THE MARKETING FUNCTION

Syllabus Reference: 2.1, 2.2, 2.8, 2.9

- Explain the structure of marketing departments in both small and large organizations.
- Discuss the different roles and responsibilities of marketing personnel.
- Understand how the marketing function needs to interact with other organizational departments and external agencies.
- Appreciate how to work effectively with others, including your manager.
- Understand what is meant by effective e-relationships.
KEY DEFINITIONS

- Decision-making unit: The group of people who may be involved in the purchase of an item; the buyer may well not be the decider.
- Gap analysis: A model for evaluating strategies for moving a company from where it is with its existing strategies to where it desires to be.
- Macroenvironment: The general external environment of a company that is explored by a model such as STEEPLE.
- Marketing Information System: A Marketing Information System (MkIS) is a structure of people, equipment and procedures to gather, sort, analyze, evaluate and distribute information for use by marketing decision-makers.
- Microenvironment: The environment immediately surrounding the organization, including the competition.
- PESTLE: The analysis of the political, economic, social, technical and legal environment within which the company operates.
- Porter Value Chain: A model for the internal examination of the organization and how it interacts with its environment.
- Porter’s five forces of competition: A method for the analysis of competitive forces on a company.
- Segmentation: The division of a large, heterogeneous market area into homogeneous sections to allow more effective marketing.
A Systems View of Marketing

- The organization operates in a marketplace, which consists of the buyers and users of the product. In the marketplace, buyers and users are influenced by other groups of people (stakeholders).

- The behavior of the marketplace is influenced by the microenvironment; in particular, the competition and their competitive marketing mix offerings. In turn, the microenvironment is influenced by the macroenvironment. In this book, the STEEPLE framework is used.

- The organization responds to the environment by continually adapting its internal environment. Porter's Value Chain and the McKinsey 7S models give us frameworks for evaluating the internal environment of the organization.

- The data from the internal environment, the microenvironment and the macroenvironment is collected and analyzed to provide relevant information for the organization’s management.

An overview of the marketing system is given in Figure 1.1.
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Marketers
- Strategy Development
  - Dynamic SWOT and Gap Analysis
  - Marketing Information System
- Control Decisions

Implementation
- Standard Marketing Mix [Product, Price, Place and Promotion]
- Service Extension Marketing Mix [People, Physical Evidence and Process]
- Integration Policies [Logistics, Finance and Organization]

The Market Place
- Macro Environment
- Micro Environment
- Internal Analysis

Au: Please provide legend for Figure 1.1
The Competitive Environment

- Techniques for analyzing the competitive environment are Porter’s **Five Forces** (Customer Power, Supplier Power, Barriers to Entry, Substitute Products and Competitive Intensity) and **PEST Factors** analysis (political, economic, social and technological). PEST looks at the big changes driving society, whilst Five Forces looks at industry specific factors.

- Porter also devised **Value Chain Analysis (VCA)**, which can be done from an internal or external perspective. VCA considers how value is added at each stage in a supply chain and seeks to find ways of removing steps that add cost faster than value.

- The value chain categorizes the generic value-adding activities of an organization. The main activities are: outbound logistics, production, inbound logistics, sales and marketing, maintenance. These activities are supported by: administrative infrastructure management, human resources management, R&D and procurement. The costs and value drivers are identified for each value activity. The value chain framework quickly made its way to the forefront of management as a powerful analysis tool for strategic planning. Its ultimate goal is to maximize value creation while minimizing costs. The concept has been extended beyond individual organizations. It can be applied to whole supply chains and distribution networks.
New Entrants

In sector

distant
near
close

Suppliers

Substitutes

Buyers

supplier

buyer

new entrant

new entrant

substitute

substitute
Marketing Function

- The structure of the marketing function varies according to the size of the organization. In small organizations, individuals will be responsible for a number of roles, whereas large organizations will have people in role-specific jobs.

- Marketers interact with a large number of people, internal and external to their organization, so need to develop skills that will help them build effective working relationships with others, including their manager.

- In effective organizations, the marketing function communicates with other functions to ensure consistent and coherent implementation of business objectives and company policies and procedures.

- When selecting external agencies, determine selection criteria that include screening, shortlisting and sampling to make the right decision.

- The use of e-mail and other electronic forms of communication have increased the speed and availability of information and contact, but reduced personal contact which may have a negative impact on the development of close working relationships.

Marketplace

- The marketplace consists of the buyers and users of the organization’s products and services and the immediate microenvironment in which the purchase and use takes place.

- The behavior of the market place is influenced by the microenvironment; in particular, the competition and their competitive marketing mix offerings. In turn, the microenvironment is influenced by the macroenvironment.

- The organization responds to the environment by continually adapting its internal environment. Porter's Value Chain and the McKinsey 7s model provide a framework for evaluating the internal environment of the organization.

- The data from the internal environment, the microenvironment and the macroenvironment is collected and analyzed, using tools such as a SWOT analysis.

- The management team defines the broad mission, aims and objectives and decides the strategic stance to be adopted (e.g. to be a market leader or a market follower).

- When broad initiatives are decided, the detailed issues of the marketing mix need to be developed.

- The financial implications of marketing plans are critical. Plans need to be integrated with all the other business plans, e.g. logistics, financial management and organizational development.
Stakeholders

- Stakeholders are individuals or groups with an interest in the success of an organization in delivering intended results and maintaining the viability of the organization’s products and services. It is essential to satisfy or at least manage stakeholder expectations.

- Internal stakeholders are vital and staff motivation and commitment are characteristics of successful organizations. Internal stakeholders can be segmented by features such as job level or job function.

- In internal marketing initiatives, such as during the management of change, attitude segmentation variables, e.g. positive, negative and apathetic, may be useful.
Stakeholder Audience

As well as customers there are other important relationships. Stakeholders include:

- **Internal markets** – If employees are treated as customers, it should be possible to improve levels of customer service and quality throughout the organization.

- **Influence markets** – Bodies or groups that influence, or have the potential to influence, the organization’s operations. This includes government and regulatory bodies.

- **Employee markets** – The recruitment, retention and succession of skilled staff are important to the continuing success of the organization and companies need HR strategies to address this.

- **Supplier markets** – In recent years, there has been more emphasis on partnerships and alliances, and the synergy that is created from different forms of cooperative relationship.
Relationship Marketing

- This is where ongoing customer loyalty is at the core of its customer relationship marketing strategy. The key aims are to ensure existing customers continue to purchase from them on a life long basis, i.e. achieving lifetime value to both the customer and the organization, rather than just one-off transactions.

The nature of the market

- There are a number of techniques for analyzing markets. Ansoff’s Matrix looks at (existing and new) customers and (existing and new) products to characterize growth strategies.
- The Product Lifecycle and the Boston Matrix (aka Product Portfolio Matrix) look at an organization’s portfolio of products and the stages of each product’s life.
- Achieving the business plan by life extensions, new product introductions, end of life decisions can be illustrated with the Boston Grid.
- SWOT is a tool for listing an organization’s strengths, weaknesses, opportunities and threats. It conveniently encompasses many of the other techniques, as well as provoking thought about the future.
Strategy Formulation

- Generic strategies are useful in providing the basis of strategic options. Porter believed that market leadership arose from two choices – the size of market chosen and the nature of your competitive advantage. Porter strongly believes in the value of economies of scale and the benefits of the experience curve. For Porter there are three best strategies – they are cost leadership, differentiation and market segmentation (or focus). Market segmentation is narrow in scope, while both cost leadership and differentiation are relatively broad in market scope.

- Market segmentation describes the division of a market into homogeneous groups, each of which will respond differently to marketing initiatives. It is a useful tool for understanding what distinct groups of customers want. Each group, or segment, can then be targeted individually.

- Emergent strategies arise unexpectedly. They can appear from anywhere in the organization and it is important that they are not suppressed, because they often represent a new market need that the company is meeting.

- Performance measures have a profound effect on behavior and so it is vital that measures are aligned with strategy. A cost-focused measure (e.g. calls per hour) will not allow a call-centre agent to spend time relationship building, whatever an organization claims about customer loyalty.
Porter's Generic Strategy Model

See the diagram on page 15

- **Focus strategy**
  Appropriate when the market consists of diverse segments – concentrate on distinct and profitable segments.

- **Cost leadership**
  Maintain high profitability and share through economies and efficiencies, innovation and technology, achieving growth in business.

- **Product differentiation strategy**
  Viable when the market desires important product features that the organization can deliver, or if significant differences can be maintained vs. competitor(s).
Marketing Function

- CIM’s definition of marketing is ‘The management process which identifies, anticipates and satisfies customer requirements profitability’.

- This process varies depending on factors such as the size of the organization, the sector in which it is located, the type of work role performed by the manager and the career experience that the marketing manager brings with them.

- Generally speaking, the smaller the organization the more multifaceted are the roles of the marketing manager.

- Marketing titles and positions vary considerably, along with the particular responsibilities that accompany them. They span a range of positions, including marketing director, marketing manager, sales manager, advertising manager, promotion manager and public relations manager.

- A marketing director is responsible for directing overall marketing policy. Marketing managers work with service or product development, market research and others to develop detailed marketing strategies.

- Sometimes Sales and Marketing are combined in one department, section or job description, so as to avoid the damaging splits that can sometimes occur when they are separate.

- Sales and marketing teams should work together creating opportunities for new business, identifying new markets and gathering competitive intelligence. However, they may work quite differently.
Marketing Function

- The marketing function is organized in different ways in different organizations, depending on factors such as size, geographical spread, management philosophy and type of business.

- A matrix structure is suited for collaborative working, focused on projects that cross normal departmental boundaries.

- Product management involves monitoring the performance of a specific product or service group in the market place. This makes it possible to avoid having a marketing department that focuses only on a few favoured products or services. The product manager needs to coordinate all activities relating to the product and service.

- This cross-departmental role means that a product or service manager often needs to work by persuasion, rather than through direct authority, to champion the product internally as well as externally.
Marketing Who's Who

Marketing director

Marketing manager

Sales manager

Branding manager

Product manager

New product development manager

Advertising manager

Marketing research manager

Communication manager

PR manager

Events manager

Direct marketing manager

THE MARKETING FUNCTION
Skills

- People working in front line roles are company representatives, so need to have skills that enable them to project the right image of the organization, in addition to carrying out their main tasks – appearance, body language, behavior and telephone manners all contribute to the impression gained by visitors and others about the company.

- When dealing with visitors from overseas, marketers need to be aware of cultural differences and implications for looking after such visitors.

- Marketers need to be able to develop effective working relationships when working up and down the supply chain.

- Negotiation requires marketers to understand how to apply their interpersonal skills effectively when putting forward proposals and counter arguments.

- Marketers require an understanding of the principles of entering into a contract and must get legal advice before agreeing to contractual obligations, as these are absolute.

- Marketers need to be able to network effectively to develop useful business contacts.
Competition Within the Marketplace

- Porter's Five Forces of competition model is one tool for analyzing this aspect of the market place.
- 'In-segment' competition is the competition between close competitors.
- The power of the buyers is twofold. If a company does not stock a product, customers are not able to buy it, but customers are also able to select another brand as better value for money.
- To address these two influences, brand manufacturers use marketing strategies directed at both the retail channels (push strategy) and at consumers (pull strategy).
- Suppliers exert influence. For example, in theory, a company may have a lot of choice over choosing a computer supplier but still have to purchase a Microsoft operating system.
- New entrants are also a major potential source of competitive pressure. For example, the air travel industry has been influenced by the entry of the aggressive, low-cost airlines.

The STEEPLE model Table 1.1 provides a framework for analyzing the major influences that impact on the marketplace.
### Table 1.1 General Overview of Selected Key STEEPLE Issues

<table>
<thead>
<tr>
<th>STEEPLE element</th>
<th>Selected key issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social/cultural</td>
<td>Demographics, society, culture</td>
</tr>
<tr>
<td>Technological innovation</td>
<td>Inventions, discoveries, information technologies</td>
</tr>
<tr>
<td>Economic issues</td>
<td>Business cycle, inflation rates, interest rates, disposable income, wealth distribution consumer spending patterns, credit availability, employment levels, exchange rates, taxation</td>
</tr>
<tr>
<td>Education/training</td>
<td>Educated consumers, educated channels, education of staff, lifelong training</td>
</tr>
<tr>
<td>Political</td>
<td>Stability, attitudes to industry attitudes to competition, climate for ‘free trade’, attitudes to foreign investors</td>
</tr>
<tr>
<td>Legal</td>
<td>Monopolies and mergers, competition, consumer legislation, health and safety, consumer safety (e.g. labelling), codes of conduct, self-regulation</td>
</tr>
<tr>
<td>Environmental protection</td>
<td>Consumer pressure, volatile organic compounds (VOC), Persistent Organic Pollutants (POP), Ozone depletion/CFC’s, genetic engineering issues, environment fate, laws, global warming, sustainable development, life-cycle analysis</td>
</tr>
</tbody>
</table>

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The Internal Environment

The Marketing-oriented organization is effective and offers goods and services to its customers, that have appropriate market valuation and are affordable. To be profitable, the organization needs to be efficient and to make and market products and services in the most economic way, consistent with the required product quality and standard of service. The value chain provides the Marketer with a tool to appraise the internal efficiency and effectiveness of the organization. Figure 1.2 shows an adapted version of Porter’s value chain.

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Data Collection and Analysis

The MkIS is not just a range of computer programmes. The data needs to be analyzed and interpreted to generate relevant useful information (see Figure 1.3).

Figure 1.3 Marketing information system
Source: Adapted from Lancaster and Withey (2003)
Marketing intelligence is a critical source of data for the organization. There are a number of issues to be considered when formulating an appropriate MkIS for a given situation:

– What data needs to be collected?
– How can it be collected efficiently?
– What use is to be made of the information?
Hints and Tips

- When you are completing a SWOT analysis, do not do it on paper but use a spreadsheet. Leave column one blank and make column two wide enough for your SWOT point. Use four tables, one for each element of the SWOT.

- Do not make any attempt to consider how important an issue is when you enter the points in column two. Then come back to your list and enter into column one a score of 1 – ‘critically important’, to 10 – ‘of very little importance’. You can then use the sort function to classify the issues with the key ones grouped at the top of the list. Having a computer-based copy also allows you to update the analysis as the environment changes.

- A key skill in marketing is to ensure that every element (e.g. a press release) forms part of an integrated activity. Whenever you answer an exam question, or work on a specific activity in a marketing project, take a little time to review how the detailed strategy integrates into the overall plans. This is particularly important for this integrative paper.

- Marketers work in a wide variety of contexts. The CIM examination requires you to address issues in case study contexts. In your day-to-day professional activity and when you read the press, make a mental note of interesting examples from different marketing contexts (e.g. not-for-profit, etc.). The next unit examines some of the contextual issues within which marketing plans are formulated and implemented.
Hints and Tips Continued

Hints and tips for ‘examiner friendly’ actions are as follows:

■ Show them that you understand the basis of the question, by answering precisely the question asked, and not including just about everything you can remember about the subject area.

■ Read their needs – how many points is the question asking you to address?

■ Respond to the question appropriately. Is the question asking you to take on a role? If so, take on the role and answer the question in respect of the role. For example, you could be positioned as follows: ‘You are working as a Marketing Assistant at Nike UK’ or ‘You are a Marketing Manager for an Engineering Company’ or ‘As Marketing Manager write a report to the Managing Partner’.

■ Ensure the examiner has something to mark: give them substance, relevance, definitions, illustration and demonstration of your knowledge and understanding of the subject area. See the examiner as your potential employer, or ultimate consumer/customer. The whole purpose and culture of marketing is about meeting customers’ needs. Provide a strong sense of enthusiasm and professionalism in your answers; support it with relevant up-to-date examples and apply them where appropriate.
Hints and Tips Continued

- Try to do something that will make your exam paper a little bit different – make it stand out in the crowd. Within the assignment there are several types of questions that may be asked, including:
  - A report – the question requires a formal report to be completed, detailing an answer to the specific question set. This will often be reporting on a specific issue to an individual.
  - A briefing paper or notes – preparing a briefing paper or a series of notes which may be used for a presentation.
  - A presentation – you may be required to either prepare the presentation only or to deliver the presentation in addition to its preparation. The audience for the presentation should be considered carefully and Information and Communications Technology (ICT) used where possible.
  - A discussion paper – the question requires an academic discussion paper to be prepared. You should show a range of sources and concepts within the paper. You may also be required to present the discussion paper as part of a question.
- A project plan or action plan – some questions ask for planning techniques to be demonstrated. As such, the plan must be for the timescale given and costs shown.
Hints and Tips Continued

■ Planning a research project – whilst market research may be required, questions are often asked simply for a research plan in a given situation. This would normally include timescales, the type(s) of research to be gathered, sampling, data collection and analysis.

■ Conducting research – following on from a research plan, a question can require student(s) to undertake a research gathering exercise. A research question can be either an individual or a group activity, depending upon the question. This will usually result in a report of the findings of the exercise plus any recommendations arising from your findings.

■ Gathering of information and reporting – within many questions information will need gathering. It is advisable to detail the types of information utilized, their sources and report on any findings. Such a question will often ask for recommendations for the organization – these should be drawn from the data and not simply personal opinion.

■ An advisory document – a question here will require you to evaluate a situation and present advice and recommendations drawn from findings and theory. Again, any advice should be backed up with evidence and not a personal perspective only.
Characteristics of a Good Candidate’s Work

The characteristics of a good candidate's work in the integrative project are:

■ Selection of good relevant examples to illustrate points.
■ Selection of relevant aspects of theory.
■ Not only demonstrating knowledge of theory but also understanding.
■ Understanding of the practical aspects of implementing theory, including overcoming problems.
■ Good, well-structured reports within 20 percent of indicative word count.
■ Small but relevant appendices, but only where necessary.
■ Understanding of textbook theory and evidence of reading around the subject to find the latest developments.
■ Appropriate referencing for sources.
■ Use of an appropriate range of sources, including original research articles, current textbooks, marketing and general press and appropriate use of Internet sources.
■ Focus on the specific aspects demanded by the integrative project tasks.
Characteristics of Poor Work

The characteristics of less good submissions for the integrative project are:

■ Poor selection of examples and a failure to use them in the illustration of points.
■ Theory ‘dump’ of all the notes that the candidate has acquired in and around the topic area, with little understanding of what was relevantly demonstrated.
■ Listing of theory rather than a demonstration of understanding.
■ Little understanding of problem-solving issues and the use and interpretation of theory.
■ Long, rambling reports, much in excess of 20 percent of indicative word count, with little structure and focus on the key aspects.
■ Long and often numerous appendices, including printouts of websites and material such as complete brochures and annual reports. Only strictly relevant material should be appended. The inclusion of appendices without relevance just wastes candidates’ and examiners’ time without gaining additional credit.

Go to www.cimvirtualinstitute.com and www.marketingonline.co.uk for additional support and guidance.