

Marketing Fundamentals



Noordhoff

Verhage
Visser

4th edition

Marketing Fundamentals

An International Perspective

To the memory of Ed Cundiff
Mentor and long-time friend

MARKETING FUNDAMENTALS

AN INTERNATIONAL PERSPECTIVE

Dr. Bronis Verhage

Professor of Marketing
Georgia State University
Atlanta, Georgia, USA

In cooperation with **Marjolein Visser RM**,
Paul Oostveen and **Erik Kostelijk**

Fourth edition, 2022

Noordhoff

Cover design: G2K Designers, Groningen/Amsterdam
Cover illustration: design_large

Any comments concerning this or other publications should be addressed to Noordhoff Uitgevers bv, Afdeling Hoger onderwijs, Antwoordnummer 13, 9700 VB Groningen or via the contact form at www.mijnnoordhoff.nl.

The information contained in this publication is for general information purposes only. No rights or liability of the author(s), editor or publisher can be derived from this information.



0 / 22

© 2022 Noordhoff Uitgevers bv, Groningen/Utrecht, The Netherlands

This publication is protected by copyright. If you wish to (re)use the information in this publication, you must obtain prior written permission from Noordhoff Uitgevers bv.

ISBN (ebook) 978-90-01-29873-9
ISBN 978-90-01-29872-2
NUR 802

Brief Contents

PREFACE 18
ABOUT THE AUTHOR 24

PART 1 INSIGHT INTO MARKETING 27

- 1 WHAT IS MARKETING? 29
- 2 STRATEGY DEVELOPMENT AND MARKETING PLANNING 67
- 3 THE MARKETING ENVIRONMENT 137



PART 2 ANALYSING THE MARKET 177

- 4 BUYING BEHAVIOUR 179
- 5 MARKETING RESEARCH AND MARKETING INFORMATION 223
- 6 MARKET SEGMENTATION AND POSITIONING 261



PART 3 PRODUCT DECISIONS 299

- 7 PRODUCT STRATEGY AND SERVICES MARKETING 301
- 8 NEW PRODUCT DEVELOPMENT 359



PART 4 PROMOTION DECISIONS 399

- 9 MARKETING COMMUNICATION STRATEGIES 401
- 10 ADVERTISING 455
- 11 SALES MANAGEMENT 499



PART 5 PRICING DECISIONS 555

- 12 PRICING STRATEGIES AND PRICE DETERMINATION 557



PART 6 DISTRIBUTION DECISIONS 629

- 13 DISTRIBUTION 631
- 14 RETAILING 677
- 15 GLOBAL MARKETING 729



Contents

Preface 18
About the author 24

PART 1 **INSIGHT INTO MARKETING** 27

1	WHAT IS MARKETING? 29
	Marketing in Action: How HelloFresh is conquering the market 30
1.1	The meaning of marketing 33
	1.1.1 Differences between selling and marketing 33
	1.1.2 A definition of marketing 34
	1.1.3 The marketing mix 35
	1.1.4 Target market selection and the process of exchange 37
1.2	Levels of marketing systems 38
	1.2.1 Macromarketing 38
	1.2.2 Mesomarketing 38
	1.2.3 Micromarketing 40
	Marketing Mistake: The French wine industry's 'Terroir' 40
1.3	Development of the marketing mindset 41
	1.3.1 Production- and product-oriented companies 42
	1.3.2 Selling-oriented companies 42
	1.3.3 Marketing-oriented companies 43
	1.3.4 Relationship marketing 45
1.4	The marketing concept 46
	1.4.1 Customer satisfaction 46
	1.4.2 Integrated approach 48
	1.4.3 Broad business definition 50
	1.4.4 Competitive analysis 50
	1.4.5 Marketing research and target market selection 50
	1.4.6 Profit contribution 51
	Marketing Topper: Heineken 0.0 51
1.5	Tasks of marketing in a company 52
	1.5.1 Marketing's first task 52
	1.5.2 Marketing's second task 54
	1.5.3 The three Rs 55
	1.5.4 Customer equity 56
	Professor's Perspective: Laetitia Radder (Nelson Mandela Metropolitan University) 58
1.6	Marketing applications and preview of the text 59
	1.6.1 Applications 59
	1.6.2 Non-profit marketing 60
	1.6.3 The need to study marketing 61
	1.6.4 A preview of the text 62
	Summary 63
	Discussion questions 65



2	STRATEGY DEVELOPMENT AND MARKETING PLANNING	67
	Marketing in Action: Tesla's successful strategy	68
2.1	Marketing planning	71
	2.1.1 Differences between strategic and tactical planning	71
	2.1.2 Three levels of strategy development	72
	2.1.3 Building blocks of success	75
	2.1.4 A marketing planning and management model	76
	Marketing Mistake: Working without strategic plan	78
2.2	Business definition and mission statement	79
	2.2.1 Formulating the business definition	80
	2.2.2 Defining the company's mission	82
	Professor's Perspective: Michael Porter (Harvard Business School, Boston, Massachusetts)	84
2.3	SWOT analysis	85
	2.3.1 Internal analysis	85
	2.3.2 External analysis	86
	2.3.3 Situation analysis	87
	2.3.4 Confrontation matrix	88
	Marketing Topper: Spar's retail strategy to beat Aldi	89
2.4	Determining marketing objectives	90
	2.4.1 How to formulate objectives	90
	2.4.2 Hierarchy of objectives	92
2.5	Developing a marketing strategy	93
	2.5.1 Business Model Canvas	93
	2.5.2 Portfolio analysis	100
	2.5.3 Boston matrix	100
	2.5.4 Strategic implications	102
	2.5.5 Generic strategies	104
	2.5.6 Ansoff model	107
	Practitioner's Perspective: Nilofer Merchant (Rubicon)	108
2.6	The marketing organisation	110
	2.6.1 Organisational framework	110
	2.6.2 The marketing department	111
2.7	Writing the marketing plan	115
	2.7.1 Why write a marketing plan?	115
	2.7.2 Marketing plan components	115
	2.7.3 Focus of marketing plans	12
2.8	Implementation and control	124
	2.8.1 Evaluation and control	125
	2.8.2 Operational marketing control	126
	2.8.3 Strategic marketing control	128
	2.8.4 Integrated marketing	130
	Summary	131
	Discussion questions	134
3	THE MARKETING ENVIRONMENT	137
	Marketing in Action: How Nestlé fights high commodity prices	138
3.1	Marketing environment	141
	3.1.1 Internal environment	142
	3.1.2 External environment	143





	3.1.3 Trends and marketing challenges	144
3.2	Mesoenvironment	147
	3.2.1 The supply chain	147
	3.2.2 Customers	149
	3.2.3 Suppliers	150
	3.2.4 Intermediaries	150
	3.2.5 Competitors	152
	3.2.6 Public groups	154
	Marketing Topper: Going green makes good business sense	155
3.3	The macroenvironment	156
	3.3.1 Demographic factors	157
	3.3.2 Economic factors	158
	3.3.3 Political-legal factors	159
	3.3.4 Ecological factors	161
	3.3.5 Technological factors	162
	3.3.6 Sociocultural factors	164
3.4	Marketing ethics and social responsibility	165
	3.4.1 Legislation versus ethics	166
	3.4.2 Ethics and marketing	166
	3.4.3 Insight into ethical behaviour	167
	3.4.4 Social responsibility	170
	Marketing Mistake: Functional power supply	172
	Summary	173
	Discussion questions	175

PART 2

ANALYSING THE MARKET 177

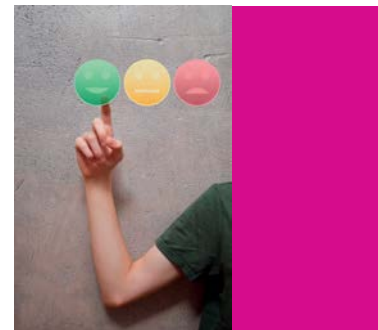


4	BUYING BEHAVIOUR	179
	Marketing in Action: Increase in online shopping	180
4.1	The purchase decision process	183
	4.1.1 Problem recognition	184
	4.1.2 Information gathering	184
	4.1.3 Alternative evaluation	185
	4.1.4 Purchase decision	186
	4.1.5 Post-purchase evaluation	187
4.2	Types of orientation and buying behaviour	188
	4.2.1 Extensive problem solving	189
	4.2.2 Limited problem solving	189
	4.2.3 Routine problem solving	189
	Marketing Topper: A Diamond is Forever	190
4.3	Impact of personal circumstances	191
	4.3.1 Demographic characteristics	191
	4.3.2 Lifestyle	192
	4.3.3 Situational influences	192
	Professor's Perspective: Dr. Ken Bernhardt (Georgia State University)	193
4.4	Psychological influences on consumer decisions	194
	4.4.1 Needs and motives	194
	4.4.2 Perception	197
	4.4.3 Learning	198

- 4.4.4 Personality 200
- 4.4.5 Attitudes 200
- Practitioner's Perspective: Diana Oreck (The Ritz-Carlton Hotel Co.) 203
- 4.5** Social influences on consumer behaviour 204
 - 4.5.1 Culture 204
 - 4.5.2 Social class 205
 - 4.5.3 Reference groups 205
 - 4.5.4 Family influences 207
- Marketing Memo: The role of the car dealer is about to change 209
- 4.6** Business-to-business marketing (B2B) 210
 - 4.6.1 Differences with consumer marketing 210
 - 4.6.2 Organisational buying behaviour 212
 - 4.6.3 Roles in the buying centre 213
 - 4.6.4 Types of buying situations 214
 - 4.6.5 B2B e-commerce and e-procurement 217
 - Summary 219
 - Discussion questions 221

5 **MARKETING RESEARCH AND MARKETING INFORMATION** 223

- Marketing in Action: Which trends are reshaping market research and how? 224
- 5.1** Role of marketing research 227
 - 5.1.1 What is marketing research? 228
 - 5.1.2 Objective of marketing research 228
 - Practitioner's Perspective: Ronald Velton (IBM): Marketing? Never a dull moment! 230
- 5.2** The marketing research process 231
 - 5.2.1 Problem definition and research objectives 231
 - 5.2.2 Developing the research plan 233
 - 5.2.3 Secondary data research 234
 - 5.2.4 Exploratory research 235
 - 5.2.5 Refining the research design 236
 - 5.2.6 Collecting primary data: survey methods 237
 - 5.2.7 Motivation research 240
 - Professor's Perspective: Roland Rust (University of Maryland) 242
 - 5.2.8 Observation 243
 - 5.2.9 Experiments 244
 - 5.2.10 Analysing, interpreting and presenting research results 246
 - Marketing Mistake: Meet Vincent van Gogh Experience 247
- 5.3** Analytics 247
 - 5.3.1 Data 248
 - 5.3.2 Forms of analytics 250
 - 5.3.3 Metrics 251
- 5.4** Test marketing 254
 - 5.4.1 Selecting test markets 254
 - 5.4.2 Principles of test marketing 255
 - 5.4.3 How long to test market? 256
 - Summary 257
 - Discussion questions 258





6	MARKET SEGMENTATION AND POSITIONING	261
	Marketing in Action: Steinway & Sons	262
6.1	Defining the market	264
	6.1.1 What is a market?	264
	6.1.2 Identifying the market	265
	6.1.3 Analysing market potential	266
	6.1.4 Demand and market approach	266
	Marketing Memo: More and more young people ride an e-bike	268
	6.1.5 The c2c market	268
6.2	What is market segmentation?	271
	6.2.1 Emergence of market segmentation	271
	6.2.2 Reasons for market segmentation	273
	6.2.3 Decision criteria for effective segmentation	274
	Practitioner's Perspective: Eric Paquette (Copernicus Marketing Consulting)	276
6.3	Bases for segmentation	278
	6.3.1 Demographic segmentation	278
	6.3.2 Geographic segmentation	279
	6.3.3 Psychographic segmentation	280
	6.3.4 Behavioural segmentation	282
	Professor's Perspective: Dr. V. Kumar (Georgia State University)	283
	6.3.5 Segmentation of business markets	284
6.4	Targeting strategies	285
	6.4.1 Target marketing decisions	285
	6.4.2 Target market selection	287
	Marketing Topper: Adidas: lottery as a PR tool	289
6.5	Positioning strategies	289
	6.5.1 The battle for the mind	290
	6.5.2 Perceptual mapping	290
	6.5.3 The art of positioning	292
	6.5.4 Repositioning	292
	Summary	294
	Discussion questions	296

PART 3

PRODUCT DECISIONS 299



7	PRODUCT STRATEGY AND SERVICES MARKETING	301
	Marketing in Action: Manchester United's global brand offensive	302
7.1	What is a product?	305
	7.1.1 A bundle of benefits	305
	7.1.2 Product levels	306
	7.1.3 Implications for marketing	307
	Marketing Topper: Flash delivery: buy time (and groceries)	308
7.2	Types of consumer products	308
	7.2.1 Convenience products	309
	7.2.2 Shopping products	310
	7.2.3 Specialty products	310

	7.2.4 Unsought products	312
	7.2.5 Other product classifications	312
7.3	Product assortment strategies	313
	7.3.1 What is an assortment?	313
	7.3.2 Dimensions of the product mix	314
	7.3.3 Optimising the product portfolio	316
	7.3.4 Product line extensions	317
	Practitioner's Perspective: Netflix to offer games	320
7.4	Managing the product life cycle	320
	7.4.1 Stages in the life cycle	321
	7.4.2 Usefulness of the product life cycle	325
	7.4.3 Extending the life cycle	326
7.5	Product quality and customer service	328
	7.5.1 Product quality	328
	7.5.2 Product warranty	330
	7.5.3 Customer service	330
	7.5.4 Relationship marketing	332
	Professor's Perspective: David Aaker (University of California at Berkeley)	332
7.6	Brand management	334
	7.6.1 Strategic objectives of branding	335
	7.6.2 Battle of the brands	336
	7.6.3 Individual or family brand name?	340
	7.6.4 What makes a brand name good?	341
	7.6.5 Legally protecting the brand	342
	Marketing Mistake: Automobile brand names	343
7.7	Product design and packaging	343
	7.7.1 Design and styling	343
	7.7.2 Packaging functions	344
7.8	Marketing of services	347
	7.8.1 Characteristics of services	347
	7.8.2 Importance of the service sector	351
	7.8.3 Increasing productivity	351
	Summary	354
	Discussion questions	356

8 NEW PRODUCT DEVELOPMENT 359

	Marketing in Action: All the world on a VanMoof	360
8.1	What is a new product?	363
	8.1.1 Types of new products	363
	8.1.2 How innovation affects consumers	365
8.2	Reasons for product development	367
	Professor's Perspective: Albert Alos (Pan-African University, Lagos, Nigeria)	367
	8.2.1 Why firms introduce new products	368
	8.2.2 Make or buy?	370
8.3	Developing new products	372
	8.3.1 New product strategy development	373
	8.3.2 Idea generation	374
	8.3.3 Screening and evaluation	374
	8.3.4 Business analysis	375
	8.3.5 Prototype development	377



	8.3.6 Test marketing	377
	8.3.7 Iterative product development	378
	8.3.8 Co-creation and crowdsourcing	378
	Marketing Topper: Swapfiets targets the European market	379
	8.3.9 Commercialisation	380
8.4	Organising new product development	380
	8.4.1 Venture teams	381
	8.4.2 Alternatives to venture teams	381
	8.4.3 Speeding up new product development	383
8.5	Why new products succeed or fail	384
	8.5.1 Successful introductions	384
	8.5.2 Failed introductions	386
	Marketing Mistake: Size matters in global marketing	388
8.6	Diffusion of innovations	389
	8.6.1 The consumer adoption process	389
	8.6.2 Adopter categories	390
	8.6.3 Product features and rate of adoption	393
	Summary	395
	Discussion questions	397

PART 4

PROMOTION DECISIONS 399

9	MARKETING COMMUNICATION STRATEGIES	401
	Marketing in action: Company logos: Hidden message?	402
9.1	What is marketing communication?	405
	9.1.1 Marketing communication and promotion tools	405
	9.1.2 Comparing personal and mass communication	408
	9.1.3 How does communication work?	410
	Professor's Perspective: Don Schultz (Northwestern University)	412
9.2	Communication strategy: target audience	413
	9.2.1 Pull and push strategies	414
	9.2.2 Two-step flow of communication	415
	Practitioner's Perspective: John Bissell (Gundersen Partners)	417
9.3	Setting communication objectives	418
	9.3.1 Classic response hierarchy models	419
	9.3.2 Implications for communication policy	423
	9.3.3 Non-classic response hierarchy models	424
	Marketing Mistake: Benecol: failing functional food?	426
9.4	Communication budget	427
	9.4.1 Percentage-of-sales method	427
	9.4.2 Affordable method	428
	9.4.3 Competitive-parity method	428
	9.4.4 Objective-and-task method	429
	9.4.5 Anti-cyclical budgeting	430
	Marketing Topper: Exporting the magic of London taxis	432
9.5	Communication mix	433
	9.5.1 Guidelines for choosing an optimal mix	433
	9.5.2 Intended consumer response	436



- 9.6** Online marketing communication 437
 - 9.6.1 Search engine marketing: SEO and SEA 437
 - 9.6.2 Email marketing and newsletters 438
 - 9.6.3 Display advertising 439
 - 9.6.4 Link building 439
 - 9.6.5 Virals and games 440
 - 9.6.6 Affiliate marketing 441
- 9.7** Social media 441
- 9.8** Public relations 442
 - 9.8.1 Public relations functions 446
 - 9.8.2 Planning the PR strategy 448
- Summary 451
- Discussion questions 453

10 ADVERTISING 455

Marketing in Action: How Zalando combines fashion and media 456

- 10.1** The role of advertising 459
 - 10.1.1 Influence of advertising 459
 - 10.1.2 Place in the organisational structure 460
- 10.2** Types of advertising 461
 - 10.2.1 Classified by sender 461
 - 10.2.2 Classified by target audience 463
 - 10.2.3 Classified by message 464
 - 10.2.4 Classified by an offline advertising medium 465

Professor's Perspective: Leslie de Chernatony (University of Birmingham, U.K.) 466
- 10.3** Advertising planning 467
 - 10.3.1 Establishing advertising objectives 468
 - 10.3.2 DAGMAR model 470
- 10.4** Advertising strategies 471
 - 10.4.1 Introduction stage 471
 - 10.4.2 Market growth stage 472
 - 10.4.3 Market maturity stage 473
 - 10.4.4 Market decline stage 473

Marketing Memo: TikTok: popular platform for young people 474
- 10.5** Developing an advertising campaign 474
 - 10.5.1 Briefing 475
 - 10.5.2 Creative concept 477
 - 10.5.3 Execution of the concept 479

Marketing Topper: Dos Equis: Heineken's star in the U.S. 479
- 10.6** Media selection 480
 - 10.6.1 The media plan 481
 - 10.6.2 Criteria for selecting media 483
- 10.7** Measuring advertising effectiveness 487
 - 10.7.1 Pretesting 488
 - 10.7.2 Posttesting 489
- 10.8** Sponsorships 490
 - 10.8.1 Objectives 491
 - 10.8.2 Sponsorship strategies and assessment 492
- Summary 494
- Discussion questions 496





11	SALES MANAGEMENT	499
	Marketing in Action: The CMO's global challenge	500
11.1	Importance of personal selling	503
	11.1.1 Types of sales jobs	503
	11.1.2 Multiple roles of salespeople	505
11.2	Creative selling process	507
	11.2.1 Preparation	507
	11.2.2 Persuasion	508
	11.2.3 Transaction	511
	Marketing Mistake: Sales versus marketing – still at war?	512
11.3	Strategy and objectives	514
	11.3.1 Managing the sales effort	514
	11.3.2 Management by objectives	515
	Professor's Perspective: Russell Abratt (Nova Southeastern University)	517
11.4	Organising the sales force	518
	11.4.1 Sales force structure	519
	11.4.2 Sales force size	521
	11.4.3 Sales territory allocation	523
	Practitioner's Perspective: The power of social selling	524
11.5	Executing the sales plan	525
	11.5.1 Recruitment, selection and training	525
	11.5.2 Sales force motivation and compensation	526
	Practitioner's Perspective: Jack and Suzy Welch	529
11.6	Direct marketing	529
	11.6.1 What is direct marketing?	530
	11.6.2 Direct marketing forms	533
	11.6.3 Evolution of direct marketing	535
11.7	Sales promotion	540
	11.7.1 Objectives of sales promotion	541
	11.7.2 Consumer promotions	543
	11.7.3 Trade promotions	546
	11.7.4 Current trends in sales promotion	549
	Summary	551
	Discussion questions	553

PART 5

PRICING DECISIONS 555



12	PRICING STRATEGIES AND PRICE DETERMINATION	557
	Marketing in Action: The do's and don'ts of dynamic pricing in retail	558
12.1	The pricing decision	561
	12.1.1 Perceived value	562
	12.1.2 Cost of the product	563
	12.1.3 Company and marketing strategy	564
	12.1.4 Competition	564

	12.1.5 Product mix	564
	12.1.6 Resellers	565
	12.1.7 Legislation and ethics	565
12.2	Demand curve	566
	12.2.1 Price mechanism	566
	12.2.2 Movement along the demand curve	567
	12.2.3 Shifts of the demand curve	567
	Professor's Perspective: Dr. Ken Bernhardt (Georgia State University)	569
12.3	New product pricing	570
	12.3.1 Price skimming strategy	570
	12.3.2 Penetration price strategy	572
12.4	Pricing objectives	574
	12.4.1 A Model for pricing decisions	574
	12.4.2 General pricing objectives	575
	12.4.3 Specific pricing objectives	576
	12.4.4 Pricing objectives in practice	576
	Marketing Memo: Exceed expectations	579
12.5	Pricing methods	580
	12.5.1 Base price	580
	12.5.2 Discounts and allowances	581
	12.5.3 Transfer pricing	584
12.6	Cost-oriented pricing	585
	12.6.1 Cost-plus pricing	586
	12.6.2 Variable-cost pricing	589
	12.6.3 Break-even analysis	591
	12.6.4 Target-return pricing	593
	Marketing Mistake: Buick's reintroduction in China	594
12.7	Demand-oriented pricing	596
	12.7.1 Price elasticity of demand	596
	12.7.2 Income elasticity of demand	601
	12.7.3 Cross elasticity of demand	603
	12.7.4 Price lining	604
	12.7.5 Price differentiation	606
	12.7.6 Psychological pricing	608
	Practitioner's Perspective: Effective price increases	611
12.8	Competition-oriented pricing	612
	12.8.1 Competition and market structures	613
	12.8.2 Monopoly	615
	12.8.3 Oligopoly	616
	12.8.4 Monopolistic competition	619
	12.8.5 Pure competition	619
	12.8.6 Competitive bidding	621
	Summary	624
	Discussion questions	627

PART 6

DISTRIBUTION DECISIONS 629



- 13 DISTRIBUTION** 631
 - Marketing in Action: Key principles of designing the omnichannel distribution network of the future 632
 - 13.1** Importance of distribution channels 635
 - 13.1.1 What is a distribution channel? 635
 - 13.1.2 Types of distribution channels 637
 - 13.1.3 Distribution channels create utility 639
 - 13.1.4 Distribution channels increase efficiency 640
 - 13.1.5 Distribution channels create a supply chain 641
 - 13.1.6 Value chain 642
 - Professor's Perspective: Jagdish Sheth (Emory University) 644
 - 13.2** Distribution analysis 645
 - 13.2.1 Distribution intensity 645
 - 13.2.2 Optimal level of distribution intensity 649
 - 13.3** Channel leadership and management 650
 - 13.3.1 Who should lead the distribution channel? 650
 - 13.3.2 Selecting channel members 654
 - 13.3.3 Channel conflict 657
 - 13.3.4 Evaluation and control of distributors 658
 - Marketing Topper: Horizon: marketing games 660
 - 13.4** Wholesaling 660
 - 13.4.1 What is a wholesaler? 661
 - 13.4.2 Types of wholesaling 661
 - 13.4.3 The future of wholesaling 664
 - 13.5** Marketing logistics 666
 - 13.5.1 Key activities in logistics 667
 - 13.5.2 Strategic issues in physical distribution 670
 - Summary 672
 - Discussion questions 675



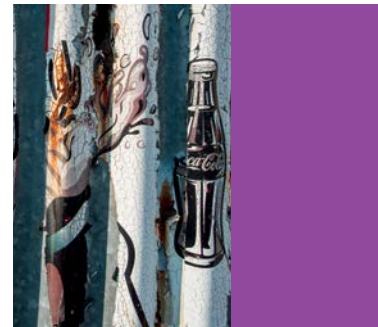
- 14 RETAILING** 677
 - Marketing in Action: How IKEA offers value for money 678
 - 14.1** The role of retailing 681
 - 14.1.1 Importance of retailing 682
 - 14.1.2 The wheel of retailing 683
 - Marketing Mistake: Wal-Mart flunks German 685
 - 14.2** Types of retail operations 686
 - 14.2.1 Major types of retail stores 686
 - 14.2.2 Non-store retailing 691
 - 14.2.3 Shopping centres 694
 - 14.3** Ecommerce 697
 - 14.3.1 Benefits of internet retailing 697
 - 14.3.2 E-commerce using the digital marketing funnel 700
 - 14.3.3 E-loyalty 704
 - 14.3.4 E-fulfillment 706
 - 14.3.5 Automated data exchange 706
 - 14.3.6 Omnichannel marketing 706
 - Marketing Topper: Abercrombie's retail theatre in Europe 707

- 14.4** Franchising 708
 - 14.4.1 Forms of ownership 708
 - 14.4.2 Types of franchise arrangements 709
 - 14.4.3 Advantages and disadvantages of franchising 710
- 14.5** Key account management 712
 - 14.5.1 Dual target market approach 713
 - 14.5.2 Low margin and service retailing strategies 714
 - Professor's Perspective: Nirmalya Kumar (London Business School) 715
- 14.6** Retail marketing 716
 - 14.6.1 Store image: positioning the retail store 716
 - 14.6.2 Retailing mix 718
 - 14.6.3 Recent trends in retailing 721
 - Summary 725
 - Discussion questions 727

15 GLOBAL MARKETING 729

Marketing in Action: The vegetarian butcher: the biggest butcher in the world 730

- 15.1** International marketing planning 733
 - 15.1.1 What is global marketing? 734
 - 15.1.2 Strategic planning for international expansion 735
 - Professor's Perspective: S. Tamer Cavusgil (Georgia State University) 738
 - 15.2** Global marketing environment 739
 - 15.2.1 Economic environment 739
 - 15.2.2 Political-legal climate 741
 - Marketing Topper: Oreo: East meets West 744
 - 15.2.3 Cultural environment 745
 - Marketing Memo: Unilever's International Competition 750
 - 15.3** Market entry strategies abroad 751
 - 15.3.1 Exporting 751
 - 15.3.2 Joint ventures 755
 - 15.3.3 Direct investment 755
 - Practitioner's Perspective: Patrick Stal: Uber's disruption in 600 cities 756
 - 15.4** Customisation or globalisation? 756
 - 15.4.1 Pros and cons of standardisation 757
 - 15.4.2 Think globally, but act locally ... 758
 - 15.4.3 Developing a global marketing strategy 759
 - Summary 762
 - Discussion questions 764
- Literature 766
- Credits 767
- Index 768



Preface

Introduction

We live in an exciting period of rapid changes and major challenges. In order to compete successfully, firms must continue to launch better products and services. Marketing strategies considered excellent a few years ago, might not suffice in today's dynamic markets. A company must systematically differentiate its brands and pursue an effective marketing strategy.

Never before in the history of marketing have changes in the business environment occurred so quickly and relentlessly. The corporate world has become more global and competitive. Companies have succeeded in cutting development and launch time for new products in half. Their products and services are not only of high quality, but also carefully tailored to the needs and wants of the target market. As a result of numerous innovations, distribution costs have been slashed, while customer service continues to be improved.

This tremendous progress in the marketing of goods and services has been accomplished by replacing outdated business practices with new marketing insights and techniques. In executing their strategies, for example, many managers now rely on social media, guerrilla marketing and other communication methods that make effective use of the internet. The internet also gives small start-up companies access to the international market. By systematically applying contemporary marketing principles and techniques in this progressive new domain, any firm can improve its competitive position, even in crises such as the recent pandemic.

Reasons for writing this book

An important goal of those who work in higher education is to help students gain useful insights and skills, preparing them for leadership positions in organisations in the Netherlands and around the world. This is a demanding task for educators. Traditional American business concepts and examples that dominate most marketing books may not be adequate in today's changing global market.

To be prepared for successful careers and the business challenges they will face as managers in the global economy, students should not only be familiar with the principles of marketing, but should also be able to develop and implement effective marketing strategies in various countries. Helping to equip students with a professional *attitude*, as well as the knowledge and practical skills required to take advantage of international marketing opportunities, was the driving force behind the introduction of *Marketing Fundamentals: An International Perspective*. Future managers must be able to use their skills in organisations that market in countries and cultures other than their own.

Global companies are increasingly interested in recruiting a new generation of managers who apply the marketing fundamentals in creative ways and have acquired hands-on skills. Ideally, they are ambitious yet realistic team players, who operate as flexible but results-driven managers, and can work independently in innovative and customer-focused ways.

Today's students are tomorrow's marketers and leaders who have learned to anticipate change in a turbulent global environment and to think in an analytical, multi-disciplinary fashion. This revised edition of *Marketing Fundamentals* will make a significant contribution to cultivating this *mindset*. The book will prepare students for the challenges ahead by engaging and motivating them to learn about marketing management and by encouraging them – through international marketing examples, cases and insightful perspectives – to practice making sound marketing decisions.

Pedagogical approach

This contemporary textbook was developed to introduce students to the fundamentals, practices and analytic techniques of marketing. It is comprehensive in scope and *managerial* in orientation. The book – combined with excellent online support by Noordhoff – is designed to facilitate student learning from individual reading and independent study, which is increasingly important in marketing education.

Marketing Fundamentals' main purpose is to help students deepen their understanding of marketing and develop skills to become market-oriented managers, able to satisfy their customers' needs in an era of cutthroat competition. Beyond explaining the principles and techniques of marketing, the book's objective is to teach students how to successfully *apply* these marketing principles in a rapidly changing marketplace.

The attractive presentation of the material, including marketing cases, discussion questions, and specific examples of companies, products and brands ensures that students do not act as passive listeners or outsiders, but instead become very much involved in the role of a manager responsible for making effective marketing decisions. This tends to create a great deal of enthusiasm about marketing and has stimulated quite a few students to pursue a career in this exciting field.

Finally, this textbook emphasises the *strategic* role of marketing in organisations. Various chapters address a systematic approach to developing long-term strategies and converting them into marketing plans to be implemented throughout the organisation. The result is a balanced treatment of marketing problems at the corporate, company and product level.

Positioning the book

How does this textbook differ from other marketing principles books used in universities, colleges and business schools? For one thing, *Marketing Fundamentals'* engaging, lively writing style enhances student learning. The use of 'easy reading' language also appeals to non-native speakers of English. Its up-to-date, comprehensive coverage of marketing concepts and best practices helps to broaden the scope of marketing beyond the traditional marketing management paradigm, which has long dominated the field.

The revised fourth edition of the book offers a contemporary review of new priorities in marketing, as illustrated by a fascinating selection of analyses of world-class companies' customer-focused strategies. These memorable and often provocative examples of marketing practices include large and small companies, working in both business-to-business and consumer marketing of products or services. Their strategies and performance make clear that marketing is a universal function, essential to any company that wants to achieve outstanding results in the marketplace.

Marketing Fundamentals is clearly laid out and *decision-oriented*. It provides useful tools for sharpening the manager's analytical thinking and provides the framework for developing a sound marketing plan. Current visions of top managers and professors and fascinating practical examples bring the text to life and show how various companies apply marketing theory successfully. Powerful ideas on dealing with marketing challenges are illustrated by analyses of both successes and failures of companies' strategies for identifying and meeting customer needs.

Structure of the text

Marketing Fundamentals' (fourth edition) clear structure and managerial approach are identical to the tenth edition of its Dutch-language version, *Grondslagen van de Marketing* (2022). This textbook – the market leader in the Netherlands for decades – has been used by hundreds of thousands of students and has created a great deal of enthusiasm about marketing.

Marketing Fundamentals, An International Perspective has fifteen chapters that provide a state-of-the-art overview of the new priorities in marketing. They are grouped – from a management perspective – into six sections. This layout provides a logical structure to the theory.

The book begins with a discussion of what marketing is all about and how the profession has evolved. Because marketing planning and strategy development precede most other activities, writing a well-researched marketing plan is covered early on here. It also highlights marketing planning and organising the marketing efforts. In addition, section 1 examines the changes in the marketing environment, including an overview of ethical and social responsibility issues affecting marketing. The next three chapters take an in-depth look at buyer behaviour and two important marketing tools: marketing research and market segmentation. It emphasises the need for effective relationship marketing, targeting and positioning strategies, using social media.

The remaining chapters of the book address the elements of the marketing mix: product, promotion, pricing and place (including online marketing), all from a decision-making perspective. The final chapter (15) tackles the challenges of plotting and implementing a global marketing strategy. Today, global competition is so intense that every manager should attempt to identify international marketing trends and opportunities promptly, in an effort to remain competitive. Therefore, cutting edge techniques as well as intriguing cases and illustrations of successful global marketing strategies are integrated throughout the text.

New in the fourth edition

While the structure of the chapters in the fourth edition has been maintained as much as possible, *Marketing Fundamentals: An International Perspective* has been updated in several places to reflect changes in society and in business. As a result of these updates, the book better than ever now meets the needs of higher education and offers a successful method that is tailored to today's student, both from a didactical and content point of view.

For her contributions to the field of online marketing, I would like to thank Marjolein Visser RM, interim manager, marketing consultant and author of the *Basisboek Online Marketing*. This book, written by more than 25 top Dutch specialists, has become the standard book in digital marketing for professional and higher education courses. It also offers required material for several NIMA exams.

I'd also like to thank Erik Kosteljik, associate professor at Amsterdam University of Applied Sciences, market researcher and co-author of, among others, the books *Brand Positioning* and *Market Research*. Based on his experience in (online) market research he has updated the chapter on this topic, in particular the newly added section on Analytics (section 5.3).

In the third edition, some major (online) marketing concepts had already been added to *Marketing Fundamentals*. This includes the 4C model, digital analytics, customer journey, social media marketing, search engine marketing (SEO & SEA), marketing automation and the online marketing funnel. In the **fourth edition**, many examples, cases, (advertising) images and research data have been updated. In addition, various paragraphs have been adapted, based on new developments in the field. This includes business-to-business marketing, service marketing, online marketing, market research, marketing functions and international marketing.

Furthermore, this edition also elaborates on concepts such as:

- Business Model Canvas
- Design thinking & scrum
- Agile working
- Iterative product development
- Online platforms
- Ecommerce
- The Customer Pyramid, A/B/C/D Customers
- Data analytics
- Omni-channel retailing

Key features of Verhage's Marketing Fundamentals

The fourth edition of *Marketing Fundamentals* features updated content as well as new, engaging marketing material and cases. The elements that make the subject matter so accessible and that are most appreciated by the textbook's users, have been maintained in this fourth edition. These include the *learning goals* at the beginning of each chapter, the *margin words* and the many well-arranged *figures* and tables.

Each chapter opens with a brief overview of *learning goals*, an eye-opening introduction, and an inspiring *Marketing-in-Action* case – based on a real-world business problem – to show students how theory and principles relate to marketing as it is actually practiced. These mini-cases include well-known organisations such as *Hello Fresh*, *Tesla*, *Picnic*, *Manchester United*, *VanMoof*, and *The Vegetarian Butcher*. Since these marketing-in-action-cases are thought-provoking, they stimulate student interest in marketing challenges and can be used to start class discussion.

For instructors, discussion questions are available on the website for many marketing-in-action cases. These questions were largely developed by Paul Oostveen, a devoted and enthusiastic university lecturer at InHolland Rotterdam. As a sparring partner for this project, he also played a constructive role in the development of marketing cases such as *De Biet: The Netherlands' best café* and *Omoda's omnichannel strategy* in the Dutch edition of this book. I greatly appreciate his professional help in revising the book and proofreading the Dutch-language manuscript.

Other boxed features include a range of pan-European and global examples – both successes (*Marketing Toppers*; or *hits*) and failures (*Marketing Mistakes*; or *miss*) in business – encompassing the entire field of marketing. The *Professor's Perspectives* and *Practitioner's Perspectives* (featuring executives discussing their companies' strategies) in every chapter offer powerful ideas and insightful opinions on key issues in marketing management. They help bring the marketing fundamentals to life in a global context. Through these concise box features, students are able to reflect on current marketing challenges and techniques, making them better prepared to apply the tools they explore in the book.

Each chapter concludes with a *summary* which reviews the key concepts explored and a set of review and *discussion questions* that reinforce the major concepts covered. The text, in other words, sticks to the time-tested pedagogical formula of 'tell them what you're going to tell them, tell them, then tell them what you've told them.'

Online resources

The companion *website* to this book (www.marketingfundamentals.noordhoff.nl) includes various teaching and learning tools to support both instructors and students. The online platform complements the text with 15 new and improved *PowerPoint* presentations for lecturers and offers online support, such as relevant articles, useful links to videos, didactic suggestions for the case method of education and multiple choice questions to help students prepare for exams. It also includes *Verhage's Glossary*, which defines the more than one thousand bold-faced marketing terms in the book.

This glossary – both organised by order of appearance of the key terms in each chapter and, comprehensively, in alphabetical order – will help students build a solid marketing vocabulary. It is also available as *flash cards*, making it easy for students to check their understanding of marketing terms. Since these concepts are commonly used terminology in business when developing strategies or evaluating marketing plans, the *Marketing Fundamentals* package remains a great reference resource for managers and marketing practitioners. In short, *Marketing Fundamentals: An International Perspective* is a complete and fascinating introduction to the field of marketing that is suitable for various forms of higher education and self-study.

Acknowledgments

Like most textbooks in this era of benchmarking, *Marketing Fundamentals: An International Perspective* reflects the ideas of many competent researchers, professors, writers and practitioners who have contributed to the development of the marketing discipline. As an author, I appreciate the opportunity to include and recognise their efforts in this book. I would especially like to thank my colleagues and former students of Georgia State University in Atlanta, Erasmus University Rotterdam and the Rotterdam School of Management who used the book in their marketing curriculum, and of The University of Texas at Austin for their many contributions. In particular Ken Bernhardt, Bill Cunningham, and my mentor and long-time friend Ed Cundiff – who, regrettably, passed away – were a source of inspiration in completing and revising this book. I am grateful for their valuable insights and advice. To my Dutch business agent, attorney-general mr. Hans van der Neut, I would like to posthumously express my appreciation for his valuable friendship and advice.

I also want to recognise and thank my colleague Wes Johnston and his Center for Business and Industrial Marketing at Georgia State University for their support, as well as my graduate research assistants. In addition, special thanks go to Bert Deen and the talented publishing, editing and marketing professionals at Noordhoff Uitgevers in Groningen who have made this book a reality. Their dedication and hard work are admirable.

Last but not least, I would like to thank my spouse Eveline and our daughters Tiffany, Georgianna and Emily for their patience during this 'transatlantic academic mission'. They were a source of inspiration on both sides of the ocean. This book could not have been written without their support.

Atlanta/Haamstede, 2022

Bronis J. Verhage

Office:

Georgia State University
Robinson College of Business
Department of Marketing
35 Broad Street, Suite 1300
Atlanta, GA 30303
USA
E-mail: bverhage@gsu.edu
Phone: +1.404.413.7678

About the author



Dr. Bronis Verhage is Professor of Marketing at Georgia State University's Robinson College of Business in Atlanta. He holds degrees from Nyenrode Business Universiteit, the University of Oregon, Texas Tech University and the University of Texas at Austin, where he received his Ph.D.

Verhage's primary research interests are in global and strategic marketing as well as cross-cultural consumer behaviour. As a prolific writer he has authored over a hundred articles in scholarly journals, business publications and conference proceedings. His research has been published in leading academic journals, including the *Journal of Consumer Research*, *International Journal of Research in Marketing* and *Journal of the Academy of Marketing Science*. He has written several best selling marketing text books in the Netherlands and benefited from the feedback of many of its users, a group that exceeds a quarter of a million students. His industry experience – prior to entering academia – includes a marketing management position at SHV, a multinational corporation based in Utrecht. He has also served as a marketing consultant for companies and non-profit organisations in Europe and the US.

Professor Verhage, formerly on the faculty of Erasmus University and the Rotterdam School of Management in the Netherlands, has been active in Georgia State University's Executive and Global MBA programme. He enjoys teaching International Marketing and Marketing Management at the Robinson College of Business. With programmes on five continents and students from 150 countries, the College is worldwide and world-class. The Georgia State University MBA-programme is ranked among the best by *Bloomberg Businessweek* and *U.S. News & World Report*, and its Executive MBA is on the *Financial Times* list of the world's best EMBA programmes. Verhage has also held visiting appointments and taught marketing at United Arab Emirates University in Abu Dhabi, Nyenrode Business Universiteit in the Netherlands and other European business schools.

As a Dutch national and an American resident, Bronis Verhage commutes frequently between the United States and Europe, where his wife and three daughters live on the Dutch North Sea coast. As a global citizen, he is a keen observer of the latest developments in marketing and in business education on both continents. Many of his observations find their way into his teaching and regularly updated marketing textbooks.

Anticipating and satisfying the needs and wants of the buyer and making a profit in the process is the essence of marketing set out in Part 1 of this book.

The first part of *Marketing Fundamentals* offers insight into the marketing discipline and profession and defines the scope of this book. Three fundamental questions will be considered. What exactly is marketing? How do successful companies plan their marketing and develop their marketing strategies? And finally, why – and to what extent – is marketing strategy influenced by external factors? In other words, we will be looking at what, how and why.

Part 1 establishes the framework for the material presented in the rest of this book. We will see that the marketing discipline presents the manager with both meaningful theoretical insights and practical techniques that enable a company to successfully compete in the market. Marketing is an intriguing field of study because, beyond its value to business operations, it explains how organisations influence us as consumers.

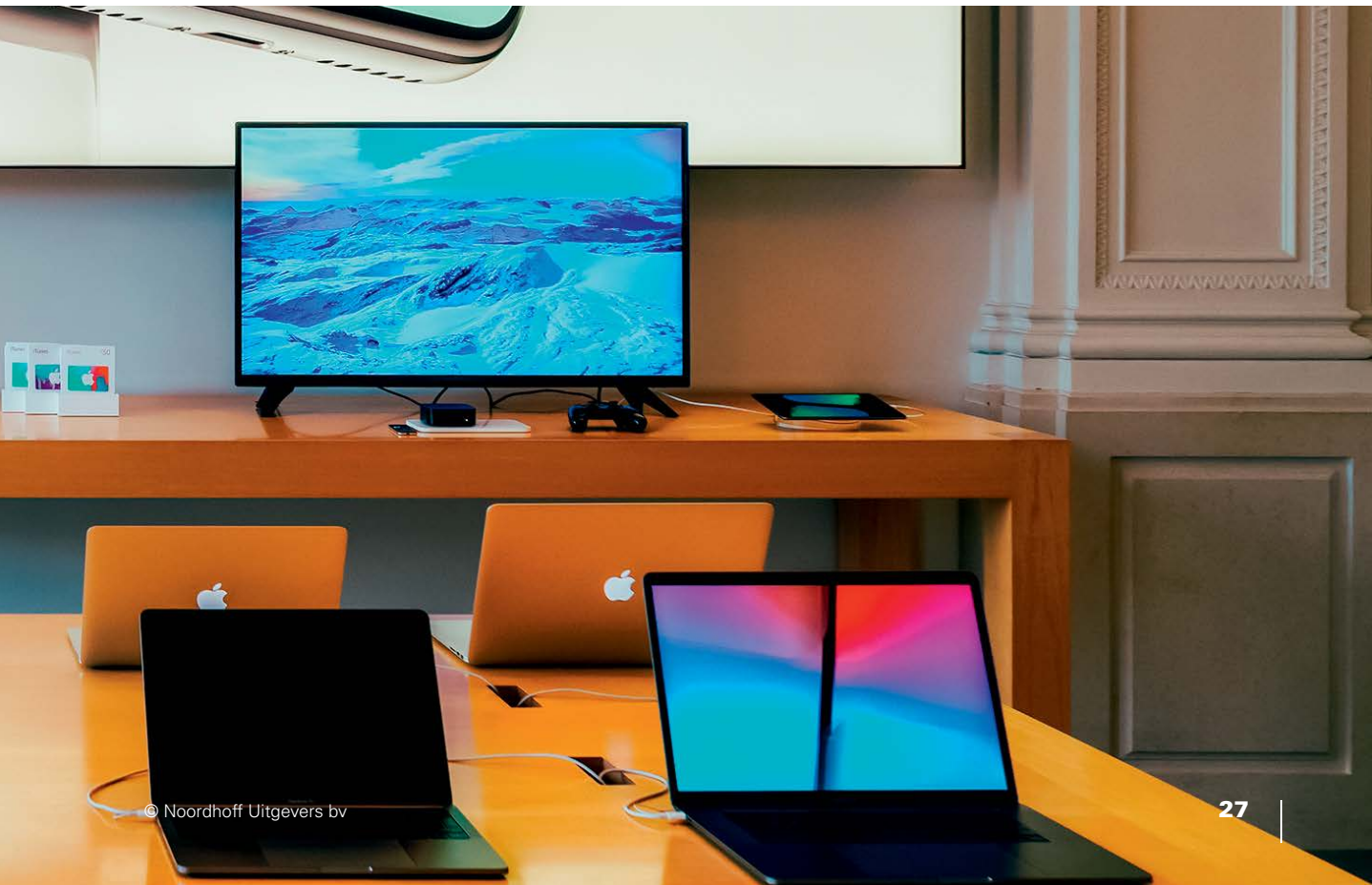


PART 1

INSIGHT INTO

MARKETING

- 1 What is marketing?** 29
- 2 Strategy development and marketing planning** 67
- 3 The marketing environment** 137





topping 2,50 €
+ 2 toppings 3,20 €
toppings 3,90 €

take away

is een
smiley
+ 2
2€
of exclusief roggel

eezers

TM
28

Verse Wafels Poffertjes

STROOPWAEELS
STROOPWAFEL 0,50
SUPERWAFEL 1,30
STROOPWAFEL 0,50

Délicrance

WAH
RES

1 WHAT IS MARKETING?

Contents

- 1.1** The meaning of marketing
- 1.2** Levels of marketing systems
- 1.3** Development of the marketing mindset
- 1.4** The marketing concept
- 1.5** Tasks of marketing in a company
- 1.6** Marketing applications and preview of the text

Learning goals

After studying this chapter you will be able to:

- 1 Explain what marketing means.
- 2 Compare macromarketing, mesomarketing and micromarketing.
- 3 Discuss which management philosophies dominated in business over time and how they influenced the production and marketing of goods and services.
- 4 Describe the marketing concept and how it can be used in practice.
- 5 Explain the strategic importance of a company's sound reputation and its ongoing relationships with customers.
- 6 Understand different forms of marketing and how the marketing fundamentals are applied in those situations.

HOW HELLOFRESH IS CONQUERING THE MARKET

There are companies for whom a crisis – such as coronavirus – is not bad from a business point of view. Consider the providers of recipe boxes. The best-known is HelloFresh, which delivers boxes on your doorstep for a fixed price that do not contain ready-made meals, but the ingredients to put together, for example, a ‘one-pan pasta chicken Alfredo with broccoli and Italian cheese’. In addition to the Netherlands and Belgium, the company is also active in Germany, France, England, Canada and the United States. More than 7 million customers around the world regularly use a HelloFresh recipe box. And that number continues to grow.

How has this online store gained a leading position in the market? During the corona pandemic, consumers started ordering online more instead of shopping. This created an opportunity for HelloFresh to use a sophisticated marketing strategy in order to break open the market for cooking from a recipe box – one or more days a week. The four cornerstones of a marketing strategy are the product, price, distribution and promotion strategy. The decisive use of this marketing mix by HelloFresh has even led to a new trend in the preparation of meals. Reason for

market researcher Tim Zuidgeest of Unravel Research to put on his marketing hat and to investigate how consumers – sometimes unconsciously – react to the Hello Fresh marketing policy.

With a sophisticated marketing strategy, HelloFresh has opened up the market of ‘cooking from a recipe box’

Smooth customer journey

Put on your ‘marketing hat’ and go on a journey with potential customers during their online ‘customer journey’ to discover which marketing techniques are used by the largest recipe box delivery company in the Netherlands. Although a good *customer journey* (the process of all contact points between the customer and the product) usually feels smooth, developing it is not that easy. A marketing-oriented company must create the right balance between emotion and reason, between seduction and action. How does HelloFresh manage to trick you into making a purchase? When does the marketer respond to emotion and when does the marketer respond to ratio? And what do you gain from this for the strategy development – perhaps later – from your own company? We analyse the HelloFresh website and

customer journey step-by-step. If you google hellofresh.nl, you will see a picture of a full plate on the homepage, but what else stands out to you in terms of marketing? We look at the highlights based on the marketing mix.

1. Product: no features, but benefits

From a marketing perspective, the consumer does not buy *features* of a product, but rather *benefits* (intangible benefits). For example, he does not buy a drilling machine, but rather the ability to drill holes in the wall to hang paintings on it that make him feel at home in a new house. On the HelloFresh website you can see the cries ‘Save money’, ‘Save time’ and ‘Save stress’. Everything you save thanks to the recipe box are attractive advantages that you can use to seduce the consumer. And because HelloFresh is the market leader and the name alone is associated with recipe boxes, the company gets away with these *benefits*. Another point in favour of HelloFresh is that they can also show the *feature* of a ready-to-eat dish on a beautifully prepared plate.

2. Price: perception overrules reality

From the consumer’s perspective, this image of a well-filled plate of tasty food is of no less value than a takeaway dish or delicious meal in a bistro. That perception and comparison is exactly what HelloFresh is after, because everyone knows that a main course at a bistro costs 12 to 15 euros. The HelloFresh price of €3.70 per person does not fall into this category. If HelloFresh had instead mentioned ‘no shopping’ on the website, the consumer would have compared the price of the boxes delivered weekly with



the receipt from a supermarket. By unconsciously comparing the recipe box to a main course, that €3.70 suddenly feels a lot cheaper.

3. Place (Distribution) and packaging: *size-is-relative*

The distribution strategy – in combination with the packaging – aims to make the products easily available to customers by home delivery. Hence the incentive ‘Receive your box at a time of your choice’. What is particularly striking about the photo of the HelloFresh box is that it’s bursting with fresh vegetables. The reality is different, of course. Because the box must also be able to close, it contains less than the photo suggests.

The photographer cleverly used the *size-is-relative* effect. Whether the consumer experiences something as full (much) or empty (little) depends on what the product is in. Always make sure that your photos are promoted so that they are bulging. This gives the website visitor the feeling of getting value for money.

4. Promotion or marketing communication

You can offer perfect products and good customer service, but if consumers don’t know where to find you, you won’t sell much. Especially in a highly competitive industry, such as Marley Spoon and Ekomenu. A crucial role of the promotional or marketing communication strategy is therefore to increase brand awareness, strengthen the brand image and build a good relationship with customers. But also to promote the sale of (new) products. For example, HelloFresh was able to grow significantly in 2021 by attracting more than 2 million new customers worldwide within three months. ‘Our Dutch customers were the first to be able to order other products in addition to the evening meal’, says Pauwel Wiertsema, CEO of HelloFresh Benelux. ‘In addition to the fruit, baking and wine box, we have added 150 new products in four months, such as bread, cheese and desserts. And we will more than double that range this year.’

Increase Engagement

Immediately after you click the ‘Order your box’ button on the site, a few questions will appear regarding your menu preference, with the reassuring addition that you can adjust it every week. The power of these easy-to-answer questions is that they increase your engagement. HelloFresh knows that a small choice now, makes it easier to lead to a larger choice later on: because whoever says A, must also say B, many think. In the final (administrative) phases, the company also succeeds in removing any possible threshold before the interested consumer continues. For example, HelloFresh tries to make each and every visitor a buyer and to enrich themselves with another potential fan.

Edited by: Tim Zuidgeest (2021). Zo verleidt HelloFresh je onbewust tot een abonnement. www.frankwatching.com, June 3; HelloFresh groeit met 2 miljoen extra klanten, www.trouw.nl, May 4, 2021.

The first decade of the 21st century will be remembered as a time of economic upheaval unlike any since the Great Depression. As nations struggle to recover from this crisis, the business community is left to contemplate what can be expected in the years to come. The market is changing drastically, and there is considerable uncertainty about the future. Use of the internet and e-commerce is on the rise, creating informed and demanding consumers worldwide. While consumers in Europe continue to worry about the impact of the eurozone crisis on their future, their buying power is stagnating, resulting in an increased concern with value in their purchase decisions.

Competition is steadily increasing within Europe, as well as from outside the EU. And, while the new rules in the business sector may vary from one industry or company to another, one thing is certain. In the face of extensive and rapid change, the implementation of an effective marketing strategy is more essential than ever before.

Market share

Consumers and other buyers always want higher quality, lower prices and better service. Aggressive competitors try to increase their **market share** through constant innovation and product improvement, and by satisfying their customers' needs and wants as effectively as possible on all fronts. The market share is the share of a company in total sales or turnover on a market in a given period. To survive and to operate profitably, all organisations must practice marketing, and they must adapt their marketing strategies to keep pace with market changes. Chapter 1 provides the basis for this challenge.

The very nature of marketing is often misinterpreted. Some think that marketing is a modern form of selling, or that it is simply another word for advertising. Selling and advertising are indeed important marketing functions, but marketing involves much more. It includes a great number of other activities that enhance an organisation's ability to satisfy the needs and wants of its customers effectively, thereby strengthening its position within the market. These other activities include market research and product development. Market research is conducted to identify the desires of (potential) customers, for example, or to size up the competition. Product development is the process of developing and launching attractive products based on an accurate insight into the market.

In all of this, one thing is clear. Marketing is not an 'exact' science that offers a standard solution to each problem. On the other hand, one cannot rely solely on intuition or business instinct. To make effective marketing decisions, we must be familiar with the principles and techniques of marketing that we will be exploring in this book.

In this chapter we start by examining the nature of marketing and the role it plays in society and in the business sector. We also look at the marketing concept and the main tasks involved in marketing. The chapter concludes with a summary and discussion questions.

Incidentally, you can use the terminology trainer to practice all the important marketing terms and tests (www.verhage.noordhoff.nl).



1.1 THE MEANING OF MARKETING

Marketing is a broad subject. It includes all the activities that bring buyers and sellers together. To gain an insight into the meaning of marketing, we begin by looking at the differences between marketing and selling. Then we examine a definition of marketing, the so-called marketing mix and the exchange process between the buyer and the seller.

1.1.1 Differences between selling and marketing

Broadly speaking, companies do two things: they make products (or they provide services) and they put them on the market. In other words, they *produce* something and they are involved in *marketing*. Not long ago we would have said that they produce and 'sell' something. The difference between marketing and selling is the difference between a society in which consumers can choose from products and services designed to meet their specific needs and wants, and a society in which people have very little if any choice.

The main purpose of marketing-oriented companies is to anticipate and satisfy the needs and wants of the customer. Rather than focusing first and foremost on the product, managers of these companies constantly seek to identify with their customers. They have become accustomed to thinking from the point of view of the consumer. Furthermore, they are convinced that this is the only right way to do business. When surveyed, this is what four senior managers had to say about the role that marketing plays in their organisations:

- 'Nothing has more influence on the success of this company than marketing. Our rapid growth is primarily due to a well-developed marketing strategy.'
- 'Market research and marketing are indispensable in this industry, particularly since the buying behaviour of customers is constantly changing.'

- 'We are known as a dynamic and progressive company. Our international expansion was the result of a pure marketing decision. Marketing is central in our planning.'
- 'When I talk about marketing planning, I am talking about the selection of the right markets and products, in other words, the most fundamental, strategic choices our company has to make.'

Marketing builds a bridge between production and consumption. The types of products available in the stores and the quality of those products are both determined by the preference of the consumer. In short, selling is 'trying to get rid of what you have on the shelves', while *marketing* is 'making sure that what you have on the shelves is what the customer wants'.

Essentially the objective of marketing is to make selling – in the sense of putting pressure on others – unnecessary. The purpose of marketing is to get to know and understand the customer so well that the product is precisely what the customer wants. Then the product will sell itself. In fact, the need to be familiar with the desires of customers and to establish an ongoing relationship with them is part of our definition of marketing.

With that in mind, you understand that marketing can be applied not only to products, services and ideas, but also to organisations (think of the labour market) and to people (think of politicians and celebrities, but also those looking for employment).

1.1.2 A definition of marketing

Thanks to the marketing function in the business sector, the development of products and services is linked to specific markets. In other words, supply is precisely tailored to meet demand. Think of JDE Peet's, the world's largest coffee and tea company and parent company of Douwe Egberts, which sells coffee and tea, but also coffee and tea machines for the business market. Some well-known brands are Jacobs, Senseo, L'Or, Douwe Egberts and Tassimo and the tea brand Pickwick, so consumers can always drink their favourite coffee at home and in bars. The manufacturer conducts marketing research to find out which outlets sell its products and what kinds of beer different groups of consumers prefer. As a marketing-oriented company JDE Peet's also makes sure that its many products are sold in the right stores, that the prices are neither too high nor too low and that potential buyers know what kinds of coffee are available for different machines.

So marketing requires not only an appropriate product, but also the right type of distribution, the right price and the right kind of promotion. Together these factors make up the so-called *marketing mix*. If any of these four elements is lacking, a product will not achieve the sales and profit objectives as listed in its annual plan or marketing plan. Not only will the company fail to maximise sales and profits, the target market (the potential buyers for whom the product was intended) will probably be left with unsatisfied needs and wants. With this example in mind, let us now look at the – formal – definition of marketing.

Marketing **Marketing** is the process of developing, pricing, promoting and distributing products, services or ideas that are tailored to the market; it includes all other activities that create value and systematically lead to increased sales or another desired response, establish a good reputation and ongoing relationships with customers, so that all stakeholders achieve their objectives.

We will come back to this definition shortly. In the meantime it is clear that marketers are not only involved in advertising and selling, but, on the basis of marketing research, marketers also decide which products are developed, for whom the products are intended and how they are introduced. By providing information about the needs and wants of both potential and current customers, marketers influence the decision making process at the very inception of the product or service. So our definition immediately dispels the misconception that marketing is a kind of 'superior selling' that starts at the end of the production line.

1.1.3 The marketing mix

An effective marketing strategy consists of a clever combination of four marketing instruments that are used to tackle the market. These marketing tools are often referred to as the **marketing mix** or the four Ps. The marketing mix variables are closely related to one another. If we change one of them, this may have consequences for the other three; essentially it creates an entirely new mix. The four Ps are designed to make it easier to remember the concept of marketing mix. In practice, the marketing mix is sometimes expanded to include more concepts, even using other letters, such as the D for distribution, the C for communication or the S for Security (such as security against shoplifting or hacking).

Marketing mix

Since each of the four Ps will be covered extensively later on in this book, we now only briefly review the main questions and decisions with respect to the marketing mix.

Product

Product: goods, services or ideas that meet the wants and needs of the customer.

Besides the physical product, this P includes other factors that determine which brand a person buys, such as the warranty, packaging, brand image, product range and customer service. Hence, product strategy is concerned with, among other things, the development of new products and services, the refinement of existing products, and the decision to take products off the market when they no longer satisfy a need.

Price

Price: the amount of money exchanged for a product or service.

When developing a price strategy a company will consider not only the product's manufacturing cost, but also the prices being charged by its competitors and how an increase or reduction in the selling price is likely to affect demand. If the price is too high it will deter customers, but if the price is too low, revenues will suffer. When determining the price, several questions need to be addressed. Should pricing generate a profit in the short term or in the long term? Is a discount necessary? Are some buyers prepared to pay a higher price for a more refined product, and who are they?

Place

Place ('Distribution'): how the company gets its product into the buyers' hands.

How a product is distributed often matters more in determining its success than the product itself. Because of their contacts with the retail trade, companies such as Philips and Unilever often stand a better chance of achieving success than do smaller companies, when bringing new products onto the market.

Distribution strategy is concerned with decisions about which distribution channels and intermediaries (the wholesale and retail trade) should be used, the number of sales outlets (including ecommerce sites), how the customer is reached

(also via internet), stock levels and forms of transportation (physical distribution). An efficient distribution system ensures that the right products are on sale in the right place at the right time.

Promotion

Promotion: the supplier's activities to communicate with the market and to promote sales.

Very few products sell themselves. Potential buyers first have to be made aware of the product and its benefits. Effective communication is needed to inform, persuade or – in the case of established brands – remind them of a product.

Samsung is an example of a well-known brand, where promotion is used to remind potential buyers of the product



Promotion or marketing communication includes the use of offline and online advertising, sponsorship, sales promotion (temporary promotional campaigns), direct marketing, customer relationship management, sales, public relations activities and the use of social media. Developing a marketing communication strategy requires a number of decisions, such as establishing the marketing communication target market, formulating the communication objectives, determining the proposition and communication message, selecting the best combination of marketing communication instruments and media, setting the budget, and determining the best method of measuring whether objectives have been met. Other decisions involve the efficient use of displays, offering special discounts, and attending trade fairs.

As they are not viewed from the consumer's perspective, the four Ps are often criticised. An alternative is the model of the four Cs, which suggests that marketing is not a technique to sell a product (P), but a philosophy to win the customer (C) and their loyalty. The old Ps generally relate to producing companies (P), the modern Cs to more customer-oriented organisations that see themselves through the eyes of the customer (Lauterborn, 1990).

4C-model

The relation between the 4P-model and **4C-model** can be seen in table 1.1.

TABLE 1.1 FROM 4P MODEL TO 4C MODEL

Four Ps	Four Cs
Product	<i>Customer solution:</i> the solution for the consumer
Price	<i>Cost to the customer:</i> value for money
Place	<i>Convenience:</i> ease for the consumer
Promotion	<i>Communication:</i> mutual communication between the organisation and the customer

FIGUUR 1.1 THE MARKETING MIX



1.1.4 Target market selection and the process of exchange

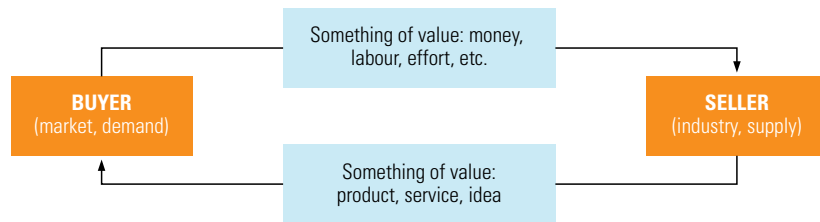
A well thought-out marketing mix increases the chance of success. However, because it is impossible to devise and implement a marketing strategy satisfying the needs of all consumers, companies must concentrate on the desires of a specific group of potential buyers, as illustrated in Figure 1.1. This group of consumers is known as the **target market**, the part of the market that an organisation concentrates on and wants to turn into customers. *Customers*, after all, are loyal consumers who will make repeat purchases. Once a company has divided the market into market segments on the basis of certain criteria, it will then select one or more target markets. With these groups the organisation tries to bring about an *exchange*, in which the two parties agree to exchange something of value so that both parties' needs are met.

This **exchange transaction** underlies all marketing activities. In fact, organisations develop a marketing strategy to stimulate this process of exchange. **Exchange transactions** are items of worth. Often they are products that are exchanged for money, but they can also be something less tangible, such as a *service*, an *idea*, *labour* or even *status* (see Figure 1.2). For instance, in exchange for their tuition fees and perseverance, students get a meaningful education; in exchange for voting for a political party, voters are given certain promises by the party leader regarding the policy to be pursued. So the process of exchange is also a process that creates, communicates and delivers value. Both parties involved in the transaction gain something of value in exchange for something they are prepared to part with and – because their needs are satisfied – as a result of the transaction they are better off.

Target market

Exchange transaction

FIGURE 1.2 EXCHANGE PROCESS BETWEEN BUYER AND SELLER



1.2 LEVELS OF MARKETING SYSTEMS

Bartering The origins of marketing date back to the era of **bartering**, when goods were exchanged for other goods. This practice was widespread in primitive societies. Bartering was an exchange ‘in kind’. That is to say, no money changed hands, and those involved in the exchange were only interested in products they wanted. Bartering remained popular even when currency, travelling salesmen and shops simplified the process of exchange. In the 21st century bartering is still an important form of (international) trade in many countries and one that calls for a market-oriented approach.

Marketing can be conducted and studied on different levels. If we are considering those who make the marketing decisions in a company, we are referring to micromarketing. However, because marketing at the societal level and at the sector or branch of industry level offers important leads for marketers in an organisation, we will first consider macromarketing and mesomarketing.

1.2.1 Macromarketing

Macromarketing If, rather than looking at marketing from the point of view of the individual company, we see it – at a broader level – as a process that must function effectively for a society as a whole to realise its economic objectives, we are talking about **macromarketing**. At this level the role of marketing is described only in general terms. After all, when it comes to macromarketing, we are primarily interested in the system that a society has developed to arrange the exchange of goods and services to ensure that its scarce resources will meet its needs as effectively as possible. Today, because of new media, satellite connections and means of transport, marketing functions are implemented more efficiently than ever. Improved communication systems, transaction possibilities through the internet and methods of distribution simplify the marketing process at a macro level. Yet these tools and techniques are also important for marketers, for the less they cost, the more efficient the organisation’s marketing strategy.

1.2.2 Mesomarketing

So far we have distinguished two different approaches to the study of marketing: macromarketing and – what is commonly referred to as – micromarketing. *Mesomarketing* occurs at a level that lies between the two. This form of marketing is best analysed within the framework of the supply chain.

The supply chain

Historically, people produced things largely to meet their own needs. This system of ‘direct production’ was later replaced by a more efficient approach in line with

the *economic principle*. Division of labour, specialisation and the principle of exchange gave rise to a system of production and trade in which different parties within society were dependent on one another. We can depict this system by referring to the **supply chain**: the series of persons and organisations – from the original manufacturer to the consumer – involved in the production, distribution and consumption of products and services. If these individuals and organisations in the supply chain organise marketing activities, they do so at the level of *mesomarketing*.

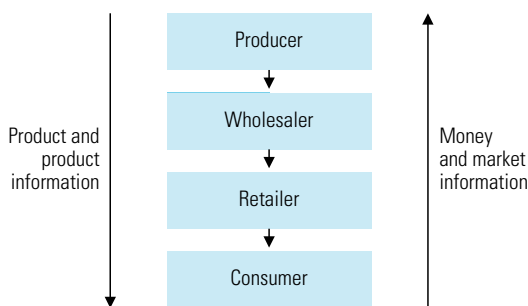
Supply chain

Figure 1.3 shows – in a simplified form – the elements that make up a supply chain. This marketing system consists of various horizontal sections or links. One such link, which is made up of companies that perform the same function in the production or trade of a certain product, is known as a **sector**. Within such a sector, a group of organisations that is similar in its production techniques and end products is known as a **branch of industry**. The hotel industry within the hospitality sector is one example. The food industry within the retail sector is another.

Sector

Branch of industry

FIGURE 1.3 SIMPLIFIED SUPPLY CHAIN FOR CONSUMER PRODUCTS



In Figure 1.3 we can see two different flows. The product moves from the manufacturer – via intermediaries who distribute the product – to the consumer (with the aid of advertising and other promotional activities). The money flows in the other direction together with an *information flow* that moves from the buyer to the manufacturer. Because retailers and wholesalers are in proximity to the consumer, they are able to give the producer an accurate insight into the needs and wants of the market and the reactions of the customers.

In practice, each link adds value to the products or services. If the added value that a certain link contributes is too small, it will eventually lose its function in the chain. Wholesalers, for instance, are constantly threatened with the prospect of losing their place in the chain. The party that adds the least value is also the weakest link in the chain.

Sometimes a product will skip some of the links in the supply chain. In some distribution channels the manufacturer (or importer) delivers products directly to the consumer, as is the case in purchases made via the internet. We will return to the subject of the supply chain in section 3.2.

Definition of mesomarketing

Marketing activities – designed to meet a certain need – that parties in the supply chain carry out jointly fall within the domain of mesomarketing. One example is the collective advertising campaign for milk, which is financed by organisations operating at different levels in the supply chain, united within a branch organisation. In other words, mesomarketing is generally confined to a certain sector of society.

Mesomarketing We can now define **mesomarketing** as all activities developed by several collaborating organisations within a supply chain or sector to match supply and demand and meet a certain need, in order to realise their shared marketing objectives. The term 'mesomarketing' can be used for the collective activities of organisations in a specific sector (such as insurance companies) or of companies with a common interest (such as retailers in the same shopping centre). It is also used to refer to the collective marketing of certain types of products (such as flowers or meat).

1.2.3 Micromarketing

While macromarketing refers to society as a whole and meso marketing refers to collaborating organisations in the supply chain, the focus of **micromarketing** is the *individual firm*. What we are concerned with in this book is *marketing management* – in the sense that we will be analysing problems from the point of view of the manager who makes the decisions.

Marketing management

Marketing management is the analysis, planning, implementation and constant evaluation of all activities designed to ensure that the products and services produced and provided by an organisation are tailored to meet the needs and wants of potential customers as effectively as possible. In practice this means formulating and implementing a product, promotion, price and distribution strategy that enables the company to approach the market successfully and accomplish its marketing objectives.

A marketing manager always tries to see his company from the viewpoint of his customers. He begins by conducting market research to identify the needs, wants and ideas of potential buyers, which, in turn, helps him develop products and services that meet the desires of the target group. Then, ensuring that the target audience is well informed by promotion, he can offer these products and services to the target market for the right price, and through the best sales channels. Finally he stays in touch with his customers to make sure that they are indeed satisfied. This process of strategy development and business decision-making, which does not always occur in this order, should be based on the marketing concept. We will come back to this in section 1.4.

MARKETING MISTAKE

The French wine industry's 'Terroir'

France is a country famed for its rich cultural heritage, as the birthplace of a wealth of fine art and literature. This is coupled with a proud gastronomic tradition spanning many centuries, which includes one of France's greatest exports – wine. Historically, French wines have been identified by the region from which they originated, for example Champagne, Bordeaux or Médoc. However, today's marketing trend in the wine industry is to identify a wine by its grape type (such as Merlot), rather than its region of origin. For French winemakers, it seems that changing their marketing strategy in the global

marketplace is a challenge, involving a complex tradition of appellation that accentuates 'terroir.' *Terroir* is a French concept that refers to the unique features of a terrain, including its geology, geography, climate and soil type. These factors impact the wine's taste. It implies that even if all conditions of the grapegrowing process are perfectly reproduced elsewhere on the globe, the wine still cannot be duplicated. Some French winemakers even argue that their main role is to facilitate the ability of a wine to express its unique 'terroir.'

The typical foreign consumer has no clue of the meaning of a region or vineyard

For a long time, regional characteristics in France were important to help distinguish the produce of one particular province from that of neighboring ones, especially when selling wines in other regions. The tradition of naming

wines by region of production also stems from an emotional connection invoking issues of identity and loyalty: a 'badge of pride and honour.' To a wine connoisseur, this may be important. In the words of Philippe Chaumont, a merchant from Toulouse, 'When I'm drinking a Tuscan wine, I don't want it to taste like a Beaujolais.'

Returning to the changing global market, since the average consumer looking for a decent but affordable wine is not a wine connoisseur, there needs to be a way that he can differentiate between a €10 and a €50 bottle of wine. The current marketing trend to identify wine by grape type ('varietal wine') and even brand name (e.g. Mondavi) helps to accomplish this. Winemakers in other nations, including South Africa, Chile, Australia, and the United States usually market their 'New World' wines as a Chardonnay, Merlot, Malbec, or Cabernet Sauvignon, reflecting the types of grape used to produce the wine. French winemakers, however, have traditionally left the grape type off their labels altogether. Why does this even matter, when France and the French wine industry enjoy a long-standing favorable impression among numerous wine consumers? The answer is simple: the changing global marketplace. In the last 25 years, sales of New World wines

rose dramatically, from three percent to thirty percent of the global market. Now, research shows that the majority of wine importers in Europe, Asia and North America expect a further increase in demand for *varietal wines*. It is understandable why French wine producers may not want to betray their heritage. Yet, by failing to adapt to changing preferences and buying behaviour of today's wine drinkers (who are less preoccupied with regional distinctions or the merits of specific vineyards), France may be missing out on a huge marketing opportunity. In the words of the president of the Confederation of French Wine Cooperatives, Denis Verdier, 'I think France was sleeping on the laurels of its past success.' This statement is especially troubling, now that France has recently been overtaken by Italy as the world's largest producer of wine. Fortunately, a new generation of French winemakers is beginning to recognise the need for a shift in marketing strategy, by looking at fresh and innovative ways to sell wines. Some are poking fun at old traditions, while breaking down notions of elitism and snobbery. Successful French exports now include the rock-and-roll-inspired 'Rhôning Stones' and 'Le Freak Shiraz-Viognier'. Meanwhile, the cheekily-named 'Arrogant Frog', from Domaine Paul

Mas, sells a million bottles per year in Australia, suggesting that important lessons have been learnt.



Wine purists might look at these changes in horror, arguing that this represents a 'dumbing-down' in the wine industry. However, approaching the issue from a marketing perspective, it is unwise to ignore key shifts in the wine marketplace. Especially where it concerns the need to boost flagging wine sales in a globalised market, in which more marketing-oriented wine-makers must appeal to a growing segment of young, less wine-savvy customers.

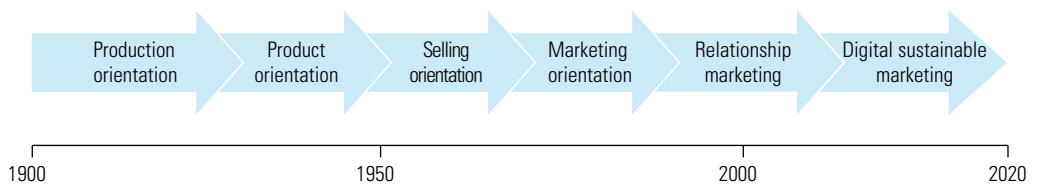
1.3 DEVELOPMENT OF THE MARKETING MINDSET

Focusing on the customer when developing a strategy seems so logical that we might wonder why companies ever did anything else. Until shortly after the Second World War, however, most products were so scarce that there was no major competition. So there was no real incentive to adapt products to the wants of the consumer. Most manufacturers sold everything they were able to make and put forth no effort to offer products that the consumer might prefer.

The shift to a marketing orientation in the business sector in Europe was stimulated by several multinationals, such as Unilever, that were exposed to marketing in the United States. The American 'invasion' of the European market in the sixties simply accelerated this development, because American organisations brought their own market research bureaus and advertising agencies with them. This led many European companies to become increasingly interested in marketing.

In fact, since the industrial revolution, most sectors have gone through a series of phases. Figure 1.4 shows the main orientation in each stage. Over time emphasis has shifted from production, to the product, to selling, to marketing. Still, many companies have not yet reached the last phase of marketing-oriented management with its emphasis on relationship marketing.

FIGURE 1.4 THE EVOLUTION OF MARKETING



Manufacturers of consumer products were the pioneers in this process. Producers of industrial goods, service providers, retailers and not-for-profit organisations – roughly in that order – followed them. Unfortunately, some organisations are still production-oriented or selling-oriented. However, an increasing number of managers are clearly aware of the importance of a *market-oriented* approach. They now think in terms of markets and people, rather than seeing the product as the point of departure. Before exploring this mindset, let's examine the management philosophies that originally dominated the business sector: a production- or product-orientation and a selling-orientation.

1.3.1 Production- and product-oriented companies

Production concept

A production-oriented company does everything possible to make its production process highly efficient. At the beginning of the 20th century, when the consumer's disposable income was low and mass production technology still in its infancy, the **production concept** was the most common business philosophy. By concentrating on mechanising and increasing production, entrepreneurs were able to greatly reduce the cost of their products. They reasoned that if a product was inexpensive and widely available, it was bound to sell.

Product concept

In the aftermath of World War II, with an acute shortage of raw materials, machinery and production facilities, there was little change in the managerial mindset. Production and distribution of reasonably priced, mass-produced goods was still the priority. One difference, though, was that manufacturers shifted their attention from the production process to the product itself. Once the **product concept** was adopted in this era, the main objective became to improve quality. Managers assumed that 'a good product will sell itself' and regarded marketing as a superfluous activity.

Sellers' market

Despite this *product-oriented* market approach, sales flourished, primarily because demand exceeded the limited supply. It was a typical **sellers' market**, in which the suppliers or sellers had the upper hand – to the detriment of the customers.

1.3.2 Selling-oriented companies

Buyers' market

In most industries the production- and product-oriented phases of management philosophy lasted only for a brief period after World War II. With technological progress and huge investment in the post-war economy, production capacity grew so fast that products were no longer in short supply. Greater prosperity gave rise to a **buyers' market**, in which the buyers were in a stronger position than the suppliers because supply exceeded demand. This, in turn, resulted in a battle for winning over the consumer. Entrepreneurs then tightened their focus on selling and began to use aggressive techniques to dispose of their products.

Selling concept

Although the sales department became more important, little else changed in the business philosophy. Even with the shift to the **selling concept**, the company itself was still seen as the point of departure. Its technical knowledge and experience determined what was produced, while the sales staff tried to stimulate sales simply by making a huge sales effort. Customers' needs and wants still held only marginal influence over the company's product offerings.

1.3.3 Marketing-oriented companies

Faced with greater consumer **buying power** and greater competition, companies finally learned that they had to tailor their products and services to meet the needs and wants of the buyers more effectively. And, with prospects of amassing a glut of unsalable products looming on the horizon, managers adopted a *customer-oriented* mode of thought and put the marketing concept – the basic idea of marketing – into practice. In short, they started implementing a market-oriented approach.

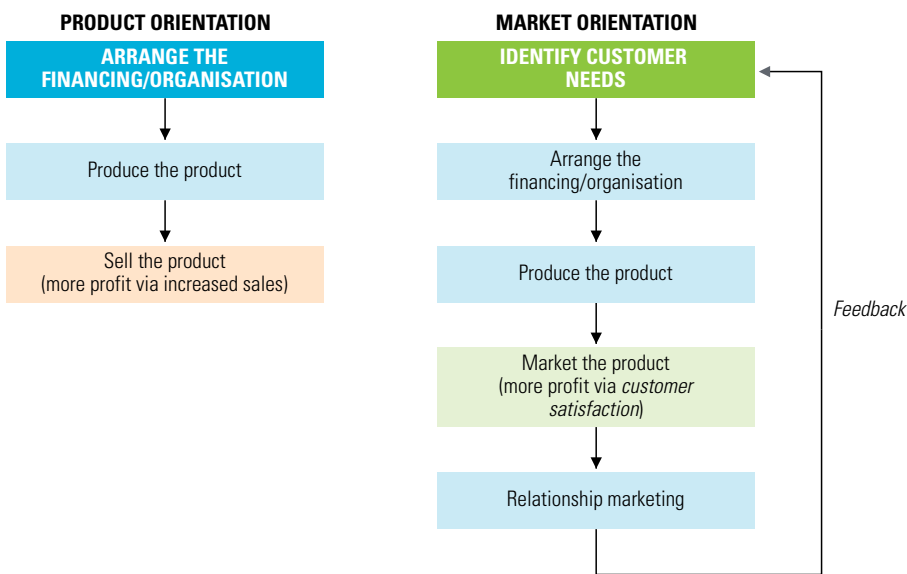
Buying power

Market orientation

More than ever before, the business sector is characterised by a high degree of **market orientation**. Market-oriented companies consider not only customers, but also intermediaries and competitors, in making business decisions at all levels of the organisation. This is the crucial distinction between a market-oriented and a product- or selling-oriented market approach. As we can see in Figure 1.5, a product-oriented approach (and also a selling-oriented approach) consists of three stages: setting up the financing and organisation, making the product, and selling the product.

Market orientation

FIGURE 1.5 COMPARISON OF A PRODUCT AND A MARKET ORIENTATION



A market-oriented entrepreneur, on the other hand, starts by conducting marketing research to identify the needs of the buyers (within the context of products offered by competitors). This enables him to select a target market on which to concentrate. Only then does he contemplate the organisation and financing, the development of products or services that meet the needs and, of course, the marketing of those products or services. He is also well aware that increases in profits are closely tied to his customers' level of satisfaction – so he prefers to concentrate on customer satisfaction instead of sheer sales efforts.

Note that we are referring to *marketing* the product rather than selling the product. The difference between the two is that marketing entails an *integrated plan*. Selling is but a component of this overall marketing plan. Other elements of the marketing plan encompass the product, distribution, communication and pricing strategy. Finally, a firm practicing the marketing concept continually monitors the market and seeks *feedback*, to determine not only how well the

product is selling in different market segments, but also to learn the degree to which it satisfies the needs and wants of the customers. This allows the firm to quickly develop new or improved products that are in line with new trends and customer preferences. Also, this approach helps the marketer establish and maintain an ongoing relationship with his customers, and thus to engage in *relationship marketing*. Figure 1.6 summarises the main differences between selling- and marketing-oriented organisations (edited by: Lamb et al., 2019).

FIGURE 1.6 DIFFERENCES BETWEEN A SELLING AND A MARKETING ORIENTATION

	WHAT IS THE ORGANISATION'S FOCUS?	WHAT BUSINESS ARE WE IN?	WHO ARE WE TARGETING?	WHAT IS OUR PRIMARY GOAL?	HOW DO WE INTEND TO ACHIEVE OUR GOAL?
SELLING ORIENTATION	Inward on the company's problems	Selling the products we make	Everybody	Profit through maximising sales volume	Mainly through intensive selling and promotion
MARKETING ORIENTATION	Outward on the customers' needs and wants	Satisfying the needs and wants of the target market and delivering superior value	Specific groups of buyers	Profit through satisfying customers and building relationships with them	Through integrated marketing and cooperation with other departments

The societal marketing concept

Widespread concern about the undesirable side effects of marketing for third parties has recently led to a renewed interest in macromarketing (in the sense of socially responsible marketing). The increasing preoccupation with the long-term interest of society has led to an extension of the marketing concept known as the **societal marketing concept**. The underlying principle is that, since the production and marketing of certain products (for example, packaging) may – in the long term – have damaging consequences (such as deforestation) for society as a whole, every effort must be made to prevent harming the interests of buyers *and* non-buyers (see also Kotler & Armstrong, 2020).

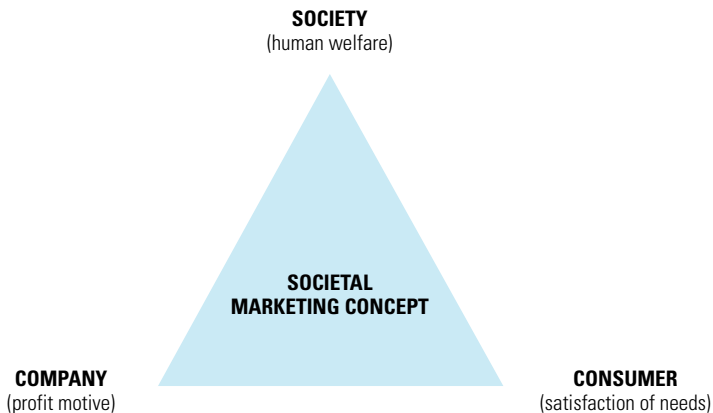
Societal marketing concept



Marketers should balance the interests of the consumer, the producer and society. As is illustrated in Figure 1.7, consumers are often driven by their needs and wants in the short term, while companies are driven by their objective to make a profit. However, society as a whole has to consider human wellbeing in the long run and

must make it a priority. When developing a societal marketing-oriented strategy, firms with a sense of responsibility consider the impact of marketing activities on various groups within society (including children), social issues such as environmental protection and, often, the views of activists like the Amsterdam-based Greenpeace organisation. The combined efforts of consumers and corporations have resulted in positive trends in the development and acceptance of safer products including environmentally friendly detergents and hybrid cars.

FIGURE 1.7 THE SOCIETAL MARKETING CONCEPT: BALANCED INTERESTS



Relationships between consumers and organisations are becoming increasingly interactive with consumers becoming more powerful. Consumers talk to each other about brands and organisations, and question the commercial approach and messages from marketers. The opinions of family, friends, relations, and “acquaintances” on social media influence people in their decision-making process. Consumers expect, or demand, organisations to serve the interests of society, not just their own. Taking a social-marketing first approach, responding to the increased interactivity inside and towards the market, and the increasing importance of social relationships on purchasing decisions is also referred to as “Marketing 4.0”.

1.3.4 Relationship marketing

One of the most important developments in companies’ altered orientation was the rise in relationship marketing. Companies have been driven to take customer-orientation one step further and actively cultivate good relationship with customers, as they need to retain value. Similarly, companies are working to strengthen long-term relationships with suppliers.

Relationship marketing involves a strategy completely different from simply creating an exchange process between the supplier and the buyer. The emphasis is on developing long-term relationships with customers and suppliers who add value to the collaboration for all parties involved. Therefore we are also seeing more and more *strategic alliances* and other forms of cooperation within the market.

Table 1.2 clarifies the differences between transaction-oriented marketing and relationship marketing. Although in relationship marketing each transaction is only one of the links in the chain between the company and its customers, this can considerably strengthen the relationship between the two parties. This underlines the need for a systematic and well thought-out strategy when it comes to implementing the marketing concept.

TABLE 1.2 TRANSACTIONAL MARKETING VERSUS RELATIONSHIP MARKETING

TRANSACTIONAL MARKETING	RELATIONSHIP MARKETING
1 Emphasis on getting new customers	1 Emphasis on keeping customers as well as getting new ones
2 Short-term orientation	2 Long-term orientation
3 Interest in making a single sale	3 Interest in repeat purchases and ongoing relationships
4 Limited commitment to customers	4 High level of customer involvement
5 Success means making a sale	5 Success means customer loyalty, word-of-mouth communication and low customer turnover
6 Quality is a production concern	6 Quality is every employee's concern
7 Limited customer service relationship marketing	7 High degree of service commitment
8 General target market	8 Specific target market

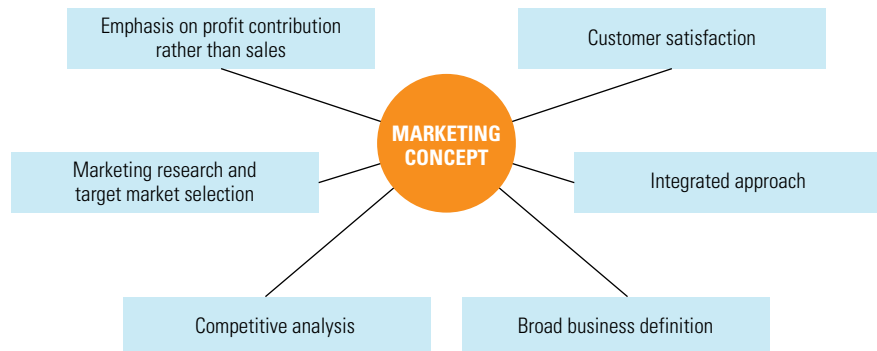
1.4 THE MARKETING CONCEPT

Marketing concept

In the final analysis the **marketing concept** is a business philosophy. It is an attitude or *mindset* in which the needs and wants of customers are factored into virtually every decision. This market-oriented management style should be actively supported by senior management. The chief executive officer (CEO) does not necessarily need much marketing expertise or need to be a marketing professional; however he must understand the importance of marketing to the organisation. If senior management focuses solely on the product or operational considerations, overlooking customer needs, the marketing concept will be very difficult to implement.

What are the main features of the marketing concept? As illustrated in Figure 1.8, the marketing concept is based on six principles.

FIGURE 1.8 THE MARKETING CONCEPT



1.4.1 Customer satisfaction

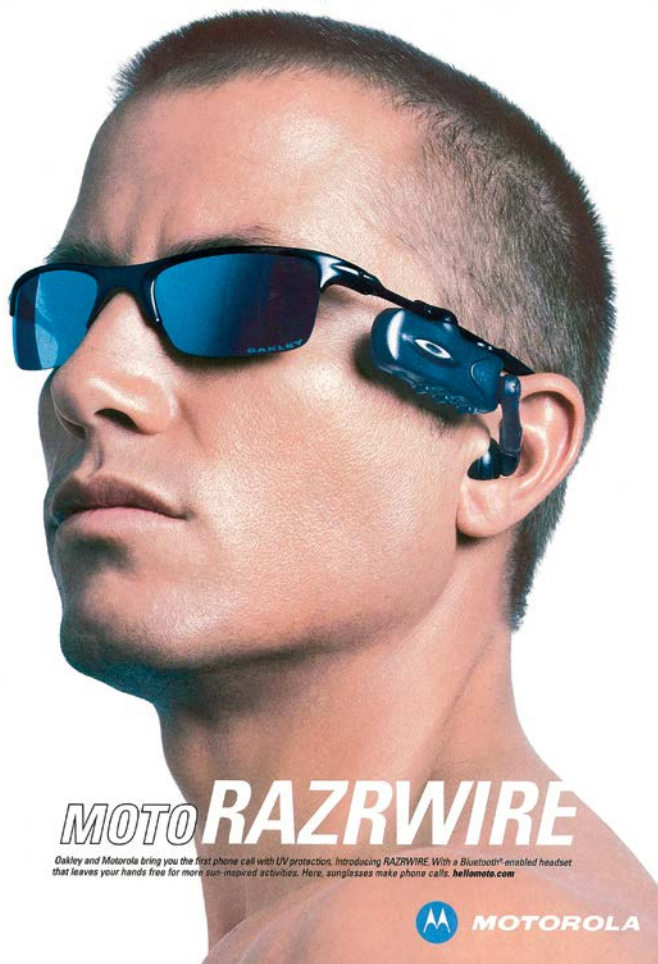
The customer is always right. The firm must be dedicated to satisfying customer needs. If maximising profit is the ultimate goal, a company will not prosper *in the long run*. A customer-orientation is crucial in decision-making, with the objective of developing ongoing relationships. This line of thought should be followed not only by the marketing department, but by all individuals in the organisation.

To make sure that customers are satisfied, we have to make *choices*. Given that no company can be all things to all people, it must choose between offering a very wide range of products, and concentrating on certain groups of customers. There may be consumers, for instance, that a company would prefer *not* to have as customers. An upscale restaurant that appeals primarily to business people would rather not reserve tables for a noisy soccer team, out of fear it will lose regular customers. In such cases a strategy of *demarketing* (which we will come back to later) may be the solution.

Marketing-oriented companies make sure that they provide great customer service and that they handle customer complaints well. They pay as much attention to *customer affairs* (another term for customer service) as they do, for example, to public relations.

What does customer affairs involve beyond a 'money back' guarantee or a polite letter in response to a complaint? It is everything an organisation does to maintain good relations with its customers. The customer affairs or customer service department should:

Thanks to its strategic alliance with Oakley, Motorola has been able to develop innovative products, such as these Razrwire 'sunglasses making phonecalls'...



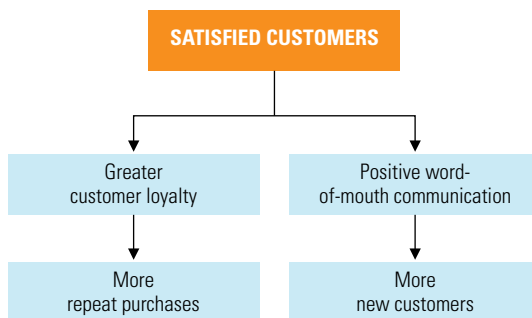
- Anticipate the wants and needs of customers.
- Provide useful information about the products and services.
- Assure that the product or service is easy for customers to use.
- Determine how satisfied customers are with their purchases.
- Maintain contact and develop relationships with buyers.
- Deal with complaints and solve customer problems in the best possible way.

Customer experience

In a market-oriented company, these activities are given the highest priority in order to satisfy customers as much as possible. This should result in a positive **customer experience**. This is the feeling the customer has about a brand or organisation based on all the interactions they have had with it.

Because customer service is the external face of the company's quality standards, it is often regarded as one of the most important marketing instruments. The essence of great customer service is that each customer is taken seriously and must be satisfied. The importance of customer satisfaction in the fight for market share is shown in Figure 1.9.

FIGURE 1.9 IMPORTANCE OF CUSTOMER SATISFACTION



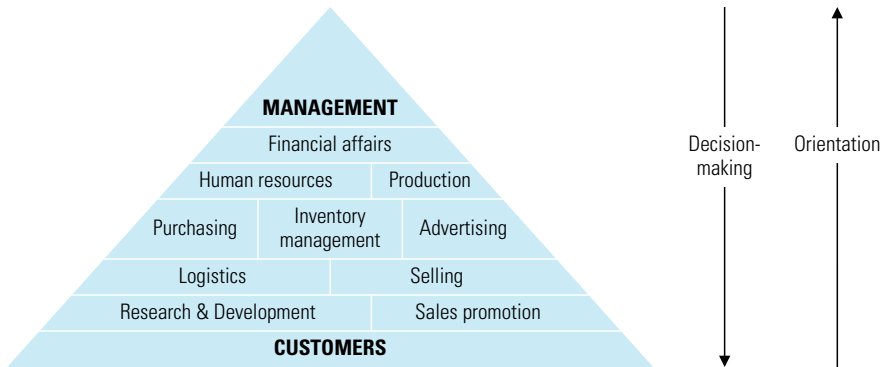
1.4.2 Integrated approach

The difference between a product- and a marketing-oriented approach is the extent to which the various activities are systematically *integrated* into the overall marketing policy. In a product-oriented company most activities are performed in isolation. The production manager, for example, keeps the machines running, the engineer improves the quality of the products, the accountant calculates the selling prices and the sales representatives try to secure lucrative orders. The departments operate independently from one another, without paying attention to the interest of the company as a whole. Coordination is lacking and the customer is no more than a minor consideration. This compartmentalised approach is illustrated in Figure 1.10A.

FIGURE 1.10A AND B ORGANISATIONS WITH DIFFERENT MANAGEMENT PHILOSOPHIES

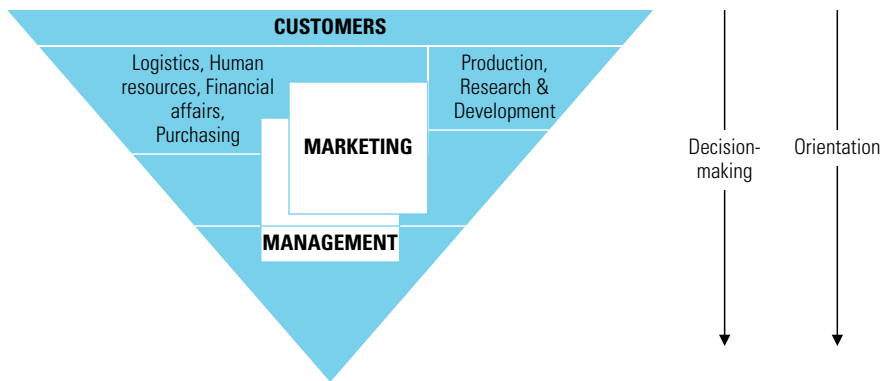
A. AN IVORY TOWER ORGANISATION

Compartmentalised thinking, product-oriented, top down



B. A CUSTOMER-ORIENTED ORGANISATION

Coordination, external orientation, bottom up



A marketing-oriented company follows a different approach. Its strategy is highly dependent on the wants and needs of customers, identified through market research or data-analysis. The departments still exist, but their tasks are partly defined by incorporating measures designed to create customer satisfaction. The organisation operates as a unified system driven by the marketing concept. Although some departments are primarily concerned with internal affairs and others with external affairs, their decision-making process centres on the customer.

Figure 1.10B illustrates the coordinating role of the marketing department in a customer-oriented organisation. Marketers are actively involved in decisions about production strategy, stock planning and service policy – or anything else where customer satisfaction is at stake. Thus, marketing is integrated in nearly every aspect of management.

To stimulate this kind of collaboration in the company, management should not just focus on stakeholders outside of the firm, but also be committed to **internal marketing**. Regardless of their departmental assignments, all employees – including the receptionist and cashiers – have to be well-trained and motivated to satisfy the customers. It goes without saying that effective internal communication is required to coordinate these activities.

Internal marketing

1.4.3 Broad business definition

Marketing myopia

Companies that do not implement the marketing concept tend to describe their business in terms of the products they make ('we produce laptops' or 'we make frames for glasses'). Such self-limiting definitions can lead to **marketing myopia**. What these companies fail to recognise is that their cherished products may fall out of favour (in this case as a result of the increased use of tablets and contact lenses).

Mission

To facilitate a rapid adjustment to the changing needs of the market, many companies now choose to formulate a *business definition* as well as a **mission** (the role and ambitions of the organisation within its chosen field of activity) in broad, customer-oriented terms. Marketing-oriented companies describe their activities comprehensively) – focusing on the *needs* of their customers. They also like to describe their *role* in their chosen field of activity in ambitious terms. The founder of Revlon once described the mission of his company in this way; 'In the factory we make cosmetics, in the drugstore we sell hope!' Companies like Shell and Texaco also use need-oriented descriptions of what they do. They no longer define themselves as oil companies, but instead, as energy companies. Accordingly, they are now heavily invested in the development of alternative sources of energy, including wind, nuclear and solar energy systems. This emphasis on energy rather than simply on oil will galvanise companies to change as society changes, to prevent overreliance on a single energy source, and to remain leading energy suppliers even after the last oil well has run dry.

1.4.4 Competitive analysis

Competitor

A firm adopting the marketing concept understands that even its most successful product – and often an entire product category – will someday be obsolete. For example, disposable nappies, streaming music, and smartphones have replaced cotton nappies, LPs, and video recorders. Hopefully, the company itself, rather than a competitor, is able to develop an alternative product or service that replaces the existing products. In any event, the company needs to keep an eye on its **competitors** – even if only to adopt or improve on their good ideas.

Competitive advantages

Successful managers constantly monitor the competition when identifying the opportunities and threats in the market and when examining the strengths and weaknesses of their own companies. Regular analysis of the competition is indispensable if a company is to gain and develop **competitive advantages**. In practice, competition often has a stimulating influence on product improvement and innovation through the whole branch. Occasionally, it also leads to meaningful agreements and collaboration between businesses.

1.4.5 Marketing research and target market selection

When making decisions managers need useful – and usable – information. They can obtain some of this information by consciously observing the environment.

For example, some of the marketers go into the stores, along with sales representatives, at least twice a quarter to assess the retail climate and meet customers. This is a good idea, but on its own it is not enough. Well-organised gathering and systematic analysis of all relevant marketing information is essential.

Marketing research and data analysis form the basis of marketing. By collecting, analysing and interpreting the right data, a market-oriented company can find out, among other things, who the buyers are and which product features are most important to them. Of course, not everyone has the same desires. The 'average' consumer does not exist. So the company first has to analyse and then segment the market. In other words, it divides the market up into smaller groups of customers who have the same needs and preferences, or the same buying behaviour. The company then selects segments on which to concentrate. It regards these groups as its target markets and develops products and marketing strategies especially for them. The more useful information the marketer has at his disposal, the more able he is to differentiate his products and services.

1.4.6 Profit contribution

Marketers sometimes say 'It is better to own a market than a factory.' By this they mean that demand for their products is more important in assuring the continuity of the company than the possession of a building and machinery. For if demand stagnates (and with it sales), the factory that takes care of the supply is superfluous.

We can take this line of reasoning a step further. In evaluating a business, it is not *how many* sales a product generates that is important but *how much* profit those sales contribute to the enterprise. Increased sales do not assure increased profits. If a firm cannot make a profit, the question of whether it is satisfying a customer or societal need is immaterial because the firm will not survive. In this sense, profit is not so much an objective as it is a constraint. Since *profit contribution* is a more important criterion than turnover, the firm may be forced to abandon a product that contributes to overall sales but not to profits. Hence, every company has to strive, for example by building **brand equity**, to make a profit in the long term.

Brand equity

MARKETING TOPPER

Heineken 0.0

Brewer Heineken saw its turnover rise sharply in the first half of 2021 due to the reopening of the catering industry in many countries, thanks to the coronavirus easing. Especially in Europe and North and South America, Heineken sold more 0.0 beer. More and more other Heineken brands now also have alcohol-free variants. These are now also available from Desperados and Lagunitas. In addition, Heineken also carries alcohol-free cider brands.

Alcohol-free

Of every twenty glasses of beer consumed in the Netherlands, one is now alcohol-free. This number is

expected to rise even more. Consumers are more aware of their health, but are also increasingly taking responsibility when it comes to alcohol in relation to traffic. But the quality of non-alcoholic beer has also increased. There are now plenty of non-alcoholic beers on the market that even real beer lovers dare to try. Heineken 0.0 was introduced in 2017, both in Dutch supermarkets and in cafés and restaurants. The brewer had been secretly working on Heineken 0.0 for over two years, mainly to keep the taste exactly the same as that of alcoholic beer.

Source: AD, 2 Aug 2021



1.5 TASKS OF MARKETING IN A COMPANY

Demarketing

It is often said that the marketer's job is to create more demand. But this is a widespread misconception. Many marketing-oriented organisations actually implement a demarketing policy to discourage demand for their products among certain groups of buyers. European telecom companies like T-Mobile and Vodafone are implementing a **demarketing** strategy by no longer targeting 'pay as you go' customers (with prepaid phone cards) in their advertising campaigns for mobile phones. Instead, they are focusing on consumers that make more calls and use other services, such as text messaging. Their objective in this nearly saturated market is to gain the loyalty of the most profitable subscribers.

In fact, the task of marketing involves much more than influencing demand. To ensure that buyers are satisfied, a marketer also devotes considerable attention to customer service, the handling of complaints, communicating with recent buyers and after-sales services. That's also how he strengthens the reputation of his company and develops a good *relationship* with the buyers, hoping that they are converted into regular customers who will *respond* positively to future offers and new products of the company. We will come back to these three Rs (reputation, relationship and response) later in this chapter.

1.5.1 Marketing's first task

The first task of marketing is to anticipate and identify the needs and wants of the market. To do this, companies conduct marketing research among potential buyers to gain insight into their ideas about the kinds of 'ideal' products and services that meet their desires. This simplifies the selection of target markets. At the same time, the expressed ideas are the basis for developing the right products or services and the marketing strategy for the selected market segment. This first task of marketing is illustrated in Figure 1.11.

FIGURE 1.11 **MARKETING'S FIRST TASK: ANTICIPATING AND IDENTIFYING NEEDS AND WANTS**



Before the marketer can develop an effective marketing strategy geared to *consumer behaviour* and the potential demand for new products, he first has to conduct marketing research to discover the *needs* and *wants* of future buyers. What is the relationship between these terms?

Needs

Before there can be demand for a product or service, the consumer first has to be aware of his **needs**. Needs have to do with a shortage of something and with a person's strong – almost instinctive – inclination to relieve this shortage. There is little, if anything, a company can do to influence such fundamental behavioural stimuli. In other words, marketers do not create needs! This is true of physical (innate) needs (such as thirst) as well as psychological needs (such as the need for recognition). Psychological needs are greatly influenced by culture. For instance, affluent Western societies devote more attention to needs relating to physical health and mental wellbeing than other cultures.

Need

Wants

Needs can be satisfied by more than one product. Once a consumer becomes aware of a need and considers the available alternatives, he will usually develop a *preference* for a certain product. This is the product he *wants*.

In choosing between similar products, the consumer will consider factors such as time, place and money. He has to decide when and where he will buy the product and how much he is willing to spend on it. In this stage, advertising and other marketing efforts can influence his wants. Wants are also referred to as *desires* or *preferences*.

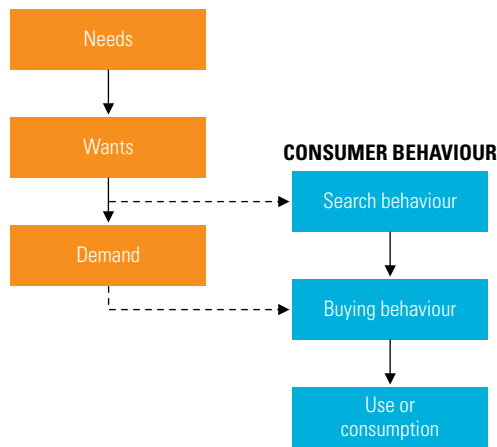
Consumer behaviour and demand

As soon as the consumer starts acting based on his needs and wants, *consumer behaviour* comes into play. Consumer behaviour generally takes three different forms: communication (the *search* for information and products prior to making a choice), the *purchase* (everything that relates to the transaction) and the *use* or consumption of the product. The purchase marks a turning point in this process: from then on, there is an actual demand. We define **demand** as the quantity of goods or services purchased on the basis of certain wants in order to satisfy a need.

Demand

So needs, wants and demand are closely related to one another. They are essentially a sequence of phases that consumers go through. Once needs have turned into certain desires and the consumer visibly responds to internal stimuli, this process is regarded as consumer behaviour. The relationship between needs, wants, consumer behaviour and demand is illustrated in Figure 1.12.

FIGURE 1.12 RELATIONSHIP BETWEEN NEEDS, WANTS, DEMAND AND CONSUMER BEHAVIOUR



1.5.2 Marketing's second task

Although the purchase of a product is an important step in consumer behaviour, and certainly one that marketers try to bring about, it is usually not the only goal. The purchase indicates that the marketer has carried out his first task – discovering needs and wants – well and has successfully tailored the four Ps of the marketing mix to suit the buyer. According to 'traditional' marketing theory, this is the marketer's primary objective.

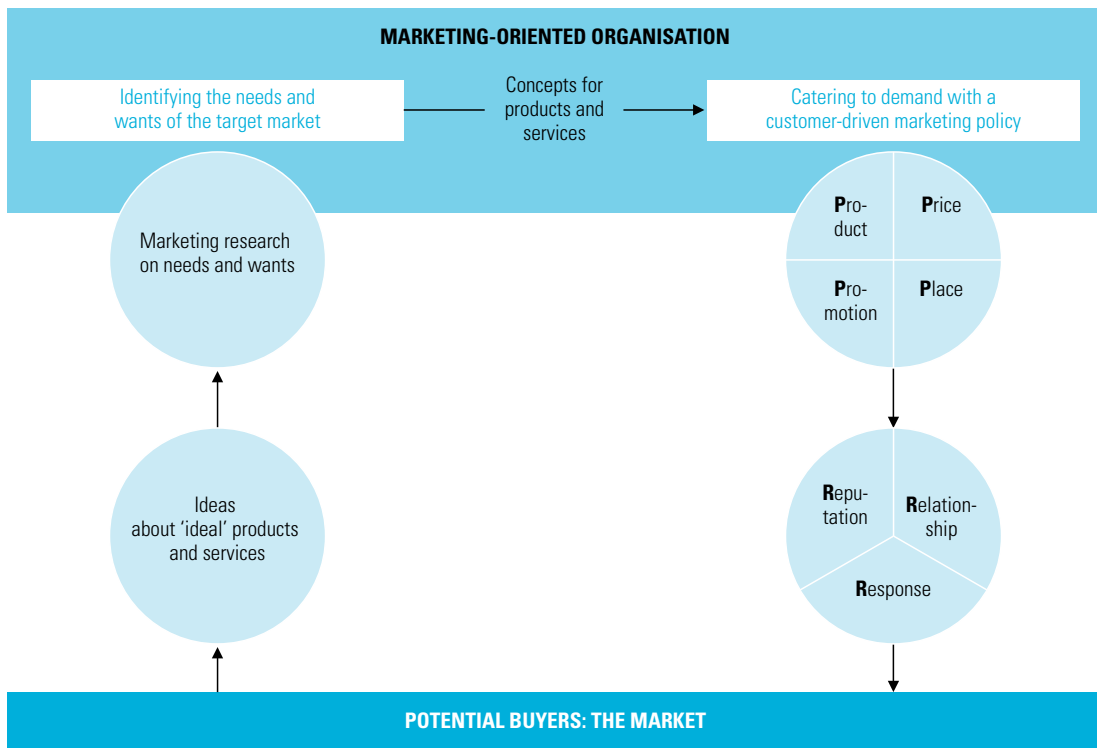
However, as competition increases many products become universally available, all the while becoming more and more similar in terms of quality and price level. At this point, product, price and distribution have become less important as marketing instruments. Some companies try to stand out from their competitors through a creative promotional campaign. But even then, it is increasingly difficult to build a leading position. In short, the four Ps are necessary as marketing instruments, but have become less important as 'weapons' in the fierce competitive battle.

What then are the new priorities in the field of marketing? We already listed them in our definition of marketing at the beginning of this chapter. As you recall, we defined marketing as 'the process of developing, pricing, promoting and distributing products, services or ideas that are tailored to the market; it includes all other activities that create value, and systematically

- lead to increased sales or another desired **R**esponse,
- establish a good **R**eputation and
- ongoing **R**elationships with customers,
- so that all stakeholders achieve their objectives.'

The four Ps and the three Rs are all key elements in the second task of marketing – the implementation of a sound marketing strategy to satisfy the wants and needs and help create demand. This is illustrated in Figure 1.13.

FIGURE 1.13 **MARKETING'S SECOND TASK: CATERING TO DEMAND WITH THE FOUR PS AND THREE RS**



1.5.3 The three Rs

To avoid getting entangled in the downward spiral of tactical competition, **marketing managers** – who are responsible for the marketing activities in their organisation – concentrate on more than just ‘transaction-oriented’ marketing instruments (the four Ps). When plotting the strategy, experienced marketers also focus on the company’s *reputation* (or brand image), on the *relationship* with customers and on the desired *response* in the exchange process. Let’s further explore these three Rs.

Marketing manager

Reputation

An organisation develops a certain *reputation* – the image that buyers have of the organisation and its products or brands – through what it does in comparison with competitors. To make a positive impression on the consumer, a company has to do more than simply sell quality products. It also has to offer buyers excellent service in the long run. Once customers are not only satisfied, but also enthusiastic, will they most likely favour the organisation. That is how a company creates a great reputation.

Just as a doctor is valued by a patient when he gives him a prescription and then calls two days later to see how the patient is doing, the company has to do everything it can – through sponsorships, publicity, campaigns or personal contact – to reassure the customer that his confidence in the company is well placed. Appreciation is the basis of a good reputation and creates the climate for a good relationship between the two parties.

Relationship

Relationship

If most brands of a particular product are equally good, the key question for the buyer is not so much, 'Which brand do I buy?' but, 'Where should I buy it?' So marketers have to 'come out from behind their stand' to show the customer who they really are. What kind of company and what kinds of people are behind the product? Ongoing *interaction* with the customer, which eventually creates a certain loyalty, is indispensable when developing a **relationship**. An interactive website, direct mail with a freepost address and a customer service line are all effective instruments in creating a customer loyalty system.

To create a bond with their customers, firms try to expand and deepen their communication with the customer. This increases loyalty. If you are able, for instance, to discuss many different topics with your hair dresser, it is far more difficult to break off your relationship with him.

Exchange

Response

Today's consumers are looking for variety; they always want 'more and better'. As a variety seeker, for example, he eats Almhof yoghurt one week, Danone the next week, and then Fage's Greek yoghurt. The next week he might drink something completely different. This response to the profusion of products on the market makes it more difficult for companies to bring about a process of **exchange** with a set group of customers. However, if a company has created a relationship with the customer based on its reputation, it is likely that the consumer will usually opt for his favourite brand. He won't just *always* choose the same brand.

Ultimately the company tries to get consumers to *respond* to a marketing offer. A feasible objective for the company is to become the market leader for a certain *moment of use*. For example, a supermarket may try to do this by offering a variety of gourmet rolls and bread on weekends and regular sandwich bread during the rest of the week. And Nespresso marketers know from their marketing research that many people like to drink one kind of coffee during the day, while at work, and a different kind in the evening. Consumers like variety and they simply choose what suits them best at a particular moment.

In conclusion, marketers who succeed in developing a great reputation and a good relationship with their customers, and do all they can to create a positive response in the exchange process (for example by customising the offer for each customer), increase their chances of long-term success. Their company then enters an upward spiral of being valued by the customer as a supplier (*reputation*), confirmation that the customer was right to appreciate the company (*relationship*) and enhancing the relationship through additional contacts leading to a positive *response*.

Of course, the creation and exchange of value must be consistent with what the customer expects from the supplier. A butcher might give his customers a small bottle of perfume as a gift, but this will do little to strengthen his reputation as an excellent butcher. A better idea would be to give customers a piece of superb sausage. Whatever the situation may be, through strategic use of the three Rs, a company can stand out from its less marketing-oriented competitors.

1.5.4 Customer equity

Some companies are determined to increase their sales and profit as quickly as possible. In order to grow, they constantly try to acquire new customers, and end up devoting less time to their existing customers. This weakens their position in the long run. To find the right balance in short term versus long term performance and in new customer acquisitions versus attention paid to existing customers, managers should consider the idea of systematically building customer equity.

Customer equity is the financial value of the relationships the company maintains with its customers. This includes both the profits from first-time customers and the expected profits from future sales to these new and to existing customers.

Customer equity can be increased by:

- Reducing the cost of getting new customers
- Retaining more customers longer
- Increasing profits from retained customers by selling them more products at higher margins and with lower marketing costs.

A company's customer equity is the total *lifetime value* of all customers. The **lifetime value** of an individual customer is the present value of the profits derived from this customer's future purchases from the company. This profit contribution of a loyal customer from repeat sales may be increased – as a result of his recommendations and referrals – by the revenue stream from purchases made by others. One study has estimated that the lifetime value of a loyal pizza customer can be 7,000 euros and of a loyal Mercedes owner, in excess of 700,000 euros. Facing these numbers, more and more managers realise that losing a customer may result in a far greater loss than the value of a single transaction. Hence, they are trying to develop ongoing relationships with customers, because this leads to **customer loyalty** and a greater customer retention rate.

The relationship between marketing strategy and customer loyalty on the one hand and sales, profitability and customer equity on the other is illustrated in Figure 1.14. Loyal customers contribute to increased sales growth and profits because they buy more over time. Also, gaining new customers from their referrals tends to substantially lower the customer acquisition costs. From this perspective, customer equity may be a better measure of a company's marketing performance than its current sales or market share.

Lifetime value

Customer loyalty

FIGURE 1.14 INCREASING CUSTOMER EQUITY



Customer *complaints* need to be dealt with properly to satisfy the buyers' needs and to build a good reputation for the company. Unfortunately, many firms underestimate the importance of complaint handling as a marketing tool. The first reaction of those in charge of dealing with complaints is often defensive. What happened? Who was to blame? What should I do about it? In other words, they immediately concentrate on the business side and don't consider the emotional aspects of the problem.

But a complaint usually has a deep *emotional* element. And that needs to be addressed first. So start by showing a sense of *commitment*. 'Oh, how awful for you! Tell me more about what happened.' Then explore a possible solution with the customer that is not only clearly in his interest, but also underscores the *relationship* with the customer. 'What would *you* prefer? As one of our valued customers, would you be happy if we ...?'

Laetitia Radder (Nelson Mandela Metropolitan University)

Laetitia Radder, Professor in Marketing Management at the Nelson Mandela Metropolitan University, South Africa, has published numerous articles on marketing and consumer-related topics in the services, hospitality and tourism industries. Her teaching career in South Africa and – as a visiting professor – in Germany, spans over 20 years.

One of the most exciting developments in global marketing in the next ten years is the rise of the African consumer. Research by McKinsey's Africa Consumer Insights Center portrays the emerging African consumers as young, *brand conscious* innovators who like to find information online, seek a modern, formal shopping environment and are loyal to products and stores with the right image. The retail, banking, telecommunications and tourism sectors in particular benefit from targeting these African consumers who demand high quality and reasonable prices.

This decade will be characterised by the rise of the African consumer

Entrepreneurs and companies that are new to marketing in Africa can learn from recent South African success stories. For example, *Woolworths'* marketing success can largely be attributed to 'being a customer-centric business'. The retail chain's increase in market share is the result of its management appealing to customers' needs and wants as defined by lifestyle segments; being branddriven; building profitable customer relationships; and taking a

leading role in multichannel retailing and communication. The channels on which the company relies include a state-of-the-art internet shopping site and social commerce platforms that integrate social media marketing for the convenience of its customers. The success of *Pick n Pay*, South Africa's first food discounter, can be ascribed to its marketing principles of offering the best quality, decent prices, good service, appropriate store formats, and distribution channels that meet customers' expectations and evolving needs. *Pick n Pay* is also building strong customer relationships through its Smartshopper rewards programme. This direct marketing programme provides the retail chain with easy access to cardholders by SMS or email, and allows it to obtain direct feedback from customers. The two-way interaction helps the company to get to know and understand its customers, communicate with them in an engaging manner, tailor-make its product ranges, and effectively serve its customers.

MTN, one of the leaders in the South African telecommunication industry, provides voice, data and telemetry services to its 20 million domestic customers. Innovation has put MTN at the forefront. For example, the company was the first one to pioneer the pre-paid customer solution and to launch the highly acclaimed MTN Zone, a dynamic tariffing billing system. The company also offers the right products and services that are marketed to well-defined customer categories. In addition, it systematically engages in societal marketing through an extensive greening initiative that reduces its energy consumption; sponsorship of sport and music events; and its involvement in community development programmes.

What is the common denominator in the success of these organisations? They know that successful marketing starts with the marketing concept. They do not equate marketing with selling or advertising, but implement marketing as an integrated process of developing, pricing, promoting and distributing products, services and experiences tailored to the changing needs of consumers, in a socially responsible and sustainable manner. Finally, they conduct marketing research to make sure that what they offer, and how they do so, satisfies their customers' needs and wants. Successful marketers, however, go beyond offering the products, services and experiences consumers want at prices and locations that appeal to them. They also build long-term relationships with their clients, realising that servicing an existing customer is much more cost effective than trying to find new ones. A customer-centric approach is at the heart of transforming customer interactions into long-term relationships. To this effect, successful marketers know their customers well, regularly obtain and act upon customer feedback, minimise customer attrition, build emotional bonds with their customers and turn them into advocates for the company. This is exactly what companies wanting to capitalise on the potential of the rising market in Africa have to do as well.

Edited by: Stiphout, R. (2003). Niet zo liefdadig. *Elsevier*, January 11, p. 14-15; Martin Schiere (2003). Het goede doel heiligt de middelen. *MarketingTribune*, July 15, p. 18.

A complaint is a negative reaction that, with the right marketing strategy, can be transformed into a positive experience. This is illustrated by the Chinese sign for 'crisis', which is made up of two symbols – one means 'threat' and the other 'opportunity'. A complaint is an opportunity; if handled properly in a customerfriendly manner, it will lead to greater customer loyalty.

1.6 MARKETING APPLICATIONS AND PREVIEW OF THE TEXT

As we saw earlier, companies making everyday consumer products were the first to apply the marketing concept. In this book, too, we will focus mostly on the marketing of **fast moving consumer goods**, such as food products that consumers buy regularly. But the success of **consumer marketing** (in which the supplier concentrates its efforts on the 'end user') showed that marketing also has a great deal to offer for other types of organisations. So in this section we take a brief look at different applications of the marketing concept.

Fast moving consumer goods
Consumer marketing

1.6.1 Applications

The fundamental idea behind marketing is universal. In trying to stimulate the exchange process, the key is to start with the market and think backwards, and to always work in a customer-oriented way. This not only applies to consumer marketing, which focuses on private individuals, but also to a target market made up of other companies. This is referred to as **business-to-business marketing** (B2B), and sometimes as industrial or organisational marketing. B2B-marketing is discussed in section 4.6.

Business-to-business marketing

Because the influence of retailers has increased enormously, many manufacturers now develop a marketing strategy specially geared to retailers that is known as **trade marketing**. The marketing strategy of the retail company itself (such as Albert Heijn), which sells to the consumer, is referred to as **retail marketing**. Both of these subjects will also be covered in more detail later on in this book.

Trade marketing
Retail marketing

Other important applications of the principles of marketing are:

- *Services marketing*: the marketing strategy of a supplier of intangible services, such as a bank or an insurance company.
- *International marketing*: marketing activities that are planned domestically and aimed at customers outside of the domestic market.
- *Direct marketing*: a form of marketing in which the supplier not only wants a transaction, but also tries to develop – based on what he knows about potential buyers – an ongoing relationship with them, through direct communication (direct mail, telephone or the internet) tailored to the individual customer, often followed by direct delivery.
- *Trade marketing*: A manufacturer's marketing policy aimed at retailers who are already selling their products or are considering including them in their product range (retail marketing).
- *Retail marketing*: Marketing activities of a retail company (such as AH), aimed at consumers, including the analysis of the customer profile, the shopping behaviour and the competitive situation, the development of a shopping formula and retailing mix to bind their customers (retail marketing).
- *Demarketing*: a marketing strategy designed to reduce the overall demand ('general demarketing') or the demand of a specific group of customers ('selective demarketing') for a certain product either temporarily or permanently, for example to avoid increasing production capacity, when working with scarce resources (like tropical hardwood) or to prevent environmental pollution (use of cars).

- *Internal marketing*: marketing activities aimed at part of a company's own organisation, for instance because certain business units do business with each other, or because management wishes to communicate to its own workforce what it is trying to achieve 'externally' and what it is promising customers.
- *Digital marketing* (or online marketing): a sub-process of marketing in which organisations and existing or potential customers create value and products to share via internet.
- *Non-profit marketing*: the marketing strategy of organisations without profit objectives (also known as not-for-profit marketing). There are also non-profit-making organisations that make a profit on part of their products or services and thus compensate for the loss on other social products or services. It is then referred to as not-for-profit marketing .

All but the last application make sense in terms of for-profit businesses, but what does marketing have to offer non-profit organisations?

1.6.2 Non-profit marketing

Although marketing is usually associated with business activities, organisations without a profit motive – such as educational institutions, libraries, museums, hospitals, religious groups and charities – can also apply the principles of marketing to their advantage. Just like corporations, they also need money and other resources to achieve their goals and survive in a competitive market. Their long-term success is not measured by profits, but by the benefits they provide as well as by the support they get from donors and volunteers. Goals of non-profit organisations can be, for example: providing public goods or services, such as urban cleaning offering or maintaining services or products that people do not individually pay for, such as nature conservation and culture stimulating desired behaviour, such as healthy living making products or services available to everyone, such as libraries convincing people of certain ideas, such as political parties.

Unfortunately, recent scandals have undermined the consumer's faith in some good causes. At the same time, government subsidies have decreased. Their declining income has prompted charitable organisations to engage in **non-profit marketing**. They develop professional consumer campaigns or tap new donors through *corporate sponsorship*.

Quite a few charities have turned to the business sector to find interested companies to support them. For instance, ING sponsors the Museum of Modern Art in New York as well as Amsterdam's Rijksmuseum, while Essent sponsors the WWF (World Wildlife Fund) Netherlands. Through this alliance, the WWF is not only boosting its financial resources, but also trying to influence corporate strategy, in this case by promoting, together with Essent, the use of green energy.

This kind of cooperation can also be profitable for the sponsoring company. Research shows that consumers see a collaborative partnership with a charitable organisation as evidence of corporate social responsibility. They often turn this approval into action by purchasing the company's products. Because many consumers are also prepared to penalise a lack of corporate social responsibility by boycotting products or by negative word-of-mouth, the added value of corporate social responsibility is significant.

However, not all collaboration between a company or brand and a charitable organisation is fruitful. For a good fit, both organisations should have the same supporters or target market. If a company wants to win the hearts and gain the confidence of a certain group of consumers, it has to tie in with the ideals of the people in this market segment. And we know what their ideals are if we know

Non-profit marketing

what charities they support. For example, the target market of Renault and the *Amnesty International* supporters appear to form a good *match*.

If a charity knows what products its supporters use and how they perceive certain brands, it can deliberately approach a company that stands to gain most added value from such an alliance – and may therefore be willing to invest more (or to make more concessions in terms of its strategy). This can also work the other way around. If a company is aware of what charities its target market supports, it can plan its *corporate sponsorship* accordingly, thereby making its marketing efforts a noble pursuit.

Not-for-profit organisations other than charities benefit from applying the marketing concept as well. Simply being devoted to ‘a good cause’ in an idealistic way will not generate income. Any highly competitive market needs to be analysed on a regular basis – through marketing research – to identify market segments and learn about the attitudes, needs and behaviour of consumers. The product or service that the non-profit organisation offers – possibly in different versions – must tie in closely with the characteristics of the selected target markets. We also need to decide whether each target market warrants a separate marketing and communication strategy. Think for example of colleges and universities that offer different courses for full-time and evening students. So, just like profit seeking companies, all non-profit organisations have to be marketing-driven to survive and, among competitors, to expand their market share.

A specific form of non-profit marketing is **government marketing**. This has been applied to marketing by non-profit-making government agencies such as ministries, municipal cleaning, social services and water boards.

Government marketing

1.6.3 The need to study marketing

Marketing is a fascinating subject that affects everybody, but unfortunately, almost everybody also seems to think that they know a lot about it. Although marketing skills, now more than ever, are in high demand, few people have a clear understanding of the real nature of marketing.

There are plenty of good reasons to take the study of the subject of marketing seriously. First of all, more and more organisations are adopting a marketing-oriented approach. This trend in corporate culture provides many interesting *career opportunities* for (future) marketing managers. But even those who do not work in marketing-related positions are likely to interact with marketers involved in, for example, product planning, marketing research, advertising or distribution. Therefore it is essential to be aware of the principles of marketing. Furthermore, almost everyone who works in an organisation has to deal with demanding *customers*. This is another sound argument for being familiar with marketing fundamentals and for adopting the mindset of a marketing-oriented manager. Knowing about the theory of marketing is like having a driver’s license: you have to get one, but after that you have to put the knowledge into practice in order to realise its full benefits.

Since as *consumers*, we interact daily with the marketplace, it is important to understand both the market system and what individual firms are trying to accomplish. For example, does it make sense to put off buying a tablet, now these products are becoming increasingly advanced and their prices are dropping? As consumers, are we better off cutting out the middleman by buying directly from the manufacturer through the internet? If a retailer is not responding to our complaints, how do we exercise our rights? By exploring these and many other questions in the chapters to come, we will hopefully become more informed and intelligent consumers.

1.6.4 A preview of the text

Although by now we have a general idea of what marketing is all about, we cannot immediately start deciding on how to best use the marketing instruments. In reality, managers first figure out which market segments to target and establish their objectives in each submarket. Since these decisions are based on both the corporate strategy and information about the market – including the competition and customers' buying behaviour – we need to cover these subjects before we proceed. Only then can we work out the marketing mix.

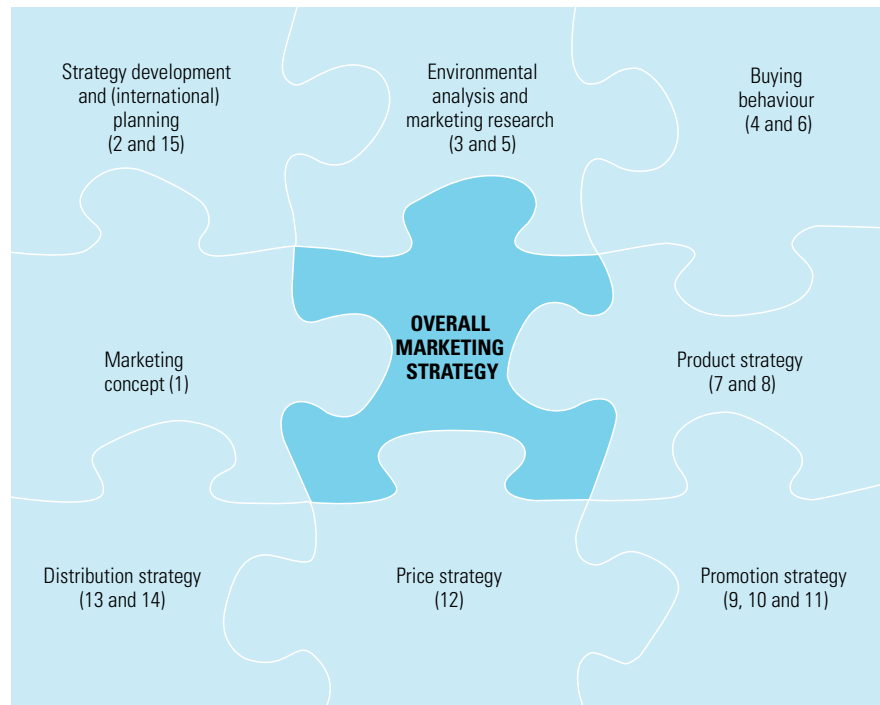
The sequence in which subjects are discussed in *Marketing Fundamentals: An International Perspective* is generally the same order in which marketing managers address them on the job. Figure 1.15 shows which subjects are covered in what chapters.

The remaining chapters in Part 1 look at an effective system of marketing planning and strategy development. We will then consider the environment – at the meso and macro levels – in which the firm operates. These include environmental forces beyond the control of the marketing manager, as well as situations that can be influenced in order to market products and services profitably.

Part 2 discusses the analysis of the market. We will explore the buying behaviour of customers in the consumer and in the business-to-business market, and compare the most widely used methods of marketing research. Chapter 6 offers advice on how to segment the market, how to select the right target market and how to develop a successful product positioning strategy.

The next four parts examine the key marketing ingredients: product, promotion, pricing and distribution. Here, we will also look at recent developments in marketing and at techniques that companies apply to plot their marketing strategies. Finally, Chapter 15 investigates international marketing planning, the global marketing environment and strategies to enter foreign markets.

FIGURE 1.15 HOW THE VARIOUS COMPONENTS OF MARKETING FIT TOGETHER



Summary

1.1 FUNDAMENTALS OF MARKETING

There is more interest in marketing than ever before. Faced with increasing competition, companies realise that their primary objective is to *anticipate and satisfy the needs and wants* of their customers. If they fail, unsatisfied buyers will switch to a competitor. Thus, for most organisations, effective marketing is indispensable.

Marketing is not the same thing as advertising, or a 'clever' way of selling products. Advertising and selling are important marketing instruments, but marketing involves a lot more than that. It includes virtually all of the activities that bring the buyer and the seller closer together in the exchange process. Many individuals in an organisation contribute to this goal. For instance, one of the main tasks in marketing is to find a 'gap in the market,' by identifying unfulfilled needs and wants of a group of buyers. Once the marketer knows his *target market's* precise interests, he can appeal to that market with the right product, combined with an appropriate pricing, distribution and communication strategy. The more closely the *marketing mix* is tailored to the desires of the customer, the greater the chance of success in a competitive market.

1.2 MACRO-, MESO- AND MICROMARKETING

Marketing can be studied at different levels. The macro and meso level are the domain of society and the *business sector* respectively. In this book we will be concentrating on micromarketing: the marketing strategy of an organisation, from the point of view of a manager who has to make effective decisions. This is also known as the *marketing management* approach.

1.3 HISTORICAL DEVELOPMENT OF MARKETING THOUGHT

The development of marketing thought was preceded by the *production-, product- and selling-orientation*: management philosophies that most industries embraced during the 20th century. Under a *marketing orientation*, business decisions are based on the customer, rather than on the company and its

products. The company has to satisfy the needs and wants of its customers as effectively as possible. This fundamental idea of marketing is known as the marketing concept.

1.4 THE MARKETING CONCEPT

Under the *marketing concept*, the primary aim of a company is to discover and satisfy the needs and wants of the buyer, developing an ongoing relationship with him and helping to solve the customer's problems in a profitable way. Marketing is therefore a demand or *consumer-oriented* activity, which makes it necessary to 'think backwards from the market', and requires extensive marketing research and analyses of market and customer data.

In implementing this philosophy of management, rather than being carried out in isolation, promotion, pricing, distribution and other marketing activities are treated as part of an integrated marketing strategy and are discussed as such in a *marketing plan*. All marketing functions – from marketing research and product development to analysing the competition and evaluating the customer's reaction to the product range – are *aligned* with one another. Finally, implementation of the marketing concept requires a broad definition of the firm's mission, expressed in terms of *needs*, rather than products. This will make it more likely that the company will regularly adapt to meet the changing preferences in the market.

1.5 REPUTATION, RELATIONSHIP AND RESPONSE

Most organisations are finding it increasingly difficult to develop a unique marketing mix that is better than that of their competitors. Nevertheless, a firm can stand out on the basis of the three – overlapping – Rs: its *reputation*, its *relationship* with the customers and systematically creating the desired *response*. These factors are the key to success in the marketing strategy of the 21st century. However, the selection of the right target market and a constant analysis of unfulfilled needs, wants and demand are equally important. In short, a clever and consistent implementation of the *four Ps* and the *three Rs*

makes it possible to carefully tailor corporate policy to the market. This leads to the 4 Cs: an attractive *customer solution* against acceptable *cost to the customer*, achievable through channels that offer the customer *convenience*, supported by effective mutual *communication*. This benefits both suppliers and customers.

1.6 MARKETING IN PRACTICE

Marketers spend a great deal of time identifying and analysing the needs and wants of their customers

and prospects. Armed with this information they are able to develop and – with the right strategy – market attractive products, in line with the attitudes and the behaviour of the target market. This increases their market share.

As pointed out in Chapter 1, this approach is not only essential for companies that are competing with others, but also offers helpful leads for non-profit organisations. Therefore, it's crucial to have a clear insight into the *fundamentals of marketing*.

Discussion questions

- 1** How would you explain the nature of marketing to someone who is not familiar with the subject?
- 2** Many people do not know exactly what marketing involves. This is clear from the following statements:
 - Marketing is simply another word for selling.
 - The main objective of marketing is to get people to buy products they don't really want or need.
 - Marketing only makes sense if supply exceeds demand.
 - Marketing is less important than the company's other activities.If you were talking to someone who made such a comment, how would you respond?
- 3** How – in the context of the societal marketing concept – could a business that makes soft drinks achieve (for example in its packaging) an optimal balance between the interests of the consumer, society and its own continued existence?
- 4** For a long time, the healthcare industry has mainly paid attention to providing proper healthcare, with little attention to the customer experience. Visualise your GP's practice and describe whether and how they can better adapt the waiting room to the current perception and preference of the consumer.
- 5** List some of the arguments you would use to convince the executives of a company that does not adopt a marketing-oriented approach that the marketing concept is essential for sound management.
- 6** Why, despite the implementation of the marketing concept, are there still so many unsuccessful products?
- 7** Has the institute at which you are studying adopted a marketing-oriented approach? Describe the four marketing instruments of this organisation.
- 8** Create a concept questionnaire including five questions to determine the extent to which a company succeeds in satisfying its customers.
- 9** How can the internet play an important role in marketing? Give some examples.
- 10** Make a short questionnaire (of approximately five questions) to measure the extent to which a sports club succeeds in satisfying its customers.