CHAPTER 1

Introduction

1.1 LEARNING OBJECTIVES

When you have read this chapter you should be able to:

- **(a)** define marketing in strategic terms;
- **(b)** understand the basic structure of the book and how this chapter establishes the context for what follows;
- **(c)** specify the characteristics of strategy and strategic decisions;
- **(d)** understand the nature of the debate about the future role of marketing and its contribution to management, enhancing organizational effectiveness;
- **(e)** appreciate the changing emphases within marketing and the implications for the ways in which marketing strategies are developed.

1.2 THE NATURE OF MARKETING (OR, 'DELIVERING VALUE AND WINNING CUSTOMER PREFERENCE')

The question of what marketing is and what it entails has been the focus of a considerable amount of work over the past 60 years. From this, numerous definitions have emerged, with differing emphases on the process of marketing, the functional activities that constitute marketing, and the orientation (or philosophy) of marketing. The Chartered Institute of Marketing, for example, for a long time defined it as:

> *the management process for identifying, anticipating and satisfying customer requirements profitably.*

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A slightly longer but conceptually similar definition of marketing was proposed by the American Marketing Association (AMA) in 1985:

Marketing is the process of planning and executing the conception, pricing, promotion distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.

Although this definition, or variations of it, was used by a variety of writers for a number of years (see, for example, McCarthy and Perreault, 1990; Kotler, 1991), Dibb *et al.*, 2005; Littler and Wilson (1995, p. 1) pointed to the way in which its adequacy was increasingly being questioned in European textbooks (e.g. Foxall, 1984; Baker, 1987).

They went on to suggest that too many definitions of marketing have presented marketing as a *functional* process conducted by the organization's marketing department, whereas the role of marketing today is increasingly being conceptualized as an organizational philosophy or 'an approach to doing business'. This strategic as opposed to a functional approach to marketing was initially captured both by Drucker (1973) who, almost forty years ago, put forward a definition of marketing orientation: McDonald (1989, p. 8):

Marketing is a management process whereby the resources of the whole organization are utilized to satisfy the needs of selected customer groups in order to achieve the objectives of both parties. Marketing, then, is first and foremost an attitude of mind rather than a series of functional activities.

and subsequently by

Marketing is so basic that it cannot be considered a separate function on a par with others such as manufacturing or personnel. It is first a central dimension of the entire business. It is the whole business seen from the point of view of its final result, that is, from the customers' point of view.

Although Drucker's definition had a significant effect upon patterns of marketing thinking, it has increasingly been recognized that it too has a number of limitations. Perhaps the most significant shift in emphasis since Drucker wrote this is to be found in the importance that is now attached to *competitive position* in a changing world and that the marketing concept is the managerial orientation which recognizes that success primarily depends upon identifying changing customer wants and developing products and services that match these better than those of competitors (Doyle, 1987; Wilson and Fook, 1990).

More recently, writers such as Vargo and Lusch (2004), Jobber (2006) and Kotler and Keller (2008) have all pointed to the way in which a new perspective on marketing, characterized by a focus on intangible resources,

the co-creation of value, and the management of relationships, has emerged that demands a very different type of definition of marketing. Recognition of this highlights some of the inadequacies of the AMA definition within what is now a very different business environment. It could therefore be said that the AMA definition is more of a list than a definition and is therefore clumsy and inconvenient to use; that it cannot ever be comprehensive; and that it fails to provide a demarcation as to what necessarily is or is not *marketing*.

It was in an attempt to reflect the very different role that marketing now plays that the Chartered Institute of Marketing (CIM) revised its definition in 2008, seeing it as:

> *The strategic business function that creates value by stimulating, facilitating and fulfilling customer demand.*

Underpinning the definition is the CIM's belief that marketing creates value

> *by building brands, nurturing innovation, developing relationships, creating good customer service and communicating benefits.*

The contrasting emphases on customers and competitors that are highlighted by these more recent definitions of marketing can be highlighted, as in Figure 1.1. If an enterprise is managed a little better than customers expect, and if this is done in a slightly better way than competitors can manage, then the enterprise should be successful.

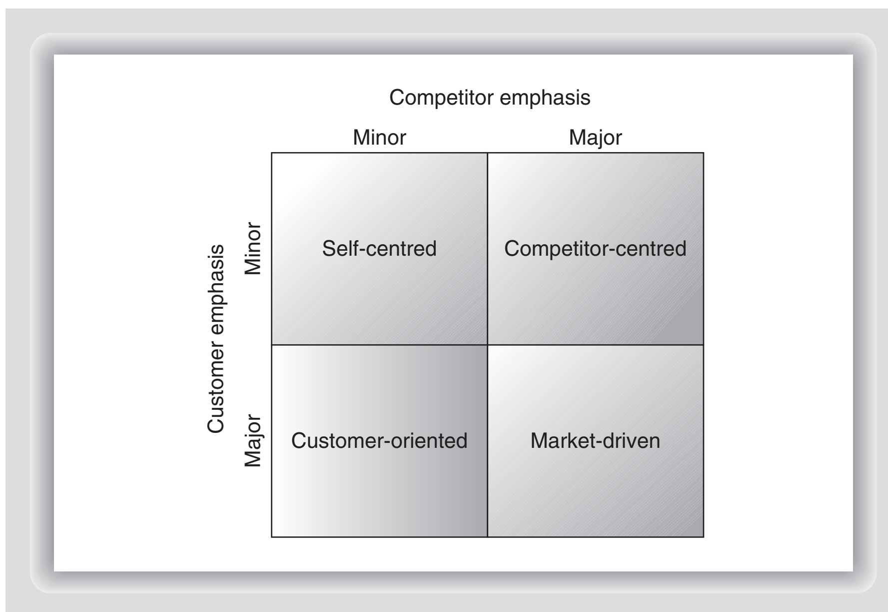

FIGURE 1.1 *Customer and competitor orientations (adapted from Day, 1990)*

Within Figure 1.1, the customer-oriented and competitor-centred categories speak for themselves. The self-centred category is characterized by an introspective orientation that focuses on year-on-year improvements in key operating ratios, or on improvements in sales volume without making direct comparisons with competitors. Such an orientation is potentially disastrous when viewed in strategic terms. At the opposite extreme is a market-driven approach to marketing, which seeks to balance responsiveness to customers' requirements on the one hand with direct competitor comparisons on the other (see Illustration 1.1).

Illustration 1.1 But is your organization *really* market-driven?

When Peter Drucker first outlined the marketing concept over 50 years ago, he equated marketing with customer orientation, arguing that for a firm to be market-driven meant always putting the customer first and innovating continuously to improve the delivered value. Subsequently, it has been recognized that Drucker's perspective lacked strategic content in that it gives emphasis to the organizational culture, but fails to provide guidance on *which* customers to serve and how to serve them. Equally, Drucker's initial views failed to take explicit account of competitors and the discipline of profit in the analysis of product and market opportunity. It is because of this that *customer* orientation has been replaced with the broader concept of *market* orientation.

Given this, we can see marketing operating at three levels:

1. Marketing as a *culture* characterized by a set of values and beliefs that highlights the importance of the customer's interests
2. Marketing as a *strategy* concerned with the choice of products, markets and competitive stance
3. Marketing as the set of *tactics* (essentially the seven Ps of the expanded marketing mix) that provides the basis for the implementation of the business and competitive strategy.

Recognition of this has led Webster (1999, pp. 239–40) to argue that the extent to which an organization is market-driven can be measured against eleven dimensions:

1. The extent to which a customer focus pervades the entire organization
2. The commitment to delivering value
3. The identification and development of distinctive competencies
4. The formation of strategic partnerships
5. The development of strong relationships with strategically important customers
6. The emphasis upon market segmentation, targeting and positioning
7. The use of customer information as a strategic asset

8. The focus on customer benefits and service
9. Continuous improvement and innovation
10. The definition of quality based on meeting customers' expectations
11. A commitment to having the best information technology available.

For Day (1990), the characteristics of a market-driven organization can be stated more succinctly:

- An externally oriented culture that emphasizes superior customer value
- Distinctive capabilities in market sensing as a means of anticipating the future
- Structures that are responsive to changing customer and market requirements.

The significance of being market-driven has, in turn, been highlighted by a series of studies, including one amongst 600 managers in France, the USA, Germany, Japan and the UK, which found that 'the single strongest influence on company performance is innovativeness. Further, a market-oriented company culture was found to have a positive impact in all five countries, while customer orientation, by itself, has virtually no influence on bottom line performance' (Webster, 1999, p. 241). It is the recognition of this that, as Webster suggests, highlights the need for firms to innovate continuously in order to exceed the customer's evolving definition of value.

Given the nature of these three comments, the essential requirements of marketing can be seen to be (Wilson, 1988, p. 259):

1. The identification of consumers' needs (covering *what* goods and services are bought; *how* they are bought; by *whom* they are bought; and *why* they are bought);

2. The definition of target market segments (by which customers are grouped according to common characteristics – whether demographic, psychological, geographic, etc.); and

3. The creation of a *differential advantage* within target segments by which a distinct competitive position relative to other companies can be established, and from which profit flows.

The way in which a differential advantage might be achieved – and sustained – is through the manipulation of the elements of the *marketing mix*. This mix has traditionally been seen to consist of the 'four Ps' of marketing: Product, Price, Promotion and Place. Increasingly, however, but particularly in the services sector, it has been recognized that these four Ps are far too limited in terms of providing a framework both for thinking about marketing and for planning marketing strategy. It is because of this that a

FIGURE 1.2 *The elements of the marketing mix*

far greater emphasis is now given to the idea of an expanded mix that has three additional elements:

- People
- Physical evidence
- Process management.

The detail of both the traditional 'hard' elements of the mix and the 'softer' elements appears in Figure 1.2.

1.3 THE MANAGEMENT PROCESS

Management can be looked at from a variety of viewpoints. It may be seen from one perspective as being largely an *attitude* that reflects a willingness to debate issues and resolve them through the use of appropriate techniques and procedures. Alternatively, management may be viewed in terms of its *responsibility for achieving desired* objectives, which requires the selection of means to accomplish prescribed ends as well as the articulation of those

ends. This view of management can be analysed further by focusing on its *task orientation* (e.g. in the functional context of marketing) or on its *process orientation* (i.e. the way in which the responsibility is exercised). In either case it has been suggested that decision-making and management are the same thing (Simon, 1960, p. 1).

The process of decision-making is rendered problematic on account of the existence of risk and uncertainty. In the face of risk or uncertainty, some managers postpone making a choice between alternative courses of action for fear of that choice being wrong. What they typically fail to recognize in this situation is that they are actually making another choice – they are deciding *not to decide* (Barnard, 1956, p. 193), which favours the *status quo* rather than change. This is not a means of eliminating risk or uncertainty, since it seeks to ignore them rather than to accommodate them: the imperative to adapt is one that cannot be ignored.

If the central question in the management process concerns the need to make decisions, we need to know what decisions should be made and how they should be made. This book intends to deal with both these issues by following the first two stages in a sequence that reflects a problem-solving routine. Figure 1.3 summarizes the overall sequence of stages. This is done

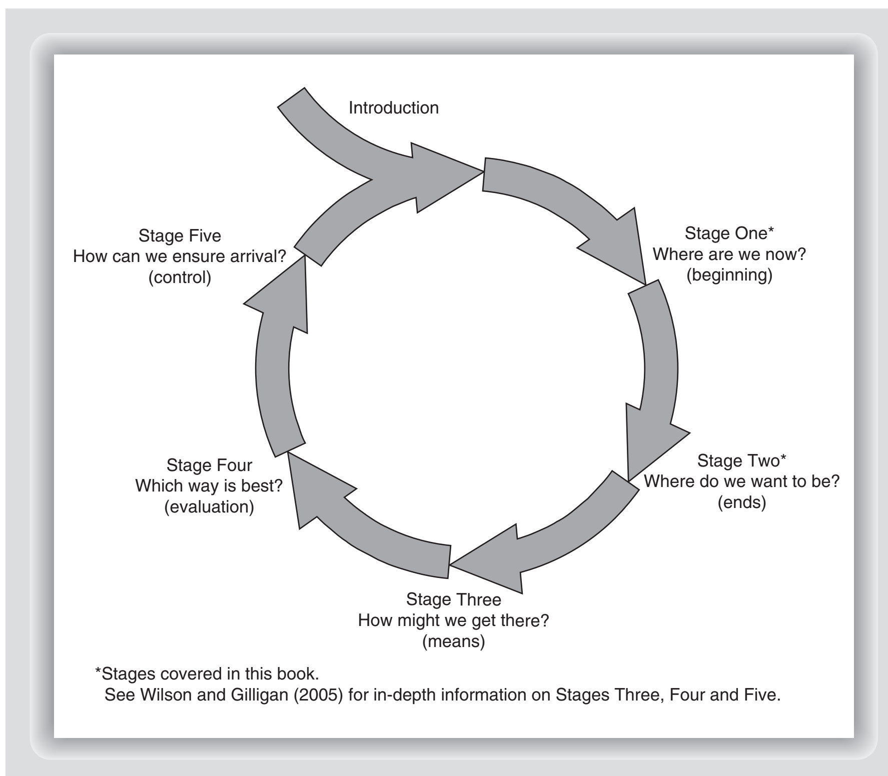

FIGURE 1.3 *The framework*

against the background of a discussion in Chapter 2 of the nature and role of strategic marketing planning and the structure of the marketing plan.

Stage One of this process (strategic and marketing analysis) raises the question of where the organization is now in terms of its competitive position, product range, market share, financial position and overall levels of capability and effectiveness. In addressing this question we are seeking to establish a base line from which we can move forward. Chapters 3 to 7 address Stage 1.

Stage Two (strategic direction and strategy formulation) is concerned with where the organization should go in the future, which requires the specification of ends (or objectives) to be achieved. While top management in the organization will have some discretion over the choice of ends, this is often constrained by various vested interests, as we shall see later in this chapter. Chapters 8 to 12 address Stage Two.

Stage Three of the management process deals with the question of how desired ends might be achieved, something which begs the question of how alternative means to ends might be identified. This strategy formulation stage requires creative inputs, which cannot be reduced to mechanical procedures. Stage Three is not directly addressed in this book, but is examined in detail in Wilson and Gilligan (2005).

Stage Four focuses on the evaluation of alternative means by which the most preferred (or 'best') alternative might be selected. The need to choose may be due to alternatives being mutually exclusive (i.e. all attempting to achieve the same end) or it may be a consequence of limited resources (which means that a rationing mechanism must be invoked). Again, Stage Four is not directly addressed in this book, but see Wilson and Gilligan (2005).

Stage Five covers the implementation of the chosen means, and the monitoring of its performance in order that any corrective actions might be taken to ensure that the desired results are achieved. Since circumstances both within the organization and in its environment are unlikely to stay constant while a strategy is being pursued, it is necessary to adapt to accommodate such changes. Stage Five is not addressed in this book but, again, see Wilson and Gilligan (2005).

We therefore begin by focusing upon the nature of strategy and strategic decisions, before turning to an examination of some of the issues facing strategic marketing planners currently and then, in Chapter 2, the detail of the strategic marketing planning process.

1.4 STRATEGIC DECISIONS AND THE NATURE OF STRATEGY

Strategic decisions are concerned with seven principal areas:

1. They are concerned with the scope of an organization's activities, and hence with the definition of an organization's boundaries.

2. They relate to the matching of the organization's activities with the opportunities of its substantive environment. Since the environment is continually changing, it is necessary for this to be accommodated via adaptive decision-making that anticipates outcomes – as in playing a game of chess.
3. They require the matching of an organization's activities with its resources. In order to take advantage of strategic opportunities it will be necessary to have funds, capacity, personnel, etc., available when required.
4. They have major resource implications for organizations – such as acquiring additional capacity, disposing of capacity, or reallocating resources in a fundamental way.
5. They are influenced by the values and expectations of those who determine the organization's strategy. Any repositioning of organizational boundaries will be influenced by managerial preferences and conceptions as much as by environmental possibilities.
6. They will affect the organization's long-term direction.
7. They are complex in nature, since they tend to be non-routine and involve a large number of variables. As a result, their implications will typically extend throughout the organization.

Decision-making (whether strategic or tactical) is but a part of a broader problem-solving process. In essence Johnson *et al.* (2008) suggest that this consists of three key aspects: analysis, choice and implementation.

Strategic analysis focuses on understanding the strategic position of the organization, which requires that answers be found to such questions as:

- What changes are taking place in the environment?
- How will these changes affect the organization and its activities?
- What resources does the organization have to deal with these changes?
- What do those groups associated with the organization wish to achieve?

Strategic choice has three aspects:

- The generation of strategic options, which should go beyond the most obvious courses of action
- The evaluation of strategic options, which may be based on exploiting an organization's relative strengths or on overcoming its weaknesses

- The selection of a preferred strategy that will enable the organization to seize opportunities within its environment or to counter threats from competitors.

Strategic implementation is concerned with translating a decision into action, which presupposes that the decision itself (i.e. the strategic choice) was made with some thought being given to feasibility and acceptability. The allocation of resources to new courses of action will need to be undertaken, and there may be a need for adapting the organization's structure to handle new activities as well as training personnel and devising appropriate systems.

We have given some thought to strategic decisions, but what is meant by strategy? Hofer and Schendel (1978, p. 27) have identified three distinct levels of strategy in a commercial context. These are:

1. Corporate strategy, which deals with the allocation of resources among the various businesses or divisions of an enterprise;
2. Business strategy, which exists at the level of the individual business or division, dealing primarily with the question of competitive position;
3. Functional level strategy, which is limited to the actions of specific functions within specific businesses.

Our main concern within this book is in relation to business strategy (i.e. level (2) above) and the way in which this links to marketing as a set of functional activities (i.e. level (3) above), notwithstanding definitions on pp. 1–3 above.

Different authorities have defined strategy in lots of different ways; there is no standard definition. However, a range of elements that most writers seem to subscribe to in discussing strategy have been put forward by Simmonds (1980, pp. 7–9) as follows:

1. Strategy is applicable to business within defined boundaries. While the boundaries may change, the strategy applies at any one time to actions affecting a delimited area of demand and competition.
2. There are specified direct competitors. These are competitors selling essentially the same products or services within the defined demand area. Indirect competitors are those operating outside the defined business and whose products are not direct substitutes. Indirect competition is usually ignored or covered by the concept of price elasticity of demand.
3. There is zero-sum competition between the direct competitors for the market demand, subject to competitive action affecting the quantity demanded. Demand within the defined market varies over time. This variation in demand is largely independent of supplier

strategies, and is often referred to as the *product life cycle*. At its simplest it is depicted as a normal curve over time with regularly growing then declining demand.

4. Strategy unfolds over a sequence of time periods. Competition evolves through a series of skirmishes and battles across the units of time covered by the product life cycle.
5. Single period profit is a function of:
   - the price level ruling for the period
   - the accumulated volume experience of the enterprise
   - the enterprise's achieved volume as a proportion of capacity.
6. Market share has intrinsic value. Past sales levels influence subsequent customer buying, and costs reduce with single-period volume and accumulated experience.
7. Competitors differ in market share, accumulated experience, production capacity and resources. Competitors are unequal, identified and positioned. Objectives differ. Enterprises composed of ownership, management and employee factions and operating a range of different businesses have different objectives. Strategic business thinking, however, will usually express these as different time and risk preferences for performance within an individual business, measured in financial terms.
8. Within a given situation there will be a core of strategic actions that will be the essential cause of change in competitive position. Non-strategic (or contingent) actions will support strategic actions and should be consistent with them, but will not change competitive position significantly.
9. Identification of an optimal core of strategic actions requires reasoning (or diagnosis), is not attained through application of a fixed set of procedures, and is situational. In short, thinking is required.

Taken together, these elements present a view of business strategy that sees it as a chosen set of actions by means of which a market position relative to other competing enterprises is sought and maintained. This gives us the notion of competitive position.

It needs to be emphasized that 'strategy' is not synonymous with 'long-term plan', but rather consists of an enterprise's attempts to reach some preferred future state by adapting its competitive position as circumstances change. While a series of strategic moves may be planned, competitors' actions will mean that the actual moves will have to be modified to take account of those actions.

We can contrast this view of strategy with an approach to management that has been common in the UK. In organizations that lack strategic direction there has been a tendency to look inwards in times of stress, and for management to devote their attention to cost-cutting and to shedding unprofitable divisions. In other words, the focus has been on *efficiency* (i.e. the relationship between inputs and outputs, usually with a short time horizon) rather than on *effectiveness* (which is concerned with the organization's attainment of goals – including that of desired competitive position). While efficiency is essentially introspective, effectiveness highlights the links between the organization and its environment. The responsibility for efficiency lies with operational managers, with top management having the primary responsibility for the strategic orientation of the organization.

Figure 1.4 summarizes the principal combinations of efficiency and effectiveness.

An organization that finds itself in cell 1 is well placed to thrive, since it is achieving what it aspires to achieve with an efficient output/input ratio. In contrast, an organization in cell 4 is doomed, as is an organization in cell 2 unless it can establish some strategic direction. The particular point to note is that cell 2 is a worse place to be than is cell 3, since in the latter the strategic direction is present to ensure effectiveness even if rather too much input is currently being used to generate outputs. To be effective is to survive, whereas to be efficient is not in itself either necessary or sufficient for survival.

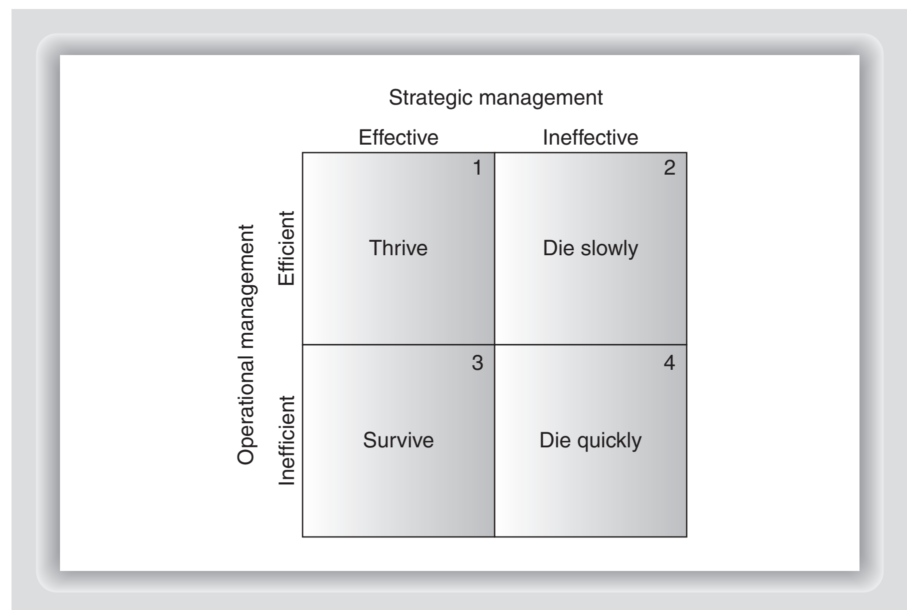

FIGURE 1.4 *Efficiency versus effectiveness (adapted from Christopher* et al.*, 1987)*

Effectiveness in marketing terms can therefore be seen to be the ability on the part of management to search out and embrace changing markets and structures and then reflect this in the marketing strategy.

In crude terms, to be effective is to do the right thing, while to be efficient is to do the (given) thing right. An emphasis on efficiency rather than on effectiveness is clearly wrong. But who determines effectiveness? Any organization can be portrayed as a coalition of diverse interest groups each of which participates in the coalition in order to secure some advantage. This advantage (or inducement) may be in the form of dividends to shareholders, wages to employees, continued business to suppliers of goods and services, satisfaction on the part of consumers, legal compliance from the viewpoint of government, responsible behaviour towards society and the environment from the perspective of pressure groups, and so on. Figure 1.5 illustrates the way in which a range of interest groups come together to sustain (and, indeed, constitute) an organization. In so far as the inducements needed to maintain this coalition are not forthcoming, the organization ceases to be effective. Thus, for example, employees may go on strike in furtherance of a pay dispute; shareholders may be unwilling to subscribe

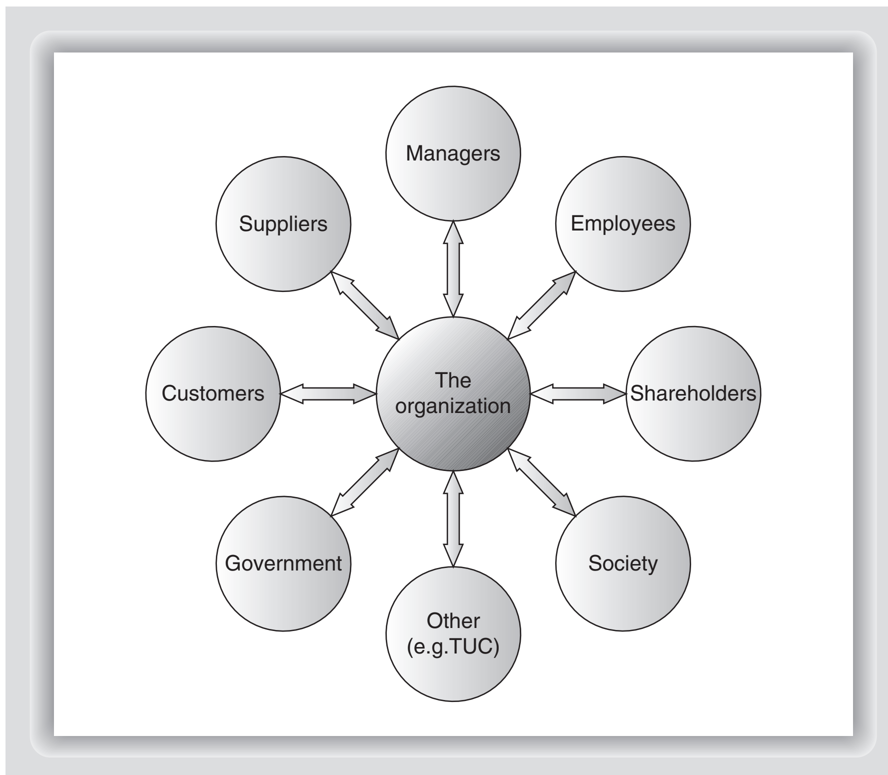

FIGURE 1.5 *Interest groups*

further capital if the value of their shares has fallen due to bad management; consumers may have defected in the light of superior market offerings from competitors; and each of these will remove one vital element from the coalition.

It should be apparent from this view of an organization that management's freedom of movement is constrained by virtue of the expectations of the various interest groups within the coalition. We are unable to assume that a clean slate exists on which any strategy might be drawn, since this may be against the interests of members of the coalition. What we can say, therefore, is that any strategy is potentially available in so far as it ensures that the interests of coalition members are protected. If this is not so the organization cannot be effective, and if it is not effective it will not survive.

The failure to achieve an appropriate balance between operational and strategic management has been illustrated at various times by numerous organizations, including Marks & Spencer, Vodafone, the Post Office (subsequently – and unsuccessfully – renamed Consignia and then, more recently, Royal Mail Group) and virtually all of the major flag carrier airlines. In the case of the Post Office, the British government set out its vision for the future of the organization in its report *Counter Revolution: Modernizing the Post Office Network*. The report highlighted a variety of issues, including:

- The organization's failure to come to terms with the service requirements of increasingly sophisticated and demanding customers
- The lack of any real competitive stance, that led to other service providers (such as TNT, Federal Express, DHL and UPS) being able to capture a substantial share of the organization's most profitable business
- The slow adoption of new technologies
- A belief that the brand equals the branch network.

With approximately 18 500 branches or outlets in 1999/2000, compared with less than one-fifth of this number amongst its most obvious competitors, the organization had proved to be slow and monolithic in its response to the far more focused and agile behaviour of others. In order to overcome this – and indeed to survive – a number of significant changes were needed to the loss-making branch network, the most obvious of which was to identify with a far greater clarity exactly where and how the Post Office brand could best add value to the communications chain for business customers and consumers alike. The organization's response to this challenge was seen by the public to be perverse in that it announced in 2005 a fundamental review of its branch network and then a series of significant cuts to this, something that reduced levels of customer access and customer service.

The difficulties of balancing both the operational and the strategic dimensions of management has also been illustrated by Hoover's problems in coming to terms with the challenges posed by Dyson's entry to the vacuum cleaner market, and by the ways in which the major airlines such as BA, KLM and Lufthansa all experienced difficulties in meeting the challenge of the low-cost, no-frills entrants to the airlines market, such as Ryanair and easyJet. In the case of BA, for example, having been hit by the low-cost carriers and then by a series of other factors – including the 2001 foot and mouth outbreak, the slowdown in the USA and in the global economy, and the turmoil in the aviation industry after the terrorist attacks in the USA in September 2001 – the company responded by developing and then selling bring text bach its own low(ish) cost airline, Go!, in a management buyout for a little over £100 million. Eleven months later, Go! was taken over by easyJet for £374 million in a deal that strengthened BA's competitor yet further.

Given the nature of these comments, it should be apparent that achieving a consistent balance between operational and strategic issues is inherently problematic, although it is the ability to do this that ultimately determines the organization's overall level of marketing effectiveness.

The question of what determines marketing effectiveness has been the subject of a considerable amount of research, and is an issue to which we return at various points in the book. At this stage, therefore, we will limit ourselves to an overview of the sorts of factors that contribute to the effectiveness of marketing activity (see Illustration 1.2).

Illustration 1.2 The dimensions of marketing effectiveness

Although it is tempting to identify the characteristics of marketing effectiveness and to believe that the straightforward adoption of these will lead to business success, it is also potentially simplistic and dangerous, since it can lead to the view that this is the formula for success.

Nevertheless, there are certain elements that appear to contribute to effectiveness, and it is in this way that the list below should be seen:

- A strong sense of vision amongst the member of the senior management team
- A strong customer orientation across all aspects of the business and a fundamental recognition of the importance of the customer
- A detailed recognition of the relative value of different segments and customer groups and a clear policy of targeting and positioning
- A clarity and ambition of marketing objectives
- A detailed understanding of the organization's assets and competencies
- A detailed understanding of the market
- A willingness to redefine the market and create and exploit windows of opportunity

- The creation of one or more market breakpoints
- An emphasis upon differentiation and the leveraging of strong selling propositions
- A fundamental understanding of the strategic importance of competitive advantage
- The innovative management of each of the elements of the marketing mix
- A balanced product portfolio
- A commitment to product and process innovation
- An emphasis upon the coordination of activities across the organization
- A recognition of the fundamental importance of implementation.

1.5 THE MARKETING/STRATEGY INTERFACE

On the basis of a literature review, Greenley (1986, p. 56) has drawn some distinctions between strategic planning (seen as being of a long-term nature) and marketing planning (seen as being an annual exercise), including those listed in Table 1.1.

These differences indicate that strategic planning logically precedes marketing planning, by providing a framework within which marketing plans might be formulated. As Cravens (1986, p. 77) has stated:

> *Understanding the strategic situation confronting an organization is an essential starting point in developing a marketing strategy.*

This understanding can be derived from an assessment of:

- Organizational capabilities
- Threats from environmental forces
- Competitors' strengths and weaknesses
- Customers' needs

and fits into an iterative setting, as shown in Figure 1.6.

The strong interdependence of strategic and marketing planning is clearly seen in this diagram. We can use this interdependence to develop the marketing mix (of Figure 1.2 above) into a set of elements from which a competitive strategy might be developed (as in Figure 1.7). The aim should be to build strength in those elements that are critical to achieving superiority in areas deemed important by customers. In this way the organization should be able to challenge its competitors from a position in which it can use its relative strengths.

Table 1.1 Differences between strategic planning and marketing planning

Strategic planning	Marketing planning
Concerned with overall, long-term organizational direction	Concerned with day-to-day performance and results
Provides the long-term framework for the organization	Represents only one stage in the organization's development
Overall orientation needed to match the organization to its environment	Functional and professional orientation tends to predominate
Goals and strategies are evaluated from an overall perspective	Goals are subdivided into specific targets
Relevance of goals and strategies is only evident in the long term	Relevance of goals and strategies is immediately evident

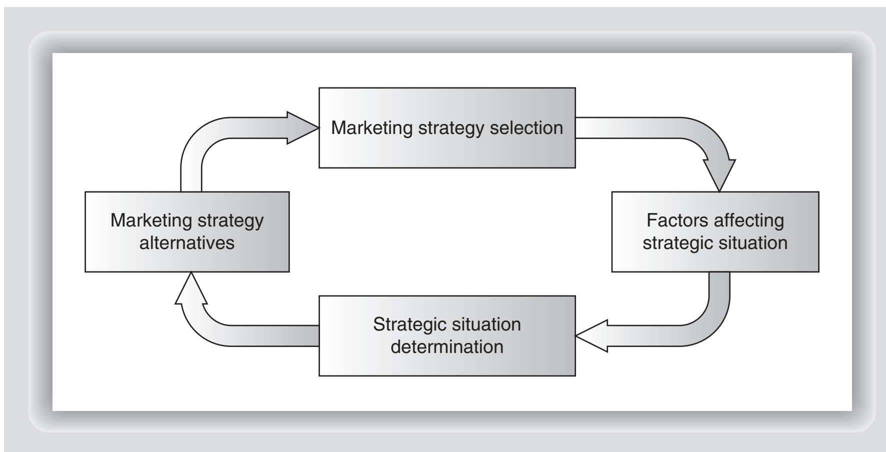

FIGURE 1.6 *The marketing strategy process*

The potential benefits of a strategic underpinning to marketing planning are probably apparent, but what about the problem of implementation? If implementation is ineffective, the carefully devised strategy will be unable to help in improving the organization's performance.

The question becomes, therefore: 'Given a specific type of strategy, what marketing structures, policies, procedures, and programs are likely to distinguish high performing business units from those that are relatively less effective, efficient, or adaptable?' (Walker and Ruekert, 1987, p. 15). Part of the answer is undoubtedly the extent to which the organization reflects a customer orientation.

FIGURE 1.7 *Elements of a competitive strategy (source: Milton and Reiss, 1985)*

Left-handed and right-handed organizations

The issue of customer orientation has been discussed by Doyle (1994, pp. 7–9) in terms of what he refers to as *left-handed* and *right-handed* organizations. For many senior managers, he argues, the principal business objectives are profitability, growth and shareholder value. There is, however, a danger in these, he suggests, in that they ignore the customer even though:

> *satisfied customers are the source of all profits and shareholder value. Customers can choose from whom they buy, and unless the firm satisfies them at least as well as competitors, sales and profits will quickly erode. Customer satisfaction should therefore be a prime objective and measure of the performance of managers.*

This led Doyle to highlight the differences between the two types of organization. In the case of left-handed or financially driven organizations, he suggests that the key planning mechanism is the financial plan or budget, with costs, expenses, debt and assets – and the elements of the marketing mix – all being controlled in order to achieve financial goals; this is illustrated in Figure 1.8. The consequence of this is that, when sales begin to

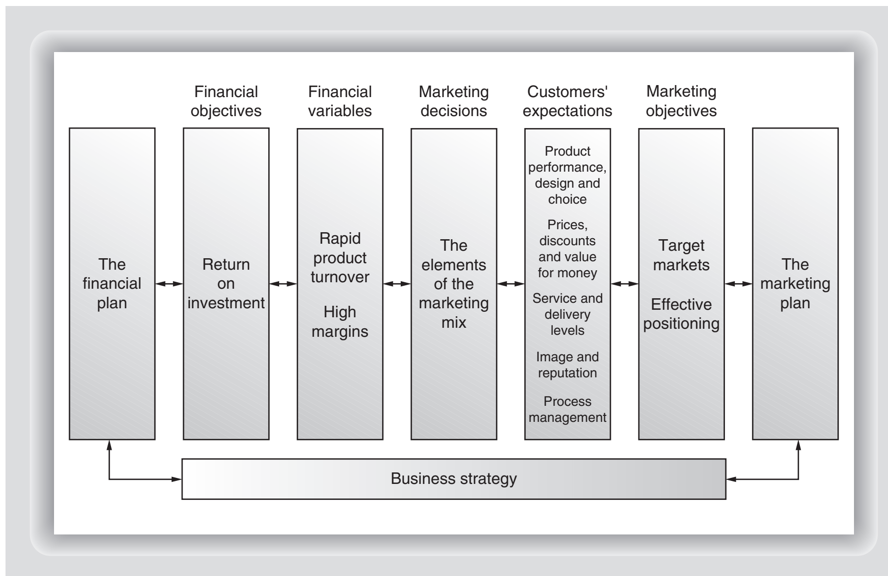

FIGURE 1.8 *The left-handed and right-handed organization (adapted from Doyle, 1994)*

slip, there is a tendency to cut back on areas such as advertising and R&D in order to maintain or boost profits.

By contrast, right-handed or market-driven organizations have as their primary focus the objective of satisfying customers. This involves defining and understanding market segments, and then managing the marketing mix in such a way that customers' expectations are fully met or exceeded. The difference between the two approaches, Doyle argues, is that 'Business decisions flow back from an understanding of customers rather than from a financial requirement.'

He went on to suggest that the market-led approach, which is based on the idea of achieving market leadership through superiority in meeting customers' needs, has typically been associated with Japanese organizations. By contrast, the financially driven approach has all too often been a reflection of British and US organizations. The idea of a left- versus right-handed orientation leads in turn to the notion of *wrong-side-up* and *right-side-up* organizations (see Figure 1.9). Given the importance to any organization of its customers, it follows that staff must be customer-led. Doyle argues that the truly fundamental importance of this has been recognized by relatively few organizations; those that have are the ones that achieve true customer delight.

Among those that have come to recognize the real significance of a customer orientation are Amazon, Tesco, Singapore Airlines, Caterpillar and, for a short time, in the 1980s, Scandinavian Airlines. Jan Carlzon, the

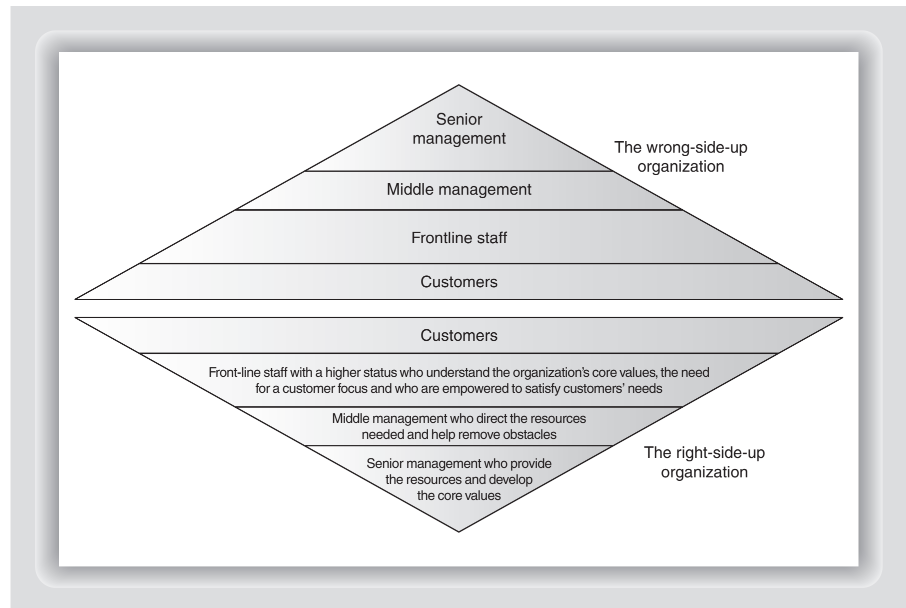

FIGURE 1.9 *The two types of organization (adapted from Doyle, 1994)*

airline's Chief Executive at the time, recognized at an early stage the importance of what he referred to as 'moments of truth'; these are the occasions when the customer deals with the organization's staff and is exposed to the quality of service and type of personal contact. Carlzon's thinking in turning round and revitalizing what was at the time a poorly performing airline was therefore straightforward. Because the airline's frontline staff, many of whom are in relatively junior positions, are the customer's only really visible point of contact with the airline, he argued that managers need to ensure that all staff understand and act out the values that senior management claims are important. This means they need to be the most customer-oriented, best-trained and most strongly motivated employees in the business. However, the reality in many cases is that these are the people who least understand the core values and are often only poorly trained. The net effect of this is that the organization fails to deliver to the customer what it promises.

In an attempt to overcome this, organizations have responded in a variety of ways, including downsizing, developing flatter structures and by supporting and empowering staff. In this way, a more firmly customer-led business in which frontline employees are more highly trained and motivated to satisfy customers' needs should emerge: this is illustrated in Figure 1.9.

Marketing's mid-life crisis

We started this chapter by talking about the nature of marketing and its contribution to the overall management process. However, whilst the arguments in favour of marketing, with its emphasis upon the identification of customers' needs and the delivery of customer satisfaction, are (or appear to be) strong, there was an increasing recognition throughout the 1990s that marketing was (or might be) facing what is loosely referred to as a 'mid-life crisis'. The basis for this comment was that, although a whole generation of management writers agreed upon the importance of consumer sovereignty, and hence the apparent and pivotal importance of marketing, there was a widespread and growing concern that 'something is amiss, that the (marketing) concept is deeply, perhaps irredeemably, flawed, that its seemingly solid theoretical foundations are by no means secure and that the specialism is teetering on the brink of serious intellectual crisis' (Brown, 1995, p. 42).

In developing this argument, Brown – who has been one of the wittiest and most vocal critics of marketing as it has traditionally been perceived and practised – made reference to a variety of commentators:

- Piercy (1991, p. 15), for example, maintains that the traditional marketing concept 'assumes and relies on the existence of a world which is alien and unrecognizable to many of the executives who actually have to manage marketing for real'.
- Gummeson (1987, p. 10) states that 'the present marketing concept … is unrealistic and needs to be replaced'.
- Rapp and Collins (1990, p. 3) suggest that 'the traditional methods … simply aren't working as well any more'.
- Brownlie and Saren (1992, p. 38) argue that 'it is questionable whether the marketing concept as it has been propagated can provide the basis for successful business at the end of the twentieth century'.
- Michael Thomas (1993) who, after 30 years of disseminating the marketing message, made the frank (and frankly astonishing) confession that he is having serious doubts about its continuing efficacy.

Hooley and Saunders (1993, p. 3), however, pursued a rather different line of argument, suggesting instead that the marketing concept had come of age in that, whereas even ten years earlier many senior managers had not *really* understood marketing, there appeared now to be a far deeper and wider appreciation of the concept and of the benefits that it was capable of delivering. To a very large extent this was due to the succession

Illustration 1.3 But does marketing work?

The question of whether marketing 'works', in the sense that it contributes to or is the principal influence upon higher and more sustained levels of business performance, has been the subject of a number of studies. Some of the best known of these were conducted by:

- Hooley and Lynch (1985), who examined 1504 British companies and concluded that the high performing organizations were characterized by a significantly greater market orientation, strategic direction and concern with product quality and design than the 'also rans'
- Narver and Slater (1990), who focused upon the marketing orientation of the senior managers in 140 North American strategic business units (SBUs) and identified not only a very strong relationship between marketing orientation and profitability but also that the highest degree of marketing orientation was manifested by managers of the most profitable companies
- Kohli and Jaworski (1990), who conducted a series of semi-structured interviews with marketing practitioners in the USA and discovered a high degree of managerial understanding of the three key component parts of the marketing concept (*customer orientation, coordination* and *profitability*), and that the perceived benefits of the marketing philosophy included better overall performance, benefits for employees and more positive customer attitudes
- Wong and Saunders (1993), who, as the result of a study of matched Japanese, American and British companies, demonstrated that organizations classified as 'innovators', 'quality marketeers' and 'mature marketeers' were significantly more successful in terms of profits, sales and market share than those classified as 'price promoters', 'product makers' and 'aggressive pushers'.

of studies that highlighted the contribution that effective marketing programmes are capable of making to organizational performance and success: a number of these are summarized in Illustration 1.3. However, despite this sort of evidence there was still a question mark over the direction that marketing should take in the future. Without doubt, one of the triumphs of marketing as a discipline over the past three decades had been the way in which it has been accepted in a host of areas by managers who previously had denied its value and scope for contributing to the sector's performance. Included within these are healthcare, not-for-profit organizations, leisure, religious movements, cultural organizations, and the political arena.

Nevertheless, there is still a significant degree of scepticism about the value and future role of marketing. In discussing this, Brown (1995, p. 43) focuses upon four stages of marketing acceptance. The first of these,

realization, is characterized by a general acceptance that the marketing concept is sound, but that there is often a problem with its implementation; the most common manifestation of this would be that of getting senior management to accept and embrace the concept. The net effect of this in many organizations has been 'a preoccupation with making marketing work through a heightened understanding of organizational politics and interfunctional rivalry … [and] a programme of internal marketing' designed to ensure that organizational transformation takes place.

The second position is *retrenchment* in which, again, the concept is seen to be sound, but there are certain circumstances in which it is either inappropriate or of little immediate relevance; many managers in the very fastest moving high-tech industries have, for example, argued that this is the case. Other sectors and markets in which its role and contribution is, it is argued, of little real value include commodity markets, public administration and poorly developed markets in which either there is a significant imbalance between demand and supply and/or an almost complete absence of infrastructure.

The third position, *rearrangement*, demands a far more fundamental reappraisal of marketing so that it can more easily and readily come to terms with the very different realities of today's markets. Webster (1988), for example, has argued for a move away from the position in which marketing and strategic management have, for many commentators, become synonymous. Instead of a myopic preoccupation with market share, competitor activity and so on, marketing should, he claims, return to its roots of a true customer focus. A broadly similar line of argument has been pursued by Christopher *et al*. (1991), who highlight the fundamental importance of marketing relationships rather than one-off transactions.

The fourth, final and most radical position is that of *reappraisal* which, according to Brown (1995, p. 45), gives acknowledgement to:

> *the simple fact that the marketing concept has not succeeded and is unlikely to prove successful in its present form. Despite the latter-day 'triumph' of marketing, the failure rate of new products is as high as it ever was – possibly higher. Consumerism, the so-called 'shame of marketing', is still rampant, especially in its virulent 'green' mutation. Selling has not, contra to the marketing concept, been rendered redundant, because few products actually sell themselves. Companies in countries where the marketing message has not been received loud and clear, such as Japan and Germany, continue to outperform their Anglo-American counterparts and, even in the latter milieux, businesses can still succeed without the aid of modern marketing.*

Redefining marketing: coming to terms with the challenges of the next decade and the move towards the era of consent

Against the background of our comments so far it is apparent that there is a strong case both for redefining marketing (see our earlier comments) and for thinking about the very different role that it should play in the first quarter of the twenty-first century. For many managers the need for this has been highlighted by the way in which a series of fundamental changes have taken place within many markets, which demand a new and possibly radical rethinking of strategies underpinned by a very different marketing paradigm. Prominent among these changes are:

- A series of significant demographic shifts, accompanied by a number of far-reaching social changes. In the case of the UK, for example, the proportion of the population aged over 50 is now greater than that under 16. At the same time, one in four children now lives with a lone parent, whilst 31 per cent of the population now lives alone. (Source: ONS, 2008). In *The Times* (17 January 2009, p. 12) it states that singles make up 31 per cent of UK households and this is expected to increase to 40 per cent – by far the main category of household.
- A significant shift in the balance of power between retailers and manufacturers
- The relative decline of a number of the megabrands as the result of attacks from low-branded, low-priced competitors
- The redefinition of their business and redrawing of boundaries within many organizations. In the case of the supermarkets, for example, 28 million UK shoppers now regularly buy clothes, electrical goods and furniture from the big grocery chains (George, Asda's clothing range, now has a bigger turnover than Gap or H&M in the UK, whilst Sainsbury's Turange is now seen to be a serious competitor for Top Shop)
- The disappearance within many industrial organizations of staff marketing departments, and their replacement by more focused functions with specific line responsibilities
- The decline in the demand for certain specialist marketing skills, including the collection and analysis of data
- The emergence of a 'new' type of consumer who demands a far higher value-added offer (refer to Chapter 6)
- The growth of social networking
- The development of a 24-hour society

- Markets that are characterized by infinitely more aggressive – and desperate – levels of competition
- The rapid growth of the Internet and on-line marketing. In 2006, for example, the Internet advertising market overtook that of national press advertising and the time that European consumers spend online overtook the time spent reading newspapers and magazines. (Source: Jupiter Research, 2006). Amongst the consequences of this was that in 2008 Google became the dominant force in British advertising
- The fragmentation of the media which has led to the emergence of several hundred television channels (this compares with just three main channels 25 years ago) and very different media habits
- A far greater understanding of the implications of behaviour upon the environment and a consequently greater emphasis within organizations upon the triple bottom line (this theme is developed later in the chapter).

It was against the background of the emergence of these sorts of changes that Kashani (1996, pp. 8–10) conducted an international study of 220 managers with a view to identifying the challenges that marketing managers were facing, how these might best be met, and what the implications for marketing might be. The findings suggested that, in order of importance, the principal challenges were seen to be:

1. High and rising levels of competition across virtually all markets
2. Far higher levels of price competition
3. An increasing emphasis upon and need for customer service
4. A demand for higher levels of product quality
5. Higher rates of product innovation
6. Changing and less predictable customer need
7. The emergence of new market segments
8. The growing power of distribution channels
9. Growing environmental ('green') concerns
10. Increases in government regulations
11. European integration
12. Increasing advertising and promotional costs

At the same time, there is now a far greater concern with the environment and a much greater awareness of the finite nature of many resources,

something that has led to the idea of the triple bottom line in which attention is paid not just to economic outcomes of marketing activity, but also to the social and environmental dimensions. It is this that, in turn, suggests that marketing has now reached the 'age of consequences'.

The increasing volatility of markets has also been referred to in a number of recent books, such as *The State We're In* (Hutton, 1995), *The End of Affluence* (Madrick, 1995), *The End of Work* (Rivkin, 1995) and *The Age of Turbulence* (Greenspan, 2007), all of which argue that the developed Western economies are facing a major step-change in their fortunes as unemployment levels rise, deficits persist and purchasing power declines. There appear to be two major forces that are contributing to these changes. The first is globalization, which leads to an opening up of domestic markets and to the threat of low priced foreign entrants. The second contributory factor is that of the seemingly ever faster pace of technological change. Together these demand that managers have a far more detailed understanding not only of their current and potential markets and of their organization's ability to capitalize upon the undoubted opportunities that exist, but also of the ways in which these threats might best be minimized; in essence, this is a case for marketers to recognize the fundamental need for their behaviour patterns to be what Ries and Trout (1986) discuss in terms of being faster, more focused and smarter. In the absence of this, an organization's ability to compete is reduced dramatically.

A broadly similar theme has been pursued by Ridderstråle and Nordström (2004) who, in their book *Karaoke Capitalism*, argue the case for the radically different approach of what they term 'the hollow corporation'. They suggest that:

> *A single corporate model has dominated business life for some 100 years – that of the vertically integrated company. This was a corporation where most activities were carried out internally. The firm made what it sold. This traditional model is crumbling. IT in general, and the Internet in particular, have ushered in a new age of information that has made markets more efficient and so shifted the advantage to those who play the markets most shrewdly. In essence, we have moved from a world of building to one of buying and the more non-core activities you place outside the firm, the higher the value you can generate. Amongst the techniques for doing this are the use of 'white-labelling' – the practice whereby a company supplying a product or service sells it to more than one distributor, with each one adding its own label before selling it to the end-user, and outsourcing.*
>
> *The net effect of this is the move on the part of an ever greater number of companies to being little more than a brand. However, it is the 'brand carrier' which takes responsibility for developing and then delivering on the brand promise.*

Amongst the examples of the organizations to have done this with enormous success that Ridderstråle and Nordström cite are Dell, Ikea, Nike and Sony Ericsson: 'If, for example, you buy a pair of trainers from Nike or a phone from Sony Ericsson, they are not actually made by Nike or Sony Ericsson, but the company that is selling to the final consumer has to accept responsibility for the entire chain.'

They go on to suggest that a modern company, is 'like a Lego model. Once, activities and units were welded together. Today you can take them apart and move the pieces around.'

In making out the case for 'Karaoke Capitalism', the two authors have highlighted the way that although the boundaries of firms were always moved backwards and forwards, the boundaries today are moving more quickly, with more and more activities being shifted outside the corporation. These changes, Freedman (2004) has argued, are being driven by politics and technology, including the liberalization of international trade (the average level of tariffs in industrial countries is now less than a tenth of the level before the Second World War) and the growth of IT, with personal computers, the Internet and fibre-optic cables all being capable of transferring huge amounts of data at high speed and low cost. These factors, he suggests, have exposed companies to ever more global competition, putting ever more pressure on them to cut costs by outsourcing and offshoring, both of which have become ever easier, but which have significant implications for business behaviour.

But, although the new market environment demands more innovative thinking and more creative ways of tackling the market, there are, in many organizations, significant barriers to this. These are illustrated in Figure 1.10.

Given the nature of these opposing forces and of the likelihood of those on the right-hand side leading to a failure on the part of the organization to change, the marketing planner needs to focus upon a number of issues,

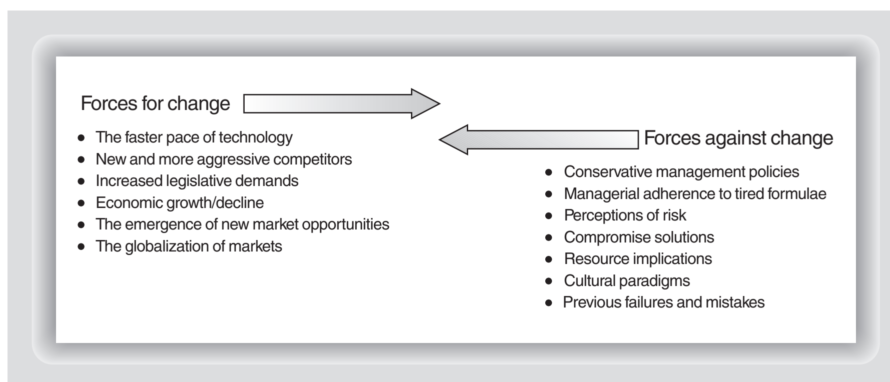

FIGURE 1.10 *The conflicting environmental and organizational forces*

including what Hamel and Prahalad (1994, pp. 49–71) refer to in terms of 'learning to forget'. (This is an issue that is developed in detail in Chapter 11.) In arguing for this, they suggest that far too many managers, while acknowledging at an intellectual level the need for change, fail to accept it at an emotional level. In other words, while they are aware of the environmental changes taking place and accept the need to behave more proactively, they are often far too constrained by day-to-day pressures and resist the need for change.

In order to overcome this myopia, Fisk (2006) makes a case for what he terms 'smart marketing' that is characterized by far clearer differentiation and more accurate targeting, whilst Wind (1996, p. 7) has argued that there needs to be a far greater emphasis upon being close to the customer, together with a far more fundamental recognition of the importance of customer satisfaction, the need for customer relationship building, an emphasis upon understanding customer value and the enhanced product offering, and that brand equity stems from a loyal customer base.

The implications of what both Fisk and Wind suggest can be seen to be far-reaching, including the way in which marketing needs to be looked at from a pan-organizational perspective rather than from the far narrower departmental perspective that predominates in many organizations. In turn, this different approach demands a rethinking of an organization's vision, objectives, strategies and structures, as well as of the sorts of skills that its staff need.

In discussing this, Wind (1996, p. 7) argues that managers need to ask – and answer – 12 questions:

1. Is marketing and its focus on meeting and anticipating customers' needs widely accepted as a business philosophy?
2. Are the business and corporate strategies focused on creating value for all the stakeholders?
3. Do the objectives include customer satisfaction and the creation of value?
4. Is the marketing function integrated with the other functions of the company as part of the key value-creating process?
5. Are the key marketing positions market segment (or key account) managers?
6. Are products viewed as part of an integrated product and service offering that delivers the desired benefit positioning for the target segment?
7. Is the marketing strategy global in its scope?
8. Is full use being made of market research and modelling in generating and evaluating marketing and market-driven business strategies?

9. Is there an emphasis upon information technology as an integral part of the organization's marketing strategies?

10. Does a significant part of the marketing effort constitute innovative practices not previously used by the organization and its competitors?

11. Are strategic alliances for co-marketing activities being formed, and are marketing strategies based on the development of long-term relationships with clients?

12. Is there a sufficient focus of attention and resources upon message effectiveness (instead of media power) and value-based pricing (instead of discounting)?

He goes on to argue that it is not enough just to answer 'yes' to these 12 questions, but that there is also a need to recognize the interrelationships between many of the questions and that the corporate vision and objectives *must* reflect a marketing orientation. This, in turn, highlights the critical importance of ensuring that the organizational architecture (this embraces the culture, structure, processes, technology, resources, people, performance measures and incentives) is focused upon the implementation of the new marketing paradigm. This paradigm, Wind suggests, can best be summed up in terms of building upon the historical role of marketing as the linkage between the organization and the environment, but that also focuses upon the 12 questions above, and which, in turn, has implications for marketing as:

- The leading business philosophy
- The knowledge and wisdom centre of the company that provides all organizational members with concepts and findings about customers and tools for measuring and forecasting customer behaviour and models and decision-support systems for improving the quality of marketing and business decisions
- The growth engine that, through creative marketing strategies that utilize technology and mobilize the other business functions of the company, stimulates the top-line growth of the company.

Fisk's view (2006) is that marketers need to start thinking and executing plans differently. Recognizing that what has worked in the past no longer necessarily works today demands different patterns of thinking and a much higher degree of innovation. In the case of communications, for example, he suggests that it involves moving from the communications free-for-all to an era of consent in which consumers and prospectors are asked how and when they want to talk to you.

Illustration 1.4 The Opposable Mind

Within the hotels business, traditional thinking over many years had led to the emergence of two main business models: large hotels whose economies of scale allowed them to provide business travellers with extra services, and small hotels that offered a greater degree of customer intimacy, but little else. The conventional wisdom was that in order to offer secretarial services, a variety of dining rooms and entertainment and meeting rooms, the hotel needed revenue from at least 1000 rooms. Isadore Sharpe, the founder of Four Seasons, recognized that many business travellers wanted intimacy and service. It was by bringing together the two seemingly contradictory business models that the Four Seasons strategy emerged.

Equally, in 2000, when Procter & Gamble was losing market share to lower cost generic and own-store brands, views within the organization were polarized between those who wanted to cut costs and compete on price, and those who wanted to invest heavily in new products in order to compete on the basis of innovation and added value. The newly appointed Chief Executive, A.G. Lafley, pursued a strategy of outsourcing half of all new product development to small companies and laboratories, thereby cutting costs, but also getting the innovation needed.

In the case of Red Hat, the largest supplier of Linux open-source software, the founder, Bob Young, questioned the industry views and succeeded by focusing upon the product, service levels and the quality of consulting to such a degree that large organizations decided that they could safely switch to Linux freeware from the more traditional and far more expensive suppliers such as Microsoft and Oracle.

Source: How to Rise Above the Either/or Dilemma, R. Evans, *Financial Times*, 20 December 2007, p. 14.

The need for different patterns of thinking has also been highlighted by Martin (2007), who argues that too many strategists in the past have taken an either/or approach that has oversimplified the complexities of the world. What is required instead, he suggests, is a more integrative and advanced thought process that allows for contradictions to be embraced. In his book *The Opposable Mind* he pursues this idea and highlights the way in which success is increasingly based on an ability to reconcile contradictions and integrate possibly very different views, something that has been at the heart of the success in recent years of Four Seasons hotels, P&G, and Red Hat (refer to Illustration 1.4).

Given the nature of these comments, it should be apparent that marketing is facing a series of fundamental challenges and that many planners are reappraising how marketing might best contribute to the overall management of an organization. As part of this debate, Figure 1.11 attempts to pull together the kinds of relationships that should or might realistically exist between marketing and other areas of a marketing organization. Within this there are several areas to which attention needs to be paid, but most obviously the characteristics of corporate management (the long-term

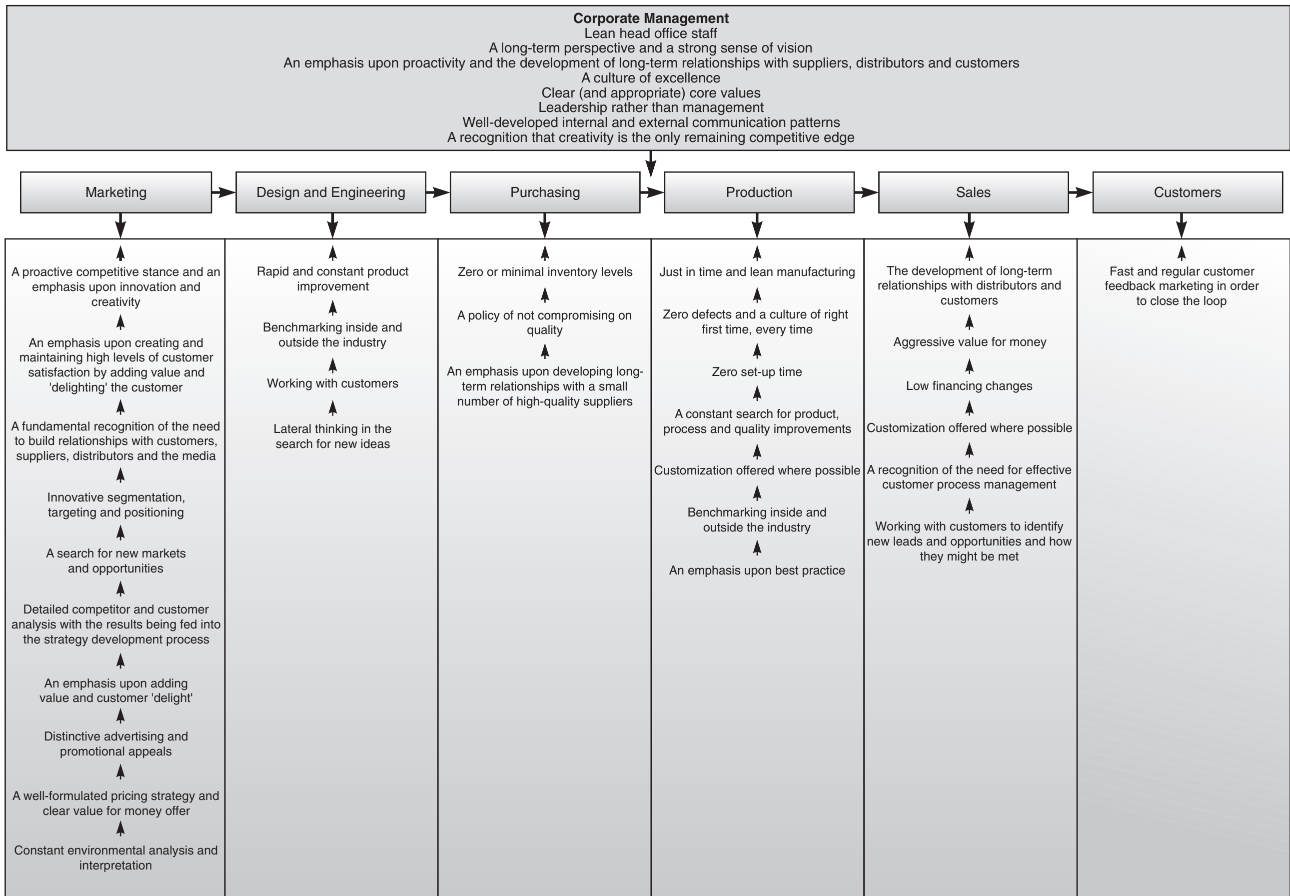

FIGURE 1.11 *Marketing and its contribution to effective management*

perspective, a sense of vision, clear values, proactive patterns of thought and behaviour, and so on), the process linkages between marketing and the other functions, and to the sorts of factors that characterize the effective management of each of the five functions identified.

Changing emphases within marketing

As the part of the organization that interacts most directly and immediately with the environment, there is an obvious need for the marketing planner to investigate, analyse and respond to any environmental changes that are taking place. If this is not done – or if it is done only poorly – not only will opportunities be missed, but potential and emerging threats are also more likely to become actual threats, both of which will be reflected in a decline in performance. Because of this, the marketing planner needs to develop a clear vision of the future and of the ways in which the business environment is most likely to develop. In doing this, it is essential that the planner recognizes how patterns of marketing thinking are changing and how the organization might best come to terms with areas of growing importance.

Recognizing this, we can identify a number of marketing priorities that marketers need to address:

- As the pace of change increases, the speed of anticipation and response will become ever more important and time-based competition more essential
- As markets fragment, so customization will become ever necessary. With expectations rising, quality will become one of the *basic* rules of competition (in other words, a 'must have') rather than a basis for differentiation
- Information and greater market knowledge will provide a powerful basis for a competitive advantage
- Sustainable competitive advantage will increasingly be based upon an organization's core competences. The consequences of a lack of strategic focus will become more evident and more significant
- As market boundaries are eroded, the need to think globally will become ever more necessary. In this way, the marketing planner will be able to offset temporary or permanent declines in one market against growing opportunities in another. At the same time, of course, the need to recognize the strategic significance of size and scale is increasing. However, in going for size, the marketing planner should not lose sight of the need for tailoring products and services to the specific demands of markets by thinking globally but acting locally

- Differentiation will increasingly be based upon service
- Partnerships with suppliers and distributors will become far more strategically significant
- Strategic alliances will become more necessary as a means of entering and operating within markets, partly because they offer the advantages of access to greater or shared knowledge, but also because of the sharing of costs and risks
- There will be a far greater emphasis upon product, service and process innovation
- There will be a need to recognize the greater number and complexity of stakeholders' expectations.

In turn, these marketing priorities have substantial implications for organizational structures and cultures. Doyle (1994, pp. 384–6), for example identified the 10 most obvious of these as being the need to:

1. Break hierarchies and reorganize around flatter structures
2. Organize around small(er) business units
3. Develop self-managing teams
4. Re-engineer
5. Focus upon developing networks and alliances
6. Move towards transactional forms of organization
7. Become a true learning organization
8. Emphasize account management in order to integrate specialist expertise across the organization for the benefit of the customer
9. Recognize the importance of 'expeditionary marketing' so that, instead of focusing upon what Hamel and Prahalad (1994) refer to as *blockbuster innovation* designed to get it right first time, the organization concentrates upon developing a stream of low cost fast-paced innovative products
10. Rethink the way in which the board of directors operates so that it focuses to a far greater extent upon strategic direction rather than control and day-to-day management.

Marketing and a shift of focus

Many of the sorts of changes to which we have referred are reflected in the way in which we have seen a move from the sort of mass marketing that prevailed up until the mid-1970s, through just-in-time thinking and time-based competition, to the far greater emphasis today upon one-to-one

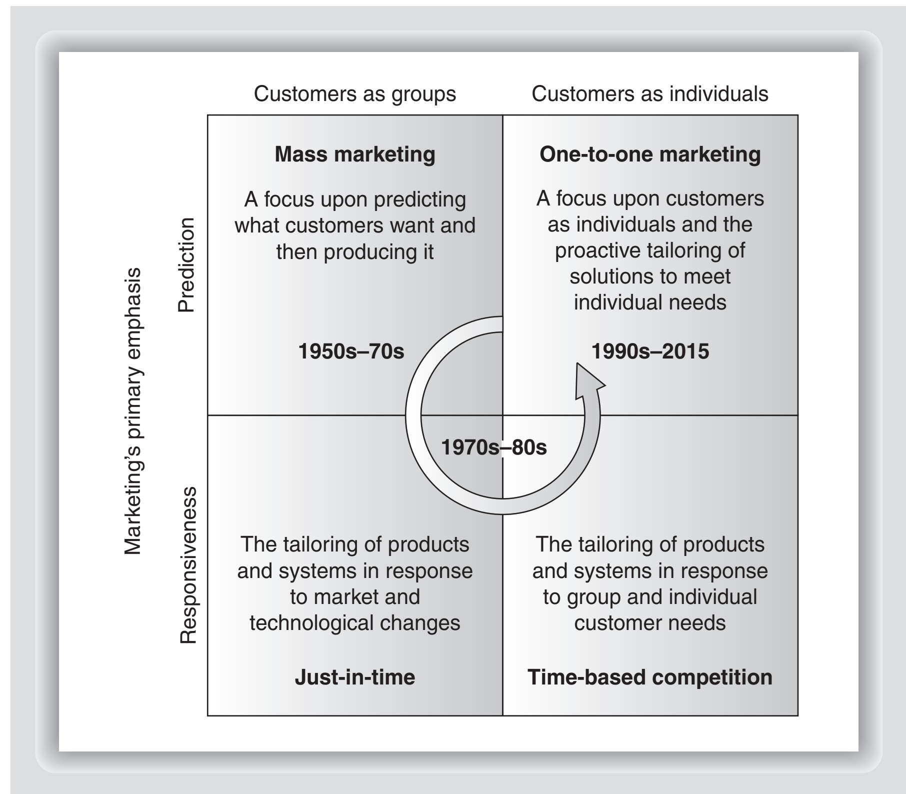

FIGURE 1.12 *The shift from mass marketing to one-to-one marketing (adapted from Datamonitor Analysis, 1996)*

marketing. This is illustrated in Figure 1.12. These changes are also reflected in Table 1.2 (see p. 36), which shows the emergence of different marketing paradigms, culminating in today's paradigm of electronic marketing (the role of the Internet in marketing is discussed in greater detail in Chapter 11 of the book).

Although the most obvious driver for this move towards the emerging paradigm of electronic marketing is the development of the technology itself, there are several underlying factors that have led analysts to question marketing practices and the need for a degree of rethinking. In 1993, for example, Coopers & Lybrand (as it then was) surveyed 100 companies and concluded that marketing departments were 'ill focused and over-indulged'. In the same year, McKinsey released a report suggesting that 'marketing departments have shown themselves to be "unimaginative", generating "few new ideas", and have simply stopped "picking up the right signals" … many consumer goods CEOs are beginning to think that marketing is no longer delivering'. A year later, Booz Allen Hamilton issued a report warning that 'brand managers were failing to get to grips with commercial realities'.

Table 1.2 Marketing's four paradigms: the shift from mass marketing to electronic marketing

	Mass marketing (traditional paradigm)	Target marketing (transitional paradigm)	Customer marketing (the new paradigm)	Electronic marketing (the emerging paradigm)
Key characteristics	Mass selling	Marketing segmentation	A focus upon key customers and database management	The Internet
Underlying assumptions and approaches	■ Consumers are satisfied with a standard product ■ Resellers are used to reach the consumer ■ Heavy advertisers will be successful	■ Markets consist of distinct and definable groups ■ Success is gained from clear customer targeting and the development of a strong position within particular segments ■ Targeting can be achieved through market analysis	■ Databases enable organizations to store and interrogate customer information to provide insight ■ Performance is improved by focusing on individual's needs ■ The costs of customization are reducing all the time ■ Technology now allows for direct marketing	■ Customer are more demanding, more discriminating and less loyal; they demand more information and are capable of processing this effectively ■ Buyers want 24-hour access to develop a dialogue ■ Markets are increasingly global in their nature
Weaknesses and failings	■ A lack of focus and the subsequent waste of resources ■ It ignores the demand for individual responses	■ Large and profitable segments attract numerous players ■ Customers shift from one segment to another and may belong to contradictory segments ■ Segments may be illusory ■ Some financial services organizations	■ 'Databases' are often just lists of names and addresses rather than detailed customer profiles ■ Database management and database mining skills are often more limited than is needed	■ Customers may be concerned about security

Given the nature of these (and other) comments, a number of marketing strategists have come to recognize the need for a far stronger and tighter focus upon customers, far better and more effective feedback systems, and a generally more strategic approach to customer management – something that has helped in this movement away from the traditional mass marketing paradigm.

So why do great companies fail?

Long-term success is typically based on a combination of investment, innovation, the creation of value and – very importantly – a strong emphasis upon strategic management, something to which Ormerod (2006) refers in his book *Why Most Things Fail*. In his analysis of US firms, he points to the way in which only 33 of the top 100 firms in 1919 were still in the list 60 years later. Taking the US firms as a whole, the rate of extinction averages 10 per cent a year over a long period. Although 'extinction' includes both liquidations and mergers and it is often difficult to disentangle the two, Ormerod's key point is that as independent entities, firms regularly disappear and that those that succeed in the long-term do so because of the quality of their strategies.

However, the quality and consistency of strategic thinking in many organizations has been severely criticized over the past few years. De Kare-Silver (1997), for example, highlights two studies: one from the consulting firm Kalchas CSC Index, which suggested that 'only one in ten companies had the information or insight needed to make truly worthwhile strategic decisions'; and one from *Business Week* (1996), which claimed that 'only 6% of executives rated their company highly for long-term planning skills'.

This led Hamel and Prahalad (1994) to suggest that in many organizations there is an inherent tension between their past and their future, which, unless it is addressed in a radical way, ultimately leads to the organization's decline and failure. This is illustrated in Figure 1.13.

In discussing this, de Kare-Silver (1997) suggests that those organizations that do manage to overcome this tension have several common features:

- A clear sense of purpose and direction
- Clearly articulated strategies
- Continuous investment
- A focus of resources and effort
- A commitment to the long-term
- A determination to overcome roadblocks

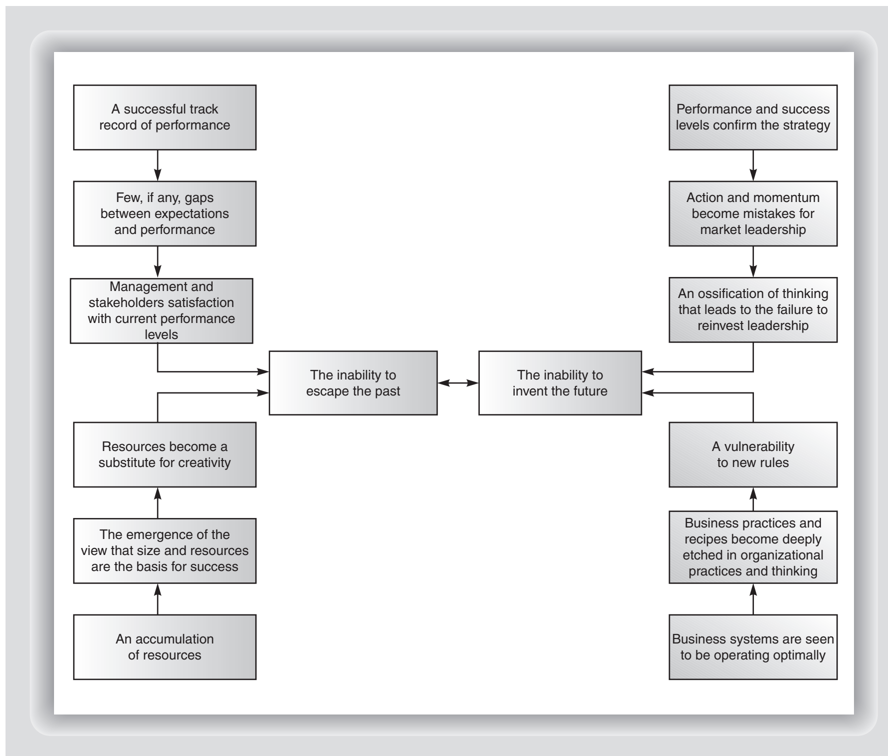

FIGURE 1.13 *Escaping the past and inventing the future (adapted from Hamel and Prahalad, 1994)*

- A relentless focus on *making* their future
- An emphasis on implementation.

In essence, he suggests they understand competitive advantage and what it takes to win. It is this sort of issue that effective strategic marketing planning is designed to address.

The four horsemen of the corporate apocalypse and the emergence of the neo-marketing organization

Given what has been discussed so far within this chapter, it can be argued that there are two types of organization: those with a marketing department, and those with a marketing soul. Those with a marketing department tend to believe still that the business models and formulae that have worked well in the past will continue to work well in the future, despite the sorts of often radical changes that have affected and still are affecting the vast majority of markets. Those with a marketing soul can be seen to be those organizations in which the senior management team has recognized that the way in which marketing had for a long time been interpreted was far

too functional and far too limited. It is this that has led to the rise of what might be termed the neo-marketing organization.

One of the first highly credible criticisms of marketing came from Brady and Davies (1993), two consultants working for the management consultancy McKinsey & Co. They argued that 'doubts are surfacing about the very basis of contemporary marketing'. They went on to say that 'costly brand advertising often dwells on seemingly irrelevant points of difference' and that 'marketing departments are often a millstone around an organization's neck'. As evidence of this, they suggested that there were far too few examples of new marketing frameworks or fresh approaches: 'Although the business environment has changed dramatically, marketers are simply not picking up the right signals any more.'

These views have subsequently been echoed by a number of other authors and commentators (see, for example, Brannan, 1993; Thomas, 1994).

A number of factors appear to have conspired to have invalidated traditional patterns of marketing thought, the four most significant of which were the saturation of numerous markets, globalization, market fragmentation, and corporate downsizing. Referred to by Brown (1995) as the four horsemen of the corporate apocalypse, he argues that, if organizations are to cope effectively with these pressures, there is the need for a neo-marketing approach, characterized by four key dimensions that together help to create a far more customer-centric and competitive organization:

1. *A far stronger corporate philosophy* in which emphasis is given to 'treat(ing) each customer as if they are the only one'.

2. *The much greater and more effective use of teams* from across the organization, with these teams having to meet specific targets such as the development of a new brand for an emerging segment or the re-launch of a product line. Having achieved the objectives, the team then disbands. Clusters therefore form, break and reform on a regular basis in order to move in time with the rhythm of the market.

3. *The better use of alliances* in areas such as R&D, so that knowledge can be shared more effectively and mutual advantage can be gained through corporate symbiosis.

4. *IT-driven thinking* that provides a far greater insight into customers' patterns of thinking and behaviour, and helps to overcome the confusion caused by market fragmentation and saturation. By using information technology strategically, the marketing planner gains a far greater understanding of buying habits, cross-brand elasticities, marketing sensitivities and market structures, and in this way can raise barriers to entry and move further towards 'owning the customer'.

1.6 SUMMARY

This chapter has sought to offer some ideas constituting a framework for the rest of the book. We began by considering the nature of management and of the management process. The process is often characterized in the following stages:

- Planning
- Decision-making
- Control.

These are related to a series of questions:

- Where are we now?
- Where do we want to be?
- How might we get there?
- Which way is best?
- How can we ensure arrival?

In this book we focus very largely on the first two of these questions.

Strategy can be seen as a normative matter concerning what an organization would like to achieve. As such, it:

- Guides the organization in its relationship with its environment
- Affects the internal structure and processes of the organization
- Centrally affects the organization's performance.

Marketing, via its policies and programmes relating to product, price, service, distribution and communications, can provide the means to facilitate the attainment of a strategy.

The extent to which the strategy is achieved provides a measure of the organization's effectiveness. Any organization's effectiveness depends upon the balance between what is desired and what is achieved on the one hand, and paying due regard to the requirements of all stakeholders, whether internal or external, on the other. It is through the process of organizational control that managers seek to achieve organizational effectiveness, and this gives a reference point for all that follows. However, it should be apparent from what has been discussed within this chapter that marketing is undergoing a series of significant changes and that this is being reflected in the ways in which the subject is defined. If, though, marketing is to succeed, it must offer the customer a clear and meaningful value proposition. In the absence of this, marketing is of little value. Recognizing this, we can contrast what might loosely be called the traditional physical product sequence

of 'make the product and sell the product', with the value delivery sequence that is based on a clear understanding of what value means to the customer and which then reflects the idea of 'choose the value, provide the value and communicate the value'. It is this theme that provides the basis for much of what is said in the subsequent chapters.