1 Mobilizing the Marketing Endeavour

This chapter covers the following topics:

- Boundary spanning
- Four views of marketing
- Delivering value
- Creating value propositions

Border Patrol

Marketing activities take place within the wider contexts of organizations, industries, cultures, and countries. So the marketing endeavour is often viewed as a *boundary-spanning* role between the organization and its environment. Of course the most immediate environment for marketing is the organization in which it takes place, but marketing is considered to extend beyond the marketing department or function itself. This is because, although most organizations nowadays have a function or department labelled "marketing", it is sometimes little more than a sales unit, which delivers advertising, personal selling and promotion activities. Such organizations can be described as "sales oriented". In order to be fully "marketing oriented" however, all the activities of the organization must be centred on the customer; therefore marketing must be undertaken by *all* functions, not just those in the department called "Marketing".

In order to provide something of value to their customers or users outside, the activities and departments involved *inside* the organization each must deliver their part of the process to the other units and functions. For instance, the research department must develop the new system for IT, who must integrate it into existing IT systems for manufacture, which must make the products to order for sales, and the service division must back up sales, etc. In this way, each internal activity can be viewed as having an output and thus a customer *inside* the organization. This is the notion of internal marketing (see Piercy, 1991) where all departments, not just that labelled "marketing", are users of others' output and have "customers" in other functions. And this is why Evert Gummesson (1997) says that everybody in the organization should act as a "part-time marketer".

So marketing can be regarded as the business function located at the boundary between the firm and the outside world. Its role is to manage activities *inside* the firm in order to focus those *outwards*, particularly towards customers. One complication with this view is that the distinction between the organization and its environment is not as clear-cut as this "internal versus external" explanation suggests. For example, many companies contract out large parts of their marketing to other firms, where functions such as market research, advertising and technical research are contracted to outside agencies. They often do this in order to avoid permanently employing lots of specialists and to allow more flexible operations, but are more likely to retain control of overall marketing and core activities like marketing strategy and planning, sales management, in-store promotions, costing and pricing. In practice, many marketing operations span the internal–external divide, making the boundary itself between inside and outside the firm even more unclear. Nevertheless, bearing this qualification in mind it is more helpful to think about and discuss the external aspects of the organization's context separately here in order to then lead on to consider how these boundaries can best be managed by marketing.

The notion of the external environment at its basic level implies that the marketing activities of a company take place between and are crucially determined by other organizations and people in the immediate *micro-environment* such as suppliers, buyers, competitors, etc. The company has some control over these immediate influences through its marketing activities; for example by lowering its price it may encourage buyers to purchase more, but also may encourage competitors to reduce their price. Other factors in the more distant *macro-environment* are also powerful influences, such as technology, cultural norms, economic conditions, etc.

Forces in the macro-environment affect marketing more indirectly by influencing conditions such as the disposable income of customers, the opportunities for new products, the reach and effects of advertising, etc. The organization has little influence over the macro-environment, determined much more by the state of the general economy, social forces, technological advances, government policies, etc. One criticism of the conventional view depicted in Figure 1.1 is that it is too company-centred, not customer-centric. A truly marketing-oriented view of the environment would turn the diagram inside out, situating consumers in the middle and competing companies on the outside because according to the marketing concept the depiction of the marketing environment should be centred

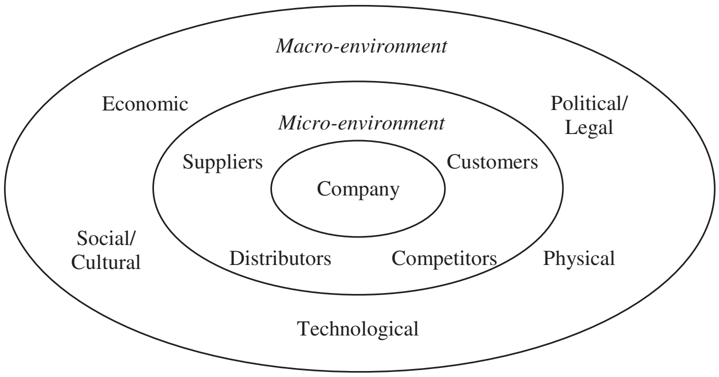


Figure 1.1 The marketing environment. Source: Adapted from Saren, M. (2006) *Marketing Graffiti*: *The View from the Street*. Oxford: Butterworth Heinemann

on the consumer, not the seller. The firm's environment should show the consumer at the centre, with sellers fighting for their custom from the outside and competing for distribution channels, retail space, advertising media, etc.

The role of the external environment is not all encompassing for marketing however, but selective and partial. Companies cannot possibly affect or even engage with *all* of it. Most firms are not even aware of all the macro forces and trends in technology, society, economy, and public policy that may affect them. There are many examples where managers complain that an important external event occurred "out of the blue". Marketers will have their own individual view about which particular external elements are important for their business and will also select a small subset of these to monitor, investigate, or exploit. This is what is called *environmental scanning*, which is systematic information gathering to monitor important trends in the environment.

For example, oil and gas companies undertake regular scanning of oil prices, availability, costs, etc., and forecast future possible scenarios. Also, they constantly monitor key long-term macro-environmental factors such as government stability and national policies in selected countries where they might have or seek exploration licences. Other factors that are assessed include new technologies, regulation of automobiles, transport investments, road infrastructure capacity, and taxation of emissions. In other words, managers in companies such as these *select* to investigate forecast and monitor only a small part of all the possible factors that might be or become relevant to their companies' markets and their marketing. They cannot look at everything, nor can they operate and market everywhere. That part of the macro-environment that sellers choose to engage with is called the *enacted environment*. And the part which managers consider relevant is determined by the way they look at their business and the outside world.

In order to manage the firm–environment boundary, marketers also need to gather regular and extensive information. Most obviously, marketers need information about consumers, their wants and needs, and what will satisfy them. Consumer information aids marketing decision-making – pricing decisions, promotion decisions, product decisions, and distribution decisions and so on should all be aimed at satisfying the consumer, so this requires data beyond the basic facts about what they buy, where they shop, their price limits, etc. Marketing also requires knowledge about consumers' fundamental needs, their future preferences, and what determines these. For example, the purpose of loyalty cards in UK retail stores is not just to encourage repeat visits by customers or even to generate "loyalty"; the aim is primarily to generate on a daily basis lots of useful information for the retailer about buyers' purchasing habits. The collection and use of this type of data about consumers' buying behaviour is not sufficient though. Lots of other types of information are needed to aid marketers' decision-making, such as costs, production, competitors, industry; indeed, information about the whole context of the market. Nor is it sufficient to possess and collect information. Marketers also need the ability to integrate and frame such information within the context of their experience, expertise, and judgement.

Whatever Way You Look at It

There are four main approaches to managing marketing's boundaries. These are:

1. Functionalist
2. Managerialist
3. Collaborative
4. Relational

We outline the theoretical and historical bases of these approaches first before moving on to consider how these can be implemented.

1. Functionalist

The functionalist approach studies marketing behaviour as a system and tries to establish ways of making it work better, more efficiently. It is associated with the great marketing theory pioneer Wroe Alderson, writing in the 1950s and 1960s (see Alderson, 1957). Academic study and development of marketing as a separate discipline is essentially a twentieth-century occurrence. It corresponds to the increasing distance of the producer from the final consumers, over whom manufacturers have thus lost control and influence, with distributors, agents and retailers filling the gap.

Figure 1.2 illustrates this shift in market structure and power over the second half of the twentieth century. The rise of marketing was seen by Alderson and others as the solution to this problem for manufacturers. In other words, marketing started to be used by producers of agricultural and manufactured products in order to attempt to wrest knowledge, contact, control, and influence over consumers, back from the various middlemen in the elongated distribution channels. The early editions of the main marketing publication, the *Journal of Marketing*, from 1936 contained papers that used the term "marketing" to mean primarily aspects of distribution as the flow of goods and services from the place of production to the point of consumption. Functionalist marketing utilizes the techniques, tools, and language of systems analysis to acquire the means for producers to directly reach and communicate with customers, who came to be regarded by marketing as the espoused central focus of all business systems.

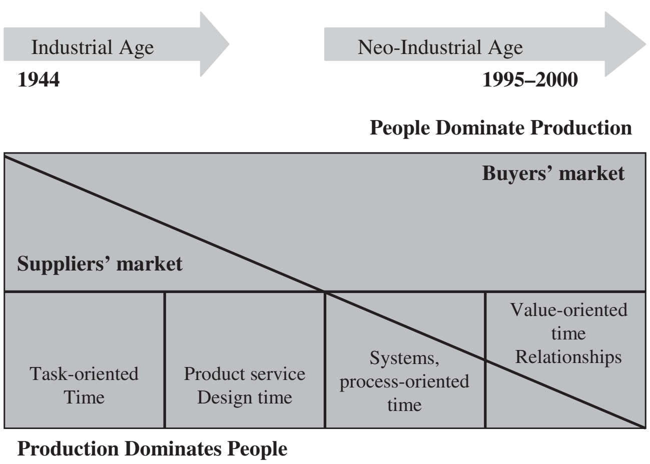


Figure 1.2 Shift from suppliers' market to buyers' market

2. Managerialist

The next development shifts the focus from a functionalist, systems approach to analysing markets to one which focused on managerial and buyer behaviour. The managerial and buyer behaviour view of the 1960s and 1970s studied individual firms and consumers to discover how to control their market behaviour in order to maximize their profit (firms) and satisfaction (consumers). The buyer behaviourist view regarded the consumer as a conditioned organism, open to reconditioning and treated as a "behaving machine", performing cognitive functions within a black box (see Shankar and Horton, 1999). Managerial marketing attempts to influence the behaviour of this "buyer machine" through manipulating the so-called marketing mix or 4Ps of product, place, promotion, and price.

The task for marketers is to develop an optimal marketing mix solution for competing for the preferences of a chosen target segment of consumers, households, or organizational buyers. In order to achieve this they utilize the techniques, tools, and language of market research to acquire the means to understand and analyse buyer preferences, choose a target market, differentiate and position the product in relation to the competing product alternatives, and estimate the customer reactions in terms of attitudes, buying intentions, or sales. The title of Philip Kotler's (1967) classic textbook *Marketing Management*: *analysis*, *planning and control* epitomizes the managerialist approach to managing the marketing boundaries.

There are several problems with this approach. It prioritizes management interest and values and the role of managers is the main focus, not that of consumers, employees, and other boundary actors – in fact this often represents a minority interest. As Figure 1.3 illustrates, managerialist marketing is mainly concerned with how managers and their firms are perceived in the market, i.e. how *they* look to customers.

As such this approach is highly normative and firm-centric and it assumes that managing complex marketing boundaries can be enacted through a

Marketing Planning Through the Looking Glass

Where are we going?
How do we look?
What do customers think of us?
How do we stand against competitors?
How can we improve our performance?

Figure 1.3 Managerialist marketing approach

"how-to", step-by-step guide, rather than by analysing and problematizing the boundary relations and management issues in the first place. Above all, however, although it espouses business as the most important form of boundary relationship and organization, managerialism is surprisingly silent about the organization of marketing activities. It does not contain any theory-based prescriptions for organizing marketing activities. The marketing mix is offered as a decision set or output of marketing, not its organization. A further limitation concerns the absence of attention to strategic issues. Although it covers tactical mix decisions the managerialist view is silent about which specific markets the firm should be in and how to compete in these markets.

The importance of these limitations make all the more surprising the belief that it can also be applied to any other form of non-business activity such as a health service or university education. The recent extension of the application of the managerial view of marketing into almost every aspect of business, public, civil, charitable, social, and even military and scientific activity in modern societies does nevertheless demonstrate that this is indeed what has occurred (see McKenna, 1991).

3. Collaborative

Another view of marketing's boundary management role highlights the fact that buyers and sellers do not only compete with each other for the best deal, they must also often collaborate. This emphasis developed largely due to the wider influence of the business thinking and culture of firms from the Far East and Asia. For example, Japanese business methods and ideas of collaboration, quality control, employee relations, and procurement practices have all had an enormous impact on business methods and thinking in the West. Chinese culture and business also operates with the notion of "guanxi", which is an alternative culture-based value system to the western market basis of legal frameworks, property rights, and contracts. In the West, the concept of trust is nevertheless critical for any marketing collaboration or partnership to work.

As Morgan and Hunt emphasize "commitment and trust are 'key' because they encourage marketers to (1) work at preserving relationship investments by cooperating with exchange partners, (2) resist attractive short-term alternatives in favour of the expected long-term benefits of staying with the existing partners, and (3) view potentially high risk actions as being prudent because of the belief that their partners will not act opportunistically. When commitment and trust – not just one or the other – are present they produce outcomes that promote efficiency, productivity and effectiveness" (Morgan and Hunt, 1994).

Proponents of this approach to managing marketing boundaries agree with Evert Gummesson (1997) that "collaboration in a market economy needs to be treated with the same attention and respect as competition". Three main types of collaborations can be identified, similar to those of competition:

1. Firms collaborate with other firms, even competitors, in alliances and joint ventures. For instance, airlines collaborate to provide global services (e.g. BA, Qantas, Swissair) and IT firms combine with suppliers and business partners to provide a "platform" or whole offering for customers, e.g. Pentium, Intel, IBM. Figure 1.4 illustrates how in the automobile industry various organizations collaborate in supply chains in order to provide a unified offer to customers. Indeed as the diagram shows, they actually collaborate with customers, who themselves become involved in value creation as part of the collaborative network constructed around the leading brand of Ford, Nissan, or Volkswagen.

2. Buyers also collaborate with each other. This can be a formal cooperation, e.g. customer cooperatives, buying clubs, user groups (services,

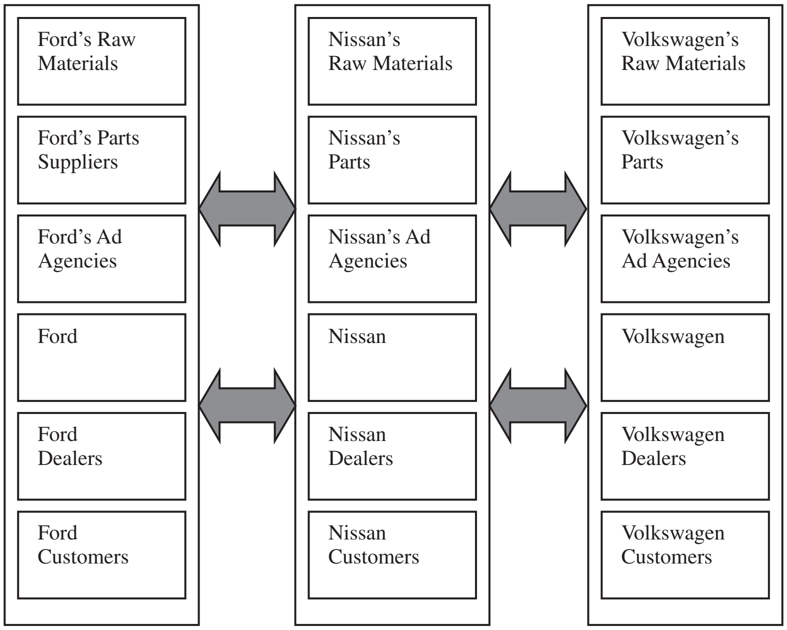


Figure 1.4 Supply chain collaboration in the automotive industry. Source: Adapted from Morgan and Hunt (1994)

gym, health), enthusiast societies (e.g. cars, football supporters). Alternatively, this can be an informal or social arrangement through information sharing, instruction, or friends.

3. Buyers and sellers collaborate. The very act of buying requires information sharing, dialogue, agreement, and trust between the buying and selling parties. Especially in business-to-business (B2B) and service markets, the buyer is often involved with the seller in producing or making together some key aspect of the delivery or transaction or use.

The idea of market as collaboration links to the fields of relationship and network marketing which developed from studies of marketing in B2B and services where collaboration and relationships have been found to be *central* to success. All these relational approaches emphasize long-term collaboration (as opposed to competition and exchange) between market and social actors.

It is actually possible for *all* marketing activities, problems, systems, and behaviour to be conceptualized and conducted by focusing on the collaborations involved to identify best practices, analyse behaviour, and provide solutions. For example, network theory has been applied extensively to industrial marketing by the north European IMP group (see Ford, 1990) which has enabled them to explain the behaviour of marketing systems in terms of networks of relationships and collaboration.

4. Relational

The move towards the relational approach to managing marketing boundaries began to become popular in the early 1990s when some academic researchers and marketing practitioners began to criticize the managerialist marketing mix approach for its essentially product orientation as opposed to customer orientation and for its short-term transactional view of marketing exchange as opposed to a longer-term relational perspective (see Grönroos, 1994). Their focus on relationships obviously relates directly to the management of organization-environment boundaries and it encompasses all marketing relationships including some which can be beyond and independent of markets and commodity exchange, such as those with stakeholders, employees, and the general public (see Webster, 1992; Payne, 2000).

The relational approach to marketing has arisen for a number of reasons: fragmentation of mass markets through information and communication technologies, the ability to collect and analyse more data about individual customers, higher levels of product quality forcing companies to seek competitive advantage in other ways, more demanding customers and rapidly changing customer buying patterns. The relational approach developed from a combination of ideas in business to business marketing, information technology-enabled developments in database and direct marketing, and the wider application of some key characteristics from services marketing (see Möller and Halinen, 2000).

Consequently, by utilizing these developments in technologies and relationship marketing thinking companies have sought new ways of establishing relationships with customers, and ultimately, ways of maintaining these relationships in order to retain customers that they attract. This requires a fundamental shift in marketing from a focus on transactions (i.e. sales) to relationships (i.e. retention) as companies move from short-term transaction-oriented marketing activities to that of long-term relationship-building. The key differences between these approaches are shown in Table 1.1.

The difference in the relational approach to marketing's boundary management is its explicit focus on marketer–supplier relationships and the dynamics of these relationships. It also emphasizes that both the seller and customer can be active participants in these relationships, as opposed to the managerial view which sees the marketer as the active agent and the customer as essentially reactive or passive. The key task for marketing now becomes that of managing these relationships with customers and others, not just the management of products, channels, organizations, or an internal "mix" of marketing variables.

Table 1.1 Transactional vs relationship marketing approaches

Transactional Marketing	**Relationship Marketing**
Focus on single sales	Focus on customer retention
Orientation to product feature	Orientation to customer value
Short timescale	Long timescale
Little emphasis on customer service	High customer service emphasis
Moderate customer contact	High customer contact
Quality is primarily a concern of production	Quality is the concern of all
Limited customer commitment	High customer commitment

Source: Adapted from Payne (2000)

Above and Beyond

The approach adopted to managing the marketing boundaries depends on the assumption that managers make about the conceptualization of the environment and the organization's relationship with it.

Increasingly business managers realize that customers are their most important assets and view customer relationships as mutually beneficial exchanges which are all the more important if Vargo and Lusch (2004) are correct that the customer is always a "co-creator of value". The formation and maintenance of relationships with external marketplace entities in a business to customer (B2C) context is typically captured nowadays by the concept of customer relationship management (CRM) (see Srivastava, Shervani, and Fahey, 1999).

The ability to generate and deliver value above and beyond the product or service is critical for CRM. However, it is much less clear how managers can identify what this value is in the eyes of their customers, and how they can develop and mobilize the necessary competencies for generating this value. It is in this task that there is significant potential of CRM in identifying and delivering customer value.

In the past the formula for identifying customer value seems to have been to listen to your customers and learn from previous mistakes. However, rapidly changing and more fluid boundaries and marketing contexts mean that managers are frequently confronting totally new situations, which reduces the value of lessons from the past. Customers can normally only communicate *existing* preferences and needs, providing very few clues or vision for the future which requires new learning cycles for marketers and customers alike. Inter-industry competition with new players reaching across established industry sectors (e.g. supermarkets as banks; AA as insurance; mobile phone as camera) challenges established competitive marketing approaches. In these constantly changing conditions, experience counts for less and managers must always be learning; they must be able, as it were, to remember to forget! The Internet and e-commerce have created a new market space for buying and selling that requires different organizational and marketing competencies. Information technologies have increased customer knowledge and therefore their level of expectations from their suppliers.

These dramatic changes require marketers to reassess their understanding and calculation of what constitutes "value" to their customers and how this value can be produced and delivered. Specifically, this might include detailed attention to customer, shareholder, and employee value; appreciation of the knowledge potential underlying such relationships; mutual understanding and careful positioning of relationships provide the possibilities for firms to re-invent the future with their customers, employees, and shareholders. This is the formula for firms to achieve sustainable competitive advantage for the future that the relationship marketing approach advocates because while products/service can be copied easily by competitors, long-term relationships are difficult to imitate.

Does my Value Look Big in this Proposition?

A value proposition is an implicit promise a company makes to customers to deliver a particular combination of values. The application of this concept has changed the focus of operations of many businesses, i.e. companies such as IBM have shifted the traditional, internally focused functions to customer-oriented, market-driven processes aimed at value delivery. In order to achieve such a shift in marketing thinking and practice marketers need to think in terms of different value propositions and how they can be created and delivered. According to Martinez (1999), these value propositions can then be analysed from three different perspectives – the customer perspective "what customers get?", the marketing perspective "what marketing needs to do?", and the operational perspective "what the company needs to do?"

Norman and Ramirez (1994) argue that there is a danger in paying too much attention to the disaggregating or breaking down of value creation activities. Indeed, they should not be treated as separate activities to be managed but rather as an integrated and seamless process flow. This raises the potential of a role for the consumer in creating value. At a minimum they play a key role in determining the ultimate value of a product or service. Until the customer lets their view be known in the market by offering to pay a given price, the market value of the final product is unknown.

If we take an example of a product which ultimately fails the final market test because the customer will not buy it (or only pays a price beneath cost), what are assumed to be value-adding activities by each firm in the supply chain (e.g. suppliers of raw materials, processing, parts, assembly, manufacture, distributors, retailers) ultimately are found not to actually add the assumed value. Therefore, value creation can only be judged after the market test and it is the customer who has the crucial deciding role in determining final value. If the customer is the focal point of marketing, value creation is only possible when a product or service is consumed. An unsold product has no value, and a service provider without customers cannot produce anything.

Beyond deciding the value of products and services in the marketplace, the role of the consumer in the value creation process is nevertheless far from clear. Norman and Ramirez (1994) go further and contend that value is co-created through the interaction between the firm and the customer. Consumers can play a key role in value creation too, not just firms, and the role of consumption, i.e. the activities, behaviours, and motivations that consumers undertake when making decisions and forming perceptions about products and services, is not just to “use up” or “deplete” value, but is also one of value creation (see also Vargo and Lusch, 2004).

Conclusion

This chapter has taken a view of the marketing endeavour as one which is about managing the boundaries of the organization’s relational context, which focuses attention on key relationship learning, retention, and management processes. Within market relationships each party necessarily has a different ability to understand and manage the relationship. This follows from the heterogeneity of organizations, actors, firms, and consumers that operate in and are interconnected with different contexts or networks. Also each party necessarily has different expectations because each party seeks something different from the relationship, but in order to work together, each party must also seek a joint future (see Medlin, 2004).

These distinctions in the way each party seeks the future are important in considering the different sources or capability for each party to create their environment. This occurs because each action shapes the environment of the other party and, through interaction, *also shapes the environment of the acting party*. Therefore, each party’s activities at the boundaries affect not only their own enactment and conceptualization of the environment, but also that of the other parties with whom they are collaborating or interacting.

Case 1-1 Striding Out

Included in the rationale used when making the bid for the London 2012 Olympics was that the games would inspire a generation of young people to engage more in sport. The Chairman of the London Olympic Committee, Sir Sebastian Coe, stated, "The greatest driver in participation is what goes on in an elite stadium. When you get that spike [of interest], you have to create that supply of infrastructure, both human and physical, that allows you to absorb that." Overall the objective is to create a culture where playing sport is integral to a person's life.

Sport England, the funding body for organized sport in England, conducts participation surveys in April and October each year. In the latest 2013 survey it was found that a record number of people aged 26 and above were involved in sport but the number of 16 to 25-year-old participants declined by 51,000. This can be partly attributable to young people moving away from traditional, organized sport. One year later, since the initial surge of the Olympics, the overall participation levels have remained steady at 15.5 million. Swimming has the most participants at 2.9 million people, followed by athletics and cycling, with both sports having in excess of 2 million participants each. On the other hand, participation in tennis has declined, despite the success of Andy Murray at Wimbledon (see Table 1-1.1).

Table 1-1.1 Once a week sport participation numbers (16 years and over)

Activity	October 2006	October 2013
Swimming	3,273,800	2,934,200
Athletics	1,353,800	2,016,400
Cycling	1,634,800	2,003,000
Football	2,021,700	1,838,600
Golf	889,100	751,900
Tennis	457,200	406,000
Cricket	195,200	148,300
Rugby Union	185,600	159,900
Netball	111,700	122,200

The task ahead for Sport England is to build on the momentum from the success of the Olympics by increasing sport participation at the elite and local club levels. For Run England, the athletics governing body, the challenge is to retain athletes and secure long-term involvement, as well as grow the sport. Clubs have an important role in achieving the above objectives.

One of the athletic clubs that has steadily increased its membership over the years is the Cornwall Athletic Club. The club was established in 1982 through the amalgamation of the Duchy of Cornwall Athletic Club and the West Cornwall Athletic Club, and caters for athletes from the age of nine to the age of 70 plus. Members include novices, recreational runners, and competitive athletes at the county, national, and international levels. Athletes can participate in a number of disciplines, including track and field, road running, and cross-country. A training session is organized every Tuesday evening at the Carn Brea Leisure Centre, Pool, Redruth, where the track is floodlit in the winter months.

The club has a team of over 20 UK athletics qualified coaches covering the different disciplines. A number of coaches have attained Level Four certification, the top level.

Questions

1. *What insights would be gained if the club were to scan the environment?*
2. *Unpack the club's value proposition from three different perspectives.*
3. *What challenges does the club face?*

◀◀◀ Some Ideas

1. *What insights would be gained if the club were to scan the environment?*

   By scanning the environment the club would see factors that might impact upon club membership. One factor is the demographic make-up of the Cornwall catchment area, especially the predicted number of children and teenagers. Also, the general growth trends of the population would be insightful, especially the growth in the number of baby boomers. Another factor is the rise of obesity in the population and the degree to which people are aware of the issue. Also, the economy may impact upon club membership. On the one hand the double-dip recession may affect runners' willingness to pay club fees but on the other hand it may attract potential athletes as running is a relatively low-cost sport to participate in, compared with say skiing or golf.

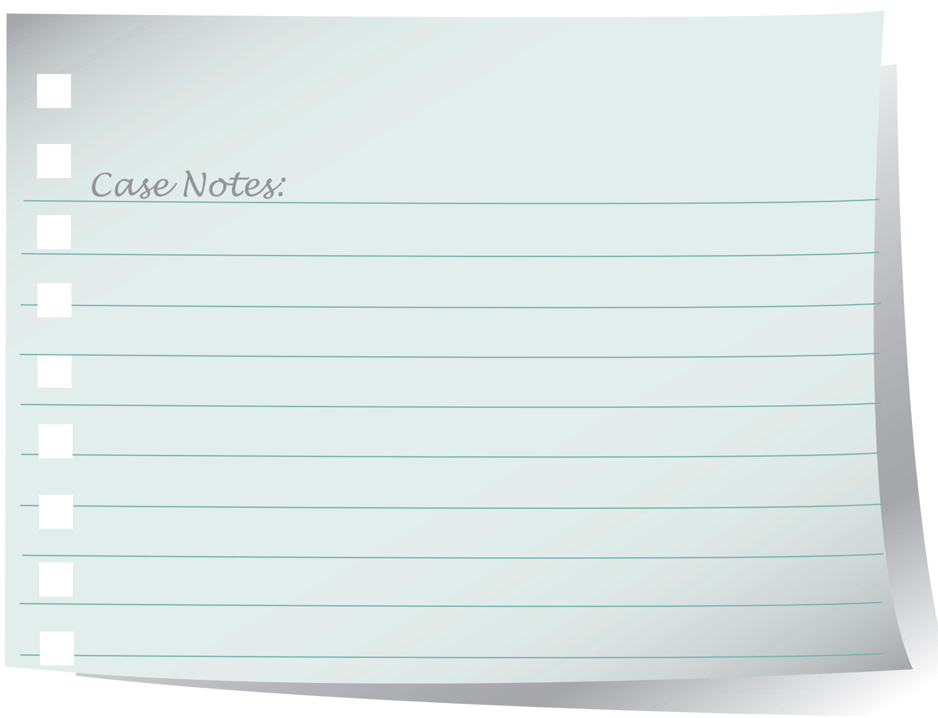
2. *Unpack the club's value proposition from three different perspectives.*

   From the *customer's* perspective the value is in the training sessions, the coaching, and the social aspects of the sport. What *marketing* could do is to liaise with schools to help coach students, organize seminars, produce posters, and write articles for the local newspaper. It could also liaise with triathlon clubs to provide coaching and support for athletes wanting to improve their running. From the *management's* perspective, organizing club nights, running special events, nutritional seminars, and providing opportunities for people who want to tackle being overweight, are possible activities.

3. *What challenges does the club face?*

The club needs to find a way to increase the membership of the 16 to 25-year-old age group. This is a difficult group to motivate as they have social pressures and are either busy at work or attending a tertiary institution, often away from home. Despite this, the club needs to ensure it has a programme that meets this age group's social as well as physical needs.

Another challenge is to increase the qualifications of existing coaches and to enlist new coaches, especially people who are prepared to motivate the "couch potatoes" to join a walking group, and perhaps over time graduate to road running. The club needs to maintain its proposition that it is not only for elite athletes but for all comers.



Case 1-2 Are You Being Served?

Pret a Manger, meaning ready to eat, is a London-based gourmet food outlet. It was established by Sinclair Beecham and Julian Metcalfe who bought the company from a liquidator. They opened their first shop near Victoria Station, London and in time they were serving 7,000 customers per week. They had spotted a gap in the market as at the time there was no shop selling what they called “proper” sandwiches.

Their offering was based on three main selling points: the food was fresh, tasty, and fast. Their aim is to have customers, who have ordered their food to go, out of the shop in 60 seconds once they had made their choice. Their products contain a lot of natural ingredients without the additives or preservatives normally found in a lot of fast food. The menu includes sandwiches, baguettes, wraps, and cakes as well as hot and cold drinks. Every shop has its own kitchen and food is packaged in paperboard rather than sealed plastic. Pret a Manger customers are mainly office workers who may visit their local shop between 10 and 15 times a week. Shoppers are another segment, along with students.

Currently Pret has 14 outlets in Hong Kong, as well as 46 on the East Coast of the USA and 9 in Chicago. The company has even opened a store in Paris. Within Britain the company has 240 shops, which is small in comparison to McDonalds (1,200), Starbucks (650), and Costa (1,300). Three quarters of Pret’s British shops are within the M25 commuter belt and account for 85% of its sales.

Unlike most fast food outlets, Pret is not franchised but has an open line of communication between the outlets and the head office. The aim for each store is to create what is termed the “Pret Buzz”, which customers should feel when they enter the shop. Staff are employed for their personality so that customers experience a positive feeling. Staff must be friendly and lively, as well as good humoured by nature. Recruits are told to treat customers like guests in their own home.

Every new recruit is issued with a little book outlining acceptable and unacceptable behaviour. Basically there are three core behaviours that the company wants their staff to exhibit, namely Passion, Clear Talking, and Team Working, and examples of these behaviours in action are outlined (see Table 1-2.1).

A job applicant is assessed on these three core behaviours, then sent for a day’s trial at a shop. At the end of the day the rest of the staff in the branch vote whether to accept the new recruit. If the vote is not in favour, the unsuccessful applicant receives £35 for their efforts. If the vote is positive

Table 1-2.1 A selection of expected behaviours of Pret a Manger staff

	Don't Want to See	Want to See	Pret Perfect!
Passion	Blames others	Has initiative. Doesn't wait to be told	Never gives up
	Does things only for show	Takes ownership for their work	Admits their mistakes
Clear Talking	Over complicates ideas	Listens	Paints a clear picture
	Confuses people	Is sincere	Constructively disagrees
Team Working	Moody or bad tempered	Creates a sense of fun	Anticipates others' needs
	Doesn't interact with others	Is genuinely friendly	Goes out of their way to be helpful

the recruit undertakes 10 days of training and tests before becoming a Team Member. Following a further 10 weeks of training in all aspects of the shop's operation the new staff member graduates to become a Team Member Star. Over time there is the opportunity for a Star to graduate to become either a Hot Chef or Barista or to progress to Team Member Training. Further progression is possible to become a Team Leader, followed by an Assistant Manager, then a General Manager.

Pret uses mystery shoppers to ascertain the quality of the service experience. Every shop in visited at least once every week. What is assessed is not the quality of the food, i.e. does it meet the required specifications, but the standard of the experience. If a shop meets the criteria and is deemed to be "outstanding" (usually 86% of stores achieve this), all the shop team receive a bonus of £1 per hour for every hour they worked that week. Unfortunately even if only one member of the team does not meet the standard then there is no payment. If the mystery shopper names an individual in the shop as giving exceptional service, then that individual receives a £50 cash bonus. Finally, if a staff member is promoted, what Pret calls a "Shooting Star", they receive a £50 voucher, not to spend on themselves but to share amongst their colleagues who have helped them attain the position.

The team spirit is enhanced by Friday night drinks once a month, as well as quarterly events with groups of shops, and two big parties for all staff each year. Overall Pret has a high retention rate with a staff turnover figure of 60% in 12 months, with people staying an average of approximately 20 months. This compares favourably with other fast food outlets which tend to have a 100% staff turnover per year.

The food from Pret a Manger does not have a use-by date stamped on it, because at the end of each day the surplus food is distributed to the homeless. In 1995 the Pret Foundation Trust was established to support the daily food runs. The trust also provides funds for an apprenticeship scheme for the homeless and for ex-offenders. To date over 70 people have been hired by the company under this scheme.

Questions

1. *Analyse Pret a Manger's marketing approach. What have been the main contributing factors to their success?*
2. *How has Pret a Manger managed their boundary spanners? How effective do you think this is from the points of view of managers, staff, and customers?*
3. *Critique how Pret a Manger uses "emotional labour".*
4. *What other industries could adopt this approach?*

Case Notes:

Case 1-3 Six Feet Under

The New Zealand funeral industry has been professionalized over the years. This is evidenced through the change of language that is used. The undertaker is now a funeral director, the word coffin has been replaced with casket, even though it is still shaped like a coffin and not a casket as in the United States, and wreaths are now referred to as floral tributes. The industry has organized itself with members joining an association and a set of rules for conduct of members has been adopted. Also, tertiary training courses have been established for funeral directing and embalming.

Traditionally the funeral director has taken a transactional approach to conducting business. When a person dies the next-of-kin will contact a funeral director. The choice of funeral director will be primarily based on geographic location, but where two or more companies operate in the same vicinity, the decision will factor in previous experience, word of mouth, or some affiliation through a sport or community club. Upon being contacted, the funeral director will personally visit the next-of-kin to receive instructions.

The funeral director will discuss the venue for the service, whether it will be a burial or cremation, note details of the deceased to register the death, draft a funeral notice for the newspapers, ask the next-of-kin to select a casket, and establish who is to conduct the service. On the day of the service the funeral director will attend the service and ensure proceedings go according to plan. The final act for the funeral director is to send the next-of-kin an invoice. Death's sting can start with the undertaker's bill!

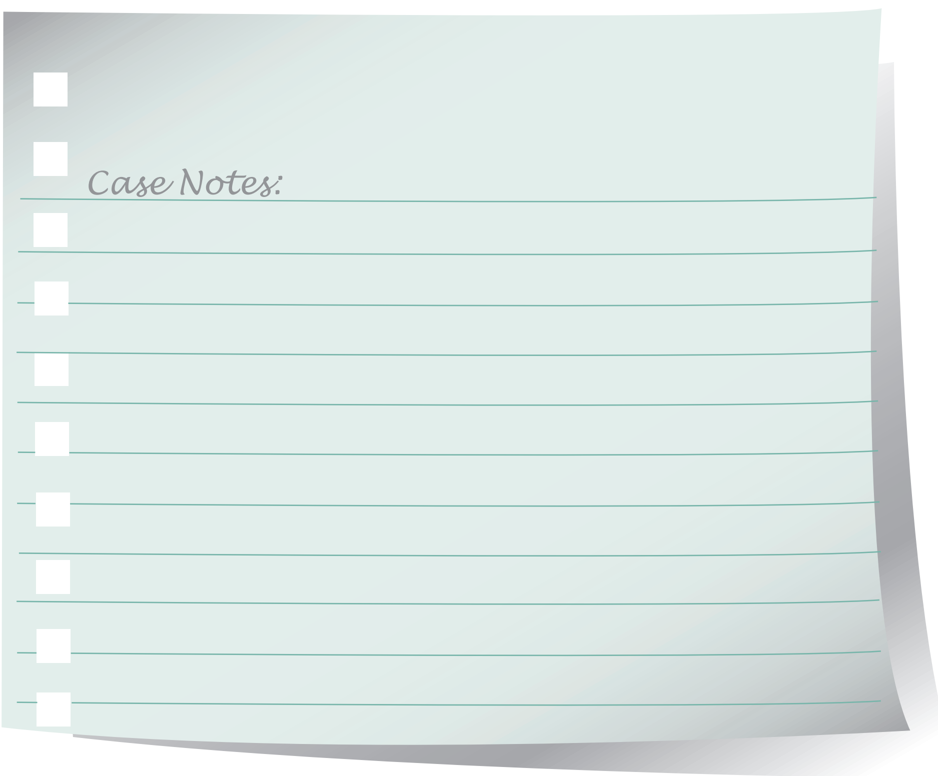
However, the role of the funeral director has changed over the last 20 years, brought about by the secularization of society. The New Zealand 2013 census show 40% of the total population of 4.2 million declare themselves as non-religious, whilst the number of people claiming to affiliate with a Christian church has dropped from over 2 million to less than 1.9 million.

The consequence of the above has impacted upon the types of funeral services being held. Increasingly funerals are being held at venues other than churches, for example, funeral directors' chapels, school halls or sports clubs. The standard Christian service is being replaced by a personalized service, based on the deceased's favourite songs, poetry, their interests and hobbies, with mourners being given the opportunity to speak about the deceased. Such services are conducted by a civil celebrant rather than by a minister or priest.

Technology is playing an important part in the ceremony with the use of digital screens displaying meaningful photos of the deceased, sound and video recordings are played and, in some cases, live webcasts are made. Often the committal is done at the venue saving the mourners the necessity to go the crematorium. This enables the next-of-kin to remain for refreshments, giving them the opportunity to meet the other mourners. Increasingly funeral directors' chapels have an additional space for mourners to gather and the funeral director organizes the catering. In many ways, the traditional role of the undertaker has evolved to become that of an event manager.

Questions

1. *Would a funeral director benefit from developing a relationship marketing approach?*
2. *What would the funeral director need to do to make this happen? What impact would it have on their role?*
3. *What role does the customer play in the value creation of the service?*



Case 1-4 Friend for Life

Stuffed bears were first made in the USA and in Germany in 1902. The name "Teddy" was adopted when the US manufacturer asked President Theodore Roosevelt if the company could use his nickname for the bears. From there on the name "Teddy Bear" has stuck. Teddy bears in Britain are still very popular and are still given as gifts to newborns and are treasured by young children. Favourites are Winnie the Pooh and Paddington Bear, and at some stores it is possible to purchase a teddy bear with your own message recorded on a device which is stitched into the bear.

The sole surviving teddy bear manufacturer in Britain is Merrythought at Ironbridge, Shropshire. The firm was established in 1930 when W.G. Holmes went into partnership with G.H. Laxton to spin raw mohair in a small mill in Yorkshire. The market for mohair yarn fell due to synthetic fibre being developed, but they were fortunate to team up with C.J. Rendle who was working for the Chad Valley toy manufacturer. He brought with him a few workers. One was a woman named Florence Attwood, who was deaf. She had learnt design at the Deaf and Dumb School in Manchester and designed the entire range of bears that were produced in 1931. Some of her designs are still in production today. By 1935 the company was the largest soft toy manufacturer in Britain, employing up to 200 people. Their most famous bear is "Mr Whoppit" who was the mascot for Donald Campbell, the land and water speed record breaker.

Today the company employs 25 staff in a very complex task. Each bear is handmade and takes about one hour to complete. The only piece of technology used in the process is a stuffing machine which was bought in the 1950s. The company made approximately 30,000 bears in 2010, with a retail price of between £50 to £85 each. The projected revenue for 2013 was £1 million.

The bears are sold in Harrods, Hamleys, Fortnum & Mason, Fenwick, and other upmarket shops. The bears are exported, in particular to Japan, where they have achieved cult status. However, half the buyers of Merrythought bears are collectors. Merrythought's Collectors Club has new special offerings, which are limited editions, distinct bears, like "Cheeky Broseley Bear" adorned with a cap, scarf and authentic clay pipe, which sells for £121.

Sarah Holmes, a great granddaughter of the founder, left her PR and recruitment job to join the family firm in 2010. Unfortunately her father, Oliver, died a year later, so she was joined by her sister Hannah, who was working as a chartered surveyor in London, to help run the firm. Sarah and Hannah are joint managing directors but admit they have limited experience in running the company. Whilst they would like to modernize the factory and expand the business, they realize that their brand is a quintessential English teddy bear. They take pride in this attribute and have therefore avoided moving production offshore.

Questions

1. *How can marketing help Merrythought grow their business?*
2. *How might a collaborative approach be used to build the business?*
3. *What specific information might be useful to help the sisters make strategic marketing decisions?*

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