unit 1

the development of marketing and marketing orientation

Learning objectives

Learning outcomes

By the end of this unit, you will be able to:

- Explain the development of marketing and the ways it can benefit business and organizations.
- Identify the main steps in, and barriers to, achieving a marketing orientation within the organization.

Knowledge and skills

By the end of this unit, you will be able to:

- Explain the development of marketing as an exchange process, a philosophy of business and a managerial function (1.1).
- Recognize the contribution of marketing as a means of creating customer value and as a form of competition (1.2).
- Appreciate the importance of a market orientation to organizational performance and identify the factors that promote and impede the adoption of a market orientation (1.3).
- Explain the role of marketing in co-ordinating organizational resources both within and outside the marketing function (1.4).
- Describe the impacts of marketing actions on society and the need for marketers to act in an ethical and socially responsible manner (1.5).
- Examine the significance of buyer–seller relationships in marketing and the role of relationship marketing in facilitating the retention of customers (1.6).
Study Guide

This first unit is an introduction to the development, meaning and role of marketing in the contemporary organization. In short, this unit sets the scene for the remaining units in the guide. In a way, the unit reflects the process that must occur in an organization, if it is to improve its performance in marketing, in as much as the first step towards this improvement is an understanding of what marketing means and how it can be implemented. We shall start by looking at the definitions of marketing, moving on to consider the so-called ‘marketing concept’ and ‘marketing orientation’. We shall look at the development of marketing and the notion of marketing as an exchange process, a philosophy of business and a managerial function. We shall also look at the importance of a marketing orientation to organizational performance and the issues and problems in implementing a marketing orientation through building and enhancing a marketing culture. The important contribution of marketing as a means of creating customer value and as a form of competition is considered, together with the role of marketing in co-ordinating organizational resources, both within and outside the marketing function. We shall consider the changing role of marketing, and in particular the wider range of applications for marketing these days; the importance of environmental, ethical and social issues in marketing and the growth of the so-called ‘relationship marketing’. Finally, we shall introduce you to the increasing importance of new technology in marketing these days, a theme that will be explored in each of the units in the coursebook.

We would expect you to take about 3 hours to work through this first unit, and suggest you allow a further 3–4 hours to undertake the various activities suggested. Other than your notebook and writing equipment you will not need anything further to complete this unit.

This first unit will also help you familiarize with the approach and style of our coursebooks. Of course, if you are studying other subjects using the Butterworth-Heinemann coursebooks, you will be used to the approach. However, in case you are new to the coursebook series, you will find that the coursebooks have been developed to ensure that you acquire not only the knowledge necessary for examination success but also the skills to apply that knowledge, both in the examination and in your work as a practising marketer. Some of the elements, outlined at the start of the coursebook and especially the activities and questions and so on, are designed, of course, to help you develop these application skills. Remember then, these activities and so on are central to the design of the coursebooks and you are therefore advised to avoid the temptation to leave them out.

Learning outcomes/unit guide

Before we start to work through this first unit, we felt it would be useful to provide you with an overview of how each of the key learning outcomes for the Fundamentals module, as set out in the CIM specification for this module, relate to this and the other units in the coursebook. The full CIM specification for the module is, in fact, contained in Appendix 5 of your coursebook; and the following table maps out or signposts the main CIM learning objectives and in which unit(s) these are covered.
Learning outcomes | Study units/syllabus reference
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○ Explain the development of marketing and the ways it can benefit business and organizations (5.23.1) | Unit 1/Element 1
○ Identify the main steps in, and barriers to, achieving a marketing orientation within the organization (5.23.1) | Unit 1/Element 1
○ Explain the context of, and process for, marketing planning and budgeting including related models (5.23.3) | Unit 2/Element 2
○ Explain the concept of segmentation and the different bases for effective segmentation (5.23.4) | Unit 2/Element 2
○ Identify and describe the individual elements and tools of the marketing mix (5.23.5) | Units 3, 4, 5, 6, 7, 8/Elements 3, 5, 6, 7, 8
○ Identify the basic differences in application of the marketing mix involved in marketing products and services within different marketing contexts (5.23.6) | Unit 9/Element 4

Having established the signposts for the major learning objectives and the coursebook units, we can now proceed to commence with your first unit.

What is marketing?

We don’t expect a formal definition at this stage but do you really know what marketing is?

**Study tip**

Organize your study materials from the beginning of your course:

○ Use file dividers to keep broad topic areas indexed and relevant materials and articles with the relevant notes.
○ Look out for relevant articles, newspaper reports and so on that you feel provide good examples of the key concepts and techniques covered in the coursebook. You will find these useful to illustrate examination answers.

**Activity 1.1**

In your own words, describe what you think marketing is all about.

Different people will have different views of what marketing is but it would be surprising if many did not have one or more of the following in their description.

Marketing is about:

○ Selling
○ Market research
○ Advertising.
Or perhaps for those of you who work in marketing, it is about ‘Selling products that don’t come back to customers who do’.

For those of you who prefer a more formal approach, marketing may be about ‘Analysis, Planning, Implementation and Control in order to develop a competitive advantage’.

The common theme that runs through this variety of viewpoints about what marketing entails is that marketing is a set of activities or, more specifically, a set of managerial activities or functions required to be performed in an organization. Certainly, marketing does encompass activities such as selling, researching markets, attracting and keeping customers, and developing and implementing plans. In short, it is true that it is a managerial function. In fact, this managerial function of marketing is enshrined in the CIM’s own definition of marketing as follows.

Key definition

Marketing – Is ‘The management process which identifies, anticipates and satisfies customer requirements efficiently and profitably’.

We can see, though, that the CIM definition, in addition to confirming marketing as a management process, also highlights the fact that the central focus of this process is on the ‘customer’ and the aim is ‘satisfying’ his or her requirements or ‘needs’. Finally, all this must be done in the most efficient way possible with a view to achieving maximum profitability.

In fact, as you would expect, most of the formal definitions of marketing are very similar. Here, for example, are two more for you to consider.

Key definitions

Marketing – Consists of individual and organizational activities that facilitate and expedite satisfying exchange relationships in a dynamic environment through the creation, distribution, promotion and pricing of goods, services and ideas. (Dibb et al., 2005)

Marketing – Means working with markets to bring about exchanges for the purpose of satisfying human needs and wants. It is a process by which individuals and groups obtain what they need and want creating and exchanging products and value with others. (Kotler et al., 2000)

Extending Knowledge

The CIM website, www.cim.co.uk, provides some very useful information regarding definitions and perspectives on marketing.

So, then, if we are to understand the fundamentals of marketing, we must learn about what this management process consists of. We need to know the key tasks of marketing management and the marketing tools that are used in these tasks. Indeed, in the following units, we shall be exploring both tasks and tools more closely. However, marketing is not only or even primarily a
management function or set of activities. First and foremost, marketing is a way of thinking, or, as it is often called, a 'concept' for running a business. Some have even argued that marketing is essentially a 'philosophy'. The point is that only by first understanding and accepting this way of thinking (concept or philosophy) can a company begin to develop a marketing culture or orientation and, hence, ultimately become effective at marketing.

So, what is this so-called 'marketing concept' and how does it relate to the development of a marketing culture?

**The marketing concept: marketing orientation**

Put simply, the marketing concept focuses on customers. A company that adopts the marketing concept puts the customer at the centre of all business decision-making and planning, and not just marketing department's decision-making and planning. A company with this approach is said to be marketing oriented. In order to understand the meaning and implications of being marketing oriented, we need to examine briefly the background to the development of the marketing concept and the distinction between a marketing- and a production-/product-/sales-oriented company. We shall start by highlighting the distinctions between these orientations in a company.

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**Activity 1.2**

Marketing oriented versus other possible orientations of an organization.

A company can be:

- Production oriented
- Product oriented
- Sales oriented
- Marketing oriented.

Using the following statements from the management of our hypothetical organizations, can you assess which of these four possible orientations for a company best fits the organization described by each statement. Read each of the descriptions and then place a number in the circles to indicate the following:

1. This company is marketing oriented
2. This company is sales oriented
3. This company is production oriented
4. This company is product oriented.

**Company A**

'We believe that our products are the most innovative on the market. Our quality is second to none and we've gone all out to develop the best design team in the business.'
No. 〇
Company B

‘Our salespeople understand how to get the customer to sign on the dotted line. Most customers really want to purchase our product when they see it; they just need a little push to make up their mind.’

No. 〇
Company C

‘Customers can be very fickle sometimes. We’ve just had to change a specification because the customer wanted something else at the last minute. This also affected our production schedules and our delivery department, and everything had to be re-costed. Still at least everyone pulled together on this one.’

No. 〇
Company D

‘The customer can have any colour so long as it’s black.’

No. 〇

So, what conclusions did you arrive at from this activity?

Of course, some of you will have recognized the well-known quote of our old friend Henry Ford, the founder of the Ford Motor Company, in Company D. Allegedly, Henry Ford was said to have uttered this much-quoted phrase about the world’s first mass-produced motor car.

At the time, the 1920s, Ford’s major concern was with the problems of producing cars in sufficient volume and at a price the huge latent mass market, which he rightly perceived to exist, could afford. The colour of his cars, therefore, mattered little to Henry Ford other than the fact that only producing one colour enabled both output to be greater and prices to be lower.

Interestingly, at the time, Ford’s focus on production rather than the colour preferences of his customers was right. Customers at the time were less interested in colour than in availability and affordability. Henry Ford’s approach was right for the time.

This is an important lesson to learn. The need to be marketing oriented (Company C in our example) is a function of the market and competitive conditions now faced by companies. Put another way, marketing orientation is the result of a gradual process of evolution that many, if not all, companies have passed through as societies, manufacturing economies and customers themselves have evolved.
The stages of evolution are shown in a table below.

<table>
<thead>
<tr>
<th>Era (approx.)</th>
<th>Orientation/emphasis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900–1930s</td>
<td>Production orientation</td>
</tr>
<tr>
<td>1930s–1960s</td>
<td>Selling orientation</td>
</tr>
<tr>
<td>1960s–present</td>
<td>Marketing orientation</td>
</tr>
</tbody>
</table>

A good summary of the differences between the production, selling and marketing concepts is provided by Kotler as follows:

*The production concept concentrates on production and distribution economies. This in turn is based on the notion that consumers will choose lower priced products that are readily available.*

*The selling concept is of course based on the notion that customers need to be persuaded to buy through aggressive selling and promotion.*

*The marketing concept is based on the notion that organizations can best meet their objectives by concentrating on customer needs and satisfying these needs better than competitors.*

NB Perhaps there have always been, and always will be, those inventors/companies who dangerously believe that product orientation is the secret of commercial success.

In fact, as we shall see later, societies and therefore markets are still evolving and so too is marketing thought and practice. For example, many developed economies have now become service economies, giving rise to additional considerations in 'services marketing'. Similarly, many consumers are much more concerned about the environment and the possible effects of marketing activities, giving rise to 'social marketing'. Finally, organizations other than 'for-profit' ones are embracing the marketing concept and marketing practices. Charities, churches, political parties and personalities are only some of these wider applications of what is sometimes termed 'metamarketing'.

We shall, therefore, be considering some of the implications of this evolving nature of the marketing culture later in this unit, and in subsequent units also. In addition to these wider applications of marketing, however, marketing practices too are evolving and changing. In this respect, several recent developments in marketing are particularly worthy of note, namely: the growth of the so-called 'relationship marketing' and the development of 'network marketing'. Perhaps, one of the most significant developments affecting all marketing managers in recent years, however, is the changing nature of marketing due to an increased use, and application, of information technology (IT). As in many areas of business, IT, in all its forms, is having a significant impact on management practice. In the area of marketing, examples of this impact would include: the growth of the Internet with its implications for areas such as home shopping, marketing communications and so on; increasing sophistication in the use of databases for marketing purposes with its implications for areas such as direct mail; increasingly powerful computer-based techniques for analysing customers and markets with their implications for areas such as market segmentation and targeting, and brand positioning. Again, we shall look at the evolving and changing nature of marketing practices in more detail in this unit, and the units which follow, as appropriate.
Exam hint

As this is the Marketing Fundamentals paper, the examiners are unlikely to expect you to be an expert in the more specialized applications of marketing. However, the examiners will expect you to have a good basic grasp of how marketing and its applications are widening and changing in the modern world. It is vital, therefore, that you try to keep as up to date as possible with what is going on in the world of marketing. The examiners will expect you to be familiar with current thinking and practices in marketing. This coursebook, of course, is designed, as far as possible, to encompass and reflect this thinking and practices, but the marketing world is very dynamic and you should try to keep up to date with current industry practices. A good general-purpose magazine on marketing designed for the marketing practitioner, such as *Marketing Today*, or even the financial pages of a good quality newspaper will help you in keeping up to date and in providing you with lots of examples that will potentially earn you higher marks in the examination.

Factors contributing to the need to be marketing oriented

Many factors have contributed to the requirement to be marketing oriented in today’s business environment, but to appreciate some of the more important of these you should complete the activity below before proceeding.

Activity 1.3

Factors underpinning the need to be market oriented

Below are listed some of the key factors that have contributed to the need to be marketing oriented. In order to help you in this activity, we have described the ‘state’ of each factor when, as it was in the days of Henry Ford, production orientation was appropriate for organizations.

What you should do is assess the ‘state’ of these factors today, which in turn underpins the need to be marketing oriented.

Look carefully at each factor as it relates to the production-oriented era and then decide how you feel each factor is likely to have changed in the era of marketing orientation.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Production-oriented era</th>
<th>Marketing-oriented era</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand</td>
<td>Latent demand high</td>
<td></td>
</tr>
<tr>
<td>Average disposable income</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>General level of education</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Mass media/access to information</td>
<td>Underdeveloped/low</td>
<td></td>
</tr>
<tr>
<td>Supply/industry capacity</td>
<td>Insufficient</td>
<td></td>
</tr>
<tr>
<td>Competition</td>
<td>Negligible/local</td>
<td></td>
</tr>
</tbody>
</table>

You should now compare your descriptions for each of the factors with those shown in the debriefing activity.
Broad economic, political, social and technological factors have all contributed to the development of marketing orientation; however, you will not be surprised if we say that, in summarizing these factors, the overriding reason underpinning the need to be marketing oriented is customer choice. Quite simply, the organization most effectively identifying and supplying customer needs will get the business.

Again, it is important to stress that both production and sales orientation were probably the right approaches to markets for their times. However, not only does it now make more sense to focus the whole of the business and hence product design, pricing policies, distribution and everything else on a careful analysis of customer needs, that is to start the planning process around those needs, but the fact is that in today’s environment being market oriented is an essential – perhaps the essential – ingredient in organizational survival and success. Business planning must now start and end with the customer.

We shall be looking at marketing planning shortly, but it is important to recognize that marketing plans and business plans are different albeit totally interrelated.

The business plan, perhaps as you would expect, relates to the organization as a whole and therefore encompasses objectives and strategies for the whole company, embracing all functions and activities. Marketing plans, however, again as one would expect, relate to marketing objectives and strategies and primarily involve the functions and activities of the marketing department. One could perhaps readily understand that marketing plans must start and end with customers, but under the marketing concept, and where a marketing culture exists in an organization, the business plans too, despite their wider remit, must start and end with customers. The simple reason for this is that in the final analysis, it is the customer’s needs, and the importance of identifying and satisfying these, which lie at the heart of the success or failure of business plans.

Again, it is acknowledged that business plans necessarily have a broader remit than just the marketing part of the business and must seek to co-ordinate every key function in the organization. However, the primary input into and focus for all the elements of the business plan in the company, which has a true marketing culture, must centre on the needs of the customer.

Truly, marketing-oriented organization, then, is the one that places the customer and their needs at the centre of everything the company does. Not only marketers and the marketing function must accept this central importance of customers and hence the need to develop plans and activities to satisfy them, but every department, even every individual, in the marketing-oriented organization must be attuned to the importance of satisfying customer needs. We shall return to this aspect later.

This, then, is what is meant by being marketing oriented.

Key definition

**Marketing orientation** – Is a philosophy that places customer satisfaction at the centre of all organizational planning and decision-making. (Withey, 2005)
Marketing as a form of competition: creating customer value

Although marketing and being marketing oriented is essentially, as we have seen, about thinking customers and focusing all the company’s efforts and resources on customer needs and their satisfaction, increasingly marketers are recognizing that it is as important to be competitor as well as customer oriented. This does not detract from the importance of customer orientation but is simply a recognition that with so much competition about these days, and with so many of those competitors themselves being very customer and marketing oriented, very often the achievement of organizational and marketing objectives rests on whether or not a company can beat the competition. Beating the competition, of course, should still be viewed from a customer perspective; competitors are beaten where customers perceive a company’s offerings or more specifically the value of those offerings to be superior to competitor offerings. In this sense, then, although still oriented around customers, marketing can be thought of as a form of competition. The marketer’s task is to compete with other potential suppliers by creating and maintaining superior customer value through the effective application and co-ordination of the marketing mix. Obviously, there are numerous ways in which a company can attempt to create superior customer value including, for example, low prices, better service, higher quality, speedier delivery and so on. The ways in which a company creates superior value should not only reflect customer needs but also need to be based on marketing assets and strengths which are superior to competitors and which can be defended and sustained in the marketplace. Marketers often refer to this process, then, as creating a sustainable competitive advantage (SCA). The SCA, then, represents the objective and the output of successful marketing activities in the contemporary organization.

The importance of creating customer value in today’s extremely competitive environment cannot be stressed enough. Customers now have substantial choice, are well informed and are prepared to shop around. This has made customers more and more demanding when they choose between competing products and services, and they will, for obvious reasons, choose those suppliers and brands that offer the highest value. Increasingly, though, marketers have recognized that ‘highest value’ does not necessarily mean ‘lowest price’. Rather customers compare price against the perceived benefits of a product or service to assess value. This seemingly simple idea, in fact, has several far-reaching implications for today’s marketer. One important implication is that the marketer must look at value from the customers’ perspective. In particular, the marketer first must understand what the customer values, or can be persuaded to value, in a product or service. Secondly, the marketer must then develop marketing programmes, and particularly the design of the marketing mix, based on these identified dimensions of customer value. Finally, the marketer must evaluate and surpass competitors with respect to the customers’ value dimensions. Offering the best value to customers in turn leads to satisfied and hence increasingly loyal customers who as a result become valuable assets to the organization. Value-based marketing creates what is effectively a virtuous circle: the marketer delivers value, customers become increasingly loyal, the value of the company is increased which in turn enables the marketer to offer even greater value and so the process continues with competitors being increasingly shut out of the process. The future of marketing is increasingly about building and sustaining value for customers.

Building a marketing culture

We have seen that in today’s environment, it is vital to become marketing oriented. But we have also seen that, although perhaps the identification of customer needs and the development of plans and programmes to meet these needs are the responsibility of the marketing function, all functions and individuals in organizations need to accept the central importance of the customer. In other words, we need to establish and encourage the right (marketing oriented) attitudes and practices throughout the company. What is required therefore is a marketing culture. Needless to say, this is
easier said than done. While most managers, even non-marketing ones, would accept the importance of the customer/client to their organizations, in practice many do not ‘think customers’ in their day-to-day activities or even in long-term planning. Therefore, the questions are:

- How can we establish the extent to which an organization has the basics for building a marketing culture?
- How can we assess the extent to which this culture has permeated organizational thinking and planning?
- How, if necessary, can we instil and enhance a marketing culture in an organization?

These are not simple questions, and the last one, in particular, has no easy solution. Let us examine each question in turn.

**Business definition and a marketing culture**

The starting point for building a marketing culture in an organization is quite simply to ‘think customers’. Perhaps one of the most fundamental ways in which the extent to which the management of an organization is ‘thinking customers’ can be assessed is in how it defines what business the organization is in.

### Activity 1.4

In your own words, and as briefly as you can, summarize what business the following organizations are in:

- The Ford Motor Company
- Max Factor
- IBM
- The Catholic Church
- Your own company (or an organization you are familiar with).

Again, each of us might have different ideas about what business the organizations listed in the activity are in, but what really matters is our perspective or basis for defining each business. The non-marketing-oriented manager will base the definition of each of these organizations essentially on the products or services they produce. So, for example, Ford = cars and trucks; Max Factor = cosmetics/perfume; IBM = computers; the Catholic Church = religion and so on.

In the marketing-oriented company, however, business definitions will be based on a customer perspective (i.e. the definition will stem from the benefits that the customer is seeking). So now, Ford = ‘transport (or perhaps for some products, ‘status’); Max Factor = ‘beauty’; IBM = ‘solutions to business problems’; and the Catholic Church = ‘hope’ or ‘salvation’.
Marketing in practice: example

IBM have certainly recognized the importance of business definition in building a marketing culture and in the preparation of marketing plans and budgets. IBM constantly review their business definition ensuring that it is relevant to the marketing environment and the changes taking place in constant marketing research and customer-tracking processes to ensure that their business definition is customer oriented. IBM’s recent decision to finally move out of the personal computer market reflects the way in which IBM are constantly reassessing what business they are in.

Any organization that sees and hence defines its business in anything other than customer benefit terms has simply not reached first base in developing a marketing culture. An organization that defines its business in terms of what it produces is said to be suffering from what a famous marketing pundit and writer, Theodore Levitt, called ‘marketing myopia’.

Key definition

Marketing myopia – Results from a company having a short-sighted and narrow view of the business it is in as a result of product- or service-based business definitions rather than customer need-based ones.

Extending knowledge

Key developments in marketing thinking/Key figures

Note: Marketing myopia/Theodore Levitt

The notions of marketing myopia and the importance of business definition are, quite rightly, much-vaunted concepts in developing a marketing culture. The work of Theodore Levitt in this area therefore is considered classic.

**Activity 1.5**

**Managers’ definitions of their business**

If you can, talk to the senior managers of an organization. This could be either the one you work for or another one you can gain access to the management of.

Ask these managers, ‘What business do you feel the organization is in?’ Preferably, ask this question to both the marketing managers and the managers of other functional areas in the business.

From their answers, what do you conclude about the extent the organization has begun to develop a marketing culture by ‘thinking customers’?

**Alternative/additional activity**

If it is difficult to gain access to an organization, alternatively (or better still additionally) obtain copies of the annual reports of, say, a couple of public companies. Read through the reports, noting any signs/evidence you can find of the company’s ‘thinking customers’.

**Exam hint**

Given the stress placed on business definition in this unit, you will appreciate that this is an important area. Because of this, you can expect marketing myopia/business definition to be a popular area with examiners. It certainly has been in past papers.

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**Assessing the extent of the marketing culture**

‘Thinking customers’, then, through how we view and define the business is the first step in developing a marketing culture. But, as we have seen, ‘thinking customers’ must permeate all functions and levels of the organization, and not just the marketing function or even senior management. Certainly, talking to managers from different functions to assess how they define the business (as you have done in the previous activity in this unit) will give us the first indication of how widespread or otherwise is the marketing culture. However, given the importance of developing this culture company-wide, not surprisingly, more formal methods of assessing the extent to which a marketing culture has permeated organizational thinking and planning are available. Many organizations now enshrine this assessment in annual marketing audits, parts of which are often the measurement of the extent to which there is a marketing or customer culture. Such measurement may entail the use of formal questionnaires in a marketing-effectiveness rating review. Areas/aspects covered by such reviews include, for example:

- Evidence of market and customer research
- Co-ordination between functions based on customer needs
- Evidence of long-versus short-term planning and plans
- Company-wide communication on customer needs.
Extending knowledge

Although space does not permit the inclusion of a full marketing-effectiveness questionnaire, exposure to (and even completion of) an example of such a comprehensive and widely applied questionnaire would be very useful to understanding and knowledge in this area.

An excellent example of a questionnaire-based marketing-effectiveness instrument is contained in P. Kotler (2005) *Marketing Management*, 12th edition. If you possibly can, you should read through this, and, better still, complete the questionnaire for an organization of your choice.

Instilling and enhancing a marketing culture: factors that promote and impede the adoption of a market orientation

We have seen that a marketing culture essentially means putting the customer first and ‘thinking customers’. We have also seen that this must permeate the organization at all levels and all functions. Finally, we have seen that it is possible to assess the extent of such a marketing culture in an organization. But what if we find that no such culture exists and we wish, therefore, to instil a marketing culture? Or, as is more usual, what if we wish to enhance and extend a marketing culture throughout an organization? As mentioned earlier, this is probably the most difficult step for the majority of companies, especially when it comes to instilling such a culture into non-marketing staff. But a number of steps can be taken to grow a marketing culture.

**Activity 1.6**

Think about an organization you know – any organization will do. Use these questions to prompt your thoughts about the key steps in growing a marketing culture:

- Is senior management in the organization totally committed to customers and improved marketing?
- Has anyone the specific responsibility and authority for enhancing a marketing culture in the organization?
- Do job descriptions in functions other than marketing include reference to customer satisfaction?
- Are marketing staff regularly trained in developments in contemporary marketing concepts and techniques?
- Are non-marketing staff trained in customer appreciation and care?
- Are non-marketing and sales staff ever given a chance to meet customers/clients?
- Do reward and motivation systems in all jobs encourage employees to serve customers better?

If the answer to any of the questions in the activity is no, then there are opportunities to enhance the marketing culture in the organization.

It is important to recognize that this sort of culture cannot be achieved overnight. Indeed, there is often antagonism and resistance on the part of individuals outside the marketing or sales departments. Such resistance should be anticipated and planned for. Often, the persuasive (rather than authoritative) powers of a respected senior executive committed to building a marketing culture are essential here.

The development of a marketing culture and, in particular, the training and motivation of all the individuals in an organization to achieve this is now often referred to as internal marketing.
Key definition

**Internal marketing** – Is the creation of an internal environment which supports customer-consciousness and sales-mindedness amongst all personnel within an organization. (Christian Grönroos)

The importance and value of internal marketing to building a marketing culture and ultimately in helping to achieve an SCA has increasingly been recognized by organizations. Only if all the employees of an organization are committed to delivering customer satisfaction can an organization be said to be truly marketing oriented. In turn, achieving this commitment, it is argued, requires the senior management through the marketing function of an organization to market the need for customer orientation delivering customer satisfaction throughout a company’s employees. Internal marketing starts, then, by identifying how customer orientation relates to the needs of non-marketing employees in an organization and how these needs can be met through providing customer satisfaction. At its most basic, of course, by helping meet customer needs an employee derives the benefit of helping the company stay in business and hence help keep the job. Internal marketing needs to go further than this though to convince employees that by helping generate customer satisfaction an employee’s job satisfaction and motivation can be improved. Another facet of internal marketing is the use of the tools of marketing within the organization such as segmentation and targeting. So, for example, we should recognize that different employee groups or functional areas of the business will have different needs and requirements, so when marketing internally, we should identify and satisfy these. In addition, internal marketing is achieved through the application of an internal ‘marketing mix’ including, for example, the use of staff training; the provision of systems and technology to help employees provide customer satisfaction through their work activities; linking reward and remuneration structures to customer satisfaction and so on. Finally, it is now suggested that marketing plans should include objectives, strategies and activities for marketing internally as well as externally.

Although internal marketing is important for all organizations, it has proved particularly popular in service organizations, for example banks, hotels and so on, where a wide range of staff are often in direct contact with customers. Not-for-profit organizations too have made extensive use of the idea of internal marketing. Some of the special and additional issues of marketing in voluntary and not-for-profit organizations are considered in more detail in Unit 9, but in the context of internal marketing, the fact that many voluntary and not-for-profit organizations also have substantial employee contact with their customers and clients, coupled with the fact that the exchange process between company and customer is often complex and multi-faceted, serve to heighten the importance of all employees being customer oriented and trying to deliver customer satisfaction and value.

Extending knowledge

A particularly useful explanation of the application of internal marketing in service and not-for-profit organizations is provided in Brassington and Pettitt (2003) *Principles of Marketing*, 3rd edition, pp. 974–979.
Marketing in practice: example

As a step towards developing a marketing culture and implementing internal marketing, the UK high street retailer Debenhams provide every employee with a card on which is printed the organization’s mission statement. As part of this mission statement, Debenhams stress their objective of providing above average quality and value for money delivered through a commitment to customer dedication by all company employees. In turn, they also are committed to attracting, retaining, developing and motivating high-calibre staff who are customer centred. The start of internal marketing in this organization centres on informing employees of their role and importance in delivering customer satisfaction and company success.

www.debenhams.com

Difficulties in managing the introduction of a customer-oriented culture

Needless to say, achieving a customer-oriented culture is not always easy. Some of the major difficulties and barriers in the introduction of such a culture are as follows:

- Managers fail to realize or understand the true concept.
- The structure of the organization may require change and this can lead to other managers’ resistance and costs.
- People are frightened and reluctant to change.
- The power struggle between the different departments within an organization can hinder the process, for example the production department.
- In some organizations, the responsibility for marketing strategy and implementation are separated, and this may offer many problems.

Co-ordinating role of marketing

Effective marketing, as we shall see when we consider marketing planning and the management of the marketing mix, requires that all marketing and sales activities within the marketing function be co-ordinated. Unfortunately, the degree of co-ordination required in some organizations, particularly between sales and marketing, is not all that it should be. So, for example, in some organizations, the sales department often functions almost independently of the marketing department. In part, this is because of the traditional structure and position of the sales function in many organizations and also because some organizations even now are not truly marketing oriented. Sales and selling activities should be part of an overall co-ordinated marketing effort. As with achieving a marketing culture, this can and does give rise to problems of conflict and antagonism between sales and marketing. The senior management of a company needs to ensure that the sales personnel understand their relationship to marketing and the fact that all marketing activities including selling needs to be marketing department led and in the process, customer driven. This is not to suggest that selling is in any way inferior or should be subservient to marketing, but rather stresses the co-ordinating role of marketing. Other marketing activities, too, need to be co-ordinated including activities encompassing marketing research, promotion and advertising, customer service and, of course, the marketing mix.
In addition, and often even more problematical, marketing also has a role and responsibility in co-ordinating organizational efforts and resources outside the marketing function – hence the need for a company-wide marketing culture. In particular, marketing should help co-ordinate the efforts and activities of the other key functional areas of the business that impinge on and affect customers. This includes, then, for example, the production and quality control functions, accountancy and finance, research and development, and even personnel. Again, this is not to suggest that these other functions should be subservient to marketing, rather only that marketing should play the co-ordinating role in the efforts of these other functions, again centred on achieving customer satisfaction.

Finally, marketing also has a role to play outside the marketing function in co-ordinating resources and activities not only inside the organization but also outside the organization itself. Often, marketing strategies and plans encompass and involve other individuals and organizations that are external to an organization. A simple example would include the need to co-ordinate the activities and resources of, say, distributors. After all, distributors play a key part in achieving marketing objectives and in the levels of customer satisfaction achieved. In many ways, in fact, effective marketing requires the efforts of very many parties to be co-ordinated both internal and external to the organization. Sometimes, the external parties are external marketing agencies, such as market research companies, advertising agencies or the distributors and middle persons already mentioned. In addition, marketers must also often play a co-ordinating role with other parties in the overall value chain including, for example, suppliers. In fact, increasingly, marketers build their marketing strategies and plans taking into account and having to co-ordinate the full set of activities in the value chain.

Achieving co-ordination, both inside and outside the marketing function and including outside agencies and organizations, requires the marketer to have clear objectives and planning processes. The marketer must ensure that all parties concerned with customer satisfaction are aware of customer needs and the company’s objectives and plans with respect to meeting these. Other parties must also be aware of their contribution and role in fulfilling these plans and the activities that will need to be performed. The marketer increasingly needs analysis and planning skills so as to be able to steer other parties in the right direction with regard to the use of resources to achieve customer satisfaction. In addition, the contemporary marketer must have good communication and interpersonal skills so as to be able to motivate these other parties. Co-ordinating role of marketing between customers and parties inside and outside the organization is shown in Figure 1.1. Note that the sequence shown in the diagram illustrates the process of co-ordinating beginning of course with customers.

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Figure 1.1 Co-ordinating role of marketing
Technology and the marketing culture

Developments in technology are affecting every facet of marketing. Indeed, these developments are among the most pervasive of factors influencing the practice of marketing. Because of this, remember, we shall be looking at some of the more important of these developments throughout the units of the course. At this point, then, it would be perhaps useful to point to some of the ways in which technology and particularly IT is helping companies in their management of a customer-oriented culture.

Some of the ways in which technology is helping in the management of a customer-oriented culture are as follows:

- More effective and efficient internal communication via information and communication technology (ICT).
- Speedier responses to customer needs and market changes.
- Better prepared analysis of data and statistics for market and customer intelligence.
- More powerful databases which help in tailoring products and services to customer needs and in developing Customer Relationship management (CRM) systems.
- The use of intranets and extranets to keep staff and suppliers informed and to manage the value chain.
- Related to the above, the use of Electronic Data Interchange (EDI) systems to facilitate communication through the value chain.
- Improved systems of stock control and management through use of computer applications enabling more effective customer service delivery and so on.
- Automated telephone and call-centre systems potentially improving customer response.
- Increases in the number of channels through which customers and other stakeholders can communicate with an organization.
- The Internet and website developments which enable customers, for example, to shop in alternative ways, facilitate customer choice and allow easier trading around the world.
- The use of database systems to facilitate more effective CRM through developments such as loyalty card systems and so on.

Marketing in practice: example

Most of the world’s airlines are now making extensive use of IT to improve the effectiveness of their marketing, and in particular the levels of service to their customers. Singapore Airlines, Air France, Virgin Atlantic and British Airways are all examples of global airline operators who have used the Internet and databases to improve their marketing to customers. For example, customers can now save time, and often money, by using online booking services. Customers can check availability of flights for themselves and assess the most cost-effective times and ways to travel. Customers can even reserve certain seats on the aircraft on which they will travel. The airlines themselves can use their databases to build up detailed profiles of customers who have flown with them thereby identifying any special needs or particular preferences and requirements of individual customers, which can then be used to develop personalized service packages and offers for these customers.

Business-to-business (B2B) marketers, often thought to be slower to apply new marketing ideas and techniques, have, in fact, been in the vanguard of using ICT in their marketing. Ford, for example, have been using e-marketing with their suppliers for some years now and have recently invested substantially in new databases to improve their competitiveness. Most of today’s successful B2B marketers use relationship marketing based on sophisticated CRM systems.

www.aarm.org
Marketing as a management function

Early in this unit, we looked at definitions of marketing, including the one proposed by CIM. We suggested that a common theme to all definitions of marketing is that it is a management function, which indeed it is. However, we also suggested that before we look at the tasks of marketing management, we need to explore marketing as a way of thinking or philosophy, the so-called ‘marketing concept’, and the importance of building a marketing culture in an organization. Having done this, we can now turn our attention to the tasks and tools of marketing management.

Activity 1.7

Look at the advertisement below for a marketing post. Study it carefully and then write down a list of what you see as the key activities in this post.

**Marketing Manager**

**South West circa £ 80 000**

- The challenge of this new role is to develop creative approaches to the development of long-range marketing plans with an emphasis on increasing bottom-line profits and the application of the latest developments in information technology and CRM systems.
- We are a major retail service group which leads the market with over 100 outlets nationwide and a turnover of £1 billion. A leadership position which has been built on effective marketing planning and strategies.
- Key responsibilities in this post will include: market and competitor analysis; the building of a customer database; identifying new market segments; new product/service development; building corporate identity; business planning and developing cooperative relationships with suppliers.
- The successful applicant will be an operating company board member with additional line responsibility for two development businesses.
- Candidates should be graduate calibre and possibly MBA with a successful record in senior brand marketing role in blue-chip retailing, multi-site service or FMCG company.
- Strategic visioning and business planning skills combined with the ability to win credibility and make things happen with powerful line directors are essential. In addition, candidates should have skills in managing hybrid staff/line roles and managing change processes.
- The successful candidate will need to have strong leadership skills and the ability to implement marketing plans through others.

Clearly, the specific tasks of an individual marketing manager will vary from one organization to another, but you will find that most of your list of key activities from this recruitment advertisement can be categorized under one of the APIC headings.

Turn to debriefing Activity 1.7 of this unit to find out what each of these tasks entails and see examples of how the various activities referred to in the job description relate to the tasks.

Having considered debriefing Activity 1.7, we can now turn our attention to each of the key APIC activities.
Analysis

Analysis includes the assessment of both internal and external factors that affect and, therefore, help shape marketing plans. Analysis encompasses the analysis of the wider marketing environment including, for example, economic, political, social/cultural and technological factors, and the nearer task environment factors such as competitors and, of course, customers. Effective marketing ultimately stems from effective analysis. The marketer must understand how markets operate and the trends affecting them. The analysis tasks of marketing managers require them to make use of the tools and techniques of marketing research leading increasingly to the development of marketing information systems.

Planning

Based on careful analysis, the marketing manager is responsible for developing marketing plans. Although the marketing manager will be required to perform all four of the key activities listed above, the planning element is in some way the central activity. It is important, therefore, for you to understand the key steps in the planning process and how these fit together into a systematic framework.

Study tip

You should note that the marketing planning process is considered in much more detail in Unit 2. We feel, however, that it is useful to give you a basic overview of the process at this stage because this will help you to see how the various elements of marketing fit together. At this stage, therefore, you simply need to familiarize yourself with this basic overview of the planning steps.

A basic overview of the marketing planning steps is shown in Figure 1.2.

![Figure 1.2 Key steps in marketing planning](image)
Extending knowledge

There are probably as many different variations on the basic marketing planning steps, as there are different marketing textbooks. You should therefore consult several of the recommended texts for this subject in order to gain a feel for the different ones. Useful texts in this respect would include, for example, Brassington and Pettitt (2003) Principles of Marketing, 3rd. edition and Dibb et al. (2005) Marketing: Concepts & Strategies, 5th edition.

Implementation

As we can see from Figure 1.2, implementation represents the penultimate stage of the marketing planning process, though we have of course listed it separately. Implementation, in fact, is important enough in its own right to be considered as one of the four key activities and responsibilities of the marketing manager. Implementation essentially involves getting things done. This, in turn, entails the marketing manager ensuring, for example, that resources and budgets are in place to implement marketing plans, plans are communicated and accepted, and that staff, both within the marketing function and in other functional areas, and both inside and outside the business, are motivated.

Control

Again, part of our marketing planning framework is shown in Figure 1.2, but is important enough to be considered in its own right. In fact, monitoring and control of marketing activities is often a neglected area, both in the literature surrounding marketing activities and also, unfortunately, in many organizations. It is the marketer’s responsibility to assess the extent to which marketing strategies and plans are working, achieve the objectives set and do this in a cost-effective manner. In addition, the control process involves making any necessary changes to marketing activities and plans to take account of, say, any changed circumstances.

These, then, are the basic activities and responsibilities of the marketing manager. Within these broad areas of activity, the marketing manager has several specific marketing activities and responsibilities to perform in the organization. Among some of the most important of these activities are those of market segmentation and the development and application of the so-called ‘marketing mix’. We shall now consider these two extremely important aspects of the marketing manager’s job.

Market segmentation

Many feel that market segmentation lies at the heart of the contemporary marketing manager’s task and it certainly represents a key facet of a marketing-oriented organization and hence a marketing culture. As with the marketing planning process, market segmentation including the related aspects of targeting and positioning are discussed in more detail in later units. Again, however, we feel it is useful to introduce you to the notion of market segmentation at this point, as it is so central as a concept and technique to the marketing culture.

Essentially, market segmentation recognizes the fact that in most, if not all, markets, all customers are not the same with respect to their needs and wants. Market segmentation is the process of identifying and classifying customers according to these different needs and wants. By doing so, the marketer is better able to decide which groups of customers or segments to serve, and on what basis. In particular, effective market segmentation enables the marketer to develop marketing mix programmes which are much more closely tailored to
the needs of different customers. As such, then, we can see how market segmentation enables
the marketer to translate the marketing concept into practical marketing programmes and
because of this, market segmentation represents one of those powerful tools of the modern
marketer.

The tools of marketing management: the marketing mix

In performing their key tasks, marketing managers have at their disposal a number of tools or
ingredients they can use to develop marketing plans, and to create customer satisfaction and,
ultimately, profits for the organization. These tools or ingredients are often referred to as the
‘marketing mix’.

Key definitions

**The marketing mix: the 4Ps** – Is the set of controllable variables the marketer uses to
develop marketing plans and programmes.

First proposed by Neil Borden, the original and still basic elements of the marketing mix are the 4Ps:

- Product
- Price
- Place
- Promotion.

In the units that follow, we shall be looking at each of these in detail.

**A further 3Ps** – More recently, however, largely because of the growth of services marketing, the
original mix has been extended to include three further Ps, namely:

- People
- Process
- Physical evidence.

Again, we shall also be looking at these further elements of the mix in later units. So, at this stage,
you simply need to know what they are.

Overviewing the marketing process: marketing as an exchange process

So far in this unit, we have looked at the evolution and meaning of the marketing concept and
the development of a marketing orientation or culture in an organization. We have also looked
at the tasks of the marketing manager and the basic tools or ingredients with which to perform
these tasks. It would be helpful at this stage, however, to outline briefly how all of this translates
into the marketing process.
This can perhaps most easily be done by the use of a simple diagram (Figure 1.3).

We can see from Figure 1.3 how the marketing process facilitates an ‘exchange’ process between customers and company. According to Dibb et al. (2005) for an exchange to take place, a number of conditions need to exist. First, two or more parties must participate. Each party must possess something of value that the other party desires, and second each party must be willing to give up its ‘something of value’ to receive the ‘something of value’ held by the other party. In our diagram, the exchange is shown as products/service (to the customer) in exchange for money/resources (to the company). The system only works if both parties (customer and supplier) receive something of value. As stated, in Figure 1.3 the exchange is based on products/services for money/resources, but those are not the only types of exchange between organizations and their customers. Clearly, the nature of the exchange process depends on the type of organization and its customers. Above all, though, we must be careful not to think of exchange processes (and hence marketing) as only being relevant to profit-making organizations. As already mentioned, it is now increasingly recognized that the need for a marketing culture, accompanied by the application of marketing principles and techniques, applies to any organization that wishes to undertake an exchange process with its customers. What differs between the profit-seeking and other types of organizations is not the need for an exchange process, but the nature of what is exchanged between the organization and its customers. A recognition of this is one reason why an increasing number and, more importantly, a variety of organizations are turning to marketing. Because of this, in the final part of this unit, we shall consider in more detail this changing role of marketing. In particular, we shall look at the widening range of applications for marketing as it has spread from being initially applied to the marketing of fast moving consumer goods (FMCG), through: marketing in B2B marketing; the adoption of marketing in service industries; and finally to marketing in voluntary and not-for-profit organizations such as local authorities, political parties, charities and churches. Some of the key additional considerations of adopting and implementing a marketing culture in these different types of organizations are also considered and discussed, as appropriate, in later units too. Some of the key strategic implications of adopting and implementing marketing in an organization are as follows:

- Customer orientation
- Generic business definition
- Information/research
- Tailored/targeted marketing programmes
- Integrated/co-ordinated marketing efforts
- Long-term planning.
The changing role of marketing

Earlier in this unit, we referred to the evolution of the marketing concept. In the same vein, we also suggested, perhaps as one would expect, that marketing thought and practice is still evolving. In fact, marketing has changed considerably over the past 10 years. Clearly, it would be impossible and inappropriate to detail all the significant trends and changes that have occurred, but some of the more important ones are briefly introduced below. We shall introduce them here, and then consider these trends and changes in more detail in later units of the coursebook.

A wider range of applications for marketing

As already mentioned, once exclusively applied only to FMCG manufacturers, marketing has spread through business markets, service markets and finally to the ‘markets’ of not-for-profit organizations. We shall now briefly consider some of these markets.

Business-to-business markets

These are markets where customers are primarily distinguished from those in FMCG markets by the fact that they are purchasing in order to further the objectives of their organizations, rather than for personal motives and use.

These days, there are plenty of examples of organizations which have recognized and used the concepts and techniques of marketing in their B2B markets to good effect.

Hewlett-Packard, the multi-national computer and electronics company, for example, has long utilized many of the tools once associated only with FMCG marketers to help build a successful company. Tools such as focus group research, global media advertising and effective public relations (PR) are used together with other key marketing tools and concepts to help build a strong market position.

These markets account for a substantial amount of economic activity in most economies and they include, for example, producers (manufacturers) and distributors/intermediaries. The importance of a marketing culture and the general principles of marketing apply to just the same extent and often in the same manner in these markets as in consumer goods markets. However, there are some quite important differences for the marketer in these markets, which stem, in essence, from the different nature of the buyers and the buying process encountered in these markets. There are many implications for the marketer because of this essential difference, but a major implication is in the design and use of the elements of the marketing mix. We shall therefore be considering some of these differences in b2b markets in Unit 9.

Marketing in practice: example

In the B2B marketing world, Hewlett-Packard has long been accomplished practitioners of the tools and techniques of marketing. Hewlett-Packard very quickly realized at an early stage of the company’s development that the key to business and competitive success was being customer oriented. Although, initially and still to a large extent, they are marketing their products and services at hard-headed business buyers who are concerned to drive the very hardest deals, Hewlett-Packard recognizes that the tools of marketing such as strong branding and effective promotion and advertising are just as important as marketing tools as are price, service and delivery. Hewlett-Packard make extensive use of customer and market research to track their competitors’ needs, and design new products and services to reflect the changing needs of their customers and the marketplace.
Extending knowledge

The website www.hp.com will help extend your knowledge of how Hewlett-Packard are using the tools of marketing to meet customer needs.

Services marketing

Already several times we have touched on the growth of service markets. The growth of service markets has, in many countries, been phenomenal in recent years. Indeed, in many developed economies such as those found in, say, the United States or the United Kingdom, service industries (as opposed to manufacturing industries) now predominate. Service industries, of course, include a myriad of different types of markets ranging from, for example, financial services such as banks, building societies, insurance companies and so on through to holidays, fast food, management consultancy, cleaning services and so on. It is now recognized that service products have, compared to their physical product counterparts, a number of characteristics which are different. We shall consider some of these differences and their implications in more detail in later units; but, for example, services marketing differs because service products are largely intangible compared to physical products. This, in turn, has implications, for example, for how they are promoted by the marketer. Service benefits are much more difficult for the marketer to communicate to customers. Similarly, intangibility gives rise to additional considerations with respect to, for example, branding and packaging. Having said this, like B2B markets, the essential nature of the underpinning exchange process between service organizations and their customers is as shown in Figure 1.3 with services being exchanged for money.

Asked to name an effective services marketer, many would put McDonald’s, the fast-food marketer, at the top of their list. Certainly, McDonald’s were one of the first service companies to fully appreciate and utilize the concepts and tools of modern marketing and they continue to do so. However, many services marketers are now just as effective as their FMCG marketer counterparts. Examples of effective service marketers include Accenture, Interbrand Newell and Sorrell, Holiday Inns, Singapore Airlines, Starbucks coffee shops and many more.

As regards the marketing concept in a service organization, it is important to consider the characteristics of services as intangible, inseparable and perishable. We will consider these special characteristics of services in more detail later in this coursebook, together with some other important characteristics of services, such as inseparability and non-ownership. At this stage, it is sufficient to note that these characteristics will mean a need to ensure that a marketing orientation is managed well.

In the service organization in particular, regular customer audits will need to identify the consumers’ expectations of the service quality and delivery. This means that the service quality must be managed well, and includes the tangibles, reliability, responsiveness, assurance and empathy of the organization. Again as we shall see in later units, and as already mentioned, marketers need to consider an extended marketing mix for services to include the additional elements of ‘people’, ‘processes’ and ‘physical evidence’.

Developing a marketing-oriented service organization has implications for the management style used, the structure of the organization and its marketing strategy. Information systems, staff attitudes and skills, and shared values in the organization may all need to be considered to ensure a marketing-oriented service organization.
Not-for-profit organizations

Sometimes, these, also referred to as ‘non-business markets’, are organizations which are essentially established for reasons other than to earn profits for their shareholders. As in B2B and service markets, non-profit organizations and markets encompass a wide variety of types of organization and marketing practices. For example, they include institutions such as local authorities, hospitals, governments, universities and churches. Charities and social causes include, for example, Oxfam, Famine Relief and the Countryside Trust. With such a wide variety of types of not-for-profit organizations and markets, it is difficult and perhaps even dangerous to try to encompass the differences in the application of the marketing culture and practices in such organizations in just a few sentences. However, so long as we recognize this danger of over generalizing, it is possible to highlight a number of key differences in the application of the marketing concept and tools in these organizations. In particular:

- Such organizations often operate within a much tighter regulatory framework with regard to if, and how, they apply the concepts and tools of marketing.
- Many of the characteristics of service products, which we will introduce in later units, such as intangibility, also apply to many not-for-profit organizations.
- The marketing mix elements and their application often differ in these organizations and markets. Again, we shall consider some of these differences in more detail in later units. But, for example, it is not difficult to appreciate that the ‘price’ element of the marketing mix is different in this setting. Indeed, often no price is set by the marketer or paid by the customer. If we take, say, a political party marketing itself for an election then as an example, customers (voters) are not asked to pay a financial price for the ‘product’, but rather are being asked to ‘pay’ with their vote. Essentially, this example illustrates differences in the nature of the ‘exchange process’ between not-for-profit organizations and their customers and it is to this difference that we now turn our attention.
- In overviewing the marketing process earlier in this unit, Figure 1.3 illustrated the centrality of the concept of exchange to this process. Although the essence of this process is the same for any market, and indeed underpins the very concept of a market, and although the related concept of ‘value’ in this process is just as relevant, as already hinted at, the notion of what is exchanged, and what constitutes value between not-for-profit organizations and their customers differs from profit-seeking organizations. Figure 1.4 shows in simplified form some examples of exchanges which might take place between different types of not-for-profit organizations and their customers.
- The final major difference, or certainly complication, in considering marketing in not-for-profit organizations is the fact that ‘the customer’ can comprise several different, and often potentially conflicting groups. So, for example, if we take a university, its ‘customers’ could be viewed as including students, potential employers/industry, local government, local community and national government. Because of this, often in not-for-profit organizations and marketing, a distinction is made between ‘customers’ and ‘publics’, the latter term being used to denote any party to which the organization will, from time to time, need to address its marketing efforts.
Marketing in practice: example

Notwithstanding the different nature of some of the exchanges between organization and customer in not-for-profit situations, it is generally recognized that the application of the marketing concepts and tools are essentially the same as in profit-making situations. However, applying some of the marketing tools to some of the not-for-profit organizations does sometimes give rise to considerable controversy. This is particularly the case where not-for-profit marketers have made use of shock campaigns in their advertising. Although shock tactics have frequently been used in conventional marketing, particularly by companies such as Benetton, recently charity and government marketers have moved towards making extensive use of shock images in their advertising feeling that they would make more impact on their target market. However, advertisements such as the Barnados campaign showing a cockroach emerging from a baby’s mouth or the recent anti-smoking campaigns in Canada and Britain warning about, for example, passive smoking and using shock tactics such as smoke emerging from a child’s mouth have caused considerable controversy. However, it looks like, the trend for shock tactics in advertising by the non-profit marketers is set to continue with the non-profit marketers facing the same problem as all marketers of grabbing the customer’s attention.

Extending knowledge

See the following websites for issues in, and examples of, marketing in not-for-profit organizations.

www.nfpn.com.au
www.barnardos.org.uk
Activity 1.8

Select a not-for-profit organization of your choice, for example a church, a charity, a political party, and find out as much as you can about how it ‘markets’ its ‘products’/services.

An increased recognition of environmental and social marketing: ethical and social responsibilities ‘Green marketing’

Once exclusively concerned with satisfying ‘wants’ and profitability, marketers now increasingly are being called upon to balance these against the need to protect the environment and indeed the interest of consumers and society as a whole.

At one time, the Xerox company would not have dreamed of producing and marketing recycled paper for their office paper products. Like many companies, however, Xerox have moved with the times with specific regard to an increased concern about the environment, and in this case particularly the depletion of one of the world’s scarcest resources, namely its forests. These days, the Xerox company have a well-established range of paper products, which utilize recycled paper. Like Xerox, many companies have become much socially responsible in their marketing activities.

This recognition of the social and environmental impacts of marketing has to some extent been forced upon the marketer by changing social attitudes and the growth of pressure groups reflecting these changing attitudes. Social attitudes have changed over the past 10 years in many developed economies. Society as a whole is now much more concerned about factors such as the environment and the welfare and safety of customers, and the effect which consumption and marketing of products can have upon these. Of particular importance among these social trends have been the growth of ‘consumerism’ and the so-called ‘green marketing’. We should look at each of these major developments a little more closely.

Exam hint

Although in some parts of the world consumerism and green issues in marketing are seen as being much less important, owing to factors such as the level of economic development, they are popular areas for questions on the Fundamentals paper. Because they might be less relevant issues in your own environment, do not be tempted to ignore them as topics for examination revision.

Extending knowledge

The website www.pwebs.net will help extend your knowledge on ethical and social issues in marketing.

In fact, the issue of consumer right is not new. As long ago as 1962, in a now famous speech, the then President of the US, John F. Kennedy, proposed the following customer rights:

1. The right to safety
2. The right to be informed
3. The right to choose
4. The right to be heard.
Since Kennedy’s speech outlining these four basic rights, the consumer movement has gathered pace, first in America and then in Western Europe. Consumers have become increasingly critical of what are admittedly sometimes questionable practices of a minority of marketers. They are also increasingly aware of their rights, and demand that these be protected. Many of the worst excesses of marketing in years gone by are now covered by legislation that protects consumers. Above all, consumers have become much better organized and skilled in protecting themselves. In the United Kingdom, for example, in addition to the legal protection afforded to consumers, a number of consumer organizations look after and promote consumers’ interests. Some of these are official, such as consumer watchdogs set up to monitor marketing activities and particularly prices in the now privatized utilities of electricity, gas and water. Others are unofficial, such as local pressure groups that will respond to what they see as any infringement of their rights by local companies. There are even specialist consumer magazines, which report on the marketing activities of companies and in particular look at how customers can get the best value. Perhaps, the best example of such a magazine in the UK is Which?, produced and published by the Consumers’ Association.

Activity 1.9

List as many examples as you can think of where marketers have responded to the need to protect the environment, for example the development of lead free petrol, the development of ‘hybrid’ cars and so on.

Activity 1.10

Take some time to research any organizations or bodies that have been established in your own country specifically to augment the rights and power of buyers in relation to sellers. These can be formal organizations or bodies established by government, or informal ones. In addition to finding out the names/titles of any such organizations, try to establish what it is they do, that is their aims and activities.

Study tip

For many of the activities in the units, you will need to look for sources of information in order to complete the activities. Obviously, the specific sources of information, which may be relevant and useful, will vary from activity to activity. However, many of the activities, including this one, will involve you to look for information on companies and markets other than those of your own company. There are a myriad of sources of information for markets and companies, but some of the more useful ones include, for example:

- Company annual reports and accounts
- Websites
- Business pages of the press
- Marketing trade journals and publications, for example Marketing Week, Campaign and so on.
So, for example, on this particular activity you might find the following websites useful:

www.ftc.gov
www.consumer-action.org
www.corporateinformation.com
www.euromonitor.com

Activity 1.11

Try to think of examples of products and services where their marketing has been affected by the need to cater for the consumer’s increased interest in his or her own health and safety.

Green marketing

Our second and related development associated with the social-based marketing concept is an increase in environmentally friendly products and services. Not only are customers more concerned to protect their rights as consumers, but an increasing number are also concerned to protect the environment. Specifically, they are concerned about the potential effects of the marketing of products on the environment.

Activity 1.12

Try to think of examples of issues associated with marketing that are frequently raised as causing problems for the environment.

Clearly, the examples shown in the debriefing activity are indicative only. You can probably think of many other green issues for the marketer. Like the consumer movement in some countries, the Green movement, too, has increased in importance and has become more powerful and influential. In several European countries, this movement has become political, with representatives being elected to voice the opinions and attitudes of the members of the Green movement. The Greens are no longer a minority/fringe group, and increasing numbers of consumers have become more aware of the potential polluting effects associated with the production and consumption of products and services.

Like the consumer movement, the Green movement, too, has resulted in legislation designed to protect the environment from pollution. Even where there is no such legislation, we are increasingly seeing voluntary codes of practice to reduce pollution. Again, the most far-sighted marketers have responded positively to the Green movement, not only conforming to legislation
but also taking proactive steps to produce and market ‘greener’ products. In some countries, environmental groups have combined to produce guides to products that are environmentally safe, giving them a seal of approval. This seal of approval can then be used by marketers in their advertising, packaging and promotion.

It is important to stress that the impact of green issues does differ between different parts of the world, with marketers in Europe and America perhaps seeing the largest impact. There is little doubt, however, that this importance and impact are growing and spreading and will affect most marketers in the future. It is relatively easy to find examples of how green issues have affected marketing programmes already from the materials used in some products and services, to how they are manufactured, how they are promoted and how they are designed to be used and disposed of.

**Activity 1.13**

Try to think of examples of products and services that have been affected by green issues and where as a consequence, the marketing mix for these products has been designed to take account of such issues.

Although consumerism and green issues are perhaps the best examples of some of the trends and changes that have given rise to a change in the underpinning concept, philosophy and activities of marketing, there are several forces and factors that have caused the need for a more society-based marketing concept. Increasingly, the marketer of the future will have to resolve the potential for conflict between meeting profit and commercial objectives, customer needs, customer interests, and the wider interests of society as a whole.

**Marketing in practice: example**

A commitment to protecting and enhancing the environment, together with a recognition of the need to consider a wider variety of stakeholder interests by an organization has led many companies to include green/environmental issues and stakeholder interests in their mission statements which in turn feed into marketing objectives and strategies. The Body Shop* is a company which, from its inception, has been committed to environmental protection and societal and stakeholder issues. Body Shop’s ethical stance is reflected in its mission statements and its approach to corporate social responsibility. Moreover, these values translate into specific decisions regarding, for example, product development and testing, sourcing of products from low wage countries and corporate promotional and pricing practices.

*www.thebodyshop.com

**An increased emphasis on quality, service and customer care**

As markets have continued to become increasingly competitive, marketers have recognized that customers now demand and expect consistent quality. This applies to not only product quality but also delivery, after-sales service and so on. In turn, customers also expect a high degree of service and customer care from the suppliers of the goods and services they select.
Research has shown that quality is one of the major factors accounting for differences in profitability. Companies which produce consistent quality products tend to be more profitable than their inconsistent quality counterparts. In part, the demand for high quality products reflects increasing affluence and disposable incomes in developed economies. We should not forget, however, that in some parts of the world high-quality products are not necessarily what is wanted, and in many cases are unaffordable. The marketer therefore must be careful to ensure that quality and hence price levels are not beyond the reach of the customer in a particular market.

Quality, and particularly consistency of quality, again has also become more important due to changes in manufacturing processes throughout the world. Although the Japanese were the first to use just-in-time (JIT) systems in their manufacturing, this approach to manufacturing is now widespread throughout the world. The JIT approach means that suppliers to companies operating a JIT system must ensure and be able to guarantee zero defects. Because components and raw materials are incorporated immediately into the production process with most JIT systems, without inspection, it is vital that quality can be relied on. Quality and related aspects such as customer service and care are considered in more detail in Unit 8, but related to an increased emphasis on quality and customer care is one of the most significant developments in the marketing culture, namely the growth in the concept and application of relationship marketing.

The growth of relationship marketing and CRM systems

Related to the growth in the importance of service and customer care has been the recognition on the part of many marketers that it perhaps often makes more sense to try to build long-term relationships with customers, than to treat each purchase a customer makes as a one-off transaction. Relationship marketing is the term that is used to describe this process of building long-term commitment and loyalty from customers. Relationship marketing or as it is increasingly being referred to CRM comprises of all of the activities which an organization can use to build, maintain and develop customer relations. The concept of relationship marketing is perhaps one of the most fundamental and important changes in recent years with regard to how marketers look at marketing and practise their marketing activities. We shall be looking at this key development in marketing in more detail in Unit 8 alongside the related areas of customer service and customer care.

An increase in information and data-based marketing

As already mentioned, throughout the units in this coursebook, we shall see that, increasingly, IT and communications technology is being used by the marketer. There is no doubt that we shall continue to see an increase in the application of technology in marketing. Information, and particularly data-based marketing, has allowed evermore powerful and cost-effective marketing. Examples of areas where we shall see indications of this power include the growth of direct marketing, segmentation and market targeting, and customer and competitor intelligence. If we consider this last area, for example, improved information and databases are allowing marketers to identify and target smaller and smaller groups of customers with greater and greater accuracy. This is helped by the proliferation of media channels now available to reach these smaller, more fragmented target segments. As a result, we have seen the growth of fragmented marketing approaches with a marketer being able to target more and more accurately specific customer groups or even individual customers. Information and database marketing, then, is having a major impact on the application of marketing. More broadly, however, new technologies, in general, impact marketing and marketing management.
Because marketing is such a dynamic area of business and society, it is constantly changing and evolving. Although we have introduced some of the more important trends and developments recently in marketing, it is impossible to cover all of the changes and trends which have taken place, and obviously we cannot cover those that are yet to do so. Other developments and trends which we could have mentioned include, for example, the growth in the importance of branding, the increasing fragmentation of markets and media and the growth of network marketing. Although the examiner will not realistically expect you to be an expert in all the areas of marketing which are evolving and changing, it is important that you try and keep as up to date as possible with developments and trends. In addition to the textbooks, for the Fundamentals paper, then, you should also try to read as widely as possible the marketing press and journals. The CIM itself, of course, is a good source of information on trends and developments in marketing.

Growth of new technology in marketing

Technology, of any kind, helps to facilitate and, hopefully, improves the way we do things. Without technology many of the things we do – and often take for granted – would be at best difficult, and often impossible.

Think for a moment how different your life would be without, say, the mobile telephone, or without access to modern antibiotics and other modern medical treatments. What would the lives of some of us be like without the technology to, say, purify water or deliver electricity and power to our homes?

Perhaps less dramatically, but in context perhaps no less importantly, technology also affects and helps facilitate marketing and the marketing process. So much so that some areas of marketing and marketing techniques are almost totally underpinned by technology and its application. So, for example, much of advertising relies on communications technology; effective distribution and logistics relies on transport technologies; marketing research and analysis increasingly relies upon computing technology. Admittedly, this reliance on and use of technology in marketing is not new. After all, for example, trade and marketing between the Egyptians and the Phoenicians was dependent on and affected by the technology of boat building at the time. More recently, however, business in general and certainly marketing in particular, has become more and more affected by, and reliant upon, technology. Moreover, technology itself is changing at an ever-increasing rate. We shall explore some of the more important, of these, changes and advances in technology, as they affect the marketer in more detail shortly in this unit. Suffice it to say at this stage that advances in technology are now beginning to fundamentally change the nature of marketing and other business and commercial activities. So much so that many believe that in as little as 10 years the process of exchange around which marketing is, of course, based would be changed beyond recognition compared to today. Certainly, at the very least, the contemporary marketer needs to be familiar with the key advances in technology, which are currently affecting the marketing process. A summary of the reasons for this, which captures the importance of technological advances for marketers, are listed below:

- Competitive success increasingly is based on the application of advances in technology.
- Technology is increasingly being used by companies to both differentiate their products and reduce their costs.
Many of the advances in technology allow the marketer to be much more customer and marketing oriented with, for example, much speedier and flexible responses to customer needs.

Technological advances have led to the emergence of new critical success factors for organizations as a result of new ways of doing business.

Advances in technology enable the marketing process to be carried out not only more effectively but also more efficiently.

New technology increasingly facilitates the ease with which information, so vital to effective marketing planning and decision-making, can be collected and analysed.

Advances in technology often underpin the growth of the global company and a move towards the global market and consumer.

Another way of illustrating the importance of some of the technological advances which are now taking place in marketing is to consider some of the effects that such technology is having or will have in the future.

Some of these effects will be considered in more detail in later units, but some of the key areas of marketing thinking and practice where technological advances have had a major effect include:

- Fundamental changes to retailing and shopping, for example in the future many customers will shop predominantly from home.
- Much greater price competition as customers are able to ‘shop around’ on, say, their computers.
- The potential demise of whole markets and their replacement by entirely new products and industries.
- Entirely new relationships between members of the value chain and particularly between customers and suppliers.
- Related to the above, the growth of new entrepreneurial companies such as the Internet companies.

Needless to say, marketers have not been slow to grasp the advantages of the growing sophistication and application of advances in technology. The ICT in particular has assisted in the management of a customer-oriented culture in the following ways:

- The sophisticated use of current databases to understand consumer behaviour.
- Using the Internet as a marketing information system, for example for gathering competitor intelligence information.
- Using the World Wide Web to make products more accessible for consumers, that is the use of online shopping, offering more information about the company or product and so on.
- Building customer care systems for customers/clients using e-mail and webcasting.
- Considering segmentation and global niches, from the observation of the use of current, or specifically designed, Internet pages.

Together, the factors described above mean that today’s marketer must not only be aware of, but also understand the advances in technology which are taking place. Moreover, the marketer must also be sensitive to, and be prepared for, tomorrow’s advances in technology. This in turn means that the marketer must also have the necessary skills to use the new technologies of today and tomorrow to help facilitate the marketing process. The marketer who does not possess these skills will increasingly become a dinosaur – with probably the same fate as these unfortunate creatures! Similarly, those organizations whose management and marketers are unable to (or unaware of) utilize advances in technology will become increasingly uncompetitive. The new markets and marketing of today and tomorrow are very much technology’s child.
Growth of global marketing

The final element in our assessment of the changing role and nature of marketing is the trend in recent years towards global marketing. Increasingly, marketing activities encompass and are planned in the context of not just a domestic or even international setting, but from a global perspective. This growth of global marketing in turn stems from several trends and developments encompassing a broad range of cultural, economic, technological and political forces and factors. So, for example, increased travel and education coupled with developments in electronic and other forms of communication are increasingly making the world smaller in the sense of reaching and marketing to customers. The phrase ‘global village’ is used to capture this trend. Increasingly, customers want to buy global brands and follow lifestyle and consumption patterns of their ‘neighbours’ at the other side of the world. Companies too want to expand their operations from purely domestic through internal and export operations to eventually full global operations. Again, there are many reasons for this, but essentially, the driving reason is increased profits through accessing potentially huge markets and thereby achieving economies of scale. Four of the major factors, in the context of the increasing trend towards globalization, are explained below.

Convergence of markets and global customers
A major driving force towards globalization has been the convergence of markets and related to this the emergence of the global customer. Improved communication and travel infrastructures have meant that increasingly, customers are exposed to, and aware of, products and lifestyles in other parts of the world. As a result of this, in many markets customers’ needs and wants have become much more similar. A Chinese teenager wants the same Levi brand jeans and Coca-Cola soft drink products as his or her American counterpart. The Internet and the World Wide Web enable customers to shop and spend on a global basis. Hand in hand with this, companies now market their brands on a global basis with marketing, advertising and products all developed globally. There is no doubt that the convergence of markets and the emergence of the global customer has been a major factor in spurring global strategies.

Cost advantages
This driving force prompting more global approaches has a number of facets, but essentially, they all relate to the potential for reducing costs by operating globally. Examples of cost advantages, which accrue to the global organization, include economies of scale due to, of course, sheer volume facilitated by a global approach. Similarly, a company may reap cost advantages by sourcing and/or operating from, or in, lower cost countries across the world. The often-substantial costs nowadays of developing and launching new products can mean that only a global approach will enable these costs to be recouped.

Governmental and trade policies
Governmental and trade policies too are a major driving force towards global strategies. Since the Second World War, most governments have at least subscribed to the view that free trade and free markets is to the world’s advantage. In some areas, this has meant that all trade barriers have been, or are being at least, removed. A good example of this is the development of the European Union which is based on free trade between member companies. Governments also sometimes prompt global strategies for reasons other than free trade such as developing closer relationships with countries which are in some ways militarily or politically strategically significant.

Global competition
This fourth factor relates to the growth of competition on a more global scale. The driving forces already mentioned have meant that more and more companies are becoming global in their strategic planning and operations. This means that even those companies who might prefer to
think and plan locally can no longer afford to do so as they find themselves faced with competitors from virtually every part of the world. Furthermore, as companies become increasingly interdependent across the world, it increases the interaction between competitors on a more global scale.

Global marketing is so important these days that it touches every facet and activity of the marketer’s everyday operations. Because of this, we shall be highlighting international and global aspects of the marketing activities and concepts, which we shall be discussing in later units.

Marketing in practice: case study

‘Who needs marketing – we’re bankers!’

Once notoriously product oriented, the banking industry took a long time to wake up to the need to be customer oriented and the potential for increased sales and profits by using the tools and techniques of marketing.

There are several reasons why the banks were slow to accept and implement the marketing concept and begin to utilize the full range of marketing tools and techniques, for example in many countries the banking sector comprised of a relatively small number of large banks who operated in oligopolistic market structures and hence, to some extent, were protected from intense competition.

Marketing was seen as being something that was relevant only to FMCG. Certainly, it was felt, a traditional and professional sector such as banking should not be tainting itself with marketing ideas.

Traditionally, the senior management of commercial banks came from a banking background and had few, if any, marketing skills.

Finally, it was felt that the special characteristics of what is essentially a service product meant that in any event many of the tools and techniques of marketing simply did not apply.

Over the last 10 years, the situation has changed dramatically, however. Throughout the world, the banking sector is now one of the most ardent users of marketing concepts and techniques. Again, there are several reasons for this, but some of the most important include:

- Customers are increasingly more demanding in their needs and requirements from their banks. This stems from the fact that they are more aware of the services on offer and are better educated in their choice of financial services.
- Throughout the world, the banking sector has been opened up to more and more competition. In some cases, this has been as a result of de-regulation with regard to the banking sector in many countries leading to a much wider range of financial institutions offering banking services. But, in addition, like many markets, the banking sector is now global with global competition.
- A new generation of bank employees has emerged with many senior managers in banking now coming from more commercial and often specifically marketing backgrounds as opposed to being ‘pure bankers’. 
Most banks are now as much customer oriented as their FMCG marketing counterparts. This has led to substantial and wide-ranging changes in how the banks operate; their products and services; and their marketing and organizational structures. Just some of the changes which the adoption of marketing concepts and techniques in the banking sector has given rise to include:

- Much greater use of the tools of market research and analysis. The leading banks regularly conduct marketing research exercises designed to keep abreast of customer needs and levels of customer satisfaction.
- Organizational and marketing structures which are based around customer and market requirements with, for example, product and brand manager systems being common now. Marketing has been elevated in many banks to the position of providing the overall co-ordinating role for the resources and activities of the business.
- Much more effective marketing planning and control systems with strong emphasis on techniques such as market segmentation and targeting and the application of the elements of the marketing mix extended to include the additional 3Ps of marketing services in a co-ordinated and controlled manner.
- Related to the application of the marketing mix, the banks have recognized the need for an increased emphasis on quality, service and customer care, and have been particularly adept in using some of the developments in information and data-based marketing to foster the growth of relationship marketing with their customers.
- Finally, the banking sector is demonstrating an awareness of wider environmental forces and factors with its increased recognition of its ethical and social responsibilities towards customers.

Though there is always room for improvement, the global banking sector is one of the success stories in recent years of the application and implementation of the marketing concept.

‘Even bankers need marketing.’

Sources: www.marketing-week.co.uk; www.aba.com/bankmarketing/default.htm.

Summary

In this unit, we have seen that:

- Marketing is first and foremost a way of thinking that puts the customer at the centre of all organizational decisions. In doing so, marketing is the function which has the responsibility for understanding customer needs and for creating customer value.
- Marketing orientation is the result of an evolution from a production-oriented through a sales-oriented era. Increased competition and more demanding/informed customers are amongst the factors which have given rise to the need to be marketing oriented.
- A marketing culture must be developed throughout the organization, but this takes time and resources. The marketing manager must be able to persuade other functions to be customer oriented and internal marketing can help in this respect.
- Marketing is also a management function encompassing the key tasks of analysis, planning, implementation and control and involves the co-ordination of organizational resources both within and outside the marketing function.
The major tools of the marketer are the elements of the marketing mix, which in turn are allied to the processes of market segmentation and targeting.

The marketing concept is still evolving and now embraces B2B marketing, services marketing and marketing in not-for-profit organizations.

Marketing has responded to an increased awareness of environmental issues and an interest in total quality. In particular, marketers now have to consider their social responsibilities and ‘green’ issues.

Increasingly, marketers are recognizing the importance of treating customers as partners and in developing long-term customer loyalty through the development of improved relationships with customers.

As in many areas of management, developments in IT are having, and will continue to have, a major impact on marketing practices.

Database marketing is becoming increasingly important in the contemporary marketing culture and has helped facilitate the growth of Customer Relationship Marketing.

Examination preparation: previous examination question

Using the previous examination questions

As this is our first previous examination question we have outlined how to use these in order to get the maximum value from them in your studies and learning.

All of the units end by asking you to complete an actual previous examination question. You will get most value from this process if you follow the steps outlined below when tackling each end of unit exam question.

First of all, go to the exam paper and question as directed. These are included in Appendix 4 of the coursebook.

Read the question carefully and then preferably without using your notes or the coursebook, write an answer to the question under self-imposed ‘examination conditions,’ that is set yourself the same amount of time to answer the question as you would have in the examination. Prepare your answer in hand written form – which again is good practice. For obvious reasons it is up to you, but at this stage do not be tempted to read the Examiner’s Comments in Appendix 4 and certainly do not consult the specimen answers to the questions which are provided.

When you have completed your own answer, you should then carefully consider the Examiner’s Comments in Appendix 4 and obtain the specimen answer to the question from the website www.cim.co.uk.

At this stage, we also recommend that you read Appendix 1 of the coursebook which gives detailed guidance on examination preparation and technique.

We can now proceed with our first previous examination question.
Previous examination question

Attempt Question 5 of the examination paper for December 2004 (Appendix 4). For Specimen Answer Examination Question 5, December 2004, see Appendix 4 and www.cim.co.uk.

Bibliography


