

Having arrived home from college (possibly reading an evening newspaper on the way) you switch on the television. Apart from anything else, the news may interest you. It might feature corporate strategies, business expansion, consumer trends, unemployment, trade figures and company executives explaining their corporate plans. Political and technical changes are presented in relation to the future of society.

In the evening, you decide to go out. The pub? A nightclub? The cinema? A football match? Once again the choice of entertainment is yours – at a price.

You arrive home and are ready for bed. You take one last look at the television, again more adverts, possibly a programme on business. How about a final drink? Tea, coffee or cocoa? And so to sleep.

You can see that, as a customer, you have immense power. The actions of customers determine which companies and products succeed and, conversely, those which fail. Size is no guarantee of success. Unilever, a very large UK company making soap and detergents, has been forced to take a product called ‘Persil Power’ off the market. This is because it has been conclusively proved to damage clothes over a series of washes. If the product was not withdrawn from sales, angry customers might not have trusted any of the company’s products again. This would have led to enormous loss in profits.



Figure 1.1: The Marketing Approach

Figure 1.1 shows the range of functions which are covered by the term marketing. The marketing approach incorporates and integrates all these functions. Here is a brief overview of some key issues in each area.

New Product and Services

Firms try to guarantee their future survival by developing new products and services. They need to ask some key questions: What benefits do consumers require? Is it technically feasible? How quickly will it date?

Pricing

How much will customers pay? What are the costs that must be covered? Is there a link between price and quality?

Distribution

What is the most effective way to distribute products? Can distribution be streamlined to save costs?

Packaging

How can the company use less packaging? Can this reduction become part of an environmental campaign? Does the product need to be tamperproof?

Advertising

Which media should be used (press, television, radio, cinema, roadside posters)? How can the target audience be reached with effective messages at a reasonable cost? Should the advertising be based on humour, or not?

Sales promotion

Would the product benefit from in-store displays and demonstrations? Should the product have special offers?

Public relations

Companies need to concentrate on communication and publicity.

Sponsorship

Is it worthwhile to sponsor a sports event to increase awareness? Should the company sponsor a worthy cause?

Sales

This is only one aspect of marketing -- some people think marketing is only about sales, but this is not so. Issues in this area include sales force size and sales territory planning.

After-sales service

What happens if the product breaks down or the service is poor? Warranties and guarantees may be offered, as may telephone hot-line emergency numbers.

Competitive analysis

Who are the main competitors? What are their strengths and weaknesses?

Business analysis and planning

How quickly should the company expand? What financial controls need to be in operation?

Marketing research

What is the size of the market? What do customers think about the service the company offers?

It can be seen that marketing encompasses a wide range of functions. It has a vital role to play in developing successful businesses.

Marketing Definitions

Before examining the components of a marketing orientation in some detail, it is necessary to attempt to define marketing. This is not easy, as numerous definitions exist. However, many definitions stress the same fundamental points.

The Chartered Institute of Marketing offers this definition: ‘Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.’

This definition shows how wide-ranging marketing is, and how it covers far more than just selling. Let us pick out some of the key words in the definition to show the breadth of coverage. Identify – this implies the need to undertake market research. Anticipate – this means predicting customer requirements, and improving and adapting products and services. Satisfy – this means ensuring that the customer is happy with the price, performance, design and quality of the product or service offered.

True marketing starts out with the customers, their demographics, related needs and values. It does not ask: What do we want to sell? It asks: What does the customer want to buy? It does not say: This is what our product or service does. It says: These are the satisfactions the customer looks for.

Peter Drucker, 1991, Management, London: Pan, p.59.



ACTIVITY 2: QUESTION

Review these two definitions (by the Chartered Institute of Marketing and Peter Drucker) and write down their central feature.



ACTIVITY 2: ANSWER

Customer orientation or the emphasis on how to provide customers with both current and future needs is the central feature of a marketing philosophy. This means the organisation must be integrated so that marketing becomes the aim of the whole company rather than a specific department.

Exchange and Value

Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others.

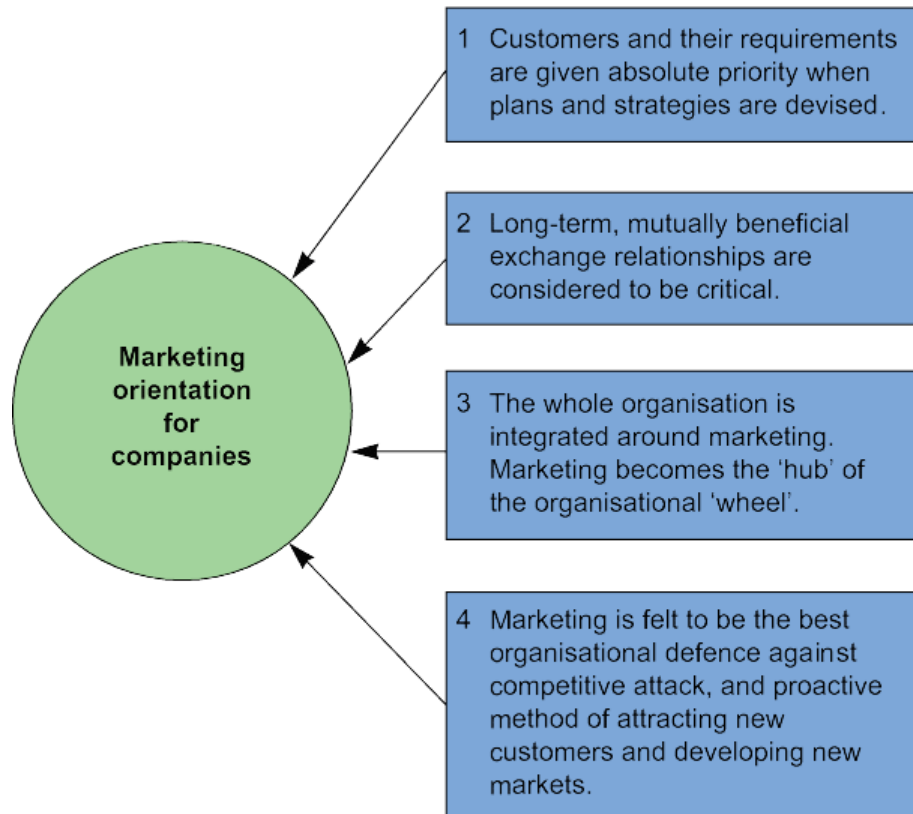
Philip Kotler, 1993, *Marketing Management*, 7th edn, New Jersey: Prentice Hall International, p.4.

The customer pays a price for a given article, but customers are also giving the company their loyalty and trust. If customers are pleased with what the company provides then they may reward it with a lifetime of loyal custom; over time their purchases add up to a considerable sum. Think of a bank which recruits customers as students and receives their loyal custom over a lifetime. Many students take up well-paid jobs and demand a range of financial products throughout their lives. The bank will not lose these customers if it fulfils their needs competently, thus minimising the costly business of recruiting new customers.

The same issues apply to business. Banks are not only concerned with individual accounts but with obtaining and holding company accounts too. When a company prices a given product or service, it has to be confident that the customer will consider that price good value, taking into account quality, reliability and competitive alternatives.

The key to a successful exchange relationship is that both parties are totally satisfied with the price paid. Then the relationship is likely to be a long-term one. The Arthur Daley character might sell a dodgy car to a trusting customer once, but never again. This is a one-off sale to a gullible customer.

Figure 1.2 shows several critical propositions in a marketing orientation. Companies that fully incorporate all four components can be described as fully marketing oriented but many firms are only part of the way to achieving this state.



Note: the use of all four components implies a strong marketing orientation using less than all four implies a weaker orientation.

Figure 1.2: The Crucial Components of a Marketing Orientation

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ACTIVITY 3: QUESTION

Reread the Chartered Institute of Marketing definition of marketing. Do you feel it takes into account all the points in figure 1.2? Suggest a fuller definition of marketing.

A

ACTIVITY 3: ANSWER

The strength of the Chartered Institute of Marketing definition is its focus on the customer. However, given the developments in the pace of technological change, and in the growth of competition on a world-wide scale, it can be argued that the definition does not pay sufficient attention to the competitive aspect. The actions of companies must take competitors into account because they are a very important factor when making key decisions such as whether to enter a given market. Hence, the words 'taking the actions and reactions of competitors fully into account' could be added to the end of the Chartered Institute of Marketing definition.