No profit grows where is no pleasure taken.

WILLIAM SHAKESPEARE

Marketing now

PART one

Chapter 1 Marketing now ■ **Chapter 2** Strategic marketing

PART ONE OF PRINCIPLES OF MARKETING examines marketing's role in an organisation, the activities that constitute marketing and how the parts are integrated into a marketing plan.

Chapter 1 shows how marketing is everywhere. It also tells how marketing has grown with the belief that organisations do best by caring for their customers. It then looks at the marketing activities appearing elsewhere in Principles of Marketing and shows how they combine to make modern marketing.

Chapter 2 takes the discussion from what marketing does to how marketing is done. In developing the strategic marketing planning process, it looks at how marketing fits with other business activities, the making of a marketing plan and how the plans become actions.

Marketing is to selling
What seduction is to abduction.

Marketing now

CHAPTER one

Chapter objectives

After reading this chapter, you should be able to:

- Define *marketing* and discuss its core concepts.
- Define marketing management and examine how marketers manage demand and build profitable customer relationships.
- Compare the five *marketing management philosophies*.
- Differentiate the parts of the *marketing process* and show how they relate to each other.

Mini Contents List

Prelude case Nike

Nike has built the ubiquitous 'SWOOSH' (which represents the wing of Nike, the Greek goddess of victory) into one of the best-known brand symbols on the planet.

The power of its brand and logo speaks loudly to Nike's superb marketing skills. The company's strategy of building superior products around popular athletes and its classic 'Just do it!' ad campaign have forever changed the face of sports marketing. Nike spends hundreds of millions of dollars annually on big-name endorsements, splashy promotional events and many attention-getting ads. Nike has associated itself with some of the biggest names in sports: heroic images of Tiger Woods, Renaldo, Ronaldinho and Kelly Holmes made many people who wear the swoosh feel as if they were winners!

> But Nike's biggest obstacle may be its own incredible success.

Nike's initial success resulted from the technical superiority of its running and basketball shoes. But Nike gives its customers more than just good athletic gear. As the company notes on its Web page (www.nike.com): 'Nike has always known the truth – it's not so much the shoes but where they take you.' Beyond shoes, apparel and equipment, Nike markets a way of life, a sports culture, a 'Just do it!' attitude. The company was built on a genuine passion for sports, a maverick disregard for convention, hard work and serious sports performance. Nike is athletes, athletes are sports, *Nike is sports*.

Over the past decade, Nike's revenues grew at an incredible annual rate of 21 per cent. Nike, with a 27 per cent share internationally, dominates the world's athletic footwear market.

Nike also moved aggressively into new markets, from baseball and golf to inline skating and rock climbing. Its familiar swoosh logo is now found on everything from sports apparel, sunglasses and footballs to batting gloves and hockey sticks.

In 1998, however, Nike stumbled and its sales slipped. Many factors contributed to the company's woes. The 'brown shoe' craze for hiking and rugged, outdoor styles such as Timberland, Hush Puppies and Doc Martens ate into the athletic footwear business. Nike also faced increasing competition from Adidas, Germany's venerable sporting goods company, and from clothing designers such as Tommy Hilfiger and Ralph Lauren. In Europe, Nike and Adidas maintain a fierce battle for leadership with about 24 per cent market share each. To make matters worse, college students and consumer groups at home have protested against Nike for its alleged exploitation of child labour in Asia and its commercialisation of sports.

But Nike's biggest obstacle may be its own incredible success. A Nike executive admits that Nike has moved from maverick to mainstream, and the swoosh is becoming too common to be cool. How can a swoosh be cool when mums, dads and grandmas wear them? According to one analyst, 'When Tiger Woods made his debute in Nike gear, there were so many logos on him he looked as if he'd got caught in an embroidering machine.' The world was over swooshed!

To address these problems, Nike went back to basics – focusing on innovation and introducing new sub-brands: 'jumping man' logo and the ACG [All Condition Gear] line of outdoor and hiking styles. Recent advertising de-emphasises the swoosh, refocusing on product performance and using only the Nike script logo name.

However, to win globally, Nike must dominate in soccer, the world's most popular sport. Elbowing its way to the top in soccer will not be easy. Adidas has long dominated, with an 80 per cent global market share in football gear. Moreover, Nike must deliver worldwide quality, innovation and value and earn consumers' respect on a country-by-country basis. No longer the rebellious, anti-establishment upstart, huge Nike must continually reassess its relationships with customers. Says its founder and chief executive, Phil Knight, 'Now that we've [grown so large], there's a fine line between being a rebel and being a bully. [To our customers,] we have to be beautiful as well as big.'[1]

Questions

1. What would you consider Nike's 'superb marketing skills'?
2. Why does Nike require these skills to compete in the marketplace?
3. Show how marketing principles and practices will enable Nike to satisfy these needs, bearing in mind the company's diverse range of product and geographic markets.

Introduction

Today's successful companies have one thing in common. Like Nike, their success comes from a strong customer focus and heavy commitment to marketing. These companies share an absolute dedication to sensing, serving and satisfying the needs of customers in well-defined target markets. They motivate everyone in the organisation to deliver high quality and superior value for their customers, leading to high levels of customer satisfaction. These organisations know that if they take care of their customers, market share and profits will follow.

Marketing is about customers. Customers are an essential component of a marketing system. Each one of us is a customer in every area of human interrelation, from the consumption of education and health care and the queue in the post office to flying in a discount airline, and in every financial transaction, from the buying of biscuits to the purchase of a mobile phone. Creating customer value and satisfaction is at the very heart of modern marketing thinking and practice. Although we will explore more detailed definitions of marketing later in this chapter, perhaps the simplest definition is this one: marketing is the delivery of customer satisfaction at a profit. The goal of marketing is to attract new customers by promising superior value, and to keep current customers by delivering satisfaction.

Many people think that only large companies operating in highly developed economies use marketing, but sound marketing is critical to the success of every organisation, whether large or small, domestic or global. In the business sector, marketing first spread most rapidly in consumer packaged-goods companies, consumer durables companies and industrial equipment companies. Within the past few decades, however, consumer service firms, especially airline, insurance and financial services companies, have also adopted modern marketing practices. Business groups such as lawyers, accountants, medical practitioners and architects, too, have begun to take an interest in marketing and to advertise and price their services aggressively. Marketing has also become a vital component in the strategies of many non-profit organisations, such as schools, charities, churches, hospitals, museums, performing arts groups and even police departments.

Today, marketing is practised widely all over the world. Most countries in North and South America, Western Europe and Asia have well-developed marketing systems. Even in Eastern Europe and the former Soviet republics, where marketing has long had a bad name, dramatic political and social changes have created new opportunities for marketing. Business and government leaders in most of these nations are eager to learn everything they can about modern marketing practices.

You already know a lot about marketing – it is all around you. You see the results of marketing in the abundance of products that line the store shelves in your nearby shopping centre. You see part of marketing in TV advertising, in magazines and on Internet pages. At home, at college, where you work, where you play – you are exposed to marketing in almost everything you do. Yet, there is much more to marketing than meets the consumer's casual eye. Behind it is a massive network of people and activities competing for your attention, trying to understand what you want, and striving to fulfil that want. As Jeff Boz, the founder of Amazon, explains, 'If you focus on what customers want and build a relationship, they will allow you to make money.'

This book will give you an introduction to the basic concepts and practices of today's marketing. In this chapter, we begin by defining marketing and its core concepts, describing the major philosophies of marketing thinking and practice, and the range of activities that make up marketing.

What is marketing?

What does the term *marketing* mean? Many people think of marketing only as selling and advertising. And no wonder, for every day we are bombarded with television commercials, newspaper ads, direct mail campaigns, Internet pitches and sales calls. Although they are important, they are only two of many marketing functions and are often not the most important ones.

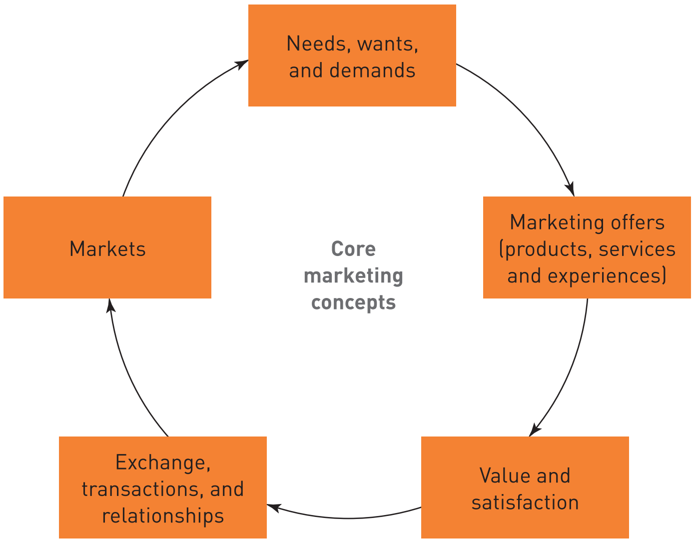
Today, marketing must be understood not in the old sense of making a sale – 'telling and selling' – but in the new sense of *satisfying customer needs*. Selling occurs only after a product is produced. By contrast, marketing starts long before a company has a product. Marketing is the homework that managers undertake to assess needs, measure their extent and intensity and determine whether a profitable opportunity exists. Marketing continues throughout the product's life, trying to find new customers and keep current customers by improving product appeal and performance, learning from product sales results and managing repeat performance.

Everyone knows something about 'hot' products. When Sony designed PlayStation, when Nokia introduced fashionable mobile phones, when The Body Shop introduced animal-cruelty-free cosmetics and toiletries, these manufacturers were swamped with orders. Like Swatch and Smart Car, they were 'right' products offering new benefits; not 'me-too' products. Peter Drucker, a leading management thinker, has put it this way: 'The aim of marketing is to make selling superfluous. The aim is to know and understand the customer so well that the product or service fits . . . and sells itself.'[2] If the marketer does a good job of identifying customer needs, develops products that provide superior value, distributes and promotes them effectively, these goods will sell very easily. This does not mean that selling and advertising are unimportant. Rather, it means that they are part of a larger marketing mix – a set of marketing tools that work together to affect the marketplace.

Marketing—A social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

We define **marketing** as *a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others*. To explain this definition, we examine the following important terms: *needs*, *wants and demands*; *products* and *services*; *value*, *satisfaction and quality*; *exchange*, *transactions and relationships*; and *markets*. Figure 1.1 shows that these core marketing concepts are linked, with each concept building on the one before it.

Figure 1.1 Core marketing concepts



This ad is selling the product, but the Smart Car is the result of marketing from the ground up where the innovative vehicle was designed for an emergent market of fashionable, urban living, young drivers.
SOURCE: DaimlerChrysler UK Ltd.

Each part of the marketing definition defines what marketing is and how it is practised. In business-to-business marketing, where professional organisations *exchange products of value to each other*, marketing can be an *exchange* between similar *individuals and groups.* This contrasts with consumer markets where marketing is not an *exchange* between similar *individuals and groups.* In consumer markets, for one group marketing is a *managerial process* pursued to fulfil their *needs and wants*, while the other group is just going through life fulfilling their *needs and wants.* With this difference identified, the definition of marketing identifies marketing's unique contribution to an organisation and the demands it imposes.

What is marketing?	A *managerial process* deployed by an organisation (*individual or group*).
What is its objective?	To fulfil the *needs and wants* of the deploying organisation. These could be anything. They could be to maximise profits, although the objective of commercial marketers is usually to achieve sales targets or market share objectives. More generally, the objective for a profit or non-profit organisation could be to change the *needs and wants* of *other individuals or groups*, for example to increase the *want* of *individuals* for protection against AIDS.
How is this achieved?	A *social process* whereby *other individuals or groups obtain needs and wants* by *creating and exchanging products and value.* This limits how the deploying organisation behaves. It has to understand the *needs and wants* of *other individuals or groups* and change itself so that it can *create products and value* that it can *exchange.*

The essence of marketing is a very simple idea that extends to all walks of life. Success comes from understanding the needs and wants of others and creating ideas, services or products that fulfil those needs and wants. Most organisations, from Boo.com to WorldCom, fail because they fail to fulfil the wants and needs of others.

Needs, wants and demands

Human need—A state of felt deprivation.

The most basic concept underlying marketing is that of human needs. **Human needs** are states of felt deprivation. They include basic *physical* needs for food, clothing, warmth and safety; *social* needs for belonging and affection; and *individual* needs for knowledge and self-expression. Marketers did not invent these needs; they are a basic part of the human make-up. When a need is not satisfied, a person will do one of two things:

1. look for an object that will satisfy it; or
2. try to reduce the need.

People in industrial societies may try to find or develop objects that will satisfy their desires. People in less developed societies may try to reduce their desires and satisfy them with what is available.

Human want—The form that a human need takes as shaped by culture and individual personality.

Wants are the form human needs take as they are shaped by culture and individual personality. A hungry person in Mauritius may want a mango, rice, lentils and beans. A hungry person in Eindhoven may want a ham and cheese roll and a beer. A hungry person in Hong Kong may want a bowl of noodles, 'char-siu' pork and jasmine tea. A British drinker may want an Indian curry after leaving the pub. Wants are shaped by one's society and are described in terms of objects that will satisfy needs. As a society evolves, the wants of its members expand. As people are exposed to more objects that arouse their interest and desire, producers try to provide more want-satisfying products and services.

Demands—Human wants that are backed by buying power.

People have narrow, basic needs (e.g. for food or shelter), but almost unlimited wants. However, they also have limited resources. Thus, they want to choose products that provide the most satisfaction for their money. When backed by an ability to pay – that is, buying power – wants become **demands**. Consumers view products as bundles of benefits and choose products that give them the best bundle for their money. Thus, a Toyota Yaris gives basic safe and reliable transport, low price and fuel economy. A Jaguar gives sportiness, comfort, luxury and status. Given their wants and resources, people demand products with the benefits that add up to the most satisfaction.

Outstanding marketing companies go to great lengths to learn about and understand their customers' needs, wants and demands. They conduct consumer research about consumer likes and dislikes. They analyse customer complaint, enquiry, warranty and service data. They observe customers using their own and competing products and train salespeople to be on the lookout for unfulfilled customer needs. Understanding customer needs, wants and demands in detail provides important input for designing marketing strategies.

The market offering – products, services and experiences

Companies address needs by putting forth a *value proposition*, a set of benefits that they promise to consumers to satisfy their needs. The value proposition is fulfilled through a **marketing offer** – some combination of products, services, information, or experiences offered to a market to satisfy a need or want. Marketing offers are not limited to physical *products.* In addition to tangible products, marketing offers include *services*, activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything. Examples include banking, airline, hotel, tax preparation, and home repair services. More broadly, marketing offers also include other entities, such as *persons*, *places*, *organisations*, *information* and *ideas.*

Marketing offer—Some combination of products, services, information, or experiences offered to a market to satisfy a need or want.

Many sellers make the mistake of paying more attention to the specific products they offer than to the benefits and experiences produced by these products. They see themselves as selling a product rather than providing a solution to a need. A manufacturer of drill bits may think that the customer needs a drill bit. But what the customer is after is a hole. Or, more likely, the real *need* is to fix things together. These sellers may suffer from 'marketing myopia'. They are so taken with their products that they focus only on existing wants and lose sight of underlying customer needs. They forget that a product is only a tool to solve a consumer problem. These sellers will have trouble if a new product comes along that serves the customer's need better or less expensively. The customer with the same *need* will *want* the new product.

Thus, smart marketers look beyond the attributes of the products and services they sell. They create brand *meaning* and brand *experiences* for consumers. For example, Absolut Vodka means much more to consumers than just white alcoholic spirit – it has become an icon rich in style and meaning. A Fender is more than just a guitar, it is B.B. King, Jimi Hendrix, Eric Clapton, Keith Richards – it is Rock'n'Roll.

By orchestrating several services and products, companies can create, stage and market brand experiences. DisneyWorld is an experience; so is a ride in a Porsche. You experience a visit to a West End show in London, browsing in Galeries Lafayette or surfing Sony's playstation.com website. As products and services increasingly become commodities, experiences have emerged for many firms as the next step in differentiating the company's offer. Consider, for example, a restaurant that does not even serve food:

> [One] entrepreneur in Israel has entered the experience economy with the opening of Café Ke'ilu, which roughly translates as 'Cafe Make Believe'. Manager Nir Caspi told a reporter that people come to cafés to be seen and to meet people, not for the food; Café Ke'ilu pursues that observation to its logical conclusion. The establishment serves its customers empty plates and mugs and charges guests \$3 during the week and \$6 on weekends for the social experience.[3]

'What consumers really want is [offers] that dazzle their senses, touch their hearts, and stimulate their minds', declares one expert. 'They want [offers] that deliver an experience.'[4]

Value, satisfaction and quality

Consumers usually face a broad array of products and services that might satisfy a given need. How do they choose among these many products? Consumers make buying choices based on their perceptions of the value that various products and services deliver.

Customer value—The consumer's assessment of the product's overall capacity to satisfy his or her needs.

The guiding concept is **customer value**. Customer value is the difference between the values the customer gains from owning and using a product and the costs of obtaining the product. For example, Mercedes-Benz customers gain a number of benefits. The most obvious is a well-engineered and reliable car. However, customers may also receive some status and image values. Owning or driving a Mercedes-Benz may make them feel more important. When deciding whether to buy the desired model, customers will weigh these and other values against what it costs to buy the car. Moreover, they will compare the value of owning a Mercedes against the value of owning other comparable manufacturers' models – Lexus, Jaguar, BMW – and select the one that gives them the greatest delivered value.

Customer satisfaction—The extent to which a product's perceived performance matches a buyer's expectations. If the product's performance falls short of expectations, the buyer is dissatisfied. If performance matches or exceeds expectations, the buyer is satisfied or delighted.

Customers often do not judge product values and costs accurately or objectively. They act on *perceived* value. Customers perceive Mercedes-Benz to provide superior performance, and are hence prepared to pay the higher prices that the company charges. **Customer satisfaction** depends on a product's perceived performance in delivering value relative to a buyer's expectations. If the product's performance falls short of the customer's expectations, the buyer is dissatisfied. If performance matches expectations, the buyer is satisfied. If performance exceeds expectations, the buyer is delighted. Outstanding marketing companies go out of their way to keep their customers satisfied. They know that satisfied customers make repeat purchases and tell others about their good experiences with the product. The key is to match customer expectations with company performance. Smart companies aim to delight customers by promising only what they can deliver, then delivering more than they promise.[5]

Exchange, transactions and relationships

Exchange—The act of obtaining a desired object from someone by offering something in return.

Marketing occurs when people decide to satisfy needs and wants through exchange. **Exchange** is the act of obtaining a desired object from someone by offering something in return. Exchange is only one of many ways people can obtain a desired object. For example, hungry people can find food by hunting, fishing or gathering fruit. They could beg for food or take food from someone else. Finally, they could offer money, another good or a service in return for food.

As a means of satisfying needs, exchange has much in its favour. People do not have to prey on others or depend on donations. Nor must they possess the skills to produce every necessity for themselves. They can concentrate on making things they are good at making and trade them for needed items made by others. Thus, exchange allows a society to produce much more than it would with any alternative system.

Exchange is the core concept of marketing. For an exchange to take place, several conditions must be satisfied. Of course, at least two parties must participate and each must have something of value to offer the other. Each party must also want to deal with the other party and each must be free to accept or reject the other's offer. Finally, each party must be able to communicate and deliver.

Transaction—A trade between two parties that involves at least two things of value, agreed-upon conditions, a time of agreement and a place of agreement.

These conditions simply make exchange *possible*. Whether exchange actually *takes place* depends on the parties coming to an agreement. If they agree, we must conclude that the act of exchange has left both of them better off or, at least, not worse off. After all, each was free to reject or accept the offer. In this sense, exchange creates value just as production creates value. It gives people more consumption choices or possibilities.

Whereas exchange is the core concept of marketing, a transaction is marketing's unit of measurement. A **transaction** consists of a trading of values between two parties: one party gives X to another party and gets Y in return. For example, you pay a retailer €5,000 for a plasma TV or a hotel €120 a night for a room. This is a classic monetary transaction, but not all transactions involve money. In a barter transaction, you might trade your old refrigerator in return for a neighbour's second-hand television set. Or a lawyer writes a will for a doctor in return for a medical examination.

In the broadest sense, the market tries to bring about a response to some offer. The response may be more than simply 'buying' or 'trading' goods and services. A political candidate, for instance, wants a response called 'votes', a church wants 'membership', and a social-action group wants 'idea acceptance'. Marketing consists of actions taken to obtain a desired response from a target audience towards some product, service, idea or other object.

Transaction marketing is part of the larger idea of **relationship marketing**. Beyond creating short-term transactions, smart marketers work at building long-term relationships with valued customers, distributors, dealers and suppliers. They build strong economic and social connections by promising and consistently delivering high-quality products, good service and fair prices. Increasingly, marketing is shifting from trying to maximise the profit on each individual transaction to maximising mutually beneficial relationships with consumers and other parties. In fact, ultimately, a company wants to build a unique company asset called a marketing network. A marketing network consists of the company and all of its supporting stakeholders: customers, employees, suppliers, distributors, retailers, ad agencies, and others with whom it has built mutually profitable business relationships. Increasingly, competition is not between companies but rather between whole networks, with the prize going to the company that has built the best network. The operating principle is simple: build a good network of relationships with key stakeholders, and returns will follow.[6] Chapter 11 will further explore relationship marketing and its role in creating and maintaining customer satisfaction.

Relationship marketing—The process of creating, maintaining and enhancing strong, value-laden relationships with customers and other stakeholders.

Markets

The concepts of exchange and relationships lead to the concept of a market. A **market** is the set of actual and potential buyers of a product. These buyers share a particular need or want that can be satisfied through exchanges and relationships. Thus, the size of a market depends on the number of people who exhibit the need, have resources to engage in exchange, and are willing to offer these resources in exchange for what they want.

Market—The set of all actual and potential buyers of a product or service.

Originally, the term *market* stood for the place where buyers and sellers gathered to exchange their goods, such as a village square. Economists use the term to refer to a collection of buyers and sellers who transact in a particular product class, as in the housing market or the grain market. Marketers, however, see the sellers as constituting an industry and the buyers as constituting a market. The relationship between the *industry* and the *market* is shown in Figure 1.2. The sellers and the buyers are connected by four flows. The sellers send products, services and communications to the market; in return, they receive money and information. The inner loop shows an exchange of money for goods; the outer loop shows an exchange of information.

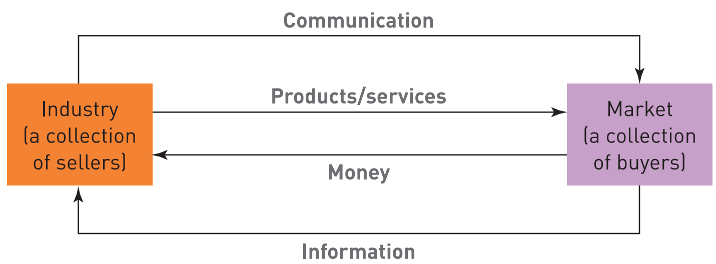


Figure 1.2 A simple marketing system

Modern economies operate on the principle of division of labour, where each person specialises in producing something, receives payment, and buys needed things with this money. Thus, modern economies abound in markets. Producers go to resource markets (raw material markets, labour markets, money markets), buy resources, turn them into goods and services, and sell them to intermediaries, who sell them to consumers. The consumers sell their labour, for which they receive income to pay for the goods and services they buy. The government is another market that plays several roles. It buys goods from resource, producer and intermediary markets, it pays them, it taxes these markets (including consumer markets) and it returns needed public services. Thus, each nation's economy and the whole world economy consist of complex interacting sets of markets that are linked through exchange processes.

In advanced societies, markets need not be physical locations where buyers and sellers interact. With modern communications and transportation, a merchant can easily advertise a product on a late evening television programme, take orders from thousands of customers over the phone, and mail the goods to the buyers on the following day without having had any physical contact with them.

Marketing

Considering *market* brings us full circle to the concept of *marketing*. Marketing means managing markets to bring about exchanges and relationships for the purpose of creating value and satisfying needs and wants. Thus, we return to our definition of marketing as a process by which individuals and groups obtain what they need and want by creating and exchanging products and value with others.

Exchange processes involve work. Sellers must search for buyers, identify their needs, design good products and services, promote them, and store and deliver them. Activities such as product development, research, communication, distribution, pricing and service are core marketing activities. Although we normally think of marketing as being carried on by sellers, buyers also carry on marketing activities. Consumers do marketing when they search for the goods they need at prices they can afford. Company purchasing agents do marketing when they track down sellers and bargain for good terms. A *sellers' market* is one in which sellers have more power and buyers must be the more active 'marketers'. In a *buyers' market*, buyers have more power and sellers have to be more active 'marketers'.

Figure 1.3 shows the main elements in a modern marketing system. In the usual situation, marketing involves serving a market of end users in the face of competitors. The company and the competitors send their respective products and messages directly to consumers or through marketing intermediaries to the end users. All of the actors in the system are affected by major environmental forces – demographic, economic, physical, technological, political/legal, social/cultural. We will address these forces that affect marketing decisions in Chapter 5.

Each party in the system adds value for the next level. Thus, a company's success depends not only on its own actions, but also on how well the entire value chain serves the needs of final consumers. IKEA, the Swedish furniture retailer, cannot fulfil its promise of low prices

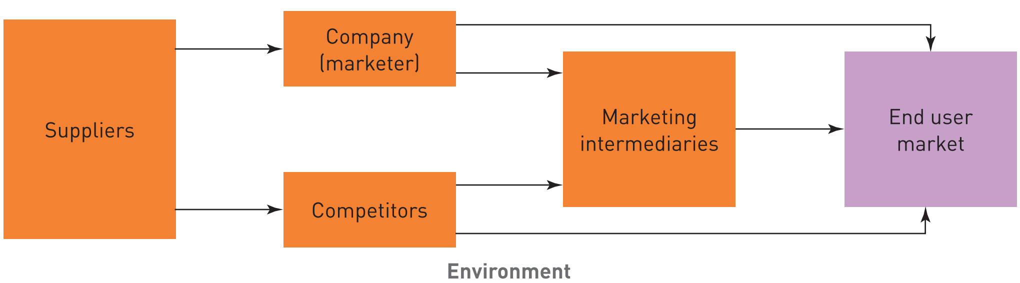


Figure 1.3 Main actors and forces in a modern marketing system

unless its suppliers provide merchandise at low costs. Neither can Toyota deliver high quality to car buyers unless its dealers provide outstanding service.

Marketing management

We define **marketing management** as the art and science of choosing target markets and building profitable relationships with them. This involves obtaining, retaining and developing customers through creating and delivering and communicating superior customer value. Thus, marketing management involves managing demand, which in turn involves managing customer relationships.

Marketing management—The art and science of choosing target markets and building profitable relationships with them.

Demand management

Most people think of marketing management as finding enough customers for the company's current output, but this is too limited a view. The organisation has a desired level of demand for its products. At any point in time, there may be no demand, adequate demand, irregular demand or too much demand, and marketing management must find ways to deal with these different demand states. Marketing management is concerned not only with finding and increasing demand, but also with changing or even reducing it.

For example, the Eden Project is an ecologically appealing attraction in the west of England that has a series of huge 'biomes' with climates and plants from deserts to rainforests. Unfortunately, in summertime it has trouble meeting demand during peak usage periods that typically occur when holidaymakers try to escape a rainy day at the coast. In these and other cases of excess demand, the needed marketing task, called **demarketing**, is to reduce demand temporarily or permanently. The aim of demarketing is not to destroy demand, but only to reduce or shift it. Thus, marketing management seeks to affect the level, timing and nature of demand in a way that helps the organisation achieve its objectives. Simply put, marketing management is *demand management.*

Demarketing—Marketing to reduce demand temporarily or permanently – the aim is not to destroy demand, but only to reduce or shift it.

Building profitable customer relationships

Managing demand means managing customers. A company's demand comes from two groups: new customers and repeat customers. Traditional marketing theory and practice have focused on attracting new customers and creating transactions – making the sale. In today's marketing environment, however, changing demographic, economic and competitive factors mean that there are fewer new customers to go around. The costs of *attracting* new customers are rising. In fact, it costs five times as much to attract a new customer as it does to keep a current customer satisfied. Thus, although finding new customers remains very important, the emphasis is shifting towards *retaining* profitable customers and building lasting *relationships* with them.

Companies have also discovered that losing a customer means losing not just a single sale, but also a lifetime's worth of purchases and referrals. For example, the *customer lifetime value* of a supermarket customer might well exceed €1,000,000. Thus, working to retain customers makes good economic sense. A company can lose money on a specific transaction, but still benefit greatly from a long-term relationship. The key to customer retention is superior customer value and satisfaction.

Marketing management practice

All kinds of organisations use marketing, and they practice it in widely varying ways. Many large firms apply standard marketing practices in a formalised way. However, other companies use marketing in a less formal and orderly fashion. Companies such as easyJet and Dyson achieved success by seemingly breaking all the rules of marketing. Instead of commissioning expensive marketing research, spending huge sums on mass advertising and operating large marketing departments, these companies practised *entrepreneurial marketing*. Their founders, typically, live by their wits. They visualise an opportunity and do what it takes to gain attention. They build a successful organisation by stretching their limited resources, living close to their customers and creating more satisfying solutions to customer needs. It seems that not all marketing must follow in the footsteps of marketing giants such as Procter & Gamble.[3]

However, entrepreneurial marketing often gives way to *formulated marketing*. As small companies achieve success, they inevitably move towards more formulated marketing. They begin to spend more on television advertising in selected markets. They may also expand their sales force and establish a marketing department that carries out market research. They embrace many of the tools used in so-called professionally run marketing companies. Before long, these companies grow to become large and, eventually, mature companies. They get stuck in formulated marketing, poring over the latest Nielsen numbers, scanning market research reports and trying to fine-tune dealer relations and advertising messages. These companies sometimes lose the marketing creativity and passion that they had at the start. They now need to re-establish within their companies the entrepreneurial spirit and actions that made them successful in the first place. They need to practise *entrepreneurial marketing*, that is, to encourage more initiative and ‘entrepreneurship’ at the local level. Their brand and product managers need to get out of the office, start living with their customers and visualise new and creative ways to add value to their customers’ lives.

The bottom line is that effective marketing can take many forms. There will be a constant tension between the formulated side of marketing and the creative side. It is easier to learn the formulated side of marketing, which will occupy most of our attention in this book. However, we will also see how real marketing creativity and passion operate in many companies – whether small or large, new or mature – to build and retain success in the marketplace.

Marketing management philosophies

We describe marketing management as carrying out tasks to achieve desired exchanges with target markets. What *philosophy* should guide these marketing efforts? What weight should be given to the interests of the organisation, customers and society? Very often these interests conflict. Invariably, the organisation’s marketing management philosophy influences the way it approaches its buyers.

There are five alternative concepts under which organisations conduct their marketing activities: the *production*, *product*, *selling*, *marketing* and *societal marketing* concepts.

The production concept

Production concept—The philosophy that consumers will favour products that are available and highly affordable, and that management should therefore focus on improving production and distribution efficiency.

The **production concept** holds that consumers will favour products that are available and highly affordable, and that management should therefore focus on improving production and distribution efficiency. This concept is one of the oldest philosophies that guide sellers.

The production concept is a useful philosophy in two types of situation. The first occurs when the demand for a product exceeds the supply. Here, management should look for ways to increase production. The second situation occurs when the product’s cost is too high and improved productivity is needed to bring it down. For example, in the early years of the Ford Motor Company, Henry Ford’s whole philosophy was to perfect the production of the

Model T so that its cost could be reduced and more people could afford it. He joked about offering people a car of any colour as long as it was black. The company won a big share of the automobile market with this philosophy. However, companies operating under a production philosophy run a big risk of focusing too narrowly on their own operations. After some time, Ford's strategy failed. Although its cars were priced low, customers did not find them very attractive. In its drive to bring down prices, the company lost sight of something else that its customers wanted – namely, *attractive*, affordable vehicles. The gap left by Ford gave rise to new market opportunities that rival General Motors was quick to exploit.

The product concept

Product concept—The idea that consumers will favour products that offer the most quality, performance and features, and that the organisation should therefore devote its energy to making continuous product improvements.

Another important concept guiding sellers, the **product concept**, holds that consumers will favour products that offer the most quality, performance and innovative features, and that an organisation should thus devote energy to making continuous product improvements. Some manufacturers believe that if they can build a better mousetrap, the world will beat a path to their door.[4] But they are often rudely shocked. Buyers may well be looking for a better solution to a mouse problem, but not necessarily for a better mousetrap. The solution might be a chemical spray, an exterminating service or something that works better than a mousetrap. Furthermore, a better mousetrap will not sell unless the manufacturer designs, packages and prices it attractively, places it in convenient distribution channels, and brings it to the attention of people who need it and convinces them that it is a better product. A product orientation leads to obsession with technology because managers believe that technical superiority is the key to business success.

The product concept also can lead to 'marketing myopia'. For instance, railway management once thought that users wanted *trains* rather than *transportation* and overlooked the growing challenge of airlines, buses, trucks and cars. Building improved trains would not satisfy consumers' demand for transportation, but creating other forms of transportation and extending choice would.

The selling concept

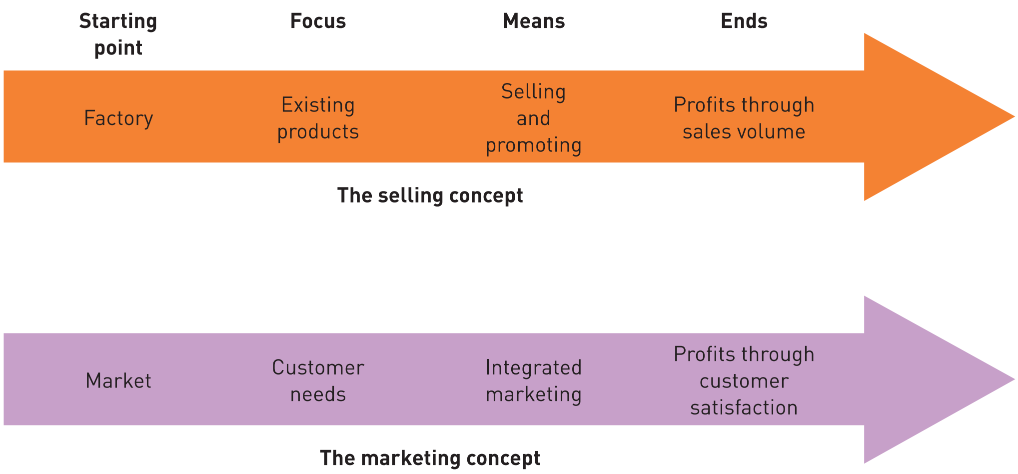
Selling concept—The idea that consumers will not buy enough of the organisation's products unless the organisation undertakes a large-scale selling and promotion effort.

Many organisations follow the **selling concept**, which holds that consumers will not buy enough of the organisation's products unless it undertakes a large-scale selling and promotion effort. The concept is typically practised with *unsought goods* – those that buyers do not normally think of buying, such as Readers Digest and double glazing. These industries must be good at tracking down prospects and convincing them of product benefits.

The selling concept is also practised in the non-profit area. A political party, for example, will vigorously sell its candidate to voters as a fantastic person for the job. The candidate works hard at selling him or herself – shaking hands, kissing babies, meeting supporters and making speeches. Much money also has to be spent on radio and television advertising, posters and mailings. Candidate flaws are often hidden from the public because the aim is to get the sale, not to worry about consumer satisfaction afterwards.

Most firms practise the selling concept when they have overcapacity. Their aim is to sell what they make rather than make what the market wants. Such marketing carries high risks. It focuses on creating sales transactions in the short term, rather than on building long-term, profitable relationships with customers. It assumes that customers who are coaxed into buying the product will like it. On the other hand, if they do not like it, they may forget their disappointment and buy it again later. These are usually poor assumptions to make about buyers. Most studies show that dissatisfied customers do not buy again. Worse yet, while the average satisfied customer tells three others about good experiences, the average dissatisfied customer tells 10 others of his or her bad experiences.[7]

Figure 1.4 The selling and marketing concepts contrasted



The marketing concept

Marketing concept—The marketing management philosophy which holds that achieving organisational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do.

The **marketing concept** holds that achieving organisational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do.

The selling concept and the marketing concept are frequently confused. Figure 1.4 compares the two concepts. The selling concept takes an *inside-out* perspective. It starts with the factory, focuses on the company's existing products and calls for heavy selling and promotion to obtain profitable sales. It focuses on customer conquest – getting short-term sales with little concern about who buys or why.

In contrast, the marketing concept takes an *outside-in* perspective. It starts with a well-defined market, focuses on customer needs, coordinates all the marketing activities affecting customers and makes profits by creating long-term customer relationships based on customer value and satisfaction. Under the marketing concept, customer focus and value are the paths to sales and profits.

Many successful and well-known global companies have adopted the marketing concept. IKEA, Procter & Gamble, Marriott, Nordström and Wal-Mart follow it faithfully. Toyota, the highly successful Japanese car manufacturer, is also a prime example of an organisation that takes a customer- and marketing-oriented view of its business.

Toyota is intent on getting deep into the hearts and minds of its customers, to establish precisely what they want and subsequently find ways to fulfil their wishes. In Japan, Toyota's 14-storey Amlux building, resembling a blue and black striped rocket, attracts millions of visitors. These could be potential customers or people with ideas on how the company should respond to consumers' vehicle requirements. These visitors are allowed to spend as much time as they want designing their own vehicles on computer/TV screens in the vehicle-design studio. Visitors can obtain specific information about the company, its dealers or products. The visitors are also allowed to expound, at length, on what they think Toyota should be doing or making. Meanwhile, Toyota's attentive note-taking staff ensure that the entire Amlux complex is dedicated to involving potential customers who can give them close insights into how their car needs can be satisfied.

In marketing-led organisations, real customer focus has to work from the top down and the bottom up and it has to be totally accepted by the whole workforce. This organisation-wide belief ensures that customer retention becomes a priority and all staff are committed to building lasting relationships with the customer. To achieve successful implementation of the marketing concept, the organisation therefore focuses on how best to tap and channel the knowledge and understanding, the motivation, the inspiration and the imagination of all staff to deliver products and services that meet exactly what the customer requires from the organisation.

Many companies claim to practise the marketing concept but do not. They have the *forms* of marketing – such as a marketing director, product managers, marketing plans and marketing research – but this does not mean that they are *market-focused* and *customer-driven* companies. The question is whether they are finely tuned to changing customer needs and competitor strategies. Great companies – Philips, Marks & Spencer, Fiat, IBM – have lost substantial market share in the past because they failed to adjust their marketing strategies to the changing marketplace.

Implementing the marketing concept often means more than simply responding to customers' stated desires and obvious needs. Customer-driven companies research current customers to learn about their desires, gather new product and service ideas and test proposed product improvements. Such customer-driven marketing usually works well when there exists a clear need and when customers know what they want. In many cases, however, customers do not know what they want or even what is possible. Such situations call for *customer-driving* marketing – understanding customer needs even better than customers do themselves, and creating products and services that will meet existing and latent needs now and in the future.

> Customers are notoriously lacking in foresight. Twenty years ago, how many of us were asking for mobile phones, fax machines and copiers at home, cars with on-board navigation systems, hand-held global satellite positioning receivers, cyber-cafés or interactive television shopping networks? As the late Akio Morita, Sony's visionary leader, once said: 'Our plan is to lead the public with new products rather than ask them what kinds of products they want. The public does not know what is possible, but we do. So, instead of doing a lot of market research, we refine our thinking on a product and its use and try to create a market for it by educating and communicating with the public.'[8]

Years of hard work are needed to turn a sales-oriented company into a marketing-oriented company. The goal is to build customer satisfaction into the very fabric of the firm. However, the marketing concept does not mean that a company should try to give *all* consumers *everything* they want. The purpose of marketing is not to *maximise* customer satisfaction, but to meet customer needs profitably. Marketers must therefore seek to achieve the very delicate balance between creating more value for customers and making profits for the company.

The societal marketing concept

The **societal marketing concept** holds that the organisation should determine the needs, wants and interests of target markets. It should then deliver the desired satisfactions more effectively and efficiently than competitors in a way that maintains or improves both the consumer's *and society's* well-being. The societal marketing concept is the newest of the five marketing management philosophies.

Societal marketing concept—The idea that the organisation should determine the needs, wants and interests of target markets and deliver the desired satisfactions more effectively and efficiently than competitors in a way that maintains or improves both the consumer's and society's well-being.

The societal marketing concept questions whether the pure marketing concept is adequate in an age of environmental problems, resource shortages, worldwide economic problems and neglected social services. It asks whether the firm that senses, serves and satisfies individual wants is always doing what is best for consumers and society in the long run. According to the societal marketing concept, the pure marketing concept overlooks possible conflicts between short-run consumer *wants* and long-run consumer *welfare*.

DaimlerChrysler exhibit societal marketing by investing in technology that reduces accidents. This often means systems such as BAS (Brake Assist), Electronic Stability Programme (ESP) and Sensotronic Brake Control that take control away from the driver.
SOURCE: DaimlerChrysler AG Stuttgart/Auburn Hills.

The citizen brands

1.1

marketing insights

Consumer activism and government vigilance in monitoring the impact of business on society are on the rise. Many companies, particularly the very large ones, have to reflect a greater sense of corporate responsibility, ensuring that they are readily accountable to consumers, employees, shareholders and society. Corporate citizenship is cast as a new model for today's businesses. Many companies are thinking hard about how to build and maintain strong *citizen* brands. Companies whose business strategies include corporate citizenship activities will realise their investment in the form of reinforcement of brand values and enhanced customer loyalty.

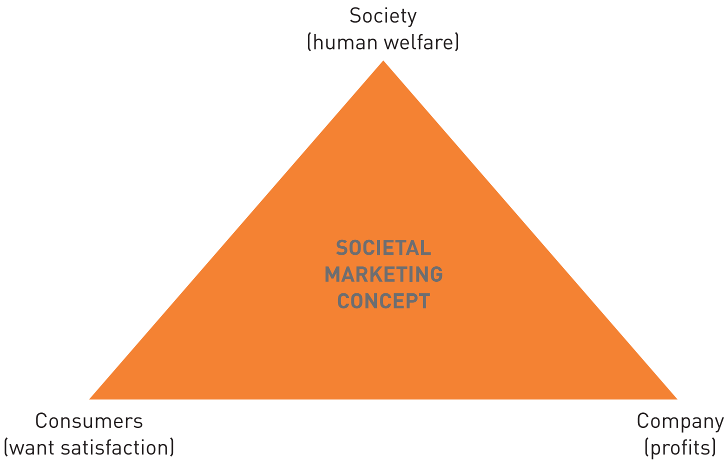
This is what London's Capital Radio, with a long history of corporate citizenship, believe will sustain the popularity of their brand. Capital Radio, launched over two decades ago, offered a service to the community through help-lines, flat-share and support services. Partnering their *citizen* brand – *Capital* – in doing good is *Floodlight*, an educational publication that is a market leader in the further education and part-time education directories market. Capital Radio and a sister station, Capital Gold, run commercials that encourage listeners to pick up a copy of the publication. The idea behind the publication was to help listeners advance themselves through education.

Other companies are addressing the need to build social, including employee, welfare and ethical considerations into their business practices. Oil company Shell suffered two blows to its reputation in 1995. One was from its attempt to dispose of the Brent Spar oilrig in the North Sea, and the other was over its failure to oppose the Nigerian government's execution of Ken Saro-Wiwa, a human-rights activist in a part of Nigeria where Shell had extensive operations. Since then, the company has rewritten its business principles and created an elaborate mechanism to implement them. Surveys now invariably rank Shell among the most environmentally friendly and socially aware companies in the world.

The trend towards corporate citizenship is further illustrated by NatWest Bank's *Community Bond*. A NatWest customer contributes (a loan) and becomes a bondholder. The money funds charitable projects. The loan is repaid to the bondholder who can choose a lower rate of return, triggering a donation from NatWest to a network of regional charitable loan funds. The NatWest Community Bond creates 'social capital' for the brand. It helps the bank to promote and sustain relationships with its customers and partners in the charity sector. In addition, by aligning corporate and community values, it gives NatWest status as a citizen brand.

SOURCES: 'Doing well by doing good', *The Economist* (22 April 2000), pp. 83–6; Linda Bishop, 'The corporate citizen', *Marketing Business* (April 2000), pp. 16–19; Carole Hoyos and Sheila McNulty, 'The oil company the greens love to hate', *Financial Times* (11 June 2003), p. 12; also see: Wally Ollins, 'Trading identities: why countries and companies are taking on each other's roles', available from www.un.org/partners/business.

Figure 1.5 Three considerations underlying the societal marketing concept



Consider the fast-food industry. Most people see today's giant fast-food chains as offering tasty and convenient food at reasonable prices. Yet certain consumer and environmental groups have voiced concerns. Critics point out that hamburgers, fried chicken, French fries and most other foods sold by fast-food restaurants are high in fat and salt. The products are wrapped in convenient packaging, but this leads to waste and pollution. Thus, in satisfying consumer wants, the highly successful fast-food chains may be harming consumer health and causing environmental problems.

Such concerns and conflicts led to the societal marketing concept. As Figure 1.5 shows, the societal marketing concept calls upon marketers to balance three considerations in setting their marketing policies: company profits, consumer wants and society's interests. Originally, most companies based their marketing decisions largely on short-run company profit. Eventually, they began to recognise the long-run importance of satisfying consumer wants, and the marketing concept emerged. Now many companies are beginning to think of society's interests when making their marketing decisions.

Increasingly, firms also have to meet the expectations of society as a whole. For example, society expects businesses genuinely to uphold basic ethical and environmental standards. Not only should they have ethics and environmental policies, they must also back these with actions (see Marketing Insights 1.1).

Marketing in the noughties

In the 1980s Japan was pre-eminent as the world champion marketer with its global manufacturing and consumer electronics. In the nineties Japan stumbled but Europe remained strong with its luxury brands and liberated East European markets. Through the two decades, the US remained strong, trading upon its technological leadership and global consumer products. Now, in the 'noughties', some of Europe's leading economies are stagnating, along with Japan, and the engines for growth are the economic giants at the extremes of the wealth spectrum. At one end, the wealthy US benefits from its leadership of the hardware (Dell and Intel), software (Microsoft) and services (Amazon and eBay) of the e-revolution. At the other end, less wealthy China and India achieve double-digit growth, as their newly unshackled economies became global leaders in services and manufacturing.[9]

As the world spins through the first decade of the twenty-first century, dramatic changes are occurring in the world of marketing. Business pundits and politicians are referring to a new economy (see Marketing Insights 1.2) within which firms have to think afresh about their

A new dawn?

1.2...

marketing insights

Western Europe's material prosperity has soared more in the past 250 years than in the previous 1,000 (see Exhibit 1.1), thanks to industrialisation. Arguably, this remarkable phenomenon may not live on forever, given that the frontiers of technology and science are moving closer. Or, natural or man-made environmental disasters may intervene. Nonetheless, scientific progress today seems certain to continue, harnessing technological progress that, in turn, sustains economic growth and improves living standards. For example, America's recent economic 'miracle' – rapid growth, subdued inflation and low unemployment – has been attributed to the information technology revolution. In the new century, will western Europe also partake of a 'new economy' and, if so, what is the shape of things to come?

Knowledge? Service? Digital? E-economy? M-economy?

Business pundits and politicians say that our countries' economic welfare will increasingly rely on wealth creation in knowledge-based, high value-added industries, such as computing, software and telecommunications, and those employing highly skilled workers, such as finance and education. Many talk about the 'knowledge economy', driven by skyrocketing investment in knowledge. Witness the acceleration in the number of patents filed in the last decade. Thanks to landmark legal battles, businesses across Europe and the US can now patent a raft of new areas of technology, from biotechnology, genes and financial services, to consulting, software, business methods and the Internet.

The European Union's measures of knowledge investment show that Sweden, which currently spends 3.8 per cent of GDP on R&D, tops the international league table, just followed by Finland (3.7 per cent), then Japan (3.0), the US (2.7) and Germany (2.5). Austria, Britain, Denmark, France, Iceland and the Netherlands all spent close to the EU average (1.9 per cent). Moreover, the EU's burgeoning knowledge economy is evident from the 49 per cent of *total* business output accounted for by knowledge-based industries. In spending on R&D, investment in software and both public and private spending on education, Sweden tops the list again, with an investment reaching 10.6 per cent of its GDP, followed by France (10.0 per cent), Britain (8.3) and the US (8.0). Japan's investment of 6.6 per cent is puny compared to the EU's average spend of just under 8.0 per cent of GDP.

Notwithstanding the inevitable imperfection in definition and measurement, the OECD suggests that the proportion of business R&D spending accounted for by services rose nearly five-fold to 20 per cent over the past two decades. Moreover, nearly 20 per cent of global trade is now in services, rather than manufactured goods. According to the World Trade Organisation (WTO), global exports of commercial services totalled $1.4 trillion in 2002, of which the EU accounted for some 40 per cent,

...1.2

compared to the US with a 20 per cent share. Western Europe is advancing towards not only a knowledge economy, but also an increasingly dominant service economy.

What of the Internet and 'E'-economy? Although western European firms are increasing their investment in information technology (IT), the EU investment of nearly 4.2 per cent of GDP lags behind America's 5.3 per cent. However, Sweden (6.8 per cent), the UK (5.6) and Luxembourg (5.4) outspend the US. At the end of the last decade the US had five times as many households per 1,000 population with access to the Internet. Now the gap is closing, with the percentage of EU households with access to the Internet increasing to 40.4 per cent in 2002. Nevertheless, there is high variation across the EU, from 65.5 per cent in the Netherlands to 9.2 per cent in Greece. The EU is ahead of the US in 'wireless technology'. With a much higher use of mobile phones, which are touted to become the most widely used link to the Internet, M (mobile)-commerce is expected to flourish.

New digital products are showing signs of pulling Japan out of its long recession. World sales of DVD players and DVDs overtook those of VCRs in 2002, and satellite digital TV reception is already the dominant technology. Other substitutions are occurring. Digital camcorders and cameras are expected to overtake sales of their conventional brethren in 2003 and 2004. Plasma TV and in-car GPS navigation are currently expensive, but prices will come down as production capacity rises and the products become less exclusive. Just

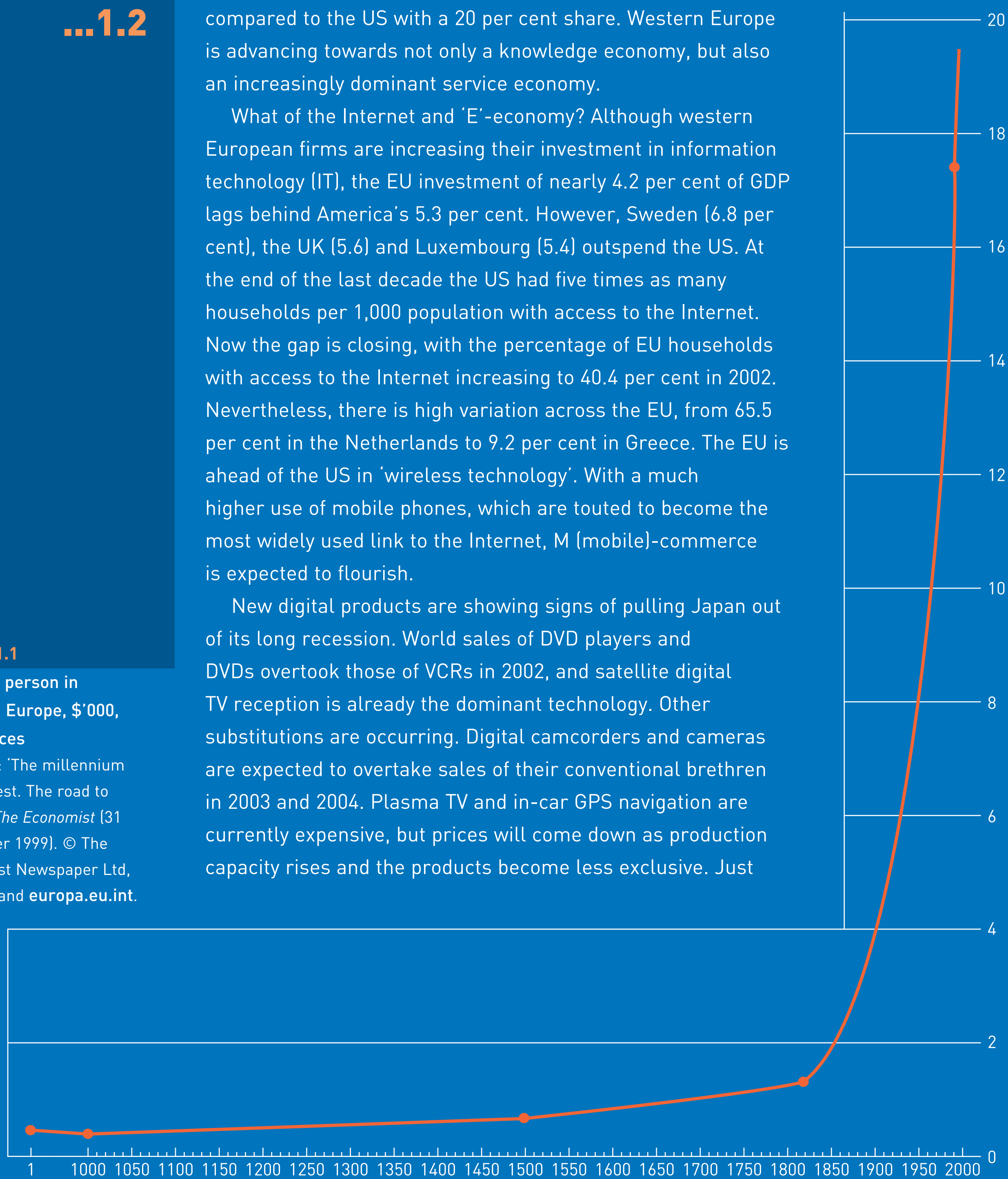


Exhibit 1.1

GDP per person in Western Europe, $'000, 1990 prices

SOURCE: 'The millennium of the West. The road to riches', *The Economist* (31 December 1999). © The Economist Newspaper Ltd, London, and **europa.eu.int**.

breaking are digital radios and active GPS systems that warn drivers of hazards and speed restrictions.

To reap the benefits of the E, M and digital economies, EU politicians have to make far-reaching structural, tax, labour market and capital market reforms. These will try to create flexible, open and efficient markets where business entrepreneurship and innovation can flourish. Europe itself is changing, for that matter. The euro zone creates a big single capital market, facilitating business's efforts to raise money for investment. *Slowly*, things are moving in the right direction: tax cuts in Germany, France and the Netherlands; deregulation of industries, such as utilities and telecommunications; and countries like Spain making their labour markets more flexible, although the effectiveness of these policies is not showing in the larger euro economies.

Many forces are working together to direct the EU's business revolution. From the Internet and information technology, to the pressures for restructuring and deregulation, responsive countries and businesses will emerge the winners. Whether in terms of knowledge, service, E, M or digital economy, Europe's economic transformation may hope to yield a capitalism that is more transparent, more efficient and, most importantly, more rewarding for all that partake in it.

...1.2

SOURCES: Adapted from www.wto.org (World Trade Organisation); www.europa.eu.int (European Union); Chris Anderson, 'The great crossover' in *The World in 2003*, *The Economist*, London.

marketing objectives and practices. Rapid changes can quickly make yesterday's winning strategies out of date. As management thought-leader Peter Drucker observed, a company's winning formula for the last decade would probably be its undoing in the next decade. The rapid pace of change means that the firm's ability to change will become a competitive advantage.

From time immemorial people have seen their era as being one of uncertainty, discontinuity, turbulence and threat. 'Everything flows and nothing stays', said the Greek philosopher Heraclitus in 513 BC. Heraclitus also anticipated Peter Drucker's call for continuous change, explaining 'You can't step twice into the same river'. The popularity of retro-look products, such as the VW Beetle, Mini, Chrysler PT Cruiser and Ford Thunderbird, shows consumers a yearning for the security, simplicity and certainty of the past. A romantic view of the 1950s and 1960s forgets the Cold War, a Europe divided, Vietnam, Korea, race riots and fear over the emergence of heroes who terrified the establishment: Elvis Presley, Chuck Berry, James Dean, The Rolling Stones, The Who, Jimi Hendrix, Mohammed Ali and Bob Dylan. In reality, times are always changing and marketing is the interface between organisations and that ever-changing environment.

Ever-changing markets are not a threat, but the lifeblood of marketing. They create opportunities for existing brands to refresh, opportunities for new products, new ways of communicating to customers and completely new markets:

- **An existing brand**: rather than resisting change, the BBC, Britain's not-for-profit national broadcaster, championed digital radio, broadcasting an increased range of high sound quality digital channels to stimulate digital radio manufacture.
- **New products**: seeing a market shift to small cars and retro appeal, BMW relaunched the Mini. With Europe's stagnant market, the Mini has become BMW's saviour in recent years. It is even succeeding in the USA where the 1960s Mini was never marketed.
- **Communications:** globalisation has allowed companies to keep in touch with their customers 24 7. Make an early morning telephone enquiry or book an airline ticket and the odds are you will be talking to someone in India. Do not expect a local accent to give you a clue; training takes care of that.
- **New markets**: not long ago few had heard of Nokia. The company grew with the emergence of mobile telecommunications and recognising mobile phones as a fashion accessory. Meanwhile, VW's dominant share (38 per cent) of China's motor vehicle market – growing at 40 per cent a year – is keeping it in profits while other car makers suffer.[10]

The remainder of this chapter examines the components of marketing activity that link the world's changing environment to marketing strategies and actions that fulfil the needs of tomorrow's customers. It introduces each chapter of this book and shows how they follow a sequence that builds from an understanding of the environment surrounding marketing to creating marketing activities.

The marketing process

'Business has only two basic functions – marketing and innovation', says the leading business guru, Peter Drucker. Such claims can seduce marketers into seeing themselves as superior to or independent of other business functions. That view is incorrect. Marketing exists as part of an organisation whose parts are interdependent. Drucker emphasises the importance of selling and inventing what people want, rather than taking the production or sales concept of marketing and trying to sell what the producer wants. For an organisation to survive, all its parts must work together for the good of all.

Strategy, marketing and planning

Marketing process—The process of (1) analysing marketing opportunities; (2) selecting target markets; (3) developing the marketing mix; and (4) managing the marketing effort.

Marketing is one part of the strategy of an organisation where marketing of the strategic plan drives the company forward. The **marketing process** in Figure 1.6 shows marketing's role and activities in organisations and the forces influencing marketing strategy. The numbers in the figure refer to chapters covering the issues in this text.

The marketing activities that most people manage concern a small part of a large organisation with many other products and markets. For example, Anglo-Dutch Unilever has business units ranging from spreads and cooking products, marketing Rama, Flora Pro-activ and others, to prestige fragrances including Very Valentino and House of Curreti. All share the company's purpose: '. . . to serve consumers in a unique and effective way'. Subsidiary to Unilever's overall strategy are strategies for each business unit and each part of the world. Within those will be plans for 'I Can't Believe It's Not Butter' and Calvin Klein fragrances.

Chapter 2 starts by looking at the broad strategy of an organisation and works down from a company's overall strategy to the construction of marketing plans for individual products or brands. Marketing plans exist alongside an organisation's other plans. Operational plans set production levels for the mix of products made. Many marketing activities, such as 'buy

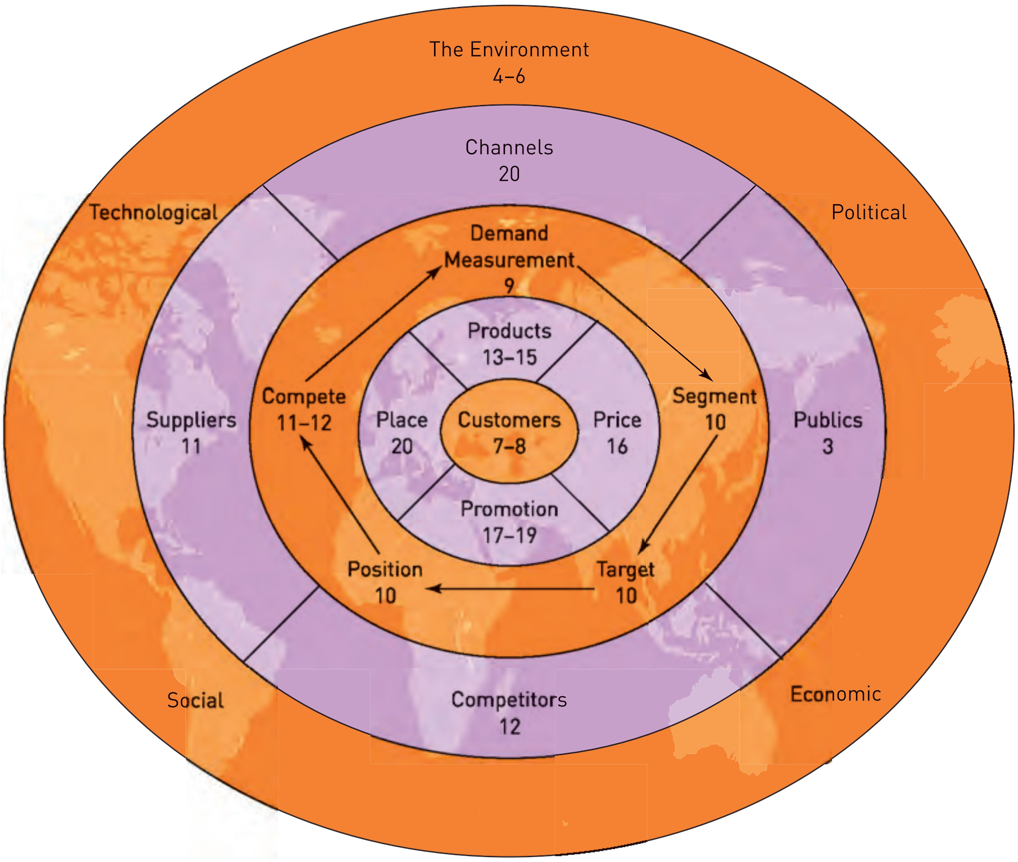


Figure 1.6 Influences on marketing strategy, showing the numbers of the chapters in which they appear in this text

one, get one free' price promotions, lead to hugely changed sales volumes and so need coordinating with production and distribution schedules so that shelves are stocked when campaigns run. Meeting increased production schedules will need extra staff and raw materials, hence influencing personnel plans and raw materials purchasing. More strategic marketing issues, such as developing new products to fit changing market needs, influence a company's research and development effort and financial strategy if a new product needs new production facilities or an expensive launch.

With limited resources and overlapping demand, the promotion of one product, such as cholesterol-reducing Flora Pro-activ, could influence the sales of Becel, another spread with a health appeal. These interactions form an important part of strategy, marketing and planning. Two particular issues are the relationship of marketing to other business functions and the various new ways in which marketing is organised.

The marketing setting

Since marketing is about making and selling what people want to buy, the most important first stage in marketing planning is understanding the marketing environment: the setting where marketing takes place. This has two levels: first, the macroenvironment of broad societal forces that influence a business; and second, the microenvironment of forces closer to the company that affects its ability to serve its customers. These are the subject of Part Two of this book. Part Three focuses on customers, an exceptionally important group within marketing's microenvironment.

Macro- and microenvironment

The macro- and microenvironment are largely issues that a company cannot control, but they can have a huge influence on an organisation's performance. They are the subject of Chapter 3 of this book.

PEST analysis systematises an examination of the Political, Economic, Social and Technological elements of the macroenvironment. Marketers, like most groups of people, play a part in setting the PEST agenda, but in most cases their influence is small. The exception is organisations whose contributions to national economies are very large, such as food or extraction companies in the Third World, or lobby groups, such as French farmers or the American gun lobby.

Most organisations need to observe the macroenvironment to understand how they need to adjust to it. For example, the economic macroenvironment is causing many charities difficulties. Stock market declines are reducing their earnings from their investments and the economic pinch is influencing large donors, including governments, who are less willing to give. This is throwing the charities back onto campaigns based on small donors or profits from charity shops whose contribution is less cyclical.

Several features of the PEST environment are having a huge influence on many markets. The economics of high house prices, available technology for planned parenting and a social change in the number of career women mean that people are setting up home later and having fewer children. The combined influence of these macroenvironmental factors will hugely change our world in the coming decades as populations age, children become rarer and dependency ratios increase. More immediately, many markets are changing as young adults are lingering with their parents until they are in their thirties and many people choose to be DINKYs (Double Income, No Kids Yet) rather than face the social and economic costs of parenting: big cars, big houses, child care fees, etc. This substitution of personal consumption for the costs of bringing up children is driving the demand for many luxury products (two-seat cars, designer clothes, clubs, loft living, restaurants, long-haul holidays).

As the macroenvironment shifts, so does the microenvironment. The media are changing in order to provide channels that serve young wealthy consumers; food retailers move into town to serve the YUPPY (Young Urban Professionals) market. In many cases, the huge, steady changes in the marketing environment are conspicuous but still too fast for those marketers who do not respond quickly to those changes. Hence the rapid decline of Toys 'R' Us and the steady decline of Mothercare. Other organisations such as Saga, which provides holidays, radio stations, insurance, etc. for older people, are doing well.

E-marketing, society and globalisation

E-marketing, social issues and globalisation are three great macroenvironmental trends that are having a huge impact upon marketing, business and communities. Chapters 4, 5 and 6 take these in turn.

E-marketing: marketing in the Internet age

E-marketing is now so established that it does not seem new. It appears to have gone through a life-cycle of excessive exuberance and investment, crashing decline and failure, to more staid maturity. This is true of dot.com bubble companies, such as boo.com and pet.com, though this shakeout had no influence on the inexorable growth in e-business. E-commerce has not only changed the way we do business but also created new business. Three purely online retailers – Amazon, eBay and Expedia – now have sales of over €1bn. Other businesses have grown as e-marketing allows more convenient, low-cost means of distribution. Consumers across the world are benefiting from Ryanair and easyJet's pioneering of low-cost flying that uses Internet-only selling. Meanwhile, innovative 'bricks and bits' companies have embraced e-marketing. Tesco's low-tech approach to e-retailing has allowed it to grow to become the world's largest online grocery retailer. US supermarket chain Safeway has now licensed Tesco's low-tech approach.

The US is the world leader in e-commerce and online retailing. Between 1997 and 2002, the number of online shoppers grew from 5m to 37m households, spending $72bn. Outside the US, poor PC penetration or low credit card use hampers the adoption of online retailing. In Europe, the pace is increasing with 17 per cent of Europeans buying online over the last three months of 2002. So far, there are few Europe-wide online retailers, although there are some significant national successes. Otto, the German catalogue dealer, is a close second to Amazon in the German market, and Ahold's Albert.nl sales have grown by 30–40 per cent year on year.

With penetration of online retailing well into double figures, growth will not remain as meteoric as in the early years, but the average growth rate of online business is 15 per cent compared with 3 per cent for conventional channel users. Whether a retailer adopts a purely online operation or not, consumers increasingly use the Internet to check out products, services and prices before they buy. Many people visit the Jamjar site to check out new car prices and discounts before seeing a car dealer, but increasing numbers of people also buy through such sites. Before going to a concert or the theatre, hiring a car, booking a hotel or a flight, increasing numbers of customers are recognising that lastminute.com is quicker, easier and cheaper than buying direct or through an agent. E-business and online retailing are still small compared with conventional trade, but for how long?[11]

Marketing and society: social responsibility and marketing ethics

Marketing is most often associated with capitalism, an often questioned socio-economic philosophy that took several knocks in the first few years of this millennium. In particular, the stock market collapses across the world, the flawed governance that allowed WorldCom, Enron and Vivendi to fail so catastrophically, and worldwide best sellers, such as *No Logo* and *Fast Food Nation*, question the foundation of modern business and marketing.[12]

The stock market collapse is not a marketing issue, although many small investors and savers probably suffered because of the overselling of risky investments. Similarly, marketing was not a central contributor to the most conspicuous corporate collapses. However, the business failures and the popular questioning of marketing make even more important an understanding of the relationship between business and society. The societal marketing concept starts to address the social dimensions of marketing. Additionally, the very definition of marketing, '*a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others*', emphasises that the process should be an exchange that fulfils wants and needs. Furthermore, we know that the best marketing performance comes from satisfying customers so that they return to buy more and pass on the good news to their friends. Social responsibility is not just important to marketing: it is central to marketing.

A second dimension of marketing goes beyond commercial exchange. Marketing is increasingly used to achieve ends that are not commercial. Non Governmental Organisations (NGOs) use marketing to draw attention to causes, to raise money to support their cause and to distribute to those in need. Both NGOs and government agencies use marketing to promote their activities. The Samaritans use advertising to alert those in need that there is someone to talk to and willing to help when they are desperate, and advertising is used to try to reduce accidents from drinking and driving. Besides reducing suffering, campaigns that reduce accidents are far more economical than the medical emergency and repair costs of accidents.

Globalisation: the global marketplace

Globalisation influences the marketing environment in two ways: firstly, in the continued growth in the proportion of a country's trade that is traded internationally; and secondly, in

Gambling is one of many activities that is highly regulated or banned in many countries. The Internet is giving companies in countries with more relaxed laws global reach as well as using scale and operational economies to give the punters more of a chance of winning.
SOURCE: Bear Design Ltd.

the disquiet many people feel about globalisation. In the decade up to 2002, world trade in merchandise and services each increased by an average of 6.5 per cent per annum – close to doubling over 10 years! Simultaneously, each region's trade was becoming less concentrated. Over the 10-year period, the proportion of international trade between European Union partners increased in total, but declined from 72 per cent to 67 per cent of EU trade. The main regions taking up the increased proportion of EU trade were the USA, the ex-Soviet bloc countries and China. The implications for marketers of this growing international trade are changed competition as marketers from the world's regions compete, global supply chains as products chase low-cost suppliers, and an increasing proportion of trade with people outside one's own culture. Advances in information and communications technology are making marketing operations global as call centres and product development move offshore.

With the rate of change, it is no wonder that special-interest groups, from trade unions seeking to protect local jobs to eco-warriors seeking to save the world, find globalisation disturbing. Globalisation is shifting wealth across the world but not in the way that many people fear. The annual average growth per head of population in less developed economies that are 'more globalised' averaged 4 per cent plus between 1990 and 2001. This compares with growth rates averaging 2 per cent for rich countries and 1 per cent for 'less globalised', less developed countries. As a consequence, the proportion of the world's population in poverty has declined from 56 per cent in 1980 to 23 per cent in 2000. There remains a very large tail of 1.1 billion people in poverty (down from 1.9 billion in 1980), mostly in sub-Saharan Africa, but the world is developing a huge, technologically sophisticated middle class as world incomes even out.

The more even distribution of the world's income adds an extra globalisation pressure facing marketers. Since the colonial era, world trade involved selling sophisticated goods to less developed countries in exchange for raw materials. Increasingly, marketing success means selling to countries that are technological equals and who have their own enterprises and innovations.[13]

Markets

To succeed in today's competitive marketplace, companies must be customer centred – winning customers from competitors by delivering greater value. However, before it can satisfy consumers, a company must first understand their needs and wants. Sound marketing requires analysis and understanding of customers' wants and needs. Understanding customer behaviour and the research used to uncover this information is the subject of Part Three of this book.

Consumer markets

All marketing ends with consumers and the study of consumers is the subject of Chapter 7. Commercial organisations survive when enough people exchange enough of their assets for the product or service that an organisation offers. Often the asset is money, but it could also be debt to a credit company or products given in part exchange. This transaction gives suppliers the revenue they need to survive, and without it marketing has failed, but marketers are involved in streams of decisions, actions and behaviour before and after that transaction. The same is true for marketers in non-profit organisations, although in those cases an action, such as visiting a doctor or not drinking and driving, is the pivotal point.

To develop marketing strategies and plans, and to get ideas for new offerings, marketers explore the whole of consumer behaviour from well before to well after the pivotal transaction. Buyer behaviour starts with a consumer's social position, lifestyle and preferences even before there is a glimmer of a need or want for the product being marketed. Then, even if the purchase is as simple as a drink, there is a process of awareness of a product, interest in some more than others, desire for a particular form of need fulfilment, and only then, action. During this same process, consumers make decisions about where to get the drink. The cold water tap, the fridge, a convenience store or a bar? Marketers can fail anywhere in this process.

The richness of marketing stems from its central involvement in two of the most complex entities that we know of: the human brain and the society in which we live. In trying to understand consumers, marketers draw on all sources of knowledge: from psychology in understanding how we perceive objects to physics in understanding how we can make drink containers we can use on the move; from sociology in understanding how our friends influence our purchases to semiotics in understanding how we respond to symbols.

The result of this diversity is no one model of consumer behaviour but a vast wealth of ways of informing our thinking. Any of these can help us see why marketing campaigns are failing to reveal radical new marketing ideas. For example, recent years have seen two new products that invigorated orange drinks, a tired old commodity. Sunny Delight gave orange drinks a new sweeter, smoother taste that appealed to children and for a while outsold Coca-Cola in many markets. Tango's success came from advertising that made the product appealing to young men.

The study of consumer behaviour does not end with a purchase. What makes people satisfied or dissatisfied? Increasingly marketers are drawing on anthropology to understand how we relate to products.[14] We need to know how they are used. Gift purchases are very different from products purchased for self use. Companies want to know how to establish long-lasting relationships with consumers. This interest in the period after a purchase makes the study of consumers a circular rather than linear activity. People's attitudes and lifestyles are influenced by past purchases, and each passage through awareness, interest, desire and action influences all other purchase decisions.

Business-to-business markets

All marketing ends with consumers, yet most marketing and sales are from business to business. Chapter 8 examines such markets. The reason why business-to-business markets are greater than consumer markets is the number of stages a product goes through from being a raw material or produce to the final consumer. Even a simple product, such as a magazine bought at a kiosk, has passed through several stages. Foresters sell logs to a paper maker; the paper maker sells to a printer working under contract to a publisher. The magazines then go to a specialist wholesaler who delivers them to the retailer. Until the final purchase, all the transactions are business-to-business. Moreover, the number of business-to-business transactions does not end there. The forester will hire contract loggers and pay a company to transport the logs to the paper maker; lawyers draw up contracts between the businesses involved. Each business will use commercial banks and maybe consultants to help them perform better.

Business-to-business marketing is not solely about commercial enterprise. Buyers and sellers are often governments and public-sector organisations, like schools or hospitals or charities. All share the same features in having complex buying processes involving many people with different motives who may come and go as the buying process continues. There are professional buyers and negotiators in the buying process, but many other actors play a role and the desires of the individuals concerned vary. Additionally, business-to-business markets are often international and involve overseas governments. Each person in a business-to-business market has the same emotions, needs and wants as a consumer, but they are overlaid with an extra layer of complexity.

Market research

Market research is a wide range of methods and tools used to help marketers understand markets. It is the subject of Chapter 9. Market research follows the breadth of consumer behaviour and business-to-business marketing in having a huge armoury of techniques to help with marketing questions. These range from anthropological studies where observers track a household's behaviour to routine mass surveys of thousands of retailers. The output can vary from descriptive analyses of a few customers' responses to a new product concept to mathematical models that forecast advertising effects or future demand.

Market research is such a specialised part of marketing that it is usually done by specialists, within either a marketer's organisation or an agency. Like advertising, market research is such a distinctive and important part of marketing that it has professional bodies, qualification and an industry of its own. Within that industry, marketers can choose among a whole range of suppliers with different skills. Marketers may not conduct their own market research but they commission it and act upon its results. The quality of the marketing decisions depends upon the quality of the marketing research on which they are based and its interpretation. It is, therefore, essential that marketers appreciate market research and what it can do.

Strategic marketing

Strategic marketing, the process of aligning the strengths of an organisation with groups of customers it can serve, is the subject of Part Four of this text. It affects the whole direction and future of an organisation, so knowledge of the macro- and microenvironments and the markets served needs to inform the process. Markets are also busy so that competitors are also trying to find ways of capturing more customers or retaining their own. Marketing strategy, therefore, has three interdependent parts: segmenting markets into groups that can be served, ways of developing advantageous relations with those customers, and strategies to handle competitors.

Market segmentation—Dividing a market into distinct groups of buyers with different needs, characteristics or behaviour, who might require separate products or marketing mixes.

Market segment—A group of consumers who respond in a similar way to a given set of marketing stimuli.

Market targeting—The process of evaluating each market segment's attractiveness and selecting one or more segments to enter.

Market positioning—Arranging for a product to occupy a clear, distinctive and desirable place relative to competing products in the minds of target consumers. Formulating competitive positioning for a product and a detailed marketing mix.

Product's position—The way the product is defined by consumers on important attributes – the place the product occupies in consumers' minds relative to competing products.

Segmentation and positioning

Customers are people, so differ considerably. Companies know that they cannot satisfy all consumers in a given market – at least, not all consumers in the same way. There are too many kinds of consumer with too many kinds of need, and some companies are in a better position than others to serve some groups of customers better. Consequently, companies use **market segmentation** to divide the total market. They then choose **market segments** and design strategies for profitably serving chosen segments. This process involves market segmentation, targeting and positioning. These are the subject of Chapter 10.

From the complexity of humans, it follows that there are many ways in which markets segment, and finding a new way of segmenting markets or a new segment can be the breakthrough that creates a market success. Simple criteria, like age, gender and social class, do little to inform marketers, since even among middle-class teenage boys there is a huge variety in interest: sporty football fanatics, video junkies, punk musicians, etc. Only multi-criteria approaches reveal segments such as GUPPYs (gay urban professionals), high-spending groups who start and nurture many new trends in music, fashion and entertainment and whose presence in a community is a measure of its creative potential.

Market targeting involves evaluating each market segment's attractiveness and selecting one or more segments to enter. An organisation evaluates its strengths relative to the competition and considers how many segments it can serve effectively. Finally, **market positioning** gives a product a clear, distinctive and desirable place in the minds of target consumers compared with competing products. A **product's position** is the place the product occupies in consumers' minds. If a product is perceived to be exactly like another product on the market, consumers would have no reason to buy it. Market positioning can be the key to success, such as a toy shop being marketed as the Early Learning Centre. Clearly, such an offering has to be more than just a name. To appeal to parents and their children, the store concentrates on educational toys and books, avoiding heavily merchandised (Barbie or Disney products) or electrical toys.

The company can position a product on only one important differentiating factor or on several. However, positioning on too many factors can result in consumer confusion or disbelief. Once the company has chosen a desired position, it must take steps to deliver and communicate that position to target consumers.

Relationship marketing

Marketing management's crucial task is to create profitable relationships with customers. Chapter 11 explores how to build those relationships. Until recently, customer relationship management was defined narrowly as a customer database management activity. By this definition, it involves managing detailed information about individual customers and carefully managing customer contacts in order to maximise customer loyalty. More recently, however, relationship management has taken on a broader meaning. In this broader sense, relationship management is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. Thus, today's companies are going beyond designing strategies to *attract* new customers and create

This BD business-to-business ad shows many aspects of marketing at work. It positions the company and its social responsibility awareness of AIDS in Africa and the company's relationship with the International AIDS Vaccine Initiative (IAVA).
SOURCE: Becton, Dickinson and Company © 2003. Photo © Richard Lord.

transactions with them. They are using customer relationship management to *retain* current customers and build profitable, long-term *relationships* with them. The new view is that marketing is the science and art of finding, retaining, *and* growing profitable customers. Companies are also realising that losing a customer means losing more than a single sale. It means losing the entire stream of purchases that the customer would make over a lifetime of patronage.

The key to building lasting customer relationships is to create superior customer value and satisfaction. To gain an advantage, the company must offer greater value to chosen target segments, either by charging lower prices than competitors or by offering more benefits to justify higher prices. However, if the company positions the product as *offering* greater value, it must *deliver* greater value. Effective positioning begins with actually *differentiating* the company's marketing offer so that it gives consumers more value than is offered by the competition. Satisfied customers are more likely to be loyal customers, and loyal customers are more likely to give the company a larger share of their business.

Competitive strategy

Providing excellent value and customer service is a necessary but not sufficient means of succeeding in the marketplace. Besides embracing the needs of consumers, marketing strategies must build an advantage over the competition. The company must consider its size and industry position, and then decide how to position itself to gain the strongest possible competitive advantage. Chapter 12 explains how to do this.

The design of competitive marketing strategies begins with competitor analysis. The company constantly compares the value and customer satisfaction delivered by its products, prices, channels and promotion with those of its close competitors. In this way, it can discern areas of potential advantage and disadvantage. The company must formally or informally monitor the competitive environment to answer these and other important questions: Who are our competitors? What are their objectives and strategies? What are their strengths and weaknesses? How will they react to different competitive strategies we might use?

Which competitive marketing strategy a company adopts depends on its industry position. A firm that dominates a market can adopt one or more of several **market leader** strategies. Well-known leaders include Nescafé, Perrier, Swatch, Chanel, Johnnie Walker, Coca-Cola, McDonald's, Marlboro, Komatsu (large construction equipment), Sony, Nokia, Lego and Shell.

Market challengers are runner-up companies that aggressively attack competitors to get more market share. For example, Lexus challenges Mercedes, Adidas challenges Nike, and Airbus challenges Boeing. The challenger might attack the market leader, other firms of its own size, or smaller local and regional competitors. Some runner-up firms will choose to follow rather than challenge the market leader. Firms using **market follower** strategies seek stable market shares and profit by following competitors' product offers, prices and marketing programmes. Smaller firms in a market, or even larger firms that lack established positions, often adopt **market nicher** strategies. They specialise in serving market niches that large competitors overlook or ignore. Market nichers avoid direct confrontations with the big companies by specialising along market, customer, product or marketing-mix lines. Through clever niching, low-share firms in an industry can be as profitable as their large competitors. Two regions of Europe are particularly strong in cultivating strong niche players: Germany for medium-sized specialist engineering firms and northern Italy's fashion industry.

Market leader—The firm in an industry with the largest market share; it usually leads other firms in price changes, new product introductions, distribution coverage and promotion spending.

Market challenger—A runner-up firm in an industry that is fighting hard to increase its market share.

Market follower—A runner-up firm in an industry that wants to hold its share without rocking the boat.

Market nicher—A firm in an industry that serves small segments that the other firms overlook or ignore.

The marketing mix

Once the company has chosen its overall competitive marketing strategy, it is ready to begin planning the details of the marketing mix. The marketing mix, one of the dominant ideas in modern marketing, is covered in Parts Five to Eight of this book.

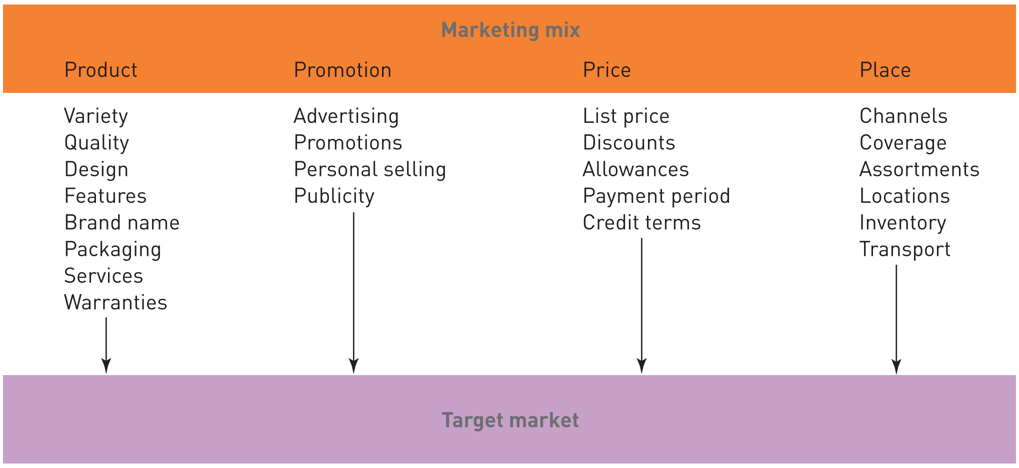


Figure 1.7 The four Ps: the marketing mix

The **marketing mix** is the set of controllable tactical marketing tools that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything the firm can do to influence the demand for its product. The many possibilities gather into four groups of variables known as the 'four Ps': product, price, place and promotion.[15] Figure 1.7 shows the marketing tools under each P.

Product means the totality of 'goods and services' that the company offers the target market. The product is the subject of the three chapters in Part Five of this book. The Honda Civic 'product' is nuts, bolts, spark plugs, pistons, headlights and many other parts. Honda offers several Civic styles and dozens of optional features. The car comes fully serviced, with a comprehensive warranty and financing that is as much a part of the product as the exhaust pipe. Increasingly, the most profitable part of the business for car companies is the loan that they offer to car buyers.

Price is what customers pay to get the product. It is covered in this book's Part Six. Honda suggests retail prices that its dealers might charge for each car, but dealers rarely charge the full asking price. Instead, they negotiate the price with each customer. They offer discounts, trade-in allowances and credit terms to adjust for the current competitive situation and to bring the price into line with the buyer's perception of the car's value.

Promotion means activities that communicate the merits of the product and persuade target customers to buy it. Part Seven of this book devotes three chapters to marketing communications. Honda spends millions on advertising each year to tell consumers about the company and its products. Dealership salespeople assist potential buyers and persuade them that a Honda is the car for them. Honda and its dealers offer special promotions – sales, cash rebates, low financing rates – as added purchase incentives.

Place includes company activities that make the product available to target consumers. Place is covered in the final Part Eight of this book. Honda maintains a body of independently owned dealerships that sell the company's cars. They select dealers carefully and support them strongly. The main dealers keep a stock of Hondas, demonstrate them to potential buyers, negotiate prices, close sales, arrange finance, and service the cars after the sale.

An effective marketing programme blends the marketing mix elements into a coordinated programme designed to achieve the company's marketing objectives. The marketing mix constitutes the company's tactical toolkit for establishing strong positioning in target markets. However, note that the four Ps represent the sellers' view of the marketing tools available for influencing buyers. From a consumer viewpoint, each marketing tool must deliver a customer benefit. One marketing expert suggests that companies should view the four Ps as the customer's four Cs:[16]

Marketing mix—The set of controllable tactical marketing tools – product, price, place and promotion – that the firm blends to produce the response it wants in the target market.

Product—Anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organisations and ideas.

Price—The amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service.

Promotion—Activities that communicate the product or service and its merits to target customers and persuade them to buy.

Place—All the company activities that make the product or service available to target customers.

Four Ps	**Four Cs**
Product	Customer needs and wants
Price	Cost to the customer
Place	Convenience
Promotion	Communication

Winning companies are those that meet customer needs economically and conveniently and with effective communication.

This campaign presents the whole marketing mix: the promotion shows the product, its price and the place to buy it.
SOURCE: HMV UK Ltd.

Summary

Today's successful companies – whether large or small, for-profit or non-profit, domestic or global – share a strong focus and a heavy commitment to marketing. Many people think of marketing as only selling or advertising. However, marketing combines many activities – marketing research, product development, distribution, pricing, advertising, personal selling and others – designed to sense, serve and satisfy consumer needs while meeting the organisation's goals. Marketing seeks to attract new customers by promising superior value, and to keep current customers by delivering satisfaction.

We defined marketing as *a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others*. The core concepts of marketing are *needs*, *wants* and *demands*; *products* and *services*; *value*, *satisfaction* and *quality*; *exchange*, *transactions* and *relationships*; and *markets*. Wants are the form assumed by human needs when shaped by culture and individual personality. When backed by buying power, wants become demands. People satisfy their needs, wants and demands with products and services.
A product is anything that can be offered to a market to satisfy a need, want or demand. Products also include services and other entities such as persons, places, organisations, activities and ideas.

We explained the relationships between customer value, satisfaction and quality. In deciding which products and services to buy, consumers rely on their perception of relative value. *Customer value* is the difference between the values the customer gains from owning and using a product and the costs of obtaining and using the product. *Customer satisfaction* depends on a product's perceived performance in delivering value relative to a buyer's expectations. Customer satisfaction is closely linked to *quality*, leading many companies to adopt *total quality management (TQM)* practices. Marketing occurs when people satisfy their needs, wants and demands through exchange. Beyond creating short-term exchanges, marketers need to build long-term relationships with valued customers, distributors, dealers and suppliers.

We then defined marketing management and examined how marketers manage demand and build profitable customer relationships. *Marketing management* is the analysis, planning, implementation and control of programmes designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organisational objectives. Marketing is at times also concerned with changing or even reducing demand. Beyond designing strategies to *attract* new customers and create *transactions* with them, today's companies are focusing on *retaining* current customers and building lasting relationships through offering superior customer value and satisfaction.

The five marketing management philosophies were compared. The *production concept* holds that consumers favour products that are available and highly affordable; management's task is to improve production efficiency and bring down prices. The *product concept* holds that consumers favour products that offer the most quality, performance and innovative features; thus, little promotional effort is required. The *selling concept* holds that consumers will not buy enough of the organisation's products unless it undertakes a large-scale selling and promotion effort. The *marketing concept* holds that achieving organisational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do. The *societal marketing concept* holds that the company should determine the needs, wants and interests of target markets. Generating customer satisfaction *and* long-run societal well-being are the keys to achieving both the company's goals and its responsibilities.

Finally, the marketing process linked together the full range of marketing activities covered in the remainder of this book. *Strategy, marketing and planning* views marketing as part of a wider organisation where marketing is just one activity that helps deliver customer value. Marketing, and all other functions, are driven by an organisation's mission and vision. Chief among strategic marketing decisions is the choice among the portfolio of activities that a company can pursue. The relationship between marketing and other business functions is as critical to success as is the organisation of marketing.

Marketing exists within a *macroenvironment* of political, economic, social and technological issues that greatly influence markets. Closer to a marketer is the *microenvironment* that is particular to a company. Although the macro- and microenvironments are always in flux and changing, there are three major trends that are hugely important to marketing. These are the development of the Internet and *e-marketing*, *globalisation*, and *the social environment and social responsibility.*

Customers are central to marketing activity. All marketing activity ends with the consumers. In trying to understand them, marketers draw on ideas from all areas of human knowledge. The study flows from understanding lifestyles, attitudes and behaviour before there is the *need* or *want* for a product or service. It examines the processes that lead to an *exchange* and behaviour after a purchase.

Most marketing is from *business to business.* Business-to-business buying is more complex than consumer buying because of the number of influences on corporate decisions. This variety and complexity of business-to-business buying is made greater by government and international involvement.

Marketing research is a wide range of analysis tools. The variety of these activities is huge and the technical requirements are so varied that marketing research is a distinct sub-profession of marketing.

Marketing strategy aligns an organisation with a group of customers whom it can serve better than its competitors do. *Market segmentation* breaks a market into groups of similar customers. *Target markets* are chosen from among the market segments and *market positioning* is used to form favourable associations in customers' minds. No longer does marketing focus on a single transaction but now it seeks to establish relationships. *Relationship marketing* depends upon knowing customers and providing value. *Competitive strategy* recognises that an organisation needs to address competitors' reactions in developing a marketing strategy. Successful marketing strategy gives customers value in ways that competitors find hard to match.

Marketing is implemented through the four Ps of the *marketing mix*: *product*, *promotion*, *price* and *place*. Each of the Ps has many facets and poses a myriad of alternatives. The marketing strategy guides the choice among the marketing mix so that it provides customer value.

Discussing the issues

1. Discuss why you should study marketing.
2. As the preview case implies, the marketing efforts of organisations seek to fulfil consumer needs. How genuine are the needs targeted by Nike's marketing efforts? Critically evaluate the role that marketing plays in satisfying human desires.

3. What is the single biggest difference between the marketing concept and the production, product and selling concepts? Which concepts are easiest to apply in the short run? Which concept can offer the best long-term success?
4. Using practical examples, discuss the key challenges facing companies in the twenty-first century. What actions might marketers take to ensure they continue to survive and thrive in the new connected world of marketing?
5. According to economist Milton Friedman, 'Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.' Do you agree or disagree with Friedman's statement? What are some drawbacks of the societal marketing concept?

Applying the concepts

1. Go to a fast food restaurant and order a meal. Note the questions you are asked, and observe how special orders are handled. Next, go to a restaurant on your college or university campus and order a meal. Note the questions you are asked here, and observe whether special orders are handled the same way as they are at the fast food restaurant.
   - Did you observe any significant differences in how orders are handled?
   - Consider the differences you saw. Do you think the restaurants have different marketing management philosophies? Which is closest to the marketing concept? Is one closer to the selling or production concept?
   - What are the advantages of closely following the marketing concept? Are there any disadvantages?
2. Take a trip to a shopping centre. Choose a category of store, such as department stores, shoe shops, bookshops, women's clothing shops and so forth. List the competing shops in each category, walk past them and quickly observe their merchandise and style. Note how the shops are decorated and how well they are located. Note what other shops are close to them and how close they are to their competitors.
   - Are the competing shops unique, or could one pretty much substitute for another? What does this say about the overall goals that the shopping centre is fulfilling?
   - Consider the attitudes of the shoppers you saw. Did some apparently find shopping a pleasure, while others found it a bother?
   - A major goal for marketing is to maximise consumer satisfaction. Discuss the extent to which the shopping centre serves this goal.

   Now, visit online retailers in the same category as the bricks and mortar shop you chose.
   - Note the categories of merchandise and store layout and comment on the overall goals that the online retailer is fulfilling. What are the major differences between a traditional and an electronic retailer?
   - To what extent is the shopping experience similar or different across the traditional and online shopping environments?
   - Contrast the ways in which the two shopping formats seek to maximise consumer satisfaction. What advantages have they over one another?

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Concluding concept 1

KitKat: Have a break . . .

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Sonia Ng sat down to have a cup of tea with her friend, David Johnson, in the company's dimly lit canteen in York, England. She unwrapped the bright red paper band from a KitKat, then ran a finger down the foil between the two biscuits. She snapped the biscuits apart, handed one to David and sighed: 'This KitKat is not going to be like any I have eaten before.' As a new assistant brand manager, Sonia had to prepare the brand plan for KitKat. It was a great break for her as KitKat was the company's top confectionery brand. Her first action was to gather what information she could about the brand, then talk to managers who knew about it.

Rowntree launched KitKat in August 1935 as 'Chocolate Crisp'. Renamed twice – in 1937 as 'KitKat Chocolate Crisp' and in 1949 as 'KitKat' – by 1950 it was Rowntree's biggest brand and it has remained so ever since. The name KitKat has favourable onomatopoeic qualities that help the association of the wafer biscuit with a dry, soft snapping or cracking, as of the biscuit being broken or bitten. Other Rowntree brands include Rowntree's Fruit Pastilles (launched 1881), Rowntree's Fruit Gums (1893), Black Magic (1933), Aero (1935), Dairy Box (1936), Smarties (1937), Polo (1948) and After Eight (1962).

'This KitKat is not going to be like any I have eaten before', she said.

Rowntree is a large exporter of chocolate and sugar confectionery, selling to over 120 countries. The most important markets are Europe and the Middle East. Besides the UK, the European markets include France, Germany, Belgium, Holland, Italy and Ireland. The chocolate biscuit countline (CBCL) market is not as large in the rest of Europe as it is in the UK. The proportions of KitKat volume sales are 67 per cent for the UK, 10.6 for Germany and 5.6 for France. And over the last decade overseas markets have grown by more than 50 per cent.

Net operating profits, return on capital employed (ROCE) and market shares drive the company. Each product group has objectives. The company has a cascade system so that each brand has its objectives as well. Each has a brand plan – business plans for each brand. One of the strategic objectives is to increase sales across the European markets. Often the marketing managers are not always able to put in capital to supply across Europe. To do this the company has a penetration strategy, which means that the margins are lower, and this has a depressing effect on the group's ROCE.

The company's long-term aims are to become the clear leader in the UK confectionery industry and to generate real growth in the profitability and productivity of its confectionery business. It also aims to increase the efficiency of its supply chain and so improve customer service.

Business strategy

The company's strategy is to pursue the company's objectives rather than to defend its position against competitors. For example, some countlines are 'below threshold size'. The objective for these is to improve the performance up to the threshold level. Rod Flint, the director of J. Walter Thompson, which is responsible for KitKat's advertising, comments: 'Their objective is not always driven by the stock market. They are highly global in their approach now, since they are also organising their European marketing department.'

Basic principles drive the company's brand strategy. It believes in offering the consumer value for money. It also believes in developing long-term brands and aims to differentiate its products from one another within the brand portfolio, which the company thinks will offer a competitive advantage over those of its competitors. The company works to ensure that its brands maintain clear positions in order to prevent cannibalisation. Up to now, the best way to achieve this has been stand-alone product brands, as opposed to umbrella brands. More recently, however, the cost of establishing new brands has increased very dramatically. The company is continually looking for ways to leverage the brand across the confectionery business and other product categories. Part of the company's brand policy is also to dedicate significant sums of money to advertising and promotions. This helps to build customer loyalty and block the entrance of new competitors. On average, 10 per cent of the sales value of the brand goes on advertising and promotions.

KitKat

When launched, KitKat entered a market already dominated by Cadbury's Dairy Milk. In fact KitKat's white and red end-to-end wrapping was designed to differ from Dairy Milk's side-to-side purple wrapping. From its beginning, KitKat was positioned as both a confectionery and a snack. It is now positioned halfway between a snack and an indulgence. In the consumers' eyes, however, KitKat is essentially a snack product, and its slogan 'Have a break, have a KitKat' is widely known through long-running ads on TV and in other media.

The KitKat brand has two formats in the UK. The two-finger format is bought in multipacks (packs of eight or more) at large grocers by parents for their children. In contrast, the four-finger format is bought individually by 16–24-year-olds for their consumption (Exhibit 1.2). The two-finger format's £112m (€184m) annual sales is part of the £535m per annum CBCL sector whose sales are for non-personal and 'family' consumption, as well as for snack and kids' consumption. The four-finger format is part of the £1,865m per annum general chocolate countline sector whose products are for personal consumption, broad usage and the 'adults' and 'self-eats' categories. The four-finger format was the main volume format, but its £96m sales have been overtaken by the two-finger format as the grocery sector rose at the expense of the CTNs (confectioner/tobacconist/newsagent). About 18 per cent of KitKat two-finger's volume goes through cash-and-carry to CTN, compared with 80 per cent of the four-finger format.

The company divides the chocolate market into three categories: chocolate box assortments (a gift-oriented marketplace), the countline market (a 'self-eat' market, e.g. KitKat four-finger) and CBCL, a sector that the company created. KitKat is marketed as a countline product in its four-finger format and as a CBCL in its two-finger format. This helped KitKat cover two sections in stores, one selling confectionery and the other selling biscuits.

Exhibit 1.2 CBCL competitor performance

Manufacturer	% share	% change year on year
Rowntree	25.3	–2.6
United Biscuits	17.4	–15.7
Jacobs Bakery	12.0	–1.5
Mars Confectionery	3.3	–14.0
Burtons	7.1	–14.3
Thomas Tunnocks	3.8	–3.5
Fox's	7.8	51.8
Others	5.7	3.6
Cadbury	2.2	n/a
Private label	15.3	25.6
Total market		0.9

SOURCE: AGB Superpanel.

Exhibit 1.3 KitKat sales by pack and sector: tonnes (change over last five years)

	Two-finger			Four-finger	
	Singles	Multipacks	Other	Singles	Multipacks
Multiple retail	50 (0%)	21,200 (13%)	50 (–50%)	1,900 (6%)	3,600 (31%)
Wholesale/ independent	650 (–41%)	1,950 (–2%)	50 (–75%)	13,950 (15%)	150 (–40%)

SOURCES: Internal.

The reason for the promotion of KitKat as a CBCL is the growing power of the multiple grocers (Exhibit 1.3). There has been a shift from a less structured retail sector into multiple businesses that are sophisticated and powerful. The company produces different packs for the multiple grocers and the independent sector. This avoids direct price and value comparison by the consumer and, therefore, restricts the power of the multiple retailers in their negotiations to increase their profitability.

KitKat two-finger is market leader with 19.5 per cent of the CBCL market (Exhibit 1.4). KitKat's nearest competitors are Mars Bars and Twix, both Mars products. Twix was launched as a countline product, but is now marketed as single fingers in the multipack format in the CBCL category. KitKat two-finger's main CBCL competitors are United Biscuits and Jacobs; in the general chocolate countline category, KitKat four-finger's main competitors are Mars and Cadbury.

Exhibit 1.4 CBCL brand performance

	% share (expenditure)	% change (year on year)
KitKat 2-finger	19.5	2.5
Penguin	8.8	7.4
Club	9.0	–7.7
Twix	3.3	–13.6
Rocky	4.1	159.3
Blue Riband	2.7	–4.0
Breakaway	2.7	–7.9
Wagon Wheel	4.7	–15.3
Tunnocks CW	3.4	–2.1
Classic	2.4	–11.2
Trio	2.2	–5.3
Private label	15.3	25.6

SOURCE: AGB Superpanel.

Exhibit 1.5 Countline brand performance

	% share (expenditure)	% change (year on year)
Mars Bar	13.9	0.8
Snickers	7.5	–0.3
KitKat 4-finger	6.7	–0.1
Twix	4.9	0
Twirl	3.3	–0.2
Time Out	2.7	–0.3
Drifter	1.3	0

SOURCE: AC Nielsen (countlines and filled blocks excluding CBCL multis).

The market

The chocolate confectionery market is concentrated, stable and very competitive. The leading suppliers are Cadbury (28 per cent market share), Rowntree (25), Mars (21) and Terry's Suchard (5). KitKat has the biggest advertising expenditure in the UK confectionery market. The £1.5 billion confectionery snack market, including countlines and chocolate blocks, is 38 per cent of the confectionery market. This market has grown by 20 per cent over the past five years, following the rise in popularity of snacking. Growth in both the countline market and the CBCL sector has now stabilised. As market leader, KitKat has retained a price premium and set prices for its competitors to follow. There is a risk to volume if the market does not follow. The market share for KitKat four-finger was 7 per cent of the general countline market. KitKat four-finger had lost some of its market share to Mars Bar (Exhibit 1.5) and is a weak no. 3, competing with three strong Mars products: Mars Bars, Twix and Snickers.

New-product development, which fuelled countline growth, has seen a number of new entrants. Firstly, the CBCL market has seen the entrance of Fox's Rocky bar. Rocky has claimed 4.1 per cent of the market. Cadbury has made the second major new-product development. It launched the Fuse bar – a mixture of chocolate, fudge and raisins. It cost £7 million to create, sold 40 million bars in its first week and was becoming the second most popular chocolate bar in the UK.

Pressure will continue to be on the countline market as the population of 15–24-year-olds declines. The KitKat two-finger sales are biased towards the C1 and C2 socio-economic and the 35–44 age groups. There is also a high penetration of very young consumers, particularly in the 12–15 age group. The four-finger format has a smarter image, inclines more towards 'chocolate occasions' consumption, and is consumed on the street. Consumption is heavily biased towards female buyers. The two-finger format ads aim at the 35–44-year-olds through morning television. Children are not specifically targeted. The four-finger format ads target the 16–24-year-olds through TV and youth press. The ad strategy for this format is different from that of the two-finger. The company puts an emphasis on updating KitKat's brand image by making it appeal to the younger generation through advertising in trendy and young people's magazines and independent radio.

The promotions for the two-finger format are value- and grocery-trade-oriented (for example, 'one bar free' activity, or repeat purchase incentives). For the four-finger format, the promotions are different because of the different segments targeted (for example, 1p off). However, there is an annual pan-promotion for KitKat as a whole that consists of big promotions, price and emphasis on brand awareness. There is a price differentiation between the two formats. KitKat four-finger is 'twin-priced' in parallel with Twix, and 2p below the Mars Bar. This is because KitKat is 'snacky' and not as hunger satisfying as the Mars Bar. If the company deviated from this pricing strategy, its volume share might drop. The two-finger format is not as price-sensitive as the four-finger. As a market leader within the CBCL category, it can more or less dictate price. Thus its competitor Penguin is priced 2p below KitKat two-finger. According to KitKat's brand managers, 'The objective for KitKat is to maintain customer loyalty by being innovative, and to remain *the* number one UK confectionery brand.' There is evidence of relative brand loyalty for KitKat. However, people who buy KitKat two-finger will also be likely to buy other brands, such as Classic, Club Orange, Penguin, Twix, Blue Riband and Gold. According to Brian Ford, the brand manager for the KitKat two-finger: 'Although they have tried to differentiate the two formats of KitKat in its segmentation and positioning strategies, the consumer sees no difference in the total brand.'

In light of the recent developments, KitKat has worked hard to maintain its position as the market leader. When KitKat Orange was launched as a limited edition, the first flavour variant in its 59-year history, the success of the product was so phenomenal that customers were writing letters to have the product re-released. A second new mint variant has been even more popular in trials.

Competition

Competition is likely to come from small brands, grocery retailers' own labels and other lines coming into the UK. There is also a crossover between the chocolate countline and the CBCL sector. Cadbury has recently encroached into KitKat's 'Have a break' territory with Time Out – a bar aimed at the CBCL sector. Time Out aims to bridge the gap between chocolate snack bars, such as Twirl, and wafer-based snacks, such as KitKat. It will compete with KitKat and Twix and should take sales away from brands with a 'heavy sweet' product image, like Spira and Twix.

Competition from other European confectioners has intensified with the growth of discounters such as Aldi and Netto. This might lead to a price-cutting war in the multiple grocery sector, especially among KwikSave, Lo-Cost and Asda. Aldi is a particular concern because it is importing bags of KitKat minis from Germany. Although Rowntree sells many of its countlines as minis, it does not make or sell KitKat in that format. Besides losing it revenue, Aldi's KitKat minis cause other problems: first, large grocers, like Sainsbury and Tesco, now want supplies of minis like Aldi's; second, the biscuit and chocolate used to make the German KitKat are distinctly different from those used in Britain.

Outside the UK, the four-finger format sells more than the two-finger format. European retailers outside the UK also emphasise minis (Aldi imports only that form). Rowntree does sell minis in the UK, but these are very low-volume products and appear only in variety packs with other minis. The company does not see them as a threat to its existing brands as the volume of minis is relatively low in comparison.

The company is now producing to capacity. The problem is managing demand in the marketplace. 'We can't give them any more, so we use price to limit demand and to get maximum profit return on the amount we produce', explains Ford. In his opinion, this is easier for the two-finger format because it is the market leader in the CBCL category, but is less easy in the four-finger case. 'It is not the market leader in the chocolate count-line sector, therefore we cannot dictate price.'

Brand pressures

For generations Rowntree had succeeded in the marketplace by making highly differentiated products that the competition found hard to copy. This contrasted with Mars whose products were strong brands but easy to make. Recently the company's confidence had been battered by the failure of Secret, a countline that used a new process to spin chocolate threads round a caramel core. After two new production lines were built and the product heavily advertised using a highly atmospheric campaign based on a Secret Agent theme, the product failed in the marketplace and proved too expensive to make. As a failure, the Secret story came very close to the flop of an equally differentiated Savanna, a pyramid-shaped boxed chocolate, that had occurred a few years earlier. The company had also failed in their launch of the Italian market-leading boxed chocolate Baci on to the UK market. Targeted head-on against the successful Ferrero Rocher chocolates and given a powerful Italian theme (Verdi . . . Ferrari . . . Baci), customers had stuck to the established brand.

Following the failures, the new product emphasis had shifted to levering existing brands rather than developing new ones. One idea was to follow Mars' lead and launch a KitKat iced confectionery. Another was to launch KitKat Chunky, a thick, single finger of KitKat about the size of a Snickers bar. This would be a 'hunger satisfier' like Mars' market-leading countlines.

To fit the regulations across Europe, some KitKats produced have different chocolate from others. Although they taste different, most consumers cannot tell the difference. The management of so many internationally important brands limits the company's freedom of action outside the UK. The pricing relationships between, say, France, Germany and the UK need careful controlling. At the same time, the company needs to achieve its UK business objectives. The marketing of brands will be different because these brands are at different product life-cycle states in different markets. 'The UK is probably the most sophisticated confectionery market in Europe', claims Robertson. 'Therefore, for example, the company's advertising style for KitKat is not directly transferable to Germany. The German consumer does not understand the British sense of humour', explains Robertson. 'So, from the business perspective, there is a pulling together in Europe, while from the consumer perspective, there are still marked differences between different types of consumers, and that is the biggest problem.'

The packing used for KitKat in the UK is different from that used elsewhere. So KitKat exported to Germany does not have UK packaging and vice versa. Germany's KitKat is flow-wrapped, whereas the UK has a foil and band. This relatively expensive format appeared because of the early competition with Cadbury, whose market-leading milk chocolate bars had blue foil and a blue wrapper. To differentiate it from Cadbury, the KitKat pack is a silver foil with a visually strong red band wrapped end to end.

Standardisation to less expensive flow wrap had been resisted in the UK because of the ritualistic way that UK consumers eat KitKat. Often they eat KitKat socially over a cup of tea. When eating KitKat, many consumers first take off the red wrapper, then run a finger down the foil between two biscuits. With the top of the foil broken, the KitKat fingers are snapped off and then eaten one by one, just as KitKat's new assistant brand manager, Sonia Ng, did. Her job was to develop a brand plan for KitKat while the whole tradition of KitKat was being challenged. After a series of product failures top management had decided to revitalise the business by:

- focusing more on major brands, reducing the overall brand portfolio;
- using existing brands for innovation where possible;
- making sure that much more emphasis went into meeting customers' expectations, through improving performance versus price;
- boosting trade cooperation and becoming more category focused.

KitKat was one of five brands identified for innovation. After years of relatively minor development of KitKat, a senior product manager and the ad agency had 'dug out ideas from the drawers'. Among them was KitKat Chocolate, a bar made of pure chocolate but in the shape of a KitKat. The variant would be a direct attack on the Cadbury's Dairy Milk that was the market leader when KitKat was launched. As Sonia ritualistically consumed her KitKat she pondered that her new job was a great break, but not an easy one.

Questions

1. Has KitKat taken a marketing-oriented approach to developing its confectionery brand? What elements of marketing orientation, if any, are missing?
2. What is the situation facing KitKat: the strengths and weaknesses of the brand and the opportunities and threats it faces?
3. How and why are the KitKat two-fingers and four-fingers marketed differently?
4. What are the barriers to the brand's standardisation across Europe and should the company now move towards standardising its brand and packaging across Europe?
5. How would you describe the organisational structure of the company and its marketing department? In what alternative ways could the company organise the management of its wide range of confectionery?
6. Should the launch of KitKat Chocolate be once again rejected?

SOURCES: Adapted and prepared with assistance from: the advertising agency J. Walter Thompson, London; Nestlé Rowntree, York; and Nestec, Vevey, Switzerland and reference to Nicholas Whitaker, *Sweet Talk: A secret history of confectionery* (Victor Gollancz, London, 1988); Kamran Kashani (ed.), *A Virtuous Cycle: Innovation, consumer value, and communication* (European Brands Association, London, 2000); Nicholas Kochan (ed.), *The World's Greatest Brands* (Interbrand/Macmillan Business, London, 2003) and kitkat.co.uk; names, statistics and some details have been changed for commercial reasons.