Chapter 1

Scope of strategic marketing

Marketing is a philosophy that leads to the process by which organizations, groups and individuals obtain what they need and want by identifying value, providing it, communicating it and delivering it to others. The core concepts of marketing are customers' needs, wants and values; products, exchange, communications and relationships. Marketing is strategically concerned with the direction and scope of the long-term activities performed by the organization to obtain a competitive advantage. The organization applies its resources within a changing environment to satisfy customer needs while meeting stakeholder expectations.

Implied in this view of strategic marketing is the requirement to develop a strategy to cope with competitors, identify market opportunities, develop and commercialize new products and services, allocate resources among marketing activities and design an appropriate organizational structure to ensure the performance desired is achieved.

There is no unique strategy that succeeds for all organizations in all situations. In thinking strategically about marketing many factors must be considered: the extent of product diversity and geographic coverage in the organization; the number of market segments served, marketing channels used, the role of branding, the level of marketing effort, and the role of quality. It is also necessary to consider the organization's approach to new product development, in particular, its position as a technology leader or follower, the extent of innovation, the organization's cost position and pricing policy, and its relationship to customers, competitors, suppliers and partners.

The challenge of strategic marketing is, therefore, to manage marketing complexity, customer and stakeholder expectations and to reconcile the influences of a changing environment in the context of a set of resource capabilities. It is also necessary to create strategic opportunities and to manage the concomitant changes required within the organization. In this world of marketing, organizations seek to maximize returns to shareholders by creating a competitive advantage in identifying, providing, communicating and delivering value to customers, broadly defined, and in the process developing long-term mutually satisfying relationships with those customers.

Understanding marketing – antecedents

The fundamental management issue in marketing is to determine a superior value position from the customer's perspective and to ensure that, by developing a consensus throughout the organization, value is provided, communicated and delivered to the customer group. The core concepts of marketing are needs, wants and demands which directly affect the identification and selection of relevant customer values reflected in products, services and ideas that the organization provides, communicates and delivers in the form of exchanges to build long-term satisfactory relationships with customers (Figure 1.1). Needs are the internal influences which prompt behaviour, e.g. biological needs refer to a person's requirements for food, air and shelter while social needs refer to issues such as security, personal gratification and prestige. Wants are culture bound and may be satisfied using a number of technologies, e.g. a teenager may listen to music on one of the rock radio stations or on DVDs played on a computer. Demand refers to the ability and willingness of a customer to buy a particular product or service which satisfies the want and the more latent need. A student may want a BMW but can afford only a bicycle. The organization may set out from the start or be established with those objectives or, more likely, as a result of trial and error and experience, the organization evolves into a position over time of being the desired source of value. The core concepts of marketing may be decomposed into a number of basic components:

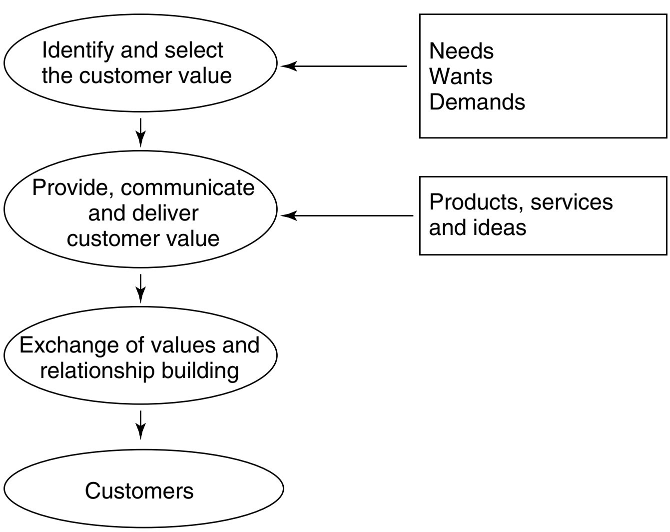


Figure [1.1] Core concepts of marketing

- Provide the value
  - product planning
  - packaging
  - branding
  - pricing
- Communicate the value
  - advertising
  - personal selling
  - direct marketing
  - sales promotion
- Deliver the value
  - channels of distribution
  - logistics
  - servicing

Successful organizations recognize value positions and ensure that learning occurs throughout the organization as a result of discovering the value position. Choosing the value position is one of the most important strategic decisions facing the organization. Once chosen, it the task of management to ensure that everyone in the organization directly contributes to delivering the chosen value.

Marketing and sales orientations

A sales emphasis is very different from a marketing emphasis in the organization. Four important areas where they differ separate the two approaches: organizational objectives, orientation, attitudes to segmentation and the perceived task facing marketing in the organization (Kotler 2002). A sales emphasis results in objectives which are aimed at increasing current sales to meet quotas and to derive commissions and bonuses. Little discrimination is made between products or customers in terms of profits unless these differences are written into the incentives. In contrast, objectives with a marketing emphasis take profits into account. Marketing objectives include an explicit consideration of product mixes, customer groups and different communications and ways of reaching the market in attempting to achieve profitable sales and market shares at acceptable levels of risk.

The selling and marketing orientations produce very different emphases in the organization. A selling orientation predominantly reflects a production approach whereby something is produced and the task is to sell it thereby

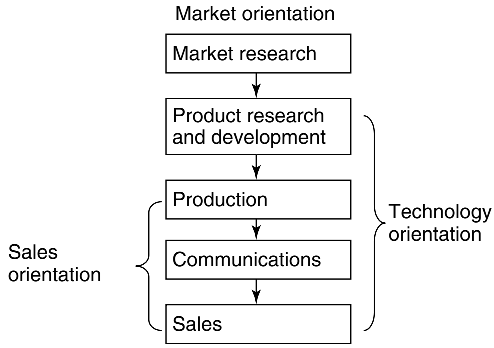
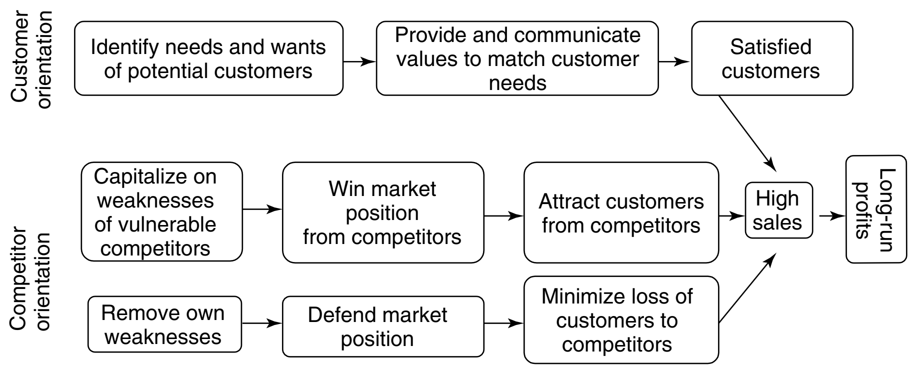


Figure [1.2] Alternative business orientation of the firm

increasing consumption (Figure 1.2). A focus on sales means a focus on individual customers rather than market segments or market classes. Such organizations are very knowledgeable about individual accounts and the variables which influence specific sales transactions but they are less interested in developing an approach to an entire segment of similar needs and wants in the market. A technology orientation is similar to a sales orientation except that the organization also engages in product research and development (Figure 1.2).

A marketing approach attempts to determine ways of offering superior value to the more profitable segments without damaging individual customer relationships. A marketing approach reflects an integrated approach based on research and feedback. Customer needs are first evaluated through market research, an integrated marketing effort is developed to satisfy customers so that the organization achieves its goals, especially those affecting shareholders. This is a customer orientation and contrasts very bluntly with a narrow competitor orientation based on sales in which the organization by capitalizing on the weaknesses of vulnerable competitors or by removing its own competitive weaknesses attempts to obtain high sales and long-run profits (Figure 1.3).

In many situations marketing evaluates itself and presents its case to senior managers of the organization based on sales, efficiency or, worst of all, internal awards, not marketplace outcomes or financial success. Senior managers deal with issues that involve the allocation of resources and how such allocation affects the return on investment. These hurdle rates are calculated differently from one organization to another but they need to be understood for a marketing programme to be effective and accepted. In a business world dominated by financial considerations the ability of the organization to produce award-winning marketing programmes or attractive but fuzzy images in TV commercials is not of much value. Traditional marketing thinking assumes that the organization is in complete control of the marketplace, whereas interaction and market integration are required.



Source : Adapted from Alfred, R. Oxfenfeldt and William L. Moore (1983): 'Customer or competitor: which guideline for marketing?' in Stewart Henderson Britt, Harper W. Boyd, Robert T. Davis and Jean Claude Larreche (eds), *Marketing Management and Administrative Action*, New York: McGraw-Hill.

Figure [1.3] Customer and competitor orientation in the organization

Strategic marketing concept

Marketing has been defined as the management function responsible for identifying, anticipating and satisfying customer requirements profitably. Marketing is, therefore, both a philosophy and a set of techniques which address such matters as research, product design and development, pricing, packaging, sales and sales promotion, advertising, public relations, distribution and after-sales service. These activities define the broad scope of marketing and their balanced integration within a marketing plan is known as the marketing mix. A modification of a definition of marketing by Doyle (2000) suggests that marketing is the management process that seeks to maximize returns to shareholders by creating a competitive advantage in providing, communicating and delivering value to customers thereby developing a long-term relationship with them. This definition clearly defines the objectives of marketing and how its performance should be evaluated. The specific contribution of marketing in the organization lies in the formulation of strategies to choose the right customer, build relationships of trust with them and create a competitive advantage (Doyle 2000, p. 235). A marketing strategy consists of an internally integrated but externally focused set of choices about how the organization addresses its customers in the context of a competitive environment. A strategy has five elements: it deals with where the organization plans to be active; how it will get there; how it will succeed in the marketplace; what the speed and sequence of moves will be; and how the organization will obtain profits (Hambrick and Fredrickson 2001, p. 50).

The organization must identify the problem that its customers use its products and services to solve. It is also necessary to identify the benefits customers seek from using a product or service available in the market. A market consists of all the potential customers who share a particular need or want who might be willing and able to engage in exchange to satisfy that need or want.

A marketing orientation helps to define the organization's business. Marketing is concerned with problem solving and customer benefits. The organization must be able to answer the following questions:

- What is the problem customers are trying to solve?
- What benefits do customers seek?
- How well does the organization's product solve this problem and provide these benefits?

A statement that the organization is in the movie business is not very useful. An organization is not in the movie business because that says nothing about customer needs. Some movie organizations assumed they were in the movie business when the entertainment business left them behind!

Marketing is a philosophy that encourages the organization to ensure that the needs and wants of customers in selected target markets are reflected in all its actions and activities while recognizing constraints imposed by society. This marketing concept first received formal recognition in 1952 by one of its leading exponents, the General Electric Organization – the marketing concept:

> . . . introduces the marketing man at the beginning rather than at the end of the production cycle and integrates marketing into each phase of business. . . . marketing establishes . . . for the engineer, the design and manufacturing man, what the customer wants in a given product, what price he is willing to pay and where and when it will be wanted. Marketing will have authority in product planning, production scheduling and inventory control, as well as in sales distribution or servicing of the product (General Electric Organization, New York, 1952, *Annual Report*, p. 21).

Three aspects of this statement are interesting: the customer orientation; the profit orientation; and the emphasis on integrated organization effort. These three aspects are fundamental to the adoption of the marketing concept.

Marketing means, therefore, being oriented to the needs of customers rather than emphasizing what is convenient to produce. Effective marketing requires that the organization analyses the needs that its products are supposed to satisfy. Customers do not buy 'coffee'; they buy a warm stimulating drink or a unique café experience if it is Starbucks. Likewise, customers do not buy sisal; they buy a material to make baling rope to tie things together or fibre to serve as backing for a floor covering.

The organization should realize that many alternative products may satisfy the needs identified; there usually are many substitutes – for coffee include tea, cocoa, alcohol or soft drinks and for sisal include polypropylene fibre or polythene sheeting.

The real lesson of a marketing philosophy is that better performing organizations recognize the basic and enduring nature of the customer needs they are attempting to satisfy. It is the technology of want satisfaction which is transitory (Anderson 1982, p. 23). The products and services used to satisfy customer needs and wants change constantly.

The adoption of a marketing philosophy confers specific authority and responsibility within the organization in regard to the provision, communication and delivery of customer value. Marketing is concerned with all parts of the organization; it is more than a set of tools, it is an orientation which pervades the thinking of the organization as a whole.

Internal marketing

In addition to equipping the organization to cope with the outside world of customers and competitors, it is also necessary to train and motivate all staff within the organization to provide the appropriate level of service to customers. Internal marketing is very closely related to human resource management and the way in which the organization develops its own distinctive corporate culture. Internal marketing is the task of successfully hiring, training and motivating able employees who want to serve customers well. It is obvious that it is necessary to determine the organization's internal culture before venturing forth to serve customers in the external world. This internal market must be motivated to react in a certain desired way which is best described as marketing-like (Gronroos 1984, p. 3).

Internal marketing helps employees make a strong connection to the products and services sold by the organization. Without such a connection employees may unwittingly undermine expectations set by the organization's marketing communications. When people believe in what the organization does and stands for, they are motivated to work harder and their loyalty to the organization increases. According to Mitchell (2002), however, in most organizations internal marketing is done poorly, if at all, and few organizations understand the need to convince employees of the organization's mission and purpose; they take it for granted.

Since satisfying customers is central to the task of marketing, it is essential that everybody in the organization who deals with customers must be imbued with a sense of marketing which means internal marketing for some and external marketing for others. Customers exist, therefore, both within and outside the organization. By focusing on customers, in this way a different perspective of the organization is obtained. In traditional organizations the chief executive and senior manager appear at the top of the chart with sales and other front-office people at the bottom. In many such charts customers are not represented at all.

A contrary view, driven by a strong sense of marketing and especially internal marketing places the customer on top, the front-office people next, middle managers below that and finally senior managers (Figure 1.4). As the front-office people meet and serve customers, they should receive a lot of

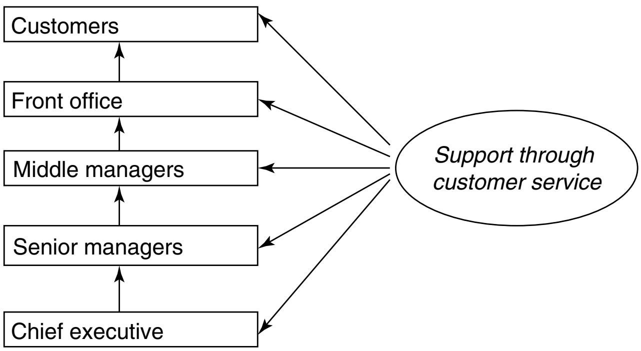


Figure [1.4] Internal marketing and customer orientation

attention within the organization. Middle managers exist, in this view of the world, to support the layer of middle level operators. It is important to note that everybody is somebody else's customer. That is why the customer is placed on top and is so important to the survival and growth of the organization.

Responsibility in marketing

Marketing should distinguish between the individual customer's short-term needs and wants and the longer-term welfare of society. For example, large cars greatly contribute to the pollution and traffic congestion of cities and cigarettes cause major health problems, even death, for smokers and for those who inhale the smoke. It is necessary, therefore, to integrate profitability requirements with health, ecological and environmental constraints.

For many years writers on marketing have been at pains to point out that the principal function of marketing 'is not so much to be skilful in making the customer do what suits the interests of the business as to be skilled in conceiving and then making the business do what suits the interests of the customers' (McKittrick 1957, p. 78). In a present-day context, to be skilful in conceiving the real interests of customers, the organization must balance environmental considerations against profitability requirements; society's welfare against individual needs; and the long-term welfare of customers against their short-term wants. For these reasons, therefore, we must broaden the marketing concept to include wider dimensions.

The two major assumptions behind marketing are that consumers know what they want and are informed and highly rational in satisfying their wants, and that customer sovereignty prevails (Dickinson *et al.* 1986, p. 9). These authors argue that if the organization were right in assuming that customers know what they want, then the key issue would be to create the product, create awareness of it and make it available at an acceptable price.

The fact is that both goals and corresponding wants can be unstable, with wants being only vaguely articulated as consumers remain open to persuasion as to what might better serve their interests (Dickinson *et al*. 1986, p. 20). This is especially true in high technology markets where new product development is frequently technology driven.

The marketing concept also assumes that the customer is sovereign, i.e. organizations follow the dictates of the market in regard to exactly what should be provided. But customers do not always know exactly what they want and they may be unsure of their trade-offs among product or service attributes. Many organizations see no inconsistency in referring to marketing as the basis for management while at the same time accepting that customer perceptions are important and can be influenced.

Social and ethical constraints

Social responsibility in marketing means accounting for the relationship between marketing and the environment in which it operates. Social responsibility refers to the obligation of the organization, beyond the requirements of the law, to take into practical consideration in its decision making the social consequences of its decisions and actions, as well as profits. This view of social responsibility implies constraints on the organization more rigorous than arise if the organization attempted to fulfil its economic and legal requirements only. The reasons for a greater interest in social responsibility stem from the greater involvement of business with government and the influence of myriad stakeholders in the organization: shareholders, institutional investors, employees and other regulatory and environmental bodies. The more important dimensions of the environment which relate to an appropriate application of marketing are the social and moral environment, the business environment and the physical environment.

In recent years ethical issues, social and moral standards which are acceptable in a society, have become very important in marketing. Trust is a related issue which is an essential ingredient in building long-term relationships between organizations and their customers. Trust is well placed where ethical standards are upheld. It is misplaced where ethical standards are ignored or flaunted. Both trust and ethics are highly dependent on culture and vary according to the culture and background of customers. Organizations operating in many cultures have greater difficulty in coping with a heterogeneous set of customers, drawing on disparate cultures for their ethical standards.

One example will illustrate the issue. In a questionable practice, with strong implications for marketing responsibility, advertising agencies in the US have begun to assist pharmaceutical organizations to recruit patients for clinical trials. According to Thomas Harrison, the Omnicom Group, Inc., parent organization of advertising agency BBDO Worldwide, BBD Worldwide and TBWA Worldwide:

> What you're seeing is an emergency convergence between clinical development and the commercialization of drugs. The ultimate goal is to make drug development more efficient. What we want to try to do is look at the molecule in the test tube as a brand. A lot of people don't think a brand is a brand until it has FDA (Food and Drug Administration) approval. But we are asking, 'What is the maximum commercial potential of this molecule? What will it be when it grows up? What is the message? How should the clinical trial be developed?' (*The Wall Street Journal Europe*, Friday, Saturday, Sunday 15–17 March 2002, p. A 10).

There is potentially a real ethical clash of science and business in such a development.

There are clear benefits for the advertising agency as becoming involved early in the process can be lucrative and can greatly increase the chance of acquiring the account if the product is ultimately launched. For the pharmaceutical organization the involvement of the agency can shorten the time and costly process of getting a drug from development to market. In these circumstances there could be a temptation for the agency to modify the test results or at least present them in such a way as to favour the pharmaceutical organization in anticipation of eventually being retained to produce the advertising campaign and thus obtain high advertising fees. This is a conflict of interest – a potentially controversial practice that directly raises ethical questions for marketing.

Environmental responsibility in marketing

The view that marketing has a special responsibility when discussing the natural environment is also well developed. By promoting product manufacture and usage, the organization may be encouraging resource depletion, pollution or other environmental deterioration. Most organizations believe that it is not sufficient to make profits and generate employment while ignoring an obligation to society regarding the preservation of the natural environment even though their behaviour is within the law. Some organizations, however, continue to ignore this implied obligation claiming that their behaviour is not illegal when they dump chemicals in watercourses, over-package products, or damage the atmosphere. Such organizations often cite a concern for the feasibility rather than the propriety of believing that they should not be expected to take action to protect the environment if their competitive position were to be jeopardized. In a general way, social responsibility is an investment in future profits which should be made even at the expense of short-term profits.

Providing customer value in marketing networks

Superior market positions depend on the organization's customer base, relations with suppliers and partners, relations with customers (e.g. brand equity), facilities and systems, and the organization's own endowment of technology and complementary property rights. These are the organization's assets or resource endowments which it has accumulated over time.

In addition, the organization possesses certain capabilities, the glue that binds the organization's assets together and enables them to be used to advantage (Day 1994, p. 38). Capabilities are so deeply embedded in the organization's routines and practices that they cannot easily be traded or imitated (Dierickx and Cool 1989). The organization's competitive advantages are derived, therefore, from the nature of the its products, markets, technological orientation, resources and knowledge.

Providing customer value means delivering on a whole range of promises to the customer. Products and services that customers perceive have a superior value compared to those of competitors are demanded while others are not, hence, the importance of the concept of 'value-added' defined as the component of customer value provided by an individual organization within the overall business system. Value is derived from the business system in which the organization operates.

Each organization leverages other participants in the system – customers, suppliers and particularly others who complement the organization in what it provides – in creating that value (Figure 1.5). The value-added chain runs from suppliers through the organization forward to the customer aided by partners in the context of a competitive environment influenced by economic, political, legal and cultural factors. At each stage of the value chain there exists an opportunity to contribute positively to the organization's competitive strategy, by performing some activity or process in a way that is better than one's competitors, and so providing some uniqueness or advantage. If an organization attains such a competitive advantage which is sustainable,

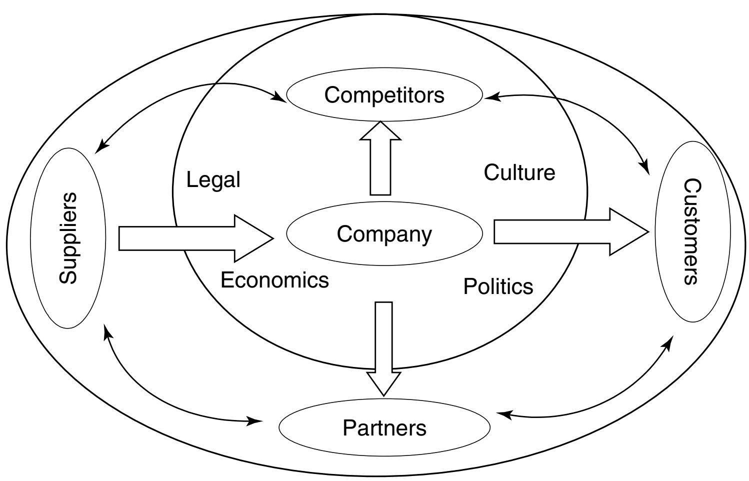


Figure [1.5] Marketing system

defensible, profitable and valued by the market, then it may earn high rates of return even though the industry structure may be unfavourable and the average profitability of the industry modest.

A long-term marketing orientation draws together suppliers, customers, competitors and partners in the business system to create value in the marketing system. It is the business system as a whole that creates value. The marketing system consists of five major participant groups:

- customers
- competitors
- partners
- suppliers
- the organization itself.

Viewing the value in the business system as the result of a network of important relationships highlights two important factors. First, decisions made by one organization affect and are affected by decisions by other organizations. Second, organizations often make decisions that are normally associated with those of other actors in the system. Thus, the organization makes important decisions which affect suppliers, just as suppliers make important decisions which are normally thought of as in the purview of the organization. Because so many decisions are part of a network in which a decision in one organization directly or indirectly influences decisions in other organizations, major decisions must be consistent with the goals of the participants in the network and their products. Herein lies the importance of the contribution of the leading organization – the organization making the key contribution to the establishment and growth of the business system (Moore 1993). This key contributor of value or the business system leader emerges in the early stage of the evolution of the business system to begin the process of continuous improvement which draws the entire business system towards an improved future.

A fundamental service provided by the business system leader is to encourage and persuade other organizations in the business system to complete the full value mix for customers by attracting 'follower' or 'imitator' organizations and thereby prevent them from developing other emerging business systems. The multitude of decisions in the business system must complement each other to maximize their overall positive impact on value. Within this framework the organization must decide its overall product–market business system strategy which has two elements – decisions on product–market segments and decisions on positions to adopt within the business system itself

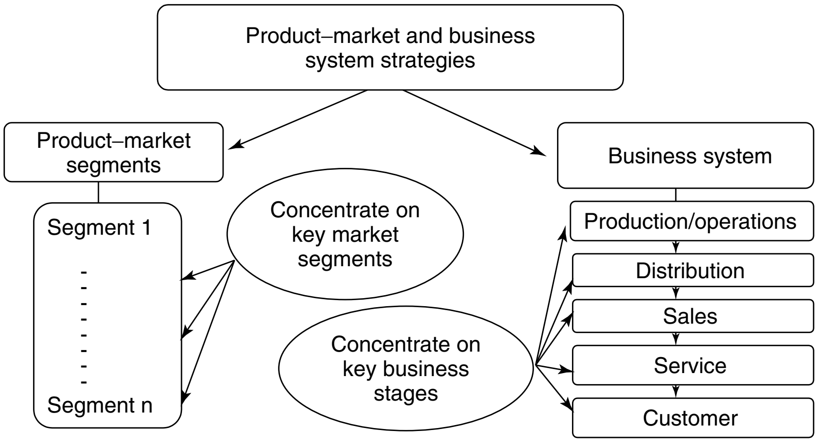


Figure [1.6] Generic product–market and business system strategies

(Figure 1.6). The organization's resource base enables it to decide the appropriate positions on which to focus in the business system. Decisions regarding the relevant product–market segment to serve are discussed in Chapter 3 while decisions regarding the appropriate position in the business system to select are examined in Chapter 6.

Sources of marketing advantage

Sources of marketing advantage are reputation, brands, tangible assets, knowledge, customer service and people. To be worthwhile the marketing advantage must be sustainable. It must, therefore, be tangible, measurable and capable of providing competitive protection for some time. An illusory marketing advantage is one that is easily matched by competitors. The organization's marketing advantage depends on how well it chooses its strategy:

- Concentrating on selected market segments.
- Offering differentiated products.
- Using alternative distribution channels.
- Using different manufacturing processes to allow higher quality at lower prices.

Superior skills and resources, taken together, represent the ability of the organization to do more and better than its competitors. Superior skills are the distinctive capabilities of people in the organization that distinguish them from people in competing organizations, e.g. superior marketing skills that lead to fewer product failures in the marketplace or superior selling and distribution skills which lead to fewer returns of unwanted products and improved customer satisfaction.

Organizational resources and marketing capabilities

Organizations are endowed with different amounts and types of resources and capabilities, which allow them to compete in different ways. Organizations which are better endowed have lower average costs than competitors and can provide products and services at lower cost or provide greater customer value. These resources are difficult to transfer among organizations because of transaction costs and because the assets may contain tacit knowledge (Teece *et al.* 1996, p. 15). Such resources and core capabilities of the organization, particularly those which involve collective learning and are knowledge based, are enhanced as they are applied (Prahalad and Hamel 1990). Resources and capabilities which are distinctive and superior, relative to those of rivals, may become the basis for competitive advantage if they are matched appropriately to market opportunities (Thompson Jr. and Strickland 1996, pp. 94–5). These resources may, therefore, provide both the basis and direction for the growth of the organization itself, i.e. there may be a natural trajectory embedded in a organization's knowledge base (Peteraf 1993, p. 182). Hence, the importance of studying the organization itself when attempting to predict its likely performance.

Resources and capabilities determine the organization's long-run strategy and are the primary source of profit. In an environment which is changing rapidly and where consumer tastes and preferences are volatile and myriad, a definition of the business in terms of what the organization is capable of doing may offer a more durable basis for strategy than a traditional definition, based solely on needs and wants of consumers. Defining markets too broadly is of little help to the organization that cannot easily develop the capabilities to serve such a broad market.

The organization's ability to earn profits depends on two factors:

- the success of the organization in establishing competitive advantage over rivals; and
- the attractiveness of the industry in which the organization competes.

As was seen above, the two sources of competitive advantage are:

- the ability of the organization to reduce costs; and
- its ability to differentiate itself in ways that are important to customers.

The ability to establish a cost advantage requires the possession of scale-efficient plants, access to low-cost raw materials or labour and superior

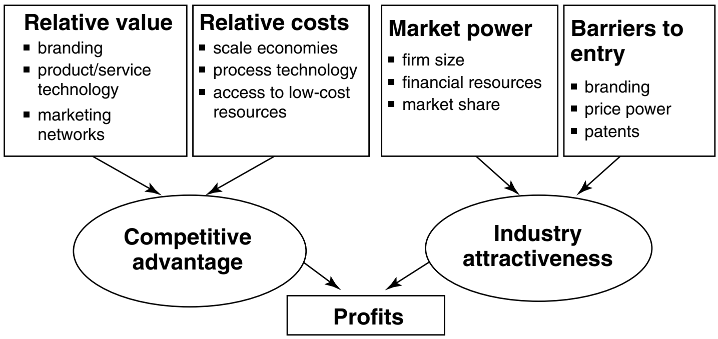


Figure [1.7] Influence of resources on the profitability of the firm

process technology. Differentiation advantages derive from brand reputation, proprietary and patented technology and an extensive marketing network covering distribution, sales and services.

The attractiveness of an industry depends on the power the organization can exert over customers, rivals and others in the business system, which derives from the existence of market entry barriers. Market entry barriers are based on brands, patents, price and the power of competitive retaliation. These are resources which are accumulated slowly over time and a new entrant can only obtain at disproportionate expense (Grant 1991, p. 115). Other sources of market power such as price-setting abilities depend on market share which is a consequence of cost efficiency, organization size and financial resources. Grant (1991) has integrated these ideas in a way which serves as a very convenient summary of this discussion (Figure 1.7).

Strategic marketing effectiveness

Marketing's role in strategic planning for the organization means identifying the optimal long-term positions that will ensure customer satisfaction and support. These optimal positions are determined largely by fundamental changes in demographic, economic, social and political factors (Anderson 1982, p. 24). Thus, strategic positioning is more likely to be guided by long-term demographic and socioeconomic research than by surveys of consumer attitudes, the hallmark of the market-driven organization.

Value in marketing is a combination of product or service quality, reasonable or acceptable prices and responsive service. It is noteworthy that marketing value combines high quality with acceptable prices. It is not low quality products at low prices or high quality at high prices. Value in marketing means delivering on a whole range of promises to the customer.

Marketing effectiveness is not necessarily revealed by current marketing performance. Good results and growing sales may be due to the organization being in the right place at the right time rather than having effective marketing management. This is frequently the situation during the entrepreneurial phase of an organization's growth and development. The innovator frequently has considerable discretion in the market. At this stage the driving force is entrepreneurship rather than marketing. With acceptance of the product or service in the market and with the rise in competition which normally accompanies the acceptance of a new product or service, performance becomes more marketing-dependent.

In a competitive environment, especially where customers have learned how to respond to various offerings, the situation changes. Improvements in marketing in the organization might improve results while another organization might have poor results in spite of excellent marketing planning. It depends on how well the organization matches its own resources against those of the competition to attract and hold the loyalty of customers.

The marketing effectiveness of the organization in serving customers in the face of existing and potential competition is reflected in the degree to which it exhibits five major attributes of a marketing orientation:

- demonstrated customer philosophy
- integrated marketing orientation
- possesses adequate marketing information
- adopts a strategic orientation
- experiences a high level of operational efficiency.

The performance of the organization on these individual attributes may be used to indicate which elements of effective marketing action need most attention. It should be recognized, however, that this evaluation provides general information only but has the merit of obtaining an approximate measure of the orientation of the organization.

Key marketing success factors

The organization attempts to convert skills and resources into superior market positions and thereby meet performance objectives. A knowledge of the key marketing success factors is essential to enable the organization to invest in markets and marketing to ensure performance objectives are attained. By identifying the key success factors the organization can identify ways of obtaining the greatest improvement in performance for the least expenditure. The key success factors of any business are the skills and resources which exert the highest degree of leverage on market positions and future performance. Having identified them, the organization attempts to selectively allocate resources towards these sources of leverage. The drivers of market position advantage are the high leverage skills and resources that contribute most to lowering costs to or creating value for customers.

Marketing focus on customers

Marketing means identifying values desired by customers, providing them in some way, communicating these values to customer groups and delivering the value. Customer values refer to those benefits focused on solving customer problems and not merely on the products and services themselves. The focus is on the customer and on solving problems faced by the customer.

This is an integrated longer-term view of marketing (Figure 1.8). Seeking value from the customer's perspective means building a long-term mutually profitable relationship with customers instead of trying to maximize profits on each transaction. An emphasis on relationships rather than individual transactions focuses on the customer as the profit centre, not the product. It also means that attracting new customers is an intermediate objective in the process of maintaining and cultivating an existing customer base. This interactive approach views marketing as a continuous relationship with customers in contrast to the more traditional and almost adversarial view which is short term and focused on immediate sales.

The first sale to a customer is often very difficult, costs a lot and results in little or no profit. With a strong continuing relationship the customer becomes more profitable. Such long-term relationships are established through the exchange of information, products, services and social contacts. In this way the organization–customer relationship is commercialized.

The fundamental issue is to understand the customer's perception of value and to determine a superior value position from this perspective and to ensure

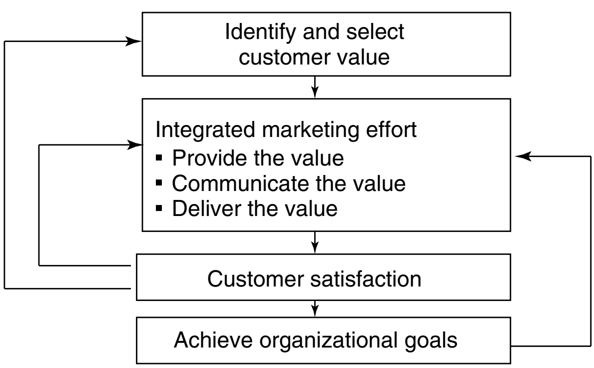


Figure [1.8] Integrated marketing orientation that, by developing a consensus throughout the organization, that value is provided and communicated to the customer group in selected markets. The role of marketing in the business system is:

- To understand the customer's perception of value – identify the value the organization expects to provide.
- To determine a superior value position for the organization – provide the value expected.
- To determine the appropriate positioning and brand strategy – communicate the value.
- To distribute and price the product/service – deliver the value to the customer.

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