

The Dynamics of Market Orientation in the French Telecommunication Industry, 1963-1998¹

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Abstract

Purpose – The purpose of this paper is to investigate the development of market orientation in the French telecommunication industry. We question why and how market orientation has been implemented between 1963 and 1998, a period during which many marketing practices emerged and flourished such as market and customer research, segmentation and positioning, retailing and advertising.

Design/methodology/approach – Our investigation reveals three main periods: the early modern period of the telephone and the emergence of marketing practices (1963-1973); the growth of marketing practices in a context of a large telephone development plan (1974-1986); the faster implementation of marketing practices in a context of the telecommunication industry deregulation (1987-1998).

Findings – Marketing practices in the French telecommunication industry have evolved considerably between 1963 and 1998: more sophisticated market and customer research activities; greater customer intimacy through retailing and advertising; progressive differentiation of the business market from the residential markets; cultural shift, from a culture of technical quality to a culture of customer satisfaction; the emergence of a marketing function, with dedicated resources and capabilities; American influences on marketing practices, through market research companies and business study trips.

Research limitations/implications – This exploratory paper focuses on the French telecommunication industry between 1963 and 1998, and analyzes only broad activities, events, and trends.

Originality/value – Our research contributes to the literature on market orientation in three ways: the nature of market orientation; the critical role of external factors in the cultural shift from a product to a customer orientation; the specific steps and activities leading progressively to a greater market orientation. We also contribute to a growing body of industry-specific marketing histories and to the history of one of the main economic sectors in developed countries, the telecommunication industry.

Keywords - Marketing history, Market orientation, Telecommunications, Case study, France

Paper type - Research paper

The concept of market orientation has become increasingly important to the study and practice of management. However, research on how specific organizations become more market-oriented is limited. As most studies provide important insights into the antecedents of market orientation, the dimensions of the concept and their implications, they rarely investigate the dynamics of organizational change associated with a greater market orientation. Within the mainstream marketing journals, longitudinal research on market implementation is scarce (e.g., Gebhardt et al., 2006 for an exception), although sales and marketing orientation existed as early as the 19th century (Strasser, 1989; Tedlow, 1996; Jones and Richardson, 2007). Several major histories of marketing practices have

been published both at the industry level (e.g., Hawkins, 2011, Branchik, 2014) and at the firm level (e.g., Tadjewski, 2008). However, to the best of our knowledge, no historical research with an explicit reference to the theory of market orientation has been published so far.

In this study, we investigate the development of market orientation, both as an organizational culture and as a set of market-oriented behaviors, in the French telecommunication industry between 1963 and 1998. Therefore, we contribute to the literature on the implementation of market orientation, to the literature concerning marketing histories of industries in various countries of the world and to the literature concerning the history on one of the main economic sectors in developed countries, the telecommunication industry. We raise a twofold question about why and how market orientation has been implemented in this industry between 1963 and 1998, a period during which many marketing practices emerged and flourished such as market and customer research, segmentation and positioning and retailing and advertising. In this exploratory study, we first offer a chronology of the main marketing practices. We draw several relationships between these practices and various influences, both external and internal. We consider political, economic, regulatory, sociological, and technological influences, as well as company cultural and organizational influences. We then suggest a periodization based on the major changes in the marketing practices and their relationships with several external and internal influences. Our periodization is divided in three main periods: the early modern period of the telephone and the emergence of marketing practices (1963-1973); the growth of marketing practices in a context of a large telephone development plan (1974-1986); the faster implementation of marketing practices in a context of the telecommunication industry deregulation (1987-1998). We organize the rest of the article as follows: First, we present the conceptual framework. Second, we discuss the case, the research questions and the sources. Finally, we present the findings and discuss their key implications in a brief conclusion.

Conceptual framework: Market orientation as a set of behaviors and cultural traits

Market orientation is considered as the “implementation of the marketing concept” (Kohli and Jaworski, 1990). Two main conceptualizations have been proposed. Kohli and Jaworski (1990) define market orientation as a set of specific organizational behaviors (i.e., the behavioral approach), whereas Narver and Slater (1990) define market orientation as a cultural organizational trait (i.e., the cultural approach). The two perspectives converged a decade later, as Homburg and Pflesser (2000) offered an integrative framework in which cultural traits are antecedents to behaviors. Considerable research aims at identifying the characteristics of market-oriented organizations, as well as the determinants and the consequences of market orientation (e.g., Kirca *et al.*, 2005 for a literature review). However, the implementation process of how organization change to become more market-oriented is rarely studied (Kennedy *et al.*, 2003; Gebhardt *et al.*, 2006). Our research aims to extend the work of Gebhardt *et al.* (2006), in which four path-dependent stages of change are identified, following an in-depth, longitudinal, multi-cases investigation of firms that have successfully created a market orientation. This analysis reveals a four-stage process of organizational change: (1) initiation, (2) reconstitution, (3) institutionalization, and (4) maintenance. In this paper, we adopt a broad conceptualization of market orientation, both behavioral and cultural, as such a holistic approach is more compatible with the historical perspective.

In our research that spans over 30 years, we expect to shed light on specific stages, steps, activities or market-oriented processes at the firm level. Our work lean on a stream of historical research at the firm level, such as Petty (1995) in the bicycle industry, Neilson (2009) in the tourism industry, Witkowski (2011) in the firearms industry, Hawkins (2011) in the legal industry, and Gélinas and Baillargeon (2011) in the cast iron stove industry at the beginning of the 20th century, or Branchik (2014) in the maritime passenger industry (known today as the cruise industry) for a period of almost 175 years. Branchik (2014) argues in favor of such histories as they provide the academics with “a clear understanding of marketing strategy adaptation to changing environmental factors over time”. In the same vein, our research contributes to the literature on the history of marketing in the telecommunication in France and to the literature on marketing histories in various countries of the world.

The case: The French telecommunication industry between 1963 and 1998

In this study, we select the French telecommunication industry, probably one of the most suitable industries for investigating why and how market orientation is implemented in organizations. First, the French telecommunication industry represents an extreme case of market orientation implementation.

Extreme cases are those in which unusual or exceptional attributes are present (Pondy, 1979). Pondy (1979) argues that studying extreme cases, by highlighting factors that exist beyond the normal range, helps to magnify and to make unambiguous the factors that account for particular outcomes. Transformation towards a market-oriented organization was particularly sudden and strong in the French telecommunication industry, as in most European telecommunication industries, in close relationship with profound regulatory and technological changes. Second, most research on market orientation is conducted in the fast-moving consumer goods industry where competition is fierce, although often oligopolistic. The telecommunication industry in France is rather emblematic of a monopoly, at least for the greater part of the period 1963-1998. The investigation of market orientation implementation in a context of very limited competition is therefore interesting. Third, the telephone industry was in a shortage situation in the 1960's until the beginning of the 1970's, with customer demand exceeding industry capacities (Ruges, 1970). The shortage was mainly due to public under-investment until the 1970's. A large recovery plan was defined and launched at the beginning of the 1970's and implemented during the period 1973-80. The main objective of this "modernization plan" was to improve the network capacity and coverage and to offer the telephone to the entire French population everywhere in the country. In addition, the French government also decided to introduce management practices in the old telecommunication public administration (Cohen, 1990, Carpenter, 2011).

At the beginning of our period (1963), the telecommunication industry in France is characterized by a state-owned organization ruled by public administration principles. Most of the organization resources are allocated to technical activities related to the telecommunication network. In 1963, the telephone handset Socotel S63 is launched. This device is emblematic of the telephone mass distribution which took place in the 1970's until the 1980's. During the 1970's, marketing practices are limited to sales, sales support and basic customer relations. The word "marketing" had not yet been introduced. Activities later called "marketing" are known under the label « affaires commerciales » (sales-related activities). The word "customer" had not been introduced either. What would be called "customer" later on, was then called "user" ("usager" in French) or subscriber ("abonné" in French). When the Direction des Affaires Commerciales (DAC) was created, a priority was defined to improve customer relations. An operational regional organization was implemented in order to better address the customers' needs (Carré and Leclère, 1995). The end of the period corresponds to the full liberalization of the telecommunication market open to competition in France like in the other countries of the European Union on January 1st 1998. This date is emblematic of a long liberalization and deregulation process 14 years after the breakup of AT&T (« ma Bell ») into several independent companies which was effective on January 1st, 1984 (Musso, 2008). During a long transition and preparatory period, the Direction Générale des Télécommunications (DGT) until 1991 and France Télécom after 1991³ adapted the organization as well as the sales and marketing organization and practices, in order to be ready for the big jump into the deregulated and competitive market of the 2000's and beyond.

Research questions

According to Braudel, "without problems, there is no history" (Prost, 1996). Following this line of thought according to which history is not a mere description of "the facts", we address the following twofold question: why and how was market orientation implemented in the French telecommunication industry between 1963 and 1998 whereas the organization (Direction Générale des Télécommunications and later France Télécom) was in a position of monopoly? Addressing this, we raise a first research question around the motivations of the organization, and the influences, both external and internal, which have led to the implementation of a market-oriented organization. The second research question is related to the steps and processes leading to a greater market orientation in this industry. We describe the main decisions and activities of the organization, as well as the roles played by the respective stakeholders and contributors. This second research question is primarily descriptive and aims to give an account of the most practical aspects of the emergence of the market orientation concept: more sophisticated market and customer research activities, a distribution network closer to customers, and customer-oriented communication plans. Who are the key actors and stakeholders of these decisions and actions? How were decisions translated into actions? To what extent were these decisions and actions grounded in the organization? Our two research questions are addressed together because they are tightly connected.

Methodology

The first step of our investigation is to develop a chronology of the main marketing “facts” (events, decisions, activities...). This chronology is built as close as possible to the facts related to new products and telecommunication services in fixed and mobile telephony, data transmission, telematics (videotex based services available in France before Internet) and Internet services. The marketing facts are grouped by categories such as “sales and distribution”, “customer relations”, “organization, resources and skills”, and “brand, communication and advertising”.

The marketing chronology is complemented by a broader chronology highlighting internal and external influence factors. These factors are political, regulatory, sociological, technological and competitive, as well as internal factors in the organization of the DGT (Direction Générale des Télécommunications) in France. Once this broader second chronology is done, we look for relationships between the two chronologies, following Hollander and al. (2005).

Both primary and secondary sources were used for this research: books, other printed material, as well as personal and public archives. This work is complemented with oral archives (i.e., interviews for key managers and experts).

Books and other printed material – We identify relevant inputs from the books published on the French telecommunication industry and more specifically on the telecommunication history in France. Existing books are mostly focused on the technical and technological aspects of the telephone and other telecommunication products. Marketing considerations are overlooked in these books, which is in itself instructive. However, these books provide a general framework about the ways in which the industry has evolved during the course of the 20th century. Preliminary evidence of the history of marketing in the French telecommunication was gleaned from the secondary literature on the history of the French telephone and telecommunication. Bertho (1981) presented the history of the telephone in France from the origins to the late 1970s. Carpenter (2011) conduct an historical research on the French telecom from the late 1960’s to the early 1980’s, sales & marketing being one of the four main aspects of the organizational transformations of the 1970s. Libois (1983), a former general manager of the DGT, focuses on the modern period of the telephone and the telecommunication in France. We also accessed two reference books sponsored by the DGT and France Télécom about the history and the transformation of the organization (Carré and Leclere 1990; Du Castel, 1995). Our research is supported by the Association de l’Histoire des Télécommunications et de l’Informatique (i.e., the French society for the history of the telecommunication and computer industries). We found indications and directions for primary and secondary sources from people directly or indirectly involved in this period of the history of the French telecommunication industry.

Personal and public archives – We use personal archives such as France Télécom internal documents, leaflets and internal newsletters.⁴ In addition, we have found interesting material in the French public archives located in Pierrefitte-sur-Seine, north of Paris, France (e.g., Gourdeiller report on the sales & marketing organization, 1984; Huret report on the marketing practices of the US operators, 1984).

Oral archives – Some key marketing facts are not covered by the above mentioned sources. Therefore, we interviewed key actors and witnesses of the period 1963-1998. These interviews brought useful information about the background, processes and ways in which marketing practices were implemented between 1963 and 1998. Each interview consists of an approximately one hour open discussion. We interviewed 6 respondents between July 2013 and December 2014. They had experience in different activities during the entire study period (i.e. fixed telephony, data transmission and telematics).

Chronology and periodization

In this paper, we offer a chronology of the main marketing “facts” identified between 1963 and 1998. We also identify the main internal and external influences during this period. We selected those factors that have direct or indirect influence on the adoption of marketing practices. The identification of these external influence factors helps us to understand the reasons why marketing practices were adopted and implemented. We selected the following external influence factors: political factors, economical factors, regulatory factors, sociological factors and technological factors. In addition, we also selected external and internal factors related to the DGT organization with direct influence on the marketing practices (e.g., “Minitel” services launched in 1982 had a direct influence on the development of market research and new communication tools). Based on the chronology, facts are then grouped into three periods, where each period represents a significant change in marketing

practices. The implementation of a greater market orientation at DGT (Direction Générale des Télécommunications) and then France Télécom took place over many years. The chronology covers four decades from the beginning of the 1960's to the end of the 1990's (see Appendix #1).

1963-1973 - Early modern period of the telephone and emergence of marketing practices

At the beginning of the study period, the Direction Générale des Télécommunications (DGT) ran the telephone system in France. The DGT was a public administration controlled by the Ministry of Posts and Telecommunications⁵ and a division of the Postes, Télégraphes and Téléphone (PTT).

In 1963, the telephone handset Socotel S63 was adopted by the telecommunication administration as the main handset for installation all of France. Both households (B2C customers) and companies (B2B customers) used this telephone. Several millions of these handsets were produced and installed up until the beginning of the 1980's. At this time, the equipment and usage of the telephone was low in France, compared to the other European countries and the USA (Ruges 1970, Pomonti 2008). In this context of shortage, the priority of the French telecommunication executives was to develop a reliable network with increased capacity for a larger number of users. Their main concern was to find funds for the development of the network (Musso, 2008, Carpenter 2011). In the 1960's, the leading countries were the USA and the Northern European countries. In 1967, there were only 3.9 million lines in a country of 50 million inhabitants. The few users who had access to a telephone were not satisfied and complained about the low quality of the service. Users also complained about the long waiting time before having the chance to be connected to the network. The waiting list was becoming longer, year after year (Rugès, 1970).⁶

In 1968, under public pressure, the French government considered this delay unacceptable. Several reports were prepared for the administration (Bernard Esambert, Yves Guéna). The Finance minister Valéry Giscard d'Estaing (who would be elected President of the French Republic 6 years later) took several measures to allocate more resources to the development of the telecommunication administration.

During this period, marketing practices were strictly limited. Demand for the telephone far exceeded the number of available lines throughout the country. There was no need to increase sales or to market new products. During this period of shortage, the introduction of marketing practices in the daily business routines did not appear to be necessary.

However, a need for economic studies emerged at the end of the 1960's, when the Direction de la Planification et des Etudes Economiques (DPEE) was created (1967). Economic studies in general and market and customer studies in particular were scarce before 1968. In 1970, the Department for Programs and Economic studies (Service des Programmes et des Etudes Economiques, SPEE) was created, managed by Gérard Théry. Priority was given to global planning studies and financial studies in order to support cases for investments in the network development. Specific studies were conducted, such as a study on the network automation (Arrivet), a study on the intercity network (Feneyrol), and a study on sub-marine cables. The pricing structure was a hot topic with the objective of moving from an administrative pricing structure (unit prices determined by law) to "market" prices or "private company" like prices for telephone calls, enterprise leased lines and data transmission. Strategic and prospective studies were conducted on new switching and transmission systems. At the regional level, multiple works were completed to reduce civil engineering and cabling costs in local infrastructure (Curien, 2014). At this time, customer demand was seen as global and was researched at the aggregated level rather than at an individual customer level.

At the beginning of the period studied, a significant part of the activity was generated by business users. In 1964, 35% of the telephone lines were used by business customers (Rugès, 1970). New connections were primarily allocated to the public administration, industrial companies and retailers because telephone lines were scarce. However, no specific products were designed for business customers. In 1968 though, a dedicated organization within the DGT was created to address the needs of large companies in the domain of data transmission. A few years later, the decision was taken to start Transpac a separate company and to develop data transmission services for large and medium size companies using the new X25 technology (Carpenter, 2011). With this organizational change, France Télécom moved from a mass marketing approach based on undifferentiated offers to a segmented approach providing differentiated offers for businesses (both small enterprises and big companies), alongside specific products for households.

Modern management principles were progressively introduced. In 1968, a group of managers and executives with engineering backgrounds spent a period of time at INSEAD for management training.

This marks the start of a process of cultural change and validates the idea that “creating a market-oriented organization is essentially a process of cultural transformation” (Gebhardt and al., 2006). In 1971, the newly appointed general manager Louis-Joseph Libois created the Direction des Affaires Commerciales (DAC). Sales & distributions were now separated from operations and other technical matters. For the first time, users (“usagers” in French) were called customers (“clients” in French). For a period of ten years, the terms “users” and “customers” were used in parallel. In 1981, a decision was taken to use the word “customer” rather than “user” or “subscriber”. Following this decision, the main trade union (CGT – Confédération Générale des Travailleurs) calls employees to strike. A new regional organization was implemented with the clear objective to take more decisions locally, in the regions rather than centrally in Paris, and therefore to better address customers’ expectations (Carré & Leclère, 1995).

1974-85 - Growing marketing practices in a context of a large telephone development plan

In 1974, a telephone development plan was adopted after years of debate both within DGT and at the ministry and government levels. The telephone became one of the priorities of the 7th national plan also named as the “French telephone plan”. This plan is known under the name “Delta Lignes Principales” or “Delta LP” in French, meaning that its main objective was to increase the number of telephone lines over a period of five years. Conducting this large program became a top priority for Gérard Théry, the DGT general manager, over the following years (Carpenter, 2011).

The computer industry grew rapidly in the 1960’s and at the beginning of the 1970’s. Large companies expressed the need to interconnect their computers and mainframes located in different sites in France and abroad. The “Transpac” project was launched in 1974 headed by Philippe Picard. The Transpac network for data transmission was operational in 1978. For the first time, the customer voice seemed to be taken seriously, as these customers were not households but large companies. In order to better express their needs for data transmission services, enterprise customers (e.g. Renault, Pechiney and Saint-Gobain) founded a customer group called GERPAC. Once Transpac was launched, the group of customers and network users (UTIPAC) took a 3% stake in the new created company. The rest was owned by the DGT (i.e., the French government). Through this group, customers took an active role in the design and in the definition of the new data transmission services.

Between 1975 and 1978, the SPEE (Department for Programs and Economic studies) collaborated with the academia, both at the ENST (Ecole Nationale Supérieure des Télécommunications, now Télécom ParisTech) and at the IRIS research center (Institut de Recherche Interdisciplinaire en Socio-Economie) hosted by the University of Paris-Dauphine (with Marc Guillaume, Jacques Attali, Yves Stourdzé, Joëlle Toledano, and Jean-Hervé Lorenzi). In 1977, IDATE, an economic and market research institute, was created in Montpellier, with the financial and logistic support of the DGT. The same year, a seminar was co-organized by the CNET (Centre National d’Etudes des Télécommunications) and the CNRS (Centre National de la Recherche Scientifique) on the future of telecommunication (“Thinking networks”, or “Les réseaux pensants” in French) with participants from different academic fields, such as economy and sociology (Giraud, 1978).

During this period, market and customer research developed significantly. Syndicated market studies were conducted with operators in other European countries to benchmark equipment and usages. The Eurodata study conducted under CEPT (European Community for Posts and Telecommunication) is an example of this trend in the early 1970’s.

In 1979, the SPES (Service de la Prospective et des Etudes Stratégiques) was created. Working relations were established with North American colleagues from AT&T and Bell Canada. Several study trips were organized in Canada. In 1983, DGT experts attended a symposium on forecasting in Philadelphia (June), a conference on demand forecasting in Atlantic City (September) and a conference on costing models in New Orleans (October) (Curien, 2014). At this time, studies were still highly focused on demand rather than on building sophisticated knowledge of customers’ profiles.

A distribution network was created to support the larger diffusion of telephones throughout the country. From 1975, phone shops known under the name “téléboutiques” in French were opened in a selected number of city centers across the country, close to where customers live. This is a major change in the channel strategy of the DGT. Before these boutiques, customers could not meet the representatives of the telecommunication administration face to face. For the first time, the DGT had something to sell and to show to their customers. For the first time, telephone handsets and other devices were displayed and customers were able to touch, try and choose the different models available (Carpenter, 2011).

It is also during this period (late 1970's and 1980's) that massive communication campaigns were launched with a clear objective to change the perception of telephone and make it a mass communication service to connect people. In 1980, more than 20 years before Nokia, the French telecommunication organization used the signature "Connecting people" ("Le téléphone. Il relie les hommes", Carpenter, 2011). A few years later, the main advertising message became "Happiness is as simple as a phone call" ("Le bonheur, c'est simple comme un coup de fil"). The advertising activity of France Télécom clearly revealed a change from functional use of the phone (e.g., a client would request a train timetable over the phone) to personal, affective and emotional use of the phone (e.g., a child would call his grandfather to ask for news).

At the end of the 1970's, the DGT became an international organization. The first "representative office" was open in New York in 1979. Market and competition benchmarking was one of the objectives of the small team active in the USA. The transformation of the Bell system from a private monopoly to several modern and efficient companies was seen as an example by the telecommunication industry in the Western countries (Griset, 2002). Market research activities were strongly influenced by the USA because the major market research companies were American. Although telecommunication market experts⁷ were influencing the European operators, market intelligence practices were nonetheless adapted to the French context. Pierre Audoin started his consultancy in information technologies & telecommunication in 1976 (Pierre Audoin Conseil). At the same time, the study of telephone usage from a sociological perspective was introduced at MIT (De Sola Pool, 1977). This was the starting point for carrying out customer studies in France in order to better understand the needs and behaviors of the customers (Flichy, 2004). The way the telephone was used in the USA acted as a reference for the development of usages and services in France (Chabrol and Périn, 1990).

The year 1978 marked a turning point in the French telecommunication industry, with strong consequences on the later implementation of market-oriented practices. A report was released by government request on the social impact of computer science (Nora and Minc, 1978). The authors described how the diffusion of computers would change the way people work and communicate. Telecommunications and the DGT were at the heart of this upcoming transformation 15 years before the wide diffusion of the Internet. A new entity was created with the objective of developing innovative services within the DGT. The NPS (New Products and Services) department was created within the sales division (Profit, 1978). As the shortage of telephone lines was reducing year after year thanks to the successful "Delta LP" plan, a new period started for the DGT with a new challenge. The priority was no longer to produce and activate telephone lines but to offer a wider range of products and services (Profit, 1978, Carpenter, 2011).

Business study trips were organized in Sweden, Canada and the USA. The DGT expressed a clear will to understand the best marketing practices used by other telecommunication operators like AT&T and Bell Canada (Huret, 1984). Managers of the DGT took a more active part in telecommunication fairs and conferences around the world.

The Minitel was launched in 1982 as an online directory and would offer "kiosk" services a couple of years later. The Minitel was a Videotex online service accessible through telephone lines. It was a pre Internet online service including online shopping, travel booking and news. The fixed telephone handset Socotel S63 had been available for many years in a single model and in the single color grey. Several millions of units had been manufactured up until the beginning of the 1980s. Progressively, this handset developed into a full range of products with different functionalities, designs and colors. New models were launched under different brands and product names. Differentiated handsets were available in France for the first time. Within a rather short period of time, a full range of differentiated phones became available to meet the different customers' expectations. A further step would be taken with mobile telephony.

Local sales and marketing channels were created at the regional level ("Directions régionales").⁸ The sales and marketing organization was now moving towards the customers in the French regions, which made it possible to adapt campaigns and customer support to local customers' expectations. During this period, discussions took place about the role and the positioning of the sales and distribution activities within the organization. An official report involving experts from different departments was prepared under the leadership of Daniel Gourdeulier. The report included an analysis of the commercial function, resources allocation for sales and distribution activities. The implementation of a new commercial function was also debated (Gourdeulier, 1984). The term "marketing" was used for the first time in internal documents in 1984 (Huret, 1984).

The first internal marketing capabilities of France Télécom were built during this period. Management and marketing courses were initiated in the French telecommunication university (ENST, Ecole Nationale Supérieure des Télécommunications and ENSPTT, Ecole Nationale Supérieure des PTT), which was previously mainly focused on network and technology issues. The French public administration founded a business school with a telecommunication orientation (INT Evry, now Telecom Ecole de Management), as part of the progressive inclination of the telecommunication industry to move toward private company-like management for the first time in 1978 (Atten *et al.*, 1999).

Alongside more sophisticated marketing practices, a marketing culture was progressively introduced. Gérard Thery, as general manager of the DGT from 1974 to 1981, regularly cited the USA as a model for the implementation of modern management and as an introduction to customer-centric culture in his speeches and interviews (Carpenter, 2011). With a management background, François Henrot was nominated as the first manager of the newly created sales and marketing organization in 1978. Before him, top executives had been engineers who graduated from Ecole Polytechnique (the most reputed French “Grande Ecole”) and ENST.

At the end of this period, the implementation of the marketing concept was far from complete. The terms “users” or “subscribers” were still preferred to the notion of “customer”. In 1982, the brand “Télécommunications” was even changed into “PTT Télécommunications”, with a clear reference to the public administration. Still, between 1974 and 1985, several marketing practices were adopted, such as market research, retailing, advertising and segmentation between business customers and households. A marketing organization had been built, with in-house resources and capabilities. As a word of conclusion on this period, and contrary to a common belief, it is interesting to note that those changes were implemented ahead of the market deregulation, which was to be effective on January 1st, 1998.

1986-1998 - On the way to the deregulation of the telecommunication industry

In 1986, the path to a more pronounced deregulation was clearly taken. Gérard Longuet, the new liberal minister of telecommunication, accelerated the transformation of the legal and regulatory framework. In 1989, Paul Quilès, a socialist minister, continued the reform of the French PTT. The Prévot report was released in 1989. Discussions were engaged with the trade unions and the other stakeholders. The split of the former PTT was effective in 1991 and the DGT became France Télécom (now Orange, following the acquisition of Orange, a British company, by France Télécom in 2000, and the renaming of the group on July 1st, 2013).

New technologies emerged at the beginning of the 1990s. First, digital technology (2nd generation networks or GSM) was a revolution for mobile telephony. Manufacturers proposed lighter and less expensive mobile handsets. A dedicated business unit was created within the DGT to market GSM mobile phones in 1991. Second, access to Internet services was opened in 1994. A fully owned subsidiary was created to market Internet services under the brand Wanadoo.

Customer and market research was speeding up in the form of competitive analysis, market analysis and forecasting, segmentation studies, and customer satisfaction studies. Primary research was undertaken with market study companies (e.g., Ipsos, GfK, Harris...) and secondary market data was subscribed from telecommunication & Information Technology (IT) market analysts (e.g., Gartner, IDC, Ovum and IDATE).

At the end of the 1980’s, France Télécom was structured around a “Entreprise” line of business and a “Residential” line of business with an expressed objective of better addressing customers’ needs. A central marketing function was created in 1990. Marketing directors were appointed in the new creation mobile phone activity (Itineris in 1992) and internet access provider (Wanadoo in 1994).

In 1995, for the first time in this history of the organization, the general manager of France Télécom was not an engineer. Michel Bon had a business school background and had served as general manager in several private companies. He was appointed as head of France Télécom after years as CEO of Carrefour, a leading French retailer, because of his strong sales and marketing orientation.

The cultural transformation continued. Marketing practices readily emerged in affiliated companies like Wanadoo (Internet access provider) and Itineris (mobile phones). Competition was fierce in the Internet market due to multiple startups and new services. In 1996, a major advertising campaign was launched with the signature line “You will love year 2000” (“Nous allons vous faire aimer l’an 2000” in French). This corporate campaign helped France Télécom to be seen as a modern company actively

seeking to improve customer satisfaction rates. In October 1997, the capital of the newly created public company was floated on the French and the American stock exchange (Paris and New York). Stocks were offered to the France Télécom group employees at a discounted price. After the second stock offering, employees owned up to 5% of the France Télécom capital. During this period, the company focused on its international development. In 1994, France Télécom signed an alliance with the Germany state-owned operator Deutsche Telekom and the US operator Sprint to launch worldwide data transmission services for enterprises. The joint venture Global One started on February 1st, 1996 with headquarters in Brussels, Belgium and in Reston, Virginia.

On January 1st, 1998, the telecommunication market was fully open to competition. The liberalization was achieved 11 years after the recommendation of the European Commission. More than 50% of France Télécom was still owned by the French government, but was managed as a private company with a market-oriented organization. Marketing practices were supported by a dedicated marketing organization with significant resources. Besides, the process of cultural transformation was completed with the implementation of a customer-oriented culture.

Discussion

In this paper, we show that the turning points of the history of marketing in the telecom industry are not necessarily aligned with the turning points of the history of telecommunication in general. For example, we noted a significant turning point when the general management of the DGT started to focus on the telematics in the late 1970's. This change was translated into more sophisticated marketing practices with a delay of several years. Therefore, we suggest the year 1986 as the beginning for the third period of the history of marketing practices, as we have evidence of the use of sophisticated market research and a well-defined marketing function.

Our research shows that many marketing practices developed considerably in the telecommunication industry between 1963 and 1998. Based on the analysis of the data collected for this research, the following topics emerge: more sophisticated market and customer research activities; greater customer intimacy through retailing and advertising; progressive differentiation of the business market from the residential markets; cultural shift, from a culture of technical quality to a culture of customer satisfaction; the emergence of a marketing function, with dedicated resources and capabilities; clear American influences on the marketing practices through market research companies and business study trips.

Our research contributes to the literature on market orientation through three main lines: the nature of market orientation; the critical role of external factors in the cultural shift from a product to a customer orientation; the specific steps and activities leading progressively to a greater market orientation.

First, similar to Gebhardt *et al.* (2006), we show that creating a market-oriented organization is indeed a process of cultural transformation associated with new norms and values. Therefore, market orientation should not be reduced to a new set of behaviors. However, contrary to the research of Homburg and Pflesser (2000), where behavioral changes follow cultural transformation, our analysis shows that an interactive view of market orientation should prevail, where cultural and behavioral changes are intertwined. New norms, values and artefacts lead to new behaviors, which in turn transform the culture of the organization. This interactive process unfolds through time, with both culture shift leading to behavioral changes, and behaviors leading to cultural changes.

Second, our case reveals many differences with previous research on the implementation of market orientation, in particular the critical role of external factors, which are almost ignored by Gebhardt and his colleagues (2006). In the case of the French telecommunication industry between 1963 and 1998, market orientation was not initiated because of a financial threat (i.e., lack of performance from the point of view of the shareholders), but because of a strong public pressure, both from households and business customers, backed by the administration and by several politicians. Besides, comparisons with other developed countries played a critical role in stimulating the implementation of a greater market orientation (as the DGT was late in responding to the needs and wants of the citizens). These countries acted like benchmarks in a competitive market. Later in the period, technological opportunities were also critical, as the need for a greater customer orientation followed the technical availability of new products and services.

Third, compared to the literature on the creation of a greater market orientation, our case tells a different story, uncovering specific steps and activities. In the case of the DGT between 1963 and 1974, the "demarcation", as Gebhardt and his colleagues put it (2006), is difficult to identify:

coalitions of managers did not prepare great plans that were later presented to the employees. On the contrary, we have seen a progressive shift toward a greater market orientation, triggered by a growing external pressure. Some leaders played a key role in this process, as most historical research on this topic tell us, but we did not find any coalition working on a market orientation plan. Besides, market-oriented values developed during the period but did not replace old values. They were combined with the public service ethos, leading from the mission of serving the public (in the 1970's), to the mission of satisfying customers (from the 1990's).

Conclusion

The case reveals the interactive nature of market orientation, with behavioral and cultural transformations impacting each other, the critical importance of external factors, and specific steps and activities associated with a greater market orientation. This research demonstrates the benefits of the historical perspective, specifically applied to an international case, leading to new insights into the creation of market-oriented organizations in an historical perspective. Following Branchik (2014), our research validates Zinn and Johnson's (1990) assertions that "every industry or product is unique". Still, our research is not without limitation (e.g., the use of a limited number of primary sources). In the future, more data will allow us to better articulate the market-oriented activities and processes, both at the industry and at the firm level.

Notes

¹ This paper is based on the dissertation of Patrick Luciano, Market Intelligence Manager at Orange Business Services, France, and a doctoral student in the Executive Doctorate in Business Administration program of the Université Paris-Dauphine, France. The dissertation is supervised by Pierre Volle, Professor of management at the Université Paris-Dauphine.

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³ The Direction Générale des Télécommunications (DGT) was a division of the French Minister of Posts and Telecommunications. It became a public company named France Télécom in 1991.

⁴ Patrick Luciano has been working within the France Télécom Group since 1995.

⁵ The telephone and telecommunication administration is separated from the post administration in 1923. It is run independently with its own resources. The reform adopted in 1923 created the PTT supplementary budget. This legal framework governs the activities of the Post and Telecommunication administration until the 1990's reform (Musso 1994).

⁶ "Sales and marketing issues have been totally neglected. For the management team, a subscriber is not a customer but a dependent ("vassal" in French) to whom only limited services are granted. As a consequence, the DGT has no control on the market and is not in capacity to forecast the demand evolution" (Ruges, 1970, p. 72).

⁷ IDC a leading market analyst was founded in Massachusetts in 1964 (as part of the IDG group). Gartner was founded in 1979 in Stamford, CT.

⁸ There are 22 administrative regions in France (mainland).

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Appendix #1 - Chronology of the main Sales & Marketing facts and events with internal and external influencing factors in the French telecommunication between 1963 and 1998.

	1960-69	1970-79	1980-89	1990-99
1. Political factors	<p>France</p> <p>Presidents Prime ministers Planning Telecom ministers Other</p> <p>USA</p> <p>International</p>	<p>4th plan G. Pompidou (then Couve) J. Chaban / P. Mesmer J. Chirac</p> <p>5th plan Raymond Barre</p> <p>6th plan Raymond Barre</p> <p>7th plan Raymond Barre</p> <p>8th plan P. Mauroy / L. Fabius J. Chirac</p>	<p>1980-89</p> <p>Francis Mitterrand François Mitterrand</p> <p>88 89 90 91 92 93 94 95 96 97 98 99</p> <p>Jacques Chirac A. Juppé L. Jospin</p>	<p>1990-99</p> <p>Jacques Chirac</p>
2. Regulatory matters	<p>United Kingdom</p> <p>USA</p> <p>United Kingdom Europe (EEC/EU) France</p>	<p>* Norbert Segard * Nora / Minc report on computer science adoption * Margaret Thatcher, prime minister in the UK</p> <p>* end of monopoly on local calls * Caterphone authorized to use AT&T network</p>	<p>* L. Moxandeu * Ronald Reagan, 40th US president * AT&T divestiture, 7 regional Baby Bells (USA) * Private licence * British Telecom case * Green book (European commission) * Chevallier report * "Débat public" / Prévot report * SFR licence * Regulatory dpt.</p>	<p>* Longuet * Fillon * AI Gore : information motorways</p>
3. Technological factors	<p>Fixed voice Fixed data Teleomatics Mobile Internet Computers</p>	<p>* Time-based switching * X25 protocol * Videotex initial project * Arpanet network * Olivetti Programma 101 * Intel 4004</p>	<p>* RNIS (Digital network) * 2nd generation switching * Videotex standard * NMT * TCP/IP protocol * IBM PC * Windows * Conference on usages * Mercury (UK)</p>	<p>* Voice over IP * FR, ATM & IP protocols * GSM * www * Netscape * Intel Pentium * Orange (UK) * SFR * Bouygues * Orléane</p>
4. Sociological factors	<p>Worldwide France</p>	<p>* Caterphone (UK)</p>	<p>* Mercury (UK)</p>	<p>* Orange (UK) * SFR * Bouygues * Orléane</p>
5. Competition				
6. Other external organizations				
7. External development DGT / FT				
8. Internal development DGT / FT				
9. Commercial & marketing	<p>General management Organization Large projects & programmes</p> <p>Fixed telephony Data transmission Teleomatics Mobile telephony Internet Market & customer research Sales & distribution Customer relations Organization Resources & competencies Branding Com & advertising</p>	<p>* DAC * DPEE * DPEE * Management training at INSEAD</p> <p>* Office in New York * Cable network programme * Transpac project * Minitel project * Transpac X25 services * Minitel * Kiosque * Phone shops ("Téléboutiques") * From user ("usager") to customer ("client") * Direction des Affaires Commerciales (DAC) * INT Evry * Télécommunications * PTT Télécommunications</p>	<p>* Office in Tokyo * Cable network programme * 8-digit phone numbers * Télécarte * Numéris * Minitel * Kiosque * Radiocom 2000 * Direction des Affaires Commerciales (DAC) * PTT Télécommunications * France Télécom * Le bonheur c'est simple comme un coup de fil</p>	<p>* Global One * France Télécom (FT) * Etablissement public * SA * Stock exch. * Michel Bon * Delta minutes programme * 10-digit nbers * FR, ATM & IP services * Biop then Itinérís / Mobicarte / Ola * Wanadoo * Direction commerciale * Charte clients * Wanadoo * Year 2000</p>