

2nd Edition

Rosalind Masterson & David Pickton

MARKETING

an introduction

companion
website





1436554

2nd Edition

Rosalind Masterson & David Pickton

MARKETING

an introduction

常州大学图书馆
藏书章

© Rosalind Masterson and David Pickton 2010

This edition first published 2010

First edition first published by McGraw-Hill 2004

Apart from any fair dealing for the purposes of research or private study, or criticism or review, as permitted under the Copyright, Designs and Patents Act, 1988, this publication may be reproduced, stored or transmitted in any form, or by any means, only with the prior permission in writing of the publishers, or in the case of reprographic reproduction, in accordance with the terms of licences issued by the Copyright Licensing Agency. Enquiries concerning reproduction outside those terms should be sent to the publishers.

SAGE Publications Ltd
1 Oliver's Yard
55 City Road
London EC1Y 1SP

SAGE Publications Inc.
2455 Teller Road
Thousand Oaks, California 91320

SAGE Publications India Pvt Ltd
B 1/I 1 Mohan Cooperative Industrial Area
Mathura Road, Post Bag 7
New Delhi 110 044

SAGE Publications Asia-Pacific Pte Ltd
33 Pekin Street #02-01
Far East Square
Singapore 048763

Library of Congress Control Number: 2010929950

British Library Cataloguing in Publication data

A catalogue record for this book is available from the British Library

ISBN 978-1-84920-570-2
ISBN 978-1-84920-571-9 (pbk)

Typeset by C&M Digital (P) Ltd, Chennai, India
Printed and bound in Great Britain by Ashford Colour Press Ltd
Printed on paper from sustainable resources

Acknowledgements

The authors would like to extend their warmest thanks to the contributors to chapters in the first edition of this book:

Tony Garry
Len Tiu Wright
Kit Jackson
Phil Garton
Lynn Stainsby
Tracy Harwood

and also to case contributors:

Lynn Stainsby for *British Airways strike wrecks holidays and honeymoon*
Tracy Harwood for *All change!*

Introduction to the focus themes

Throughout this book there are focus boxes that relate the chapter's subject matter to certain key marketing themes. The boxes are:

- e-focus
- global focus
- B2B (business-to-business) focus
- ethical focus
- CRM (customer relationship management) focus
- expand your knowledge.

The themes have been chosen to reflect marketing's current major preoccupations. Marketing is a broad subject that overlaps with many other business functions: corporate strategy, human resource management, operations management, research and development, design and corporate communications. It also draws on many other academic disciplines, for example: psychology, economics, management strategy, intercultural relationships, media studies and sociology.

e-focus

The Internet has changed the way many businesses operate. It has far-reaching effects throughout the business world, affecting the ways that businesses communicate with their customers, their suppliers, their own staff. The Internet has shortened supply chains by cutting out trade intermediaries such as wholesalers and retailers, and allowing manufacturers to deal directly with their end customers. It has broadened the geographic reach of companies by providing a fast, cheap way to communicate with customers in other countries. It has increased the levels of competition in many industries, and the ways in which firms compete, by making it easier for companies to get into new markets and for smaller companies to compete with larger ones for business. For example, Amazon did not exist pre-Internet but it is now a serious global competitor in book selling. It has taken enormous amounts of trade away from the more established bookshops, and is rapidly branching out into other areas too.

Web pages provide a shop front to the world. Many companies now do very well without a high-street presence. Online, everyone looks the same size so there is no immediately obvious disadvantage for a smaller firm like there is for a smaller shop. It still has to deliver the goods of course, as only a few businesses manage to do that online (e.g. software and music downloads, and some services such as banking).

The influence of the Internet has been so great that many have declared it a new economy or a new market. Few marketers now take that position, referring to it instead as new media or a new marketing channel (i.e. way to sell to customers). The confusion arises because of the differing definitions of 'market'. Traditionally, a market is a place where buyers and sellers meet – in which case the Internet is a new place. However, increasingly, the term 'market' is used to refer to customers *en masse*. In this case, the Internet is not a new market; Internet buyers just buy online rather than offline, they are not necessarily new customers. If a firm finds new customers in another country via the Internet, then that is a new market – but the old

way of describing them as a new geographic territory is still valid, indeed necessary, if their needs and wants are to be met effectively.

E-marketing does not stop at the Internet. Further new communications technologies are being developed all the time. Mobile phones are becoming a marketing tool – and are particularly useful for reaching the young. Digital television is in its infancy but interactive TV (iTV) may radically change the way we watch TV – and do TV advertising.

Throughout this book we will take the opportunity to reflect on the impact of new technologies and how they can be used to market goods and services.

global focus

There seems to be a general consensus that all marketing today is international. If this is not quite universally true now, it is certainly the way the trend is going. Almost all large firms have to deal with foreign competitors either in their home markets or abroad or both. Foreign rivals may not be much in evidence in the local shop, but foreign products are, and it may be foreign-owned supermarkets that are taking away its customers.

However, there are a large number of small to medium-sized businesses that have little or no dealings outside their own country. Many services businesses (e.g. cleaning, consultancy, law, accountancy, hairdressing and plumbing) have no significant international dimension. Will they all be crushed by the march of the multinationals? It seems unlikely that everyone will desert their regular hairdresser (especially those that make home visits and therefore have very low costs and, consequently, low prices), or that individuals and small business people will prefer to hand over their tax returns to an anonymous corporation or Internet service rather than the accountant round the corner.

All businesses, however small, need to be aware of the forces of globalisation though. They need to look out for new competition, new products and services and new opportunities. (See Chapter 2 for more about monitoring changes in the organisation's environment.)

The patterns of trade are changing. The twentieth century was the era of free trade, with richer countries pushing for the lowering, or abolition, of barriers to trade between nations, such as import duties, quotas (specified maximum amounts of imported goods), embargoes (bans on certain imported products) and subsidies (grants to producers that make home-produced goods cheaper). The twenty-first century may well prove, at least in its early part, to be a time of reconsolidation, but along new lines. Countries are clamouring to join trading blocs such as the European Union (EU), the North American Free Trade Association (NAFTA), the Association of South East Asian Nations (ASEAN) and Mercosur (an alliance of South American nations). Between them, the EU and NAFTA account for the bulk of world trade. Within their borders, member countries conduct trade on preferential terms. For example, within the EU, there are no import taxes and EU citizens can move to any country to work without obtaining work permits.

B2B (business-to-business) focus

Marketing grew from a start in consumer goods – in particular, FMCG (fast moving consumer goods). The term FMCG describes products that move off the shelves fast, i.e. they are bought frequently and so shops need to restock them regularly. These are everyday products such as soap, washing-up liquid, toothpaste, shampoo, breakfast cereal and bread – low-cost, kept in the cupboard all the time, items. Because of this heritage, modern marketing techniques favour the selling of these kinds of items to individuals for their own use. It is also the type of shopping that most people are more familiar with, so they usually relate to it better than B2B.

ACTIVITY

Look around your room. What items can you see that both a business and an individual might buy? How might their uses of the items differ? Where would they go to buy them?

When you want to buy something, the decision is usually yours although you may consult other people, particularly if you are not paying the whole cost yourself. Within organisations, it is rarely just one person who makes the decision on any significant purchase. There is a group of people who are referred to as the decision-making unit (DMU).

Take the example of a new car. There may be the fleet manager (who will specify which cars may be bought), the buyer (who will choose a supplier and negotiate terms), the finance department (which will set the budget and pay the invoice) and, of course, the person who is actually going to drive the car: the user. A potential supplier may have to deal with all these people and more. (See Chapter 3 for more on decision-making units.)

With all these people involved, purchasing decisions can become long and complicated. There are often forms that must be filled in, committee meetings called, procedures that must be followed. The organisation is likely to have rules about how many suppliers must be invited to bid for a contract. All of them must get a fair chance, and so there are more rules and procedures to ensure that this happens. It is a lot more complex than when you decide to buy a new printer for your PC.

However, just consider how much more money businesses have to spend than individuals. Large companies spend millions every year. When they do buy the everyday items that we do (pens, paper, sticky tape, etc.), they buy them by the crate. This is a good market to be in.

ethical focus

Different businesses operate according to different ethical codes. There was a time when it was considered perfectly acceptable for an employer to own his workers and their children, yet now such a practice would cause outrage. Ethics change with the times. There are a number of different ethical models under which an organisation can operate.

There are different views on who should be the main beneficiaries of business activities. Many companies are ostensibly run for the sole benefit of their owners or shareholders, whose primary requirement is likely to be profit. In practice, though, a business cannot run without workers, and so they must benefit too, usually through wages or salaries. Then again, if the firm's products and/or services do not benefit anyone, why would customers buy them? So perhaps a firm is run primarily for the benefit of customers?

The stakeholder view of business ethics takes all of these interests, and more, into account. The argument is that the benefits to all of an organisation's stakeholders should be considered by the management team.

When an ethical position is generally accepted within a country, it is likely to be formalised by the passing of a law. Regulations and codes of practice are watered-down laws. They still reflect what is generally accepted as right or wrong. There are many laws governing marketing, e.g. product liability, consumer protection, trades descriptions, pricing, anti-competitive practices. There are regulations and codes of conduct covering advertising, sponsorship, sales promotion, Internet trading, telesales, data protection and many other marketing activities. For example, the UK Sale of Goods Act requires goods that are delivered to be the same as the ones that

Does his face ring a bell?

ethical focus

Continued deregulation in the UK telecommunications market meant that, in 2003, directory enquiry services were opened up to competition. A

new operator, The Number, quickly gained an impressive 50 per cent market share thanks to its unusual advertising campaign featuring two athletes who appeared to have run straight out of the 1970s.

However, former world record holder David Bedford felt that they looked all too familiar and consulted lawyers. The Number denied basing their characters on him, saying that the look was typical of 1970s sportsmen.

He wasn't the only famous runner to appear in adverts around that time. Prince Charles (or rather, what appeared to be Prince Charles) made it on to Belgian billboards, in lycra shorts and looking

surprisingly fit, to advertise tours to Britain. The Queen also appeared in that campaign – skirt flying just like Marilyn Monroe's. Clearly the royal appearances were the construct of modern imaging technology. Advertisers can also place dead stars with products they could never have seen (e.g. Steve McQueen driving a modern Ford). They can change a photo's background and a subject's appearance. Racing driver Eddie Irvine successfully sued a radio station that had used a digitally altered picture of him in promotional material without his permission.

We are used to seeing famous faces in adverts and assume that these people are paid for the use of their image. If people are in the public eye, or even actively seek out publicity, should it be OK to use their image without their permission? If not, then how close must the resemblance be for us to say that it really is that famous face?

were shown to the customer. This is particularly important for mail order where the pictures and descriptions must be accurate. In many European countries, a code of practice prevents overt product placement on television (although the practice is considered acceptable in the USA).

Products can be unethical. There are a number of products that are banned in most countries (e.g. recreational drugs). Many would argue that cigarettes should not be on sale either. Sales of some products are severely restricted (e.g. guns, alcohol – which is banned in some countries – and strong medicines).

Unethical pricing practices include fixing prices so that consumers are forced to pay too much. This usually involves collusion between competitors (e.g. as a cartel) or the existence of a monopoly or a severe shortage of goods. In wartime, there are people who exploit other people's misery by charging dearly for essential goods, and so they become rich.

Too low a price may be considered unethical too. The outlawing of **dumping** is called for at meetings of the WTO (World Trade Organisation) and there are now severe restrictions on its legality. Dumping is an anti-competitive practice whereby a company exports its products at a very low price and so undercuts competitors in the target country. These competitors are then unable to compete and eventually go out of business, and so jobs and wealth are lost in that country. The low price is, of course, unsustainable. The company that has dumped the products will either raise its prices or will stop exporting, so the residents of the dumped-on country end up with either no products of that type or more expensive ones.

Professional marketers, and marketing associations such as the Chartered Institute of Marketing, strive to behave ethically towards all their organisation's stakeholders. There are still those who doubt their motives, however, and consider their caring stance to be enlightened self-interest or just good PR.

dumping

when a company exports its products at a very low price and so undercuts competitors in the target country

CRM (customer relationship management) focus

One of the trickiest things about CRM is getting people to agree on what it is. In this textbook, we have taken the acronym to stand for customer relationship *management*, but you may see it used in other places as customer relationship marketing. The two terms are used interchangeably by some, and to add further to the confusion, the initials CRM are often used to refer to cause-related marketing, which is a form of sponsorship and therefore a different thing altogether.

The term 'management' is preferred here because it has more scope. If you are managing a relationship, then you are nurturing it, progressing it – perhaps in the end terminating it. If you are using a relationship for marketing purposes only, then you are using your knowledge of someone to further marketing aims: to woo them into loyalty, persuade them that the brand's image is right for them, sell them more products and over a longer time period. Both sets of activities are valid and both go on. However, the management of customer relationships is more likely to contribute to the long-term health of the company. Some even claim that it is more important to manage the life cycles of these customer relationships than it is to manage the life cycles of products; that this is the route to strategic advantage (Wilson, 1996).

So there is some confusion over what CRM stands for, and further differences of opinion surface over what it actually means in practice. There is a school of thought that takes CRM as a set of technological tools that capture customer information and enable an organisation to use it to market its products more effectively: 'the application of technology to learning more about each customer and being able to respond to them one-to-one' (Kotler, 2003). This is really just a sophisticated modern form of **database marketing**. It enables a company to cross-sell (i.e. sell existing customers additional, different products) and up-sell (i.e. sell customers a more expensive version of the product) and it is not the way the term CRM will be used here. Customer relationship management is more than just technologically enhanced customer service. It is the use of procedures and management techniques that enhance the customer's experience of the organisation, build loyalty and contribute to long-term profitability.

database marketing use of computerised customer data to communicate with customers and promote further sales

CRM focus

An expanded definition

CRM is about:

- finding the right customers – i.e. those with an acceptable current and future net value
- getting to know them – as individuals or groups
- growing their value as customers (if appropriate)

- retaining their business – in the most efficient and effective way.

It is achieved by companies enabling their people, processes, policies, suppliers and customer-facing technologies to manage all customer interactions proactively during each stage of the customer life cycle in a way that enhances each customer's experience of dealing with the company.

SOURCE: Woodcock et al. (2000)

It is all about attracting and keeping the right customers. Technology is an enabler and not a main driver, i.e. if you have a lousy value proposition you are not going to gain or keep too many customers. (Woodcock et al., 2000)

It is as important to be skilled in ending relationships as it is to be able to maintain them. A customer will end a relationship that no longer has value. The organisation must be prepared to be similarly ruthless. Some customers, particularly long-standing ones, can in fact cost the firm money.

EXPAND YOUR KNOWLEDGE

These boxes contain references to further reading to help you understand better the points raised in the book. Many of the references are well accepted articles that have shaped and often changed marketing thinking over the years; they are *marketing classics* that have been influential in developing marketing thought. These are informative and insightful articles written by some of the leading and most prestigious authors in the fields of marketing and strategy. The considerations contained within them are still relevant today and still shape our thoughts and understanding and are especially useful for students first learning about marketing. Marketing has travelled a long way from its early beginnings, but a far richer appreciation of marketing is gleaned by understanding its roots and how it has branched into the discipline it is today. While significant changes have occurred in marketing over the years, such as the move away from transactional to relationship marketing and greater emphasis placed on customer loyalty and lifetime value, internal marketing, marketing of services and marketing effectiveness and metrics, we would contend that these are natural developments that refocus marketing rather than deny its origins.

Other articles in the expand your knowledge boxes are of more recent publication. Their inclusion allows readers to delve more deeply into specific areas and into some of the latest thinking that has influenced or is influencing marketing thinking now.

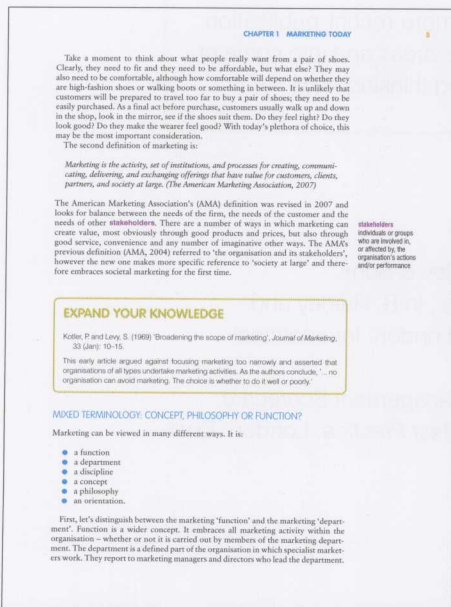
REFERENCES

- Kotler, P. (2003) *Marketing Insights from A to Z*. New York: John Wiley & Sons.
- Wilson, K. (1996) 'Managing the industrial sales force of the 1990s', in B. Hartley and M. Starkey *The Management of Sales and Customer Relations*. London: International Thomson Business Press.
- Woodcock, N., Starkey, M. and Stone, M. (2000) *The Customer Management Scorecard: A Strategic Framework for Benchmarking Performance Against Best Practice*. London: Business Intelligence.

Guided tour



Part opening page each part opens with a summary of the area of marketing under study and with an outline of the chapters that make up the part.

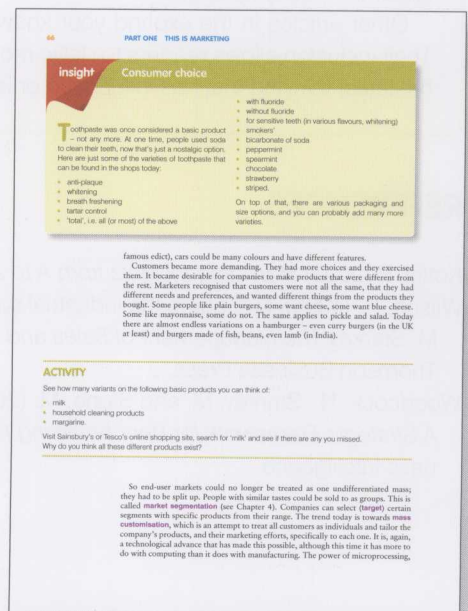


Margin notes to help you to spot the important terms you will need for revision purposes, each new concept appears in coloured text and defined in the margin where it first appears in the text.

Glossary terms key terms highlighted in the text are defined in the glossary at the end of the book.



Chapter opening page each chapter opens with a set of 'Marketing Challenges'. These are real-life challenges that you could face as a marketing professional. As you read the chapter, think about how you would tackle each challenge.



insight boxes insight boxes encourage you to pause from your reading and take time to think about the topic in more detail.

Activity boxes each chapter contains a number of marketing-related activities, that you can try out on your own or in class.

30

PART ONE THIS IS MARKETING

The timeshare scam

ethical focus

Not so long ago, timesharing was a popular way to own a holiday home. You could buy a share in your very own villa or apartment for a fraction of the cost of owning it outright. Your share effectively made you the owner of the property for a specified two weeks or so every year. Holidays suited timeshare sales: companies employed attractive young people in holiday resorts, dressed them in beachwear and trained them to persuade relaxed holidaymakers to sign up for another holiday next year, or to attend a party (at which they would hear all the benefits of timeshare). They offered inducements like cheaper rates for those who signed up before they went home (and got their feet back on the ground). They told people that there were only a couple of apartments left, the others had all been snapped up. Back home, they lured prospects with amazing deals and promises: 'Just attend our presentation', they said, 'with absolutely no obligation to buy, and we'll give you a fine lunch, unlimited champagne and a free gift. They sent out invitations telling the lucky

recipients that they had definitely won a prize. Soon people wised up to the way that the prize always turned out to be the cheapest thing on the list (a pin, a scarf – often with the company's name embossed on it), so the companies upped the offer. The prize would be nothing less than a television or a stereo. After two hours or so of hard selling, during which people found it almost impossible to leave (and they did they didn't get a prize at all, many caved in and signed up. One of the main objections that potential purchasers raised was that it took them to the same time and the same place every year. While some people liked this, others thought it might become dull and would prefer a change. No problem: said the timeshare sellers (who were well versed in objection handling). You can swap with someone else on going during their timeslot. You can even sell your two weeks if you want to and, if you get tired of the place altogether, there's a waiting list of people who want to buy. This is an investment. Sell it five or ten years at a nice fat profit!

For many it hasn't worked out like that, though. There are now thousands of timeshare holiday homes across Europe standing empty and unwanted.

The move to a true customer orientation is not easy and takes a long time. Organisations typically experience considerable resistance from individual departments and employees. Any organisational change has to be managed carefully to ensure that it is accepted and works, but turning an organisation around so that all its processes are geared towards the customer, can be particularly grudging and may cause major conflict. An organisation's orientation is a feature of its culture. Organisational culture can loosely be described as 'the way we do things around here'. The procedure an organisation follows is evidence of its culture. The culture may be formal (as in many banks) or informal (as in many software companies). It may be traditional (like Harrods) or contemporary (like, say, Virgin radio). The tone of it is often set by the chief executive or founder and their local influences the behaviour of all members of the organisation – all successful members that is.

An organisation's culture is possibly the hardest thing about it to change. It can be a source of great strength but, if it is too rigid, it can hold an organisation back and prevent it from moving with the times (as happened with IBM in the late 1980s). Changing an organisation's culture is rather like asking you to become another nationality – and to behave appropriately, forgetting all of your original beliefs and behavioural patterns. You would have to learn to like different food, support a different football team (possibly a whole new sport), maybe wear different clothes, talk another language, etc. Very few firms have yet managed to adopt a true customer orientation that permeates their whole organisation. Do not underestimate the obstacles in their way.

ethical focus a closer look at marketing and social responsibility.

32

PART ONE THIS IS MARKETING

Watch me!

global focus

In the summer of 2003, Mexican security forces drew up a list of 80 anti-globalisation activists who were thought to be intending to disrupt the World Trade Organisation (WTO) meeting due to be held in their country. Their intention was to make it easier to keep these people under surveillance. They wanted to avoid a repeat of the riots at the Seattle summit in 1999. It was expected that this would provoke an angry response from the human rights-conscious activists. And it did – from those who were misled off the list! Hundreds of activists signed a letter addressed to 'government' agents bent on restricting civil liberties. A real!

I recently found out about the 'watch list' prepared by Mexican authorities, purportedly to

quell the voice of civil society at the upcoming WTO Ministerial [sic] in Cancun. Despite heavy expenditures of money on intelligence gathering... we are concerned that you were only able to find 60 internationalists and 30 Mexicans who are opposed to the World Trade Organisation. Haven't you noticed that the role of public opinion is turning decidedly against the WTO?

Please add my name to your 'watch list' immediately!

The authorities feared that hundreds, possibly thousands, of demonstrators would turn up to make their points. While most restrict themselves to carrying placards and shouting, there are those who prefer to make their protests more forcefully. In Seattle, hundreds of thousands of pounds worth of damage was done.

ST/ICJ/CAN/03/03

Western Europe is currently a relatively stable political environment. However, a change of government can cause firms some problems. Policies change to match the political persuasion of the new government. Just the holding of an election affects sales. The feed-good factor kicks in as election promises of tax cuts and other benefits are fulfilled. Often disposable income rises, as does employment. This does not always last the full term of the government, of course.

The most extreme political risk a firm will encounter is the outbreak of war, and there are usually clear signs that this is a possibility. More common risks include being subjected to pressure group activity. This is a frequent occurrence for a number of large, high-profile firms such as McDonald's and Shell. Nike has suffered too as protesters voiced their objections to its manufacturing methods, particularly the use of child labour in developing countries.

THE REGULATORY ENVIRONMENT

The actions that an organisation can take are constrained by the rules imposed upon it and by the duties it owes to other organisations or individuals. These rules and duties may be formalised as laws (e.g. the Human Rights Act 1998) or as codes of practice (e.g. those governing what is, and what is not, acceptable in advertising) or they may be merely accepted behaviour (e.g. an advertising agency not handling competing clients).

Laws and regulations vary from country to country. There are very few laws that span borders and, contrary to popular belief, there is no international body of law or international court that covers all trading agreements between companies. Increasingly, there are supranational laws and bodies within trading blocs, e.g. the European Union, but in the main, individual countries' laws still apply and so it is

global focus cases of international marketing in a global economy.

34

PART ONE THIS IS MARKETING

B2B focus

Dave the decorator

Dave the decorator has a thriving business. He is booked up at least six months in advance. He doesn't need to advertise as word of mouth brings in all the business he needs. Many of his customers are regulars, so impressed by his work that they wouldn't dream of employing anyone else, and most certainly wouldn't do the decorating themselves. Dave has a lot of experience in interior decorating and so has become an expert on which paints and papers look best in which situations and which suit longest. People ask Dave for his opinion on their proposed colour schemes and for his recommendations on types of paint.

Currently, Dave favours an eggshell finish rather than gloss for woodwork. He thinks it looks smarter and says it doesn't fade as quickly. He dislikes using paper and thinks some of the supposedly better wallpapers are over-priced.

People say you can tell Dave's work, not just by the quality of the finish, but by the trademark eggshell woodwork, the plain ceilings and the brand of paper.

So, Ron Dulux, Crown or any wallpaper manufacturer's point of view, who is the key customer here – consumer or trade?

Consumers are important influences on purchase decisions even if they do not make the actual decision on what to buy (see Chapter 3 for more on this). For example, children's toys, particularly those designed for young children, are usually bought by other members of their family or by friends. They are the customers but the child is the actual consumer. Most perfume is bought as a gift, usually from a man to a woman. So while perfume consumers are clearly predominantly female, perfume customers are mainly men. A person may be a customer but not a consumer, or a consumer but not a customer, or both customer and consumer.

Marketing's changing emphasis

In its short history, marketing has moved its focus from the immediate sale to the preservation of future sales. Good marketing practice today involves thinking beyond the one-off sale. It means longer-term planning and that makes it a more complex process to manage.

EXPAND YOUR KNOWLEDGE

Kotler, P. (1977) From sales obsession to marketing effectiveness, *Harvard Business Review*, Nov-Dec: 67-75.

Kotler challenges many US companies for being sales minded instead of marketing minded in problem still facing many organisations today and suggests an outline for marketing marketing effectiveness.

Transactional marketing focuses on the immediate sale

TRANSACTIONAL MARKETING

There is still a place for the one-off sale that is sometimes referred to as transactional marketing. Here there is no intention to continue a relationship. Both parties are

B2B focus business-to-business marketing examples.

CHAPTER 2 THE MARKETING ENVIRONMENT

67

the sophistication of database programs and the communications abilities of the Internet are making personalisation so much easier.

As consumer markets are fragmenting, many industries are reconfiguring. A fragmented industry is one in which there are a lot of players, few of whom have any sizeable market power. At its extreme, this is similar to what economists would refer to as perfect competition. Design agencies formed a fragmented industry in the 1980s and 1990s, and there are still a large number of small agencies in that field. There has been a recent trend (notably in retailing and among advertising agencies) towards consolidation, i.e. companies are becoming larger and smaller ones are being pushed out. The advertising agencies have been achieving this mainly through mergers and takeovers of other agencies. Retailers employ a number of growth strategies. Franchising has been a particularly successful one for many (e.g. The Body Shop, McDonald's).

So this is a marketplace part of the organisation's external environment and one that needs careful monitoring.

EXPAND YOUR KNOWLEDGE

Goldstein, R.E. (1999) Personalised marketplace: beyond the 4Ps, *Marketing Intelligence and Planning*, 17 (4): 176-185.

The author argues, as many have before, of the need for marketing management and strategy to adapt to changes in the marketing environment and the marketplace and the need for increased 'personalisation' or 'mass-customisation'.

cross-selling persuading a customer to buy extra products

A computer with a personal touch

e-focus

Probably the most significant influence on marketing in the last decade of the twentieth century came from the technological environment. The Internet has had a huge effect on the way we market goods and services. A debate has raged over whether the Internet is just new marketplace or just another channel to reach old or new markets. That debate seems to have settled down now in favour of new channels medium, but still the impact of the technology has been greater than that of previous innovations, such as telemarketing.

The power of the computing technology behind the Internet has allowed companies to collect enormous amounts of information on visitors to their sites.

What's more, they can use this information to address customers on an individual basis. This personalised, one-to-one marketing is far more subtle and effective than the old direct mail techniques ever were. Where Reader's Digest's mailers would address you by name throughout the last, Amazon's website knows who your favourite authors are and what kind of music you like. You get personal recommendations – even an invitation to sell your past purchases online, with an estimate of their worth.

Cross-selling is so much easier with all that computer power behind you. Before a visit to Amazon's site, it pops up: 'Other customers who bought books in your basket, also bought...'

e-focus examples of how technology impacts marketing.
expand your knowledge further reading to help increase your understanding.

10 PART ONE THIS IS MARKETING

CRM focus

The right relationship

Many of these souvenirs are made in factories and workshops in other parts of the country (or even in other countries altogether). Think about the confusion hundreds of miles away. Should he or she be selling hard to the street vendor or would it be better to develop a relationship so that he or she can rely on selling more products next month?

are alternative terms for the same thing), and that marketing communications is part of marketing. Marketing communications (promotion) will be covered in more depth in Chapter 8. It is a collective term for all the activities that an organisation undertakes to promote its products to its customers. Such activities may include holding press conferences, designing appealing packaging, making promotional offers such as prize draws and RSCGs, supporting websites, sponsoring sports teams and advertising, which means that advertising is only part of marketing communications, which in turn is part of marketing. Clearly, there must be more to marketing than just advertising. So what is included in marketing besides promotional activities?

One of the biggest areas of marketing is market research (see Chapter 5). Research is vital in understanding customer needs, buyer behaviour (see Chapter 3) and how to design goods and services to meet those needs. Without new product development (see Chapter 6) a company will die. Marketing is also concerned with getting the right products to the right place at the right time, and so distribution (place) is key (see Chapter 9). These products also need to be at the right price (Chapter 10) or they will not sell.

Although marketing definitions tend to be centred on customers, marketing is also about understanding your competitors (competitive intelligence) and devising strategies to beat them. Strong branding is a competitive strategy that is often used today. Think of the sportswear market: it has some of the strongest, most valuable brands – Nike, Adidas, Reebok, Sergio Tacchini, Umbro, Head. There are many of them but some are stronger than others and therefore have a **competitive advantage** over their rivals. So how much is there to choose in terms of quality, value for money, even style, between Nike shorts and those made by Adidas?

Marketing, then, encompasses a large number of business activities. An examination of Exhibit 1.1 will give you more detail on its scope.

Before marketing

In a substance economy, such as the poorest in the world today, there is very little trade. Only when people have a surplus of goods do they swap them with other people for different things. So if farmers have an abundance of apples, say, they may go to market and try to trade them for something else. If they have only enough to

competitive advantage something about an organisation that is perceived as being better than its rivals

CRM focus illustrations that demonstrate customer relationship management in practice.

32 PART ONE THIS IS MARKETING

SUMMARY

This chapter has been an introduction to the marketing concept and its development as well as to the textbook. We have looked at what marketing is, and what it is not. Marketing has been defined and the modern marketing concept explained. The origins of marketing should be helpful in understanding how the discipline has developed and why.

An organisation's strategic orientation has a huge influence on how, and what, decisions it makes. Some organisations put their customers first, while keeping a close eye on the competition, but this does not mean that firms must be market-oriented in order to do any marketing at all. Almost all organisations, even those that are clearly production-oriented, must do some marketing in order to survive.

Some basic economics, notably the theory of demand and supply, has been considered. Economic theory is highly relevant to marketing and informs much of what marketing managers do. Marketing is based on the idea of an exchange of equal value – usually an exchange of products for money, but money for money alone. Customers give up their time and the opportunity to buy other things when they buy something. They also take risks, the product may not work. It may not be good value, others may think them foolish for buying it. It may not suit them after the purchase. Marketing can help reassure customers and reduce their perceptions of the risks inherent in a product purchase.

Customer relationship management (CRM) is one of the focus themes of this book and this chapter introduced it through the concept of relationship marketing. Relationship marketing takes a long-term view of both customers and suppliers. It contrasts with transactional marketing, which sees sales as one-off events.

This book has been carefully designed to help those new to marketing as a subject. As well as the questions and case studies that you would expect to find in a textbook of this type, we have included challenges, activities and focus boxes. The focus themes are key marketing issues and they, along with the insight boxes you will see throughout the text, should help build a bridge from your academic studies to the marketing practitioner's world – and your future marketing career.

CHALLENGES REVIEWED

Now that you have finished reading the chapter, look back at the challenges you were set at the beginning. Do you have a clearer idea of what's involved?

Hints:

- see 'deliberate' and 'what marketing is not'
- good marketers always act ethically, also, check the Data Protection Act 1998
- this is an ethical challenge: is it right to sell outdated technology? Would it be taking advantage of a vulnerable group? What would be a better strategy?
- customer retention and CRM, database marketing, if it had kept in touch, then they would have known how far first time, also, a simple sticker on the camera might have helped!

Summary recaps the key topics for review at the end of each chapter.

Challenges reviewed hints are given to help provide further guidance to answer the challenges posed at the beginning of the chapter.

34 CHAPTER 1 MARKETING TODAY

READING AROUND

Books

See John J. (2006) *What is Marketing?* Boston: Harvard Business School Press.

Ervin Davis, Duncan Barnum, Deborah Meador, Peter Jones, Richard Farquhar, Tracy Peppers and James Cunniff (2007) *Diagnose! Dem. Success, from Pitch to Profit*. London: Collins.

Book chapters

Michael J. Baker (2008) (ed.) *The Marketing Book* (8th edn). Oxford: Butterworth-Heinemann/Chartered Institute of Marketing. Chapter 1: 'One more time – what is marketing?'

Journals

Journal of Marketing
European Journal of Marketing
Journal of Marketing Management

Magazines

Marketing Week
Marketing (Chartered Institute of Marketing magazine)
(Most libraries will have these magazines – possibly online – ask your librarian.)

Websites

www.cim.co.uk – website for the Chartered Institute of Marketing, including lots of information articles and an excellent glossary.
www.branfordpublic.co.uk
www.mad.co.uk

SELF-REVIEW QUESTIONS

1. Define a market. (see page 6)
2. Is marketing an alternative term for advertising? (see page 9)
3. What is another term for marketing communication? (see page 9)
4. Why is marketing important when there is a shortage of goods? (see page 9)
5. Give five examples of FMCG items. (see page 6) (in the introduction)
6. Why is it desirable for a product's demand and supply to be in equilibrium? (see page 13)
7. Why is value such an important part of an exchange? (see page 14)
8. List two advantages of a market orientation. (see page 21)
9. What is relationship marketing? (see page 25)
10. What are the five focus themes that run through this book? (see page xiv in the introduction)

Reading around suggested titles for further reading to enhance your background knowledge.

Self-review questions test your understanding of the key marketing ideas in the chapter.

34 PART ONE THIS IS MARKETING

major case study

Liverpool relaunched

Read the questions, then answer the questions.

Questions

1. What problems did Liverpool face in attracting tourists? (Use the information in the case study, but you may also want to look up Liverpool, and real cities, on the Internet.)
2. How could good marketing help to overcome these problems?
3. Write a short piece (approx. 200 words) on Liverpool for inclusion in a tourist guide. You should identify different aspects of the city that will appeal to different types of visitor.
4. How could relationship marketing help Liverpool to attract more visitors?

In its heyday, as England's busiest port, Liverpool saw the launching of many fine ships but, with those glory days long gone, the city was in need of a relaunch itself. For years Liverpool had suffered from a sense of about and for being more famous for its sense of humour than its work ethic. TV programmes such as *Beetle*, *Brookside* and *The Fast Show* built a picture of Liverpool as a city of lazy benefit fraudsters and chancers. As a result, most tourists, shoppers and business travellers avoided it, leaving for their wastes and their safety. Yet locals always claimed that the Northern city's poor image was merely by London-based media and that the truth was very different.

A golden opportunity to put things right came in 2008 when Liverpool became the European Capital of Culture. Over £2 billion was invested in the city to fund such ambitious plans as reimagining rundown Pier Head as a valuable venue for a variety of entertainments, including street theatre and music. The regeneration of Liverpool was one of Europe's largest regeneration projects. The impressive waterfront and the city's fabulous architecture were cleaned up and shown off. New facilities were provided. New hotels were built. This was Liverpool's chance to show the world what a great place it really was.

Liverpool has always had a lot to boast about. As well as writers such as Beethoven, Beethoven, Willy Russell, Alan Bleasdale, Catherine Cookson and Roger McGough, Liverpool has produced many pop-cultural icons. More artists with numbers on his walls than Liverpool than in any other British city. Its most famous sons are, of course, The Beatles. These symbols of the 1960s had played at the Cavern Club – now redeveloped as a Beatles museum. The National Trust now owns John Lennon's childhood home (a gift from his widow, Yoko Ono-Lennon) and opened it to the public via Liverpool Football Club has been one of the country's premier clubs for decades. Connections as diverse as Ken Dodd, Jimmy Tarbuck and Lily Savage hail from the city. Cilla Black started her career in Mersey Valley singing in Liverpool, and more recent music exports include Atomic Kitten, Spice, the Lightning Seeds, the Coral and East. Unusually for a city, Liverpool has been around itself. Its wealth of architectural styles and the grandness of its buildings have made it an ideal film double for a number of European cities, including Moscow, Dublin, Paris and, most surprisingly, Venice. The most dramatic aspect of Liverpool has always been best viewed from the Mersey it is, of course, the UNESCO listed waterfront with its new gleams: the Royal Liver Building, the Cunard Building and the Royal Albert Dock which together form one of the world's most well-recognised skylines. Liverpool's docks were once among the busiest anywhere and at Albert Dock, remains so, though it is now home to the British Museum, the Tate and the Liverpool Museum. The city is still a place where the past meets the future. The city is still a place where the past meets the future. The city is still a place where the past meets the future.

Liverpool's waterfront

Even with all these advantages, if the city was to make it on to every tourist's must-see list, it had a lot of image rebuilding to do. A spokesperson for the city said:

(Continued)

Case study with questions apply your marketing knowledge by reading a case example and working through the case questions.

Companion website

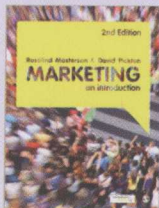
Be sure to visit the companion website (www.sagepub.co.uk/masterson) to find a range of teaching and learning material for both lecturers and students.

For lecturers:

- Instructor's manual: Helpful notes for lecturers including exercises, activities and discussion questions for every chapter.
- PowerPoint slides: Slides are provided for each chapter and can be edited as required for use in lectures and in seminars.
- Case studies: Lecturers and tutors can supplement their classes by giving students extra case studies.
- Multiple choice questions: Test students' knowledge with downloadable MCQs available for every chapter.

For students:

- Links to relevant websites: Save time by using these useful links to helpful websites.
- Self-test questions: Test yourself before exams with these questions from each chapter.
- Flashcard glossary: Learn key terms and definitions using this online glossary.

Homepage	
About the Book	
Description	
Author Details	
Table of Contents	
Resources for students	
Links to relevant websites	
Self-test questions	
Flashcard glossary	
Resources for lecturers	
Instructor's manual	
PowerPoint slides	
Case studies	
Multiple choice questions	
Book Details	
	
Author Ros Masterson and David Pickton	
Pub Date: Sep 2010	
Pages: 528	
Click here for more information.	

Rosalind Masterson & David Pickton

MARKETING an introduction **2nd Edition**

Rosalind Masterson and David Pickton

Welcome to the Companion Website for **Marketing: An Introduction (2nd edition)**.

About the Book

This section contains details on the new edition and its authors.

Lecturer Resources

This section contains a variety of resources which are available free of charge to to teaching staff in higher and further education institutions who adopt **Marketing: An Introduction (2nd edition)**. The material within the Lecturer Resources sections includes:

- Tutor's Guide
- PowerPoint Slides
- Multiple Choice Question Testbank
- Additional Case Studies

This area of the site is password-protected. To request an inspection copy please contact <mailto:inspectioncopies@sagepub.co.uk> You will be sent a password on adoption.

For lecturers based inside North America, please contact books.marketing@sagepub.com to request a complimentary copy and password.

Student Resources

This section contains self test questions, a flashcard glossary of key terms, links to useful websites and study skills and career advice.

© Sage Publications Ltd.

Brief contents

Part one This is marketing 1

- 1 Marketing today 3
- 2 The marketing environment 37

Part two Making sense of markets 81

- 3 Buyer behaviour 83
- 4 Market segmentation, targeting and positioning 119
- 5 Marketing research 161

Part three The marketing mix 199

- 6 Product 201
- 7 Service products 239
- 8 Promotion (marketing communications) 269
- 9 Place 317
- 10 Price 355

Part four Managing marketing 393

- 11 Building brands using the marketing mix 395
- 12 Marketing planning 435

Contents

Acknowledgements ix

Introduction to the focus themes x

Guided tour xvi



1 Marketing today 3

- Introduction 4
- What is marketing? 4
- What marketing is not 9
- Before marketing 10
- Marketing beginnings 11
- Demand and supply 12
- Exchanges 14
- Markets 15
- Strategic orientations 15
- Focusing on customers 23
- Customers or consumers? 23
- Marketing's changing emphasis 24
- Retaining valuable customers 25
- Twenty-first-century marketing 26
- Summary 32
- Challenges reviewed 32
- Reading around 33
- Self-review questions 33
- Mini case study 34
- References 35

2 The marketing environment 37

- Introduction 38
- Market dynamics 38
- Environmental information 41
- Marketing environment models 44
- The organisational environment (the internal environment) 46
- The external environment 48

The international marketing environment 68

Situation analysis 71

Stakeholders 74

Summary 76

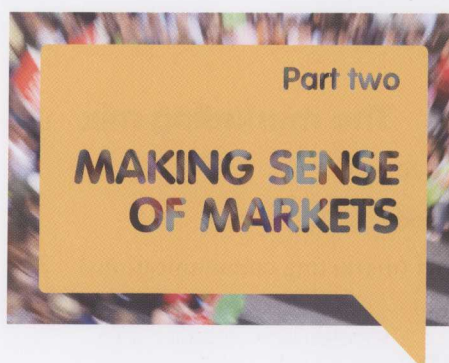
Challenges reviewed 76

Reading around 77

Self-review questions 77

Mini case study 78

References 79



3 Buyer behaviour 83

- Introduction 84
- The consumer buyer decision process 84
- Types of consumer buying decision 91
- Levels of involvement 92
- Influences on consumer buyer behaviour 95
- The consumer buyer decision process for new products 104
- Types of organisation and the products they purchase 106
- Characteristics of organisational markets 107
- Organisational buying situations 109
- The buying centre 109
- The organisational buying process 110
- Organisational purchase criteria 112
- Summary 114
- Challenges reviewed 114
- Reading around 114
- Self-review questions 115
- Mini case study 116
- References 117

4 Market segmentation, targeting and positioning 119

- Introduction 120
- Market attractiveness 120
- Why segment and target markets? 122
- Segmentation approaches 125
- Target marketing 142
- Positioning 147
- The five-stage process from market segmentation to positioning 154
- Summary 157
- Challenges reviewed 157
- Reading around 158
- Self-review questions 158
- Mini case study 159
- References 159

5 Marketing research 161

- Introduction 162
- The use and value of marketing research 163
- The marketing research process 164
- Ethics in marketing research 166
- Areas of marketing research 167
- Secondary (desk) research 171
- Commercially available research 173
- Primary (field) research 175
- Primary research methods and techniques 179
- Sampling 187
- Questionnaire design 189
- Quality of marketing information 192
- Forecasting and trend spotting 194
- Summary 195
- Challenges reviewed 195
- Reading around 195
- Self-review questions 196
- Mini case study 197
- References 197

6 Product 201

- Introduction 202
- What is a product? 202
- The total product offering 204
- Product types 208
- Branding 212
- Product development 217
- The product life cycle 223
- Product portfolio management 229
- Summary 235
- Challenges reviewed 235
- Reading around 235
- Self-review questions 236
- Mini case study 237
- References 238

7 Service products 239

- Introduction 240
- The importance of services 241
- The nature of services 245
- Different types of service 254
- The services marketing mix 256
- Service quality 261
- Branding services 262
- Service recovery 263
- Summary 265
- Challenges reviewed 265
- Reading around 266
- Self-review questions 266
- Mini case study 267
- References 268

8 Promotion (marketing communications) 269

- Introduction 270
- Managing promotion 271
- Marketing communications objectives 272
- Promotional strategy 273
- The marketing communications process 276
- Influencing customers 278
- The marketing communications mix 281
- Advertising 281
- Public relations (PR) 293
- Sales promotion 297
- Personal selling 301
- Direct marketing 304
- Regulations 307

