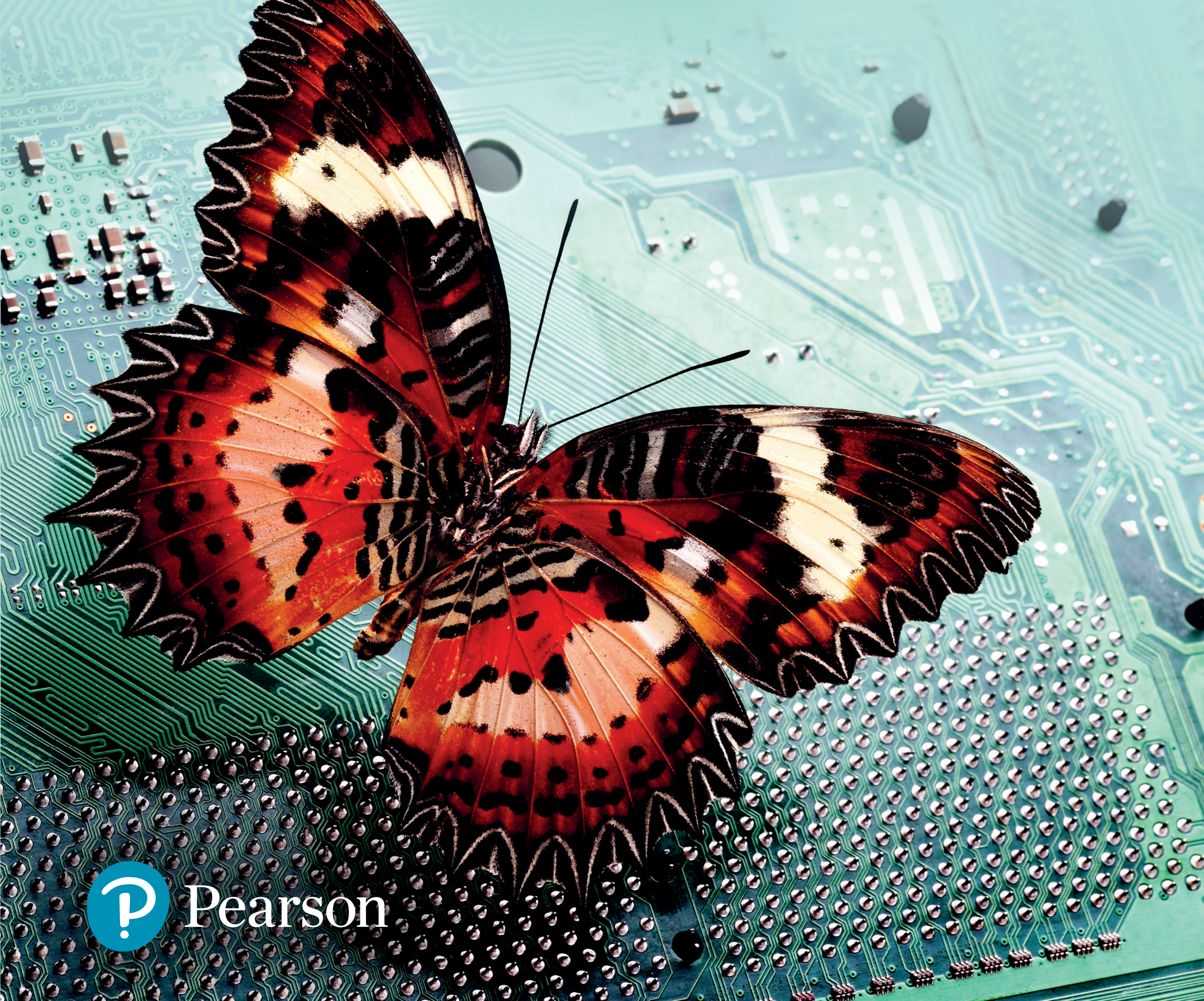
ESSENTIALS OF MARKETING

JIM BLYTHE AND JANE MARTIN

Seventh Edition



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PREFACE TO THE SEVENTH EDITION

Back in 1996, when the first edition of this book was being written, the Internet was in its infancy. Mobile phones were the possessions of the wealthy, and smartphones were only able to send faxes and act as diaries – connecting to the Internet was still a dream. The quickest way of contacting customers directly was a mailshot, and most people did not have private email addresses at all.

In the intervening 23 years, the communications revolution has transformed marketing. Yet the basics remain the same – marketers are still responsible for managing the exchange process, they are still using whichever communication methods are the most appropriate, and they still monitor the needs and wants of potential customers. At the same time, there is greater emphasis on ethics, the physical environment, and on fair trade.

In this edition we have tried to reflect these shifts in the business environment: we have added some features to the book, we have rewritten much of the communications chapter, and we have revisited the consumer behaviour chapter. We have written entirely new case studies to reflect these changes, and to show how marketing theory is applied by real companies, in the real world.

Of course, this book is not solely the product of its authors. We would like to thank our friends and colleagues at Pearson for their support and advice, our colleagues in our respective universities, and of course our students, who continue to challenge us, give us new ideas and keep us in contact with our own market.

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What do marketers do?

Objectives

After reading this chapter you should be able to:

- Describe the key roles marketers undertake
- Explain the responsibilities of various types of marketing manager
- Explain the core concepts of marketing
- Explain how marketing activities fit in with other business disciplines
- Describe the development of the marketing concept.

Introduction

This chapter is an introduction to the basic concepts of marketing, seen in terms of the roles that marketers carry out in their day-to-day jobs. Although marketers have many different job titles, what they have in common is the same orientation towards running the organisation; marketing is concerned with ensuring the closest possible fit between what the organisation does and what its customers need and want.

About marketing

Marketing is the term given to those activities that occur at the interface between the organisation and its customers. It comes from the original concept of a marketplace, where buyers and sellers would come together to conduct transactions (or exchanges) for their mutual benefit. The aim of marketing as a discipline is to ensure that customers will conduct exchanges with the marketer's organisation rather than with the other 'stallholders' or key competitors. To do this effectively, marketers must provide those customers with what they want to buy, at prices that represent value for money in the most convenient way possible.

This basic concept of managing exchange leads us on to the most important concept in marketing, that of customer centrality. Marketing, above all else, uses the customer (who is often also the consumer) and his or her needs as the starting point for all decisions. Of all the building blocks of marketing, in both theory and practice, this is far and away the most important: it is also often difficult to do because it involves thinking like someone else.

One of the most widely used definitions of marketing is:

> **Marketing is the management process which identifies, anticipates, and supplies customer requirements efficiently and profitably.** (The UK Chartered Institute of Marketing)

This definition from the Chartered Institute of Marketing (CIM) has been criticised because it takes profit as being the only outcome of marketing, whereas marketing approaches and techniques are widely used by organisations such as charities and government departments that do not have profit as their goal. It also fails to take account of the increasing role of marketing in a broader social context, and for appearing to regard consumers as being passive in the process.

The American Marketing Association (AMA) definition was also criticised for this failing, so the organisation chose to update their definition in 2013.

This definition goes some way to developing the widening role of marketing, but the notion of the consumer having a more proactive role in the process has still not been fully addressed.

Interestingly, neither definition includes the word 'consumer'. This may be because there are many customers who buy the product, but do not themselves consume it (for example, a grocery supermarket buyer might buy thousands of cans of beans, but dislike beans himself). Equally, someone can be a consumer without actually making the buying decision – an example would be a child whose parents make most of the decisions about food, clothing, entertainment and so forth on behalf of the child.

To the non-marketer, marketing often carries negative connotations; there is a popular view that marketing is about persuading people to buy things they do not want, or about cheating people. In fact, marketing practitioners have the responsibility for ensuring that the customer comes first in the firm's thinking, whereas other professionals might be more concerned with getting the balance sheet to look right or getting the production line running smoothly. Marketers are well aware that the average customer will not keep coming back to a firm that does not provide good products and services at an acceptable price, and without customers there is no business.

Competition in many markets is fierce. If there is room for four companies in a given market, there will be five companies, each trying to maximise their market share; the customer is king in that situation, and firms that ignore the customer's needs will go out of business. Marketers therefore focus their attention entirely on the customer, and put the customer at the centre of the business.

The development of the marketing concept

The marketing concept is a fairly recent one, and has been preceded by other business philosophies. These philosophies have not necessarily come about in the straight progression implied by the following section. Although at different times there may have been a general way in which business was conducted, there have certainly been considerable overlaps between the different philosophies or orientations, and many firms have not been part of this general trend.

Production orientation

During the nineteenth century it was often thought that people would buy anything, provided it was cheap enough. This belief had some truth in it, since the invention of the steam engine allowed very much cheaper mass-produced items to be made. If an item was on sale at around one-tenth the price of the hand-made equivalent, most customers were prepared to accept poorer quality or an article that didn't exactly fit their needs. The prevailing attitude among manufacturers was that getting production right was all that mattered; this is called **production orientation**. This paradigm usually prevails in market conditions under which demand greatly exceeds supply, and is therefore somewhat rare in the twenty-first century (although it does exist in some markets, for example in some Communist countries).

With rising affluence, rapidly developing emerging markets and continuous technological change, people are no longer prepared to accept standardised products. Global markets allow manufacturers to reap the benefits of mass production despite providing more specialised products; therefore the extra cost of having something that fits one's needs more exactly is not high enough to make much difference.

Product orientation

Because different people have different needs, some manufacturers thought that an ideal product could be made, one that all (or most) customers would want. Engineers and designers developed comprehensively equipped products, with more and 'better' features, in an attempt to please everybody. This philosophy is known as product orientation.

Product orientation tends to lead to ever-more complex products at ever-increasing prices; customers are being asked to pay for features that they may not need, or that may even be regarded as drawbacks.

Sales orientation

As manufacturing capacity increases, supply will tend to outstrip demand. In this scenario, some manufacturers take the view that a 'born salesperson' can sell anything to anybody and therefore enough salespeople could get rid of the surplus products, provided they are determined enough and don't take no for an answer. This is called **sales orientation**, and relies on the premise that the customer can be fooled, the customer will not mind being fooled and will let you do it again later, and that if there are problems with the product these can be glossed over by a fast-talking sales representative. Up until the early 1950s, therefore, personal selling and advertising were regarded as the most important (often the only) marketing activities.

Sales orientation takes the view that customers will not ordinarily buy enough of the firm's products to meet the firm's needs, and therefore they will need to be persuaded to buy more. Sales orientation is therefore concerned with the needs of the seller, not with the needs of the buyer (Levitt 1960). Essentially, what these businesses try to do is to produce a product with given characteristics, then change the consumers to fit it. This is, of course, extremely difficult to do in practice.

Selling orientation and the practice of selling are two different things – today, salespeople are usually concerned with developing a range of relationship-building activities with their customers in order to create trust (Rowe *et al.* 2016), and ultimately encourage them to come back and buy more. This is an important distinction that is often missed by marketing theorists; there is more on this later in the book (Chapter 9). In the meantime, though, selling skills are a necessary factor in successful marketing (Wachner *et al.* 2009; Troilo *et al.* 2009; Le Meunier-Fitzhugh & Piercy 2010).

Customer orientation

Today's marketers take the view that customers are intelligent enough to know what they need, can recognise value for money when they see it, and will not buy again from the firm if they do not get value for money. This is the basis of the *marketing concept*.

Putting the customer at the centre of all the organisation's activities is more easily said than done. The marketing concept affects all areas of the business, from production (where the engineers and designers have to produce items that meet customers' needs) through to after-sales services (where customer complaints need to be taken seriously). The marketing concept is hard to implement because, unlike the sales orientation approach which seeks to change the customers' behaviour to fit the organisation's aims, the marketing concept seeks to change the organisation's behaviour to fit one or more groups of customers who have similar needs. This means that marketers often meet resistance from within their own organisations.

At this point, it may be useful to remind ourselves of the distinction between customers and consumers. Customers are the people who buy the product; consumers are those who consume it. Customers could therefore be professional buyers who are purchasing supplies for a company, or possibly a parent buying toys for a child. The customer might also be the consumer, of course, but the consumer could equally be the recipient of a gift or the user of a service which is paid for by others.

Critical thinking

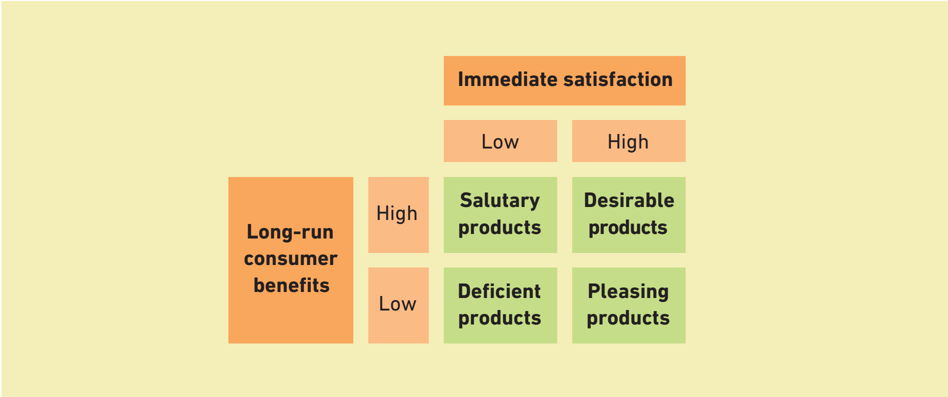
Many companies say that they are customer (or consumer) orientated, but how true is this? Do companies seriously expect us to believe that the customer comes first when they reserve the best parking space for the managing director? Or that the customer comes first when they raise their prices? Or that the customer comes first when the call centre closes at weekends?

In fact, would it be fairer to say that we always consider the customer's needs, since this is the best way of getting their money off them?

Societal marketing

Societal marketing holds that marketers should take some responsibility for the needs of society at large, and for the sustainability of their production activities. This orientation moves the focus away from the immediate exchanges between an organisation and its customers, and even away from the relationship between

Figure 1.1 Societal classification of new products



Source: Kotler, P., Armstrong, G., Saunders, J. and Wong, V., 2001, *Principles of Marketing.* Pearson Education Limited.

the organisation and its consumers, and towards the long-term effects on society at large. This need not conflict with the immediate needs of the organisation's consumers: for example, the Body Shop operates a highly successful consumer-orientated business while still promising (and delivering) low environmental impact.

Kotler *et al.* (2001) say that products can be classified according to their immediate satisfaction and their long-run consumer benefits. Figure 1.1 illustrates this. In the diagram, a product which has high long-term benefits and is also highly satisfying is classified as a desirable product. For example, a natural fruit juice which is high in vitamins and also tastes good might fit this category. A product which has long-term benefits but which is not immediately satisfying, for example a household smoke alarm, is a salutary product. Products that are bad for consumers in the long run, but that are immediately satisfying (such as alcohol or confectionery) are called pleasing products: research shows that people believe that 'unhealthy' foods taste better (Raghunathan *et al.* 2006; Anderson & Mirosa 2014; Petit *et al.* 2016). Finally, products which are neither good for consumers nor satisfying are called deficient products; examples might include ineffective slimming products, or exercise equipment which is poorly designed and causes injury. In theory, firms should aim to produce desirable products – but consumers often choose the pleasing products instead; for example, eating unhealthy foods when they feel unhappy or stressed (Garg *et al.* 2006; Gamble *et al.* 2010; Huang *et al.* 2017).

The societal marketing concept includes the marketing concept in that it recognises the needs of individual consumers, but it goes further in that it aims to improve the well-being of the wider society in which the firm operates. This means that the organisation takes on responsibility for good citizenship, rather than expecting consumers to understand or take account of the wider implications of their consumption behaviour. The problem is that firms need to balance three factors: customer needs, company profits (or other objectives) and the needs of society as a whole. Since competing companies may not be so concerned about society at large, it is not clear how societal marketing will contribute to creating competitive advantage; it is very clear how customer orientation helps firms to compete, however.

Ultimately, consumer orientation and societal marketing both seek to ensure that the organisation (whether a business or a non-profit organisation) should be looking to create greater value for customers, and thus meet the competition better (or even create competition in new markets).

Relationship marketing

During the 1990s, marketing thinking moved towards the **relationship marketing** concept. Traditional marketing has tended to concentrate on the single transaction with a short-term focus. Relationship marketing focuses on the 'lifetime' value of the customer. For example, a motor manufacturer might have one model aimed at young drivers, another aimed at families with children, and another aimed at middle-aged motorists. Each segment might be treated as a separate and unique entity. Under a relationship marketing paradigm, the organisation recognises that the young motorist will pass through each lifestyle stage in turn, and is then a customer for a different model each time. Relationship marketing aims to determine who will be (or could be) the most loyal customer throughout his or her life: marketers are responsible for establishing and maintaining these relationships.

In practice, relationship marketing has met with its greatest success in the business-to-business world. Companies which sell to other companies have generally been most proactive in establishing long-term cooperative relationships; for example, aircraft engine manufacturers such as Rolls-Royce and Pratt & Whitney need to establish close relationships with aircraft manufacturers such as Airbus and Boeing, since the designs of airframes and engines need to be coordinated. The ability to adapt the designs to meet the needs of the other company has obvious advantages in terms of cost savings and (eventually) greater profits, but it also has an advantage from the supplier's viewpoint in that close cooperation makes it harder for competitors to enter the market. Customers that have committed to a shared design process are unlikely to want to start the process all over again with another supplier. Creating this kind of loyalty has a significant effect on future revenues (Andreassen 1995).

It is a commonly held belief that it costs five times more to attract a new customer than to keep an existing one. Therefore the creation of customer loyalty is a key element in relationship marketing (Ravald & Gronroos 1996; Tahmasbizadeh *et al.* 2016) as is the establishment of a mutually rewarding connection, and a willingness to adapt behaviour to maintain the relationship (Takala & Uusitalo 1996).

There is more on relationship marketing throughout the text: it has become, like the Internet, central to marketing practice in recent years.

Critical thinking

Do we really want to have a relationship with the companies which supply our needs? Of course, politeness is one thing – but we aren't going to go on a long walking holiday with our bank, are we? Maybe the relationship is a bit one-sided: the company wants to lock us in to a long-term deal, and offers us all kinds of incentives to do so, whereas actually we would rather be free to choose between firms. We soon learn that threatening to leave means we get freebies, so the more they try to hang on to us, the more we take advantage!

Hardly the basis for a long-term relationship, is it?

Marketing and other business disciplines

As the marketing concept has evolved from production orientation through to customer orientation, the role marketing occupies relative to other business functions has also evolved. Under a production-orientated regime, marketing usually occupies a departmental role; the marketing role is contained within a marketing department which carries out the communications functions of the firm.

If customers are central to the organisation's thinking, marketers act as the moderating group. Marketing can be seen in several ways, as follows:

- As a moderating force in the exchange process.
- As the driving philosophy of the business. Looked at in this way, everyone in the organisation becomes concerned primarily with adding value for the customer.
- As a managerial function. This aspect of marketing means that marketers manage resources to obtain the most positive responses from customers.
- As a dynamic operation, requiring analysis, planning and action. Because customers' needs, tastes and requirements change rapidly, marketing needs to change also. A product-orientated firm does not have this difficulty, since it seeks to change its customer base (either by persuading customers to buy, or by seeking out new customers) rather than change the product or the overall offer.
- As a catalyst for change. Market-orientated firms need to change to meet customer need: marketers are at the forefront of these changes because they represent the customer.

Integration of different functions will almost always improve performance (Lyus *et al.* 2011), and in a customer-orientated firm it is the marketing people who are best placed to coordinate activities to maximise customer satisfaction. Bringing colleagues from other disciplines on board in developing a marketing orientation is as essential to this process as communicating with customers (Korhonen-Sande 2010; Gonzalez-Zapatero *et al.* 2016).

Marketing on a day-to-day basis

Marketers deal with the **marketing mix**, which was described by McCarthy (1987[1960]) as the four Ps of marketing. These are:

- *Product*. The product should fit the task the target consumers want it for, it should work and it should be what the consumers expected to get.
- *Place*. The product should be easily available from wherever the firm's target group of customers feel it most convenient to purchase. This may be an online store, a high-street shop, it may be mail order through a catalogue or from a magazine coupon, or it may even be doorstep delivery.
- *Promotion*. Advertising, public relations, sales promotion, personal selling and all the other communications tools should put across the organisation's message in a way that fits what the particular group of consumers and customers would like to hear, whether it be informative or appealing to the emotions and through the media channels that they prefer to receive messages through (Internet, mobile messaging, social media, TV, etc.).
- *Price*. The product should always be seen as representing good value for money. This does not necessarily mean that it should be the cheapest available; one of the main tenets of the marketing concept is that customers are usually prepared to pay a little more for something that really works well for them.

The 4-P model has been useful when applied to the manufacture and marketing of physical products, but with the increase in services provision the model does not provide a full enough picture. In 1981 Booms and Bitner proposed a 7-P framework to include the following additional factors:

- **People**. Virtually all services are reliant on people to perform them, very often dealing directly with the consumer: for example, the waiters in restaurants form a crucial part of the total experience for the consumers. In effect, the waiter is part of the product the consumer is buying.
- *Process*. Since services are usually carried out with the consumer present, the process by which the service is delivered is, again, part of what the consumer is paying for. For example, there is a great deal of difference between a silver-service meal in an upmarket restaurant and a hamburger bought from a fast-food outlet. A consumer seeking a fast process will prefer the fast-food place, whereas a consumer seeking an evening out might prefer the slower process of the restaurant.
- *Physical evidence*. Almost all services contain some physical elements: for example, a restaurant meal is a physical thing, even if the bulk of the bill goes towards providing the intangible elements of the service (the decor, the atmosphere, the waiters, even the dishwashers). Likewise, a hairdressing salon provides a completed hairdo, and even an insurance company provides glossy documentation for the policies it issues.