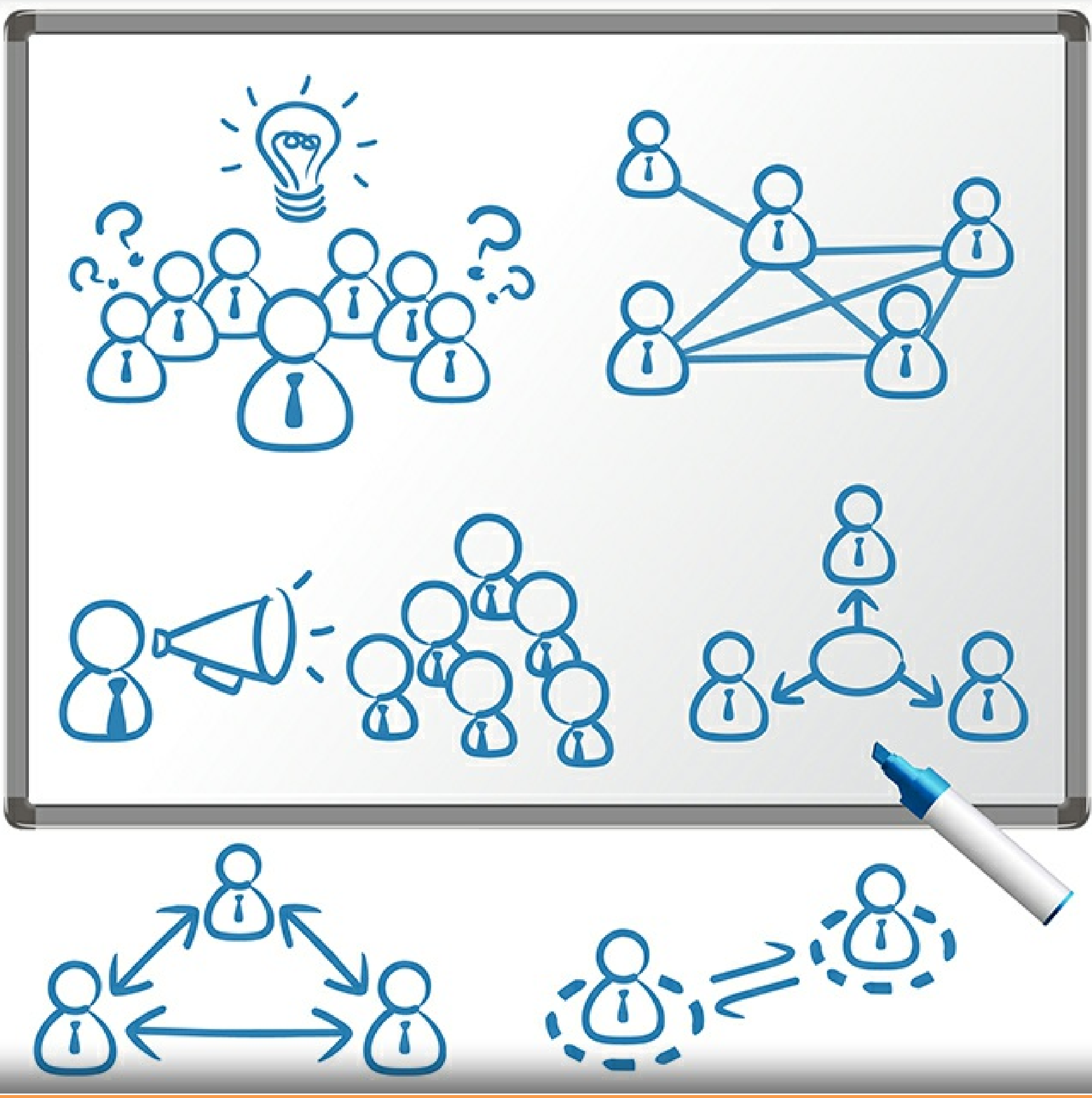
Strategic Marketing

Andrew Whalley



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Preface

This book is aimed to give an overview of what marketing really means in the contemporary business environment. It's not a "how to guide" it's more a background/reference document to help stimulate some thinking and discussion about marketing, which is an essential part of any higher education course covering Marketing.

Let's start with the premise that despite its importance, Marketing is the least well understood of all the business disciplines, both by those working within business and by the public at large. It is invisible to right-wing economists, whose credo is that prices carry all the information about supply and demand that markets, need to produce the goods and services that people want; the works of Adam Smith, Friedrich Hayek, Milton Friedman, Gary Becker, all leading economists in their field of their time have no mention of marketing whatsoever.

The left-wing socialists, social scientists, journalists, and popular mass media programme makers do at least acknowledge marketing as being real. But their views often present marketing as little more than manipulative, exploitative, hard-sell advertising used by greedy and morally bankrupt corporations in pursuit of their next set of bonuses. Both views are at best incomplete in terms of truly understanding markets from the key perspective – that of the customers and suppliers who interact to make the markets.

All commercial enterprises have products and services to sell and these are both the result of, and the reason for, marketing activities. Goods & Services, collectively called Products, are developed to meet customer needs and so those needs must be researched and understood. Each product can then be targeted at a specific market segment and a marketing mix developed to support its desired positioning. Product, Brand or Marketing Managers have to design marketing programmes for their products and develop good customer relationships to ensure their brands' ongoing success

Marketing has arguably become the most important idea in business and the most dominant force in culture. Today mass media encapsulates our lives, satellite TV, broadband internet access, instant communications via web and mobile phone, all of which mean messages can reach you virtually at any time and place. This means that marketing pervades society not on a daily basis but on a second by second basis.

There are several good reasons for studying marketing. First of all, marketing issues are important in all areas of the organisation – customers are the reasons why businesses exist! In fact, marketing efforts (including such services as promotion and distribution) often account for more than half of the price of a product. As an added benefit, studying marketing often helps us become wiser consumers and better business people.

Marketing is also vital to understanding businesses of any sort, thus any study of business that excludes an appreciation of marketing is incomplete. In particular at the highest levels marketing becomes an integrating holistic culture that drives integrated, co-ordinated and focussed business practices with the interests of the customer as its heart – a combination that makes such businesses difficult to beat in the market.

Some of the main issues involved include:

- Marketers help design products, finding out what customers want and what can practically be made available given technology and price constraints.
- Marketers distribute products – there must be some efficient way to get the products from the factory to the end-consumer.
- Marketers also promote products, and this is perhaps what we tend to think of first when we think of marketing. Promotion involves advertising – and much more. Other tools to promote products include trade promotion (store sales and coupons), obtaining favourable and visible shelf-space, and obtaining favourable press coverage.
- Marketers also price products to "move" them. We know from economics that, in most cases, sales correlate negatively with price – the higher the price, the lower the quantity demanded. In some cases, however, price may provide the customer with a "signal" of quality. Thus, the marketer needs to price the product to (1) maximise profit and (2) communicate a desired image of the product.
- Marketing is applicable to services and ideas as well as to tangible goods. For example, accountants may need to market their tax preparation services to consumers.

1 So what is marketing?

Marketing is commonly misunderstood as an ostentatious term for advertising and promotion; in reality it is far more than that. This perception isn't in many ways unreasonable, advertising and promotion are the major way in which most people are exposed to marketing. However, the term 'marketing' actually covers everything from company culture and positioning, through market research, new business/product development, advertising and promotion, PR (public/press relations), and arguably all of the sales and customer service functions as well;

- It is systematic attempt to fulfil human desires by producing goods and services that people will buy.
- It is where the cutting edge of human nature meets the versatility of technology.
- Marketing-oriented companies help us discover desires we never knew we had, and ways of fulfilling them we never imagined could be invented.

1.1 The Three levels of Marketing

Almost every marketing textbook has a different definition of the term "marketing." The better definitions are focused upon customer orientation and satisfaction of customer needs;

- The American Marketing Association (AMA) uses the following: "*The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives*."
- Philip Kotler uses, *"Marketing is the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others*."
- The Chartered Institute of Marketing (CIM), "*Marketing is the management process that identifies, anticipates and satisfies customer requirements profitably*."

In a January 1991, Regis McKenna published an article in the Harvard Business Review (HBR) entitled "Marketing Is Everything." In the article the McKenna states, "Marketing today is not a function; it is a way of doing business." Indeed we now call this the top level of Marketing – Marketing as a business philosophy. So yes, marketing is everything. **In essence it's the process by which a company decides what it will sell, to whom, when & how and then does it!**

This brings us to the second level of Marketing; Marketing as Strategy. This entails understanding the environment the business is operating in; customers, competitors, laws, regulations, etc. and planning marketing strategy to make the business a success. This second layer is about segmenting (S) the market, deciding which customers to target (T) and deciding what messages you want the targets to associate with you; what is called Positioning (P). The overall process is usually referred to as; segmentation-targeting-positioning (STP) which is covered in Chapter Three.

STP however is not alone at this level; it is closely allied with the concept of Branding, which is not just about logos and names. Brands are now about image – or more correctly its perception, branding is a link between the attributes customers associate with a brand and how the brand owner wants the consumer to perceive the brand: the brand identity. Over time, or through poorly executed marketing or through societal changes in markets, a brand's identity evolves gaining new attributes from the consumer's perspective.

Not all of these will be beneficial from the brand owner's perspective and they will seek to bridge the gap between the brand image and the brand identity, by trying to change the customers perceptions – brand image – to be closer to what's wanted brand identity; sometimes this necessitates a brand re-launch. A central aspect to brand is the choice of name. Effective brand names build a connection between the brand's personality as it is perceived by the target audience and the actual product/service, by implication the brand name should be on target with the brand demographic, i.e. based in correct segmentation and targeting. Level two of Marketing can thus be summarised as STP + Branding; Branding is covered in Chapter Four.

The third level of marketing is about the day to day operational running of marketing, it encompasses the control of the Marketing Mix and the processes within a business that help create and deliver that company's products and services to the customer. This level spans all aspects of a business and across all customer contact points including:

- A company's web site;
- How they answer the phones;
- Their marketing and PR campaigns;
- Their sales process;
- How customer contact staff present themselves (in person and on the phone);
- How a business delivers its services;
- How a business "manages" its clients
- How a business solicits feedback from its clients.

These operational issues are covered in Chapters Five, Six and Seven.

From the above we see that:

- Marketing involves an ongoing process. The environment is "dynamic." This means that the market tends to change – what customers want today is not necessarily what they want tomorrow.
- This process involves both planning and implementing (executing) the plan.

To summarise then we can see that a simple definition of marketing would be, "*The right product, in the right place, at the right time, at the right price,*" Adcock *et. al.* This is a succinct and practical definition that uses Borden/McCarthy's 4Ps – Product, Price, Place & Promotion, which are covered in Chapter Five.

1.2 The value of Marketing; Needs, Utility, Exchange Relationships & Demand

It is a fundamental idea of marketing that organisations survive and prosper through meeting the needs and wants of customers. This important perspective is commonly known as the Marketing Concept which as we saw earlier at its highest is a philosophy and business orientation about matching a company's capabilities with customers' wants. This matching process takes place in what is called the marketing environment and involves both strategic and tactical marketing within the organisation's structure. A truly marketing oriented business is actually structurally designed to facilitate the Marketing Concept as a philosophy and as a way of operating.

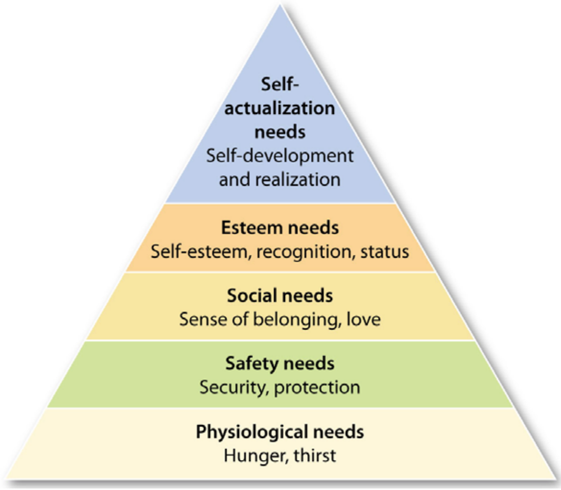
> An entrepreneur realised that the feedback his company was getting had begun to show less and less positive results over the past twelve months. This period happened to coincide with an expansion of the business and a significant increase in the number of staff, form what had been before a relatively small team. Looking deeper a key issue seemed to be that customers where no longer finding the business easy and flexible to deal with.
>
> The entrepreneur hit on a novel solution. He split his staff into those roles were to directly serve customers, e.g. Customer service, Sales, Marketing and those whose roles were to support the company, e.g. Accounting, Logistics, HR. Once complete a meeting was called and as the staff assembled he personally gave small blue button badges to the support group, he proudly wore his own to show commitment, and small green button badges to those directly serving the customers.
>
> Once assembled he explained the reason for the meeting and that he had reached a solution; the badges. "From this moment on we only have two rules that I want you all to bear in mind at all times. Those of you wearing a green badge – it is your job to say yes to a customer and find a way to do it. Those of you wearing a blue badge – when someone wearing a green badge comes to you and says I need to do this for a customer, your job is to find a way to say yes and to then do it".
>
> Now that's the Marketing Concept as a cultural philosophy for a business.

Example 1: Management by Button Badge

Businesses do not undertake marketing activities alone. They face threats from competitors, and changes in the political, economic, social and technological aspects of the macro-environment. All of which have to be taken into account as a business tries to match its capabilities with the needs and wants of its target customers. An organisation that adopts the marketing concept accepts the needs of potential customers as the basis for its operations, and thus its success is dependent on satisfying those customer needs.

So to understand customers better – which as students striving to be better marketers we need to do, we should actually define what we mean by wants and needs, rather than just use such terms loosely;

- A **"need"** is a basic requirement that an individual has to satisfy to continue to exist.



Source: Maslow (1943)
Figure 1: A Representation of Maslow's Hierarchy of Needs

Maslow's hierarchy of needs is depicted as a five level pyramid. The lowest level is associated with physiological needs, with the peak level being associated with self-actualisation needs; especially identity and purpose.

The higher needs in this hierarchy only come into focus when the lower needs in the pyramid are met. Once an individual has moved upwards to the next level, needs in the lower level will no longer be prioritized. If a lower set of needs is no longer being met, i.e. they are deficient; the individual will temporarily re-prioritize those needs by focusing attention on the unfulfilled needs, but will not permanently regress to the lower level.

People have basic needs for food, shelter, affection, esteem and self-development. Indeed many of you should recognise a link here to the work of Abraham Maslow and his hierarchy (figure 1) of needs in explaining human behaviour through needs motivation. In fact many of these needs are created from human biology and the nature of social relationships, it is just that human society and marketers have evolved many different ways to satisfy these basic needs. All humans are different and have different needs based on age, sex, social position, work, social activities etc. As such each person's span of needs is likely to be unique and this it follows that customer needs are, therefore, very broad.

- A **"want"** is defined as having a strong desire for something but it not vital to continued existence.

Consumer wants are shaped by social and cultural forces, the media and marketing activities of businesses; as such a want is much more specific and goes beyond the basic to include aspirational values as well as the need satisfaction.

Thus, whilst customer needs are broad, customer wants are usually quite narrow. Consider this example: Consumers **need** to eat when they are hungry. What they **want** to eat and in what kind of environment will vary enormously. For some, eating at McDonalds satisfies the need to meet hunger, others wouldn't dream of eating at McDonalds or any other fast food restaurant. Some are perfectly happy with a microwaved ready-meal, others will only countenance a scratch cooked meal with organic ingredients. Equally there are those who are dissatisfied unless their food comes served alongside a bottle of fine Chablis or Claret, or is served silver service by waiters in evening wear or has to be ordered from menus written in French.

Indeed it is this diversity of wants and needs that allows a variety of 'solutions' to be developed in any market and that directly leads to the need to think carefully about how and what can satisfy wants and needs. It is this approach we will explore at 1.3.2 later in this Chapter when examining Porter's Five Forces model.

This leads onto another important concept – that of demand. Demand is a want for a specific product/service supported by the ability and willingness to pay for it, i.e. there is a market of customers who both want and can pay for the product/service. For example, many consumers around the globe want a Ferrari car, but relatively few are able and willing to actually buy one.

The concept of demand is absolutely fundamental to marketing, and is what much marketing research is actually aimed at; establishing the level of demand, and what Product Managers & Planners in many businesses spend their time trying to predict – patterns of demand and how they change as new products and services come to market and the needs/wants of the consumers and customers in the market evolve.

Indeed the concept of demand is how we in marketing actually define a market – a group of potential customers with a shared need that can be satisfied through an exchange relationship to the mutual satisfaction of the potential customers and the supplier. Indeed looking at this you should be able to see that this very neatly brings together the Marketing concept with more traditional views on exchange, utility, needs and wants.

We can also take this a step further. Remember we earlier talked about STP, well in fact the process we use to segment a market is one of demand assessment via grouping potential customers together by their shared need and/or wants that can be fulfilled through an exchange relationship. This grouping through understanding shared needs is fundamental to effective marketing, but is also a major area of contention within most businesses because it is easy to get wrong. Good use of STP leads to a segmentation of the market into groups that are homogenous by need, these groups can then be prioritised by their potential return and one or more is then chosen to be served – it/they become a target market – and a marketing mix is chosen to do just that.

So to summarise;

- A firm's marketers carefully study of the needs individuals and businesses in order to asses the potential of a market.
- A market consists of people with purchasing power, willingness to buy, and authority to make purchase decisions.
- A target market
  - The group of people toward who an organization markets its products or ideas with a strategy designed to satisfy their specific needs and preferences.
  - Customer needs and wants vary considerably, and no single organization has the resources to satisfy everyone.

Businesses therefore have not only to make products that consumers want, but they also have to make them affordable to a sufficient number to create profitable demand. Businesses do not create customer needs or the social status in which customer needs are influenced. It is not Burger King or KFC that make people hungry, nor Budweiser or Coco-cola that make them thirsty.

However, businesses do try to influence demand by designing products and services that are;

- Attractive
- Work well
- Are affordable
- Are available

From what we've looked at so far it should be evident that Marketing also fundamentally involves an exchange process, that is marketing involves two or more parties trading something of value with each other. If you go to a restaurant you exchange money for food and service. If we travel to another city and stay at a hotel, we exchange money or more commonly credit through the use of a credit card, for the use of the room and services of the hotel. The meal and the services of the hotel & restaurant in these examples are products passed onto us in an exchange of money or credit.

So to understand Marketing we need to understand the exchange process;

- There must be two parties, each with unsatisfied needs or wants. This want, of course, could be money for the seller.
- Each must have something to offer. Marketing involves voluntary "exchange" relationships where both sides must be willing parties. Thus, a consumer who buys a soft drink in a vending machine for £1.00 must value the soft drink, available at that time and place, more than the money. Conversely, the vendor must value the money more. (It is interesting to note that money is, strictly speaking, not necessary for this exchange to take place. It is possible, although a bit weird, to exchange two ducks for a pair of shoes.)
- The parties must be able to communicate. This could be through a display in a store, an infomercial, or a posting on eBay.
- An exchange process exists when two or more parties benefit from trading something of value. Because of marketing, the buyer's need for a certain product is satisfied, and the seller's business is successful.
- Marketing can contribute to the continuing improvement of a society's overall standard of living.

So we can see that Marketing is said to have a positive effect on an economy and helps satisfy needs by bringing supplier and customer together, it facilitates the exchange transaction.

This is as equally true of a charity as it is of a commercial business. A charity takes a donation and the exchange is the feeling of self-gratification the giver of the donation feels for giving. Effective marketing – at all three levels – can increase the value of this self-gratification in the eyes of the donator, e.g. making them feel they are making *more* of a difference, and thus marketing makes giving easier, i.e. marketing is a facilitator of the exchange by creating utility.

Utility is a concept within economics that is related to marketing. Utility is a measure of the relative satisfaction from, or desirability of, consumption of various goods and services. Given this measure, one may speak meaningfully of increasing or decreasing utility, and thereby explain economic behaviour in terms of attempts to increase one's utility. The Product and/or service and marketing of the product and/or service form the foundation of the exchange process and together they create a utility.

In marketing we define utility as the want-satisfying power of a good or service. Richard Buskirk has presented an idea that marketing is an activity that creates from, place, time and ownership utility;

1. Form utility: The usefulness of a product that results form its form; converting raw materials into finished products. Product planning and development activities create form utility.
2. Time utility: making a product available when consumers want to purchase it. After production goods are stored by the manufacturer, wholesalers, retailers, etc until such time, the demand of the product is created and such goods are made available to the customer at the time when they are needed or demanded.
3. Place utility: making a product available in a location convenient for customers, the flow of goods through different distribution channels from producer to consumer from the place of abundant to the place or where they are needed creates place utility.
4. Ownership utility: refers to the orderly transfer of legal title to the product and/or service/s from the seller to the buyer via a sales transaction. Goods may be lying in a reliable state with producer or the manufacturer or their agents until some other person needs them.

The production process creates form utility of a goods or service, whereas time, place, and ownership utility are created by the marketing function; it is the act of offering a goods or service, when (time utility), where (place utility) and via processes that make possession easy, e.g. price/distribution/purchasing terms (ownership utility). Think back to the point made above about how businesses try and increase demand; the four factors stated on how a business does this are ways of increasing the utility of the product/ service. So the greater the utility, the greater the demand and potentially the more successful the business.

Marketing therefore, consists in moving goods to the manufacturers, in a form in which it is required at a time when they required, to the place where they are to be used and for those who are to use them for various purposes.

Marketing functions are the activities that create utility and facilitate the exchange process and include;

- Buying or leasing
- Selling or leasing
- Transporting
- Storing
- Standardising or grading
- Financing
- Risk taking
- Information gathering

It is worth noting at this point that the concept of utility overlaps into later points on the Marketing Mix, value chain and on goods versus services marketing.

1.3 The Theoretical basis of competition

It is important to distinguish here between strategy frameworks and strategy models. Strategy models have been used in theory building in economics to understand industrial organisations. However, models are difficult to apply to specific company situations and instead, qualitative frameworks have been developed with the specific goal of better informing business practice.

1.3.1 Generic Strategy: Types of Competitive Advantage

Strategy is fundamentally about two things:

- deciding where you want your business to go,
- and deciding how to get there.

Indeed a strategic plan is often compared to planning a journey; you know where you want to go to and from where you are starting, how you chose to travel depends on the resources and timescales you have in which to complete the journey. This is what a business's strategic plan does; it lays out where the business is heading for (targets/goals), where in currently is and what resources it intends to use, at what time, with what expected result, to get there.

A more complete definition is based on an understanding of competitive advantage, the mechanisms by which such advantage is created and communicated to the target audience. These are the objects of most corporate strategy:

Competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: cost leadership and differentiation.

– Michael Porter, *Competitive Advantage*, 1985:3

Figure Two below defines the choices of "generic strategy" a firm can follow.

		COMPETITIVE ADVANTAGE	
		Lower Cost	Differentiation
COMPETITIVE SCOPE	Broad Target	1. Cost Leadership	2. Differentiation
	Narrow Target	3A. Cost Focus	3B. Differentiation Focus

Source: Porter, M, 1985:12
Figure Two; Porter's Generic Strategies

A firm's relative position within an industry is given by its choice of *competitive advantage* (cost leadership vs. differentiation) and its choice of *competitive scope*. Competitive scope distinguishes between firms targeting broad industry segments and firms focusing on a narrow segment. Generic strategies are useful because they characterize strategic positions at *the simplest and broadest level*. Porter maintains that achieving competitive advantage requires a firm to make a choice about the type and scope of its competitive advantage. There are different risks inherent in each generic strategy, but being "all things to all people" is a sure recipe for mediocrity – getting "stuck in the middle".

An alternative framework developed by Treacy and Wiersema (1995) predicates that a firm typically will choose to emphasize one of three "value disciplines": *product leadership, operational excellence, and customer intimacy*. This framework is more in-tune with more advanced marketing concepts developed around the service dominant approach to marketing.

It is useful to think of strategy frameworks as having two components: internal and external analysis. The *external* analysis builds on an economics perspective of industry structure, and how a firm can make the most of competing in that structure. It emphasizes *where* a company should compete, and what's important when it does compete there. Porter's Five Forces and Value Chain concepts comprise the main externally-based framework. The external view helps inform strategic investments and decisions. *Internal* analysis, like core competence for example, is less based on industry structure and more in specific business operations and decisions. It emphasizes *how* a company should compete. The internal view is more appropriate for strategic organization and goal setting for the firm. These concepts are closely allied with those of environmental scanning in terms of macro and micro-environments covered in Chapter Three.

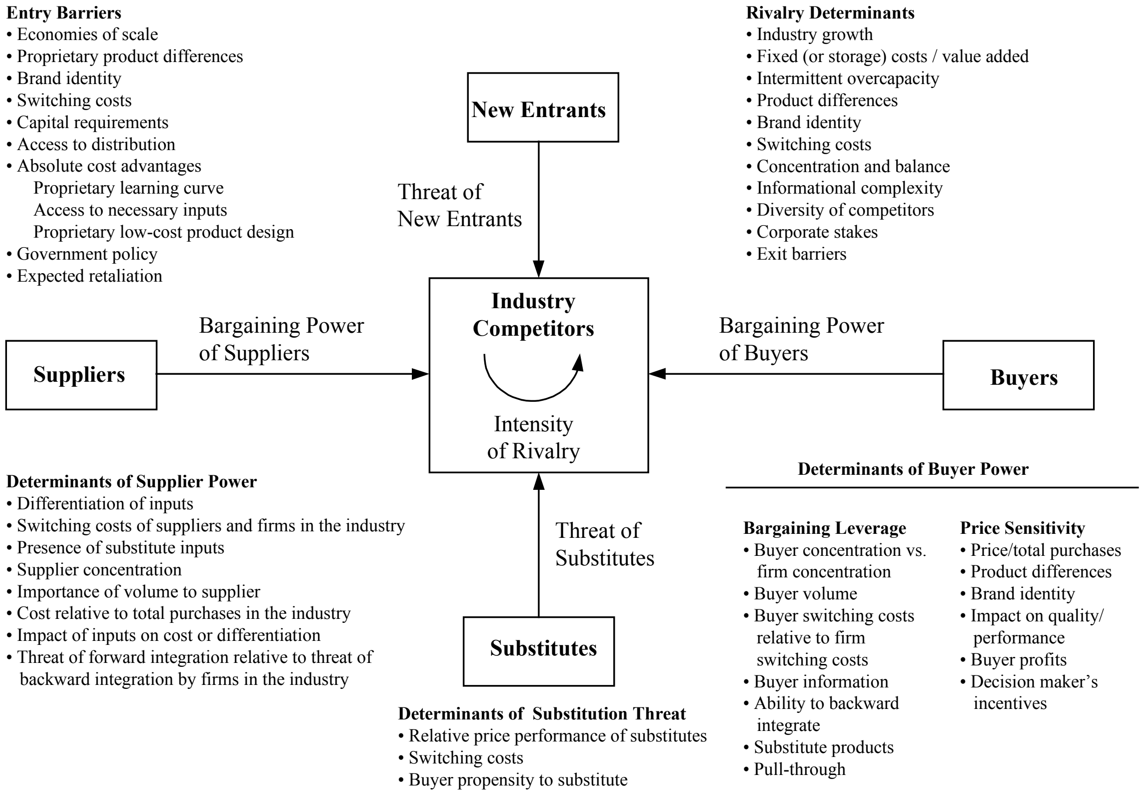
Porter's focus on industry structure is a powerful means of analyzing competitive advantage in itself, but it has been criticized for being too static in a world now driven by technological and social change. The internal analysis emphasizes building competencies, resources, and decision-making into a firm such that it continues to thrive in a changing environment, this has a close resonance with Porter's value chain concept and with the Resource based view (RBV) of the firm covered later in this chapter. However, neither framework in itself is sufficient to set the strategy of a firm.

The internal and external views mostly frame and inform the problem. The firm's actual strategy will have to take into account the particular challenges facing a company, and would address issues of financing, product and market, and people and organization. Some of these strategic decisions are event driven (particular projects or reorganisations responding to the environment and opportunity), while others are the subject of periodic strategic reviews.

1.3.2 What is the basis for competitive advantage?

Industry structure and *positioning within the industry* are the basis for models of competitive strategy promoted by Michael Porter. The "Five Forces" diagram (Figure Three) captures the main idea of Porter's theory of competitive advantage. The Five Forces define the rules of competition in any industry. Competitive strategy must grow out of a sophisticated understanding of the rules of competition that determine an industry's attractiveness. Porter claims, "The ultimate aim of competitive strategy is to cope with and, ideally, to change those rules in the firm's behaviour" (1985:4). The five forces determine industry profitability, and some industries may be more attractive than others. The crucial question in determining profitability is how much value firms can create for their buyers, and how much of this value will be captured or competed away. Industry structure determines who will capture the value. But a firm is not a complete prisoner of industry structure – firms can influence the five forces through their own strategies. The five forces framework highlights what is important, and directs manager's towards those aspects most important to long-term advantage.

A note of caution when using this in a practical way; just composing a long list of forces in the competitive environment will not produce meaningful results – successfully utilising this tool requires that the analysis and identifying the few key driving factors that really define the industry are done with care and precision. In some respects it is best to use the Five Forces framework as checklist for getting started, and as a reminder of the many possible sources for what those few driving forces could be.



Source: Porter, M. 1985:6

Figure 3: Porter's 5 Forces – Elements of Industry Structure

1.3.3 How is competitive advantage created?

At the most fundamental level, firms create competitive advantage by perceiving or discovering new and better ways to compete in an industry and bringing them to market. This is an act of innovation not invention, innovations have their concept and development based in an understanding of the markets' needs whereas inventions are often abstracts developed from an idea with no market 'concept' as their fundamental base. The innovation approach mirrors the modern marketing concept; the invention approach mirrors old style product pushing.

Innovation as an approach is also sounder in competition theory; it shifts competitive advantage when rivals either fail to perceive the new way of competing or are unwilling or unable to respond, and it does so with greater speed being based in real market needs. The most typical causes of innovations that shift competitive advantage are the following:

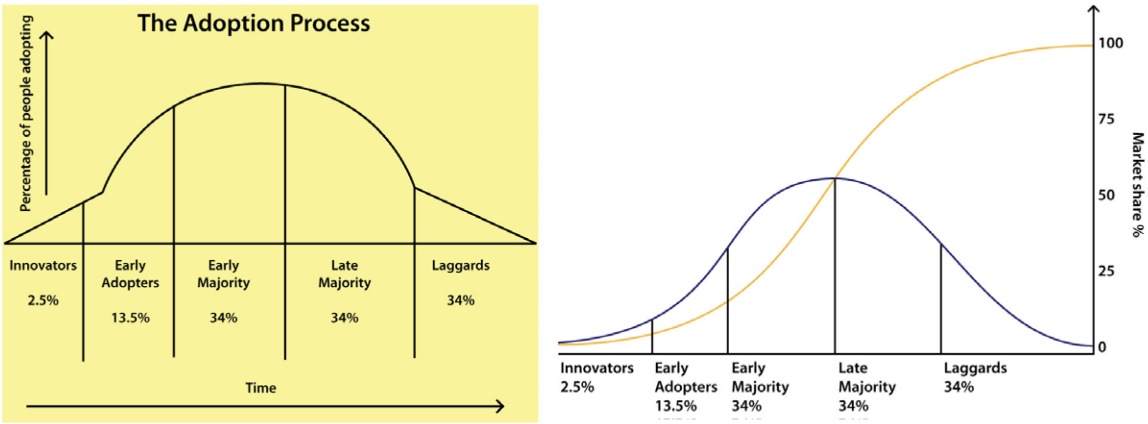
- new technologies
- new or shifting buyer needs
- the emergence of a new industry segment
- shifting input costs or availability
- changes in government regulations

Indeed there can be significant advantages to early movers responding to innovations, particularly in industries with significant economies of scale or when customers are more concerned about switching suppliers.

Innovation as a means of developing and introducing new products also needs to be understood in terms of the adopting behaviour of the consumer as formulated by Everett Rogers, in his work *Diffusion of Innovations* (1962). Rogers was not the first to observe this, the sociologist Gabreil Tarde wrote about it in 1890, which was later followed-up by thoughts from Friedrich Ratzel and Leo Frobenius. However it was Rogers who first drew a variety of outlines together to develop a framework for the adoption of ideas the adoption of new ideas, services and products which consisted of a sequential set of stages, as follows;

- Becoming aware of the new product
- Seeking information about it
- Developing favorable attitudes toward it
- Trying it out in some direct or indirect way
- Finding satisfaction in the trial
- Adopting the product into a standing usage or repurchase pattern.

Indeed this also mirrors thinking on general communications at the time (Hierarchy of effects & linear communications theory). Rogers also incorporated thoughts on consumer behaviour in terms of the speed of adoption of a new product/service/idea and the cumulative penetration of the market by it. In essence Rogers produced a generic segmentation that can be used to both understand and model the introduction of a new product/service/idea, by reflecting the 'adopter characteristic' types onto the target market. These are illustrated in figure 4.



Source; Rogers, E. (1962)
Figure 4: The adoption Process of New Products and relative market share

Rogers outlines five adopter characteristics;

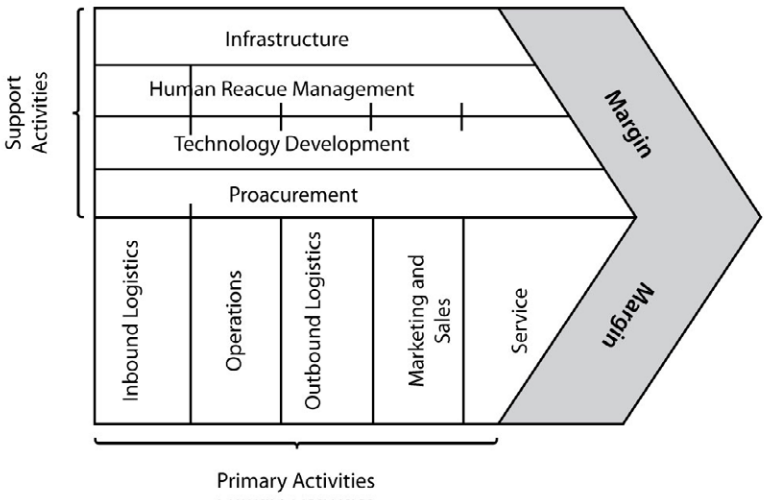
- **Innovator**: 2.5% of all purchases of the product; purchase the product at the beginning of the lifecycle; not afraid of trying new products that suit their lifestyle and will also pay a premium for that benefit
- **Early Adopters:** 13.5% of purchases; usually opinion leaders and naturally adopt products after the innovators; crucial because adoption by them means the product becomes acceptable, spurring on later purchasers
- **Early Majority:** 34% of purchases; spurred on by the early adopters; wait to see if the product will be adopted by society and will purchase only when this has happened; usually have some status in society
- **Late Majority:** 34% of sales; usually purchase the product at the late stages of majority within the lifecycle
- **Laggards:** 16% of total sales; usually purchase the product near the end of its life; the 'wait and see' group (wait to see if the product will get cheaper)

This concept also has implications for product management, particularly in terms of extra input into models like Ansoff's matrix.

1.3.4 How is competitive advantage implemented?

But besides watching industry trends, what can the firm do? At the level of strategy implementation, competitive advantage grows out of the way firms perform discrete activities – conceiving new ways to conduct activities, employing new procedures, new technologies, or different inputs. The "fit" of different strategic activities is also vital to lock out imitators. Porters "Value Chain" and "Activity Mapping" concepts help us think about how activities build competitive advantage.

The *value chain* is a systematic way of examining all the activities a firm performs and how they interact. It scrutinizes each of the activities of the firm (e.g. development, marketing, sales, operations, etc.) as a potential source of advantage. The value chain maps a firm into its strategically relevant activities in order to understand the behaviour of *costs* and the existing and potential sources of *differentiation*. Differentiation results, fundamentally, from the way a firm's product, associated services, and other activities affect its buyer's activities. All the activities in the value chain contribute to buyer value, and the cumulative costs in the chain will determine the difference between the buyer value and producer cost.



Source: Porter, M 1985:37
Figure 5: Porter's Value Chain

The value-chain concept has been extended beyond individual firms and it is now routinely applied to whole supply chains and distribution networks. This concept reflects the fact that delivery of a mix of products and services to the end customer will mobilize different economic factors, each managing its own value chain; indeed this also reflects the fact that with marketing theory 'Place' is much more than where a goods or service is sold, but also includes all the distributive and process aspects of business too – one reason why logistics has become so important in most retail businesses. The industry wide synchronized interactions of those local value chains create an extended value chain, sometimes global in extent. Porter terms this larger interconnected system of value chains the "value system." A value system includes the value chains of a firm's supplier (and their suppliers all the way back), the firm itself, the firm distribution channels, and the firm's buyers (and presumably extended to the buyers of their products, and so on).

Capturing the value generated along the chain is the new approach taken by many management strategists. For example, a car manufacturer might require its autoparts suppliers to be located nearby its assembly plant to minimize the cost of transportation. By exploiting the upstream and downstream information flowing along the value chain, the firms may try to bypass the intermediaries creating new business models, or in other ways create improvements in its value system. In strategic management terms this was called vertical, backwards or forwards integration depending on the starting point of the business within the value system.

A firm gains competitive advantage by performing these strategically important activities more cheaply or better than its competitors. One of the reasons the value chain framework is helpful is because it emphasizes that competitive advantage can come not just from great products or services, but from anywhere along the value chain. It's also important to understand how a firm fits into the overall *value system*, which includes the value chains of its suppliers, channels, and buyers.

With the idea of activity mapping, Porter (1996) builds on his ideas of generic strategy and the value chain to describe strategy implementation in more detail. Competitive advantage requires that the firm's value chain be managed as a system rather than a collection of separate parts. Whilst this seems obvious – a business is a holistic collection of processes that run concurrently not discretely – most business texts, and teaching, treat different aspects of the value chain as discrete standalone parts to be managed as such. This is the height of folly.

The choice of marketing strategy determines positioning choices which in turn determine not only which activities a company will perform and how it will configure individual activities, but also how they relate to one another.

This is crucial, since the essence of implementing strategy is in the activities – choosing to perform activities differently or to perform different activities than rivals. A firm should be greater than the sum of its parts; it is more than the sum of its activities. A firm's value chain is an interdependent system or network of activities, connected by linkages. Linkages occur when the way in which one activity is performed affects the cost or effectiveness of other activities. Linkages create tradeoffs requiring optimization and coordination and indeed these linkages are the key to be flexible and reactive to changing business conditions.

Porter describes three choices of strategic position that influence the configuration of a firm's activities:

- *variety-based positioning* – based on producing a subset of an industry's products or services; this involves a choice of product or service variety rather than customer segment. This makes business sense when a company can produce particular products or services using distinctive sets of activities.
- *needs-based positioning* – similar to traditional targeting of customer segments using the STP process. This can be used when there are distinct groups of customers with differing needs, and when a tailored set of activities can serve those needs best. It many respects this is Porter's focus strategy by another name.
- *access-based positioning* – segmenting by customers who have the same needs, but the best configuration of activities to reach them is different, in such circumstances the way in which the various customer segments are served is different, e.g. website and a shop sell the same items but serve different customers based on access.

Porter's major contribution with "activity mapping" is to help explain how different strategies, or positions, can be *implemented* in practice. The key to successful implementation of strategy, he says, is in *combining* activities into a consistent fit with each other. A company's strategic position, then, is contained within a set of tailored activities designed to deliver it. The activities are tightly linked to each other, as shown by a relevance diagram of sorts. Fit locks out competitors by creating a "chain that is as strong as its strongest link." If competitive advantage grows out of the entire system of activities, then competitors must match each activity to get the benefit of the whole system.

Porter defines three types of fit:

- simple consistency – first order fit between each activity and the overall strategy
- reinforcing – second order fit in which distinct activities reinforce each other
- optimisation of effort – coordination and information exchange across activities to eliminate redundancy and wasted effort.

1.3.5 How is competitive advantage sustained?

Porter (1990) outlines three conditions for the sustainability of competitive advantage:

- *Hierarchy of source (durability and imitability)* – lower-order advantages such as low labour cost may be easily imitated, while higher order advantages like proprietary technology, brand reputation, or customer relationships require sustained and cumulative investment and are more difficult to imitate. Indeed recent decades bear testament to the periodic movement of low labour costs businesses from country to country. Socio-economic conditions improve as a result of the foreign investment drawn to the low labour costs, causing inflationary pressure on wages, which eventually undermine the low labour costs and so the foreign investors move to the next low wage economy to exploit.
- *Number of distinct sources* – many are harder to imitate than few.
- *Constant improvement and upgrading* – a firm must be "running scared," creating new advantages at least as fast as competitors replicate old ones.

Advocates of this framework emphasize the importance of a dynamic strategy in today's more dynamic business environment, given the impact of technology in the widest sense it is hard to argue that our contemporary business environment is anything like that of even the 1990s let alone earlier eras. As such strategies based on a "war of position" in industry structure work only when markets, regions, products, and customer needs are well defined and durable; arguably this is now rarely the case.

Indeed as markets fragment and proliferate, they also accelerate the product life-cycles, this makes dominating any particular market segment more difficult and because of the fragmentation less valuable. In such an environment, the essence of strategy is not the structure of a company's products and markets but the dynamics of its behaviour. A successful company will move quickly in and out of products, markets, and sometimes even business segments. Underlying it all, though, is a set of core competencies or capabilities that are hard to imitate and distinguish the company from competition. These core competencies, and a continuous strategic investment in them, govern the long term dynamics and potential of the company.

CORE COMPETENCIES
Hard to imitate and distinguish the company from competition

→

CORE PRODUCT / SERVICE
Not directly sold to customers

→

END PRODUCT / SERVICE
End user production based on core products

Source; Author adapted from various sources.
Figure 6: Core Competencies and Marketing

1.3.6 What are core competencies and capabilities?

Prahalad and Hamel speak of core competencies as the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology (1990). These skills underlie a company's various product lines, and explain the ease with which successful competitors are able to enter new and seemingly unrelated businesses. Taking Pralahad and Hamel's view, three tests can be applied to identify core competencies:

1. provides potential access to wide variety of markets,
2. makes significant contribution to end user value, and
3. difficult for competitors to imitate

This has a close association with the support activities aspect of Porter's value chain model. Indeed Stalk, Evans, and Schulman (1992) speak of capabilities similarly, but define them more broadly to encompass the entire value chain rather than just specific technical and production expertise. This is now seen as a more pragmatic view for developing strategy, in that it helps to focus on strategy as having four key elements;

1. *Portfolio of competencies.*
   An essential lesson of this framework is that competencies are the roots of competitive advantage, and therefore businesses should be organized as a portfolio of competencies (or capabilities) rather than a portfolio of businesses. It follows that organization of a company into autonomous strategic business units, based on markets or products can cripple the ability to exploit and develop competencies – it unnecessarily restricts the returns to scale across the organization. Core competence is communication, involvement, and a deep commitment to working across organizational boundaries. This is a radical departure from traditional organisational theory.

2. *Products based on competencies.*
   Product portfolios (at least in technology-based companies) should be based on core competencies, with core products being the physical embodiment of one or more core competencies. Thus, core competence allows both focus (on a few competencies) and diversification (to whichever markets firm's capabilities can add value). To sustain leadership in their chosen core competence areas, companies should *seek to maximize their world manufacturing share in core products*. This partly determines the pace at which competencies can be enhanced and extended (through a learning-by-doing sort of improvement).

3. *Continuous investment in core competencies or capabilities.*
   The costs of losing a core competence can be only partly calculated in advance – since the embedded skills are built through a process of continuous improvement, it is not something that can be simply bought back or "rented in" by outsourcing. For example, in America & Europe Wal-mart, has invested heavily in its logistics infrastructure. These were strategic investments that enabled the company's relentless focus on customer needs. While Wal-mart was building up its competencies, K-mart was outsourcing whenever it was cheapest leaving it less able to react to customers' changing needs.

4. *Caution: core competencies as core rigidities.*
   There is a consensus of opinion about the limitations to restricting product development to areas in which core competencies already exist, or core rigidities. Good companies may try to incrementally improve their competencies by bringing in one or two new core competencies with each new major development project they pursue.

1.3.7 Resource-Based View of the Firm (RBV)

The RBV framework is a relatively recent development that combines the internal (core competence) and external (industry structure) perspectives on strategy. Like the frameworks of core competence and capabilities, firms have very different collections of physical and intangible assets and capabilities, which RBV calls resources. Competitive advantage is ultimately attributed to the ownership of a valuable resource. Resources are more broadly defined to be physical (e.g. property rights, capital), intangible (e.g. brand names, technological know how), or organizational (e.g. routines or processes like lean manufacturing).

No two companies have the same resources because no two companies share the same set of experience, have acquired the same assets and skills, or built the same organisational culture. And unlike the core competence and capabilities frameworks, the value of the broadly-defined resources is determined in the interplay with market forces; this has strong links with Porter's Five Forces covered earlier.

For a resource to be the basis of an effective strategy, it must pass a number of *external* market tests of its value. Collins and Montgomery (1995) offer a series of five tests for a valuable resource:

Inimitability – how hard is it for competitors to copy the resource? A company can stall imitation if the resource is (1) *physically unique*, (2) a consequence of *path dependent* development activities, (3) *causally ambiguous* (competitors don't know what to imitate), or (4) a costly asset investment for a limited market, resulting in *economic deterrence*.

Durability – how quickly does the resource depreciate?

Appropriability – who captures the value that the resource creates: company, customers, distributors, suppliers, or employees?

Substitutability – can a unique resource be trumped by a different resource?
Competitive Superiority – is the resource really better *relative* to competitors?

Similarly, but from a more external, economics perspective, Peteraf (1993) proposes four theoretical conditions for competitive advantage to exist in an industry:

1. *Heterogeneity of resources* => rents exist
   A basic assumption is that resource bundles and capabilities are heterogeneous across firms. This difference is manifested in two ways. First, firms with superior resources can earn Ricardian rents (profits) in competitive markets because they produce more efficiently than others. What is key is that the superior resource remains in limited supply, i.e. it is constrained in some manner. Second, firms with market power can earn monopoly profits from their resources by deliberately restricting output. Heterogeneity in monopoly models may result from differentiated products, intra-industry mobility barriers, or first-mover advantages, for example.

2. *Ex-post limits to competition* => rents sustained
   Subsequent to a firm gaining a superior position and earning rents, there must be forces that limit competition for those rents (imitability and substitutability).
3. *Imperfect mobility* => rents sustained within the firm
   Resources are imperfectly mobile if they cannot be traded, so they cannot be bid away from their employer; competitive advantage is sustained.
4. *Ex-ante limits to competition* => rents not offset by costs
   Prior to the firm establishing its superior position, there must be limited competition for that position. Otherwise, the cost of getting there would offset the benefit of the resource or asset.

Taking the RBV Managers should build their strategies on resources that pass the above tests. In determining what valuable resources are, firms should look both at external industry conditions and at their internal capabilities – in essence an audit of both macro and micro-environments is still required but is processed via a different model that recognises that resources can come from anywhere in the value chain and can be physical assets, intangibles, or routines.

Because of the changing nature of the business environment and rapidly shifting needs of customers' continuous improvement and upgrading of the resources is essential to prosper, indeed this casts the need to be able to manage ambiguity into centre stage, reflecting some of the lessons laid in Peters & Waterman, and Waterman. As such businesses must consider industry structure and dynamics when deciding which resources to invest in.

Equally in corporations with a divisional structure, it's easy to make the mistake of optimizing divisional profits and letting investment in resources take a back seat. Good strategy requires continual rethinking of the company's scope, to make sure it's making the most of its resources and not getting into markets where it does not have a resource advantage. RBV can inform about the risks and benefits of diversification strategies.

1.4 Alternative Frameworks: Evolutionary Change and Hypercompetition

At the end of the 1990s several studies of worldwide industries were undertaken by a variety of consulting and academic organisations. One of the key results reported in almost every study was that those companies that followed traditional approaches to strategy, collaboration, organization, and business processes (as taught in most MBA programmes and espoused by some consultants), had decreased the chances for success compared to those firms whose managers followed innovative approaches to strategic thinking and action. While some details of the innovative approaches were provided in the report, there was no unifying framework to aid managers and researchers in putting the findings in context, nor was there any basis for generalizing the findings to other industries.

As a result, strategy literature moved its focus to managing change as the central strategic challenge. Change, the story goes, is the striking feature of contemporary business, and successful firms will be the ones that deal most effectively with change, not simply those that are good at planning ahead. When the direction of change is too uncertain, managers simply *cannot* plan effectively. When industries are rapidly and unpredictably changing, strategy based on industry analysis, core capabilities, and planning may be inadequate by themselves, and would be well complemented by an orientation towards dealing with change effectively and continuously.

1.4.1 Evolutionary Change

In *Competing on the Edge*, Eisenhardt & Brown (1998) advocate a strategy based on what they call "competing on the edge," through combining elements of complexity theory with evolutionary theory. Theories that draw analogies between biological evolution and economics or business can be very satisfying: they explain the way things work in the real world, where analysis and planning is often a rarity. Moreover, they suggest that strategies based on flexibility, experimentation and continuous change and learning can be even more important than rigorous analysis and planning.

In Eisenhardt & Brown's framework, firms develop a "semi-coherent strategic direction". This requires them to create and maintain the right balance between order and chaos – firms can then successfully evolve and adapt to their unpredictable environment. In many regards this has overlaps with what many older strategic texts term 'emergent strategy'. By competing at the "edge of chaos," a firm creates an organization that can change and produce a continuous flow of competitive advantages that forms the "semi-coherent" direction. Firms are not hindered by too much planning or centralised control, but they have enough structure so that change can be organized to happen. By organising in this way they promote an entrepreneurial and market oriented business philosophy.

They successfully 'evolve', because they pursue a variety of moves – reacting to the evolutionary pressure of customers' needs and in doing so make some mistakes but also relentlessly reinvent the business by discovering new growth opportunities. This strategy is characterized by being unpredictable, uncontrolled, and inefficient, but there is no denying it works. It's important to note that firms should not just react well to change, but must also do a good job of anticipating and leading change. In successful businesses, change is *time-paced*, or triggered by the passage of time rather than events.

In *Built to Last*, Collins and Porras (1994) outline habits of eighteen long-successful, visionary companies. Underlying the habits is an orientation towards evolutionary change: try a lot of stuff and keep what works. Evolutionary processes can be a powerful way to stimulate progress. Importantly, Collins and Porras also find that successful companies each have a core ideology that must be preserved throughout the progress. There is no one formula for the "right" set of core values, but it is important to have them. In strategy-speak, it is this core ideology that most fundamentally differentiates the firm from competitors, regardless of which market segments they get into.

Note there are close associations with the 'core' concept of branding and with the modern interpretation of what a business's mission statement should stand for here, indeed they go on to state that they should be deeply held values that go beyond "vision statements" – they are mechanisms and systems that are built into the system over time. In marketing-speak these values should be a major part of a firm's corporate positioning who's values need to be congruent with those of its products and services.

Attention to the core beliefs may sometimes defy short-term profit incentives or conventional business wisdom, but it is important to maintain them. Note; "maximize shareholder wealth" is *not* an adequate core ideology – it does not inspire people at all levels and provides little guidance.

In the context of strategy and planning, this book offers a couple of important lessons:

- Unplanned, evolutionary change can be an important component to success. Strategy and planning should foster and complement such change, not suffocate it.
- Certain core beliefs are fundamental to organizations, and should be preserved at all costs. Not everything about an organization is a candidate for change in considering alternative strategies.

1.4.2 Hypercompetition

As discussed earlier, there is little doubt that today's business environment has become dynamic as such traditional sources of competitive advantage erode rapidly, and sustaining advantages can be a distraction from developing new ones. With the fragmentation of markets, products and services, the proliferation of niche seeking competitors and of means of delivering to the market, competition has intensified to make each of the traditional sources of advantage more vulnerable; price & quality, timing and know-how, creation of strongholds – entry barriers have fallen, and deep pockets – resource dominance, are no longer sufficient means by which to control and dominate. This has become known as Hypercompetition.

The concept of hypercompetition suggests that strategy should also involve the creative destruction of an opponent's advantage; in some respects this places a strong emphasis on SWOT analysis (see 3.2.1.6. in this text). The primary goal of this new approach to strategy is disruption of the status quo, to seize the initiative through creating a series of temporary advantages. It is the speed and intensity of movement that characterizes hypercompetition. From economic theory we know that there is no equilibrium as in perfect competition, and only temporary profits are possible in hypercompetition markets.

This approach has seen the rise of several new trends in marketing such a 'guerrilla', 'ambush', 'astro-turfing', 'viral' and 'stealth' all of which are designed to create temporary advantages in markets. These approaches are described in Chapter Eight. It has also seen the rise of 'game theory' as a tool for analysing customers' and competitors' responses to a firm's competitive moves; game theory attempts to mathematically capture behaviours in strategic situations and thus to predict scenarios of market macro-environment, thus enabling the key pivotal points for disruption to be identified.

Successful strategy in hypercompetitive markets is based on three elements:

- Vision for how to disrupt a market
  - setting goals, building core competencies necessary to create specific disruptions
- Key capabilities enabling speed and surprise in a wide range of actions
- Disruptive tactics illuminated by game theory
  - shifting the rules of the game, signalling, simultaneous and strategic thrusts

1.5 The Marketing Concept

There have been four eras in the development of business, figure 7 below, which have sequentially led to the development of The Marketing Concept. To understand Marketing it is thus important to understand what these eras were and what their philosophy of business was, indeed some businesses still run on these philosophies are do not utilise the marketing concept.

190 The Production Era
- Minimal dialogue between customers and suppliers
- Mass production
- Homogenous products
- Distribution is the focus of marketing

194 **The Institutional Period and Selling Orientation**
- Rapid growth
- More focus on cost management, inventory management and asset management
- Selling focus (company builds it and sales person sells it)
- Minimal customer voice
- Increasing need for marketing communications
- The development of the 4Ps

195 **The Marketing Concept**
- Companies should only make what they can market instead of trying to market what they have made
- Increasing customer focus

198 **Relationship Marketing/ Supply Chain Era**
- Customers now have a dialogue, not just a voice
- Close, long-term relationships based on mutual trust
- More emphasis on win-win outcomes

200 **Value Chain Era**
- Start with customer requirement and build infrastructure to deliver maximum value
- Integration of supply and demand chains
- Proactive, knowledge-based relationships

? Era

Source: Adapted by author from various sources
Figure 7: The four Eras of predominant business philosophy

Markets are ancient, but the concept of marketing arose only in the middle of the 20th century. In agricultural and mercantile societies there were producers, guilds, traders, bankers, and retailers, but economic consciousness was focused on making money, not fulfilling consumer desires. As markets matured in the early 20th century, firms had to compete harder for market share, but they did so through advertising and sales promotions aimed at unloading goods on resistant customers; the hard sell reigned.

The concept of marketing that we now see have is firmly rooted in the developments during the industrial revolution of the 18th and 19th centuries. This was a period of rapid social change driven by technological and scientific innovation (see BBC history website) leading to mechanisation and industrialisation and the mass production philosophy made famous by Henry Ford. Ford also characterises consumer choice and attitude of this period, “any colour as long as it’s Black”.

Mass production led to an emphasis on the cost-efficiency of production rather than the satisfaction of the customer, i.e. a base appeal to meet the widest of market needs. The key idea was that a good product would sell itself and thus little to no emphasis was placed on marketing, indeed emphasis was placed on maximising distribution; a good product with wide distribution equalled success. Hence this is aptly named the Production Era.

One result was that for the first time the production of goods was separated from their consumption. Mass production, developing transport infrastructure and growing mass media meant that producers needed to, and could develop more sophisticated ways of managing the distribution of goods.

During the late 1930s and more so in the 1940s a shift in thinking began. Larger more dominant Corporate Institutions developed in the aftermath of the great depression alongside a proliferation of smaller competitors as worldwide markets began to recover. The beginnings of International travel on a accessible scale also fuelled both growth and competition. The result was a shift to wards sales – towards 'pushing' product via 'hard' techniques in both sales and in creative advertising designed to 'overcome' customer resistance and convince them to buy. It is in this period that most of today's creative agencies in advertising and marketing have their roots.

By the time of *Death of a Salesman* in the 1950s, consumer-goods companies like Proctor and Gamble and General Electric developed a more respectful, inquisitive attitude towards the consumer. Through the 1950s this led to a gradual change as other companies began to realise that 'persuading' people to buy something was relatively difficult and that as such actually discovering customers basic needs and then supplying products and services to satisfy them was both a sounder philosophical concept and more importantly a much more efficient and effective economic premise on which to run a business.

Alongside the gradual change in philosophy came a second change – an increased demand for services. The growth in demand for services (and the resulting production) has continued through to the present day, despite recessions. Indeed services continue to increase at a faster rate than the demand for manufactured goods in all major worldwide economies a factor that makes some national governments uneasy.

Through the 1950s and 1960s the emphasis on researcher customer needs grew until philosophies such as 'Customer is King' evolved which was the true start towards the modern Marketing Concept. The early pioneers established marketing departments dedicated to finding out what people want from their light-bulbs, detergents and TVs. Their success was noted and quickly spawned imitators. This 'marketing revolution' came with the same sense of wondrously blindingly obvious that seems to accompany many 'breakthroughs' in the business world.

During the late 1970s and early 1980s this concept developed further. Initially within Industrial and business to business (B2B) marketing, the realisation that the cost of acquiring a new customer was significant led to the development of the Key account concept. In this a customer was viewed as important enough to be worth developing a long-term ongoing relationship with and so a salesperson would be assigned to develop this relationship rather than constantly looking for new customers. The concept of relationship management (RM) soon caught on to the point that the IT industry *en masse* developed software to help companies deliver Customer Relationship Management (CRM).

Whilst the success of CRM and the accompanying Relationship Marketing phenomenon that accompanied it in marketing circles is debateable, the orientation that it placed on both customer and supplier getting value from a long-term relationship is not. Indeed the value concept that developed led directly to the view of co-ordinated value chains, and the emphasis that era had on logistics and the supply chain issues, which expanded to a whole business holistic view in the Marketing Concept.

The Marketing concept was the most recent of the 'levels' of marketing to develop and can be summarised as a philosophy (belief) that an entire firm must be co-ordinated to serve the needs and wants of its present and potential customers at a profit. The focus is on primarily finding out what the customers want and then ensuring all in the firm understand this and work towards delivering it to the customers.

The key idea is to develop a mutually beneficial relationship with the customer, i.e. a companywide consumer orientation which will promote long-term success through feedback from the customer base informing product development, pricing, distribution, customer service, etc. At its core this philosophy recognises that marketplace success begins with understanding the customer.

In part the emergence of the marketing concept is explained by the shift from a seller's market to a buyer's market, i.e. a shift in power from the seller's of goods and services to their consumers, which has increased the competitive nature of most markets. In part it is also explained by the increasing competitive forces levied on markets by factors such a globalisation, technology etc. Again it is worth noting that the Marketing concept links Marketing strategy to business strategy in a holistic manner and hence strategic marketing borrows heavily from a variety if business disciplines.

There are three main alternatives to adopting a marketing orientation. These are; the Sales orientation, the Production orientation, and the Product orientation.

Sales orientation; Some businesses see their main problem as selling more of the product or services which they already have available. They may therefore be expected to make full use of selling, pricing, promotion and distribution skills (just like a marketing-orientated business).

The difference is that a sale-orientated business pays little attention to customer needs and wants, and does not try particularly hard to create suitable products or services.

Production orientation; A production-orientated business is said to be mainly concerned with making as many units as possible. By concentrating on producing maximum volumes, such a business aims to maximise profitability by exploiting economies of scale.

In a production orientated business, the needs of customers are secondary compared with the need to increase output. Such an approach is probably most effective when a business operates in very high growth markets or where the potential for economies of scale is significant.

Product orientation; This is subtly different from a production orientation. Consider a business that is "obsessed" with its own products – perhaps even arrogant about how good they are. Their products may start out as fully up-to-date and technical leaders.

However, by failing to consider changing technological developments or subtle changes in consumer tastes, a product-orientated business may find that its products start to lose ground to competitors.

2 What can be marketed?

We satisfy our needs and wants by buying goods and services. Goods are items you can see and touch, such as a book, a pen, a folder etc.; they are physical, having form and substance. Whereas, services are provided for you by other people, such as; doctor, dentist, haircut and eating out at restaurants, they are intangible. When you purchase a good you thus get physical ownership of it, whereas when you purchase a service you gain ownership of nothing.

However this split was traditionally based on an economics based view and such a dichotomy between physical goods and intangible services is not given too much credence within contemporary marketing. It is only when you get down to individual adaptation of the marketing mix elements that such a consideration is required.

Firstly we have to note that these are not discrete categories, as figure 8 suggests there is in fact a continuum with a pure service as one terminal point and a pure commodity good as the other.

Figure 8: Service-Commodity Continuum

It is thus better to actually think in terms of goods and services in terms of what actually makes them different form each other because it is these factors that impact on the marketing mix. The goods and services continuum enables marketers to see the relative goods/services composition of total products. By determining a product's position on the continuum marketers can spot opportunities.

Goods and services are the outputs offered by businesses to satisfy the demands of consumer and industrial markets. They are best differentiated on the basis of four characteristics:

- **Tangibility:** Goods are tangible products such as cars, clothing, and machinery. They have shape and can be seen and touched. Services are intangible; hair styling, pest control, and equipment repair, for example, do not have a physical presence.
- **Perishability***:* All goods have some degree of durability beyond the time of purchase. Services do not; they *perish* as they are delivered.
- **Separability***:* Goods can be stored for later use. Thus, production and consumption are typically separate. Because the production and consumption of services are simultaneous, services and the service provider cannot be separated.
- **Standardisation***:* The quality of goods can be controlled through standardisation and grading in the production process. The quality of services, however, is different each time they are delivered.

Secondly when one considers the real world such a split between goods and services is clearly tautology – they are both products. Marketers draw on the same set of principles and skills to market all products, whether they are apples, oranges or haircuts.

For example, a restaurant provides a physical good (prepared food), but also provides services in the form of ambiance, the setting and clearing of the table, waiting on table, etc. Indeed with the wider adoption of the marketing concept and the increasing competition in markets many products are now heavily reliant on services supplied as an integral element with a good – called an augmented product – in order to be competitive.

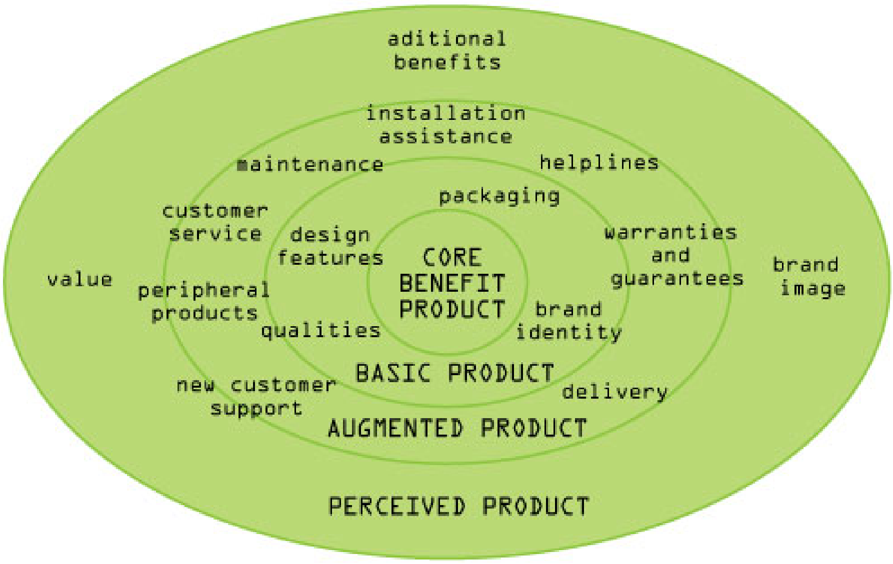
This has led to some academics developing the Service Dominant Logic (SDL) approach to marketing, which focuses on this area as the substantive satisfier of needs.

To understand this concept of goods and services as products, let's take a look at how we define and examine products. Firstly we can describe a 'Product' as a bundle of attributes or characteristics. Let's take the humble staple of bread. Bread comes in many varieties, leavened and unleavened, white, wholemeal, brown, a mix of the two, sliced or unsliced, buns, baps or loaf, small, medium or large or it may be small – these are physical attributes of the bread.

These physical attributes all provide different benefits to the person who buys and/or eats the bread, e.g. a sliced loaf may be good value for money, good for your health or easy to use when making sandwiches. Note these physical attributes are aimed at satisfying people's needs. Bread primarily satisfies hunger – a physiological need in Maslow's Hierarchy, but can then be used to also satisfy secondary needs higher in the hierarchy – buying wholemeal bread for health benefits, or seeded bread for taste or aesthetics.

Indeed if we think about this a Product may have to satisfy many needs to be successful. Consider a diet soft drink. Primarily it has to quench thirst and taste good, but it is likely that it also has to be low calorie, be convenient to drink and convey a suitable image. So the needs range from the simple, e.g. quench thirst, to the elaborate, e.g. convey suitable image. Some of these are fulfilled by basic product characteristics, but some needs require more than just product ingredients, e.g. image is largely created by its advertising and the convenience of drinking is down to the size and design of the can or bottle.

Consumers consider all these factors simultaneously to reach a judgement on the value of what is termed The Total Product Offering (TPO) – this is the total package that makes up and surrounds the product including all supporting features such as branding, packaging, servicing and warranties, indeed the TPO includes all elements of the marketing mix so that marketers must design a complete, co-ordinated, cohesive and congruent package.



Source: Adapted by author from various sources
Figure 9: the Total Product Offering

If you look at figure nine you will see that the TPO consists of four levels; the core, the basic product, the augmented product and the perceived product. The core benefit is the central reason for the product to exist, it is the simplest possible answer to an expressed need: no frills, no branding or packaging, no warranties or service promises, just the most basic reason why the product is needed.

2.1 Core Benefit Product

There are very few instances of new core needs, there are however ever increasing and new ways of satisfying those core needs. E-mail, SMS text, messenger programs are new ways of satisfying the need to communicate, and have supplanted letters, faxes, telegrams, and public phone boxes as earlier ways to satisfy this communication need, but they haven't created a new need in themselves.

This is a vital concept and one that is overlooked at some peril. Marketers must be sure that their products will satisfy a need in its most basic sense. Products that fail to offer a sound core benefit are usually failures. Consider the fate of the Sinclair C5, as shown in figure 10. Whilst revolutionary in concept and design, it failed to satisfy some core needs of drivers; a sense of safety, a sense of comfort and little carrying capacity. As a result the product and Sinclair research in turn – failed.

Figure 10: the Sinclair C5

2.2 Basic product

The basic product is the product stripped down to its essentials, and is often referred to as the FAB; Features, Attributes and Benefits. Features are qualities or characteristics of a product, whereas attributes are features presented in a way that add value from the customer's perspective. Benefits are the favourable results customers expect to obtain by using a product.

Product attributes reside in the product and can be tangible in the product or intangible – a service aspect of the product. Benefits reside in the customer and are always abstract they are often the result of a cluster of product attributes, some of which may be abstract attributes. Benefits can be seen as being Functional – deriving from product features and attributes, Symbolic – deriving from performance expectations and Experimental – deriving from actual usage of the product.

For example, a drink may have high caffeine content (a concrete attribute), whilst a computer has a quad core processor making it able to multi-task and get more done, faster; we would characterise this intangible attribute by using the term "performance."

2.3 Augmented product

The next level of the TPO contains supporting features. Among these are customer service, guarantees, service network, delivery, after-sales service and credit facilities. They aim to provide ways to enhance the offering and can be used to counter objections or resolve doubts in the customer's mind.

2.4 Perceived product

The outer ring of the TPO is the perceived product. This varies according to customers' perceptions of the product, e.g. different customers have different views. Perception involves the way in which we interpret our world and is built from our life experiences and our personalities. We have different likes and dislikes, different tastes – that is largely why suppliers offer us a choice of products.

One of the big challenges of marketing is to ensure that customers perceive a product in the way that is intended. We call this positioning – it is the place a product is perceived to occupy in the minds of customers/consumers relative to other competing brands. We would do this by perceptual mapping.

Perceptual mapping is covered in section 4.5 on page 79.

If there is a mismatch of customer perception and supplier intention, then there is a problem.

2.5 A note on branding

Branding spans two levels in the total product model. As brand identity, it is a part of the basic product, giving it a name and signalling its level of quality. Brand image is also an important part of the customer's perception of the product and so fits into the model's outer ring. Branding is covered in more detail in Chapter Four.

2.6 Summary of the Chapter

In actual fact there are no goods or services that cannot be marketed; all can be made into a product. But the way that different products are marketed is very different, and as you might suppose by now this is dependent the nature of the product and on the market we are aiming to serve, this second approach to categorizing products classifies them on the basis of their uses. This organization facilitates the identification of prospective users and the design of strategies to reach them. The major distinction in this system is between consumer and business products, with the later referred to as 'industrial' products in some books.

We can be marketing to a business – we call this Business to Business marketing (B2B) or we can be marketing to consumers – we call Business to Consumer marketing (B2C). Note that these terms are based on the target market not on the product or service, as it is perfectly possible for a product or service to be a need for a business and a consumer, e.g. car insurance, buildings insurance, stationery.

B2C marketing is what all of you reading this will have been exposed to in your life to date; it's the marketing of goods and services to members of the general public, as an individual or as part of a social group, e.g. family, friends. This type of marketing covers all types of products and services, which are aimed at satisfying the needs that arise from the various levels of Maslow's Hierarchy (figure 1).

B2B marketing is different in that it involves marketing to an organisation which will have a variety of different people several of whom will have a role in the choice of the goods and services that are used by their organisation. The means that the decision to purchase any goods or service is more complex than that in B2C marketing. Chapter Two explores B2C and B2B marketing in more detail.

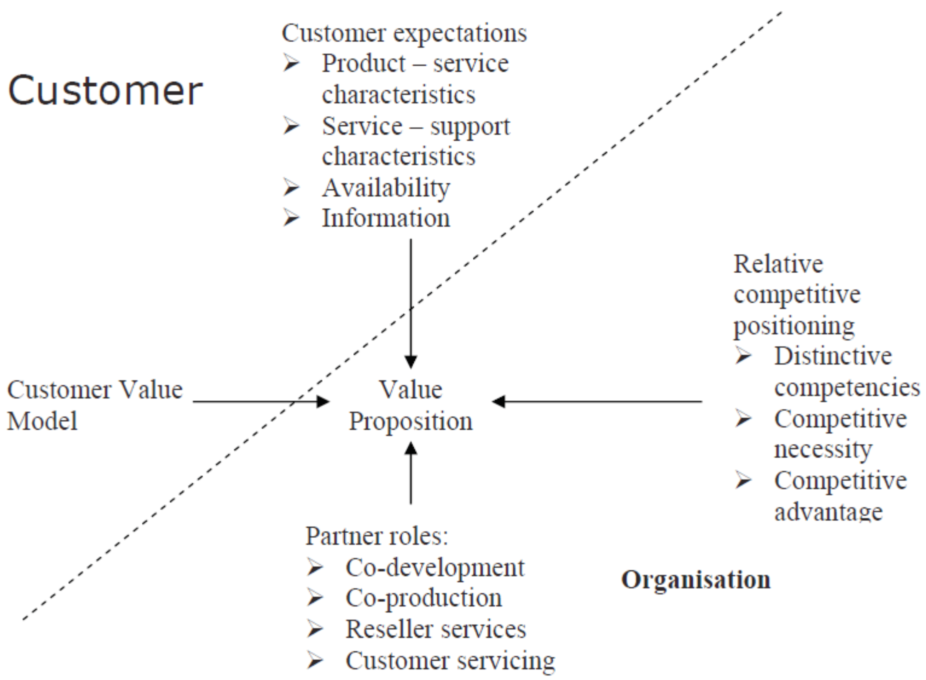
With the growth of marketing as a concept has come its expansion beyond the traditional commercial operations of B2B and B2C marketing into firstly the not-for-profit sector and more recently the change and growth in media types has expanded marketing into a whole new area of 'non-traditional marketing', which is covered in Chapter Nine.

3 Marketing's role in the business

3.1 Cross-functional issues

The modern concept of Marketing is that it delivers added value through customer satisfaction and quality. Customer satisfaction is the result of a product meeting or exceeding the buyer's needs and expectations. Importantly we must also realise that customers today want far more than just products and services, they also want value.

Value in terms of the quality being commensurate with the price and with the overall cost of acquisition – a concept that goes beyond basic price to incorporate delivery and other additional charges. Value in terms of a product or service that exceeds expectations. Value in terms of the brand reputation of the supplier; a reputation for quality can enhance a firm's competitiveness, whereas a slip in quality can damage a firm's image and ability to compete. Equally quality in areas such as Customer service can be palpable in terms of competitive advantage. Figure 4 shows a conceptual model for value and hints at the complexity involved, this is a primary reason why traditional economics based theory can never explain purchasing behaviour.



Source: Adapted from Walters (2002)
Figure 11: Components of the Value Proposition

Customers who believe that they have received value are more likely to remain satisfied with the company and continue their relationships. In order to deliver this marketing has four major goals:

- To develop deep understanding of customer's needs, operating procedures and decision making processes.
- To formulate value propositions that meets customers' needs and creates a differential advantage.
- To move from successful transactions with customers to long-term relationships based upon loyalty and trust.
- To understand that superior value requires superior knowledge, skills, systems and marketing assets.

A key concept within the role of Marketing in a business is that of Customer satisfaction and feedback. Information is the foundation of understanding customer wants and needs and it is the successful companies that make every attempt to ensure the satisfaction of their customers, by astutely and assiduously collecting this information. One of the best ways to find out whether or not customers are satisfied is to obtain customer feedback.

For many businesses this is actually a main use of their website, where customers can leave unconstrained comments and suggestions about products, services and experiences. In it no accident that customer complaints are excellent sources of customer feedback. Indeed many customers often feel greater loyalty after a conflict has been resolved than if they had never complained at all. From this we can safely conclude that customer service and satisfaction have key roles in marketing. Indeed we should also be able to see that personal selling also has a key role within marketing if we extend the service metaphor – personal selling is often a key aspect of such service, especially for products with large intangible service elements to them.

So what other areas in a business does marketing have impact upon? Let's explore this using the customer service concept as a basis. There is a major change in the way companies organise themselves as firms switch from product-based to customer-based structures. A key driver of this change is the advent of Customer Relationship Management (CRM) – the marketing concept is central to CRM – which is underpinned by information systems convergence, the development of supporting software and organisational structure and training which combine to significantly improve the implementation of Relationship Marketing principles.

So already we have three main issues that can enable (or hinder) the development of; the organisational issues of culture and communication, management metrics and cross-functional integration, especially between marketing and information technology. So we can see that as companies have moved towards a more marketing oriented way of operating, the issues within marketing and thus the values associated with marketing have become increasingly important in all functional and operational areas of those businesses. In essence we are back to Regis McKenna – "Marketing is everything".

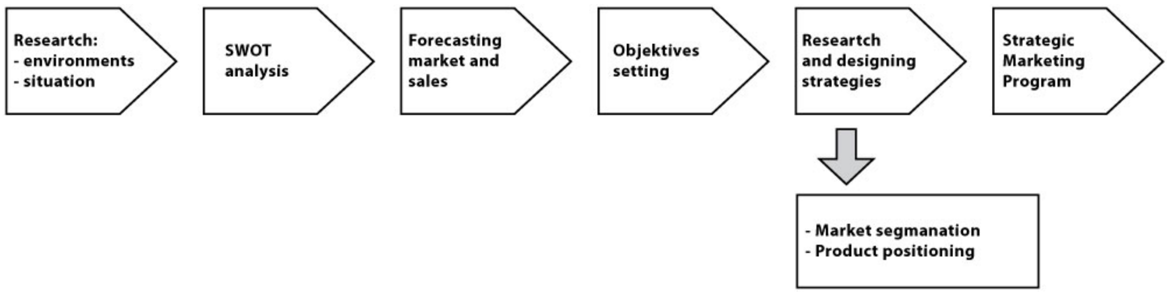
3.2 Strategic issues

The strategic marketing planning process can be defined as (Luck, Ferell & Lucas, 1989; Boyd & Walker, 1990):

"The process of planning for a set of determinations that guides or directs the managers of an enterprise to reach their desired long-term market position within a certain target market."

A distinction must be made between the strategic planning process, which spans a time period of 3 to 5 years, and the marketing planning which will be made every year. Besides the annual marketing planning process, a marketing control process exists, see next section. These different processes are distinguished because of the generally known importance of producing both short and long-term marketing plans

The strategic marketing planning process consists of the following sequential activities (Nieuwland, 1994)



Source: Adapted by Author from various sources
Figure 12: The Strategic Marketing Planning Process (SMP)

To understand this process is important as it is fundamental to successful strategy. Therefore we will now look at SMP step-by-step.

The input at the start of the process should be the corporate marketing plan, which provides direction on the businesses the company should be in and the company's growth policies. If the company is operating on an international basis, the strategic marketing planning process is mostly practiced on a decentralised level within the organisation. For this purpose, the company is divided in Strategic Business Units (SBU) which consists of Product Divisions (PD). Each PD can be split up in Product/Market-Combinations (PMC) (Van der Lee, Moëd & Dierckxsens, 1987). When these sub-levels can be identified in a company this means that every level has its own input in the strategic marketing process.

3.2.1 Research of environment and situation

Addition research specific to markets would also be needed, for instance; political, economic factors, entry and exit barriers, degree of concentration, market power via Porter's Five Forces and the market situation. Note this isn't something that should be done only once, an ongoing analysis of the marketing environment is necessary. This includes analyzing the industry for instance market potential, market size, growth and shares and actions of competitors.

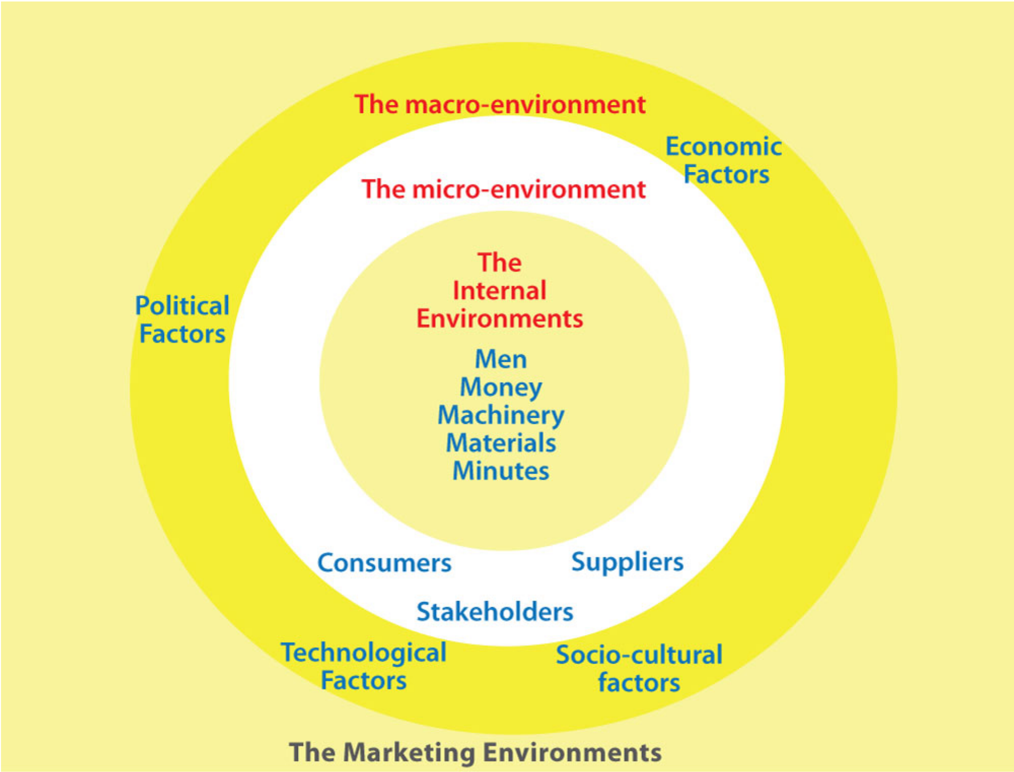
Figure Thirteen shows the overall environment that a business operates in and its constituents; this is in effect the marketing environment. Mirroring the concepts discussed in Chapters 1 & 2 the first view of the environment is to contrast between that within the firm and that outside the firm. The environment within the firm is termed 'Internal' whilst that outside the firm is termed 'External'. All internal aspects are directly within the span of control of the firm and can be altered, stopped or started at its decision. Note; this encompasses the contemporary view that marketing activities should be aimed at both the external and internal 'customers', inward aimed internal marketing or stakeholder relations is now a major activity in many businesses, especially those that have adopted the marketing philosophy as a way of doing business.

Taking direction from Mintzberg's work (1983) which includes game theory as a core concept in organisational strategy we can summate the 'internal' aspects to the 5Ms;

- Men
- Money
- Materials
- Machinery
- Minutes

This is about a framework or checklist that allows a firm to align its business resource needs with the market it is operating in.

Those aspects that are external can be further split into those that are completely outside the control or direct influence of the firm, laws, economics, social and technological changes for example and those that are substantively outside the control of the firm; their suppliers, unions, local community and other stakeholders. Note the firm may be able to influence these but it cannot control them.

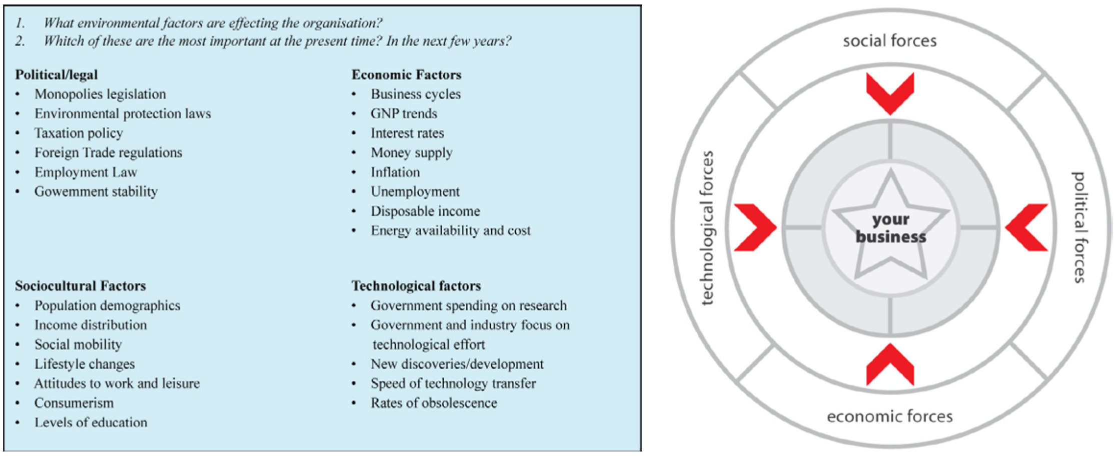


Source: adapted by author from various sources.
Figure 13: The Macro and Micro-environment for businesses

To understand the interplay of factors in the environment a number of models are used which are presented in summary below.

3.2.1.1 PESLEDI

Before the corporate, SBU and PD strategies are determined, the company has to examine the current, macro-environment of the company. This is done by undertaking PESTLEDI analysis; political, economic, socio-cultural, technological, legal, environmental, demographic technological trends, and if multi-national or exporting, the International aspects of all these. You will see this type of analysis also referred to as PEST or PESTLE – they are all the same.



Source: adapted by author from various sources
Figure 14: PEST analysis

Figure fourteen shows the rationale behind why an understanding of these aspects of the macro-environment is important and the tabular structure that is usually used to develop and report such an analysis.

Identifying PEST influences is a useful way of summarising the external environment in which a business operates. However, it must be followed up by consideration of how a business should respond to these influences.

Table 1 below lists some possible factors that could indicate important environmental influences for a business under the PEST headings.

Political/Legal	Economic	Social	Technological
• ***Environmental regulation and protection***	• Economic growth (overall; by industry sector)	• Income distribution (change in distribution of disposable income;	• Government spending on research
• ***Taxation (corporate; consumer)***	• Monetary policy (interest rates)	• Demographics (age structure of the population; gender; family size and composition; changing nature of occupations)	• Government and industry focus on technological effort
• ***International trade regulation***	• Government spending (overall level; specific spending priorities)	• Labour / social mobility	• New discoveries and development
• ***Consumer protection***	• Policy towards unemployment (minimum wage, unemployment benefits, grants)	• Lifestyle changes (e.g. Home working, single households)	• Speed of technology transfer
• ***Employment law***	• Taxation (impact on consumer disposable income, incentives to invest in capital equipment, corporation tax rates)	• Attitudes to work and leisure	• Rates of technological obsolescence
• ***Government organisation/ attitude***	• Exchange rates (effects on demand by overseas customers; effect on cost of imported components)	• Education	• Energy use and costs
• ***Competition regulation***	• Inflation (effect on costs and selling prices)	• Fashions and fads	• Changes in material sciences
	• Stage of the business cycle (effect on short-term business performance)	• Health & welfare	• Impact of changes in Information technology
	• – Economic "mood" – consumer confidence	• Living conditions (housing, amenities, pollution)	• Internet!

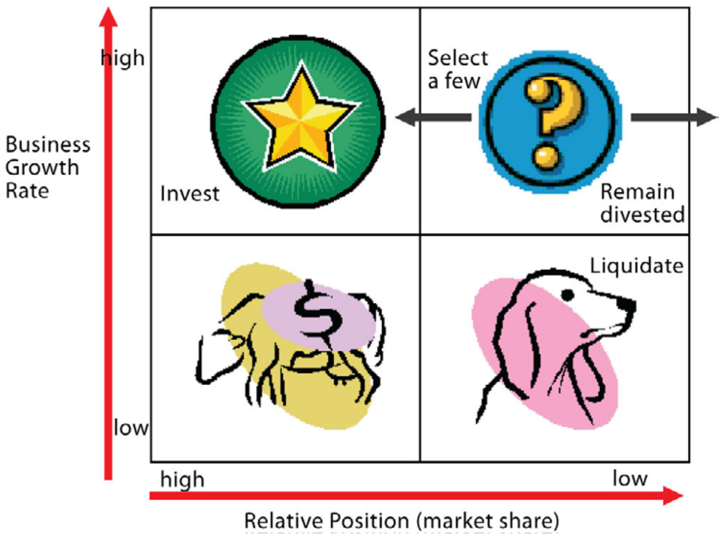
Source: Adapted by author from various sources

Table 1: Possible factors to be analysed under a PEST framework

3.2.1.2 BCG Matrix, Improved BCG matrix and the GE/McKinsey Matrix

The BCG matrix (aka B.C.G. analysis, BCG-matrix, Boston Box, Boston Matrix, Boston Consulting Group analysis, portfolio diagram) is a chart that had been created by Bruce Henderson for the Boston Consulting Group in 1968 to help corporations with analyzing their business units or product lines. This helps the company allocate resources and is used as an analytical tool in brand marketing, product management, strategic management, and portfolio analysis.

The BCG Matrix now is a well known tool for the marketing manager. It has two controlling aspects; namely relative market share (meaning relative to your competition) and market growth. Relative market share is plotted on the horizontal axis – this serves as a measure of SBU strength in the market and market growth rate is plotted on the vertical axis – this provides a measure of market attractiveness, see figure fifteen below.



Source: adapted by author from various sources
Figure 15: the BCG Matrix

By dividing the matrix into four areas, four types of SBU can be distinguished:

- **Stars** – Stars are high growth businesses or products competing in markets where they are relatively strong compared with the competition. Often they need heavy investment to sustain their growth. Eventually their growth will slow and, assuming they maintain their relative market share, will become cash cows.
- **Cash Cows** – Cash cows are low-growth businesses or products with a relatively high market share. These are mature, successful businesses with relatively little need for investment. They need to be managed for continued profit – so that they continue to generate the strong cash flows that the company needs for its Stars.

- **Question marks** – Question marks are businesses or products with low market share but which operate in higher growth markets. This suggests that they have potential, but may require substantial investment in order to grow market share at the expense of more powerful competitors.
    - Management have to think hard about "question marks" – which ones should they invest in? Which ones should they allow to fail or shrink?
- **Dogs** – Unsurprisingly, the term "dogs" refers to businesses or products that have low relative share in unattractive, low-growth markets. Dogs may generate enough cash to break-even, but they are rarely, if ever, worth investing in.

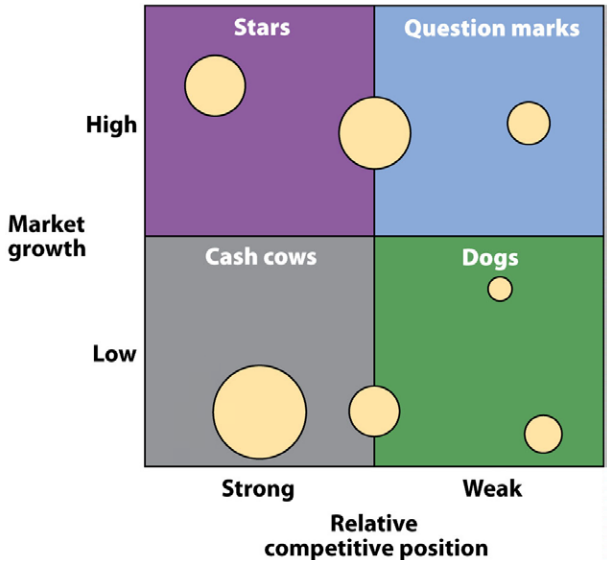
Conventional strategic thinking suggests there are four possible strategies for each SBU:

1. ***Build Share:*** here the company can invest to increase market share (for example turning a "question mark" into a star)
2. ***Hold:*** here the company invests just enough to keep the SBU in its present position
3. ***Harvest:*** here the company reduces the amount of investment in order to maximise the short-term cash flows and profits from the SBU. This may have the effect of turning Stars into Cash Cows.
4. ***Divest:*** the company can divest the SBU by phasing it out or selling it – in order to use the resources elsewhere (e.g. investing in the more promising "question marks").

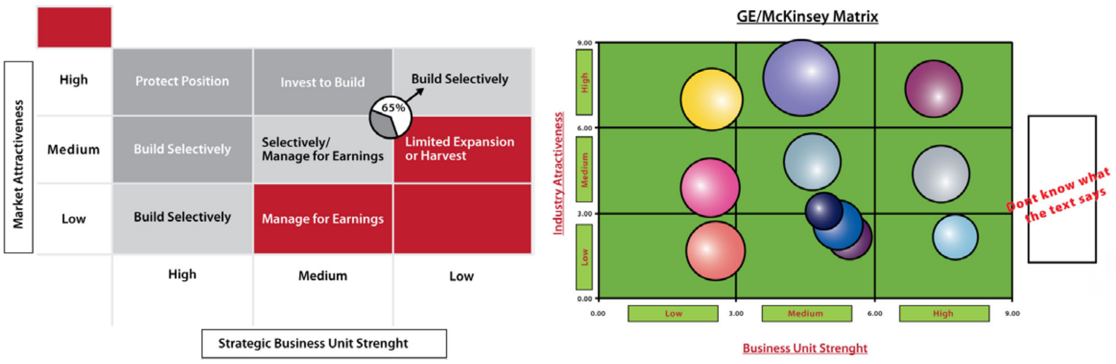
The matrix ranks only market share and industry growth rate, and only implies actual profitability, the purpose of any business. Note; it is perfectly possible that a particular *dog* can be profitable without cash infusions required, and therefore should be retained and not sold. The matrix also overlooks other elements of industry thus with this or any other such analytical tool, ranking business units has a subjective element involving guesswork about the future, particularly with respect to growth rates.

Unless the rankings are approached with rigour and scepticism, optimistic evaluations can lead to a dot com mentality in which even the most dubious businesses are classified as "question marks" with good prospects; enthusiastic managers may claim that cash must be thrown at these businesses immediately in order to turn them into stars, before growth rates slow and it's too late. Poor definition of a business's market will lead to some *dogs* being misclassified as *cash bulls*.

The improved BCG Matrix plots the sales of each SBU/Product by placing a circle on the original BCG layout. In this way a range of SBUs/products they can be better compared to each other. Another variation places two circles for each SBU/product, one for its own sales and a second for the overall market, thus allowing volume and penetration comparison.



Source: adapted by author from various sources
Figure 16: The improved BCG Matrix



Source: adapted by author from various sources
Figure 17: The McKinsey/GE Matrix

The GE/McKinsey Matrix was developed in the 1970s by the management consulting firm McKinsey & Co. as a tool to screen General Electric's large portfolio of SBUs. The idea behind the matrix (a.k.a., the GE Business Screen or GE Strategic Planning Grid) is to evaluate businesses along two composite dimensions: industry attractiveness and industry strength. The GE/McKinsey Matrix improves on the BCG approach in two ways:

1. it utilizes more comprehensive axes (the BCG matrix uses market growth rate as a proxy for industry attractiveness and relative market share as a proxy for the strength of the business unit); and
2. it consists of nine-cells rather than four, allowing for greater precision.

The McKinsey/GE Matrix, Figure Seventeen, overcomes a number of the disadvantages of the BCG Box;

- Firstly, **market attractiveness** replaces **market growth** as the dimension of industry attractiveness, and includes a broader range of factors other than just the market growth rate. The key factors in this measure are;
  - Market Size
  - Market growth
  - Market profitability
  - Pricing trends
  - Competitive intensity/rivalry
  - Overall risk of returns in the industry
  - Opportunity to differentiate products and services
  - Segmentation
  - Distribution structure (e.g. retail, direct, wholesale)

- Secondly, **competitive strength** replaces **market share** as the dimension by which the competitive position of each SBU is assessed. The key factors in this measure are;
  - Strength of assets and competencies
  - Relative brand strength
  - Market share
  - Customer loyalty
  - Relative cost position (cost structure compared with competitors)
  - Distribution strength
  - Record of technological or other innovation
  - Access to financial and other investment resources

A less well known tool in this area is the 'Advantage Matrix' also developed by the Boston Consulting Group and used by them in preference to the standard BCG. It is also in the form of a quadrant (four boxes) but which takes as its 'axes' the two contrasting 'alternatives', 'economies of scale' (described by them as 'potential size of advantage') against 'differentiation' (shown as 'number of approaches to achieving advantage'). In essence, the former category covers the approach of the standard BCG matrix, while the latter represents Porter's approach of `differentiating' products so that they do not compete head-on with their competitors.

- **Volume business**. In this case there are considerable economies of scale, but few opportunities for differentiation. This is the classic situation in which organizations strive for economies of scale by becoming the volume, and hence cost, leader. Examples are volume cars and consumer electronics.
- **Stalemated business**. Here there is neither the opportunity for differentiation nor economies of scale; examples are textiles and shipbuilding. The main means of competition, therefore, has been reducing the 'factor costs' (mainly those of labour) by moving to locations where these costs are lower, even to different countries in the developing world.
- **Specialized business**. These businesses gain benefits from both economies of scale and differentiation (often characterized by experience effects in their own, differentiated, segment); examples being branded foods and cosmetics. The main strategies are focus and segment leadership.
- **Fragmented business**. These organizations also gain benefit from differentiation, particularly in the services sector, but little from economies of scale; examples being restaurants and job-shop engineering. Competition may be minimized by innovatory differentiation.

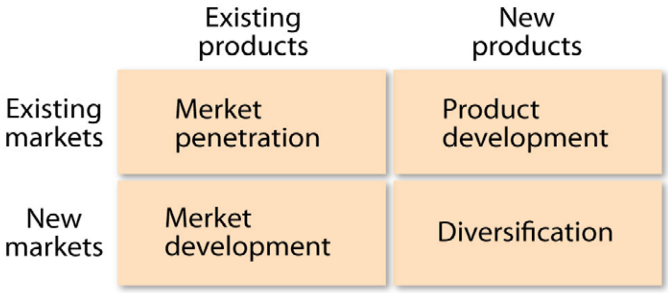
The advantage of this matrix is that it highlights the assumptions that are hidden in the BCG. It may also give a better feel for the optimum strategy and the likely profits, but it does not give any feel for the cash flow, which was the main feature of the original matrix.

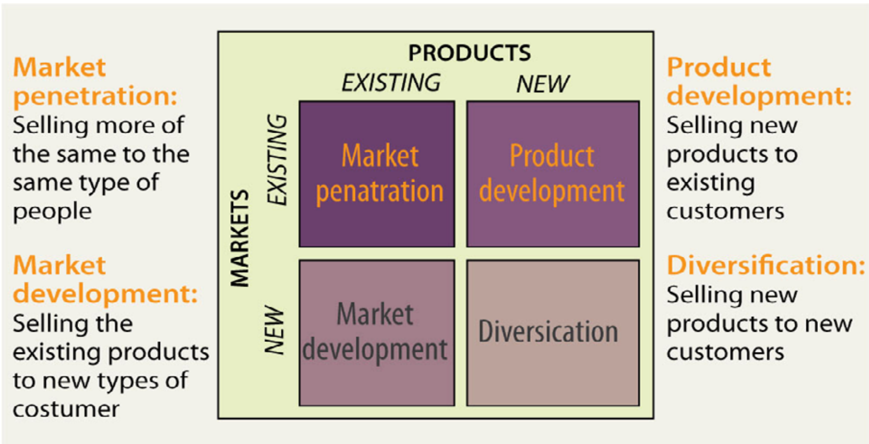
3.2.1.3 Porter's Five Forces

This has already been covered in section 1.3.2 page 20. But is mentioned here as a reminder of its importance in this are of analysis.

3.2.1.4 Ansoff's Matrix

Ansoff's product/market growth matrix suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets, this is shown in figure eighteen. The output from the Ansoff product/market matrix is a series of suggested growth strategies that set the direction for the business strategy. These are shown in the lower half of figure eighteen.





Source: Adapted by author from various sources
Figure 18: Ansoff's Matrix

Market penetration – is the name given to a growth strategy where the business focuses on selling existing products into existing markets. Market penetration seeks to achieve four main objectives:

- Maintain or increase the market share of current products – this can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling
- Secure dominance of growth markets
- Restructure a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors
- Increase usage by existing customers – for example by introducing loyalty schemes

A market penetration marketing strategy is very much about "business as usual". The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market research.

Market development – is the name given to a growth strategy where the business seeks to sell its existing products into new markets. There are many possible ways of approaching this strategy, including:

- New geographical markets; for example exporting the product to a new country
- New product dimensions or packaging: for example
- New distribution channels
- Different pricing policies to attract different customers or create new market segments

Product development – **is** the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets.

Diversification – is the name given to the growth strategy where a business markets new products in new markets. This is an inherently more risk strategy because the business is moving into markets in which it has little or no experience. For a business to adopt a diversification strategy, therefore, it must have a clear idea about what it expects to gain from the strategy and an honest assessment of the risks.

Another attempt to update the matrix was launched in 1998, by Bruce D. Buskirk of Pepperdine University and Edward D. Popper of Bellarmine College. They amended Ansoff's growth strategy matrix for the high-tech market by adding a third column titled Product – New Technology. They argue that expanding the original four-cell matrix was necessary because it assumes customers are "*familiar with the products (or product category) being offered (even if they are not familiar with the firm who offered the product). Even without technological innovation, in an expanding market, customers will enter the marketplace without product knowledge.*" It has however not found popular favour.

3.2.1.5 5Ms internal audit

As mentioned earlier in this chapter the 5M framework is about aligning a firm's internal sources to those needed by it in order to successfully implement its strategies for the market/s it is operating in.

- Men
- Money
- Materials
- Machinery
- Minutes

In this regard it is a 'gap' analysis highlighting shortfalls in existing resources allowing the management to then take decisions as to whether the acquisition and deployment of the extra required resources is desirable given the anticipated benefits and returns to the firm. Within marketing 5Ms is a core model for linking strategy to internal organisation and as such also has a role in RBV and competencies views.

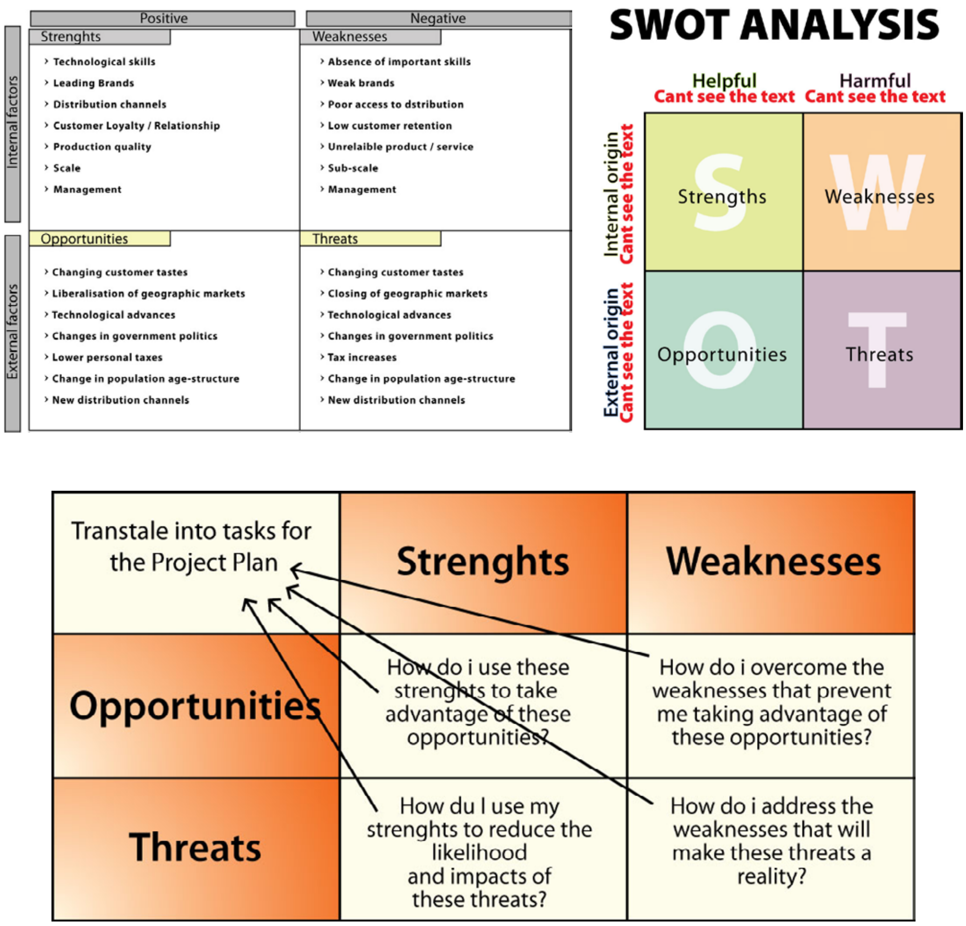
3.2.1.6 SWOT-Analysis

After studying the environment and the situation, it is necessary to do a SWOT analysis. This analysis provides an overall overview of the strengths, weaknesses, opportunities and threats of the firm and its environment. Strengths are the internal competencies a company needs to have and weaknesses are the competencies that the company does not have; note these should be defined from the customer's perspective – if the customer doesn't see something as a strength, then no matter how proud of it the business is it is meaningless in a SWOT analysis. The same applies to a weakness. This is a marketing perspective on SW not that adopted by many strategic management texts.

A marketing opportunity for a company is an attractive area for a marketing action in which the company would enjoy a competitive advantage. On the other hand, an environmental threat is a challenge posed by an unfavourable trend or development in the environment that would lead, in the absence of purposeful marketing action, to the erosion of the company's position.

After having performed the SWOT analysis, the company will use these findings to define the main issues that must be addressed in the strategic marketing plan. Decisions of these issues will lead to the subsequent setting of objectives, strategies and tactics.

The result of the analysis is usually presented as a four box table or diagram, as shown in the top left part of figure nineteen, at the side of this the next part of the diagram shows the risk profile of each box in a SWOT analysis. The lower part of figure nineteen shows a more advanced or enhanced SWOT that also illustrates the key questions a SWOT is used to answer and the fact these answers then need to be converted into an Action or Project Plan with an overall marketing/business plan context.



Source: adapted by author from various sources
Figure 19: SWOT & Enhanced SWOT analysis

3.3 Forecasting market and sales

Before realistic marketing objectives can be set, market and product sales forecasts have to be made. This may be done via utilising economic models, extrapolation from research data or previous year's sales, using moving averages for seasonality issues or estimation, which frankly is another word for guessing. The setting forecasts with any degree of realism and accuracy is one of the most difficult tasks in business. It requires the ability to mentally juggle a variety of data whilst remaining frank about the business/product/market you are forecasting for. It becomes even harder in times of economic turbulence and inflation, and in markets that have distinct seasonal trends, e.g. holidays, fashion. When you have a completely new product it becomes even more difficult, especially if it is a groundbreaker where no market existed before.

3.4 Implementation, Analysis, Control & Evaluation

Marketing control is the process of monitoring the marketing plan/s as they proceed and then taking action to adjust the plans through changes in the marketing mix where necessary. If an objective or goal states where you want to be, then the plan itself sets out the preferred route to your destination, and control then tells you if you are on the right route, when you have arrived at your destination and what alternative routes are available if your original becomes blocked.

Control involves measurement, evaluation, and monitoring. Resources are scarce and costly so it is important to control marketing plans.

Control involves setting standards. In management we use variance analysis where we compare actual progress against the standards. Where there is a significant variation from the standard it is reported for further investigation and corrective action. This process is no different in marketing than it is in accounting.

Source: adapted by author from various sources
Figure 20: The Control Process in Marketing

There are many approaches to control; here are a few common ones:

- Market share analysis.
- Sales analysis.
- Quality controls.
- Budgets.
- Ratio analysis.
- Marketing research.
- Marketing information systems (MkIS).
- Feedback from customer's satisfaction surveys.
- Cash flow statements.
- Customer Relationship Management (CRM) systems.
- Sales per thousand customers, per factory, by segment.
- Location of buyers and potential buyers.
- Activities of competitors to aspects of your plan.
- Distributor support.
- Performance of any promotional activities.
- Market reaction/acceptance to pricing polices.
- Service levels.

3.5 Objectives setting

The forecasts of market and sales will be the guidelines to determine the objectives and the marketing strategy and programme. An example of a specific statements are: decrease the cost of the sales force as a percentage of sales, improve advertising awareness by 5% amongst the target age 18–25 or improving company image by 2% in the general public. These statements have to be quantified and a time horizon has to be set. If you need to set objectives you are best advised to research the SMART objectives framework a discussion of which lies outside the scope of this book.

3.5.1 Research and designing of strategies

After the objectives have been approved by the PD, the PMC should determine their target markets, because serving the total market is often impossible since it is often too large. This is where the STP process fits in the strategic planning process.

3.5.2 Strategic marketing programme

The last step of the strategic marketing planning process is the formulation of a strategic marketing plan and budget for each target market, which have to be approved by the organisation's board of directors. This is the stage at which the specific formulation of the marketing mix is undertaken.

However, it is worth remembering that many of the concepts, as well as many of the specific techniques, will work equally well whether they are directed at goods or services. In particular, developing a marketing strategy is much the same for goods and services, in that it involves selecting target markets and formulating a marketing mix. Theodore Levitt suggested that "instead of talking of 'goods' and of 'services', it is better to talk of 'tangibles' and 'intangibles'". Levitt also went on to suggest that marketing a physical product is often more concerned with intangible aspects (frequently the 'product service' elements of the total package) than with its physical sales after service is very important in service sector properties.

Marketing tactics will be developed besides the action programmes, detailing what are to be done, when by whom at what cost and over what period of time. When the objectives have been set, the marketing managers have to refine the strategic marketing plan, which will have a 5–10 year timeframe to the annual marketing plan, which has a one year timeframe, and then turn it over to the operational marketers to implement.

3.5.3 Control

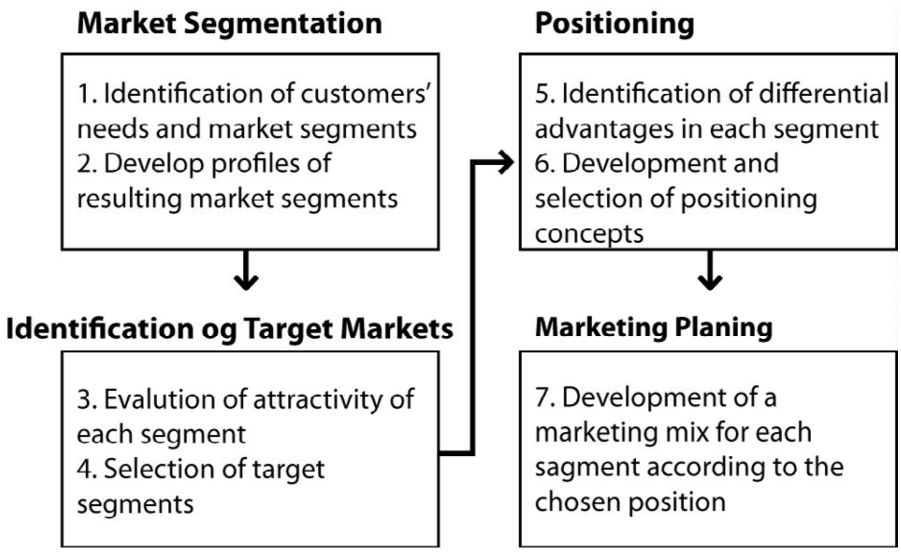
The last step of the marketing planning and control process is control, which forms a distinct process itself and so is dealt with in detail below.

4 Segmentation, Targeting & Positioning

You will recall that it was earlier stated that the essence of the marketing concept is the idea of placing customer needs at the centre of the organization's decision-making. At the heart of the marketing concept is a process of STP, figure twenty-one. This starts with trying to understand the market by segmenting it.

Markets are rarely simple; they are complex consisting of a variety of buyers with disparate motives, backgrounds all leading to different needs and wants. Markets also have disparate macro-environment factors affecting them; different levels and types of competition and several other factors also mean that markets are rarely homogeneous.

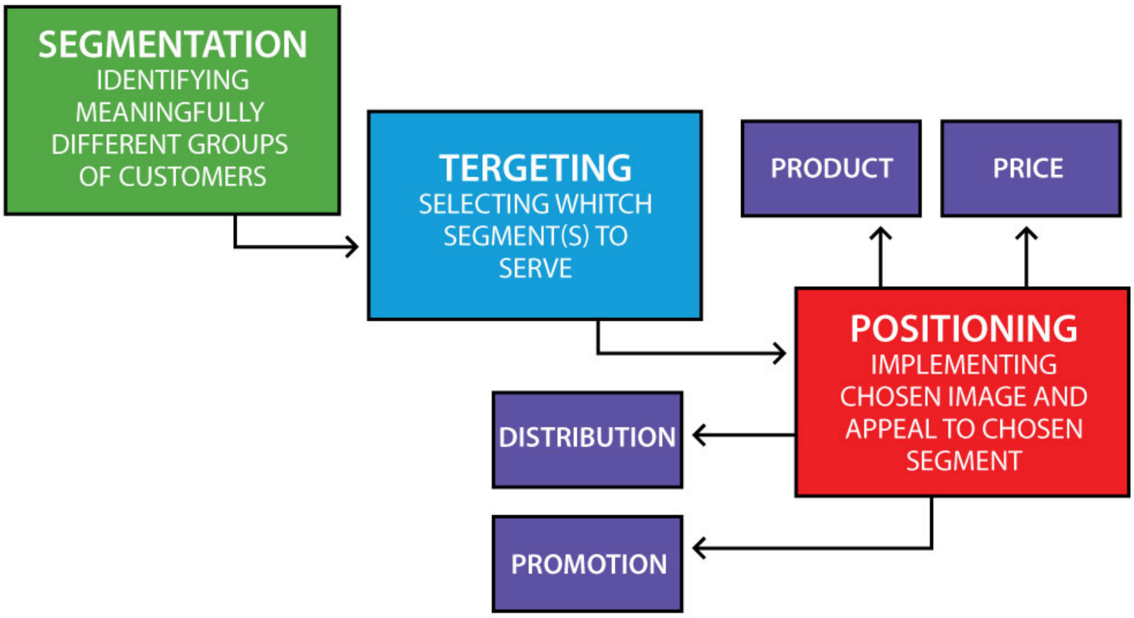
This means as marketers we need to adopt an approach that considers such factors as, increased competition, better-informed and-educated customers and, most importantly, changing patterns of demand. It is this later factor that has primarily given rise to the need to segment markets. This stems from the fact that higher standards of living and a trend towards individualism has meant that consumers are now more able to exercise their choice in the market place. Witness the growth of consumerism in emerging markets – China is a good case in point where increased growth in western style luxuries and other Fast moving consumer goods (FMCG) has been rampant in the last decade as more liberal market controls have been introduced.



Source: adapted by author from various sources
Figure 21: the Process of STP

Market segmentation can be defined as the process of breaking down the total market for a product or service into distinct sub-groups or segments where each segment may conceivably represent a separate target market to be reached with a distinctive marketing mix. Segmentation and the subsequent strategies of targeting and positioning start by recognizing that increasingly, within the total demand/market for a product, specific tastes, needs and demand may differ. It breaks down the total market for a product or service into individual clusters of customers, or segments. Here, customers who share similar demand preferences are grouped together within each segment. STP is used to;

1. Segment; determine which kinds of customers exist, then
2. Target; select which ones we are best off trying to serve and, finally,
3. Position; implement our segmentation by optimizing our products/services for that segment and communicating that we have made the choice to distinguish ourselves that way.



Source: Adapted by author from various sources
Figure 22: Segmentation, Targeting & Positioning; the Process

Generically, there are three approaches to marketing and this reflects into the STP needs of each strategy. In the *undifferentiated* strategy, all consumers are treated equally and the company makes no effort to satisfy particular groups. This usually only works for commodities where the product is standard and where one competitor really can't offer much more any other. Here there is little to no need for segmentation.

In the *concentrated* strategy, one firm chooses to focus on one of several segments that exist while leaving other segments to competitors. All low cost or 'budget' airlines follow a concentrated strategy. They therefore need to understand the particular segment they are operating in depth but not the whole market.

In contrast, most scheduled airlines follow the *differentiated* strategy: They offer a variety of classes and tickets, geared to convenience, prestige, etc in an effort to capture as much of the disparate needs of travellers as they can. They need to understand the whole market and to be able to segment it on differing customer needs.

4.1 Segmentation

Segmentation can be simply summarised as dividing a market by a set of pre-determined criteria. But in doing so we are overlooking the key fundamental of what segmentation should actually be used for – and that is to gain customer insight. Truly understanding the needs of potential and actual customers in a market allows a company to segment along the lines of needs – needs it can serve, needs it cannot, needs it wants to serve. The concept is to segment only using variables that having meaning in the context of the company and the market it is operating in, not to just jump feet first and use the tried and trusted geo-demographics.

It cannot be stressed too much that correct segmentation is the fundamental bedrock of any marketing strategy and that if it is poorly conceived or executed, your strategy is a house of cards waiting to collapse. It is made harder in practice because there may be a large number of variables that can be used to differentiate consumers of a given product category; yet, in practice, it becomes impossibly cumbersome to work with more than a few at a time.

This then means some hard choices about which variables will be *most* useful in distinguishing different groups of consumers, i.e. we need to establish a rank order of the variables by relevancy and that means the choice needs to be made in context *each* time, rather than relying on a generic standard approach. As such it is worth examining the common kinds of variables can be used for segmentation.

- *Geographic* variables refer to location and include region of the world, continent or country, East/West/North/South/Central/Coastal/Upland etc, country size, area size & type; urban, rural, semi-urban, town, village, city and importantly climate, Hot, Cold, Humid, Arid, Rainy
- *Demographic* variables essentially refer to personal statistics such as income, age, gender, education, occupation, ethnicity, religion, nationality/race, language and family size.
- *Psychographic variables* take this a step farther, to segment on lifestyle, attitudes, personality and values.

- Another basis for segmentation is *behaviour*. Some consumers are "brand loyal", they tend to stick with their preferred brands even when a competing one is on sale. Some consumers are "heavy" users while others are "light" users; classic examples for this are smoking and alcoholic drinks. Buying status, buying role, user type are other common behavioural segmentation variables.
- Segmentation by usage occasion is similar to behaviour but focuses on when the product is used, e.g. Wedding dresses.
- Segmentation on *benefits sought*, is a special form of behavioural segmentation essentially bypassing demographic explanatory variables, e.g. soap powder on better whitening, or non-run of colours.

Effective segmentation is achieved when customers sharing similar patterns of demand are grouped together and where each group or segment differs in the pattern of demand from other segments in the market. Theoretically, the base(s) used for segmentation should lead to segments that are:

1. **Measurable/identifiable** Here, the base(s) used should preferably lead to ease of identification in terms of who is in each segment. It should also be capable of measurement in terms of the potential customers in each segment.
2. **Accessible** Here, the base(s) used should ideally lead to the company being able to reach selected market targets with their individual marketing efforts.
3. **Meaningful** The base(s) used must lead to segments which have different preferences or needs and show clear variations in market behaviour and response to individually designed marketing mixes.
4. **Substantial** The base(s) used should lead to segments which are sufficiently large to be economically and practically worthwhile serving as discrete market targets with a distinctive marketing mix.

The third criterion is particularly important for effective segmentation, as it is an essential prerequisite when attempting to identify and select market targets.

4.2 Targeting

In the next step, we decide to target one or more segments. Our choice should generally depend on several factors.

- First, what is the existing level of competition and how good at serving customer needs are they? The greater the numbers and better they are able to meet customer needs the more difficult it will be for another business to also be a success.
- Secondly, how large is the segment, and how can we expect it to grow? (Note that a downside to a large, rapidly growing segment is that it tends to attract competition).

- Thirdly, do we have strengths as a company that will help us appeal particularly to one group of consumers? Firms may already have an established reputation.
- Fourthly, are we able to actual communicate with the segment?

While McDonald's has a great reputation for fast, consistent quality, family friendly food, it would be difficult to convince consumers that McDonald's now offers gourmet food. Thus, McDonalds would probably be better off targeting families in search of consistent quality food in nice, clean restaurants. This is the first important lesson in targeting – most firms cannot meet ALL market needs.

Target marketing is thus defined as the identification of the market segments that are identified as being the most likely purchasers of a company's products. Specifically, the advantages of target marketing are:

1. Marketing opportunities and unfilled 'gaps' in a market may be more accurately appraised and identified. Such gaps can be real (e.g. sweet, strong, harsh or mild) or they can be illusionary in terms of the way people want to view the product (e.g. happy, aloof, silly or moody). In the case of the former, product attributes can fulfil these criteria whereas for the latter these attributes might well have to be implanted in the minds of customers through an appropriate advertising message.
2. Market and product appeals through manipulation of the marketing mix can be more delicately tuned to the needs of the potential customer.
3. Marketing effort can be concentrated on the market segment(s) which offer the greatest potential for the company to achieve its goals – be they goals to maximise profit potential or to secure the best long-term position for the product or any other appropriate goal.

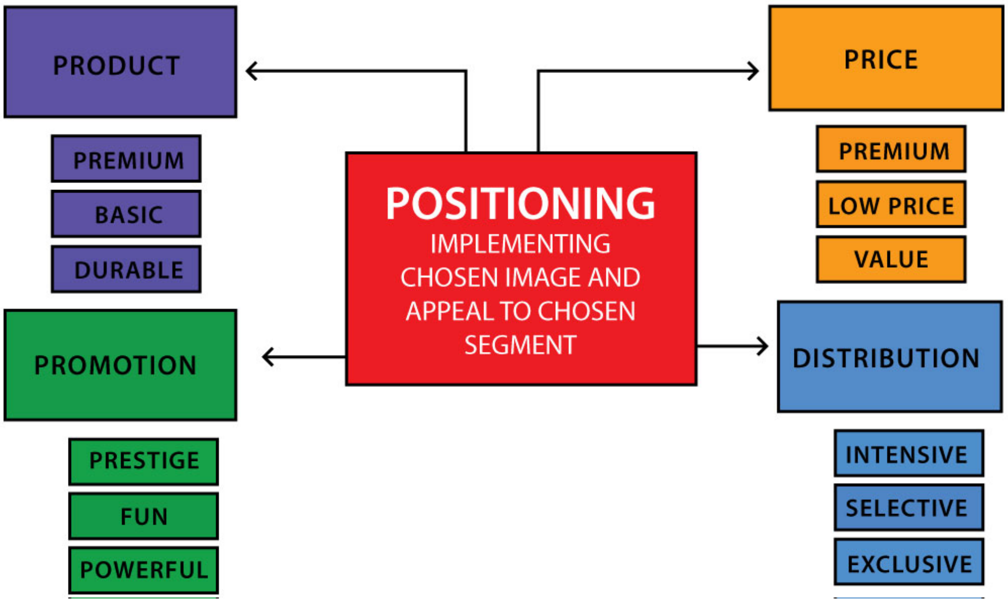
4.3 What is positioning?

After segmentation and market targeting, the next important step in developing an effective marketing strategy is product positioning. Product positioning refers to the way in which an organisation sets itself apart in the market and how its products and services are perceived by the target market as a whole; this incorporates the concept of all stakeholders of the company.

To compete successfully in a target market, an organisation must have a form of differential advantage. Taking Porter's work we know that this has to take one of three formats – cost leadership, differentiation or focus. Positioning is about the communication of the overall value proposition such that it creates and maintains this clearly to customers, thus creating a distinctive and ideally unique, place in the market for the organisation.

To be effective, the basic value proposition offered by an organisation must be something that is relevant to the target market, it must be differentiated from the competition and it must be sustainable and communicated clearly to that market. This aspect fits more closely with differentiation as a generic strategic option and this in part helps to explain the proliferation of brands, products and services.

Indeed differentiation at product, brand or corporate level, is now regarded as a key element of establishing a sustainable market position. The differentiating variable may be actual – based on the physical attributes and features of the product, or perceived – based on the image of the product or the supplier; as is the case with many services. Differentiation may occur with different elements of the marketing mix; it may involve attributes which give customers more benefits than the competition; it may, for example, stem from a unique brand image or superior service.



Source: Adapted by author from various sources
Figure 23: Positioning & its main elements.

4.4 Positioning and Perception

The concept of positioning has two dimensions:

- What the organisation wishes to achieve (how it wants its products to be viewed by consumers). This will involve deciding where the organization wants to compete and how it sets about competing.
- What consumers actually believe about a particular product or service

A company or products' competitive advantage may exist not only in relation to the features, attributes and benefits of the product itself, but may also relate to its perceived image. Most successful positioning results often stem from products that possess favourable connotations or perceived positive value. Indeed Ries and Trout (1981) suggest that it is the perceived image and attributes of an organization or product/ service which is important in the battle for the minds of target customers. Summarising Ries and Trout state that positioning can be achieved within three major concepts;

1. Functional positions
   - Solve problems
   - Provide benefits to customers
   - Get favorable perception by investors and lenders
2. Symbolic positions
   - Self-image enhancement
   - Ego identification
   - Belongingness and social meaningfulness
   - Affective fulfillment
3. Experiential positions
   - Provide sensory stimulation
   - Provide cognitive stimulation

This encompasses the fact that what customers actually believe or perceive will directly influence the purchase decision. If positioning is successful, then the position which an organisation seeks to achieve and what customers perceive should be the same, or at least so close that there is no significant disparity.

Before an organisation establishes a successful position in the marketplace, four key considerations are important; clarity, consistency, credibility and competitiveness (Jobber, 1995) – The 4C positioning framework;

- Clarity – the positioning idea must be clear with regard to both the target market and the basis of competitive advantage.
- Consistency – In order to break through the 'noise' level of competing messages, a consistent message and image is necessary.
- Credibility – the position chosen must be credible in the minds of the target groups.
- Competitiveness – Any successful market position is dependent on having a distinctive value proposition which is not being offered by the competition.

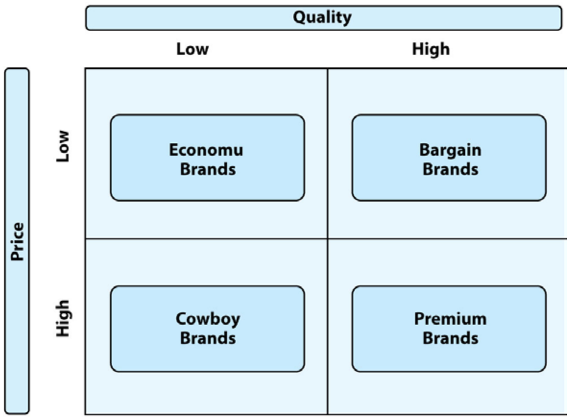
4.5 Perceptual Mapping

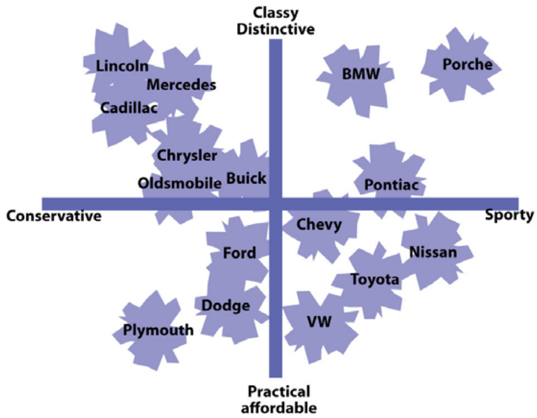
"*A Positioning Strategy results in the image you want to draw in the mind of your customers, the picture you want him/her to visualize of you what you offer, in relation to the market situation, and any competition you may have*", *Ries and Trout (1981).*

In understanding product positioning, it is important to remember that what is being positioned is not simply the product itself but rather the total product offering; see page 46–47. Any firm must understand its own situation in terms of the 4C framework in order to formulate a positioning strategy; an organisation must first identify the features of products (including its own) which are currently being offered in the target market. It must also, through marketing research, establish which features are considered to be important by consumers. This provides the basic information for a positioning strategy.

There will typically be a variety of attributes to consider and many of these will relate to image as much as to physical characteristics. Having identified the attributes of products/services that consumers consider to be important, further survey work can be undertaken to identify the extent to which these attributes are present in the available products (both the organization's own products and those of the competition).

This is frequently represented on a product positioning map or perceptual map, figure twenty-four, which visually depicts consumer perceptions and then prioritises brands in relation to those perceptions.

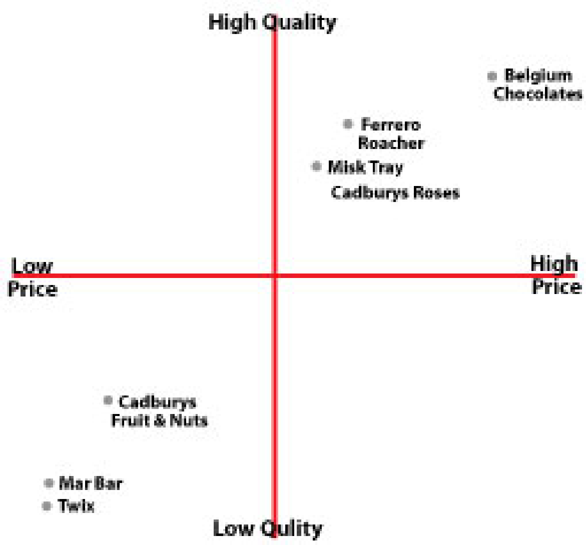




Sources: Adapted by author from public sources.
Figure 24: Conceptual (left) and USA automotive (right) perceptual maps

When plotting a perceptual map two dimensions are normally used. Figure twenty four shows a basic conceptual perceptual map based on the dimensions; quality and price – this is a very basic perceptual map but it uses the most commonly plotted, and perhaps the least useful, dimensions in such mapping. One of the main uses of such mapping is to spot gaps in the market.

Using Quality and Price to plot the UK chocolate market we can ididentify distinct served market areas; Belgium chocolates are plotted as high quality and price, whereas Twix is plotted one low quality low price brand. The completed the perceptual map helps identify potential unserved areas; the medium price and quality range shows little competition within that particular area.



Example 2: The UK Chocolate Market

We must remember that perceptual maps are plotted on the basis of someone's perception and what maybe a quality product to one person, may not be perceived as quality to another. We must also remember that such perceptions are not static the act of product re-launch, of re-branding of the introduction of a new product, brand or competitor alters the perceptions of the customers in that market, especially of those products and brands that have chosen to use competitors as a basis for their positioning.

4.5.1 Rationale behind perceptual mapping

- Perceptual mapping plots the dimensions of the total product offering which are significant to the customer.
- The closer the positioning of two brands on the map, the more likely they are to compete.
- The closer the brand is to the ideal position, the more likely it is to be preferred.
- Gaps in the market can be identified that represent potential market niches.

This technique can be employed to identify consumers ideal brand profile and by comparing the actual position with the customer's ideal position, the marketer can gain some indication of how new products should be positioned or how existing products should be re-positioned. By plotting the average scores for each product in relation to each attribute a profile of what the customer seeks and what the organisation offers can be compiled. Often there are numerous considerations making techniques, such as factor analysis which attempt to reduce and simplify the number of dimensions, a necessity in brand management.

Perceptual mapping can also be used to investigate the relative positions of products and companies in the case of corporate branding/positioning.

4.6 Strategies for Product Positioning

In developing a positioning strategy, the organisation is attempting to create a unique place for its product in the minds of stakeholders. To be successful positioning requires a thorough understanding of the organisation's capabilities (5Ms framework) and the needs of the target market such that a clear differential advantage can be identified and effectively communicated. There are a number of positioning strategies which an organisation can adopt and these may be used independently or together.

4.6.1 Positioning in relation to attributes

This involves positioning the product on the basis of very specific attributes such as performance, durability, quality reliability, style and design.

4.6.2 Positioning in relation to the user/usage.

This can involve positioning the product according to the occasions when it is used or commonly in relation to specific types of users or specific user lifestyles.

4.6.3 Positioning in relation to competitors.

This approach emphasizes comparison to competing products. Three possible approaches include:

4.6.3.1 Positioning directly against competitors

This involves presenting the product as having all or more of the important features of the competing product at a comparable or lower acquisition cost. This is an aggressive and risky positioning strategy that challenges the competition *head-on*, but also offers considerable benefits in sales and profit terms if successful. The effective implementation of such a positioning strategy is dependent on production efficiencies and innovative marketing.

4.6.3.2 Positioning away from competitors

This involves positioning the product as having quite distinct or different features/attributes but fulfilling the same consumer requirements; same benefits. This incorporates some aspects of Porter's Five Forces model in terms of substitute products and can be used to overcome entrenched barriers to direct market entry.

4.6.3.3 Positioning in relation to a different product class

This entails positioning products in relation to competing offerings from a different but related product class. The rationale behind this approach to positioning is that it should enable the organisation to attract consumers who might not otherwise have considered purchasing a product of this nature. For example, the recent advertising for Clover positions the product as being better than margarine and without the negatives of butter – so it's 'in the middle'.

4.7 Product Re-positioning

Re-positioning becomes required when performance drops or doesn't materialise. It involves changing the target market, the differential advantage or both. Four generic repositioning strategies are described below;

- Image repositioning; Only the image is changed
- Product repositioning: The total product offering is adapted.
- Intangible Repositioning: The less tangible aspects of the product are given greater emphasis.
- Tangible Repositioning: Both market and product are adapted.

4.8 Corporate Positioning

The idea of developing a position for the organisation as a whole rather than for individual products is becoming increasingly important in many markets. Organisational positioning is perhaps most important for markets in which the purchase decision is driven as much by the organisation as it is by the product. This is particularly true in services where the reputation of the organisation becomes a key factor in purchasing, especially if the risk of making a poor choice is high, e.g. Medical Services, insurance, banking, or is a key factor in attracting customers to the distribution site, e.g. supermarkets.

4.9 Chapter Summary

While consumers will obviously position products on the basis of their experience and information, that positioning can be reinforced, or altered by the marketing campaign. The marketing mix (4Ps/7Ps, see chapter six) represent the marketing variables which are directly controlled by the organisation. By developing an appropriate balance between these elements an organisation can tailor its value proposition in order to meet the needs of its target market and achieve its own specified objectives.

Marketing strategy (STP+Branding) will aim to identify product positions, whereas the marketing mix (4Ps/7Ps) will be concerned with creating and maintaining those positions. To develop an effective marketing mix requires a clear understanding of the chosen product position and of the way in which consumers are likely to respond to the individual mix elements. This requires continuous monitoring of consumers perceptions of the product and of competing offerings to ensure that the marketing effort is creating and maintaining the desired product position.

Steps in Product Positioning:

- Define market segments
- Determine which segments to target
- Understand targeted customers' needs/expectations/priorities
- Develop (or modify) product/service to address these needs
- Evaluate perceived positioning of competitors' products/services/brands
- Select positioning bases (criteria) for product/service vis-a-vis targeted customers' needs and competitors' position in the market
- Communicate the selected positioning/image/proposition to the targeted customer.

5 Branding

Brands much more than just logos or names. They are the culmination of a user's total experience with the product…over many years. That experience is made of a multitude of good, neutral and bad encounters such as the way a product performs, an advertising message, a press report, a telephone call, or a rapport with a sales assistant, CIM (2007).

The origins of branding in business terms lies with the need for groups and individuals to have an identity that was easily recognisable by others. This started as a military application but soon spread to guilds and master craftsmen who made especially good products. This continued with manufacturers who could provide consistent quality goods who, realised that they could attract more customers and charge higher prices if they could "badge" their products making them easily recognisable. With the expansion of world trade, brands became a necessity as a mark of quality and assurance.

Modern concepts of branding developed alongside marketing as a managerial process although some of today's best known brand names existed as companies before the branding concept as we now know it became the established norm. Today a strong brand brings with it a wealth of quality, value and high performance cues and can even be an intrinsic part of its customers' lifestyles; branding is now a strategy used *'to differentiate products and companies, and to build economic value for both the consumer and the brand owner'*.

With the growth of branding has come a change in emphasis within organisations. Companies used to be centred on the production of goods or services. The emphasis was very much on quality and efficiency. The importance of marketing has long been well accepted in most organisations and customer satisfaction is now seen as being at the heart of success rather than excellence in production or selling – largely as a result of increased competition making it harder to attract and keep customers.

Now brands are denoted by their unique names, logos, packaging and associated images. This makes up their brand identity. That identity is designed to represent the brand's values and to signal them to potential customers. An appreciation of those values then helps the customers to form a brand image in their minds.

5.1 Why do we brand products?

Companies invest millions in the development and protection of their brands; they do so because branded products have distinct advantages over non-branded ones, this is akin to differentiated versus generic product positioning.

A strong brand is now seen as key to commercial success by providing the following main advantages:

- high brand equity
- increased product awareness levels
- the ability to charge a premium price
- reduced susceptibility to price wars
- competitive edge
- a sound basis for building strong customer relationships
- higher likelihood of repeat purchases
- retail leverage
- new products have a better chance of success thanks to the brand name

Whilst the above are the main advantages there are others and the exact mix of advantages will depend on the context of the brand-product-market environment on a case by case basis. It will also depend on the investment made in building-up the brand; in order to be strong and benefit from the above advantages a brand has to be crafted, designed and invested in. It is not enough just to attach a name and a logo to a product and as with products unless they are developed and adapted, brands tend to decline over time. They must be nurtured and carefully managed or they become unfit.

5.1.1 High brand equity

The basis of brand equity lies in the relationship that develops between a consumer and the company selling the products or services under the brand name. A consumer who prefers a particular brand basically agrees to select that brand over others based primarily on his or her perception of the brand and its value. Thus a well known brand adds value to a product both from the customer perspective and from the company's. Indeed brands may be the most valuable assets that a company has, a quick examination of major international business' balance sheets will show that their brand equity, usually shown as intangible goodwill, is often over fifty percent of their asset value, and in some cases such as Coca-Cola is over seventy percent of their asset value – far in excess of their tangible assets.

5.1.2 Increased product awareness

Clearly it is crucial that potential customers should be aware of a product, it is the first stage on their journey to buying it (see sequential models in Chapter 6.4 Promotion). One of the key roles of advertising is to build that awareness and an easily recognised brand makes that task much more achievable. Product and packaging design play key roles here as well by making the product more visible and reinforcing the brand's values.

5.1.3 Premium pricing and reduced susceptibility to price wars

A good brand name helps a firm achieve a premium price for its products. Think of the differences in the prices of trainers. The well known brands, e.g. Nike and Reebok, can charge much more for their products than lesser known brands. It is not just a question of having a well known name, the strength of the brand depends upon the values associated with it in that particular market. Marks and Spencer is a well known brand but they cannot get away with charging Nike prices for their trainers even if the quality is comparable.

Without a brand, a firm will have to settle for a commodity position in the market where low prices alone drive sales. Some firms actively choose this position, e.g. the makers of generic pharmaceuticals, but it does not sit well with the concept of marketing as a series of complex management tasks leading to greater future success for the organization. In very price conscious markets, e.g. children's shoes and clothing, or in economic downturns, marketers can come under great pressure to compete on price but this might devalue their brand (assuming it already has a reputation). Aaker (2002) argues that pressure to compete on prices can even undermine attempts to build up a brand as one of the main impetuses for branding, i.e. the differentiation from the competition that allows a firm to charge premium prices, is removed.

5.1.4 Competitive edge

A branded product simplifies shopping by assisting with the customer's product adoption process. If the marketing communications have worked well, then the potential customer will already have built up a set of associations with the brand, short-circuiting a lot of the information searching that they might otherwise have to do. This is good for customers as they save time and effort (this assumes that their image of the brand is correct) and is certainly an advantage to the branded product as it is likely to be preferred to other unknown, or less well thought of, products.

5.1.5 Building relationships

The strength of the customer's relationship with a brand is central to that brand's growth.

The relationship is normally between the customer and the brand, rather than between the customer and the brand's owner who may even be a company that the customer has never heard of. There are many big companies who own many brands which do not bear their owner's name. For example, Diageo is the owner of a large number of drinks brands (Smirnoff, Bailey's, Guinness, Johnny Walker, Captain Morgan) and yet 'I'll have a Diageo please' is never heard in bars.

The importance of this brand relationship has prompted companies to develop various relationship-building activities which establish a two-way flow of communication with their customers and encourage them to integrate brands into their lives. Examples of these activities include: club memberships, loyalty card schemes, registration of warranties, other products such as T-shirts and bags with the brand name and logo on and website activities. The number of brand communities is increasing rapidly, thanks in part to the World Wide Web, and they form a significant part of a growing number of people's social lives. Muniz and O'Guinn (2001) first coined the term brand community and they defined it as; "a specialized, non-geographically bound community, based on a structured set of social relations among admirers of a brand." Brand communities are characterised by a set of shared attitudes towards, and beliefs about, the brand (shared consciousness), rituals and traditions connected with the brand and a sense of moral guardianship for the brand. A brand that is well liked enough to inspire a community to grow around it clearly has a number of loyal consumers and therefore this is generally held to be a positive thing for the brand – though members of brand communities can be the brand's greatest critics as well as its greatest fans. Brand communities can be very possessive about the importance of understanding their views is illustrated by the reaction of loyal customers to the introduction of a new recipe for Coca Cola. They boycotted the product and sales slumped so badly that the original recipe had to be reinstated. New Coke lasted about three months.

5.1.6 Repeat purchases

Most human beings instinctively avoid unnecessary risk. Buying things represents at least a financial risk in that money may be wasted if the product is not fit for purpose. There are other possible risks too for example: ego risk if the product is unflattering (e.g. clothes) or ridiculed by others (e.g. an unpopular scent), or physical risk if the product turns out to be unsafe (e.g. faulty machinery). A brand that has been bought before and found to be satisfactory reduces these risks and so people are more likely to buy that trusted brand again.

A good experience of a brand results in a happy customer who continues to purchase. Conversely, a bad experience can lead to an unhappy customer who may very well reject future offerings bearing this brand, no matter how attractive the offering appears to be. Worse still, they may tell their friends, family and acquaintances of their bad experience, influencing them against the brand. Attraction and retention are the key words when thinking about the development of a brand.

5.1.7 Retail leverage

In many countries, notably the UK, large retailers have enormous power when it comes to setting prices and dictating terms of purchase and sale. Tesco, for example, is one of the largest companies in the world, much larger than many of the manufacturers who supply it. Tesco therefore has a great deal of buying power (see 6.2, Place). However, there are some branded products that are so popular that even a retailer as powerful as Tesco is unlikely to leave them off its shelves, for example: Heinz Tomato Ketchup, Heinz Baked Beans, Kellogg's cereals, Coca Cola, Kleenex tissues.

5.1.8 New product success

Even the most innovative and high quality new products struggle to make headway in today's markets. Many entrepreneurs have launched seemingly superb products only to watch them fail. A strong brand gives that vulnerable new product a much better chance of success. The customers can call on their experience of previous products of the same brand, and transfer those brand values to the new product. This reduces the risk associated with trying something new and so the new product is more likely to make it into their evoked set of products, and therefore they are more likely to buy it.

5.2 Chapter summary

Branding is a way of clearly highlighting what makes your product or service different to and more attractive than, your competitors'. Successful branding is about promoting your **strengths**. Firms need to be sure that they can always deliver on their promises using these strengths, referred to as 'brand values'.

Within the context of a general introduction to marketing theory it is not possible to cover the subject of Branding in the depth and breadth its role in modern business demands.

6 The Marketing Mix

In the early 1960s, Professor Neil Borden of the Harvard Business School identified a number of company performance actions he believed influenced the consumer decision to purchase goods or services. Borden suggested that these actions represented a "Marketing Mix", which he published in a Harvard Business Review article. Professor E. Jerome McCarthy, a contemporary colleague also at the Harvard Business School, then took Borden's work forward and suggested that the Marketing Mix could be summated into four elements: product, price, place and promotion. Thus was codified the famous four Ps (4Ps) which have gone on to become perhaps the most famous term in marketing to date.

As with any 'mix' the concept is straightforward; it provides a list of basic elements whose proportions can be altered to produce a variety of 'mix' with different outcomes, e.g. cement as opposed to mortar, bread as opposed to cake. In fact to illustrate this let's think about a cake mix. All cakes contain eggs, milk, flour, and sugar. However, you can alter the final cake by altering the amounts of mix elements contained in it. So for a sweet cake add more sugar, for a fruit cake add fruit, chocolate cake – add chocolate.

Exactly the same principles apply with the marketing mix. The offer you make to you customer can be altered by varying the mix elements. So for a high profile brand, increase the focus on promotion and desensitize the weight given to price. For a luxury item you control distribution – Place – optimise the quality – product – and quite probably maximise the price. Co-ordinating the decisions is based on marketing research and results in a marketing plan; a blueprint to optimise the use of the business's resources to maximise the satisfaction to the customers and the gains of the business. This should remind you of our definitions of marketing right back at the start of this chapter.

There are major differences when it comes to services marketing versus the marketing of tangible products. The aim differences include:

1. The buyer purchases are intangible, you gain 'ownership' of nothing
2. The service may be based on the reputation of a single person or entity, so branding becomes vital
3. It's more difficult to compare the quality of similar services, there isn't a list of Features and attributes you can easily compare
4. The buyer cannot return the service; the act of purchase is the act of consumption

These differences mean that there are new elements in the marketing mix; in fact there are three new elements so we call this the '7Ps' or Extended marketing mix.

Let's think about a service – Car Insurance. In terms of the 4Ps you 'own' a right to compensation if in any sort of accident – that's the product. You know the price and indeed all the other elements of price that might be included, e.g. payment by instalment. The Place was done either indirectly – through the mail as an automatic renewal, or directly by you contacting the insurance company. Promotion could have been via any of the means listed later in this chapter. But does that cover all the elements that went into your decision to buy car insurance?

In fact for services the additional '4Ps' of the '7P' extended marketing mix consist of People, Physical evidence, and Process. In our car insurance example, you might have spoken to a salesperson in your home or a broker; you might have spoken to a customer service person by phone, or at a branch office. You might have been impressed by industry reports or experts, this could have even been online, or by the quality of the documents you received or even by the way the person you spoke to sounded or were dressed. All of these start to bring Physical evidence into play which often overlaps into the Place and People elements.

Finally and perhaps in a world dominated by distance purchasing via electronic media such as the internet and telecommunications the speed, accuracy responsiveness, and reliability of the processes in respond to you as a customer and also vital. You only have to think about how many times you abandon a web site if it's slow to appreciate how vital processes are within the extended marketing mix.

Service marketing also includes the concept of 'servicescape' referring to but not limited to the aesthetic appearance of the business from the outside, the inside, and the general appearance of the employees themselves; in essence the concept of servicescape underlines the interrelated nature of several elements of the 7Ps when viewed from a customer perspective – it is a marketing concept philosophy approach.

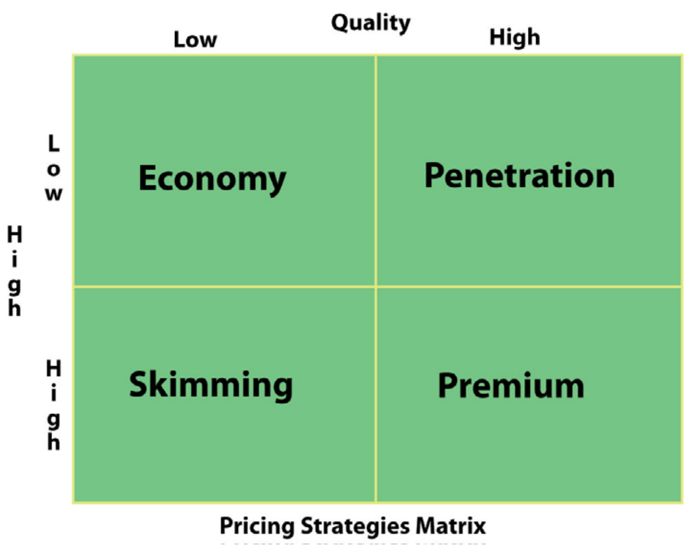
Service Marketing has been rapidly gaining ground in the overall spectrum of marketing and particularly as a focus of marketing education as the developed economies move farther away from industrial importance to service oriented economies. This can also be seen in developing economies, where the shift to services means a shift away from customer decisions based on tangible FABs to intangible service elements.

In many services marketing is rapidly moving into the experiential, with an emphasis on quality of experience and feedback. This has given rise to the phrase "Managing the evidence", which refers to the act of informing customers that the service encounter has been performed successfully by us and how was it for you. It is best done in subtle ways like providing examples or descriptions of good and poor service that can be used as a basis of comparison. The underlying rationale is that a customer might not appreciate the full worth of the service if they do not have a good benchmark for comparisons.

Let's look at the different aspects of the extended marketing mix in detail

6.1 Price

There are many ways to price a product. Figure twenty-five gives a pictorial summary of the major options. Let's have a look at some of them and try to understand the best policy/strategy in various situations.



Source: Adapted by author from various sources
Figure 25: Pricing Strategies Matrix

- Premium pricing, is used where there is uniqueness about the product or service. This approach is used where a substantial competitive advantage exists, that is also sustainable in the long-term. Good examples are Cruises, Jimmy Choo Shoes, Haut Couture fashion, Art.
- Penetration pricing is designed to maximise the capture of market share in a short timescale. In this the price charged for products and services is set artificially low in order to gain market share. Once this is achieved, the price is generally increased. This approach was used by France Telecom and Sky TV.
- Economy pricing. Exactly as the name implies this is a no frills low price. The cost of marketing and manufacture are kept at a minimum. Supermarkets often have economy brands for soups, spaghetti, etc. Note to maintain such pricing policies means a tight organisational reign on costs which does not sit philosophically well with the marketing concept, as such companies using economy pricing are often product or production oriented.
- Price skimming. The aim in price skimming is to charge a high price because you have a substantial competitive advantage and you can maximise your financial return because customers have to meet your price to purchase the product. However, such advantage is rarely, if ever, sustainable in the long-term as such high returns encourage competitors. Manufacturers of digital watches used a skimming approach in the 1970s. Once other manufacturers were tempted into the market and the watches were produced at a lower unit cost, other marketing strategies and pricing approaches are implemented.

- Psychological pricing. This approach is used when the marketer wants the consumer to respond on an emotional, rather than rational basis. For example 'price point perspective' 99p not £1, £6.99 not £7 – if fact you can see examples of this everyday in the high street and local shops.
- Product line pricing. Where there is a range of product or services the pricing reflect the benefits of parts of the range. For example car washes. Basic wash could be £4; wash and wax £6 and the whole package £10. This is often used in 'families' of product where a variety of product offerings exist, e.g. strengths, qualities and pack sizes are priced in relation to the others.
- Optional product pricing. In this the seller attempts to increase the amount customer spend once they start to buy. Optional 'extras' increase the overall price of the product or service. For example airlines will charge for optional extras such as guaranteeing a window seat or reserving a row of seats next to each other. This has also been developed into what is commonly called 'salami selling' where a lower specification of product is offered deliberately to entice customers interest and once they start to buy each 'slice' of extra salami is added to increase the overall transaction n value. This was a common tactic in financial product sales during the 1970s and 1980s. It also in part relies on the human nature of a customer being reluctant to back-out completely, even though they are uneasy.
- Captive product pricing. Where products have complements, companies will charge a premium price where the consumer is captured. For example a razor manufacturer will charge a low price and recoup its margin (and more) from the sale of the only design of blades which fit the razor. The classic for this is PC printers and the ink and toner cartridges, by weight printer ink is the most expensive liquid on the planet, roughly ten times the cost of the most exclusive designer perfumes!
- Product bundle pricing. Here sellers combine several products in the same package. This also serves to move old stock or to get trial samples to consumers.
- Promotional pricing is ubiquitous you can see examples everyday online and on the high street, the commonest is the BOGOF (Buy One Get One Free) offer.
- Geographical pricing is evident where there are variations in price in different parts of the world. For example rarity value, or where shipping costs increase price. Microsoft was used such pricing extensively in the past. Its use is tending to decline with the advent of the internet and the consequent ability to buy from just about anywhere.
- Value pricing an approach used where external factors such as recession or increased competition force companies to provide 'value' products and services to retain sales e.g. value meals at McDonalds, value brands at Tesco.

6.2 Place

Place isn't just about the point of sale, it's about the total channel of distribution and a consideration of the value chain from raw materials through to the customer. As such it's one of the most cross-functional areas within marketing and one of most vital areas in terms of the processes aspect of the extended marketing mix.

So when considering place we need to think about a channel of distribution which comprises a set of institutions which perform all of the activities utilised to move a product and its title from production to consumption, Bucklin (1966). There are six basic 'channel' decisions:

1. Do we use direct or indirect channels? (e.g. 'direct' to a consumer, 'indirect' via a wholesaler).
2. Single or multiple channels.
3. Cumulative length of the multiple channels, longer length adds cost
4. Types of intermediary (see below).
5. Number of intermediaries at each level (e.g. how many retailers in Southern Spain).
6. Which companies as intermediaries to avoid 'intrachannel conflict' (i.e. infighting between local distributors).

There are many types of intermediaries such as wholesalers, agents, retailers, the Internet, overseas distributors, direct marketing (from manufacturer to user without an intermediary), and many others.

1. Channel Intermediaries – Wholesalers
   They break down 'bulk' into smaller packages for resale by a retailer, i.e. they buy from producers and resell to retailers and in doing do take title to the goods. They provide storage facilities. A wholesaler will often take on the some of the marketing responsibilities. Many produce their own brochures and use their own sales operations.
2. Channel Intermediaries – Agents
   An agent will typically secure an order for a producer and charge a commission on the sale or be paid a retainer with a sales related bonus. Generally they don't take title to the goods, unless they are a 'stockist agent' who will hold consignment stock, i.e. will store the stock, but the title will remain with the producer. This approach is used where goods need to get into a market soon after the order is placed e.g. foodstuffs. Agents can be very expensive to train. They are difficult to keep control of due to the physical distances involved. They are difficult to motivate.
3. Channel Intermediaries – Retailers
   Retailers will generally have a much stronger personal relationship with the consumer.

4. They will hold several other brands and products and their customers will expect to be exposed to many products and brands that are competitive. Where the retail purchase is significant the retailers will often offer credit to the customer e.g. electrical wholesalers, or travel agents, which requires consideration in pricing decisions.
   Retailers will give the final selling price to the product but will also do their own marketing or will increasingly arrange co-operative marketing with the producer. Most retailers now have a strong brand in their own right, ASDA, TESCO, Sainsbury.
5. Channel Intermediaries – Internet
   The Internet presents us with geographically dispersed and disparate market in customer terms. This is its main benefit it exposes products to a wider audience at relatively low cost which in-turn has lead to the proliferation of niche and specialist businesses which would be impossible without the internet as a contact and order placing medium. With the advent of broadband and satellite it has also become a delivery medium for products such as TV, Films, Software, Interactive games etc.

6.3 Product

We looked at what a product is in Chapter 2, where we defined a product as anything that satisfies customer needs. As such products differ in the way; they do things, how they are used, how they are distributed and at whom they are aimed. Within marketing we general group products together with others which satisfy broadly the same needs. Note however there are many different ways to categorise products. Different markets have their own preferred descriptors. Products and services fit into several different categories. Many are bought both by businesses and by consumers (though the specifications may be different).

B2C – **consumer products**	**examples**
Durable goods; These products are expected to last a considerable length of time. They are not used up all at once but can be used repeatedly	White goods, TVs, PCs, House
Non-durable goods These products are used up in the process of consumption. They do not last.	Fresh food, toiletries
Service products cannot be stored at all. Normally they are used there and then. Services present marketers with particular challenges.	Hairdressing, gardening, cleaning, Sat TV, broadband
Convenience goods are products that customers buy frequently and think little about. They are of little value and have many close substitutes so they need strong branding and eye-catching colours and designs to make them stand out from the rest. The main categories are;	
1. Impulse goods: spur-of-the-moment purchases that have no advance planning. Customers are not usually prepared to pay too high a price for such purchases.	Sweets, Magazines, snacks
2. Staple goods are purchased regularly, perhaps always kept stock at home. Customers usually look for good value.	Bread, cleaning products, toilet roll
3. Emergency goods are infrequently purchased but are needed immediately, so they have a high value to customers at that time, as such their prices can be higher.	Painkillers, sink unblocker
Shopping goods carry a higher associated risk for a customer than convenience products do. They may be higher priced or it may be that the cost of product failure is high. These products are therefore sometimes referred to as high-involvement purchases, i.e. the customer gets very involved in the decision-making.	Cars, clothes, shoes
Speciality goods are unusual, and often quite expensive, products which are commonly sold in niche markets. They may be high-risk products and so customers may need extensive emotional support and encouragement from the supplier before they buy	antiques, sports equipment, wedding clothes, classic cars,
Fast moving consumer goods (FMCG) are a form of convenience good, but in this case looked at from the retailer's point of view. They are the products that move off the shelves quickly and so need frequent restocking.	Toothpaste, washing up liquid, coffee, tea, milk, sugar,
B2B – **industrial products**	**examples**
Capital goods are durable products, i.e. they are designed to last for a number of years. They are usually high cost, bought infrequently and carry high potential risk. Consequently great care is normally taken over these purchases.	Cars, vans, mainframe servers, buildings, photocopiers.
Accessories are smaller capital items, which support the business. As they are lower cost, they normally represent a lower financial risk to a company.	PCs, telephones, mobile phones
Raw materials are goods that will be processed, and added to, by the business. Together they become the finished article. They are often generic products, e.g. iron ore, crude oil.	Flour, yeast, icing sugar, water, meat, poultry, herbs, spices.

Subassemblies, components and parts have already been manufactured but are not finished goods. They are bought by businesses to incorporate into their own products	Engines, wheel hubs, brakes, frames, circuit boards.
Supplies are non-durable minor items are used by the business and are important its smooth running.	Stationery, pens, papers
Services are provided by a third party to a business, usually so that it can concentrate on running its own operation efficiently.	Transport, consultancy, IT support, accounting.

Source: adapted by author from various sources
Figure 26: Product types

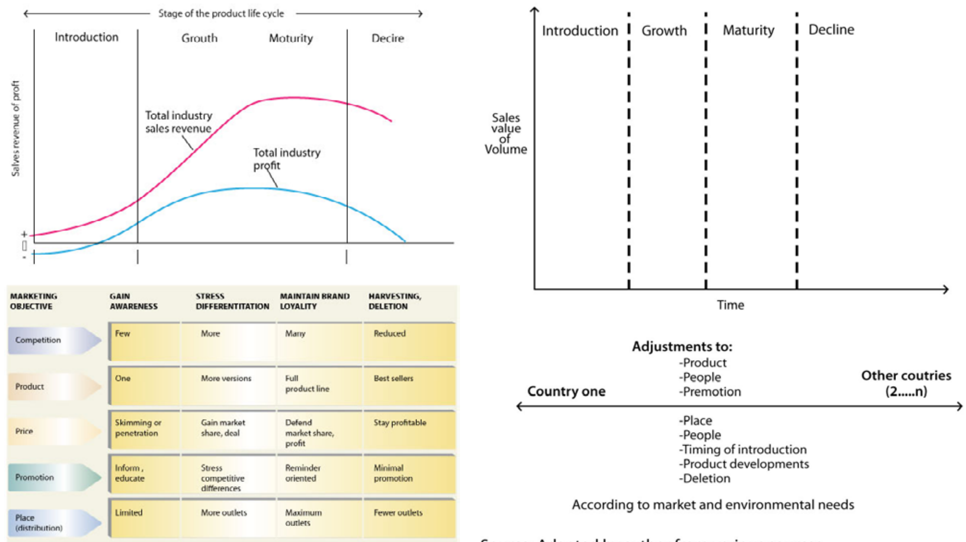
6.3.1 The Product Life-cycle

Another concept that is vital to understand the marketing approach to products is that of the Product Life-cycle (PLC). It is claimed that every product has a life period, it is launched, it grows, and at some point, may die. Note however that this analogy has a few drawbacks; Jeans may die, but clothes probably will not, in fact it is unlikely Jeans will die as a product but they will change according to the evolving market needs of the consumers. Indeed the recent emergence of 'Jeggings' – Jeans styled leggings – is a testameszAant to the evolving needs of the market and the ability of products to be adapted to them rather than die.

Despite the questionable validity the concept of the PLC does offer a useful 'model' for managers when managing products and considering overall strategy. This is particularly true where products are in the introductory or growth phases, or in that of decline and to avoid a premature devise requires an adjustment of the other marketing mix elements. Figure twenty-seven illustrates the overall concept of the PLC in the upper diagram and then overlays the strategic options considered normal.

However, the most important aspect of the PLC concept is that, even under normal conditions, to all practical intents and purposes they often do not exist (hence, there needs to be more emphasis on model/reality mappings). In most markets the majority of the major brands have held their position for at least two decades. The dominant PLC, that of the brand leaders which almost monopolize many markets, is therefore one of continuity. This of course could be argued to be an extended 'maturity' phase.

Thus, the PLC may be useful as a description, but not as a predictor; and usually should be firmly under the control of the marketer. The important point is that in many markets the product or brand life cycle is significantly longer than the planning cycle of the organisations involved. Thus, it offers little practical value for most marketers. Even if the PLC (and the related PLM support) exists for them, their plans will be based just upon that piece of the curve where they currently reside (most probably in the 'mature' stage); and their view of that part of it will almost certainly be 'linear' (and limited), and will not encompass the whole range from growth to decline.



Source: Adapted by suthor from various sources

Source: Adapted by author form various sources
Figure 27: The PLC concept (left) and The PLC and strategy (right)

The key criticisms of the PLC concept are;

- Generic description, based on successive stages, of the way a product behaves in the marketplace
- Framework to guide adoption of strategies to changing market conditions and requirements
- Drawbacks PLC
    - Lifecycles: product category vs. individual brand
    - Limited value as predictive tool
    - Relevant only to existing products in existing markets

6.4 Promotion

This includes all of the tools available to the marketer for 'marketing communications'. As with the marketing mix, marketing communications has its own 'promotions mix', where different aspects of the promotions mix can be integrated to deliver a unique campaign. The elements of the promotions mix are:

- Personal Selling.
- Sales Promotion.
- Public Relations.
- Direct Mail.
- Trade Fairs and Exhibitions.
- Advertising.
- Sponsorship.

The elements of the promotions mix are integrated to form a coherent campaign in relation to the strategy developed using STP.

Let us look at the individual components of the promotions mix in more detail. Remember all of the elements are 'integrated' to form a specific communications campaign.

6.4.1 Personal Selling.

Personal Selling is an effective way to manage personal customer relationships. The sales person acts on behalf of the organisation. They tend to be well trained in the approaches and techniques of personal selling. Personal selling is highly persuasive and is often used in markets where personal choice figures strongly in the purchase, e.g. cosmetics. The use of celebrity endorsements within marketing communications can be seen as a way of introducing subtle personal selling – you want to be like the celebrity so you 'sell' yourself the benefits of the product they are endorsing!

6.4.2 Sales Promotion

Sales promotions tend to be thought of as being all promotions apart from advertising, personal selling, and public relations. Others include couponing, money-off promotions, competitions, free accessories (such as free blades with a new razor), introductory offers (such as buy digital TV and get free installation), and so on.

6.4.3 Public Relations (PR)

Public Relations is defined as 'the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organisation and its publics', Institute of Public Relations. PR can be split into proactive – communications designed to build understanding and reactive – communications designed to counter misunderstanding. Pro-active campaigns are long-term attempts to build on core values of the organisation, whereas reactive campaigns are often the result of the need to counter an event that has resulted in negative views about the organisation, e.g. a plane crash, not enough helicopters for your army, etc.

6.4.4 Direct Marketing

Direct marketing is very highly focussed upon targeting consumers based upon a database; it is the application of STP through technology. Based initially on Direct mail where, Creative agencies work with marketers to design a highly focussed communication in the form of a mailing. The mailing is sent out and responses are carefully monitored for tailoring of future activity.

Direct marketing has now expanded into areas such as Telemarketing, Cataloguing, door to door leafleting, e-mail marketing, broadcast faxing etc. As such Direct Marketing is a major sub-section of marketing in its own right.

6.4.5 Trade Fairs and Exhibitions

The purpose of trade fairs and exhibitions is to increase awareness and to encourage trial, largely through face-to-face contact of supplier and customer. They offer the opportunity for companies to meet with both the trade and the consumer, for both to build relationships outside traditional sales meetings. They are heavily used with B2B marketing, especially within technology and engineering based products.

6.4.6 Advertising

Advertising is a 'paid for' communication in a communications medium, which might be mass, i.e. non-targeted or direct, targeted. It is used to develop attitudes, create awareness, and transmit information in order to gain a response from the target market. Traditional advertising 'media' were mass, e.g. newspapers (local, national, free, trade), magazines and journals, television (local, national, terrestrial, satellite), cinema, outdoor advertising (such as posters, bus sides) and radio. Modern media is direct, internet, mobile phone, e-mail etc.

6.4.7 Sponsorship

Sponsorship is where an organisation pays to be associated with a particular event, cause or image. Companies will sponsor sports events such as the Olympics or Formula One. The attributes of the event are then associated with the sponsoring organization.

The elements of the promotional mix are then integrated to form a unique, but coherent campaign.

6.5 Physical Evidence

Physical evidence is the material part of a service. Strictly speaking there are no physical attributes to a service, so a consumer tends to rely on material cues. There are many examples of physical evidence, including some of the following:

- Packaging.
- Internet/web pages.
- Paperwork (such as invoices, tickets and despatch notes).
- Brochures.
- Furnishings.
- Signage (such as those on aircraft and vehicles).
- Uniforms.
- Business cards.
- The building itself (such as prestigious offices or scenic headquarters).
- Mailboxes and many others….

A sporting event is packed full of physical evidence. Your tickets have your team's logos printed on them, and players are wearing branded kit. The stadium itself could be impressive and have an electrifying atmosphere. You travelled there and parked quickly nearby, and your seats are comfortable and close to facilities; food, drink, toilets team store.

Some organisations depend heavily upon physical evidence as a means of marketing communications, for example tourism attractions and resorts (e.g. Disney World), parcel and mail services (e.g. UPS trucks), and large banks and insurance companies (e.g. Lloyds of London).

6.6 People

People are the most important element of any service or experience. Services tend to be produced and consumed at the same moment, and aspects of the customer experience are altered to meet the 'individual needs' of the person consuming it. Most of us can think of a situation where the personal service offered by individuals has made or tainted a tour, vacation or restaurant meal. Remember, people buy from people that they like, so the attitude, skills and appearance of all staff need to be first class. Here are some ways in which people add value to an experience, as part of the marketing mix – training, personal selling and customer service.

6.6.1 Training

All customer facing personnel need to be trained and developed to maintain a high quality of personal service. Training should begin as soon as the individual starts working for an organization during an induction which exposes the new employee to the organisation's culture for the first time, as well as briefing them on day-to-day policies and procedures. In practice most training is either 'on-the-job' or 'off-the-job.' On-the-job training involves training whilst the job is being performed e.g. training of bar staff. Off-the-job training sees learning taking place at a college, training centre or conference facility.

6.6.2 Personal Selling

There are different kinds of salesperson. There is the product delivery salesperson, e.g. fast food, or mail. There is the order taker, and these may be either 'internal' or 'external'. The internal sales person would take an order by telephone, e-mail or over a counter. The external sales person would be working in the field. In both cases little selling is done. There is the missionary who promotes faith, building goodwill with customers with the longer-term aim of generating orders.

The forth type is the technical salesperson, e.g. a technical sales engineer. Their in-depth knowledge supports them as they advise customers on the best purchase for their needs. Finally, there are creative sellers. Creative sellers work to persuade buyers to give them an order. This is tough selling, and tends to offer the biggest incentives. The skill is identifying the needs of a customer and persuading them that they need to satisfy their previously unidentified need by giving an order.

6.6.3 Customer Service

Customer services provided expertise, e.g. on the selection of financial services, technical support, e.g. offering advice on IT and software and co-ordinate the customer interface, e.g. controlling service engineers, or communicating with a salesman. The disposition and attitude of such people is vitally important to a company, so they processes they use and their training are paramount.

6.7 Process

The discussion of process within marketing sparks lively debate with three main views;

1. Some see processes as a means to achieve an outcome, for example – to achieve a 30% market share a company implements a marketing planning process.
2. Another view is that marketing has a number of processes that integrate together to create an overall marketing process, for example – telemarketing and Internet marketing can be integrated.
3. A further view is that marketing processes are used to control the marketing mix, i.e. processes that measure the achievement marketing objectives.

All views are understandable, but not particularly customer focused. For the purposes of the marketing mix, process is an element of service that sees the customer experiencing an organisation's offering. It's best viewed as something that your customer participates in at different points in time. At each stage of the process, markets:

- Deliver value through all elements of the marketing mix. Process, physical evidence and people enhance services.
- Feedback can be taken and the mix can be altered.
- Customers are retained, and other serves or products are extended and marked to them.
- The process itself can be tailored to the needs of different individuals, experiencing a similar service at the same time.

Processes essentially have inputs, throughputs and outputs (or outcomes). Marketing adds value to each of the stages.

7 Product Management

Product management is an organizational function that deals with the planning, forecasting and marketing of a product at all stages of the PLC. Product management, which is inbound focused and product marketing, which is outbound focused, are different yet complementary efforts which both have the objective of maximizing sales revenues, market share, and profit margins. For a further understanding of this distinction the website Pragmatic Marketing (http://www.pragmaticmarketing.com) is an excellent source. The role of product management spans many activities from strategic to tactical and varies based on the organizational structure of the company, within most businesses these activities are the province of a Product manager.

Product Managers can be a formal part of the marketing department, but in some technology based companies they may be within the engineering department or may indeed be engineers with supplementary marketing training or *vice versa*. In some companies, the product management function is the hub of many other activities around the product. In others, it is one of many things that need to happen to bring a product to market. As such product management often serves an inter-disciplinary role, bridging gaps within the company between teams of different expertise, most notably between engineering-oriented teams and business-oriented teams. Where product management sits within marketing it is one of the key avenues of interaction across organisational functions. For example product managers often translate business objectives set for a product by marketing or sales into engineering requirements, considering the input from marketing research undertaken to reveal customer needs.

The strategic role of product management is to be messenger of the market, delivering information to the departments that need market facts to make decisions and whilst involved with the entire PLC product management's main focus is on driving new product development. As such it is pivotal to the success and future of a business.

Product Management identifies a market opening, quantifies the opportunity to make sure it's big enough to generate profit, and then articulates this to the rest of the organization. Product Management communicates the market opportunity to the executive team with a business rationale for pursuing the opportunity including financial forecasts and risk assessment. Product Management communicates the problem to product development in the form of market requirements. Product Management communicates to Marketing Communications using positioning documents, one for each type of buyer. Product Management empowers the sales effort by defining a sales process, supported by the requisite sales tools so the customer can choose the right products and options.

If you look at that last paragraph you'll begin to see why product management has been included here; Product management is involved in developing an understanding of the market, leading to STP, which leads to branding and from those to the marketing mix, in particular to product design and development. In essence Product management IS marketing in marketing organisations.

8 Marketing Communications or MarCom or Integrated Marketing Communications (IMC)

These are messages and increasingly in contemporary terms, related media used to communicate with a market, i.e. they are messages from companies to the customers about the companies' products, brands or in the case of corporate communications about the company itself. In a very real sense all marketing communication activity is a form of promotion, which is in one way or another it attempts to promote the interest of the brand, product range and/or company.

Traditionally in terms of marcoms we differentiate 'above-the-line' activity from 'below-the-line activity', where below-the-line activity is loosely classed as non-media advertising. Basically if an advertisement is submitted to a publication and a commission is paid to the advertising agency to feature the piece then this is deemed to be 'above-the-line' communication. If no commission has been paid, for example in the case of a public relations press release, a trade exhibition or a sponsored sports event, this is referred to as 'below-the-line' activity. This distinction is accepted by most and is the distinction adopted here.

8.1 The Marketing Communications Mix

Promotion describes the communications activities of advertising, personal selling, sales promotion and publicity/public relations.

- Advertising is a non-personal form of mass communication, paid for by an identified sponsor.
- Personal selling involves a seller attempting to persuade a potential buyer to make a purchase.
- Sales promotion encompasses short-term activities such as giving coupons, free samples, etc. that encourage quick action by buyers.
- Publicity/public relations is a non-personal, not paid for communication usually in the form of journalistic or editorial cover.

The company has control over the first three variables, but has little control over the fourth variable, publicity/public relations. Companies can gain some control over the publicity it receives by the timing the release of news items. Taken together, these promotional activities make up the promotional or communications mix with varying emphasis on each element according to the type of product or service, characteristics of consumers and company resources. Company size, competitive strengths and weaknesses and style of management all influence the promotional mix.

Other communications elements with which promotion must be coordinated are other aspects of the Marketing Mix (4Ps/7Ps/8Ps). In particular coordination of the product communication, including brand name, design of packaging and trade-marks are all product cues which convey a message about the total product offering is vital in terms of consistency and clarity. Equally price can communicate different things under varying circumstances; especially in terms of reinforcing perceptions of quality or exclusivity/luxury. The place in which the products are to be found also has notable communications value; why else would people spend extra on goods from Harrods or Harvey Nichols? Indeed within the retail market individual shops have 'personalities' that consumers associate with the products they sell and the products in turn receive a 'halo effect' from the shops in which they can be found. Burberry the luxury London retailer found this to their cost when their hallmark check design was copied and adopted by downmarket 'chavs' jeopardising their sales to their traditional wealthy clientele.

8.2 The Marketing Communication Process

Effective communication means effective marketing. Buyers' perceptions of market offerings are influenced by the amount and type of information they receive as well as their reaction to that information. There must be a good flow of information between seller and buyer to assist decision-making that precedes a purchase. An effective marketing communications system also allows feedback from the consumer to the seller.

Some people have a psychological predisposition to buy products and services that are 'new' to the market. This predisposition can be modelled with the use of a normal distribution. Certain people derive a great deal of pleasure from acquiring new products and being first in the market. Such people have a low level of perceived risk and in fact they positively like the risk and excitement associated with the purchase of new, innovative products. These people are referred to as 'innovators' and, according to Everett Rogers account for about 2.5% of the population, this was explored early in the chapter 1.3.3.

The next group of people displaying a tendency to buy new products are known as 'early adopters' and account for approximately 13.5% of the market. These are still highly adventurous purchasers and the possession of innovative new products gives them a high present value. They still have a low level of perceived risk but are slightly more risk adverse than the 'innovator' category. The next two groups, 'Early Majority' and 'Late Majority' account for the bulk of the potential market, 64% in all. Most people fall in to one of these categories. Finally the 'Laggards' are people who are not really infested in new product development and tend to purchase products only when their old product is worn out and stops working

A key question for the marketing communicator is: Are the innovators and early adopters also opinion leaders? The majority of potential customers are too risk adverse or too disinterested to be 'first in the market' for an innovation. They are largely unaffected by the media communication about the innovation. Instead, they are influenced by people that they know who they regard as opinion leaders. Although some individuals may be innovators for many products and services, it is more likely that they will be classified as such for a limited range of products. For example a computer enthusiast may be regarded as an 'innovator' for new computer products'. Similarly, someone who is interested in photography may be regarded as opinion leaders in relation to this product but not others.

8.3 Marketing Related Messages

Receivers of a message are often greatly influenced by the nature of its source; when an audience perceives a communicator as credible, then they are more likely to accept their view. If, on the other hand, the audience believes that the communicator has underlying motives, particularly ones of personal gain, then he or she will be less persuasive than someone the audience perceives as being objective. A recent development of this has been to 'pay' influencers within social media environments to promote specific products and companies, where such payment has been made apparent there is nothing wrong. But some major international brands have been discovered to be paying those blogging, tweeting or running apparently independent websites without making this clear in an obvious attempt to leverage this phenomenon.

Some advertisers use 'candid' television interviews with homemakers in order to enhance their credibility and eliminate intent to persuade, sometimes asking 'consumers' to explain why they buy a particular brand or asking them to trade their chosen brand for another. Another method used by companies to increase credibility is to have the product endorsed by an expert with appropriate education and knowledge on a given subject. This source will be more successful in changing audience opinions. Specialized sources of information are often perceived as expert sources, and are successful due to the fact that messages are aimed at selected audiences, for example the use of sports professionals as promoters for brands.

The credibility of a source is also a function of its perceived status or prestige. The higher the perceived status of a source, the more persuasive it will be. If a receiver likes a source, it will be more persuasive. It is clear that age, sex, dress, mannerisms, accent and voice inflection all affect source credibility and subtly influence the way an audience judges a communicator and his/her message.

A source high in credibility can change the opinion of receivers, but available evidence suggests that this influence disperses in a short time after the message is received. It has also been observed that where an audience initially receives a message from a low-credibility source, their opinion change increases over time in the direction promoted by the source.

This is referred to as the sleeper effect. Another aspect of this is that when a high-credibility source is reinstated, for example by a repeat advertisement, it has been found that audience agreement with the source is higher after a period of time than if the source had not been reinstated. For a low-credibility source, reinstatement results in less agreement with the source than with no reinstatement, and it is said that under these circumstances reinstatement negates the 'sleeper effect'.

8.4 The development of Marcoms

Marketing communication practitioners have traditionally focused on the creation and execution of printed marketing collateral; whereas academic and professional researchers have developed underlying theory using strategic elements of branding and marketing in order to ensure consistency of message delivery throughout an organization – the same "look & feel" – stressing the need to reduce incongruity. Many trends in business can be attributed to marketing communication; for example: the transition from customer service to customer relations, and the transition from human resources to human solutions and the trends to blogs, email, and other online communications.

Marcoms is also pivotal within branding, indeed branding can in many ways be said to have driven interest in advertising theory searching for ever more effective advertising media and messages to better communicate the brand or corporate positioning. With the rise in internal marketing, internal brand communications have also become more important leading to Brand strategies to comment that marcomms includes everything from TV and other media advertisements, event sponsorships, webinars, and personal selling to even product packaging.

Thus, every experiential opportunity that an organization creates for its stakeholders or customers is a brand touchpoint. Hence, it is vitally important for brand strategists and managers to survey all of their organization's brand touchpoints and control for the stakeholder's or customer's experience. Marketing communication, as a vehicle of an organization's brand management, is concerned with the promotion of an organization's brand, product(s) and/or service(s) to stakeholders and prospective customers through these touchpoints.

8.5 Chapter Summary

The marketing communications mix is made up of personal selling, a range of conventional advertising media and a range of non-media communication tools. The conventional media tools, which involve 'renting' space on television, newspapers, posters, radio etc., are referred to as 'above-the-line' promotional techniques. Other marketing communications techniques, such as sales promotion, sponsorship and exhibitions do not involve the commissioning of space or air-time in or on conventional media. These techniques are referred to as below the line techniques. Marketing effectiveness depends significantly on communications effectiveness.

The market is activated through information flows. The way a potential buyer perceives the seller's market offering is heavily influenced by the amount and kind of information he or she has about the product offering, and the reaction to that information. Marketing, therefore, relies heavily upon information flows between the seller and the prospective buyer. To many people marketing communications, such as television advertising, direct mail and poster advertising is marketing. This is because marketing communications is certainly the most highly visible aspect of marketing activity and it impacts on everyday on life.

Marketing communications, whether above or below the line activity, is collectively just one of the '4Ps' of the marketing mix. However, it is a very important part. No matter how good a firm's product or service offering is, the benefits to the consumer need to be communicated effectively. Marketing communications, in the form of above and below the line promotion, lies at the very centre of any marketing plan.

Within the context of a general introduction to marketing theory it is not possible to cover the subject of Marketing Communications in the depth and breadth its role in modern business demands.

9 Expanding marketing's traditional boundaries

We now see the techniques and principles of marketing applied to almost all organisations and, in fact, recent governments have encouraged this by introducing market mechanisms into most aspects of public services. This has been widely applied to the education sector; so schools and universities now develop specialist services to provide more choice to 'consumers', to not-for-profit (NFP) businesses, from traditional charities, who need to understand their donors and position themselves to meet their needs; to local voluntary groups, Scouts, Cubs, Youth Groups, without formal charitable status. NFP businesses operate in both the public and private sector, just as commercially oriented businesses do to, so what are some basic differences;

- Combination of goals, i.e., raise £250,000 from government grants, increase client usage, find cure for disease, change public attitudes, and raise £750,000 from private investors. Goals also include number of clients to be served, amount of service rendered and quality of service provided
- Social marketing
- Pricing may be fixed (Zoo) or variable (fundraising), also significant is the opportunity cost of volunteers
- May rely on infrequent fundraising efforts to generate funds as opposed to day to day revenue stream
- Successful program may lose money if goods are provided at less than cost
- Objectives can be complex since success or failure cannot be measured in financial terms
- Usually three constituents (three distinct target markets)-Clients, Donors and Volunteers, need to develop a marketing mix for each target market
- Many times, beneficiaries are not the contributors and *vice versa*. The owner is not the beneficiary, as in business marketing
- May need to serve target market that is unprofitable to serve, e.g. Postal service
- Legal advantages, tax deductible contributions, exemptions from sales and real estate taxes, reduced postal rates.
- Primarily ideas and services as opposed to goods. Need to define what is being provided, i.e. vocational training, health services, nutritional assistance and community development.
- Very flat channels, non-business marketer to client.
- Rely on personal selling (volunteer recruiting) and advertising, sponsor ship, Public service announcements

Political parties across the planet took note of then Senator Obama's innovative and intelligent use of social-marketing to mobile political support in the USA. Indeed politicians of all shades of the political spectrum now recognize the vital nature of marketing in connecting them – the product – with the voters – the consumer, and are making ever more effort to understand and segment the voter 'market', using an STP process to position themselves to appeal to the widest possible range of voters and exploiting sophisticated promotional techniques.

Good examples;

- The Labour Party website, (http://www.labour.org.uk/) note particularly that you can 'join', 'volunteer', 'donate', get details on their events and party conference or 'shop'!
- The Conservative Party website, (http://www.conservatives.com/) where the ability to communicate via Twitter, YouTube and FaceBook is prominent.

Special Interest groups, such as Greenpeace, CND (Campaign for Nuclear Disarmament), Lobby and pressure groups, such as Countryside Alliance, CBI (Confederation of British Industry), as well as organizations representing professionals such as, the TUC (Trades Union Congress), IOD (Institute of Directors), have also been swift to grasp the impact effective marketing has for their causes. Note this area has become prominent enough to have its own sub-classification of marketing, see below. In most cases these areas of marketing also require specialist knowledge of the industry involved as well as having the potential to add to and utilise the techniques and approaches available to all marketers.

In essence NFP organisations need marketing as much as those operating commercially, indeed some would say they need it even more given they have a large service aspect to the products they market. It must also be remembered that NFP organisations are competing for money just as commercial businesses are. In some cases, not-for-profit organizations form a partnership with a profit-seeking company to promote the firm's mission or distribute its products.

There has arisen alongside of, and in many ways closely allied to, a whole area of marketing that we now call – Non-traditional marketing or in some circles, Alternative Marketing and occasionally Off-Street Marketing. The major categories are as follows;

Ambient marketing; ambient marketing is marketing or advertising wherever customers happen to be, as part of the immediate surroundings, to me the best example is that of the Spar Restaurant in Mumbai, India, who scattered life size giant clam shells on the local beaches, which when picked up had an advert of the restaurant in them.

Astroturfing or Astroturf marketing; describes the formal political, advertising, or public relations campaigns seeking to create the impression of being spontaneous "grassroots" behaviour, hence the reference to the artificial grass, Astroturf. It is closely associated with Buzz, and Viral marketing, and is correctly seen as a form of Stealth Marketing.

The goal of such a campaign is to disguise the efforts of a political or commercial entity as an independent public reaction to some political entity – a politician, political group, product, service or event. Astroturfers attempt to orchestrate the actions of apparently diverse and geographically distributed individuals, by both overt ("outreach", "awareness", etc.) and covert (disinformation) means. Astroturfing may be undertaken by an individual pushing a personal agenda or highly organized professional groups with financial backing from large corporations, non-profits, or activist organizations. Very often the efforts are conducted by political consultants who also specialise in opposition research

Buzz Marketing; is a word used in word-of-mouth marketing to describe the 'hype' amongst the consumers. The term has grown to include the technique and the resulting outcome – positive buzz or negative buzz.

Cause marketing or **cause-related marketing** originally referred to the cooperative efforts of a "for profit" business and a non-profit organization for mutual benefit. In contemporary use it is frequently used in a broader context to generally refer to any type of marketing effort for social and other charitable causes, including in-house marketing efforts by non-profit organizations. Cause marketing differs from corporate giving (philanthropy) as the latter generally involves a specific donation that is tax deductible, while cause marketing is a marketing relationship generally not based on a donation.

Event marketing: Efforts designed to promote events such as athletic competitions and cultural and charitable performances. Designing or developing a 'live' themed activity, occasion, display, or exhibit (such as a sporting event, music festival, fair, or concert) to promote a product, cause, or organisation. Also called Event Creation.

Experiential marketing; a general term that describes the art of creating an experience where the intended result is an emotional connection of the target consumer to a person, brand, product or idea. Whilst the term is relatively new the fundamental concepts behind it are found in traditional activities such as field marketing, customer service, special events, product promotions, and PR stunts, where attempts are routinely made to engage consumers and the public emotionally. Given the importance of branding within modern marketing and as a cornerstone of competitive advantage for many organisations what has happened recently is the specialisation of taking the fundamental concept of creating connection through a designed emotive experience and designing the rest of the marketing mix around that, rather than trying to add it in.

Guerrilla Marketing: The term originated with Jay Conrad Levinson, first used in his book Guerrilla Marketing. It is used to describe the concept of an unconventional system of promotions that is reliant on time, energy and imagination rather than a big marketing budget. Originally Guerrilla Marketing involved unusual approaches such as intercept encounters in public places, street giveaways of products, PR stunts, any unconventional marketing intended to get maximum results from minimal resources. More innovative approaches to Guerrilla marketing now utilize cutting edge mobile digital technologies to really engage the consumer and create a memorable brand experience. The objective of guerrilla marketing is to create a unique, engaging and thought-provoking concept to generate buzz, and consequently turn viral, i.e. get the message passed from consumer to consumer as a form of word-of-mouth promotion.

Grass Roots; marketing in its simplest form is marketing to a specific community on an intricate level. Grass roots marketing is aimed at reaching people on near personal level, either in person, or via some sort of media. It is widely adopted within political and social markets as a way of trying to influence by instilling basic values and is similarly used to try and put a 'face' onto companies outside the connotations of big business, a classic example of this is Sir Richard Branson and Virgin.

Organisation marketing: Efforts designed to influence consumers to accept the goals of, receive the services of, or contribute in some other way to an organisation. A good example is the NCT (National Childbirth Trust), who promote the values of healthy parenting and natural methods of childbirth, but whom are also a charity working in both the public and private sector.

Person marketing: Efforts designed to attract the attention, interest, and preference of a target market toward a person. There are lots of examples of this 'personal PR' to be seen in the tabloid press, but this also happens in many business to business and academic markets, as well as the more obvious Public Speakers for hire, who do this as a matter of course.

Place marketing: these are marketing efforts designed to attract people to a particular area, e.g. a holiday resort, a country or an attraction, e.g. a theme park. Not to be confused with ambient marketing.

Presence Marketing; is the recognition and exposure that a person or company gets simply by being there. Where is there? It is simply anywhere that people are. Interestingly it has expanded onto the online domain to that point that some companies talk about social presence and second-life presence as major areas for overall marketing. Strictly speaking therefore, Presence Marketing identifies the presence of customer within a set environment, e.g. retail store, shopping mall. But through the use of technology Presence Marketing is also coming to mean the ability to track a customer's behaviour to enable a company to market directly to its consumers within a defined physical retail environment. The idea is to change and tailor the promotional material each customer is exposed to specifically.

Social Marketing; is the systematic application of marketing and its accompanying concepts and techniques, to achieve specific behavioural goals for a social good. Social marketing can be applied to promote merit goods, or to make a society avoid demerit goods and thus to promote society's well being as a whole. The primary aim of social marketing is "social good", while in "commercial marketing" the aim is primarily "financial". This does not mean that commercial marketers can not contribute to achievement of social good.

Increasingly, social marketing is being described as having "two parents" – a "social parent" = social sciences and social policy, and a "marketing parent" = commercial and public sector marketing approaches.

Beginning in the 1970s, with the work of Kotler and Zlatzman it has in the last decade matured into a much more integrative and inclusive discipline that draws on the full range of social sciences and social policy approaches as well as marketing.

Social marketing must not be confused with social media marketing.

Social media Marketing is a recent development with its origins in integrated marketing communications (IMC) plans. IMC coordinates the elements of the promotional mix – advertising, personal selling, public relations, publicity, direct marketing, and sales promotion – to produce a customer focused message that is consistent and coherent across all media. Traditionally, the content, frequency, timing, and medium of communications used by the organisation was in collaboration with an external agent, i.e. advertising agencies, marketing research firms, and public relations firms. However, the growth of social media, Facebook, Twitter, Bebo, Stumbleupon etc., has impacted the way organizations communicate with their customers. In the emergence of Web 2.0, the internet provides a set of tools that allow people to build social and business connections, share information and collaborate on projects online; social media marketing uses these social applications as the marketing message media.

Sports Marketing; began on August 26th 1939 with the first Major League Baseball game ever televised which directly led to Babe Ruth being the first six-figure athlete in the history of professional sports. From the mid-seventies to early eighties, the corporate sponsorship of Lamar Hunt's WCT Tennis Events and PGA Tour golf tournaments first launched modern-day sport marketing discipline that now includes non-sports businesses using sport for advertising, sponsorship, promotion, sales promotion, and public relations blending these into one of marketing's most effective tools to reach and touch consumers.

Tissue Pack marketing; a highly successful form of guerrilla marketing predominantly undertaken in Japan. Companies use a small portable pack of tissues and brand them with their company advertising copy, which is given out free, usually outside train and tube stations. Originating in 1960 the practice has grown in a ¥75 billion (£0.5 billion) industry.

Undercover Marketing; is strictly a sub-set of guerrilla marketing and is part of the growing 'stealth' marketing trend where the scenario is set-up in such a way as to not let the consumer know they are being marketed to. This can include the hiring of actors, to 'talk-up' a product in public places where potential consumers are known to congregate, parks, cafes, etc. This method is also colloquially known as 'roach baiting'. The most famous example was by Sony Ericsson in 2002 when they hired 60 actors in 10 major USA cities, and had them "accost strangers and ask them: Would you mind taking my picture?" The actor then handed the stranger a brand new picture phone while talking about how cool the new device was. and thus an act of civility was converted into a branding event, (Walker 2005).

Viral Marketing; Viral marketing and viral advertising refer to marketing techniques that use pre-existing social networks to produce increases in brand awareness or to achieve other marketing objectives (such as product sales) through self-replicating viral processes, analogous to the spread of pathological and computer viruses.

It can be word-of-mouth delivered or enhanced by the network effects of the Internet, often now called digital word-of-mouth. Viral promotions may take the form of video clips, interactive Flash games, advergames, ebooks, brandable software, images, or even text messages. The basic form of viral marketing is not infinitely sustainable.

The goal of marketers interested in creating successful viral marketing programs is to identify individuals with high Social Networking Potential (SNP) and create Viral Messages that appeal to this segment of the population and have a high probability of being passed along.