MARKETING

MARKETING

AN INTRODUCTORY TEXT

Martin Christopher
and
Malcolm McDonald

© Martin Christopher and Malcolm McDonald 1995

All rights reserved. No reproduction, copy or transmission of this publication may be made without written permission.

No paragraph of this publication may be reproduced, copied or transmitted save with written permission or in accordance with the provisions of the Copyright, Designs and Patents Act 1988, or under the terms of any licence permitting limited copying issued by the Copyright Licensing Agency, 90 Tottenham Court Road, London W1P 9HE.

Any person who does any unauthorised act in relation to this publication may be liable to criminal prosecution and civil claims for damages.

First published 1995 by
MACMILLAN PRESS LTD
Houndmills, Basingstoke, Hampshire RG21 2XS
and London
Companies and representatives
throughout the world

ISBN 978-0-333-62587-3
DOI 10.1007/978-1-349-23858-3

ISBN 978-1-349-23858-3 (eBook)

A catalogue record for this book is available
from the British Library.

10	9	8	7	6	5	4	3	2	1
04	03	02	01	00	99	98	97	96	95

Copy-edited and typeset by Povey-Edmondson
Okehampton and Rochdale, England

Contents

List of Figures and Tables x

Preface xiii

Module 1: The Role of Marketing in Business

1	Introduction: Marketing's Role in the Organisation	3
	What is Marketing?	3
	The Company's Marketing Assets	4
	The Search for Differential Advantage	7
	Marketing and the Bottom Line	9
	Industrial, Consumer and Service Marketing	10
	International Marketing	11
	Is Marketing Unethical?	14
	Summary	23
2	Managing Marketing	24
	The Marketing Mix	24
	Programming the Marketing Mix	29
	The Challenges to the Corporation	30
	Meeting the Challenge	34
	Summary	39
3	Relationship Marketing	40
	Marketing as a Process	41
	The Six Markets	42
	Relationships as Partnerships	46
	Managing Relationships in the Marketing Channel	48
	Building End-User Relationships	51
	Summary	51

Module 2: Understanding Customers and Markets

4	Buyer Behaviour	55
	Buyers and Consumers: Know the Difference	55
	A General Model	56
	Consumer versus Industrial Purchase Decisions	69
	Summary	71

5	Market Segmentation	72
	Customers as Sources of Profit Through Segmentation	72
	Criteria for Viable Market Segmentation	73
	Analysis of the Way Customers Respond or Behave	74
	Analysis of Customer Characteristics	78
	Summary	81
6	Scanning the Environment	83
	The Marketing Environment	83
	Means of Scanning the Environment	88
	Reactive Marketing Research	89
	Non-Reactive Marketing Research	92
	Integrating Marketing Research with Marketing Action	94
	International Marketing Intelligence	95
	Preparing the Marketing Research Brief	96
	Preparing the Research Proposal	98
	Summary	99
7	Competitive Analysis and Strategy	100
	Cost Advantage	101
	Value Advantage	102
	Market Share Strategies	104
	Competitive Analysis	105
	Competitive Information	108
	Competitive Benchmarking	110
	Summary	111
8	The Marketing Audit	113
	The Auditing Process	113
	The Form of the Audit	114
	The Management Audit	115
	The Marketing Audit	116
	When Should the Marketing Audit be Carried Out?	119
	What Happens to the Results of the Audit?	121
	How to Organize the Findings of the Audit	121
	Summary	122

Module 3: Managing the Offer

9	Product Management	127
	What is a Product/Service?	127
	The Product/Service Life Cycle	132
	Life Cycle – Costs and Strategies	135
	Product/Market Strategy	138
	Product Revitalisation versus New Product Development	140
	Summary	141

10	Product Strategy	142
	Product Portfolios	142
	The Boston Matrix	143
	The Directional Policy Matrix	145
	The Directional Policy Matrix as a Predictive Device	149
	Developing New Products and Services	150
	A Screening Procedure for Ideas for New Products or Services	154
	Forecasting Future Sales	159
	Summary	164

Module 4: Positioning the Offer

11	Branding	167
	What is a Brand?	167
	The Difference Between Successful and Unsuccessful Brands	173
	The Components of a Brand	174
	The Company as a Brand	178
	Global versus Local Brands	180
	Summary	182
12	Pricing Strategy	183
	Benefits and Price	184
	Price and Value	185
	Benefit Evaluation	188
	Trade-off Analysis	188
	Competitive Pricing Strategy	193
	International Pricing Management	195
	Summary	198
13	Communications Strategy	200
	Communication Methods	200
	Corporate Communications Audit	205
	The Communication Process	206
	The Receiver's Viewpoint	207
	Developing Communication Objectives	209
	The Communication Plan	210
	Selecting the Right Media	213
	International Communications	213
	Summary	214

Module 5: Managing Marketing Relationships

14	Sales Force Strategy	217
	How Important is Personal Selling?	217
	The Role of Personal Selling	218
	Buy Classes	218

	Pressure on the Individual Buyer	220	
	What Does All This Mean to the Sales Person?	222	
	Understanding the Salesman's Role	222	
	Identifying Who Has Influence	225	
	Territory Planning and Obtaining the Interview	227	
	Advantages of Personal Selling	230	
	Sales Promotion	231	
	Summary	235	
15	Managing the Sales Force	236	
	How Many Salesmen and Women do we Need?	236	
	Directing the Sales Effort	239	
	What do we Want our Sales Men and Women To Do?	243	
	How Should we Manage our Sales Force?	245	
	Preparing the Sales Plan	246	
	Summary	246	
16	Marketing Channel Strategy	249	
	Channels of Distribution	249	
	Choosing the Channel	250	
	Marketing Strategies	252	
	Working with Intermediaries	252	
	Selecting an Intermediary	254	
	Relationships with Intermediaries	255	
	Effectiveness of Channel Intermediaries	256	
	Dealer Development Strategy	257	
	Vertical Integration	258	
	Summary	259	
17	Distribution and Logistics Strategy	260	
	Distribution and the Marketing Mix	260	
	An Overview	260	
	The Logistics Concept	262	
	The Service-Level Decision	264	
	Establishing the Profit Consequences of Running out of Stock	265	
	Bringing the Logistics Mix Together	266	
	Summary	268	
18	Customer Retention Strategies	269	
	The Ladder of Loyalty	271	
	Developing a Customer Retention Strategy	273	
	Customer Retention Programmes	274	
	DataBase Marketing	277	
	Summary	280	

19	Customer Service Strategy	281
	What is Customer Service?	282
	The Components of Customer Service	284
	Customer Service Trade-offs	285
	Designing the Customer Service Package	286
	Strategies for Service	287
	Developing a Customer Service Culture	288
	Summary	289

Module 6: Planning and Control

20	Marketing Planning	293
	What is Marketing Planning?	293
	Benefits of Formalised Marketing Planning	293
	Why is Marketing Planning Essential?	294
	The Marketing Planning Process	295
	Problems Associated with Marketing Planning Ignorance	296
	How to Prepare a Marketing Plan	298
	International Marketing Planning	303
	International Product Planning	304
	Can Marketing Planning Fail?	309
	Summary	309
21	Organisation and Control of Marketing	312
	Organisation	312
	Control	317
	Setting the Market Budget	318
	Budgets as Managerial Tools	321
	Summary	324

<i>Further Reading</i>	326
------------------------	-----

<i>Index</i>	327
--------------	-----

List of Figures and Tables

Figures

1.1	Matching customer needs with corporate resources	5
1.2	Added values enhance basic features	6
1.3	The sources of long-run profit improvements	9
1.4	Consumerism's way to better marketing	20
2.1	S-curves and technology change	30
2.2	The change in consumer markets	32
2.3	Shorter life-cycles make timing crucial	37
3.1a	Marketing as a functional activity	41
3.1b	Marketing as a cross-functional activity	41
3.2	Employee satisfaction leads to customer loyalty	45
3.3	The six markets model	46
3.4	The move towards trade marketing	50
4.1	Influences on consumer behaviour	57
4.2	The process of motivation	59
4.3	Maslow's hierarchy of needs	60
4.4	Unmet needs in developed markets	61
4.5	The adoption and diffusion process	63
4.6	Elements of attitude	64
4.7	The family 'life-cycle'	67
5.1	Market segmentation	82
6.1	A framework for marketing research	89
6.2	Forms of reactive marketing research	90
6.3	Forms of non-reactive marketing research	92
7.1	Marketing and the three 'C's	100
7.2	The experience curve	102
7.3	The sources of competitive advantage	103
7.4	The dangers of the middle ground	104
7.5	Forces driving industry competition	106
7.6	Competitive benchmarking	111
8.1	Internal and external marketing variables	115
8.2	Business functions and the marketing environment	117
8.3	The marketing audit in context	117
8.4	Initial format for a SWOT analysis	123
9.1	Linking customer needs with corporate goals	127
9.2	Benefit analysis worksheet	130
9.3	Benefit analysis worksheet results	131

9.4	Product/service life-cycle	132	
9.5	Product/market strategy and the product life-cycle (1)	133	
9.6	Product/market strategy and the product life-cycle (2)	134	
9.7	Product/market strategy and the product life-cycle (3)	134	
9.8	The 'Ansoff' matrix	138	
10.1	A portfolio of several product life-cycles	142	
10.2	Ideal product introduction pattern over time	143	
10.3	The Boston matrix	144	
10.4	Product portfolio: current and projected	145	
10.5	Market attractiveness and business strengths	146	
10.6	Portfolio matrix for Sealitt Ltd	148	
10.7	Directional policy analysis for Sealitt Ltd	149	
10.8	Portfolio matrix showing current and forecast positions	150	
10.9	Risk/reward continuing	152	
10.10	Screening procedure for ideas for new products	155	
10.11	Stages of new product development	156	
10.12	Market potential curve	160	
11.1	Added values enhance basic features	167	
11.2	Added values and the brand	168	
11.3	The profit impact of market share and quantity	169	
11.4	From brand to commodity	171	
11.5	A brand position map	175	
11.6	Bipolar map for detergents	176	
11.7	Brand functionality and personality	177	
11.8	Corporate brand positioning	179	
11.9	Global versus local brands	181	
12.1	The components of price	185	
12.2	The demand curve	186	
12.3	Consumer and supplier surplus	191	
12.4	Graphical output of conjoint analysis	192	
12.5	The effect of perceived added-values on the demand curve	194	
12.6	Appropriate pricing strategies	194	
12.7	Price and the experience curve	196	
13.1	Communication relationships of an organisation	201	
13.2	The communication process	206	
13.3	The purchase decision and marketing communications	208	
13.4	Some communication objectives	209	
13.5	The communications plan	210	
13.6	Steps in the process of putting together an advertising plan	212	
15.1	Breakdown of a salesman's total daily activity	237	
15.2	'Philes, Promiscuous and Phobes'	241	
15.3	The link between corporate markets and sales objectives	247	
16.1	Alternative channels of distribution	250	
16.2	Direct and indirect modes of shipments	253	
17.1	The cost of availability	264	

17.2	The market response to service	266
17.3	The cost/benefit of service	267
17.4	The logistics systems concept	267
18.1	Customer profit contribution over time	270
18.2	Impact of customer retention rate on customer lifetime	271
18.3	The ladder of loyalty	272
18.4	Developing a customer retention programme	275
20.1	The marketing planning process	295
20.2	Product characteristics in respect of foreign markets	305
20.3	Specifications implications analysis	307
20.4	The key questions in international marketing	308
21.1	Alternative marketing/sales organisations	314
21.2	Wessol's product/market management structure	315
21.3	A matrix organisation	316

Tables

3.1	The shift to relationship marketing	40
4.1	Industrial buying process	70
4.2	Decision-making unit	70
5.1	Bases for market segmentation	81
7.1	Sources of competitor information	109
8.1	The marketing audit: the business environment	118
8.2	Marketing operation variables	118
8.3	The marketing audit: external and internal variables combined	119
9.1	Life-cycle stages: characteristics and responses	136
12.1	Attribute levels	189
14.1	Sales promotions	233
15.1	Setting objectives for an individual sales representative	248
16.1	Intermediary selection criteria	254
20.1	Steps in the corporate planning process	299
20.2	Understanding marketing characteristics	306
21.1	Customer profitability model	320

Preface

There has probably never been a time when effective marketing has been more crucial than at the present. The search for competitive advantage has taken on the equivalence of the search for the Holy Grail in the turbulent business environment of the 1990s. The role that marketing plays in guiding corporate strategy is crucial and yet it is still the weak link for so many companies in the process that binds the customer to the organisation.

Marketing in the past has often been misinterpreted and over-simplified. It has been confused with selling – itself a crucial activity – or with a naïve concept of ‘giving the customers what they want’.

Through our work as teachers and consultants we have come to the strongly held view that marketing’s role in the business is to find opportunities that allow the organisation to reap a greater return on its assets, in particular its marketing assets. The marketing assets of a business include such things as corporate image, brand names, sales and distribution networks, supplier and customer relations and, of course, its people. Incorporated as part of total corporate strategy, marketing becomes a powerful machine for building and developing these crucial assets.

This book is designed to explore these ideas in a simple-to-read format. Whether you are an experienced marketing professional or entering marketing for the first time, or if your work is in a non-marketing function but you need to know more about marketing, we believe you will find this book helpful.

Whilst we have sought to put our own interpretation on the marketing concept and techniques described in this book we owe a large debt to many marketing professionals and teachers, including our past and present colleagues at the Cranfield University School of Management, for their pioneering work in developing the large body of knowledge that now exists in the area. An equal debt is owed to Dorothy Hendry, Lee Smith and Kate Brazier for typing the manuscript.

Cranfield University School of Management

MARTIN CHRISTOPHER
MALCOLM McDONALD