

Marketing

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Marketing

A guide to the fundamentals

Patrick Forsyth

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Introduction

They say that if you build a better mousetrap than your neighbour, people are going to come running. They are like hell! It's marketing that makes the difference.

Ed Johnson

Marketing is one of the most misunderstood business disciplines. Too often it is assumed to be just one aspect of what it involves, such as advertising. Its full extent is often underestimated and misunderstood by people in other areas of the business, yet marketing is a specialist activity that influences the success of any organisation.

It has been said that marketing is too important to leave to marketing people. Certainly its effects are wide ranging and many people are involved in it, influence it (albeit obliquely) or are affected by it.

This book explains and demystifies marketing. Its main aim is to explain marketing to non-marketing people so that marketing and other functions and activities will work better together because they will understand each other better. It is also aimed at those directly involved in marketing, including experienced marketers, who may find it helpful to be reminded of the fundamentals.

In explaining marketing (and its jargon) this book uses a variety of examples to illustrate its content. These are common examples familiar to many people, though they range widely and may be from organisations large and small in a variety of markets. The

language is deliberately general. For instance, purchasers are referred to as customers, though a service organisation such as a firm of accountants would probably talk about clients and a hotel would call them guests. Similarly, a product may well be a service but the word product is often used to encompass both.

The book has four parts. The first two chapters (part 1) explain the complexity of marketing so that readers understand the role of the various elements and how they fit and work together. The overall premise of marketing and its components is essentially common sense. Having this broad picture in mind will make sure that as the different, and disparate, elements and techniques of marketing are outlined in parts 2-4, the reader will more easily appreciate them and how they contribute to the marketing function.

Marketing people and marketing activity intend to create success and profitability. Organisations in which everyone understands the importance of marketing (and their role in it) to business success generally relate better to their marketplace than those with a weaker marketing culture. Everyone is more likely to play a full part and the organisation will be more successful in contending with an increasingly competitive world.

1

Overview

1 Marketing in context

If we are not customer driven, our cars won't be either.

Attributed to a Ford Motor Company marketer

Marketing is one of the most misunderstood areas of business. Despite organisations becoming increasingly marketing-focused, marketers often find that wrong assumptions are made about their role. Others do not have this problem. People know that the production manager keeps the production line moving, quality control speaks for itself, the accountant keeps the score, and so on. But marketing is often thought to be no more than advertising or selling. This mistaken perception matters because so many people in an organisation are (wittingly or not) a part of its marketing or affected by it. Many influence its effectiveness, from top to bottom of an organisation, across its departments and functions, so it is crucial that marketing is not an isolated function but widely understood so that everyone can play their part and make marketing effective in its role of “bringing in the business”.

What is marketing?

There are many definitions of marketing. The UK's Chartered Institute of Marketing says it is “the management process responsible for identifying, anticipating and satisfying customer requirement profitably”. Philip Kotler, an American marketing guru, has defined it thus:

Marketing is the business function that identifies current unfulfilled needs and wants, defines and measures their magnitude, determines which target markets the organisation can best serve, and decides on appropriate products, services, and programmes to serve these markets. Thus marketing serves as the link between a society's needs and its pattern of industrial response.

These two definitions express the complexity involved and make it clear that marketing is more than just the “marketing department”. The late Peter Drucker, a leading management thinker, however, was content to say: “Marketing is looking at the business through the customers' eyes.” Indeed, everything stems from that.

Marketing has five descriptions:

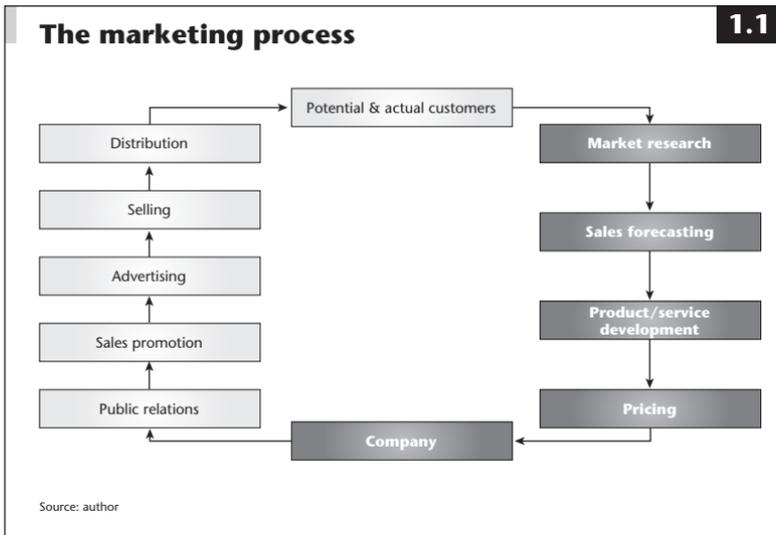
- ▶ A concept that the customer is of prime importance. Success comes from seeing every aspect of the business through the eyes of customers, anticipating their needs and supplying what they want in a way they like; not simply trying to sell whatever someone has decided should be produced. This is no more than common sense. In different businesses “customers” encompass a number of different people or, in the case of business-to-business (B2B) marketing, organisations. Regardless of whether products or services are sold direct to the public or through agents, wholesalers and retailers, all organisations do best by embracing the marketing concept and demonstrating an intention to serve their customers.
- ▶ A function responsible for identifying, anticipating and satisfying customer requirements profitably, and which therefore is concerned with the process that implements the concept. This function must be directed from a senior level and take a broad view of the business. Someone must wear the marketing “hat”, even if that person has other responsibilities as well. Whoever is involved and however matters are arranged, the final responsibility must be clear and sufficient time must be found to carry it out.
- ▶ A range of techniques, including not just selling and advertising but also market research, product development, pricing, presentation and promotion (which encompasses advertising, merchandising, direct mail, public relations and sales promotion).

- ▶ A process that acts to “bring in the business” by using various techniques continuously, appropriately and creatively to make success more certain. Marketing cannot guarantee success, nor can it be applied by rote. The skill of those involved in marketing lies in precisely how they act in an area that is rightly referred to as being as much an art as a science.
- ▶ A system that takes into account both internal and external factors, many of which restrict what can be done or achieved. The marketing system links customers and potential customers with the company and attempts to reconcile any conflicts between them, such as the organisation’s goal to maximise profits and the potential customer’s desire to get the best value for money. (See Chapter 2.)

The marketing process

Marketing is a continuous process, as shown in Figure 1.1.

- ▶ Market research attempts to identify and anticipate consumer needs; what people want, how they want it supplied, and whether they may want it differently in the future. Research can analyse the past and review current attitudes but it cannot predict, so it must concentrate on trends and be interpreted carefully. Even so, it can help to reduce risk and aid innovation and can be used throughout the marketing process as well as in the early stages.
- ▶ Forecasting is necessary in trying to discover what quantity of a product or service may be purchased in the future. Identifying a need is of little use commercially if only a handful of people have that need. As Neils Bohr, a Nobel Prize-winning physicist, said: “Prediction is never easy. Especially of the future.” Forecasting is never 100% accurate, but the best possible estimate is needed to aid planning and reduce risk.
- ▶ Product and/or service development is, for most businesses, a continuous process. Sometimes the process is more evolution than revolution – note the regularity with which car manufacturers upgrade model specifications. Sometimes changes are more cosmetic than real. A new “improved” floor cleaner



with ingredient X may leave customers hardly able to perceive a difference, yet still communicate a feeling of added value. Sometimes change is so rapid – as with computers and other high-tech products – that consumers become frustrated when the model they have bought is rapidly superseded by a new one. But in today’s highly competitive world, no organisation can afford not to be innovative in the products or services it offers customers or in the way it markets them.

- ▶ Price is a marketing variable and must be set carefully, as must pricing policy. This is not only to make sure that financial objectives are met, but also to create an appropriate feeling of value for money among customers and potential customers.
- ▶ External promotion is crucial to let potential customers know clearly and persuasively what is available and to encourage them to buy. It involves a variety of techniques, such as advertising, direct mail, sales promotion and public relations, which can be used together or separately. Brands and products depend on visibility for success. Nobody can buy something they do not know exists; products grow into market leaders largely because of the promotional investment made in them.

- ▶ Selling involves personal communication and often forms a final, crucial, link in the chain that connects a company to its market.
- ▶ Distribution is the system that delivers products and services into the marketplace or direct to the customer. It can make all the difference to a product's success. Marketing sometimes involves a direct relationship: for example, the product is sent direct to the customer as a response to an advertisement. More often, however, there is a chain of intermediaries, as in the case of consumer products, which usually go from a manufacturer to a retailer, perhaps via a wholesaler, before being bought by a customer. In a poorly managed distribution system there may be too many products stocked in one place and too few in another, resulting in lost sales. The distribution system also needs to be able to cope with changes in seasonal demand.

Organisational functions and resources

Every company has three basic functions (which when well directed operate in a co-ordinated fashion) and two major resources. The three basic functions are:

- ▶ production (which in a service industry relates to what people do, for example auditing or writing software);
- ▶ finance;
- ▶ marketing.

The two major resources are:

- ▶ capital;
- ▶ labour.

Each function has different tasks and different objectives, often operates on a different timescale, attracts different types of people and regards money in a different way. So, although they all contribute towards the same company objectives, there is likely to be some internal conflict between, say, marketing and production (on how much should be produced and how much is likely to be sold), or marketing and finance (on what one says needs to be spent and what the other says can be afforded).

The marketing culture has a significant effect on the success of an organisation's marketing. It refers to the way in which marketing activity is supported and assisted by the attitudes and activities of people who are not part of the marketing department but whose work influences success in the marketplace.

Thus people at every level need to understand each other and work together so that the organisation operates coherently and effectively. Those dealing with customers either face to face or by telephone have a big influence on what customers and potential customers think of an organisation and whether they will want to do business with it. First Direct, the UK internet and telephone banking arm of HSBC, has a high reputation for the way its employees deal with customers. This helps the bank to retain existing customers and also, through recommendation, attract new ones. Indeed, so powerful can this effect be that First Direct was shown by a GFK Financial Research Survey in 2008 to have 89% of customers rating its service "exceptional or very satisfactory", while 38% of its new customers come directly from recommendation. Some firms, however, have call centres or helplines that irritate their customers - and drive them into the hands of competing businesses. A Citizens Advice survey in 2008 showed that customers were least satisfied with UK utility companies in this respect; more than one-third of people had to wait for more than 30 minutes to get to speak to someone.

Profits are only generated externally, and a business must be organised in a way that allows marketing to be market oriented. Customers care nothing for internal inconvenience or confusion; they judge on external image. Things done for internal reasons but which do not work in the marketplace are likely to reduce the effectiveness of marketing - and may cause serious damage.

The marketing-led approach to business has predominated since the 1970s and increasing competition has made it more important. It has had to become more sophisticated and more focused on activity designed to differentiate products and services from the competition.

The marketing mix

The marketing mix describes the variables that marketers must work with in deciding their strategy. It describes the elements of marketing that must be organised successfully to create an effective strategic approach: These are the “three Ps”:

- ▶ product (or service);
- ▶ price;
- ▶ presentation (or promotion).

All are important and are referred to throughout this book. However, product is discussed in detail in Chapter 3, pricing in Chapter 4 and presentation in Chapters 10–12.

A fourth P is place, which links markets and distribution (see Chapter 6), and recently marketers have referred to the “seven Ps”. The extra Ps are people, physical evidence and process.

People encompasses everyone at every stage of marketing activity, both inside and outside the company; it covers customers, employees and suppliers. For instance, waiters are a major influence on restaurant customers. Similarly, everyone in both the supply chain (such as parts suppliers) and the distribution chain must be satisfied with their relationship and work well together if marketing is to maximise success. The more influence marketing can bring to bear on people, the greater the potential level of market success. It is important to consider:

- ▶ individuals' attitudes and how they influence performance;
- ▶ the quality of the motivational environment that keeps people productive;
- ▶ the skills people need and any training required.

Physical evidence describes the tangible aspects of delivering a product to customers. For example, merchandising and display techniques contribute to the convenience and visual impact of products in shops and make purchase more likely.

Process includes using bar codes for product tracking and identification, using loyalty cards to track and analyse customers' spending

habits, or processing a customer's credit card at the time of purchase. Two things are crucial: accuracy and convenience. Customers become upset if they are charged an incorrect amount and they expect all processes involved with buying a product purchase to be quick and convenient.

Key points

- ▶ Marketing is central to an organisation and its relationship with its customers and potential customers.
- ▶ It is a creative process, based on science, but does not guarantee success.
- ▶ Customers can be fickle and unpredictable; marketing carries a real element of risk.
- ▶ Successful marketing produces profit.
- ▶ Marketing works best when people across all functions understand and are involved in the marketing approach.