Strategic Marketing Management

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PREFACE

There are few polytechnics and universities in which marketing is not now taught. Usually it is to be found on specialised degree courses in marketing management or more general business studies programmes at undergraduate, postgraduate or BEC levels. But marketing is increasingly encountered as a component of a wide range of courses – in agricultural and food management, home economics, engineering and geography, to quote only a few examples.

Most people who study marketing in further or higher education – on BEC, BSc, BA or MBA courses – are coming to the subject for the first time. All require an introductory text which presents the basic principles of marketing management in a clear, concise and stimulating way which leads naturally on to the various further studies required by its different readers.

This book is written with such students in mind.

In addition to a concise account of the basics of marketing, introductory students demand that the accent be on the practical aspects of marketing. Investigation of the economics of market structures, the study of consumer behaviour as an end in itself, the development of marketing theory – all of these find a justifiable place within the modern university or college. But they are hardly the first requirement of the student who is new to marketing.

These students are concerned to appreciate more fully the complexities of managerial decision-making in the real world and are no longer content with verbosely-stated anecdotal material or purely academic research.

Strategic Marketing Management is designed to assist the learning process of the introductory marketing student in three ways:

First, marketing-orientated management is the theme that permeates every page. The requirement that the wants of customers be constantly taken into account in today's business organisation is made abundantly clear. Further, the need to base one's understanding of customers' wants firmly on the findings of behavioural research is constantly emphasised. In this way, 'behavioural science in marketing' is integrated with marketing decision-making: it is not treated as though it were a separate sub-discipline as is the case in texts which devote two, three or even four chapters to isolated discussions of buyer behaviour.

Secondly, the corporate context of marketing is stressed. The marketing function in business does not operate in a vacuum, nor have marketing managers taken over the functions of general management – though this is far from obvious to the reader of standard marketing introductions in which 'management' is assumed to be synonymous with 'marketing'.

And, thirdly, this book draws attention to the integrated nature of successful marketing management. Each of the four general elements of the marketing mix – product, price, promotion, place – is itself a complex of numerous components each of which impinges upon the intended buyer creating effects which must be carefully integrated with those produced by other components. Each effect is itself moulded and intensified by every other effect. Each component, each element of the marketing mix is a sub-system acting within the overall marketing system and each must be integrated with the rest if marketing is to contribute to the achievement of the firm's objectives in a controlled, consistent manner. *Strategic Marketing Management*, unlike so many other texts, does not seek to avoid the complexities involved in the management of a fully-integrated marketing mix. Rather it identifies the complexity as it arises.

All in all, this book is designed to establish firm foundations for the newcomer to marketing, foundations upon which effective careers in practical marketing and informed, relevant research can be built.

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Marketing in Two Centuries

> If a man write a better book, preach a better sermon or make a better mousetrap, though he build his house in the woods, the world will make a beaten path to his door. (Ralph Waldo Emerson, 1803–82)

> Marketing is the primary management function which organises and directs the aggregate of business activities involved in converting consumer purchasing power into effective demand for a specific product or service and in moving the product or service to the final consumer or user so as to achieve company set profit or other objectives. (Rodger, 1965)[1]

> Marketing is the way in which any organisation or individual *matches* its own capabilities to the wants of its customers. (Christopher, McDonald and Wills, 1980)[2]

The Meaning of Marketing

Effective performance of the various functions of marketing management nowadays demands the adoption of a particular business philosophy widely known as the 'marketing concept'. The distinguishing feature of such *marketing-orientated* management is the way in which it strives to fulfil the requirements of those whom it serves in order to achieve its own business objectives. Marketing management may be described as the mobilisation and deployment of a company's resources in order to meet its financial objectives through the satisfaction of buyers' economic wants. Naturally, in order to achieve this, it is frequently necessary to specify additional non-monetary goals and to meet buyers' social and psychological needs but these activities are never ends in themselves in corporate marketing.

Dozens of definitions of marketing management exist which attempt to translate this basic idea into operational terms that show how product concepts are originated, tested in the marketplace and screened for further development and refinement so that an article is launched on to the market. It is perhaps the impossibility of achieving so concise yet comprehensive a definition that has spawned so many attempts. Even a book of this length can only begin to provide an account of the managerial implications of adopting and implementing the marketing concept and the ramifications of these activities for the business as a whole. Before the tasks of marketing management can be discussed, it is necessary to appreciate further the nature of the marketing concept and only when both the concept and the function of marketing have been discussed can the consequences of marketing-orientated management for the business as a whole be approached.

The Marketing Concept

A clear description of the marketing concept as a managerial perspective appeared in one of the first British books concerned with the marketing of industrial products:[3]

> The marketing concept is a philosophy, not a system of marketing or an organisational structure. It is founded on the belief that profitable sales and satisfactory returns on investment can only be achieved by identifying, anticipating and satisfying customer needs and desires – in that order.
>
> It is an attitude of mind which places the customer at the very centre of a business activity and automatically orients a company towards its markets rather than towards its factories. It is a philosophy which rejects the proposition that production is an end in itself, and that the products, manufactured to the satisfaction of the manufacturer merely remain to be sold.

Companies become marketing orientated, of course, not because they are benevolent organisations but in order to achieve their business objectives which are usually expressed as profit, rate of return on investment or sales targets. These objectives provide a clear test of the company's failure or success – a quantified set of policy objectives which allows its performance not only to be assessed at the end of an accounting period but monitored during the implementation of its plans and, where necessary, controlled by corrective action which readjusts the firm's operations towards its goals.

It also follows from this description of the concept of marketing that marketing management should begin and end with considerations of buyer behaviour. A genuinely marketing-orientated company plans, produces and distributes only those products and services which it has good reason to believe will be bought in sufficient quantities and at adequate prices to ensure that it attains its economic objectives. Marketing activity thus precedes production with the identification of human wants and the estimation of the demand for the goods which promise to satisfy them. Marketing research, test marketing and other varieties of marketing experimentation are thus vital components of the implementation of the marketing concept. All are concerned with obtaining estimates of the elasticity of demand so well-emphasised by formal economic analysis and of the overall 'plasticity' of demand which is determined by the social and psychological meanings attributed by buyers to economic products and services.

Buyer Behaviour

Marketing managers, as well as those executives engaged directly in marketing research, have, therefore, in companies which have adopted and begun to implement the marketing concept, become centrally concerned with analysing and interpreting the behaviour of buyers – final consumers who buy finished products and industrial purchasers of capital goods and components. The resulting emphasis on the sociology and psychology of consumer behaviour and industrial buying has enlarged the social science base of marketing investigations, reducing the extent to which marketing understanding relies on the contribution of formal economics. 'True marketing', writes Drucker,[4]

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

For 'only by asking the customer, by watching him and by trying to understand his behaviour can one discover who he is, how he buys, for what purposes, what he expects and what his values are'.

Thus, buyers' attitudes and other facets of the psychological influences on their behaviour have been studied, especially in order that the effectiveness of persuasive marketing communications might be improved; and their group affiliations, family decision-making processes and cultural norms have been examined in order to identify the complex social networks within which buyers make choices.[5] This interest in the behaviour of buyers reflects two important recognitions on the part of contemporary marketing managers. First, the meanings which buyers attach to specific products and services often go far beyond the observable functional uses of those goods and express the perceptions and motives of consumers, individually and in groups; food, for instance, represents a physiological necessity but the marketer of products such as smoked salmon and champagne, aware of the additional social connotations of these products, would subtly stress status and prestige in promoting them, rather than their nutritional attributes. Second, there is growing recognition that a company's business objectives are often capable of more efficient attainment if markets are subdivided (segmented) and differential marketing appeals made to each segment in lieu of a general approach to the entire market which may appeal optimally to but a small proportion of potential buyers. Advertising, price, promotional activities and distribution procedures, as well as the product, are nowadays typically differentiated in order to meet the buying requirements of specific market segments.

Far from leaving the hapless customer to beat his own path to its door, marketing-orientated management is involved in the design and production of the 'right' product at the 'right' price and its distribution to selected target markets, i.e. to the 'right' place at the 'right' time. 'Right' always refers to the demands of potential buyers rather than the convenience of marketing or other executives; it means seeing the business 'from the point of view of its final product, that is from the customer's point of view'; it means that the only purpose of the business is the 'creation of a customer'[6] – not by coercion or manipulation but by understanding his behaviour and responding accordingly.

Structural Requirements for Marketing Orientation

The marketing concept and the managerial approach it demands result from a particular set of economic circumstances. They are necessary concomitants of a situation in which the supply of economic goods exceeds or is capable of exceeding demand for them; in addition, the marketing concept has most readily found application in those economies where buyers are relatively affluent and are presented with a choice of brand or product alternatives by competing suppliers. The resulting competition among marketers for buyers' discretionary income – that which remains when the necessities of life have been purchased and which the buyer may allocated as he wishes among a variety of products and services – involves the individual company in rivalry with others in the same industry *and* with firms in other industries which attract discretionary income. Only the first of these structural features of production and marketing, the excess of supply over demand, is a necessary and sufficient condition for marketing orientation to be forced upon marketing management but the added presence of the other factors intensifies the need for managers to take a marketing- and consumer-orientated perspective.

Two observations deserve mention as a result of this discussion. First, there is no implication that managers in marketing-orientated firms ought now to give all of their attention to demand, ignoring supply factors simply because supply is in surplus. The purpose of modern marketing, the creation of a customer, requires that supply can be skilfully and appropriately *matched* to demand: each element of the 'marketing mix' – the product, price, promotion and distribution which have already been mentioned – must be responsively equated with elements of buyers' requirements. Second, although the competitive, industrial economies of the relatively developed world have manifested the structural requirements for marketing orientation to a large and consistent extent in recent decades, these features are not uniformly and ubiquitously experienced by firms: local and temporal monopolies, undiscriminating buyers and the inefficiency of other companies in the industry may reduce, within limits, the need of the firm to pursue a fully marketing-orientated policy.

Indeed, the opposite managerial perspective, production orientation, which expects consumer demand to be forthcoming for whatever it is the firm happens to produce, is itself, in one sense, a natural accommodation to a different set of structural characteristics of production and marketing systems. The most obvious such characteristic is an excess of demand over supply to the extent that would-be buyers desire to have the most basic of economic goods, whose functional properties are of paramount importance and whose social and psychological meanings are non-existent or of so little importance as to be irrelevant. This situation has, historically, dominated the very societies which today enjoy the very high standards of living which intensify the need for marketing orientation and they are, of course, still prevalent in less economically-developed societies. Furthermore, they may, as has been mentioned, crop up – usually temporarily and locally – in more advanced economies, e.g. when industrial disputes inhibit production and prevent managements from supplying demand. However, while production orientation is an appropriate response in the former situation, it is wholly out of place in the latter even though firms may be tempted to relax their competitive struggle for buyers' discretionary income at these times. Production orientation in this second sense – of the adoption of less than fully buyer-centred marketing in the context of structural features which temporarily permit this, despite the general prevalence of characteristics which stimulate marketing orientation – is dangerous for the simple reason that a managerial team which relaxes in this way is likely to be overtaken by events.

The Dynamic Nature of Markets

Although neo-classical economic analysis has emphasised a view of markets as essentially static by concentrating on their characteristics when in equilibrium, economists from another school[7] have long stressed the dynamic nature of markets and the role of the entrepreneurial actions of individuals who are alert to new opportunities and whose exploitation of new product market possibilities seriously challenges the *status quo* in existing markets. The success of entrepreneurs may allow them to enjoy the monopoly benefits of their alertness and action in the short term but they are constantly threatened by the possible entrepreneurial interventions of others. If the enjoyment of entrepreneurial success is accompanied by that form of relaxation which we have termed the second type of production orientation rather than by a further search for market-based opportunities, to satisfy consumers' wants, the firm's management is inviting its own long-term supersession.

Marketing and Selling

Since these facts are so obvious to businessmen whose markets are structured in such a way as to make customer orientation so vital, why is full implementation of the marketing concept still comparatively rare? One reason is that many managements mistake an emphasis on *selling* for a marketing-orientated approach. Although personal selling, creative salesmanship, is a central component of marketing method, undue stress on the need to *sell* whatever the firm happens to produce rather than to *market* the products and services demanded by buyers indicates that the company is far from having adopted and implemented the marketing concept as a business philosophy. The crucial difference between selling and marketing, two words used interchangeably by most people and – alas! – by too many businessmen, has been stated by Levitt[8] in a classic article on marketing orientation in these oft-quoted words:

> The difference between marketing and selling is more than semantic. Selling focuses on the needs of the seller, marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering, and finally consuming it . . . Selling is not marketing. As already pointed out, selling concerns itself with the tricks and techniques of getting people to exchange their cash for your product. It is not concerned with the values that the exchange is all about. And it does not, as marketing invariably does, view the entire business process as consisting of a tightly integrated effort to discover, create, arouse and satisfy customer needs.

Assuming that the managers of a company accept this philosophy and attempt to practise not just selling which masquerades as genuine marketing, they must decide how to make use of the resources available to them to achieve their business objectives. In other words, they must decide how to manage 'the product and the whole cluster of things associated with creating, delivering, and finally consuming it'. This, in turn, rests upon a sound understanding of the demands of the company's environment and, in particular, of the demands of its customers and potential customers.

Functions of Marketing

It is clear from the previous discussion that an important function of marketing management is to inform and guide the actions of the firm's general managers who are responsible for the development and implementation of its policies and strategies. In particular, marketing is concerned with the management of customer demand – not in a manipulative way through the unscrupulous use of persuasive advertising or sales gimmicks, but through accommodating the actions of the company to the genuine needs of the market. In this sense, marketing is not creative – it cannot give birth to wants which do not already exist – but it is responsive to those which do. The particular response which is appropriate in given circumstances depends upon the analysis and interpretation of the kind of demand facing the firm. Kotler[9] distinguishes eight major marketing tasks which are actually eight managerial responses to various demand conditions faced by companies. Broadly, there are three such conditions: the firm may experience underdemand, adequate demand or overdemand for its output, states which are 'distinguished primarily with respect to the level of current demand in relation to desired demand, although two additional factors, the timing of demand . . . and the character of demand . . . are also important'. The subdivisions of each of these three fundamental types of demand are shown in Figures 1.1, 1.2 and 1.3, together with the appropriate managerial response.

Products for which there is negative demand may be distinguished from those facing no demand in that consumers actively avoid the former (e.g. that segment of the travel market whose members prefer not to fly) while in the case of the latter, potential buyers are simply unaware of the advantage of buying and consuming (e.g. innovative products, literature, art). Latent demand occurs when buyers have unsatisfied wants, usually of which they are aware, for which no appropriate product or service exists – e.g. pollution-free travel systems and vandal-proof building materials. The identification and subsequent satisfaction of latent demand provide an example *par excellence* of the marketing concept in action: faltering demand is marked by declining levels and signals the patronage need for a revised and revitalised approach to the market, the product or some other element of the marketing mix. Attendances at British football (soccer) games has declined considerably over the last decade, for instance, and may require marketing, e.g. as a family entertainment, in order that this trend may be arrested.

Irregular demand, the 'bunching of consumer patronage at certain times or seasons', may well fit in well with the pattern of supply or the working life of the marketer, e.g. the seasonal demand encountered by seaside resorts often coincides with the needs of suppliers to revitalise and maintain their businesses and for personal leisure. However, if 'some seasons are marked by demand surging far beyond the supply capacity of the organisation and other seasons are marked by a wasteful underutilisation of the organisation's supply capacity', then what Kotler calls synchro-marketing – which is essentially what other authors have referred to as the use of spare capacity – may be necessary. Sales of food products in cinema foyers have been regularised by the extension of the product range to include hot dogs as well as ice-cream to even out temporal demand peaks. Full demand refers to a situation in which the firm's managers are satisfied with the strength of the market for their product and do not desire to increase sales since they are meeting their current objectives. This is a pleasant

Figure 1.1: Underdemand

UNDERDEMAND

Negative demand	No demand	Latent demand	Faltering demand
Disabuse demand	Create demand	Develop demand	Revitalise demand
by	by	by	by
Conversional marketing	Stimulational marketing	Developmental marketing	Remarketing

but dangerous state since it invites the relaxation of managerial effort discussed above. In order to avoid losing one's share of the market to more entrepreneurially-minded competitors, it is necessary, at this stage, to investigate the satisfactions which consumers are purchasing when they buy the firm's product and to ensure that the desired product attributes are maintained. At the same time, it is vital to monitor changes in buyers' tastes and requirements and to revitalise the product as necessary.

Figure 1.2: Adequate Demand

ADEQUATE DEMAND

Irregular demand	Full demand
Synchronise demand	Maintain demand
by	by
Synchromarketing	Maintenance marketing

The possibility that temporary shortages or lack of productive capacity may result in a surplus of demand over supply has been mentioned. This is not a situation which should be ignored by marketing managers as they await better times. Temporary shortage should be accompanied by the provision of accurate information to would-be buyers and the use of publicity to maintain the firm's service and corporate images. Long-term inability to satisfy demand requires