

# COMPETITIVE MARKETING

A Strategic Approach

John O'Shaughnessy

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# Competitive marketing

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A strategic approach  
Third edition

John O'Shaughnessy



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# Preface to the third edition

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This edition is a major revision and expansion of the last edition of *Competitive Marketing*. The revision makes the text more accessible by its fuller treatment of topics and by a richness of marketing illustrations. The text has also been expanded to include much more on service marketing; business-to-business marketing; nonbusiness marketing; international marketing and ethical issues in marketing.

The revision focuses on providing more conceptual and explanatory depth than that provided by other basic texts. On this basis, it can be regarded as an advanced text or a second level text in marketing. The book aims at nurturing the reader into clarity of thought and argument on marketing issues so he or she is able to see through the verbal fog and ill-grounded faith in much that passes for healthy marketing thinking. The book is less concerned with defending the orthodoxies of marketing than in showing where progress still needs to be made. Our knowledge of a subject area progresses in depth from grasping what is said or written to appreciating applications and then onto the limitations of what is known. We learn most when at the boundaries of what is known and are aware of the weaknesses of current claims. It is for this reason the book seeks to critically appraise the body of knowledge we already have.

But marketing has progressed a good deal since the last edition of this book was written eight years ago. There has been consolidation, and less obscurity about concepts, problems and issues. The greatest advance has been in demonstrating the application of social science concepts and findings to marketing and this has had a major impact on this revision. However, it should not be a one-way traffic. Behavioral concepts and findings need to be questioned in the light of actual behavior by real consumers and buyers in real markets. In this way we get a better estimate of the range of behavior to which the concepts and findings can be reliably applied and their power to provide explanatory depth. The same is true of mathematical models. Without a background of

substantive knowledge of markets and marketing, there is always a danger of sacrificing reality for intellectual rigor: of arguing from a too simplistic conceptual base or seeking precision at the cost of misrepresenting the complexity of market behavior.

Every author of a textbook is indebted to colleagues. Insights may arise from individual reflection on concepts and experience but ideas are matured in discussion with others. Particular thanks are due to Morris Holbrook and Roger Dickinson for reading the initial draft of the book and making extensive comments which proved invaluable in preparing the final revision. I am indebted to them.

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Part I

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# Marketing and marketing planning

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# Chapter 1

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## The nature of marketing

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Success in business is success in a market. Firms go out of business not by closing factories but by unprofitable marketing. Entrepreneurs usually enter a business by developing products (that is, goods and services) but stay in business only by creating and retaining customers at a profit. It is the task of marketing to guide the firm into generating only those products for which customers can be attracted; to position the product in a market and support it with the right promotion, servicing, pricing, and distribution, that is, right from the customer's point of view. This book deals with that task.

### DEFINITION OF MARKETING

There are a number of ways to define a subject. An *analytic* definition seeks to capture its essence by showing in exactly what way marketing differs from other activities of the firm. For example:

Marketing covers those activities that relate the organization to those parts of the outside world that use, buy, sell or influence the outputs it produces and the benefits and services it offers.

Analytic definitions of marketing tend to be somewhat abstract and meaningful only to those already familiar with the subject. In any case, they are usually controversial. This is because, when we accept a particular definition of a subject, we endorse a particular perspective or way of looking at the topic. In fact, analytic definitions often preface an argument just to induce a certain perspective to facilitate persuasion. Thus the debates over whether law is to be defined in terms of principles certified by reason, or the decree of those with the power to enforce their will, or in the nature of reciprocal agreements among the citizen population, are not just academic debates. When one definition is accepted rather than another, then one set of attributes of the subject is accepted as being more fundamental than another. This is a key issue since the consequences deduced from a definition relate to what attributes are stressed. Thus the above analytic definition of marketing views marketing as an activity that spans the boundary between the company and the business world, from which it might be deduced that marketing undertakes activities that facilitate the development of favorable relationships with those whose decisions affect the commercial success of the company. This deviates somewhat from a view of marketing as the art of creating and maintaining customers; a definition that sees marketing as the skill of finding and securing customers. Another analytic definition defines marketing as the "performance of business activities directed toward, and incident to, the flow of goods and services from producer to consumer to user." This definition views marketing as a business activity (not for nonbusinesses) and directs attention more toward promotion and distribution than anything else. In practice, none of these definitions receives universal endorsement. This is because there are widely differing views over what constitutes the "essence" of marketing.

Less in dispute are the activities embraced by the term "marketing": activities that are often implicit in any analytic definition of marketing. This is fortunate since it allows us to define marketing in more concrete terms using the *operational* definition. This



definition relates the subject to be defined to our experience. It takes the form, "as you do this or observe that, you will understand the meaning of the concept." When we define an "excellent" salesperson as one who achieves 30 percent more sales than the standard set, we are defining operationally. Andrew Jackson, a past president of the United States, was operationally defining democracy when he said, "if a citizen has the right to cuss the Government and all the Government can do is cuss back or go fishing, that's a democracy." Similarly, whenever those in an organization are debating what to offer; to whom; when; where; how and for how much; or are undertaking activities associated with these questions, they are engaging in marketing, since the fundamental activities of marketing are:

- defining markets that fall within the firm's business;
- finding out what those in the market want (or potentially might want);
- if those in the market want different things, to group them into categories according to what they seek;
- selecting those customer categories whose wants and needs can be better met by the firm than by rival organizations;
- determining the offering (product, price, promotion and distribution) that meets the want;
- making the offering available;
- informing prospective or actual customers about the offering and where it might be obtained;
- deciding on a continuous basis what offerings to add, subtract, modify and upgrade to meet changing wants and circumstances; and
- cooperating with other functions of the business and external organizations to secure the resources and help needed to implement marketing plans.

The above are the activities involved in marketing and which are typically carried out by a marketing department. However, some marketing departments do not have responsibility for all these activities or have even wider responsibilities including dealing with an organization's suppliers. In any case, marketing as a subject area is involved with the total configuration of features/benefits (that is, the *offering*) sought by customers and provided by the producer. An offering consists not just of the product itself (including its packaging and other tangible and nontangible benefits that add value for the customer) but its price, promotion, and distribution. The focus here is on "benefits." Marketers speak of the marketing of benefits not just of the marketing of products. There are several reasons for this:

- customers are interested in what a product can do for them and/or the organizations for whom they are buying; appeals on the basis of benefits are the persuaders since they tell customers what beneficial effects buying, possessing, using, or consuming the product will bring;
- the product can be given different meanings in terms of benefits for different audiences since not everyone buys the same product for the same reasons;
- talking about benefits focuses the attention of marketers to what it is about the