

Objectives

After reading this chapter you should be able to:

- explain the role of quality in building long-term relationships;
- describe how relationship marketing builds long-term profitability;
- formulate strategies for developing customer loyalty;
- establish quality procedures within organisations;
- describe the basis for societal marketing;
- develop strategies for assessing responsibility towards stakeholders;
- establish ethical guidelines;
- take an ethical approach to marketing strategy decisions.

INTRODUCTION

During the late 1990s and the first years of the 21st century, marketing thinking has been undergoing some radical changes. Much marketing thinking in the past has concentrated on the single transaction between producer and customer, on the assumption that customers who like the product will continue to buy, and that no one else has any right to an input into the exchange. This approach, while laudable, ignores the fact that some customers are more valuable than others, that some customers can become very loyal indeed, and that marketers should also take into consideration the needs and attitudes of other **stakeholders** in society at large.

At the same time, new communications media (the Internet, cellular telephones, short message systems (texting) and so forth) have made previous marketing communications strategies almost obsolete. Falling birthrates and increased competition through globalisation have meant that consumers are fewer and more firms are chasing them; at the same time, rapidly rising prosperity levels mean that the rewards for firms which get it right are much greater than ever before.

This chapter is about creating long-term relationships with customers – selling ‘products that don’t come back to customers that do’.¹ It is about ensuring that the marketing-orientated firm is sustainable in the long run, both in terms of use of finite resources and also in terms of ethical behaviour towards society at large. Finally, it is about the successful exploitation of new technology in a rapidly changing world.

RELATIONSHIP V TRADITIONAL MARKETING

Traditional marketing is concerned with the exchanges between organisations and their customers. The emphasis has always been on producing products that will satisfy customer needs, and the focus has tended to be on the single transaction. This has led to an over-emphasis on acquiring new customers, at the expense of ensuring that the firm keeps its old ones. Most of the marketing transactions in a traditional firm are undertaken anonymously, and the customer is reduced from being an individual person, with needs and wants and problems, to being a member of a market segment.

Relationship marketing, on the other hand, looks at the customer as an individual and tries to establish a relationship. Relationship marketing is concerned with the lifetime value of the customer. For example, over the course of a lifetime’s motoring, a motorist might own 30 or more cars. This represents a total expenditure of perhaps hundreds of thousands of pounds on cars, yet car manufacturers and dealers rarely keep in touch with their customers in any organised

way. The focus is on the single transaction, that of buying one (and only one) car at a time. A relationship marketing approach would seek to look at the customer in terms of his or her total value to the company over (potentially) 30 or 40 years.

This orientation values the loyal customer ahead of the one-off big deal, and gives the firm more chance of maintaining its customer base in the long run. Figure 12.1 illustrates how the concepts of customer service, quality and marketing come together to establish a relationship marketing orientation.

The key to relationship marketing is understanding that customers are buying a bundle of benefits, some of which include such factors as product reliability and a pleasant service from the company they are dealing with. Increasingly, customers are expecting suppliers to value their custom; during the 19th century, every shopper would expect the shopkeepers to know them by name, to be respectful and polite, to anticipate their needs, and to arrange delivery or otherwise show that they regarded the customer as important to the firm. As firms have grown bigger, this level of personal attention has largely disappeared. Economic forces have removed the old systems from grocery shops, so that customers are now expected to find the goods themselves, carry them to the



FIGURE 12.1 Relationship marketing, quality and service

(Source: Christopher *et al.*²)

checkout, pay for them, and carry them home, sometimes without exchanging any conversation with the store staff.

This increasingly impersonal and functional view of marketing is now being questioned, and relationship marketing seeks to address this issue by encouraging firms to treat customers as individuals, with individual needs and aspirations. This goes beyond the ‘have a nice day’ approach of the fast-food restaurant, replacing it with a genuine interest and concern for the customer.

In fact, business relationships do not divide entirely into transactional or relationship marketing – relationships develop, and can range from a single exchange through to a fully developed co-operative system. Table 12.1 shows the comparison between traditional, or transaction, marketing and relationship marketing.

Although many firms have adopted the relationship approach, most firms still keep to the traditional view. This tends to lead to the following bad practices:

TABLE 12.1 Transaction v relationship marketing

Transaction marketing	Relationship marketing
Focus on single sale	Focus on customer retention
Orientation on product features	Orientation on product benefits
Short time-scale	Long time-scale
Little emphasis on customer service	High emphasis on customer service
Limited customer commitment	High customer commitment
Moderate customer contact	High customer contact
Quality is the concern of the production department	Quality is the concern of all

(Source: Christopher *et al.*²)

- Reactive approach to customer complaints.
- Failure to recognise the needs of long-term customers.
- Greater expenditure on promotion than is necessary, owing to the emphasis on acquiring new customers.
- Inner conflict within departments as production people expect marketers to sell the goods, and marketers expect production people to handle quality issues.

As customer expectations rise, and more particularly as customers become longer lived, there is likely to be an increasing emphasis on establishing relationships. This is because the value to the firm of the customer's continued custom is greater, and the customer knows this and expects better treatment in return.

Relationship marketing has been most apparent in business-to-business markets, possibly because businesses need to ensure consistency of supply, whereas consumers are able to source products from many outlets and do not lose out as badly if a product is not immediately available from their usual supplier. For example, a car manufacturer who runs out of vital components might conceivably need to shut down production; the same is not true of a consumer who runs out of cornflakes.

One of the key concepts in relationship marketing is that of customer intimacy. This means getting close enough to the customer to be able to understand his or her needs almost before he or she does – being able to think like the customer is a key skill in establishing and maintaining the relationship. Research shows that there is a strong positive relationship between marketing orientation and customer intimacy.³ This means that companies which adopt a marketing orientation will usually try to get as close as possible to their customers.

Relationship marketing has often been compared to a courtship.⁴ At the beginning, both parties are keen to present the best possible aspects of themselves; as the relationship progresses, they seek to know more about each other and adapt to fit each others' needs, until finally they become very close, sharing confidential information, and regarding each other as allies in fighting the competitive battle. This is equivalent to a couple meeting, dating for a while, and finally marrying. For example, IBM and Microsoft worked extremely closely together during the 1980s and 1990s. Although each company was a separate entity, each recognised that it could not succeed without the other. Although they have eventually gone their separate ways, and Microsoft now works with many computer manufacturers (as IBM does with software houses), the relationship created a massive increase in home computing worldwide.

Adaptation tends to be one-sided, however. Suppliers are much more likely to adapt their business approach than are suppliers, for the following reasons:⁵

- *Relative power.* Buyers are usually in a position of power, especially in business-to-business markets, since they can always spend their money elsewhere.

- *Buyer support.* Buying companies will often help suppliers to make the necessary changes. For example, a motor manufacturer might supply design services to a component supplier in order to ensure that the components are produced to the right specification.
- *Managerial preference for a more or less relational exchange.* Suppliers typically want to get close to their customers in order to ensure a continuation of orders. The pressure is not as great for buyers to get close to suppliers (although there are advantages to doing so, and some buying firms actively seek long-term relationships).

Figure 12.2 shows the forces which combine to create pressure on companies to adapt.

In Figure 12.2, the supplying firm is pressured by managerial preference, by a need to exclude its competitors from supplying the buying firm, and by a need to guarantee a future stream of orders from the buying firm. The supplier and the buyer might both be affected by their relative power – although power is usually with the buying firm, there are cases where suppliers have the upper hand. For example, the American hair-products firm Redken will only supply hairdressers who can demonstrate a high level of technical competence – Redken’s products and reputation make them a desirable company to buy from, but Redken protect their brand by only supplying salons with whom they have a close relationship, even extending to training the hairstylists in the use of Redken products.

The buyer may be prepared to adapt in order to simplify the buying process. For example, Fiat reduced the number of suppliers from over 500 to less than 100

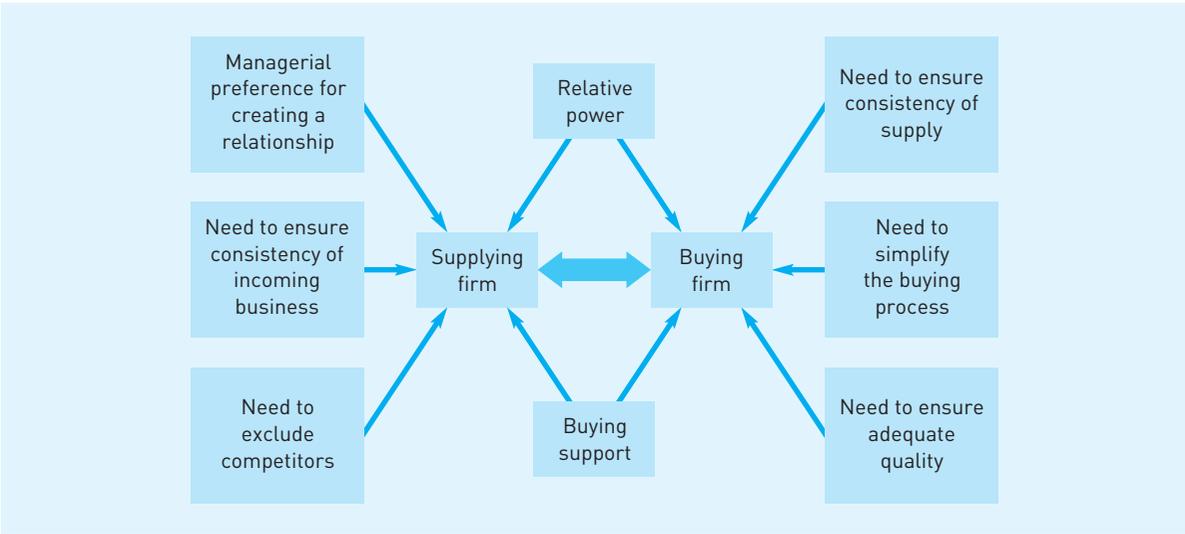


FIGURE 12.2 Pressures to adapt in developing relationships

in order to reduce its purchasing costs. This necessitated closer supervision of the remaining suppliers, however, to ensure that quality did not suffer as a result of the suppliers having a guaranteed market.

In some cases the relationship goes beyond a simple one-to-one arrangement. Relationships may extend to whole groups, or networks, and the companies involved may need to balance a whole set of relationships rather than just one. Key network management has three basic elements:⁶

- 1 *Identify a key network.* Choosing which is most important of the many networks a firm is involved in is the starting-point for network management.
- 2 *Develop a strategy for managing actors within the key network.* Each separate member of the network has separate needs, and will respond to different management tactics.
- 3 *Develop and apply operational level networks for managing actors.* Putting the strategies into effect means developing separate tactics for each strategy and each member of the network.

Creating value through closer relationships also means bringing weaker relationships into the portfolio.⁷ Companies need to be aware that customers with whom they have a weak relationship should be encouraged, and efforts need to be made to strengthen the relationships. For example, firms offering products with low economies of scale (such as personal services or professional services such as accountancy and law) need to build closer relationships in order to create value – they are unlikely to be able to increase value by reducing prices, because there is little room for manoeuvre in the cost structure and relatively little to be gained by an increase in business. For example, a lawyer who is already fully booked can increase value for clients by improving the closeness of the relationship, and can raise his or her fees accordingly. Cutting prices for clients would add value for the client, but the lawyer would make less money because there is only a certain amount of working time available, and hiring more help would not make the situation much better. A good relationship is a better predictor of buying behaviour than is service quality,⁸ but it is service quality which builds the relationship in the first place.

Very few services do not involve a physical product, and likewise very few physical products do not involve some kind of service element (see Chapter 6). Service providers are usually more people-orientated than providers of physical products, because more of the company personnel are closer to the customer than would be the case for a manufacturer. One of the aims of relationship marketing is to encourage more manufacturers to adopt the same approach as service providers. Staff are crucial to this process.

V.C. Judd⁹ has developed a categorisation scheme for staff based on the degree of frequency of contact with customers, and the extent to which the staff are engaged in conventional marketing activities:

- **Contactors** are typically the front-liners. They are the salespeople, the service engineers and the installation people. They need to understand the company's overall marketing strategy, and be able to respond to customer needs as a first priority.
- **Modifiers** are the people who have frequent contact with customers, but have no traditional marketing role. They are the telephonists, receptionists and credit controllers. They are people who need to develop high levels of interpersonal skills, particularly in the case of credit controllers, who may have to deal with unpalatable tasks in a tactful and responsive manner.
- **Influencers** have little or no direct contact with customers, but have a role to play in developing the company's relationship with the customers. They are the shipping department people, the market research people, the engineering research and development people. All of these individuals should be trained to have a customer-orientated approach; their aim should be not just to please the customers, but to delight them.
- **Isolateds** are the people who have no contact with customers, and no traditional marketing role. They are the secretaries, filing clerks, factory-floor workers and data processing staff. They still have their role to play, though, in supporting the aims of the other staff in meeting customer needs more effectively. In this context, it should be noted that the internal marketing of the firm is as important as the external marketing.

The main point to come out of this is that people do not do business with companies. A company is a legal fiction; it has no real existence. People do business with other people.

PEOPLE WITH WHOM BUSINESS IS DONE

Transaction marketers focus on the customer. Relationship marketers broaden the view to include other players in other markets.

- Customer markets remain much the same, except there is an emphasis on keeping existing customers as well as gaining new ones. For example, the growth of the use of loyalty cards in supermarkets worldwide is now moving into a second phase in which the loyalty cards are accepted at some other retailers, thus trapping the customer's money within the system.¹⁰ Some retailers have gone even further, and have membership fees (the UK's MVC video and music store being one example). Customers who pay the initial fee can buy goods at a discount, in effect a two-part pricing system. The evidence is that such schemes ensure loyalty at least until the initial investment is recouped.¹¹

- **Referral markets** are those people who might be expected to recommend the company to others. These could be existing customers, but could also be professional recommenders. For example, a holiday tour operator clearly needs to look after the holidaymaker; but tour operators also need to look after the travel agents, because these are the people who are in the best position to recommend the holidays to customers. In service industries this is common; in physical product manufacturing industries it is less so. Manufacturers are less likely to spend time and effort on establishing a good relationship with their retailers.
- **Supplier markets** are those people who provide raw materials and components for the company. A view has grown up that these suppliers are part of the team, and the traditional somewhat adversarial relationship is being replaced by the logistics paradigm of co-operation towards a common goal (see Chapter 8). Previously the emphasis has been on getting the lowest possible price from the suppliers, but the emphasis has now shifted towards other goals such as reliability of delivery, zero-fault quality control procedures, and co-operation in design and production.
- **Employee markets** refer to the need to recruit and train appropriately talented and motivated staff. Despite high unemployment rates in some areas, there is still an acute shortage of enthusiastic and skilled people to work in industry. Even when suitable employees have been found, firms need to ensure that they are market-orientated and understand the company's aims and objectives.
- **Influence markets** comprise those individuals who might have influence on the firm's activities. They include government departments, financial institutions, pressure groups and so forth. Although the traditional marketers address these influence groups through PR activities, relationship marketing goes further than this. While PR concentrates on building a favourable image of the company by providing information, relationship marketing examines ways of meeting the needs of those institutions and individuals and helping them achieve their own aims (see Chapter 9).
- *Internal marketing* is concerned with ensuring that everybody inside the firm is not only aware of the company's policies, but is also enthusiastic and supportive of them. This means more than simply informing staff of the policies; staff must feel that their own needs are being met, beyond the salary cheque at the end of the month. A prime example of this is Body Shop, which requires staff to participate in local community ventures. It is difficult to find Body Shop staff who are unenthusiastic about working for the company. All of them know what the aims of the firm are; all of them feel motivated and keen to participate in those aims. Strangely, Body Shop founder Anita Roddick is fond of saying that she does not believe in marketing – yet she is consummately good at doing it.

Internal marketing is not generally a separate activity, carried out in isolation. It is built into quality programmes, customer service programmes, and ad hoc activities throughout the normal working lives of the staff.

DEVELOPING A RELATIONSHIP MARKETING APPROACH

First of all the company must develop a clear view of what the customer is buying. Levitt¹² has suggested the following hierarchy of levels:

- 1 **Core or generic.** This is the basic physical product, or the minimum features that the customer would expect it to have. For example, a microwave oven would be expected to have a timer and a space inside to put the food, and would be expected to heat things up effectively.
- 2 **Expected.** This is the generic product plus some extra features that the customer would reasonably expect to see. In the microwave example, the customer would expect there to be an instruction book, a guarantee, and some kind of servicing network in case of breakdowns.
- 3 **Augmented.** These are the factors that differentiate the product. For the microwave, this could be a sensor to say when the food is cooked, a defrost facility, free delivery or an after-sales call to check the product is functioning well. These are the features that make the customer buy one brand rather than another.
- 4 **Potential.** This is all the possible features and benefits that could be wanted by customers. It is unlikely that any product could have all the necessary features (and it would be too expensive to buy anyway), but this list still needs to be developed so that the company can produce different models of the product for different customer needs. If a microwave oven manufacturer knows who the end buyer of the microwave is, it would be possible to keep the customer informed of new models coming onto the market in, say, three years' time when the old microwave is beginning to show signs of wear. The idea behind this is to encourage the customer to remain loyal to the original manufacturer.

Quality

Quality is the relationship between what customers expect, and what they get. If a customer's expectations of a product are disappointed, his or her perception will be that the product is poor quality. If, on the other hand, the product exceeds expectations, the perception will be that the product is high quality.

Much of this is bound up in what customers perceive as value for money. The aim of the relationship marketer is not simply to satisfy the customer, or even to please the customer, but to delight the customer.

It follows from this that quality is not an absolute. It is only relevant to what the customer feels; what is good quality to one person may not be to another, simply because both are beginning with different expectations. For this reason, the service support is critical to relationship marketing because it is during the pre-sale and after-sale support that the customers are approached as individuals. It is at this time that the customer's perception of quality can be addressed, either by ensuring that the expectations of the product are realistic (pre-sale) or by correcting any faults or errors after-sale.

In former years, quality has been seen as very much the province of the production department. This has led to the *product concept*, which holds that the company need only produce the best-quality product on the market and the customers will flock in. In fact this is not true – even Rolls-Royce have gone through bankruptcy by following this precept. Under a relationship marketing ethos, quality has become the integrating concept between production orientation and marketing orientation.¹³

Under this regime, service quality can be defined as the ability of the organisation to meet or exceed customer expectations. The relationship marketer therefore needs to monitor the quality of the firm's output against two criteria: the customer's expectations, and the firm's actual output. Parasuraman *et al.*¹⁴ have developed a model of service quality which is reproduced in Figure 12.3.

The model shows various gaps in the understanding of service quality. These are as follows:

- Gap 1 – difference between actual customer expectations, and management perceptions of customer expectations.
- Gap 2 – difference between management perceptions of customer expectations and service quality specifications.
- Gap 3 – difference between service quality specifications and the service actually delivered.
- Gap 4 – difference between service delivery and what is communicated about the service to customers.
- Gap 5 – difference between customer expectations, and perceptions of what is actually received. This gap is influenced by the other four.

In order to close these gaps, marketers need to adopt a range of quality control procedures.

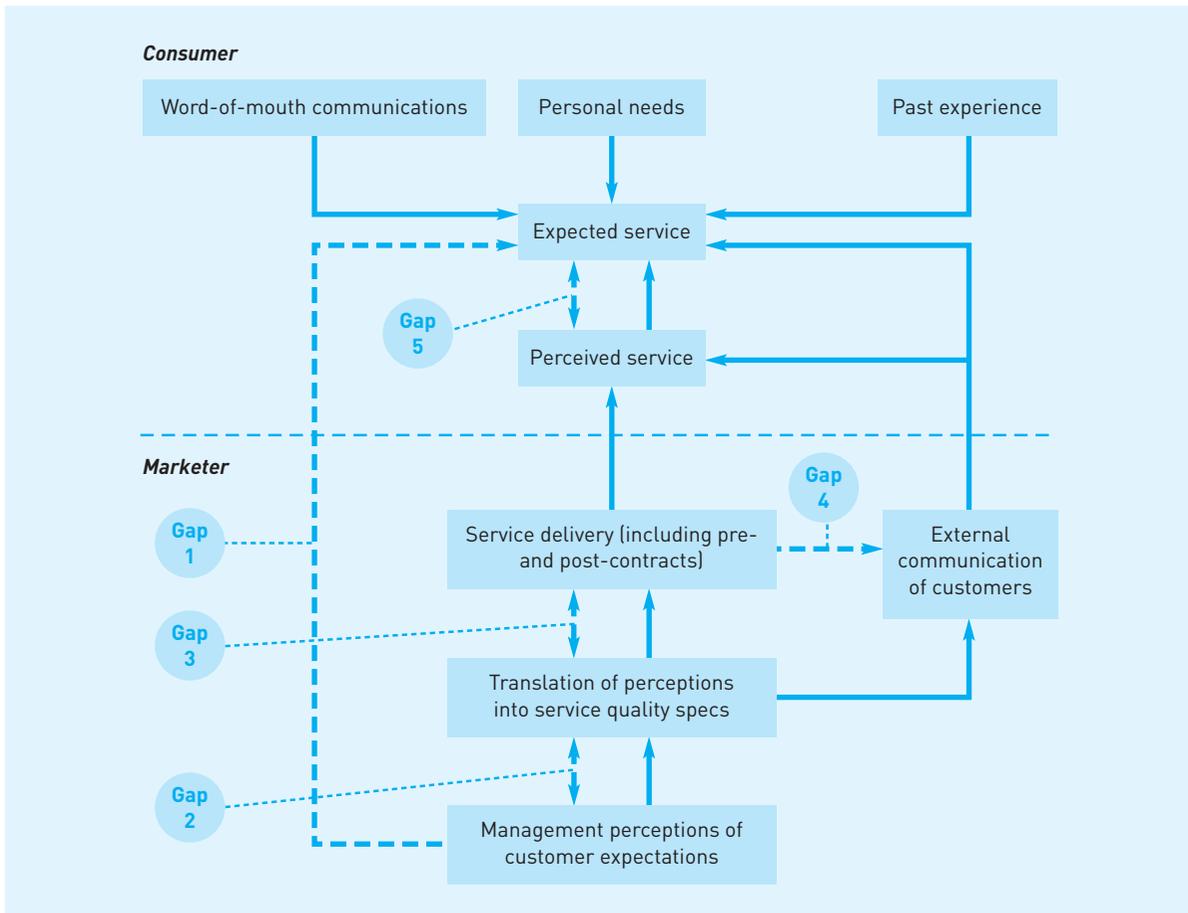


FIGURE 12.3 Service quality model

(Source: Reprinted with permission from Parasuraman *et al.*¹⁴)

Total quality management

The basis of the **total quality management** (TQM) approach is to ensure that the firm does the right things at every stage of the production process in the expectation that this will result in a high-quality outcome at the end. The problem with this approach is that it does not take account of the customer's expectations and perceptions, but instead relies on the management's preconceptions of what constitutes good manufacturing practice. There is also some difficulty in judging the level at which the quality of the product should be pitched. Probably the main contribution that TQM has made is in reducing defects (the zero-defects target), which will, by reducing wastage, reduce costs.

Benchmarking

Benchmarking has achieved increased popularity in recent years. This is the process of comparing each department in the firm with the most successful equivalent department in the firm's competitors. If each department in the company operates on a level equivalent to the best department among the competitors, this will result (one assumes) in a company which is the best of the best. The drawback is that some firms do not like the idea of having their quality control systems dictated by the competition; also the system, if adopted by everybody, would stifle innovation. It does, however, offer a useful starting-point.

Service-quality benchmarking

Service-quality benchmarking extends this concept to the service area, but this time the comparison is made with both competitors and non-competitors. Christopher *et al.*² have drawn up a five-stage approach to service benchmarking, as shown in Table 12.2.

Defining the competitive arena is not as simple as it at first appears. Companies frequently define the competition in narrow terms. A classic example is Baldwin Locomotive, which was for many years the world's largest manufacturer of steam locomotives. Baldwin defined their competition as being other steam locomotive manufacturers, and did not recognise diesel locomotives as competition until it was too late. More importantly, who does the customer compare us with? A cinema-goer may well compare the service with other forms of entertainment. For example, are the sales staff on the confectionery counter as pleasant as the bar staff at the pub? Is the film on offer as entertaining as the band

TABLE 12.2 Five stages for service benchmarking

Step 1	Define the competitive arena: that is, with whom are we compared by customers and with whom do we want to be compared?
Step 2	Identify the key components of customer service as seen by customers themselves.
Step 3	Establish the relative importance of those service components to customers.
Step 4	Identify customer position on the key service components relative to competition.
Step 5	Analyse the data to see if service performance matches customers' service needs.

(Source: Christopher *et al.*²)

playing at the club? The real assessment of the service level takes place not against other firms in the same business, but against other services the customer buys.

In terms of physical products, a customer who finds that the vacuum-cleaner company is reluctant to honour the guarantee will compare this with the TV company that sent somebody round immediately to fix it, or with the car company that lent them a car to get around in while their own was being repaired under the warranty. Having had a good service from the TV company or car company tends to reduce the risk for the consumer, and therefore increases the chances of a repeat purchase from the same company.

Regarding the key components of customer service, this again is too often left to executive judgement without reference to the customers. For example, a computer purchaser may regard on-site maintenance as being far more important than on-line assistance. A car owner whose car is in for servicing may regard the availability of a lift to the train station as being more important than the speed of servicing of the car.

Following on from establishing the key components, it is essential to establish the relative importance. This is simply because it is almost impossible, in a world with limited resources, to provide every customer with everything he or she wants. The firm therefore needs to concentrate on providing the most important aspects first.

Having found out where we want to be, we now need to find out where we are by establishing our position on service provision as compared with the competition. Again, we need to be careful who we are defining as competition, and also be aware of the possibilities of comparing ourselves with firms who are not direct competition, but who have something to teach us about service levels. This process is part of the marketing audit discussed in Chapter 10.

This leaves the firm in a position to compare its service provision with the service priorities of its customers.

Managing the relationship

Ultimately, the purpose of the relationship marketing philosophy is to ensure that customers come back, and keep coming back. As was discussed earlier, a loyal customer of a car manufacturer might easily spend £100 000 on cars over a lifetime of motoring, yet most manufacturers do not take the trouble to contact the customer periodically to check that everything is OK with the car. A notable exception is Daewoo Cars, which includes the first three years' servicing in the price of the car so that the company can keep in close contact with the purchaser. Daewoo's marketing approach is very much based on establishing a relationship with the customer.

Here are some further recent examples of managing the relationship.

Supermarket loyalty cards

These loyalty cards are in use throughout the world as supermarkets try to reward customers who use the store regularly. Previously, many shoppers would buy from whichever supermarket they happened to be passing, but the loyalty schemes have encouraged people to shop at the same supermarket every time, and establish a shopping pattern. The next stage of the procedure is to use the EPOS (electronic point-of-sale) equipment to track the customer's spending patterns and thus be in a position to advise shoppers about their individual needs. For example, it is theoretically possible with current technology to be able to advise a shopper that he or she has forgotten the tomato ketchup. (The EPOS system knows how often this customer buys ketchup, and knows what brand and size the customer favours.) Whether this is seen as a wonderful service for the customer or as an unwarranted invasion of privacy remains to be seen.¹⁵

Customer care

The UK's Nationwide Building Society has a commitment to customer care. It has declared that it will not follow the lead of other building societies and become a bank, since this would mean paying dividends to shareholders rather than offering benefits to customers. The intention is to retain the existing customers as customers rather than encouraging them to become shareholders in a new institution.

Frequent flyer programmes

Frequent flyer programmes on airlines offer the regular users of the airlines the opportunity to have free flights or major discounts on travel. The frequent flyer programmes are usually extended to partner airlines: United Airlines of the United States has formed the Star Alliance with Thai Air, Lufthansa, Aloha Airlines in Hawaii, British Midland in the UK, and a large number of other airlines throughout the world. Frequent flyer points can be earned by travelling with any of these airlines, and can be exchanged with any of them. Thus a regular transatlantic flyer can use the points to travel with British Midland to Frankfurt, for example. Frequent flyer members receive newsletters and some special treatment on the aeroplanes themselves – this encourages loyalty.

Museum or theatre season tickets

The museum uses the names and addresses of its season ticket holders to promote forthcoming attractions. By mailing people who are already known to be interested in the museum's activities, the management ensures a much higher response rate than would be the case if a 'scattergun' approach were adopted. Mailings to already interested parties are not expensive, even compared with placing advertisements in local newspapers. An example is the Sydney

Symphony Orchestra's Friends of the SSO scheme: members are entitled to attend selected rehearsals, buy tickets at a discount, and be invited to special events.

Direct marketing

This is a rapidly growing area in marketing, as computer technology is becoming more refined. The growth in **databases** (computer-based files on customers) has allowed firms to keep ever more accurate information about their customers' buying habits. The capacity for exchanging databases between firms gives a potential for building very detailed profiles of each individual in the country. Martin Evans¹⁵ has dubbed this '**Domesday marketing**' – the cataloguing of every customer in the country on a giant database.

In practice, this is still some way off, but in the meantime the detailed information available enables companies, and in particular database brokers, to develop extremely accurate segmentation of markets. Because most of the relevant information about the customers concerned is on file, mailing-list brokers are able to offer very specific mailings to companies. Ultimately, this will mean that customers will no longer receive junk mail – they will instead only be sent information that is of direct, immediate interest. Theoretically it should be possible to approach customers with a purchase suggestion almost at the point when they are considering the purchase. Database marketing was a major growth area in the 1990s and will probably continue to grow in the early part of this century, and has become inextricably linked with relationship marketing. The reason is that databases provide an unrivalled opportunity for cataloguing each customer's tastes and preferences, and for knowing what to approach each individual with, and when. In the 19th century each shopkeeper knew his regular customers personally; for a modern supermarket to do this a computer is required.

An important point to bear in mind about relationship marketing is that many of the techniques used to generate loyalty are expensive and require considerable commitment; overall, the result for the firm is a steadier and more secure market, but relationship marketing is not necessarily a cheap option.

INTERNET MARKETING

Nobody owns the Net; it is a communications medium spread across thousands (even millions) of computers worldwide, which operates independently of the telephone companies that supply its cable connections, of the governments in whose countries it resides, and even of the computer owners in whose machines data are stored. The Net therefore operates under its own rules; there is little or no international law to govern its use (or abuse), so Net users have established laws and punishments of their own. For example, an early attempt to use the Net for marketing communications was to send out indiscriminate e-mails to large

numbers of subscribers. This practice, known as spamming, quickly led to retaliation in kind, with the offended subscribers sending very large messages back to the offending firm. This is known as mail-bombing; subscribers would send very large files (manuscripts of textbooks, complex software programs, telephone directories) to the firm, resulting in a breakdown of the firm's handling systems, and in some cases a breakdown of the firm's net server. A further type of response is called flaming – insulting messages sent via e-mail. This type of response means that marketers are now extremely careful about sending unsolicited communications over the Net.

Another way in which Net subscribers have registered objections to what they see as unfair marketing practices is to use bulletin boards to blacklist companies or to give offensive messages about companies. Some of these have bordered on the libellous, but there is no way of finding out who has put the notices on the board, and since the libeller might be halfway across the planet there is very little prospect of successfully suing for damages. Most major companies' websites are shadowed by anonymous counter-culture sites known as McNitemares, after the McSpotlight site which shadows McDonald's and which carries derogatory stories about McDonald's products and restaurants.

This type of website plays a major role in PR and newsgathering. Environmental pressure groups, charitable organisations, self-help groups and others have all used websites to raise the profile of their causes, and some have had remarkable successes as a result. For example, Shell Oil's defeat over the dumping of the Brent Spar oil rig was largely attributable to Greenpeace's effective use of the Web. All in all, the consumer has most of the real power on the Web.

Below is a checklist for establishing a successful website:

- The objectives for establishing the site must be clear from the outset.
- The site itself should be informative rather than persuasive, since it is a sought communication.
- Graphics should be kept as simple as possible; they take a long time to download, and many users are too impatient to wait.
- The impact of the communication should not depend entirely on the graphics; particularly in Europe, where local telephone calls are paid for, the graphics can be expensive to download. This is not a problem in the United States or Australia.
- The site must be integrated with other communications; cross-marketing will encourage subscribers to visit the site.
- The site should be set up to gather information from those who visit it.
- The site should encourage interactivity by the use of offers, competitions, sales promotions and other incentives.

- Hyperlinks need to be fast, so that users can access the information they really need quickly.

Internet marketing has the characteristics outlined in Table 12.3.

The Internet can be a useful tool for increasing customer intimacy. Because of the social presence effect, customers feel more comfortable in divulging information, and feel closer to the website owner. There are five dimensions of service quality on the Internet:¹⁸

- 1 *Access*. The website should be easy to access, quick to download and simple to understand.
- 2 *Website interface*. This should be informative, easy to navigate, and engaging for the individual.
- 3 *Trust*. Establishing trust is particularly important, since ordering goods over the Internet involves divulging credit card details. There have been instances of website security being breached, and credit card details being used fraudulently.

TABLE 12.3 Characteristics of the Internet as a marketing tool

Characteristic	Explanation
Communication style	The style is interactive, and is either synchronous (happens immediately) or asynchronous (there are significant time delays between message and response).
Social presence	The feeling that the communications are taking place at a personal level. Social presence is influenced by the characteristics of the channel: a telephone is more personal than a newspaper advert, for example. Internet communications have relatively high social presence if they are synchronous, particularly as the recipient is usually within his or her home environment when the communication takes place.
Consumer control of contact	Because the consumers are able to control the time and place at which they access the information, they are more willing to participate in the process of getting information from a machine. ¹⁶ Many, if not most, websites are interactive so that customers can control the information-gathering (and buying) process.
Consumer control of content	If the consumers can control the content of the message to some extent, the communication becomes truly interactive. ¹⁷ For example, a consumer accessing a website can use a hyperlink to move to another page, or can skip past information. An e-mail address allows customers to ask specific questions and thus tailor the communications.

- 4 *Attention*. Websites should attract attention, and should also show that attention has been paid to customer needs.
- 5 *Credibility*. Exaggerated claims, small print, and unverifiable statements are likely to detract from the overall credibility of the site.

Current thinking is that the effect of increased use of the Internet for marketing purposes will eventually lead to a new environment for marketing. The speed of information flow within firms, especially those operating globally, will mean greater possibilities for real-time negotiations between firms. The rapid growth in virtual shopping (accessing catalogues on the Internet) means that consumers can buy goods anywhere in the world and have them shipped – or, in the case of computer software, simply downloaded – which means that global competition will reach unprecedented levels. Virtual shoppers are able to access high-quality pictures of products, holiday destinations and even pictures of restaurant food before committing to a purchase. A recent development is the use of bots, which can be programmed to search the Internet on behalf of an individual and find products which might be of interest. A correctly programmed bot acts exactly like the individual, knowing what the person likes or dislikes, and developments in the pipeline would enable the bot to negotiate prices on behalf of the individual.

Webcasting is the automatic delivery of items of interest direct to the individual's PC. Webcasting involves the subscriber in stating in advance what type of information he or she is interested in, and having this automatically delivered by the webcaster, thus avoiding the time and effort spent in searching the Internet using a search engine.

Self-selection of messages is dependent on level of involvement, and since the Internet represents sought communication, the messages should be informative rather than persuasive. The Internet is not merely a simulation of the real world, it is an alternative to it in which consumers can have the illusion of being present in a computer-mediated environment.¹⁹ Consumers have a role in creating the communications themselves; bulletin boards attract users, and the success of the board attracts more users and adds credibility to the site. This means that more consumers will see the marketer's messages. Bulletin boards of newsgroups allow marketers to monitor the success of word-of-mouth campaigns, and also can be directly useful in market research; Internet users' comments are often useful in assessing consumer attitudes. However, research shows that using the Internet for market research purposes is risky: although a large number of people respond to surveys, the proportion of respondents is less than 4% of the population. There is evidence that the remaining 96% differ from these respondents in some important ways.²⁰ The reasons for this may be as follows:

- Some people are better at using the Internet.
- Respondents may be faster typists, and therefore need to dedicate less time to answering surveys.

- Respondents may have more time, for example be retired or unemployed people who can spend time on surveys, rather than people who use the Internet for work purposes and have deadlines to meet.
- Respondents may have unmetered Internet access. People with broadband provision or who do not pay for the Internet connection by the minute may be more prepared to stay on line to complete a questionnaire.

These differences may or may not be crucial, depending on what is being researched. Checking whether respondents differ from non-respondents is, of course, difficult simply because non-respondents (by definition) withhold the information.

Other research possibilities inherent in the Internet include virtual focus groups and rapid concept testing of new products. Increased consumer control of the communication channels may even result in consumers being able to invite tenders for supplying major purchases such as cars and home improvements,²¹ and (given the flexibility and speed of response of the Web) some firms will find this extremely advantageous. Although many of these consumers will be shopping for the lowest price, it should be possible to follow up these leads with further information as well as a quotation. Internet reverse-auction sites have become popular: consumers bid for goods, and manufacturers are approached regarding their willingness to supply at the prices offered.

Although much of the interest in the Internet has focused on business-to-consumer marketing, the medium has proved most useful in the business-to-business context. Full participation in e-marketing management of supply chains requires firms to integrate their internal and external supply-chain activities and share strategic information with the other members of the supply chain.²² This is most easily accomplished by the use of the Internet, allowing other members of the supply chain to access confidential parts of the company's website by using a password. Using technology to mediate the relationship between supplier and purchaser has been shown to have a significant positive effect on buyers' future intention to buy – in other words, buyers like to buy from suppliers who have an effective website.²³ This may be because the website offers unequalled possibilities for fast after-sales service, particularly in the computer software industry, where on-line troubleshooting is used to correct errors in the software. This is often the main use that software companies have for their websites.²⁴

Integrating the company's database with its Internet activities can be used to provide one-to-one customer relationship management.²⁵ For example, returning visitors to the website can be greeted by name, their details can be kept on the database so that there is no need to re-enter (for example) address and credit card details, and the customer's preferences can be noted. Ultimately, a profile of the customer's likes and dislikes can be built up, allowing the supplying company to target special offers and promotions much more accurately.

A further use of the Internet is to use internal networks within the firm to replace or supplement internal communications such as staff newsletters. This

can have a stronger effect than paper versions, because it is rather harder to ignore; the staff member is generally more likely to read an e-mail than to open a staff newsletter, and the e-mail version is also quicker and cheaper to produce and distribute. In some organisations paper memos and newsletters have virtually disappeared (although so many people make hard copies of their e-mails that the paperless office is still some way off).

MARKETING ETHICS

Ethics are the principles that define right and wrong. Ethical thinking divides into the **teleological** (basically that acts should be defined as ethical or otherwise according to the outcome of the acts) and **deontological** (that acts can be defined as ethical or unethical regardless of outcome). The teleological approach implies that the end justifies the means, but is concerned with the greatest good of the greatest number; the deontological approach is best illustrated by Kant's Categorical Imperative, which states that each act should be based on reasons that everyone could act on, and that actions must be based on reasons that the decision-maker would accept for others to use.

In most cases marketers do not become enmeshed in the deeper recesses of philosophy, but instead rely on the moral rules which are part of the corporate culture. Research shows that most business people have separate sets of morals for work and for home.²⁶ For example, much of the jargon of marketing is warfare-based (counterattacks, offensive product launches, etc.) and of course 'all's fair in love and war'; soldiers may kill or maim the enemy, but would not do so in civilian life. Having said that, while the moral code of a company may not be the same as the moral code of its employees and managers, there will be less dissonance among the staff if the firm conforms reasonably closely to a code of ethics.

- *Products* should be honestly made and described; commercial pressures may tempt companies to use cheaper raw materials or to use new additives to make the product perform differently. The ethical issue arises when customers are not informed of such changes.
- *Promotions* can involve deceptive or misleading advertising, manipulative sales methods, and even bribery in selling situations. While a certain amount of advertising 'puff' is acceptable and even expected, it is clearly not acceptable to tell outright lies or even to use misleading phrases: for example, in the United Kingdom the Sainsbury supermarket chain banned sales of Perrier water because it felt that the labelling falsely implied that the water was naturally gaseous, whereas in fact the bubbles are added during the bottling process. For some marketers (Perrier included) the label is perfectly clear, and is acceptable; for others this is not the case. Likewise, salespeople often face ethical conflicts: perhaps a salesperson is faced with correcting a customer's mistaken belief

about a product, and thus losing the business, or allowing the customer to continue with the false belief right up to the point of taking delivery of the goods. Once a salesperson has deceived a customer it becomes increasingly difficult to tell the truth later, and eventually the customer will discover the truth anyway. At that point the business will be lost, probably forever.

- *Pricing* raises ethical issues in the areas of price fixing, predatory pricing (pricing below the cost of production in order to bankrupt competitors) and not revealing the full cost of purchase. For example, some high street chains of opticians fail to mention that the prices displayed are for spectacle frames only – the lenses are extra.
- *Distribution ethics* involve abuse of power in channel management (see Chapter 8), and failure to pay for goods within the specified credit terms. Some stores (for example Toys ‘R’ Us) operate no-quibble sale-or-return contracts which mean that manufacturers have to accept damaged goods back, even when there is no fault in the manufacture: this has been seen as unethical by some smaller manufacturers, who have little negotiating power and few choices of outlet for their products.

Establishing a code of ethics within an organisation should not be left to chance. It is better to have a code of practice, and monitor the code in practice, so that employees and others know exactly what the firm is doing about its ethical responsibilities. As with any other question of marketing, the decision as to what the code should contain can be made by reference to the firm’s customers and consumers: what would these people regard as ethical behaviour?

Ultimately, of course, people working within the firm have to be able to live with their consciences; establishing a code of ethical conduct will help them do so.

MARKETING STRATEGY REVISITED

In previous chapters, strategy has been discussed in terms of knowing where the firm is now, and knowing where it is going. Tactical decisions have been illustrated, describing methods of achieving the destination.

In the broader contexts examined in this chapter, marketing strategy needs also to take account of the long-term sustainability of the company. Although it has been a general rule in the past that companies cannot stand still, there may in future be pressures requiring a company to mark time, so that ‘reaching a destination’ becomes ‘remaining where we are’. Analysis therefore needs to go beyond the SWOT and STEP analyses described in Chapters 2 and 10, and include SCEPTICAL analysis for societal marketing (see Chapter 1). Tactically, marketers must take account of ethical thinking; the route to achieving the company’s objectives needs to be an ethical one if the objective is to be reached.

Strategies for dealing with issues of societal marketing are as follows:

- **Reaction strategy** means ignoring a problem unless somebody complains. When the problem becomes known, the business managers usually deny responsibility, resolve the problem and clear up any consequential losses, and carry on as usual.
- **Defence strategy** seeks to wriggle out of any problems. The firm might lobby politicians to avoid adverse legislation, or change the way the business is run to avoid complying with regulations. For example, some shipping companies respond to safety regulations by registering the vessels in countries that have few regulations, such as Liberia and Panama.
- **Accommodation strategy** involves accepting responsibility for the firm's actions and accommodating the views of the stakeholders. A business might take action if it feels that a pressure group or government legislation is about to force an issue.
- **Proactive strategy** involves regularly examining the company's activities in the light of ethical and societal responsibilities, and repairing any failings or shortcomings without waiting for outside groups to notice the problem. This strategy requires the greatest effort (and cost) to the firm, but also ensures the maximum return in terms of maintaining a caring reputation.

THE 21ST CENTURY MARKETPLACE

According to Schultz and Schultz,²⁷ marketing has gone through two distinct phases since 1950, and is about to enter a third. In the 1950s and 1960s markets were dominated by manufacturers, who used market research to find out what consumers wanted and used intensive promotional campaigns to control markets or at least have the strongest influence in them. During the 1970s and 1980s retailers began to dominate, because they were closest to the market. They have been able to determine which products are offered to consumers and which are not. The third phase, brought about by the increasing use of IT by consumers, is consumer domination of the marketplace.

In some ways the role of marketing is shifting from a strategic function to a tactical one as consumers become more powerful in the relationship. The model of marketing as a patriarchal function has been breaking down for some time now, in the face of unpredictable consumer responses, fragmentation of societies and increasing individualism. Consumers are impatient with the concept of the powerful, all-knowing marketers providing them with what the research says is best for them. This means that market research findings no longer act as truly effective predictors in many cases, and marketers are therefore left to respond as effectively as they can to consumer demands as expressed through interactive media.

TABLE 12.4 Stages of integration of marketing communications

Stage	Explanation
<i>Level 1: Tactical co-ordination</i>	The 1980s and 1990s saw a massive increase in the available tools for communicating with consumers; Level 1 response is to create 'one sight, one sound' by consolidating communications planning. Often this leads to the formation of teams of specialists from different areas of expertise to increase synergy and cross-fertilisation of ideas.
<i>Level 2: Redefining the scope of marketing</i>	Rather than viewing marketing as a series of outbound activities, the firm begins to consider all the points at which the consumer and the brand are in contact. One of the most important results of Level 2 thinking has been the inclusion of employees both as targets for marketing communications and as communicators in their own right. Internal marketing thus becomes one of the driving forces of Level 2 thinking.
<i>Level 3: Application of IT</i>	IT is both driving the changes in marketing, and providing the solutions. The key ingredient in Level 3 thinking is the use of databases to capture individual transactions. This enables the firm to move away from marketing to the average customer at the middle of a segment, and to market to groups of individuals instead.
<i>Level 4: Strategic and financial integration</i>	Two issues are paramount: the ability to measure the return on customer investment, and the ability to use marketing to drive organisational and strategic directions. Rather than measuring (for example) extra sales resulting from an advertising campaign, the firm would now measure the returns from a specific group of customers against the costs associated with all the marketing efforts directed at that group. Under this approach, financial directors would have sufficient information to be able to compare investment in communicating with a particular group of customers with, for example, investing in new manufacturing facilities.

Of course, the traditional manufacturer domination will continue in some markets, and the retailer domination of major store chains will also continue, but the increasing ability of consumers to make their purchases almost anywhere in the world and to access information from almost anywhere will increase the pressure on marketers to integrate their activities to maximise effectiveness and efficiency. This set of circumstances will lead to a change in the way marketing operates.

Firms go through four levels of marketing integration, as shown in Table 12.4.

Evidence for this change manifests itself mainly on the Internet, where reverse-auction sites are springing up almost daily; sites such as adabra.com allow consumers to bid for manufactured products. Once the bids are in, the manufacturers are invited to supply product at the heavily discounted prices that the

consumers have said they are prepared to pay. This type of consumer power is likely to become more prevalent as the decade unfolds.

Overall, marketing in the 21st century presents many new challenges. Shrinking markets, green issues, runaway advances in communications technology, and rapidly changing public attitudes towards consumption and communication predicate major changes not only in marketing techniques but also in corporate strategy. The role of marketing is still, at the end of the day, to meet customers' needs in the most effective, efficient and sustainable way possible for as long as it is possible to do so. Marketers will need to re-examine their models of marketing strategy many times; in an era where change is the only constant, marketing cannot afford to stand still. Ultimately, the firms who take the greatest care of their customers' interests are the ones most likely to maintain their competitive edge in a cut-throat world.

CASE STUDY 12: EGG CREDIT CARD

The rapid growth in the Internet has opened up opportunities for many companies and business sectors, but one of the most active sectors on the Net is financial services. Because money can be moved from account to account electronically, and because of the rapid growth in buying goods over the Internet, credit card companies and banks have not been slow in establishing a web presence.

An early entrant to the on-line credit card market was Egg, set up in 1998. The Egg service is based entirely around the Internet (although, as part of the Visa network, the card can be used anywhere). Marketers at Egg decided to use the Internet as fully as possible, and also to provide Internet users with solutions to some common problems. This enabled them to tap into a group of people who are, on average, better educated and wealthier than the average person – an excellent target group.

One of the problems consumers have faced on the Internet, especially in the early days, was the risk of fraudulent trading. In the early days, bogus sites offering non-existent products were by no means unusual, and security for Internet purchases was low – purchasers occasionally found that their credit card details had been hijacked and used to make purchases elsewhere. Clearly consumer confidence would need to be re-established, so Egg guaranteed that any fraudulent use of the card details when using the Internet would be automatically refunded. Other credit card companies rapidly followed suit – and programmers also increased the security of websites. Egg needed to find another unique selling proposition.

The company began by negotiating special discounts with Internet suppliers. This means that Egg cardholders are offered up to 10% off the price of purchases from such websites as lastminute.com, CD WOW! and Virgin Wines. Then Egg began to consider the possibilities inherent in the medium itself. Egg customers receive their statements over the Internet: they are notified by e-mail that the statement is ready, and access it by visiting the Egg website and using a password

to enter. All the customer's details are stored on-line, so there is no need for anything except the password. Egg even offer customers a unique service – they can access all their on-line accounts, even those held with other banks, using only the Egg password. This removes the need to remember a whole string of passwords or (more dangerously) write them down.

Egg customers can opt to have their statements delivered by mail, but there is a £2 charge for this service – Egg take the attitude that doing things on-line should be rewarding for the customer as well as saving money for the company. Cardholders can access their accounts 24 hours a day – and Egg take the minimum payments directly (and electronically) from the customer's bank account, so there is no danger of incurring late-payment charges, even if the customer is out of the country at the time.

All communication with cardholders is electronic. Regular e-mails are sent out to alert them to special offers, and for the few clients who prefer to opt out of this service the offers are displayed prominently on the company website.

Obviously the customers like what Egg is doing. It has 3.2 million customers, making it the world's largest purely on-line bank, yet it can run effectively with only 2200 staff. The company is branching out into insurance, mortgages, general loans and savings accounts but is currently unable (for legal reasons) to operate as a fully fledged clearing bank like First Direct or ordinary high street banks such as Barclay's or NatWest.

The only part of the process which cannot be carried out entirely on line is applying for the card. Customers can fill out an application form on the website, but UK law still requires a signature on a hard copy of the credit agreement – so at least one 'snail mail' document has to be sent. If Egg could do away with this final, old-fashioned, facet of the service they would have a 100% electronic virtual bank.

Questions

- 1 What other Internet-related problems might Egg address?
- 2 What might other banks do to improve the relationship they have with their customers?
- 3 What are the main reasons for Egg's success?
- 4 How can Egg make the best use of its database of customers?
- 5 What threats might affect Egg in the near future?

SUMMARY

In this chapter we have looked at current issues in marketing: the ways in which companies try to establish long-term relationships with their customers, ethical issues, and Internet marketing.

Here are the key points from this chapter:

- Relationship marketing suggests that manufacturers should try to develop the same closeness to the customer that service industries have.
- Traditional marketing is concerned with single transactions; relationship marketing is concerned with long-term business.
- It is cheaper to keep existing customers than find new ones.
- Quality is the relationship between expectations and results.
- Benchmarking may make a firm the best of the best, but it is likely in the long run to stifle innovation.
- Companies that fail to establish a good relationship with their customers will lose out to firms that do.
- Responsible ethical approaches are likely to be directly beneficial to the firm in the long run; unethical approaches may be beneficial in the short run, but affect survival prospects long-term.
- The Internet is not without its problems, but Internet marketing is likely to continue to grow in future.

CHAPTER QUESTIONS

- 1 Describe the two main schools of thought on ethics.
- 2 How would you go about establishing a code of ethics?
- 3 Why might transaction marketing be less effective than relationship marketing in the long run for, say, a car manufacturer?
- 4 What reasons might a firm have for consulting environmentalists about strategy?
- 5 What are the key issues in establishing a website?

 **MULTI-CHOICE QUESTIONS**

- 1 Relationship marketing is about:
 - (A) Ensuring that customers are happy with what they have bought.
 - (B) Building long-term loyalty between customers and suppliers.
 - (C) Ensuring that customers' complaints are handled promptly.
- 2 People who have frequent contact with customers, but no traditional marketing role, are called:
 - (A) Modifiers.
 - (B) Contactors.
 - (C) Isolateds.
- 3 People who might recommend our product to others are called:
 - (A) Recommenders.
 - (B) Referral markets.
 - (C) Reserve markets.
- 4 The benefits which the product shares with its competitors are called:
 - (A) Potential benefits.
 - (B) Residual benefits.
 - (C) Generic benefits.
- 5 Total quality management is the process of:
 - (A) Ensuring that products are perfect before they are allowed to leave the factory.
 - (B) Ensuring that faulty products are replaced immediately.
 - (C) Ensuring that each stage of the production process is carried out perfectly.
- 6 Benchmarking means:
 - (A) Trying to make each department in the firm operate to the level of the equivalent department in the best of the competitors' firms.
 - (B) Setting a standard for quality and ensuring that the firm keeps to it.
 - (C) Checking that customers' expectations for the product match up to what is actually being delivered.
- 7 Stakeholders are:
 - (A) Staff, customers and shareholders.
 - (B) Staff, customers, shareholders and competitors.
 - (C) Everyone on whom the company's activities has an impact.
- 8 The automatic delivery of interesting information to a customer's e-mail in box is called:

- (A) Spamming.
 - (B) Webcasting.
 - (C) Teleology.
- 9 Which of the following is not a feature of the Internet?
- (A) Customer control of content.
 - (B) Social control.
 - (C) Social contact.
- 10 A strategy that seeks to avoid the consequences of problems is called:
- (A) A defence strategy.
 - (B) An accommodation strategy.
 - (C) A reaction strategy.



FURTHER READING

Good Business: Your World Needs You by Steve Hilton and Giles Gibbons (London, Texere Publishing, 2002) offers a view of how ethically run businesses can actually be more profitable than those run on purely self-centred lines. It is a cheerfully optimistic book, positive about the capitalist system, and offers plentiful advice on how to make it even better.

E-Marketing 3rd edn, by Judy Strauss, Adel el-Ansary and Raymond Frost (Englewood Cliffs, NJ, Prentice-Hall, 2002) is structured like an introductory marketing text, but covers all the topics from an e-marketing perspective. It is thus currently the most comprehensive available book on Internet marketing. Obviously it is likely to date quickly – new editions will replace this one fairly regularly!

Customer Relationship Management by Francis Buttle (Oxford, Butterworth-Heinemann, 2003). This book looks at customer relationship management as the core activity of the business, and gives a comprehensive overview of what information technology will (and will not) do in helping to manage customer relations, retention and development.

An alternative view is provided in *Why CRM Doesn't Work: How to Win by Letting Customers Manage the Relationship* by Frederick Newell (London, Kogan Page, 2003). Newell argues that trying to manage the relationship fails because the customer is not empowered – letting the customers manage the relationship is actually more successful.

GLOSSARY

Accommodation strategy Consulting with stakeholders to determine a strategy which will be acceptable to all parties.

Augmented product The core product plus extra benefits that differentiate it from other products in the category.

Benchmarking Adopting best practice from each of the firm's competitors on a department-by-department basis.

Contactors Those individuals within an organisation whose work brings them into direct contact with stakeholders.

Core (generic) product The benefits that all the products in the category would have.

Database marketing The use of computers to profile and contact customers and potential customers.

Defence strategy Changing the way the business is run in order to avoid outside pressures.

Deontology The belief that actions can be deemed ethical or unethical independently of outcomes.

Domesday marketing The amalgamation of databases to generate comprehensive information about actual and potential consumers.

Employee markets Those individuals who provide time and expertise to the firm in exchange for salaries or wages.

Expected product The benefits that the consumer expects to receive from the product.

Influence markets Individuals and organisations in the marketing environment who have influence over the firm's activities.

Influencers Those individuals within an organisation who have no contact with customers but who do have a marketing role.

Isolateds Those individuals within an organisation who have no contact with customers and have no marketing role.

Modifiers Those individuals within the organisation who have regular contact with stakeholders but have no direct marketing role.

Potential product All the possible benefits that could be included in the product.

Proactive strategy Seeking out stakeholders and changing their viewpoints in advance of action.

Quality The relationship between what is expected and what is received.

Reaction strategy Waiting until outside pressures force change.

Referral markets Those individuals or firms who do not themselves buy from the firm, but who can influence others to do so.

Relationship marketing A business approach that concentrates on the long-term relationship between the firm and its stakeholders rather than on single transactions.

Service-quality benchmarking Adopting best practice in terms of customer service from both competitors and non-competitors.

Stakeholders Those who have a direct or indirect interest in the organisation's activities.

Supplier markets Those individuals and firms who provide goods and services to the firm.

Teleology The belief that actions should be judged ethically by their outcomes.

Total quality management The practice of ensuring that each step in the production process meets the quality criteria, with the intention of ensuring that the finished product also meets those criteria.

Transaction marketing A business approach that concentrates on transactions between a firm and its customers.



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