

How Companies Can Befriend a Trend



BY MICHAEL R. CZINKOTA AND MARC F. SCHRADER

✉ czinkotm@georgetown.edu

✉ MarcFalko.Schrader@hs-aalen.de

Trend research is a booming business. Many agencies and self-appointed gurus announce the latest trends from their perspective, generating publicity and awareness. This can be particularly confusing for multinational corporations because, apart from local and regional trends, they have to identify international and cross-regional trends, and incorporate them into their strategic planning and decisions.

But trends and trend research are an integral part of business in the global marketplace. If companies miss out on market developments that fundamentally change customer interactions, they are doomed to fail. Just think of Kodak's neglect of tectonic shifts in the photography market. But misjudging a blip for a trend may cost a firm critical amounts of money and reputation. Even today people still cite the 1958 example of the Ford Edsel which, though leading-edge in technology, failed in the market. A trend identification at an early stage can significantly help a firm to distinguish itself from competitors and lastingly strengthen its brand. Toyota demonstrated this with the Prius. The Japanese carmaker realized early on that fuel efficiency and "green driving" are not only ecological necessities, but also a growing customer preference.

What Exactly Is a Trend?

A trend is not simply a future occurrence, but rather an event line

that becomes apparent through current incidents pointing in the same direction. The challenge is to see through a multitude of ambivalent incidents to find those that eventually will become a straight line of change. Single events don't make a trend but may well mark the beginning of one and therefore need to be tracked.

Trends affect marketing actions in various ways: Product technology can be influenced and changed by a trend. Take electric mobility as a current example: The electric impulse generation in new automobiles differs fundamentally from the traditional fuel engine. Companies must acquire completely new technology competencies in order to compete. In the electric car, the energy storage in the battery is the decisive component. Car companies that engaged full-fledged with this technology early on, acquired know-how and cooperated with partners have developed and maintained key competitive advantages.

Technological changes also can lead to different pricing models due to a change

in cost structures. A trend may influence the way that multinational corporations interact with their clients or lead to new customer needs and preferences. Trends can cause the development of new distribution or sales channels, or lead to changes in the existing sales structure.

Sociocultural Trends

Technological or sociocultural changes, in particular, must be on multinational corporations' radars, since these shifts are most frequent and often most discontinuous in the international realm. Will new technologies such as, for example, driverless cars entirely replace the existing product technology or functionality? Are there social changes that point to new consumption needs or habits? Technology-driven companies and lifestyle firms, such as multinational corporations operating in the smart communication, automotive or fashion businesses, are in special need of organized trend research. This is especially true for firms in markets where consumer desires and preferences may change quickly.

Pret A Manger, a global sandwich restaurant chain emanating from the U.K., is constantly in search of new food trends by monitoring food blogs and visiting health shops. If a new ingredient becomes notably popular, it is rapidly considered in the firm's offerings. Pret A Manger pays special attention to the timing of the change's introduction. "We have the most success at the middle of the curve," a company spokeswoman recently told *The Wall Street Journal*.

Many large multinational corporations have a significant amount of trend-relevant data, but there is a lack of a comprehensive and systematized data analysis, extraction and condensation. Such steps, however, are crucial for identifying sustainable and trend-responsive international marketing strategies.

Multinational corporations need trend scouts or trend specialists who deal with trends in their respective domains. While the outsourcing of trend research

to third parties may make sense in widely diverse markets, the interpretation of data and events needs to be done by the multinational corporation, itself. Doing so helps to identify a trend early, recognize the cross sections between trends, functions and corporate activities, and use these insights to generate a competitive advantage.

Specific employees can be responsible for trend research in marketing, in R&D, in manufacturing and so on. Such assignments are necessary because business functions have become so specialized that, in order to furnish meaningful analyses, trend researchers need to be grounded in specific fields. If trend research is divided between parts of an organization, it requires a mechanism that consolidates, compares and jointly interprets the work and insights of the different trend specialists. A head of trend research as coordinator

The challenge is to see through a multitude of ambivalent incidents to find those that eventually will become a straight line of change. Single events don't make a trend but may well mark the beginning of one.

should oversee the firm-wide activities in the single lines of business. That person also should ensure that there is corporate, C-level follow-up.

Standardization vs. Adaptation

Trend research is ambitious and requires considerable resources. For example, one needs to understand whether a particular phenomenon is a singular

aberration or a "black swan" presaging an entirely new context.

Trend insights also must be communicated within the firm. If a multinational corporation's marketing program is standardized across regions, the corporation perceives customer preferences as identical across the world and tends to look for global trends to apply in a diversity of markets. If the



What's the buzz?

If it's worth knowing, it'll be covered in an AMA Webcast!

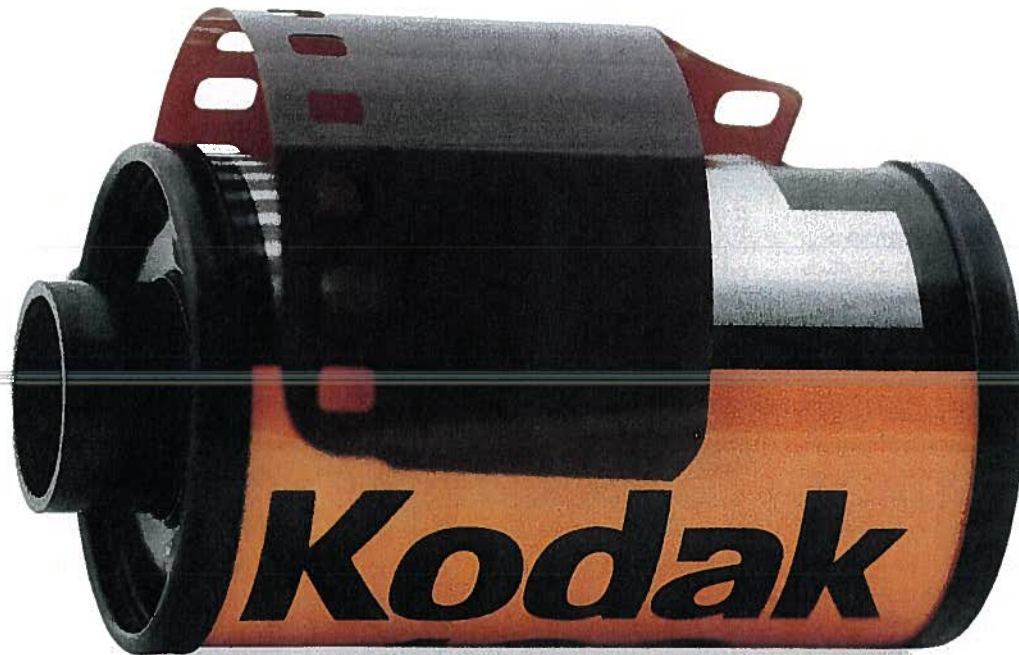
Watch for these topics and more by marketing's leading experts:



AMA.org/webcasts

- The Top 5 Challenges When Scaling a Digital Business
- Can't Miss Tips for Putting Behavioral Marketing into Action
- Sub-Zero's Secret Sauce: Deep Customer Insights that Drive Decisions
- Inbound and Outbound: Activate Your Dual Powered Marketing Strategy

To learn about sponsoring or speaking on an AMA Webcast, email sales@ama.org



If companies miss out on market developments that fundamentally change customer interaction, they are doomed to fail. Just think of Kodak's neglect of tectonic shifts in the photography market.

marketing program is adapted, trends need to be researched on a region and market level. As multinational corporations usually are active in several foreign countries, firms following the "adaptation" approach typically develop trend research targets that focus on markets of special importance, based on revenue, profit or strategic considerations. For most European multinational corporations, for example, China will be on top of the list.

Strengthening Your Trend Research Capability

One of the major decisions in international marketing concerns the entry mode used to conquer a new market. The options range from simply shipping to foreign customers (direct export) to licensing and, finally, to the complex and resource-intensive establishment of owning subsidiaries. The entry mode choice has implications on the trend research capability. If a multinational corporation is not directly active in a foreign market (as in the case of exporting or licensing), reliable trend research for such a market is quite

difficult. Dependence on secondhand information makes for a difficult interpretation due to a lack of local market knowledge. The more engaged the multinational corporation is, the easier it is to interpret events early on and to identify a trend. That's why many Western multinational corporations still need to exploit their recently built up sales and R&D capacities in emerging markets for trend research purposes.

Most work done on trend identification suffers from two key drawbacks. One is the limitation of the work to one country only, even though trends often are a global phenomenon. Usually, one can sense that the time is ripe for a change, but the actual shift may occur in a variety of regions. Unless there is continued awareness of diverse markets, one risks losing out on trend signals.

A second shortcoming concerns the constituencies of the international marketing process. Even though trends in international marketing are driven by the interaction of the business, policy and scientific communities, firms typically query only one group of these

players. In consequence, the insights obtained are limited to the views of the one group investigated, and do not reflect the important and possibly different perspectives of the two groups left out. Trend research must reflect the interaction among the business, policy and scientific communities in order to obtain reasonably accurate and calibrated insights into impending metamorphoses.

If multinational corporations start to systematize their trend research, and to align their trend research scope and capability with their product strategy—ensuring that they do so across different constituencies—then a trend may well become their very best friend. ■

MICHAEL R. CZINKOTA is a professor of international business and marketing at Georgetown University's McDonough School of Business. His book *International Marketing* (with I. Ronkainen) is in its 10th edition with Cengage.

MARC F. SCHRADER is a professor of marketing, strategy and innovation at Aalen University in Germany.