with consumers builds resources related to customer insight. A boundary condition on entrepreneurship or goal-seeking behaviour is suggested; marketers cannot graft a network marketing set of competencies upon a company that does not encounter true externalities in its business.
Understand how marketing resources and competencies emerge, evolve and depreciate.	Section 9.1.3 identifies the thesis' contribution to understanding how marketing resources and competencies emerge and evolve.
Understand how resource evolution relates to market place change and based upon that understanding, longitudinal work is required to validate it.	The research does not explore this area.
Illustrate the role of marketers as decision makers with respect to choosing which resources to deploy against opportunities and allocating investments across the resource base.	Both inquiries illustrate the role of marketers in this context. In the case of BMW there were more serious resource investment decisions with respect to the Initium project facing the project sponsor and his IT support function. The knowledge about how competencies develop incrementally helped support the sponsor's resolve NOT to invest in Initium which retrospectively turns out to have been the right decision, or at least the decision BMW took. Initium has been dramatically scaled down and refocused in line with the conclusions reached by the inquiry team.

Figure 50 indicates that this research makes an important contribution to the suggested research agenda. It provides a method for identifying future marketing resources and competencies and it relates marketing managers' entrepreneurship to resource development.

9.3 Contributions with respect to externalities (economics)

This research suggests some boundary conditions on the hyperbole associated with practitioner literature about the impact of externalities. Practitioners posited that the internet would lead to the formation of online consumer communities; those well-positioned to serve those communities would benefit from strong external effects (Hagel and Singer, 1999; Kelly, 1998).

The BMW findings suggest that one cannot build communities at will and the flutter findings suggest that we need to understand the concept of community better. BMW did not operate in an environment characterised by strong external effects and there is little evidence to suggest that BMW's marketers could have created externalities through online consumer communities. The role of online consumer relationships for BMW was therefore focused on extending and improving the overall ownership experience rather than creating discontinuous change in the marketing of cars. Flutter did operate in an environment characterised by strong externalities. Heavy betters were part of a community, but not the intimate club-like association posited by writers such as Hagel (1999): it was an economic community, dominated by the liquidity of the betting exchange.

The flutter inquiry also demonstrates how managers can develop the marketing resources and competencies to overcome a competitor's advantageous position even where externalities exist. The examples of externalities used by Shapiro and Varian (1999a) suggest that where strong external effects exist, there will be a battle between camps supporting different technical standards: the winner takes all. It is true that market liquidity is permitting the combined Betfair-flutter business to dominate its market as theory would predict. However, prior to the merger, flutter generated dramatic share gains demonstrating that it was overcoming Betfair's liquidity advantage. The standard war, won initially by Betfair, was far from over and good management made a big difference for flutter. Admittedly, Betfair's customers faced low switching costs and were able to bet with both exchanges whilst flutter was gaining market share and building liquidity. Online betting does not provide the level of customer lock-in comparable to that which exists in big computer systems or rail networks. What was important to flutter was the extent to which large betters perceived flutter to be as liquid an exchange as Betfair. Through managing the balance over their eco-system, flutter was able to compensate for its liquidity in the short-term and by identifying, recruiting and developing the large betters, it grew its business to a point where liquidity was less of an issue.

9.4 Contributions with respect to using co-operative inquiry in marketing research

Co-operative inquiry is a useful research methodology for the study of marketing competencies. Whilst strategy scholars acknowledge the severe limitations of positivist approaches to investigating competencies (Rouse and Daellenbach, 1999; Godfrey and Hill, 1995), and Srivastava et al (2001) advise researchers to use rich data methodologies, published empirical work is overwhelmingly positivist. Co-operative inquiry proved successful at observing and changing a complex phenomenon of interest: the continually evolving marketing resource-competency bundle. Co-operative inquiry is likely to make a contribution for future research into each of the marketing competencies identified in this thesis: demand, customer, brand and knowledge management.

Perhaps the biggest difference using co-operative inquiry in a marketing context, versus its origins in social emancipation, is the limited involvement of co-researchers in the development of methodology and management of the process. Operational marketing managers focus upon improving to their day-to-day practice and are willing to engage in cycles of reflection and action in areas concerning them. They demonstrate much less willingness to design the process and perform administrative tasks such as note taking. The researcher believes that in a managerial context, co-operative inquiry is task focused whereas much of the method's origins lie in groups of people coming together for self improvement and even emancipation. The focus on self improvement leads them to take a more active role in the method and process versus a focus on managerial issues which is more concerned with actions and improvements to team effectiveness. The two foci reinforce each other in these inquiries. In both inquiries, the gap between espoused theory and theory in use was not a major factor (particularly in flutter) and hence the need for intensive self-reflection by co-researchers may not be as great as would be the case in inquiries the researcher reviewed which concerned feelings of managers about race, women in management and other issues related to social justice.

The comparison of co-researchers' assessments of the process between the BMW and flutter inquiries suggests that co-operative inquiry research design needs to accommodate the customer contact, purchase cycle and degree of risk in management decision making. Lengthy intervals between customer contacts require either a lower level of change ambition and or a much longer time frame in which to conduct the inquiry. The longer cycle times means that there are fewer opportunities for managers to test theories about marketing and customers that they are developing, reflect and test again. For flutter, this cycle was very quick and customer feedback almost immediate; it encourages operational managers to engage in cycles of action and reflection. BMW managers had little direct short term feedback from the market. Risk may also be a factor influencing the appropriateness of action research in marketing. Automobile marketing is expensive and therefore risky; there is perhaps a greater inclination not to experiment. Flutter could make, for example, service enhancements relatively quickly and with limited investment. If these enhancements were deemed to have a negative impact, they could be undone immediately. Co-operative inquiry may

be more effective for companies with constant customer contact and where experiments can be conducted quickly, with low cost and risk.

9.5 Contributions to practice

The research identifies contributions to marketing practice. These contributions are incremental to the marketing competencies framework, tools and inquiry process already discussed which are designed to be used by practitioners.

The research suggests that marketing competencies should not be developed as the result of large scale, top down inspired, initiatives. Investment in new marketing resources such as brand, customer relationships, databases and online technology should be preceded by the development of the marketing competencies needed to derive benefit from these investments. Due to the interdependent nature of resources and competencies, firms should invest in competency development first and “back fill” quickly with the resources needed to allow managers to continue developing marketing competencies. Investment, like competency development, should be incremental and tied to demonstrable achievements in competencies. This implication is contrary to the researcher’s own experience of large scale, IT-led marketing change programmes such as CRM and e-business.

Executives can and should set the long term context in which these competencies develop. However the long term intent is executed through a series of short term initiatives that permit operational managers to test local theories and learn quickly. Executives must eschew bureaucratic neatness, homogeneity and high levels of predictability of centrally driven initiatives when developing marketing competencies. Instead they should promote experimentation and learning. Whilst it may be a natural instinct for top executives to identify a problem and then seek a solution that can be implemented across their companies, operational managers will develop marketing competencies faster and more effectively. Day-to-day customer contact allowed flutter’s marketers to learn quickly and develop marketing competencies in a manner that the executives could not envisage. BMW’s executive-sponsored, large-scale CRM projects were based upon assumptions that had not been validated by operational managers that they were appropriate for different countries and that they could be implemented with dealers and customers. A top-down approach to conceiving and developing new marketing competencies is not consistent with the cyclical development nature of the resource-competency development flow illustrated in Figure 7.

Changes to the firm’s relationship with its customers require a change to the creating marketing knowledge competency. One of the reasons that BMW managers could not envisage a relationship marketing strategy is that they had no shared understanding of what customers wanted in a relationship with BMW, how much it would cost to deliver it and what it would give BMW in return, whereas flutter’s highly developed customer insight gave it the sense of purpose and confidence to move forward to network marketing. It would seem that customer insight precedes changes in customer relationships on the basis of these findings.

The flutter inquiry identifies a contribution with respect to the Achrol and Kotler (1999) typology of marketing networks. One of the four typologies that they identify is a customer opportunity network, wherein the focal marketing firm helps a customer specify exactly what would create value to him or her and then constructs the solution from suppliers' part-solutions based upon the focal firm's superior knowledge of both identified customer need and what can be configured from suppliers. This form of customer-supplier mediation approximates the flutter's failed initial marketing strategy. Flutter succeeded when it managed the performance of the overall network, ensuring it was liquid and growing, rather than seeking to mediate directly between supply and demand. The findings of this research extend the definition of customer opportunity from mediation between individual customers and supply chains, to include aggregation and matching of individuals' demand with an aggregation of supply.

9.6 Co-operative inquiry can further RBT research

Despite high interest and numerous publications over an extended time frame, empirical research has yet to convince critics that RBT can be made operational by managers and that it is not merely a tautology rather than explanative theory (Hoopes, Madsen, and Walker, 2003; Priem and Butler, 2001).

Section 5.1 establishes that RBT scholars acknowledge the difficulties researchers encounter observing resources, which are the focal point of the theory (Rouse and Daellenbach, 1999; Godfrey and Hill, 1995). This problem will not resolve itself through greater effort with existing research methods: "a deeper problem exists in its (RBT's) relationship to data in general" (Hoopes, Madsen, and Walker, 2003). Researchers must interact more with managers in their day-to-day working context, generating "rich data" if they are to observe resources and understand them sufficiently to address criticism of RBT empirical research to date (Rouse and Daellenbach, 2002; Srivastava, Fahey, and Christensen, 2001; Rouse and Daellenbach, 1999).

If scholars have acknowledged the need for rich data and higher researcher involvement with managers, then why has so little progress been made in empirical work? The research can only offer an opinion as follows: many leading RBT scholars have an economics background, a field dominated by positivist research. Coupled with strategy researchers' bias (in the opinion of the researcher) towards longitudinal studies, methods that produce rich data, such as co-operative inquiry, have not been pursued vigorously.

The researcher argues that RBT scholarship would be enhanced with methodological pluralism, a fact already acknowledged by some of its leading scholars cited above. This PhD provides evidence that co-operative inquiry surfaces managers' tacit knowledge and enables the researcher to observe and understand firms' resources and competencies. Moreover, it makes RBT accessible and useful to managers, taking it out of a purely conceptual discussion and observing its impact on management practice. The researcher contends that co-operative inquiry, and other rich data methods, will provide a new level of empiricism for RBT researchers that will ultimately lead to greater understanding and potentially the development of falsifiable

hypotheses. Such methods are therefore a necessary next step for the development and broader acceptance of RBT.

10 Validity of findings

10.1 How should we evaluate the validity of co-operative inquiry?

Writers from within a participatory philosophical position suggest that any form of action research is assessed upon criteria commensurate with its philosophy (Gummesson, 2000a; Reason and Torbert, 1999; Susman and Evered, 1978). Tsoukas (1994), drawing upon Pepper's "World Hypothesis", identified the notion of epistemological incommensurability to warn of the limitations of evaluating thought from a different philosophical perspective.

Gummesson (2000a:219) suggests that assessing the validity of research in this tradition ultimately lies with the reader. "There is no given method for the evaluation of quality of this type. This must accordingly be a question of my own personal assessment – the readers then being left to appraise the project in light of their own views". In a similar vein, Checkland and Holwell (1998) suggest that validity in action research should focus on "recoverability" rather than traditional measures of reliability. Their notion of recoverability is that the reader can assess the quality of the inquiry process through the trail of evidence provided so that they appreciate the quality of the process and conclusions drawn.

There are no universally accepted principles for conducting action research although a number of researchers have published pragmatic guides and shared their experiences (Coghlan and Brannick, 2001; Reason and Bradbury, 2001; Gummesson, 2000a; Eden and Huxham, 1996; McNiff, Lomax, and Whitehead, 1996; Hindle, Checkland, Mumford, and Worthington, 1995; Argyris, 1973; Clark, 1972). From the literature, the researcher suggests validity of the research be assessed against both the principles of action research and its rigour.

10.2 Adherence to generic principles of action research

The literature identifies generic principles about the conduct of action research (inclusive of co-operative inquiry) and moreover about being clear in whose interest is the research.

10.2.1 Commitment of the inquiry teams to action

Criterion: Action research integrates theory and practice. Scholars in this tradition suggest that theory and practice are more closely interrelated in the social sciences than positivism acknowledges (Breu and Peppard, 2003; Reason and Bradbury, 2000; Tranfield and Starkey, 1998). Berger and Luckmann (1966) assume the primacy of knowing and acting in the real world as the starting point for reflection and learning. Heron and Reason (1999) suggest that reflecting on action is the motor for learning.

Action occupies a special place in knowledge creation because changes in people's day-to-day actions demonstrate informed and committed learning (Argyris, 1973).

Researcher's assessment: Both teams comprised operational managers (plus the researcher) whose demands on their time ensured that they were committed to action. Online marketing competencies were an immediate issue for the two teams and they expressed a desire to improve their day-to-day practice. This commitment to action was present at a high level in all of the flutter managers. In BMW there were some (RD, TW) more committed than others. Nonetheless all the BMW managers demonstrated real commitment to the inquiry process, prepared thoroughly throughout and used the inquiry as an opportunity to experiment safely with changes to BMW's marketing.

10.2.2 Generates knowledge of use to co-researchers

Criterion: The purpose of research is to do more than add to a detached, abstract literature that fails to serve the needs of members of an organisation (Susman and Evered, 1978). Reason (2001) contrasts the dominant scientific paradigm with co-operative inquiry as follows: "the former aims at universalizable, valid certainty in reflection about particular pre-designated question, ...(whilst the latter)... aims at timely, voluntary, mutual, validity testing, transformative action at all moments of living."

Researcher's assessment: From design through implementation, the research ensured that the inquiries would be useful to BMW and flutter managers. The academic frameworks were translated into tools and processes that managers could use; these were modified as required during the inquiry. The researcher continually sought feedback from co-researchers on the usefulness of the inquiry. Exit interviews, with a few exceptions at BMW, confirmed that the inquiries were of immediate practical value to co-researchers in terms of their occupational and personal performance. Actions resulted from the inquiries further validating the usefulness of the knowledge created.

10.2.3 Adherence to democratic principles

Criterion: Argyris (1973) believes that traditional scientific management research often meets the needs of the organisation and not the people within. Inquiry following the dominant scientific view merely replicates the dysfunctional organisational systems that initiate inquiry, creating invalid information and lack of subsequent commitment. He suggests that this leads to psychological failure amongst the "subjects" of research whereas a democratic, participatory and critical inquiry creates conditions for psychological success. His criteria for validity include an assessment of the degree to which researchers create valid information, make free choices and build internal commitment. This learning is individual and collective and occurs in situations which are democratic, participatory and critical (Argyris and Schön, 1978; Argyris, 1973).

Researcher's assessment: Exit interviews provide a measure of validation against these criteria. There is nothing in the data to suggest otherwise and the actions taken as a result of the inquiries further substantiate Argyris' notions of valid information, free choice and internal commitment.

10.2.4 Cycles of reflection and action

Criterion: The extent to which participants demonstrate informed and committed action is the result of learning from cycles of acting and reflecting (Heron and Reason, 1999). Cycles of reflection and action are not unique to the co-operative inquiry tradition; Lewin (1966) identified them as a core element of action research.

Researcher's assessment: The main cycles of reflection and action across the two inquiries focus on creating knowledge about marketing competencies and resources through specific workshops and preparation exercises. The data demonstrates that managers in both inquiries grew more confident and knowledgeable about their marketing resources as evidenced by how their performance improved through the cycles of identifying potential marketing resources, VRIN testing, agreeing VRIN scores and forecasting their evolution in the future. The flutter inquiry also produced related cycles of reflection and action in customer service design and competitive analysis. BMW managers used the inquiry to build virtual models of marketing for alternate future scenarios (action) and reflected upon those models, critiqued them and ultimately, decided upon new policies and practices.

10.3 Ensuring action research is rigorous

The authors cited in Section 10.2 focus upon the team's approach to inquiry and the usefulness of any inquiry as criteria for validity. The researcher also ensures that the research can be accepted as academically rigorous. Eden and Huxham (1996) propose 12 criteria for ensuring action research is rigorous and contributes to scholarship. The first six of these criteria are concerned with the nature of the outcomes of the research and the remaining six focus upon the processes. These criteria are described below along with the researcher's assessment of the extent to which this research design meets them.

10.3.1 Implications beyond immediate action

Criterion 1: Action research must have implications beyond those required for action and or a specific project. The results could inform other contexts.

Researcher's assessment: The research informs marketing scholars and practitioners about the development of marketing competencies beyond the results of the two inquiries. The frameworks and methods upon which the inquiries are designed are grounded in well-established areas of marketing, economic and strategy scholarship. The findings from the inquiries have immediate benefit for the two teams of co-

researchers but equally provide scholars with fresh insights about how marketing resources and competencies co-evolve, the role of marketing management in that co-evolution, the role of marketing in environments where strong external effects are present and the usefulness of co-operative inquiry for the study of marketing and RBT.

10.3.2 Explicit concern with theory

Criterion 2: To conform to the norms of rigorous scholarship, the research must have an explicit concern with theory; it is not enough for a team to solve a business problem democratically.

Researcher's assessment: The research confirms, disconfirms and or develops aspects of RBT and marketing theory. The research design, specifically the marketing competency grid and competency scoring tools, are developed from RBT, marketing and economics literature and theory.

10.3.3 Transparency of the research design

Criterion 3: If the generality drawn out of action research is to be expressed through the design of tools, techniques, models and methods used in the research, then the basis for their design must be explicit and related to theory.

Researcher's assessment: Chapter 5 makes explicit how the researcher developed the frameworks, workshop and preparation tools, processes, techniques for reflection, data capture and data analysis used in the research. For each step in the research design and for each tool developed, the researcher identifies the relevant literature in support of the researcher's choices. This demonstrates that the research design was inspired by the researcher who leveraged theory explicitly, and then with the collaboration of co-researchers, made it operational.

10.3.4 Emergent theory

Criterion 4: Action research will generate emergent theory from a synthesis of the data and that which emerges from the use in practice of the body of theory which informed the intervention and research intent. This is not to say that the theory emerging from each research will be entirely new; action research provides an opportunity to test theory, elaborate upon it and develop it further.

Researcher's assessment: This is demonstrated by the contribution to existing theory and literature made as a result of the findings of the two inquiries. The researcher was sensitised to theory throughout the inquiry and the interplay between theory, tools and frameworks developed from theory, modifications to the tools and the data from the process that enabled those contributions to emerge. The resulting contributions provide rich data for the elaboration of the Schumpeterian tradition within RBT that has not been provided by researchers using a positivist approach to its study. The research also makes contributions to marketing literature, such as responding to the

Srivastava et al (2001) research agenda and suggesting a further variation of one form of network identified by Achrol and Kotler (1999). The thesis points to differences in the involvement of co-researchers in methodology design when applying co-operative inquiry to a marketing/managerial context.

10.3.5 Incremental theory building

Criterion 5: Theory building arising from action research will be incremental, moving from the particular to the general in small steps. Eden and Huxham suggest criteria 4 and 5 are closely related.

Researcher's assessment: The thesis makes incremental contributions to theory and literature as well as using a methodology, co-operative inquiry, not normally used in the study of RBT. Contribution to marketing practice is also incremental.

10.3.6 Presentation of research

Criterion 6: Action research is meant to be pragmatic and lead to action. Taken to an extreme this suggests that “prescriptive theory is more important than descriptive theory” (1996:80): that is, consultancy outcomes are more important than contribution to scholarship and understanding of the phenomena of interest. This is a false dichotomy for Eden and Huxham and they state that the researcher must recognise the potential conflict between prescription and description, be clear what he or she expects the reader to take out of the research and present the research with a form and style appropriate to this aim.

Researcher's assessment: The researcher maintains throughout the research that his aim is to contribute to both. The form of presentation of research to co-researchers was in a form with which they normally work: PowerPoint presentations and face-to-face communication. The presentation of this research for the PhD is structured and written in the style, and using the conventions of, traditional academic research.

10.3.7 Method and orderliness

Criterion 7: There must be a high degree of method and orderliness about the process of collecting and reflecting upon the data generated from the researcher's involvement with the client organisation.

Researcher's assessment: Section 5.6 describes the process for data collection that is consistently followed after every workshop and preparation session for both inquiries. All workshops and preparation sessions are recorded and material generated at such sessions, such as flip charts, slides produced and diagrams, are captured electronically by the researcher. All researcher-generated briefing material is captured electronically on PowerPoint presentations.

10.3.8 The process of data exploration

Criterion 8: The process of exploring the data, rather than data collection, must be either replicable or demonstrable through argument and analysis.

Researcher's assessment: Eden and Huxham (1996) suggest that there is a wide range of relationships between the researcher and managers; the choice of relationship impacts upon the manner in which data is explored and emergent theories develop. At one extreme, the relationship is characterised as researcher - subjects. Where this is the case, subjects provide data for the researcher's analysis at a time and place away from the researcher-subject interaction. At the other extreme, the managers are full collaborators in the design, research and analysis. Where this is the case, it would be inconsistent for the researcher to analyse the data and develop theory outside of the inquiry team. "The exact nature of the process is relatively immaterial – though we may debate the validity of any particular one; what is crucial is that the process exists explicitly (1996:81).... Thus the outcome of data exploration cannot be defended by the role of intuitive understanding alone – any intuition must be informed by a method of exploration."

Section 5.6 describes the process by which the researcher reflects upon the data and, working with co-researchers, develops insights for further cycles of action and reflection. The researcher listens to the recordings and reviews all material generated shortly after each session. The researcher follows the Argyris (1973) method of dividing a page vertically, noting the key conversation points on the left-hand side whilst on the right-hand side noting reflections during the session and reflections upon reviewing the tape. This reflection upon a workshop or preparation session informs the researcher in preparing briefing material for the subsequent stage of research. The briefing material is captured on PowerPoint. The briefing material is reflected upon by co-researchers before the next stage of research and discussed by the inquiry team. Conclusions are reached, a process that is facilitated by the frameworks and tools used in the research.

On the Eden and Huxham continuum of researcher-manager relationship, the managers are more collaborators than subjects. Consistent with this relationship therefore, exploring the data occurs mostly with the managers. The researcher contributes his expertise in workshops and briefing material: a role that is acknowledged and appreciated by the others in the inquiry teams. Therefore the method by which data is analysed and theory emerges is highly contextual and dependent upon the specific time and circumstances of the inquiries. The process is highly replicable because it is transparent (Section 10.3.3) but other researchers following the same method with another inquiry team may not be able to replicate the results. The method, in the language of Eden and Huxham, is more demonstrable than it is replicable; Checkland and Howell (1998) use the term "recoverable" to mean that which Eden and Huxham call demonstrable.

10.3.9 Necessary but not sufficient conditions

Criterion 9: Adhering to the eight criteria above is necessary but not sufficient. Eden and Huxham suggest that the eight previous criteria are the minimum necessary for work to be termed research and can be considered the internal validity of the research. The proceeding three criteria are concerned with its external validity. In this, the authors look for theory being “grounded in action” more than “grounded in data” (1996:82). The research must move beyond observing what managers say they will do and observe what they do in circumstances that matter to them.

Researcher’s assessment: Both inquiries created real actions on the part of the inquiry team and the individuals within the teams. For example, some of flutter’s actions included modifying its customer service programme, changing customer management policies and TL’s recommendation to the founders of the business that they offer key eco-system betters shares in flutter. These are all directly attributable to the inquiry. BMW ultimately agreed its online marketing programme although some of the decisions were made after the final workshop yet before the final briefing, and some in the year following the final briefing. BMW took the management of online customer data in-house, rejected Munich’s global initiatives, enhanced the database and tools it already had and created an owners’ site. The researcher and the BMW sponsor (RD) are unable to determine the extent to which the inquiry directly led to those decisions, but it is clear from the data that it contributed and added to the confidence and critical facilities of RD and TW as they opposed Munich’s new initiative.

These actions are important and demonstrate real impact of inquiry upon the two teams. The researcher asks the reader of this thesis to consider the degree of impact against the three to four month time frame between set up and third workshop; as TL stated in his exit interview, this was an extremely efficient intervention.

10.3.10 Focus on that which cannot be captured by other approaches

Criterion 10: In order to justify the use of action research, the reflection and data collection processes should focus on those aspects not easily captured by other methods.

Researcher’s assessment: The literature review explains why other research methods fail to observe the co-evolution of resources and competencies and how this thesis uses action research to address this problem: the first use of co-operative inquiry for this problem as far as the researcher is aware. It is by observing the dynamic aspect of resource-competency evolution that the researcher can identify future marketing competencies.

10.3.11 Triangulation

Criterion 11: The role of data triangulation in action research is different from traditional research which uses it as a cross-checking method; it provides the opportunity for cyclical data and the attendant exploration of what could be rather than what is. Therefore the changing focus or pace of action research can be used as a virtue unique to this method.

Researcher's assessment: The research does integrate different types of data but falls short of the level of triangulation that, for example, would be achieved if the inquiry teams conducted a piece of bespoke consumer research as part of their preparation work. The data sources were largely the perceptions of team members. However, individuals did either base their perceptions on, or supplement them with, other sources of data. For example, BE experimented with the referral routine of Betfair's distribution partners to validate some assumptions he made about the rarity of a resource. NA had ongoing dialogue with customers throughout the inquiry. NB referred to BMW market research in preparing his slides for the second workshop that VRIN tested the customer experience.

Cyclical triangulation was evident in how BMW arrived at its final actions. The inquiry built a virtual model of network marketing in response to a de-regulated environment, tested that model at the third workshop, rejected it and decided to adopt a more cautious approach to marketing competency development. Such iterations on the way to building knowledge and improving practice are not possible with most research methods.

10.3.12 The role of history and interpretation

Criterion 12: Given that action research tends to focus on an individual organisation, the researcher must acknowledge fully the context of the research when interpreting the likely range of validity and applicability of the outcomes.

Researcher's assessment: The context of flutter trying to overtake Betfair and BMW responding to potential new forms of distribution informs the interpretation of the data. The context forms part of the criteria for selection of firms because it is operational managers struggling to create online marketing policies, invest in the appropriate resources and develop competencies to use those resources that create fertile ground for observing marketing competencies.

11 Limitations of this research

11.1 Theory

The researcher assumes that sustained advantage is the precursor to rent. This argument is not empirically verified in the literature. Firms must extract some of the value that they create for customers in order for this assumption to hold. The researcher justifies this assumption from the paucity of RBT empirical studies that link firm performance as the dependent variable versus the more numerous studies that use an intermediate variable such as those described in Section 9.1.2. This qualifies the ability of the research to make claims on the contribution of marketing competencies to business performance directly.

11.2 Design

Co-researchers' involvement in research design was limited to sponsors' comments on the researcher's original presentations, modifications to the preparation work protocol and modifications to the competency scoring tools. This can be seen as a limit of the design. However, Eden and Huxham (1996) acknowledge that there is a continuum of researcher-manager relationships possible within action research. Managers do not necessarily have to be involved in every aspect of the research as long as the researcher is sensitive to the impact that has on the process and outcomes. The risk, as one moves away from full co-researcher collaboration of the research design, is the impact upon the production of valid information, the precursor to committed action. The findings show committed action occurred in both inquiries and that the co-researchers wanted/expected the researcher to propose research design; the researcher therefore proposes that there is evidence that the lack of co-researcher full participation in research design did not affect the generation of valid knowledge. A contribution of this thesis is exploring the type of researcher-manager relationship possible for marketing research.

In making operational the marketing competencies framework through competency scoring tools, the researcher assumed equal distance between the three states of marketing. There is no theoretical support for this nor do the findings allow the researcher to draw conclusions. The implications are for practice largely. For example, if the distance between transaction and relationship marketing was far greater than the distance between relationship and network marketing, advice to managers seeking to move the length of the continuum would be patience with the first leap and then ambition on the second phase.

Barney's (1991) VRIN criteria for assessing resources were aligned to his very broad definition which includes that which the researcher identifies as resources and competencies. Yet the inquiries only use VRIN criteria to assess potential marketing

resources, not competencies. The researcher maintains that the Ricardian origins of RBT suggest that rent results from the static resources and hence the researcher is justified in using the VRIN criteria against that element of the resource-competency bundle. In the context of generating rent, competencies are a means of building the resources that create sustained advantage, in turn generating rent. Barney's VRIN criteria have never been empirically tested to the researcher's knowledge and there are no other empirically tested, or widely quoted criteria from the literature.

The co-researchers do not validate, either externally or systematically, the links between potential resources to value. Of the VRIN criteria, value is the most discussed in the literature and arguably the most amenable to external validation. Srivastava et al (2001) argue this is an area where marketing can contribute much to RBT. The research design does not encourage a rigorous development of externally validated measures of value. Without a strong link to value, it is hard to claim that the process will lead to sustained competitive advantage.

11.3 Findings

Co-operative inquiry does not provide (nor seek to provide) generalised rules. The contributions to knowledge must be seen in this light and understood to be based upon two inquiries only.

The context of the inquiry, particularly the impact of the external environment, is hard to assess based upon these two studies alone. The researcher concludes the frequency of customer contact and company size impact on the speed of marketing competency development from the findings. The findings cannot assess factors such as the degree of competition, market maturity, competitive strategies or the level of new product innovation upon competency development.

There is evidence of inflation in the agreed competency scores, but no evidence that this inflation affected learning or action. Flutter managers acknowledged at the final workshop that their current marketing competency scores were, in retrospect, too high with the exception of creating value propositions. This serves to overestimate the current-future shift in that latter competency whilst underestimating the size of the shift in the other three. However, the team felt that even if the inquiry were to recalibrate the current competency scores, it would not have a major impact on the knowledge generated by the team, understanding of the phenomena of interest and the ultimate actions undertaken by flutter managers. The future marketing competency scores generated by BMW are inflated versus what, upon reflection, a knowledgeable outsider would suggest the inquiry team should reasonably generate. The researcher offers three comments upon this: (1) the desire to change in response to a lack of relationship marketing competency built its own momentum amongst the team, (2) without the resource base associated with relationship marketing the team found it hard to conceive and plan for the appropriate competencies it needed and (3) the absolute scores, whilst high, did not affect the inquiry's outcome.

12 Researcher's final thoughts and directions for future research

This section presents the researcher's final thoughts on the research and how he might take it deeper and extend it in the future in order to address some of its limitations and make further contributions to scholarship and marketing practice.

A longitudinal study would allow the researcher to follow marketing competency development at one company more fully and observe how marketing competencies develop over a longer time frame. It might illuminate how the rate of competency development changes over time, the extent to which leadership of the competency development process changes and how inquiry embeds itself in the organisation. For a company that has frequent customer contact such as flutter, this may require about one year. However, for a company such as BMW, a two to three year period may be required. There are difficulties in organising such a lengthy inquiry with respect to maintaining management continuity and commitment. This type of inquiry is most likely to be facilitated in a smaller business where the owner of the business would sponsor it thereby ensuring it could continue over an extended period.

Whilst Barney (1991) establishes VRIN as a useful means of assessing resources, there has been no empirically based development of the concept. The researcher makes VRIN operational for managers. However, the VRIN tools identified in this thesis would be more academically grounded and managerially useful if further research would calibrate the tools. This would permit managers to compare scores across companies and against an objective set of criteria and improve managers' resource assessments. To create such calibration would be a substantial exercise; the researcher would need to determine a full and unduplicated set of constructs for each of the criteria and then relate them to an independent variable that could be characterised as an integer (for example a number between 1 and 10). This research would likely require a quantitative element and the researcher would need to resolve the issues about observing resources through a survey or similar instrument.

The researcher would like to develop a systematic and structured means of assessing how valuable a potential resource is when VRIN testing. The literature review establishes that RBT scholars have yet to link resources directly to a measure of firm performance and that the concept of value either is poorly defined or not been made operational. Srivastava et al (2001) justifiably point out that marketing theory and practice could contribute to this and suggest building on extant literature about product benefits, attributes and consumer attitudes. However, the inquiry teams conceived of value (Figure 17) more in terms of new (profitable) customer acquisition and repurchase. There is a long chain from product benefits, attributes and consumer attitude to consumer behaviour such as purchase (Peter and Olson, 1994). The researcher suggests that it might be more productive to focus on consumer behaviour directly or the outcome that interests managers rather than any one potential marketing resource such as consumer attitudes. A marketing inspired approach for this would be to use techniques such as repertory grid (Malhotra and Birks, 2003) to begin to identify and assess the major constructs of, for example, customer repurchase.

Repeating the research with different companies in different environments could, over time, build the researcher's understanding of the role of the environment and company structure upon the development of marketing competencies. It is clear that flutter was able to develop its marketing competencies faster and more effectively than BMW but it is unclear how much this was because it was a small start up company versus the relative nature of their environments.

With respect to environments, the research suggests two influences upon competency development: frequency of customer contact and market growth. The difference in customer contact frequency seemed to explain much of the difference in speed of competency development between the two inquiries. This observation makes intuitive sense, but repetition would provide confirmation and elaboration. Further research could investigate companies in markets where customer contact is in between the flutter and BMW frequencies. An increased number of inquiries, representing different customer contact cycles, would allow the researcher greater insight into the speed at which different companies can develop their marketing competencies. Speed of market growth and change is another important environmental influence upon competency development (Eisenhardt and Martin, 2000). The automotive market is mature: its growth rate is predictable, the major competitors (brands) are established, consumer penetration is growing slowly and prices are stable. Online betting is the opposite. Eisenhardt and Martin (2000) argue that in moderately dynamic markets, capabilities are more evolutionary and predictable whereas in high velocity markets, managers need simple heuristics to make decisions in the midst of the storm. If so, then high velocity environments will break down the cognitive and evolutionary cycles of resource-competency development. However, the authors do not provide a method for assessing whether markets are moderately dynamic or high velocity and therefore the researcher cannot judge where flutter would fit in that continuum. More inquiries, each representing different degrees of market dynamism would shed more insight on this issue.

It will not only be the market environment that influences how marketing competencies develop within a company, company structure likely plays a role as well given its importance within strategy research (Hatch, 1997). Flutter's size, and the fact that it was a new company, undoubtedly contributed to its ability to develop marketing competencies quickly. BMW's size and multinational structure likely contributed to the slowness (versus flutter) with which competencies developed. Further studies, in companies with different structures, would inform the researcher about the role of structure upon competency development. Sufficient future studies could help the researcher draw conclusions about the relative impact of environment and structure upon marketing competency development.

Finally, the researcher is interested in working with scholars from other management disciplines, such as information technology, supply chain and finance to see if the PhD method and tools could be modified and used in other disciplines. This would build confidence in the method, and over a long period of time, develop a more generalised approach to helping companies change their competencies.

13 Reference list

- Aaker, D. (1996), 'Measuring Brand Equity Across Products and Markets', *California Management Review*, Vol. 38, No. 3, pp. 102-120.
- Achrol, R. and Kotler, P. (1999), 'Marketing in the Network Economy', *Journal of Marketing*, Vol. 63, No. Special Issue, pp. 146-163.
- Agrawal, V., Arjona, L. and Lemmens, R. (2001), 'A Formula for Success', *Business 2.0*, No. 12, pp. 108-113.
- Ambrosini, V. and Bowman, C. (2001), 'Tacit Knowledge: Some Suggestions for Operationalization', *Journal of Management Studies*, Vol. 38, No. 6, pp. 811-829.
- Amit, R. and Schoemaker, P. (1993), 'Strategic Assets and Organizational Rent', *Strategic Management Journal*, Vol. 14, No. 1, pp. 33-46.
- Anderson, P.F. (1982), 'Marketing, Strategic Planning and the Theory of the Firm', *Journal of Marketing*, Vol. 46, No. 2, pp. 15-26.
- Argyris, C. (1973), *Intervention Theory and Method: a Behavioural Science View*, Addison-Wesley, Reading, Mass.
- Argyris, C., Putnam, R. and McLain Smith, D. (1985), *Action Science*, Jossey-Bass Publications, San Francisco.
- Argyris, C. and Schön, D. (1978), *Organizational Learning: A Theory of Action Perspective*, Addison-Wesley, Reading, Mass.
- Arthur, B. (1990), 'Positive Feedbacks in the Economy', *Scientific American*, Vol. 262, pp. 80-85.
- Balogun, J and Hope-Hailey, V. (1999), *Exploring Strategic Change*, Prentice Hall, Essex.
- Bagozzi, R. (1974), 'Marketing as an Organized Behavioral System of Exchange', *Journal of Marketing*, Vol. 38, No. 4, pp. 77-81.
- Bagozzi, R. (1975), 'Marketing as Exchange', *Journal of Marketing*, Vol. 39, No. 4, pp. 32-39.
- Bakos, Y. (1991), 'A Strategic Analysis of Electronic Marketplaces', *MIS Quarterly*, Vol. 15, No. 3, pp. 295-310.
- Barney, J. (1986), 'Strategic Factor Markets: Expectations, Luck, and Business Strategy', *Management Science*, Vol. 32, No. 10, pp. 1231-1241.
- Barney, J. (1991), 'Firm Resources and Sustained Competitive Advantage', *Journal of Management*, Vol. 17, No. 1, pp. 99-120.

- Bauer, H., Grether, M. and Leach, M. (2001), 'Customer Relationships Through the Internet', *Journal of Relationship Marketing*, Vol. 1, No. 2, pp. 39-55.
- BBC News (2003a), 'Online Shopping a Christmas Hit', <http://news.bbc.co.uk/1/low/business/2677433.stm>.
- BBC News (2003b), 'Internet Steals March on High Street', <http://new.bbc.co.uk/go/pr/fr/-1/hi/business/2787307.stm>.
- Berger, P. and Luckmann, T. (1966), *The Social Construction of Reality*, Doubleday, New York.
- Berry, L. (1995), 'Relationship Marketing of Services', *Journal of the Academy of Marketing Science*, Vol. 23, No. 4, pp. 236-245.
- Berry, L. and Parasuraman, A. (1991), *Marketing Services: Competing Through Quality*, Free Press, New York.
- Black, J. and Boal, K. (1994), 'Strategic Resources: Traits, Configurations, and Paths to Sustainable Competitive Advantage', *Strategic Management Journal*, Vol. 15, No. Special Issue (Summer), pp. 131-148.
- Blaikie, N. (1993), *Approaches to Social Enquiry*, Polity Press, Cambridge.
- Boden, H. (1965), 'The Concept of the Marketing Mix', in Schwartz G., (Editor), *Science in Marketing*, John Wiley, New York, pp. 386-397.
- Bowen, H., Clark, K., Holloway, C., Leonard-Barton, D. and Wheelwright, S. (1994), 'Development Projects: The Engine of Renewal', *Harvard Business Review*, Vol. 72, No. 5, Sept-Oct, pp. 108-120.
- Bowen, H., Clark, K., Holloway, C. and Wheelwright, S. (1994), 'Make Projects the School for Leaders', *Harvard Business Review*, Vol. 72, No. 5, Sept-Oct, pp. 131-140.
- Bowman, C. and Ambrosini, V. (2000), 'Value Creation Versus Value Capture: Towards a Coherent Definition of Value in Strategy', *British Journal of Management*, Vol. 11, No. 1, pp. 1-15.
- Breu, K. and Peppard, J. (2003), 'Useful Knowledge for Information Systems: The Contribution of the Participatory Paradigm', *Journal of Information Technology*, Vol. 18, No. 3, pp. 177-194.
- Buckley, A. and Tse, K. (1996), 'Real Operating Options and Foreign Direct Investment: A Synthetic Approach.', *European Management Journal*, Vol. 14, No. 3, pp. 304-314.
- Butler, P. and Peppard, J. (1998), 'Consumer Purchasing on the Internet: Processes and Prospects', *European Management Journal*, Vol. 16, No. 5, pp. 600-610.
- Capraro, A. and Srivastava, R. (1991), 'Has the Influence of Financial Performance on Reputation Measures been Overstated?', *Corporate Reputation Review*,

Vol. 1, No. 1 and 2, pp. 86-92.

- Carpenter, P. (2000), *eBrands*, Harvard Business School Press, Boston.
- Carson, D. and Coviello, N. (1996), 'Qualitative Research Issues at the Marketing/Entrepreneurship Interface', *Marketing Intelligence & Planning*, Vol. 14, No. 6, pp. 51-58.
- Carson, D. and Gilmore, A. (2000), 'SME marketing management competencies', *International Business Review*, Vol. 9, No. 3, pp. 363-382.
- Carson, D., Gilmore, A., Perry, C. and Gronhaug, K. (2001), *Qualitative Marketing Research*, Sage, London.
- Checkland, P. and Holwell, S. (1998), 'Action Research: Its Nature and Validity', *Systematic Practice and Action Research*, Vol. 11, No. 1, pp. 9-21.
- Child, J. (1997), 'Strategic Choice in the Analysis of Action, Structure, Organizations and Environment: Retrospect and Prospect', *Organization Studies*, Vol. 18, No. 1, pp. 43-76.
- Chisholm, R. and Eden, M. (1993), 'Features of Emerging Action Research', *Human Relations*, Vol. 40, No. 2, pp. 275-297.
- Christopher, M. (2001), 'Partnerships: Creating Value through Collaboration', *Market Leader*, No. 15, pp. 50-53.
- Christopher, M. (1996), 'From Brand Value to Customer Value', *Journal of Marketing Practice*, Vol. 2, No. 1, pp. 55-66.
- Christopher, M. (1997), *Marketing Logistics*, Butterworth Heinemann, Oxford.
- Christopher, M., Payne, A. and Ballantyne, D. (1991), *Relationship Marketing*, Butterworth-Heinemann, Oxford.
- Clark, Emma (2002), 'BBC News Online', http://news.bbc.co.uk/hi/english/business/newsid_1755000/1755678.stm.
- Clark, P. (1972), *Action Research and Organizational Change*, Harper & Row, London.
- Coates, T. and McDermott, C. (2002), 'An Exploratory Analysis of New Competencies: A Resource Based View Perspective', *Journal of Operations Management*, Vol. 20, pp. 435-450.
- Coghlan, D. and Brannick, T. (2001), *Doing Action Research in Your Own Organization*, Sage, London.

- Conner, K. (1991), 'A Historical Comparison of Resource-Based Theory and Five Schools of Thought Within Industrial Organization Economics: Do We Have a New Theory of the Firm?', *Journal of Management*, Vol. 17, No. 1, pp. 121-154.
- Conner, K. and Prahalad, C.K. (1996), 'A Resource-Based Theory of the Firm: Knowledge Versus Opportunism', *Organizational Science*, Vol. 7, No. 5, pp. 477-501.
- Cooperrider, D. and Srivastava, S. (1987), 'Appreciate Inquiry in Organizational Life', in Woodman, R. and Pasmore, W., (Eds.) *Research in Organizational Change and Development*, JAI, Greenwich, pp. 129-169.
- Coviello, N., Brodie, R., Brookes, R. and Palmer, R. (2003), 'Assessing the Role of e-Marketing in Contemporary Marketing Practice', *Journal of Marketing Management*, Vol. 19, No. 7-8, pp. 857-881.
- Coviello, N., Brodie, R., Danaher, P. and Johnston, W. (2002), 'How Firms Relate to Their Markets: An Empirical Examination of Contemporary Marketing Practices', *Journal of Marketing*, Vol. 66, No. 3, pp. 33-46.
- Cravens, D. and Piercy, N. (1994), 'Relationship Marketing and Collaborative Networks in Service Organizations', *International Journal of Service Industry Management*, Vol. 5, No. 5, pp. 39-53.
- Day, G. and Hubbard, K. (2003), 'Customer Relationships Go Digital', *Business Strategy Review*, Vol. 14, No. 1, pp. 17-26.
- Day, G. (1994), 'The Capabilities of Market-Driven Organizations', *Journal of Marketing*, Vol. 58, No. 4, pp. 37-52.
- Day, G. (1998), 'What Does it Mean to be Market-Driven?', *Business Strategy Review*, Vol. 9, No. 1, pp. 1-14.
- Day, G. (1999a), *The Market Driven Organisation*, Free Press, New York.
- Day, G. (1999b), 'Creating a Market-Driven Organisation', *Sloan Management Review*, Vol. 41, No. 1, pp. 11-22.
- Degerature, A., Rangaswamy, A. and Wu, J. (1999), *Consumer Choice Behaviour in Online and Traditional Supermarkets: the Effects of Brand Name, Price and Other Search Attributes*, Pennsylvania: Penn State University.
- Dierickx, I. and Cool, K. (1989), 'Asset Stock Accumulation and Sustainability of Competitive Advantage', *Management Science*, Vol. 35, No. 12, pp. 1504-1514.
- Dolan, R. and Moon, Y. (2000), 'Pricing and Marketing Making on the Internet', *Journal of Interactive Marketing*, Vol. 14, No. 2, pp. 56-73.

- Dosi, G., Nelson, R. and Winter, G. (2000), 'Introduction: The Nature and Dynamics of Organizational Capabilities', in Dosi, G., Nelson, R. and Winter, G., (Eds.) *The Nature and Dynamics of Organizational Capabilities*, Oxford University Press, Oxford, pp. 1-22.
- Doyle, P. (1994), *Marketing Management & Strategy*, Prentice Hall International, New York.
- Doyle, P. (2000), *Value-Based Marketing*, Wiley, Chichester: New York.
- Drucker, P. (1955), *The Practice of Management*, William Hienemann, London.
- Dussart, C. (2001), 'Transformative Power of e-Business Over Consumer Brands', *European Management Journal*, Vol. 19, No. 6, pp. 629-637.
- East, R. (1997), *Consumer Behaviour: Advances and Applications in Marketing*, Prentice Hall, London.
- Easterby-Smith, M., Thorpe, R. and Lowe, A. (1991), *Management Research*, Sage, London.
- Economides, N. (1996a), 'The Economics of Networks', *International Journal of Industrial Organization*, Vol. 14, No. 2, pp. 673-699.
- Economides, N. (1996b), 'Network Externalities, Complementarities, and Invitations to Enter', *European Journal of Political Economy*, Vol. 12, No. 2, pp. 211-233.
- Eden, C. and Huxham, C. (2001), 'The Negotiation of Purpose in Multi-Organizational Collaborative Groups', *Journal of Management Studies*, Vol. 38, No. 3, pp. 373-391.
- Eden, C. and Huxham, C. (1996), 'Action Research for Management Research', *British Journal of Management*, Vol. 7, No. 1, pp. 75-86.
- Eisenhardt, K. (1989), 'Building Theories from Case Study from Research', *Academy of Management Review*, Vol. 14, No. 4, pp. 532-55.
- Eisenhardt, K. and Martin, J. (2000), 'Dynamic Capabilities: What are They?', *Strategic Management Journal*, Vol. 21, No. 10-11, pp. 1105-1121.
- Enis, B. (1973), 'Deepening the Concept of Marketing', *Journal of Marketing*, Vol. 37, No. 4, pp. 57-62.
- Evans, P. and Wurster, T. (1997), 'Strategy and the New Economics of Information', *Harvard Business Review*, Vol. 75, No. 5, Sept-Oct, pp. 71-82.
- Evered, R. and Louis, M. (1981), 'Alternative Perspectives in the Organizational Sciences: "Inquiry from the Inside" and "Inquiry from the Outside"', *Academy of Management Review*, Vol. 6, No. 3, pp. 385-395.

- Farrell, J. and Saloner, G. (1986), 'Installed Base and Compatibility: Innovation, Product Preannouncements, and Predation', *American Economic Review*, Vol. 76, No. 5, pp. 940-955.
- Friedman, M. (1953), *Essays in Positive Economics*, Chicago University Press, Chicago.
- Friedman, V. (2000), 'Action Science: Creating Communities of Inquiry in Communities of Practice', in Reason, P. and Bradbury, H., (Eds.) *Handbook of Action Research*, Sage, London, pp. 159-170.
- Glaser, B. and Strauss, A. (1967), *The Discovery of Grounded Theory*, Aldine, Chicago.
- Godfrey, P. and Hill, C. (1995), 'The Problem of Unobservables in Strategic Management Research', *Strategic Management Journal*, Vol. 16, No. 7, pp. 519-533.
- Greenley, G. (1995), 'Market Orientation and Company Performance: Empirical Evidence from UK Companies', *British Journal of Management*, Vol. 6, No. 1, pp. 1-13.
- Grimm, C. and Smith, K. (1997), *Strategy as Action*, South-Western College Publishing, Cincinnati.
- Gronroos, C. (1994), 'Quo Vadis, Marketing? Toward a Relationship Marketing Paradigm', *Journal of Marketing Management*, Vol. 10, No. 5, pp. 347-360.
- Gummesson, E. (1987), 'The New Marketing - Developing Long-Term Interactive Relationships', *Long Range Planning*, Vol. 20, No. 4, pp. 10-20.
- Gummesson, E. (1998), 'Implementation Requires a Relationship Marketing Paradigm', *Journal of the Academy of Marketing Science*, Vol. 26, No. 3, pp. 242-249.
- Gummesson, E. (2000a), *Qualitative Methods in Management Research*, Sage, Thousand Oaks, California.
- Gummesson, E. (2000b), *Total Relationship Marketing*, Butterworth-Heinemann, Oxford.
- Hagel, J. and Armstrong, A. (1997), *Net Gain*, Harvard Business School Press, Boston, Mass.
- Hagel, J. and Singer, M. (1999), *Net Worth*, Harvard Business School Press, Boston, Mass.
- Hakansson, H., Havila, V. and Pedersen, A. (1999), 'Learning in Networks', *Industrial Marketing Management*, Vol. 28, No. 5, pp. 443-452.

- Hallberg, G. (1995), *All Consumers are Not Created Equal*, Wiley, New York.
- Hanson, W. (2000), *Principles of Internet Marketing*, South-Western College Publishing, Cincinnati.
- Hatch, M.J., (Ed.) (1997), *Organizational Theory*, Oxford University Press, New York.
- Hauser, J., Urban, G. and Weinberg, B. (1993), 'How Consumers Allocate Their Time When Searching for Information', *Journal of Marketing Research*, Vol. 30, No. 4, pp. 452-67.
- Helfat, C. (1997), 'Know-How and Asset Complementarity and Dynamic Capability Accumulation: The Case of R&D', *Strategic Management Journal*, Vol. 18, No. 5, pp. 339-360.
- Henderson, R. and Cockburn, I. (1994), 'Measuring Competence? Exploring Firm Effects in Pharmaceutical Research', *Strategic Management Journal*, Vol. 15, No. Special Issue (Winter), pp. 63-84.
- Heron, J. and Reason, P. (1999), 'The Practice of Co-Operative Inquiry: Research "With" People Rather Than "On" People', in Bradbury, H. and Reason, P., (Eds.) *Handbook of Action Research*, Sage, London, pp. 179-188.
- Hindle, T., Checkland, P., Mumford, M. and Worthington, D. (1995), 'Developing a Methodology for Multidisciplinary Action Research: A Case Study', *Journal of the Operational Research Society*, Vol. 46, No. 4, pp. 453-464.
- Hoffman, D. and Novak, T. (1996), 'Marketing in Hypermedia Computer-Mediated Environments: Conceptual Foundations', *Journal of Marketing*, Vol. 60, No. 3, pp. 50-68.
- Hoffman, D. and Novak, T. (1997), 'A New Marketing Paradigm for Electronic Commerce', *The Information Society*, Vol. 13, No. 1, pp. 43-54.
- Hoffman, D., Novak, T. and Peralta, M. (1999), 'Building Consumer Trust Online', *Communications of the ACM*, Vol. 42, No. 4, pp. 80-85.
- Hooley, G. and Fahy, J. (2002), 'A Scale for Measuring Marketing Capabilities', in *31st EMAC Conference Marketing in a Changing World*, Braga, University of Minho, Portugal, in CD.
- Hoopes, D., Madsen, T. and Walker, G. (2003), 'Guest Editors' Introduction to the Special Issue: Why is There a Resource-Based View? Toward a Theory of Competitive Heterogeneity', *Strategic Management Journal*, Vol. 24, No. 10, pp. 889-902.
- Hunt, S. (1992), 'Marketing is...', *Journal of the Academy of Marketing Science*, Vol. 20, No. 4, pp. 301-311.
- Hunt, S. (1983), 'General Theories and the Fundamental Explananda of Marketing', *Journal of Marketing*, Vol. 47, No. 4, pp. 9-17.

- Hunt, S. (2000), *General Theory of Competition: Resources, Competencies, Productivity and Economic Growth*, Sage, Beverly Hills.
- Hunt, S. and Morgan, R. (1995), 'The Comparative Advantage Theory of Competition', *Journal of Marketing*, Vol. 59, No. 2, pp. 1-15.
- Hunt, S. (1992), 'Marketing is...', *Journal of the Academy of Marketing Science*, Vol. 20, No. 4, pp. 301-311.
- James, K. and Vinnicombe, S. (2002), 'Acknowledging the Individual in the Researcher', in Partington, D., (Ed.) *Essential Skills for Management Research*, Sage, London, pp. 84-98.
- Kale, P., Dyer, J. and Singh, H. (2002), 'Alliance Capability, Stock Market Response, and Long-Term Alliance Success: The Role of the Alliance Function', *Strategic Management Journal*, Vol. 23, No. 8, pp. 747-767.
- Keller, K. (1993), 'Conceptualizing, Measuring, and Managing Customer-Based Brand Equity', *Journal of Marketing*, Vol. 57, No. 1, pp. 1-30.
- Kelly, K. (1998), *New Rules for the New Economy*, Fourth Estate Limited, London.
- King, A. and Zeithaml, C. (2001), 'Competencies and Firm Performance: Examining the Causal Ambiguity Paradox', *Strategic Management Journal*, Vol. 22, No. 1, pp. 75-99.
- Knox, S., Maklan, S., Payne, A., Peppard, J. and Ryals, L. (2003), *Customer Relationship Management: Perspectives From the Marketplace*, Butterworth-Heinemann, Oxford.
- Knox, S. and Maklan, S. (1998), *Competing on Value*, FT Pitman, London.
- Knox, S., Maklan, S. and Thompson, K. (1999), 'Pan-Company Marketing and Process Management', *Irish Marketing Review*, Vol. 12, No. 1, pp. 36-44.
- Kogut, B. and Zander, U. (1992), 'Knowledge of the Firm, Combinative Capabilities and the Replication of Technology', *Organization Science*, Vol. 3, No. 3, pp. 383-397.
- Kohli, A. and Jaworski, B. (1990), 'Market Orientation: The Construct, Research Propositions and Managerial Implications', *Journal of Marketing*, Vol. 54, No. 2, pp. 1-18.
- Kotler, P. (1972), 'A Generic Concept of Marketing', *Journal of Marketing*, Vol. 36, No. 2, pp. 46-54.
- Kotler, P. and Levy, S. (1969), 'Broadening the Concept of Marketing', *Journal of Marketing*, Vol. 33, No. 1, pp. 10-15.
- Kozinets, R.V. (1999), 'E-Tribalized Marketing? The Strategic Implications of Virtual Communities of Consumption', *European Management Journal*, Vol. 17, No. 3, pp. 252-264.

- Leonard-Barton, D. (1992), 'Core Capabilities and Core Rigidities: A Paradox in Managing New Product Development', *Strategic Management Journal*, Vol. 13, No. Special Issue - Summer, pp. 111-125.
- Levitt, T. (1960), 'Marketing Myopia', *Harvard Business Review*, Vol. 38, No. 4, July-Aug, pp. 45-56.
- Levitt, T. (1986), *The Marketing Imagination*, Free Press, New York.
- Lewin, K. (1966), 'Group Decision and Social Change', in Maccoby, E., Newcomb, T. and Hartley, E., (Eds.) *Readings in Social Psychology*, 2nd, Holt, Rinehart and Winston, New York, pp. 197-211.
- Lewin, K. (1973), 'Action Research and Minority Problems', in Lewin, G., (Ed.) *Resolving Social Conflicts: Selected Papers on Group Dynamics*, Souvenir Press, London, pp. 201-216.
- Makadok, R. (1998), 'Can First-Mover and Early-Mover Advantages be Sustained in an Industry with Low Barriers to Entry/Imitation?', *Strategic Management Journal*, Vol. 19, No. 7, pp. 683-696.
- Makadok, R. (1999), 'Interfirm Differences in Scale Economies and the Evolution of Market Shares', *Strategic Management Journal*, Vol. 20, No. 10, pp. 935-952.
- Makadok, R. (2001), 'Toward a Synthesis of the Resource-Based and Dynamic-Capability Views of Rent Creation', *Strategic Management Journal*, Vol. 22, No. 5, pp. 387-401.
- Maklan, S. and Field, G. (2003), 'Researching Marketing Competencies with Action Research: Professional Perspective', in Malhotra, N. and Birks, D., (Eds.) *Marketing Research: An Applied Orientation*, 2nd, Pearson Education - Prentice Hall International, Marlow, pp. 723-725.
- Maklan, Knox, and Ryals (2003), 'Managing CRM Investments as a Market-Based Asset Rather than for Cash Flow', in *Academy of Marketing Conference*, Birmingham, July 8-11,2003, Academy of Marketing, Birmingham, in CD.
- Malhotra, N. and Birks, D. (2003), *Marketing Research: An Applied Approach*, Pearson Education, Harrow.
- Malone, T., Yates, J. and Benjamin, R. (1987), 'Electronic Markets and Electronic Hierarchies', *Communications of the ACM*, Vol. 30, No. 6, pp. 484-497.
- Marshall, A. (1991), 'On Markets', in Thompson, G., Frances, J., Levacic, R. and Mitchell, J., (Eds.) *Markets, Hierarchies and Networks*, Sage, London, pp. 24-34.
- McDonald, M. and Payne, A. (1996), *Marketing Planning for Services*, Butterworth Heinemann, Oxford.

- McGovern, G. (1999), *The Caring Economy*, Blackhall Publishing, Dublin.
- McNiff, J., Lomax, P. and Whitehead, J. (1996), *You and Your Action Research Project*, Routledge, London.
- McWilliam, G. (2000), 'Building Stronger Brands Through Online Communities', *Sloan Management Review*, Vol. 41, No. 3, pp. 43-54.
- Miles, R. and Snow, C. (1986), 'Organizations: New Concepts for New Forms', *California Management Review*, Vol. 28, No. 3, pp. 62-73.
- Miller, D., Eisenstat, R. and Foote, N. (2002), 'Strategy from the Inside Out: Building Capability-Creating Organizations', *California Management Review*, Vol. 44, No. 3, pp. 37-54.
- Miller, D. and Shamse, J. (1996), 'The Resource-Based View of the Firm in Two Environments: The Hollywood Film Studios from 1936 to 1965', *Academy of Management Journal*, Vol. 39, No. 3, pp. 519-543.
- Mitchell, A. (2001), *Right Side Up*, HarperCollins Business, London.
- Möller, K. and Halinen, A. (1999), 'Business Relationships and Networks: Managerial Challenge of Network Era', *Industrial Marketing Management*, Vol. 28, No. 5, pp. 413-427.
- Möller, K. and Halinen, A. (2000), 'Relationship Marketing Theory: Its Roots and Direction', *Journal of Marketing Management*, Vol. 16, No. 1, pp. 29-54.
- Narver, J. and Slater, S. (1990), 'The Effect of a Market Orientation on Business Profitability', *Journal of Marketing*, Vol. 54, No. 4, pp. 20-36.
- Nelson, R. (1991), 'Why do Firms Differ, and How Does it Matter?', *Strategic Management Journal*, Vol. 12, No. Special Issue (Winter), pp. 61-74.
- Nunce, P., Wilson, D. and Kambil, A. (2000), 'The All-in-One Market', *Harvard Business Review*, Vol. 78, No. 3, May-June, pp. 19-20.
- O'Driscoll, A., Carson, D. and Gilmore, A. (2000), 'Developing Marketing Competence and Managing in Networks: A Strategic Perspective', *Journal of Strategic Marketing*, Vol. 8, No. 2, pp. 183-196.
- O'Driscoll, A., Carson, D. and Gilmore, A. (2001), 'The Competence Trap: Exploring Issues in Winning and Sustaining Core Competence', *Irish Journal of Management*, Vol. 22, No. 1, pp. 73-90.
- Oliver, R. (1997), *Satisfaction*, McGraw-Hill Companies Inc., New York.
- Ouchi, W. and Price, R. (1978), 'Hierarchies, Clans, and Theory Z', *Organizational Dynamics*, Vol. 7, No. 2, pp. 25-44.

- Parasuraman, A., Zeithaml, V. and Berry, L. (1985), 'A Conceptual Model of Service Quality and its Implications for Future Research', *Journal of Marketing*, Vol. 49, No. 4, pp. 41-50.
- Parsons, A., Zeisser, M. and Waitman, R. (1998), 'Organizing Today for the Digital Marketing of Tomorrow', *Journal of Interactive Marketing*, Vol. 12, No. 1, pp. 31-46.
- Payne, A., Christopher, M., Clark, M. and Peck, H., (Eds.) (1995), *Relationship Marketing for Competitive Advantage*, Butterworth-Heinemann, Oxford.
- Peppard, J. and Ward, J. (2004), 'Beyond Strategic Information Systems: Towards an IS Capability', *Journal of Strategic Information Systems*, forthcoming.
- Peppers, D. and Rogers, M. (1994), *The One-to-One Future*, Piatikus, London.
- Peppers, D. and Rogers, M. (1997), *Enterprise One-to-One*, Currency Doubleday, New York.
- Peter, P. and Olson, J., (Eds.) (1994), *Understanding Consumer Behavior*, McGraw-Hill, New York.
- Peterson, R., Balasubramanian, S. and Bronnenberg, B. (2001), 'Exploring the Implications of the Internet for Consumer Marketing', in Shetj, J., Eshghi, A. and Krishnan, B., (Eds.) *Internet Marketing*, Harcourt, Orlando, pp. 120-147.
- Piercy, N. and Cravens, D. (1995), 'The Network Paradigm and the Marketing Organization', *European Journal of Marketing*, Vol. 29, No. 3, pp. 7-34.
- Pine, J.I., Peppers, D. and Rogers, M. (1995), 'Do You Want to Keep Your Customers Forever?', *Harvard Business Review*, Vol. 73, No. 2, Mar-April, pp. 103-114.
- Pisano, G. (1994), 'Knowledge, Integration and the Locus of Learning: An Empirical Analysis of Process Development', *Strategic Management Journal*, Vol. 15, No. Winter special issue, pp. 85-100.
- Prahalad, C. and Hamel, G. (1990), 'The Core Competence of the Corporation', *Harvard Business Review*, Vol. 68, No. 3, May-June, pp. 79-91.
- Preskill, H. and Torres, R. (1999), *Evaluative Inquiry for Learning in Organizations*, Sage, Thousand Oaks.
- Priem, R. and Butler, J. (2001), 'Is the Resource-Based "View" a Useful Perspective for Strategic Management Research?', *Academy of Management Review*, Vol. 26, No. 1, pp. 22-40.
- Rapaport, R. (1970), 'Three Dilemmas in Action Research', *Human Relations*, Vol. 23, No. 6, pp. 499-513.
- Rayport, J. and Sviokla, J. (1994), 'Managing in the Marketplace', *Harvard Business Review*, Vol. 72, No. 6, Nov-Dec, pp. 141-150.

- Rayport, J. and Sviokla, J. (1995), 'Exploiting the Virtual Value Chain', *Harvard Business Review*, Vol. 73, No. 6, Nov-Dec, pp. 75-85.
- Reason, P. (1999), 'Integrating Action and Reflection Through Co-operative Inquiry', *Management Learning*, Vol. 30, No. 2, pp. 207-226.
- Reason, P. and Bradbury, H., (Eds.) (2001), *Handbook of Action Research*, Sage, London.
- Reason, P. and Torbert, W. (2001), 'The Action Turn', *Concepts and Transformation*, Vol. 6, No. 1, pp. 1-37.
- Reason, P. (2001), 'Learning and Change Through Action Research', in Henry, J., (Ed.) *Creative Management*, Sage, London, pp. 182-194.
- Reason, P. and Bradbury, H. (2000), 'Introduction: Inquiry and Participation in Search of a World Worthy of Human Aspiration', in Reason, P. and Bradbury, H., (Eds.) *Handbook of Action Research*, Sage, London, pp. 1-14.
- Reason, P. and Torbert, W. (1999), 'Toward a Transformational Science: A Further Look at the Scientific Merits of Action Research', *Concepts and Transformations*, Vol. 6, No. 1, pp. 1-37.
- Reichheld, F. and Scheffer, P. (2000), 'E-Loyalty, Your Secret Weapon on the Web', *Harvard Business Review*, Vol. 78, No. 4, July-Aug, pp. 105-113.
- Reichheld, F.F. (1996), *The Loyalty Effect*, Harvard Business School Press, Boston, Mass.
- Revens, R. (1998), *ABC of Action Learning*, Lemos and Crane, London.
- Rindova, V. and Kotha, S. (2001), 'Continuous "Morphing": Competing Through Dynamic Capabilities, Form and Function', *Academy of Management Journal*, Vol. 44, No. 6, pp. 1263-1280.
- Rouse, M. and Daellenbach, U. (2002), 'More Thinking on Research Methods for the Resource-Based Perspective', *Strategic Management Journal*, Vol. 23, pp. 963-967.
- Rouse, M. and Daellenbach, U. (1999), 'Rethinking Research Methods for the Resource-Based Perspective: Isolating Sources of Competitive Advantage', *Strategic Management Journal*, Vol. 20, No. 5, pp. 487-494.
- Ryals, L. (2002), 'Are Your Customers Worth More Than Money?', *Journal of Retailing and Consumer Services*, Vol. 9, pp. 241-251.
- Ryals, L., Knox, S. and Maklan, S. (2000), *Customer Relationship Management*, Harlow: FT/Prentice Hall.
- Sanchez, R. and Heene, A. (1997), 'Reinventing Strategic Management: New Theory and Practice for Competence-Based Competition', *European Management Journal*, Vol. 15, No. 3, pp. 303-317.

- Schein, E. (1987), *The Clinical Perspective in Fieldwork*, Sage, Newbury Park.
- Schein, E. (2000), 'Clinical Inquiry/Research', in Bradbury, H. and Reason, P., (Eds.) Sage, London, pp. 228-237.
- Schon, D. (1983), *The Reflective Practitioner*, Jossey-Bass, San Francisco.
- Shapiro, C. and Varian, H. (1999a), *Information Rules*, Harvard Business School Press, Boston, Mass.
- Shapiro, C. and Varian, H. (1999b), 'The Art of Standard Wars', *California Management Review*, Vol. 41, No. 2, pp. 8-32.
- Sheth, J. and Sisodia, R. (2001), 'Consumer Behavior in the Future', in Sheth, J., Eshghi, A. and Krishnan, B., (Eds.) *Internet Marketing*, Harcourt, Orlando, pp. 73-90.
- Sheth, J. (1973), 'A Model of Industrial Buyer Behaviour', *Journal of Marketing*, Vol. 37, No. 4, pp. 50-56.
- Sheth, J. and Parvatiyar, A. (1995), 'Relationship Marketing in Consumer Markets: Antecedents and Consequences', *Journal of the Academy of Marketing Science*, Vol. 23, No. 4, pp. 255-271.
- Sheth, J. and Sisodia, R. (1995), 'Symptoms of Marketing Malaise', *Marketing Management*, Vol. 4, No. 2, pp. 18.
- Sheth, J. and Sisodia, R. (1999), 'Revisiting Marketing's Lawlike Generalizations', *Journal of the Academy of Marketing Science*, Vol. 27, No. 1, pp. 71-87.
- Sheth, J., Sisodia, R. and Sharma, A. (2000), 'The Antecedents and Consequences of Customer-Centric Marketing', *Journal of the Academy of Marketing Science*, Vol. 28, No. 1, pp. 55-66.
- Siegel, D. (1999), *Futurize Your Enterprise*, Wiley, New York.
- Skolimowski, H. (1994), *The Participatory Mind*, Arkana (Penguin Books), London.
- Slater, S. and Narver, J. (1995), 'Market Orientation and the Learning Organization', *Journal of Marketing*, Vol. 59, No. 3, pp. 63-74.
- Srivastava, R., Fahey, L. and Christensen, H. (2001), 'The Resource-Based View and Marketing: The Role of Market-Based Assets in Gaining Competitive Advantage', *Journal of Management*, Vol. 27, No. 6, pp. 777-802.
- Srivastava, R., Shervani, T. and Fahey, L. (1998), 'Market-Based Assets and Shareholder Value: A Framework for Analysis', *Journal of Marketing*, Vol. 62, No. 1, pp. 2-18.
- Srivastava, R. and Shocker, A. (1991), *Brand Equity: A Perspective on its Meaning and Measurement*, Technical Working Paper, Report Number 91-124, Marketing Science Institute.

- Susman, G. and Evered, R. (1978), 'An Assessment of the Scientific Merits of Action Research', *Administrative Science Quarterly*, Vol. 23, No. 4, pp. 582-603.
- Tapscott, D. (1998), *Growing up Digital*, McGraw-Hill, New York.
- Teece, D., Pisano, G. and Shuen, A. (1997), 'Dynamic Capabilities and Strategic Management', *Strategic Management Journal*, Vol. 18, No. 7, pp. 509-533.
- Thomas, K. and Tymon, W. (1982), 'Necessary Properties of Relevant Research: Lessons from Recent Criticisms of the Organizational Sciences', *Academy of Management Review*, Vol. 7, No. 3, pp. 345-352.
- Thompson, G., Frances, J., Levacic, R. and Mitchell, J., (Eds.) (1991), *Markets, Hierarchies and Networks*, Sage, London.
- Tollington, T. (2001), 'UK Brand Asset Recognition Beyond "Transactions or Events"', *Long Range Planning*, Vol. 34, No. 4, pp. 463-487.
- Torbert, W. (1981), 'Why Educational Research Has Been so Uneducational: The Case for a New Model of Social Science Based on Collaborative Inquiry', in Reason, P. and Rowan, R., (Eds.) *Human Inquiry: A Sourcebook of New Paradigm Research*, Wiley, Chichester, pp. 141-152.
- Tranfield, D. and Starkey, K. (1998), 'The Nature, Social Organization and Promotion of Management Research: Towards Policy', *British Journal of Management*, Vol. 9, No. 4, pp. 341-353.
- Tsoukas, H. (1994), 'Refining Common Sense: Types of Knowledge in Management Studies', *Journal of Management Sciences*, Vol. 31, No. 6, pp. 761-780.
- Vandermerwe, S. (1999), 'The Electronic "Go-Between Service Provider": A New "Middle" Role Taking Centre Stage', *European Management Journal*, Vol. 17, No. 6, pp. 598-608.
- Ward, M. and Lee, M. (2000), 'Internet Shopping, Consumer Search and Product Branding', *Journal of Product and Brand Management*, Vol. 9, No. 1, pp. 6-18.
- Warren, K. (2002), *Competitive Strategy Dynamics*, Wiley, Chichester.
- Waters, R. and Taylor, P. (Jan 17, 2003), 'The Internet after Steve Case: AOL May be Reeling but the Online World he Helped Create is Ready to Burst into Life', *Financial Times*, pp.15.
- Watson, K., Maklan, S. and Knox, S. (2001), *How is Consumer Behaviour Affected by Online Relationships?*, London: Chartered Institute of Marketing.
- Webster, F. (1988), 'The Rediscovery of the Marketing Concept', *Business Horizons*, Vol. 31, No. 3, pp. 29-39.
- Webster, F. (1992), 'The Changing Role of Marketing in the Corporation', *Journal of Marketing*, Vol. 56, No. 4, pp. 1-17.

- Weiber, R. and Kollman, T. (1998), 'Competitive Advantages in Virtual Markets- Perspectives of "Information-Based Marketing" in Cyberspace', *European Journal of Marketing*, Vol. 32, No. 7/8, pp. 603-615.
- Whyte, W., Greenwood, D. and Lazes, P. (1991), 'Participatory Action Research: Through Practice to Science in Social Research', in Whyte, W., (Ed.) *Participatory Action Research*, Sage, Newbury Park, pp. 19-55.
- Wood, Greg (2002), 'Flutter's Departure Leaves Bitter Taste', <http://sport/guardian.co.uk/horseracing/story/0,,634157,00.html>.
- Yin, R. (1994), *Case Study Research: Design and Methods*, Sage, Thousand Oaks, California.
- Zollo, W. and Winter, S. (2002), 'Deliberate Learning and the Evolution of Dynamic Capabilities', *Organization Science*, Vol. 13, No. 3, pp. 339-351.



Cranfield University

Stan Maklan

“How should firms develop and or change their marketing competencies when developing relationships with consumers online?”

School of Management

PhD Thesis Appendices

Submitted March 2004

Contact:

Stan Maklan
63 Collingwood Avenue
London N10 3EE
Tel: 020 8352 4206

Email: stanmaklan@hotmail.com

Table of Contents

1	Appendix 1 - Correspondence with F Webster.....	1
1.1	Letter from researcher to Webster	1
1.2	Webster's reply	4
2	Appendix 2 – Marketing competency scoring tools	5
2.1	Creating marketing knowledge	5
2.2	Building customer value propositions	6
2.3	Determining the firm's relationship with customers	7
3	Appendix 3 - Reflecting on transcripts	8
4	Appendix 4 - Current marketing competencies scores at flutter.....	12
4.1	Current creating marketing knowledge.....	12
4.1.1	Environmental scanning measure	12
4.1.2	Dissemination measure	13
4.1.3	Supply measure.....	13
4.2	Current building customer value propositions	14
4.2.1	Brand focus measure.....	14
4.2.2	Value focus measure	14
4.2.3	Organisation focus measure.....	15
4.3	Current determining the firm's relationship with customers	15
4.3.1	Customer governance measure	16
4.3.2	Business development focus measure.....	16
4.3.3	Product/service development focus measure	16
5	Appendix 5 - Identifying potential current resources at flutter.....	18
5.1	Customer base.....	18
5.2	Partnerships.....	19
5.3	Brand.....	19
5.4	People.....	20
6	Appendix 6 - VRIN testing potential resources at flutter	21
6.1	Partnerships.....	21
6.2	Brand.....	22
6.3	People.....	23
7	Appendix 7- Future marketing competency scoring at flutter	24
7.1	Future creating marketing knowledge	24
7.1.1	Pre-session reflection	24
7.1.2	Environmental scanning measure	25
7.1.3	Internal dissemination measure.....	25
7.1.4	Supply side knowledge measure.....	25
7.1.5	Channel partnerships and media measures	26
7.2	Future creating customer value propositions	26
7.2.1	Brand focus measure.....	27
7.2.2	Value focus measure	27
7.2.3	Organisational focus measure	27
7.3	Future determining the firm's relationship with customers score	28
7.3.1	Customer governance measure	28
7.3.2	Business development focus measure.....	28
7.3.3	Product/service development process measure.....	29
7.3.4	Modifications to the tool.....	29
8	Appendix 8 - Published case history.....	30
9	Appendix 9 - Current marketing competencies at BMW	34

9.1	Current creating marketing knowledge.....	34
9.1.1	Environmental scanning measure	34
9.1.2	Internal dissemination measure.....	36
9.1.3	Supply side measure	36
9.2	Current building customer value propositions.....	37
9.2.1	Brand focus measure.....	37
9.2.2	Value focus measure	38
9.2.3	Organisational focus	38
9.3	Current determining the firm's relationship with customers	39
9.3.1	Customer governance.....	39
9.3.2	Business development focus measure.....	40
9.3.3	Product/service development process measure.....	41
10	Appendix 10 - Quality of conversation BMW.....	42
11	Appendix 11 - Identifying potential current resources at BMW	47
11.1	Sales and marketing systems	47
11.2	Brand.....	47
11.3	People.....	48
11.4	Communications	48
12	Appendix 12 - VRIN testing potential resources at BMW	49
12.1	Sales and marketing systems	49
12.1.1	Valuable	50
12.1.2	Rare	50
12.1.3	Imperfectly Imitable.....	50
12.1.4	Non-Substitutable	50
12.1.5	Summary	50
12.2	Brand.....	50
12.2.1	Valuable	51
12.2.2	Rare	52
12.2.3	Imperfectly Imitable.....	52
12.2.4	Non-Substitutable	52
13	Appendix 13 - Quality of conversation BMW.....	53
14	Appendix 14 - Identifying future resources at BMW	56
14.1	Future customer experience resource at BMW.....	56
14.2	Future dealer-customer-BMW relationship resource at BMW.....	56
14.3	Future brand resource at BMW.....	57
14.4	Future sales and marketing systems resource at BMW	57
14.5	Future communications resource at BMW	58
14.6	Future people resource at BMW	59
15	Appendix 15 - Future marketing competencies at BMW	60
15.1	Creating marketing knowledge	60
15.1.1	Environmental scanning measure	61
15.1.2	Internal dissemination measure.....	61
15.1.3	Supply side measure	61
15.2	Building customer value propositions	62
15.2.1	Brand focus measure.....	62
15.2.2	Value focus measure	63
15.2.3	Organisational focus measure	63
15.3	Determining the firm's relationship with customers	65
15.3.1	Preamble discussion.....	66
15.3.2	Customer governance measure	67

	15.3.3 Business development focus measure.....	67
	15.3.4 Product/service development process measure.....	68
16	Reference list	69

1 Appendix 1 - Correspondence with F Webster

This appendix provides copies of correspondence between the researcher and Professor Webster. Webster's (1992) framework for categorising the role and function of marketing was the departure point for the building of the marketing competencies framework. The researcher wrote to Webster to ensure that the author agreed with the researcher's assessment that his stages of marketing development could be compressed into the three forms of marketing: transaction, relationship and network. Webster replied in the affirmative and the researcher also held a phone conversation with Webster for further clarification. The reader will note that in the researcher's letter to Webster, there are some other ideas about the role of marketing that no longer form part of the researcher's view or this thesis.

1.1 Letter from researcher to Webster

Professor Frederick E. Webster Jr.
Amos Tuck School of Business Administration
100 Tuck Hall
Dartmouth College
Hanover, NH 03755
USA

9 August 2000

Dear Professor Webster

I find your "Range of Marketing Relationships" framework published in "The Changing Role of Marketing in the Corporation" (JOM 1992) extremely useful for my own research. I intend making it central to my PhD literature review and if you have a few minutes, I would like to discuss the framework further.

In light of the evolution of the Internet since the publication of the article, I would like to understand how you might think the framework could be adjusted. I have a few ideas and wish to seek your advice if I may.

The PhD will develop a framework for the contribution of network economic theory (e.g. Hal Varian, Carl Shapiro) and Resource Based Theory to our understanding of the impact of online, interactive customer relationships upon the function and practice of Marketing. In this, I seem to be following two suggestions that you made in that article, namely that:

1. Marketing scholars develop an extended view of the marketing function.
2. Resource Based Theory can move Marketing past its traditional emphasis on microeconomics to look at finding sources of sustainable competitive advantage.

To answer the research problem, I need to first establish what is the function and practice of marketing today and then demonstrate the impact of interactive relationships from economic theory and Resource Based Theory. I don't believe that there is just one set of marketing functions and practices and your framework was the breakthrough that enabled me to order this problem.

I have placed the range of seven marketing relationships you outlined on one axis, and time on the other. Into this grid, I have begun mapping what I believe are major contributors to our understanding of the function and practice of marketing (below). Of course, this is incomplete at this time but it gives you an illustration of what I am trying to achieve I hope.

Webster's Range of Marketing Relationships

Vertical Integration						
Network Organisations				Networks (Achrol, Kotler)		
Strategic Alliances	Political Economy (Achrol, Arndt)			Sheth B2B Networks (Moller, Hakansson)		
Buyer-Seller Partnerships				Loyalty (Reichheld) One to One Relationship (Peppers, Rogers)		
Long-term Relationships				Sheth	Marketing (Christopher, Payne) Differential Marketing (Halberg)	
Repeated Transactions	Selling (AMA)	Customer Need (Levitt)	Exchange (Kotler)	Consumer Behaviour (Olson, Ehrenberg)	Market Orientation (Day, Kohli, Narver)	
Transactions	Online Behaviour (Hoffman, Novak)					
	50s	60s	70s	80s	90s	00s

Each layer of the framework entails a set of marketing functions and practices and I will assess the impact of interactivity upon each set separately. There are two areas where I would particularly welcome your input:

1. Banding layers simplifies the analysis and relates to a discussion of three forms of economic organisation that I can identify from literature: markets, hierarchies and networks. I believe that your first two stages (transactions and repeated transactions) relate more to market-based exchange than to hierarchies. A similar logic suggests that long term relationships and buyer-seller relationships are hierarchical arrangements but not quite networks because the focus is upon two firms (buyer-seller). Alliances and networks seem more in the Network category.
2. Given the evolution of the Internet, might one think of the ultimate end of the continuum as virtual integration rather than vertical integration as you suggested. When you discussed networked organisations, I felt that you introduced a third dimension to the network-hierarchy continuum and that the ultimate organisation of relationships within a networked economy is more likely to be virtual than vertical.

I will try to contact your secretary in the next few days to see if there is a mutually convenient time to speak on the phone. I enclose a few more details about myself in a short biography.

Yours sincerely

Stan Maklan

Email:smaklan@csc.com

Home office phone fax: 44 20 8352 4206

1.2 Webster's reply

Please note that most of his reply focuses upon the second point of my letter about virtual networks. The researcher accepted his points and the issue of virtual networks was not developed further. The researcher asks the reader to focus on his short comment that states that he likes the framework and accepts the bundling of his continuum into transaction, relationship and network marketing.



Frederick.E.Webster.Jr@dartmouth.edu
10/08/2000 02:17

To: Stan Maklan/UK/CSC@CSC
cc:
Subject: Re: Your article on Chaging Role of Marketing (JOM 1992)

I have enjoyed reading about your research. Thank you for your interest in mine.

I am currently not on campus but I can be reached by e-mail or at 207-6330021, my home in Maine. We can talk if you wish but perhaps a few comments by e-mail will be sufficient.

I like your framework. Of course it makes sense to combine the six points on my continuum into three bands as you have done.

I am less comfortable with substituting virtual networks for vertical networks. I think these are very different ideas. Vertical networks are a regression back to traditional bureaucratic structure as the firm brings more activities in-house and eliminates the distinctions between itself and its partners.

Virtual networks to me imply that information is the glue and that they are flexible forms, to a degree. But I don't understand how this can apply broadly to firms that manufacture products or sell services such as transportation, banking, etc. etc. Virtual networks are really in the middle of your taxonomy, a type of relationship. When it comes to e-commerce, the relationship may dominate the product, but that is a unique feature of e-commerce and does not apply broadly to other types of businesses as far as I can understand it.

I am very interesting in learning more about your work on BtoB branding. I am primarily an industrial marketing person and I am working with my colleague Kevin Keller on a paper on B to B branding. Can you send me information about your research institute?

I look forward to hearing from you.

F.E. Webster

2 Appendix 2 – Marketing competency scoring tools

Section 5.5.1.2 identifies that the researcher developed four marketing competency scoring tools: one for each of the four marketing competencies. That section illustrated demand management; this appendix describes the other three.

2.1 Creating marketing knowledge

Figure 51: Creating Marketing Knowledge Competency Scoring Tool

<u>Form of Marketing</u>	Transaction (Score =1)	Relationship (Score =2)	Network (Score =3)
<u>Measures</u>	<ul style="list-style-type: none"> •Consumer insight •Marketing insight •Competitor insight 	<ul style="list-style-type: none"> •Lifecycle costs and benefits for individual consumers 	<ul style="list-style-type: none"> •Community knowledge •Partner network •Supply chain knowledge
	<u>Marketing Focus</u>		
Environmental Scanning <input type="checkbox"/>	<ul style="list-style-type: none"> •Consumer groups •Market trends •Competitors 	<ul style="list-style-type: none"> •Individual consumer •Individual profitability •Contact history •Service benchmarks 	<ul style="list-style-type: none"> •Key communities •Individuals' community roles and networks
Internal Dissemination <input type="checkbox"/>	<ul style="list-style-type: none"> •Internal marketing •Coalition building 	<ul style="list-style-type: none"> •Empowered front line staff information 	<ul style="list-style-type: none"> •Community facilitation •Content management
Supply Side <input type="checkbox"/>	<ul style="list-style-type: none"> •Product costs 	<ul style="list-style-type: none"> •Total cost to serve 	<ul style="list-style-type: none"> •Supply network's cost, capabilities and commitment
<u>Overall Score</u> <input type="checkbox"/>			

The measures for this tool are influenced by the literature on defining market orientation (Day, 1994). This literature suggests that marketing (Kohli and Jaworski, 1990; Narver and Slater, 1990) helps the firm respond to emerging environmental changes by scanning the environment, creating insight, disseminating it to internally focused departments (particularly the supply chain) with a view to building the firm's response.

The marketing focus bullet points reflect content analysis of the literature. Transaction marketing generates knowledge of product market segments and product technology. Relationship marketing focuses upon the total value and cost of individual customers over an extended time frame. Network marketing identifies the interdependencies between the individual customers, consumer roles within communities and the activities of those communities. In some forms of networks, marketing focus must include a detailed understanding of the supply chain and suppliers' capabilities (Achrol and Kotler, 1999).

2.2 Building customer value propositions

Figure 52: Building Customer Value Propositions Competency Scoring Tool

<u>Form of Marketing</u>	Transaction (Score =1)	Relationship (Score =2)	Network Score =3)
<u>Measures</u>	<ul style="list-style-type: none"> •Integration of 4Ps (product, price, place and position) 	<ul style="list-style-type: none"> •4Ps plus process, provision of service and people 	<ul style="list-style-type: none"> •Broker between potential supply and potential demand
	Marketing Focus		
<u>Score</u>			
Brand Focus <input type="checkbox"/>	<ul style="list-style-type: none"> •Product / service brands •Product portfolio 	<ul style="list-style-type: none"> •Company reputation 	<ul style="list-style-type: none"> •Network members and affiliates
Value Focus <input type="checkbox"/>	<ul style="list-style-type: none"> •Product based - design, engineering, value, functionality •Emotional based 	<ul style="list-style-type: none"> •Tailored solutions •Customer facing business processes 	<ul style="list-style-type: none"> •Managing expectations and development of standards, technology, access
Organisational Focus <input type="checkbox"/>	<ul style="list-style-type: none"> •Product group led •Marketing led 	<ul style="list-style-type: none"> •Integrating sales, marketing and service 	<ul style="list-style-type: none"> •Community leaders
<u>Overall score</u> <input type="checkbox"/>			

The measures and marketing focus bullet points were developed from content analysis of the marketing literature that is focused on brands. Transaction marketing literature developed the concept of the augmented product or service brand (Levitt, 1986) wherein the core product or service is surrounded by layers of extra value: emotional value, services and ubiquity. Relationship marketing puts increased emphasis upon the corporate brand because it is the whole company, more than its individual products that guarantee the long term viability of customised, long term customer solutions (Knox and Maklan, 1998). The value proposition of brands operating within strong networks focuses upon the strength, breadth and quality of the network or community's membership, its ability to control standards, its strength in complements and the unique content generated within the network (Shapiro and Varian, 1999b; Hagel and Armstrong, 1997).

2.3 Determining the firm's relationship with customers

**Figure 53: Determining the Firm's Relationship with Customers
Competency Scoring Tool**

<u>Form of Marketing</u>	Transaction (Score =1)	Relationship (Score =2)	Network (Score =3)
	•Voice of the consumer inside the company	•Interactive relationships	•Communities to leverage competencies
<u>Measures</u>	<u>Marketing Focus</u>		
Customer Governance	Score <input type="checkbox"/> •Product/Product group •Profit centres with product management	•Client managers or customer segment •Profit centres aligned to customers	•Community managers •Profit centre model as yet undetermined
Business Development Focus	Score <input type="checkbox"/> •Marketing plan focused on products and services	•Customer development plans	•Breadth and depth of community needs served
Product /Service Development Process	Score <input type="checkbox"/> •Marketing translates consumer needs into development briefs	•Customers teach the firm, client managers lead response, capture learning and disseminate	•The firm makes its resources available to communities that drive innovation
<u>Overall score</u>	Score <input type="checkbox"/>		

Firms implementing relationship marketing from a starting point of transaction marketing, must redevelop its business processes from the perspective of individual customers (Knox, Maklan, and Thompson, 1999). These business processes allow the firm to respond to the needs of customer groups; the firm's products and services are developed in consideration of direct customer input (Ryals, Knox, and Maklan, 2000; Peppers and Rogers, 1997; Pine, Peppers, and Rogers, 1995). In transaction marketing, the consumer is managed by individual product brand managers who are driven to maximise product profitability and market share. In relationship marketing, client managers govern the customer relationships and plan to maximise share of that customer group's spend with the firm. With consumer networks, customer governance, business development and product/service development, policies are made in consideration of the needs of the overall network rather than any one individual (Hagel and Singer Marc, 2000; Hagel and Singer, 1999; Hagel and Armstrong, 1997) due to the existence of externalities (Shapiro and Varian, 1999a; Kelly, 1998).

3 Appendix 3 - Reflecting on transcripts

This is a sample of the researcher's reflection during flutter's preparation 2. Two co-researchers, GF and BE¹, are discussing the future creating marketing knowledge competency scoring tool.

Figure 54: Reflecting on Transcripts

Conversation	Thoughts
<p>There was an assumption when they started their work that network referred to the community driving the business and that is not what they want.</p> <p>GF <i>"it is customer to company to customer...is like a three pronged thing"</i> The traditional model is the company and the customer but GF thinks about it as the customer, the company and the customer.</p> <p>I mentioned the fact the value the customer gets from the service is a function of the other customers – external effects.</p> <p>(10 minutes) Environmental scanning:</p> <p>GF <i>"Because our customers go against each other, I can't think of them in community terms...betting is such an individual activity.... But they depend on other customers". "They are not really a collaborative community."</i></p> <p>BE refers to when there are discussion boards, they do communicate directly to each other at times, asking for specific odds for example. They started off by having the individual names on the betting sheet to make that peer-to-peer relationship but this has failed. The serious better wants to be anonymous. If they continually win, they don't wish to tip their hand to those that continually lose as that will impact their profitability (GF comment).</p> <p>We discussed community roles and scanning:</p>	<p>The scoring tools need to be modified. The community a la infomediary is about the community leading the network, but flutter is about creating a network where they are the focal point.</p> <p>The bullet points have inhibited the immediate understanding of the fundamentally networked nature of their service; but once we reflect upon it, we see it.</p> <p>For GF, the word community was a block as betters, whilst they depend on other customers, they are not community. They are fiercely competitive and individualistic. She has difficulty thinking about community as the word has a collegial meaning for her. They are not a collaborative community; they are in it for themselves.</p>

¹ The co-researchers are introduced in the presentation of findings for flutter.

They operate a network and they work with other networks such as football betting. Then GF realised that we do operate a network and we understand their role in our site. I used the analogy of tennis players – competitive, individuals but they operate in a “community”.

BE embraced the idea of managing an eco-system very quickly – GF said that if a score of 2 (relationship marketing) is a sub-set of network marketing (score of 3) then she understood her work package.

I then brought in economic theory from my desk based research – literature review. The theory of external effects, the interdependency of consumption. You need winners and losers, backers and layers to have liquidity.

BE started to make the connections to his immediate work in building the eco-systems.

They had thought of 2.3 and moved to 2.6 based upon the reflection.

Then discussed dissemination:

BE reluctant to do everything customers tell him to do because they are not always right and it is not always in our interest. BE not willing to be “anarchic” – the network should not dictate what we do. GF “*we don't want our role as gatekeeper removed*”.

GF – “*having some customers shout louder on the site is not a great thing for other customers. So we have to balance what we do. How much power do we put in the hands of the customer?*”

So we act as a balancer. The only way we can decide whom to listen to, is by understanding the dynamic of the eco-system. I talked about the difference between relationship marketing and managing an eco-system: the former looks at lifetime value of the customer in building the rules – flutter looks at the impact on the eco-system. GF – the big winners are the big whiners but we don't worry about them.

Upon reflection – they moved from an initial mid point between 2-3, they moved to 2.7.

We see the growing realisation that they are managing an eco-system. I did not find this realisation before this meeting – so I believe that we built this knowledge together.

Flutter sees forms of relationships as building upon each other. You need to understand individuals before you can understand their network roles. Adding value from the literature review.

Had to work through the customer compelled notion to something about making sensible decisions. We realised that we are the convenor of the network rather than its servant. This is a new insight for me – we act on behalf of the eco-system as opposed to the customer.

I added theory and practice from one-to-one marketing to help the understanding of relationship marketing develop.

THEY ARE SERIOUSLY CONSIDERING THE SCORES.

Supply Side:

That was unequivocal – we want to be at 3. GF
“we attribute all our customers to customers, we know where our customers come from, how long they stay, how much we make... we weed out partners that are not giving us good customers.”
Ben presented something this morning that we need more backers as we have too many layers; six months ago we needed layers.” BE – *“One backer needs 20 layers because they bet so much.”*

Every week we add to our understanding of customers – we fully allocate costs to customer and we are acting upon it.

We discussed the difference between a traditional community and the flutter eco-system. We agreed that we work really hard to enable the better to do it for themselves.

GF brought up the issue of customers wanting more, expecting us to be as big as Ladbrokes, but we are small and not yet profitable so how do we manage expectations. GF last week just briefed CS about who are the big customers in the eco-system – 50 of them - that we must do extra.

BE looked at the Betfair site to determine that they do not track distribution like we do. He is aware that they are paying for leads that are not delivering or converting. GF *“Betfair is paying £3.50 per click for some search engine so BE just keeps using the search engine.”*

We used to pay over £100 per new customer, we would like to pay £15 but we are likely at £40. However the £15 cost was based on an assumption of many low value ones, so £40 a head is for more active customers. Loyalty has gone up to 70%. One year ago the average revenue per player was £8 and the life cycle was three weeks. GF did the sums: to acquire them for 100 and then only get 24 from them...

I had to tell them how impressed I am with their sophistication and said that my reflection suggests that they change the word network to eco-system.

There is not just one rule for who is important – they are big. We look at community role.

We can look at how they behave to understand how sophisticated they are re eco-system understanding.

Ben was able to build the detail of what these new constructs meant immediately – real evidence of

<p>We added partnership and media knowledge to the list of key constructs of the dimension. We are willing to spend differently for customers based upon their network role (backer, layer...) – BE.</p> <p>BE discussed how he builds promotional objectives by recruiting for network role.</p>	<p>learning here.</p>
---	-----------------------

4 Appendix 4 - Current marketing competencies scores at flutter

4.1 Current creating marketing knowledge

Figure 55: Current Creating Marketing Knowledge Competency at flutter

<u>Form of Marketing</u>	Transaction (Score =1)	Relationship (Score =2)	Network (Score =3)
	<ul style="list-style-type: none"> •Consumer insight •Marketing insight •Competitor insight 	<ul style="list-style-type: none"> •Lifecycle costs and benefits for individual consumers 	<ul style="list-style-type: none"> •Community knowledge •Partner network •Supply chain knowledge
<u>Measures</u>	<u>Marketing Focus</u>		
Environmental Scanning	Score 2.2 <ul style="list-style-type: none"> •Consumer groups •Market trends •Competitors 	<ul style="list-style-type: none"> •Individual consumer •Individual profitability •Contact history •Service benchmarks 	<ul style="list-style-type: none"> •Key communities •Individuals' community roles and networks
Internal Dissemination	Score 3.0 <ul style="list-style-type: none"> •Internal marketing •Coalition building 	<ul style="list-style-type: none"> •Empowered front line staff information 	<ul style="list-style-type: none"> •Community facilitation •Content management
Supply Side	Score 2.0 <ul style="list-style-type: none"> •Product costs 	<ul style="list-style-type: none"> •Total cost to serve 	<ul style="list-style-type: none"> •Supply network's cost, capabilities and commitment
<u>Overall Score</u>	Score 2.3		

4.1.1 Environmental scanning measure

Flutter's marketing team had built up a significant amount of knowledge about individual customers.

..... "There are 90 customers that account for 60% of our revenue and we know them individually." ... "We look at it weekly: behaviour on site (back or lay), revenue, turnover, are they still playing, and now we are looking at win/lose and therefore what they contribute to the site and the other players." (GF)

..... "We have a massive database and we know everything about everyone's behaviour and I cannot imagine it is the same for offline businesses." (BE)

The flip charts generated during the workshop illustrated the following:

- Revenue per customer
- Turnover per customer
- Profitability per customer
- Profitability to the customer of their flutter transactions
- Wins and losses per customer
- Bet versus lay behaviour and the impact that has on the overall site liquidity

The score of 2.2 reflected the firm's strong relationship marketing focus in this area plus the start of understanding the impact of individual behaviour upon the overall site's liquidity and performance.

4.1.2 Dissemination measure

The marketing group had recently improved its standing in the business due to its strengths in understanding customers described above. This had improved its credibility to perform internal marketing and build coalitions (transaction marketing). This credibility and insight had improved relationships with customer service. NA's key customer programme was an example of empowering customer-facing staff (transaction marketing). At the network end of the scale, flutter was using its customer knowledge to help partner sites improve their own marketing by providing content feeds tailored to the partner's community. The team scored this 3.0.

4.1.3 Supply measure

Product costs were not really relevant to flutter's exchange betting model. The flutter managers felt that they understood the total cost to serve each customer, and were improving this understanding all the time. By focusing on customers' win-loss data, flutter was in the process of building individual customer P&Ls and providing customers with individual P&Ls for their betting with flutter. Flutter knew the cost per customer acquisition and could further analyse each partner site's referrals by customer behaviour. Therefore, flutter would know how many football layers Football 365 would generate each month and what percentage that represented of the total referrals from that partner. However, it had not focused on the costs and capabilities of its entire network (associates, partner sites) and therefore the team scored this measure 2.

The overall score of 2.3 was an average of the three measures, rounded up.

4.2 Current building customer value propositions

Figure 56: Current Building Customer Value Propositions
Competency at flutter

<u>Form of Marketing</u>	Transaction (Score =1)	Relationship (Score =2)	Network Score =3)
<u>Measures</u>	<ul style="list-style-type: none"> •Integration of 4Ps (product, price, place and position) 	<ul style="list-style-type: none"> •4Ps plus process, provision of service and people 	<ul style="list-style-type: none"> •Broker between potential supply and potential demand
	Marketing Focus		
Brand Focus	Score 1.2 <ul style="list-style-type: none"> •Product / service brands •Product portfolio 	<ul style="list-style-type: none"> •Company reputation 	<ul style="list-style-type: none"> •Network members and affiliates
Value Focus	Score 1.5 <ul style="list-style-type: none"> •Product based - design, engineering, value, functionality •Emotional based 	<ul style="list-style-type: none"> •Tailored solutions •Customer facing business processes 	<ul style="list-style-type: none"> •Managing expectations and development of standards, technology, access
Organisational Focus	Score 1.5 <ul style="list-style-type: none"> •Product group led •Marketing led 	<ul style="list-style-type: none"> •Integrating sales, marketing and service 	<ul style="list-style-type: none"> •Community leaders
<u>Overall score</u>	Score 1.4		

4.2.1 Brand focus measure

This score of 1.2 reflected the co-researchers' assessment of the launch strategy. It had created a mass market brand, attracting large numbers of casual betters to its site. Flutter hoped to create a new product and change consumer behaviour. It developed special relationships with journalists, its CEO became the visible face of this new industry and it invested in mass circulation journals. The conversation during this phase of the discussion indicated that flutter had abandoned traditional brand management activity in favour of more targeted, direct communication with high value customers.

4.2.2 Value focus measure

For the immediate future, the customer value proposition that would be communicated was the core functionality of online betting: reduced prices and site liquidity. When the strategy shifted, there was a sharp focus on matching Betfair's functionality and product features.

..... "We started out like a brand....There were lots of emotional values... Then we found that betting is not a latent need in everyone so we competed more on a functional level... We just define the category benefits." (GF)

The value focus was felt to be a balance between the generic, functional benefits of exchange site betting and a company reputation as solid and honest. The company reputation element of the value proposition helped recruit new users; it was felt that a recognisable company name would overcome people’s latent fears about financial transactions online. Hence the team agreed a score of 1.5 which put this measure between transaction and relationship.

4.2.3 Organisation focus measure

The organisation focus, that is the way the value proposition was managed and developed, remained product rather than relationship focused. The communication of the value proposition was not differentiated substantially by customer group although in very recent times, flutter had extended its network to include bookmakers and managed that communication and message separately from the main flutter value proposition. The score of 1.5 reflected the above balance of generic functional benefits and a recognisable company name.

The overall score of 1.4 was an average of the three measures.

4.3 Current determining the firm’s relationship with customers

Figure 57: Current Determining the Firm’s Relationship with Customers Competency at flutter

<u>Form of Marketing</u>	Transaction (Score =1)	Relationship (Score =2)	Network (Score =3)
	•Voice of the consumer inside the company	•Interactive relationships	•Communities to leverage competencies
<u>Measures</u>	<u>Marketing Focus</u>		
Customer Governance	Score 1.8 •Product/Product group •Profit centres with product management	•Client managers or customer segment •Profit centres aligned to customers	•Community managers •Profit centre model as yet undetermined
Business Development Focus	Score 2.0 •Marketing plan focused on products and services	•Customer development plans	•Breadth and depth of community needs served
Product /Service Development Process	Score 2.3 •Marketing translates consumer needs into development briefs	•Customers teach the firm, client managers lead response, capture learning and disseminate	•The firm makes its resources available to communities that drive innovation
<u>Overall score</u>	Score 2.1		

4.3.1 Customer governance measure

The score of 1.8 reflected how customer governance was shared between the product managers, Customer Services and Marketing. At launch, Marketing concentrated on mass-marketing activities almost exclusively; at the time of the inquiry it made policy and resolved problems for key customers as evidenced by the activities arising from NA's weekly emails to lapsed users. Flutter's profit centres remained with the products (e.g. football, horse racing and greyhounds) and there was no discussion within flutter about creating profit centres for customer groups.

4.3.2 Business development focus measure

Marketing's business development activities at launch were focused on recruiting large numbers of new customers through traditional mass-marketing. In terms of intent, flutter felt that it was building a network of betters that would provide competitive advantage through externalities. When pushed about the marketing focus of networks, breadth and depth of community needs served, co-researchers suggested that flutter focused on a limited number of betting needs and therefore came to the realisation that its business development was largely transaction-based at launch.

The score of 2.0 reflected the current marketing focus upon building the business in partnership with its key customers. It could identify, by name, the core 50-100 betters using its site, flutter had a dialogue with them about new product areas that it should pursue. If the key betters were not interested in potential ideas, they would not be pursued. This collaborative focus was said to be the way flutter was operating, albeit if only very recently.

4.3.3 Product/service development focus measure

Co-researchers discussed the extent to which product and service development was now directed by key customers. The increased dialogue and attention to the key betters has made the marketing function more aware of, and sensitive to, the latent needs of that group. Marketing's increased credibility within flutter had enabled it to influence product and technology development so that it responded to customers' needs. In effect, Marketing acted as the key customers' voice within flutter's product development process. This was supported by an informal process whereby the marketing function regularly briefed key customers about product developments to solicit feedback. This "running ideas by our key customers", albeit rather unstructured, was a regular feature of product and service development. The workshop conversation revealed a fine-grained and shared understanding of the product and service attributes desired by customers. For example, co-researchers described an ongoing discussion about the customer benefits of 24 by 7 customer support; something flutter did not currently provide due to staff and budget limitations. The flutter managers believed that the benefits to key betters were minimal. NA and TL had discussed the matter directly with some of them by email

and phone and BE had provided behavioural data. They were committed to keeping in contact with their key customers on this issue, ready to respond.

The discussion then probed on the extent to which it made its resources and know-how available to its network of betters. That identified how flutter's customer insights were increasingly made available to key partners so partners' communities could benefit. That prompted a score of 2.3, a score beyond a purely relationship focus.

The total score of 2.1 was an average of three rounded up.

5 Appendix 5 - Identifying potential current resources at flutter

5.1 Customer base

Figure 58: Customer Base - Comments

- Finding customers is in some ways more difficult than managing retention, therefore an installed base is important.
- Partner sites, whilst important, are not the prime means of recruitment.
- Strengths in niches and reputation amongst heavy betters in those areas
- Customer base provides liquidity:
 - Acts as a barrier to new entrants, we believe that the market in the UK can only support one or two players.
 - Our disadvantage to Betfair was masked and now we are eroding its advantage.
 - Poor liquidity makes for a poor customer experience.
- Customer buys from a repertoire of betting “shops”, very few of our customers are exclusive to us – shared resource.
- Customers are extremely knowledgeable about the things in which they bet and actively seek information.
- Share of market is share of wallet in this market at this stage because there are two players (assuming market defined as online betting).
- We have 80-90 very heavy users that are essential for our liquidity and profitability.
- There are a further 600 -700 that are significant betters amongst the 5,000 or so that bet monthly.
- We developed the customer base over one year through a combination of means including advertising, publicity, partnership site.

5.2 Partnerships

Figure 59: Partnerships - Comments

- Management of partners – business development process.
- Partners may offer a choice of betting services for their members and we compete with Betfair for the “online” partnership.
- Language and tonality of our brand more in line with partners’ marketing efforts – supportive.
- We are increasingly seen both as one of the players that will remain (we are funded, credible, successful reputation) and our betting system is the “standard”.
- Seen as a major player rather than a pure niche player.
- Have some prestigious partnerships already – credible.
- Partners provide access to their customers but we don’t really manage that two-stage process – we tend to manage all customers as individuals regardless of how they came to us.
- We offer partners betting know-how and editorial.
- Extends betting habit as we leverage partners’ emotional bond with consumers.
- Online comparative shoppers’ sites – we are increasingly there and our low charges make us look good.
- We are getting increasingly good reviews on Betfair’s discussion forum.
- Partners “no longer” our prime source of new customers.
- Co-brand sites to differentiate our message.

5.3 Brand

Figure 60: Brand - Comments

- Moved away from corporate to product branding.
- Site.
- Tone, image, language.
- Communications.
- Aura of success – journalists.
- Distribution on good partner sites builds credible and visible brand.
- Started off by reinventing betting habit by making it more accessible rather than on seedy shops – overcame a distribution and cost problem for the consumer.
- Customer experience of the site gets better as we improve its functionality and liquidity. We continually improve on the basis of learning from customers.

5.4 People

Figure 61: People - Comments

- Teamwork.
- Attitude.
- Culture.
- Unique learning and shared experience.

6 Appendix 6 - VRIN testing potential resources at flutter

6.1 Partnerships

This potential marketing resource was analysed by TL and NA. They described how third-party web sites sign agreements with flutter wherein they receive money for each customer that “clicks-through” to flutter’s site. When flutter was targeting the mass market, customer acquisition strategy focused on recruiting large numbers of customers cost effectively. Flutter looked for partners with broad consumer appeal that would refer large numbers of people to the web site; for example, MSN (Microsoft’s consumer services site). Partnerships with these sites were very expensive because ultimately the price was a function of the numbers of consumers attracted to the site. Flutter’s customer acquisition strategy had changed to a focus upon attracting a small number of serious betters, and flutter had redirected resources away from expensive mass-market partners to sites frequented by serious betters. The nature of partnership management had also changed with that move. The new partners were smaller and more targeted in their own marketing; flutter was able to work co-operatively with them and customise its content for each site’s customer base.

Flutter’s understanding of individual customer profitability enabled it to determine accurately which partners were generating key customers, what those customers did on-site and therefore how much it could pay for referrals by partner.

... “Smartsig is an example of a partner that is driving the right traffic. It is a forum for heavy betters that we tapped into and really made a name for ourselves by participating. Good feedback and learning.” (TL)

This insight was improving their partnership management practices. They could identify and develop relationships with partners that cost-effectively generated quality new business. The value to flutter was in terms of recruiting heavy betters, building reputation by being associated with sites where heavy betters surfed and in managing the cost of customer acquisition.

However, the vast majority of partners would not make exclusive deals with any one betting site and there were many sites seeking partnerships so this was not considered a rare and non-substitutable resource. The one exception was with the Racing Post, a critical partner in the biggest betting market (horse racing) where Betfair had an exclusive arrangement that was up for renewal shortly.

However, NA and TL felt their approach to partner management was better than Betfair’s. Flutter provided more bespoke content and co-operation with its partners than its competitor and acted more intelligently based upon better consumer insight.

Partner management was considered by TL and NA to be valuable and rare, but highly imitable through adopting good practice that was seen as widely available. TL and NA did not feel that partnerships passed the VRIN assessment.

6.2 Brand

Brand was analysed by GF and BE. The value of brand was in mass recruitment when flutter launched, and the managers felt that it was the most well known of the online betting services at the time. However, flutter had changed its marketing strategy and its old brand hindered its acceptance amongst serious betters. Marketing has re-branded, supported by changes in product and service.

.....(at launch), “we just chucked out this (product) and what was most important was the brand. (Our new target) cares about the product, features and functions.” (GF)

With respect to the VRIN criteria, BE and GF felt that the flutter brand was valuable because of the role it played in establishing credibility amongst serious betters on the dimensions of probity and liquidity. When probed on possible new entrants to the market, BE suggested: “In online betting it is all about trust, reliability. There are a lot of dodgy businesses out there” and GF added: “Part of trust is being seen to be competent.... (having) betting credentials.” Betfair, and increasingly flutter, were seen by BE and GF to be credible, trustworthy and competent amongst serious betters. They concluded that the brand was rare versus new, smaller competitors but not when compared to Betfair’s brand. However, on the imperfect imitability criteria, flutter was judged to be “me-too” to Betfair. To arrive at this conclusion, they had a long discussion about the relative strengths of the brands: probing both brands’ proposition to consumers, tone of voice used through communications, advertising messages and look and feel of the web sites to arrive at this conclusion. They also concluded that since flutter changed its brand image amongst Betfair’s best customers by being more like Betfair, others could do the same to Betfair and flutter. Brand was imitable in this market. The conversation then moved to the final criteria: non-substitutable. BE and GF felt that any of the renowned American casinos (e.g. Sands) could do it, but disagreed whether fixed odds betters could (e.g. William Hill). They felt that fixed odds competitors were viewed by their target market as the “enemy that fleeced them”, whereas flutter was seen as a neutral service provider. They could not agree if other well-known brands, from outside the betting market, could enter this market.

In summary, they did not feel that the direction flutter was taking its brand made it a strategic, that is, VRIN-passed marketing resource. It was valuable, rare (versus new, smaller entrants to the market only), but imitable and substitutable.

6.3 People

This was analysed by GF and BE. The conversation around the people resource was inconclusive because this potential resource was not well defined during the workshop.

The researcher asked them on three occasions during the preparation session if they could conceive the link between people and the valuable outcome on the pathway analysis (Figure 17) and it proved difficult. At times, the value of the people resource was linked to the consumer insight of the marketing team rather than the people/culture per se. The value of the resource was also seen in the increased devolvement of power and confidence of the marketing team and this was seen to make flutter more effective.

....."It used to take us ages to do anything because we had to justify everything but Betfair just did it." (BE)

The team probed further on it and the researcher took on much more of an agent provocateur role than with any of the other resources. The conversation was intense:

....."It makes me think about it. How can people be valuable, rare and the rest? It will drive me mad now!" (GF)

At the end, the researcher suggested that perhaps what was strategic was flutter's ability to translate its consumer insight into effective action, but GF suggested that flutter was certainly better at that than it had been, but not necessarily better than Betfair. She reminded the team that Betfair operated with less than half flutter's staff and had four times the turnover.

The team was not able to take a firm position as to whether people were a strategic resource or not, but resolved that it would continue to reflect upon it.

7 Appendix 7- Future marketing competency scoring at flutter

7.1 Future creating marketing knowledge

Figure 62: Future Creating Marketing Knowledge Competency at flutter

<u>Form of Marketing</u>	Transaction	Relationship	Network – Eco-System
<u>Measures</u>	<ul style="list-style-type: none"> •Consumer insight •Marketing insight •Competitor insight 	<ul style="list-style-type: none"> •Lifecycle costs and benefits for individual consumers 	<ul style="list-style-type: none"> •Community knowledge •Partner network •Supply chain knowledge
Score	<u>Marketing Focus</u>		
Environmental Scanning	<ul style="list-style-type: none"> •Consumer groups •Market trends •Competitors 	<ul style="list-style-type: none"> •Individual consumer •Individual profitability •Contact history •Service benchmarks 	<ul style="list-style-type: none"> •Key communities •Individuals' community roles and networks
Internal Dissemination	<ul style="list-style-type: none"> •Internal marketing •Coalition building 	<ul style="list-style-type: none"> •Empowered front line staff information 	<ul style="list-style-type: none"> •Community facilitation •Content management
Supply Side	<ul style="list-style-type: none"> •Product costs 	<ul style="list-style-type: none"> •Total cost to serve 	<ul style="list-style-type: none"> •Supply network's cost, capabilities and commitment
<i>Channel Partnerships</i>	<ul style="list-style-type: none"> •<i>Turnover</i> 	<ul style="list-style-type: none"> •<i>Acquisition costs</i> 	<ul style="list-style-type: none"> •<i>Position in eco-system</i>
<i>Media</i>	<ul style="list-style-type: none"> •<i>CPM</i> 	<ul style="list-style-type: none"> •<i>Cost per new customer</i> 	<ul style="list-style-type: none"> •<i>Cost per type of player</i>
<u>Overall score</u>			

- Note CPM means cost per thousand potential customers reached

7.1.1 Pre-session reflection

GF and BE had prepared initial scores before the meeting without referring to the agreed current competency grid in order not to be biased. They had already collaborated on their scoring; the researcher was there for cross checking and understanding the definition. GF and BE were particularly engaged in the process and taking the reflection part of the inquiry seriously.

They reaffirmed the central role that creating marketing knowledge had in building the strategic and non-strategic marketing resources of flutter. BE and GF scored this 2.3 overall when they met prior to the session, but moved it to 2.8 after they modified the tool to make it more relevant to flutter. GF was unsure if the original scoring tool meant that one was either a relationship or network marketer, but not the two. They agreed that relationship marketing was a subset of network marketing. The confusion was most pronounced over the bullet points describing the community aspects of network relationships.

...“Because our customers go against each other, I can’t think of them in community terms...betting is such an individual activity.... But they depend on other customers. They are not really a collaborative community.” (GF)

This discussion about the type of network flutter operated led them to add new measures to the tool (in red) and re-label the word network to include the term “eco-system”. To make the tool more complete, GF and BE added measures of media and partnerships. In their business, these were important areas of marketing focus and marketing knowledge needed to be created. Whilst they added to the scoring tool, the team did not discuss whether to remove or modify the other attributes and bullet points. Upon reflection, the researcher felt that they were more focused upon the utility of the tools at the moment in time and potentially redundant bullet points did not get the team’s attention to the same extent as did “wrong” and “missing” points. This is consistent with the nature of co-operative inquiry providing knowledge of use in the moment.

7.1.2 Environmental scanning measure

The environmental scanning measure score moved from 2.2 (current) to 2.6. This reflected the desire to learn more about the mini eco-systems that surrounded key market-makers in order to support the marketing strategy of leveraging the key market-makers to extend flutter’s business to new markets.

7.1.3 Internal dissemination measure

Internal dissemination of insight moved down from 3.0 (current) to 2.7. This reflected the view that Marketing was not to serve merely as an amplifier for individual customers in flutter. Marketing would need to take a critical view of customer insight and balance conflicts between customer groups in order to keep the network in balance.

...“Having some customers shout louder on the site is not a great thing for other customers. So we have to balance what we do. How much power do we put in the hands of the (individual) customer?” (GF)

7.1.4 Supply side knowledge measure

Supply side knowledge moved from 2.0 (current) to 3.0 reflecting the increased appreciation for the role of partners in supplying new customers that relieved bottlenecks in the system.

7.1.5 Channel partnerships and media measures

The two were scored as one measure by GF and BE.

To continue growing the eco-system, flutter would need a fine-grained understanding of how to recruit certain types of customers through the network of relevant web sites. BE talked about how his management of distribution partnerships was much improved since he knew what sort of consumer behaviour he was looking for, the cost and value of referrals from each partner site and consumer behaviour by distribution lead. He claimed that Betfair did not have this knowledge and revealed how, in looking at how Betfair's name was suggested by one of the major search engines, he realised that Betfair was paying a flat fee per click-through. This was an unsophisticated practice that BE had long since abandoned in favour of more success-based criteria.

7.2 Future creating customer value propositions

Figure 63: Future Customer Value Propositions Competency at flutter

<u>Form of Marketing</u>	Transaction	Relationship	Network
<u>Measures</u>	<ul style="list-style-type: none"> •Integration of 4Ps (product, price, place and position) 	<ul style="list-style-type: none"> •4Ps plus process, provision of service and people 	<ul style="list-style-type: none"> •Broker between potential supply and potential demand
	Marketing Focus		
Brand Focus	<ul style="list-style-type: none"> •Product / service brands •Product portfolio 	<ul style="list-style-type: none"> •Company reputation 	<ul style="list-style-type: none"> •Benefits of network •Affiliates
Value Focus	<ul style="list-style-type: none"> •Product based - design, engineering, value, functionality •Emotional based 	<ul style="list-style-type: none"> •Tailored solutions •Customer facing business processes 	<ul style="list-style-type: none"> •Liquidity •Quality of liquidity
Organisational Focus	<ul style="list-style-type: none"> •Product group led •Marketing led 	<ul style="list-style-type: none"> •Integrating sales, marketing and service 	<ul style="list-style-type: none"> •Community leaders
Overall score	2.5		

7.2.1 Brand focus measure

The brand focus measure moved from 1.2 (current) to 2.0 to reflect that:

- Flutter had overcome its deficiencies to Betfair in terms of product and liquidity. It needed to move on from this to find some differentiators and TL did not think there was much scope in the core functionality of exchange betting to meet this need.
- International expansion would require a more prominent company reputation.

Whilst the pair thought that they must consider how to “brand” its eco-system, they had no concrete ideas as to how to do this so left the score at 2.0, to represent corporate reputation rather than network reputation. However, they did suggest changes to the appropriate bullet points under marketing focus (in red) to signpost where they wished to take this conversation in future.

7.2.2 Value focus measure

This moved from 1.5 (current) to 3.0 reflecting how quickly the team’s understanding of its offer had progressed: from exchange betting, to excellent service for key betters and now to creating a highly liquid, effective betting eco-system. This understanding was reflected in their changing the appropriate bullet points (in red) from their original focus on managing standards and technology to liquidity.

They concluded that the battle over the value proposition would be fought over the quality of the liquidity, the ease of backing or laying large amounts on one’s particular interest. TL felt that one site would develop the reputation as the place with sufficient liquidity to support heavy betting and made the following analogy:

..... *“We are not quite E-Bay, but we are in that area.”* (TL)

7.2.3 Organisational focus measure

Organisational focus was not felt to be relevant, nor did it add anything new to the conversation so we did not score that measure. We did not discuss changing the bullet points on this measure to make it relevant. This left the overall score at 2.5, an average of the two measures.

7.3 Future determining the firm's relationship with customers score

This scored 2.7 versus 2.1 current competency score.

Figure 64: Future Determining Firm's Relationship with Customers Competency at flutter

<u>Form of Marketing</u>	Transaction	Relationship	Network
	•Voice of the consumer inside the company	•Interactive relationships	•Communities to leverage competencies
<u>Measures</u>	<u>Marketing Focus</u>		
Customer Governance	Score 2.2 •Product/Product group •Profit centres with product management	•Client managers or customer segment •Profit centres aligned to customers	•Community managers •Profit centre model as yet undetermined
Business Development Focus	Score 3.0 •Marketing plan focused on products and services	•Customer development plans	• <i>Eco-system development</i> •Breadth and depth of community needs served
Product /Service Development Process	Score 3.0 •Marketing translates consumer needs into development briefs	•Customers teach the firm, client managers lead response, capture learning and disseminate	• <i>Build and manage the infrastructure for the eco-system to use</i>
			
<u>Overall score</u>	Score 2.7		

7.3.1 Customer governance measure

The customer governance score moved from 1.8 (current) to 2.2, recognising that flutter was going to move beyond client-centric towards network-centric customer governance.

7.3.2 Business development focus measure

This score moved from 2.0 (current) to 3.0. BE and GF realised that focusing on valuable customers was not enough to be a network marketer.

..... *“Managing an eco-system is not consistent with revenue maximisation: people who win a lot provide a lot of revenue but they drain the system.”*(GF)

7.3.3 Product/service development process measure

Product development moved from 2.3 (current) to 3.0. BE and GF were interested in leveraging their relationships with key market-makers in individual betting areas and encouraging them to activate their networks. A network marketing focus to customer relationships was more consistent with the agreed strategy (workshop 2) to build whole markets rather than individual customer relationships.

..... *“That example of creating a new market, targeting individuals, incentivising them to come on and get it off the ground.”* (GF)

..... *“We haven’t actually done that yet.”* (BE)

..... *“But that is our aspiration.”* (GF)

The total score was an average of the three individual scores.

7.3.4 Modifications to the tool

Through this conversation, some of the bullet points relating to the marketing focus were changed by the co-researchers (in red). The need to maintain a balanced growth fed into the view of business development; it was not growth resulting from aggregating individual products, customers or even communities. Customer development would be managed in the context of the needs of the entire site. Product and service development in relationship marketing tends to be about listening and responding to key customers. Flutter had to move beyond the desires of any one customer and own the overall infrastructure, enabling its community of betters to maximise their collective satisfaction.

8 Appendix 8 - Published case history

This case appears in an academic text book on marketing research (Maklan and Field, 2003:723-5). GF and the researcher wrote their reflections on the inquiry independently and then compared notes. The researcher presents it as further evidence of the validity of the process.

Researcher's perspective (written by the researcher)

Choosing a research strategy

Previous consulting experience convinced me that marketers were failing to provide sufficient leadership to their firms in customer relationship management and e-business. Marketing's genesis in product brand management seemed ill-suited to the needs of an emerging online consumer marketing environment. This assessment led to a personal commitment to help improve the practice of marketing managers, hence my decision to prepare a doctoral thesis with the above question.

Answering my research question was always going to be challenging:

- Literature identifies a problem facing researchers in this area as trying to observe that which is, by definition, unobservable. Competencies are difficult to observe as they can be the result of managers' tacit knowledge, complex social networks and resources not fully understood by the firm. If as a researcher, I could observe the firm's key competencies, it is likely that competitors could also do so, possibly imitating them, and then they would no longer be competencies.
- My reading confirmed that neither managers nor academics have a consistent language to describe either competencies or online marketing. In looking for "the facts", I realised that I would not be able to use expert language; for example design a questionnaire that everyone would understand equally. I would need individual managers' language to identify the phenomena that they were explaining.
- Twenty years' experience in industry and consulting led me to appreciate that competencies is not an issue that managers spent a lot of time contemplating; it was a bit academic for hard-pressed operational marketers.

I looked extensively for published empirical studies in the area and conferred frequently with academic colleagues. This investigation did not provide me with an established, published methodology or protocol that addressed these issues and my desire to improve marketing practice.

At the same time, my own philosophical position was developing. I came to reject either the extreme positivist or phenomenologist perspectives but was attracted to the

socially constructed, inter-subjective reality associated with Action Research. Cycles of reflection and action leading to informed and committed actions seemed to me to address the above issues of managers' commitment, language and observables as well as my objective of improving marketing practice.

Designing the inquiry

Through the inquiry I felt that I was walking a tightrope between the consultant's traditional role directing a study, and the purely facilitative nature of some original Action Research studies. Pilot work made me realise that operational marketing people would not spend the time and effort creating their own frameworks for studying competencies from scratch through a long process of reflection. I was expected to bring some real value. Neither did I wish to drive managers to fill-in-the-blanks of pre-determined tools and frameworks, take the data away and tell them what they think. This might lead to an outcome, but I would not have generated the informed and committed actions that would answer the research question. Managing this balance was perhaps my greatest personal challenge and upon reflection, the area of my own practice I feel that was most improved by this inquiry.

Literature review and repeated reflection enabled me to create an initial framework for analysing marketing competencies. This framework needed to be operationalised both for purposes of the research and to make it useful to flutter.com's managers. I created a methodology and set of tools: colleagues acted as critical advisors to ensure that the methodology would work, workshops were well timed, and tools were workable and that the language would be understandable to managers.

At the initial meeting with Flutter.com's marketers, I presented a methodology that featured three workshops with "work package" between workshops to ensure reflection. The workshops covered, in order, current marketing resources and competencies, future-state marketing resources and competencies and changing from current to future state. The work package consisted of pairs of managers determining which marketing resources were sources of long term advantage and how they should be managed into the future.

As the concepts are complex, and the managers were not used to reflecting on their practice, I coached the pairs with their work package and assembled all the material for presentation at next workshops.

I was very conscious of the need to ensure that our conclusions reflected a democratic and participatory process. I constantly questioned the initial frameworks and tools that I brought and invited the team to amend them and feedback on their usefulness. I also walked the tightrope between managing the process and assisting with work package whilst not dominating the process, dialogue and generation of knowledge.

Through the process, my co-researchers gained confidence in the subject and tools, contributed more and more both to the matters at hand, and the tools with which we were exploring them. Their collective consciousness about what they were building, their unique resources and special skills built throughout. By the end, they had developed a new language that was guiding their actions and investments.

Co-researcher's perspective (written by GF)

Where a business is new and operating solely on the Internet, like flutter.com, there is no acquired learning regarding the firm's competencies to help build your strategy. Further, the desire to just 'get out there' often supersedes the need to examine the consumer, the competition or the way the business will operate and differentiate itself.

When Stan² approached flutter.com to participate in his study I was immediately excited by the opportunity to understand more about the strengths of the company we had created from scratch. Being necessarily task focussed and hard pressed for time the marketing team had spent little time reflecting on the basis of our success, what we had become good at and how we were going to build on those skills. More importantly, we didn't have a clear idea where our expertise was differentiated from that of our existing and potential competition. In discussing the design of the study with Stan, I had three main requirements:

- The process should fit around the daily requirements of the business. As a very lean team, we did not have the resource available to allow us to suspend work while we completed the study.
- It would be participative, to give the team a sense of ownership.
- We would come away having identified real changes and activities that we could implement to improve business.

Process

The process that Stan proposed, using workshops followed up by individual reflection and work package gave us a very logical and productive framework that we were able to tailor to suit our business. The workshops were discussion based, allowing us to listen and learn from each other, and a good fit with our normal way of operating. Initially, we relied heavily on Stan to prompt, steer and challenge our thoughts. However, as our confidence in our output grew, we took on greater responsibility for the direction of the study. We changed some of the language used to define the concepts to suit our situation, added our own examples to illustrate the concepts and gave feedback on how the framework and process could be improved. Reflecting on our practices and strengths during the work package sessions gave us the opportunity to develop our observations in more detail and to start applying what we had learnt to generate actions to improve practice. Stan was on hand to coach us through the work package, which was invaluable, as so much of what we were talking about, or rather the way we were talking about it was still unfamiliar. He also ensured that we weren't bogged down with the administration of the study by creating all the documentation of our output.

² GF used the researcher's first name in writing her side of the case.

The process was very flexible, fitting round us rather than us round it. If we had been presented with predetermined questions to fill in, using theoretical examples, we would not have gained the kind of insights into our competencies that we did. It certainly would not have been half as interesting or enjoyable as it was.

Benefits and actions

The greatest benefit of the study was that we identified what were really competencies that we could build the business on rather than just activities that we were good at. The process we went through during the workshops was very rigorous and really challenged the conceptions we had our strengths. Importantly we identified not only where we were as a business but also where we need to be. It was surprising to find that on some dimensions we were closer to our ideal than we had thought whereas on others we were doing little to move things on. We were also able to identify and define the differences between the competition and ourselves, which was something we hadn't done before in detail. By building this road map of our current and desired situation, in a competitive context we were able to focus and prioritise our marketing efforts in the right areas.

Actions

Whilst many of the actions are confidential, I can talk about three areas we improved upon during the study.

- Firstly, we felt more confident as managers about day-to-day decisions and trade-offs that we had to make. For example, which customer inquiries were priorities, how much to pay partner web sites for referrals and how much to invest in customer acquisition overall.
- Secondly, we revised our customer service procedures recognising where our competitive competencies lay.
- Finally, we had important new information to discuss to with our Product Development and Customer Service teams. Our process of reflection and action enabled us to improve the quality of dialogue between these areas of the business.

9 Appendix 9 - Current marketing competencies at BMW

9.1 Current creating marketing knowledge

Figure 65: Current Creating Marketing Knowledge Competency at BMW

<u>Form of Marketing</u>	Transaction	Relationship	Network
	<ul style="list-style-type: none"> •Consumer insight •Marketing insight •Competitor insight 	<ul style="list-style-type: none"> •Lifecycle costs and benefits for individual consumers 	<ul style="list-style-type: none"> •Community knowledge •Partner network •Supply chain knowledge
<u>Measures</u>	<u>Marketing Focus</u>		
Environmental Scanning	Score 1.1 <ul style="list-style-type: none"> •Consumer groups •Market trends •Competitors 	<ul style="list-style-type: none"> •Individual consumer •Individual profitability •Contact history •Service benchmarks 	<ul style="list-style-type: none"> •Key communities •Individuals' community roles and networks
Internal Dissemination	Score 1.1 <ul style="list-style-type: none"> •Internal marketing •Coalition building 	<ul style="list-style-type: none"> •Empowered front line staff information 	<ul style="list-style-type: none"> •Community facilitation •Content management
Supply Side	Score 1.1 <ul style="list-style-type: none"> •Product costs 	<ul style="list-style-type: none"> •Total cost to serve 	<ul style="list-style-type: none"> •Supply network's cost, capabilities and commitment
<u>Overall Score</u>	Score 1.1		

9.1.1 Environmental scanning measure

The team scored this 1.1; in the researcher's opinion, co-researchers felt that this was the minimum that they could score something and they were uncomfortable with admitting that they really might score 1.0.

Most of BMW's data and analysis were by product market rather than customer. There was no information about consumer communities.

... "In terms of pure market segmentation we can analyse it to death. There's very good information on the industry in terms of small car, medium car, large car segments and that penetration. You can analyse it by price, you can analyse it by geographic region, anything you like, you can slice it and dice it. (RD)

But in terms of customers, there was far less confidence:

... "I think it's just customer segmentation, isn't it? I don't think we have that much of a clue, to be honest with you. We started some

work nearly two years ago on customer segmentation and looked at attitudes to the customer database that we have which, as a test, was very useful but the project died a death in that we came out with seven different segments of customer based around psychographics.” (TW)

...“We have a sort of system, but it’s not well maintained by the dealers. They have the ability to maintain that but they don’t do it very well. We know there’s been a visit, but unless the dealer tells us what it’s for ... But the truth is individually dealers know why their customers have been there, don’t they, they actually capture it on their system, so a customer can go up to a dealer and the entire service history will be there, what he came in for, so they know that individually, but we don’t know it at this level, ‘cos they don’t pass it on ‘cos they think, why – what’s the benefit to them ?” (IM)

During the conversation, the team suggested that there was little formal knowledge about the customer dimensions of quality and service: however, BMW managers drew upon tacit knowledge. The Company did not accumulate all its customer knowledge in one repository so that it could analyse it or use it at customer contact points.

There was a discussion about exactly what information BMW had about customers and there was great uncertainty. RD was most confident in his assertions, as he was in charge of relationship marketing. However, IM did not even realise that BMW GB knew the drivers’ ages, sex, occupation etc. RD admitted that BMW GB had some basic demographic data but nothing about the drivers’ attitudes, hobbies and other interests. This was felt by the group to be a gap in knowledge as there appeared to the researcher to be an accepted view that in this market, lifestyle and interests were relevant areas of customer insight.

Specific gaps in consumer knowledge were identified, for example, BMW did not know the lifetime value of any one customer, nor did it make projections about it. The team agreed that this would be the type of information a company scoring 2 on this measure would certainly have.

The team discussed the changing nature of the after-sales relationship where much of that customer knowledge was generated. There was concern that future servicing relationships would be less personal.

...“Don’t forget, servicing is such that you’d probably only be there once every 18 months, so there is little chance of them (the dealers) recognising you, when you only come in once every 18 months, for a 20 minute or an hour’s service.” (IM)

The team then discussed where consumer knowledge resided and how it was built. The researcher noted a split between the dealer network and head office. Customer knowledge generated by dealers’ contacts with consumers resided with the dealer. Individual dealers did not reap large benefits by capturing consumer knowledge formally and sharing around the network. The BMW consumer knowledge, which was largely at aggregate level (surveys for example) was shared with dealers formally in terms of presentations and training programmes.

In addition the team discussed that all national BMW companies surveyed customers after they have had a dealer service and the companies conducted regular customer satisfaction surveys. Where survey data indicated that a dealer was performing poorly, BMW intervened and assessed the situation.

9.1.2 Internal dissemination measure

The team scored this 1.1.

There was a view that there was variability amongst the dealers in terms of the consumer insight that they captured formally and the extent to which they exploited it for customer loyalty and referral. BMW had created templates, software and training for exploiting customer data but BMW GB marketing did not have any visibility of the degree to which it was used by dealers. To demonstrate the frustration about the lack of “closed loop” between head office marketing and the dealers, RD retold an anecdote about the current GB CEO telling the dealers about how poorly they had responded to centrally driven leads at a dealer event. His dealers grumbled that he was mis-informed so he made a bet with them. He sent out a bunch of fake leads from head office and commissioned his own research to monitor the follow up; this test demonstrated a very high proportion of missed opportunities and he made his point.

9.1.3 Supply side measure

The team scored this 1.1.

Their initial reaction to the language of this attribute was that BMW GB was responsible for marketing, sales and service rather than product development, manufacturing and logistics which was how they immediately interpreted “supply.”

However, they did have an understanding of the total warranty cost of car, but not the total cost to serve a customer. The actual selling costs and discounts were the dealers’ responsibility: advertising was not allocated differentially by car or customer and there was only a limited direct marketing capability. They did not know for example, if certain customers required more service than others, negotiated harder than others, etc.

9.2 Current building customer value propositions

**Figure 66: Current Building Customer Value Propositions
Competency at BMW**

<u>Form of Marketing</u>		Transaction	Relationship	Network
		•Integration of 4Ps (product, price, place and position)	•4Ps plus process, provision of service and people	•Broker between potential supply and potential demand
<u>Measures</u>		Marketing Focus		
	Score			
Brand Focus	1.5	•Product / service brands •Product portfolio	•Company reputation	•Network members and affiliates
Value Focus	1.0	•Product based - design, engineering, value, functionality •Emotional based	•Tailored solutions •Customer facing business processes	•Managing expectations and development of standards, technology, access
Organisational Focus	1.0	•Product group led •Marketing led	•Integrating sales, marketing and service	•Community leaders
Overall score	1.2			

9.2.1 Brand focus measure

Brand focus was scored 1.5.

The value proposition was centred upon BMW rather than any one product from within the portfolio. It was argued that the brand could be seen purely as a product portfolio within transaction marketing competencies, but the team felt that the brand stood for some corporate attributes that went beyond the product. These included the design and engineering conviction, quality of service, resale value and the image associated with the badge. In addition the dealer's service commitment over the lifetime of the car was an important attribute of car purchase.

...*"The emphasis is on our communications and is far more based on (Corporate) brand."* (TW)

...*"We don't advertise individual models generally."* (IM)

RD felt that the purchase process was such that the customer first bought the BMW brand message and then asked: how much BMW can I afford? This view of consumer thought processes was agreed by the group and validated by their individual

experiences in dealers watching the sales process. Yet there was discussion as to whether that should be categorised as transaction or relationship based branding.

...“I’m really trying to get my head around company reputations. Is the reputation of BMW GB, an organisation, being communicated to consumers as opposed to BMW, the brand and the products that make up the brand?” (TW)

9.2.2 Value focus measure

There was no hesitation from the team this time in scoring this at 1.0.

The value was all focused on the product: its drive, prestige, reliability and resale value. There was no element of customisation. Pricing was set nationally and there was little incentive for dealers to cut prices because demand outstripped supply. The warranty was standard, the dealer service and showroom maintained to national standards. The product itself was sold as is with only minor elements of customer choice: that is colour and option. Even the financial packages were limited. BMW had a limited range of options and there was no flexibility within them; if someone wanted other terms and conditions, they would secure financing outside the BMW group. Current customers were not even put on a priority list for new models.

9.2.3 Organisational focus

The organisational focus was also scored at 1.0.

There was unanimous and immediate comment when we got to this section that decisions at BMW were taken around individual product lines such as the replacements for the 7, 5 and 3 series planned out for the next few years.

The UK organisation was focused on optimising the product mix to achieve unit sales requirement whilst maximising total margin from the mix. The feedback loop from customer to product development was non-existent. BMW GB managers first saw new and replacement car models when prototypes were at an advanced stage. As the team members put it in the workshop, they were asked for their input as a matter of courtesy only. There was no direct link between BMW drivers and Munich, in fact drivers are discouraged from even contacting BMW GB: the line of communication was through the dealer. The dealer had no incentive or process for managing individual consumer feedback on the product.

9.3 Current determining the firm's relationship with customers

Figure 67: Current Determining the Firm's Relationship with Customers Competency at BMW

<u>Form of Marketing</u>	Transaction	Relationship	Network
	•Voice of the consumer inside the company	•Interactive relationships	•Communities to leverage competencies
<u>Measures</u>	<u>Marketing Focus</u>		
Customer Governance	Score 2.0 •Product/Product group •Profit centres with product management	•Client managers or customer segment •Profit centres aligned to customers	•Community managers •Profit centre model as yet undetermined
Business Development Focus	1.0 •Marketing plan focused on products and services	•Customer development plans	•Breadth and depth of community needs served
Product /Service Development Process	1.0 •Marketing translates consumer needs into development briefs	•Customers teach the firm, client managers lead response, capture learning and disseminate	•The firm makes its resources available to communities that drive innovation
Overall score	1.3		

9.3.1 Customer governance

This was discussed from both the perspective of how BMW managed its relationships and with whom the customer thought he or she had a relationship.

The team ended up interpreting the words “customer manager” under the relationship marketing description of this attribute as being the dealer. It was clear to all that currently, the dealers were profit centres and owned the customer relationship. They could market and sell directly to the customer whereas BMW could not sell directly to the customer aside from some accessories such as BMW brand clothing. Dealers could discount cars and provide extra service as an investment of goodwill at their discretion and cost. The role of the dealer led the team to score this 2.0.

Centrally, customer management was a by-product of the product groups. Resources were allocated to car models not to customers, segments or communities.

A lengthy discussion about with whom the customer had the affinity and relationship concluded that customer ownership was shared. The customer affinity and commitment was with BMW (its products), whilst the operational contact was with the dealer. This roughly corresponded with the division in proposition between the heart (company products) and head (dealer – sales, trade in, service).

9.3.2 Business development focus measure

The group scored this 1.0 because it felt there was little differential customer focus to the business development effort. Business development concentrates on new model introduction and mass marketing.

An example of the conversation that illustrates this was the discussion about the potential to cross-sell a customer in the context of a customer development plan.

... "You need to know who's got a BMW at the moment and what's the opportunity to sell them another one. At the other end of that opportunity is, who hasn't got a BMW who could have one? Maybe he's got an S class but we can now sell his wife or his partner of some kind a smaller BMW. We'll never know that - that's the dealer's responsibility to know that." (NB)

The perceived wisdom of the industry was that dealers knew how to close sales and all efforts must be directed at getting the prospect into the showroom where the professionals would close the deals. This limited the role of head office marketing was to raise consumer awareness and interest at an aggregate level. There was little, if any, of the differentiated marketing advocated by relationship marketing.

... "In prospecting and selling, the ideal should be when they're saying, you've just bought a 5 series, Mr. Smith, oh, by the way what kind of car does your wife drive, is your daughter 18, 19, what do they drive? You should know, and a good salesman should know that, and how old that current car is and ask why did you buy that Honda Civic because... for the same price you could have bought this or is it purely (a matter of our salesman saying)... "We don't do that. A good salesman could do it individually, but we don't promote that (level of sales skill) except at a high level, a typical - this is a good way to sell, isn't it? But we actually don't." (IM)

The development of the relationship marketing competency was hindered because the customer governance was not fully clear as evidenced by the response to the above comment by IM.

... "Yes that level of marketing knowledge is something which we would desperately like to get to, so too is idea of potential (lifetime) customer value. We're nowhere near it yet, though we're developing some of the tools that we're going to need to get us there, upgrading our database. Also, by using the internet as a means of gathering information and providing a forum for people to provide information to us which is much cheaper than any other collection method we've ever had in the past. That's one of the reasons why segmentation didn't fly because we physically couldn't afford to do it." (RD)

TW expressed a degree of frustration that BMW.AG was too remote from the drivers so that opportunities were going missing and that Marketing could not control its destiny so there was some unease:

...“The share of garage sales, the more I think about it, the more important it is for us to do. Take control of that ourselves. We're currently talking to a driver, a driver could be part of a household where there is a market for three vehicles and we don't know about the other two vehicles. If we managed to conquest a BMW into that household and that driving experience is one which is enjoyed but that driver for different reasons decides not to repurchase a BMW, then there are two other opportunities for a BMW to maintain its share in that household. We're unable to market it.” (RD)

There was a sense that as BMW expanded its product range, it needed to be more aggressive about such cross-selling possibilities because volume targets would be higher, and the new products would be moving to areas where demand for the product did not outstrip supply. The concern was raised that dealers had not honed such skills because people had always been willing to queue in order to own a BMW.

...“Only if we believe that more customer relationship management would bring more sales. So we're still doing that (traditional means of selling through dealers), I mean why establish direct relationships with customers? What are we trying to fix? Because, at the moment, it's going really well, but they're (AG's CRM programme) in danger of making a massive change towards trying to be specific to customers, not delivering and therefore giving bad news and it being detrimental to our brand.” (IM)

...“I guess the counter point to that is the M & S situation where it wasn't broke, they didn't fix it, but circumstances around them changed.” (RD)

9.3.3 Product/service development process measure

There was little discussion of this item as the team believed that it had already discussed it previously when they concluded that there was no consumer feedback into BMW AG. This was scored 1.0.

10 Appendix 10 - Quality of conversation BMW

Figure 68: Quality of Conversation BMW – Identifying Current Demand Management Competency (Workshop 1)

Conversation	Thoughts
<p>RD</p> <p>When we talk about customers, Stan, we've got two big groups of customers, one's dealers, especially for our off-sales guys, because we sell to dealers and we don't know what the dealers then sell on. We can't measure that too well, but for new cars we wholesale to dealers but we do know that they've sold it on and the same for used cars, so it's a different measure.</p> <p>Researcher</p> <p>Given what you drew up there and the value chain, or at least the hierarchy from (BMW) AG down, I think we should look at customers as retail drivers and then see what it takes to get more people driving BMWs.</p> <p>IM</p> <p>Well, I think if we look at the analysis of the driver and then we work back to how they buy it, again making the assumption that my company offers me a company car, some cases it is just BMWs perhaps, but in most cases it's, you have the value of .., and I want to buy the BMW 535 etc. etc. and then the fleet manager, if you wish, is part of the process, as opposed to saying, well, RD you've actually got to have a 535. I know you want a Mercedes but you're going to have a 535.</p> <p>Researcher</p> <p>So why don't we have a quick run through those <i>(pointing to the creating demand section of the demand management competency scoring tool)</i> for BMW and draw the graph and have a lively discussion - with this group, it's not going to be hard ! Let's look at demand management in the first place of BMW. What do we do, line by line, in</p>	<p>We are just kicking off here so I am keen to draw them out and have maximum participation.</p>

terms of how do you create the demand ? These are just some indications, some bullets if you wish. For example, do you segment the market?

RD

In terms of pure market segmentation we can analyse it to death. There's very good information on the industry in terms of small car, medium car, large car segments and that penetration. You can analyse it by price, you can analyse it by geographic region, anything you like, you can slice it and dice it.

NH

That's the market as a whole; you're not talking about customers here?

RD

No. That's just pure product.

NH

The sales could be analysed. A lot of that data we use external systems do that, not necessarily have our own internal analysis.

Researcher

External, right. OK, so you've got some of these transaction areas covered off. What about the customer bit? You say you've got it (*data*) by product; how have you segmented the customers, what sort of data do you have, how fine-grain is that data?

RD

About as fine-grain as ABC1, isn't it?

TW

I think it's just customer segmentation, isn't it? I don't think we have that much of a clue, to be honest with you. We started some work nearly two years ago on customer segmentation and looked at attitudes to the customer database that we have which, as a test, was very useful but the project died

The interaction is building now. TW is probably right to challenge, or at least make sure everyone is clearer on the type of data. I suspect BMW does not have extensive data about

<p>a death in that we came out with seven different segments of customer: based around lifestyle or something.</p> <p>IM</p> <p>Despite the fact that we know exactly to whom we're selling the car as a dealer, we know exactly to whom we selling the car to, it's male, it's female, what their job is, what age they are, they just don't catch that.</p> <p>RD</p> <p>We do. We capture some of that. We don't capture the attitudes.</p> <p>IM</p> <p>No. But we do have segmentation by sex, by age, by profession.</p> <p>NH</p> <p>Do we have any external data about what their hobbies are, or what they put down as their hobbies, so that 1 in 4 people who drive a BMW also do this or that? We have got some basic segmentation, we know whether you're male or female, that you live in Scotland and that you're over 40, but we don't quite know actually much about the individual, we haven't got the attitudes of the individual.</p> <p>RD</p> <p>And then we do match that against product as well, so we know how many 7 series buyers are female.</p> <p>Researcher</p> <p>Do we know who their friends are, the buyers, and what sorts of community they associate with? Do you do any network marketing? Oh, he's got a BMW, then his friends should be targeted as well.</p> <p>TW</p> <p>I think dealers may well be involved with that particular type of marketing. There was an example you gave, a dealer who may play golf with a person</p>	<p>individual customers held centrally.</p>
---	---

who may then sell a car to that person, who will then network to that individual's friends.

IM

It's not structured, is it?

RD

No. It's very localised.

NH

I think it's fair to say that within dealerships the sales people will probably network, but there's no formal strategy.

Researcher

And are those dealers really ensconced in the community?

RD

They probably are.

Researcher

The salesmen at the dealers?

RD

In the local business community.

NB

But the DP (dealer principle) is a local community man, isn't he?

RD

On the roundtable or charity, rotary club.

Researcher

So, on a scale of 1 to 3, where do you think you are in terms of creating demand? 1 being very transactional ...

<p>IM</p> <p>Just below 2.</p> <p>RD</p> <p>I'd say 2.</p> <p>NH</p> <p>I'd put 1.5 I think.</p> <p>IM</p> <p>I'd say 1.5, because I think we do underestimate perhaps the segmentation.</p> <p>NB</p> <p>We're using it a lot, but we got it.</p> <p>[everyone talking at once so conversation inaudible at this point]</p> <p>Researcher</p> <p>OK, so what do we think on that?</p>	<p>Strong level of involvement and the contributions are building upon each other. The score above one reflects an acknowledgement of the dealer's information albeit how does GB access it centrally?</p> <p>Strong contributions for the very first piece of work. Let's not spend too much time on the precise score: move on, come back if we need to.</p>
--	--

11 Appendix 11 - Identifying potential current resources at BMW

11.1 Sales and marketing systems

Figure 69: Comments under Sales and Marketing Systems

- Single access point for BMW online offering – cars, bikes, lifestyle.
- Should Mini systems be there too?
- Online lifestyle shop.
- QMA processes – our own.
- Fully accurate car configurator online.
- Direct sales channel for corporate customers.
- For used cars, online offerings from Mercedes and Renault seem more advanced than ours.
- eCOM / Top Drive / Sales Assistant / Kerridge / IVS.
- no one else has Sales Assistant.
- online real-time ordering / driven by delivery date not production week.
- manage customer expectations about delivery.
- Ensure the customer gets car configured as he or she asked.
- Customer database (various comments on quality and accuracy).
- People.
- Warranty database.
- Call centre.
- Dealers' web sites.

11.2 Brand

Figure 70: Comments under Brand

- Customer insight.
- Desirability.
- Attraction.
- Not the ultimate destination brand.
- Performance image.
- They are all BMWs (regardless of series).
- Designed as a sports car.
- Feel whilst driving.

11.3 People

Figure 71: Comments under People

- Driven.
- Professional.
- Hard-edged.
- Honest.
- Experienced.
- Deliver at any cost.
- Uncompromising standard for all work.
- Mature.
- Frank.
- Jovial.

11.4 Communications

Figure 72: Comments under Communications

- Consistent message.
- Quality of material.
- Quality and feel of dealership.
- Customer service experience.
- Mailings.
- Agencies, tenure, quality and management thereof.
- Consumer insights drive communications.
- Chain of communication from AG-GB-dealer communication.
- Managing that chain of communication.

12 Appendix 12 - VRIN testing potential resources at BMW

12.1 Sales and marketing systems

TW assessed this resource.

BMW directed customers to the dealers so it provided limited access to BMW. The access provided to customers was not integrated between the call centre, post and web site. The call centre was outsourced to an agency. Post would come directly to BMW GB and emails to the Company were designed to go to a lead generation group within Marketing.

BMW GB conducted the bulk of direct mailing to the customers and passed sales leads directly to the dealers; the ability to follow up individual leads and assess sales results from different campaigns was limited. Dealers were free to follow up on leads or not.

Dealers were free to implement any systems that they wished to have although BMW was building web support services so that the dealer could easily go online with a site that had a BMW look and feel.

The integration of sales, service and marketing was not achieved. Dealers provided their own sales and marketing systems and BMW had its own direct marketing activities.

Customer information was therefore stored in many “repositories” and BMW GB had a limited view of the customer, and its interaction with BMW. The data analysis was limited and done by agencies. TW suggested that no one in Marketing had the skill and expertise to even ask the right questions of the data and he felt that the data that was stored was largely unused. Dealers were supposed to be the focus of relationship marketing but TW felt that their use of systems in support of sales and marketing was extremely variable. In consequence, there was little new consumer insight generated from this intelligence system across the BMW network but particularly amongst members of the Marketing function.

The focus of investment and systems development had always been integrating the dealer ordering to BMW’s manufacturing and logistics function. This ordering system worked well according to TW and it allowed dealers to negotiate with customers on the basis of car availability.

12.1.1 Valuable

The value in the resource currently was largely in its ability to set customer expectations for delivery of new cars and facilitate the customisation of each order. Customisation included options, engine sizes, colour and interior. Therefore this scored 0.5.

12.1.2 Rare

The system has been built internally for BMW's needs and manufacturing processes. Only a few competitors offered such visibility of the supply chain to customers. But BMW was not the only one with such functionality so this scored 0.

12.1.3 Imperfectly Imitable

BMW was in the midst of a move towards industry standard applications. Whilst the current solutions were unique to BMW, they did not provide functionality, performance or cost advantages. Once BMW adopted standard applications, these systems would be highly imitable so it scored 0 as well.

12.1.4 Non-Substitutable

Not relevant to this discussion

12.1.5 Summary

TW scored this 0.5, the half-point arising from the judgement that the ordering system provided some customer value, but not as much as it should be doing. The systems were rare but not unique; there were off-the-shelf solutions that were better, cheaper and more robust.

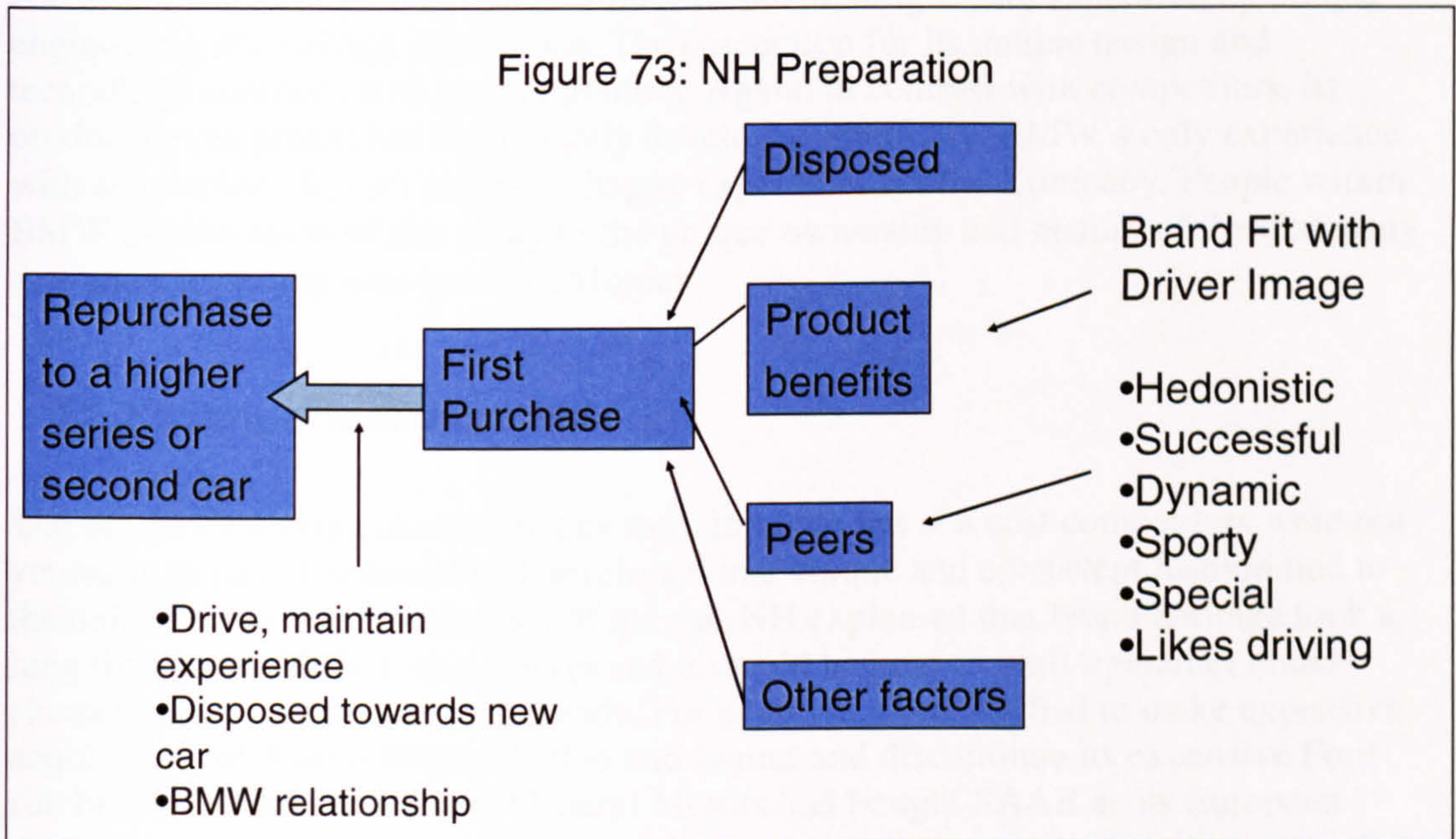
12.2 Brand

NH agreed to assess this resource against the VRIN criteria. He had prepared a detailed set of slides and comments for our meeting as he was not able to make the second workshop and wanted RD to present for him.

He rated brand 3.5 out of a possible 4.0 due to a remote, but possible risk of substitution.

12.2.1 Valuable

NH modified the Value Pathway tool (Figure 17) when he assessed the value of brand to create the analysis illustrated in Figure 73.



NH explained that BMW had an international brand framework and marketing segmentation based upon psychographics. However, he admitted that there was little in the way of formal brand documents. The knowledge about the brand was tacit. The brand management teams had been stable, for example, NH had held his position for seven years and the people in Munich overseeing international advertising had been there as long. The agency in the UK had been the same since BMW GB was founded in 1981. The core brand values, first agreed in 1981, remained unchanged.

The “driver’s car” heritage in both product and communications had been consistent since BMW was introduced to the UK and over time, those that were interested in this driving experience knew BMW.

Consumer research was regularly undertaken to measure the BMW brand equity amongst consumers and key attributes. The survey was internationally designed, administered by a third-party research company and the results were reported to BMW AG. BMW GB’s performance measurement was not only tied to volume, but to measures of brand equity and customer satisfaction. Business growth could not come at the expense of the brand.

The BMW brand is valuable to those that like the driver’s car image and experience. It is polarising: the car and its image are not for everyone but those that like it, like it intensely. One of the brand’s values is that it effectively matches potential customers

to the brand. In this, it has a tremendous information value that reduces search costs for buyers. It also is a “badge” worn by drivers that enables them to express characteristics to which they aspire.

12.2.2 Rare

RH stated that heritage matters in the industry and BMW has had a remarkably consistent and strong image. This is rare; its positioning is rare supported by unique engineering and driving experience. The conviction for its unique design and technology contrasts with its competitors. Again, in contrast with competitors, its product development has been largely developed internally. BMW’s only experience with acquisition (Rover) was not a happy experience for the Company. People within BMW ascribe some of this rarity to the unique ownership and history of the Company as well as its strong core based in Munich.

12.2.3 Imperfectly Imitable

The product’s driving characteristics were imitable but at a cost competitors were not yet ready to pay. The brand had developed in a unique and consistent fashion tied to the unique driving characteristics of the car. NH explained that brand heritage took a long time to establish in this market and it would be hard to graft upmarket brand characteristics on mass market brands. For example, Ford has had to make expensive acquisitions of Austin Martin, Volvo and Jaguar and discontinue its expensive Ford sub brand Grenada in the UK. General Motors had bought SAAB as its European entry into the more expensive sector of the market at the expense of trying to transfer its Cadillac brand to Europe. It would appear that only Toyota had been able to line-extend from mass market into the prestige market through Lexus and NH added that this had been a 10 year brand development.

12.2.4 Non-Substitutable

NH suggested three substitution possibilities that could reduce the ability of the brand to create competitive advantage. None of these was a high probability, but each worth monitoring he felt:

- Audi was trying to make design more important than drive characteristics and performance. He cited the Audi TT as an example of this strategy.
- Social trends might move against the achievement ethic associated with BMW owners and this would make the brand less desirable.
- BMW’s ambitious volume growth strategy risked harming the brand. NH suggested that the 316 model was “so underpowered” as to jeopardise the BMW driver’s car heritage. The upcoming 1 series and any fallout over Mini could all harm the heritage.

13 Appendix 13 - Quality of conversation BMW

This conversation arose at the point where the team was considering if the customer experience met the VRIN criteria.

Figure 74: Quality of Conversation BMW – Agreeing VRIN Scores for Potential Resource (Workshop 2)	
Conversation	Thoughts
<p>RD - We have got a fantastic service organisation with .., even down to spare parts availability and stuff like that.</p> <p>IM - Quality of service is important, because you'll visit the dealership in theory once to buy your car and another three times, four times perhaps, to have it serviced so your contact with the dealer is going to be more on the maintenance of the car than on the purchase of the car, so it has to be quite strong and pleasant.</p> <p>Researcher - So the Customer Service function and you have some sort of almost technical supply chain and the experience itself.</p> <p>IM - And we monitor the experience to see if we can improve it.</p> <p>Researcher - So experience has come up a few times about that. What about the experience in the dealer, just before When you're actually buying it, do you manage that experience when you walk into the BMW dealer?</p> <p>RD - Do we manage it? I guess we do, by quality standards and training.</p> <p>TW - The experience would be very different from one dealer to the next.</p> <p>Researcher - The customer experience when they're buying and there's a customer service when they're actually selling, trading in. I guess it depends whether the person actually comes to you or not. What other resources do you have - database ...</p>	<p>The conversation is wandering from the VRIN testing. It is good to see that we are looking at how these potential resources and even competencies are interconnected.</p> <p>I am probing to see if the customer experience resource arose almost accidentally from having good products and</p>

<p>RD - Communications</p> <p>Researcher - Yes. Brand agencies.</p> <p>NH - Also we've been looking at the contact points between dealer and customer and a lot of that seems to be demand led.</p> <p>Researcher - Customer / dealer relationship, yes.</p> <p>TW - Maybe we should look at the supply of communications from the dealer to the customer.</p> <p>Researcher - Can you make your dealers into super-marketers?</p> <p>TW - The whole contact programme. We said earlier, who owns the customer? Is it the dealer? Is it BMW? Therefore we should take responsibility for ensuring that there is some sort of relationship built. If a relationship is only built upon a problem like I need a service, is that the best way forward to create customer loyalty?</p> <p>Researcher - We talked about the brand and its appeal to the customer as a resource - is it the customer's relationship to the brand or the product itself that is a resource? Does the customer bow at the altar at this wonderful product (BMW cars)? I want to have one (BMW car) desperately, but is that what you mean by a relationship?</p> <p>RD - I think for some people yes. I think if we can move the customer up from being just a purchaser to an advocate, then certainly.</p> <p>IM - And to some extent that is generated by dealers as well because you've bought into the brand and therefore you expect the level of service and attention that you get to be as strong as that, so it's down to the dealer to make that customer feel important: yes, I've actually spent a lot of money on this car, but my God when I go to this "Gin Palace" of a dealership they're very attentive and that's what I'm getting as well and all the bits that hang off that. So even when it breaks down, the level of service that we offer has to be very high, that's what I expect, that's what I pay for.</p>	<p>professional approach to service or if there is something else.</p> <p>Challenging the conventional thinking that the marketing resources and competencies are necessarily owned and developed centrally. I hoped that would also give a fresh perspective to the conversation.</p> <p>Now I am trying to understand how much of the experience is due to the car itself and how much all that goes around the ownership of that car.</p>
--	--

<p>Researcher - And of course these things are tied to each other.</p> <p>NB - We touched upon it I think first thing this morning, you talked about TQM. We have a quality management programme called QMA which is designed really to put standards in place of customer handling, knowledge sharing and best practice sharing amongst dealers with a view long-term to be a potentially qualitative barrier to entry for other people to sell.</p> <p>TW - Going back to the customer experience, also the skills that the network has of delivering customer experience.</p> <p>Researcher - The network being?</p> <p>TW - BMW GB and the dealers.</p>	<p>At this point I think we are starting to see how the customer experience and GB-dealer-customer resources are interconnected.</p>
---	--

14 Appendix 14 - Identifying future resources at BMW

14.1 Future customer experience resource at BMW

The workshop discussion suggested that if most cars were sold through the dealer network, BMW GB would be able to maintain a strong degree of control over the customer's total ownership lifecycle through its dealer network. It would, nonetheless, still need to modernise its service through the internet commensurate with evolving competitors' offers and customers' expectations. BMW would still wish to build an integrated customer database and take an increasing role in creating that customer experience in partnership with its dealers.

The risk for BMW GB under a radical change scenario was that customers' brand choice would be strongly influenced by new, multibrand distributors. Team members made the analogy to the power that Tesco, for example, exerted on its loyal customers through its decisions on which manufacturers' brands to stock, promote and display prominently.

The strong role of BMW's unique driving characteristics was seen as a guarantee of some counter-veiling power in the face of new channels. However, this strategic resource could be substituted by new channels offering new and more interesting customer experiences; BMW would not have the trust or relationship advantage it currently enjoys in the new channels. In this scenario, BMW would do all that it would do under the first scenario, albeit with much urgency and ambition.

14.2 Future dealer-customer-BMW relationship resource at BMW

The team felt that this strategic resource would need to evolve regardless of scenario. Customers would expect increased interaction with BMW as they experienced it with so many other products and service providers. The team felt that online services such as Lifestyle products, car accessories and online service booking (planned) were tangential to the core business, but as they became more important in the customer's total ownership experience, these services would need to become more sophisticated. It would no longer suffice for BMW to say that customers must always work through the dealers when customers interacted directly with the Company; a more sophisticated means of sharing the customer interaction needed to evolve.

The level of sophistication increased dramatically under a radical scenario because BMW would need to extend this co-ownership of the customer with potentially large and powerful distributors who had their own tightly integrated customer management systems and processes. It was suggested by some co-researchers that BMW would use direct marketing as a counter-veiling influence on the power of new channels to

market. However, this seemed to other co-researchers like a recipe for mistrust and potential struggles for the customer and BMW had no history or reservoir of goodwill to rely on with the potential new channels.

The team agreed that their dealers have had a relatively easy time given the surplus of demand over supply of BMWs and the limited number of dealers. All team members felt that they would find a more competitive environment very challenging. This added pressure, coupled with BMW being required to treat all channels equally, would damage the trust and co-operation which made the current resource so rare and imperfectly imitable.

14.3 Future brand resource at BMW

The heart portion of the “head and heart” proposition was not dramatically affected by the scenarios that we outlined as it is determined by its driver’s car heritage and delivered principally by product design and engineering. However, the team expressed concern that, where owners opted to buy after-sales service from new third parties (e.g. Kwik Fit, Halfords), the experience might make BMW owners feel less valued and special than the traditional dealer experience.

The discussion focused, however, on the potential impact of the radical scenario upon the “head” portion of the brand. BMW would have less influence on the total life cycle cost of ownership against that of competitors, particularly with respect to supporting second hand car prices. A major contributor to the economic value of owning a BMW is its low depreciation versus most other car brands which more than compensates for its high sticker price and lower fuel economy versus smaller, mass market brands.

14.4 Future sales and marketing systems resource at BMW

Whilst not a strategic (i.e. high VRIN scoring) resource, it was acknowledged that front office systems would need to be upgraded to meet the needs of the evolving dealer-BMW-customer relationship that required a more sophisticated and integrated sales, marketing and service system working from BMW to its channel partners (including dealers) and ultimately to the customer.

TW characterised BMW’s sales and marketing systems as “nothing special” because they had not received heavy investment and attention over the years. Dealers saw little benefit in investing in such systems because they made their targets without them; for a similar reason, BMW estimated that these systems had a poor return on investment. That said, BMW and its dealers have managed to support nationally integrated systems that supported warranty, service reminders and direct marketing campaigns to encourage repurchase as the customer approached critical time frames in the ownership cycle. Under development at this time were:

- Internet service booking service. To make this system work, dealers would have to open up their service scheduling systems to BMW GB.
- Pilot project linking BMW body shops to Insurance Companies' loss adjusters via web cam to speed claims and repair work.

In the limited change to distribution scenario, BMW GB would continue developing new online services that improved customer experience. Under the radical change scenario, the team divided between those that thought BMW could retrench from direct customer relationships and leave consumer relationships to a broad range of channel partners versus those that thought that BMW would take as much control as possible of direct consumer relationships leaving channel partners logistics and service roles. DT and IM both speculatively suggested that BMW GB unit sales might not be affected by merely offering its unique products at equal terms to anyone and allowing the customer to determine where it wanted to buy and service. Others suggested that such a policy was potentially the start to "commoditisation" and lower margins; only by owning the customer relationship, could BMW continue to determine the terms of trade with its channel partners.

14.5 Future communications resource at BMW

Though not a strategic resource, communications was seen to be impacted under either scenario. The team considered that BMW customers were currently all online and active users of the internet. As the medium developed and other major brands in their lives offered valuable services online, they would expect BMW to do likewise. Examples include the ability to provide feedback on the car, book service appointments, buy accessories and obtain product news.

Under a limited change scenario, BMW could introduce these services in a measured fashion ensuring that the online experience delivered its brand values as well as the dealer environment. Already, BMW had established guidelines for web design and operability.

Under a radical change scenario, BMW would feel compelled to maximise the opportunity of direct interaction with customers as a counter to the increased power of third party distributors. BMW would wish to provide a very compelling reason for its customers to access its interactive media in order to retain loyalty and involvement. BMW AG had been experimenting with driver solutions sites that would help you with direction, booking dinner, theatre, hotels etc. RD was very dismissive of this idea, suggesting that BMW knew very little about the online information market and even less about the concierge business.

"I do not think people will go into their BMWs to browse for theatre tickets and the notion that many would do so whilst driving is ridiculous". (RD)

14.6 Future people resource at BMW

The discussion concluded that under a limited change scenario there would be equally limited change to the people, skills and culture associated with marketing at BMW. Under a radical change scenario, it was instantly acknowledged that new marketing skills needed to manage multiple distribution channels and direct consumer relationships online would be needed. For example, RD emphasised that BMW was not a retailer despite having all the dealer store fronts. NB said that BMW did not know how to handle a third party distribution situation and was in an enviable position with respect to its relationships with its distribution channel. However, aside from identifying these new skills and the strength of the current relationships with dealers, the co-researchers were unable to flesh out the nature of the new skills, types of people etc. The researcher came back to this conversation after the final workshop and reflected that, as was the case with brand at flutter, the team knew that “something” needed to be done, but the leap in competencies needed to do it was too far to permit it to identify precisely what.

15 Appendix 15 - Future marketing competencies at BMW

15.1 Creating marketing knowledge

DT and TW prepared this marketing competency scoring tool. They generated separate scores for each of the two future scenarios as they felt it impacted the type of marketing knowledge BMW would create dramatically. These two scenarios will be presented concurrently in this section.

Figure 75: Future Creating Marketing Knowledge Competency at BMW under the Limited Change Scenario

<u>Form of Marketing</u>	Transaction	Relationship	Network
	Consumer insight Marketing insight Competitor insight	Lifecycle costs and benefits for individual consumers	Community knowledge Partner network Supply chain knowledge
<u>Measures</u>	<u>Marketing Focus</u>		
Environmental Scanning	Score 2.0 •Consumer groups •Market trends •Competitors	•Individual consumer •Individual profitability •Contact history •Service benchmarks	•Key communities •Individuals' community roles and networks
Internal Dissemination	Score 2.0 •Internal marketing •Coalition building	•Empowered front line staff information	•Community facilitation •Content management
Supply Side	Score 2.0 •Product costs	•Total cost to serve	•Supply network's cost, capabilities and commitment
<u>Overall Score</u>	2.0		

Figure 76: Future Creating Marketing Knowledge Competency at BMW under the Radical Change Scenario

<u>Form of Marketing</u>	Transaction	Relationship	Network
	Consumer insight Marketing insight Competitor insight	Lifecycle costs and benefits for individual consumers	Community knowledge Partner network Supply chain knowledge
<u>Measures</u>	<u>Marketing Focus</u>		
Environmental Scanning	Score 3.0 •Consumer groups •Market trends •Competitors	•Individual consumer •Individual profitability •Contact history •Service benchmarks	•Key communities •Individuals' community roles and networks
Internal Dissemination	Score 3.0 •Internal marketing •Coalition building	•Empowered front line staff information	•Community facilitation •Content management
Supply Side	Score 2.5 •Product costs	•Total cost to serve	•Supply network's cost, capabilities and commitment
<u>Overall Score</u>	2.8		

15.1.1 Environmental scanning measure

This was scored at 2.0 and 3.0 under the limited and radical change scenarios respectively from its current score of 1.1.

BMW GB's lack of customer insight at an individual level was a major concern to both DT and TW. They both felt that, even with limited changes to the business environment, BMW could not be left behind with the general marketing trend of understanding individual customers. TW talked about his involvement in BMW AG sponsored customer database and customer analysis software developments and AG's increased ambitions behind Initium. The briefing to TW and his colleagues was that BMW had a lower repeat purchase rate than Mercedes and matching its competitor was Marketing's top priority. Neither DT nor TW felt that the current situation of demand exceeding supply would continue indefinitely regardless of distribution developments and felt that BMW would need to engage with individual customers more effectively in the future. A prerequisite for any such engagement was better information about individual customers. DT led the argument for understanding customers' positions within consumer networks based upon his experience at Harley Davidson and this influenced the very high score under the radical scenario.

15.1.2 Internal dissemination measure

This was scored at 2.0 and 3.0 under the limited and radical change scenarios respectively from its current score of 1.1.

The discussion followed the logic of environmental scanning. Under the conservative scenario, individual deals should be made by those dealing with customers and therefore the knowledge and customer insight generated by scanning must be available to customer-facing people within the dealer network and those dealing directly with customers online or in call centres.

15.1.3 Supply side measure

This was scored at 2.0 and 2.5 under the limited and radical change scenarios respectively from its current score of 1.1.

The logic developed was that if customer-facing people were going to make deals with customers, they would need to understand the total costs involved and be compensated on the basis of estimated profitability of their deals. Car costs inclusive of warranty were very well understood by BMW and their dealers. However, under TW's broader definition of product, BMW GB would need a better understanding of the total cost to serve customers inclusive of ancillary services and offers.

15.2 Building customer value propositions

This competency was scored by NH and RD. They did not create two scores, one per scenario.

Both observed that, regardless of changes to distribution, BMW owners would expect a more interactive relationship with the corporate body in addition to the dealers. This expectation was borne out of their personal and professional judgement as to the impact of the internet upon the attitudes and behaviour of the wealthier and professionally successful people who comprised the brand's core target group.

... "People want to talk to people that can make decisions. Our audience is demanding and intelligent and they are likely to start demanding a dialogue with us." (NH)

Figure 77: Future Building Customer Value Propositions Competency Score at BMW

<u>Form of Marketing</u>		Transaction	Relationship	Network
		Integration of 4Ps (product, price, place and position)	4Ps plus process, provision of service and people	Broker between potential supply and potential demand
<u>Measures</u>		<u>Marketing Focus</u>		
	Score			
Brand Focus	2.0	<ul style="list-style-type: none"> •Product / service brands •Product portfolio 	<ul style="list-style-type: none"> •Company reputation 	<ul style="list-style-type: none"> •Network members and affiliates
Value Focus	2.0	<ul style="list-style-type: none"> •Product based - design, engineering, value, functionality •Emotional based 	<ul style="list-style-type: none"> •Tailored solutions •Customer facing business processes 	<ul style="list-style-type: none"> •Managing expectations and development of standards, technology, access
Organisational Focus	1.6	<ul style="list-style-type: none"> •Product group led •Marketing led 	<ul style="list-style-type: none"> •Integrating sales, marketing and service 	<ul style="list-style-type: none"> •Community leaders
<u>Overall score</u>	1.9			

15.2.1 Brand focus measure

This score increased from 1.5 (current) to 2.0.

Both suggested that as dealers lost their monopoly on sales and service, BMW would fall back on its corporate reputation to build power and influence through the distribution channels. The essence of this position was to reassure the customer that regardless of where you bought it from, it was still a BMW. NH made an analogy to Sony, considered the "high performance" brand of mass consumer electronics but sold at Tottenham Court Road discounters. RD picked up on that analogy and suggested that the market would differentiate itself from those looking for value from low cost distributors and willing to sort out finance and servicing themselves versus those

looking for the convenience of a dealer that offered a comprehensive service. NH retorted that the used car market was already liberalised and in that market consumers chose between buying at the dealer versus a range of specialised used car distributors: some specialised in specific brands, some in executive cars and other offered low prices.

... *“I want to put it (the score) closer to 2.0 than the last time around but I don’t remember what we scored it then”.* (RD)

15.2.2 Value focus measure

This score increased from 1.0 (current) to 2.0.

RD suggested that this attribute drove of all the changes in this competency. His concern was that in a more competitive environment consumers would look first to a “solution” and then to brand. This would mean that the deal inclusive of financing, residual values, total cost of ownership and flexibility in car type would be as important as the badge. In this scenario, the value proposition included building differentiated deals and this was outside of BMW’s current competencies. Dealers were currently “order-takers” and they would need to be creators of differentiated customer solutions. BMW GB did not have the expertise or legal basis to make deals.

... *“We can spin a service element into the brand; the service will have all the elements of the brand in terms of innovation, performance, quality, dynamic.” “It is more of a solution. It is the car, plus the service, plus the finance, plus the buy back, plus whatever.”* (NH)

... *“The core BMW package would be a no hassle, take the car, drive it three years, come back and we’ll give you a new one. We’ll take the risk on residuals. It is more like the American model.”* (RD)

15.2.3 Organisational focus measure

This increased from 1.0 (current) to 1.6.

.... *“The integration is quite strong in the light of what we discussed and it represents a major change for the Company and the corporate market experimenting this.”* (RD)

The corporate market referred to BMW GB’s direct negotiations with large companies where it did make the deal and invited one or more dealers to deliver that which had been negotiated.

There was a long discussion about legal and policy limitations that meant that BMW could not sell directly to a driver: BMW GB was an importer and wholesaler, drivers must buy through dealers. BMW was therefore limited in its ability to integrate sales, marketing and service commensurate with the potential, extended value proposition.

There was also a discussion about the Company's lack of knowledge about the current and potential lifetime value of its customers; it was felt that such knowledge was critical in creating customised solutions.

15.3 Determining the firm's relationship with customers

DT and TW generated the scoring for this competency in the same session as they did the creating marketing knowledge competency. When allocating the competencies to pairs at the second workshop, the co-researchers realised that the two competencies moved together and hence wanted them analysed by the same pair for consistency.

Figure 78: Future Determining the Firm's Relationship with Customers Competency at BMW under the Limited Change Scenario

<u>Form of Marketing</u>	Transaction	Relationship	Network
	Voice of the consumer inside the company	Interactive relationships	Communities to leverage competencies
<u>Measures</u>	<u>Marketing Focus</u>		
Customer Governance	Score 2.0 <ul style="list-style-type: none"> •Product/Product group •Profit centres with product management 	<ul style="list-style-type: none"> •Client managers or customer segment •Profit centres aligned to customers 	<ul style="list-style-type: none"> •Community managers •Profit centre model as yet undetermined
Business Development Focus	Score 2.2 <ul style="list-style-type: none"> •Marketing plan focused on products and services 	<ul style="list-style-type: none"> •Customer development plans 	<ul style="list-style-type: none"> •Breadth and depth of community needs served
Product /Service Development Process	Score 2.0 <ul style="list-style-type: none"> •Marketing translates consumer needs into development briefs 	<ul style="list-style-type: none"> •Customers teach the firm, client managers lead response, capture learning and disseminate 	<ul style="list-style-type: none"> •The firm makes its resources available to communities that drive innovation
<u>Overall score</u>	Score 2.1		

Figure 79: Future Determining the Firm's Relationship with Customers Competency at BMW under the Radical Change Scenario

<u>Form of Marketing</u>	Transaction	Relationship	Network
	Voice of the consumer inside the company	Interactive relationships	Communities to leverage competencies
<u>Measures</u>	<u>Marketing Focus</u>		
Customer Governance	Score 2.7 <ul style="list-style-type: none"> •Product/Product group •Profit centres with product management 	<ul style="list-style-type: none"> •Client managers or customer segment •Profit centres aligned to customers 	<ul style="list-style-type: none"> •Community managers •Profit centre model as yet undetermined
Business Development Focus	Score 2.75 <ul style="list-style-type: none"> •Marketing plan focused on products and services 	<ul style="list-style-type: none"> •Customer development plans 	<ul style="list-style-type: none"> •Breadth and depth of community needs served
Product /Service Development Process	Score 2.0 <ul style="list-style-type: none"> •Marketing translates consumer needs into development briefs 	<ul style="list-style-type: none"> •Customers teach the firm, client managers lead response, capture learning and disseminate 	<ul style="list-style-type: none"> •The firm makes its resources available to communities that drive innovation
<u>Overall score</u>	Score 2.5		

15.3.1 Preamble discussion

TW had prepared some initial thoughts in an email sent to the researcher and DT a few days before the meeting. The conversation began with a review of this email with which DT largely concurred. The main points are summarised below:

- In a multi-channel environment, a much larger portion of drivers would lease and not buy cars than is the case currently. For people who leased, the relationship would be as much with the “deal” as the product brand.
- Cars would require fewer, regular services in the future due to better design. This would weaken the driver’s relationship with the dealer network.
- In the radical change scenario, BMW would lose control over the lifecycle of customer experience.

DT talked about “the amorphous mass of the brand” and “the customer will not delineate between who is doing what” when forming an overall view of the brand. He suggested that BMW would need to continue owning the overall brand experience but working with new channel partners who were not part of the BMW network. He worried that this represented a step change in the type of relationship BMW would have with customers:

... “We need to market over the head of Tesco or Wal Mart to persuade customers that BMW is the brand of baked beans they want to buy. This is going to require a different type of customer insight that will become a vital part of the relationship, to understand intimately the customer lifestyle so that we can define the customer by more than when they have been to a dealer.” (DT)

However, both identified obstacles to moving competencies in the way that they were envisaging:

... “If you ask if our dealers’ raison d’etre is that sort of relationship, I would say it isn’t”. (DT)

... “On the car side, they are not sales people, they are order-takers.” (DT)

... “The dealers don’t have the competencies to do CRM: they have a database but don’t really use it. ...The whole organisation has based its marketing philosophy upon brand equity; demand outstrips supply, residual values and dealer profitability. If any of these fall out of place, we don’t have an organisation capable of (responding).” (TW)

15.3.2 Customer governance measure

This scored 2.0 and 2.7 respectively; the current score was 2.0.

Under the limited change scenario, dealers would continue to manage customers on behalf of BMW. Under the radical change scenario, DT said, "I think that has to change massively." They discussed that they were given the product by BMW AG and could only really influence the extras. They did not have sufficient scope for creating truly differentiated offers. DT suggested that it must be a strategic competence to segment the market and differentiate value offer by individual so that you competed without wasting money.

The BMW owners' club was discussed to illustrate a network marketing approach to governance. TW said that the internal view was that the BMW owners' club, which was managed independently of the Company, was comprised of "anoraks" and was not representative of BMW owners. There was little relationship with the club. DT pointed out that in the bike world, it was critical to BMW's success. He brought the bike owners' club "back" into BMW upon taking up his role in BMW. TW said that BMW GB launched an online pilot for BMW owners but it was not really content or functional rich so it had not taken off. He felt that BMW had not really thought it through and described this pilot as "an empty shell". However, DT said "So, we had a toe in the water and the water is cold, so we need to try again. Tesco has learnt a lot about us (referring to the team as individual shoppers rather than as part of BMW) and that helps them plan their business." DT managed to persuade TW that in a multi-channel environment, customers would manage themselves far more than BMW envisaged and that the Company must learn from experiences, such as, the Harley-Davidson owners' club.

15.3.3 Business development focus measure

This scored 2.2 and 2.75 under the limited and radical change scenarios respectively versus 1.0 current.

TW characterised the current business development process as follows: "The product is given to us from AG and all we can do is determine the package of extras". Commensurate with their view that customised deal making would characterise automotive selling in the future, both felt that BMW GB would need a step change in this aspect of customer relationship management. Customised deals would normally be characterised as relationship rather than network marketing, but the researcher detected a strong influence by DT based upon his experience with Harley Davidson that led them to suggest business development would be influenced by the network of BMW owners in the future. TW said that he felt it should be in the 2-3 range but deferred to DT on this score; it was the only time through the process that the researcher felt any BMW manager merely deferred to someone's point of view.

15.3.4 Product/service development process measure

Product development was scored 1.0 under the current competency score and this increased to 2.0 in the future, under either scenario.

TW suggested that the product extended past the car to include finance, maintenance, lifestyle accessories and any enhancement to the core driving experience that they could develop. Under both scenarios, BMW GB would need to develop the ability to provide differentiated packages or solutions based on individual customers' needs and potential profitability.

16 Reference list

- Achrol, R. and Kotler, P. (1999), 'Marketing in the Network Economy', *Journal of Marketing*, Vol. 63, Special Issue, pp. 146-163.
- Day, G. (1994), 'The Capabilities of Market-Driven Organizations', *Journal of Marketing*, Vol. 58, No. 4, pp. 37-52.
- Hagel, J. and Armstrong, A. (1997), *Net Gain*, Harvard Business School Press, Boston, Mass.
- Hagel, J. and Singer, M. (1999), *Net Worth*, Harvard Business School Press, Boston, Mass.
- Hagel, J. and Singer Marc (2000), 'Unbundling the Corporation', *The McKinsey Quarterly*, No. 3, pp. 148-161.
- Kelly, K. (1998), *New Rules for the New Economy*, Fourth Estate Limited, London.
- Knox, S. and Maklan, S. (1998), *Competing on Value*, FT Pitman, London.
- Knox, S., Maklan, S. and Thompson, K. (1999), 'Pan-Company Marketing and Process Management', *Irish Marketing Review*, Vol. 12, No. 1, pp. 36-44.
- Kohli, A. and Jaworski, B. (1990), 'Market Orientation: The Construct, Research Propositions and Managerial Implications', *Journal of Marketing*, Vol. 54, No. 2, pp. 1-18.
- Levitt, T. (1986), *The Marketing Imagination*, Free Press, New York.
- Maklan, S. and Field, G. (2003), 'Researching Marketing Competencies with Action Research: Professional Perspective', in Malhotra, N. and Birks, D., (Eds.) *Marketing Research: An Applied Orientation*, 2nd, Pearson Education - Prentice Hall International, Harlow, pp. 723-725.
- Narver, J. and Slater, S. (1990), 'The Effect of a Market Orientation on Business Profitability', *Journal of Marketing*, Vol. 54, No. 4, pp. 20-36.
- Peppers, D. and Rogers, M. (1997), *Enterprise One-to-One*, Currency Doubleday, New York.
- Pine, J.I., Peppers, D. and Rogers, M. (1995), 'Do You Want to Keep Your Customers Forever?', *Harvard Business Review*, Vol. 73, No. 2, Mar-April, pp. 103-114.
- Ryals, L., Knox, S. and Maklan, S. (2000), *Customer Relationship Management*, FT/Prentice Hall, Harlow.

Shapiro, C. and Varian, H. (1999a), *Information Rules*, Harvard Business School Press, Boston, Mass.

Shapiro, C. and Varian, H. (1999b), 'The Art of Standard Wars', *California Management Review*, Vol. 41, No. 2, pp. 8-32.

Webster, F. (1992), 'The Changing Role of Marketing in the Corporation', *Journal of Marketing*, Vol. 56, No. 4, pp. 1-17.