

MARKETING STRATEGY AND SEVENTH EDITION COMPETITIVE POSITIONING

GRAHAM HOOLEY
BRIGITTE NICOLAUD
JOHN M. RUDD
NICK LEE

MARKETING STRATEGY AND COMPETITIVE POSITIONING





At Pearson, we have a simple mission: to help people make more of their lives through learning.

We combine innovative learning technology with trusted content and educational expertise to provide engaging and effective learning experiences that serve people wherever and whenever they are learning.

From classroom to boardroom, our curriculum materials, digital learning tools and testing programmes help to educate millions of people worldwide – more than any other private enterprise.

Every day our work helps learning flourish, and wherever learning flourishes, so do people.

To learn more, please visit us at www.pearson.com/uk

Seventh edition

MARKETING STRATEGY AND COMPETITIVE POSITIONING

Graham Hooley • Brigitte Nicoulaud •
John M. Rudd • Nick Lee



Harlow, England • London • New York • Boston • San Francisco • Toronto • Sydney • Dubai • Singapore • Hong Kong
Tokyo • Seoul • Taipei • New Delhi • Cape Town • São Paulo • Mexico City • Madrid • Amsterdam • Munich • Paris • Milan

PEARSON EDUCATION LIMITED

KAO Two
KAO Park
Harlow CM17 9SR
United Kingdom
Tel: +44 (0)1279 623623
Web: www.pearson.com/uk

First published in 1993 as *Competitive Positioning: The key to market success* (print)
Second edition published 1998 by Prentice Hall Europe (print)
Third edition published 2004 (print)
Fourth edition published 2008 (print)
Fifth edition published 2012 (print)
Sixth edition published 2017 (print and electronic)
Seventh edition published 2020 (print and electronic)

© Prentice Hall International (UK) Ltd 1993, 1998 (print)
© Pearson Education Limited 2004, 2008, 2012 (print)
© Pearson Education Limited 2017, 2020 (print and electronic)

The rights of Graham Hooley, Brigitte Nicoulaud, John M. Rudd and Nick Lee to be identified as authors of this work have been asserted by them in accordance with the Copyright, Designs and Patents Act 1988.

The print publication is protected by copyright. Prior to any prohibited reproduction, storage in a retrieval system, distribution or transmission in any form or by any means, electronic, mechanical, recording or otherwise, permission should be obtained from the publisher or, where applicable, a licence permitting restricted copying in the United Kingdom should be obtained from the Copyright Licensing Agency Ltd, Barnard's Inn, 86 Fetter Lane, London EC4A 1EN.

The ePublication is protected by copyright and must not be copied, reproduced, transferred, distributed, leased, licensed or publicly performed or used in any way except as specifically permitted in writing by the publishers, as allowed under the terms and conditions under which it was purchased, or as strictly permitted by applicable copyright law. Any unauthorised distribution or use of this text may be a direct infringement of the authors' and the publisher's rights and those responsible may be liable in law accordingly.

All trademarks used herein are the property of their respective owners. The use of any trademark in this text does not vest in the author or publisher any trademark ownership rights in such trademarks, nor does the use of such trademarks imply any affiliation with or endorsement of this book by such owners.

Pearson Education is not responsible for the content of third-party internet sites.

The Financial Times. With a worldwide network of highly respected journalists, *The Financial Times* provides global business news, insightful opinion and expert analysis of business, finance and politics. With over 500 journalists reporting from 50 countries worldwide, our in-depth coverage of international news is objectively reported and analysed from an independent, global perspective. To find out more, visit www.ft.com/pearsonoffer.

ISBN: 978-1-292-27654-0 (print)
978-1-292-27657-1 (PDF)
978-1-292-27655-7 (ePub)

British Library Cataloguing-in-Publication Data

A catalogue record for the print edition is available from the British Library

Library of Congress Cataloguing-in-Publication Data

Names: Hooley, Graham J., author. | Nicoulaud, Brigitte, author. | Rudd, John M., author.

Title: Marketing strategy & competitive positioning / Graham Hooley, Brigitte Nicoulaud, John M. Rudd, Nick Lee.

Other titles: Marketing strategy and competitive positioning

Description: Seventh edition. | Harlow ; New York : Pearson, 2020. | Includes bibliographical references and index. | Summary: "Since the sixth edition of this book, published in 2017, many economies around the world have continued to feel the aftershocks of the deepest recession since the Great Depression of the 1930s, which started with the well-publicised 'credit crunch'. Despite continuing academic debate about the causes and extent, there is now little doubt that climate change and global warming is beginning to have a significant impact on our physical environment.

Identifiers: LCCN 2019050392 (print) | LCCN 2019050393 (ebook) | ISBN 9781292276540 (print) | ISBN 9781292276557 (epub) | ISBN 9781292276571 (PDF)

Subjects: LCSH: Target marketing. | Marketing—Management. Classification: LCC HF5415.127 .H66 2020 (print) | LCC HF5415.127 (ebook) | DDC 658.8/02—dc23

LC record available at <https://lccn.loc.gov/2019050392>

LC ebook record available at <https://lccn.loc.gov/2019050393>

10 9 8 7 6 5 4 3 2 1
24 23 22 21 20

Cover: © echo3005/Shutterstock

Print edition typeset in 10/12pt Sabon MT Pro by Spi Gobal
Print edition printed in Slovakia by Neografia

NOTE THAT ANY PAGE CROSS REFERENCES REFER TO THE PRINT EDITION

BRIEF CONTENTS

Preface	xi
Acknowledgements	xiv
Publisher's acknowledgements	xv
PART 1 MARKETING STRATEGY	3
1 MARKET-LED STRATEGIC MANAGEMENT	4
2 STRATEGIC MARKETING PLANNING	28
PART 2 COMPETITIVE MARKET ANALYSIS	55
3 THE CHANGING MARKET ENVIRONMENT	56
4 CUSTOMER ANALYSIS	94
5 COMPETITOR ANALYSIS	114
6 UNDERSTANDING THE ORGANISATIONAL RESOURCE BASE	140
PART 3 IDENTIFYING CURRENT AND FUTURE COMPETITIVE POSITIONS	169
7 SEGMENTATION AND POSITIONING PRINCIPLES	170
8 SEGMENTATION AND POSITIONING RESEARCH	202
9 SELECTING MARKET TARGETS	230
PART 4 COMPETITIVE POSITIONING STRATEGIES	255
10 CREATING SUSTAINABLE COMPETITIVE ADVANTAGE	256
11 COMPETING THROUGH THE EVOLVING MARKETING MIX	287
12 COMPETING THROUGH INNOVATION	320
13 COMPETING THROUGH SUPERIOR SERVICE AND CUSTOMER RELATIONSHIPS	354
PART 5 IMPLEMENTING THE STRATEGY	385
14 STRATEGIC CUSTOMER MANAGEMENT AND THE STRATEGIC SALES ORGANISATION	387
15 STRATEGIC ALLIANCES AND NETWORKS	423

16	STRATEGY IMPLEMENTATION AND INTERNAL MARKETING	452
17	CORPORATE SOCIAL RESPONSIBILITY AND ETHICS	485
PART 6	CONCLUSIONS	521
18	MARKETING IN THE TWENTY-FIRST CENTURY	522
	References	544
	Index	569

CONTENTS

Preface	
Acknowledgements	
Publisher's acknowledgements	

PART 1 MARKETING STRATEGY

CHAPTER 1

MARKET-LED STRATEGIC MANAGEMENT

Introduction	4
1.1 The marketing concept and market orientation	5
1.2 The resource-based view of marketing	6
1.3 Organisational stakeholders	12
1.4 Marketing fundamentals	14
1.5 The role of marketing in leading strategic management	19
Summary	23
Case study: LEGO builds new dimension with digital vision	25

CHAPTER 2

STRATEGIC MARKETING PLANNING

Introduction	28
2.1 Defining the business purpose or mission	29
2.2 The marketing strategy process	30
2.3 Establishing the core strategy	33
2.4 Creation of the competitive positioning	34
2.5 Implementation	44
Summary	47
Case study: Amazon eyes online sales boost through 'Fire' smartphone	50

xi	PART 2
xiv	COMPETITIVE MARKET
xv	ANALYSIS

CHAPTER 3

THE CHANGING MARKET ENVIRONMENT

Introduction	56
3.1 A framework for macro-environmental analysis	57
3.2 The economic and political environment	58
3.3 The social and cultural environment	59
3.4 The technological environment	61
3.5 Changes in marketing infrastructure and practices	65
3.6 New strategies for changing macro-environments	68
3.7 The Five Forces model of industry competition	70
3.8 The product life cycle	72
3.9 Strategic groups	76
3.10 Industry evolution and forecasting	78
3.11 Environmental stability	81
3.12 SPACE analysis	83
3.13 The Advantage Matrix	85
Summary	87
Case study: Dyson: A British inventor pivots to Asia	89

CHAPTER 4

CUSTOMER ANALYSIS

Introduction	94
4.1 What we need to know about customers	95
4.2 Marketing research	98
4.3 The marketing research process	106
4.4 Organising customer information	107
Summary	110
Case study: Amazon and Google lead way on virtual assistant dealmaking at CES	111

CHAPTER 5**COMPETITOR ANALYSIS**

Introduction	114
5.1 Competitive benchmarking	115
5.2 The dimensions of competitor analysis	116
5.3 Choosing good competitors	118
5.4 Obtaining and disseminating competitive information	131
Summary	133
Case study: Adidas kicks off US drive to close in on Nike	136
	137

CHAPTER 6**UNDERSTANDING THE ORGANISATIONAL RESOURCE BASE**

Introduction	140
6.1 Marketing resources as the foundation for differentiation	141
6.2 Value-creating disciplines	142
6.3 The resource-based view of the firm	143
6.4 Creating and exploiting marketing assets	145
6.5 Developing marketing capabilities	149
6.6 Dynamic marketing capabilities	158
6.7 Resource portfolios	159
6.8 Developing and exploiting resources	161
Summary	163
Case study: Why Ford is stalling in China while Toyota succeeds	164
	164

PART 3**IDENTIFYING CURRENT AND FUTURE COMPETITIVE POSITIONS****CHAPTER 7****SEGMENTATION AND POSITIONING PRINCIPLES**

Introduction	170
7.1 Principles of competitive positioning	171
7.2 Principles of market segmentation	173
7.3 The underlying premises of market segmentation	175
7.4 Bases for segmenting markets	177
7.5 Segmenting consumer markets	177
7.6 Segmenting business markets	179
7.7 Identifying and describing market segments	189
7.8 The benefits of segmenting markets	193
7.9 Implementing market segmentation	194
	195

Summary	198
Case study: Turning right: First-class air travel is in decline	199

CHAPTER 8**SEGMENTATION AND POSITIONING RESEARCH**

Introduction	202
8.1 A priori segmentation approaches	203
8.2 Post hoc/cluster-based segmentation approaches	205
8.3 Qualitative approaches to positioning research	208
8.4 Quantitative approaches to positioning research	215
Summary	217
Case study: How millennials became the world's most powerful consumers	225
	226

CHAPTER 9**SELECTING MARKET TARGETS**

Introduction	230
9.1 The process of market definition	231
9.2 Defining how the market is segmented	233
9.3 Determining market segment attractiveness	235
9.4 Determining current and potential strengths	236
9.5 Making market and segment choices	244
9.6 Alternative targeting strategies	246
Summary	248
Case study: No-frills Ryanair faces test with Business Plus	250
	251

PART 4**COMPETITIVE POSITIONING STRATEGIES****CHAPTER 10****CREATING SUSTAINABLE COMPETITIVE ADVANTAGE**

Introduction	256
10.1 Using organisational resources to create sustainable competitive advantage	257
10.2 Generic routes to competitive advantage	257
10.3 Achieving cost leadership	259
10.4 Achieving differentiation	260
10.5 Sustaining competitive advantage	263
10.6 Offensive and defensive competitive strategies	272
	274

Summary	285		
Case study: Volvo's heart will 'remain in Sweden'	286		
CHAPTER 11		PART 5	
COMPETING THROUGH THE EVOLVING MARKETING MIX		IMPLEMENTING THE STRATEGY	
Introduction	287	CHAPTER 14	
11.1 The market offer	288	STRATEGIC CUSTOMER MANAGEMENT AND THE STRATEGIC SALES ORGANISATION	387
11.2 Pricing strategies	300	Introduction	388
11.3 Communications strategies	305	14.1 Priorities for identifying strategic sales capabilities	391
11.4 Distribution strategies	311	14.2 The new and emerging competitive role for sales	394
11.5 The extended marketing mix – people, processes and physical evidence	314	14.3 The strategic sales organisation	397
11.6 New businesses and business models	315	14.4 Strategic customer management tasks	404
11.7 The connected marketing mix	317	14.5 Managing the customer portfolio	406
Summary	317	14.6 Dealing with dominant customers	408
Case study: How ABB FIA Formula E championship built a fan base from scratch	318	Summary	419
		Case study: Power of the 'mummies' key to Nestlé's strategy in DR Congo	420
CHAPTER 12		CHAPTER 15	
COMPETING THROUGH INNOVATION	320	STRATEGIC ALLIANCES AND NETWORKS	423
Introduction	321	Introduction	424
12.1 Innovation strategy	322	15.1 Pressures to partner	425
12.2 New products	337	15.2 The era of strategic collaboration	429
12.3 Planning for new products	340	15.3 The drivers of collaboration strategies	430
12.4 The new product development process	342	15.4 Network forms	434
12.5 Speeding new product development	348	15.5 Alliances and partnerships	436
12.6 Organising for new product development	349	15.6 Strategic alliances as a competitive force	440
Summary	351	15.7 The risks in strategic alliances	442
Case study: Apple moves into fashion business with Watch launch	352	15.8 Managing strategic alliances	443
		Summary	448
CHAPTER 13		Case study: UPS and FedEx turn focus to consumer behaviour	449
COMPETING THROUGH SUPERIOR SERVICE AND CUSTOMER RELATIONSHIPS	354	CHAPTER 16	
Introduction	355	STRATEGY IMPLEMENTATION AND INTERNAL MARKETING	452
13.1 The goods and services spectrum	359	Introduction	453
13.2 Service and competitive positioning	361	16.1 The strategy implementation challenge in marketing	457
13.3 Relationship marketing	364	16.2 The development of internal marketing	460
13.4 Customer service	369	16.3 The scope of internal marketing	461
13.5 Providing superior service	370	16.4 Planning for internal marketing	471
13.6 Customer relationship management	373	16.5 Cross-functional partnership as internal marketing	473
13.7 E-service quality	375	16.6 Implementation and internal marketing	480
13.8 Measuring and monitoring customer satisfaction	377	Summary	481
Summary	380		
Case study: Property portals hand control to homeowners	381		

Case study: Inter Ikea’s Torbjorn Loof:
making the vision clear 482

CHAPTER 17
CORPORATE SOCIAL RESPONSIBILITY
AND ETHICS 485

Introduction 486

17.1 Marketing strategy and corporate social responsibility 490

17.2 The scope of corporate social responsibility 493

17.3 Drivers of corporate social responsibility initiatives 495

17.4 The other side of corporate social responsibility initiatives 497

17.5 Defensive corporate social responsibility initiatives 502

17.6 Corporate social responsibility and innovative competitive advantage 508

17.7 How companies are responding to the CSR mandate 512

17.8 CSR and customer value 516

Summary 517

Case study: Iceland Foods takes heat for bold environmental message 518

PART 6
CONCLUSIONS

CHAPTER 18
MARKETING IN THE TWENTY-FIRST CENTURY 522

Introduction 525

18.1 The changing competitive arena 525

18.2 Fundamentals of strategy in a changing world 529

18.3 Competitive positioning strategies 534

Summary 541

Case study: Twitter builds on its character 542

References 544

Index 569

PREFACE

Since the sixth edition of this book, published in 2017, many economies around the world have continued to feel the aftershocks of the deepest recession since the Great Depression of the 1930s, which started with the well-publicised ‘credit crunch’. Despite continuing academic debate about the causes and extent, there is now little doubt that climate change and global warming is beginning to have a significant impact on our physical environment. Technology and the ever-growing acceptance and use of social media are having a profound effect on customer expectations, experience and behaviour.

Despite ongoing economic difficulties and turbulence, climate change has not been ignored, and it presents significant challenges and opportunities for businesses. Sustainable energy technologies, such as wind, solar, wave and thermal biomass, are now being pursued more vigorously and attempts to reduce energy consumption (of cars, buildings and airplanes) are creating new business opportunities. Increasingly, companies, public sector organisations, individuals and nations are adopting and implementing measures, such as sourcing more raw materials locally to reduce ‘carbon miles’ and limiting the use of high-emission travel options to reduce their carbon footprint.

In parallel, a technological revolution is in full swing: driverless cars are a reality, members of the Y generation communicate and share their feedback via social media, customers look for consistent experiences across all shopping channels, and even traditional business models such as the humble taxi have felt disruption – in this case from an app.

Within this context, throughout the seventh edition we have attempted to identify new approaches to doing business that promote sustainability, both for the organisations adopting them and for the environment (economic, social and natural) in which they operate.

Marketing Strategy and Competitive Positioning (7th edition) deals in general with the process of developing and implementing a marketing strategy. The text focuses on competitive positioning at the heart of marketing strategy, and includes in-depth

discussion of the processes used in marketing to achieve competitive advantage within the context introduced above.

The text is primarily about creating and sustaining superior performance in the marketplace. It focuses on the two central issues in marketing strategy formulation – the *identification of target markets* and the *creation of a differential advantage*. In doing so, it recognises the emergence of potential new target markets born of the recession, increased concern for climate change and disruption from ongoing technological advances. It examines ways in which firms can differentiate offerings through recognition of environmental and social concerns and innovation.

Topics examined include service quality and relationship marketing, networks and alliances, innovation, internal marketing and corporate social responsibility. Emphasis is placed on the development of dynamic marketing capabilities, together with the need to reassess the role of marketing in the organisation as a critical process and not simply as a conventional functional specialisation.

The structure of the text

Part 1 is concerned with the fundamental changes that are taking place in how marketing operates in organisations, and the increasing focus on marketing as a process rather than as a functional specialisation. The central questions of the market orientation of organisations and the need to find better ways of responding to the volatile markets, lead us to emphasise the market-led approach to strategic management and the framework for developing marketing strategy that provides the structure for the rest of the text. Our framework for strategic marketing planning provides the foundation for two critical issues on which we focus throughout this text – *choice of market targets* and *building strong competitive positions*. Central to this approach is the resource-based view of marketing and the need to develop, nurture and deploy dynamic marketing capabilities.

Part 2 deals with the competitive environment in which the company operates, and draws specifically

on recent changes brought about by recession and concerns for sustainability. Different types of strategic environment are first considered, together with the critical success factors for dealing with each type. Discussion then focuses on the ‘strategic triangle’ of customers, competitors and company in the context of the environment (social, economic and natural) in which the firm operates. Ways of analysing each in turn are explored to help identify the options open to the company. The emphasis is on matching corporate resources, assets and capabilities to market opportunities.

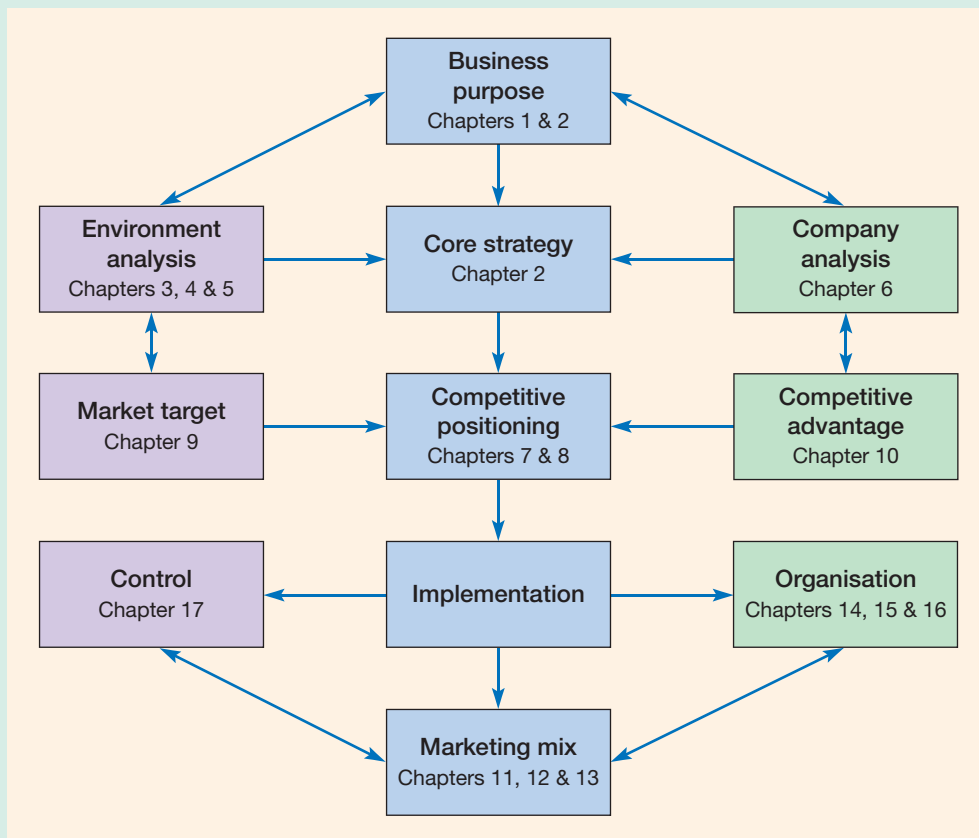
Part 3 examines in more detail the techniques available for identifying market segments (or potential targets) and current (and potential) positions. Alternative bases for segmenting consumer and business markets are explored, as are the data collection and analysis techniques available. Selection of market targets through consideration of the market attractiveness and business strength is addressed.

Part 4 returns to strategy formulation. The section opens with discussion of how to create a sustainable

position in the marketplace. Three chapters are concerned with specific aspects of strategy formulation and execution. The chapter on competing through the marketing mix has been retained from the sixth edition, and expanded to reflect increasing use of new media to promote, distribute and create market offerings. The roles of customer service in relationship building and innovation to create competitive advantage are considered in depth.

Part 5 examines implementation issues in more detail. The section includes chapters on strategic customer management and corporate social responsibility, as well as updated chapters on strategic alliances and networks and internal marketing.

Part 6 provides our perspective on future competition and competitors. Various themes from earlier parts of the text are drawn together in order to identify major changes taking place in markets, the necessary organisational responses to those changes, and the competitive positioning strategies that might form the cornerstones of effective marketing in the future.



Source: Hooley, Nicolaud, Rudd and Lee (2019).

New to this edition

- Updated content to reflect ongoing economic turbulence and its impact on business and marketing.
- Coverage of the impact of emerging markets on issues of marketing and innovation, and new realities of competing through services, market analysis and segmentation.
- Increased emphasis on competing through innovation, including new business models/new types of retailing.
- Increased emphasis on competing globally in a digital world.

- Updated vignettes at the beginning of most chapters, and new case studies in many of the chapters.
- Updated online resources, including an Instructor's Manual and PowerPoint slides for instructors, along with additional case studies for students.

This text is ideal for undergraduate and postgraduate students taking modules in Marketing Strategy, Marketing Management and Strategic Marketing Management.

ACKNOWLEDGEMENTS

We wish to acknowledge the support of many friends, colleagues, students and managers who have helped shape our ideas over the years.

More generally, thanks must go to Professor John Saunders, our friend, colleague and co-author of the first three editions of this text. John is an outstanding marketing scholar who has made a very significant contribution to both marketing thought and practice over the years. Much of his contribution to the early editions remains in the current edition and we thank him for his generosity in allowing it to continue to be included. Special thanks also to the late Professor Nigel Piercy. His contribution to the first six editions of the text was, and remains, significant!

We would also like to acknowledge the contributions of a number of outstanding management and marketing scholars with whom we have been fortunate to work and learn from over recent years: Professor Mike Ahearne, Professor Gary Armstrong, George Avlonitis, Rick Bagozzi, Amanda Beatson, Suzanne Beckmann, Jozsef Beracs, Pierre Berthon, Günther Botschen, Amanda Broderick, Rod Brodie, Peter Buckley, John Cadogan, Frank Cespedes, David Cook, David Cravens, Adamantios Diamantopoulos, Susan Douglas, Colin Egan, Heiner Evanschitzky, John Fahy, Krzysztof Fonfara, Gordon Foxall, Mark Gabbott, Brandan Gray, Gordon Greenley, Salah Hassan, J. Mac Hulbert, Peter LeeFlang, Ian Lings, David Jobber, Hans Kasper, Costas Katsikeas, Philip Kotler, Giles Laurent, Gary Lilien, Jim Lynch, Malcolm MacDonald, Felix

Mavondo, Sheelagh Mattear, Hafiz Mizra, Kristian Müller, Neil Morgan, Hans Muhlbacher, Leyland Pitt, Bodo Schlegelmilch, David Shipley, Stan Slater, Anne Souchon, Jan-Benedict Steenkamp, Vasilis Theohorakis, Rajan Varadarajan, Michel Wedel, David Wilson, Berend Wierenga, Jan Wieseke, Veronica Wong.

More personally:

Professor Brigitte Nicoulaud: My eternal gratitude to my husband Nick for his unwavering and empathetic support, and my mother for having taught me nothing is impossible.

Professor John M. Rudd: My deepest thanks goes to my wife Gail, my children George and Emily and my parents Dorothy and Peter. I quite literally couldn't have done it without you!

Professor Nick Lee: As always, I am deeply appreciative of the inspiration and support I receive from my wife, Laura. I would also like to thank my mother Trecia and my sister Meg for being such great examples for me over the years, and my nephew Brylie for always providing some perspective on life, in that I could always be building Lego or playing a computer game instead. I would also like to thank my wife's parents, Mark and Alison, and brother Huw for their constant kindness and support.

August 2019

PUBLISHER'S ACKNOWLEDGEMENTS

Text credits:

4 **John Wiley & Sons:** Doyle, P. (2008), *Value Based Marketing*, 2nd edn, London: John Wiley and Sons; 4-5 **The Financial Times Limited:** Alice Hancock (2017) Younger consumers drive shift to ethical products. © The Financial Times Limited 2019. All Rights Reserved; 7 **Harvard Business Publishing:** Felton, A.P. (1959), 'Making the marketing concept work', *Harvard Business Review*, 37(4), 55–65; 7 **Pearson Education:** Kotler, P.C., Armstrong, G., Saunders, J.A. and Wong, V. (1996), *Principles of Marketing: The European Edition*, Hemel Hempstead: Prentice Hall; 7 **SAGE Publications:** Ferrell, O.C. and Lucas, G.H. (1987), 'An evaluation of progress in the development of a definition of marketing', *Journal of the Academy of Marketing Science*, 15(3), 12–23; 7 **American Marketing Association:** *Definitions of Marketing*, American Marketing Association 2003; 7 **Marketing Science Institute:** Webster, F.E. (1997), 'The future role of marketing in the organisation', in D.R. Lehmann and K.E. Jocz (eds), *Reflections on the Futures of Marketing*, Cambridge, MA: Marketing Science Institute, pp. 39–66; 8 **American Marketing Association:** Kohli, A.K. and Jaworski, B.J. (1990), 'Market orientation: The construct, research propositions and managerial implications', *Journal of Marketing*, 54(2), 1–18; 8 **American Marketing Association:** Narver, J.C. and Slater, S.F. (1990), 'The effect of a market orientation on business profitability', *Journal of Marketing*, 54(4), 20–35; 13-14 **John Wiley & Sons:** Christensen, C. and Bower, J. (1996), 'Customer power, strategic investment and the failure of leading firms', *Strategic Management Journal*, 17(3), 197–218; 16 **John Wiley & Sons:** Doyle, P. (2008), *Value Based Marketing*, 2nd edn, London: John Wiley and Sons; 18 **John Lewis Partnership plc:** Sir Charlie Mayfield, Chairman of the John Lewis Partnership; 20 **Simon & Schuster:** Levitt, T. (1986), *The Marketing Imagination*, New York: The Free Press; 21 **Marketing Science Institute:** Greysier, S.A. (1997), 'Janus and marketing: The past, present and prospective future of marketing', in D.R. Lehmann and K.R. Jocz (eds), *Reflections on the Futures of Marketing*, Cambridge, MA: Marketing Science Institute; 22 **Macmillan Publishers:** Toffler, A. (1981), *The Third Wave*, William Collins/Pan Books; 25-27 **The Financial**

Times Limited: from Milne, R. (2015) 'Lego enters a new dimension with its digital strategy', *Financial Times*, September 27, 2015. © The Financial Times Limited 2019. All Rights Reserved; 28 **Pearson Education:** Johnson, G., Scholes, K. and Whittington, R. (2008), *Exploring Corporate Strategy: Text and Cases*, 8th edn, London: Financial Times/Prentice Hall; 28 **Peters, Fraser & Dunlop:** Sir John Harvey Jones, Chairman of Imperial Chemical Industries (ICI) 1982–1987; 28-29 **The Financial Times Limited:** Nic Fildes (2017), Three brings Smarty to the low-cost mobile party, © The Financial Times Limited 2019. All Rights Reserved; 30 **Eden Project:** Tim Smit, founder and chief executive of the Eden Project in Cornwall; 32 **Harvard Business Publishing:** Hamel, G. and Prahalad, C.K. (1989), 'Strategic intent', *Harvard Business Review*, 67(3), 63–76; 32 **Mars, Incorporated and its Affiliates.:** Mars website, <https://www.mars.com/global/about-us/five-principles> - accessed January, 2019; 33 **Sheilas Wheels:** Sheilas Wheels; 35-36 **HarperCollins:** Drucker, P. (1973). *Management: Tasks, Responsibilities, Practices*. New York: Harper & Row; 39 **Times Newspapers Limited:** Hurley, James (2019) Fender identifies its customers to stay in tune with the times, March 11 2019, *Times Newspapers Limited*; 51-52 **The Financial Times Limited:** from Mishkin, S. (2014) Amazon eyes online sales boost through "Fire" smartphone, *Financial Times*, 19 June. © The Financial Times Limited 2019. All Rights Reserved; 56-57 **The Financial Times Limited:** Plimmer, Gill. (2018) 'Nimble' consultancy focuses on quick response to disruption, JANUARY 18 2018, © The Financial Times Limited 2019. All Rights Reserved; 56 **John Hagel:** Quote by John Hagel; 58 **Marketing Science Institute:** Haeckel, S. (1997), 'Preface', in D.R. Lehmann and K.R. Jocz (eds), *Reflections on the Futures of Marketing*, Cambridge, MA: Marketing Science Institute; 60 **International Monetary Fund:** (Figure 3.2) *International Monetary Fund* (April 2019); 63 **Nike, Inc.:** Nike's advertising; 63 **Barclays:** (Figure 3.5) *Talking About My Generation: Exploring the Benefits Engagement Challenge*, September 2013, Barclays; 64 **Centaur Media plc:** Lyons, Erin. (2018) Localised marketing, GDPR, digital skills: 5 killer stats to start your week, 24 September 2018, *Marketing Week*; 67 **NCTA:** (Figure 3.6) *Infographic: The Growth Of The Internet Of*

Things, NCTA, May 5 2014; **69 The Financial Times Limited:** Lewin, J. (2016) Laura Ashley shares fall 9.3% as profits wilt, Financial Times, March 23. © The Financial Times Limited 2019. All Rights Reserved; **69 John Wiley & Sons:** Kotler, P., Kartajaya, H. and Setiawan, I., (2018), 'Marketing 4.0', The Marketing Journal, May 5; **71 The Marketing Journal:** Hagel, J. (2016), 'Strategy made simple, the 3 Core Strategy Questions', The Journal of Marketing, October 27; **71 The Marketing Journal:** Sarkar, C. and Kotler, P. (2019), 'Ecosystem Marketing: The Future of Competition', The Marketing Journal, February 21; **72 Simon & Schuster:** (Figure 3.7) from Competitive Strategy: Techniques for Analyzing Industries and Competitors (by Michael E. Porter, 1998) Reprinted with the permission of Free Press, a Division of Simon & Schuster, Inc., Copyright © 1980, 1998 by The Free Press. All rights reserved; **77 iLounge, Inc:** (Figure 3.9) iPodlounge.com; **78 BioAge Group:** (Figure 3.10) US Sales of Hybrids Down 50% in November, 2008, Green Car Congress; **81 Taylor & Francis Group:** (Figure 3.12) O'Shaughnessy, J. (1995), Competitive Marketing, 3rd edn, London: Routledge; **90-93 The Financial Times Limited:** (Case study V3.2 and Figure 3.17 & 3.18) Peter Campbell and Michael Pooler, "Dyson: a British inventor pivots to Asia" in London and Stefania Palma in Sydney OCTOBER 26, 2018. © The Financial Times Limited 2019. All Rights Reserved; **94 Elsevier:** Hill, R. (1979), 'Weak signals from the unknown', International Management, 34(10), 55–60; **94-95 The Financial Times Limited:** from Hale, T. (2015) Amdelus set to soar on airline bookings, Financial Times, 26 February. © The Financial Times Limited 2019. All Rights Reserved; **99 Guardian News & Media:** Heather Tomlinson and Rob Evans "Tesco stocks up on inside knowledge of shoppers' lives" The Guardian, 20 September 2005; **100 Elsevier:** Crouch, S. and Housden, M. (2003), Marketing Research for Managers, 3rd edn, London: Butterworth-Heinemann; **102 John Wiley & Sons:** Bradley, U. (1987), Applied Marketing and Social Research, 2nd edn, Chichester: John Wiley; **109 Pearson Education:** Lilien, G.L., Kotler, P. and Moorthy, K.S. (1992), Marketing Models, Hemel Hempstead: Prentice Hall International; **109 Forbes Media LLC:** Columbus, L. (2016), 'Ten Ways Big Data Is Revolutionizing Marketing and Sales', Forbes, May 9; **111-113 The Financial Times Limited:** (Case Study V4.2 and Figures 4.9 & 4.10) Bradshaw, T. (2018) Amazon and Google lead way on virtual assistant dealmaking at CES, Financial Times, 9 January. © The Financial Times Limited 2019. All Rights Reserved; **114-115 The Financial Times Limited:** from Sherwood, B. (2010) Gatwick seeks greater competition with BAA', Financial Times, 21 June. © The Financial Times Limited 2019. All Rights Reserved; **115 & 137 Hachette:** Clavell, J. (ed.) (1981), The Art of War by Sun Tzu, London: Hodder and Stoughton; **120 McGraw-Hill Education:** (Figure 5.2) Adapted from Lehmann, D.R. and Winer, R.S. (1991), Analysis for Marketing Planning, 2nd edn, Homewood, IL: Irwin; **126 Nike, Inc:** Nike's slogan; **137-139 The Financial Times Limited:** from Whipp, L. and Shotton, J. (2015) Adidas struggles to catch up with Nike's runaway success', Financial Times, 7 August. © The Financial Times Limited 2019. All Rights Reserved; **140 Marketing Director, International Food Marketing Company:** Marketing Director, International Food Marketing Company; **140-141 The Financial Times Limited:** Rachel Sanderson (2017), Moncler scraps catwalk shows for the social media generation, © The Financial Times Limited 2019. All Rights Reserved; **143 Marketing Science Institute:** Day, G.S. (1997), 'Aligning the organisation to the market', in D.R. Lehmann and K.E. Jocz (eds), Reflections on the Futures of Marketing, Cambridge, MA: Marketing Science Institute; **144, 145 Harvard Business Publishing:** Hamel, G. (1996), 'Strategy as revolution', Harvard Business Review, 74 (4), 9–82; **144 Harvard Business Publishing:** Porter, M.E. (1996), 'What is strategy?', Harvard Business Review, 74(6), 61–78; **146 John Wiley & Sons:** Grant, R.M. (1995), Contemporary Strategy Analysis, 2nd edn, Cambridge, MA: Basil Blackwell; **147 John Wiley & Sons:** Helfat, C.E., Finkelstein, S., Mitchell, W., Peteraf, M.A., Singh, H., Teece, D.J. and Winter, S.G. (2007), Dynamic Capabilities: Understanding Change in Organisations, Oxford: Blackwell Publishing; **148 The Institute for Operations Research and the Management Sciences:** Zollo, M. and Winter, S.G. (2002), 'Deliberate learning and the evolution of dynamic capabilities', Organisation Science, 13(3), 339–51; **151 Interbrand:** (Table 6.1) Interbrand "Best Global Brands" ranking data (2009, 2013, 2018); **154 Mujirushi ryohin:** Mujirushi ryohin; **157 Audi AG:** Audi AG; **161 Institute for Operations Research and the Management Sciences:** Zollo, M. and Winter, S.G. (2002), 'Deliberate learning and the evolution of dynamic capabilities', Organisation Science, 13(3), 339–51; **163 Harvard Business Publishing:** (Figure 6.9) Adapted from Hamel, G. and Prahalad, C.K. (1994), Competing for the Future, Boston, MA: Harvard Business School Press; **164-167 (Case Study 6.1 and Figures 6.10, 6.11 & 6.12) The Financial Times Limited:** Tom Hancock (2019), Why Ford is stalling in China while Toyota succeeds, © The Financial Times Limited 2019. All Rights Reserved; **170-171 The Economist Newspaper Limited:** From The Economist "Why retired people could be ideal customers for self-driving cars" Print edition, Business Feb 21st 2019; **173 Pearson Education:** Kotler, P.C. (1997), Marketing

Management: Analysis, Planning, Implementation and Control, 9th edn, Hemel Hempstead: Prentice Hall International; 174 **Jay Reno**: Jay Reno, Feather Furniture Founder; 174 **McGraw-Hill Education**: Ries, A. and Trout, J. (1982), Positioning: The Battle for Your Mind, New York: McGraw-Hill; 176 **Taylor & Francis Group**: Piercy, N.F. and Morgan, N.A. (1993), 'Strategic and operational market segmentation: A managerial analysis', *Journal of Strategic Marketing*, 1, 123–40; 179 **Centaur Media plc**: Rogers, C. (2017), The Shrinking and Emerging Demographics that Marketers need to know, *Marketing Week*, 13 March; 179 **Elaine Rogrigo**: Danone's Chief Strategy and Insights Officer, Elaine Rogrigo; 181 **The Market Research Society**: (Table 7.1) from *Occupation Groupings: A Job Dictionary*, 6th ed, 2006. <https://www.mrs.org.uk/pdf/occgroups6.pdf>. The Market Research Society; 189 **Centaur Media plc**: Rogers, C. (2019), Why behaviour beats demographics when it comes to segmentation, *Marketing Week*, April 16; 195 **The European Marketing Confederation**: McDonald, M. (2017), Market Segmentation: still the bedrock of commercial success, *The Marketing Journal*, October 17; 196 **Laing Henry**: Laing, H. (1991), *Brand Advertising Targeting System*, London: Laing Henry; 196 **Centaur Media plc**: Young, D. (1996), 'The politics behind market segmentation', *Marketing News*, October 21, p. 17; 196 **Harvard Business Publishing**: Shapiro, B.P. and Bonoma, T.V. (1990), 'How to segment industrial markets', in R.J. Dolan (ed.), *Strategic Marketing Management*, Cambridge, MA: Harvard Business School Press; 199-201 **The Economist Newspaper Limited**: The Economist "First-class air travel is in decline" Print edition, International Mar 9th 2019, DUBAI; 202-203 **The Financial Times Limited**: Long, C. (2018) Sole woman: Nike embraces female footwear, 28 February. © The Financial Times Limited 2019. All Rights Reserved; 205 **Springer Nature**: Palmatier, R. and Sridhar, S. (2017), *Marketing Strategy: Based on First Principles and Data Analytics*, Palgrave; 206 **University of Chicago Press**: Evans, F.B. (1959), 'Psychological and objective factors in the prediction of brand choice', *Journal of Business*, 32, October, 340–69; 209 **Taylor & Francis Group**: (Figure 8.1) Based on Maier, J. and Saunders, J.A. (1990), 'The implementation of segmentation in sales management', *The Journal of Personal Selling and Sales Management*, 10(1), 39–48; 212 **SAGE Publications**: (Table 8.1) Based on Punj, G. and Stewart, D.W. (1983), 'Cluster analysis in marketing research: Review and suggestions for applications', *Journal of Marketing Research*, 20(May), 135–48; 215 **John Wiley & Sons**: Calder, B.J. (1994), 'Qualitative marketing research', in Richard P. Bagozzi (ed.), *Principles of Marketing Research*, Boston, MA: Blackwell; 217 **Pearson Education**: Tull, D.S. and Hawkins, D.I. (1993), *Marketing Research: Measurement and Method*, 6th edn, Englewood Cliffs, NJ: Prentice Hall; 226-229 **The Financial Times Limited**: (VBox 8.2 and Figures 8.9, 8.11 & 8.12) John Gapper (2018) How millennials became the world's most powerful consumers, *The Financial Times*. © The Financial Times Limited 2019. All Rights Reserved; 227 **The Financial Times Limited**: (Figure 8.9) John Gapper (2018) How millennials became the world's most powerful consumers, *The Financial Times*. © The Financial Times Limited 2019. All Rights Reserved; 230 **Hachette**: Clavell, J. (ed.) (1981), *The Art of War by Sun Tzu*, London: Hodder and Stoughton; 230-231 **The Economist Newspaper Limited**: "Harley-Davidson brought low by tariffs and demographics" Sales keep plunging in the home market, *The Economist Print edition*, Business Feb 2nd 2019, MILWAUKEE; 232 **Taylor & Francis Group**: (Figure 9.1) Adapted from Piercy, N.F. (1997), *Market-Led Strategic Change: Transforming the Process of Going to Market*, 2nd edn, Oxford: Butterworth-Heinemann; 232 **The Financial Times Limited**: Porter, quoted in Jackson, T. (1997), 'Dare to be different', *Financial Times*, June 19. © The Financial Times Limited 2019. All Rights Reserved; 233 **Stanley Marcus**: Stanley Marcus of Neimann Marcus; 235 **The Marketing Journal**: Sarkar, C. and Kotler, P. (2019), 'Ecosystem Marketing: The Future of Competition', *The Marketing Journal*, February 21; 235 **IDEA BITE PRESS**: Ulwick, A. W., (2016), *Jobs to be done: Theory to Practice*, Idea Bite Press; 236 **The Financial Times Limited**: Miln, R. (2019) Ikea to trial furniture leasing in business overhaul, *Financial Times* 4 February. © The Financial Times Limited 2019. All Rights Reserved; 236 **John Wiley & Sons**: Kotler, P., Kartajaya, H. and Setiawan, I., (2017), *Marketing 4.0 Moving from Traditional to Digital*, Wiley; 237 **The Financial Times Limited**: de Burton, S. (2019) Can hybrid watches hijack the ascent of the smartwatch? *Financial Times*, 21 March. © The Financial Times Limited 2019. All Rights Reserved; 242 **Elsevier**: Piercy, N.F. (1997), *Market-Led Strategic Change: Transforming the Process of Going to Market*, 2nd edn, Oxford: Butterworth-Heinemann; 242 **The National Association of Cider Makers**: National Association of Cider Makers; 243 **James Dyson**: James Dyson; 248 **Pearson Education**: Kotler, P. and Keller, K. (2016), *Marketing Management*, 15th edn, Pearson; 249 **Glaxo Group Limited**: Lucozade brand slogan; 249 **LUCOZADE**: Lucozade brand slogan; 250 **Nike, Inc**: Nike Slogan; 251-252 **The Financial Times Limited**: Boland, V. and Wild, J. (2014) No-frills Ryanair faces test with Business Plus, *Financial Times*, 27 August. © The Financial Times Limited 2019. All Rights Reserved; 256 **Simon**

& Schuster: Michael Porter “Competitive Advantage: Creating and Sustaining Superior Performance” Free Press (1985); 256-257 **The Financial Times Limited:** Jung-a, S. (2015) Samsung to launch new mobile payment service in the US, Financial Times, 25 September. © The Financial Times Limited 2019. All Rights Reserved; 262 **Ryanair DAC:** Ryanair Slogan; 267 **Steve Jobs:** Quote by Steve Jobs; 270 **Heineken N.V.:** Heineken N.V.; 270 **Nike, Inc.:** Nike Slogan; 270-271, 273-274 **Centaur Media plc:** Vizard, S. (2018), ‘Nike ‘proud’ of Colin Kaepernick ad as campaign drives ‘record engagement’, Marketing Week, September 26; 271 **Industry Dive:** Huff, Travis. (2014) How Starbucks Crushes It on Social Media, Aug. 23 2014, Industry Dive; 272 **Audi AG:** Audi Slogan; 273 **Centaur Media plc:** Barnett, M. (2018), ‘How brands are finally realising the full potential of personalisation’, Marketing Week, November 13; 273 **The Marketing Journal:** “Scaling Trust: Marketing in a New Key” – An Interview with John Hagel III “The Marketing Journal (2016, January 15); 280 **Pelanduk Publications:** Khoo, P.C. (1992), Sun Tzu and Management, Petaling Jaya, Malaysia: Pelanduk; 283 **Pearson Education:** Kotler, P. and Keller, K. (2016), Marketing Management, 15th edn, Pearson; 286 **The Financial Times Limited:** Reed, J. (2010) Volvo’s heart will “remain in Sweden”, Financial Times, 29 March. © The Financial Times Limited 2019. All Rights Reserved; 287 **President & Fellows of Harvard College:** Culliton, J. (1948), The Management of Marketing Costs, Boston, MA: Harvard University Graduate School of Business Administration, Research Division; 287 **Cambridge University Press:** Borden, N. (1964), ‘The concept of the marketing mix’, Journal of Advertising Research, 4, 2–7; 287 **The Financial Times Limited:** Gray, A. (2019) McDonald’s to buy AI company Dynamic Yield, Financial Times in New York, 25 March. © The Financial Times Limited 2019. All Rights Reserved; 290 **Simon & Schuster:** Rogers, E. (1962), Diffusion of Innovations, New York: The Free Press; 290-291 **Simon & Schuster:** Parasuraman, A. and Colby, C.L. (2001), Techno-Ready Marketing: How and Why Your Customers Adopt Technology, New York: Free Press; 295 **New Scientist Ltd:** (Figure 11.5) Mullins, J. (2004) The next generation, New Scientist, Reed Business Information Ltd; 295 **Statista:** (Figure 11.6) Based on CIPA: StatistaCharts; 296 **Statista:** (Figure 11.7) Based on nfoTrends via Bitkom: StatisticaCharts; 297 **Newzoo:** (Table 11.1) Martin Armstrong, Feb 16, 2018, Statista, Data taken from Newzoo; 299 **Forbes Media LLC:** Morgan, J. (2014), A Simple Explanation of the “Internet of Things”, Forbes, 13 May; 299 **Harvard Business Publishing:** Dawar, N. (2018), Marketing in the Age of Alexa, Harvard Business Review, May-June; 300 **Canalys:** (Figure 11.8) Canalys forecasts, Mobility services, April 2019; 305 **Springer Nature:** Simon, H. (2015), Confessions of the Pricing Man: How Price Affects Everything, Springer International Publishing, Switzerland; 307 **World Advertising Research Center:** Maunder, S., Harris, A., Bamford, J., Cook, L. and Cox, A. (2005), ‘O2: It only works if it works – how troubled BT Cellnet was transformed into thriving O2’, in A. Hoad (ed.), Advertising Works 13: Proving the Effectiveness of Marketing Communications, Henley-on-Thames, World Advertising Research Centre; 310 **John Wiley & Sons:** Kotler, P., Kartajaya, H. and Setiawan, I., (2017), Marketing 4.0 Moving from Traditional to Digital, Wiley; 311 **Opresnik Management Consulting:** Opresnik, M. O., Kotler, P. and Hollensen, S. (2017), ‘Social Media Marketing. A Practioner Guide’, 3rd ed., Opresnik Management Consulting, 2019; 311 **Springer Nature:** Backaler, J. & Shankman, P. (2018), Digital Influence: Unleash the Power of Influencer Marketing to Accelerate Your Global Business, Palgrave Macmillan; 313 **Elsevier:** Verhoef, P.C., Kannan, P.K. and Inman, J.J. (2015), From multi-channel retailing to omni-channel retailing: introduction to the Special Issue on Multi-Channel Retailing, Journal of Retailing, 91(2): 174-81; 313 **The Omnichannel Opportunity: Unlocking the power of the connected consumer, Deloitte 2014:** (Figure 11.13) The Omnichannel Opportunity: Unlocking the power of the connected consumer, Deloitte 2014; 317 **John Wiley & Sons:** Kotler, P., Kartajaya, H. and Setiawan, I., (2017), Marketing 4.0 Moving from Traditional to Digital, Wiley; 318-319 **The Financial Times Limited:** Gray, S. & Walker, K. (2019) How ABB FIA Formula E championship built a fan base from scratch, Financial Times, 10 April. © The Financial Times Limited 2019. All Rights Reserved; 320 **The Financial Times Limited:** Howlett, A. (2019) Fitness trackers enter the pet insurance market. Regularly exercised dogs can collar premium discounts for their owners, Financial Times, 27 March. © The Financial Times Limited 2019. All Rights Reserved; 323 **Harvard Business Publishing:** Christensen, C., Anthony, S.D. and Roth, E.A. (2004), Seeing What’s Next: Using the Theories of Innovation to Predict Industry Change, Boston, MA: Harvard Business School Press; 323 **IBM Corporation:** IBM tagline; 323 **Elsevier:** Piercy, N.F. (2009a), Market-Led Strategic Change: Transforming the Process of Going to Market, 4th edn, Oxford: Butterworth-Heinemann; 325 **Daimler AG:** Daimler slogan; 326 **Elsevier:** (Figure 12.2) Adapted from Piercy, N. (2017), Market-Led Strategic Change: Everything Has Changed, But Everything is the Same, Abingdon, UK: Routledge; 327 **Harvard Business Publishing:** Christensen, C.M., Kaufman, S.P. and Shih, W.C. (2008), ‘Innovation

killers', *Harvard Business Review*, January, 98–105; **327 Bloomberg L.P.:** Arndt, M. and Einhorn, B. (2010), 'The 50 most innovative companies', *Bloomberg BusinessWeek*, April 25, pp. 34–40; **328 Harvard Business Publishing:** Christensen, C.M. (1997), *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail*, Boston, MA: Harvard Business School Press; **329 Harvard Business Publishing:** Christensen, C.M. and Raynor, M.E. (2003), *The Innovator's Solution: Creating and Sustaining Successful Growth*, Boston, MA: Harvard Business School Press; **330 SAGE Publications:** Chandy, R.K. and Tellis, G.J. (1998a), *Organising for Radical Product Innovation*, Boston, MA: Marketing Science Institute, Report, 98–102; **331 Harvard Business Publishing:** Hamel, G. (2000), *Leading the Revolution*, Boston, MA: Harvard Business School Press; **332 The Financial Times Limited:** Kay, J. (2009) Innovation is not about wearing a white coat, *Financial Times*, December 16, p. 17. © The Financial Times Limited 2019. All Rights Reserved; **334 Harvard Business Publishing:** Schmitt, B.H. (2007), *Big Think Strategy: How to Leverage Bold Ideas and Leave Small Thinking Behind*, Boston, MA: Harvard Business School Press; **334 The Financial Times Limited:** Allison, K. (2008) Apple unveils iPhone grand plan, *Financial Times*, 10 March, p. 23. © The Financial Times Limited 2019. All Rights Reserved; **334 Pearson Education:** Gratton, L. (2007), *Hot Spots: Why Some Companies Buzz With Innovation – And Others Don't*, Harlow: FT/Prentice Hall; **335 Harvard Business Publishing:** Ancona, D. and Bresman, H. (2007), *X-Teams: How to Build Teams That Lead, Innovate and Succeed*, Boston, MA: Harvard Business School Press; **335 The Financial Times Limited:** Mallett, V. and Crabtree, J. (2015) The American connection, *Financial Times*, May 25, p. 12. © The Financial Times Limited 2019. All Rights Reserved; **338 Bloomberg L.P.:** Hamm, S. (2006), 'Speed demons', *BusinessWeek*, March 27, pp. 67–76; **340 Fortune Media IP:** Morris, Betsy. (2008) What Makes Apple Golden, March 17, 2008, *Fortune Media IP*; **341 Allen and Hamilton Inc.:** (Figure 12.5) Booz, Allen and Hamilton (1982), *New Products Management for the 1980s*, New York: Booz, Allen and Hamilton Inc.; **352-353 The Financial Times Limited:** Bradshaw, T. and Waters, R. (2014) Apple moves into fashion business with Watch launch, *Financial Times*, 10 September. © The Financial Times Limited 2019. All Rights Reserved; **354 The Financial Times Limited:** Skapinker, M. (2003) Awkward customers, *Financial Times*, February 12, p. 12. © The Financial Times Limited 2019. All Rights Reserved; **354-355 The Financial Times Limited:** Fulton, C. (2018) Halfords boosted by fall in new car sales, *Financial Times*, 4 September. © The Financial Times Limited 2019. All Rights Reserved; **355 Harvard Business Publishing:** Womack J.P. and Jones, D.T. (2005), 'Lean consumption', *Harvard Business Review*, March, 58–68; **355 Toyota Motor Corporation:** Lexus Slogan; **357 John Lewis Partnership plc:** John Lewis Partnership plc <http://www.johnlewispartnership.co.uk/about/our-principles/generating-loyalty-through-choice-value-and-service.html>, accessed 2015, October 15; **358 Emerald Publishing Limited:** Coyles, S. and Gokey, T.C. (2005), 'Customer retention is not enough', *Journal of Consumer Marketing*, 22 (2), 101–5; **361 ROLLS-ROYCE PLC:** ROLLS-ROYCE PLC Slogan; **362 Westburn Publishers Ltd:** Piercy, N.F., Cravens, D.W. and Lane, N. (2010a), 'Marketing out of the recession: Recovery is coming, but things will never be the same again', *Marketing Review*, 10(1), 3–23; **362 Elsevier:** Piercy, N.F. (2009d), 'Ryanair: The master of non-service strategy', in N.F. Piercy, *Market-Led Strategic Change: Transforming the Process of Going to Market*, 4th edn, Oxford: Butterworth-Heinemann, pp. 46–48; **362 Ryanair DAC:** Ryanair's slogan; **362 The Financial Times Limited:** Mitchell, A. (2008) If you want to be loved, just do it right, *Financial Times*, March 27, p. 16. © The Financial Times Limited 2019. All Rights Reserved; **363 John Wiley & Sons:** Price, B. and Jaffe, D. (2008), *The Best Service Is No Service: How to Liberate Your Customers From Customer Service, Keep them Happy and Control Costs*, San Francisco, CA: Jossey Bass; **365 Elsevier:** (Figure 13.4) Payne, A., Christopher, M., Clark, M. and Peck, H. (1995), *Relationship Marketing for Competitive Advantage*, Oxford: Butterworth-Heinemann; **369 Penguin Random House:** Kawasaki, G. (2012), *Enchantment: The Art of Changing Hearts, Minds and Actions – How to Woo, Influence and Persuade*, London: Portfolio/Penguin; **369 Harvard Business Publishing:** Dixon, M., Freeman, K. and Toman, N. (2010), 'STOP trying to delight your customers', *Harvard Business Review*, July–August, 116–22; **369 The Financial Times Limited:** Skapinker, M. (2003) Awkward customers, *Financial Times*, February 12, p. 12. © The Financial Times Limited 2019. All Rights Reserved; **370 American Marketing Association (AMA):** (Figure 13.6) Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1985), 'A conceptual model of service quality and the implications for further research', *Journal of Marketing*, Fall, 41–50; **373 The Financial Times Limited:** Edmunds, M. (2000) Your wish is on my database, *Financial Times*, February 28, p. 16. © The Financial Times Limited 2019. All Rights Reserved; **374 Elsevier:** Knox, S., Maklan, S., Payne, A., Peppard, J. and Ryals, L. (2003), *Customer Relationship Management: Perspectives from the Marketplace*, Oxford: Butterworth-Heinemann; **377 Simon & Schuster:** Berry, L.L. and

- Parasuraman, A. (1991), *Marketing Services: Competing Through Quality*, New York: The Free Press; **379 American Marketing Association (AMA)**: (Figure 13.11) Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1985), 'A conceptual model of service quality and the implications for further research', *Journal of Marketing*, Fall, 41–50; **381-383 The Financial Times Limited**: Allen, K. (2014) Property portals hand control to homeowners, *Financial Times*, 22 August. © The Financial Times Limited 2019. All Rights Reserved; **387 Harvard Business Publishing**: Thomas Stewart, writing in the *Harvard Business Review* in 2006; **387-388 The Financial Times Limited**: Kuchler, H. (2017) Hacker-for-hire company Synack raises \$21m, *Financial Times*, April 2011. © The Financial Times Limited 2019. All Rights Reserved; **389 The Financial Times Limited**: Ward, A. and Waldmeir, P. (2014) Big Pharma fights back from China scandal, *Financial Times*, April 3, p. 21. © The Financial Times Limited 2019. All Rights Reserved; **389 The Financial Times Limited**: Andrew, J. and Waldmeir, P. (2013) Bribery fears infect drug dealings in China, *Financial Times*, September 24, 19. © The Financial Times Limited 2019. All Rights Reserved; **391 Harvard Business Publishing**: Levitt, T. (1960), 'Marketing myopia', *Harvard Business Review*, 38(4), 45–56; **391 Harper & Row**: Drucker, P. (1973), *Management: Tasks, Responsibilities and Practices*, New York: Harper & Row; **394 Taylor & Francis Group**: Leigh, T.W., and Marshall, G.W. (2001), 'Research priorities in sales strategy and performance', *Journal of Personal Selling & Sales Management*, 21 (Spring), 83–94; **395 Elsevier**: Ingram, T.N., LaForge, R.W. and Leigh, T.W. (2002), 'Selling in the new millennium: A joint agenda', *Industrial Marketing Management*, 31, 559–67; **395 Harvard Business Publishing**: Shapiro, B.P., Slywotsky, A.J. and Doyle, S.X. (1998), *Strategic Sales Management: A Boardroom Issue*, Note 9-595-018, Cambridge, MA: Harvard Business School; **395 Mazur**: Mazur, L. (2000), 'The changing face of sales', *Marketing Business*, May, 31; **395 Academy of Management**: Homburg, C., Workman, J.P. and Jensen, O. (2000), 'Fundamental changes in marketing organisation: The movement toward a customer-focused organisational structure', *Journal of the Academy of Marketing Science*, 28(4), 459–78; **397 Harvard Business Publishing**: Shapiro, B.P., Slywotsky, A.J. and Doyle, S.X. (1998), *Strategic Sales Management: A Boardroom Issue*, Note 9-595-018, Cambridge, MA: Harvard Business School; **397 Oxford University Press**: Piercy, N.F. and Lane, N. (2009a), *Strategic Customer Management: Strategizing the Sales Organisation*, Oxford: Oxford University Press; **398 Harvard Business Publishing**: Cespedes, F.V. (2014), 'Putting sales at the centre of strategy', *Harvard Business Review*, October, 23–5; **400 SAMA**: Seidenschwartz, W. (2005), 'A model for customer enthusiasm: Connecting the customer with internal processes', *Strategic Account Management Association Conference*, February, Paris; **402 Harvard Business Publishing**: Shapiro, B.P., Slywotsky, A.J. and Doyle, S.X. (1998), *Strategic Sales Management: A Boardroom Issue*, Note 9-595-018, Cambridge, MA: Harvard Business School; **410 IMI plc**: IMI plc (2010), IMI plc – Key Themes, www.imi.plc.uk/about; **414 Elsevier**: Piercy, N.F. and Lane, N. (2006a), 'The underlying vulnerabilities in key account management strategies', *European Management Journal*, 24(2–3), 151–82; **420-421 The Financial Times Limited**: Manson, K. (2014) Power of the "mummies" key to Nestlé's strategy in DR Congo, *Financial Times*, 1 October. © The Financial Times Limited 2019. All Rights Reserved; **423 Penguin Random House**: Gibbs, R. and Humphries, A. (2009), *Strategic Alliances & Marketing Partnerships: Gaining Competitive Advantage Through Collaboration and Partnering*, London: Kogan Page; **423 The Viscount Palmerston**: Attributed to Henry John Temple, Viscount Lord Palmerston 1784–1865, Foreign Secretary and Prime Minister of Great Britain during Queen Victoria's reign; **423 The Financial Times Limited**: Edgecliffe-Johnson, A. (2015) MasterCard cashes in on smart transit, *Financial Times*, 2 July. © The Financial Times Limited 2019. All Rights Reserved; **426 SAGE Publications**: Miles, R.E. and Snow, C.C. (1984), 'Fit, failure, and the hall of fame', *California Management Review*, Spring, 10–28; **429 SAGE Publications**: Webster, F.E. (1992), 'The changing role of marketing in the corporation', *Journal of Marketing*, 56(4), 1–17; **436 Academy of Marketing Science**: Achrol, R. (1997), 'Changes in the theory of interorganisational relations in marketing: Toward a network paradigm', *Journal of the Academy of Marketing Science*, 25(1), 56–71; **436 Emerald Publishing Limited**: Gummesson, E. (1994), 'Service management: An evaluation and the future', *International Journal of Service Industry Management*, 5(1), 77–96; **436 Academy of Marketing Science**: Achrol, R. (1997), 'Changes in the theory of interorganisational relations in marketing: Toward a network paradigm', *Journal of the Academy of Marketing Science*, 25(1), 56–71; **437 Bloomberg L.P.**: Engardio, P. (2009), 'Why NCR said, "let's go back home"', *BusinessWeek*, August 24 and 31, p. 19; **438 The Financial Times Limited**: Mallaby, S. (2013), 'American industry is on the move' *Financial Times*, January 9, p. 13. © The Financial Times Limited 2019. All Rights Reserved; **438 American Marketing Association**: Lambert, D.M., Emmelhainz, M.A. and Gardner, J.T. (1996), 'So you think you want to be a partner?', *Marketing Management*, Summer, 25–41; **442, 444**

Simon & Schuster: Quinn, J.B. (1992), *Intelligent Enterprise*, New York: Free Press; **444 Emerald Publishing Limited:** Bensimon, S. (1999), 'Strategic alliances', *Executive Excellence*, 16(10), 9; **445 Emerald Publishing Limited:** Gummesson, E. (1994), 'Service management: An evaluation and the future', *International Journal of Service Industry Management*, 5(1), 77–96; **447 Elsevier:** (Table 15.1) Cravens, K., Piercy, N. and Cravens, D.W. (2000), 'Assessing the performance of strategic alliances: Matching metrics to strategies', *European Management Journal*, 18(5), 529–41; **449–451 The Financial Times Limited:** Wright, R. (2014) UPS and FedEx turn focus to consumer behaviour, *Financial Times*, 12 August. © The Financial Times Limited 2019. All Rights Reserved; **452 Harvard Business Publishing:** Martin, R.L. (2010), 'The execution trap', *Harvard Business Review*, July–August, 64–71; **452 Harvard Business Publishing:** Nayar, V. (2010), *Employees First, Customers Second: Turning Conventional Management Upside Down*, Cambridge, MA: Harvard Business Press; **452–453 The Financial Times Limited:** Beesley, A. & Rovnick, N. (2018) Ryanair cancels flights after strike by pilots and cabin crew, *Financial Times*, 28 September. © The Financial Times Limited 2019. All Rights Reserved; **454 Centaur Media plc:** Croft, M. (2007), 'Training and development: Brand ambassadors', *Marketing Week*, March 8, p. 39; **455 Hampton Inn hotel:** Hampton Inn hotel Slogan; **456 Elsevier:** Piercy, N.F. (2009), *Market-Led Strategic Change: Transforming the Process of Going to Market*, 4th edn, Oxford: Butterworth-Heinemann; **458 Emerald Publishing Limited:** Freedman, M. (2003), 'The genius is in the implementation', *Journal of Business Strategy*, March/April, 26–31; **458–459 Elsevier:** Hrebiniak, L.G. (2006), 'Obstacles to effective strategy implementation', *Organisational Dynamics*, 35(1), 12–31; **459 John Wiley & Sons:** Alexander, L.D. (1991), 'Strategy implementation: Nature of the problem', in D. Hussey (ed.), *International Review of Strategic Management*, 2(1), 74; **459 Springer Nature:** Piercy, N.F. (1998), 'Marketing implementation: The implications of marketing paradigm weakness for the strategy execution process', *Journal of the Academy of Marketing Science*, 26(3), 222–36; **459 The Financial Times Limited:** Kellaway, L. (2015) No need to "lean in" when laziness can be just as effective, *Financial Times*, February 23, p. 16. © The Financial Times Limited 2019. All Rights Reserved; **460 Centaur Media plc:** Schultz, D.E. (2006), 'Definition of internal marketing remains elusive', *Marketing News*, January 15, p. 6; **461 Elsevier:** Gummesson, E. (1987), 'The new marketing – developing long-term interactive relationships', *Long Range Planning*, 20(4), 10–20; **461 Marketing Science Institute:** Gilly, M.C. and Wolfenbarger, M. (1996), *Advertising's Second Audience: Employee Reactions to Organisational Communications*, Cambridge, MA: Marketing Science Institute; **462 Southwest Airlines Co:** Southwest Airlines Co; **462 Centaur Media plc:** Bonoma, T.V. (1990), 'Employees can free the hostages', *Marketing News*, March 19; **463 Elsevier:** Piercy, N.F. (2009a), *Market-Led Strategic Change: Transforming the Process of Going to Market*, 4th edn, Oxford: Butterworth-Heinemann; **464 Internal Communication Focus:** (Table 16.1) Pounsford, M. (1994), 'Nothing to lose: Is internal communications adding value in today's organisations?', *Internal Communication Focus*, September, 6–8; **465 Woody Morcott:** Quote by Woody Morcott; **465 Centaur Media plc:** Divita, S. (1996), 'Colleagues are customers, market to them', *Marketing News*, October 21; **467 Elsevier:** (Figure 16.4) Piercy, N.F. (2009a), *Market-Led Strategic Change: Transforming the Process of Going to Market*, 4th edn, Oxford: Butterworth-Heinemann; **468 Cengage Learning:** Ulrich, D. (1992), 'Strategic and human resource planning: Linking customers and employees', *Human Resource Planning*, 15(2), 47–62; **472 Wall Street Journal:** Moroko, L. and Uncles, M.D. (2009), 'Employer branding: Companies have long divided consumers into segments; They should do the same with potential – and current – workers', *Wall Street Journal*, March 23, R7; **475 Hewlett-Packard Development Company, L.P:** Hewlett-Packard; **476 Marketing Science Institute:** Webster, F.E. (1997), 'The future role of marketing in the organisation', in D.R. Lehmann and K.E. Jocz (eds), *Reflections on the Futures of Marketing*, Cambridge, MA: Marketing Science Institute, pp. 39–66; **476 Taylor & Francis Group:** Dewsnap, B. and Jobber, D. (2000), 'The sales–marketing interface in consumer packaged goods companies: A conceptual framework', *Journal of Personal Selling & Sales Management*, 2, 109–19; **476 SAGE Publications:** Workman, J.P., Homburg, C. and Gruner, K. (1998), 'Marketing organisation: An integrative framework of dimensions and determinants', *Journal of Marketing*, 62(July), 21–41; **476 Harvard Business Publishing:** Cespedes, F.V. (1995), *Concurrent Marketing: Integrating Product, Sales and Service*, Cambridge, MA: Harvard Business School Press; **477 Harvard Business Publishing:** Shapiro, B.P. (2002), *Creating the Customer-Centric Team: Coordinating Sales & Marketing*, Harvard Business School, Note 9-999-006; **477 Taylor & Francis Group:** Rouzies, D., Anderson, E., Kohli, A.K., Michaels, R.E., Weitz, B.A. and Zoltners, A.A. (2005), 'Sales and marketing integration: A proposed framework', *Journal of Personal Selling & Sales Management*, 25(2), 113–22; **478 Simon & Schuster:** Hulbert, J.M., Capon, N. and Piercy, N.F. (2002), *Total Integrated*

Marketing: Breaking the Bounds of the Function, New York: The Free Press; **478 Harvard Business Publishing:** Shapiro, B.P. (2002), *Creating the Customer-Centric Team: Coordinating Sales & Marketing*, Harvard Business School, Note 9-999-006; **482-484 The Financial Times Limited:** (Figures 16.7 & 16.8) Milne, R. (2019) Inter Ikea's Torbjorn Loof: making the vision clear, *Financial Times*, 3 February. © The Financial Times Limited 2019. All Rights Reserved; **485 Bloomberg L.P:** Porter, M.E. (2010), 'How big business can help itself by helping its neighbors', *BusinessWeek*, May 31–June 6, p. 56; **485 Harvard Business Publishing:** Porter, M.E. and Kramer, M.R. (2011), 'Creating shared value', *Harvard Business Review*, January–February, 62–77; **485-486 The Economist Newspaper Limited:** Bartleby "A 25-year battle to improve the image of McDonald's", *The Economist* Feb 7th 2019; **487 European Commission:** Commission of the European Communities (2001), *Green Paper: Promoting a European Framework for Corporate Social Responsibility*, Strasbourg: COM, July; **488 Mike Jeffries:** Mike Jeffries, CEO of Abercrombie & Fitch; **489 The Financial Times Limited:** Skapinker, M. (2003) Awkward customers, *Financial Times*, February 12, p. 12. © The Financial Times Limited 2019. All Rights Reserved; **489 Harvard Business Publishing:** Porter, M.E. and Kramer, M.R. (2011), 'Creating shared value', *Harvard Business Review*, January–February, 62–77; **491 Harvard Business Publishing:** Heineman Jnr, B.W. (2007), 'Avoiding integrity land mines', *Harvard Business Review*, April, 100–108; **491 Times Newspapers Limited:** Rushe, D. (2007), 'Starbucks stirs up a storm in a coffee cup', *Sunday Times*, March 2, 3.7; **492 The Financial Times Limited:** Grande, C. (2007), Ethical consumption makes mark on branding, *Financial Times*, February 20, p. 24. © The Financial Times Limited 2019. All Rights Reserved; **495 Academy of Management:** Wood, D.J. (1991), 'Corporate social performance revisited', *Academy of Management Review*, 16(4), 691–718; **495, 496, 508, 509, 510 Harvard Business Publishing:** Porter, M.E. and Kramer, M.R. (2006), 'Strategy and society: The link between competitive advantage and corporate social responsibility', *Harvard Business Review*, December, 78–92; **497 Profile Books Limited:** Moss Kanter, R. (2009), *Supercorp: How Vanguard Companies Create Innovation, Profits, Growth and Social Good*, London: Profile Books; **497 The Financial Times Limited:** Skapinker, M. (2010) Long-term corporate plans may be lost in translation, *Financial Times*, November 23, p. 15. © The Financial Times Limited 2019. All Rights Reserved; **499 Adam Smith Institute:** Adam Smith Institute (2008), *Unfair Trade*, London: Adam Smith Institute; **506 Bloomberg L.P:** Capell, K. (2008), 'The

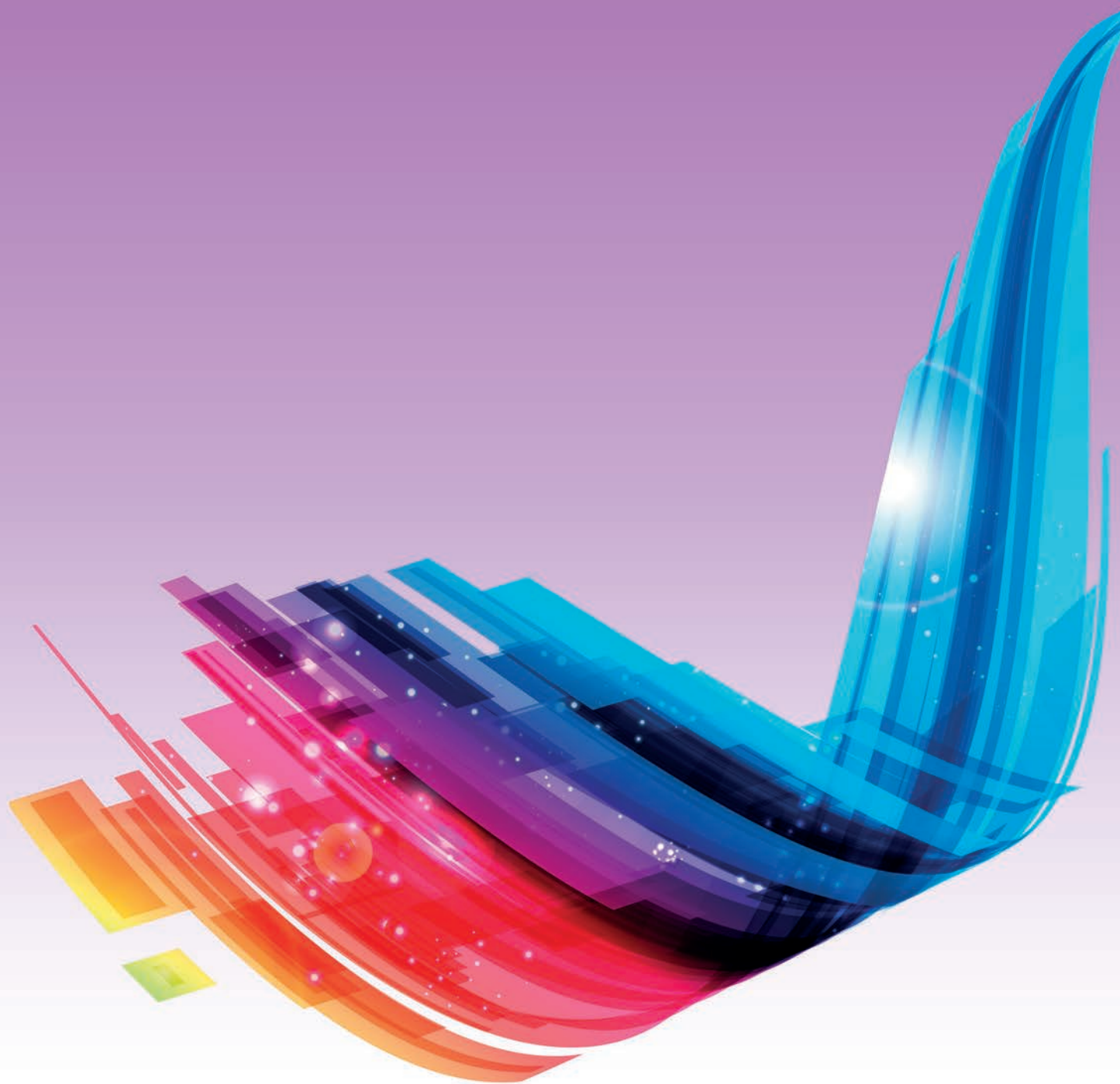
wool industry gets bloodied', *BusinessWeek*, July 14 and 21, p. 31; **510 Harvard Business Publishing:** (Figure 17.4) Reprinted by permission of Harvard Business Review. Responsive and Strategic Corporate CSR, from 'The link between competitive advantage and corporate social responsibility' by Michael E. Porter and Mark R and Kramer, December 2006. Copyright © 2006 by the Harvard Business School Publishing Corporation; all rights reserved; **510 John Wiley & Sons:** Savitz, A. and Weber, K. (2006), *The Triple Bottom Line: How Today's Best-Run Companies are Achieving Economic, Social and Environmental Success and How You Can Too*, San Francisco, CA: Pfeiffer Wiley; **512 Academy of Management:** Carroll, A.B. (1979), 'A three-dimensional conceptual model of corporate performance', *Academy of Management Review*, October, 497–505; **513 Westburn Publishers Ltd:** (Figure 17.5) Piercy, N.F. and Lane, N. (2009b), 'Corporate social responsibility: Impacts on strategic marketing and customer value', *The Marketing Review*, 9(4), 335–60; **515 The Financial Times Limited:** Harvey, F. and Birchall, J. (2007) Walmart in greenhouse gas initiative, *Financial Times*, September 24, p. 25. © The Financial Times Limited 2019. All Rights Reserved; **515 The Financial Times Limited:** Wiggins, J. (2007) Coke develops a thirst for sustainability, *Financial Times*, July 2, p. 26. © The Financial Times Limited 2019. All Rights Reserved; **518-519 The Financial Times Limited:** Eley, J. (2019) Iceland Foods takes heat for bold environmental message, *Financial Times*, 14 March. © The Financial Times Limited 2019. All Rights Reserved; **522 Charles Darwin:** Charles Darwin, *On the Origin of Species* (1853); **522 Niels Bohr:** Niels Bohr (Danish physicist, 1885 - 1962); **522-524 The Financial Times Limited:** (Unbox 18.1 and Figures 18.11 & 18.12) Tim Bradshaw (2019), Apple ready to unveil big bet on television © The Financial Times Limited 2019. All Rights Reserved; **525 Harvard Business Publishing:** Drucker, P. (1997), 'The future that has already happened', *Harvard Business Review*, 75(5), 20–4; **532 John Wiley & Sons:** Helfat, C.E., Finkelstein, S., Mitchell, W., Peteraf, M.A., Singh, H., Teece, D.J. and Winter, S.G. (2007), *Dynamic Capabilities: Understanding Change in Organisations*, Oxford: Blackwell Publishing; **533 American Marketing Association:** Brown, A. (1995), 'The fall and rise of marketing', *Marketing Business*, February, 25–8; **536 Audi AG:** Audi AG; **539 Johnson & Johnson Private Limited:** Listerine slogan; **541 Marketing Science Institute:** Haeckel, S. (1997), 'Preface', in D.R. Lehmann and K.R. Jocz (eds), *Reflections on the Futures of Marketing*, Cambridge, MA: Marketing Science Institute; **542 Taylor & Francis Group:** Sheth, J.N. and Sisodia, R.S. (eds) (2006), 'The image of marketing', in Does

Marketing Need Reform? Fresh Perspectives on the Future, New York: M.E. Sharpe Inc.; **542 The Financial Times Limited:** from Gelles, D. (2010) Twitter builds on its character, Financial Times, 15 April. © The Financial Times Limited 2019. All Rights Reserved.

Photo Credits:

4 Getty Images: Jamie McDonald/Staff/Getty Images; **23 Alamy Stock Photo:** Susan E. Degginger/Alamy Stock Photo; **25 Getty Images:** Patrick T. Fallon/Bloomberg/Getty Images; **28 Getty Images:** Matthew Lloyd/Bloomberg/Getty Images; **51 Getty Images:** Justin Sullivan/Getty Images News/Getty Images; **70 Shutterstock:** Viktoria Kurpas/Shutterstock; **75 Getty Images:** Teh Eng Koon/AFP/Getty Images; **77 Alamy Stock Photo:** Susanne Baumgarten/Vario images GmbH & Co.KG/Alamy Stock Photo; **90 Alamy Stock Photo:** CARTA image/Alamy Stock Photo; **94 Alamy Stock Photo:** Greg Balfour Evans/Alamy Stock Photo; **105 Alamy Stock Photo:** Vibrant Pictures/Alamy Stock Photo; **109 Shutterstock:** mamanamsai/Shutterstock; **111 Alamy Stock Photo:** Daniel Karmann/dpa picture alliance/Alamy Stock Photo; **114 Alamy Stock Photo:** Ian Leonard/Alamy Stock Photo; **124 Dyson Ltd:** Dyson Ltd; **137 Alamy Stock Photo:** Torontonian/Alamy Stock Photo; **140 REUTERS:** Charles Plattiau/REUTERS; **164 Getty Images:** Bernardo De Niz/Bloomberg/Getty Images; **170 Voyage:** Luke Beard/

Voyage; **180 Shutterstock:** John Locher/AP/Shutterstock; **182 Center Parcs Ltd:** Center Parcs Ltd; **199 Getty Images:** Tim Graham/Hulton Archive/Getty Images; **202 Alamy Stock Photo:** Robert Stainforth/Alamy Stock Photo; **230 Alamy Stock Photo:** Digital-Fotofusion Gallery/Alamy Stock Photo; **241 Shutterstock:** Sofiaworld/Shutterstock; **251 Alamy Stock Photo:** Ian G Dagnall/Alamy Stock Photo; **256 Alamy Stock Photo:** Matt Siegel/Reuters/Alamy Stock Photo; **265 Shutterstock:** Bas Czerwinski/EPA-EFE/Shutterstock; **286 Alamy Stock Photo:** Oleksiy Maksymenko Photography/Alamy Stock Photo; **287 Getty Images:** Paul Thomas/Bloomberg/Getty Images; **300 Shutterstock:** Ross D Franklin/AP/Shutterstock; **318 Getty Images:** FIA ABB Formula E/Handout/Getty Images; **320 Shutterstock:** Petr David Josek/AP/Shutterstock; **352 Alamy Stock Photo:** James Copeland/Alamy Stock Photo; **354 Alamy Stock Photo:** British Retail Photography/Alamy Stock Photo; **381 Alamy Stock Photo:** Sjscreens/Alamy Stock Photo; **387 Getty Images:** DragonImages/iStock/Getty Images Plus; **420 Alamy Stock Photo:** Kumar Sriskandan/Alamy Stock Photo; **423 Alamy Stock Photo:** Maurice Savage/Alamy Stock Photo; **449 Alamy Stock Photo:** Johan Nilsson/Epa European Pressphoto agency b.v./Alamy Stock Photo; **452 Getty Images:** John Thys/AFP/Getty Images; **482 REUTERS:** Anna Ringstrom/REUTERS; **485 Paul Blow:** Illustration created by Paul Blow; **522 Getty Images:** Justin Sullivan/Getty Images; **542 Getty Images:** Chip/Bloomberg/Contributor/Getty Images.



PART 1

MARKETING STRATEGY

The first part of this text is concerned with the role of marketing in strategy development and lays the groundwork for analysing the two central issues of competitive positioning and market choices.

Chapter 1 discusses marketing as a process of value creation and delivery to customers that transcends traditional departmental boundaries. We examine the issue of market orientation as a way of doing business that places the customer at the centre of operations, and aligns people, information and structures around the value-creation process. We also recognise and explore the role of organisational resources in creating sustainable competitive advantage. The chapter concludes with a set of fundamental marketing principles to guide the actions of organisations operating in competitive markets, and identifying the role of marketing in leading and shaping strategic management.

Chapter 2 presents a framework for developing a marketing strategy that is adopted throughout the text. A three-stage process is proposed. First, the establishment of the core strategy. This involves defining the business purpose, assessing the alternatives open to the organisation through an analysis of customers, competition and the resources of the organisation, and deciding on the strategic focus that will be adopted. Second is the creation of the competitive positioning for the company. This composes the selection of the target market(s) (which dictates *where* the organisation will compete) and the establishment of a competitive advantage (which clarifies *how* it will compete). Third, implementation issues are discussed, such as the achievement of positioning through the use of the marketing mix and organisation and control of the marketing effort.

The ideas and frameworks presented in Part 1 are used to structure the remainder of the text, leading to a more detailed discussion of competitive market analysis in Part 2, segmentation and positioning analysis in Part 3, the development of competitive positioning strategies in Part 4 and strategy implementation issues in Part 5.

CHAPTER 1

MARKET-LED STRATEGIC MANAGEMENT

'The purpose of marketing is to contribute to maximising shareholder value, and marketing strategies must be evaluated in terms of how much value they create for investors.'

Peter Doyle (2008)

Younger consumers drive shift to ethical products

By Alice Hancock in London

From free-range meat to vegan haircare, demand for sustainable goods is rising

In a busy north London supermarket the weekend before Christmas, the meat aisle is a hub-bub. Sarah Rymer, 32, picks her way through a shelf of whole chickens. She chooses a free-range bird. 'I've definitely become more conscious of what I buy in the past few years,' she says. 'It can be confusing, but I think it's worth the money.' Ms Rymer is one of an increasing number of shoppers driving the UK's £81.3bn market for ethical products and services. According to not-for-profit consultancy Ethical Consumer, the sector has grown by more than £40bn since 2008, with households spending an average of £1,263 on ethical goods last year. The ethical food and drink market alone was up 9.7 per cent, compared with 5.3 per cent growth in 2015. Businesses are seeing the appeal. For Thanksgiving this year Butterball, the US's largest turkey producer, launched its first organic range in response to increasing consumer demand, while earlier in the year UK sandwich chain Pret A Manger opened its second and third all-vegetarian outlets. Ikea, which says that it uses its sustainable credentials to set it apart from other affordable homeware brands, intends to use only recycled or FSC certified wood by 2020. Big consumer



With consumers showing increasing concern for animal welfare, demand has risen for free-range poultry

Source: Jamie McDonald / Staff/Getty Images.

product groups are making concerted efforts, too. French cosmetics company L'Oréal this month unveiled its first vegan hair colour products, aimed at boosting its flagging professional haircare division. As part of a steady strategy of smaller acquisitions, Unilever bought Sir Kensington, a maker of vegan mayonnaise, and Pukka organic teas. Its sustainable brands – those the company describes as 'combin[ing] a strong purpose delivering a social or environmental benefit' – grew 40 per cent faster than the rest of the business in 2016, it says.

Younger consumers are fuelling this response. YouGov data show that in the past year alone the proportion of 18- to 24-year-olds turning to vegetarianism for environmental or welfare reasons has increased from 9 to 19 per cent. And it is not just in their consumer habits. ‘We know that millennials want to work for companies that take this stuff seriously,’ says Rob Harrison, director of Ethical Consumer. ‘Lots of new start-ups have an ethical mission and it translates across into buying patterns.’ He is speaking to me on his Fairphone, marketed as ‘the world’s first ethical, modular smartphone’. Ben Gleisner is the founder of one such ethically minded start-up. In 2009, while working as an economist in the New Zealand treasury, he identified what he calls a ‘massive market failure’: businesses, unaware that customers were interested in ethical products did not invest in them, resulting in a ‘huge undersupply’. Conscious Consumers, the platform he has set up, provides retailers with data about customers’ ethical preferences. Shoppers sign up online and link their credit or debit card to the app. Whenever they spend money at businesses

registered with Conscious Consumers, data entered on their profile – from whether they would prioritise buying organic to whether they are interested in climate change or workers welfare – is sent to the retailer. In 2015 Mr Gleisner and his team ran New Zealand’s second-biggest crowdfunding campaign and in autumn next year it plans to launch in its first foreign market: the UK. Richard Collier-Keywood, previously managing partner of PwC UK, has come on board as a director. Mr Gleisner says that 16- to 35-year-olds – Generations Y and Z – are the strongest market. ‘Generation Z is the most environmentally and socially “aware” consumer market yet. Even more so than millennials,’ he says. The sticking point is cost. At higher-end supermarket Waitrose, where Ms Rymer is shopping, an Essential range chicken is £2.40 per kg while a free-range bird is £6.25 per kg – more than double the price. Josie Mallin, 27, who is shopping for a Sunday joint in the more affordable Morrisons supermarket nearby, chooses a standard chicken. ‘I try to buy ethically but say a normal chicken is £4 and an organic chicken is £10, I’m going to buy the normal one,’ she says.



Source: from ‘Younger consumers drive shift to ethical products’, *Financial Times*, 23/12/17 (Hancock, A.).

Discussion questions

- 1 What issues is Conscious Consumers trying to address?
- 2 How is the company trying to address them?

Introduction

In the quote that begins this chapter, Professor Peter Doyle highlights that the primary overarching goal for chief executives of commercial companies is to maximise shareholder value. However, is this at odds with the increasing awareness of, and attention to, environmental and social responsibility issues? Surely firms seeking to maximise shareholder value will pay scant regard to the natural and social environment in which they operate, taking what they can, irrespective of the consequences, in order to make a quick buck? Isn’t this the essence of market-based capitalism – red in tooth and claw?

Wrong! The essence of the shareholder value approach is the long-term sustainability of the organisation through the creation of *lasting* value. Indeed, Doyle also argues that shareholder value is often confused with maximising profits. Maximising profitability is generally considered to be a short-term approach (and may result in eroding long-term competitiveness through actions such as cost cutting and shedding assets, to produce quick improvements in earnings). Maximising shareholder value, on the other hand, requires long-term thinking, the identification of changing opportunities and investment in the building of competitive advantage.

The role of marketing in the modern organisation poses something of a paradox. As Doyle (2008) again points out, few chief executives come from a marketing background, and many leading organisations have no marketing directors on their boards. Indeed, in many firms, the marketing *function* or *department* has had little or no strategic input, and instead is largely concerned with public relations (PR), advertising or sales support roles. However, there has been a noticeable change over the last decade or so regarding the importance of the *marketing concept* in setting strategic direction and influencing the overall culture of firms. Indeed, marketing is now routinely discussed, and embraced as being influential and important, in sectors that might have previously considered its use as irrelevant – for example in not-for-profit enterprises, such as charities and the arts, political parties and public sector organisations such as universities and the police service.

Managers increasingly recognise that the route to achieving commercial or social objectives lies in meeting the needs and expectations of their customers (goods or services). The concept of the customer has always been strong in commercial businesses, and as supply has outstripped demand in so many industries, so customer choice has increased. Additionally, there has been a vast increase in information available to customers through media sources such as the Internet, and as a result power in the supply chain has shifted dramatically from manufacturer to retailer/supplier, to end customer. In a rapidly changing and increasingly complex world, organisations that don't have customer satisfaction at the core of their strategic decision making will find it increasingly hard to survive.

In the not-for-profit world, the concept of the 'customer' is taking more time to get established but is no less central. Public sector organisations talk in terms of 'clients', 'patients', 'students', 'passengers' and the like. In reality, all are customers, in that they receive some form of benefit through an exchange with an entity or service provider. Where customers can make choices between service providers (within the public sector or outside it), they choose providers who best serve their needs. Some private sector providers have successfully identified areas where customers have not been well served by the public sector, and have provided new choices (in healthcare, education, security services and transport, for example). Additionally, and conversely, where private service providers have not delivered promised levels of service/service improvements, they have been 'taken back' into public hands. For example, in 2019, Her Majesty's Prison (HMP) Winson Green in Birmingham (UK) was returned to public hands from the private provider (G4S) by the Ministry of Justice following a series of high-profile issues, and a very poor report from inspectors.

While organisational structures, operational methods and formal trappings of marketing can, and should, change to reflect new developments and market opportunities, the philosophy and concept of marketing, as described in this chapter, are even more relevant today than ever before.

This first chapter sets the scene by examining the marketing concept and market orientation as the foundations of strategic marketing, the role of marketing in addressing various stakeholders in the organisation, and the developing resource-based marketing strategy approach.

1.1

The marketing concept and market orientation

1.1.1 Evolving definitions of marketing

One of the earliest examples of codification and/or definition in the development of marketing as a discipline was concerned with the marketing concept. Over 50 years ago, Felton (1959) proposed that the marketing concept is:

a corporate state of mind that exists on the integration and coordination of all the marketing functions which, in turn, are melded with all other corporate functions, for the basic objective of producing long-range profits.

More recently, Kotler *et al.* (1996) suggested that the defining characteristic of the marketing concept is that:

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.

At its simplest, the marketing concept holds that in increasingly dynamic and competitive markets, the companies or organisations that are most likely to succeed are those that take notice of customer expectations, wants and needs, and gear themselves to satisfying them better than their competitors. It recognises that there is no reason why customers should buy one organisation's offerings unless they are in some way better at serving their wants and needs than those offered by competing organisations.

As it probably should, the meaning and domain of marketing remains subject to evolution and discussion. To exemplify this, in 1985 the American Marketing Association (AMA) reviewed more than 25 marketing definitions before arriving at their own (see Ferrell and Lucas, 1987):

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

This has since evolved further, but very much embraces the broad ideas expressed in this initial definition. The AMA's current definition of marketing (from July 2013) is:

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Taken together, the definitions position marketing as embedded within an organisation, and as something that has extensive impact outside the organisation. They also reinforce the centrality of the marketing concept, value, process, mutually beneficial exchange and customer relationships. These issues may, or may not, be managed by a marketing department or function. These definitions lead to a model of 'mutually beneficial exchanges' as an overview of the role of marketing, as shown in Figure 1.1.

Definitions of marketing are, of course, extremely useful. However, the reality of what marketing means operationally, and in reality, is a far more difficult topic. Webster (1997) points out that, of all the management functions, marketing has the most difficulty in defining its position in the organisation, because it is simultaneously culture, strategy and tactics. He argues that marketing involves the following:

- **Culture:** marketing may be expressed as the 'marketing concept' – that is, a set of values and beliefs embedded in employees that drives organisational decision making through a fundamental commitment to serving customers' needs, as the path to sustained profitability.
- **Strategy:** as strategy, marketing seeks to develop effective responses to changing market environments by defining market segments, and developing and positioning product offerings for those target markets.
- **Tactics:** marketing as tactics is concerned with the day-to-day activities of product management, pricing, distribution and marketing communications such as advertising, personal selling, publicity and sales promotion.

The challenge of simultaneously building a customer (or market) orientation in an organisation (culture), developing value propositions and competitive positioning (strategy) and

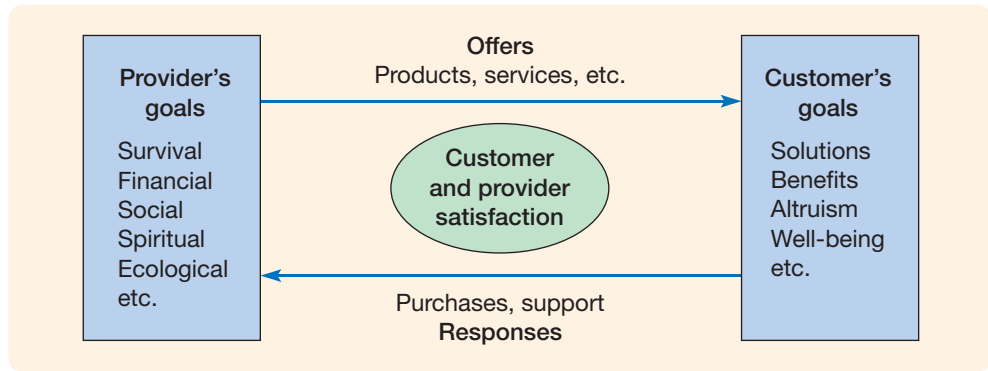


Figure 1.1
Mutually beneficial exchanges

developing detailed marketing action plans (tactics) is complex. It is perhaps unsurprising that the organisational reality of marketing often falls short of the demands suggested previously.

1.1.2 Market orientation

Marketing Science Institute (MSI) studies during the 1990s attempted to identify the specific activities that translate the philosophy of marketing into reality, and hence achieve a market orientation. In one of the most widely quoted research streams in modern marketing that stemmed from the seminal, and still influential, Kohli and Jaworski (1990) study, market orientation was defined in the following terms:

a market orientation entails (1) one or more departments engaging in activities geared towards developing an understanding of customers' current and future needs and the factors affecting them, (2) sharing of this understanding across departments, and (3) the various departments engaging in activities designed to meet select customer needs. In other words, a market orientation refers to the organisation-wide generation, dissemination, and responsiveness to market intelligence.

This view of market orientation is concerned primarily with the development of what may be called market understanding throughout an organisation, and poses a substantial management challenge.

Another important contribution to this discussion, Narver and Slater (1990), defined market orientation as:

the organisational culture . . . that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business.

From this work a number of components, and in essence the context of marketing, are proposed (see Figure 1.2):

- **customer orientation:** understanding customers well enough to create superior value for them;
- **competitor orientation:** awareness of the short-term and long-term capabilities of competitors;
- **interfunctional coordination:** using all company resources, working together, to create value for target customers;
- **organisational culture:** linking employee and managerial behaviour to customer satisfaction;
- **long-term creation of shareholder value:** as the overriding business objective.

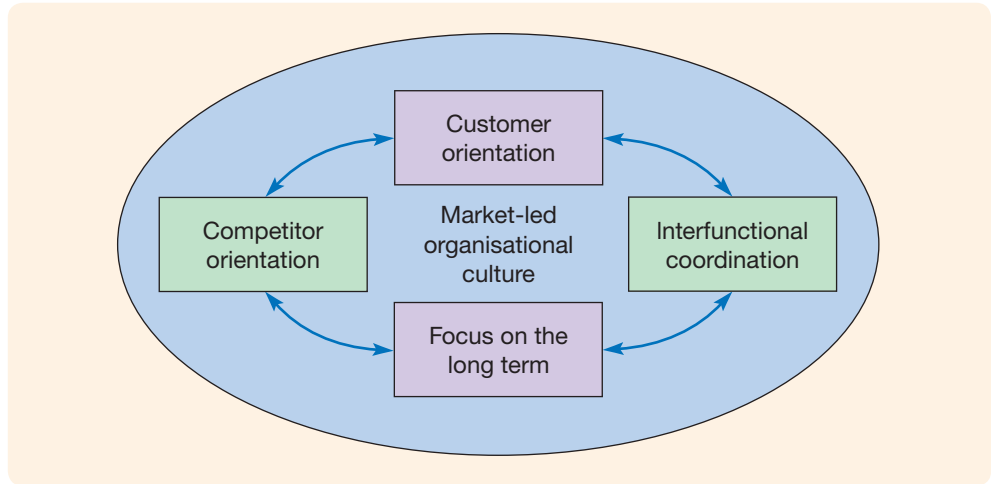


Figure 1.2
Components and
context of market
orientation

To support these ideas, there is a significant and quite compelling amount of support for the view that market orientation is associated with superior organisational performance – that is, financial performance and non-financial performance such as employee commitment and *esprit de corps* (Jaworski and Kohli, 1993; Slater and Narver, 1994; Cano *et al.*, 2004; Kumar *et al.*, 2011).

However, it has also been suggested that there may be substantial barriers to achieving market orientation (Harris, 1996, 1998; Piercy *et al.*, 2002). The reality may be that executives face the problem of creating and driving marketing strategy in situations where the company is simply not market orientated. This is probably at the heart of many strategy implementation problems in marketing (see Chapter 16).

The ‘signs’ of market orientation can be summarised in the following terms, and underlines the links between them and our approach to marketing strategy and competitive positioning:

- Reaching marketing’s true potential may rely mostly on success in moving past marketing activities (tactics) to marketing as a company-wide issue of real customer focus (culture) and competitive positioning (strategy). The evidence supports suggestions that marketing has generally been highly effective in tactics, but only marginally effective in changing culture, and largely ineffective in the area of strategy (Day, 1992; Varadarajan, 1992; Webster, 1997; Varadarajan, 2012).
- One key is achieving understanding of the market and the customer throughout the company, and building the capability for responsiveness to market changes. The real customer focus and responsiveness of the company is the context in which marketing strategy is built and implemented. Our approach to competitive market analysis in Part 2 provides many of the tools that can be used to enhance and share an understanding of the customer marketplace throughout the company.
- Another issue is that the marketing process should be seen as interfunctional and cross-disciplinary, and not simply the responsibility of the marketing department. This is the real value of adopting the process perspective on marketing that is becoming more widely adopted by large organisations (Hulbert *et al.*, 2003). We shall see in Part 4 on competitive positioning strategies that superior service and value, and innovation to build defensible competitive positions, rely on the coordinated efforts of many functions and people within the organisation. Cross-functional relationships are also an important emphasis in Part 5.
- It is also clear that a deep understanding of the competition in the market from the customer’s perspective is critical. Viewing the product or service from a customer’s

viewpoint is often difficult, but without that perspective a marketing strategy is highly vulnerable to attack from unsuspected sources of competition. We shall confront this issue in Part 3, where we are concerned with competitive positions.

- Finally, it follows that the issue is long-term performance, not simply short-term results, and this perspective is implicit in all that we consider when building and implementing marketing strategy.

A framework for executives to evaluate market orientation in their own organisations is shown in Box 1.1. However, it is also important to make the point at this early stage that marketing as organisational culture (the marketing concept and market orientation) must also be placed in the context of other drivers of the values and approaches of the organisation. A culture that emphasises customers as key stakeholders in the organisation is completely consistent and complementary with one that also recognises the needs and concerns of shareholders, employees, managers and the wider social and environmental context in which the organisation operates.

In addition to any discussion of customer focus or market orientation it is worth noting that advocacy of a completely customer-focused approach comes with a health warning. Occasionally these approaches are confused with the notion of ‘doing whatever the customers say’. There lies madness! While understanding customers, and potential customers, is clearly important, so are issues of creativity and innovation. Hence it is important for organisations to be market driven, but equally it is important to be market driving – that is, trialling new and possibly edgy (beyond what might be expected) products and services. This is advocated, as asking customers what they want can simply be the wrong question – often they don’t know!

Box 1.1 Market orientation assessment

1 Customer orientation

	Strongly agree	Agree	Neither	Disagree	Strongly disagree	Don't know
Information about customer needs and requirements is collected regularly	5	4	3	2	1	0
Our corporate objective and policies are aimed directly at creating satisfied customers	5	4	3	2	1	0
Levels of customer satisfaction are regularly assessed and action is taken to improve matters where necessary	5	4	3	2	1	0
We put major effort into building stronger relationships with key customers and customer groups	5	4	3	2	1	0
We recognise the existence of distinct groups or segments in our markets with different needs and we adapt our offerings accordingly	5	4	3	2	1	0

Total score for customer orientation (out of 25)

2 Competitor orientation

	Strongly agree	Agree	Neither	Disagree	Strongly disagree	Don't know
Information about competitor activities is collected regularly	5	4	3	2	1	0
We conduct regular benchmarking against major competitor offerings	5	4	3	2	1	0
There is rapid response to major competitor actions	5	4	3	2	1	0
We put major emphasis on differentiating ourselves from the competition on factors important to customers	5	4	3	2	1	0
Total score for competitor orientation (out of 20)						

3 Long-term perspectives

	Strongly agree	Agree	Neither	Disagree	Strongly disagree	Don't know
We place greater priority on long-term market-share gain than on short-run profits	5	4	3	2	1	0
We put greater emphasis on improving our market performance than on improving internal efficiencies	5	4	3	2	1	0
Decisions are guided by long-term considerations rather than short-run expediency	5	4	3	2	1	0
Total score for long-term perspectives (out of 15)						

4 Interfunctional coordination

	Strongly agree	Agree	Neither	Disagree	Strongly disagree	Don't know
Information about customers is widely circulated and communicated throughout the organisation	5	4	3	2	1	0
The different departments in the organisation work effectively together to serve customer needs	5	4	3	2	1	0
Tensions and rivalries between departments are not allowed to get in the way of serving customers effectively	5	4	3	2	1	0
Our organisation is flexible to enable opportunities to be seized effectively rather than hierarchically constrained	5	4	3	2	1	0
Total score for interfunctional coordination (out of 20)						

5 Organisational culture

	Strongly agree	Agree	Neither	Disagree	Strongly disagree	Don't know
All employees recognise their role in helping to create satisfied end customers	5	4	3	2	1	0
Reward structures are closely related to external market performance and customer satisfaction	5	4	3	2	1	0
Senior management in all functional areas give top priority to creating satisfied customers	5	4	3	2	1	0
Senior management meetings give high priority to discussing issues that affect customer satisfaction	5	4	3	2	1	0
Total score for organisational culture (out of 20)						

Summary

From the totals obtained:

Customer orientation (out of 25)

Competitor orientation (out of 20)

Long-term perspectives (out of 15)

Interfunctional coordination (out of 20)

Organisational culture (out of 20)

Total score (out of 100)

Interpretation

- 80–100. This indicates a high level of market orientation. However, scores below 100 can still be improved!
- 60–80. This indicates moderate market orientation. Identify the areas where most improvement is needed.
- 40–60. This shows that there is a long way to go in developing a market orientation. Identify the main gaps and set priorities for action to close them.
- 20–40. This indicates a mountain ahead of you! Start at the top and work your way through. Some factors will be more within your control than others. Tackle those first.

Note: If you scored '0' on many of the scales you need to find out more about your own company!

1.2

The resource-based view of marketing

The dominant view of strategy in the 1980s and early 1990s was proposed by, among others, Michael Porter of the Harvard Business School (Porter, 1980, 1985). This view suggested that the key to strategy lay in industry dynamics and characteristics. While there has since been a great deal of academic discussion and debate on this perspective, it is a view that is fundamental to strategic management theory, and hence worthy of further discussion. Porter suggested that some industries were inherently more attractive than others, and that the factors driving industry competition were key determinants of profitability. Under this

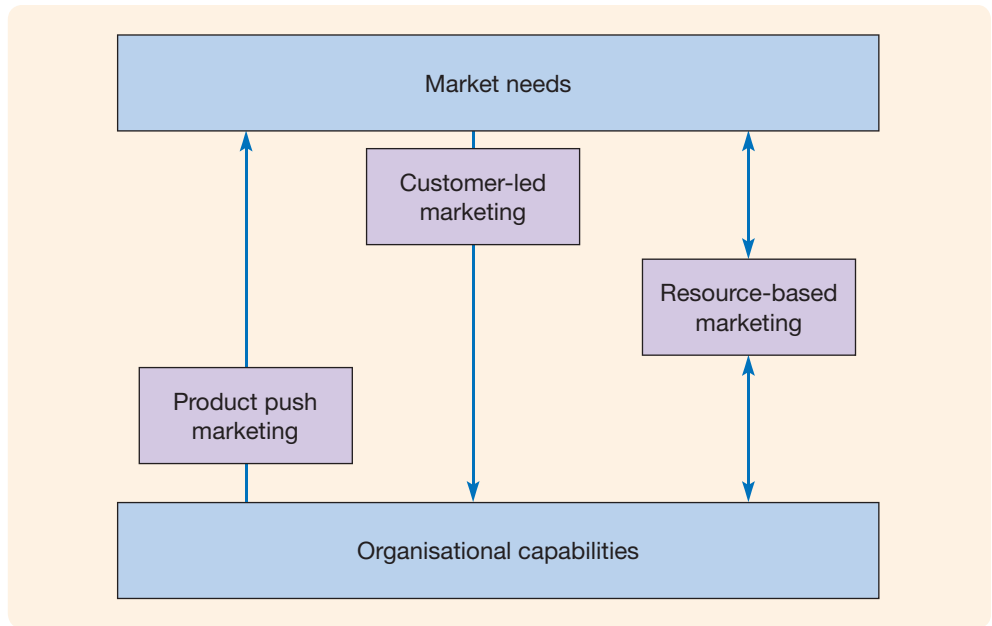


Figure 1.3
Marketing
approaches

approach, the focus for explaining performance differences between organisations shifted from outside the firm (the industries in which it operated) to within the firm itself (its resources and capabilities).

Termed the resource-based view of the firm (Wernerfelt, 1984), with a focus on 'core competencies' (Prahalad and Hamel, 1990), this new approach suggested that performance was essentially driven by the resource profile of the organisation, and that the source of superior performance lay in the possession and deployment of distinctive, hard-to-imitate or protected resources.

Our view on strategy and marketing is that these two approaches can be combined successfully to the benefit of both. They do, however, throw into stark relief the different approaches to strategy in general, and marketing in particular, that are still evident in many organisations today. Three main alternative approaches are apparent (see Figure 1.3):

- **Product push marketing.** Under this approach, firms focus activities on existing products and services, and look for ways to encourage or even persuade customers to buy. This is a myopic interpretation of the resource-based view: we have a resource (our product or service) that we are good at producing, and that is different from what competitors offer. The key notion underpinning this approach is to make customers want what we are good at. Car dealerships and their supply chain present good examples of push marketing. Dealers are often given favourable incentives based on volume targets that culminate in significant financial payments based on numbers of cars sold, as are sales people. In this setting it is very much in everyone's interests to 'push' cars through the supply chain to the customer.
- **Customer-led marketing.** The other extreme is customer-led marketing (Slater, 1998). Under this approach, organisations chase their customers at all costs. The goal is to find what customers want and, whatever it is, give it to them. This can also lead to problems. Being excessively customer led can lead to a short-term orientation, resulting in trivial incremental product development efforts and myopic research and development (R&D) (Frosch, 1996). Christensen and Bower (1996) go further, suggesting that 'firms lose their

position of industry leadership . . . because they listen too carefully to their customers'. (See earlier discussion regarding the importance of organisations being market driven and market driving.)

- **Resource-based marketing.** In this text we advocate a middle ground between these two extremes. Here, firms base marketing strategies on equal consideration of the requirements of the market and their abilities to serve it. Under this approach, a long-term view of customer requirements is taken in the context of other market considerations (such as competitor offerings and strategies, and the realities of the supply chain), together with mapping out the assets, competencies and skills of the organisation to ensure they are leveraged to the full.

Resource-based marketing essentially seeks a long-term fit between the requirements of the market and the abilities of the organisation to compete in it. This does not mean that the resources of the organisation are seen as fixed and static, far from it. Market requirements evolve over time and the resource profile of an organisation must continuously develop to enable it to continue to compete, and to enable it to take advantage of new opportunities. The essential factor, however, is that opportunities are seized where the organisation has an existing or potential advantage through its resource base, rather than just pursued *ad hoc*. These points will be returned to when we discuss the assessment of company marketing resources (Chapter 6) and the criteria for selecting those markets in which to operate (Chapter 9).

First, however, we need to explore how market orientation and marketing resources impact on organisational performance. To do this we introduce the idea of organisational stakeholders.

1.3

Organisational stakeholders

Why do organisations exist? The simple answer, for commercial organisations, may be to earn returns on investments for shareholders and owners of those organisations. For non-commercial organisations, such as charities, faith-based organisations, public services and so on, the answer may lie in the desire to serve specific communities or constituencies. However, organisations, both commercial and non-profit, are rarely driven by such simple goals. Often there are many demands, sometimes complementary, sometimes competing, that drive decisions. For example, James Dyson's decision to move production of his household appliances out of the United Kingdom to Asia in early 2002 for cost reasons (responsibility to shareholders to operate efficiently), resulted in a considerable backlash from the local community and national media over the impact on jobs and livelihoods in the UK (responsibility to employees and the local community).

All organisations serve multiple stakeholders (Harrison and St John, 1994; Mitchell *et al.*, 1997). Some, however, will be given higher priority than others in the way decisions are made and resources allocated (Rowley, 1997; Ogden and Watson, 1999). Research into the transition economies of central and Eastern Europe, for example, found that in many state-owned enterprises (SOEs) the major stakeholders were the employees, and organisational objectives centred on providing continuity of employment (Hooley *et al.*, 2000). This orientation persists in many former SOEs following privatisation and sell-off to the commercial sector, although this is now changing. For many of the commercial firms surveyed in the piece of work cited previously, the prime objectives centred on profitability and short-term return on investment.

The long-term implications of climate change and global warming have led many organisations to begin to recognise the importance of the physical and natural environment in their plans and actions. Indeed, the natural environment could be seen as a further 'stakeholder'. Many organisations have really taken this notion to heart and have embedded this thinking

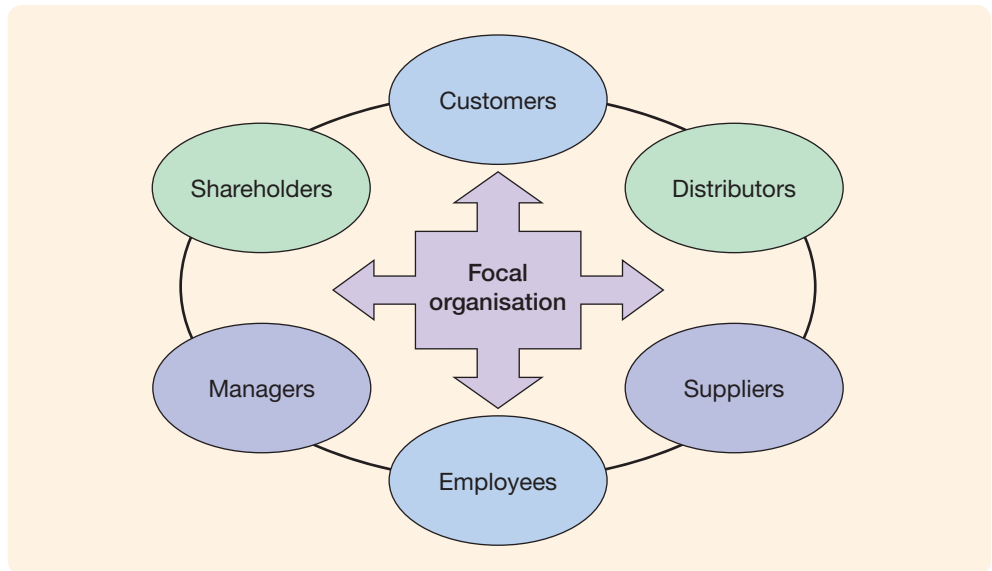


Figure 1.4
Organisational
stakeholders

in how they define themselves. Organisations are increasingly under pressure to assure stakeholders that their actions are sustainable and are having a positive impact on issues such as the environment or society, for example. Related and increasingly widespread terms associated with these important ideas for marketers are ‘green marketing’, ‘cause-related marketing’ and ‘sustainable marketing’. The ‘triple bottom line’ is also a term that has become familiar to CEOs the world over, referring to the need for organisations to be seen to improve (or certainly not to have a negative impact on) the overall state of Planet Earth, the human race and financial stakeholders (i.e. shareholders). The rather out-of-date and uninformed 1980s notion of ‘greed is good’ has now been replaced in many organisations by a more sensible and sustainable mantra that includes a more balanced sentiment at its core. It would be wrong, however, to see this change as a fad or trend, and organisations are increasingly gaining traction with spending customers *because* of their stance on environmental and societal issues. This is the triple bottom line writ large, and companies such as Patagonia, Levi Strauss and McDonald’s (with its Ronald McDonald Houses for families of chronically ill children) are great examples of this.

In the context of commercial organisations, a number of primary stakeholders can be identified (see Figure 1.4). These include shareholders and owners, managers, employees, customers, suppliers and the society in which they operate. While a market-orientated culture, discussed earlier, serves to place customers high in the priority ranking, the reality for most organisations is a complex blend of considerations that incorporates all stakeholders.

Doyle (2008) discusses the motivations and expectations of the various stakeholder groups, as follows:

- **Shareholders** may be of two main types. First, there may be individuals with emotional and long-term personal ties to the business. Increasingly, however, shareholders nowadays are financial investors, both individual and institutional, who are seeking to maximise the long-term value of their investments. Paradoxically, this desire for long-term shareholder value may drive many firms to make short-term decisions in order to maximise share price or dividends.
- **Employees** may also have long-term commitment to the firm. Their priorities are generally some combination of compensation (through wages and salaries), job satisfaction and security (of employment). These may be at odds with the value of the firm to shareholders. Few employees would agree that their personal job loss through ‘downsizing’

is a price worth paying for increasing shareholder value! Some firms, however, put a great deal of effort into understanding employee motivations. For example, Skandia, the Swedish insurance company, regularly surveys employees with a view to aligning employee and corporate goals (*Fortune*, 11 March 2002). The John Lewis Partnership has over 80,000 employees, or ‘Partners’, and annual revenue of over £10bn; the Partners share in the benefits and profits of the business. It also involves employees in decision making through meetings between management and elected staff representatives and, as a result, staff turnover is very low in comparison with others in the industry.

- **Managers** are also concerned with personal rewards in the form of salaries and prestige. Professional managers may have less long-term commitment to the firm and see their roles as temporary staging posts on their longer-term career journeys. Managerial ‘success’ is often measured by short-term gains (in sales, for example, or efficiency), which may not necessarily equate to longer-term performance improvement for the firm. Much of the initial cause of the recent credit crunch was put down to the excessive bonus culture in investment banks that encouraged short-term risk taking at the expense of longer-term performance.
- **Customers** are the ultimate source of shareholder value. As Doyle (2008) points out, ‘even the most focused financial manager understands that the source of a company’s long-term cash flow is its satisfied customers’. There is, however, an inherent danger of pursuing customer satisfaction at the expense of all other considerations. Customers might be ‘delighted’ by lower prices or higher-quality offerings than competitors, but if the underlying costs exceed the prices that customers are prepared to pay the firm will not remain in business very long. In this respect, the blind pursuit of customer satisfaction may be at odds with longer-term shareholder value creation.
- **Suppliers and distributors** also have a stake in the business. Suppliers rely on the firms they serve to ensure the achievement of their goals. In working with customers, suppliers often seek security, predictability and a satisfactory margin, and some suppliers have tried to ensure these outcomes through embedded and close relationships. For example, Walmart and Proctor and Gamble (P&G) have a very close relationship whereby sales at Walmart are directly linked to order replenishment systems at P&G. Distributors, too, are stakeholders in the business. In the automobile industry, car distributors are normally closely allied to individual car makers through franchise agreements. The success or otherwise of the manufacturer in developing and marketing the right cars for the market impacts directly on the distributor. Again, the distributor may seek predictability and continuity at satisfactory margins.

To these stakeholders identified by Doyle (2008) we would add the following:

- **Society and the community** in which a firm exists can be significantly affected by its actions. Plant closures are an obvious example. When the UK coal industry shrank significantly in the 1970s and ’80s the effect on local communities was vast. Mining towns in Yorkshire and the Midlands experienced high rates of unemployment, as job creation initiatives lagged behind jobs lost through pit closures. More recently, Nissan announced that it is likely to close car-making facilities at Swindon in the UK, with the loss of around 3,500 jobs. This announcement has fuelled a significant amount of media speculation about the negative impacts on the local and national economy.
- **The natural (or physical) environment** connects strongly to the earlier discussion about the ‘triple bottom line’, but has not traditionally been seen as a stakeholder in the conventional use of the term. It is, however, a proxy for future society, as what we do to the environment and the natural resources today will affect future generations. It has been argued that while previous generations may not have completely understood the environmental impact of their actions (in particular the burning of fossil fuels), the implications today are quite clear. Action at national and supranational levels has been, until very recently, fairly elusive (such as the failure of the climate change talks in Copenhagen in December 2009 to result in significant commitment to limit carbon

emissions). However, the European Union is leading the way: following the Paris Climate Conference (COP21), held in December 2015, a total of 195 countries agreed to adopt the first ever, universal, legally binding global climate deal. Unfortunately, at the time of writing, President Trump has indicated that the USA is likely to pull out of the Paris accord, dealing a potentially significant blow to the overall aims. On a more positive note, organisations in the private and public sectors are increasingly taking action to reduce emissions and energy consumption, and mitigate their environmental impacts. This makes good commercial sense too! Energy bills for many organisations are the second-highest controllable expense after staff, and customers are increasingly taking interest in the ‘green’ credentials and practices of the companies they purchase from – and changing consumption habits as a result.

For non-profit organisations, the identification of stakeholders and their requirements may be even more complex:

- **Owners** of the organisation may be hard to identify and their interests difficult to define. For example, who ‘owns’ the Catholic Church, or Greenpeace, or the Labour Party? Many might argue that the owners are those who support such organisations, the churchgoers, the activists and members. Or are ‘employees’ (such as the clergy) the owners? In the case of organisations such as the National Health Service (NHS), police service, or some educational establishments, are the owners society in general, the taxpayers, or the government of the day that sets priorities and performance targets?
- **Customers** may be defined as those whom an organisation seeks to serve. The customers of the Catholic Church may be those who attend mass on Sundays. It may also, however, extend to others whom the Church wishes to appeal to and whose behaviour and beliefs it seeks to influence. Who are the customers of the NHS – the patients? Or those who avoid the service through heeding health warnings? Who are the customers of higher education? The students? The parents who fund them? Or the employers who seek their skills on graduation? Who are the customers for the police service? Society in general that needs protection from criminals? The criminals themselves? Or the taxpayers who fund them? Different definitions of ‘customers’ may result in different interpretations of what their expectations, needs and requirements are or might be. Failure to identify and meet the needs of different customers destroys market position. For example, while doctors and police officers struggle with the idea that they exist to provide customer value, their position is being eroded by the growth of alternative medicine, medical tourism (improving choice) and private security services and systems.
- **Employees**, we might conclude, are relatively easy to identify. Their motivations, however, may be far more complex than in the commercial sector. What motivates nurses to work such long, hard hours for relatively little financial reward? Why do people volunteer to staff charity shops for no payment? Why do activists risk their lives to prevent the dumping of oil platforms or nuclear waste at sea? In the non-profit sector, employees may or may not receive financial rewards. Often their prime motivators are not financial, but centre far more on satisfaction derived from contributing to a cause they cherish or value.
- **Society and community** have perhaps always been high on the list of priorities for many non-profit organisations. Charities exist to serve the society in which they operate (but would they necessarily call them ‘customers’?).

While the considerations of many of these stakeholders may be complementary, they may also be in conflict. For example, the desire of shareholders for long-term value creation may be at odds with the demands of suppliers and distributors for continuity, security and satisfactory margins. The demands placed on a firm through being customer led may have significant impacts on the roles and activities of managers and employees, not all of them welcome. This confusion may be compounded when individual stakeholders assume more than one role. For example, managers and employees may also be shareholders in commercial organisations. They could also, from time to time, be their own customers!

In any organisation there will be a blend of orientations towards the various stakeholders. We would argue, however, that a strong orientation towards the market, as discussed at the outset of this chapter, can be a unifying force that helps achieve other stakeholder goals.

1.3.1 The contribution of marketing to stakeholder objectives

There is increasing evidence that firms that do well in the marketplace also do well financially, adding to the value of the firm for shareholders. Homburg and Pflesser (2000), for example, have shown that firms adopting a market-orientated culture perform better financially than those that do not. Many other studies have also shown direct links between market orientation, customer satisfaction and firm financial performance (see Lafferty and Hult, 2001, for a summary).

Figure 1.5 shows the effects of market-orientated culture on firm activities and performance. The degree of market orientation, as discussed previously, is a deeply embedded cultural aspect of any firm. Where market orientation is high, all organisational functions are focused on their contribution to the creation of superior customer value. This, in turn, affects the way those functions are managed, and the priorities they pursue. For example, human resource management and training is often directed towards customer awareness and service, and reward structures are designed to encourage customer satisfaction generation. Where market orientation is high, employee job satisfaction and commitment have also been demonstrated to be high (see Piercy *et al.*, 2002), creating a motivated workforce focused on the needs of customers (see Heskett *et al.*, 2003). To illustrate this notion, Sir Charlie Mayfield, Chairman of the John Lewis Partnership, stated, ‘The John Lewis Partnership faces similar challenges to other major retailers but in one respect our response is very different. That’s the energy and passion of our Partners who, as co-owners of our business, drive our work to operate an ever-more sustainable and responsible business.’

High levels of market orientation also lead organisations to emphasise the development of marketing assets, such as company and brand reputation (Aaker, 1991), market innovation capabilities (Slater and Narver, 1995; Han *et al.*, 1998), customer relationship management skills (Gummesson, 1999) and satisfied and well-motivated staff. Well-developed marketing resources (both assets and capabilities) have been shown to lead to superior market performance, help create satisfied and loyal customers (Heskett *et al.*, 2003) and also increase sales volume and market share. Reputational assets, such as well-known and respected brands, together with well-developed marketing capabilities such as market innovation skills, also affect market performance directly.

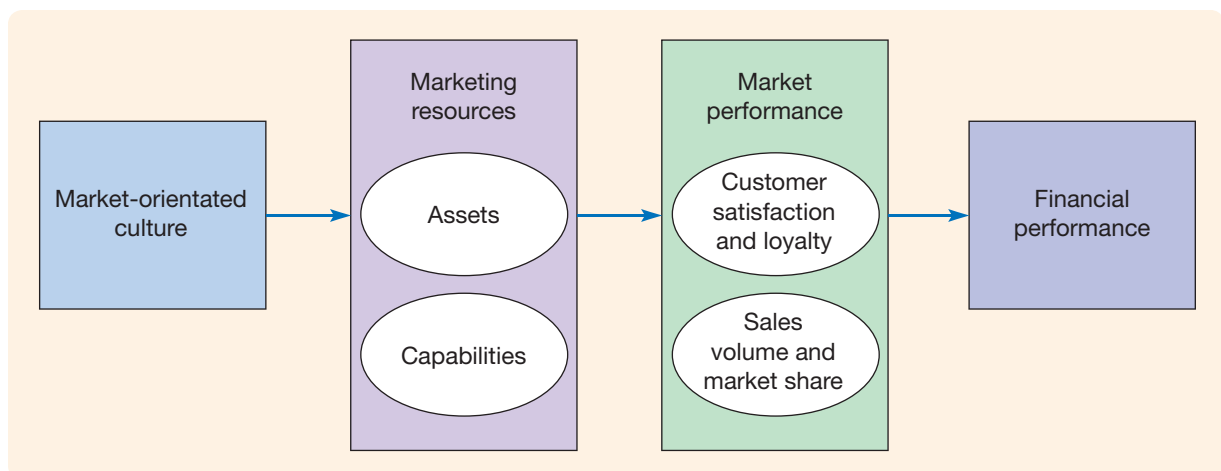


Figure 1.5 Marketing and performance outcomes

The link between market performance and financial performance is also well established. Customer satisfaction and loyalty leads to greater sales volume and market share, which, in turn, leads to financial performance. One suggested route is through the impact of economies and advantages of scale. A second route, explained in detail by Doyle (2008), suggests that shareholder value is determined by anticipated future cash flows, adjusted for the cost of capital. In this view, the crucial task of management is to maximise the sum of future cash flows, and hence maximise shareholder value. Marketing's contribution will be to develop strategies that deliver enhanced cash flows through, for example, successful new product launches or the creation of strong brands that can command high margins and market shares. Under this view, the focus of marketing is on developing and protecting assets (such as brands or market share) that have the potential to deliver enhanced cash flows in the future. Doyle sees the role of marketing as driving value creation through the optimum choice of markets and target segments in which to operate, the creation of a differential (or competitive advantage) in serving those targets and the development of an appropriate marketing mix for delivery.

In summary, marketing can contribute to satisfying the needs of employee and managerial stakeholders through providing security, compensation and job satisfaction. Where the firm is better at serving its customers and more adept at winning orders in the face of competition, it is more likely to survive into the future. There is also evidence that where firms are more market orientated, employees derive more satisfaction from their jobs (Slater and Narver, 1995). This, in turn, can lead to a virtuous circle of improvement, as happy, motivated staff generate increasingly satisfied customers, so that organisational performance improves and staff become more satisfied – and so on. Similarly, the most effective route to achieving the profit and performance desires of supply chain partners is through market success. Heightened success through partnerships and alliances can serve to bond organisations together, creating more stability and predictability in the supply and distribution chain. Nonetheless, concerns of customers and employees for the environment, for social justice, for fair employment and other social priorities have led to renewed emphasis on corporate social responsibility and good corporate citizenship. However, importantly (as we shall see in Part 5), thinking has changed from altruistic behaviour to meet moral obligations, to pursuing social initiatives as part of the value proposition and a source of competitive advantage (see Chapter 17).

1.4

Marketing fundamentals

Building on the marketing concept outlined previously, the considerations of alternative stakeholders and the logic of resource-based marketing, we can distil a set of basic and very pragmatic marketing principles that serve to guide marketing thought and action. Each of these may seem quite intuitive, however recognition and application of them can (and has) revolutionised how organisations respond to, and interact with, their customers.

Principle 1: focus on the customer

This first principle of marketing goes back to the marketing concept itself and recognises that the long-term objectives of the organisation, be they financial or social, are best served by achieving a high degree of customer focus – but not a blind focus! From that recognition flows the necessity for a close investigation of customer wants and needs, followed by a clear definition of if and how the company can best serve them.

It also follows that the only arbiters of how well the organisation satisfies its customers are the customers themselves. The quality of the goods or services offered to the market will be judged by customers on the basis of how well their requirements are satisfied. A quality

product or service from the customers' perspective is one that satisfies or is 'fit for purpose', rather than one that provides unrequired 'bells and whistles', or luxuries.

Adopting a market-led approach poses some very basic questions (Levitt, 1986). The most important of these include:

- What business are we in?
- What business could we be in?
- What business do we want to be in?
- What must we do to get into or consolidate in that business?

The answers to these fundamental questions can often change a company's outlook and perspective. In Chapter 2 we discuss more fully business definition, and show how it is fundamental to setting strategic direction for an organisation.

Principle 2: only compete in markets where you can establish a competitive advantage

Market selection is one of the key tasks for any organisation – that is, choosing where to compete and where to commit resources. Many factors will come into the choice of market, including how attractive the market appears to the firm. Especially important in competitive markets is the question 'do we have the skills and competencies to compete here?'. The corporate graveyard is littered with firms that were seduced into markets that looked attractive, but when competition got tough they found they had no real basis on which to compete or gain advantage. Many of the dot.com failures of the early 2000s were firms that saw opportunity but did not really have the skills and competencies to establish advantage over other dot.coms, or over 'bricks-and-mortar' firms. In the eyes of customers, no additional value was being created.

Principle 3: customers do not buy products

The third basic marketing principle is that customers do not buy products, they buy what the product can do for them. To put this another way, customers buy relief from the problem a product solves. Customers are generally less interested in the technical features of a product or service than in what benefits they get from buying, using or consuming the product or service.

For example, the do-it-yourself (DIY) enthusiast putting up bookshelves will assemble the tools for the job. One of these could be a drill bit to make the holes in which to screw the shelf supports, on which to place the shelf. However, the DIY enthusiast does not want a quarter-inch drill bit, but a quarter-inch hole. The drill bit is merely a way of delivering that benefit (the hole) and will only be the solution to the basic need until a better method or solution is invented. We can go further – what is really wanted is storage for books (or, indeed, alternative ways of storing knowledge and information in electronic media). Competition will come not only from other manufacturers of drill bits, but from laser techniques for making holes in the wall, wall designs that incorporate shelving studs in their design, adhesives that support shelves or alternative ways of storing and accessing books, such as the Amazon Kindle e-reader. This is the difference between an industry (firms with similar technologies and products) and a market (customers with a similar problem to solve or a need to meet). In this sense, white goods manufacturers may see themselves as an industry (they all produce white boxes with electric motors), but the different markets they serve are the laundry market, the food-storage market and so on. Similarly, gardeners don't really want a lawnmower, but rather grass that is 1 inch high. Hence, a new strain of grass seed that is hard-wearing and only grows to 1 inch in height could provide very substantial competition to lawnmower manufacturers, as could artificial grass substitutes.

This is far from academic theorising, however, as in grocery retailing the notion of 'category management' is often used. Here, retailers define categories around customer needs, not manufacturers' brands. The challenge to manufacturers is to prove to the retailer what

their products and brands add to the overall value of the category. Putting category definition at its simplest:

The manufacturer makes	<i>potato crisps.</i>
The retailer merchandises	<i>salty snacks.</i>
The customer buys	<i>lunch!</i>

Looking at a market from the customers' perspective may suggest a very different view of market opportunities and the threats to a competitive position. It is critical that marketers view products and services as 'bundles of benefits', or a combination of attractions that all give something of value to the customer. One mission for the marketing executive is to ensure that the organisation gears itself to solving customers' problems, rather than exclusively promoting its own current (and often transitory) solutions.

Principle 4: marketing is too important to leave to the marketing department (if there is one)

It is increasingly the case that marketing is everyone's job in an organisation. If we adopt the cultural stance explored earlier, then this is understandable as the actions of all can impact on the overall satisfaction derived by the customer.

In an early work by King (1985), he highlights a number of misconceptions as to what marketing is. One of the most insidious misconceptions he terms 'marketing department marketing'. This is where an organisation employs marketing professionals who are good at analysing marketing data and calculating market shares to three decimal points, but who have very little impact on products and services. Here, the marketing department is seen as the only department where 'marketing is done', so other departments can get on with their own agenda and pursue their own goals.

As organisations become flatter, reducing layers of bureaucracy, and continue to break down spurious functional barriers between departments, it becomes increasingly obvious that marketing is the job of everyone. It is equally obvious that marketing is so central to both survival and prosperity, that it is far too important to leave only to the marketing department.

However, it is also clear that we must avoid simply stating that marketing is 'everyone's job' and leaving it at that. If marketing is everyone's job, then the important issues of accountability and responsibility become problematic to a degree, and marketing may well become 'no one's job'. Greyser (1997) points to the need for simultaneous upgrading of market orientation and downsizing of the formal marketing function as two sides of the same issue:

While the marketing function ('doing marketing') belongs to the marketing department, becoming and being marketing-minded is everybody's job. What happens when (almost) everybody is doing that job? As companies have become more marketing-minded, there have been substantial reductions in the formal 'marketing departments' which do marketing. In short, a corollary of the trend to better organisational thinking about marketing is the dispersion of the activity of marketing, e.g. via task forces.

Principle 5: markets are heterogeneous

Most markets are not homogeneous, and are made up of different individual customers, sub-markets or segments. While some customers, for example, may buy a car for cheap transport from A to B, others may buy for comfortable travel, or safe travel, or energy efficient travel, and still others may buy for status reasons or to satisfy and project their self-image. Products and services that attempt to satisfy a segmented market through a standardised product almost invariably fall between two or more stools and become vulnerable to more clearly targeted competitors.

Picking up on Principle 2, it is evident that a simple way of segmenting markets is on the basis of the benefits customers get in buying or consuming the product or service. Benefit segmentation (see Chapter 7) has proved to be one of the most useful ways of segmenting

markets, for the simple reason that it relates segmentation back to the reasons for the existence of the segments in the first place – the different benefit requirements.

Market heterogeneity has another effect. Concentration in the customer base, facilitated by mergers and acquisitions and attrition rates, has become a daily reality for companies in business-to-business marketplaces. The emergence of powerful, well-informed and dominant customers underlines the importance of strategic sales capabilities and strategic account management approaches to give specialised attention to customers who can leverage the seller's dependence on them. It is difficult to consider marketing strategy in business-to-business markets without recognising the deep-seated implications of this factor. (We devote Chapter 14 to this topic.)

Principle 6: markets and customers are constantly changing

It is a truism that the only constant is change. Markets are dynamic, and virtually all products have a limited life that expires when a new or better way of satisfying the underlying want or need is found; in other words, until another solution or benefit provider comes along.

The fate of the slide rule, and before that logarithmic tables, at the hands of the pocket calculator is a classic example of where the problem (the need for rapid and easy calculation) was better solved through a newer technology. The benefits offered by calculators far outstripped the slide rule in speed and ease of use. But pocket calculators themselves are now superseded by applications (apps) on mobile telephones, which provide all the functionality of the high-specification technical calculators of a few years ago.

The recognition that products are not omnipotent, and that they follow a product life-cycle pattern of introduction, growth, maturity and decline, has led companies to undertake more long-term planning activity to ensure that by the time current breadwinners die, there are new products in the company's portfolio to take their place.

Also evident is the need for constant product and service improvement. As customer expectations change, usually becoming more demanding in the benefits they expect from a given product or service, so organisations need to upgrade their offerings continuously to retain, let alone improve, position.

There are two main processes of improvement. The first is through innovation, where a relatively large step is taken at one point in time. The advent of the pocket calculator was a significant innovation that virtually wiped out the slide rule industry overnight! Other step changes in technology, such as the advent of digital television and radio, the MP3 player and music streaming, have changed whole industries in a similarly short period of time.

The second approach to improvement is a more continuous process whereby smaller changes are made but on an insistent basis. This approach has been identified as a major contributor to the success of Japanese businesses in world markets during the 1960s, '70s and '80s. The Japanese call continuous improvement *kaizen*, and see it as an integral part of business life. Increasingly, organisations are attempting to marry the benefits of step-change innovation with continuous (*kaizen*) improvement. Figure 1.6 illustrates this process diagrammatically.

The impact of technological change is always felt significantly in the computer industry. It is sometimes hard to remember that computers were invented *after* the Second World War, as they are now such a pervasive and integral part of our business and home lives. Toffler (1981) noted in *Computer World* magazine:

If the auto industry had done what the computer industry has done over the last thirty years, a Rolls Royce would cost \$2.50, get around 2,000,000 miles to the gallon and six of them would fit on the head of a pin!

If that was true, then just think what the analogy would be today!

The challenges raised by economic recession also hasten change in many markets. Increasingly price-sensitive customers shop around more now, using the greater amount of information available online, and have become more deal-conscious. However, despite this turbulence and disruption, firms with strong relationships with customers are able to weather the economic storm far more effectively.



Figure 1.7 The role of marketing in the organisation

1.5.1 Identification of customer requirements

The first critical task of marketing is to identify the requirements of customers and to communicate them effectively throughout the organisation. This involves conducting or commissioning customer research to uncover, first, who the customers are and, second, what will give them satisfaction.

Who the customers are is not always obvious. In some circumstances, buyers may be different from users or consumers; specifiers and influencers may also be different. Where services are funded by central government, for example, suppliers may be forgiven for the (mistaken) view that central government is their customer.

Customers *expect* a degree of benefit from purchasing or using a product or service. However, they may actually *want* something more, but believe they have to settle for second best because of budget or other constraints. The organisation that can give customers something closer to what they want than what they expect has an opportunity to go beyond customer satisfaction and create ‘customer delight’.

Customer expectations, wants and needs must be understood and clearly communicated to those responsible for designing the product or service, those responsible for creating or producing it and those responsible for delivering it. (Identifying what customers require is discussed in Chapter 4.)

1.5.2 Deciding on the competitive positioning to be adopted

Recognising that markets are heterogeneous and typically made up of various market segments, each having different requirements from essentially similar offerings, requires firms to decide clearly which target market, or markets, they will serve.

Two main factors influence those decisions. First, how attractive the alternative potential targets are and, second, how well the company can hope to serve each potential target relative to competition – in other words, the relative strengths or competencies it can bring into play in serving the market. (These two related issues are discussed at length in Part 4.)

1.5.3 Implementing the marketing strategy

The third, and arguably the most difficult, key task of marketing is to marshal all the relevant organisational resources, and to plan and execute the delivery of customer satisfaction. This involves ensuring that all members of the organisation are aware of what is expected,

and are coordinated in their efforts to satisfy customers, and that no actual or potential gaps exist between offer design, production and delivery. (Chapters 14, 15 and 16 address implementation and coordination issues more fully.)

Summary

This chapter has reviewed the marketing concept and demonstrated its importance in providing a guiding approach to doing business in the face of increasingly competitive and less predictable marketing environments. This approach we term 'market-led strategic management'. A number of marketing principles were discussed, together with the role of marketing in strategic management. The remainder of Part 1 presents a framework for developing a market-led approach.

Case study

LEGO builds new dimension with digital vision

By Richard Milne, Nordic correspondent

Danish group launches toys-to-life game, giving children the opportunity to put physical playthings into virtual worlds

Imagine Homer Simpson driving the Batmobile down the Yellow Brick Road. Or Superman steering a DeLorean time machine through Middle-earth.

What was once fantasy will become reality this week when LEGO and Warner Bros launch their big-budget game 'LEGO Dimensions'.

It marks a crucial step in the Danish toy-maker's digital strategy. The game – whose starter pack will be priced at a hefty \$100 – pushes it into a new segment: the toys-to-life category, worth \$700m a year in the USA alone.

'LEGO is the archetypal toys-to-life experience. We are just pushing those digital borders continually so we remain present and relevant in all the environments where children want to play', says John Goodwin, the finance director.

Toymakers have been hit hard by the emergence of smartphones and tablets, as children spend increasing amounts of time in digital play on such devices. LEGO has managed to buck that trend, largely thanks to the strength of its physical products as it became the world's biggest toymaker by sales in the first half of this year.

But, while it has developed a successful line in video games through Warner's TT Games, the



Source: Bloomberg/Getty Images.

privately-owned Danish company has struggled in other digital ventures with a number of flops.

'I don't think they have conquered the digital world. It's hard to point to something digital that they have done that is successful. But what you are seeing now is the first attempts for LEGO to create some kind of hybrid physical-digital experience', says David Robertson, co-author of *Brick by Brick: How LEGO Rewrote the Rules of Innovation and Conquered the Global Toy Industry* (2014).

That increases the pressure all the more on 'LEGO Dimensions', a sprawling game that cost the same as a blockbuster film to develop and features different brands including *Doctor Who*, *Back to the Future* and *Ghostbusters*.

For their \$100, players will get a game for Sony's PlayStation, Microsoft's Xbox or Nintendo's Wii, alongside almost 300 LEGO pieces used to create a controller, as well as three characters: Batman, Gandalf from *Lord of the Rings* and Wyldstyle from *The Lego Movie*. Additional kits featuring other characters – from the Wicked Witch in *The Wizard of Oz*, Scooby Doo and Wonder Woman through to Krusty the Clown – will cost \$15–30 and unlock new games levels and include vehicles for game play.

The game works by recognising which characters and vehicles are placed on a controller and making them part of the action, which takes place over 14 levels – one for each brand involved. Typical LEGO flourishes are included, such as an ability to rebuild each vehicle in three different ways.

'I wanted to make a game like this eight years ago. With my own kids, I could see how they would play with LEGO Batman and Gandalf together. When I saw toys-to-life, I knew this was the mechanism', says Jon Burton, the founder of British developer TT Games.

The game, which took 160 people three years to develop, is launching in a crowded marketplace. Activision Blizzard's 'Skylanders' game has dominated the toys-to-life category since it launched in 2011, but has been joined by Disney's 'Infinity' (which features *Star Wars* figures) and Nintendo's 'Amiibo' lines.

Liam Callahan, an analyst at market research group NPD, says the toys-to-life sector was worth \$710m in the USA in the year to the end of August, up 6 per cent on the previous year. He argues that, even though the price is high and there is plenty of competition, 'LEGO Dimensions' should be a success thanks to the toymaker's brand and the huge number of other brands and characters involved in the game. 'Our research shows that the main market for these types of games are young males; but with the range of toys for "LEGO Dimensions", there may be a wider age and gender for main consumer as well as a cross-generational appeal for families', he adds.

Mr Burton says that the broad pitch is deliberate as he pushed to include levels from 'Portal', a puzzle video game, and *Back to the Future* to appeal to adults as well as children. 'There is a bigger market for this toys-to-life than just 6 to 12-year-olds', he adds.

Mr Goodwin is eager to underline that LEGO is not betting the company on 'Dimensions'. But he is keenly aware of the importance of the toymaker making a success of its digital offering.

'What is obvious is the digital and physical is something of a distinction we make but children don't . . . From a LEGO brand point of view, we continue to be anchored in the physical brick experience. But we are going to explore more ways that you can

build strong linkages between the physical and digital worlds', he says.

LEGO took the decision to concentrate on the physical brick when it neared financial collapse in 2004. As part of its recovery under chief executive Jørgen Vig Knudstorp, over-diversification was diagnosed as one of its ills and its video games development arm was sold off.

Mr Burton, who was also an executive producer of *The Lego Movie*, says each company decided to focus on what they were best at: 'They handle bricks, we handle the digital side.'

Another recent collaboration is 'LEGO Worlds', a game still only in limited beta release that many see as the toymaker's answer to 'Minecraft'. Players can build worlds, buildings and figures using LEGO bricks with nearly all the freedom of the physical world, while new ideas are being incorporated according to what LEGO's online community suggests.

Mr Goodwin and Mr Burton say there is more to come, especially around making the digital experience more 'real'. The toys-to-life category works by the controller reading a chip in a character's base, meaning that if Batman is placed on Superman's base the machine will still think it is Superman. Similarly, only the exact model or vehicle will be imported into the game, not whatever the player imagines. Mr Goodwin hopes that will change one day.

Mr Robertson says that LEGO's great success has been building a range of products and experiences around the physical brick – so that children cannot just play with the products but also watch a television show, go to an event or see a display in a toy shop. Its digital push should be seen in that light, he argues, although he also says LEGO could gradually develop into more of a digital company. 'Maybe you and I might be talking in 2020 about what is the core of LEGO: is it physical or digital?'

Mr Goodwin dismisses such talk, arguing that if you 'put bricks in front of kids they just love to build'.

Losing strategies: award-winning games but not sales winners

Success is far from guaranteed for 'LEGO Dimensions', as some of the toymaker's previous digital efforts show. 'LEGO Universe', an ambitious and costly attempt to replicate the experience of playing with bricks in a game, developed by dozens of workers, was killed off within months of its launch in 2010.

At about the same time, a single Swedish computer enthusiast working part-time developed 'Minecraft', which became one of the biggest-selling

games of all time and is, in Jon Burton's words, 'a digital version of LEGO'.

John Goodwin says that failure led to LEGO realising it needed to be more agile when dealing with digital products rather than physical ones: 'Other companies put their games out in beta [an early development stage] and constantly reiterate it. That's not part of our DNA. We have a tendency to want to have perfection by the time it gets into consumer hands.'

More recently, 'LEGO Fusion' won a string of awards in the USA but it was unsuccessful in grabbing

children's attention and that too was discontinued. It allowed players to create two-dimensional models with physical bricks that they then imported into the game using a smartphone or tablet camera. 'One product was unusable, one was not fun', summarises David Robertson, a professor at the Wharton School in Pennsylvania.

Mr Goodwin adds, somewhat ruefully: 'It's not about winning awards, it's about delighting consumers constantly and we weren't able to do that.'



Source: from 'Lego enters a new dimension with its digital strategy', *Financial Times*, 27/09/2015 (Milne, R.).

Discussion questions

- 1 Evaluate and comment on LEGO's market orientation using the market orientation assessment form (see Box 1.1) to support your analysis.
- 2 Which of the three approaches to marketing presented in this chapter do you think best describes LEGO's approach? Why?
- 3 What marketing principles are in evidence in this case?

CHAPTER 2

STRATEGIC MARKETING PLANNING

‘Strategy is the matching of the activities of an organisation to the environment in which it operates and to its own resource capabilities.’

Johnson, Scholes and Whittington (2008)

‘Planning is an unnatural process; it is much more fun to do something. The nicest thing about not planning is that failure comes as a complete surprise, rather than being preceded by a period of worry and depression.’

Sir John Harvey Jones, Chairman of Imperial Chemical Industries (ICI) 1982–1987

Three brings Smarty to the low-cost mobile party

By Nic Fildes

New UK mobile phone service gives discount to customers who do not use all their data

Three is set to go downmarket with the launch of a new mobile phone service that will give discounts to customers who do not use up all their data.

The imminent launch of Smarty is the first time that Three has delivered a sub-brand to the market. The move represents a push to attract a different segment of customers – those looking for cheaper deals than they can get through the main Three brand, which has almost 9m customers.

A website for Smarty offering ‘simple and honest’ mobile phone services has appeared online, with only details in the small print of the privacy policy revealing that Three is behind the new service. A source briefed on the new brand said it would initially only be open to a limited number of people. Three itself declined to comment.

The new SIM-only network is targeted at a low-spending demographic that does not want to sign up for pricey data contracts. The move to offer discounts on bills if a user does not use their data allotment



Source: Bloomberg / Contributo/Getty Images.

is similar to moves by Sky and Virgin Media to add more mobile customers – by allowing users to roll over unused data capacity between months.

The Smarty launch also comes ahead of a new range of Vodafone packages due to be launched in the second half designed to stimulate growth in the UK market and reposition the brand.

Other telecoms companies have established sub-brands. O2 owns the GiffGaff service and half of Tesco Mobile, while BT also operates under both

the EE and Plusnet brands. Sub-brands can be used to target different customer segments but can also prove an expensive distraction. Vodafone, for example, is set to close down the Talkmobile brand it acquired from Carphone Warehouse to save costs.

The launch of the low-cost service comes amid a fierce debate about the impending spectrum auction, which will free up more airwaves for mobile phone companies to improve 4G networks and launch 5G in the future.

Three, part of the CK Hutchison conglomerate, has threatened to launch a judicial review of the process after Ofcom refused to introduce a 30 per cent cap on the amount of airwaves any operator can own. Three has argued that there is a spectrum imbalance, with EE, part of BT, and Vodafone controlling the majority of the airwaves between them and leaving Three and O2 constrained by their smaller spectrum holdings.



Source: from 'Three brings Smarty to the low-cost mobile party', *Financial Times*, 10/08/17 (Fildes, N. Telecoms Correspondent).

Discussion questions

- 1 Why is Three launching a sub-brand?
- 2 How is Three trying to compete?

Introduction

The essence of developing a marketing strategy for any organisation is to ensure that organisational capabilities are matched to the current market environment, and that they continue to be matched in future. For a commercial organisation, this means ensuring that resources and capabilities match the needs and requirements of the competitive markets in which it operates. For a not-for-profit organisation, such as a charity or a public utility, it means achieving a fit between its abilities to serve and the requirements of the publics or causes it seeks to serve. At the heart of strategy lies a need to assess critically the organisation's resource profile (often referred to as strengths and weaknesses) and the environment it faces (often referred to as opportunities and threats).

Strategic planning attempts to answer three basic questions:

- 1 What is the business doing now?
- 2 What is happening in the environment?
- 3 What should the business be doing?

Strategy is concerned primarily with effectiveness (doing the right things) rather than efficiency (doing what you do well). The vast bulk of management time is, of necessity, concerned with day-to-day operations management. A time audit for even senior management will often reveal a disproportionate amount of time spent on routine daily tasks, with the more difficult and demanding task of planning further into the future relegated to a strategy conference, 'away day' or 'retreat' perhaps once a year. In many successful companies, however, thinking strategically, or sitting back from the present concerns of improving what you do now and questioning what *is* you are doing, is a constant process.

Fundamental to strategic thinking is the concept of 'strategic fit', shown diagrammatically in Figure 2.1. For any strategy to be effective, it needs to be well tuned both to the needs and requirements of customers (the market conditions in which it is implemented), and to the resources and capabilities of the organisation seeking to implement it. No matter how well-crafted and articulated a strategy might be, if it is not focused on meeting the needs of customers, it is doomed to failure. Similarly, if the organisational resources necessary for successful implementation are unavailable, success will be elusive.

As with the adoption of a marketing philosophy throughout the organisation, the adoption of strategic thinking goes beyond the remit of marketing management alone. All senior

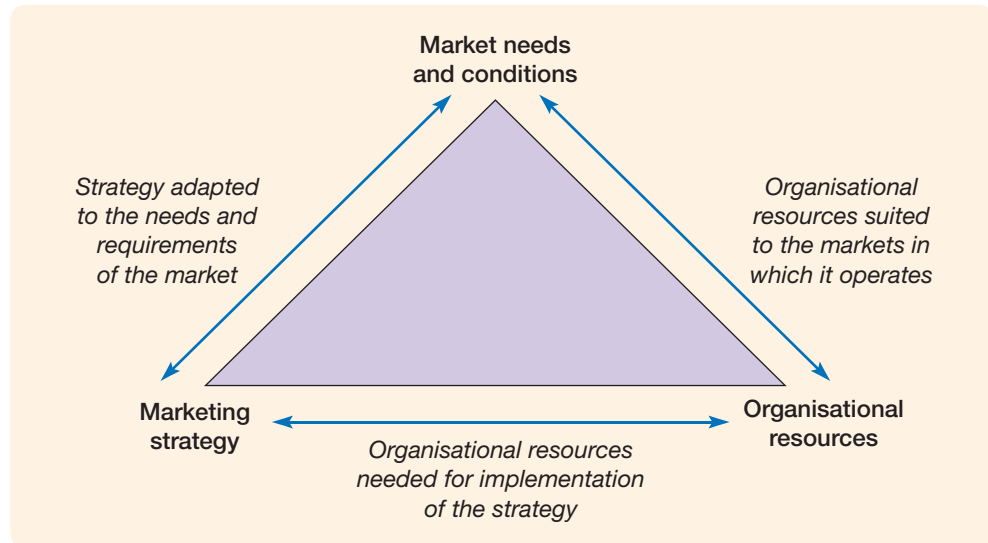


Figure 2.1
Strategic fit

executives in the company or organisation have a responsibility for developing the strategic profile of the company and giving it a strategic focus. Strategic planning and strategic marketing planning share many activities, although strategic planning has more breadth and covers all business activities. A market orientation must permeate the whole of an organisation, but the strategic marketing plan is just one of several functional plans that feed into the overall strategic plan of a company. Marketing management, however, with its specific responsibility for managing the interface between the organisation and its environment (both customers and competitors), has an increasingly important role to play in overall strategy development.

Marketing strategy should be set in the context of overall corporate strategy. Once the overall direction of the organisation has been decided, with appropriate input from all relevant stakeholders, marketing strategy will need to be aligned to ensure that direction is achieved.

2.1

Defining the business purpose or mission

For many organisations, a useful starting point in strategy formulation is to define a mission or purpose. Tim Smit, co-founder and executive vice chair of Eden Project Ltd in Cornwall, UK, set out to build the biggest global eco-brand and to change the way people think about themselves and their relationship with the planet on which they live (see www.edenproject.com/eden-story/about-us/sir-tim-smit-kbe). The mission was stated as ‘to promote the understanding and responsible management of the vital relationship between plants, people and resources leading to a sustainable future for all’. The Millennium Commission weighed in with £37.5 million of Lottery funding to single Eden out as the landmark project of the far southwest, and its subsequent contributions brought the total to just over £56 million (www.edenproject.com/eden-story/about-us/our-funding). Other major sources of funding included the EU and Southwest Regional Development Agency (£50 million between them) and £20 million of commercial loans, in order to create a complex of greenhouse domes (or biomes) and an Outdoor Garden covering the 11.5 hectares of a disused clay pit at St Austell. Importantly, it gave the people working on the project a worthwhile set of objectives to strive for, and to commit to. Since opening to the public in 2001, Eden has

attracted more than 18 million visitors and inspired an economic renaissance in Cornwall by contributing more than 1.7 billion to the local economy.

Defining the business purpose or mission requires a company to ask the fundamental questions first posed by Levitt over half a century ago (see Levitt, 1960):

- What business are we in?
- What business do we want to be in?

Many years ago, so marketing folklore has it, a new managing director took over at Parker Pens. One of his first actions was to assemble the board of directors, stand before them holding the top-of-the-range Parker of the day and ask, ‘Who is our greatest competitor?’

The first answer to emerge from the board was Shaeffer. Shaeffer produced a pen very similar to the Parker. It had a good reputation for quality, had a similar stylish finish and was similarly priced at the top end of the market. The new managing director was not, however, impressed with this answer. ‘We certainly compete to some extent with Shaeffer, but they are by no means our major competitor.’

A newer member of the board then suggested that the major competitor might be Biro-Swan, the manufacturers and marketers of a range of ballpoint pens. While these retailed considerably cheaper than the Parker, he reasoned that they were used for the same purpose (writing) and hence competed directly with Parker. The business definition was now changing from ‘quality fountain pens’ to ‘writing implements’ and under this definition pencils could also be considered as competitors, as could the more recent developments in the market of fibre-tip pens and rollerball pens. ‘Your thinking is getting better’, said the MD, ‘but you’re still not there.’

Another board member then suggested that perhaps the major competitor was the telephone – something that had gained widespread use in recent years. Under this view of the market they were in ‘communications’ and competing with other forms of communication including the written word (perhaps competing here with typewriters and, more recently, word processors) and other (verbal) means of communication. ‘More creative thinking’, said the MD, ‘but you still haven’t identified the main competitor.’

Eventually the MD gave his view of the major competitor. To an astonished board he announced, ‘Our major competitor is the Ronson cigarette lighter!’. When asked to explain his reasoning, he defined the market that the company was in as the ‘quality gift market’. Analysis of sales of Parker pens showed that the majority of purchases were made by individuals buying them as gifts for other people. When they considered what to buy, often a major alternative was a quality cigarette lighter and hence the definition of the market. (Story courtesy of Graham Kenwright.)

This definition, or view, has implications for the way in which this product might be marketed. Packaging assumes a more important role, as does the development and maintenance of a superior quality image. Price is perhaps less important than might have been thought under alternative market definitions. Distribution (through the outlets where potential customers buy gifts) also becomes more important.

This example serves to illustrate how asking a basic question such as ‘Who is our major competitor?’ or ‘What market are we in?’ can affect the whole strategic direction of the company.

2.1.1 Mission formulation and statement

Formulating the mission into a brief and concise statement that can be communicated across the organisation can help engender a sense of common purpose, and provide guidelines for how decisions will be made and resource allocations prioritised in the future. Poorly constructed statements, especially those offering nothing more than ‘motherhood and apple pie’, can cause more damage than good, by creating derision among employees, managers and even customers.

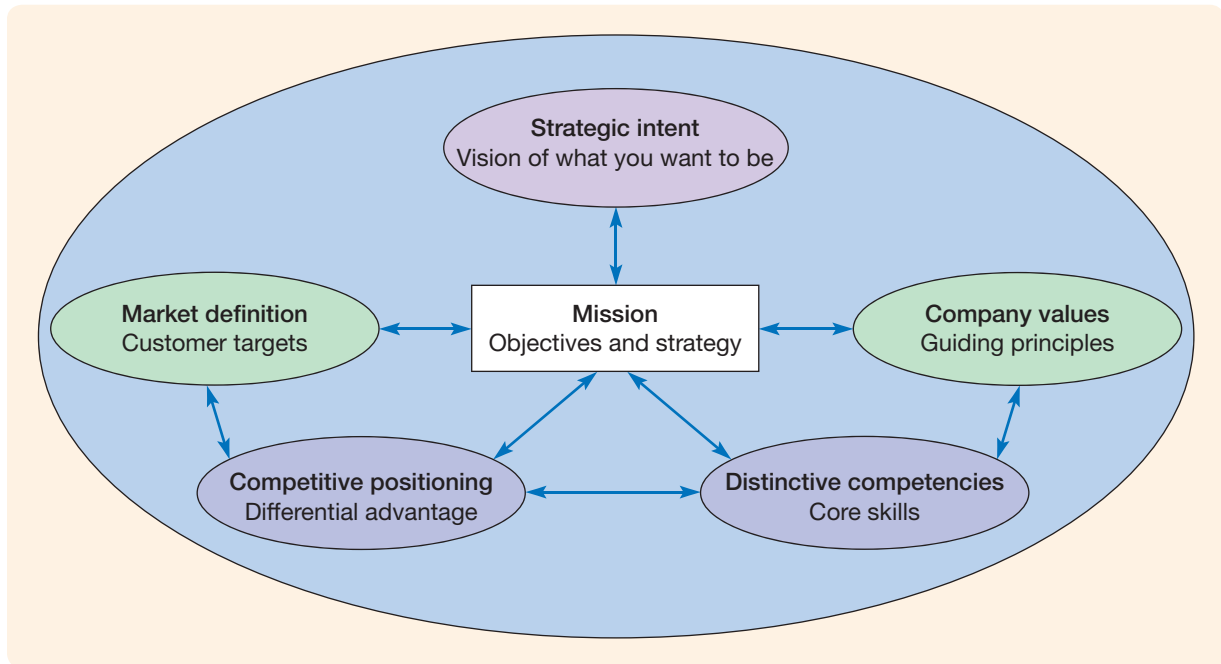


Figure 2.2 Components of mission

Hooley *et al.* (1992) discuss the elements that go to make up an effective statement of mission, and these are shown in Figure 2.2. An effective mission statement needs to spell out the following:

- 1 The **strategic intent** (see Hamel and Prahalad, 1989), or vision of where the organisation wants to be in the foreseeable future. Hamel and Prahalad cite examples of strategic intent for Komatsu (earthmoving equipment manufacturers) as being to ‘encircle Caterpillar’, and for the American Apollo space programme as ‘landing a man on the moon ahead of the Soviets’. However, strategic intent need not be as inherently competitive as these examples. It might focus on the achievement of a set of worthy social goals, or improving quality of life for particular groups of people or animals.
- 2 The **values of the organisation** should be clearly stated and communicated in order to set an ethical and moral tone that guides operations. Mars (confectionery) articulates five ‘principles’ that guide the actions and decision making of its employees. These are:

Quality: The consumer is our boss, quality is our work and value for money is our goal.

Responsibility: As individuals, we demand total responsibility from ourselves; as associates, we support the responsibilities of others.

Mutuality: A mutual benefit is a shared benefit; a shared benefit will endure.

Efficiency: We use resources to the full, waste nothing and do only what we can do best.

Freedom: We need freedom to shape our future; we need profit to remain free.

(Mars, 2019)

Clearly, once value statements are articulated, it is important that they guide the actions of organisational stakeholders. If not then there is little point in spending time and effort in producing them. Additionally, certain stakeholders may become cynical about the underlying business ethos driving an organisation that might do this.

Similarly, assertions about concern for the environment in mission statements can sound hollow if not followed up with deeds and actions.

- 3 The **distinctive competencies of the organisation** should articulate what differentiates the organisation from others of its kind – what its distinctive essence is. This is a difficult but necessary thing for many organisations. It seeks to spell out the individuality of the organisation, and clarify why it exists as a separate entity and what is special about it.
- 4 **Market definition**, in terms of major customer targets that the organisation seeks to serve, and the functions or needs of those customers that will be served. At launch, the insurance company Sheila's Wheels (now part of the esure Group plc) focused on the needs of a specific target market that was reflected in its brand name and its business purpose: 'a car insurance company designed for the female driver'. However, of late, its targeting has softened and widened somewhat, to indicate that it is 'dedicated to helping young families' (www.sheilaswheels.com).
- 5 Finally, the mission should spell out where the organisation is, or intends to be, **positioned** in the marketplace, and should reflect or indicate its uniqueness and distinctiveness. This is the result of bringing together market definition and distinctive skills and competencies.

In a classic academic marketing paper, Ted Levitt (1960) provided many examples of companies adopting a myopic view in defining their businesses. The railroads believed they were in the railway business, not transportation, and failed to take note of alternative means of transport. The oil industry believed they were in the business of producing oil, not in the business of producing and marketing energy. In defining the business, it is necessary to understand the total product or service that customers are buying and what benefits it delivers, and avoid the trap of concentrating too much on the physical features offered.

The second question posed at the start of this section – 'What business do we want to be in?' – is often more difficult to answer. It requires a thorough analysis of the options open to the organisation and an understanding of how the world in general, and the company's markets in particular, are changing.

2.2

The marketing strategy process

Once the purpose of the organisation is defined, the marketing strategy can be crafted to help achieve that purpose. We can view the development of marketing strategy at three main levels: the establishment of a core strategy; the creation of the company's competitive positioning; and the implementation of the strategy (see Figure 2.3).

The establishment of an effective marketing strategy starts with a detailed and creative assessment both of the company's capabilities – its strengths and weaknesses relative to the competition – and the opportunities and threats posed by the environment. On the basis of this analysis, the core strategy of the company will be selected, identifying marketing objectives and the broad focus for achieving them.

At the next level, market targets (both customers and competitors) are selected and/or identified. At the same time, the company's differential advantage, or competitive edge, in serving the customer targets better than the competition is defined. Taken together, the identification of targets and the definition of differential advantage constitute the creation of the competitive positioning of the organisation and its offerings.

At the implementation level, a marketing organisation capable of putting the strategy into practice must be created. The design of the marketing organisation can be crucial to the success of the strategy. Implementation is also concerned with establishing a mix of products, price, promotion and distribution that can convey both the positioning and the products and services themselves to the target market. Finally, methods of control must be designed to ensure that the strategy implementation is successful. Control concerns both the efficiency with which the strategy is put into operation, and the ultimate effectiveness of that strategy. Each of the three main levels of strategy is now considered in more detail.

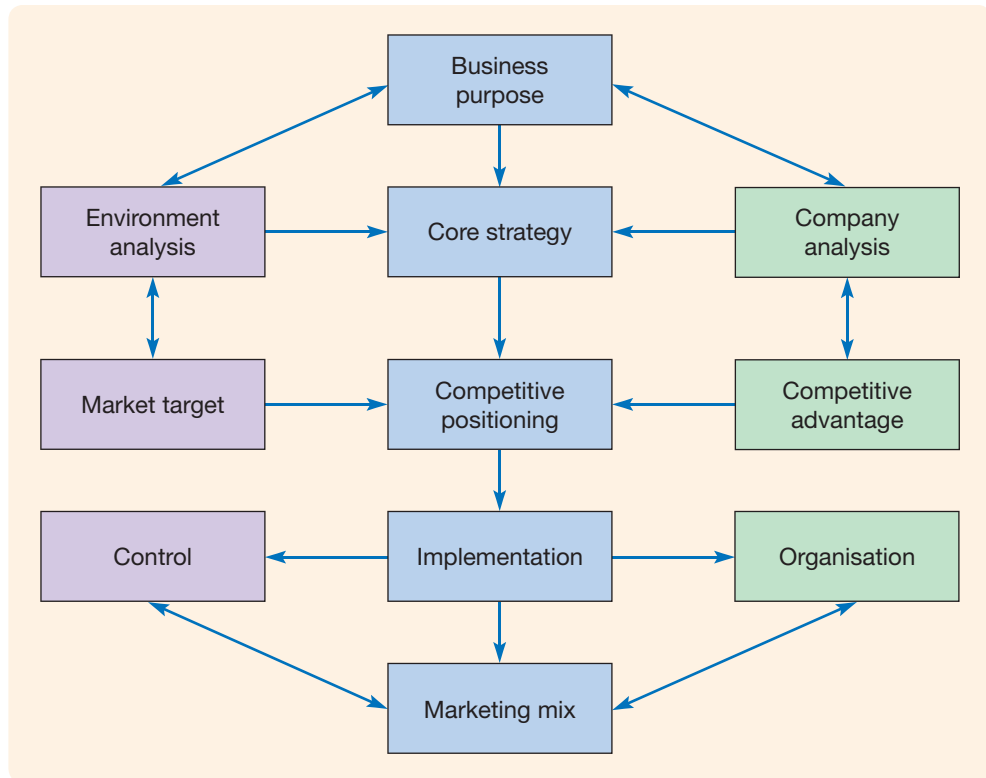


Figure 2.3 The marketing strategy process

2.3

Establishing the core strategy

The core strategy is both a statement of the company's objectives and the broad strategies it will use to achieve them. To establish the core strategy requires a detailed analysis of the resources available and the market in which the organisation will operate, both within the context of achieving the overall business purpose or mission.

2.3.1 Analysis of organisational resources

Any organisation could create a long list of the resources it has at its disposal. Not all of those resources, however, will be equally useful in crafting or implementing a marketing strategy. Similarly, if it is sufficiently self-critical, any organisation could list many weaknesses, but not all of those will be fatal in competitive terms. In defining the core strategy, organisations attempt to define the distinctive resources (assets and capabilities) that serve to define the organisation. This helps to set the bounds on what options are currently open to the organisation and to identify where its strengths can be utilised to the full, while minimising vulnerability to its weaknesses. Core competencies or core skills may result from any aspect of the operation. They may stem from the skills of the workforce in assembling the product effectively or efficiently, from the skills of management in marketing or financial planning, or from the skills of the R&D department in initiating new product ideas or creating new products on the basis of customer research. What is important from a marketing strategy perspective, however, is whether they can be utilised in the marketplace to provide superior customer value.

The distinctive competencies of the company may lie in its marketing assets of image and market presence, or its distribution network or after-sales service. The crucial issue in

identifying distinctive competence is that it must be something exploitable in the marketplace. Distinctive technological skills in producing a product are of little value if there is no demand for that product. Hence, an important role of marketing management is to assess the potential distinctive competencies of the organisation in the light of exploitability in the market.

The counterbalance to distinctive competencies or exploitable strengths are weaknesses relative to the competition. Where, for example, competitors have a more favourable or protected supply of raw materials, or a stronger customer loyalty, the company must be fully aware of its limitations and generate strategies to overcome or circumvent them. Structural weaknesses – those inherent in the firm's operations, brought about by its very mode of doing business – may be difficult or even impossible to eliminate. Strategies should be developed to shift competition away from these factors, and to make them less important to competitive success. Other weaknesses may be more easily avoided once they have been identified, or even changed to strengths by exploiting them in a different way.

The product portfolio

A key aspect of understanding an organisation's resources is to undertake a portfolio analysis of the various offerings it has available on the market.

For some time, being 'one or two in all we do' has been the driving philosophy of General Electric (GE), the American conglomerate whose activities range from power stations to LEDs. GE's businesses are amazingly diverse, and until quite recently one of its most successful subsidiaries was the manufacture of electric light bulbs – a very mature, high-volume and low-priced commodity. In 2016, however, GE announced that it was no longer going to produce traditional electric light bulbs and instead was going to focus on LEDs – a market where it had had a lot of early success. Other divisions in GE make domestic electrical appliances of all types, medical equipment including body scanners, renewable energy, and one of the most successful parts of the company is market leader in the military and commercial aero engine markets. It is clear that different businesses within the company are operating in different markets, with different opportunities and threats, and utilising different corporate skills and resources. It is therefore important to ensure that appropriate objectives and strategies are formulated for each business unit, and that these support each other to ensure sustainability of the corporate entity. The process of balancing activities across this variety of business units involves portfolio planning, which is the subject of this chapter.

Consider, for example, the challenges that managing a group of businesses such as those owned by Virgin presents. Virgin's operations include travel, communications, entertainment, financial services, hospitality, retail, aerospace and a host of other areas. It is an example of growth through collaboration and of portfolio management, with both successes and failures.

Portfolio analysis is the foundation for making important choices for investment and for strategic direction. These examples underline the importance of portfolio issues and the central role of marketing variables, as opposed to purely financial criteria, in making portfolio choices.

More than four decades ago, one of the founding fathers of management theory Peter Drucker, identified seven types of businesses that still have resonance today (see Figure 2.4):

- 1 **Today's breadwinners** – the products and services that are earning healthy profits and contributing positively to both cash flow and profits.
- 2 **Tomorrow's breadwinners** – investments in the company's future. These are the products and services that may not yet be making a strong financial contribution to the company, but that are in growth or otherwise attractive markets and are expected to take over the breadwinning role in the future, when today's breadwinners eventually fade.
- 3 **Yesterday's breadwinners** – the products and services that have supported the company in the past, but are not now contributing significantly to cash flow or to profits. Many companies have a predominance of businesses of this type, indicating that they have been slow to invest in future developments.

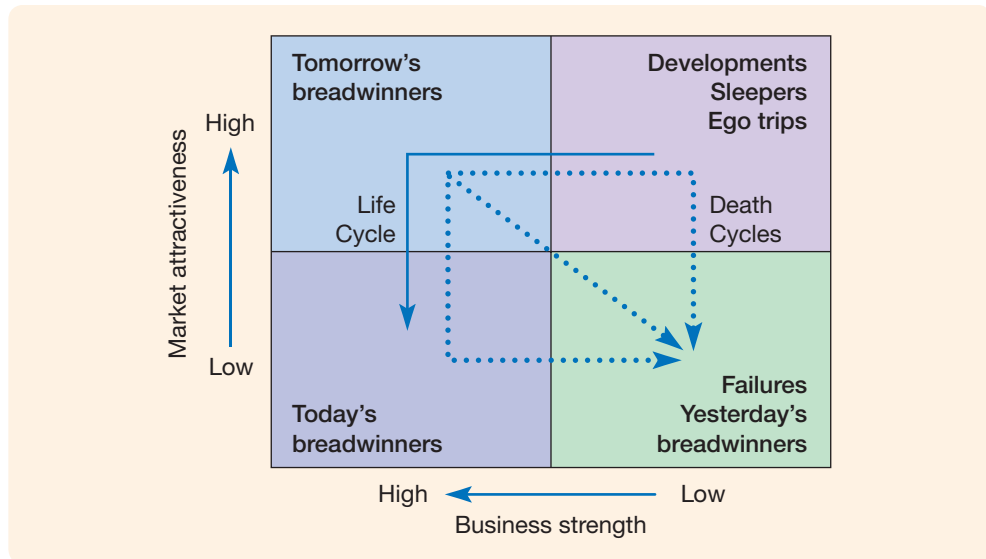


Figure 2.4 Product types in the portfolio

- 4 **Developments** – the products and services recently developed that may have some future, but where greater investment is needed to achieve that future.
- 5 **Sleepers** – the products and services that have been around for some time, but have so far failed to establish themselves in their markets or, indeed, their expected markets have failed to materialise. These are allowed to remain in the portfolio, in the hope that one day they will take off.
- 6 **Ego trips** – the products and services that have strong product champions among influential managers, but for which there is little proven demand in the marketplace. The company, because of the involvement of powerful managers, continues to put resources into these products in the hope of their eventually coming good.
- 7 **Failures** – the products and services that have failed to play a significant role in the company's portfolio and have no realistic chance of doing so. These are kept on the company's books largely through inertia. It is easier to do so than admit defeat and withdraw or divest them.

The product life cycle (or death cycle) provides a link between the businesses identified by Drucker (see Figure 2.4). As they stand, developments, sleepers or ego trips contribute little to the company, but it is hoped that they may one day do so. The markets they are in may be highly attractive but, because of underinvestment, the company has little ability to serve them. If left alone as they are, with no extra investment, these businesses will follow the death cycle and become failures.

Strategically, a company faces a dilemma with these businesses. If left alone they are unlikely to succeed, so a choice has to be made between investing in them, or getting out. In even the largest companies it is impossible to pursue all attractive markets, so the first portfolio decision is one of double or quits. If the choice is to invest, then the aim is to build the business until it is strong enough to become one of tomorrow's breadwinners. This usually means achieving some degree of market dominance in a growth sector. If successfully managed, the product will mature to become one of today's breadwinners and, as it ages, one of yesterday's. As with all things, the difficulty in the portfolio is not starting ventures, but knowing when to kill them and when to concentrate resources where success can be achieved.

Portfolio planning

Any diversified organisation needs to find methods for assessing the balance of businesses in its portfolio and to help guide resource allocation between them. A number of portfolio

planning models are available in the management literature to facilitate this process. The earliest and most basic model was the Growth–Share Matrix, developed by the Boston Consulting Group. More sophisticated models have been developed by consultants Arthur D. Little and McKinsey, as well as by organisations such as Shell and General Electric. All, however, share a number of key objectives (Grant, 1995):

- 1 **Development of business strategies and allocation of resources** (both financial and managerial). By assessing the position of a business in its industry, together with the prospects for that industry over the medium to long term, investment priorities can be set for individual businesses. Those businesses that are strong in attractive markets are likely to be self-sustaining financially. They will, however, require attentive management to ensure they continue to achieve their potential. Hold or build strategies will typically be indicated. Weak businesses in attractive markets may require further investment to build a position for the future. Products in declining sectors may be less deserving of resource allocation unless turnaround strategies are likely to reverse market trends. In declining markets, products are often managed for cash flow, to enable resources to be reallocated to areas of the portfolio with more potential.
- 2 **Analysing portfolio balance.** In addition to suggesting strategies for individual businesses, portfolio analysis assists assessment of the overall portfolio balance in terms of cash flow, future prospects and risk (see Figure 2.5). Cash flow balance is achieved where investments in businesses with potential are met through surpluses from current or past breadwinners. The extent to which the cash flow is out of balance suggests opportunities for expansion or acquisition or the need to raise capital from external investors (see Figures 2.6 and 2.7). For example, in the first financial quarter of 2019, Apple reported that it had \$245 billion cash on hand. Here, ability to mitigate threats, capitalise on opportunities and generally manage the balance of a business portfolio competing in turbulent markets is significant, and likely not to depend on external sources on funding.

Additionally, a crucial element of portfolio planning is to help assess the future prospects of the organisation as a whole. Too heavy a dependence in the portfolio on yesterday's products may indicate a healthy current cash flow, but unless that is invested in tomorrow's products the longer-term future may be in doubt. Too many future investments without a solid-enough current cash generation may suggest an overstretched portfolio. Finally, assessing the risks associated with individual businesses enables a firm to spread its overall risk, ensuring not all its ventures are high risk but allowing some more risky ventures to be balanced by perhaps less rewarding but more predictable activities.

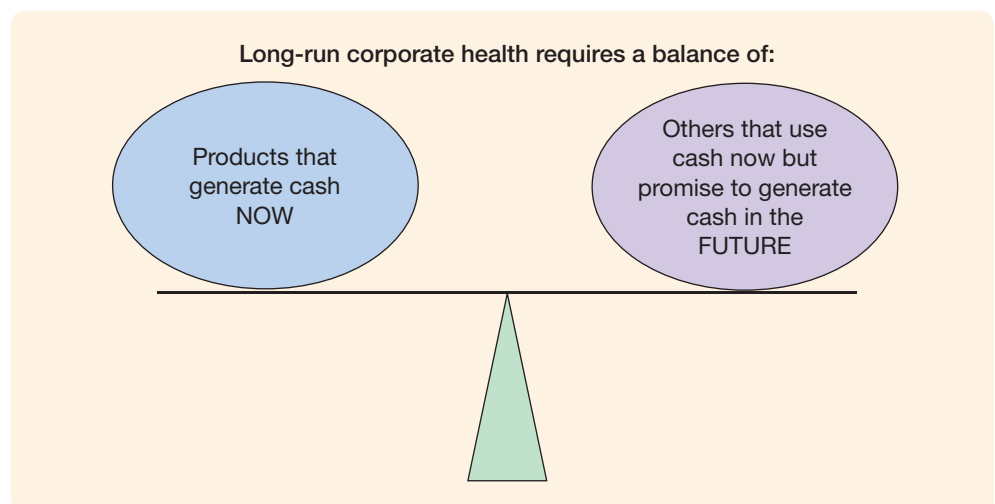


Figure 2.5
Balancing the
business portfolio

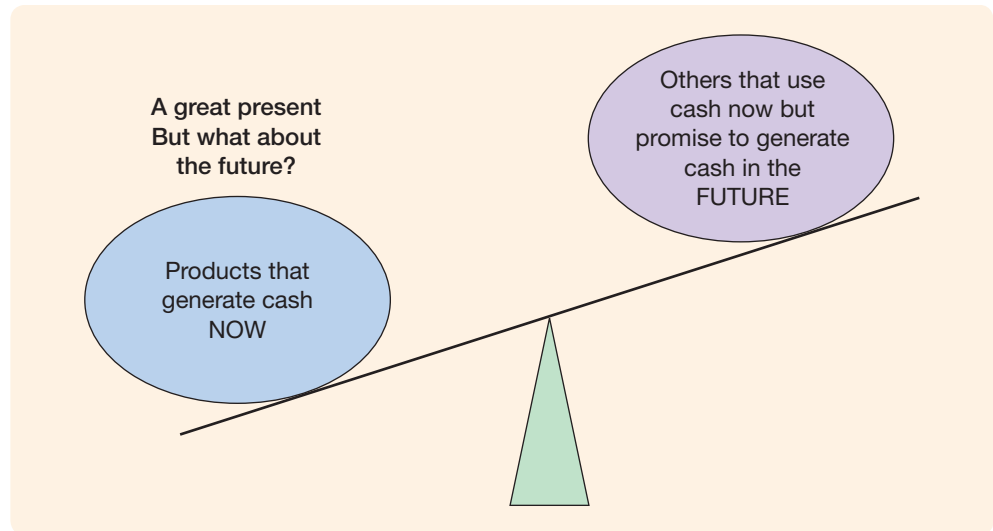


Figure 2.6
Unbalanced,
present-focused
business portfolio

Strengths and weaknesses can only be determined effectively through a systematic and comprehensive audit of the firm's resources and their utilisation relative to the competition. (Chapter 6 describes in more detail how this can be accomplished.)

2.3.2 Analysis of the markets served

An analysis of the markets in which the company operates, or wishes to operate, can serve to throw into focus the opportunities and threats facing the company. Those opportunities and threats stem from two main areas: the customers (both current and potential) and competitors (again both current and potential).

Most markets segment in one way or another. They consist of heterogeneous customers, or customers with varying needs and wants. Asking 'How is the market segmented?' can provide valuable insights into customer requirements and help in focusing on specific market targets.

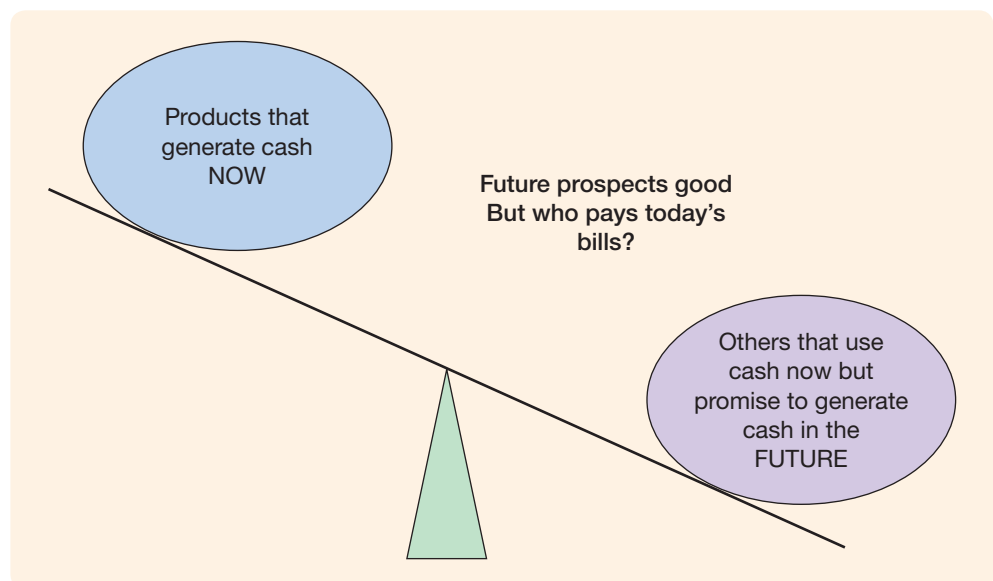


Figure 2.7
Unbalanced,
future-focused
business portfolio

In an effort to create a deeper understanding of its customer base, the world-famous Fender guitar company recently reviewed and refreshed the data it had on the guitar market and customers in general. The insights from that process revolutionised the company and allowed it to more closely align marketing operations with the needs and wants of customer segments. Indeed, a great deal of ‘new’ information became available to the company on which to base decisions and actions. For example, it found that 45 per cent of its guitars were sold to first-time, relatively affluent buyers, 95 per cent of whom subsequently gave up playing within a year. As a result, Fender launched ‘Fender Play’, a video-based online subscription service that helps people learn to play. At the time of writing there are 100,000 subscribers to this innovation. Andy Mooney (CEO of Fender), when discussing the opportunity revealed by the data, stated that Fender ‘saw there was a viable opportunity to do online learning. If we could reduce the abandonment rate by only 10 per cent we could double the size of the industry’ (interview from *The Times*, March 2019).

In the 1990s, Sega and Nintendo were hugely successful in developing the computer games market with relatively cheap games consoles and addictive software, before late entrant Sony eventually became market leader with its PlayStation. Forecasters and market watchers have for some time predicated a decline in the game console market, largely due to the increased power, utility, availability and relative low cost of PCs. However, the market has remained remarkably resilient and has continued to grow through excellent advertising, significant levels of innovation in games and games consoles and new and attractive packaging and income models in the industry. The ‘Fortnite’ video game phenomenon, currently played by millions of young people all over the world, uses a format whereby the game is available free to download, but ‘in-game’ purchases and lucrative merchandising have delivered enviable returns through an increasingly ‘industry standard’ operating model.

Having examined the current and potential segmentation of the market, the next step in assessing alternatives is to search for untapped, or under-tapped, opportunities in the market. In the food market, for example, changes in eating habits are currently taking place. Some of the most significant are the increased emphasis on convenience foods, the trend towards healthier eating and vegetable-based diets and an increase in demand for gluten-free food. These changes open up new and significant opportunities to those willing and able to take advantage of them.

Market opportunities are created through changes (as with increased health awareness and its impact on eating habits), or through the inability of competitors to serve existing needs. This might be because companies cannot serve them (they do not have the skills and competencies to do so) or they choose not to serve them for one reason or another.

Timing in recognising and capitalising on opportunities is of great importance (Abell, 1978). The concept of ‘strategic windows’ focuses on the fact that there are limited periods during which the fit between the requirements of the market and the capabilities of the firm is at an optimum. Investment, therefore, should be timed to coincide with periods when strategic windows open and, conversely, disinvestment should be considered once a good fit is no longer apparent.

In addition to considering the opportunities open to the organisation, it is important to examine the threats facing it. These stem from two main sources: changes in the marketplace that the firm is not aware of, or capable of keeping up with; or competitive activity designed to change the balance of power within the market.

A changing world requires constant intelligence gathering on the part of the organisation, to ensure that it can keep abreast of customer requirements. Keeping up with technological developments can be particularly important in many markets, as new innovations can change the shape of a competitive landscape very rapidly if unaddressed. This is not to say that every change must be responded to, however, as this would create a chaotic and completely reactive business model. Organisations should be aware of ‘what’s out there’, and regularly discuss any changes and developments in light of the possible or actual impact on their business. In the early 1970s, the advent of digital watches caused severe (albeit relatively temporary) problems for Swiss watch manufacturers and, today, music downloads