

Jörn Redler



Marketing

Principles of Customer-Centric Business Management



Berliner
Wissenschafts-Verlag

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A Adopting the marketing perspective

1 Approaching marketing

Key terms of the chapter:

Marketing philosophy // dual marketing definition // customer centricity // needs and wants // business orientations // customer value creation // customer relationship // exchange process // market definition // market potential // market volume // market share // competitive advantage // research directions in marketing // market definition // marketing as applied science

1.1 Ideas about marketing

Marketing is nothing other than the idea of strictly aligning entrepreneurial activities with the requirements of the market.

Since in today's hugely dynamic markets the buyers represent the bottleneck for economically sustainable success, it is the customers who are spotlighted. As a consequence, market-oriented management means customer-oriented management. For companies it is not enough to be product-led, no matter how good the product is. Rather, firms have to be in tune with consumers' needs or business customers' requirements. As management guru Peter Drucker accentuates, marketing aims at making selling superfluous – as it strives to know and to understand the customer so well that the product or service fits her or him – and therewith sells itself.

For that, marketing requires precise knowledge of the customers' perceptions, experiences, attitudes and expectations. Further, marketing means providing products, services, ideas or experiences that are highly satisfying from the customer's point of view, and which meet the needs better than the offers by competitors do.

Marketing as a management process

According to common opinion, marketing is seen as a *concept of market-oriented business management*. It includes the conception, implementation and control of all market-related activities of a company. In addition to the systematic analysis and gathering of information about the market, it covers the coordination and implementation of market-related (external) activities as well as the creation of the internal conditions for their implementation. This process view of marketing is underlined by the Chartered Institute of Marketing (<https://www.cim.co.uk/>) which defines marketing as “the

A Adopting the marketing perspective

management process responsible for identifying, anticipating and satisfying customer requirements profitably.“

Marketing as facilitating satisfying exchange relationships

A relational perspective has been promoted by US marketer Kotler (e.g. Kotler et al., 2016). According to that, marketing means *creating value* for customers and building relationships with them on the one hand, but also capturing value from customers in return, on the other hand. In this way, marketing is about a social process by which individuals and organizations obtain what they need and want through the creation and the exchange of value.

Marketing as a dual concept

Whether marketing should be considered a function in a business organization or whether it should rather take on a cross-functional role has been a controversial point in discussions about the nature of marketing. Most of the marketing researchers opt for a comprehensive role of marketing in companies that will manifest in a customer-driven management process and in a customer-centric philosophy. Others consider marketing to be a corporate function that serves to fulfil clearly defined tasks like doing market research or developing corporate communications and that often co-occurs with a sales department being responsible for distribution channel management or pricing, for instance. The functional view can frequently be traced in management reality where one finds departments like “marketing” and “sales” as parts of business organizations.

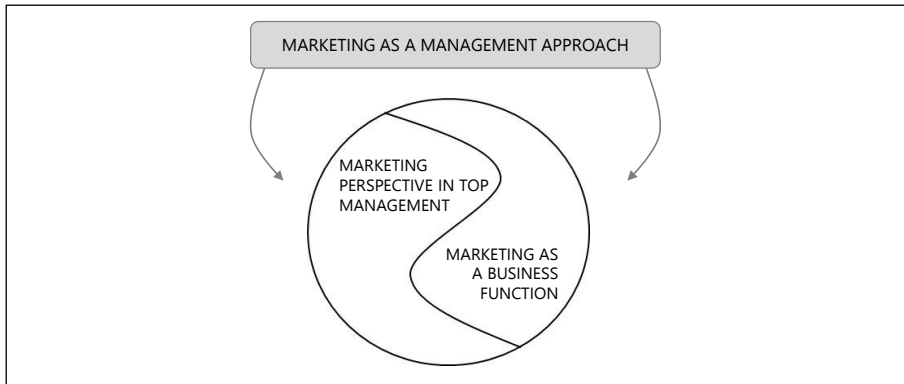


Fig. 1: Marketing as a dual concept. Source: own illustration.

To resolve the conflict, Meffert (e.g., Meffert et al., 2018) stressed the concept of *duality* when discussing marketing as a management principle. According to that, market-oriented management is based on two pillars: a) marketing as a corporate function in addition to other corporate functions plus b) marketing as part of (and a guiding concept for) the firm's top management (Fig. 1).

Marketing as a customer-centric philosophy

Following a marketing approach calls for a focus on current and potential customers. It also involves taking account of competitors, considering the dynamics of markets and paying attention to external forces and trends.

A genuinely *marketing-oriented organization* has a sound understanding of customers, their expectations and needs. It provides resources to understanding buying behaviour and the issues influencing purchases; as well as it studies competitors and market environments. The organization heads for serving the customer in order to capture value in return. This is realized by starting all decisions with the customer and an analysis of opportunities for competitive advantage. In order to implement such an orientation, a marketing division must act as an integrative or leading force in the company in relation to the other departments (Fig. 2).

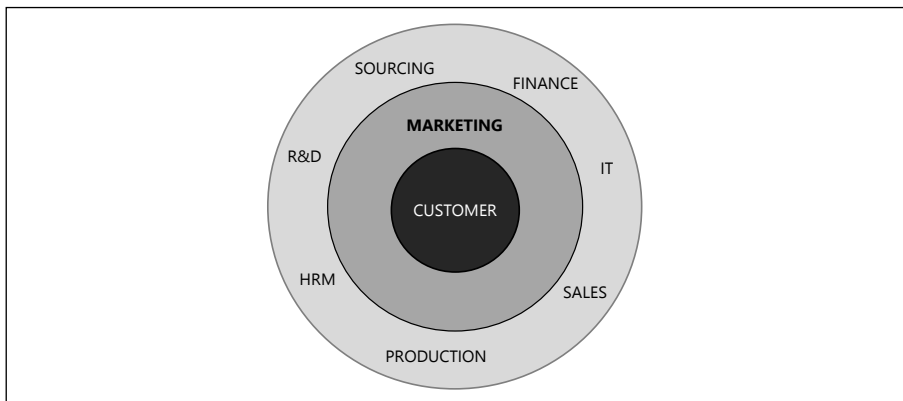


Fig. 2: Customer at the centre of corporate action. Source: own illustration.

Truly marketing-oriented organizations, furthermore, recognize the importance of *internal factors* for external market success. A company following that perspective will ensure that its operations, the personnel and the capabilities are aligned to reflect its marketing direction. Moreover, it will accept that market situations will evolve and, accordingly, will not only consider current issues but will prepare to meet future challeng-

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es. As a result, the marketing organization will focus on profitable and lasting customer relationships.

Many of the above mentioned qualities are main pillars of the *customer centricity* approach or, in other words, the customer-centric philosophy in marketing. The following list sums up core ideas of customer-centric management (Shah et al., 2006):

- all management decisions start with the customer
- creation of a superior customer value
- relationship-oriented
- meeting individual customer needs
- profitability through customer loyalty
- customer knowledge as a valuable asset

Marketing as managing relationships

Current concepts in marketing turn away from a view that focuses on single transactions and favour a *relationship perspective*. The relationship-focused approach to marketing outlines a network of contacts between the buyer and a company that establishes a series of exchanges over time. If this is meant to be a lasting relationship, both parties in this interactive process need to be satisfied with the relationship. This means the relationship needs to be functional for each party to achieve the respective objectives from it. Hence, managing close and profitable customer relationships is another face of customer centricity.

Marketing has been defined in different ways. Marketing as a philosophy puts the customer in focus and strives to follow a consistent market orientation for all organizational activities. It is an integrative approach of running a business and managing profitable relationships with customers.

Customer relationship management (CRM) refers to the overall process of building and maintaining profitable customer relationships. This covers aspects like acquiring, engaging and growing customers. As a result of CRM, and via creating value for the customer and therewith achieving high levels of customer satisfaction, firms can hope for loyal customers that talk favourably to others about the company and the products or services they experienced.

Keeping customers loyal and having a high *customer retention rate* makes good economic sense. Many cases and studies have shown that there is a positive relationship between customer retention and company success – as the exchange processes become more profitable for a company the more constant the exchange partners are. Instead of a mul-

titude of individual transactions (so called *transactional marketing*), selected long-term customer relationships are favoured by *relationship marketing* approaches, therefore.

Especially in the digital era, many new opportunities arise for firms to get much closer to their customers and to create new facets of relationship management. The relationship era of marketing has gone digital.

Customer centricity and customer retention are key in modern marketing.

Business orientations and the evolution of the marketing concept

Over time, the philosophy of doing business has developed from the production orientation to modern marketing orientations. In between, there used to be phases of the product orientation and the selling orientation. Fig. 3 summarises some characteristics of these eras.

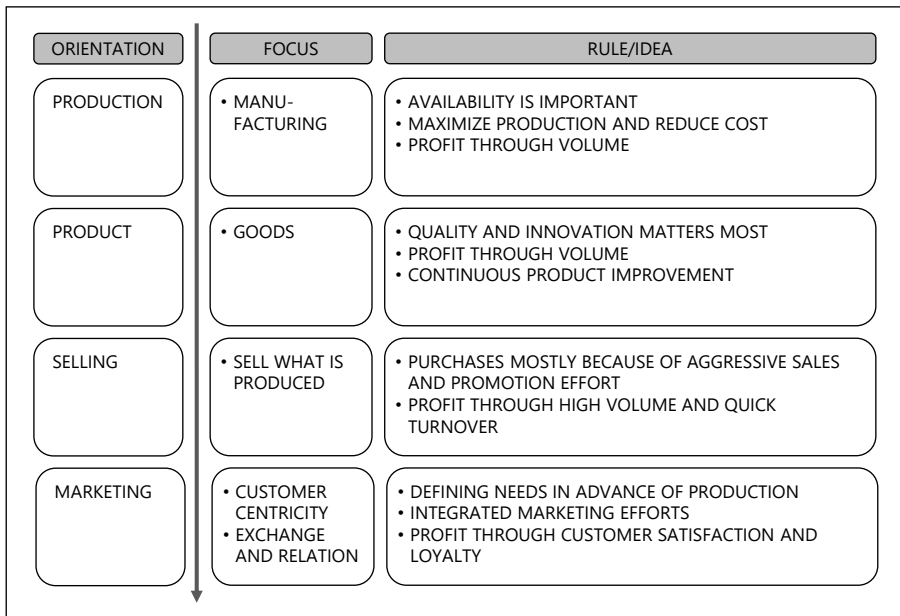


Fig. 3: Development of business orientations. Source: own illustration.

Marketing jobs

People who are entrusted with (functional) marketing tasks in companies or organizations are typically called *marketing managers*, *marketers* or *marketeters* (Fig. 4 for a sample

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job description). However, the market-related way of thinking must not be limited to these persons authorized for it by virtue of the position’s designation. Rather, understanding marketing as a philosophy means that every individual in the organization should adopt a customer-centric attitude.

At the top management level, positions such as Marketing Managing Director, Marketing Director, Chief Marketing Officer (CMO) or Chief Customer Officer (CCO) express the strategic leader role of marketing for running a business.

XXX is seeking a **Marketing Manager** to join our marketing team.

The best candidate for this role is customer-obsessed, collaborative, proactive, and self-motivated. This individual will be playing a key role in the development of XXX’s brand and strategy and should have the ability to perform in a fast-paced, high-growth environment.

Success will require a deep understanding of how to leverage customer data, content, and messaging to inspire customer action. This person will have a proven ability to break down complex ideas into compelling, differentiated stories. This person is a team leader, seeking out ways to ensure success for XXX and the marketing team.

Key Responsibilities

- Build a loyal consumer following for XXX and its offerings - help grow it to become the most loved brand in the industry
- Manage internal and external brand communications, including support of PR efforts
- Lead integrated marketing efforts, drive campaign planning, media buying and measurement, and social media
- Work closely with CRM to drive acquisition and retention of customers
- Partner with Product on the development and implementation of consumer products - develop campaigns that will pull-through messaging across brand programmes
- Identify and harness consumer insights, compelling stories and create awareness and messaging that inspires drivers
- Create alignment with essential internal partners with thorough and detailed communications
- Be an expert on the competitive landscape and understand how to effectively differentiate XXX

About You

- You are a marketing expert, eager to take on B2C and B2B marketing efforts. You’re not afraid to get in the weeds or build a strategy.
- You excel at collaborating across the company. You can move easily between business stakeholders, product development and marketing teams.
- You are driven to understand customer mindset and pain points to create a marketing strategy that achieves business goals and meets customer needs.
- You have a natural ability to build relationships with cross-functional team members and represent our brands.
- You understand that technology can simplify, delight and enhance our lives and hope to build transformative innovation through your career.
- You thrive in a fast-paced, high-intensity environment where you balance multiple projects and can prioritize your work both short and long term.
- You are motivated to achieve success both at work and in your personal life.
- You understand how marketing ties to business objectives, understand target audience profiles and insights, and incorporate these into campaigns.

Fig. 4: A job profile for a marketing manager (example). Source: own illustration.

Marketing is a wide and complex subject. The following points can be seen as key aspects of the most common marketing definitions:

- *Marketing is about giving customers what they want.*
- *For that, it discovers and anticipates customer requirements.*
- *It fulfils customer requirements profitably.*
- *It is a management process.*
- *It is about exchanges that create value for customers and the firm.*
- *Marketing builds enduring buyer-seller relationships.*

1.2 The relevant market

In the strict sense, the marketplace is understood as the structure that allows buyers and sellers to engage in exchange (of goods, services, information or money). It is the conceptual place where price fixing takes place as supply and demand meet. The supply substantiates in the offerings by companies, and the demand gives expression to some parts of the wants and needs of (potential) customers. The latter are two concepts that should be distinguished in order to understand value creation for customers in the marketplace.

Needs are states of felt deprivation and can refer to physical, social, self-expressive or other qualities. Needs are part of the human make-up and are not influenced by marketing activity. An example is the need to drink. *Wants* are the form that human needs take as they are shaped by culture and/or personality. Wants are described in terms of distinct goods or services that will satisfy specific needs. In contrast to needs, wants may be influenced by marketing action. Organic water lemon lemonade might be an example for a want to satisfy the need to drink. Further, the part of wants that is backed by purchasing power, and therefore is discernible in the marketplace, is referred to as *demand*.

Types of markets and market transactions

In many cases, marketing refers to the sales market. However, it might also refer to other markets such as procurement markets, labour markets or financial markets. That is why other specific terms like procurement marketing, personnel marketing or financial marketing exist.

Companies maintain exchange relationships in several markets.

Usually, a company is closely linked to at least four different markets: the sales market, the procurement market, the financial market and the labour market. It is with these that it maintains typical *transactions* (Fig. 5). Transactions are those processes in which

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a good is exchanged for a return, e.g. a product for a payment. Marketing principles can be used for each of these markets.

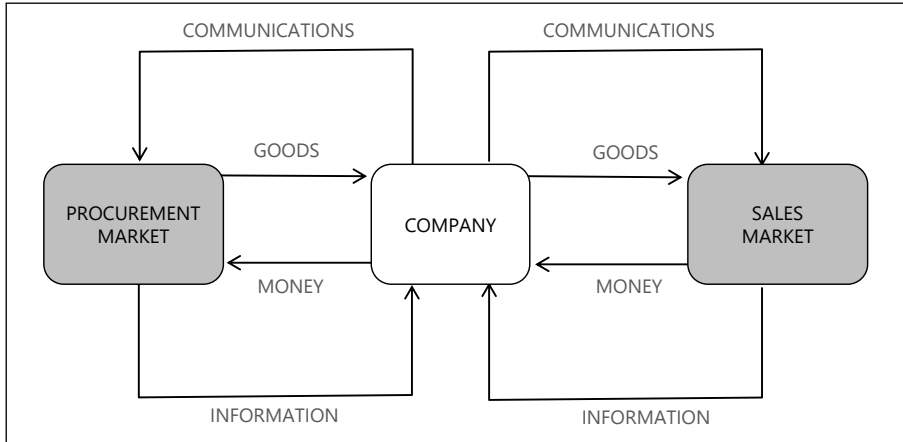


Fig. 5: Transactions between companies and their markets. Source: own illustration.

Market descriptors

Apart from the meaning as the place of exchange, the term “market” sometimes is also used to characterize the total of goods traded in a segment. Several important measures are used to depict markets in this regard:

- *Market potential*: The maximum capacity of a market to absorb a given good and hence the maximum quantity that could be sold if all potential customers fully satisfied their needs (in a specified period of time). It is the upper limit of market demand.
- *Market volume*: The total amount of actually observed sales of all suppliers in a market for a specific period of time.

From the perspective of a single enterprise, the following indicators are used to illustrate the market situation:

- *Sales potential*: The maximum sales quantity that a single company can achieve in a specific market for a specific period of time. It can be given in units or revenue.
- *Sales volume*: The actual sales quantity of a company in a market for a specific period of time, given in units or revenue.

- *Absolute market share*: The ratio of sales volume to market volume. It indicates the company's exploitation of the market volume.
- *Relative market share*: The ratio between a firm's own market share and the market share of its leading competitor.

Defining the relevant market

For the marketing manager, the question arises on which market one operates or should operate: what is the firm's *relevant market*? In order to define or demarcate that, a *market definition* is required, for which several criteria might be considered:

- needs ("the market for entertainment"),
- products and services ("the market for smart watches"),
- groups of suppliers ("the pharmaceutical market"),
- customers and their characteristics ("the market of young fashion buyers")
- geographic criteria ("the Spanish market").

To develop an accurate and meaningful market definition, such criteria are often combined. The market definition will demarcate the market, in other words it will define which goods and which competitors are within the relevant market and which are not. When defining the market, it is a tough challenge neither to go for a too narrow nor for a too wide interpretation of what is within the market boundaries.

For effective marketing, the relevant market must be defined.

Obviously, the market definition is closely linked to discovering the *relevant competitors*. Two approaches are apparent. Either one defines the market and then derives which competitors play an important role, or one analyses the competitive landscape and by that comes to a suitable market demarcation. In any case, the correct diagnosis about the relevant competition will be pivotal to marketing success. Just as ignoring competitors (maybe because the competitive relation is not obvious at first sight) is dangerous for businesses, it is the same with considering the wrong ones (maybe because one made incorrect market analyses) or including too many competitors in a market (maybe because one prefers to do without a clear market definition). If you have a very narrow market definition, you tend to exclude competitors that might be relevant, and if a rather wide market definition is chosen, one is challenged by finding the right focus on the most influential rivals.

It is good advice to go back to relevant needs that a product or service appeals to, if it comes to market demarcation. This will help not to be myopic about new substitutes or unrecognized market solutions that might serve as substitutes for the satisfaction of

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the need in focus. In other words, it will help not to solely stick to obvious competitors that offer similar products or services. As an example: Deutsche Bahn’s competitors in regional transport are not only other private providers of passenger transport by rail, but also privately owned cars, car rental companies, bus operators, new Uber services and so forth – as the services offered go back to a need to get from A to B.

The market definition determines which other firms are regarded as competitors.

Overall, the market situation might be conceptualized as an area of interaction between the own company’s market offerings, the customers and offerings by the competitors. The triangle in Fig. 6 describes a concurrence of customer orientation and competitive orientation that is a typical feature of marketing. Acknowledging these conditions, marketing managers will try to develop a priority position. As illustrated in Fig. 6, this requires a) to develop market solutions which meet the requirements of the customers and b) to develop offerings that outpace the competitors’ solutions (establish competitive advantage, e.g. product-related or price advantages).

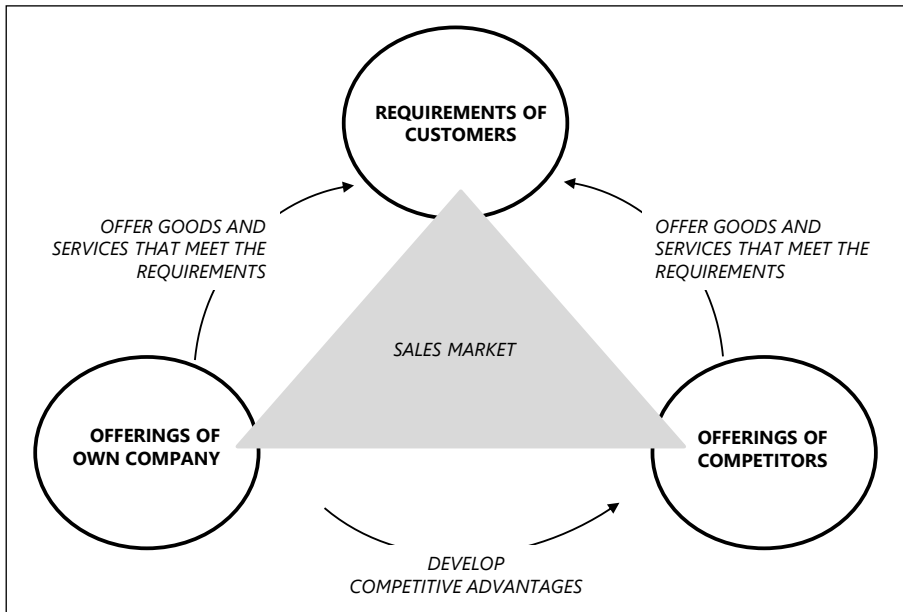


Fig. 6: Interaction of company, customer, and competition in the marketplace.

Source: own illustration.

As a consequence of these considerations, marketing as a business science broadly covers two fields. One is the development and improvement of components that allow for reacting to the requirements and behaviours of customers and competitors (referred to as the analysis side of marketing). The other field is to work on routines, strategies and tools which enable organizations to influence customers and competitors in a way that helps to achieve marketing objectives (referred to as the design side of marketing). Such influences are legitimate in market economies and are nothing other than basic principles of human interaction.

Marketing, on the one hand, implies adjusting one's own entrepreneurial action to customers and competitors. On the other hand, it develops methods and blueprints to influence these market participants.

Marketing return on investment

Marketing with its big and expensive programmes causes huge expenditures for companies. These are seen as investments that produce return, especially in the form of strong customer relationships. In that way, marketing investment is meant to lead to improved customer value and satisfaction, higher rates of customer retention and also to improved levels of new customer attraction.

One influential marketing performance measure to be mentioned in that context is the marketing return on investment (*marketing ROI, MROI*). It is defined as the net return from a marketing investment, divided by the cost of the marketing investment (Fig. 7 for some related metrics and a sample calculation). A problem with that is that both return and investment are assessed in monetary units. It means that effects that do not (directly) manifest in financial measures will be neglected. So as yet, there is a problem with including non-monetary returns such as brand-building, engagement or positive attitudes towards the company into metrics like the marketing ROI.

NET MARKETING CONTRIBUTION (NMC)		
= NET SALES – COST OF SOLD GOODS – MARKETING EXPENSES		
NMC = 200 million euro – 110 million euro – 82 million euro = 8 million euro		
MARKETING RETURN ON SALES (MARKETING ROS)		
=	$\frac{\text{NET MARKETING CONTRIBUTION}}{\text{NET SALES}}$	= $\frac{8,000,000 \text{ euro}}{200,000,000 \text{ euro}} = 4,00\%$
MARKETING RETURN ON INVESTMENT (MARKETING ROI)		
=	$\frac{\text{NET MARKETING CONTRIBUTION}}{\text{MARKETING EXPENSES}}$	= $\frac{8,000,000 \text{ euro}}{81,000,000 \text{ euro}} = 9,75\%$

Fig. 7: Marketing ROI. Source: own illustration.

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Measuring marketing's return on investment has become a major emphasis, but still remains a difficult task. For most situations, companies will not only rely on standard performance measures such as cost, sales or ROI. Rather they need to use diverse measures that evaluate customer-centred and relationship-related aspects, additionally. To have an integrative view on that, companies occasionally work with marketing dashboards.

1.3 Marketing as an applied science

Today, the marketing discipline comprises a lot of special directions. They have developed through *differentiations* made on functional or object-related characteristics. For example, there are specialized orientations such as retail marketing, service marketing, bank marketing, B2B-marketing, consumer goods marketing or the marketing of non-profit organizations. Also, some specific marketing disciplines have developed according to the particular questions they focus on. Examples for that are sustainable marketing or critical marketing studies.

The *development of marketing in Germany* has its origins in retail management that had established as an academic discipline at the end of the 19th century. From these roots, and as part of the developing business economics studies, a sales perspective ("Absatzlehre") evolved from the 1920s onwards, which was predominant until around 1970. It was largely functionally oriented and emphasized the distribution task. From around the mid-1970s, developments in Germany were strongly influenced by American approaches, in which a separate marketing theory had been advanced since 1960. For Germany this resulted in a replacement of the term "Absatz" by the marketing term for a start. Only later on, marketing has begun to establish itself as a strategic and management-related concept that in a way has become independent from the German tradition of business economics and that is mostly applying a more interdisciplinary perspective.

Applied science and the problem of value judgements

Today, marketing sees itself as an *applied science* that is open to all disciplines. As an applied science, marketing uses findings from the theoretical (basic) sciences to contribute to problem solutions in practical management. Considering these circumstances, the marketing science needs to be distinguished from basic sciences, on the one hand, and from business practice, on the other hand. Being an applied science, it addresses problems that occur in marketing and management practice. The questions then are examined using scientific methods and approaches that are taken from the basic sciences. In that way well-founded proposals for shaping and controlling reality are derived. Additionally, marketing undertakes independent inductive research based on a variety of quantitative and qualitative methods.

A typical and necessary feature is the *interdisciplinary and multidimensional view* marketing takes. It means that in addition to purely economic concepts, findings, models and methods from a number of other sciences play an important role. This is especially true for psychology, information sciences, sociology, law and political science.

While in management practice personal evaluations and prioritizations are of great importance, *value judgements* are a controversially discussed problem in the field of science. Still, there is much dispute in science about whether and to what extent value judgements might play a role for scientific work. A *value judgement* is a statement that expresses a personal opinion or attitude and cannot be derived logically or empirically. This means that value judgements are not verifiable between subjects and therefore cannot be generally binding. They have a normative character. In contrast, *scientific statements* have a descriptive character and must be logically or empirically justified. This reflects the current understanding of science that is committed to forbidding value judgement. If valuations are made, they must be marked in order to avoid false objectivity. At issue, however, is the question whether there can be a freedom from value judgement in science at all.

In both basic science and applied science, the selection of research objects, research questions and methods can be interpreted as results of subjective tendencies and attitudes of the individual researcher. That is why many would argue that science can never be free from value judgements. As a consequence, applied sciences such as marketing, are particularly obliged to critically question their own procedures with regard to contained value judgements and to offensively clarify contained value statements.

Research directions in marketing

The theoretical analysis of marketing in teaching and research is by no means based on a uniform research direction. Instead, there is a fruitful plurality of explanatory models and methods. The following approaches, in particular, should be mentioned:

- *Functional directions*, which concentrate on systemizing individual marketing functions and tasks and describing them in object-related, geographic, content or time criteria.
- *Process-oriented directions*, which focus on aligning the value chain towards a successful market position and complementing functions more strongly with processes.
- *Decision-oriented directions* that view marketing issues as a decision-making process and focus on the creation of effective marketing programmes.

A Adopting the marketing perspective

- *Behavioural-scientific directions* that explain marketing effects by means of (mostly empirical) findings from behavioural science and develop recommendations.
- *Systemic directions* which understand marketing as actions in dynamic, integrated systems (a structure of closely linked system elements that influence each other) and interpret marketing behaviour and marketing results as the outcome of the interaction of all elements.
- *Information economics directions* that analyse marketing issues as the management of market-related information problems and uncertainty problems.



Review questions

1. What is meant by customer centricity?
2. How would you define marketing?
3. What does Meffert mean when he talks about a “dual management concept of marketing”?
4. How would you describe the difference between a selling business orientation and a marketing business orientation?
5. Research the organization charts of three large, international companies on the Internet. Analyse the top management level: Where can you identify jobs with marketing responsibility?
6. Which research directions are differentiated in marketing? What characterizes these?
7. What is the difference between market volume and market potential?
8. Which criteria can be used to define markets?
9. Explain the tension between customer requirements, a company’s offerings and competitive supply. What does it have to do with marketing?
10. Explain the difference between a scientific statement and a value judgement.

! Critical thinking and discussion

1. Many companies claim to be customer-oriented and preach the credo “customer first”. Is this statement actually true or is it just hot air? Do companies behave in the customers’ best interests if they do not take complaints seriously, increase prices, reserve the best parking spaces for managers, are not available at the weekend or answer inquiries with meaningless text modules?
2. “Marketing is a management concept.” Discuss this statement.
3. Think of all the products and services you consumed last week. Which products have negative economic and/or social consequences? What is marketing’s role in it?
4. Find examples of companies that you think are very marketing-oriented. Justify your choice. Try to explain the marketing orientation based on the market situation of the companies.
5. Would you agree that marketing is nothing else than designing exchange processes?
6. Pick a company. Try to demarcate the output market(s) this company is operating in. Be as precise as possible.

Further reading

A concise introductory overview can be found at: Blythe, J./Martin, J. (2016). *Essentials of Marketing*, Upper Saddle River.

The following article sums up many facets of marketing and some problems of finding a coherent definition: Grönroos, C. (2006). On defining marketing: finding a new roadmap for marketing. *Marketing Theory*, 6(4), 395-417.

This editorial presents some insightful reflections on the role of relationships in marketing: Gummerus, J./von Koskull, C./Kowalkowski, C. (2017). Guest editorial: relationship marketing – past, present and future. *Journal of Services Marketing*, 31(1), 1-5.

Major aspects of marketing in the digital era are discussed here: Kannan, P. K.: Digital marketing (2017). A framework, review and research agenda. *International Journal of Research in Marketing*, 34(1), 22-45.

It might be very helpful to consider a revision aid. Here is one recommendation: Dibb, S./Simkin, L. (2014): *Marketing Briefs – A Study and Revision Guide*, Oxford. It includes brief overviews of concepts, examples, cases, revision guidance and trial questions.

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DO Marketing plan exercise

As you work yourself through this book, you are encouraged to step by step develop a marketing plan for a product or service of your choice. For that, with each chapter you will be given some ideas and issues to look at, so that you have the opportunity to develop and refine a draft of this plan as your marketing knowledge increases. As an orientation, a sample structure for a marketing plan can be found in appendix 1 of this book. This is meant to give you an overview on how a real-world marketing plan is structured, which information is covered and where the information fits in an overall marketing plan.

To begin your marketing plan activity: think of an organization that you would like to be the focus for your marketing plan. Gather some background information on this organization and its products and services. Try to work out a portrait of the organization you have chosen (country, market, product(s), history, economic figures, ...).

Maybe you would like to compare some alternatives before you make your final decision? If you prefer to act as a startup, think of a comprehensive description of your business idea.

2 Marketing management

Key terms of the chapter:

Marketing management process // levels of marketing management // marketing planning // integrated marketing programmes // 4P // 7P // marketing plan // marketing concept // agile marketing

2.1 Nature and process of marketing management

Marketing management refers to the management process responsible for identifying, anticipating and satisfying customer requirements profitably. In other words one might say, marketing is the pro-active advancement of market action to achieve desired targets in defined markets.

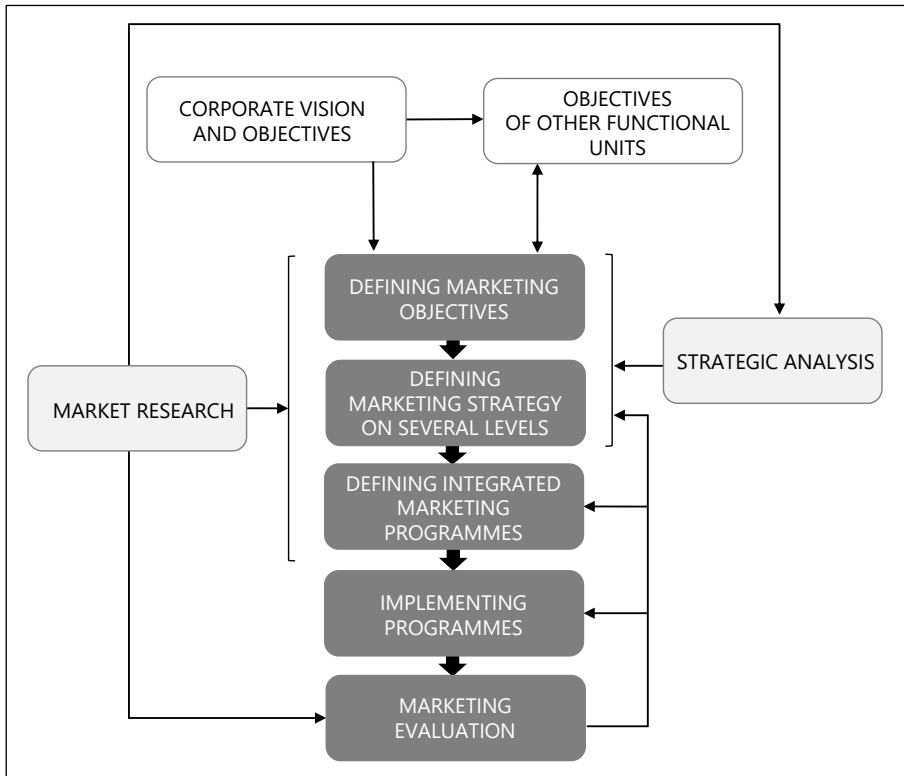


Fig. 8: The marketing management process. Source: own illustration.

A Adopting the marketing perspective

It covers steps such as situation analysis, the development of marketing objectives, the derivation of adequate marketing strategies, the definition and implementation of integrated marketing programmes and the monitoring of marketing achievements. Such a process is exhibited in Fig. 8. Obviously, the marketing management process resembles the classic management process a lot.

In most situations, it is helpful to use this sequence as a scheme a) for breaking down the complex marketing management task to smaller tasks and b) to follow a systematic system.

As Fig. 8 illustrates, company-wide targets and strategies need to be considered as a context for managing marketing action. Acknowledging those, and considering results from strategic analysis, *marketing objectives* are then developed. As mentioned, the marketing objectives have to be aligned with the corporate objectives and strategies. *Marketing strategies* serve to realize defined marketing objectives, as they determine the overall direction of marketing action by means of certain fundamental decisions. In regard to the actions to be implemented, coherent, target-oriented *programmes of marketing activities* (the so-called marketing mix) must then be worked out. Thereafter, it leads to an implementation of the programmes and campaigns. Finally, marketing action is checked for its effectiveness and efficiency (*marketing evaluation*). As apparent, *strategic analyses* and *market research* provide necessary input during several phases of marketing management.

Marketing management is a systematic process consisting of analysis, target definition, strategy formulation, development of measures, implementation and evaluation to actively shape market activities.

The systematic procedure following the phases of marketing management is often referred to as *marketing planning*, at the end of which there is a *marketing plan*. The marketing plan is the blueprint that details the ideas of and the requirements for a company's marketing activity. Most businesses produce marketing plans annually, typically with a three-year perspective. They are revised annually, then. The duration of marketing plans may vary. Plans that cover a time period of up to one year are called short-range plans. Medium-range plans usually cover a two to four years period of time, and long-range plans are usually for more than five years.

Professional marketing planning a) develops binding and action-guiding instructions for management decisions in the sense of exact programmes and schedules, but b) allows for a sufficient balance between stability and adaptation to changing environments, nevertheless.

Company-wide strategic planning closely interacts with marketing strategy and marketing planning.

As mentioned above, marketing management is in close interaction with the company-wide strategic planning (Fig. 9), often it is not even separable. This is easy to understand for at least two reasons. First, if marketing is considered to be a business orientation, establishing market-oriented planning on the corporate level will be a plausible consequence. Second, if highlighting the functional character of marketing, marketing planning is seen as a part of the overall planning process. Taking that perspective, company-wide planning will set the stage for other functional planning (like marketing planning) and guarantees that functional objectives and strategies are fully compatible with the target system of a company. It means that marketing planning occurs at the level of business units, products and markets.

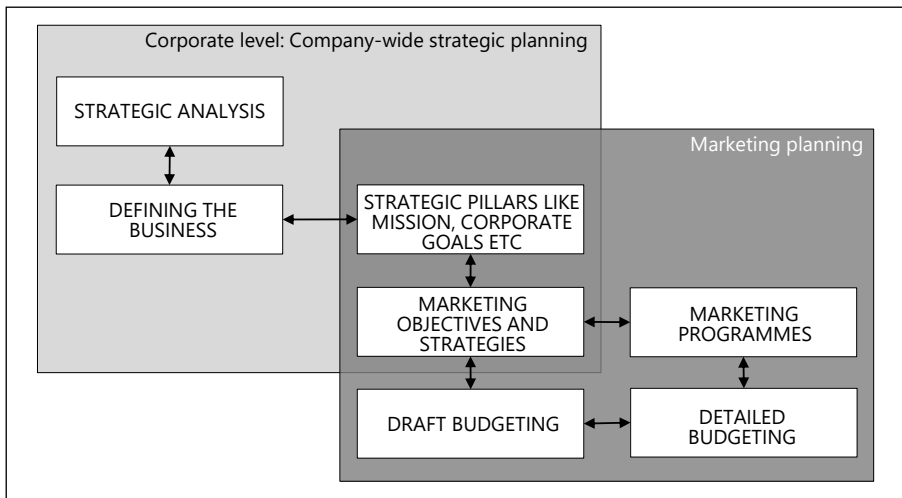


Fig. 9: Relationship between marketing planning and corporate planning.

Source: own illustration.

Newer research concepts, especially in the fields of systems theory and complexity theory, challenge the planning perspective presented above. These ideas may have far-reaching and radical implications for the concept of marketing management and marketing planning. According to this new thinking, the conventional notion of a marketing manager and how marketing is organized (as outlined above) does not mirror today's reality, is rather dreamy, oversimplifies things and might not even be economically desirable.

Criticism of marketing management and agile management perspectives

More and more often, the conventional marketing is criticised as being too rigid and no longer appropriate to the current conditions. By way of example, here are some lines of argument collected by Blümelhuber (2007):

Traditional marketing planning is considered an expression of a plannable world, a world in which hierarchical, rational, orderly and systematic organizations exist. This is called the world view of modernity. By contrast, the current and future order would be characterized more by the characteristics of *postmodern reality*. This world is reflexive, fleeting, unpredictable and without certainty. Fixed structures, institutions, routines and accepted behavioural patterns lose their place in it. The lives of people are increasingly fragmented and people pursue parallel strategies. Life as a whole consists of independent mini-episodes that are nested within each other. Planability, stability and long-term thinking would therefore be obsolete concepts. On the contrary, there is an inscrutable possibility of alternatives, and new concepts are added daily. As a result, there was no longer THE plan, but countless possible ones from which one had to cherry pick.

As a reaction to the criticism, new logics are developing. One is the concept of agility. Agile marketing, at its core, is an action-oriented approach in which teams identify and focus their collective efforts on high value projects. Those projects are completed cooperatively, and impacts are measured immediately. Over time, the results are continuously and incrementally improved. In essence, *agile marketing management* will require changes on different levels, but will still need a clear vision and strategic orientations. Some of the fundamental characteristics of an agile approach are:

- The focus is on experimentation and iteration, and smaller but quick results are favoured. Teams then apply the results to the next round for work.
- Agile teams base their developments on data. That is why agility goes well with *data-driven marketing*. Under agile perspectives, teams make sure that all their work can be measured and that there is empirical evidence to rely on for decisions.
- Marketing work is organised in teams. Teamwork and collaboration are building bricks for agile management. Individuals in those teams need to have a mindset that allows for respect, collaboration and learning cycles and a focus on delivering value. It also requires the ability to adapt to change and becoming part of a high performance culture.

- Further, agile management redefines the roles of managers and directors who lead teams. They are meant to concentrate on helping the teams to succeed instead of exerting much pressure. This philosophy of leadership is called servant leadership.

Another influential concept is the *service-dominant-logic* approach dating back to a paper by Vargo and Lush (2004). This new logic is rather service focused than product-centred, aims attention at long-term, individual relationships and sees the customer as a *co-creator of value*. Customers are thus playing an increasingly active role. Thinking further, it makes marketing become an omnipresent task in which everyone is involved, and which relies on visions, flexibility and potentials. It also means that it is no longer only persons who are specifically trained in marketing management (and thus may be trapped in this way of thinking) who actually determine marketing decisions.

2.2 Planning levels

Marketing planning is carried out on three levels: marketing objectives, marketing strategies and marketing programmes (Fig. 10).

- *Marketing objectives* express the desired market states or market situations the marketing department or the company, respectively, wants to achieve. If this desired situation is known, there are usually different ways to achieve it.
- *Marketing strategies* embody these paths. These are basic decisions for the rough direction of marketing action, which in turn have to be specified by the marketing mix. Deciding for a certain marketing strategy implies a long-term commitment to it and often means the rejection of other strategies.
- On the programme level, the *integrated marketing programme* (marketing mix) is defined. As a blended set of controllable, tactical marketing tools, it substantiates marketing strategies for action. Therefore, it is a requirement that the marketing mix strictly follows the chosen strategy, that it contributes to achieving the marketing targets and that it is consistent. In contrast to strategies, marketing activities and instruments are easily adaptable and can be combined in many ways.

Example: A manufacturer of yoghurt products wants to increase its market share in the probiotic yoghurt market by 1.5 % in the coming fiscal year (marketing objective). To achieve this, the manager plans to acquire a competing firm and to crowd out some minor opponents (marketing strategy). The strategy shall be implemented, inter alia, through the take-over and through the