

# Development of a strategic approach to marketing

Its culture; internal macro- and external micro-environmental issues

## LEARNING OBJECTIVES

After reading this chapter you will:

- understand the meaning, importance and the evolution of the marketing concept
- appreciate the factors which have given rise to the need for a more strategic approach to marketing management
- be familiar with the steps in strategic marketing planning
- appreciate contemporary developments in understanding and applying marketing ideas and their implications for strategic marketing

## INTRODUCTION

Over the past 50 years we have witnessed at first a gradual and then an increasingly rapid recognition that effective marketing is the keystone of organizational success. Having said this, for some companies this recognition came too late. For others its meaning and implications have not been adequately understood or accepted. More important is the fact that at the same time as some companies struggle to come to terms with the basic concepts and meaning of marketing (i.e. the **marketing concept**), markets (and marketing itself) are evolving and changing. With respect to the practice of marketing, the most significant of these changes is that, increasingly, marketing has become more strategic in nature. The significance and implication of this shift, along with the concepts, tools and frameworks needed to achieve such an approach, are the focus of this text.

We start by tracing the **origins**, development and meaning of marketing as this is essential to understanding the second part of the chapter; namely, factors that have given rise to the growth of **strategic marketing**.

## THE ORIGIN AND DEVELOPMENT OF MARKETING

As might be expected from a function that has attracted so much research, critical comment and time and effort from those charged with the responsibility of managing it, we now have a substantial body of knowledge relating to the theory and practice of marketing.

Attempting to pinpoint the exact origins of marketing as a business function is challenging, as there is no single, universally agreed **definition**. The confusion over its exact meaning is demonstrated in a passage written by American marketing scholars.

It has been described as a business activity; as a group of related business activities; as a trade phenomenon; as a frame of mind; as a co-ordinating integrative function in policy making; as a sense of business purpose; as an economic process; as a structure of institutions; as the process of exchanging or transferring ownership of products; as a process of concentration equalization and dispersion; as the creation of time, place and possession utilities; as a process of demand-supply adjustment; and many other things.<sup>1</sup>

Marketing tends to mean whatever the user wants it to mean and has, over the years, been the subject of numerous attempts at definition, including the very succinct:

The function of marketing is the establishment of contact.<sup>2</sup>

Marketing is the delivery of a standard of living to society.<sup>3</sup>

. . . selling goods that don't come back to the people who do (sell them).<sup>4</sup>

A widely accepted definition is the one used by the UK Chartered Institute of Marketing (CIM): 'Marketing is the management process, responsible for identifying, anticipating and satisfying customer requirements profitably.' The American Marketing Association's (AMA) latest definition of marketing was produced in January 2008: '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.' It is our opinion that the AMA definition is more accurate than that of the CIM, as the CIM definition infers satisfying customer requirements profitably: in fact public services like the police and fire service are not-for-profit and in a modern context they undoubtedly apply marketing principles as we discuss in Chapter 17.

This plethora of meanings makes it difficult to say where and when marketing first began. In its most basic form, i.e. people exchanging goods or services in a reciprocal manner, it has existed for centuries. The rudiments of contemporary marketing were discussed as far back as the eighteenth and nineteenth centuries by theorists such as Adam Smith,<sup>5</sup> the father of modern economics, who wrote: 'Consumption is the sole end and purpose of all production and the interests of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer.' This statement is close to the basis of the modern marketing concept, which postulates that needs and wants of consumers should be a manufacturer's main concern and they should only produce what can be sold. Marketing can be said to have developed in an evolutionary rather than revolutionary manner, alongside, and keeping pace with, our economy.

When economies were agrarian, people were mostly self-sufficient. As time passed, it became evident that some people excelled at certain activities and the concept of the *division of labour* began to emerge. Individuals concentrated on products they were best at producing which inevitably resulted in them making more than they needed for themselves and their families. This laid the foundation for trade. Exchange then began to develop on a simple basis; usually one-to-one trading of products. Trade is at the very heart of marketing. Adam Smith postulated that from the division of labour stem the benefits of specialization and the need for more effective means of exchange.

The next step sees small producers making relatively large amounts of goods in anticipation of future demand. This development produces another type of business person, the 'middleman' or agent, who acts as an intermediary between producer and consumer. This go-between is of utmost importance in a commercial society, as without this the right goods cannot be sold to the right people in the right place at the right time. Torrens<sup>6</sup> was an influential economist of his day whose writing and opinions have only recently been rediscovered: he anticipated this philosophy by more than a century when he wrote

Activities designed to make commodities available at either times or places where they are more in demand than at times and places at which they are available at the outset creates wealth or utility just as much as activities designed to change their physical composition.

This was economic justification for the existence of marketing intermediaries. McCullough,<sup>7</sup> developing this argument, explained:

Merchants, or dealers collect goods in different places in the least expensive manner, and by carrying them in large quantities at a time, they can afford to supply their respective customers at a cheaper rate than they can supply themselves. . . . They also promote the convenience of everyone, and reduce the cost of merchandising to the lowest limit.

The parties involved, i.e. manufacturers, intermediaries and buyers, gathered together geographically, and trading centres of the world evolved; indeed, such evolution is a continuous process.

As an economy becomes more advanced and sophisticated, so too does marketing. It can be said that marketing is adopted by a country's business and non-business organizations, depending upon the stage of development of its economy. It is generally accepted that modern marketing began in the USA and Stanton<sup>8</sup> maintains that it began with the Industrial Revolution (in Europe as well as the USA) and consequently, migration to urban centres. As the number of factory workers grew, so too did the service industries to meet their growing needs and those of their families. Marketing was a very basic business activity in the USA (and Europe) until the late 1920s, when emphasis was on the growth of manufacturing firms because demand typically far exceeded supply. Modern marketing in the USA began after the First World War when 'over-production' and 'surplus' became commonplace words. Since the late 1920s (with the exception of the Second World War and the immediate post-war period) a strong buyer's market has existed in America. There was no difficulty in producing goods; the problem lay in marketing them.

In tracing the development of marketing within the framework of business practice there are four distinct stages that can be identified:

- production orientation;
- product orientation;
- sales orientation;
- marketing orientation.

### Production orientation

This is a philosophy that:

- 1 concentrates on increasing production;
- 2 controls and reduces costs;
- 3 makes profit through sales volume.

The era of **production orientation** occurred in the USA from the mid nineteenth century up to the 1940s and was characterized by focusing efforts on producing goods or services. Management efforts were devoted to achieving high production efficiency (mostly by mass production of standard items) thus denying the customer much choice.

The production department was the central core of the business, with other functions (such as finance, personnel and sales) being secondary. The main philosophy by which production-oriented firms operated was that customers would buy whatever goods were available if the price was reasonable. This era is best epitomized by Henry Ford's classic statement that his customers could have any colour ('Model T' Ford) they wanted as long as it was black. This mass production mentality meant producing one car and attempting to adjust everyone's desires and tastes toward wanting this car. Henry Ford saw the objective as changing consumer attitudes rather than making what the public wanted. Absurd though it may seem, at the time (1913 in the USA) Henry Ford was correct: there was a demand for cheap private transport and his cars sold well. Production orientation in business was suited to an economic climate where demand exceeded supply.

## Product orientation

- 1 good quality products 'sell themselves';
- 2 companies concentrate on improving and controlling quality;
- 3 there is greater profit through increased sales due to 'quality products'.

With its emphasis on quality, engineering was predominant in both the USA and Western Europe through the 1950s and 1960s. In the United Kingdom, in particular, during this period, the predominant attitude amongst many manufacturing companies was that designing and engineering the 'best' products was all that mattered and 'sensible' customers would buy products that were best engineered. A popular statement was: 'Build a better mousetrap, and the world will beat a path to your door.' This attitude that underpinned **product orientation** proved for many companies and industries to be their downfall.

In the late 1950s and early 1960s the once dominant UK motor cycle industry began to lose its share of home and export markets. The challengers were Japanese companies such as Honda and Suzuki. A major reason for UK marques losing out to these new challengers was that Japanese products were not taken seriously by UK producers. Japanese machines were considered to be inferior in terms of basic engineering and design. In fact early Japanese machines were of poorer quality and design than their British counterparts. However, partly because of this 'inferior' specification, Japanese machines were cheaper to buy and run. In addition, they were easier to maintain and came with back-up services. Japanese products also came with features such as electric, rather than kick starting, fairings for protecting the rider from weather and dirt and innovations such as panniers for carrying shopping; features that were scorned by British motor cycle designers.

Hindsight suggests that from a marketing standpoint the Japanese were right. Combinations of a lower engineering specification with its attendant decrease in costs and prices, together with customer-friendly product design and features meant that customers quickly warmed to the new machines. Within a few years the UK motor cycle was decimated. Quite simply, UK manufacturers suffered from being product oriented.

In using the example of motor cycles we are not denying the importance of good design and product engineering backed up by stringent quality assurance and control procedures. In fact, if anything, today's customers are even more interested in quality. However, a problem with a product-oriented approach is that not all customers want, or can afford, the best quality. More

importantly, this orientation leads to a myopic view of business with a concentration on product engineering rather than customers' real needs and the benefits they are seeking.

## Sales orientation

This philosophy suggests:

- 1 emphasis on stock clearance;
- 2 aggressive sales and promotion;
- 3 profit through quick sales of high volumes.

Mass production started in the USA in 1913 when Henry Ford introduced flow-line production to the Model T Ford production line and was able to reduce unit prices substantially; this car had previously been manufactured on a more expensive batch production basis from 1908. Mass production techniques emerged on a large scale in the USA at first, followed by Western Europe. In the USA, the late 1920s and 1930s saw a shortage of customers rather than of goods. In Western Europe, this phenomenon occurred after the Second World War. This fall-off in demand led to increased competition and to many firms adopting sales orientation by concentrating on advertising and personal selling.

A key issue for management was high levels of output. Here, the underlying philosophy assumed that customers were inherently reluctant to purchase and needed to be coerced into buying. However, even if consumers were willing to buy there were so many potential suppliers that firms had problems of stiff competition to overcome.

This was the situation in the USA in the 1930s and in most developed economies in the late 1950s: over-capacity accompanied by a fall in demand due to the Depression in the USA in the 1930s and in Western Europe due to Second World War shortages being fulfilled in the late 1950s. It was during these periods that many of the 'hard sell' techniques were practised in the USA in the 1930s and in Western Europe in the late 1950s, a great number of which were dishonest and unethical, and contributed to the tainted image of salespeople that still exists in the minds of many people today.

Although a small number of firms still practise **sales orientation**, the consumer is now protected by law from more dubious selling techniques, largely due to the consumer movement.

Consumers International (CI), the global federation of consumer organizations, set out its solutions to the financial fix calling for effective, affirmative, preventative consumer protection as an essential foundation for moving beyond the economic crisis. Following worldwide consultation with its membership, CI submitted its position to the UN Conference on the World Financial Crisis, 24–26 June 2009.

Joost Martens, Director General of Consumers International, said:

While CI research has shown most consumers manage their finances responsibly, they have been unfairly blamed by governments, media and industry for creating this crisis through irresponsible borrowing, and then prolonging it through insufficient spending. It is high time the so-called experts start listening to consumers, rather than blaming them for the mess the bankers and governments have created.

## Driving a Hard Bargain

Despite sophisticated uses of marketing tools and techniques some argue that many of the world's marketers of cars are still sales oriented when dealing with customers in car showrooms. In particular the approach to customers taken by the car salesperson is often based on a 'hard sell' that uses pressure to make a sale. The customer is in essence manipulated into a position where they feel they have to make the purchase. Lots of different sales techniques can be used to hard sell and pressurize the customer into a purchase. For example the salesperson can use the 'time pressure' technique '... This is the last one at the old price; prices go up by 5 per cent at the end of the week.' Another example is the 'play off' technique whereby the salesperson plays off one person against another. '... I'm sure your partner would appreciate the extra safety features on this model and the park assist system –after all you wouldn't want her to drive something that wasn't one hundred per cent safe would you sir?' Even apparently rational appeals which appear to be based on identifying and satisfying a customer's real needs and wants can be hard sell techniques masked as something else. '... I'm sure the change to a four door model will be invaluable when your new baby arrives'. Hard selling is still a feature of the car salesroom experience for many customers. Car salespersons are often still trained in these techniques. Furthermore car sales people are often incentivised by their companies on the basis of sales figures alone rather than more customer oriented bases such as customer satisfaction or customer loyalty.

Perhaps even worse is the fact that often the car salesperson views the sales process as a win/lose process with every unit of extra profit gained from the sale being a victory and every unit of profit lost as a failure. This confrontational attitude to negotiations with customers is that it often results in dissatisfied and ultimately lost customers. Understandably the customer who subsequently feels they have been pressurised into a purchase or who feels they were outmanoeuvred on the terms of the sale is unlikely to purchase again and will often pass on this dissatisfaction to friends and family.

Certainly there is a case for purposeful selling and the effective salesperson should know how to overcome objections and close the sale but hard selling is now recognized as ineffective and inappropriate in the contemporary business environment. Unfortunately, driving hard bargains is still prevalent in many car salesrooms.

CI argues that the financial crisis began with a failure to protect consumers from bad loans in the USA and other mortgage markets. A viable fix for the global economy must include greater regulatory oversight of a far more transparent banking industry. However, while transparency is important, more information for consumers is not enough. The system is simply too complex at present and needs regulatory intervention to remove incomprehensible financial products and services. Robin Simpson, Senior Policy Advisor at Consumers International, said:

Consumer education is a right, but avoiding financial ruin in the current climate takes more than access to information. No doubt the clients of Bernie Madoff thought their money was in good hands, but the billions he embezzled shows we are all susceptible to the faults in the financial system. Better law, as well as better understanding, is needed.

The meltdown of the financial industry has also led to bank mergers being hurried through by competition authorities. CI is concerned that the banking monopolies emerging from this crisis pose a danger to consumer choice and protection and calls for strict monitoring and reporting requirements to be established to ensure the new financial services landscape works for the consumer. There must also be a clear distinction between retail and investment banking activities. Only then can consumer deposits be protected from the irresponsible behaviour and risky speculation of investment bankers.

CI is worried that the seizure of bank activity is denying customers access to basic bank account services and starving critical public utility developments of investment. This is of particular concern in the developing world where the flow of funds is a vital means of achieving improved consumer access to electricity, water, sanitation and financial services. CI is demanding that taxpayer bailouts come with mandatory obligations to provide basic consumer banking services and investment in major social infrastructure projects. Robin Simpson said:

The banking sector has elbowed its way to the front of the public expenditure queue as a result of the threat of collapse, effectively holding a gun to the head of government. They cannot simply swallow taxpayer money and carry on as before; firm commitments to provide for basic consumer needs and services must accompany these bailouts.

[http://www.consumersinternational.org/  
Templates/Internal.asp?NodeID=99643](http://www.consumersinternational.org/Templates/Internal.asp?NodeID=99643)  
24 June 2009

## Consumerism

The transition from sales to marketing orientation was brought about partly by the advent of consumerism, which forced companies to become more aware of the needs and wants of their customers. **Consumerism** involves efforts of the public, government and organizational bodies to protect consumers from unscrupulous business practices as epitomized by sales orientation. A disenchantment with the hard sell, together with an increasing disillusionment with some of the problems associated with growing consumption were to give rise to the emergence of the consumer movement which first began in the late 1950s in the USA when writers such as Vance Packard challenged the advertising industry, Rachel Carson criticized the business community for its pollution of the environment and Ralph Nader famously attacked General Motors, whose dubious practices shocked the public at large when they were uncovered.

The role of the US government in consumerism was first set forth in President John F. **Kennedy's** famous 'rights' speech:<sup>9</sup>

Additional legislative and administrative action is required if the federal government is to meet its responsibility to consumers in the exercise of their rights. These rights include:

- 1 the right to safety;
- 2 the right to be informed;
- 3 the right to choose;
- 4 the right to be heard.

To these rights can now be added:

- 1 The right to privacy, brought about largely as a result of advances in IT that have developed since Kennedy's speech, and the fact that organizations keep personal records like credit details on databases. Legislation now allows individuals to access information contained on such databases, so it can be challenged if necessary.
- 2 The right to a clean and healthy environment, brought about largely as a result of 'green' issues and the notion of 'global warming' being universally accepted by governments.

The consumer movement gained popularity more slowly in the United Kingdom than it had in America. The publication of *Which?* Magazine first brought consumerism to the attention of the British public, with a completely new way of thinking; the consumer did not necessarily have to accept whatever manufacturers produced without question. In the past 30 years or so many governments have shown an increasing concern for consumer affairs which is reflected in the number of statutes introduced to protect consumers.

It is no coincidence that at consumerism's most powerful and popular time, a growing number of companies began to adopt the marketing concept as a way of orientating their businesses.

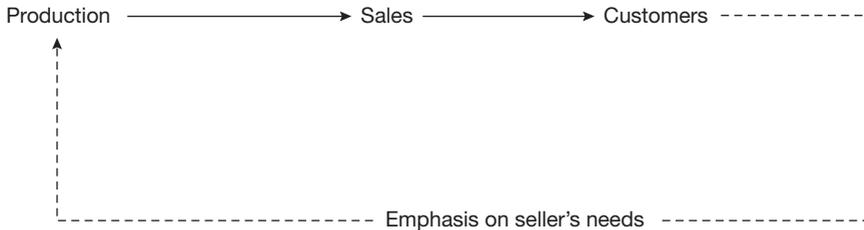
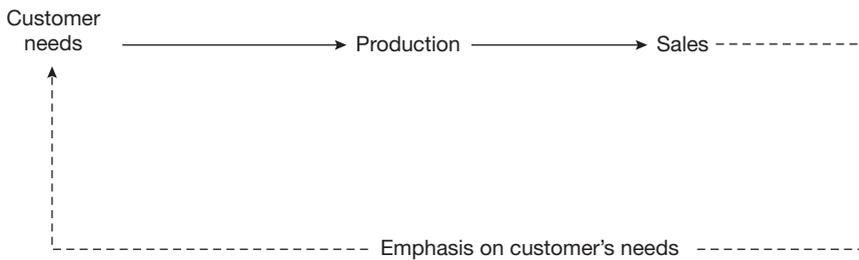
## MARKETING ORIENTATION

In the marketing-oriented company, planning and decision making centre on customer needs having due regard to competitors and distributors. It is vital to satisfy customer needs through a co-ordinated set of activities including the actions and functions of all employees of the organization, irrespective of the area of the business in which they work. In other words, a **marketing orientation** requires everyone in an organization to become customer oriented and not just people who work in marketing. An increasing awareness of this need to co-ordinate and integrate all the various functional areas of a business in delivering customer satisfaction has led to the growth of **internal marketing**. We consider the nature and importance of internal marketing later in this chapter and again in Chapter 9 when we consider **customer care** and relationship marketing.

Lancaster and Massingham<sup>10</sup> identify the marketing-oriented firm as follows: 'A marketing oriented firm produces goods and services that consumers want to buy rather than what the firm wants to make.' When a company moves from a sales to a marketing oriented approach it is not just a case of changing the job title of Sales Director to Marketing Director; it requires a revolution in how a company practises its business activities. When shown in diagrammatic form, as in Figure 1.1 from Jobber and Lancaster,<sup>11</sup> this fact is clarified. This also illustrates the importance of the consumer movement during transition from a sales to a marketing based approach, in that marketing orientation stems from customer needs.

For a business to be successful, consumers and their needs must be placed at the very centre of business planning.

There is some confusion as to the difference between selling and marketing and they are sometimes thought to be similar. This is a fallacy. Theodore Levitt,<sup>12</sup> in his classic article 'Marketing Myopia', sums up this distinction between selling and marketing orientation: 'Selling focuses on the

**Sales orientation****Marketing orientation****FIGURE 1.1** The distinction between sales and market orientations

Source: Jobber, D. and Lancaster, G. (2009), *Selling and Sales Management*, 8th edn, FT Prentice Hall, p. 17.

needs of the seller, marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer. . . . A philosophy of marketing, even as an important first step, is not the same as putting the philosophy into practice. Once the framework of the marketing concept has been established, the organization must implement it. Doubt has been expressed as to the extent to which the philosophy has been implemented. The practical manifestations of this philosophy are not well known, and this prompts the question: how can marketing orientation be recognized?

The following constitutes a list of requirements that must be met if a move towards marketing orientation within an organization is to be effective:

- Is there good understanding of needs, wants and behavioural patterns of targeted customers?
- Is the enterprise profit directed rather than volume driven?
- Does the chief executive see him/herself as the marketing strategist or marketing champion?
- Does the enterprise have a market driven mission?
- Do strategies reflect realities of the marketplace (including the competitive situation)?
- Is marketing seen as more important by managers than other functions and orientations?
- Is the enterprise organized in such a way that it can be more responsive to marketing opportunities and threats than its competitors?
- Does it have a well designed marketing information system?

- Do managers make full use of marketing research inputs in their decision making?
- Are marketing costs and revenues systematically analysed in relation to marketing activities to ensure the latter are being carried out effectively?
- Is there a strong link between the marketing function and the development of new products and services?
- Does the enterprise employ marketing staff who are professionals (rather than being, say, sales-oriented in their approach)?
- Is it understood that marketing is the responsibility of the entire organization?
- Are decisions with marketing implications made in a co-ordinated way and executed in an integrated manner?

Developing marketing orientation is a long-term process and needs to be thought of as a form of investment that can change the organization's culture, so common values relating to the need to highlight service to customers and a concern for quality in all activities are shared throughout the organization. This cannot be provided by a 'quick fix'; it must permeate the entire culture of the organization.

A variety of steps can be taken to enhance the degree of marketing orientation of an enterprise:

- The first step is to secure top management support. A bottom-up approach would be doomed from the outset, given the company-wide implications of marketing orientation.
- There needs to be a specified mission relating to the development of marketing orientation. This should have a plan associated with it, and the necessary allocation of resources to enable it to be executed.
- A task force should be set up as part of the plan to bring together managers from across the company (possibly assisted by consultants) to carry out tasks such as identifying the current orientation of the company; carrying out a needs analysis as a basis for a management development programme to change the company's culture in a desired way; advising on structural change within the company to support marketing activities; and ensuring commitment to change via a system of rewards (such as bonuses and promotion) that will apply to facilitate change.
- The momentum of change can be maintained by continuously monitoring marketing performance to ensure inertia does not set in. Progress towards improved marketing orientation can be measured by regularly asking questions like: 'Are we easy to do business with?' 'Do we keep our promises?' 'Do we meet the standards we set?' and 'Do we all work together towards a common goal?'
- Developing marketing orientation requires a focus on customers, competitors, the changing environment and company culture. Achieving it is expensive and time consuming. However, companies that make the effort are likely to have a higher level of marketing effectiveness and greater organizational effectiveness. The results may be extremely important amid uncertainties following the worldwide economic downturn and greater competitiveness in modern day commerce.

On 22 February 2008 Northern Rock, for nearly twenty years one of the UK's fastest growing and apparently most successful building societies, which became a bank in 1997, was taken into

public ownership. The cause was a major liquidity crisis prompted by the world wide credit crunch. As if this was not bad enough for Northern Rock customers, by March 2009 over 17,000 mortgage accounts were in arrears; an increase of nearly 400 per cent in just over 12 months (Source: Times on Line, 3 March 2009.) Some of these arrears were due to borrowers losing their jobs as a result of the recession. Others were due to illness or changed family circumstances. In other words, reasons that could be considered a normal part of the mortgage business or at least outside of the control of Northern Rock. However, the major reason for default was borrowers who had borrowed more than was prudent.

During the good times Northern Rock developed a mortgage product which allowed customers to take out a personal loan on top of their mortgage loan, in some cases enabling borrowing of upwards of five times earnings. In a period when house prices were rocketing this product had tremendous appeal to borrowers who otherwise were not able to get on the housing ladder. As a result sales of this product soared and Northern Rock expanded its sales and market share quicker than virtually than other company in the industry. At first glance it might appear that Northern Rock was being customer oriented in developing this product; after all, if sales were anything to go by there was a real customer need. However, with the benefit of hindsight, for many customers this was an inappropriate mortgage product.

Far from being market oriented, Northern Rock was very much sales driven. Certainly there was a strong demand, but for many customers the product was unsuitable. Marketing this product to these customers was not in the spirit of the marketing concept.

Standard Life, a major financial services organization in the UK, has been the target of an attempt to demutualize the company. After a long and at times bitter campaign, the management of the company secured victory in their attempt to persuade policyholders to reject the demutualization proposal. In the course of fighting this campaign, Standard Life realized that one of the reasons many investors were considering voting for demutualization was that over time the company had, through sheer inertia, begun to lose contact with its customers e.g. often only communicating with members when policies matured.

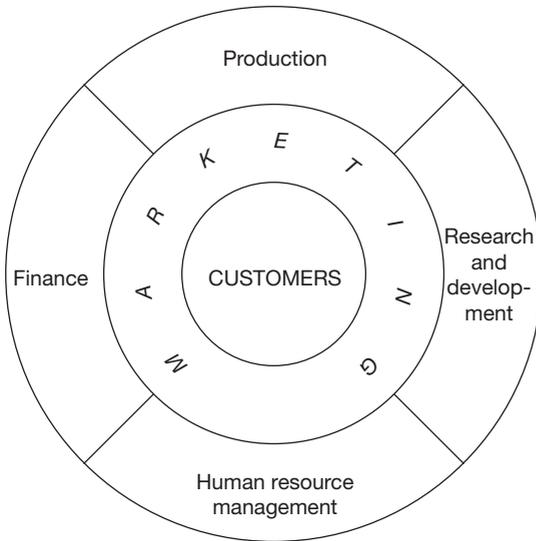
The challenge of demutualizers alerted an otherwise excellent company to the need to pay more attention to the needs of its customers and for this to be a company-wide effort backed by senior management commitment and resources.

## MARKETING MANAGEMENT

Developing marketing orientation is only part of the equation of improving marketing effectiveness. Marketing management skills must be developed, as it is a management function that involves analysis, planning, implementation and control. Other management functions also have planning structures that link to the corporate plan. In terms of the company organization chart, a typical structure is shown in Figure 1.2. In this organization chart we see the place of marketing alongside major functions of line management.

The board of directors are responsible for strategic direction. Board members are not necessarily full-time employees and in larger companies they are often from outside the organization because





**FIGURE 1.3** The place of marketing in the modern organization

## Analysis

Effective marketing management requires analysis of factors that affect success and failure. It is the prelude to planning and decision making and includes analysis of the following:

- Market analysis – market size and trends;
- Competitor analysis;
- Customer analysis;
- Company analysis – market share, portfolio analysis and profitability analysis.

Analysis presupposes effective marketing research and intelligence, control of information and forecasting systems. Because of its importance, later chapters centre on tools of analysis.

## Planning

Analysis is only a means to an end. It forms the basis of marketing plans that in turn denote decision making. Later chapters centre on the elements of marketing decision making.

Amongst the major marketing decisions to be made by marketing managers are:

- Marketing objectives;
- Product/market scope, segments and targets;
- Company targets;

- Marketing strategies;
- **Marketing mix** decisions – product, price, place and promotion.

At this stage many of these terms and their meanings are unfamiliar. We shall address these and other planning decisions in later chapters.

## Implementation

Having made marketing plans, the next step is to ensure they are implemented. This requires that staff and financial resources be allocated together with time-scales for action, allocation of responsibilities and authority. In addition, the organizational structure may need to be changed to enable effective implementation to take place. Again, issues of implementation form the focus of subsequent chapters.

## Control

The final element of the management tasks of marketing is monitoring and controlling marketing activities. Control is the subject of Chapter 14, but in essence it completes the cycle of management tasks as control and measurement feed back into the analysis and planning stages of marketing management to restart the cycle.

In summary, the following are seen as capturing the essence of what marketing incorporates i.e. the basic principles:

- The marketing concept is founded on the belief that profitable sales and satisfactory returns on investment can best be achieved by identifying, anticipating and satisfying customer needs and wants;
- Marketing is a philosophy of business (an orientation) and a management function;
- As a business philosophy, it involves the adoption of the marketing concept;
- A company adopting the concept places customers at the centre of all business decisions, i.e. the customers' needs permeate all levels and functions in the organization;
- As a management function, marketing involves analysis, planning, implementation and control.

These are the basic principles of marketing, but as companies accept and implement them, so marketing itself is changing; perhaps not the basic concept or philosophy as outlined here, but rather the perspective and operation of marketing management. Earlier we suggested that the essence of this changing face of marketing is the shift towards a more strategic approach to marketing; hence the focus of this book. So what does this more strategic approach consist of and what forces and factors have contributed to this change?

## THE NEED FOR A STRATEGIC APPROACH TO MARKETING

Companies traditionally follow a planning framework. However, this is sometimes short-term, ad hoc and based on intuition. The need is for a more strategic approach, but before we consider its implications, we should consider why it is required. The key reasons are:

### The pace of change and environmental complexity

Kotler and Keller<sup>13</sup> suggest that the pace of environmental change is not only increasingly rapid, but these changes are often discontinuous in nature. We shall be examining these environmental factors in strategic marketing planning in Chapter 15, but let us consider a sample of environmental changes with which organizations have had to cope in recent years.

- As we have noted, consumers and legislative bodies have become increasingly concerned about the natural environment and about the ecological and/or health risks associated with some products;
- The last decade of the twentieth century witnessed the birth of a host of new products based on new technology. Developments in information technology, cryogenics and biotechnology are just some examples of these facilitating technologies;
- Divorce rates, crime rates and (in some countries) birth rates have continued to surge ahead;
- There have been substantial changes in patterns of world trade including the emergence of new trading relationships and regulations;
- The worldwide economic 'meltdown' in 2008 and its aftermath took people by surprise.

Healthy and particularly organic foods have been amongst the fastest growing markets in the UK. Once a minority market, appealing to relatively few health food 'fanatics', this sector now represents a huge and growing market. More and more consumers are looking for a healthier diet and avoiding products and brands which may harm their health. Research indicates that nearly 500 food products were launched under the 'healthy' label in the UK in 2009. In addition, sales of organic foods in the UK during 2009 topped £3 billion. ASDA's 'Healthy Choice', the Aviva range from Novatis and Johnson & Johnson's Benecol are all examples of brands that have flourished with the trend towards healthy eating. Changes in attitude towards health and healthy eating will continue to give rise to marketing opportunities and challenges for marketers in the future. The significance of this all of this environmental change is its increased magnitude and pace and this has added to the complexity facing organizations.

### Increasing organization size and complexity

A more strategic approach is required as organizations themselves have become increasingly large and complex. The need for strategic market planning has gone hand in hand with the move from functionally organized companies, with relatively narrow product lines, to large diversified companies

producing many different products for disparate markets. In turn, this has meant that planning processes that were appropriate for the 1990s are no longer so. Increasingly complex organizations require sophisticated planning tools.

A significant feature of environmental change is its increased magnitude and pace. Technological, social/cultural and political and regulatory change are now rapid and this has added to the complexity facing organizations and the marketer in particular.

Unilever, one of the world's largest companies, currently employ more than 170,000 people producing and marketing in over 150 countries worldwide. Their products and brands encompass personal care products, home products and food products. Thirteen of their brands turn over in excess of \$1 billion and there are twenty different nationalities in the top tier of management. They spend an annual total of nearly \$1 billion on R&D and are involved in supporting a number of good causes throughout the world (see <http://www.unilever.com>). Marketing planning in a company this large and diverse is complex and requires sophisticated systems and procedures to develop effective strategic marketing plans.

As we can see with Unilever, increasingly, the contemporary organization is often large and complex, encompassing potentially many product lines sold in diverse markets to different customer groups. The different parts of a business each need a strategic marketing plan reflecting different requirements of each product market.

An example of the strategic planning implications of increased organizational size and complexity is the concept of viewing the multi-product, multi-market, organization as a number of sub-units or '**strategic business units**' (SBUs), which need to be viewed and managed as a portfolio of businesses that may each contribute, in different ways and to a different extent, to overall corporate objectives. Lynch<sup>14</sup> has suggested that particularly in larger organizations the strategic business unit is very often the basic organizational unit for the development of strategic marketing plans. Certainly, organizing around SBUs is very prevalent in today's multi-product/multi-market organization and this is now explored.

## THE CONCEPT OF STRATEGIC BUSINESS UNITS

The focus is on strategic analysis and the ensuing strategic marketing plans within the business are for individual SBUs. Having said this, it means that at corporate planning level, decisions must be made regarding the balance between different individual SBUs in the business, and in particular, the allocation of resources between them. However, strategic marketing plans in a multi-product/multi-market business can only be developed at the level of each SBU. The SBU concept is thus crucial to the strategic marketing planner, so it is essential to organize the business into identifiable SBUs.

Increasingly, the contemporary organization is large and complex, encompassing potentially many product lines sold in diverse markets to different customer groups. Different parts of a business each need a strategic marketing plan reflecting different requirements of each product market. The American company General Electric is generally acknowledged to be the first company to have dealt with this requirement for individual strategic marketing plans in its large diversified company by organizing business in separate SBUs.

In practice, identifying and delineating a business into SBUs is a complex task and the precise ways in which this will be achieved will depend on several factors which are individual to each organization. For example, the size of each product market in the business and the extent of commonalities between the different product markets. Ideally, however, an SBU should meet the following criteria:

- It should have its own customers and competitors;
- It should, in theory, be able to be operated as a separate individual business;
- It should have its own resources and its own identifiable costs and revenues;
- It should have a manager who is responsible for profitability of the business.

The Swiss multi-national Nestlé organizes its worldwide operations around a series of SBUs. Each SBU has full responsibility for the development of its own strategic marketing plans. SBUs are based on the different product areas within Nestlé. For example, there is an SBU covering confectionery and ice cream products throughout the world, another one for milk products, and so on.

Although increased organizational size and complexity has served as a distinct spur to strategic approaches to marketing, it is not suggested that such an approach is only appropriate for large diversified companies. Small companies also need a strategic approach, as they are often faced with a less certain external or macro-environment than large companies.

## Increased competition

Apart from a small number of exceptions such as state-protected or 'natural' monopolies, most organizations throughout the history of commerce and trade have faced competition, both existing and potential. However, as with environmental change, recent years have witnessed an intensifying of competition in many markets. Successful marketing in a competitive economy is about competitive success and positioning and customer focus. Many factors have contributed to this but amongst some of the more significant are the following:

- a growth of global competition as barriers to trade have been lowered and global communications improved;
- linked to the above, the role of the multinational conglomerate which ignores geographical and other boundaries and looks for opportunities on a global scale;
- in most economies, legislation and political ideologies which have aimed at fostering 'free market' entrepreneurial values;
- continual technological innovation, giving rise to new sources of competition for established products and markets.

Successful marketing in a competitive economy is about competitive success and positioning and customer focus.

HMV, the music store chain, was one of the first music retailers to introduce new systems of display and merchandizing in the UK. Recognizing the growing threat from new technology, it

launched a transactional website in the UK. Unlike many competitors who shunned internet marketing, HMV supported its use to promote music and stay ahead of competition. From the early days of a few individuals beginning to exchange music on the Internet, downloading music is now big business. There are estimated to be currently over 500 websites, both legal and illegal, where music can be downloaded. This is in addition to music swapping between private individuals. Many in the music industry initially fought against this development, particularly the record companies, but as demand increased and technology such as MP3 and broadband speeds improved they were no longer able to resist. The launch of iTunes was significant in this respect and gave the boost for music downloading to go mainstream. Now the music industry is replete with artists, record companies, electronic product companies and music retailers looking for new ways to find a competitive edge in the music downloading market. Music downloading is here to stay. From an initial fear of this development in the industry most of the industry is now distinctly upbeat about it.

These are the key reasons why a strategic perspective on marketing is so important. What is meant by a strategic approach and what elements does this contain? It is to this issue that we now turn our attention by examining the nature of strategy and strategic management.

## STRATEGIC MARKETING PLANNING

When it comes to defining strategic management, we encounter a plethora of different definitions. Below are three definitions which move us from the concept of strategic planning and to the focus of this text, i.e. strategic marketing. Baker<sup>15</sup> proposes this definition of strategy, illustrating both its directional nature and its military antecedents: 'A strategy is the achievement of a stated purpose through the utilization of available resources.' Strategies, then, are the outcome of the strategic planning process that Kotler and Keller<sup>16</sup> define thus:

Market-oriented strategic planning is the managerial process of developing and maintaining a viable fit between the organization's objectives, skills and resources and its changing market opportunities. The aim of strategic planning is to shape and re-shape the company's businesses and products so that they yield target profits and growth.

Strategic marketing is defined by Cravens<sup>17</sup> as:

A process of strategically analyzing environmental, competitive and business factors affecting business units and forecasting future trends in business areas of interest to the enterprise; participating in setting objectives and formulating corporate and business unit strategy; selecting target market strategies for product markets in each business unit; establishing marketing objectives and developing, implementing and managing program positioning strategies for meeting target market needs.

Craven's definition encapsulates the key elements in strategic marketing. We now expand key steps as a prelude to examining these in more detail.

## The setting for marketing plans: key considerations

Marketing plans take a variety of forms, ranging from verbal intentions or a set of budgets for achievement, to formalized structures and procedures used as part of the corporate planning process. We now provide a framework through which we can structure the key steps and inputs to a strategic marketing plan. In this way marketing becomes a better organized function and makes a substantial contribution to organizational performance in areas in which marketing orientation is needed.

As in any planning system, the providers must be clear on the intended use and the contribution desired from them. Therefore, certain key questions must be asked:

- 1 Do we have the ability to match our ambitions? Often the ambition to achieve a marketing planning system reaches beyond the realities of ability.
- 2 Have we considered the planning horizons in terms of time?
- 3 Have we defined the boundaries of the system clearly?
- 4 What purposes are to be served by the marketing planning system? (This will help later to determine objectives.)
- 5 What structure should exist to enable the plan to be implemented, planned and achieved?
- 6 What do we require to achieve the purpose we have now identified?
- 7 What constraints currently limit our ability, and can these be overcome?
- 8 What contributions are we seeking to organizational and financial performance from the plan?

Like all planning, marketing planning concerns the future, which depends on a clear understanding of organizational and market needs. This approach is important as it involves a time dimension which needs to be clearly specified.

A planned approach depends on an ability to predict, anticipate and adapt. Marketing planning means change. It is a process that involves deciding currently what to do in the future with a full appreciation of the resource position; the need to set clear, communicable, measurable objectives; the development of alternative courses of action and a means of assessing the best route towards achievement of specified objectives. Marketing planning is designed to assist the marketing decision-making process under conditions of uncertainty.

Above all, the process of marketing planning has a number of benefits:

- motivates staff;
- secures participation and involvement;
- achieves commitment;
- leads ultimately to better decision making;
- requires management staff collectively to make clear judgemental statements about assumptions – the very basis upon which the future depends;
- ensures a systematic approach to the future has been taken;
- prevents ‘short-termism’ i.e. the tendency to place all effort on the ‘here and now’;
- creates a climate in which change can be made, and in which standards for performance can be established;

- enables a control system to be designed and established whereby performance can be assessed against predetermined criteria.

Marketing plans can be both strategic and tactical, the latter operating within the framework imposed by the former. It is this strategic framework that now concerns us. Whether they are tactical or strategic, marketing planning requires the laying down of policies for the acquisition, use and disposal of resources.

Marketing planning as a functional activity can only work within a corporate planning framework. The marketing planner must consider the need to achieve corporate level objectives by means of exploiting product and market combinations. There is an underlying requirement for any organization to set a clearly defined business mission as the basis from which the organizational direction can develop.

## STEPS AND INPUTS TO DEVELOPING A STRATEGIC MARKETING PLAN

The final part of this chapter provides an overview of the key steps and considerations in developing a **strategic marketing plan**. It is important to become familiar with this framework, as in the following chapters we look at these steps in more detail. It is easy to lose sight of how individual steps fit together, so from time to time you will need to return to this framework.

### 1 The corporate plan remit

The **corporate mission statement** needs detailed consideration by top management to establish the business the company is really in and to relate this consideration to future business intentions. It is a general statement that provides an integrating function for the business, from which a clear sense of business definition and direction can be achieved. This stage, which is the starting point for overall corporate planning (elements of which are: human resource, marketing, operations, financial and logistics) is often overlooked in marketing planning; yet without it, the plan will lack a sense of contribution to the development of the total business. By deriving a clear mission statement, boundaries for the 'corporate entity' can be conceived in the context of environmental trends that influence the business.

It is helpful to establish areas of distinctive competence and in so doing, focus upon what customers are buying rather than upon what the company is selling. This will assist in the development of a more marketing-oriented mission statement; it therefore takes into account trends in market consumption patterns. A clear mission statement should include customer groups to be served, customer needs to be served and the technologies to be utilized.

**Corporate objectives** of the organization are time dependent, designed to achieve shareholder expectations. These should be derived from the mission statement to ensure integration within a corporate and marketing planning system. The time horizon to achieve corporate objectives will vary between organizations, from market to market and from country to country, with time-scales stretching from one to five, or even to 20 or more years.

From a practical viewpoint, both quantitative and qualitative objectives are required to provide the foundation upon which measurable marketing activities can be planned. In particular, quantitative corporate objectives are concerned with rates of return on capital employed and invested, return on shareholder funds etc., and these are inextricably linked to the company's financial year where these key ratios are used as indicators of annual financial performance. Qualitative corporate objectives may relate to image, stance, positioning, projection, appeal, identity and recognition and it is possible to apply quantitative criteria to each of these to make their analysis to make them more objective, techniques of which are discussed in Chapter 12.

Objectives are statements of what is to be achieved and hence provide the stimulus for strategy, i.e. the means by which the objectives will be achieved. Because these objectives are corporate and have company-wide parameters, balance is needed for the attainment of integration in the organization as a whole. Areas to consider when setting up corporate level objectives include: market standing; innovation; productivity; physical and financial resources; staff performance, development and attitude; public responsibility and profitability/financial health.

**Corporate constraints** are an important consideration. It is the matching of ambition to the ability to maximize performance that is a perennial task which besets senior management. Corporate constraints are the limiting factors that govern corporate capability. As the process of planning is iterative, a clearer understanding of these constraints may arise at subsequent stages in the planning process.

A full appreciation of corporate capability at this stage will affect more realistic resource deployment at later stages in the marketing plan and will assist cross-functional plans which collectively are designed to achieve corporate level objectives.

## 2 The marketing audit

In most business enterprises, periodic financial reviews are mandatory and systems are established to ensure that these occur within the deadlines set. This should be the case with marketing, but rarely is it so formalized. Essentially the **marketing audit** is a systematic internal and external environmental review of the company's marketing performance for a given period of time. This review provides the basis for subsequent **SWOT** analysis (i.e. a review of company Strengths, Weaknesses, Opportunities and Threats). The purpose of auditing the external internal environment of the organization is to separate controllable from uncontrollable variables that have an impact on corporate performance. Companies should develop a customized checklist of factors for examination that can then be reviewed systematically and periodically.

The external audit will examine '**PEST**' factors – Political, Economic, Socio-cultural and Technological – in the general business environment. Later consideration added the legal impact of these on company operations and the definition was broadened to '**SLEPT**'. Later thinking adds Environmental to this classification which makes the acronym '**PESTLE**' and the word Ecological has now made the acronym '**STEEPLE**'. In addition, a comprehensive market profile is required with a detailed understanding of market movements so that forecasts can be developed for market performance and changes thereto. To support this market profile, the company must place itself in the context of a competitive market environment and a comprehensive profile of competition must be obtained, together with an examination of competitive product offerings.

Internally, a thorough examination of the company's marketing performance is vital. Detailed sales analysis, market shares and profit contribution analysis must be undertaken, together with an

assessment of the efficiency of the company's marketing mix and marketing control plans and procedures.

The process of auditing raises a series of questions and produces a series of discoveries. These will need to be compiled into an acceptable format for presentation, a format from which later stages of the plan can be developed. This format is known as the 'SWOT' analysis. The PEST analysis is effectively the antecedent to the SWOT analysis.

### 3 SWOT analysis

This acronym classifies results of the audit into internal current strengths and weaknesses that largely concern controllable variables, and external future opportunities and threats that largely concern uncontrollable variables. The SWOT analysis used for presentation should be a succinct summary of the audit which concentrates upon main issues for resolution, and for which objectives, strategies and tactics could be set if required. In effect this is a series of bullet points under each of the SWOT elements rather than a dialogue.

### 4 Assumptions

To move forward from analysis to planning, a conceptual transition is required because something has to be achieved by that which has been assessed, discovered and recorded.

A potential drawback of planning is that if not careful it can become an end in itself. What this means is that in some organizations, particularly those where planning is done centrally using specialist planning staff, extensive and sophisticated analysis is carried out, but little of this feeds into and affects actual marketing plans and activities at divisional or individual brand level. There are various reasons for this, but a frequent one is simply a lack of communication between planners and implementers. Surprisingly, in many organizations brand managers are unaware of the organization's mission and vision statements or have not been informed about market developments and forecasts which may have significant implications for their brands. Another reason is a possible clash of cultures when two previously independent organizations come together. Initially, when the UK supermarket group Morrisons first acquired their competitor, Safeway, in 2003 there were problems bringing together the marketing plans and strategies of each group into one coherent whole. However the senior management of both companies were eventually able to do this and the new combined company has made significant inroads into the market ever since.

**Environmental scanning** of the market and analysis of competitive and market situations leads to the statement of assumptions for a future planning time horizon. To avoid the need for assumptions, we would have to have perfect knowledge, which is rare. It is upon the statement of assumptions that progress can be made to the planning stage. Assumptions can be classified as internal and external, quantitative and qualitative, in the same format as prescribed for corporate constraints.

### 5 Time-scales

It is normal practice to design at least an annual marketing plan that co-ordinates with the fiscal year of the organization and hence integrates with the budgetary control and associated management

information and control systems. Some companies then extend the planning horizon to a separate plan for around five years, or incrementally on a rolling planning basis. A rolling planning principle ensures plans are at least one year ahead and revised and updated quarterly.

## 6 Marketing objectives

**Objectives** are statements of what is to be achieved and strategies are means of achieving objectives.

It is important to realize that marketing objectives should be derived directly from corporate level objectives and, in turn, reflect both quantitative and qualitative criteria. Concentration should be focused on setting objectives for products and markets, because corporate level objectives reflect product/market combinations. Marketing mix objectives, that relate to price, product, place and promotion (each dealt with as individual chapters) can be separated out at a later stage. This simplifies the process of setting marketing objectives, but they must be actionable, achievable and measurable, otherwise the accomplishment of marketing strategies cannot be accurately assessed in the time-scale of the plan.

## 7 Marketing strategies

**Strategy** is the means by which objectives are achieved. If objectives specify what is to be done, strategy lays down how it is to be done. A predetermined strategy leads to a series of action statements which are a clear set of steps to be followed to achieve the determined strategy. These actions are known as tactics. Effective marketing strategy is critical to the success of the plan. It must exploit the strengths and opportunities, overcome weaknesses and avoid threats identified in the SWOT analysis.

A strategic marketing programme depends upon an incisive SWOT analysis arising from a clear definition of planned marketing activity as company success is governed by marketing strategy. A company's marketing strategy is the basis upon which operational decisions are made and corporate and marketing objectives achieved within the time periods specified for the plan. The time period for the **tactical** plan is usually one year i.e. the current operating year. It is through the tactical plan that marketing strategy is achieved in practice.

The strategic element of the marketing plan concentrates on the selection of target markets, positioning strategies and the planning and implementation of the elements of the marketing mix, which includes product, price, place and promotion, and in the case of service products/markets, the extended marketing mix elements of people, process and physical evidence.

**Marketing research** at this stage should provide a vital strategic contribution to the plan.

A key part of the strategic elements of the marketing plan that is often overlooked is the policy statement, which provides the guidelines by which the marketing strategy can be accomplished within determined time planning horizons.

As part of strategic determination, it is common practice to identify alternative means by which specified marketing objectives can be achieved. Criteria for evaluation are then set and applied to the stated alternatives, and the best course of action selected.

The intention of a marketing mix strategy is to achieve marketing positioning for product/market combinations specified in the corporate and marketing objectives sectors. Therefore, market

definition, market segmentation and market targeting are prerequisites within which positioning must be achieved.

An idea first put forward by Wehrich<sup>18</sup> in 1982 provides a useful means of applying SWOT analysis principles to form marketing strategies. This is termed the **TOWS matrix** which brings together company strengths and weaknesses and links them with external opportunities and threats to form specific strategies by using elements from the SWOT analysis. For example, consider a small regional bakery where the following SWOT has been produced:

#### STRENGTHS

- 1 well established brand
- 2 in business since 1922
- 3 good reviews relating to quality
- 4 reasonable prices
- 5 family firm with contented workforce
- 6 no debts or borrowings and good reserves
- 7 premises can easily be expanded to at least double capacity

#### OPPORTUNITIES

- 1 local transport company has offered organize deliveries to a wider area
- 2 to produce a wider range of products
- 3 capitalize on strong brand position

#### WEAKNESSES

- 1 production semi-automated
- 2 only sold in one region of the country
- 3 promotion tends to be word-of-mouth
- 4 no representatives
- 5 only a limited range of breads

#### THREATS

- 1 large national bakeries are expanding to into the region
- 2 large supermarkets entering into including cakes strategic alliances with national bakeries
- 3 recession means that many households are now baking more at home

Suggested marketing strategies using TOWS are:

- Strengths 1 and 2; Weakness 3; Opportunity 2 produces: 'Use long established brand name and "word of mouth" promotion to develop and retail products other than bread';
- Strength 7; Weakness 2; Opportunity 1 produces: 'Expand production to enter larger market in other regions using alliance with local transport company';
- Weakness 1; Strength 6; Threats 1 and 2 produces: 'Use spare capital to update production facilities to counter expansion plans from national bakeries.'

## 8 Detailed marketing programmes

The level of marketing strategy will vary from plan to plan and company to company, but the final intention is to put the plan into action. It is now time to construct a set of detailed action programmes to achieve the previously stated marketing strategy. This part of the plan is concerned with who should do what, where, when, how and why. In this way responsibility, accountability and action over a specified time-scale can be planned, scheduled, implemented and reviewed.

## 9 Sales forecast

In many companies, the sales plan will be separated from the marketing plan or even replace the marketing plan in a sales-oriented situation. However, if we adopt marketing as a business philosophy then sales must be included within the marketing plan – it is the means by which many of the plan's objectives will be achieved. Sales forecasts and budgets will provide the means for quantitative achievement and control.

Selling and sales management strategy and tactics should be designed to complement, support and integrate with the marketing mix, components of marketing strategy – in particular promotion and distribution.

## 10 Staffing the plan

Objectives and strategy can only be achieved through people, structures, systems and methods. In the tactical section of the plan, responsibility and authority for operations should be designated to appropriate individuals. This requires company-wide consideration for organizational and staff development, to bring about any changes required to meet the objectives of the plan. Training and career development programmes, remuneration systems, numbers of staff required, etc., are important considerations, and this will require liaison with the human resource function.

## 11 Contingency measures

Despite planning ahead for change, environmental factors sometimes force us to change a course of action – often these factors are unforeseeable and frustrating. The time taken to adjust may be less than we would like because of a desire by management to avoid higher costs and incurring losses. Under such conditions, response to contingency situations becomes reactive. To minimize the impact of changed environmental circumstances, companies can be proactive by using **contingency thinking** to anticipate likely events that may occur, and then make plans to reconcile the changed position in which the company might then be placed.

For each element of marketing mix and sales strategy, the marketing planner should ask the question: 'What if?' In so doing, a change scenario will be formulated; a scenario to which the company can choose to respond. By planning ahead, the impact of changes will be reduced. Such thinking, when used in marketing planning, encourages control and may avoid expensive mistakes. Ironically, if the international banking sector had applied such thinking before the late 2008 'financial meltdown' then costly blunders might have been anticipated and appropriate contingency planning applied in good time.

The marketing planner should refer back to the assumptions set previously and consider the impact on the plan if these are not fulfilled.

## 12 Budgets, reviews and controls

A marketing plan cannot be operated without some element of control to monitor and measure progress.

A system of controls should be laid down whereby the plan is reviewed on a systematic basis, and updated to extend the horizon to the prescribed time-scale. Controls are needed to assess tactics and strategy in the progress towards the achievement of quantitative and qualitative objectives. These controls should be both quantitative and qualitative in design.

The **marketing information system**, and in turn the **management information system**, provide essential inputs to the control system, but the organization depends on people to work the system through regular appraisal. Comparison of performance against target and the coincident variance analysis will enable corrective action to be taken to further exploit marketing and market opportunities and threats. Contingency planning is a form of control that can and should be used, particularly where markets are volatile.

For companies using a formal system of marketing planning, the budget is the means by which the entire plan is co-ordinated financially. Each area of marketing activity should be costed and allocated to centres of responsibility. As a key functional area the marketing budget is one of the key budgets to contribute towards the total budgetary control system. Budgeting is the transitional step between planning and implementation, because the budget, and allocated centres within it, will project the cost of each activity over the specified period of time, and also act as a guide for implementation and control.

This overview of the strategic marketing planning framework is brief. In practice developing strategic marketing plans is complex and multifaceted. This complexity is heightened by the fact that the process is essentially an iterative one, with the planner constantly having to return to earlier stages in the analysis and planning as final plans begin to emerge. In addition, the various elements of the marketing plan need to be consistent, one with another. Marketing mix elements of product, price, place and promotion need to blend into one coherent package. The mix elements must be consistent with overall corporate and marketing objectives, in particular with segmentation, targeting and positioning strategies. The whole process is one of constant checking and re-checking, not only in the preparation of the plan, but throughout its operation.

Figure 1.4 sets out the steps in marketing planning in this wider framework, together with the key elements of analysis that feed into the decision-making steps. In addition, the interrelationships and iterative steps in the process are also shown. It looks complex, but represents a logical and ordered approach to the strategic marketing planning process.

The key steps shown in this framework are universal inasmuch as they remain essentially the same, irrespective of the nature of a company, e.g. its size, nature of product markets, geographical dispersion etc, and may be followed by the marketing manager preparing a strategic marketing plan for an individual Strategic Business Unit. Although strategic planning frameworks tend to differ, the essentials, together with the sequencing of these, are now generally agreed. However, where marketing extends beyond domestic boundaries to include international markets a number of additional complexities, considerations and steps that international marketing gives rise to, are the subject of Chapter 16. As we shall see, markets and marketing are dynamic.

Marketing and marketers operate in a dynamic environment. As a result, marketing concepts and applications are constantly evolving and changing, so the strategic marketing planner must consider these when formulating plans. Because of this, although the basic elements shown in the framework for strategic planning remain essentially the same, it is useful to conclude this chapter by briefly outlining some of the more recent developments and trends in marketing thinking and application, together with some of the more important potential implications of these for marketing management.

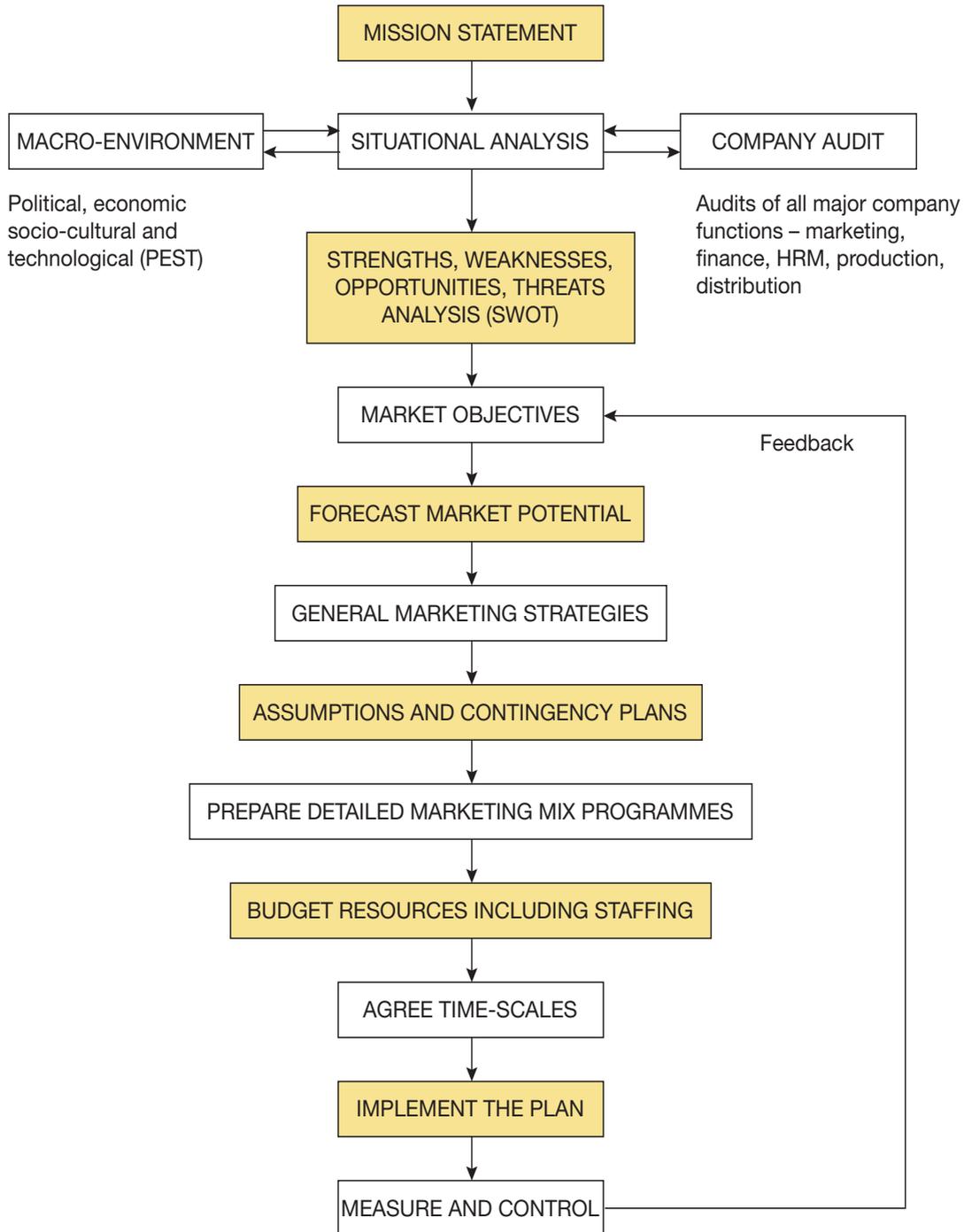


FIGURE 1.4 The strategic marketing planning process

## TRENDS AND DEVELOPMENTS IN MARKETING CONCEPTS AND APPLICATIONS

Marketing and marketers operate in a dynamic environment. As a result, marketing concepts and applications are constantly evolving and changing, so the strategic marketing planner must consider these when formulating plans. We have selected the most important trends and developments for consideration.

### An evolving marketing concept: relationship marketing

This concerns the evolving nature of the concept of marketing itself, and in particular the trend towards a concept of marketing based upon developing and maintaining long-term relationships with customers, referred to as **relationship marketing (RM)**. This represents a paradigm shift in the nature of marketing itself that gathered pace in the 1980s and still continues. Anthanasopoulou<sup>19</sup> argues that our understanding of relationship marketing concepts and techniques is still at a comparatively early and underdeveloped stage. However, the underpinning notion of RM is essentially simple in as much as it is based on the idea that an organization's marketing effort should be designed around a series of contacts with customers over time, rather than being based on single transactions (i.e. **transactional marketing**).

The conventional marketing concept centres on the notion of understanding customer needs so marketers can develop strategies that better meet these needs. As a consequence, the organization achieves its aims. The process of dealing with customers has traditionally been viewed as a one-off transaction where the customer receives satisfaction and the company achieves its objectives, whether these are for profit, or some other organizational objective. This transaction view is concerned with what marketing can do to buyers rather than do for buyers. In contrast, RM is built on creating and maintaining mutually satisfying commercial relationships which appears to be only a slightly different perspective from the traditional transactional view of marketing. In fact, it is a fundamentally different perspective on the marketing concept, and gives rise to potentially very different approaches to developing marketing strategies. Adopting a relationship marketing approach has implications for how we promote products and services, how we deal with customers and customer service functions and how we develop and use information about customers for targeting and other purposes. The growth of relationship marketing is so important that we consider its nature and implications in more detail in Chapter 9.

One of the reasons for the growth of relationship marketing is the recognition of the importance and value of customer loyalty and retention. Put simply, keeping an existing customer is more cost effective and profitable than creating new ones. In the same vein, loyal customers can become advocates for a company or brand, thereby helping to sell a product through word of mouth.

Many customer loyalty programmes that have been such a feature, particularly of retail marketing, and which commenced in the 1990s are in part based on the concepts and ideas of relationship marketing. Programmes such as Tesco Clubcard and Thomson Founders Club are based on the notion of developing relationships with customers to create customer loyalty. The essence of effective loyalty programmes is building communication and trust between the marketer and customers. Companies

such as Waitrose, the grocery retailer, and B&Q in the home improvement market, place enormous importance on customer care tactics that embrace high levels of customer service.

Many of these loyalty schemes involve rewarding customers in some way for loyalty. This might involve the award of points as in for example the Tesco scheme or reduced prices/special terms as in the case of The Thompson founders club. Although loyalty schemes are now widespread in marketing, the marketer has to be careful not to assume that they actually generate genuinely loyal customers. Often customers passively claim 'loyalty points' simply because they are being given out. In this way loyalty schemes can become just another form of sales promotion with the customer being offered in essence a sort of financial or other inducement to purchase.

True loyalty schemes encourage customers to decide to remain loyal to a supplier or brand because they perceive this supplier or brand to best meet their needs. In other words true customer loyalty stems from a supplier or brand being viewed as the best solution for that customer. This applies in any type of product market, developed as well as developing ones. Customers want to feel special and valued and they need to feel they can trust the marketer. Ndubisi<sup>20</sup> found that customer loyalty was affected by four major factors namely: 'trust', 'commitment', 'communication' and 'conflict handling'.

Widespread though relationship marketing has become, we have to be careful if we assume that all marketing exchanges should be relationship marketing based. Ward and Dagger<sup>21</sup> have suggested that marketers should not always adopt a relationship marketing approach. For some customers and in some situations a transaction marketing approach is most appropriate; some customers do not want or seek a relationship with a supplier or brand. Sometimes, even if customers might welcome it, building relationships and loyalty may simply be too expensive compared to the potential benefits. The relationship marketing concept is 'complex' and as yet there is no set of 'rules' that tell us when a relationship marketing approach is needed.

## Services marketing

A major development has been the growth of services marketing. Service industries have been the major growth area in most developed economies. Banking and finance, insurance, healthcare, tourism and leisure are all major service industries that need and use the tools of marketing. However there are differences in the application of marketing principles for the services marketer. A major difference is the need to consider the elements of the marketing mix from a slightly different perspective. The characteristics of service products have led to the notion of an extended marketing mix for service marketers. In addition to the conventional 'four Ps' of product, price, place, and promotion it is suggested that a fifth 'P' at least should be added to this mix, namely the '**people**' element. 'People' means anyone who directly interfaces with customers including: sales representatives, commission agents, distributors, franchise holders, service engineers, etc. In addition, two further 'Ps', namely '**process**' and '**physical evidence**' may be added (referred to as the '**3Ps**' of **service marketing**). Undoubtedly, the people element is crucial in the marketing of services, and must be considered and planned for by service marketers. We know that a key determinant affecting customer satisfaction and hence once again loyalty in services marketing is the customer's perception of the service providers personnel. For example, a recent study by Paul *et al.*<sup>22</sup> supports the view that the people element is a crucial factor affecting customer retention. The issues that services marketing gives rise to, along with extended marketing mix elements, are detailed in Chapter 17.

## New technology: e-commerce and the Internet

This development has affected every facet of business over the past 20 years, but the marketing function in particular has been influenced by the impact and importance of new technology. There are so many ways in which this has affected marketing, ranging from developments in communications to technologies of transportation and distribution, and underpinning product technologies such as genetic engineering. Perhaps the most significant development for marketers has been the growth of e-commerce and the Internet. Originally confined to being another promotional technique and a channel of distribution, the Internet is now proving an invaluable tool in marketing applications ranging from market research (Schibrowsky *et al.*<sup>23</sup>), through to speeding the acceptance of new product innovations (Davidson and Copulsky<sup>24</sup>) or even scanning the marketing environment for marketing planning (Decker *et al.*<sup>25</sup>). In addition of course the Internet is now a major element in the continued growth of **direct marketing** which is the subject of Chapter 10.

Virtually every aspect of marketing management and planning, is affected by these developments, so marketing personnel need to be conversant with such developments. Because the impact of e-commerce and the Internet is so ubiquitous in marketing, we discuss the impact and implications of these facets throughout the text, but in particular in Chapters 9, 10, 11 and 17.

## International/global marketing

Another major development in marketing has been an increasingly **international** and **global** approach to marketing. Marketers have extended their activities, and international marketing has been one of the fastest growing areas of trade and commerce. Factors like the continued liberalization of international trade, more cosmopolitan customers and potential for profit opportunities have led to the growth of global companies increasingly marketing global brands. Paliwoda and Marinova<sup>26</sup> have suggested that the enlarged single European market represents one of the most significant future marketing challenges and will require distinct changes in the marketing strategies and tactics of companies operating in this market. Again, the basic concepts and techniques of strategic marketing apply irrespective of whether we are marketing in domestic markets or across international frontiers. However, as with services marketing, the extra considerations caused by the complexity of marketing on an international or global scale mean there are a number of special issues for marketing that do not arise when marketing on a purely domestic basis. International and global aspects are considered in more detail in Chapter 16.

## Internal marketing

It was earlier suggested that in the marketing oriented company it is essential for everyone in an organization to become customer oriented. This, in turn, has led to the growth of the notion of internal marketing. This idea of internal marketing centres on the notion of 'marketing' the importance of customers and of customer orientation to everyone in the organization. The idea suggests that employees of the organization can usefully be looked at and dealt with in the same way as external customers. For example, production staff are urged to consider, say, the sales force who have to sell the products as internal customers. At the same time the sales force should look at the production

staff as one of their internal customers. There are several reasons and advantages for looking at other parts of the organization as customers in this way. Among the most important of these is the fact that it encourages functions that do not have a direct contact with external customers to appreciate the ideas of marketing and customers, and to understand how their activities can affect external customers with regard to customer satisfaction and service. Some even suggest that internal marketing has important implications for and is related to the happiness of employees at work Vasconcelos<sup>27</sup>). Internal marketing has important implications for the implementation of strategic marketing and in particular the development of marketing orientation. Detailed discussion of this issue is contained in Chapters 9 and 17.

## Ethical and social aspects of marketing

Over the years, marketing and marketers have, sometimes with justification, sometimes without, generated antagonism and criticism regarding ethical and social implications associated with marketing activities. Occasionally this antagonism and criticism has been general in nature, for example, attacking notions such as the 'consumer society' or the 'waste of money' on advertising and packaging. At other times, antagonism and criticism has been focused on a particular company and/or incident such as the controversy when Greenpeace criticized Shell for plans to sink the Brent Spar oil platform in the North Sea. Overall, consumers are now much more aware of their rights and the responsibilities of marketers. Similarly, more and more consumers are concerned about protecting the environment and their health from the worst excesses of the marketer. The '**green consumer**' is now a permanent feature and not simply a fad of the 1990s. As Grant<sup>28</sup> shows, soon many marketers will have to plan around low carbon economies where sustainability is the order of the day. Related to this, increasingly marketers must plan within a complex and tough regulatory environment. We now have regulations related to every area of marketing ranging from aspects as diverse as direct marketing (Brubaker)<sup>29</sup> through to relationship marketing techniques (Murphy *et al.*<sup>30</sup>). Even where there are few regulations at the moment, marketers are learning the value of imposing self regulation on some of their activities. Because of these developments, modern-day marketing managers need to be aware of, take account of, and plan for, the social and ethical implications of their marketing strategies.

A controversial ethical area of marketing in recent years has concerned marketing to children. An example of one issue that has been the subject of considerable criticism has been the marketing of what some have suggested are unhealthy children's food products. Some marketers have responded positively to these criticisms. The Co-op, for example, undertakes to use its advertising to promote healthy diets to children; it has also banned the use of characters and cartoons on products which are judged to be high in fat, sugar or salt.

## Extended applications for marketing

For many years, marketing concepts and techniques were associated with, and applied to, the marketing of consumer products in the **business-to-consumer (B2C)** sense. These applications spread into **business-to-business marketing (B2B)** such as component suppliers and industrial equipment suppliers. Increasingly, marketing concepts and techniques are being utilized by any organization that has exchange relationships with its public. This includes charities; public sector organizations like

libraries, public amenities and the police service; political parties and candidates; causes and ideas; schools and universities; hospitals and other health services. It is now generally accepted that marketing concepts and techniques are not only useful and relevant to any organization where an exchange takes place between one party and another, but also that their application is, in principle, no different from the original applications for marketing in profit-seeking consumer goods organizations.

### Cutting Back on Expenses

In 2009 *The Daily Telegraph*, a British national newspaper group, was offered details of expenses and allowances claimed by UK members of parliament. Although essentially confidential, the newspaper decided that releasing this information was in the public interest and began to publish details. The result was a bombshell. The details revealed dozens of MPs claiming as much as they could get away with and more besides.

For example, there were claims against second homes that had never been lived in by the MP. There were claims for duck ponds, garden mowers, expensive televisions and chandeliers. Understandably there was a public outcry. As a result several MPs resigned, there were questions in Parliament, apologies from party leaders and new legislation pertaining to claiming expenses and allowances was rushed through. But what has this to do with marketing? The answer is a lot.

In the first instance much of the problem was caused by a complete lack of understanding, even disdain by MPs of their 'customers' and markets. Many MPs were generally surprised by the furore caused. They apparently simply did not understand why the public was upset which suggests they were not in touch with the needs and views of their voting public. Voters expect lots of things from the politicians they elect, but above all they trust MPs to represent their interests in an honest way. The expenses scandal goes back to marketing basics in terms of understanding what your customers (voters) are buying. Having got into this position, MPs and Parliament itself need to use the tools of marketing to begin to remedy the situation. MPs need first to talk to their constituents and find out their real feelings. MPs need to come up with credible solutions to persuade their constituents and voters that this will never happen again. MPs need to communicate their proposals effectively to voters through announcements from Parliament and personal PR in their own constituencies. Only by marketing themselves effectively, beginning with understanding voters' needs, will MPs and Parliament begin the long and painful process of rehabilitation in the eyes of the British voting public.

## SUMMARY

In this chapter we have traced the background to the development of marketing as a philosophy and a function in contemporary organizations. In particular, we have emphasized the importance of being marketing oriented, what this means, and how a company can improve in this respect.

We have also seen that at the same time as some companies struggle to come to terms with the meaning and application of basic marketing principles, marketing itself is changing.

A fundamental characteristic of this chapter has been to demonstrate that marketing is becoming more strategic in nature. The reasons for this are many, but include the pace of environmental and technological change, more aware consumers, increased competition, and increased organizational size and complexity.

A key point has been the discussion of the meaning of strategy and strategic planning together with the key elements of strategic marketing planning. These elements have been set against the framework of analysis and cross-checks necessary to develop a logical and effective planning process.

Applications of marketing have been extended far beyond organizations primarily producing consumer products and marketing itself is changing with developments such as increased use of Information Technology and its requirement for more effective relationship marketing, continued emphasis on the wider ethical and social aspects of marketing, growth in internal marketing and the expansion of global marketing.

## KEY TERMS

Marketing concept	2	Environmental scanning	23
(Marketing) origins	2	(Marketing) objectives	24
Strategic marketing	2	(Marketing) strategy	24
(Marketing) definition	2	Tactical (marketing)	24
Production orientation	4	Marketing research	24
Product orientation	5	TOWS matrix	25
Sales orientation	6	Contingency thinking	26
Consumerism	8	Marketing information	
Kennedy's 'rights'	8	system (MkIS)	27
Marketing orientation	9	Management information	
Internal marketing	9	system (MIS)	27
Customer care	9	Relationship marketing (RM)	29
Marketing mix	15	Transactional marketing	29
Strategic business units (SBUs)	17	People, Process, Physical	
Corporate mission statement	21	evidence (3 Ps of service	
Corporate objectives	21	marketing)	30
Corporate constraints	22	Direct marketing	31
Marketing audit	22	International marketing	31
SWOT	22	Global marketing	31
PEST	22	Green consumer	32
SLEPT	22	Business-to-consumer (B2C)	32
PESTLE	22	Business-to-business (B2B)	32
STEEPLE	22		

## CASE STUDY

**Beckett Organics**

John Beckett enjoys vegetables, so much so that he has given up his full-time job as a lawyer to concentrate on growing and marketing organic vegetables. He started growing vegetables 20 years ago in his back garden and eventually became fully self-sufficient in supplying vegetables for the family. Partly bored with his legal job and tempted by an attractive severance package, John decided he would try to establish his own vegetable supply business. Eighteen months ago he looked around for two fields to lease in which he could grow organic vegetables.

Organic products, including vegetables, are a growth market in the UK. Growers must adhere to strict guidelines in order to gain organic certification. Increasing awareness of the problems associated with many pesticides and fertilizers, coupled with an increased interest in healthy eating habits and 'wholesome' food, has meant that many consumers are now either purchasing or interested in purchasing organic vegetables. This is true not only of household customers, but in addition, many restaurants are using the lure of organic produce to give them a distinctive edge in the marketplace. All this has meant that many of the larger supermarkets in the UK have begun to stock more and more organic produce; from what was a relatively specialized market in the 1990s, the market has grown to where overall organic produce accounts for some 12 per cent of the total UK grocery market and in world-wide terms as of January 2010 it accounts

for approximately 3 per cent of all food sales. The market for organic vegetables has grown more rapidly than other organic products and it is estimated that by 2014 some 25 per cent of all vegetables marketed in the UK will be organic. This growth has been sustained at a rate of around 20 per cent per year in developed countries. However, organic yields are between 10 and 20 per cent lower than conventional agriculture, with crops like potatoes some 40 per cent lower. Unsurprisingly, this makes organic produce on average around 40 per cent more expensive than non-organic produce.

A.C. Nielsen Co. cite the case of the United States where organic sales eased in the second half of 2009 as middle- and upper-income families have felt the strain of layoffs and declining investment portfolios. Sales in December 2009 were up 5.6 per cent, year on year, compared with a 25.6 per cent rise a year earlier.

Organic vegetables offer several advantages over their non-organic counterparts:

- They are generally tastier, and because they are not treated in the same way, are usually fresher than non-organic products.
- They are good for a healthy lifestyle as they contain no pesticides or chemicals.
- The fact that no pesticides or herbicides are used in their production means that they are much 'greener'. For example, they help to reduce the problems associated with nitrates in the soil and water supplies.
- On the downside, organic vegetables are generally less uniform, and as far as

## CASE STUDY ... continued

some consumers are concerned, are less attractive in appearance. This lack of uniformity has also been a problem in the past with supermarket buyers who have traditionally looked for uniformity in fresh products to aid merchandising and marketing in retail outlets.

- Generally, organic vegetables are more expensive than their non-organic counterparts. Currently, on average they are somewhere in the region of 40 per cent more expensive.

In the UK, anyone wishing to claim that their produce is organic, and market it in this way, needs to obtain the approval of the Soil Association, which checks the organic credentials of a supplier. For example in this case, they check the conditions under which the produce is grown and how the seeds used.

Two interesting developments are taking place in the organic produce market. One is the growth of home supplies. This is where the producer supplies direct to the householder. There are a variety of ways of doing this. Some smaller growers use mail-shots and leafleting to build up a client base. They then deliver locally to customers who order from a list. Very often the supplier will simply make up a box of a predetermined value or weight containing a selection of vegetables which are in season and ready for picking. Other suppliers are using a similar system, but take their orders via the Internet. This is particularly suitable for this type of product as customers can check on a regular basis what is available and order from home. The

produce is then delivered at a pre-arranged time.

The second development in the organic produce market is the growth of farmers' markets. These markets are usually run by local authorities, often on Saturdays or Sundays. Local and other producers attend these markets, paying a small fee for a stall and then selling their produce direct to the consumer. These farmers' markets came about partly as a result of the frustration felt by many farmers and growers at the way they were being treated by retailers and at the margins they were receiving. In addition, such markets have been successful because consumers feel they are getting fresh produce at lower prices than they might be able to obtain through supermarkets.

Despite the growth in the market for organic vegetables, after 18 months in his business, John is worried. Quite simply, his business has not been as successful as he envisaged it would be, and as a result he is not earning enough to make a living. The real worry is that he is not sure why this is the case. His produce, he believes, is as good as anything in the business. He is a very good grower and the land he has leased is perfect for the range of produce he wishes to grow. Starting with organic potatoes he now produces a range of organic vegetables including beans, sprouts, carrots, lettuce and his latest venture: organic tomatoes and corn grown in poly-tunnels. Although customers he currently supplies are very loyal to John, indeed many are friends and acquaintances he has known over the years when he grew vegetables in his

## CASE STUDY ... continued

back garden, there are simply not enough of them. As a result, his turnover, which increased rapidly over the first year of the business, has for the last six months has stagnated. He mainly supplies locally and has tried to increase his customer base by taking leaflets out and posting them through letterboxes in the area. He has done this by dividing up the housing areas in a 10-mile radius around his growing area and dropping leaflets throughout the area to as many houses as he can cover on a systematic basis. Only some 2 per cent of customers have responded with an order, usually contacting by telephone. These customers seem to come from the middle-class areas. He has considered taking a stall at one of the farmers' markets, the nearest of which is some 40 miles away and operates one day per month, but he realizes this would not be enough to reach the turnover levels he requires. He has in the past

supplied one or two local restaurants and hotels, but usually only when they have contacted him because they have had a problem with their existing supplier. He has never followed these up. His growing area is currently too small to supply a major retailer, although he has been approached on an informal basis by the buyer of a voluntary chain of local grocers representing some 40 retail outlets in the county.

John is wondering where he goes from here. He cannot understand why his superior products are not selling well. A friend has suggested that John needs a more strategic approach to marketing. John is not convinced. He feels his business is too small to warrant any kind of marketing, never mind strategic marketing, and he has always felt that a good product should sell itself. He is, however, anxious to grow the business and become a leading organic vegetable supplier.

## CASE STUDY QUESTION

What advice would you give to John about developing his business through more effective strategic marketing?

Suggestions as to how to approach and answer this question are contained on the accompanying website. In addition a number of longer strategic case studies, along with suggested solutions, are also contained on the website.

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