Chapter 1

UNDERSTANDING THE MARKETING PROCESS

SUMMARY

- What marketing is
- Its role in getting the best out of an organization's asset base
- The link between the external environment, customers and their needs and the marketing mix
- Clearing up the confusion surrounding marketing's role
- Clarification of what customers look for in their suppliers
- The differences and similarities between consumer, service and industrial marketing
- Whether a marketing department is essential
- Exercises to turn the theory into actionable propositions
- Readers who are already wholly familiar with the role of marketing in organizations may wish to go straight to Chapter 2, which begins to explain the marketing planning process

THE MARKETING CONCEPT*

In 1776, when Adam Smith said that consumption is the sole end and purpose of production, he was in fact describing what in recent years has become known as the marketing concept.

> The central idea of marketing is of a matching between a company's capabilities and the wants of customers in order to achieve the objectives of both parties.

It is important at this stage to understand the difference between the marketing concept (often referred to as 'market orientation') and the marketing function, which is concerned with the management of the marketing mix. The management of the marketing mix involves using the various tools and techniques available to managers in order to implement the marketing concept.

* The authors would like to remind the reader that they will use the word 'product' throughout the text to avoid unnecessary references to 'services', 'not-for-profit services', 'capital goods' and 'retail'. The text is equally relevant to all of these.

The marketing concept implies that all the activities of an organization are driven by a desire to satisfy customer needs

For the sake of simplicity, these are often written about and referred to as the four Ps, these being Product, Price, Promotion and Place although today many scholars include a number of additional Ps, such as People and Process.

However, before any meaningful discussion can take place about how the marketing function should be managed, it is vital to have a full understanding about the idea of marketing itself, and it is this issue that we principally address in this chapter.

For readers who are interested in a history of marketing and the role of key players like Levitt, Kotler, Hunt, Alderson, Holbrook and others, please refer to Jones (1999) in the bibliography at the end of the chapter.[1]

THE MARKETING FUNCTION

There are many definitions of marketing and much confusion about what it is. The following definition should clarify this for readers.

Marketing is a process for:

- defining markets
- quantifying the needs of the customer groups (segments) within these markets
- determining the value propositions to meet these needs
- communicating these value propositions to all those people in the organization responsible for delivering them and getting their buy-in to their role
- playing an appropriate part in delivering these value propositions (usually only communications)
- monitoring the value actually delivered.

For this process to be effective, organizations need to be consumer/customer driven.

This definition is represented as a 'map' in Figure 1.1. This definition and map are important because we will refer to them throughout the remainder of this book.

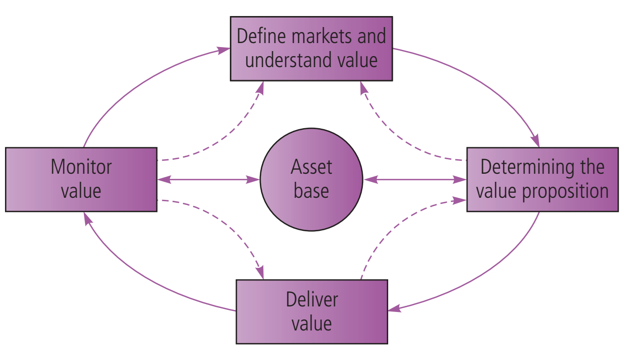

Figure 1.1: A map of marketing.

Starting at the top and moving clockwise, it should be pointed out that the first two boxes are concerned with strategies for markets, whereas the bottom box and the box on the left are concerned with implementing the strategies, once formulated. The fundamental difference between strategies and tactics will be expanded on in Chapter 2.

COMPANY CAPABILITIES

For now, let us return to the notion of bringing about a matching between a company's capabilities and the wants of its customers. In Chapter 4 we will explain what we mean when we talk about customer wants. But for now it is important to understand what we mean when we talk about a company's capabilities. To explain this more fully, let us imagine that we have been made redundant and have decided to set ourselves up in our own business.

The first thing we would have to do is to decide what it is that we can actually do. In answering this question we would quickly realize that our actual knowledge and skills restrict us very severely to certain obvious areas. For example, it would be difficult for a former sales manager to set himself up in business as an estate agent, or for an estate agent to start a marketing consultancy, unless, of course, both had the necessary skills and knowledge. A little thought will confirm that it is exactly the same for a company.

Many commercial disasters have resulted from companies diversifying into activities for which they were basically unsuited.

One such case concerns a firm making connectors for the military and aviation markets. When these traditional markets went into decline, the company diversified into making connectors for several industrial markets such as consumer durables, automobiles and so on. Unfortunately these markets were so completely different from the ones that the company had been used to that they quickly went into a loss-making situation. Whereas the connector which the company had previously manufactured had been a highly engineered product made to the specifications of a few high technology customers, the company now had to mass produce simple connectors for broad markets. This meant making for stock and carrying field inventory. It also meant low competitive prices. The sales force did not know how to cope with the demands of their new markets. They had been used to making one or two calls a day and to having detailed technical discussions with buyers, whereas now they were expected to make eight or nine calls a day and to sell against many competitive products. Furthermore, the company just did not have the right image to succeed in the market. The results of all this were very serious financial losses.

The lesson simply is that all firms have a unique set of capabilities in the form of resources and management skills which are not necessarily capable of taking advantage of all market opportunities as effectively, hence as competitively, as other firms. To summarize, the matching process between a company's capabilities and customer wants is fundamental to commercial success. That this is so will become clearer as we get further into the task of explaining the role and the nature of marketing.

THE ROLE OF MARKETING IN BUSINESS

What causes success in the long run, by which we mean a continuous growth in earnings per share and in the capital value of the shares, has been shown by research[2] to depend on four elements as shown in Figure 1.2.

1. An excellent core product or service and all the associated R and D, which closely matches the wants of the organization's target segments. Clearly, marketing will have a heavy input into this process. All this is showing is that companies with average products deserve average success.
2. Excellent, world class, state-of-the-art operations. All this is saying is that inefficiency today is likely to be punished. Marketing should, of course, have an input to defining operational efficiency in customer satisfaction terms. Where it is not allowed to, because of corporate culture, quality often becomes a sterile token.
3. A culture which encourages and produces an infrastructure within which employees can be creative and entrepreneurial within the prescribed company procedures. Bored and boring people, for whom subservience and compliance is the norm, cause average or below-average performance. This is particularly important because it is the organization's people who deliver value to customers.
4. Professional marketing departments, staffed by qualified professionals (not failures from other functions). All this means is that companies who recruit professionally qualified marketers with appropriate experience have a far greater chance of success than those whose marketing departments are staffed by just about anybody who fancies themselves as marketers.
5. Finally, observe that everything in Figure 1.2 is organized around customers.

ISO is a set of international quality standards

Given these ingredients and, above all else, a corporate culture which is not dominated (because of its history) by production, operations or financial orientation, all the evidence shows that marketing as a function makes a major contribution to the achievement of corporate objectives. Its principal role is to spell out the several value propositions demanded by different customer groups so that everyone in the organization knows what their contribution is in creating this value.

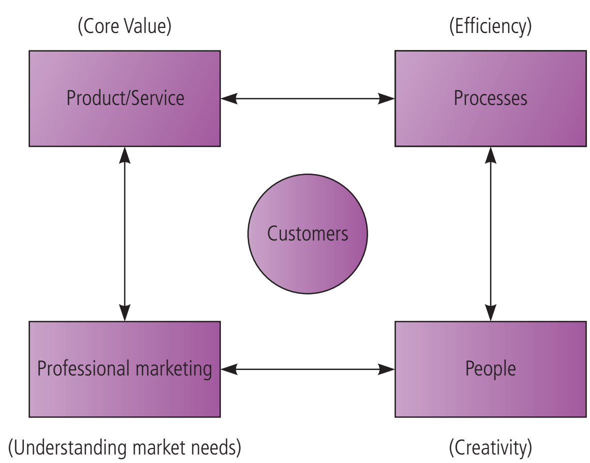

Figure 1.2: Business success.

THE MARKETING ENVIRONMENT

The matching process referred to earlier takes place in what we can call the *marketing environment*, which is the milieu in which the firm is operating. Perhaps the most obvious constituent of the marketing environment is our competitors, for what they do vitally affects our own behaviour as a company.

The point is that, since what our competitors do so vitally affects our own decisions, it is necessary to find some way of monitoring this and other elements of the environment and of building this into our decision-making process. In Chapter 11 we show how this can be done.

The *political*, *fiscal*, *economic*, *social* and *legal* policies of the governments of the countries where we sell our goods also determine what we can do. For example, inflation reduces the discretionary spending power of consumers, and this can result in market decline. Legislation concerning such things as labelling, packaging, advertising, environmentalism, and so on, all affect the way we run our business, and all these things have to be taken account of when we make our plans.

Technology is constantly changing, and we can no longer assume that our current range of products will continue to be demanded by our customers. Perhaps one of the saddest examples of this is the demise of the once-mighty Kodak, a company that for just too long thought it was a chemical company in the photographic paper and film making business. It lost an early dominance in 35 mm cameras to Canon and Nikon, then made a disastrous excursion into Instant Print, infringing on the patents held by Polaroid. Having burnt its fingers expensively there, it seemed to hold back on being at the forefront of the well-predicted move to digital because of its vested manufacturing interests worldwide. Volumes of 35mm film hit a peak as late as 2000 and, of course, with the switch to digital the traditional film processing market has since collapsed very rapidly indeed. Kodak no longer dominates the photography market in the way that it once did, and observationally seems to have allowed Hewlett Packard and Canon to muscle in with the new technology. Photography itself, the 'memory' and 'time capture' business, shows no sign of diminishing. Is Kodak another Gestetner or IBM, caught in the headlights at the wrong end of changing technology?

Likewise, the advent of the microprocessor revolutionized the computer industry, with a devastating effect on companies such as IBM, who remained dependent for too long on their supremacy in mainframes. It is interesting to note that IBM is now mainly a service company, with little involvement in hardware, but it took many years of declining profits and a chairman from outside the industry to help them make the transition.

Merging technologies have also revolutionized traditional industries such as telecommunications, printing, publishing, IT and many others.

The point is that the environment in which we operate is not controlled by us, and it is dynamic. Hence, it must be constantly monitored and we must be prepared to adapt our asset base and our approach to markets. An approach for doing this is outlined in subsequent chapters.

So far, we have talked about the three constituent parts of what we have described as a matching process:

1. The capabilities of a firm
2. The wants of customers
3. The marketing environment.

Diagrammatically, it is shown in Figure 1.3.

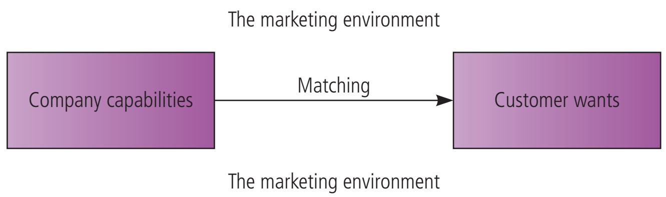

Figure 1.3: The matching process.

CUSTOMER WANTS

Although we shall be dealing with this subject in Chapter 4, let us briefly turn our attention to the subject of customer wants, so that we can complete our understanding of what marketing is.

Perhaps one of the greatest areas for misunderstanding in marketing concerns this question of customer wants. Companies are accused of manipulating innocent consumers by making them want things they do not really need.

If this were so, we would not have a situation in which a very high proportion of all new products launched actually fail! The fact is people have always had needs, such as, say, for home entertainment. What changes in the course of time is the way people satisfy these needs. For example, television was only commercially viable because people needed home entertainment, and this was yet another way of fulfilling that need.

But let us not be fooled into believing that the customer, in the end, does not have the final say. All customer needs have many different ways of being satisfied, and wherever people have choice they will choose that product which they perceive as offering the greatest benefits to them at whatever price they are prepared to pay.

Colgate, Nestlé, Johnson & Johnson, Procter and Gamble, Tesco and other longstanding great companies create shareholder value by applying the following values: an inspiring vision; clear strategies; rigorous segment and brand positioning; consistent innovation; superior customer value; high employee morale; tight cost control; and concern for *all* stakeholders, not just customer groups. Having said this, unless customer needs are satisfied in ways which lead to superior market performance, nothing else is possible.

What this means, in effect, since all commercial organizations incur costs in taking goods or services to the market, is that profit, through customer satisfaction, is the principal measure of efficacy or worth of what the company is doing.

Cheapness, efficiency, quality (in the sense of international standards such as ISO) or, indeed, any other measure, are not criteria of effectiveness, since there is little point in producing anything cheaply, efficiently or perfectly if people don't actually want it and don't buy it.

Since costs are incurred in producing products, it is necessary to find customers to buy those products at a sufficiently high price and in sufficient volume (margin turnover) to enable the company to cover its costs and to make a surplus (or profit). This is an economic necessity to enable the company to stay in business and means that, unless what is being offered is seen by customers as satisfying their wants, they will not buy it. Hence, all other stakeholder groups will be disappointed.

In the commercial sector, research has shown that there is a direct link between long-run profitability and the ability of a firm to understand its customers' needs and provide value for them.[4] For industries previously protected from competition, such as the airline industry and telecommunications, many now know that sustainable profitability can only come in the long run through continuous customer satisfaction.

In the not-for-profit sector, customer satisfaction is obviously a proxy for profitability. We shall say more about this important point in Chapter 4 on market segmentation.

To summarize, any organization that continues to offer something for which there is a long-term fundamental decline in demand, unless it is prepared to change so as to be more in tune with what the market wants, in the end will go out of business. Even less sensible would be for a government, or a parent company, to subsidize such an operation, since we know that to go on producing what people do not want is economically inefficient, especially when people will get what they want from abroad if they cannot buy it in their home country.

The same line of reasoning must also apply to those who continually counsel increased productivity as the only answer to our economic problems. Unfortunately, any additional production would more than likely end up in stock unless people actually wanted what was being produced.

It would be different, of course, if there was only a temporary hiccup in demand, but, unfortunately, this is rarely the case, because markets are dynamic and we must learn to adapt and change as our markets mutate.

Central to this question of customer wants is an understanding that there is rarely such a thing as 'a market'. To start with, it is clear that it is customers who buy products, not markets. A market is merely an aggregation of customers sharing similar needs for which they want the products and services that best meet these needs. In reality, most markets consist of a number of submarkets, each of which is different. For example, the airline market consists of freight and passenger transport. The passenger side can be subdivided further into VFR (visiting friends and relatives), holidays, business travel, and so on. Failure to understand the needs of these very different customer groups would result in failure to provide the desired services at an acceptable price.

Of course, it is not quite as easy as this, which is why we devote the whole of Chapter 4 to this very important aspect of what we call 'market segmentation'. But for now it is only necessary to understand that it is our ability to identify groups of customer wants which our particular company capabilities are able to satisfy profitably that is central to marketing management.

THE MARKETING MIX

As we have already said, managing the marketing mix involves the use of the tools and techniques of marketing. Thus, in order for the matching process to take place, we need *information*. External and internal marketing information flows (marketing research) and database management are discussed further in Chapter 11.

Having found out what customers want, we must develop products or services to satisfy those wants. This is known as 'product management' and is discussed in Chapter 5. Obviously we must charge a price for our products, and this is discussed in Chapter 9.

We must also tell our customers about our products, for we can be certain that customers will not beat a path to our door to buy whatever it is we are making. Here we must consider all forms of communication, especially advertising, personal selling and sales promotion. These are discussed in Chapters 7 and 8.

All that remains now is to get our products into our customers' hands, thus giving a time and a place utility to our product. Distribution and customer service are discussed in Chapter 10.

Finally we must consider how to tie it all together in the form of a marketing plan. This latter point is so important that the next two chapters are devoted to a discussion of the marketing planning process.

CONFUSION ABOUT WHAT MARKETING IS – VENEER OR SUBSTANCE?

It is a sad reflection on the state of marketing that in spite of almost 50 years of marketing education, ignorance still abounds concerning what marketing is.

The marketing function (or department) never has been, nor ever will be, effective in an organization whose history to date is one of technical, production, operations or financial orientation. Such enterprises have long since adopted the vocabulary of marketing and applied a veneer of marketing terminology.

MARKETING INSIGHT

Thus, some of the high street banks have spent fortunes on hiring marketing people, often from the fast moving consumer goods sector (FMCG), producing expensive TV commercials and creating a multiplicity of products, brochures and leaflets. Yet still most customers would have difficulty in distinguishing between the major players – so where's the competitive advantage?

Is this marketing in the sense of understanding and meeting customers' needs better than the competition or is it old-fashioned selling with the name changed, where we try to persuade customers to buy what we want to sell them, how, when and where we want to sell it?

The computer industry provides perhaps even clearer examples. For years they have used the word 'marketing' quite indiscriminately as they tried to persuade customers to buy the ever more complex outpourings of their technology. At least one major hardware manufacturer used to call its branch sales managers 'marketing managers' to create the illusion of a local process of understanding and responding to customer needs. Racked by recession, decline and huge losses, this is an industry in which most of the major players have either gone bankrupt or have changed fundamentally their business model.

The following are the major areas of confusion about marketing:

1. *Confusion with sales*. One managing director aggressively announced to everyone at the beginning of a seminar in Sydney, Australia: 'There's no time for marketing in my company until sales improve!' Confusion with sales is still one of the biggest barriers to be overcome.
2. *Confusion with product management*. The belief that all a company has to do to succeed is to produce a good product also still abounds, and neither Concorde, Sinclair's C5, the EMI Scanner, nor the many thousands of brilliant products that have seen their owners or inventors go bankrupt during the past 30 years will convince such people otherwise.
3. *Confusion with advertising*. This is another popular misconception and the annals of business are replete with examples such as British Airways who won awards with their brilliant advertising campaigns, while failing to deliver what the advertising promised. Throwing advertising expenditure at the public is still a very popular way of tackling deep-rooted marketing problems.
4. *Confusion with customer service*. The 'Have a nice day' syndrome is still having its heyday in many countries of the world, originally popularized, of course, by Peters and Waterman's book *In Search of Excellence* (Warner Books, 1982). Many organizations now know, of course, that training staff to be nice to customers does not help a lot if the basic offer is fundamentally wrong. For example, in many railway companies around the world, while it helps to be treated nicely, it is actually much more important to get there on time! 'Stop sending me birthday cards and answer your damned phone!' is a *cri de cœur* many customers will sympathize with.

It should by now be obvious that those people who talk about 'the sharp end' – by which they usually mean personal selling – as being the only thing that matters in marketing, have probably got it wrong.

Selling is just one aspect of communication with customers, and to say that it is the only thing that matters is to ignore the importance of product management, pricing, distribution and other forms of communication in achieving profitable sales. Selling is just one part of this process, in which the transaction is actually clinched. It is the culmination of the marketing process, and success will only be possible if all the other elements of the marketing mix have been properly managed. Imagine trying to sell a horse that didn't have four legs! The more attention that is paid to finding out what customers want, to developing products to satisfy these wants, to pricing at a level consistent with the benefits offered, to gaining distribution, and to communicating effectively with our target market, the more likely we are to be able to exchange contracts through the personal selling process.

Likewise, it is naive to assume that marketing is all about advertising, since it is by now clear that advertising is only one aspect of communication. Many firms waste their advertising expenditure because they have not properly identified what their target market is.

For example, one public transport company spent half a million euros advertising how reliable their bus service was when, in reality, utilization of buses by the public was declining because they somehow felt that buses were working class! This was a classic case of believing that advertising will increase sales irrespective of what the message is. Had this company done its research, it could have decided to what extent and how advertising could be used to overcome this prejudice. As it was, the company spent a small fortune telling people something that was largely irrelevant!

In reality, many companies spend more on advertising when times are good and less on advertising when times are bad. Cutting the advertising budget is often seen as an easy way of boosting the profit and loss account when a firm is below its budgeted level of profit. This tendency is encouraged by the fact that this can be done without any apparent immediate adverse effect on sales. Unfortunately, this is just another classic piece of misunderstanding about marketing and about the role of advertising in particular. The belief here is that advertising is caused by sales! Also, it is naive in the extreme to assume that advertising effectiveness can be measured in terms of sales when it is only a part of the total marketing process.

For a discussion, with evidence, that cutting promotional expenditure during a recession is precisely the wrong thing to do, see a report by the Institute of Practitioners in Advertising.[5]

The same, of course, applies to any form of communications, including all modern media, which we discuss in Chapter 10.

WHAT DOES THE CUSTOMER WANT?

Finally, we have to beware of what the words 'finding out what the customer wants', which appear in most definitions of marketing, really mean. The reality, of course, is that most advances in customer satisfaction are technology driven. For example, the fabulous technological breakthroughs that occurred as a result of the Houston space programme, when the Americans put two men on the Moon, have provided thousands of opportunities for commercial exploitation. The role of marketing has been to find commercial applications for the technology.

The truth, of course, is that there are two kinds of research and development:

1. Technology driven
2. Market driven.

From the kinds of technology-driven programmes that take place on science parks and in laboratories around the world come opportunities for commercial exploitation.

MARKETING INSIGHT

From the kinds of market-driven programmes that most companies engage in come incremental, and sometimes discontinuous, improvements to product performance. Both are legitimate activities. The former has been glamorized and popularized by companies such as 3M, who claim to encourage and institutionalize unfocused scientific research. This has led to the formation of a number of new businesses and product launches, the most famous of which is Post-it.

The main point to remember, however, is that customers do not really know what they want! All they really want are better ways of solving their problems, so one of the main tasks of marketing is to understand the customers and their problems in depth so that we can continuously work on ways of making life easier for them. Whether this happens as a result of serendipity or focused research and development is less important than the end result.

ARE BUSINESS-TO-BUSINESS, CONSUMER AND SERVICE MARKETING DIFFERENT?[6]

The central ideas of marketing are universal and it makes no difference whether we are marketing furnaces, insurance policies or margarine. Yet problems sometimes arise when we try to implement marketing ideas in service companies and industrial goods companies.

A service does not lend itself to being specified in the same way as a product, as it does not have the same reproducible physical dimensions that can be measured. Thus, with the purchase of any service, there is a large element of trust on the part of the buyer, who can only be sure of the quality and performance of the service after it has been completed. Largely because of this, the salesperson actually selling the service obviously becomes part of the service, since this is one of the principal ways in which the potential efficacy of the service can be assessed. Additionally, a service product cannot be made in advance and stored for selling 'off the shelf' at some later stage. Nonetheless, apart from some differences in emphasis, the principles of marketing apply to services in exactly the same way.

Business-to-business goods are simply those goods sold to other businesses, institutional or government buyers for incorporation into their own products, to be resold, or to be used by them within their own business. Principal types of business-to-business goods are raw materials, components, capital goods and maintenance, repair and operating goods and equipment, although even service companies sell direct to other companies rather than to consumers.

The fact that the share of world trade enjoyed by some manufacturing countries has slumped so dramatically over the past 50 years is not generally because their products were not as good as those produced by other countries, but because they failed to monitor and understand the environmental changes taking place and stuck doggedly to what had worked in the past, whereas organizations that continued to thrive did, including, where necessary, the sourcing of manufacturing in countries with lower costs.

One reason for this is that many manufacturing companies naively believe that the name of the game is making well-engineered products. Making well-engineered products is all some companies are concerned about, in spite of the fact that all the evidence points to the conclusion that more often

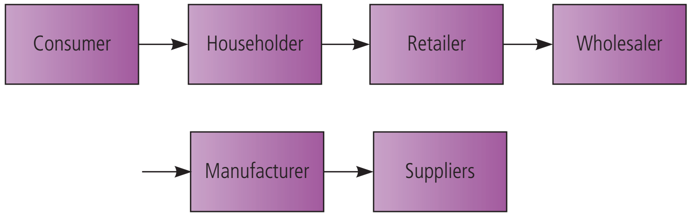

Figure 1.4: Supply chain.

than not it is for other reasons that the final choice is actually made. Failure to understand the importance of market segmentation (to be discussed in Chapter 4), market share, service and reputation, among other things, is the principal reason why such companies fail to compete successfully in so many world markets. Making what they consider to be good products and then giving them to the sales force to get rid of is just not enough.

> Failure to understand the importance of market segmentation is the principal reason for failure to compete effectively in world markets

But, quite apart from the fact that there appears to be a sort of status about being on the technical side of business, which sometimes acts as a barrier to the consideration of marketing issues, it is also a fact that marketing is difficult in many business-to-business markets. This makes it inevitable that managers will resort to doing things they can understand. For example, demand for all industrial products is derived from the demand for consumer products, which adds greater uncertainty to decision making and makes forecasting extremely difficult.

It can be readily appreciated from Figure 1.4 that the further a company gets from the eventual consumer, the less control it has over demand. Take the example of brewers. They can communicate direct with their consumers, whereas the company making their plant and the suppliers in turn to the plant company are, in the final analysis, also dependent on ultimate consumers.

Also, information about business-to-business markets is not so readily available as in consumer goods markets, which makes it more difficult to measure changes in market share. There are other difficulties besides these, which make marketing in the business-to-business area more difficult.

Unfortunately, the answer to this problem by many companies has been to recruit a 'marketing person' and leave them to get on with the job of marketing. But it will now be obvious that such a solution can never work, because the marketing concept, if it is to work at all, has to be understood and practised by all executives in a firm, not just by the marketing manager. Otherwise everyone goes on behaving just as they did before and the marketing person quickly becomes ineffective.

Again, however, the conclusion must be that, apart from differences in emphasis, the principles of marketing apply in exactly the same way.

DO YOU NEED A MARKETING DEPARTMENT?

This brings us finally to the question of whether it is necessary for a company to have a marketing department.

It is not essential to have a formalized marketing department for the analysis, planning and control of the matching process. This is particularly so in small, undiversified companies where the chief executive has an in-depth understanding of customers' needs. Even in large companies it is not necessary to have a marketing department, because the management of products can be left to the engineers, pricing can be managed by the accountants, distribution can be managed by distribution specialists, and selling and advertising can be managed by the sales manager.

The dangers in this approach, however, are obvious. Technicians often place too much emphasis on the physical aspects of the products, accountants can be too concerned with costs rather than with market values, distribution people can often succeed in optimizing their own objectives for stock, yet at the same time suboptimizing other more important aspects of the business, such as customer service, and selling and promotion can often be carried out in a way that may not be in the best interests of the firm's overall goals.

However, as a company's product range and customer types grow, and as competitive pressures and environmental turbulence increase, so it often becomes necessary to organize the management of marketing under one central control function, otherwise there is a danger of ending up with the kind of product which is brilliant technically, but disastrous commercially.

In professional organizations, great care is necessary in thinking about the appropriate organizational form for marketing. For example, in a post-graduate business school the major role of the marketing department has traditionally been in the domain of promotion and information coordination. While it does obviously act as a facilitator for strategy development, it is intellectually simplistic to imagine that it could be the originator of strategy. In some other service organizations, the central marketing function might also provide the systems to enable others to carry out effective marketing, but in such organizations marketing departments never have actually *done* marketing, nor ever will.

The reasons are obvious. If the term 'marketing' is intended to embrace all those activities related to demand creation and satisfaction and the associated intelligence, then it is clear that most marketing takes place during the service delivery and customer contact process, in all its forms. Marketing, then, reflects this process and it is absurd to believe that it is the sole domain of those people in the organization who happen to belong to the marketing department.

In the best professional firms, a 'Marketing Partner' is often appointed. Such a person is usually a qualified professional, such as a lawyer or an accountant, and they take the qualified marketers in the marketing department under their wing so that marketing has a voice in the boardroom.

> It is absurd to believe that marketing is the sole domain of those people in the organization who happen to belong to the marketing department.

As Alan Mitchell, a freelance journalist for *Marketing Business*, said: 'To say the Marketing Department is responsible for marketing is like saying love is the responsibility of one family member.'

It is equally absurd to suggest that the personnel department should actually emphasize personnel management, with all other managers in the organization having nothing to do with people. The same could be said for finance and information systems. Indeed, it is such myopic functional separation that got most struggling organizations into the mess they are in today.

Much more important, however, than who is responsible for marketing in an organization is the question of its marketing orientation, i.e. the degree to which the company as a whole understands the importance of finding out what customer groups want and of organizing all the company's resources to satisfy those wants at a profit.

Nonetheless, given the definition of marketing supplied earlier, we repeat Figure 1.1 (as Figure 1.5) as a diagram of this definition, which we shall return to later.

We should like to make one final important point in this introductory chapter. It has always been tempting to give in to that strident minority who criticize the whole topic of marketing and marketing planning in particular. So, to conclude this chapter on a positive note we include a quotation from *Management Today*.[7]

> Diageo's well-deserved win as Britain's most admired company is a tale of meticulously planned strategy, consistently executed over many years, with little regard to the whims of corporate fashion.

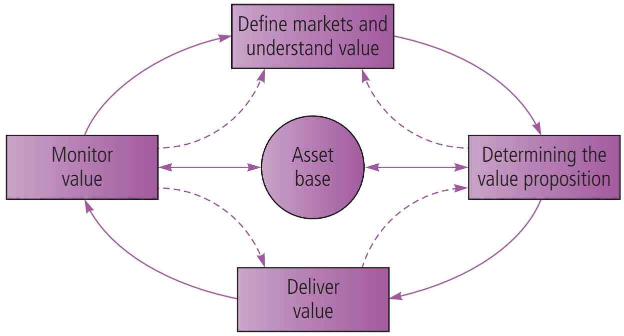

Figure 1.5: A map of marketing.

APPLICATION QUESTIONS

1. Describe as best you can what you think marketing means in your company.
2. Describe the role of your marketing department, if you have one.
3. If you do not have a marketing department, describe how decisions are made in respect of the following:
   - the product itself
   - price
   - customer service levels
   - physical distribution
   - advertising
   - sales promotion
   - the sales force
   - information about markets.
4. How do you distinguish between marketing, promotion and selling in your organization?
5. Would you say your products are what the market wants, or what you prefer to produce?
6. Do you start your planning process with a sales forecast and then work out a budget, or do you start by setting marketing objectives, which are based on a thorough review of the previous year's performance? If the former, describe why you think this is better than the latter.

CHAPTER 1 REVIEW

The marketing concept

Providing goods or services for which there is a known customer demand, as opposed to selling what the company likes to produce. By focusing on customers and their wants the company is better positioned to make a profit. The company is then said to be market led, or to have a 'market orientation'.

The marketing function

There are many definitions of marketing and much confusion about what it is. The following definition should clarify this for readers:

Marketing is a process for:

- defining markets
- quantifying the needs of the customer groups (segments) within these markets

- determining the value propositions to meet these needs
- communicating these value propositions to all those people in the organization responsible for delivering them and getting their buy-in to their role
- playing an appropriate part in delivering these value propositions (usually only communications)
- monitoring the value actually delivered.

For this process to be effective, organizations need to be consumer/customer driven.

This definition is represented as a 'map' in Figure 1.1, repeated here as Figure 1.6.

Starting at the top and moving clockwise, it should be pointed out that the first two boxes are concerned with *strategies* for markets, whereas the bottom box and the box on the left are concerned with implementing the strategies, once formulated. The fundamental difference between strategies and tactics will be expanded on in Chapter 2.

Try Exercise 1.1

Company capabilities

The company will not be equally good at all things. It will have strengths and weaknesses. The astute company tries to identify customer wants that best match its own strengths, be they its product range, relations with customers, technical expertise, flexibility, or whatever. Inevitably there is an element of compromise in the matching process, but successful companies strive to build on their strengths and reduce their weaknesses.

Try Exercise 1.2

The marketing environment

No business operates in a vacuum; it has an environment which not only contains all its existing and potential customers and its competitors, but many factors outside its control. Changes in the environment in terms of

- customer wants
- fashions
- technology
- environmental concerns
- legislation
- economic climate
- competition, etc.

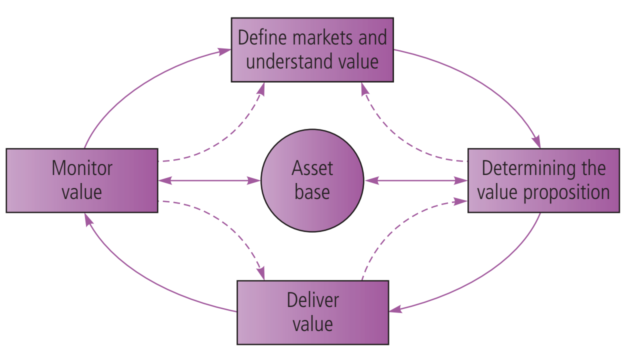

Figure 1.6: Map of the marketing process.

present the company with both opportunities and threats. Keeping a finger on the pulse of the environment is essential for the successful company.

Try Exercise 1.3

Questions raised for the company

1. Q: Is it different marketing a product or a service?
   A: The central ideas of marketing are universal.
2. Q: What do customers want?
   A: They don't always know, but dialogue with them and intelligent research can help to answer this question.
3. Q: Do we need to bother with marketing?
   A: Some companies are very successful by chance. They happen to be in the right place at the right time. Most other companies need to plan their marketing.

Try Exercise 1.4

4. Q: Do we need a marketing department?
   A: Not necessarily. It will depend upon the size and complexity of the company's range of products and services. The higher the complexity, the more difficult it is to coordinate activities and achieve the 'matching' of a company to its customers.

EXERCISES

The exercises are intended to give you an opportunity to explore ways of looking at marketing. Exercise 1.1 enables you to make an assessment of your own beliefs about marketing; the remaining exercises can be applied to your organization.

Exercise 1.1 Marketing orientation

Below are a number of definitions of marketing that have appeared in books and journals over the last 20 or so years. Read through them carefully and note on a piece of paper the numbers of those which most accurately reflect your own views.

While there is no upper limit to the number of definitions you can choose, try, if you can, to limit your choice to a maximum of nine or 10 definitions.

1. 'The planning and execution of all aspects and activities of a product so as to exert optimum influence on the consumer, to result in maximum consumption at the optimum price and thereby producing the maximum long-term profit.'
2. 'Deciding what the customer wants; arranging to make it; distributing and selling it at a profit.'
3. 'Marketing perceives consumption as a democratic process in which consumers have the right to select preferred candidates. They elect them by casting their money votes to those who supply the goods or services that satisfy their needs.'

(*Continued*)

4. ‘The planning, executing and evaluating of the external factors related to a company’s profit objectives.’
5. ‘Adjusting the whole activity of a business to the needs of the customer or potential customer.’
6. ‘. . . marketing is concerned with the idea of satisfying the needs of customers by means of the product and a whole cluster of things associated with creating, delivering and, finally, consuming it.’
7. ‘The total system of interacting business activities designed to plan, price, promote and distribute products and services to present and potential customers.’
8. ‘(Marketing is) the world of business seen from the point of view of its final result, that is from the customer’s viewpoint. Concern and responsibility for marketing must therefore permeate all areas of the enterprise.’
9. ‘The activity that can keep in constant touch with an organization’s consumers, read their needs and build a programme of communications to express the organization’s purposes.’
10. ‘The management function which organizes and directs all those business activities involved in assessing and converting customer purchasing power into effective demand for a specific product or service and moving the product or service to the final customer or user so as to achieve the profit target or other objectives set by the company.’
11. ‘The marketing concept emphasizes the vital importance to effective corporate planning and control, of monitoring both the environment in which the offering is made and the needs of the customers, in order that the process may operate as effectively as is humanly possible.’
12. ‘The organization and performance of those business activities that facilitate the exchange of goods and services between maker and user.’
13. ‘The process of: (1) Identifying customer needs, (2) Conceptualizing these needs in terms of the organization’s capacity to produce, (3) Communicating that conceptualization to the appropriate locus of power in the organization, (4) Conceptualizing the consequent output in terms of the customer needs earlier identified, (5) Communicating that conceptualization to the customer.
14. ‘(In a marketing company) all activities – from finance to production to marketing – should be geared to profitable consumer satisfaction.’
15. ‘The performance of those business activities that direct the flow of goods from producer to consumer or user.’
16. ‘The skill of selecting and fulfilling consumer wants so as to maximize the profitability per unit of capital employed in the enterprise.’
17. ‘The economic process by means of which goods and services are exchanged and their values determined in terms of money prices.’
18. ‘The performance of business activities that direct the flow of goods and services from producer to consumer in order to accomplish the firm’s objectives.’
19. ‘Marketing is concerned with preventing the accumulation of non-moving stocks.’
20. ‘The process of understanding markets and the present and future value required by the different groups within these markets, of communicating it to all customer-impacting functions within the organization and of measuring the value actually delivered.’

Scoring for Exercise 1.1

You should have selected a number of definitions that you identify with. To work out your score, tick the boxes in the table below which equate to your chosen statements. Now add the number of ticks in each group and enter the total in the boxes at the end of each row.

For example, if you selected definitions 1, 3, 5, 6, 10 and 14, then 1 and 10 would score a total of 2 in Group A and 3, 5, 6 and 14 would score a total of 4 in Group B.

Group A	1	2	4	7	10	12	15	17	18	19	
Group B	3	5	6	8	9	11	13	14	16	20	

Interpretation of Exercise 1.1

If you study the various definitions, you will find that the essential difference between those in Group A and those in Group B is that *Group B definitions make an unambiguous reference about identifying and satisfying customer needs and building systems around this principle*. This is generally accepted as true marketing orientation, and is the stance taken throughout this book about marketing.

Group A definitions tend to focus far less on the customer (unless it is to decide what customers want, or to *exert influence* on the customer – i.e. to do things to the customer – and more on the company's own systems and profit motives. Thus Group A definitions could be described as being more traditional views about managing a business. Therefore the more Group B and the fewer Group A answers you have, the higher your marketing orientation and the less at odds you should be with the ideas put forward in this book.

Please note that this is your personal orientation towards marketing and nothing to do with your company.

Exercise 1.2 Company capabilities and the matching process

1. Reflect on your company's recent history, say the last five years. Over that period, what would you say have been the key strengths that have carried the company to its present position?
   (a) Make a list of these below. *Note*: In a small company, among the strengths might be listed key people. Where this happens, expand on what the person actually brings to the organization, e.g. sales director – his/her contacts in the industry.
      (i) ____________________
      (ii) ____________________
      (iii) ____________________
   (b) What would you say are the three main weaknesses at present?
      (i) ____________________
      (ii) ____________________
      (iii) ____________________

(*Continued*)

2. Again, considering the last five-year period, has the company got better at matching its strengths to customers and to its business environment, or worse? Often there are both positive and negative forces at work.
   (a) Make a note of the factors which led to improvements in the space below.

   (b) Make a note of the factors which led to a deterioration in the space below.

At this stage you do not need to draw any specific conclusions from this exercise, although you will probably find it useful to return to this information as you progress through the book.

Exercise 1.3 The marketing environment

You will be asked to consider the marketing environment in more detail later. For now, think back over the last five years of the company's history and answer these questions:

1. Which were the three most significant opportunities in the environment which contributed to the company's success/present situation?

   (a) ____________________ ( )
   (b) ____________________ ( )
   (c) ____________________ ( )

Put a score against each factor listed, in the brackets, using a 1–10 scale (where 10 is extremely significant).

2. Which were the three most significant threats which operated against the company over this period and which inhibited its success?

   (a) ____________________ ( )
   (b) ____________________ ( )
   (c) ____________________ ( )

   Again, score these threats on a 1–10 scale as above.

3. Reflect on what you have written above and consider whether or not these opportunities and threats are increasing or decreasing in significance, or if new ones are on the horizon. Make notes below, looking ahead for, say, the next three years.

   Opportunities → ____________________
   Threats → ____________________

Again, at this stage, you do not need to draw any specific conclusions from this exercise, although you will probably find it useful to return to this information as you progress through the book.

Exercise 1.4 Marketing quiz*

Place a tick after each statement in the column which most accurately describes your company situation.

	Very true	True	Don't know	Untrue	Very untrue
1. (a) Our return on invested capital is satisfactory.					
(b) There is good evidence it will stay that way for the next five years.					
(c) Detailed analysis indicates that it is probably incapable of being materially improved.					
2. (a) Our market share is not declining.					
(b) This is a fact, based on objective evidence.					
(c) There is objective evidence that it will stay that way.					
3. (a) Our turnover is increasing.					
(b) At a rate faster than inflation.					
(c) But not at the expense of profitability.					
4. I know for sure that our sales organization is only allowed to push less profitable lines at the expense of more profitable ones if there are rational reasons for doing so.					
5. (a) I understand why the company has performed the way it has during the past five years.					
(b) I know (apart from hoping) where it is heading during the next five years.					
6. (a) I am wholly satisfied that we make what the market wants, not what we prefer to produce.					
(b) Our functional strategies (such as production, finance, IT, HR, operations, R and D, etc.) are based on a clear understanding of the required customer value, rather than for self-serving functional reasons.					

*Adapted by Professor Malcolm McDonald from a questionnaire devised by Harry Henry Associates in 1971.

(*Continued*)

	Very true	*True*	*Don't know*	*Untrue*	*Very untrue*
(c) I am satisfied that we do not use short-term tactics which are injurious to our long-term interests.					
7. (a) I know that sales and profit forecasts presented by operating management are realistic.					
(b) I know they are as exacting as they can reasonably be.					
(c) If anyone insists that they are raised, it is because a higher level is attainable not just because a better-looking budget is required.					
8. (a) The detailed data generated internally are analysed to provide timely information about what is happening in the key areas of the business.					
(b) Marketing research data which operating management acquire are synthesized into plain English and are actually needed and used in the key decision-making process.					
9. (a) We do not sell unprofitably to any customer.					
(b) We analyse our figures to be sure of this.					
(c) If we do, it is for rational reasons known to us all.					
10. Our marketing policies are based on market-centred opportunities which we have fully researched, not on vague hopes of doing better.					

Join up the ticks down the page and count how many are to the left of the *Don't know* position, and how many are at the *Don't know* position or to the right of it.

Interpretation of Exercise 1.4

If you have 11 or more answers in the *Don't know* position or to the right of it, then the chances are that your company isn't very marketing orientated. It needs to take a closer look at itself in the ways suggested by this book.

Scores between 12 and 20 to the left of the *Don't know* position indicate an organization that appears to have reasonable control of many of the significant ingredients of commercial success. Nonetheless, there is clearly still room for improvement, and this book should be useful in bringing about such an improvement.

Scores above 20 to the left of the *Don't know* position indicate an organization completely in command of the key success variables. Are you certain that this is a true reflection of your organization's situation? If you are, then the chances are that its marketing skills are already highly developed. However, this book will still be useful for newcomers to the marketing function who wish to learn about the marketing process, and it will certainly help to maintain your high standards.

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