PART 1

Marketing: the fundamentals
1

What is marketing?

CHAPTER OBJECTIVES

There is much misunderstanding about what marketing is. Many people equate it with promotion, or ‘trying to sell things that people don’t really want’. With higher levels of business education, that misperception is changing. This chapter sets out the foundations of marketing and distinguishes between marketing as a fundamental philosophy and marketing as a set of techniques. While the techniques have now been widely adopted, many organizations still have a long way to go in developing a true customer focus, which is at the heart of the marketing philosophy. This chapter discusses the relationship of marketing to other organization functions and reviews current debate about the nature of marketing. It is essentially a foundation chapter, and many themes discussed will be returned to in more detail in later chapters.

Introduction

Next time you are in a grocery store, stop and think about why there is such a wide choice of goods competing for your custom. You might be quite a selective shopper, with a strong preference for one brand of cola over another. Or you may be very price-sensitive, and choose the one that appears to give you the best value. You might be so accustomed to being able to purchase your favourite drink each time you go into a shop, and very surprised if one day it is not there waiting for you on the shelves. Then think about the shop itself. You might take it for granted that the shop is open late into the evening, at times which may be convenient for you. You might have noticed that the shop has innovated with new services over recent years—so you can now top up your phone, or buy freshly made coffee, for example. So much in our patterns of
consumption that we take for granted can be attributed to marketing. When you called in to buy a can of your favourite drink, you probably did not have on your mind questions such as ‘why does the shop stock this brand but not another one?’; ‘how did they decide which sizes of packaging to sell the drink in?’; ‘how did they decide on the range of flavours?’; ‘how did selling prices work out?’; ‘who decided on the current special promotion offer of “buy one get one free”?’; ‘who evaluated whether this offer was successful?’ Some of these involve key strategic decisions; others are day-to-day matters, but they are all central to what marketing is about. To get a simple bottle of cola on to the shelf in your local store will have involved hundreds, possibly thousands of strategic and operational decisions by marketing people. When these decisions are the right ones, you are happy with a product that you enjoy, and the manufacturer and retailer are happy because they earn profits from you. If the wrong decisions are made, you will not like the product, so you will not buy it, at least not repeatedly, and the company selling it will not get your money. If it makes a series of wrong decisions, it may eventually go out of business.

Think also of higher-value new products that you see in the shops—new versions of iPods, this season’s new fashion clothing, or a new microwaveable ready-prepared meal, for example. The companies behind these new products would most likely have invested a great deal of time and money researching these new products and their targeted buyers, so that when they are launched, they are snapped up by buyers, rather than having to be sold at a discounted ‘clearance’ price. Marketers have to be aware of your changing needs and expectations, because if another company offers a shiny new product, possibly at a lower price, you will probably be tempted by it, wouldn’t you?

Contrast the situation described above—which we take for granted in western countries—with the situation in a centrally planned economy. There, the goods offered for sale are more probably the result of an internal production decision, without much regard to the needs of consumers. Without a competitive market-based economy to spur a company into action, there is less need for marketing managers. Companies may just carry on making the things that they like making, rather than what buyers actually want. At best, they may have a poor understanding of the complex needs that buyers seek to satisfy, and may have little idea about how these may change over time. Indeed, change may be seen as a threat rather than an opportunity, so companies would just carry on doing what they always did. This was clearly seen in the design of cars and household goods in eastern Europe during the period of communism, when many people claimed that design and innovation lagged a long way behind what was happening in western, market-based economies. Today, as markets become increasingly competitive, so too does the need for marketing. Rather than trying to justify the existence of marketing, just think what your next visit to the shops would be like if marketing did not exist.

There are many definitions of marketing which generally revolve around the primacy of customers as part of an exchange process. Customers’ needs are the starting point for
marketing activity. Marketing managers try to identify these needs and develop products that will satisfy customers’ needs through an exchange process. Definitions of marketing have subtly changed over time, and in 2008 the American Marketing Association updated its definition, stating that:

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

In the UK, the Chartered Institute of Marketing (CIM) has proposed a new definition of marketing, describing it as:

The strategic business function that creates value by stimulating, facilitating and fulfilling customer demand—it does this by building brands, nurturing innovation, developing relationships, creating good customer service and communicating benefits.

While customers may drive the activities of a marketing-oriented organization, the organization will be able to continue serving its customers only if it meets its own objectives. Most private sector organizations operate with some kind of profit-related objectives, and if an adequate level of profits cannot be earned from a particular group of customers, a firm will not normally wish to meet the needs of that group. Where an organization is able to meet its customers’ needs effectively and efficiently, its ability to gain an advantage over its competitors will be increased (for example, by allowing it to sell a higher volume and/or at a higher price than its competitors). It is consequently also more likely to be able to meet its profit objectives.

Even in fully marketing-oriented organizations, it is not just customers who are crucial to the continuing success of the firm. The availability of finance and labour inputs may be quite critical, and in times of shortage of either one of these an organization must adapt its production processes if it is to continue meeting customers’ needs. In addition, a whole range of internal and external pressures (such as government legislation and the emergence of new technologies) can affect its ability to profitably meet customers’ needs. Organizations must adapt to a changing marketing environment if they are to survive and prosper. In Chapter 2 we will look more closely at these pressures on businesses.

Marketing as a philosophy and as a set of techniques

Marketing can be seen at two levels—as a fundamental, underlying philosophy, and as a set of applied techniques. As a business philosophy, marketing puts customers at the centre of an organization’s considerations. This is reflected in basic values, such as the requirement to understand and respond to customers’ needs and the necessity to search constantly for new market opportunities. In a truly marketing-oriented organization, these values are instilled in all employees and should influence their behaviour without
any need for prompting. For a fast food restaurant, for example, the training of serving staff would emphasize those items—such as the speed of service and friendliness of staff—that research has found to be most valued by existing and potential customers. The human resources manager would have a selection policy that recruited staff who could fulfill the needs of customers rather than simply minimizing the wage bill. The accountant would investigate the effects on customers before deciding to save money by cutting stockholding levels. It is not sufficient for an organization simply to appoint a marketing manager or set up a marketing department—viewed as a philosophy, marketing is an attitude that applies to everybody who works for the organization.

To many people, marketing is simply associated with a set of techniques. For example, market research is seen as a technique for finding out about customers’ needs, and advertising is thought to be a technique for communicating the benefits of a product.

**MARKETING in ACTION**

*Are they really marketing oriented?*

Companies that have wholly embraced the marketing philosophy put customers at the centre of everything they do, so that being ‘marketing oriented’ becomes a state of mind for all of their employees. They should all be aware that if they don’t put customers first, somebody else probably will and will win their profitable business. Here are some tell-tale signs of a company that may claim to be marketing oriented but where, in fact, not all of its employees have taken on board a genuine marketing orientation.

- In the car park, the prime parking spots are reserved for directors and senior staff rather than customers.
- Opening hours are geared towards meeting the social needs of staff rather than the purchasing preferences of customers.
- Management’s attitudes towards lax staff are conditioned more by the need to keep internal peace than by the need to provide a high standard of service to customers.
- When confronted with a problem from a customer, an employee will refer the customer on to another employee without trying to resolve the matter him/herself (‘it’s not my job’).
- The company listens to customers’ comments and complaints, but has poorly defined procedures for acting on them.
- Advertising is based on what senior staff want to say, rather than a sound analysis of what prospective customers want to hear.
- Goods and services are distributed through channels that are easy for the company to set up, rather than on the basis of what customers prefer.

Can you think of any more tell-tale signs? Can you identify companies that exhibit the characteristics described above? Why do you think the company can behave in such a way? Are there insufficient competitive pressures facing the company to warrant change? What, if anything, would you do to bring about change in the company?
offer to potential customers. However, these techniques can be of little value if they are undertaken by an organization that has not fully taken on board the philosophy of marketing. The techniques of marketing also include pricing, the design of channels of distribution, and new product development. Although many of the chapters of this book are arranged around specific techniques, it must never be forgotten that all of these techniques are interrelated and can be effective only if they are unified by a shared focus on customers.

Of course, the principles of marketing are not new. Some of the elements of marketing orientation can be traced as far back as ancient Greece, the Phoenicians, and the Venetian traders. The bartering that still takes place in many eastern Kasbahs is a form of marketing. In modern times, marketing orientation developed in the more affluent countries, especially for products where supply was outstripping demand and suppliers therefore faced high levels of competition for custom. Marketing first became an important discipline in the United States in the 1930s and has since become dominant around the world. In a competitive business environment, an organization will survive in the long term only if it focuses on the needs of clearly defined groups in society and produces goods and services that satisfy their requirements efficiently and effectively. The emphasis is on the customer wanting to buy, rather than on the producer needing to sell.

There have been many attempts to define just what is meant by marketing orientation. (A good review has been provided by Lafferty and Hult, 2001.) Among empirical attempts to measure marketing orientation, a study by Narver and Slater (1990) identified three important components (Figure 1.1):

- **Customer orientation**: An organization must have a thorough understanding of its target buyers, so that it can create a product of superior value for them. Remember that value can be defined only by customers themselves, and can be created by increasing the benefits to the buyer in relation to the buyer’s costs or by decreasing the buyer’s costs in relation to the buyer’s benefits. A customer orientation requires that a company understand not only the present value to the customer, but also how this is likely to evolve over time.

- **Competitor orientation**: As well as focusing on its customers, a firm should look at how well its competitors are able to satisfy buyers’ needs. It should understand the short-term strengths and weaknesses and long-term capabilities and strategies of current and potential competitors.

- **Inter-functional coordination**: It is futile for marketing managers to develop marketing plans that are not acted upon by people who are capable of delivering promises made to customers. Many individuals within an organization have a responsibility for creating value—not just marketing staff—and a marketing orientation requires that the organization draw upon and integrate its human and physical resources effectively and adapt them to meet customers’ needs.
Foundations for success in business

So far, marketing has been presented as an indispensable approach to doing business. In fact, marketing is not appropriate to all firms at all times and in all places. Essentially, marketing is most important where the main factor constraining a firm’s survival and growth is the shortage of customers for its products. If a firm can be assured of selling all that it produces, it may consider marketing to be the least of its worries. There are other factors that may be critical for success to some companies:

- Where the raw materials and components that a company requires are scarce but demand for its finished products is very strong, a company may consider that obtaining inputs to its production processes is its top priority. During the late 1990s, the shortage of organic vegetables, rather than a shortage of customers, posed the biggest challenge to companies seeking to develop the market for organic products (see ‘Marketing in Action’ later in this chapter).

- For firms requiring high levels of skill among their employees, being able to recruit and retain the right personnel can be critical to business success. Firms in sectors as diverse as computer programming, direct marketing, specialist craft industries, and electrical engineering have had market-led growth held back by difficulties in filling key positions.
• Where a company is given a licence by government agencies to provide a monopoly service, its actions may be motivated more by the desire to keep the regulatory agency satisfied than to keep its customers happy.

Modern marketing emerged in the 1930s at a time when the volume of goods supplied to markets was increasing faster than consumers’ demand for them. Instead of taking markets as a given element of their business plans, firms had to actively address the needs of their markets—if they did not, the market would slip into their competitors’ hands.

It is common to talk about the production-oriented firm, where production and not marketing is the focal point for business planning. However, when markets became more competitive, the first reaction of many companies was to take on board not the full philosophy of marketing, but only the selling function. Eventually, firms have come to realize that, instead of trying to sell products that buyers do not really want, it would be better to take on board the full philosophy of marketing, which puts customers’ needs at the centre of all business planning.

Figure 1.2 In 2006, Smartphones which combined a phone, Internet browser, camera, music player, and personal digital assistant became a hot new product which helped to reinvigorate the mobile phone market. The market for mobile phones had become saturated and the basic mobile phone had become a commodity-type product. The new-type phones allowed companies to add features that consumers valued. But how long would it be before these phones became standard and customers were no longer willing to pay a premium price for them? What would be the next features and benefits that customers will value as the technology of mobile phones develops?

A production or a sales orientation may be appropriate to firms at certain stages in the evolution of markets. Where the dominant business environment is based on the need for good production planning above all else, the company that does this best will achieve the greatest overall business success. Likewise, in markets where customers face a lot of choice, the company that achieves the greatest business success is likely to be one that has the most effective marketing.

Because they are business environments that still occur in some markets in some places, production and selling orientations are described below. There has, however,
Figure 1.3  The fast-moving consumer goods (FMCG) sectors were the first to adopt modern marketing. The soap powder, toothpaste, and shampoo markets have become fiercely competitive and great efforts have been made by the manufacturers to develop differentiated versions of a fairly standard product in order to meet the needs of small groups of consumers more effectively than their competitors. Next time you are in a shop choosing toothpaste, look at all of the different product formulations, packaging design, and price offers that companies have deployed to try to get you to buy their product rather than the competitors’. It is often said that experience in the tough world of an FMCG company’s marketing department is the best apprenticeship that a new marketer can serve. While FMCG sectors were early adopters of marketing, many more sectors have followed their example. (Photograph: Angela Parks)
been an almost inevitable tendency for such business environments to progress to a full marketing orientation. Firms that have identified such trends and adapted have tended to survive, while those set in their traditional ways of doing business have fallen behind.

Production orientation

Marketing as a business discipline has much less significance where goods or services are scarce and considerable unsatisfied demand exists. If an organization is operating in a stable environment in which it can sell all that it can produce, why bother spending time and money trying to understand precisely what benefit a customer seeks from buying the product? If the market is stable, why take time trying to anticipate future requirements? Furthermore, if a company has significant monopoly power, it may have little interest in being more efficient in meeting customer requirements. The former state monopolies of eastern Europe are frequently cited as examples of organizations that produced what they imagined consumers wanted, rather than what they actually wanted. Planning for full utilization of capital equipment was often seen as more important than ensuring that the equipment was used to provide goods and services that people actually wanted. Production-oriented firms generally aim for efficiency in production rather than effectiveness in meeting customers’ needs.

In the developed countries of America and Europe, production orientation was quite pervasive until the 1930s; up until then, a general shortage of goods relative to the demand for them, and a lack of competition, resulted in a sellers’ market. In many goods markets, however, the world depression of the 1920s and 1930s had the effect of tilting the balance of supply and demand more in favour of buyers, resulting in sellers having to address more seriously the needs of increasingly selective customers. In most countries markets for services have tended to retain a production orientation longer than most goods markets, reflecting the fact that many key services, such as postal services, telecommunications, electricity, gas, and water supply, have been dominated by state or private monopolies which gave consumers very little choice of supplier—if consumers did not like the service they received from their water supplier, they could not switch their business to another water company. Management in such circumstances had greater freedom to satisfy its own interests than those of the consumer, and could increase profits more effectively by keeping production costs down rather than applying effort and possibly taking greater risk through developing new services based on consumers’ needs.

During periods of shortages, production orientation sometimes returns to an industry sector. The shortage might come about through supply limitations caused by strikes or bad weather, or it could be the result of a sudden increase in demand relative to supply. For example, during a bus or train drivers’ strike, taxi operators may realize that there is a temporary massive excess of demand relative to supply and so may be tempted to lower
their standards of service to casual customers (for example, by responding to requests much more slowly and doing so in a less friendly manner than regular customers would have come to expect). During the boom in property prices that occurred in the UK during the mid 2000s, the services of builders were in short supply, especially in south-east England. Stories abounded of builders ‘selecting’ customers and delaying the completion of jobs because they knew that customers had very little choice.

**Selling orientation**

Faced with an increasingly competitive market, the natural reaction of many organizations has been to shout louder in order to attract customers to buy its products. Product policy was driven by the desire to make those products that the company thought it was good at producing, rather than seriously asking what benefits customers sought from buying its products. In order to increase sales, the focal point of the business moved away from the production manager to the sales manager, who set about increasing effective demand by the use of various sales techniques. Advertising, sales promotion, and personal selling were used to emphasize product differentiation and branding.

**MARKETING in ACTION**

**Demand boomed for organics, but where were the vegetables?**

Supermarkets today sell a wide range of ‘organic’ fruit and vegetables, with rival supermarket chains competing against each other on the price and quality of their produce. Some have gone further, and added ethical sourcing as a point of differentiation, for example through compliance with Fairtrade standards. But in the early days of the boom in organic vegetables, competition was not so keen, and those early days illustrate the point that when a company faces acute problems of supply, it may simply not be realistic for it to be customer-led, at least in the short term. In the UK during the late 1990s a combination of rising incomes, greater awareness of health issues, and a stream of food safety scares led to a rapid growth in demand for organic produce (see Chomka, 2002). But how could farmers grow organically on land that had been saturated by decades of artificial fertilizers? The Soil Association, which operates an accreditation scheme for organic produce, required that farmland should be free of artificial fertilizer for at least five years before any crops grown on it could be described as organic. So, despite the rapid growth in demand and the price premiums that customers were prepared to pay, retailers found it difficult to satisfy demand. Furthermore, with a difficult and intermittent supply, could retailers risk their brand names by being seen as unreliable suppliers of second-rate produce? Marks & Spencer launched a range of organic vegetables in 1997, only to temporarily withdraw them soon afterwards, blaming the difficulty in obtaining regular and reliable supplies. In the short term, it was suppliers and not customers who guided the retailer’s policy on organic produce. However, by 2002 previous initiatives to grow more organic food were finally coming on stream, resulting in a glut of produce which depressed the prices that farmers received. It was now a buyers’ market.
**MARKETING in ACTION**

**New marketing, or old ideas?**

Among the favourite words of marketers are ‘new’, ‘improved’, and ‘innovative’. Each year brings its crop of new ideas about the philosophy and practices of marketing, some of them being dressed up in pseudo-scientific terminology by consultants and academics, eager to use their knowledge base to sell a new idea to people who fear being left behind. In fact, basic principles of marketing have been quite enduring, and claims for completely new approaches to marketing should be treated cautiously. For the experienced marketer, most new ideas are based on age-old underlying theory, and there is usually some form of precedent for new ideas.

The Internet was hailed as a completely new approach to marketing, and at the height of ‘dot.com’ mania around 2000, some advocates had a vision of the Internet allowing almost infinite and cheap communication possibilities, breaking down monopolies, international trade and cultural barriers in the process. The world of marketing would never be the same again.

The Internet has certainly changed the way that many companies practise marketing, but underlying principles have often won out over the hype. ‘Disintermediation’ was held out as a great opportunity by which the Internet would cut out intermediaries, as people buy airline tickets, books, and financial services directly from the producer, rather than using an agent, retailer, or broker as an intermediary; but basic theories of marketing suggest that people like to be presented with a manageable choice in one location. It should therefore have been no surprise that instead of ‘disintermediation’, many new information intermediaries such as Expedia.com, Amazon.com, and moneysupermarket.com emerged to fulfil this role. Internet auction sites such as eBay have been proclaimed as a new way of marketing to customers on a one-to-one basis, but the basic principles underlying them can be traced back to marketing practices found in ancient Kasbahs. Many of the big Internet service providers realize that successful Internet marketing requires a sound understanding of basic human behaviour, and many have appointed teams of anthropologists to try to understand users’ deep-seated motivations, and how these relate to modern technology. Among current burning questions are whether ‘Web 2.0’ and social networking sites, such as Facebook and Bebo, really represent a new marketing approach, as buyers seek out information from their peers rather than through conventional advertising. Again, theories based in social sciences may suggest that although the technology is new, the nature of people’s need to belong and their methods of developing trust are longstanding.

Practitioners of marketing make excessive use of the word ‘new’, to describe anything from a ‘new and improved’ breakfast cereal to a new way of looking at the world. However, we should never forget that many of the underlying principles of marketing are quite timeless. We really need to distinguish between genuinely new marketing ideas—which are quite rare—and old ideas that have been applied to a new marketing environment.

A sales orientation was a move away from a strict product orientation, but it still did not focus on satisfying customer needs. Little effort was made to research customers’ needs or to devise new product offerings that were customer-led rather than production-led.
A sales orientation has been characteristic of a number of business sectors. UK package holiday companies have often grown through heavy advertising of their competitive price advantage, supported by aggressive sales promotion techniques, such as free child places. There are signs that this sales-led approach is now being replaced by a greater analysis of the diverse needs that customers seek to satisfy when buying a package holiday, such as reliable aircraft departures, and assurance about the standards of the booked hotel.

If a company were accurately identifying consumer needs and offering a product that satisfied these needs, then consumers would want to buy the product, and the company would not have to rely on intensive sales techniques. In the words of Peter Drucker (1973),

The aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed is to make the product or service available . . .

The discussion about the relationship between selling and marketing has been brought up to date in a recent Harvard Business Review article by Kotler, Rackham, and Krishnaswamy (2006).

What organizations undertake marketing?

Marketing developed in competitive fast-moving goods (FMCG) sectors, with private sector services following in their footsteps. More recently, marketing has been adopted by various public sector and not-for-profit organizations, reflecting the increasingly competitive environments in which these now operate. Operationalizing marketing within these organizations poses a number of challenges (see Sargeant, 2004). If an organization has a market that it needs to win over, then marketing has a role; but without markets, can marketing ever be a reality? Many organizations claim to have introduced marketing when in fact their customers are captive, with no marketplace within which they can choose competing goods or services. What passes for marketing may be little more than a laudable attempt to bring best practice to their operations in selected areas, for example in providing customer care programmes for front-line staff; but if customers have to come to the company anyway (as they do in the case of many local authority services), is this really marketing?

Within the public/not-for-profit sectors, financial objectives are often qualified by non-financial social objectives. An organization’s desire to meet individual customer’s needs must be further constrained by its requirement to meet these wider social objectives. In this way, a leisure centre may set an objective of providing a range of keep-fit programmes for disadvantaged members of the local community, knowing that it could have earned more money by opening its facilities to the larger group of full fee-paying
visitors. Nevertheless, marketing can be employed to achieve a high take-up rate among this latter group, persuading them to spend their time and money at the leisure centre rather than on other leisure activities. It can also be used to appeal to disadvantaged groups by encouraging them to take part in keep-fit activities rather than other forms of activity.

In recent years, the principles of marketing have been applied to organizations that essentially promote ideas, for example charities, political parties, and religious groups. Some of the principles of marketing may be evident in the way that the UK Labour Party ‘rebranded’ itself as New Labour after careful research of its audiences. This was backed up with a very effective advertising campaign, based on many of the principles of segmentation and targeting, which helped it to win the subsequent general elections. However, some purists would argue that, in its application to social and political causes, marketing is inappropriate because of the absence of markets and exchanges as conventionally understood by marketers.

Key marketing concepts

In this section, the philosophy of marketing will be developed a little further by defining a number of key concepts which go to the heart of the philosophy. The concepts of customers, needs, value, exchange, and markets will be briefly introduced, but returned to in following chapters.

Customers

Customers provide payment to an organization in return for the delivery of goods and services and therefore form a focal point for an organization’s marketing activity. Customers can be described by many terms, including client, passenger, subscriber, reader, guest, and student. The terminology can imply something about the relationship between a company and its customers, so the term ‘patient’ implies a caring relationship, ‘passenger’ implies an ongoing responsibility for the safety of the customer, and ‘client’ implies that the relationship is governed by a code of ethics (formal or informal).

The customer is generally understood to be the person who makes the decision to purchase a product, and/or who pays for it. In fact, products are often bought by one person for consumption by another, therefore the customer and consumer need not be the same person. For example, colleges must market themselves not only to prospective students, but also to their parents, careers counsellors, local employers, and government funding agencies. In these circumstances it can be difficult to identify on whom an organization’s marketing effort should be focused. The role of influencers in the decision process is discussed further in Chapter 4.

For many public services, it is society as a whole, and not just the immediate customer, that benefits from an individual’s consumption. In the case of health services,
society can benefit from having a fit and healthy population in which the risk of contracting a contagious disease is minimized.

Different customers within a market have different needs which they seek to satisfy. To be fully marketing oriented, a company would have to adapt its offering to meet the needs of each individual. In fact, very few firms can justify aiming to meet the needs of each specific individual; instead, they target their product at a clearly defined group in society and position their product so that it meets the needs of that group. These subgroups are often referred to as ‘segments’ and are explored in Chapter 3.

**Needs**

Consumers are motivated by their desire to satisfy complex needs, and these should be the starting point for all marketing activity. We no longer live in a society in which the main motivation of individuals is to satisfy the basic needs for food and drink. Maslow (1943) recognized that, once individuals have satisfied basic physiological needs, they may be motivated by higher-order social and self-fulfilment needs. Needs as motivators are explored further in Chapter 4.

‘Need’ refers to something that is deep-rooted in an individual’s personality. How individuals go about satisfying that need will be conditioned by the cultural values of the society to which they belong. In some cultures the need for self-fulfilment may be satisfied by a religious penance, while other societies may seek it through a development of their creative talents.
It is useful to make a distinction between needs and \textit{wants}. Wants are culturally conditioned by the society in which an individual lives. Wants subsequently become effective demand for a product where there is both a willingness and an ability to pay for the product. Marketers are continually seeking to learn more about underlying needs which may eventually manifest themselves as demand in the form of people actually being willing to pay money for its products.

It must not be forgotten that commercial buyers of goods and services also have complex needs which they seek to satisfy when buying on behalf of their organizations. Greater complexity occurs where the economic needs of the organization may not be entirely the same as the personal needs of individuals within the organization.

**Value**

For customers, value is represented by the ratio of perceived benefits to price paid. Customers will evaluate benefits according to the extent to which a product allows their needs to be satisfied. Customers also evaluate how well a product’s benefits add to their own well-being as compared with the benefits provided by competitors’ offerings:

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\text{Customer perceived value} = \frac{\text{Benefits deriving from a product}}{\text{Cost of acquiring the product}}
\]

Consumers often place a value on a product offer that is quite different from the value presumed by the supplier. Business organizations succeed by adding value at a faster
rate than they add to their own production costs. Value can be added by better specifying a product offer in accordance with customers’ expectations, for example by providing the reassurance of effective after-sales service.

Estimating customers’ assessment of value is not easy for marketers. Chapter 9 deals with theoretical and practical approaches to pricing which aim to set prices at a level that meets the needs of buyer and seller. Segmentation is crucial to this exercise, as some groups of buyers are likely to place significantly higher values on the firm’s goods.

Figure 1.6  Traditional street markets and farmers markets have been experiencing a revival in the UK. Although market traders may not use many of the terms used in books on marketing theory, they are nevertheless very adept marketers. Traders learn very quickly which product lines are selling well and the effects of price changes on sales levels, among other things. They must adapt quickly, or risk business going to another trader in the same market who is more in tune with customers’ needs, or to another trader outside the market. Market traders do not have layers of bureaucratic control that may slow up a decision and individual traders cannot easily shelter in a bureaucratic structure where blame can be passed around without the fundamental issue of responding to customers’ needs being addressed. It is not surprising that market traders who have survived and prospered in this environment have gone on to establish and run successful enterprises. Many marketers from large organizations could benefit by taking a walk through their local market and reconnecting with the fundamental principles of marketing. (Reproduced with permission of National Market Traders Federation)
What is marketing?

Figure 1.7 Value can be a very personal issue, and one person’s highly prized object may be regarded by somebody else as their rubbish. Furniture and clothing have often been artificially aged to give a used appearance. The denim jeans shown in this illustration have been cut and made to look worn at the knees before being sold to customers. Many buyers have been prepared to pay a premium price for a pair of jeans that look as if they had been previously worn. To others, however, the idea of prematurely ageing clothes may sound like a sacrilege—for them, prematurely aged jeans should have a lower rather than a higher value. Value is essentially about personal judgements. (Source: © Photodisc)

than others (Chapter 6). If the price of a good is set too high, no sale may take place, or at least only a one-off sale which may be regarded by the buyer as a ‘rip-off’. If the price is set too low, the supplier may achieve high levels of sales, but fail to make any profit because the price is too low to cover its costs. Firms need to understand not just what constitutes value today, but how customers’ perceptions of value will change over time.

Exchange

Societies have different ways in which they arrange for goods and services to be acquired. In some less developed societies, hunting for food, or begging, may be a norm. In centrally planned economies goods and services may be allocated to individuals and firms by central government planners. In modern market-based economies, goods and services are acquired on the basis of exchange. Exchange implies that one party makes some sacrifice to another party in return for receiving something it values; the other
party similarly makes a sacrifice and receives something that it values. Of course, the sacrifices and valuations of goods received and given up are essentially based on personal opinion and preferences, so there is no objective way of defining what is a ‘fair’ exchange, other than observing that both parties are happy with the outcomes. In market-based economies there is a presumption that each party can decide whether or not to enter into an exchange with the other. Each party is also free to choose between a number of alternative potential partners. Exchange usually takes the form of a product being exchanged for money, although the bartering of goods and services is still common in some trading systems.

Can the concept of exchange be generalized to cover the provision of public services? Some have argued that the payment of taxes to the government in return for the provision of public services is a form of social marketing exchange. Within marketing frameworks, the problem with this approach to exchange is that it can be difficult to identify what sovereignty consumers of government services have in determining which exchanges they should engage in.

A single exchange should not be seen in isolation from the preceding and expected subsequent exchanges between parties. Marketers are increasingly focusing on analysing ongoing exchange relationships, rather than one-off and isolated exchanges. (We will come back to this in Chapter 4.)

**Markets**

The term ‘market’ has traditionally been used to describe a place where buyers and sellers gather to exchange goods and services (for example, a fruit and vegetable market or a stock market). Economists define a market in terms of a more abstract concept of interaction between buyers and sellers, so that the ‘UK cheese market’ is defined in terms of all buyers and sellers of cheese in the UK. Markets are defined with reference to space and time, so marketers may talk about sales of a particular type of cheese in the north-west region for a specified period of time. Various measures of the market are commonly used, including sales volumes, sales values, growth rate, and level of competitiveness.
The marketing mix

Central to marketing management is the concept of the marketing mix (Figure 1.9). In this section the elements of the marketing mix are briefly introduced, but they are returned to in greater detail in following chapters. The marketing mix is not a theory of management that has been derived from scientific analysis, but a conceptual framework which highlights the principal decisions that marketing managers make in configuring their offerings to suit customers’ needs. The tools can be used to develop both long-term strategies and short-term tactical programmes.

A marketing manager can be seen as somebody who mixes a set of ingredients to achieve a desired outcome in much the same way as a cook mixes ingredients for a cake. At the end of the day, two cooks can meet a common objective of baking an edible cake, but using different blends of ingredients to achieve their objective. Marketing managers are essentially mixers of ingredients, and, as with the cooks, two marketers may each use broadly similar ingredients, but fashion them in different ways to end up with quite distinctive product offers. The nation’s changing tastes result in bakers producing new types of cake, and so too the changing marketing environment results in marketing managers producing new goods and services to offer to their markets. The mixing of ingredients in both cases is a combination of a science—learning by a logical process from what has proved to be effective in the
past—and an art form, in that both the cook and marketing manager frequently come across new situations where there is no direct experience on which to draw, and where a creative decision must therefore be made.

The concept of the marketing mix was first given prominence by Borden (1965), who described the marketing manager as,

a mixer of ingredients, one who is constantly engaged in fashioning creatively a mix of marketing procedures and policies in his efforts to produce a profitable enterprise.

There has been debate about which tools should be included in the marketing mix. The traditional marketing mix has comprised the four elements of Product, Price, Promotion, and Place. A number of people have additionally suggested adding People, Process, and Physical Evidence decisions, which can be important aspects of marketing planning in services industries. There is overlap between each of these headings, and their precise definition is not particularly important. What matters is that marketing managers can identify the actions they can take that will produce a favourable response from customers. The marketing mix has merely become a convenient framework for analysing these decisions. A brief synopsis of each of the mix elements is given below, and each is returned to for a fuller discussion in the following chapters.

**Products**

Products are the means by which organizations satisfy consumers’ needs. A product in this sense is anything that an organization offers to potential customers which might satisfy a need, whether tangible or intangible. After initial hesitation, most marketing managers are now happy to talk about an intangible service as a product.

The elements of the product mix that the marketer can control include quality levels, styling, special design features, durability, packaging, range of sizes or options, warranties, after-sales service, and the brand image. Trade-offs are involved between these elements. For example, one firm may invest in quality control and high-grade materials to provide a durable, top-quality product requiring a low level of after-sales service, while another company might offer lower quality but would ensure that a much more effective after-sales service did not make their customers any worse off than if they had bought the higher-quality product. Brands are used by companies to help them differentiate their product from those of their competitors. A brand is a name, term, symbol, or combination of these intended to differentiate the goods of one seller from all other sellers (see Chapter 7).

The range of products offered by firms needs to adapt to changes in the marketing environment. As an example, cosmetics companies have responded to changes in male attitudes by launching new ranges of cosmetics targeted at men. (New product development is discussed in Chapter 8.)
**Pricing**

Pricing is a critical element of most companies’ marketing mix, as it determines the revenue that will be generated. By contrast, the other mix elements are concerned essentially with items of expenditure. If the selling price of a product is set too high, a company may not achieve its sales volume targets. If it is set too low, volume targets may be achieved, but no profit earned. Setting prices is a difficult part of the marketing mix. In theory, prices are determined by the interaction of market forces, and the bases of such price determination is explored further in Chapter 9. In practice, marketers set prices for individual products on the basis of what they cost to produce, what the competition is charging, and what customers are prepared to pay. Marketing managers in many public utilities must additionally contend with interventions by government regulatory agencies.

Price decisions also involve deciding on the relationship between prices charged for different products within a firm’s range (e.g. should the core product be sold at a low price in order to encourage sales of highly profitable optional extras?) and deciding a pricing strategy over time (should a new product be launched as a prestige product, and its price gradually lowered as it becomes more commonplace?).

**Place**

Decisions concerning place really comprise two related areas of decisions. Companies usually make their goods and services in places that are convenient for production, but customers prefer to buy them where the purchase process and/or consumption is easiest; so place decisions involve determining how easy a company wants to make it for customers to gain access to its goods and services. In the first place, this involves deciding which intermediaries to use in the process of transferring the product from the manufacturer to final consumer (usually referred to as designing a ‘channel of distribution’). Second, it involves deciding how physically to move and handle the product as it is transported from manufacturer to final consumer (often referred to as ‘logistics’ or ‘physical distribution management’). Place decisions are considered in more detail in Chapter 10.

**Promotion**

Promotion is used by companies in order to communicate the benefits of their products to their target markets. Promotional tools include advertising, personal selling, public relations, sales promotion, sponsorship, and—increasingly—direct marketing methods. Just as product ranges need to be kept up to date to reflect changing customer needs, so too promotional methods need to be responsive to changes in a firm’s operating environment. Promotion decisions to be taken include: what message to use? which media? what timing for an advertising campaign? how much to spend? how to evaluate this expenditure? Promotional decisions are considered in more detail in Chapter 11.
People

People decisions are particularly important to the marketing of services. In the services sector, in particular, people planning can be very important where staff have a high level of contact with customers. Marketing effectiveness is likely to be critically affected by the actions of front-line employees who interact with customers. While a car manufacturer’s employees may be unseen by its customers, a restaurant’s waiters can make or break the benefits that visitors to the restaurant perceive. People decisions call for close involvement between marketing and human resource management functions to answer such questions as: what are the prerequisite skills for front-line employees? How should staff be rewarded and motivated?

Process

Process decisions are again of most importance to marketers in the services sector. The process of production may be of little concern to the consumer of manufactured goods, but it is often of critical concern to the consumer of ‘high contact’ services. A customer of a restaurant is deeply affected by the manner in which staff members serve them. For busy customers, the speed and friendliness with which a restaurant processes its customers may be just as important as the meal itself. Marketers must work closely with operations managers to design customer handling processes that are both cost-efficient and effective in satisfying customers’ needs.

Physical evidence

Physical evidence is important in guiding buyers of intangible services through the choices available to them. This evidence can take a number of forms. At its simplest, a brochure can describe and give pictures of important elements of the service product—a holiday brochure gives pictorial evidence of hotels and resorts for this purpose. The appearance of staff can give evidence about the nature of a service—a tidily dressed ticket clerk for an airline gives some evidence that the airline operation as a whole is run with care and attention. A clean, bright environment used in a service outlet can help reassure potential customers at the point where they make a service purchase decision.

Interdependency of the marketing mix

The definition of the elements of the marketing mix is largely intuitive and semantic. The list of mix elements has much everyday practical value, because it provides headings around which management thoughts and actions can be focused. However, dividing management responses into apparently disconnected areas of activity may lead to the interaction between elements being overlooked. Promotion mix decisions, for example,
cannot be considered in isolation from decisions about product characteristics or pricing. Within conventional definitions of the marketing mix, important customer-focused issues such as quality of service can become lost. A growing body of opinion is therefore suggesting that a more holistic approach should be taken by marketing managers in responding to their customers’ needs. This view sees the marketing mix as a production-led approach to marketing in which the agenda for action is set by the seller and not by the customer. An alternative relationship marketing approach starts by asking what customers seek from a company and then proceeds to develop a response that integrates all the functions of a business in a manner that evolves in response to customers’ changing needs. Although the chapters of this book roughly follow the elements of the marketing mix, the interlinkages between the mix elements must never be forgotten.

Marketing management

Successful marketing does not generally come about by accident: it needs to be managed effectively (although there are nevertheless many cases of successful marketing that occurred more by good luck than by judgement!). Three fundamental aspects of marketing management can be identified: processes, structures, and outcomes.

The marketing management process

Some companies, as they emerge from a production orientation, may think that they need only ‘do some marketing’ when trading conditions get tough. In fact, for well-managed businesses, marketing is an ongoing process that has no beginning or end (Figure 1.10). It is usual to identify four principal stages of the marketing management process, which involves asking the following questions:

- **Analysis**: Where are we now? How does the company’s market share compare with that of its competitors? What are the strengths and weaknesses of the company and its products? What opportunities and threats does it face in its marketing environment?
- **Planning**: Where do we want to be? What is the mission of the business? What objectives should be set for the next year? What strategy will be adopted in order to achieve those objectives (e.g. should the company go for a high price/low volume strategy, or a low price/high volume one)?
- **Implementation**: How are we going to put into effect the strategy that will lead us to our objectives?
- **Evaluation and control**: Did we achieve our objectives? If not, why not? How can deficiencies be rectified? (In other words, go back to the beginning of the process and conduct further analysis.)
Marketing management structures

Internally, the structure and politics of an organization affect the manner in which it can respond to changing customer needs. An organization that gives all marketing responsibilities to just a narrow group of people may in fact create tensions within the organization that make it less effective at responding to change, compared with an organization where the philosophy and practice of marketing are shared more widely. Marketing plans cannot be developed and implemented without a sound understanding of marketing managers’ relationship to other members of their organization. There has been extensive research into the internal barriers that prevent companies developing a marketing orientation (e.g. Harris, 2002; Morgan, 2002).

There are two aspects of management structure that particularly affect the role of marketers: the internal structure and processes of the marketing department itself (where one actually exists), and the relationship of the marketing functions to other business functions, which affects the marketing effectiveness of an organization. Issues of marketing management structures and processes are explored in Chapter 12.
Outcomes of the marketing management process

Ultimately, the aim of good marketing management is to allow a company to survive and produce an acceptable level of profits. Leading up to this, a tangible outcome of the management process is the marketing plan. A plan should be distinguished from the process of planning: a plan is a statement fixed at one point in time, while planning refers to an ongoing process, of which the plan is just one outcome.

Companies typically produce a strategic marketing plan for a five-year period. Over this time period, projections can be subject to a great deal of speculative estimation. Nevertheless, a five-year strategic plan can be vital to give a sense of direction to a company’s marketing effort. Over the shorter term, companies usually produce an annual plan which gives more details of how the strategy will be implemented over the forthcoming 12-month period. Sometimes, where a marketing plan is based on a set of assumptions that are highly speculative, a company may choose to develop an additional contingency plan to use, should the assumptions on which the original plan was based turn out to be invalid.

There is continuing debate about the extent to which marketing plans should be flexible. If they are too flexible, they lose value in being able to act as a blueprint for all individuals in an organization to plan by. If the marketing department changes its sales targets halfway through the plan period, this might cause havoc in the production department, which had geared up to meet the original budgeted level of sales. On the other hand, fixed plans may become an irrelevance when the company’s marketing environment has changed significantly.

Marketing and its relationship to other business functions

Companies have learned that their marketing departments cannot exist in isolation from the other functional departments of their organization. The importance attached to an organization’s marketing activities is influenced by the nature of the environment in which the organization operates. In a production-oriented firm, a marketing department has little role to play, other than merely processing orders.

In a truly marketing-oriented company, marketing responsibilities cannot be confined to something called a marketing department. In the words of Drucker (1973),

Marketing is so basic that it cannot be considered to be a separate function. It is the whole business seen from the point of view of its final result, that is, from the customer’s point of view.

In marketing-oriented organizations, the customer should be the concern not just of the marketing department, but also all of the production and administrative personnel whose actions may directly or indirectly create value in the mind of customers. In a
typical company, the activities of a number of functional departments can affect customer value:

- The selection, training, motivation, and control of staff by human resources managers cannot be considered in isolation from marketing objectives and strategies. Possible conflict between the human resources and marketing functions may arise where, for example, marketing demands highly trained and motivated frontline staff, but the human resources function pursues a policy that places cost reduction and uniform pay rates above all else.

- A marketing manager may seek to respond as closely as possible to customers’ needs, only to find opposition from production managers who argue that a product of the required standard cannot be achieved. Production managers tend to prefer long production runs of standardized products, but marketers increasingly try to satisfy market niches with specially adapted products.

- At a strategic and operational level, finance managers’ actions in respect of the level of credit offered to customers, or towards stockholdings, can significantly affect the quality of service and the volume of customers with which the marketing department is able to do business.

Marketing orientation requires all of these departments to ‘think customer’ and to work together to satisfy customer needs and expectations. In practice, this can be very difficult to achieve, as witnessed by the many instances where it may appear that ‘the left hand of the organization doesn’t know what the right hand is doing’. A number of initiatives have sought to organize the activities of a company around processes that create value as perceived by customers (see Chapter 12). However, there is a danger that, as groups work more collectively, individual responsibilities and accountabilities can diminish.

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**Marketing and social responsibility**

Traditional definitions of marketing have stressed the supremacy of customers, but this is increasingly being challenged by the requirement to satisfy the needs of a wider range of stakeholders in society. There have been many recent cases where companies have neglected the interests of this wider group with disastrous consequences, and we will look at some of these in Chapter 3. Scenes of protesters outside a company’s premises and newspaper coverage of anti-social behaviour by firms can take away from the company something that its marketing department had spent years developing—its image. The opposite can be true where companies go out of their way to be good citizens.

There are segments within most markets that place high priority on ensuring that the companies they buy from are ‘good citizens’. Examples can be found among consumers who prefer to pay a few pennies extra for products that have a low ‘carbon footprint’, or have been supplied by ‘Fairtrade’ companies.
Wider issues are raised about the effects of marketing practices on the values of a society. It has been argued by some that, by promoting greater consumption, marketing is responsible for creating a greater feeling of isolation among those members of society who cannot afford to join the consumer society where an individual's status is judged by what they own, rather than by their contribution to family and community life. Much advertising has been criticized as being socially harmful, for example for high-fat ‘junk’ food and alcohol, which may appeal against an individual’s better judgement, bring bad health to millions, and raise the costs of health care for sufferers.

Determining the social responsibilities of organizations is a controversial subject and is discussed further in Chapter 3.

Is marketing a science or an art?

Is marketing based on a scientific method of inquiry, or is it essentially about an artistic process of creativity?

Studies of marketing using the scientific frameworks of the natural sciences have found favour with followers of the positivist approach. This holds that, from observations of the real world, it is possible to deduce models that are of general applicability. On this basis, models have been developed to predict consumer behaviour, the profitability of retail locations, and price–volume relationships, among many other phenomena.

The great merit of the scientific approach is its claim to great objectivity, in that patterns and trends can be identified with greater confidence than if they were based on casual observation. Many marketers have appreciated the value of this scientific approach. Most major retailers rely heavily on models of retail location before deciding where to locate their next outlet. Armed with trading statistics from their existing network of stores and background information about their locations (e.g. the number of people living within 20 minutes’ driving time, passing vehicle traffic per day, proximity to competitors, etc.), a regression model can be developed which shows the significance of each specified factor in explaining sales success.

To many people, marketing has no credibility if it does not adopt a rigorous, scientific method of inquiry. This method of inquiry implies that research should be carried out in a systematic manner and results should be replicable: a model of buyer behaviour should be able repeatedly to predict consumers’ actions correctly, based on a sound collection of data and analysis. In the scientific approach, data are assessed using tests of significance and models are accepted or rejected accordingly. In the UK the Chartered Institute of Marketing has launched an initiative to improve the standards of ‘marketing metrics’.

To counter this view, it has been argued that marketing cannot possibly copy the natural sciences in its methodologies. Positivist approaches have been accused of seeking meaning from quantitative data in a very subjective manner which is at variance
with scientific principles (Brown, 1995). Experimental research in the natural sciences generally involves closed systems in which the researcher can hold all extraneous variables constant, thereby isolating the effects of changes in a variable that is of interest. For social sciences, experimental frameworks generally consist of complex social systems over which the researcher has no control: a researcher investigating the effects of a price change in a product on demand from customers cannot realistically hold constant all factors other than price. Indeed, it may be difficult to identify just what the ‘other factors’ are that should be controlled for in an experiment, but they may typically include the price of competitors’ products, consumer confidence levels, the effects of media reports about that product category, and changes in consumer fashions and tastes, to name some of the more obvious. Contrast this with a physicist’s laboratory experiment, where heat, light, humidity, pressure, and most other extraneous variables can be controlled, and the limitations of the scientific methodology in the social sciences become apparent. Marketers are essentially dealing with ‘open’ systems, in contrast to the ‘closed’ systems that are more typical of the natural sciences.

Post-positivists place greater emphasis on exploring in depth the meaning of individual case studies than on seeking objectivity and replicability through large sample sizes. Many would argue that such inductive approaches are much more customer-focused, in that they allow marketers to see the world from consumers’ overall perspective, rather than through the mediating device of a series of isolated indicators. Post-positivist approaches to marketing hold that the ‘real’ truth will never emerge in a research framework that is constrained by the need to operationalize variables in a watertight manner. In real-life marketing, the world cannot be divided into clearly defined variables that are capable of objective measurement. Constructs such as consumers’ attitudes and motivation may be very difficult to measure and model objectively. Furthermore, it is often the interaction between various phenomena that is of interest to researchers, and it can be very difficult to develop models that correspond to respondents’ holistic perceptions of the world.

There is another argument against the scientific approach to marketing, which sees the process as essentially backward-looking. The scientific approach is relatively good at making sense of historic trends, but less good at predicting what will happen following periods of turbulent change.

Creativity combined with a scientific approach can be essential for innovation. The scientific approach to marketing planning has a tendency to minimize risks, yet many major business successes have been based on entrepreneurs using their own judgement, in preference to that of their professional advisers. Consider the following cases.

- In the run-up to London’s Millennium celebrations, the Millennium Dome (now called the O₂ Arena) was the outcome of a fairly bureaucratic process of planning. The forecasts turned out to be far too optimistic. By contrast, the London Eye was a great success, despite relying on largely intuitive estimates of likely demand.
• Demand for SMS text messaging services was greatly underestimated, partly reflecting a technological basis for forecasting, rather than a deeper understanding of individuals’ lifestyles.

• A scientific analysis of the transatlantic airline market in the 1980s would have concluded that the market was saturated and there was no opportunity for a new British operator. This did not stop the entrepreneur Richard Branson from launching his own airline and, by using his own creative style, developing a distinctive and profitable service within the crowded market.

Marketing has to be seen as a combination of art and science. Treating it excessively as an art can lead to decisions that are not sufficiently rigorous. Emphasizing the scientific approach can lead a company to lose sight of the holistic perceptions of its customers. Successful firms seek to use scientific and creative approaches in a complementary manner.

Marketing as an academic discipline

It is only since the 1970s that marketing has featured significantly on university syllabuses. To some of the more traditional academic institutions, marketing has been seen as essentially a topic of application rather than a discipline in its own right.

Marketing has borrowed heavily from other discipline areas. Its roots can be traced back to industrial economics, but in the process of growth it has drawn on the following discipline areas.

• Psychology has been central to many studies of buyer behaviour. Psychological theory in the fields of human motivation and perception has found ready application by marketers.

• Because of the importance of peer group pressures on many consumer and commercial purchases, a body of knowledge developed by sociologists has been used by marketers. As an example, social psychologists have contributed an understanding of the processes by which interpersonal trust develops, which has been applied to the study of long-term buyer–seller relationships (e.g. Dwyer, Schurr, and Oh, 1987).

• In its claim to be a science, marketers are constantly borrowing statistical techniques. Large-scale empirical research into buyer behaviour, product design preferences, and pricing effectiveness draws heavily upon previously developed statistical techniques which have conceptual and empirical validity.

• The law represents an embodiment of a society’s values, and legal frameworks are becoming increasingly important to the study of marketing.

• Finally, economics remains an important discipline area on which marketing draws. As an example, marketers’ pricing strategy has to be based on an understanding of the underlying theory of price determination in different market conditions.
As marketing has developed, the flow of theory has become more two-way. As well as borrowing from other discipline areas, marketers have developed theory and techniques that have been adopted by other discipline areas. (For example, marketers contributed significantly to the development of conjoint analysis in the study of consumer preferences, and this statistical methodology has now found widespread application elsewhere.) In universities the subject has benefited from multi-disciplinary teams being brought together to develop new techniques that are appropriate to marketing. Unfortunately, the structure of many universities still has a tendency to inhibit research between discipline areas that are based in different faculties.

What makes a good marketer?

Finally, what characteristics make for a good marketer? Are good marketers born or bred? To answer this question, it is necessary to have a clear understanding of just what marketing is about. The ability to identify, anticipate, and respond to customer needs puts a lot of onus on skills of observation and analysis. Outdated ideas that marketing is all about selling harder by shouting more loudly were probably never appropriate to even the most aggressive sales personnel, for whom listening to customers’ needs has always been crucial to developing a winning sales pitch. The great emphasis on listening skills is one explanation of the growing number of females who have made successful careers in marketing. Numerous studies have found that women have much stronger traits of empathy and listening ability than males.

Of course, marketing as a business function is very broad, and particular branches demand quite specific skills. Within the advertising sector, creativity is essential for successful copywriters, whereas a market analyst would be better equipped with patience and a rigorous methodical approach.

Can marketers be trained? There is a feeling among some employers that a little marketing knowledge by incoming employees may be quite dangerous. This idea holds that it may be better to take on staff who have an ability to think critically, communicate effectively, and show creativity. These abilities may have been developed in non-marketing environments, but the skills are easily transferable. Many engineers and biologists, to name but two science-based disciplines, have gone on to become very successful marketers, because of their ability to approach any new problem with clear, critical thinking combined with creativity.

This book seeks to cut through much of the jargon and mystique that has grown up around marketing and points out that many models are essentially based on straightforward critical analysis. By this argument, segmentation can be seen either as a specialist marketing technique or, more generally, as a logical process of breaking down a large problem (how to serve a market) into a series of smaller problems (how to serve different parts of that market). This book aims to develop a critical awareness of marketing theories and concepts, and to illustrate these with contemporary examples.
Chapter summary and linkages to other chapters

This chapter has introduced the basic principles of marketing that act as building blocks for more detailed discussion in the following chapters. Having read this chapter, you should be aware of the wide definition of marketing as a philosophy and a set of practices. Although subsequent chapters analyse marketing practices under a number of headings, it should never be forgotten that all elements of the marketing mix should support each other. Customers take a holistic view of a company and its product. Product decisions (Chapter 8), price decisions (Chapter 9), place decisions (Chapter 10), and promotions decisions (Chapter 11) must focus on meeting targeted customer segments (Chapter 6) effectively and efficiently in the face of competitors’ products (Chapter 7).

KEY PRINCIPLES OF MARKETING

• Marketing is essentially about organizations meeting customers’ needs as a means of achieving the organizations’ own objectives.
• Marketing is both a philosophy and a set of techniques. Marketing techniques have less value if an organization has not embraced the philosophy of marketing.
• The principles of marketing are not new, but a continually changing marketing environment demands new ways of applying the basic principles.
• Marketing can be adopted by both profit-seeking and not-for-profit organizations.
• Marketing operates in an environment in which stakeholders have rising expectations for the ethical standards of marketers.

CASE STUDY

The Body Shop—good luck or good marketing?

The Body Shop may have grown rapidly during the 1970s and 1980s, but its founder, the late Dame Anita Roddick publicly dismissed the role of marketing. Roddick ridiculed marketers for putting the interests of shareholders before the needs of society. She had a similarly low opinion of the financial community, which she referred to as ‘merchant wankers’. While things were going well, nobody seemed to mind. Maybe Roddick had found a new way of doing business, and if she had the results to prove it, who needed marketers? But how could even such an icon as Anita Roddick manage indefinitely without consulting the fundamental principles of marketing? By embracing ethical issues, was she way ahead of her rivals in understanding the public mood, long before the major retailers piled into Fairtrade and ‘green’ products? Or did the troubles that the Body Shop suffer in the late 1990s indicate that a company may publicly dismiss the value of
marketing while the going is good, but sooner or later it will have to come back to earth with good old-fashioned marketing plans?

Roddick had been the dynamo behind the Body Shop. From her first shop, which opened in Brighton in 1976, she inspired the growth of the chain of familiar green-fronted shops, which in 2006 comprised 2,100 stores in 55 countries around the world. She was the first to introduce socially and environmentally responsible business onto the High Street and was talking about fair trade long before it became a popular corporate buzz-word. Her pioneering products included naturally based skin and hair care preparations, such as Fuzzy Peach Bath and Shower Gel and Brazil Nut Conditioner. Her timing was impeccable, coming just at a time when increasingly affluent consumers were becoming concerned about animal testing and the use of chemicals in cosmetics. She had not gone down the classic marketing route of understanding consumer trends and then developing the appropriate products with the right positioning. She simply had a passion for humanely produced cosmetics and was just lucky with her timing—more consumers were coming round to her view just as she was launching her business. As for planning a promotion campaign, she did not really need to do very much at all. With her boundless energy, outspoken views, and unorthodox dress sense, she was continually being talked about in the media. Her flair for publicity won free editorial space for the Body Shop worth millions of pounds.

Much of the company’s success has been tied up with its campaigning approach to the pursuit of social and environmental issues; but while Roddick campaigned for everything from battered wives and Siberian tigers to the poverty-stricken mining communities of southern Appalachia, the company was facing major problems in its key markets. Yet until the late 1990s, she boasted that the Body Shop had never used, or needed, marketing.

By the late 1990s the Body Shop seemed to be running out of steam, with sales plateauing and the company’s share price falling—from 370p in 1992 to just 65p in 2003. What was previously unique about the Body Shop was now being copied by others, for example, the Boots company matched one of the Body Shop’s earliest claims that it did not test its products on animals. Even the very feel of a Body Shop store—including its decor, staff, and product displays—had been copied by competitors. How could the company stay ahead in terms of maintaining its distinctive positioning? Its causes seemed to become increasingly remote from the real concerns of shoppers. While most UK shoppers may have been swayed by a company’s unique claim to protect animals, how many would be moved by its support for Appalachian miners? If there was a Boots or a Superdrug store next door, why should a buyer pay a premium price to buy from the Body Shop? The Body Shop may have pioneered a very clever retailing formula over 20 years earlier, but, just as the product range had been successfully copied by others, other companies had made enormous strides in terms of their social and environmental awareness. Part of the problem of the Body Shop was its failure fully to understand the dynamics of its marketplace. Positioning on the basis of good causes may have been enough to launch the company into the public’s mind in the 1970s, but how could this position be sustained?

Many commentators blamed the Body Shop’s problems on the inability of Roddick to delegate. She is reported to have spent much of her time globe-trotting in support of her good causes, but had a problem in delegating marketing strategy and implementation. Numerous strong managers
who had been brought in to try to implement professional management practices apparently gave up in bewilderment at the lack of discretion that they had been given, and then left.

The Body Shop’s experience in America had typified Roddick’s pioneering style which frequently ignored sound marketing analysis. She sought a new way of doing business in America, but in doing so dismissed the experience of older and more sophisticated retailers—such as Marks & Spencer and the Sock Shop, which came unstuck in what is a very difficult market. The Body Shop decided to enter the US markets not through a safe option such as a joint venture or a franchising agreement, but instead by setting up its own operation from scratch—fine, according to Roddick’s principles of changing the rulebook and cutting out the greedy American business community, but dangerously risky. Her store format was based on the British town-centre model, despite the fact that Americans spend most of their money in out-of-town malls. In 1996 the US operations lost £3.4 million.

Roddick’s critics claimed that she had a naive view of herself, her company, and business generally. She had consistently argued that profits and principles do not mix, despite the fact that many of her financially successful competitors have been involved in major social initiatives.

Critics claimed that, had Roddick not dismissed the need for marketing for so long, the Body Shop could have avoided future problems; but by the early 2000s it was paying the price for not having devoted sufficient resources to new product development, to innovation, to refreshing its ranges, and to moving the business forward in a competitive market and fast-changing business environment. It seemed that heroes can change the rulebook when the tide is flowing with them; but adopting the disciplines of marketing allows companies to anticipate and react when the tide begins to turn against them.

The year 2006 turned out to be a turning point for the Body Shop. In that year, the cosmetics giant L’Oréal acquired the company for £652 million. L’Oréal was part-owned by Nestlé, and both companies had suffered long disputes with ethical campaigners. L’Oréal had been the subject of boycotts because of its involvement in animal testing, and Nestlé had been criticized for its treatment of third-world producers. *Ethical Consumer* magazine, which rates companies’ ethics on its ‘Ethiscore’, immediately down-rated the Body Shop from a rating of 11 to 2.5 out of 20, following the takeover by L’Oréal. A contributor to the magazine commented about the Body Shop:

I for one will certainly not be shopping there again and I urge other consumers concerned about ethical issues to follow my example. There are plenty of other higher scoring ethical companies out there.

Not to be outdone, Roddick dismissed claims that she was ‘selling out to the devil’ by arguing that she would be able to use her influence to change L’Oréal from inside the company. Suppliers who had formerly worked with the Body Shop would in future have contracts with L’Oréal, and through an agreement to work with the company for 25 days a year, Roddick would be able to have an input into its ethical sourcing decisions.

It seemed that the Body Shop was destined to become a safe, predictable company, carrying out marketing in more of the textbook fashion that had allowed its new owners to grow steadily but surely over the years. Maybe the missionary zeal had long ago gone out of the Body Shop, so perhaps having new owners who placed less emphasis on ethics would not be too great a price to
pay in return for bringing the huge wealth of marketing experience of L’Oréal to the Body Shop. Part of the marketing experience of L’Oréal led it to treat the Body Shop as an independent brand and to respect its trusted heritage. It was aware that ecological concerns were rapidly rising up mainstream consumers’ concerns, and having Roddick on board would not only be good for PR, it could also help change mindsets within L’Oréal more generally.

Roddick died soon after selling out to L’Oréal and her obituaries agreed that she had made a difference to the world. She certainly had put enormous energy into her mission and had been lucky with her timing. However, critics were more divided on whether she was a good marketer for the long haul; after all, it is relatively easy to make money when the tide is going with you and your luck is in, but much more difficult to manage a changing and increasingly saturated marketing environment. Like many entrepreneurs who have been good at creating things, but not so good at maintaining them, was it simply time for Roddick to hand over to classically trained marketers who could rise to this challenge?

Case study review questions

1. Critically assess the extent to which you consider the Body Shop to be a truly marketing-oriented organization throughout its 30+ years’ history.
2. To what extent are the pursuits of profit and meeting the needs of wider groups of stakeholders incompatible? What companies, if any, have managed sustainably to reconcile these two aims?
3. What are the basic lessons in marketing that the Body Shop might have taken on board in its early years in order to improve its chances of long-term success?

CHAPTER REVIEW QUESTIONS

1. Discuss how a car-wash business might operate if management embraced a production orientation? A sales orientation? A marketing orientation? A societal marketing orientation?
2. Analyse the nature of the needs which may be satisfied by a household mortgage.
3. What is the difference between selling and marketing?
1 What is marketing?

ACTIVITIES

1. Go back to the ‘Marketing in Action’ vignette on page 6 which describes some tell-tale signs about whether a company is truly marketing oriented. Now apply these tests, and any additional tests you can think of, to an organization with which you are familiar. If you are studying at a college or university, how marketing oriented is it?

2. Use the extended ‘7p’ marketing mix to produce a checklist of the headings for a marketing plan for a fashion retailer. Are there any additional headings that you consider would be important to develop a sustainable competitive advantage?

3. Review literature produced by a selection of public or quasi-public sector service providers, such as a doctor’s surgery, housing association, or state-owned school. Assess the extent to which the organization balances its statutory duties with a marketing orientation.

REFERENCES


SUGGESTED FURTHER READING

This chapter has taken a very broad overview of marketing and sets the scene for the subsequent chapters. Further reading that relates to issues raised in this introductory chapter will be listed in chapters where introductory topics are returned to for a fuller discussion.
To review the debate about the nature of marketing, the following are significant contributors to the debate:


**USEFUL WEB LINKS**

Visit the Online Resource Centre for resources that are relevant to this chapter, including web links, multiple choice questions, and additional case studies:

[www.oxfordtextbooks.co.uk/orc/palmer2e/](http://www.oxfordtextbooks.co.uk/orc/palmer2e/)

**KEY TERMS**

- Competitor orientation
- Customer orientation
- Customers
- Demand
- Exchange
- Inter-functional coordination
- Marketing management
- Marketing mix
- Marketing orientation
- Markets
- Needs
- Not-for-profit organization
- Place
- Positivism
- Pricing
- Production orientation
- Products
1 What is marketing?

- Promotion
- Scientific method
- Selling orientation
- Social responsibility
- Value
- Wants