
2.1 Definitions, Tasks and Scope of Marketing

Peter Drucker, an Austrian-born American management consultant, educator, and author, whose writings contributed to the philosophical and practical foundations of the modern business corporation once stated: ‘A business has two, and only two, basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs.’ In the future, marketing will play an increasingly important role for companies in order to achieve a sustainable competitive advantage and sustainable business growth.

But what actually is marketing? Many people think of marketing as only sales and advertising! Every day we are bombarded with TV commercials, flyers, catalogues, sales calls, and commercial e-mail. However, selling and advertising are only one element of marketing. Today, marketing must be understood not in the old sense of making a sale but in a contemporary and holistic sense of satisfying customer needs. Marketing guru Philip Kotler defines marketing as societal and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others (Kotler and Keller 2012).

To put in into a nutshell, Marketing is the achievement of corporate goals through meeting and exceeding customer needs and expectations better than the competition.

To apply this concept, three conditions must be met (Jobber 2013):

- First, company activities should be focused on providing customer satisfaction.
- Second, the achievement of customer satisfaction relies on an integrated effort. In the framework of a holistic and integrative approach to marketing today's marketers have to work closely with a variety of marketing partners when it comes to creating customer lifetime value and building strong customer relationships (Hollensen and Opresnik 2010). The responsibility for the implementation of the concept lies not just within the marketing department. As the late David Packard of Hewlett-Packard observed: 'Marketing is too important to leave it to the marketing organization.' Consequently, the belief that customer needs are instrumental to the operation of an enterprise should be internalized right through production, finance, research and development, engineering and all other departments. It is paramount to emphasize that marketing must affect every aspect of the customer experience. Every employee has an impact on the customer and must regard the customer as the source of the company's success and sustainable development. This concept of marketing implies it to be not just a function in the organization but a business philosophy which affects the entire company.
- Finally, management must be convinced that corporate goals can be achieved through satisfied customers (Fig. 2.1).

Marketing has to be considered as a process by which companies create value for customers and build sustainable relationships in order to capture value from customers in return. Thus, marketing is the central driver of corporate profit and growth. The marketer's role is to choose target markets, to build superior customer value and a sustainable competitive advantage by integrating all the activities in the company that affect the value offered to the customer.

A marketer is someone who seeks a response (attention, a purchase, a vote, a donation) from another party, called the prospect. If two parties are seeking to sell something to each other, they are both called marketers. Marketers are skilled at stimulating demand for their products, but that is merely a very limited view of what they



Fig. 2.1 Key components of the marketing concept. *Source:* Based on Jobber (2013), p. 5

actually do. Just as production and logistics professionals are responsible for supply management, marketers are responsible for demand management. They seek to influence the level, timing and composition of demand to meet the organization's objectives. Depending on a company's specific situation, there are different states of demand, which confront the marketer with particular challenges. Eight demand states are possible (Kotler and Keller 2012):

- *Negative demand:* Consumers dislike the product and may even pay to avoid it.
- *No demand:* Target customers are unaware of, or uninterested in, the product, e.g. farmers may not be interested in a new farming method. The marketing task would be to find ways to connect consumers' needs and interests with the benefits of the products and services.
- *Latent demand:* Consumers share a strong need that cannot be satisfied by any existing product, e.g. there is a strong latent demand for electric cars. The subsequent marketing task is to measure the size of the potential market and develop products and services to satisfy the respective demand.
- *Declining demand:* This is the biggest challenge facing most companies today. Due to rapid advances in technology and strong competitive pressure many companies are in danger of losing their

competitive advantage and customer base. Against this background, the marketing task is to analyse the reasons for this decline and determine whether demand can be restored by opening up new target markets, by changing product benefits or by designing entirely new business models.

- *Irregular demand:* Customers purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis.
- *Full demand:* Consumers are adequately buying all products put into the market.
- *Overfull demand:* More customers would like to buy the product than can be satisfied.
- *Unwholesome demand:* Consumers may be attracted to products that have undesirable social consequences.

Against the background of a holistic marketing philosophy, you can identify a specific set of tasks that make up successful marketing management (Kotler and Keller 2012):

- *Developing marketing strategies and plans:* A key task is to identify potential opportunities and core competencies. You have to develop concrete marketing plans that specify the marketing strategy and tactics going forward.
- *Capturing marketing insights:* You need a reliable marketing information system to monitor their marketing environment so they can continually assess market potential and forecast demand. To transform strategy into programs, marketers must make basic decisions about their expenditures, activities, and budget allocations.
- *Connecting with customers:* As a marketer you have the task to consider how to best create value for its chosen target markets and develop strong, profitable, long-term relationships with customers. In order to accomplish these tasks, companies need to understand consumer markets as well as organizational buying behaviour: Who buys which products, and why? What features and prices is the customer looking for, and where do they shop? In this respect, companies need a sales force well trained in presenting product benefits. They must divide the market into major market segments, evaluate each one, and target those it can serve best.

- *Building strong brands*: You must understand the strengths and weaknesses of their brands as perceived by customers. They have to decide how to position them and must also pay attention to competitors, anticipating their strategies and knowing how to react adequately.
- *Shaping the market offerings*: The product is at the hearts of the marketing program and includes the product quality, design, features, and packaging. A critical marketing decision relates to the price. Marketers must decide on wholesale and retail prices, discounts, allowances, and credit terms.
- *Delivering value*: You must also determine how to deliver to the target market the value embodied in its products and services. Channel activities include those the company undertakes to make the product accessible and available to target customers. Marketers have to understand the various types of retailers, wholesalers, and physical-distribution firms and how they make their decisions.
- *Communicating value*: You must also communicate to the target market the value of their products and services. They need an integrated marketing communication program consisting of advertising, sales promotion, events, public relations, and personal communications. Companies also need to hire, train, and motivate salespeople.
- *Creating successful long-term growth*: Based on its product positioning, you must initiate new-product development, testing, and launching. Furthermore, they must build a marketing organization capable of implementing the marketing plan. Finally, a company needs feedback and control to understand the efficiency and effectiveness of its marketing activities.

While marketing originally concentrated on physical goods (especially consumer goods), today many more types of 'goods' are marketed. Marketers market ten main types of entities (Kotler and Keller 2012):

- *Goods*: Physical goods constitute the bulk of most countries' production and marketing efforts. Companies market diverse goods such as food products, cars, refrigerators, machines, televisions and other articles.

- *Services*: As economies advance, there is more focus on the production of services. Services include the work of hotels, car rental companies, barbers, maintenance and repair people, accountants, software programmers, management consultants and other market offerings. Many merchandises mix goods and services, such as a fast-food meal.
- *Events*: Marketers also promote events, such as trade shows, artistic performances, company anniversaries and global sporting events such as the Olympics and the World Cup.
- *Experiences*: By combining several services and goods, a company can create, stage, and market experiences. Examples includes parks like Disney World or Sea World.
- *Persons*: Artists like Madonna, musicians like the Rolling Stones, sport stars like David Beckham and other professionals get support from celebrity marketers.
- *Places*: Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies. In this respect, cities, states, regions, and whole nations compete to attract tourists, residents, factories, and company headquarters and consequently are marketed.
- *Properties*: Properties are intangible rights of ownership to either real property or financial property. They are bought and sold, and these exchanges require marketing. Examples include real estate agents marketing houses, or investment companies marketing securities to both institutional and individual investors.
- *Organizations*: Organizations work to build a strong, favourable, and unique image in the minds of their target groups. Companies, museums, universities and non-profits all use marketing to enhance their public images and compete for audiences and funds.
- *Information*: The production, packaging, and distribution of information are major industries. Information is ultimately what books, schools and universities produce, market, and distribute at a price to their customers.
- *Ideas*: Every market offering includes some basic idea. Products and services are platforms for delivering ideas or benefits.

2.2 Company Orientation Towards the Marketplace

A company has to decide which philosophy should guide their marketing efforts. There is no guarantee that all companies will adopt a holistic marketing orientation. In fact, there are five alternative concepts (Kotler and Armstrong 2012):

- *The production concept*: It is one of the oldest concepts in business and holds that customers prefer products that are widely available and inexpensive. Managers of production-oriented businesses focus on achieving high production efficiency, low costs, and mass distribution. It believes that the central focus of the job is to attain economies of scale by producing a limited range of products in a form that minimizes production costs.

This concept is still an applicable philosophy in some situations. For example, computer manufacturer Lenovo dominates the highly competitive, price-sensitive Chinese PC market through low labour costs, high production efficiency, and mass distribution. Possessing the lowest cost is seen as the major source of competitive advantage. The danger is that, in rapidly changing markets, an internal focus on production can lead to so-called *marketing myopia* in which implies that companies make the mistake of paying more attention to the specific products they offer than to the benefits and experiences produced by these products. Companies adopting this orientation run a major risk of focusing too narrowly on their own operations and losing sight of the real objective—satisfying customer needs and building customer relationships.

- *The product concept*: This philosophy holds that customers will favour products that offer the most in quality, performance, and innovative features. Under this concept, marketing strategy focuses on making continuous product improvements. Product quality and continuous improvement are important parts of most marketing strategies. However, focusing predominantly on the company's products can also lead to marketing myopia. A new or improved product will not necessarily be successful unless it is being priced, distributed, advertised, and sold adequately.
- *The selling concept*: Production-orientated businesses often make the transition to a sales orientation. Many companies actually follow the selling concept, which states that customers will not

- buy enough of the firm’s products unless it undertakes a large-scale selling and promotion effort. This philosophy is typically practised with unsought goods and companies regard aggressive selling, advertising and sales promotion as means to penetrate the market. But selling is not marketing—in fact it can be just the opposite. As Theodore Levitt put in his famous ‘Marketing myopia’ article: ‘Selling tries to get the customer to want what the company has, marketing on the other hand, tries to get the company to produce what the customer wants.’ Aggressive selling focuses on creating sales transactions rather than on building long-term, profitable customer relationships. This concept assumes customers coaxed into buying a product not only will not return or bad-mouth it or complain to consumer organizations but might even buy again which, in fact, are usually a poor assumptions.
- *The marketing concept:* This philosophy holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than the competition do. Figure 2.2 contrasts the selling concept and the marketing concept.

The selling concept takes an inside-out perspective. It starts with the existing products of the company, and calls for aggressive selling and promotion to obtain profitable sales. It focuses

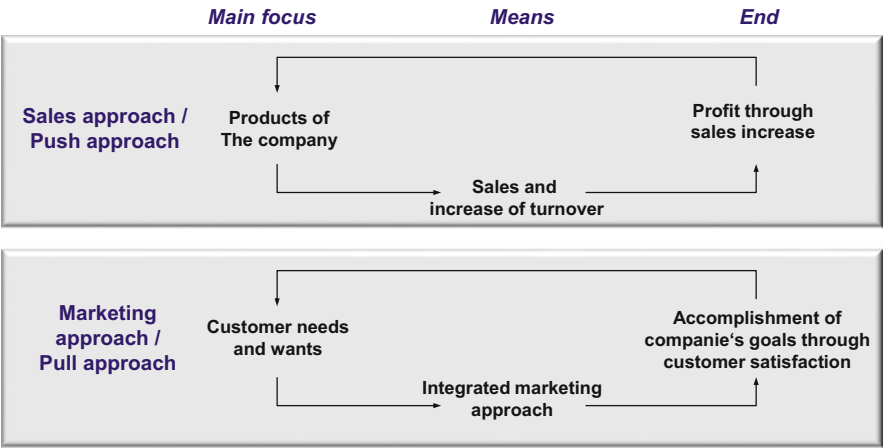


Fig. 2.2 Selling and marketing concepts contrasted

predominantly on getting short-term sales with little concern about who buys or why.

In contrast, the marketing concept takes an outside-in perspective. It focuses on customer needs and wants, and integrates all the marketing activities that affect customers. In turn, it yields profits by creating lasting customer satisfaction.

- *Relationship marketing concept:* In recent years, marketing has been undergoing extensive self-examination and internal debate. The overriding emphasis in the 'traditional' marketing approach is on acquiring as many customers as possible. Evidence is mounting, however, that traditional marketing is becoming too expensive and is less effective given changes in the micro and macro environment of firms. Many leading marketing academics and practitioners have concluded that many of the long-standing practices and operating modes in marketing need to be re-modelled, and we need to move towards an integrated relationship approach that is based on repeated market transactions and mutual sustainable gain for buyers and sellers. Relationship marketing reflects a strategy and process that integrate customers, suppliers, and other partners into the company's design, development, manufacturing, and sales processes. In the framework of this integrated and holistic concept, marketing exists to efficiently meet the satisfaction of customer needs, as well as those of the marketing organization. Marketing exchange seeks to achieve satisfaction for the consumer and the marketing organization (or company). In this latter group we include employees, shareholders, and managers. Other stakeholders like competitors, financial and governmental institutions are also important. While recognizing that customer acquisition is, and will still remain, part of marketer's responsibilities this viewpoint emphasizes that a relationship view of marketing implies that maintenance and development are of equal or perhaps even greater importance to the company in the long run than customer acquisition. By differentiating between customer types the concept further suggests, that not all customers or potential customers should be treated in the same way. Relationship marketing, in contrast, sees the need to communicate in different ways dependent on customer's status and value. This view of marketing also implies that suppliers were not alone in creating or benefiting from the

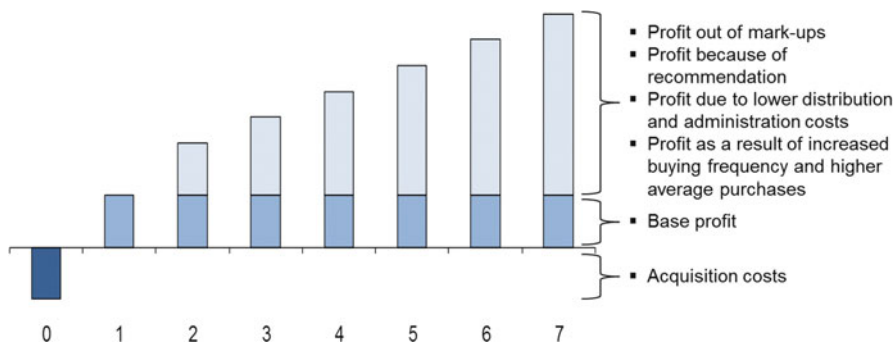


Fig. 2.3 Profit growth over time. *Source:* Based on Hollensen and Opresnik (2010), p. 13

value created by the corporation. Rather this philosophy can be seen as an on-going process of identifying and creating new value with individual consumers and then sharing the value benefits with them over the lifetime of the association. This is due the '*lifetime value*' concept which concludes that a higher customer value will raise customer satisfaction; thereby customer loyalty will be instilling, which, in turn, creates higher profit due to increased volume resulting from positive word-of-mouth and repeat purchases. Consequently, an enterprise should restrict taking a short-term view but rather should consider the income derived from that company's lifetime association with the consumer (see Fig. 2.3). In the framework of an integrative customer retention strategy a company should consequently project the value of individual customers over time rather than focus on customer numbers only. Thus the overall objective of the relationship marketing concept is to facilitate and maintain long-term customer relationships, which leads to changed focal points and modifications of the marketing management process. The familiar superior objectives of all strategies are enduring unique relationships with customers, which cannot be imitated by competitors and therefore provide sustainable competitive advantages (Hollensen and Opresnik 2010).

2.3 The Role of Marketing in the Company

As outlined already, it is paramount that marketing must not be a function in the organization but moreover a business philosophy. Marketing must affect every aspect of the customer experience. Consequently, every employee has an impact on the customer and must regard the customer as the source of the company's success.

Against this background, the **concept of internal marketing** is of key importance: It originates primarily from service organizations where it was first practiced as a strategy for making all employees aware of the need for customer satisfaction. In general, internal marketing refers to the managerial actions necessary to make all members of the organization understand and accept their individual roles in implementing marketing strategy. This means that all employees, from the chief executive officer to frontline marketing personnel, must realize how each individual job assists in implementing the marketing strategy. Under this approach, every employee has two sets of customers: external and internal. Ultimately, successful marketing implementation results from an accumulation of individual actions where all employees are responsible for implementing the marketing strategy. Ensuring that all staff, whatever their status, deliver a service of the highest quality to both internal and external customers is a key issue for all organizations. Essentially, this is what an integrative marketing management really implies, namely to direct each and every activity towards the customer, making formerly product-focused companies fully customer-centric. In this framework, the holistic and integrated relationship marketing approach can help imbue companies to rethink marketing and develop a more inclusive approach directing all departments, functions and staff towards the customer. Although this requires organizational transformation and a change in mindset, we suggest it to be an inevitable way to focus on customers need and wants and ensure a sustainable growth of companies (Hollensen and Opresnik 2010).

2.4 The Marketing Arena: How Instruments and Process Interact

Against the backdrop of a constantly rising flood of information and the increasingly dynamic international markets, it is becoming ever more difficult for companies to handle their marketing activities. This is also due to the fact that there are numerous instruments and variations of processes available. We believe it is necessary to create a **quintessential Marketing Arena** in which the most relevant instruments, the main process and the way these elements interact are described. With this map it will be possible for any marketing manager to fulfill his tasks more efficiently than before.

Figure 2.4 presents the most important marketing instruments and how they interact with the marketing process and its five main tasks. Practitioners should at least be aware of these approaches as well as the concepts behind them, what they entail, and the amount of information they potentially offer. Furthermore Fig. 2.4 concludes the five tasks of the process into **three major steps**—these steps will be the structural guidance of the main chapters.

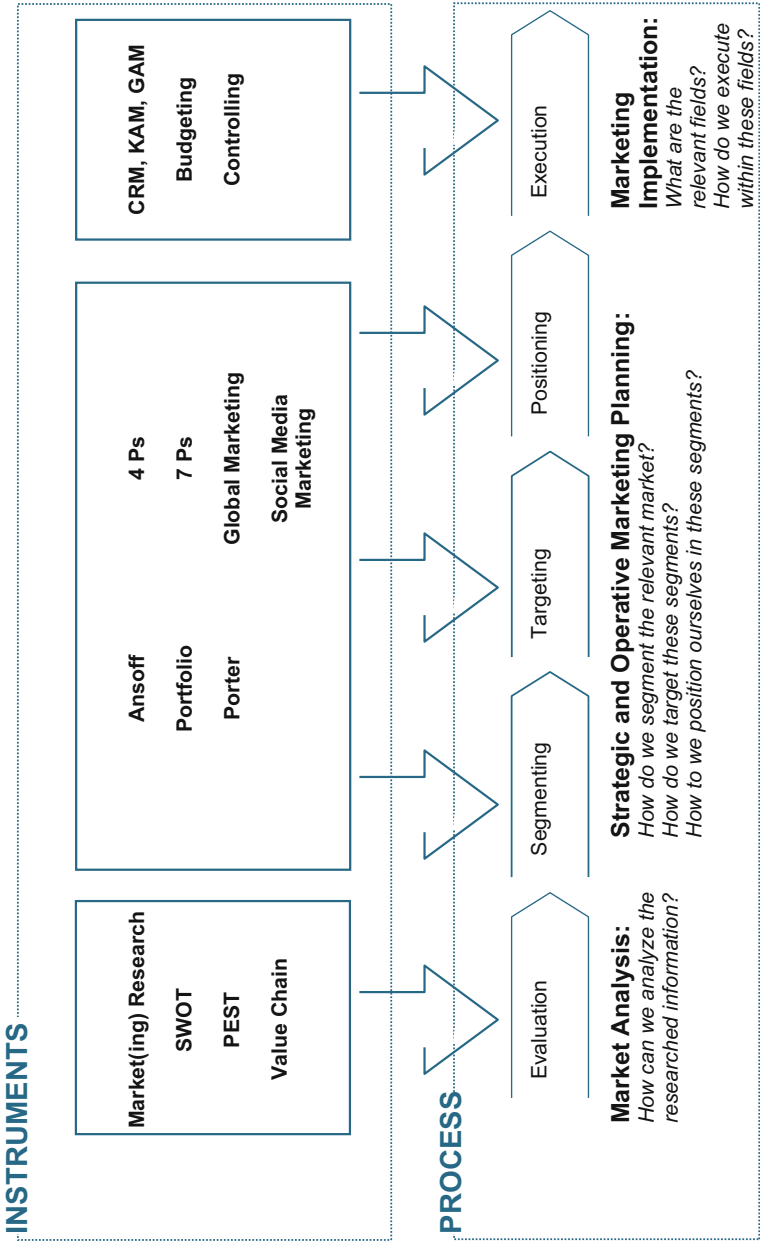


Fig. 2.4 The Marketing Arena

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