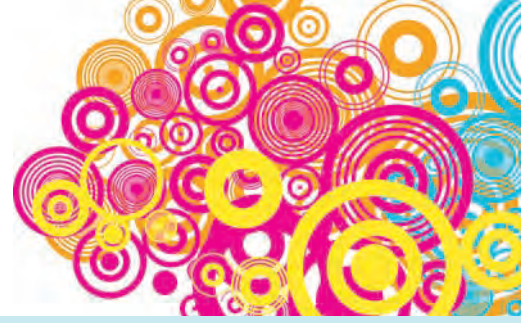


PREFACE



The World Is Flat. This was the title of an international bestselling book by Thomas L. Friedman, published in first edition in 2005. It analyses globalisation, primarily in the early twenty-first century, and the picture has changed dramatically. The title is a metaphor for viewing the world as a level playing field in terms of commerce, where all players and competitors have an equal opportunity. We are entering a new phase of globalisation, in which there will be no single geographic centre, no ultimate model for success, no surefire strategy for innovation and growth. Companies from every part of the world will be competing – for customers, resources, talent and intellectual capital – with each other in every corner of the world's markets. Products and services will flow from many locations to many destinations. Friedman mentions that many companies in, for example, the Ukraine, India and China provide human-based sub-supplies for multinational companies, from typists and call centres to accountants and computer programmers. In this way these companies in emerging and developing countries are becoming integral parts of complex global supply chains for large multinational companies such as Dell, SAP, IBM and Microsoft.

As this new scene unfolds, the new global leaders will increasingly be forced to defend the ground they thought they had won and secured long ago. And their expansion into new markets will be challenged as never before. Their established processes and traditional business philosophies will be turned upside down by challengers whose experiences in new emerging markets cause them to see the world very differently and to do business in completely new ways. Many executives of developed-country companies are not prepared to deal with the massive wave of competition from skilled and determined new rivals.

As the world is becoming a flat playing field, there is also an increasing need in different industry supply chains for creating relationships between the involved companies in the industry value chains. This has important implications for the way that we look at the marketing discipline in the individual firm. The consequence is that the development of marketing theory and practice is undergoing a paradigm shift from a transactional to a relationship orientation. As many companies are still relying on the traditional marketing approach, this book will bridge the gap between **relationship marketing (RM)** and **traditional (transactional) marketing (TM)**.

In the traditional transactional approach, **marketing management** is about planning, coordinating and controlling marketing activities that are aimed at satisfying customer needs and desires – and receiving money from sales.

In recent years, marketing has been undergoing considerable 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.

Many leading marketing academics and practitioners have concluded that many of the long-standing practices and operating modes in marketing need to be evaluated, and we need to move towards a relationship approach that is based on repeated market transactions and mutual gain for buyers and sellers.

The 'new paradigm' is commonly referred to as relationship marketing (RM). Relationship marketing is not a new idea. Before the advent of mass production and mass media, relationship marketing was the norm; sellers usually had first-hand knowledge of buyers, and the successful ones used this knowledge to help keep customers for life.

Relationship marketing (RM)

The process of creating, maintaining and enhancing strong long-term relationships with customers and other stakeholders through mutual exchange and trust. RM seeks to build a chain of relationships between the firm and its main stakeholders.

Transactional marketing (TM)

The major focus of the marketing programme (the 4 Ps) is to make customers buy. Independence among marketing actors ('arm's length') is considered vital for marketing efficiency.

Marketing management

The process of planning, executing and controlling marketing activities to attain marketing goals and objectives effectively and efficiently.

Relationship marketing reflects a strategy and process that integrate customers, suppliers and other partners into the company's design, development, manufacturing and sales processes.

Fundamentally, relationship marketing draws from traditional marketing principles. Marketing can be defined as the process of identifying and satisfying customers' needs in a competitively superior manner in order to achieve the organisation's objectives. Relationship marketing builds on this.

The customer is still fundamental to a marketing relationship. Marketing exists to efficiently meet the satisfaction of customer needs, as well as those of the marketing organisation. There is a considerable body of knowledge in social sciences that sheds light on the many facets of human relationships. We draw from these sources to further our understanding of consumer relationships.

Marketing exchange seeks to achieve satisfaction for the consumer and the marketing organisation (or company). In this latter group we include employees, shareholders and managers. Other stakeholders (such as competitors, financial and governmental institutions) are also important. As we shall see later, relationships can cover a wide range of organisations in the environment, for example:

- governmental institutions
- industry associations
- European Union (EU) institutions
- religious groups.

However, the main focus of this book is still on the relationships between the firm and its closest external bodies, primarily the customers.

In the transactional approach, participants focus exclusively on the economic benefits of the exchange. Even though in relational exchange the focus widens, economic benefits remain important to all of the partners in marketing relationships.

With the relationship approach in mind, an integrated view of marketing management will be presented. To do this, the latest research findings in marketing management and related disciplines are summarised. Yet, marketing management is still a very practical discipline. People still have practical needs, firms still face practical problems, and solutions still have to work in real life. Most marketers cannot and should not hide in labs. Marketing is a social science based on theories and concepts, but it also requires that most marketers meet with people, observe them, talk to them, and understand their activities. In essence, marketing is a dialogue between sellers (marketers) and buyers (customers). This book reflects this applied approach. Together with important concepts and theories, my experience that has been obtained through work for many years with numerous companies – large and small, domestic and international – will be drawn on.

TARGET AUDIENCE

This book is written for people who want to know how the relationship and the traditional marketing approach (in combination) affect the development of effective and efficient marketing plans. This book is aimed primarily at students, MBA/graduate students and advanced undergraduates who wish to go into business. It will provide the information, perspectives and tools necessary to get the job done. My aim is to enable you to make better marketing decisions.

A second audience for this book is the large group of practitioners who want to build on the existing skills and knowledge already possessed. The book is of special interest to the manager who wishes to keep abreast of the most recent developments in the 'marketing management' field.

UNIQUE FEATURES OF THIS BOOK

This marketing text tries to integrate the ‘new’ relationship approach in the traditional process of developing effective marketing plans. Compared to other marketing management books this text will attach more importance to the following themes.

Buyer–seller relationships

The guiding principle of this textbook is that of building relationships between buyers and sellers. Relationships is a growing trend and for good reason. Dramatic changes in the marketing environment are presenting immense new opportunities for companies that really build and retain relationships with customers. Relationship marketing emphasises the tremendous importance of satisfied, loyal customers. Good customer relationships happen when all employees within the organisation develop the sensitivity and desire to satisfy customers’ needs and wants. It may be argued that the traditional concept of marketing (as exemplified later in Chapter 1) does not adequately reflect the recognition of the long-term value of a customer. The argument is that many of the traditional definitions of marketing, although stressing the importance of customer needs and satisfaction, are essentially concerned with maximising the profitability of each transaction. Instead they should seek to develop long-term relationships with customers which cannot easily be duplicated by competitors.

Buyer–seller interaction on a global scale

Today’s companies are facing fierce and aggressive competition. Today most firms compete not only locally and nationally, but globally as well. Companies that have never given a thought to internationalisation now also face competition in their home market from international companies. Thinking globally also requires an understanding of the international diversity in buying behaviour and the importance of cross-cultural differences in both the **B2C** and **B2B** markets. This cross-cultural approach is centred on the study of the interaction between buyers and sellers (and their companies) who have different national and/or cultural backgrounds.

Creating competitive advantage through relationships with other companies

Greater emphasis is given to the development of competitive advantage, and consequently to the development of resources and capabilities and competences within the organisation and with other companies. Relationship marketing seeks to build a *chain of relationships* (networks or value net) between the organisation and its main stakeholders, including customers, suppliers, distribution channel intermediaries and firms producing complementary products and services. Relationships to competitors are also considered.

Cross-functionalism

Marketing is not an isolated function. A marketer’s ability to effectively implement a strategic marketing programme depends largely on the cooperation and competence of other functional areas within the organisation. Consequently, substantial attention is given to the inter-functional approach of marketing management. This includes: the concept of competitive advantages, **cross-functional teams** in the development of new products, **supply chain management**, internationalisation, quality management, and ethics.

What is new in the second edition?

- Completely new, four colour design with definitions of key concepts in the margin.
- The relationship approach is discussed further in Chapter 6, in the form of the firm’s relationships and cooperation with customers, suppliers, complementors / partners and competitors (also called value net).

Business-to-consumer (B2C)

Marketing which involves exchange relationships between a firm and its end customers, perhaps via retailers.

Business-to-business (B2B)

Marketing which involves exchange relationships between two or more business customers and suppliers.

Cross-functional team

A team made up of individuals from various organisational departments who share a common purpose.

Supply chain management

How products are moved from the producer to the ultimate consumer with a view to achieving the most effective and efficient delivery system.

- New topics are covered: Long tail, customer-driven innovation, marketing in emerging markets, social marketing, lean business modelling, time-based marketing strategy, Blue Ocean strategy and new marketing metrics.
- New, comprehensive Chapter 9 on corporate social responsibility (CSR), including the sustainable Global Value Chain (SGVC), cause marketing and marketing to the bottom of the pyramid (BOP).
- Completely new cases: 16 comprehensive chapter case studies and five video part case studies. The author had personal contact and a dialogue with most of the companies involved.
- More e-marketing aspects are integrated throughout the book.

OUTLINE

The book is structured around the two main steps involved in marketing management, i.e. the decision-making process regarding formulating, implementing and controlling a marketing plan:

- Step 1: Analysis of the internal and external situation (Parts I and II)
- Step 2: Planning and implementation of marketing activities (Parts III, IV and V).

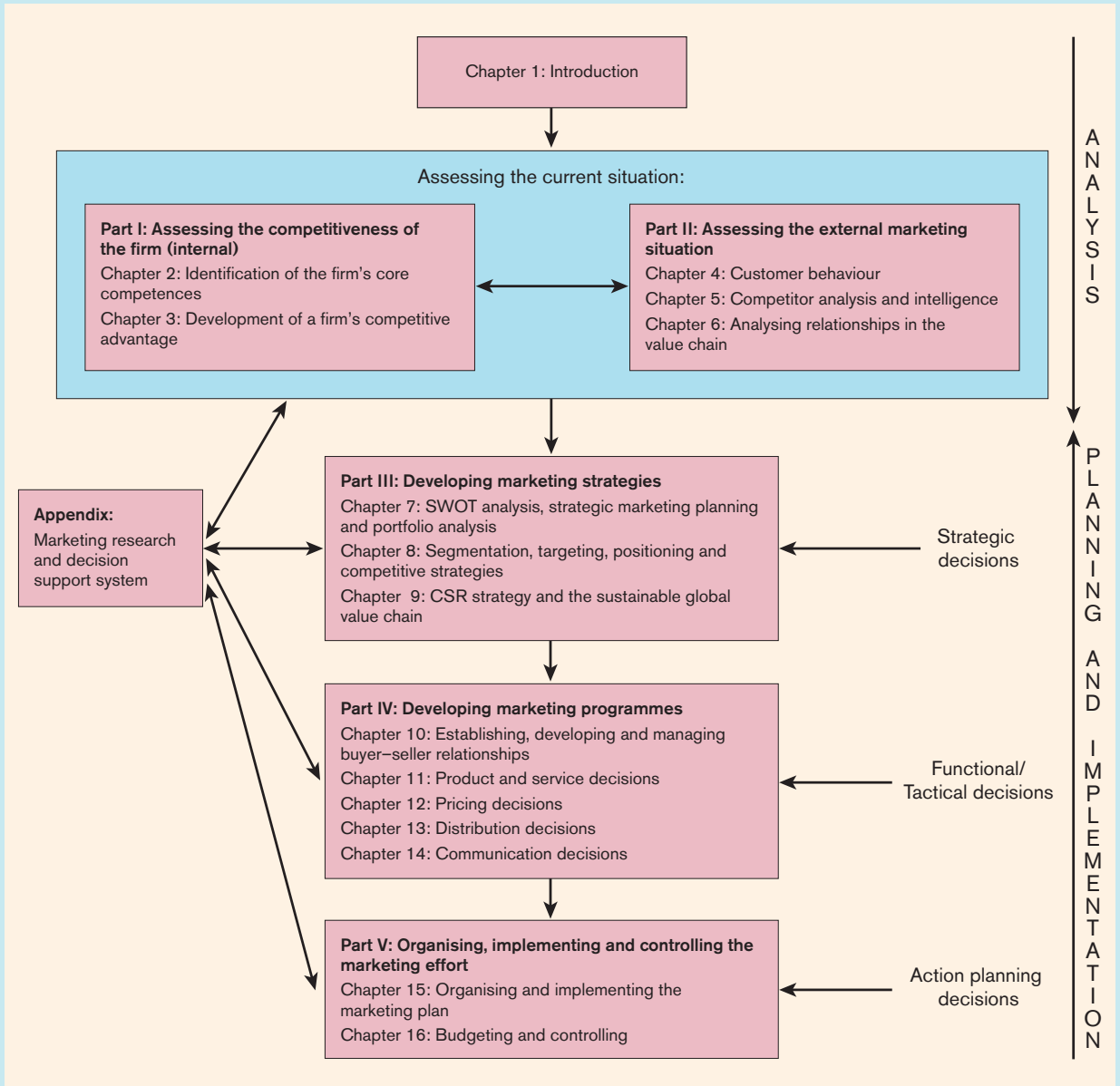
The schematic outline of the book in the diagram on page xxiii shows how the two main steps are divided into five parts. The book has a clear structure according to the *marketing planning process* of the firm. Based on an analysis of the competitive advantages of the firm (Part I) and the analysis of the external situation (Part II), the firm is able to develop marketing strategies (Part III) and marketing programmes (Part IV). Finally, the firm has to implement and control its activity in the market and if necessary make changes in the marketing strategy (Part V). Throughout the book this marketing planning process is seen in a relationship approach, as a supplement to the transactional approach.

The market research function gives a very important input to all five phases (parts) of this decision-making process, with a possible feedback to the marketing information system (MIS). Therefore, this section of the book is an Appendix, but a very important one, as the past marketing experiences are stored in the marketing information system, which may add important contributions to new marketing decision-making processes – i.e. for making better marketing decisions.

Pedagogical/learning AIDS

Many AIDS to student learning come with the book. These include:

- *Chapter learning objectives*: tell the reader what he/she should be able to do after completing each chapter.
- *Case studies*: there is a case study at the end of each chapter and each case study contains questions.
- *Video case studies*: each part starts with a video case study, which can be accessed on the book's website (www.pearsoned.co.uk/hollensen).
- *Exhibits*: examples from the real world to illustrate the text and the marketing models.
- *Summaries*: each chapter ends with a summary of the main concepts.



The structure of the book

- *Discussion questions:* at the end of each chapter the discussion issues are presented as questions.
- *Marginal definitions:* key concepts from the glossary are defined in the margins of the text.
- *Glossary:* a glossary on page 622 provides a quick reference to the key terms in the book.

Supplementary material to accompany the book can be downloaded by lecturers from www.pearsoned.co.uk/hollensen.

Tables 1 and 2 show the video case studies and the chapter case studies in this book.

Table 1

Video case studies in the book: overview

Part	Video case study	Location of headquarters	Target market area and type
Part I Assessing the competitiveness of the firm (internal)	Tata Nano Competitiveness of the world's cheapest car	India	World B2C/B2B
Part II Assessing the external marketing situation	Orascom Telecom Developing the mobile business in emerging countries	Egypt	Emerging markets B2C/B2B
Part III Developing marketing strategies	Nivea Segmentation of the sun care market	Germany	World B2C
Part IV Developing marketing programmes	Indian Tourist Board Marketing of India in foreign countries	India	World B2C
Part V Organising, implementing and controlling the marketing effort	Pret A Manger How to control the expansion of an international restaurant chain	UK	UK/USA/World B2C/B2B

Table 2

Chapter case studies in the book: overview

Chapter	Chapter case study	Location of headquarters	Target market area and type
1 Introduction	1.1 Duchy Originals Prince Charles's organic food company is searching for further growth in the recession	UK	World B2C/B2B
2 Identification of the firm's core competences	2.1 Senseo Competition is coming up in the coffee pod machine market	the Netherlands	World B2C
3 Development of the firm's competitive advantage	3.1 Nintendo Wii Taking the leadership in the games console market	Japan	World B2C
4 Customer behaviour	4.1 Baxi Trying to capture boiler market shares globally and in China	UK	World/China B2B
5 Competitor analysis and intelligence	5.1 Cereal Partners Worldwide (CPW) No. 2 world player is challenging the No. 1 – Kellogg	UK/ Switzerland	World B2C

Table 2Chapter case studies in the book: overview (*continued*)

6 Analysing relationships in the value chain	6.1 Saipa The Iranian car manufacturer seeks a drive to serve	Iran	World B2C/B2B
7 SWOT analysis, strategic marketing planning and portfolio analysis	7.1 Red Bull The global market leader in energy drinks is considering further market expansion	Austria	World/Japan B2C/B2B
8 Segmentation, targeting, positioning and competitive strategies	8.1 Ryanair Competitive strategy in a warfare environment	Ireland	Western Europe B2C
9 CSR strategy and the sustainable global value chain	9.1 YouthAIDS Social marketing in a private non-profit organisation	USA	World B2C/B2B
10 Establishing, developing and managing buyer–seller relationships	10.1 Dassault Falcon The private business jet, Falcon, is navigating in the global corporate business sector	France	World B2B
11 Product and service decisions	11.1 Fisherman's Friend Introducing chewing gum in some new markets	UK	Europe B2C
12 Pricing decisions	12.1 Harley-Davidson Is the image justifying the price level in a time of recession?	USA	World B2C
13 Distribution decisions	13.1 Lindt & Sprüngli The Swiss premium chocolate maker is considering an international chocolate café chain	Switzerland	World B2C/B2B
14 Communication decisions	14.1 TAG Heuer The famous Swiss watch maker is using celebrity endorsement as a worldwide communication strategy	Switzerland	World B2C
15 Organising and implementing the marketing plan	15.1 Triumph How to manoeuvre as a modern brand in the global underwear market	Switzerland/ Germany	World/Western Europe/USA B2C/B2B
16 Budgeting and controlling	16.1 Jordan Developing an international marketing control and budget system for toothbrushes	Norway	Europe B2C/B2B

