1 What do marketers do?

Objectives

After reading this chapter you should be able to:

- describe the main roles marketers have;
- explain the responsibilities of various types of marketing manager;
- explain the core concepts of marketing;
- explain how marketing activities fit in with other business disciplines;
- describe the development of the marketing concept.

INTRODUCTION

This chapter is an introduction to the basic concepts of marketing, seen in terms of the roles that marketers carry out in their day-to-day jobs. Although marketers have many different job titles, what they have in common is the same orientation towards running the organisation; marketing is concerned with ensuring the closest possible fit between what the organisation does and what its customers need and want.

ABOUT MARKETING

Marketing is the term given to those activities which occur at the interface between the organisation and its customers. It comes from the original concept of a marketplace, where buyers and sellers would come together to conduct transactions (or exchanges) for their mutual benefit. The aim of marketing as a discipline is to ensure that customers will conduct exchanges with the marketer's organisation, rather than with the other 'stallholders'. To do this effectively, marketers must provide those customers with what they want to buy, at prices which represent value for money.

The two most widely used definitions of marketing are these:

> ***Marketing is the management process which identifies, anticipates, and supplies customer requirements efficiently and profitably.***
> (UK Chartered Institute of Marketing)

> ***Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organisational objectives.***
> (American Marketing Association)

Both of these definitions have been criticised. The Chartered Institute of Marketing (CIM) definition has been criticised because it takes profit as being the only outcome of marketing, whereas marketing approaches and techniques are widely used by organisations such as charities and government departments which do not have profit as their goal. The American Marketing Association (AMA) definition has also been criticised for failing to take account of the increasing role of marketing in a broader social context, and for appearing to regard consumers as being passive in the process. The same criticism could equally be applied to the CIM definition.

To the non-marketer, marketing often carries negative connotations; there is a popular view that marketing is about persuading people to buy things they do not want, or about cheating people. In fact, marketing practitioners have the responsibility for ensuring that the customer has to come first in the firm's thinking, whereas other professionals might be more concerned with getting the balance sheet to look right or getting the production line running smoothly. Marketers are well aware that the average customer will not keep coming back to a firm that does not provide good products at an acceptable price, and without customers there is no business.

Competition in many markets is fierce. If there is room for four companies in a given market, there will be five companies in there, each trying to maximise their market share; the customer is king in that situation, and the firms that ignore the customer's needs will go to the wall. Marketers therefore focus their attention entirely on the customer, and put the customer at the centre of the business.

THE DEVELOPMENT OF THE MARKETING CONCEPT

The marketing concept is a fairly recent one, and has been preceded by other business philosophies.

Production orientation

During the nineteenth century it was often thought that people would buy anything, provided it was cheap enough. This belief had some truth in it, since the invention of the steam engine allowed very much cheaper mass-produced items to be made. If an item was on sale at around one-tenth the price of the hand-made equivalent, most customers were prepared to accept poorer quality or an article that didn't exactly fit their needs. The prevailing attitude among manufacturers was that getting production right was all that mattered; this is called **production orientation**. This paradigm usually prevails in market conditions under which demand greatly exceeds supply, and is therefore still found in some Third World and Eastern European countries.

With rising affluence people are not prepared to accept standardised products, and as markets grow manufacturers are able to reap the benefits of mass production despite providing more specialised products: therefore the extra cost of having something that fits one's needs more exactly is not high enough to make much difference.

Product orientation

For this reason, manufacturers began to look more closely at what they were producing. This led to the view that an ideal product could be made, one that all (or most) customers would want. Engineers and designers developed comprehensively equipped products, with more and 'better' features, in an attempt to please everybody. This philosophy is known as **product orientation**.

Product orientation tends to lead to ever more complex products at ever-increasing prices; customers are being asked to pay for features which they may not need, or which may even be regarded as drawbacks. The problem with this approach is that it does not allow for differences in tastes and needs between different customers and consumers.

Sales orientation

As manufacturing capacity increases, supply will tend to outstrip demand. During the 1920s and 1930s in Europe and the USA manufacturers began to take the view that a 'born salesman' could sell anything to anybody and therefore enough salesmen could get rid of the surplus products. This is called **sales orientation**, and relies on the premise that the customer can be fooled, the customer will not mind being fooled and will let you do it again later, and that if there are problems with the product these can be glossed over by a fast-talking sales representative. Up until the early 1950s, therefore, personal selling and advertising were regarded as the most important (often the only) marketing activities.

Sales orientation takes the view that customers will not ordinarily buy enough of the firm's products to meet the firm's needs, and therefore they will need to be persuaded to buy more. Sales orientation is therefore concerned with the needs of the seller, not with the needs of the buyer.[1]

Essentially, what businesses were trying to do during this time (sometimes known as the *sales era*) was to produce a product with given characteristics, then change the consumers to fit it. This is, of course, extremely difficult to do in practice.

It should be noted that selling orientation and the practice of selling are two different things – modern salespeople are usually concerned to establish long-term relationships with customers who will come back and buy more.

Consumer orientation

Modern marketers take the view that the customers are intelligent enough to know what they need, can recognise value for money when they see it, and will not buy again from the firm if they do not get value for money. This is the basis of the *marketing concept*.

Putting the customer at the centre of all the organisation's activities is easier said than done. The marketing concept affects all areas of the business, from production (where the engineers and designers have to produce items that meet customers' needs) through to after-sales services (where customer complaints need to be taken seriously). The marketing concept is hard to implement because, unlike the sales orientation approach which seeks to change the mass of customers to fit the organisation's aims, the marketing concept seeks to change the organisation's aims to fit one or more specific groups of customers who have similar needs. This means that marketers often meet resistance from within their own organisations.

In practice, the marketing concept means finding out the needs and wants of a particular group of customers, finding out what price they would be willing to pay, and fitting the organisation's activities towards meeting those needs and wants at the right price. These are the main responsibilities of the marketing director or marketing managers of a firm.

At this point, it is useful to draw a distinction between customers and consumers. Customers are the people who buy the product; consumers are those who consume it. Customers could therefore be professional buyers who are purchasing supplies for a company, or possibly a parent buying toys for a child. The consumer might also be the customer, of course, but could equally be the recipient of a gift or the user of a service which is paid for by others.

Societal marketing

Societal marketing holds that marketers should take some responsibility for the needs of society at large, and for the sustainability of their production activities. This orientation moves the focus away from the immediate exchanges between an organisation and its customers, and even away from the relationship between the organisation and its consumers, and towards the long-term effects on society at large. This need not conflict with the immediate needs of the organisation's consumers: for example, Body Shop operates a highly successful consumer-orientated business while still promising (and delivering) low environmental impact (see Chapter 12).

Kotler *et al.*[2] say that products can be classified according to their immediate satisfaction and their long-run consumer benefits. Figure 1.1 illustrates this. In the diagram, a product which has high long-term benefits and is also highly satisfying is classified as a desirable product. For example, a natural fruit juice which is

		Immediate satisfaction	
		Low	High
Long-run consumer benefits	High	**Salutary products**	**Desirable products**
	Low	**Deficient products**	**Pleasing products**

FIGURE 1.1 Societal classification of new products

(*Source*: Kotler, P., Armstrong, G., Saunders, J. and Wong. V., 2001, *Principles of Marketing*. Pearson Education Limited © 2001.[2])

high in vitamins and also tastes good might fit this category. A product which has long-term benefits but which is not immediately satisfying, for example a household smoke alarm, is a salutary product. Products which are bad for consumers in the long run, but which are immediately satisfying (such as alcohol, cigarettes and confectionery) are called pleasing products. Finally, products which are neither good for consumers nor satisfying are called deficient products: examples might include ineffective slimming products, or exercise equipment which is poorly designed and causes injury. In theory, firms should aim to produce desirable products – but consumers often choose the pleasing products instead.

The societal marketing concept includes the marketing concept in that it recognises the needs of individual consumers, but it goes further in that it aims to improve the well-being of the wider society in which the firm operates. This means that the organisation takes on responsibility for good citizenship, rather than expecting consumers to understand or take account of the wider implications of their consumption behaviour. The problem is that firms need to balance three factors: customer needs, company profits (or other objectives) and the needs of society as a whole. Since competing companies may not be so concerned about society at large, it is not clear how societal marketing will contribute to creating competitive advantage; it is very clear how customer orientation helps firms to compete, however.

Relationship marketing

During the 1990s, marketing thinking moved towards the *relationship marketing* concept. Traditional marketing has tended to concentrate on the single transaction with a short-term focus. Relationship marketing focuses on the 'lifetime' value of the customer. For example, a motor manufacturer might have one model aimed at young drivers, another aimed at families with children, and another aimed at middle-aged motorists. Each segment might be treated as a separate and unique entity. Under a relationship marketing paradigm, the organisation recognises that the young motorist will pass through each lifestyle stage in turn, and is then a customer for a different model each time. Relationship marketing aims to determine who will be (or could be) the most loyal customer throughout his or her life: marketers are responsible for establishing and maintaining these relationships.

In practice, relationship marketing has met with its greatest success in the business-to-business world. Companies which sell to other companies have generally been most proactive in establishing long-term co-operative relationships: for example, aircraft engine manufacturers such as Rolls-Royce and Pratt and Whitney need to establish close relationships with aircraft manufacturers such as Airbus Industrie and Boeing, since the designs of airframes and engines need to be co-ordinated. The ability to adapt the designs to meet the needs of the other company has obvious advantages in terms of cost savings and (eventually) greater profits, but it also has an advantage from the supplier's viewpoint in that close co-operation makes it harder for competitors to enter the market. Customers that have committed to a shared design process are unlikely to want to start the process all over again with another supplier. Creating this kind of loyalty has a significant effect on future revenues.[3]

The key elements in relationship marketing are the creation of customer loyalty,[4] the establishment of a mutually rewarding connection, and a willingness to adapt behaviour in order to maintain the relationship.[5]

MARKETING AND OTHER BUSINESS DISCIPLINES

As the marketing concept has evolved from production orientation through to customer orientation, the role marketing occupies relative to other business functions has also evolved. Under a production-orientated regime marketing usually occupies a departmental role; the marketing role is contained within a marketing department which carries out the communications functions of the firm.

Figure 1.2 shows the evolution of marketing's role within the organisation.

MARKETING ON A DAY-TO-DAY BASIS

Marketers deal with the **marketing mix**, which was described by McCarthy[7] as the four Ps of marketing. These are:

- **Product**. The product should fit the task the target consumers want it for, it should work, and it should be what the consumers expected to get.
- **Place**. The product should be available from wherever the firm's target group of customers find it easiest to shop. This may be a high street shop, it may be mail order through a catalogue or from a magazine coupon, or it may even be doorstep delivery.
- **Promotion**. Advertising, public relations, sales promotion, personal selling and all the other communications tools should put across the organisation's message in a way that fits what the particular group of consumers and customers would like to hear, whether it be informative or appealing to the emotions.
- **Price**. The product should always be seen as representing good value for money. This does not necessarily mean that it should be the cheapest available; one of the main tenets of the marketing concept is that customers are usually prepared to pay a little more for something that really works well for them.

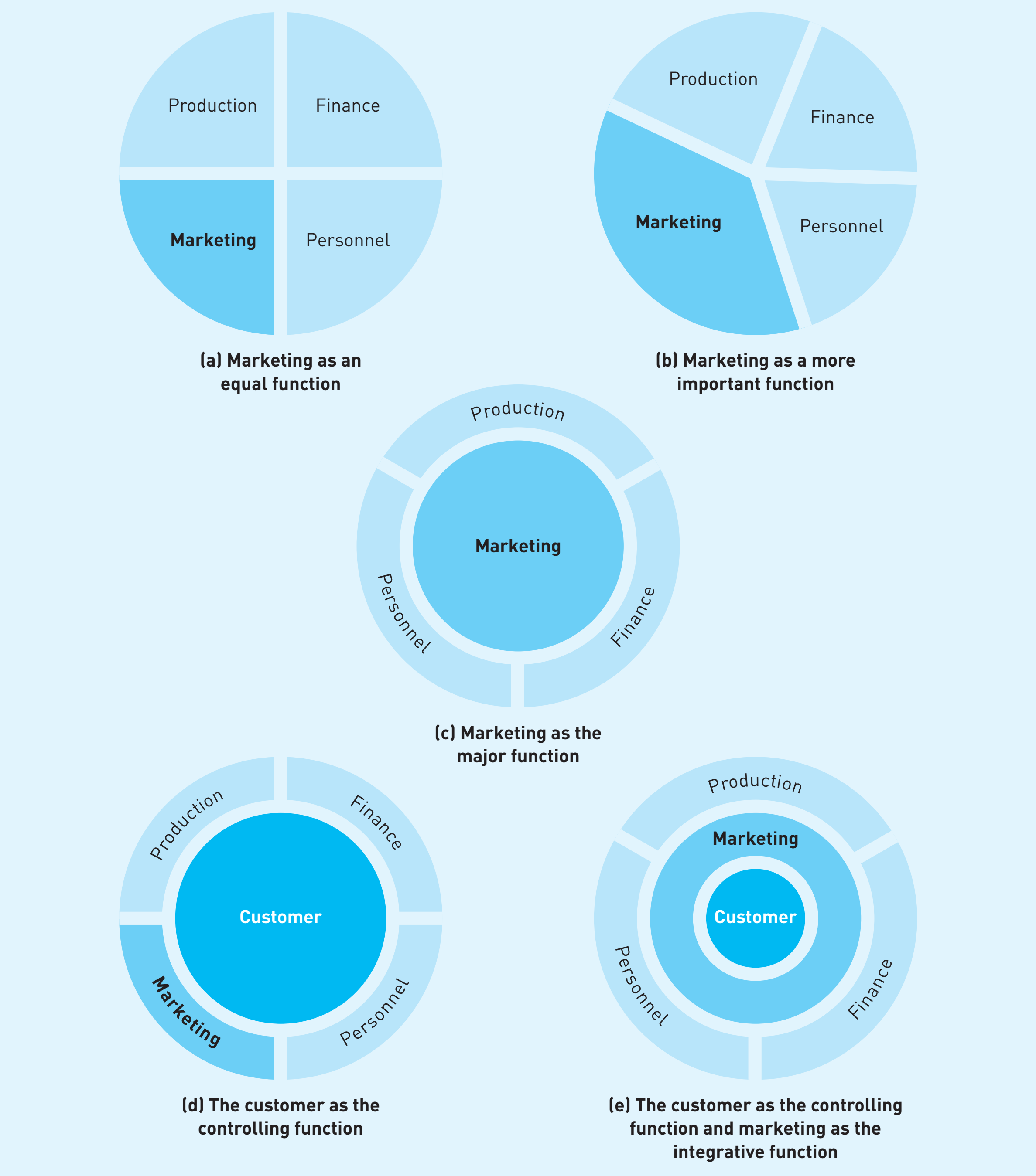

FIGURE 1.2 Evolution of marketing's role

(*Source*: Kotler, P., 2003, *Marketing Management*, 11th Edition, © 2003. Reprinted by permission of Pearson Education Inc., Upper Saddle River, NJ.[6])

The 4-P model has been useful when applied to the manufacture and marketing of physical products, but with the increase in services provision the model does not provide a full enough picture. In 1981 Booms and Bitner[8] proposed a 7-P framework to include the following additional factors:

- **People**. Virtually all services are reliant on people to perform them, very often dealing directly with the consumer: for example, the demeanour of waiters in restaurants forms a crucial part of the total experience for the consumers. In a sense, the waiter is part of the product the consumer is buying.
- **Process**. Since services are usually carried out with the consumer present, the process by which the service is delivered is, again, part of what the consumer is paying for. For example, there is a great deal of difference between a silver-service meal in an upmarket restaurant, and a hamburger bought from a fast-food outlet. A consumer seeking a fast process will prefer the fast-food place, whereas a consumer seeking an evening out might prefer the slower process of the restaurant.
- **Physical evidence**. Almost all services contain some physical elements: for example, a restaurant meal is a physical thing, even if the bulk of the bill goes towards providing the intangible elements of the service (the decor, the atmosphere, the waiters, even the dishwashers). Likewise a hairdressing salon provides a completed hairdo, and even an insurance company provides glossy documentation for the policies it issues.

Each of the above elements of the marketing mix will be dealt with in greater detail throughout the book, but it is important to recognise that the elements need to be combined as a mix. Like a recipe, one ingredient of the mix will not substitute for another, and each ingredient must be added in the right quantities at the right time if the mix is to prove successful in achieving consumer satisfaction. Each organisation will tend to have its own approach to the mix, and therefore no two firms will follow exactly the same marketing approach. This is one of the features that distinguishes marketing from the other business disciplines such as accountancy or company law.

To illustrate how the marketing concept is implemented in practice, the next section looks at some of the jobs marketers have.

MARKETING JOBS

In a sense, everybody in the organisation is responsible to some extent for ensuring that the consumers' needs are met. Clearly, though, some individuals will have greater responsibility than others for this; some of the job titles which marketers hold are shown in Table 1.1.

TABLE 1.1 Marketing job titles and descriptions

Job title	Job description
Brand manager	Responsible for all the decisions concerning a particular brand. This concept was originally introduced at Mars; **brand managers** compete with each other as well as with other firms for market share in the chocolate bar market, even though they are all working for the same firm. This tends to result in greater efforts and greater corporate share all round.
Product manager	Responsible for all the decisions around a group of similar products within a firm. For example, a biscuit manufacturer might have one **product manager** in charge of chocolate-covered snack biscuits, and another in charge of savoury biscuits for cheese.
Sales manager	Responsible for controlling, training and motivating the salesforce and the sales back-up team. **Sales managers** often also have a role in credit control, since they are in the best position to know the individual customers and can give an opinion on the customers' creditworthiness or (as a last resort) on the least damaging way to get the customer to pay up.
Salesperson	Finds out what each customer needs, and tries to arrange for it to be delivered. **Salespeople** do this by selecting from the range of products which the company has on offer, and explaining those products in terms of how they will meet the client's needs.
Advertising manager	Controls media purchases, deals with advertising agencies, generally handles the flow of information to the company's customers and consumers.
Public relations manager	Monitors the company's public image and applies corrective measures if the company is acquiring a bad reputation. Organises events and activities that will put the company in a good light, and tries to ensure that the company behaves responsibly towards its wider publics.
Market research manager	Collects evidence about what it is that consumers really need, and what they would really like to buy. Sometimes this also includes monitoring competitors' activity so that the company can take action early to counteract it.

In market-orientated companies it is the customer who has the major say in what happens, and it is the marketing team that works within the company to ensure that everything is geared to the customer's (and consumer's) needs. Not all companies are market-orientated in the sense of putting customer satisfaction at the core of everything the business does; even some marketing managers see marketing as being purely a departmental responsibility rather than an organisational one.[9] In fact everyone within the firm has some responsibility for ensuring customer satisfaction; those who have contact directly with the firm's customers have a particular role to play (for example secretaries, delivery drivers, receptionists, telephonists and credit controllers).

The **marketing orientation** is adopted because it works better than any other orientation; customers are more likely to spend money on goods and services that meet their needs than on those that do not. In other words, looking after customers is good for business, and organisations which adopt a customer orientation are more likely to meet their objectives than those which do not.

DEFINITIONS OF SOME MARKETING TERMS

Customers are the people or firms who buy products; *consumers* actually use the product, or consume it. Frequently customers are also consumers, so the terms might be used interchangeably, but often the person who buys a product is not the one who ultimately consumes it.

A **need** is a perceived lack of something. This implies that the individual not only does not have a particular item, but also is aware of not having it. This definition has nothing to do with necessity; human beings are complex, and have needs which go far beyond mere survival. In wealthy Western countries, for example, most people eat for pleasure rather than from a fear that they might die without eating – the need for enjoyment comes long before there is a necessity for food.

A **want**, on the other hand, is a specific satisfier for a need. An individual might need food (hunger being awareness of the lack of food) and want a curry.

Wants become **demands** when the potential customer also has the means to pay for the product. Some marketers have made their fortunes from finding ways for people to pay for the products, rather than from merely producing the product. The demand for a given product is therefore a function of need, want, and ability to pay.

A **product** is a bundle of benefits. This is a consumer-orientated view, because consumers will buy a product only if they feel it will be of benefit. Diners in a restaurant are not merely buying a full stomach; they are buying a pleasant evening out. Customers in a bar are not buying fizzy water with alcohol and flavourings in it; they are buying a social life. Here a distinction should be made between *physical goods* and *services*. For marketers both of these are products, since they may well offer the same benefits to the consumer. An afternoon at a football match, or a case of beer, might serve the same morale-raising function for some men. Services and physical goods are difficult to distinguish between, because most services have a physical good attached to them, and most physical goods have a service element attached to them. The usual definition of services says that they are mainly intangible, that production usually happens at the same time as consumption, that they are highly perishable, and that services cannot be owned (in the sense that there is no second-hand market for them).

Publics are any organisations or individuals that have actual or potential influence on the marketing organisation. This is an important definition for public relations practitioners, because they have the task of monitoring and adjusting the firm's activities relative to all the firm's publics, which can include government departments, competitors, outside pressure groups, employees, the local community, and so forth.

Markets are all the actual and potential buyers of the firm's products. Few firms can capture 100% of the market for their products; marketers more commonly aim for whichever portions of the market the firm can best serve. The remainder of the customers would go to the competition, or just be people who never hear of the product and therefore do not buy it. Even giant firms such as Coca-Cola have less than half of the market for their product category. For this reason marketers usually break down the overall market into *segments* (groups of customers with similar needs and characteristics) or even *niches* (very specific need and product categories).

Price is the amount of money a product is sold for. *Value* is what the product is worth to the customer or consumer. The value is always higher than the price, or no business would result, but individual customers will make a judgement as to whether the product is good value or poor value. If the product is poor value, the customer will try to find alternatives; if the product is good value, the customer will remain loyal. The decision about value for money is, of course, subjective: what one customer considers a great bargain, another customer might see as a waste of good money.

MEETING MARKETING RESISTANCE

Most organisations still tend to see marketing as one function of the business, rather than seeing it as the whole purpose of the business. Marketing departments are frequently seen as vehicles for selling the company's products by whatever means present themselves, and marketers are often seen as wizards who can manipulate consumers into buying things they do not really want or need. This means that many marketers find that they meet resistance from within the firm when they try to introduce marketing thinking.

This is at least in part due to the fact that the practice of marketing is difficult. Adopting a marketing stance means trying to think like somebody else, and anticipate somebody else's needs. It means trying to find out what people really need, and develop products that they will actually want. It means bending all the company's activities towards the customer. Inevitably there will be people within the firm who would rather not have to deal with these issues, and would have a quieter life if it were not for customers.

Table 1.2 shows some typical arguments encountered within firms, together with responses the marketer could use.

TABLE 1.2 Reasons not to adopt a marketing philosophy

Source	Argument	Response
Production people	This is what we make efficiently. It's a good, well-made product, and it's up to you to find people to sell it to.	You might like the product, but the customers may have other ideas. What we need to do is not just 'keep the punters happy' but *delight* our customers and ensure their loyalty in future.
Accountants and financial directors	The only sensible way to price is allocate all the costs, then add on our profit margin. That way we know for sure we can't lose money! Also, how about cutting out the middle man by selling direct to the retailers?	If you use cost-plus pricing, you will almost certainly either price the product lower than the consumers are prepared to pay, in which case you are giving away some of your profit, or you'll price it too high and nobody will buy the product. And that way you'll *really* lose some money! And cutting out the wholesalers means we'd have to deliver odd little amounts to every corner shop in the country, which would make our transport costs shoot up. Not to mention that the retailers won't take us seriously – we need the wholesalers' contacts!
Legal department	We have no legal obligation to do more than return people's money if things go wrong. Why go to the expense of sending somebody round to apologise?	With no customers, we have no business. We have all our eggs in one basket; we can't afford to upset any of them.
Board of Directors	Business is not so good, so everybody's budgets are being cut, including the marketing department. Sorry, you'll just have to manage with less.	If you cut the marketing budget, you cut the amount of business coming in. Our competition will seize the advantage, and we'll lose our customer base and market share – and we won't have the money coming in to get it back again, either.
Front-line staff	I'm paid to drive a truck, not chat up the customers. They're getting the stuff they've paid for, what more do they want?	Giving the customer good service means they're pleased to see you next time you call. It pays dividends directly to you because your job is pleasanter, but also it helps business and keeps you in a job.
Salesforce	You're paying me commission to get the sale, so getting the sale is all I'm interested in.	You can get sales once by deceit, but what happens when you go back? How much more could you sell if your customers know you're a good guy to do business with? And apart from all that, if you're doing your best for the customers, you can sleep at nights.

QUOTATIONS ABOUT MARKETING

For companies to be successful, the management must put the customer first. Here are some quotations that illustrate this.

> ***Probably the most important management fundamental that is being ignored today is staying close to the customer to satisfy his needs and anticipate his wants. In too many companies the customer has become a bloody nuisance whose unpredictable behaviour damages carefully–made strategic plans, whose activities mess up computer operations, and who stubbornly insists that purchased products should work.***
> (Lew Young, Editor-in-Chief of *Business Week*)

> ***Marketing is so basic that it cannot be considered a separate function. . . . It is the whole business seen from the point of view of its final result, that is, from the customer's point of view.***
> (Peter F. Drucker, management guru[10])

> ***There is only one boss – the customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.***
> (Sam Walton, American founder of WalMart Stores, the largest retail chain in the world)

And finally, Tom Watson of IBM was once at a meeting where customer complaints were being discussed. The complaints were categorised as engineering complaints, delivery complaints, servicing complaints, etc., perhaps ten categories in all. Finally Watson went to the front of the room, swept all the paper into one heap, and said 'There aren't any categories of problem here. There's just one problem. Some of us aren't paying enough attention to our customers.' And with that he swept out, leaving the executives wondering whether they would still have jobs in the morning. IBM salespeople are told to act at all times as if they were on the customer's payroll – which of course they are.

CASE STUDY 1: TESCO

In 1919, a young Londoner called Jack Cohen used his First World War Army gratuity to start a business selling groceries from a market stall in the East End of London. His fledgling business went well enough for him to start his own tea company, in partnership with a man by the name of T.E. Stockwell. Stockwell's initials, plus the first part of Cohen's name, provided Tesco with its brand name.

In 1929, Cohen opened his first grocery shop in Burnt Oak, Edgeware. His motto was always 'Pile it high, sell it cheap' and during the depression-hit 1930s this proved to be a winning formula. During the 1930s Cohen opened many more stores, but it wasn't until after the Second World War that supermarket methods came to Britain. Tesco's first self-service store was opened in 1948, and their first true supermarket was opened in 1956, in a converted cinema in Maldon. Because staff costs are much lower in supermarkets, and because Cohen was able to buy in bulk, prices should have been much lower at Tesco stores than in other stores, but until 1964 manufacturers were allowed by law to fix the retail prices of their goods. In other words, all retailers had to sell at the same price, so price competition was impossible. Tesco attacked this problem in two ways – firstly, the company gave out trading stamps which loyal customers could collect and redeem against gifts of household goods, and secondly Jack Cohen was active in lobbying Parliament for a change in the law. In 1964 the Resale Price Maintenance law was repealed and Cohen was able to pursue a vigorous price-cutting approach to business (although trading stamps continued until 1977).

During the 1960s the UK experienced a rapid rise in prosperity. More people owned cars, more people owned freezers (and so were able to bulk-buy their food) and credit cards were just beginning to be used. In 1967 Tesco introduced the concept of the edge-of-town superstore when the company opened a 90 000-square-foot store at Westbury in Wiltshire. This store was intended to be used by car drivers – ample parking, large trolleys for bulk-buying, and a much greater range of goods in the store meant that car owners could shop much more easily. The edge-of-town location meant lower costs for the store, which could be passed on to customers. This policy proved hugely successful, so through the 1970s Tesco gradually closed down its town-centre stores (with their high overheads) and concentrated on out-of-town superstores. In 1974 the company began selling petrol at discounted prices, again encouraging motorists to come to the store. By 1991 Tesco was Britain's biggest independent petrol retailer.

In the 1990s Tesco returned to the city centre by opening Tesco Metro stores, smaller supermarkets with a smaller range of goods, and smaller pack sizes, designed to meet the needs of the local community and inner-city dwellers. In 1997 the first Tesco's Extra superstore was opened, offering a range of non-food goods, household appliances, and clothing, as well as the traditional groceries available in all Tesco's stores.

In 1995 Tesco was the first retailer to offer a loyalty card. Customers present the card at the checkout, and the Tesco central computer records their purchases. Every three months the customer receives a mailing containing vouchers which are redeemable at Tesco stores for groceries or other products; customers also receive special discount vouchers for specific products. Other retailers followed suit, offering their own loyalty cards, but by then Tesco had already seized a substabtial market share. A spin-off from the loyalty scheme was that Tesco now had very detailed information about each customer's purchasing behaviour – how often they shop, where they live, what products they buy. This has proved invaluable for future planning, and for fine-tuning the service to meet customer need more effectively.

Tesco's customer focus has moved ahead of Jack Cohen's 'pile it high and sell it cheap' price-competition focus. Being cheap is no longer enough – because every other supermarket chain operates on the same basis. Tesco found that most people object to queuing in supermarkets – so they introduced the 'one in front' system. If the queue is such that there is more than one person in front of the customer, the store opens more tills until either all the tills are open, or the queue has subsided. The system is monitored centrally – every 15 minutes the tills freeze and can only be released by the cashier entering the number of people in the queue. The figure is fed through to Tesco's main computer, and if there are more than two people in the queues for more than 5% of the times the number is entered, the store manager is asked for an explanation.

Tesco has three own-brand ranges: the 'Value' range, which consists of cheap basic products, the 'Tesco' range, which aims to compete head-on with mainstream brands, and the 'Tesco's Finest' range of upmarket, luxurious products. Each brand meets the needs of a different group of Tesco customers. These now represent about half of all Tesco sales. The company also offers a range of organic products, and is now Britain's biggest retailer of organic products. In 2000, the company launched Tesco.com, its on-line retailing system, which is the biggest on-line grocery outlet in the world. The on-line system owes its success to the fact that it is based in the stores themselves, not in a central warehouse, so that staff have local knowledge and the delivery routes are shorter.

Tesco's customer orientation has certainly paid off. It is now the UK's leading supermarket chain with 17% of the market. It operates in 10 countries overseas, and is market leader in 6 of those: 45% of the company's retail space is outside the UK. The company now offers personal finance products (insurance, credit cards, loans) at the checkout, and has many other innovations on the way – customer champions, innovative buying policies, and so forth.

All of which is a very far cry from a market stall in the East End.

Questions

1. Having low costs coupled with high prices must have made Tesco very profitable in the 1950s and early 1960s. Why would Jack Cohen have lobbied for the abolition of Resale Price Maintenance?
2. Presumably Tesco's various customer-focused innovations cost money. Why not simply cut prices even further?
3. Why have three separate own-brand labels?
4. What is the difference between the trading-stamps system and the loyalty-card system? What advantages do loyalty cards have for customers and for Tesco's?
5. Why stock a range of organic products as well as ordinary products?

SUMMARY

This chapter has been about the terms and concepts of marketing. Here are some key points from this chapter:

- Marketing is about understanding what the consumer needs and wants, and seeing that the company provides it.
- A need is a perceived lack; a want is a specific satisfier.
- Customers buy things; consumers use them.
- Price is what something costs; value is what it is worth.
- A product is a bundle of benefits; it is only worth what it will do for the consumer.
- Consumer (or customer) orientation is used because it is the most profitable in the long run.

CHAPTER QUESTIONS

1 In a situation where supply exceeds demand, which orientation would you expect most firms to have?

2 Why might a consumer feel that paying £150 for a pair of designer jeans represents good value for money?

3 What needs are met by buying fashionable clothes?

4 What needs might a mother meet by buying a child sweets?

5 Why should marketers always refer back to the consumer when making decisions?

MULTI-CHOICE QUESTIONS

Use these questions to check your understanding of the chapter. For each question, there is only one right answer: (A), (B) or (C).

1 A strategy that aims to produce a perfect product that will suit everybody is called:

(A) Production orientation.
(B) Marketing orientation.
(C) Product orientation.

2 A strategy that aims to produce the maximum amount of goods at the lowest possible selling price is called:

(A) Selling orientation.
(B) Societal marketing.
(C) Production orientation.

3 Someone who has responsibility for marketing decisions concerning a group of products is:

(A) A sales manager.
(B) A product manager.
(C) A brand manager.

4 Which of the following is true?

(A) Price is always lower than value.
(B) Cost is always lower than price.
(C) Value is what consumers are prepared to pay.

5 The marketing concept should be central to business strategy because:

(A) Companies have a moral responsibility to care for their customers.
(B) Customers will only spend money with firms that look after their needs.
(C) Marketing enables firms to persuade their customers to buy things they do not really need.

6 Which of the following statements is true, from a marketer's perspective?

(A) A need is something that is necessary for life.
(B) A want is something that is 'just for fun'.
(C) A want is something that derives from a need.

7 Demand is created when:

(A) A significant group of people want to buy something.
(B) People who can afford something want to buy it.
(C) Marketers persuade people to want something.

8 The four Ps of marketing are:

(A) Product, price, place and promotion.
(B) Product, price, persuasion and place.
(C) Product, price, promotion and profit.

9 Physical evidence refers to:

(A) Those features of a product that can be seen.
(B) Those features of a service that are tangible.
(C) Those features of a product that can be proved to exist.

10 Process refers to:

(A) The way a product is made.
(B) The way a service is delivered.
(C) The way a product is disposed of.

FURTHER READING

The Marketing Book edited by Michael Baker (London, Heinemann/Chartered Institute of Marketing, 1991) contains a very good chapter by Michael Baker himself on the history of the marketing concept.

Marketing: Concepts and Strategies, 4th edn by S. Dibb, L. Simkin, W. Pride, and O.C. Ferrell, (London, Houghton Mifflin, 2000) contains a realistic and interesting Appendix on careers in marketing.

Principles of Marketing, 3rd edn by Frances Brassington and Stephen Pettitt (Harlow, Financial Times Prentice Hall, 2002) has a good overview of marketing's relationship with other business disciplines in Chapter One.

GLOSSARY

Brand manager The person with responsibility for decisions concerning a specific brand.

Demand A want which can be paid for.

Marketing The management process which identifies, anticipates and supplies customer requirements efficiently and profitably.

Marketing mix The seven areas of activity with which marketers are most concerned; price, product, place, promotion, people, process and physical evidence.

Marketing orientation The approach that puts the customer at the centre of everything the firm does.

Markets Groups of customers or consumers with similar needs and wants.

Need A perceived lack of something, e.g. food when hungry.

Product A bundle of benefits.

Product manager The person with responsibility for a particular product type.

Product orientation The paradigm that suggests that the 'perfect' product will suit all consumers.

Production orientation The paradigm that suggests that efficiency in the production process is the main way for a firm to succeed.

Publics Those groups and individuals which have a direct or indirect impact on an organisation's activities.

Sales manager The manager responsible for controlling, recruiting, training and motivating the salesforce.

Sales orientation The view that customers will not ordinarily buy enough of a product without an aggressive selling and advertising campaign.

Salesperson The person responsible for finding solutions for customers' needs on an individual basis, within the constraints of what the firm has to offer.

Societal marketing The paradigm that suggests that the firm's activities must be carried out in a sustainable way if customers needs are to be met in the longer term.

Want A specific satisfier for a need, e.g. a steak.

REFERENCES

1. Levitt, T.: 'Marketing myopia', *Harvard Business Review* (July–August 1960), pp. 45–56.
2. Kotler, P., Armstrong, G., Saunders, J. and Wong, V.: *Principles of Marketing* (Harlow, Financial Times Prentice Hall, 2001).
3. Andreassen, T.W. : 'Small, high-cost countries' strategy for attracting MNCs' global investments', *International Journal of Public Sector Management*, **8** (3) (1995), pp. 110–18.

4. Ravald, A. and Gronroos, C.: 'The value concept and relationship marketing', *European Journal of Marketing*, **30** (2) (1996), pp. 10–30.

5. Takala, T. and Uusitalo, O.: 'An alternative view of relationship marketing: a framework for ethical analysis', *European Journal of Marketing*, **30** (2) (1996), pp. 45–60.

6. Kotler, P.: *Marketing Management, Analysis, Planning and Control*, 11th edn (Upper Saddle River, NJ, Prentice Hall, 2003).

7. McCarthy, E. J.: *Basic Marketing: A Managerial Approach*, 9th edn (Homewood, IL, Irwin, 1987; 1st edition 1960).

8. Booms, B.H. and Bitner, M.J.: 'Marketing strategies and organisation structures for service firms', in *Marketing of Services*, J. Donnelly and W.R. George, eds (Chicago, IL, American Marketing Association, 1981).

9. Hooley G.J. *et al.*: 'The marketing concept: putting theory into practice', *European Journal of Marketing*, **24** (9) (1990), pp. 7–23.

10. Drucker, P.F.: *Management: Tasks, Responsibilities, Practices* (New York, Harper & Row, 1973).