The marketing concept: an academic perspective

Stephen Fanning [Ph D]

https://www.themarketingconcept.com

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The marketing concept: an academic perspective

is a general treatise of marketing

A treatise is a formal, systematic, and comprehensive exposition of a subject.

This treatise documents the marketing concept, the philosophy that underpins marketing, the sub-concepts and theories of marketing and then details how this knowledge may be applied in a logical and structured manner.

Hello and welcome to the world of marketing

A concept is a holistic explanation of a subject by a qualified person. The marketing concept is built on a simple premise that **organisations that best satisfy the needs of their customers and best placed to satisfy their own needs**.

The marketing concept is the superordinate/primary guiding principle of marketing - like a broad conceptual umbrella that provides holistic guidance.

Marketing is about satisfaction - to be best satisfying, organisations must understand the ***dreams*** and ***demands*** of their customers; ***design*** and ***develop*** products that are ***distinct*****,** ***discernible*****,** and ***desirable; deliver*** on promises, act in a ***dignified*** manner and provide long-term ***dividends*** to customers, the organisation, channel partners, and society.

The information is a synthesis of business and product exemplars, academic concepts, theories, and constructs – the content is delivered via:

- The free e-book - The marketing concept; philosophy, theory & application
- The companion web site – www.themarketingconcept.com

Please join me on this journey.

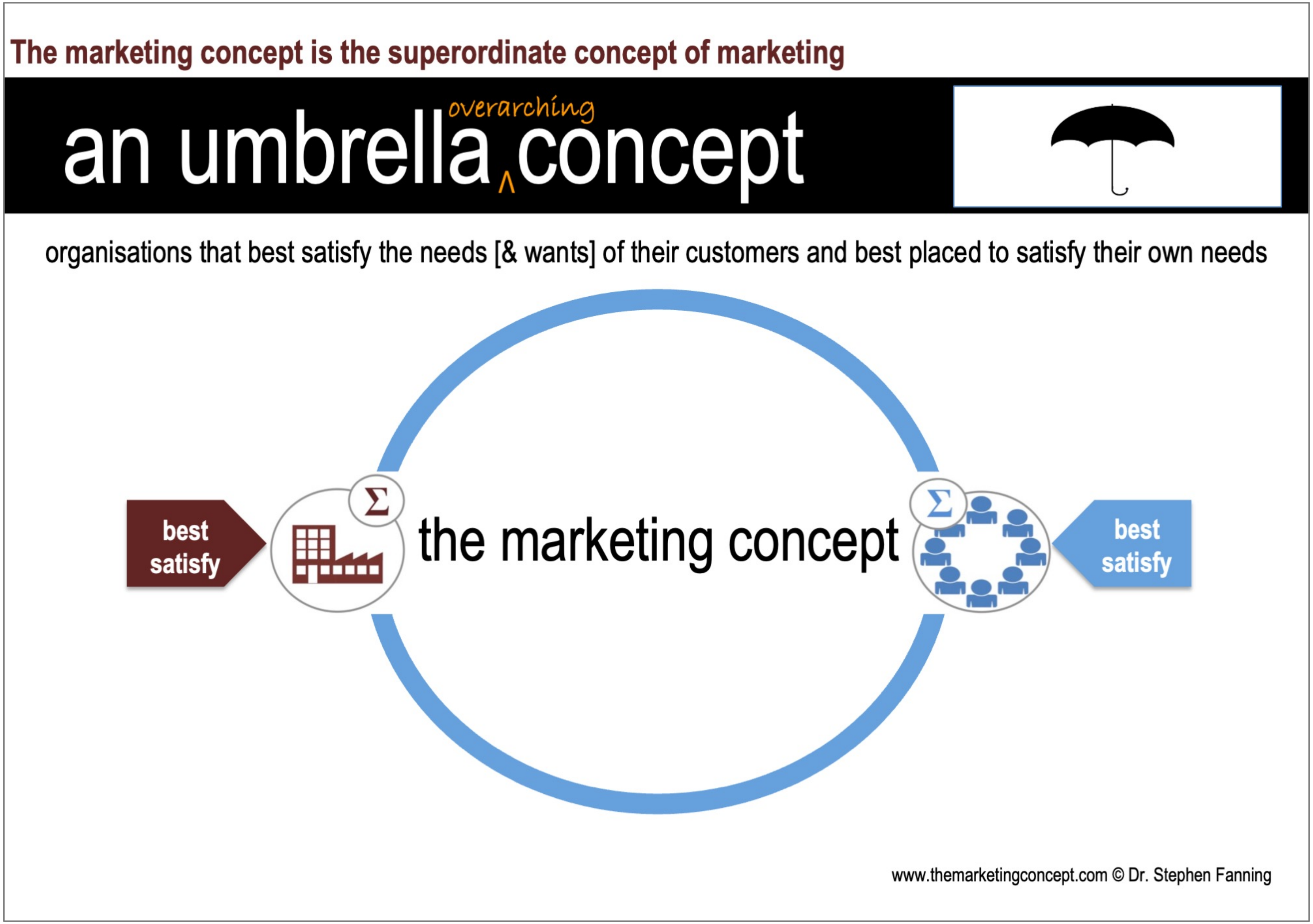


Figure 1: The marketing concept is the superordinate or primary concept of marketing

Marketing is old and new

Marketing is an ancient custom, for around 12,000 years buyers and sellers have gone to markets to satisfy their needs [and often their wants].

Today, many of our day-to-day conversations [whether face-to-face and/or online] are about our experiences as consumers. However, unlike our day-to-day conversations, discussing marketing as a business discipline requires an understanding of the concepts, theories, constructs, language, and structure of marketing - this will unfold as you progress.

Therefore, if you think marketing is about attention grabbing advertising alive with buzzwords, a feel-good catchphrase, a snazzy logo, a flashy website, and a good 'spin' when things go bad - then sorry - but you are wrong.

If you think marketing is about false promises is selling 'things' to people that they don't need or want – then sorry - but, once again, you are wrong - very wrong.

Sure - effective communication, sales revenue, and profits are crucial, however, the marketing concept goes beyond short-term financial profits. The marketing concept presents a more holistic long-term view of profits and recognises that **profitable[4] exchange relationships[4]** are needed to achieve a sustainable competitive advantage.

The concept of profitable[4] exchange relationships[4] recognises that exchanges must be profitable[4] for customers, organisations, channel partners, and society and build relationships[4] that are synergistic, symbiotic, strategic, and sustainable – many argue that if it is not profitable for all parties then it is not really marketing.

[4] Indicates the number of dimensions

Somewhat unique

The marketing concept is one of 3 acknowledged business concepts. The marketing concept is philosophically different to the other business concepts as it is directed towards best satisfying both customer and organisational needs. [a]

When an organisation has adopted the marketing concept, they consider their specific situational factors and then craft a marketing philosophy - a set of principles, attitudes and behaviours that provide guidance as to how an organisation goes to market [a]. As every organisation faces situational factors that are somewhat unique - then every marketing philosophy is somewhat unique.

A marketing philosophy is important as with time and with consistent internal communication a marketing culture of best satisfying and profitable[4] exchange relationships[4] is nurtured.

Although somewhat unique, each organisation will share characteristics with similar organisations. To identify similarities and differences the marketing discipline is organised around a series of marketing genres – a series of specialisations.

My task is to discover and present examples across a wide range of marketing genres as this will demonstrate how situational factors influence the strategic and tactical decision-making of marketing practitioners.

[a] Discussed in greater detail later in the e-book

An iterative approach

To ensure that the content is as contemporary and comprehensive as possible the e-book has been evolving over 10 years, the findings have been online and open to scrutiny for 6 years, during this time an iterative approach has been adopted, academic opinions have been sought and feedback has been invited through conversations with marketing colleagues around the world. Consumer opinions have been sought through online quizzes, and questionnaires. Therefore, the e-book is a mix of primary [new] data and secondary [existing] data.

Primary data involved qualitative interviews with businesspeople; the objective was to gain a better insight of marketing management processes as practiced. Organisations were selected across different marketing genres, with different structures and marketing practitioners were selected from both strategic and tactical roles.

Secondary data involved searching, analysing, collating, selecting and synthesising the relevant academic literature and then organising the findings. The references within the e-book were selected to identify the intellectual history of an idea, the value of the idea, and to acknowledge the academic contribution of the authors. High standards were imposed - and for every journal article that was selected many were rejected.

The good news

The good news is that you probably know more about marketing than you think. After all – as a consumer you have been involved in marketing your entire life. It is likely that you have purchased thousands of products. You will have visited online and retail shops, restaurants, cafes, you will have received the services of dentists, doctors, and mechanics. Most will have experienced events such as cinema, concerts, and sports. Many will have purchased a car, an overseas holiday, and some a home. It is also likely that you have shared your consumption experiences with family and friends and observed and learned from the consumption experiences of others.

Therefore, as a consumer you are an experienced marketer - you know about quality and value, you know the steps to buy, you know that often paying more may be better value, you know when you are satisfied or dissatisfied, and you know when an organisation has treated you with respect or contempt. Furthermore, when you share your consumption experiences - you influence the attitudes of other consumers.

Now it is time to reflect on your experiences and learn why marketing is referred to as ‘the business of business

.

About the author

Stephen Fanning [Ph.D.] has considerable business experience as a marketing practitioner with local, national, and international organisations. He has experience in the design, development, manufacture, & sales management of a number of products. He has the experience of 3 business turnarounds & demonstrated an ability to increase sales revenue, to reduce organisational costs as a % of sales, & build the value of a business through quality relationships with customers and channel partners.

Stephen also has considerable experience as a 'hands-on' marketing lecturer. His practical experience helps provide a better insight to the philosophy & theory of marketing and, importantly, how this knowledge can be applied. As a marketing lecturer he is recognised as an innovator, who combines his interest of business, consumer behaviour, travel, photography, & the sustainability of the planet to present a unique and insightful perspective.

To advance the discipline of marketing and ensure that all marketing students have an equal learning opportunity, Stephen is committed to providing absolutely free content. Absolutely free means no subscriptions, no name requests, no spam, and no other nonsense.

Acknowledgements

Special thanks to marketing scholars for the hundreds of journal articles and books that have been selected for the e-book. Special thanks to the businesspeople who have given me their time and advice and those who have provided comments, suggestions, questions, and encouragement.

Thanks to those who have shared the link with those who may benefit from a free marketing textbook - the e-book downloads and website visits are beyond all expectations.

Thanks to the thousands of participants who have taken the time to complete the ‘have your say’ quizzes in this iterative, netnographic, and theory in use approach.

Communication themes are:

Heartening - the comments from former students who now refer and apply the concepts and theories within the e-book.

Inspiring - Every once in a while, a business owner thanks me for documenting the business-marketing planning process in a logical and structured process and for outlining how a business plan, a marketing plan and the marketing action plans interact.

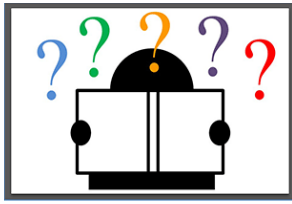
Suggestions - Recently, I have received requests to elaborate on the sales baseline, the distinction between the total products and the aggregate product, and the types of satisfaction. Hopefully, the explanations in this edition of the e-book provide better guidance.

Praise - How the concepts have been organised and synthesised and provide new perspectives and ‘food for thought’ – COMP factors, buyer decision process, the total product, the circle of satisfaction receives regular praise.

Criticism – Every once in a while, someone states that it is ‘too theoretical’ – it was never intended to be entertainment. Occasionally someone says that ‘it is not theoretical enough’ – it has always been suggested that further reading is needed to drill-down into topics of interest.

Please feel free to contact me - s.fanning@themarketingconcept.com

Table of contents



frequently asked questions
[essential reading]

Frequently asked questions: essential reading

Some frequently asked questions have been answered to provide direction and clarity, most topics are discussed in greater detail as we progress.

Q: Does the e-book have a structure?

YES: – You may have noticed that the structure is reflected in the title of the e-book. There are 3 sections:

- **Section 1: The philosophy of marketing** provides an overall guiding premise, identifies four historical marketing quests, defines marketing from both a consumer and organisational perspective, and categorises the objectives of marketing practitioners.
    - You will discover - *profitable*[4] *exchange relationships*[4] which conceptualises the philosophy of marketing and identifies who should profit, how they profit and the characteristics of marketing relationships
- **Section 2: The theory of marketing** creates a hierarchy of concepts, explains how situational factors influence decision-making, develops the buyer decision process, recasts the total product, identifies and explains the elements of customer satisfaction, and details how collective customer satisfaction may assist an organisation to achieve a competitive advantage.
    - You will discover - [1] *the buyer decision process* which conceptualises the 3 time-zones of a marketing exchange primarily from a consumer/customer's perspective [2] *the total product* which conceptualises a product offering and product delivery and [3] *the circle of satisfaction* which conceptualises post-purchase customer behaviour and the impact on organisational performance
- **Section 3: The application of marketing** then groups the philosophy and theory of marketing into the business-marketing planning process, identifying the tasks of collecting and analysing historical and prevailing data, designing and developing the strategic marketing plan and the tactical marketing action plans, and the steps to implement and evaluate the performance of the organisation through measuring and managing emergent marketing metrics.
    - You will discover - The CADDIE business-marketing planning process which conceptualises the process that organisations take to collect and analyse data, design and develop strategies and implement and evaluate tactics.

Q: What is the relationship between e-book and the companion website?

The e-book is the **primary source of information for students**. However, sometimes information is better communicated through the companion website, for example:

- **Modules**: provide an important function for those that cannot attend class or a particular class - modules provide the slides that are employed in-class and a summary of the in-class discussions.
- **Activities:** provide the opportunity to explore concepts within a 'typical' context. Activities are often employed within in-class or online discussions and can be accessed through a mobile device.
- **Exemplars:** provide an actual example of a concept, theory or construct. The exemplars have been selected to provide different perspectives, however, please don't fall into the trap of thinking they are travel stories.

The e-book will link you to the appropriate modules, activities, and exemplars.

Hint: if you are time poor – focus on the e-book!!!

It is rare for a student not to understand the information within the e-book. If there are difficulties it is visualising and synthesising the information. The website 'Discover' page may help and should be revisited regularly [click here].

Q: Is there a relationship between concepts and theories?

When planning the e-book - marketing concepts and marketing theories were mapped into a network of associations and organised into related conceptual groups [an 'associative network'] with the objective of replicating the way marketing practitioners – think and act.

For example, when a marketing practitioner is conducting a product audit they don't think according to the modules of a textbook – instead they mentally sort the relevant knowledge.

The philosophy section introduces and explains the characteristics of the marketing concept, discusses how marketing is evolving, and identifies the objectives of marketing practitioners. The theory section examines the exchange process between the consumer and the organisation. The application section details how a marketing philosophy and marketing theory could be applied in a logical and structured manner.

This would enable students to complete sections 1&2 [of the e-book] in their introductory marketing unit and to complete section 1,2,& 3 in a capstone marketing unit. Importantly, this structure would meet the requests of former students and post graduate students to have one comprehensive and seamless marketing reference.

Given the title and structure of the e-book it is appropriate to discuss the relationship between marketing concepts and marketing theories. Although regularly employed in academic literature, concepts and theories are rarely defined; therefore, concepts and theories are often [unintentionally] employed incorrectly and inconsistently (Green, 2013; Hunt 2015).

The e-book has a concept-theory structure. Concepts and theories are similar, however, there are important differences. Understanding the relationship between concepts and theories and how they are employed within this treatise will increase clarity.

Concepts and theories are mutually dependent; both are informed explanations of a subject and have a specific language, however, concepts are a qualitative general statement where outcomes are inferred, whereas theories are quantitative measurements and predictions of specific outcomes (Green, 2013 & Imenda, 2014). Although the role of theory in academic research is well accepted, the relationship between concepts and theories and the value when combined is often overlooked. Marketing concepts may enhance research when employed to provide a **conceptual umbrella** for marketing theory (Ritter, 2020).

Concepts are generally applicable, focus on what is common, they are qualitative in nature and their value is that they provide holistic guidance. A concept is an informed explanation, an organisation of ideas, an abstract picture: a concept provides the principles, the language, a conceptual framework and, therefore, provides the building blocks for logical thought, understanding, discussion and further research of a topic (Tulving, 2000b; Wacker, 2008; Imenda, 2014). [concepts have a purpose]

Wacker (2008) recommends that understanding/applying a **theory** begins with **conceptualisation.** Although the marketing concept is the superordinate concept of marketing [highest in rank, primary and holistic], there are many, more specific, subordinate marketing concepts within this umbrella. Concepts and theories vary in significance, for example as a superordinate concept 'the marketing concept' has more significance than a subordinate concept 'a marketing concept' which conceptualises a theory. To provide a structure for the e-book 5 secondary concepts were identified and employed. [1] profitable exchange relationships, [2] the buyer decision process, [3] the total product, [4] the circle of satisfaction, and [5] the CADDIE business-marketing planning process.

Theories are central to marketing and marketing has been described as a contextual discipline (Parvatiyar, A. & Sheth, J. D. (2021). Theories are context specific and quantitative in nature, variables and relationships must be identified and factored, and their value is that they help to predict a likely outcome. Moreover, a theory should have established variables, a research methodology, definitions of terms, a specific context, known variables and a set of hypotheses that have been tested [or can be tested in the future], and a predictable/expected outcome (Alderson, 1957; Bagozzi, 1974;1979; Hunt, 1976; 1983; 2015; Wacker, 1998; 2008; Imenda, 2014). A theory is predictive and explains how 'specific relationships lead to specific events' (Wacker, 1998, p. 364). "Good theory" explains and measures the "Who? What? When? Where? How? Why? and precisely what Would, Should, or Could Happen?" (Wacker, 2008, p.7).

The following quotes provide an historical glimpse of the theory literature.

Quote: a theory is a set of propositions which are consistent among themselves, and which are relevant to some aspect of the factual world. (Alderson, 1957, p.5)

Quote: Calling any set of relationships a theory does not make it theory (Wacker, 2008, p.7).

Quote: The study of theory is the most practical intellectual pursuit of anyone seriously interested in studying market research (Hunt, 2015, p.3).

Quote: Theories are systematically related sets of statements, including some law-like generalizations, that are empirically testable. The purpose of theory is to increase scientific understanding through a systematized structure capable of both explaining and predicting phenomena. (Hunt, 2015, p.173 citing Rudner, 1966).

Author's comment: Whilst in academic conversations the term theory is employed to demonstrate rigor - in everyday conversations the term 'theory is often employed as if it was a hunch, an idea 'I have a theory about …' and to suggest something should but may not happen [i.e., the expression 'theoretically speaking']

Q: What is a marketing philosophy and why is it important?

There are scholars who present marketing as an organisational philosophy and some who present it as a function within an organisation others describe it as both a philosophy and a function (Keelson, 2012).

Organisations that have adopted and practice the marketing concept will design and develop a marketing philosophy to provide organisational guidance. The word philosophy is employed to convey a set of principles, attitudes and behaviours that provide guidance as to how an organisation considers and goes to market.

Organisations generally develop a philosophy based on how they intend to approach the marketplace. A marketing philosophy considers the prevailing and forecasted situational factors. In time, when implemented, a marketing philosophy forms the culture of an organisation – a marketing culture is a set of beliefs, values[1], perceptions, & behaviours focussed on profitable exchange relationships.

It should be noted that many organisations practice the marketing concept and have implemented a marketing philosophy, however, in everyday conversations they may not refer to them by these terms and simply state **'this is our culture' 'these are our beliefs'** .

Author's comment: Some scholars refer to a marketing philosophy as a 'market orientation', however, I have avoided employing the expression market orientation as it is organisational centric, whereas the marketing concept and marketing philosophy are both customer and organisational focused.

What we do know is that organisations that have neglected to document their philosophy are often unsure of how to deal with situations.

Q: Are all of the theories outlined in the e-book applicable to all organisations?

No: The e-book is generalist in nature. It would be impossible to cater for all marketing genres, niches, contingencies; situational factors [customers, organisations, markets, products]. Therefore, when designing and developing marketing strategy and tactics a great deal of consideration and consultation is needed. Also, sometimes an 'ideal theory' is presented, however, in the real world 'ideal theories' are not always possible to implement, nevertheless, it is important to be aware of the variety of strategic options available to marketing practitioners. Keep in mind in marketing - there are often exceptions.

Q: Is there one BIG theory of marketing?

Frequently, and over many years [1912-2021], marketing scholars have appealed for a '**general theory of marketing**'; stating that this will reduce confusion, provide a better understanding of the functions of marketing, and generate more respect for marketing as a discipline [more on this topic in further reading at the end of section 1].

The literature acknowledges that a 'general theory of marketing' would be a mammoth, perhaps elusive, task (Lusch & Watts, 2018) with a number of perceived challenges, such as - the ever-evolving nature of marketing, the specific focus of journals and academics, and an increased marketing attention given to societal concerns rather than the market and marketing exchanges. In more recent articles, advocates, for a general theory of marketing, highlight that whilst research scholars often specialise, marketing education and marketing practice would be better served by a more general and applied approach.

The good intentions of scholars who call for a general theory of marketing cannot be questioned, however, to be recognised as 'good theory' it has to identify the variables and be capable of predicting an outcome (Wacker, 2008). Given that marketing theories at an individual organisational level are situationally dependent (Zeithaml, Jaworski, Kohli, Tuli, Ulaga, & Zaltman, G. (2020) a single general theory is unlikely to be universally applicable and/or predictable. Other scholars, noting that 'good concepts' can have greater breadth than theories, have replaced the term theory and called for a 'generic concept of marketing' or for 'broadening of the concept of marketing'. By adopting a concept-theory [broad-specific] approach within this treatise, marketing practitioners can employ the primary and secondary concepts as holistic and qualitative guidance and select specific relevant theories to measure and predict strategic and/or tactical tasks.

Author's comment: Originally, I started this project as the quest for a general theory of marketing, however, in time I felt that given a theory should be predictive – one general and holistic quantitative theory was an unachievable aspiration, however, felt a concept-theory structure would better achieve the objectives.

It is hoped that by closing the academic gaps this general treatise of marketing provides clarity and insight, enables a better understanding of the philosophy and functions of marketing, propagates a better appreciation of the role of marketing in business and society, and provides a unique contribution to the discipline of marketing.

Q: What is a construct?

Constructs, like concepts and theories, are informed explanations of a subject and have a specific language and vary in significance and complexity. Theories and constructs have similarities they both identify variables and are quantitative in nature, however, a construct does not attempt to predict a likely outcome. Like concepts and theories, the definitions of constructs vary, and the use of the term can be inconsistent and confusing. Some constructs are relatively easy to understand others require more consideration and explanation.

Let's look at an example. Most of us have bought something on impulse and a number of research scholars have explored impulse buying. Some scholars have noted that impulse buying is unplanned, however, not all unplanned purchases are impulsive [e.g., buying an alternative brand due to a stocking issue is unplanned but not impulsive]. To explain the differences between impulse and unplanned a marketing scholar would then construct a list of variables.

Let us apply this information. At a forthcoming manager's meeting a marketing practitioner, working for a chain of supermarkets, may wish to discuss how to increase sales revenue through better management of impulse buying and unplanned purchases. The marketing practitioner would call on her/his training, research the topic, and identify variables. The marketing practitioner would define both impulse and unplanned purchases. Then present tactics to increase impulse buying and tactics to manage unplanned purchases [e.g., when items are temporary unavailable …]. It is likely that a qualified marketing practitioner would evaluate the tactics and report back at the next manager's meeting.

Q: Is there bias in the marketing concept e-book?

Yes: but steps have been taken to minimise bias. *Let me explain in more detail.*

Although the content of the e-book is comprehensive it is only a sample of available marketing literature and in the process of selecting [and mostly rejecting] some bias is unavoidable. However, the e-book is not fiction – it is a synthesis of the best academic scholars and articles, and some bias may be transferred. The intellectual contribution within the e-book is collecting and analysing and presenting the material in a logical and structured manner.

Q: As a current marketing student should I undertake further readings?

YES: It is highly recommended that you read further.

> **Author's comment:** What is often overlooked is that the e-book references [in text and end text] not only provide an audit of the selected literature, but also provide a starting point for those who wish to explore marketing to a greater depth.
>
> Keep in mind that the e-book is general/holistic in nature, many readers, particularly those in marketing roles and/or more advanced in their studies, will benefit from further reading and exploring marketing theories, topics, and genres to a greater depth.

Although the e-book is comprehensive - further reading is recommended. There is no claim that this is **the** definitive marketing textbook, or that it provides breadth and depth to all marketing genres or that it would cover every student's specific area of interest. It is suggested that you explore the references further. To respect your time, **suggested further readings** are provided at the end of each section. Some may wish to study a marketing genre, marketing niche, or a specific topic in greater depth. As an enthusiastic marketing academic I would love to see people undertaking further reading, however, I have to be realistic and recognise that the majority of students will have 'stiff demands' on their time and, therefore, will set priorities regarding what further reading they are able to undertake.

Q: The e-book is very comprehensive; should I study the entire e-book?

The exact answer to your question will vary depending on several factors. The e-book is free and freely available [approximately 100,000 downloads across the world]. Therefore, it may depend on where you are studying the unit. I would suggest that you consult your lecturer and/or study the unit learning plan for your particular unit and institution. However, the amount of reading will also vary according to the characteristics of the reader – motivation, available time, interest, and learning style.

> **Author's comment:** If you are a lecturer of an introductory to marketing unit I would recommend sections 1 and 2 are suitable. If you are a lecturer of a final 'capstone' units in a marketing major I would recommend sections 1, 2, and 3. If you are a lecturer of a post graduate marketing class then I would recommend sections 1, 2, and 3 are most suitable.

Let me explain in more detail. The e-book was designed and developed to 'grow' with the student/reader. That means, initially, to provide an overview of the philosophy of marketing and the theory of marketing, and then, with time and marketing knowledge, progress to the application of the philosophy and theory of marketing through the CADDIE business-marketing planning process. For post-graduate students with business experience this knowledge can be achieved in a much shorter time span.

Q: Why one e-book rather than two?

There are compromises. Sure - there are a few problems with containing all the information in one book; however, there are greater problems with dividing the information into two books.

Let me explain in more detail. Most introductory marketing textbooks are at a very basic level. As a consequence, introductory marketing textbooks are generally **unsuitable** for business students who will only complete one marketing unit in their business degree at an undergraduate or a post-graduate level. Consider the scenario of a business graduate entering the workforce who has only a basic understanding of marketing and the only source of reference is basic marketing textbook – clearly this person is at a disadvantage. Furthermore, basic marketing textbooks have breadth but insufficient depth for marketing graduates and businesspeople who are interested in improving/refreshing their understanding of the philosophy, theory, and application of marketing [they want the information in one location].

Generally, the final unit in a marketing major will focus on marketing strategy and tactics; this requires the reader to have a comprehensive marketing knowledge. Strategic marketing textbooks generally assume that the reader has a good understanding of the philosophy and theory of marketing, however, this is not always the case. Most students believe that their knowledge of previous units is better than is the case. Strategic marketing textbooks often restrict the student's ability to quickly refresh their knowledge on a particular topic. Therefore, to meet the needs of all readers, *The marketing concept: an academic perspective [e-book]* needed to be both an introductory marketing text and an applied marketing text rather than two separate textbooks.

> I would like to share one experience that was particularly enlightening and highlighted that whilst many larger organisations have a rigorous business-marketing planning process many small-medium organisations are unsure of the process.
>
> I secured an interview with the M.D. of a medium sized, long established, Italian artisan manufacturer with a fine reputation for quality. I was looking forward to this meeting and began by thanking the M.D. for agreeing to meet. He introduced me to members of his management team. Then stated that he hoped that I would not be disappointed with my visit and went on to state that he was an accountant and whilst he understood the process of accountancy his search to identify the process of marketing had been unsuccessful and was hoping that I could assist. The business was a family owned and operated business and he wanted to pass-on the business in good shape to the next generation. He was concerned about the future of the business; his team, even those with business degrees, appeared equally concerned.
>
> The catalyst for their concern was an increase in competition from cheaper products, an increase in online shopping activity, the reduction of sales through existing retailers, and a reluctance to be more competitive by reducing quality and costs. Adding to the problem was that some long-time competitors were now outsourcing their manufacturing to countries with cheaper labour, however, this business was a major employer in a small

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town. He stated that their traditional markets were under threat, however, their expansion into new markets was proving difficult. The management team had, from time to time, engaged the services of marketing experts, however, they had little to show for their investment. Although I arrived hoping to learn from them, they were hoping to learn from an academic who did not have a selling agenda.

After our meeting and a factory tour, I promised that I would consider the problem and return to share my findings. Over the next few weeks, I considered this particular situation and began to realise that this problem was shared by many small and medium businesses.

This e-book is designed and developed for those seeking a more rigorous business-marketing planning process.

Q: How up to date is the information?

The e-book is a mix of classic and contemporary work. I recommend readers consider the relevance rather that date of publication. Throughout the e-book, we explore the classic ideas of marketing - the ideas that have been accepted and practiced over many years and are the foundations of marketing thought. Classic journal articles, generally, propagated a new way of thinking and were the catalyst for a new era of academic marketing knowledge and industry practice. Nevertheless, there is a tendency to discount the classics - to see them as 'past their use by date', however, classic articles provide a special insight - particularly when we explore a classic idea and consider the situational factors of the time, reflect on the wisdom within the article, and then reconsider the wisdom in a modern context [situational factors].

However, situational factors change, and marketing thought is continually evolving; therefore, contemporary marketing ideas cannot be ignored. Routinely, the author reads all major journals, contemporary ideas are identified, collected, analysed, and when relevant cited within the e-book. Most often contemporary journal articles are part of an ongoing investigation into a specific area of marketing; generally, they build on and advance the original ideas of a scholar and subsequent scholars. Nevertheless, some of the ideas that are discussed in the e-book have originated outside of the traditional marketing literature. They have been introduced because they are well accepted and consistent with the marketing concept and a marketing philosophy.

Author's comment: I began reading a 2021 journal article and it was about marketing and technology and I soon felt that, given the context, the references were a little dated and on closer inspection recycled from the authors 'previous work. I suspect that the references were a shortcut and included to give the appearance of rigor. Although the article in question was interesting it was not included in this treatise as it offered little value.

Q: I have noticed that marketing terminology across the marketing literature is inconsistent – how have you dealt with inconsistency?

It is true marketing scholars and practitioners often use inconsistent marketing terminology for what is essentially the same idea. There are many understandable reasons why this happens.

Although, the need for consistency in marketing terminology has received some attention in the marketing literature, it is likely to be an unachievable aspiration. Inconsistency in past literature exists and, therefore, inevitable in future academic publications [as future research will cite and build on the foundations of previous research]. Therefore, the marketing terminology in an original article is often respected and passed on through subsequent articles. Adding to this dilemma is that marketing scholars generally adopt the marketing language consistent with their marketing genre and associated publications – therefore, different genres may approach what is essentially the same topic from different perspectives. Inconsistent nomenclature also happens when more than one marketing scholar is researching the same phenomenon at the same time. Also, sometimes an idea is represented in a journal, and it gains a great deal of attention and elaboration; consequently it is applied beyond the original context.

What is often overlooked is that ideas are global and marketing scholars, obviously, speak languages other than English; therefore, the work of a particular scholar may have been considered in one language, then interpreted and translated, and in the process, it may stray from the original author's intentions.

Inconsistent terminology may be a challenge that experienced marketing scholars can accommodate, however, when the reader has less experience, inconsistent terminology creates reader confusion and make searching more difficult. Therefore, to reduce reader confusion and enhance learning a number of tactics have been employed within the e-book, for example:

- Wherever possible employing a standard marketing language
- Employ the language that will produce most effective search results
- Replace multiple marketing terms with the most accurate/common contemporary term
- Present a contemporary perspective on classic marketing concepts
- Identify, synthesise, and group co-dependent marketing concepts
- Conflicting academic and industry opinions are discussed
- Clarification through a series of **'author's comments'** when there may be confusion
- Elaboration on areas where student confusion is common

Q: I have noticed that sometimes the e-book contradicts itself, why is that?

It is not so much a contradiction, as meeting an obligation to present different perspectives. Marketing scholars often present different opinions in the marketing literature – this is unavoidable – opinions are subjective and may vary between marketing scholars – also situational factors vary, and different opinions should motivate readers to consider concepts and theories within the context in which they were written.

Q: I have noticed that sometimes the e-book repeats itself, why is that?

Repetition is annoying but very necessary. As the e-book, will be read for learning [not pleasure], and history suggests it will be read weekXweek or maybe just a module here and there - repetition is needed to re-introduce and reinforce important and related information. Also, when undertaking assessments many students employ the 'search' function, with this in mind I have written the e-book to provide students with a few related hints and help them to provide a richer demonstration of learning. What may seem like repetition is to ensure that we consolidate the learning – apologise in advance.

Q: Why are there acronyms that are unique to the e-book?

Literature reviews of a topic can be quite overwhelming, and given time constraints, acronyms and mnemonics such as **CADDIE** and **COMP** are employed to help synthesise a topic, to aid holistic recall, and to assist with an exploration of the elements. This should not be interpreted as being disrespectful to other academics.

Q: What is a marketing vignette?

Within the e-book there are a number of **marketing vignettes**. A vignette is a short story that provides an example and often a moral; I have employed vignettes to link content and context. They are designed to provide everyday examples that assist a reader to relate what they already know - to the theory of marketing.

Q: Why have you included metaphors?

As you progress through the e-book you will discover a number of **marketing metaphors**. Marketing scholars and practitioners often employ metaphors to enhance the understanding of a concept by relating a new idea to a more commonly understood idea. Metaphors help shape the way we perceive an idea and learn. It is worthwhile to take time to consider the implications of the conceptual marketing metaphors. Interestingly, a number of former students have provided feedback that they find conceptual metaphors helpful when conducting staff professional development seminars.

Q: What does the number behind some of the words represent?

The number is to indicate that there are different dimensions, for example, total profits^4 or relationships^4 indicate that there are 4 dimensions to profit. Values^1, values^2, or values^3 indicates that there are 3 different meanings of value, and the number indicates which one we are talking about at a particular point.

What is the CADDIE business-marketing planning process?

The acronym and mnemonic of **CADDIE** is employed to conceptualise and to aid recall of the steps involved in the business-marketing planning process. We refer to this process as the **CADDIE business-marketing planning process.** Let's explode the CADDIE acronym/mnemonic:

C – collect historical and current customer, organisation, market, and product [COMP] data
A – analyse the collected historical and current COMP data
D – forecast COMP factors - design appropriate objectives
D – develop the appropriate marketing plan and marketing action plans
I – implement the tactics outlined in the marketing action plans
E – evaluate the emergent COMP data and take corrective actions.

As you can see marketing is an **iterative process** of working with historic, current, forecasted and emergent COMP data to meet the objectives articulated in the business plan, described in the marketing plan, and specified in the marketing action plans.

Q: What is a tradigital approach to marketing?

Tradigital is simply an amalgam of traditional and digital. What this means is that as a marketer you need to employ the best combination of tools to achieve the organisation's objectives. Sometimes, this is referred to as an omni-channel approach.

Q: What do you call marketing communication that is directed towards employees?

Marketing communication is often discussed as 'internal' marketing communication and 'external' marketing communication. When the audience of the message is internal this is referred to as 'internal marketing communication.

- **Internal marketing communication:** is communication that is directed within the organisation. Often this is referred to as 'internal and channel marketing' as, increasingly, staff and channel partners are involved in the production or delivery of the product. The objective of internal and channel marketing is to communicate the marketing philosophy and to nurture the corporate culture, and to improve the efficiency and effectiveness of marketplace behaviour. Internal marketing is also referred to as internal integration – where training is conducted to ensure that cross-functional teams collaborate and work towards organisational objectives.
- **External marketing communication:** is communication that is directed outside of the organisation. The objective of external marketing communication is to efficiently and effectively communicate the unique product value proposition to generate awareness/attention, interest, desire, and an exchange.

Marketing (both internal and external) is about achieving organisational objectives - it is about evidence-based decisions; what markets to enter, what products to offer, what pricing strategies to adopt, and then how to communicate value to consumers, customers, staff, and channel partners.

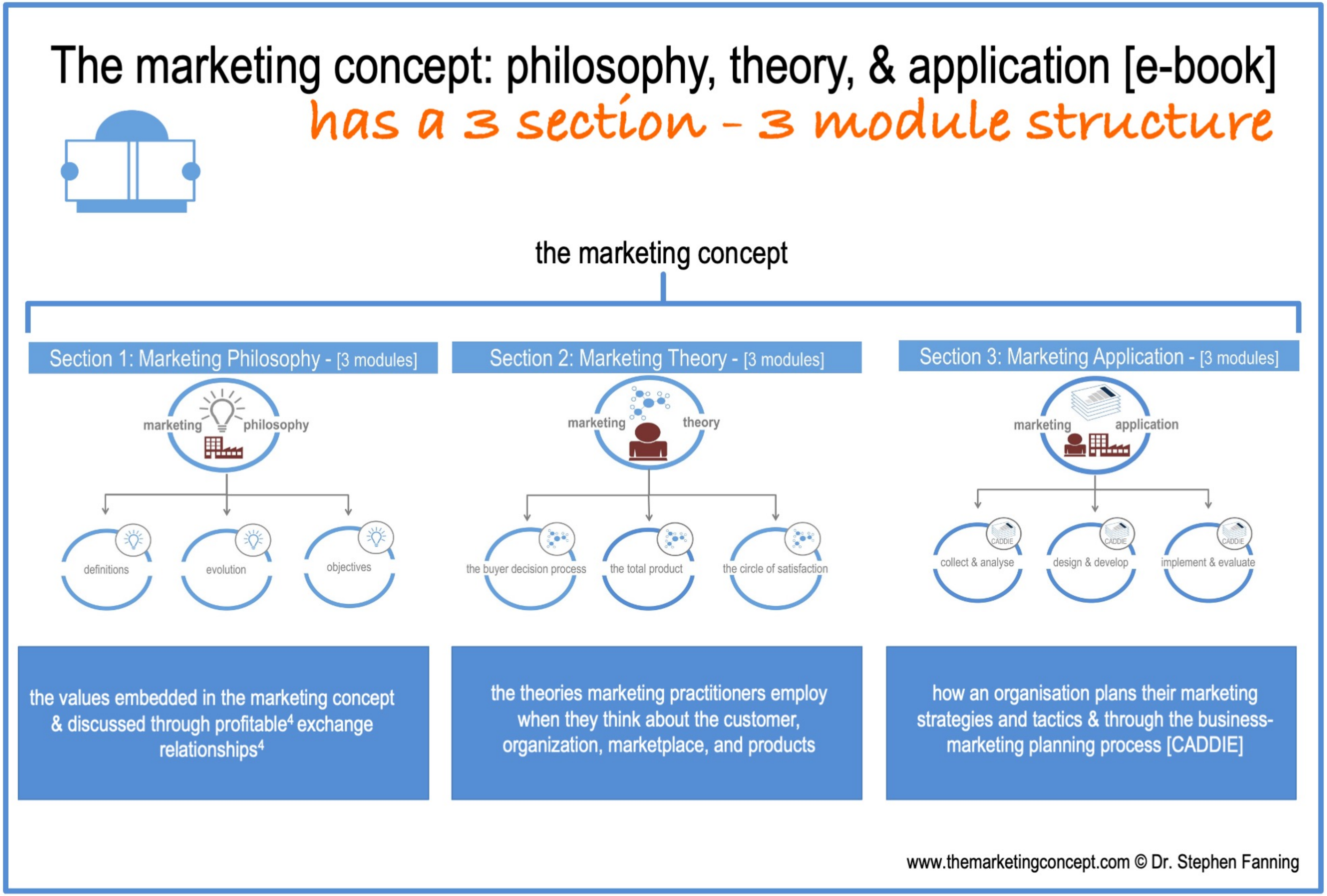

Figure 2: This diagram displays the 3X3 structure of the e-book

a marketing philosophy
[section preview]

1:0 Marketing philosophy [section preview]

Previously: We explored some FAQs to provide direction, increase understanding and save time when reading - *The marketing concept; philosophy theory & application [e-book]*. In The FAQ section we outlined the overall structure of the e-book.

Learning objectives

Learning objectives of the section: After completing section 1 you should be able to demonstrate an understanding of marketing, define marketing from a consumer and an organisational perspective, discuss how society and marketing have evolved, identify the 4 market quests, and be able to identify the 9 marketing objectives of marketing practitioners.

Directions

Section 1 – As we progress through section 1, we discover that central to the marketing concept and a marketing philosophy is the concept of profitable[4] exchange relationships[4]. Given that the marketing concept is the primary concept, we could designate profitable[4] exchange relationships[4] as a secondary concept.

The philosophy section begins with the recognition of **the marketing concept as an axiom of business**. The marketing concept is based on the premise that organisations that best satisfy their customers' needs and wants are best placed to satisfy their own needs. In section one we will also explore how markets and society have evolved. Although the evolution explores the past, the takeaway message is that the marketing concept has and will be the **quest for best satisfying products**.

The e-book presents the view that in marketing there is no 'one right way' - there are always situational factors – therefore, organisational success is contingent on how well the situational factors are considered and managed. This highlights that although many organisations adopt the marketing concept, they must analyse the situational factors they encounter and then design and develop a philosophy to achieve the values embedded within the marketing concept. Therefore, organisations will design and develop a marketing philosophy that is unique to their situational factors [COMP].

Designing and developing the right marketing philosophy is critical as, in time, the marketing philosophy is cemented as an organisational culture and ultimately forms a brand identity. As we progress through section 1, we will discover how a marketing philosophy differs from other business philosophies.

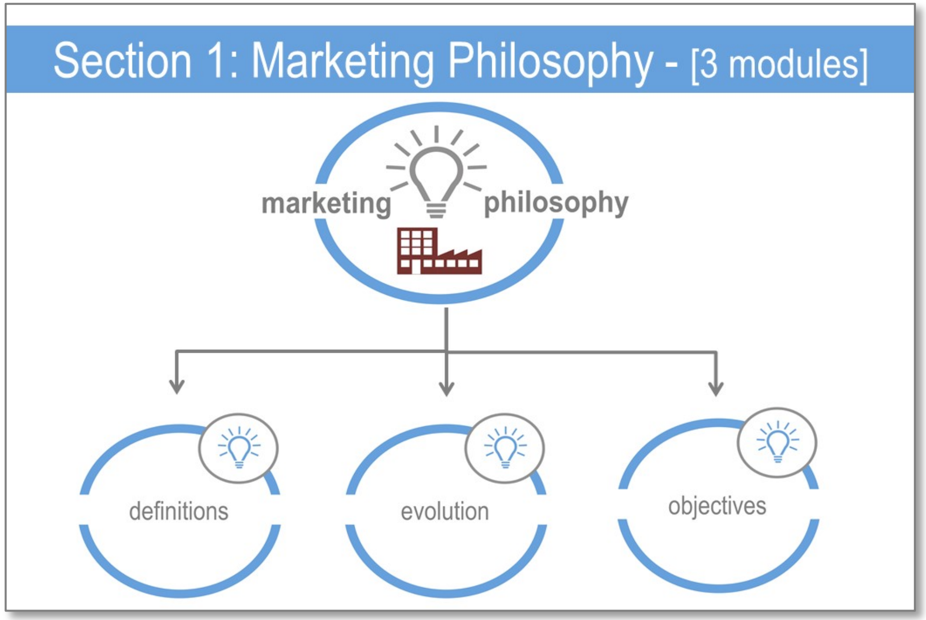

Figure 3: Section 1 has 3 modules; [1:1] marketing definitions, [1:2] the evolution of marketing & [1:3] the objectives of marketing practitioners.

1:1 Marketing definitions

In the module 'marketing definitions' we explore marketing language. Definitions are important as they provide the conceptual meaning of the terms being studied (Shaw, 2020).

In our quest to better understand marketing we initially explore the meaning of the term market. Then we unpack two marketing definitions as this will enable us to view marketing from:

- a consumers' perspective
- an organisations' perspective.

We will explore a classic [consumer] definition of marketing. It is a simple definition; however, this classic [consumer] definition allows us to explore several important concepts and the opportunity to discuss what is inferred within this classic [consumer] definition. Then we introduce a contemporary [organisational] definition of marketing this provides the opportunity to explore marketing from an operational perspective and this definition sets the direction for much of the e-book.

Armed with our definitions of markets and marketing we clarify what is meant by the marketing concept, and a marketing philosophy and introduce the situational factors [COMP factors] that influence the decision-making of buyer and organisations.

To some this may seem as if it is an exercise in semantics, however, clear definition is the foundations of understanding.

1:2 The evolution of marketing

The evolution of marketing is a large module and for convenience has two chapters, However, a word of caution both chapters are providing the evidence for the conclusions that are presented within each chapter.

In the first chapter, we look at **the evolution of marketing from a societal perspective**. The evolution of marketing and society is historically fascinating, and it is worthwhile to be involved by investigating some of the notable events in marketing and society.

The takeaway message is how societies have evolved through marketing and likely to evolve in the future. Our investigation reveals 4 identifiable recurring patterns that indicate that marketing is 'the quest for the best'.

In the second chapter, we look at **the evolution of marketing from a theoretical perspective** - how marketing as a discipline has evolved. We introduce key events in marketing theory and discuss two other business concepts - the production concept and the selling concept. There is also a discussion of the formative years of marketing from an academic perspective.

The takeaway message is how marketing theory and practice have evolved as society has evolved and therefore the situational factors or context should be considered when undertaking academic reading.

1:3 The marketing objectives of marketing practitioners.

Although every organisation is unique to some extent a list of common objectives of marketing practitioners emerged from an extensive literature review. Then, after a process of analysis and synthesis, **9 objectives of marketing practitioners** were identified.

Then, after further analysis and synthesis each objective was then categorised into one of three primary objective categories – **financial, strategic, and communication**. These will be discussed in more detail throughout the e-book. In fact, as you progress through the e-book, it will become apparent that every discussion within the e-book is in some way directed towards the achievement of the 9 objectives of marketing practitioners. Although sometimes marketing effort may be directed towards one of the 9 objectives, more often marketing effort will be directed towards two or more objectives, and in some instances marketing effort will be directed towards all of the 9 objectives. Therefore, the 9 objectives of marketing practitioners should be considered as co-dependent objectives.

This module is brief but super important, it explores the 9 key marketing objectives of marketing practitioners. The objectives are arranged into 3 objective categories:

- Financial objectives
- Strategic objectives
- Communication objectives.

This is the smallest module in the e-book and the danger is that it could be skimmed through. However, the ideas that are introduced in this module are critical to an understanding of marketing and to the success of an organisation. Therefore, it is important to keep in mind that all discussions in the e-book are in some way directed towards achieving one or more of the 9 objectives of marketing practitioners.

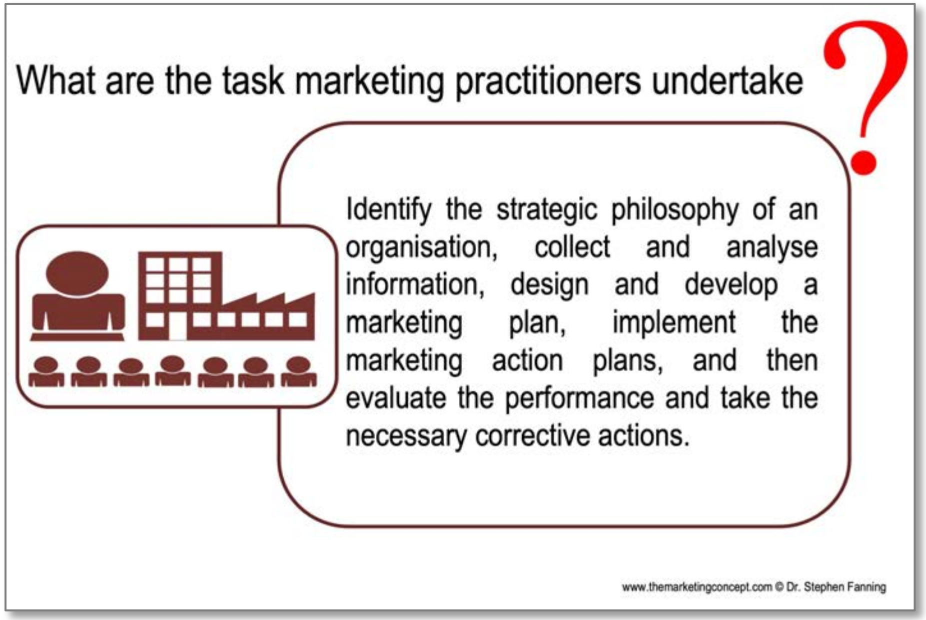

Figure 4: Marketing practitioners are involved in strategic and tactical roles.

What are the task marketing practitioners undertake?

Most marketing careers are interesting, intellectually challenging, and rewarding - with plenty of opportunities to cater for different personalities and skill sets.

Marketing positions can be found in most industry sectors in business-to-business [B2B], business-to-consumer [B2C], government-to-consumer [G2C], and in the not for financial profit sector [NFP]. Marketing degrees are extremely portable and marketing positions are available in most countries. Marketing positions often require an international perspective and often involve overseas postings.

Figure 5: Like most professions marketing practitioners generally undertake a number of roles as they progress through their careers.

Marketing practitioners undertake important functions within an organisation and roles vary according to qualifications, skills, and experience. Marketing roles may be a combination of strategy, tactics, science, and creativity [in a Ted talk Sir Ken Robinson defined creativity as the process of having original ideas that have value]. Marketing roles include sales and sales management, events and promotion specialist, account manager, customer service and customer experience manager, communications, media manager, content creator, graphic design, website specialist [online sales optimisation], social media specialist, SEO specialist, digital manager, PR specialist, campaign manager, market researcher and analyst, product manager, brand manager. Then - with experience and satisfactory performance sales director, communication director, chief marketing officer, & other senior management positions.

Holistically, marketing practitioners form and nurture the philosophy and strategy of an organisation, collect and analyse information, design and develop a strategic marketing plan, implement the tactical marketing action plans and then evaluate the performance and take the necessary corrective actions.

The science & art of marketing

Marketing is often described as science [data] and art [creativity]. Some refer to the quantitative side of marketing as the 'science of marketing'. Market researchers, [internal or external to the organisation] are involved in the collection and analysis of market intelligence such as customer preference, sales information, product and brand performance, media/channel performance in traditional and digital markets. Market researchers communicate their findings to help others to make sense of what is happening in the marketplace and to make better strategic and tactical marketing decisions.

Some refer to the creative part of marketing as the 'art of marketing'. Marketing practitioners are responsible for the crafting of communication material and may liaise with communication managers, creative designers, advertising and media agencies [internal and external to the organisation]. It is worth noting, that marketing tools and tactics must be congruent with the strategic marketing objectives of the organisation and not be considered as disconnected strategies.

Describing marketing as both a science and an art provides an insight to the nature of marketing. When science and art are aligned then both are enhanced, however, there can a disconnect between the data of science and the creativity of art. Creative functions are often outsourced to specialists and whilst this has substantial benefits, as clients, senior marketing practitioners need to establish suitable marketing metrics to ensure that the organisational objectives are measured and managed achieved.

marketing definitions

1:1 Marketing definitions

Previously: We presented FAQs and a preview of section 1.

Learning objectives

Learning objectives of the module: After completing this module you should be able to define marketing from the perspectives of a consumer and an organisational. In addition, you should understand the concept of profitable exchange relationships; be able to differentiate between - what is marketing and what is not marketing and recognise that marketing theory varies according to the genre of marketing. With this knowledge we can proceed to explore the marketing concept to a greater depth.

Directions

The Greek philosopher Socrates stated, *'that clear definition is the beginning of knowledge'* with this adage in mind, it is prudent that we should invest time exploring and defining the language of marketing. This will provide a solid foundation to build our knowledge.

In this module, we define and explore the different meanings of the term 'market' [BTW: we also explore markets in the evolution of marketing module]. Then we will explore two marketing definitions - a classic [consumer] definition of marketing and a contemporary [organisational] definition. The classic [consumer] definition explores how consumers live their lives through marketing. The contemporary [organisational] definition explores marketing from an organisational and applied/operational perspective.

Although the classic [consumer] definition appears simple, it provides an ideal platform to identify some of the core marketing concepts and to tease-out what is inferred within this definition. We then introduce the contemporary [organisational] definition of marketing as this provides the opportunity to elaborate and set the overall direction for the remainder of the e-book.

With this knowledge, we will be equipped to explore the meaning of '<u>the</u> marketing concept' and '<u>a</u> marketing concept'. This leads to our discussion of 'a marketing philosophy'. To people without a background in marketing, the marketing concept and a marketing philosophy may appear very similar – some may think that we are getting bogged down in semantics. Although they are closely related, it is critical to be able to distinguish between the two and employ them appropriately.

What is a market?

We begin our exploration of marketing language with the term **market**. The term originates from the Latin word *mercatus;* market has several meanings; and has been employed in the English language since the 11th century as both a ***noun*** and a ***verb*** (Clancy, 2014).

Let's look at a few meanings:

- **A market:** is a specific **place** or **space** where buyers and sellers come together to exchange and satisfy their needs - *e.g., going to the farmer's market or going to an online site*
- **The market:** all current and potential buyers [domestic or commercial], who have the desire, ability, and willingness to purchase a product in a product category - *e.g., are you in the market for a new car?*
  - **Market segmentation** is an organisational process to identify, analyse, and group consumers with similar needs and wants. Market segmentation is to enable more efficient and effective marketing exchanges
- **The market**: an abbreviation for the conditions that determine supply and demand - *e.g., the new home market is experiencing growth*
- **To market:** the activity of offering a product in exchange for something of equal value - *e.g., I work for a real-estate company, I would like to market this home for you*

In the next module we will discuss how markets and going to market [marketing] are ancient customs. In Europe many towns have their origins as market towns. In Rome, there are examples of ancient markets - for example, the site of Rome's ancient fish market - *Il mercato del pesce* or the site of an ancient shopping precinct - *Mercati di Traiano*.

Derivatives of the word market: include - marketing, marketer, and marketplace, marketable.

Not all markets are local markets and not all buyers and sellers meet face-to-face there are a number of markets [e.g., export markets] that are conducted at **arm's length**. International trade has been conducted for thousands of years. However, in recent years, technology has facilitated and enabled a greater number of people to engage in arm's length marketing - we are living in an increasingly global marketplace and 24/7 marketplace (Gillespie & Hennessey, 2016).

Generally, marketing practitioners also refer to 'the market' as **consumers** or **customers**. Consumers are all potential buyers and actual buyers; customers are those who have entered or made an exchange with an organisation. Interestingly - the word customer has its origins as someone who frequented 'made a habit of' - 'a custom of' purchasing from a particular trader.

Two marketing definitions

Regardless of whether the market is face-to-face, arm's length, local or global, 24/7 – sellers and buyers are often participating in the philosophy of marketing. Later we will discuss how sellers and buyers can go to market and not be practicing a marketing philosophy. Marketing as a selling and buying philosophy happens because it is more efficient for both sellers and buyers (Shaw, 2020) and it is through this process that societies functions (Kotler, 2015).

We will now explore two definitions of marketing: a classic [consumer] definition of marketing and a contemporary [organisational] definition of marketing. Defining marketing is an important task as it contributes to the foundation knowledge needed to understand the discipline.

As we have established - what people perceive marketing to be and what marketing actually is - can often be quite different. An example of this is where people employ the term 'marketing' when they actually mean 'advertising' or 'promotion' or 'selling'. This is not the only way that the term marketing may be misapplied - often non-marketing business practitioners think that marketing is a department / function / application rather than a business philosophy. Therefore, it is prudent to re-state; that marketing is a business concept, a business philosophy and a business practice as such should be adopted by the entire organisation, and not be restricted to a function of a department (Cohen, 2013).

Marketing practitioners can also overlook the holistic and iterative nature of marketing. For example, Myers (1999, p.3) states that many marketing practitioners are often impediments to the adoption of a marketing philosophy; when they present an attitude of "Listen to us. We will tell you what the customers want."

A classic marketing definition: a consumer focus

The first definition that we will explore is a classic marketing definition by Philip Kotler. Kotler is a well-regarded marketing scholar and the author or co-author of many marketing textbooks.

Author's comment: To avoid confusion I have elected to employ the US spelling of the term practice as either a verb or a noun – apologies.

Author's comment: It is also worthwhile to emphasise that providing definitions is an important task for students when undertaking assessments. Providing definitions demonstrates that a student has studied and understands the unit. Furthermore, providing definitions is a useful tactic as it allows the student to structure their discussions. Defining marketing is therefore an important task in any assessment.

Philip Kotler's classic consumer focused definition is generally regarded as a seminal definition, it is simple yet insightful, it is often cited, and has influenced a number of subsequent marketing definitions. We will employ this definition to identify and explore the language of marketing.

Figure 6: A classic marketing definition with a consumer focus

Quote: Marketing is the human activity directed at satisfying needs and wants through the exchange process (Kotler, Fitzroy, & Shaw, 1980, p.14).

This definition is easy to remember, however, much of the meaning is inferred rather than explicit; therefore, considerable thought is required to extract the full meaning.

Let's explore Kotler's classic definition and tease-out the key elements: A human activity; Satisfaction; Needs and wants; and Exchange processes. Each element will now be discussed

A: Marketing is a human activity

Marketing as **'a human activity'** highlights that marketing is **about people**: people communicating, people living their lives, people going to market as buyers [product recipients] or sellers [product providers]. Marketing is therefore an everyday activity and people are generally both product recipients and product providers. It is easy to overlook that people as consumers are also participating in this everyday human activity of marketing (Kotler & Levy, 1973).

Marketing is a greater part of our lives than most perceive. Firat (1991) maintains that, increasingly, individuals experience their lives as consumers.

Quote: Marketing is the institution that facilitates, creates and diffuses post-modern culture (Firat, 1991, p.75)

B: Marketing is about satisfaction

Kotler's classic definition states that marketing is **'directed at satisfying needs and wants'**: this draws attention to the concept of satisfaction. Satisfaction has long been recognised as central to marketing. At the time of the industrial revolution Smith (1776) highlighted the importance of customer satisfaction in order to gain repeat custom. And, since the 1960s the concept of satisfaction has received considerable attention. Cadozza, (1965) introduced the notion that a consumer's pre-purchase expectations are the foundation of a customer's post-purchase evaluations of value and satisfaction. Additionally, he maintained that it was not just *what* was received but *how* the experience was received that mattered – he coined this **total satisfaction**.

Kotler and Levy (1969) describe marketing as a process to **engineer satisfaction**. Satisfaction suggests benefits, contentment, pleasure, promises met, and a state of agreement. However, our contemporary [organisational] definition of marketing also suggests **relationship satisfaction**. Marketing is about a synergistic and symbiotic relationship between the buyer and seller. Marketing is a win-win exchange where the organisation adapts to the customers' needs. Marketing is something that an organisation does *with a customer* not *to a customer*. Marketing is about the freedom to enter or exit the exchange. Satisfaction has long been regarded as is an important concept as it influences the future behaviour of the customer [e.g., customer loyalty, customer retention, repeat purchasing and profitability] (Hoffman, Kelly, & Rotalsky, 1995).

Some organisations operate under the selling concept; they operate under the misapprehension that consumers have no memory – a type of *consumer amnesia* (Pepper & Rogers, 2005). However, consumers definitely have a memory – they form schemas (Halkias, 2019); they remember past experiences, word-of-mouth of others, and the reputation of organisations expressed in the media – consumers collect product knowledge.

After product knowledge is collected, analysed, and synthesised a consumer will form a **product attitude.** Product attitudes are re-evaluated when subsequent information is received, or through a product experience. **Attitudes** have three components; this is often referred to the ABC of attitudes:

- **Affect** [how a customer feels about a product],
- **Behaviour** [how a customer is likely to act in the future – approach/avoid],
- **Cognition** [how a customer thinks about the product – associations and ideas].

Product attitudes help shape **product expectations** and will influence the future behaviour of consumers (Eisingerich, Rubera, Seifert, & Bhardwaj, 2011).

More progressive organisations recognise that customers have a memory and this memory builds into a **cumulative evaluation of satisfaction** (Smith & Bolton, 1988; Olsen, & Johnson, 2003; Keiningham, Aksoy, Malthouse, Lariviere, & Buoye, 2014). Cumulative customer satisfaction is important as there is a correlation between satisfaction and market share (Rego, Morgan, & Fornell, 2013). Later in the e-book we will discuss how the collective cumulative satisfaction of all customers is the basis of **brand identity** and **brand equity**.

The concept of satisfaction is particularly important in organisations that operate in B2B markets where long-term customer relationships are essential. It is not unusual for organisations, that are focused on satisfaction, to employ researchers to collect and analyse information on customer satisfaction. In organisations that have adopted the marketing concept a key **marketing metrics** are customer satisfaction, **customer lifetime value**, and **customer equity**. Often these metrics are linked to staff performance bonuses. Measuring marketing metrics is important; keep in mind that if it is not measured it can't be compared, analysed, and managed.

When a customer makes a decision to enter an exchange they do so with a positive attitude to the product [i.e., positive product expectations]. These expectations are the estimation of quality, value and consumption costs – perceptions of what they will receive and give in an exchange. Keep in mind that customers perceive a degree of risk in every situation [we all check the date on the milk bottle] ; however, consumers will not proceed with an exchange if they perceive a negative outcome and to result in an evaluation of dissatisfaction.

> **Author's comment:** Whilst some loyal and satisfied customers may be profitable others may not be profitable. Therefore, although improving customer loyalty is often stated as a goal, the primary goal is improving loyalty with profitable customers. Satisfaction is an important concept; therefore, it will be covered in more depth throughout the e-book, including a discussion on the relationship with quality, value, trust, loyalty and organisational satisfaction.

C: Marketing is about needs and wants

It is important to distinguish between **needs** and **wants**. Needs and wants are core concepts and fundamental to developing an understanding of marketing. Needs and wants are terms that are often used interchangeably in our daily lives; however, marketing practitioners must know the difference as they influence marketing strategy and tactics in different ways. Fortunately, they are easy concepts to grasp.

A person may say they *need a new shirt* - when it may be that they '*want desire a new shirt'* [desire, wish for, would like]. The reality may be that they currently have many wearable shirts in their wardrobe, however, the person may have worn most of them several times and may not wish to be seen in the same shirt. Therefore, this person's needs may be more complex than the utilitarian benefits that clothing provides. We could speculate that the shirt is a **means to an end** – a new shirt will create a better impression; therefore, a new shirt may help to maintain the person's self-esteem and avoid making a negative impression. The new shirt has **instrumental** and **terminal values**. We can conclude that for a product to be purchased consumers must perceive a particular product as instrumental in fulfilling a terminal value – satisfying a need.

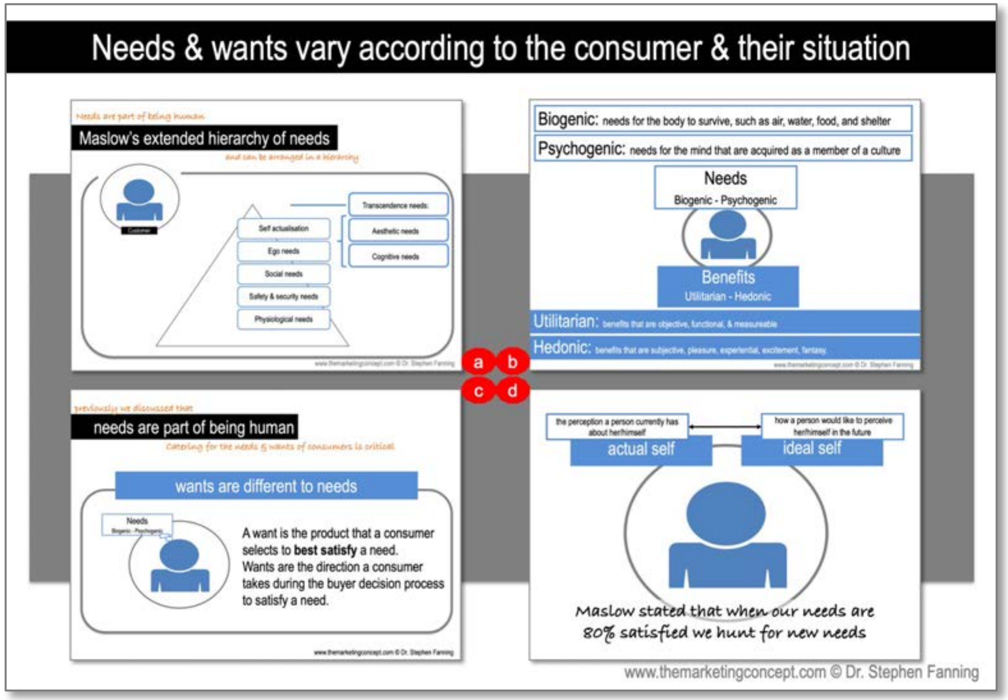

Figure 7: [a] Maslow' hierarchy of needs assists marketing practitioners to better understand how consumers enter the buyer decision process. The diagram shows his original hierarchy [orange] and his extended hierarchy [grey]. [b] Needs can be biogenic and/or psychogenic + benefits can be utilitarian and/or hedonic. Understanding needs and wants and catering for both is critical. [c] Often 2 or more products may satisfy the same need, when this happens consumers often focus on wants. [d] Later we will discuss 'the self' in detail, however, consumer decision-making is often about the gap between an actual self and an ideal-self.

What is often overlooked is that for a consumer to enter the buyer decision process there must be the recognition of a need; however, for a product to be selected from other alternatives the consumer must **want** a particular product more than they want other products.

Not all products have positive outcomes. In fact, with some **unsought products** the need may be to avoid a possible negative outcome [e.g., travel insurance]. Furthermore, many products, are referred to as **consequential products,** they are a consequence [a result] of buying another product [e.g., car insurance, university textbooks, anti-virus software]. It is likely that very few people wake up all excited because today is the day they purchase their car insurance, university textbooks, anti-virus software - etc.

Blackwell, Miniard, and James (2001) suggest, that need recognition is generally the motivation to enter the search stage of the buyer decision process. They also put forward the view that for the consumer to act further the need must have sufficient strength and attraction that a consumer experiences a tension, a sense of deprivation, with their present situation. This is important to marketing practitioners as often a need may be satisfied by a number of products, however, it is the product that is perceived as satisfying the consumer's wants that is likely to be selected.

Needs are part of being human.

It is often argued that marketing practitioners do not create needs but respond to existing needs. This is a topic that could be debated for some time. However, activating and widening the gap between the actual and desired preferred states and demonstrating [i.e., how a particular product can best satisfy a need] are key marketing communication tasks. Marketing practitioners draw attention to the need and communicate the state of tension and in this way, they heighten the want, the drive and direction to satisfy a need.

Furthermore, in addition to marketing practitioners communicating the drive and the direction to satisfy needs, they must design and develop products that bridge the gap between the desired and the actual states.

Solomon (2004) promotes the view that it is essential for marketing practitioners to be able to recognise the different types of needs that their product satisfies:

Needs may be classified as:

- **Biogenic:** needs for the body to survive, such as air, water, food, and shelter.
- **Psychogenic:** needs for the mind, acquired as a member of a culture, such as status, power, and affiliation.

Needs may provide benefits that are:

- **Utilitarian benefits:** benefits that are more objective in nature, functional, with measurable inputs and outputs.
- **Hedonic benefits:** benefits that are more subjective in nature, experiential, pleasure seeking, excitement orientated, directed towards fantasy. [**Hedonic consumption** refers to consumption experiences that are undertaken simply for pleasure reasons rather than for rational reasons.]

Needs have a hierarchy

An understanding of the needs of the consumers is essential for successful marketing. For example, when a customer evaluates the performance of a product they do so against a framework of expectations. Their expectations are the customer's pre-purchase list of needs and wants. Therefore, to ensure a positive post-purchase evaluation, organisations must be sensitised to the customer's pre-purchase needs. The importance of understanding pre-purchase needs is discussed throughout the e-book [particularly during our discussion on the 5-gap theory].

A great deal of marketing attention has been given to the topic of needs as motives for behaviour. The approach provided by psychologist Abraham Maslow is significant. Maslow provided a positive view of motivational behaviour theory that explored why people do the things they do. In many regards, Maslow appears dedicated to providing a pathway for people to achieve well-being and a more fulfilled life.

Maslow (1943) synthesised existing knowledge and proposed that needs have a hierarchical order and that lower order needs must be satisfied [or will be satisfied in the near future] before higher order needs will be considered. Maslow suggests that needs influence behaviour but do not necessarily determine behaviour, however, he also inferred that good people may behave out of character if there is sufficient motivation to satisfy a need [e.g., steal food when starving]. The hierarchy of needs, from highest to lowest, are:

- **Self-actualisation needs:** These are directed towards a sense of purpose and achieving one's full potential, a sense of morality and leaving a legacy for others
- **Esteem needs:** These are needs to feel recognition/respect/status from others and gain a sense of self-respect through a sense of achievement, competence, independence
- **Social needs:** These are a need of belongingness and acceptance/affiliation as a member of a family/community – friendship, intimacy, trust, interactions, and to love and be loved
- **Safety needs:** These are needs for protection/security for self, family and possessions - law and order, insurance against loss, a sense of stability, and a reduction of risk/fear/anxiety
- **Physiological needs:** These are needs for the basic necessities to maintain life - air, food, drink, shelter from the elements, sleep, sex

Maslow also puts forward the view that the lower order needs are basic needs, physiological needs and safety needs, that could be classified as **deficiency needs** as they are only apparent when a person is unable to satisfy them and feels a sense of deprivation. Maslow suggests that social needs, esteem needs, and self-actualisation needs could be classified as **becoming needs** or **growth needs** as there is an ongoing motivation to satisfy them. He suggests that life is a work in progress. It is also likely that products will satisfy needs in more than one level [consider a 4X4 motor vehicle].

Later Maslow (1970; 1971) revisited and extended his work adding three more needs, cognitive needs, aesthetic needs, and transcendence needs.

- **Cognitive needs:** The need to understand the world, achieve knowledge, a sense of curiosity, exploration of areas of interest, the desire for meaning
- **Aesthetic needs:** The need and search for beauty, creativity, symmetry, an appreciation of the natural world
- **Transcendence needs:** The need to help others to achieve a sense of well-being, education and create a better world

Furthermore, there are many who suggest that Maslow's (1943; 1970; 1971) work can be applied to organisations. This has resulted in a number of insightful adaptations of Maslow's work by commercial training organisations.

> **Author's comment:** This is only a brief overview of Maslow's hierarchy. His work has such breadth and depth that it would be impossible to accurately represent it within the confines of a few paragraphs. I also believe that Maslow's work is often cited without a deep understanding, and this may cause confusion. Reading his work [although, it would take a lifetime to read it all] is important because it provides a framework to explore, discuss and make sense of topics that cause concern. Maslow found the language to describe human nature inchoate, and therefore began a process of inventing the language needed to convey his findings. In many ways, his work is one of self-discovery, and he writes with a good heart and this combination makes it more rewarding.

Lovelock *et al.* (2007) explored Maslow's work from a service perspective and put forward the view that all customers have fundamental needs - they propose that customers seek:

- Value for money
- An absence of discrimination [including price discrimination]
- The exchange to maintain or improve their esteem
- To be treated with respect
- To feel physically and financially secure

McClelland's (1985) work groups needs into three categories and presents a different and insightful perspective:

- The need for **affiliation**
- The need for **power**
- The need for **achievement**

McClelland's (1985) maintains: that people just find different ways of fulfilling their needs, that needs are acquired, needs are influenced by one's life experiences, needs are influenced by others, and needs may be independent of a hierarchy.

Needs and wants - evolve with society

Social changes in the last 15-20 years have influenced needs and wants and dramatically altered household consumption patterns and demographics (Moorman, *et al.*, 2019b). The changes include an increase in the consumption of service-dominant products [i.e., products that have a high service component]. There have been a number of changes to household structure, including an increase in one-person households, single parent households, and blended families. Roles and positions that were once considered as traditionally male or female roles are questioned. Technology has enabled a mobile working environment including working from home.

Marketing is about mutual satisfaction

The marketing concept is about satisfaction, however, unlike other business concepts it is founded on satisfaction of the needs of the buyer [product recipient] and the seller [product provider]. Marketing is a symbiotic relationship [coming together for mutual benefit] and marketing is something you do ***with*** a consumer and ***not to*** a consumer. Furthermore, the consumer and the organisation are interdependent on each other and come together for a mutually beneficial exchange. It would be excessively optimistic to think that all organisations who state that they are customer centric are altruistic or that all customers have good intentions when they enter an exchange.

One only has to consider the viability of an organisation where customers are dissatisfied to understand the importance of symbiotic relationships.

> **Author's comment:** Keep in mind that in this e-book we are considering marketing from two perspectives: the customer and the organisation.
>
> In our roles as marketing practitioners, we must recognise that satisfying needs is about best satisfying - the customer and the organisation's needs.

D: Marketing is about exchange[2]

Figure 8: Exchanges are central to marketing.

The last part of Kotler's classic [consumer] definition to be discussed is that marketing is part of the 'exchange process'. The **exchange** in many regards is an objective of marketing - **profitable exchange relationships**. All the promotional effort in the world is futile without two parties entering an exchange.

It is through the exchange processes that marketing occurs and through marketing that an exchange occurs. Importantly, it is through the exchange process that production becomes consumption.

Let us be clear on this; sales are a measurement of buying activity - not selling activity.

Buying involves an exchange. A **marketing exchange** has two essential and sequential elements:

- **Communicating:** exchanging information, communicating quality and value
- **Transacting:** exchanging - something of value for something of value, mutual profit

Sellers and buyers go to market to exchange their needs & wants. We are using images of everyday markets; however, markets are far more complicated than this – the stock market. Often the exchange involves a product for money, however, this is not always the case – sometimes it is barter. Marketing is the coming together of sellers and buyers in an exchange that is of value to all parties.

Information empowers the buyer to choose. Buying is about **choice**. Choice gives the buyer negotiating power when entering an exchange; the ability to choose between alternatives; the ability to buy well. The organisation that designs and develops a unique product value proposition and can then clearly communicate how their product offering satisfies the needs and wants of their customer will be better positioned to be the product of choice.

An exchange involves at least two parties [we discuss the degree of involvement later in the e-book]. The parties must find the offer attractive, that is, they must see value in the exchange - a **fair exchange**. They must also reach an agreement about how the exchange process will take place. It is therefore central to marketing success that the processes that facilitate and support the exchange are undertaken in an efficient, effective and acceptable manner.

Consumers satisfy their needs and wants by exchanging something of value (generally money is exchanged); however, it could be through exchanging other goods and services.

A contemporary definition of marketing with an organisational focus

Figure 9: A contemporary definition of marketing with an organisational focus

Earlier we mentioned that we will provide two definitions to ensure that we explore marketing from a consumer's and an organisation's perspective. Therefore, it is appropriate that we advance our understanding of marketing by exploring the contemporary [organisational] definition of marketing. This definition is an amalgam of several definitions and is necessary to provide an organisational and operational perspective to understand marketing as a business discipline and process:

> Marketing is an iterative process where an organisation works with and adapts to the market and through a process of communicating, creating, distributing, promoting, and pricing products endeavours to facilitate profitable exchange relationships with customers, channel partners, and society.

The contemporary [organisational] definition of marketing infers that marketing is:

- An iterative process which is a perpetual organisational process
- Involves listening, learning, & adapting [as in culture] to the market
- Organisations orchestrate value by working with others
- Co-produce/orchestrate value with customers & channel partners
- The goal is synergistic, symbiotic, sustainable, strategic, internal/external relationships
- Profit[4] for all parties the customer, organisation, channel partners and society
- Including an overall benefit for society

> **Author's comment:** There is a tendency to think about marketing as a business producing goods and distributing them through channel partners to a market. This is not a criticism, and many businesses still go to market this way, however, **often** organisations are facilitators of value they orchestrate value by involving customers, channel partners, and society. This requires drilling down and having a closer look at how value is created.

An iterative process

Marketing is an iterative process where practitioners continuously interact with customers and research the market to better serve the customer (Shah, Rust, Parasuraman, Staelin, & Day, 2006; Sun, Li, & Zhou, 2006).

An interesting quote that highlights the importance of 'listening to the market' is from Yoshio Ishizaka, [Executive Vice President, and Member of the Board; Toyota Motor Corporation]. Yoshio Ishizaka played a key role in the Toyota-Lexus brand strategy. Roberts (2004, n.p.) states:

> **Quote:** I have learned, based on my experience, that everything is dominated by the market. So, whenever we are with an obstacle or difficulties, I always say to myself: 'Listen to the market, listen to the voice of the customer.' That is the fundamental essence of marketing. Always we have to come back to the market, back to the customer. That is the Toyota way … we always go back to the basics … We cannot determine anything. The customer does that. That is the essence.

Previously we mentioned that information must flow from the customer to the business and then be skilfully analysed and applied. According to the Wall Street Journal reporter, Norihiko Shirouza, (June 25, 2007, p.1) listening to the customer has paid dividends for Toyota.

Search the web

Search the largest automotive companies in the world. How is this industry evolving? What patterns are apparent?

Adapting to the market

Previously we introduced the COMP factors and how they influence consumer and organisational decision-making. In the module the evolution of marketing we discuss how markets and societies evolve and how marketing influences society and how society influences marketing and discover 4 recurring patterns or quests. In section 3 we will how marketing practitioners need to consider the COMP factors and the 4 recurring patterns or quests when conducting a marketing audit within the business-marketing planning process.

Marketing is a process

The contemporary [organisational] definition highlights that marketing is a **process** of *communicating, creating, distributing, promoting, and pricing* - each of these will be discussed as we progress through the e-book. What is important is that a process implies a number of identified sequential actions [think - marketing tactics] that are undertaken in order to achieve agreed and documented outcomes [think – marketing objectives and marketing strategies]. In this e-book we are outlining the process by [1] discussing the philosophy of marketing, [2] unpacking marketing theory, and [3] outlining the application of the philosophy and theory through the business-marketing planning process.

Marketing is about managing revenue – it is about meeting financial objectives – it is about making decisions based on evidence; what markets to enter, what products to offer, what pricing strategies to adopt, and how to communicate value to customers, staff, and channel partners. It is therefore frustrating for marketing scholars that, whilst many people think that marketing is about advertising, sales promotions, and selling tactics the real purpose of marketing is to **reduce an organisation's dependence on short-term tactics**.

Profitable⁴ exchange relationships⁴

Figure 10: The conceptual umbrella of profitable⁴ exchange relationships⁴. The 4 indicates that there are 4 types of profits and 4 types

It has long been argued that many have a limited view of profit – seeing profit solely as a financial profit – the alternate view is that total profits are the value an organisation creates for people, and the planet; this is often referred to as the triple bottom line (Elkington & Rowlands, 1999; Savitz & Weber, 2006; & Slaper & Hall, 2011). Meanwhile, marketing scholars also proposed that managing relationships were also critical to organisational success and to go beyond managing relationships with stakeholders (Buttle & Makin, 2015) to include customers, people within the organisation, channel partners who help coproduce value, and society and the environment in which an organisation lives and works. This concept of **profitable⁴ exchange relationships⁴** is expressed within the contemporary [organisational] definition of marketing.

Whilst the marketing concept is the primary or superordinate concept; profitable⁴ exchange relationships⁴ should be recognised as a critical secondary concept as it provides holistic guidance to *all marketing activities.* Although marketing is generally viewed through the specialisation of practitioners and academics [i.e., many different perspectives of what is important] it is worth highlighting that some would consider that it should not considered marketing if the promises of profitable⁴ exchange relationships⁴ are not met. The previous diagram identifies total profits and the characteristics of relationships.

When most people think 'profit' they think a 'financial profit', and this could be from an exchange, a number of exchanges or a financial profit in a quarter or in a year - it infers a financial profit for the organisation. Although attaining a financial profit for an organisation is vital, from a marketing perspective this is a limited view of profit.

An organisation that is committed to the marketing concept should endeavour to achieve four profit outcomes – [i.e., total profits⁴] **profits for the customer, organisation, channel partners, and society**.

> **Author's comment:** The word **dividend** is often employed in commercial conversations and implies a benefit from an action and therefore we should consider marketing as a process that provides dividends [benefits for all parties].

Profitable⁴

When we explore profitable exchange relationships important considerations are - profitable for whom and why. To be truly sustainable the customer, the organisation, the channel partners [upstream and downstream], and society must all profit.

- If the **customer** does not profit then the business will, in time, fail to attract customers or the cost of attracting customers will become prohibitive
- If the **organisation** does not profit then the business will have a negative operating cash flow and in time will have negative cash reserves and, in time will 'close its doors'
- If the **channel partners** [independent businesses that provide before, during or after sales services] do not profit they will either raise the price of their services, refuse to perform those services, or reduce the level of service to reduce costs
- If **society** does not profit, in time, there will be the realisation of hidden societal costs or unacceptable behaviours and there will be product boycotts or legislation

According to Lawrence and Weber (2017), **society,** could be defined as the social structures that humans collectively create. Therefore, business organisations are an important and interdependent part of society. This description is consistent with the traditional view that marketing is an **ethical social system** of goal orientated interacting individuals, relationships, influencing factors, and processes (Fisk, 1967; Lewis and Erikson, 1969; White, 1981; Naumann & Lincoln,1989; Bannon, 2002; Hunt, 2006; Webster & Lusch, 2013; Shaw, 2020).

> **Authors' comment:** Marketing and general systems theory is largely a forgotten topic, however, a great topic for a thesis. According to Shaw (2003) many marketing scholars appear to be influenced by Kenneth Boulding's (1956) seminal and insightful work.

Customers[2] [internal & external]

The role of front-stage and back-stage service providers in creating the customer experience has long been discussed (Waseem, Biggemann, & Garry, 2021). Moreover, a consistent theme in the services marketing literature is the view that the 'customer' is both internal and external to the organisation (Heskett, Jones, Loveman, Sasser, & Schleslinger, 1994; Lusch, Vargo, & O'Brien, 2007) and given the investment in time and effort internal customers should not only profit – financially but also physically, mentally, and socially (Grace & Lo Iacono, 2015). The reasoning is that organisational value is created through internal service providers delivering a service for both internal and external customers [customers[2] the 2 acts as a reminder] (Vargo & Lusch, 2004). With this in mind, the objective is to attract, retain, and enhance the right customers[2], as this may lead to trust, loyalty [e.g., repeat patronage and word of mouth referrals], commitment, and ultimately a competitive advantage. This notion recognises that loyal behaviour is a two-way process that is about nurturing a loyal attitude and not just about creating a false loyalty based on discounting [to receive loyalty the organisation must also be customer[2] loyal]. In recent years, the connections between customer experience [CX], employee experience [EX] and organisational culture has received increased attention from senior management in a number of organisations (Bajer, 2016).

In addition, total profits[4] highlights that to be truly sustainable - society must also profit. This thinking extends to channel partners who may provide front-stage or back-stage services. Time and time again we see that products and indeed organisations that don't meet this final condition and where their actions have a negative impact on society [e.g., health, environment] are named and shamed in societal conversations. These societal conversations may erode trust and support and erode the organisation's reservoir of referrals relative to the seriousness of the actions. As we will discover marketing communication is often categorised as controllable and uncontrollable. Marketplace conversations and societal conversations are categorised as outside the control of the organisation [uncontrollable] and it is generally regarded that a total profit[4] perspective is the best insurance.

The needs of society have not always been uppermost in business thinking, however, for the last 50 tears a common theme of marketing textbooks is an implied societal obligation (Kotler & Zaltman, 1971) and sustainable development (Lawrence & Webber, 2017). The evolution of marketing theory records how a marketing philosophy became aligned with a societal view of marketing and more distanced from a selling philosophy. Therefore, for an organisation to be a marketing organisation and not a selling organisation it must be mindful of not only the needs of the customer[2] but also society. Ignoring the needs of society would be unsustainable and therefore not marketing [we will discuss this topic in greater detail a little later].

Relationships[4]

For thousands of years a marketing philosophy has been the cornerstone of commerce. A marketing philosophy goes beyond seeing the customer as the 'demander' in a supply and demand economy. From our contemporary [organisational] definition of marketing we can see that often an exchange is more than a one-off transaction and every exchange should work towards building profitable business relationships for the benefit of all parties.

There is a tendency to regard one-off purchases as having limited opportunity to develop relationships. This is not necessarily the case. Clearly, involvement with a product varies and relationships with products and suppliers will vary, not all relationships are long-term or ongoing, some relationships are short and are unlikely to be repeated – but keep in mind there can still be a type of relationship.

Just as profits have four dimensions so do relationships[4] – the dimensions are: synergistic, symbiotic, strategic, and sustainable:

- **A synergistic relationship** is one where the buyer and seller and other parties co-produce value by coming together.
- **Symbiotic relationships** are those where there are mutual benefits to all parties and there is a commitment to the co-production of value
- **Strategic relationships** are about selecting who to do business with [selecting customer segments] and ensuring that our day-to-day tactics are in harmony with our business philosophies
- **Sustainable relationships** thinking long-term rather than short-term, being ethical, providing value by acting in a sustainable manner

One reason for discussing profitable[4] exchange relationships[4] in such detail is that this concept is not universally understood by business academics or applied by business (Sharp, 2010). Some see profits purely as a short-term monetary achievement; for example, 'we had a good result this quarter'. Some see relationship management as, 'I win you lose'. Some see supplier relationships as cost reduction exercise rather than value adding. It is unlikely that this e-book will change entrenched attitudes, however, it is important to highlight that if all parties do not profit[4] then the business is not operating from a marketing philosophy [regardless of how many times the word marketing is employed in day-to-day business conversations]. Too often people confuse the marketing concept with the selling concept and too often people within a selling orientated organisation adopt marketing tools and call it marketing. However, the idea of co-production and relationships[4] suggests that there is an iterative process where the divide between customers and organisations is reduced and satisfaction for all parties (Vargo, Akaka, & Wieland, 2020). There has to be a dividend to all parties.

In day-to-day conversations when we talk about customers, we are referring to **external customers**, however, to achieve profitable[4] exchange relationships[4], an organisation must first focus on **internal customers** [staff and channel partners] (Heskett, *et al.*, 1994), it is also about:

- **Attracting** the right people
- **Retaining** the right people
- **Enhancing** the relationships with customers, staff, and channel partners

Therefore, a marketing philosophy requires marketing practitioners to think deeply about the importance of people and their role as a manager of talent. The underlying premise of relationship management is that a brand is a relationship between a customer and an organisation that goes beyond an exchange (Avery, Fournier, & Wittenbraker, 2014). The authors believe that marketing practitioners must develop "relational intelligence" that goes beyond the collecting and analysing of demographic data to a deeper understanding of the consumer (p.74). Relationships are a central part in the exchange of most products.

One difference between consumers and customers is that consumers are yet to enter an exchange; therefore, customers have an exchange relationship [of some sort] with a particular product or an organisation (Webster & Lusch, 2013. Therefore, to an organisation, customers have a different status. The relationship may be only the consequence of one transaction, or it may be a cumulative relationship as a consequence of multiple transactions. Nevertheless, marketing practitioners need to understand and manage the relationships with customers (Jain, 2005).

The status of a customer begins when a consumer enters the buyer decision process as a suspect > then a prospect > to become a customer. The objective is then to advance the first-time customer > repeat customer > member customer > advocate or evangelist for a product or organisation.

> **Author's comment:** Clearly, the task of attracting then converting a consumer to a customer and then ensuring customer satisfaction is a key marketing objective – and critical for new products and businesses.

Egan (2004), and Wagner and Zubey (2007) present the view that the principles of marketing have been practiced for as long as there have been markets; markets are places and spaces where buyers and sellers come together to trade their produce; their products. They propose that throughout the ages, producers, merchants, and traders have focussed their efforts on three things – attracting, retaining, and enhancing:

It should be noted that in the 1950s, 1960s, 1970s and 1980s many organisations lost focus of the basic premise of marketing. During this period, there was an over emphasis on attracting new customers, however, in the last 30 years, there has been a renewed emphasis on retaining customers and enhancing the relationships.

> **Author's comment:** Respected scholar Peter Drucker once highlighted the importance of customer retention when he stated - *the purpose of a business is to create and keep a customer.* Keep in mind that there are always differing perspectives and some 'old school' marketing practitioners still hang on to the paradigm that the key function of marketing is to attract. So be aware of 'old school' thinking when reading tabloid 'marketing' articles [the internet is awash with products].

The salespipeline metaphor

The task of attracting, retaining, and enhancing relationships with customers is often referred to, by marketing practitioners, as managing the **salespipeline**. The salespipeline is a marketing metaphor, it suggests that marketing is a process of advancing customers in a particular direction – and just as a 'pipeline' requires energy so does the salespipeline. Therefore, it is important to design and craft strategies and tactics that work in harmony and energise the salespipeline. The opposite of a salespipeline is a **salesdrain** – which is energised by gravity and drains the reservoir of repeat patronage and word of mouth referrals.

The salespipeline is also referred to as the customer journey, the sales funnel, the purchasing funnel, and the customer lifecycle [not to be confused with product lifecycle]. The metaphor of a salespipeline is preferred because it conjures a *proactive* series of activities to advance the customer and 'engineer customer satisfaction'. What is important to remember is that each organisation is unique in some way and therefore will customise how their customer enters and advances along the salespipeline.

The salespipeline is employed to explain how an organisation nurtures a reservoir of suspects, then identifies prospective customers who may benefit from their products, communicates the value of their offer, and through an exchange begins to populate the salespipeline. Customers then advance through the salespipeline through organisational energy [marketing effort]. The goal is to attract, retain and enhance the relationship with the customer [i.e., nurture enduring involvement that leads to customer loyalty services].

> **Author's comment:** Later in the e-book we will discuss how the salespipeline can be employed when segmenting the market, implementing a marketing action plan, and during the relational sales process.

Attracting new and profitable customers and managing attrition is important for established businesses. Regardless of how good the product is some churn is inevitable; people will defect to another product offering; some move to a different location and some will pass away. New customers are needed to replace lost customers [churn] and also to grow the customer base.

Managing the salespipeline is also important in business-to-business [B2B] exchanges. Relationships between organisations can be disrupted when a new employee joins an organisation, retires, or is replaced by someone who has an established relationship with a competing supplier. So, regardless of the market or industry managing relationships is an important B2B marketing task.

The salespipeline metaphor infers a number of considerations:

- The need to increase the efficiency and effectiveness of the salespipeline by improving processes, removing impediments, removing bottlenecks [unnecessary processes] and plugging the leaks [churn and attrition].
- How customers begin as **suspects** [either party may suspect that the other has something of value] develop into **prospects** [prospective customers] and if an exchange takes place become **customers**.
- The need to conserve and protect the source of potential buyers [it is worthwhile to think about customers as a **reservoir of referrals**].

The salespipeline is a valuable metaphor because it highlights the importance of advancing customers through a number of stages from suspects to the generation and retention of loyal customers. The salespipeline metaphor also infers that organisations should be mindful of the high organisational costs associated with continually attracting customers to replace defecting customers – that defecting customers are like leaks within the pipeline and should be attended to. The salespipeline also highlights that organisations need to identify which stage each customer is at on the salespipeline and have communication scripts for different stages of the salespipeline [see the relationship selling approach].

No organisation will retain 100% of their customers. Therefore, the 3 communication objectives are related to the 3 financial objectives:

- Attracting new customers is important to maintaining the customer base and is necessary for growth.
- Retaining customers is important as it reduces the organisational costs associated with attracting new customers.
- Enhancing relationship builds loyalty which can produce repurchasing behaviours and/or referral behaviour [e.g., positive word of mouth].

Although suspects are hard to identify and therefore quantify, the costs associated [metrics] of suspects, customers, and customer retention are important to measure, manage, and improve (Bendle, Farris, Pfeifer, & Reibstein, 2020).

The work of Katz and Lazarfield (1955) highlighted the importance of word of mouth communication. A word of mouth review can be located on a negative to positive continuum and plays a role in the buyer decision process including influencing purchase decisions and expectations (Ha, 2004; Amblee, & Bui, 2011). We could describe word of mouth as consumer-to-consumer communication (Bacile, Ye, & Swilley, 2014) that is independent of and not controlled by the organisation (Ardnt, 1967a; Litvin, Goldsmith, & Pan, 2008), it is an indicator of collective satisfaction, (Amblee, & Bui, 2011) and is, therefore, perceived as more trustworthy (Ardnt, 1967b). Consumers may employ 3 types of word of mouth when searching for products [1] face to face conversations, [2] internet opinion sites, and [3] social media (Bartschat, Cziehso, G., & Hennig-Thurau, 2022).

We can conclude that attracting, retaining, and enhancing through the salespipeline will assist organisations to meet the 3 marketing financial objectives [discussed in module 1:3:0].

The sales baseline

Related to the long and short-term objectives of the salespipeline is the concept of the sales baseline. Marketing practitioners often discuss the long and short of marketing activity as managing the **sales baseline** [the sales baseline is the volume achieved regardless of any other sales enhancing tactics]. The sales baseline is discussed throughout the e-book and is central to the long-term success of the organisation. The sales baseline is about ensuring that the organisation’s actions are contributing to trust, loyalty [e.g., repeat patronage and word of mouth referrals], commitment, and ultimately a competitive advantage. The sales baseline approach highlights that both long and short-term activities should be measured and managed. Building the sales baseline is long-term - the benefit is that an organisation, to achieve revenue objectives, will be less ‘dependent’ on short-term tactics [e.g., discounting, selling and sales promotions] and in the longer-term organisations are able to achieve a competitive advantage by reducing costs as a % of sales.

Marketing vignette: The hop-on Hop-off bus

Australian tourists Hannah, Don, and their son Mike [12], were holidaying in Britain and decided to spend a weekend in London. Although Hannah and Don had been to London several times, they wanted to refresh their memories and introduce Mike to London. During a conversation with a school friend Mike heard that the ‘hop-on and hop-off open top bus tour’ was really cool; that night he told his parents. Hannah searched and found that the arrangement is that you hop-on and off at designated bus stops. The bus stops are dotted around the city. There is a commentary along the bus route. Mike thought this was ‘cool’ and had decided that this was a must do activity.

After a little online research, they selected one of the bus companies - The Big Bus Company. Here is what Hannah had to say.

“The Big Bus Company tour was great, and London is great. The staff were so friendly. They went out of their way to make our tour more enjoyable. London has millions of visitors per year;

we were not the first to go there, yet the staff on The Big Bus Company went out of their way. Keep in mind that this was not like a restaurant where you pay at the end and there is a fat tip expected. This company already had our money, and my guess is that it will be years before we return to London. So - it is unlikely they will get any more of our money, for a while. On one of our days in London we met up with another family, who live in England, and London does not have the same novelty as it does for our family. When we told them that we intended to travel on the big bus they were less than impressed. 'London is small enough to walk' they said. However, they reluctantly bought tickets; at the end of the day, they commented that 'it was just great to be a tourist in our own country'. They discovered lots of new things and they appreciated how the tour saved everyone's legs."

Figure 11: The Big Bus Company is one of a number of hop-on and hop-off tours of London.

Q: Is Mike forming expectations

Q: Did the Big Bus Company have to provide such great service?

A: Absolutely: if they want people, like Mike's friend, to recommend them.

Q: Do Hannah, Don, and Mike have a relationship with The Big Bus Company?

A: Yes, they do; it is not an ongoing financial relationship; however, through positive word-of-mouth they are advocates for the company. Also, when customers upload a post, they are influencing other people.

Stakeholders and marketing channel partners

In business, it is common to refer to 'stakeholders' – a person or organisation that has an interest [or a stake] in an organisation and may influence or be influenced by the organisation or be effected by an "organisations' decisions, policies, and operations" (Lawrence & Weber, 2017, p.7). Stakeholders are either internal to the organisation [internal stakeholders] or external to the organisation [external stakeholders]. It is important to highlight that there is a difference between external stakeholders and marketing channel partners. Marketing channel partners are always stakeholders, however, not all stakeholders are marketing channel partners.

The word channel comes from the Latin word *canalis* - which means – conduit, duct, and pipeline. The word channel is employed to reinforce that a product is moving towards an exchange and is a result of effort in a predetermined direction [aka distribution channels or supply chains]. A marketing channel partner is a person or organisation that 'adds value' to the product and helps 'deliver' the product. There is no one 'best' structure for a marketing channel as this depends on the situational factors; however, the success of many brands is in the **marketing channel structure**. The marketing channel is the total of all channel partners.

Often a marketing channel will have a number of B2B intermediaries [middlemen, resellers] that progress towards an end-customer. The end-customer may be B2C [domestic customer] or B2B [commercial customer]. Non-marketing channel stakeholders include:

- Shareholders who invest in an organisation
- Governments and statutory bodies that levy rates and taxes and provide services and introduce legislation
- Quasi government associations that have government funding or support
- Business associations that provide support for business
- Trade unions that provide support for employees
- Competitors who seek an industry-wide degree of fairness
- The communities in which an organisation and their customers interact, philanthropic projects, community-based projects
- General public that may comment on issues of general interest

B2C & B2B exchange relationships

The exchange examples provided in the preface were all business-to-consumer [B2C] examples, ["You will have visited countless websites, retail shops, restaurants, cafes, you will have received the services of dentists, doctors, and mechanics, and, of course, you will have experienced events such as cinema, concerts, and sports"], however, marketing is not just B2C exchanges; marketing also involves business-to-business [B2B] exchanges. Keep in mind that there are also other exchange relationships that are outside the parameters of the e-book.

Retail is often described as the end [the tail] of a marketing channel. When organisations span or control the entire process from production to retailing this is referred to as end-to-end marketing and the participants are referred to as **marketing channel partners**.

What is also interesting, and often overlooked, is that many B2C exchanges are only possible after a number of B2B facilitating and supporting activities have been performed by channel partners. For example, some B2B services such as logistics bring goods to retailers; other B2B services such as credit cards enable B2C exchanges to take place. We will discuss facilitating and supporting activities in greater detail when we discuss the service component of a product. Although B2C represents a considerable proportion of gross domestic product [GDP] and is a substantial employer, it should be recognised that the B2B sector is a larger sector. This is worth noting, as often B2B activities are back-stage and 'out of sight and out of mind'. The B2B sector is a large employer and provides many opportunities for marketing graduates.

Why is society included in our contemporary [organisational] definition?

In the next module, we will explore the evolution of marketing and discuss the relationship between society and marketing. It is a co-dependent relationship and one that emerged around 12,000 years ago. Marketing practice and therefore marketing theory is contingent on the prevailing situational factors (Bartels, 1968). We could conclude that marketing plays an important role in our lives, and it helps shape society (Cohen, 2013); some marketing scholars present the view that marketing is cultural (Firat, 1995) others suggest that marketing creates a contemporary consumer culture through the communication of the value of objects, images and consumers experiences (Venketash & Meamber, 2006). .

What is important to realise is that **the values of society influence what consumers' value**. Furthermore, the values of a society are constantly debated and evolving; therefore, consumer values are constantly evolving [e.g., smoking was once viewed quite differently]. This is one of the most important parts of marketing – it is the responsibility of marketing practitioners to observe this evolution and help the organisation to adapt. The very survival of an organisation depends on adapting to societal values – remember marketing practitioners do not create needs but provide a direction to satisfy a need. Regardless of whether we are producers or consumers - marketing constructs the exchanges that enrich people's lives.

We can conclude from our discussions that marketing and society intertwined, and that marketing is an iterative process involving the following situational factors: the customer, the organisation, the market, and the product [COMP].

> **Author's comment:** You will have noted that the situational factors is mentioned frequently; the situational factors [COMP] are discussed in greater detail in modules 2:1 and 3:1 .

We are now approaching a more in-depth discussion of one of the primary concepts of the e-book – the marketing concept; just before we begin our discussion it would be prudent to talk about the types of concepts.

> **Author's comment:** I have noticed when marking student assignments and exams that students are often confused regarding the meanings of <u>the</u> marketing concept and <u>a</u> marketing concept. This is understandable, so I tend to labour this point more than I would prefer. Although <u>the</u> marketing concept and <u>a</u> marketing concept are related, there are differences, and it is important to be able to differentiate between them and apply them in the right context.

The designing and developing stages of the e-book included collecting, analysing, and organising marketing concepts to form an associative network of marketing concepts it became apparent that **not all marketing concepts have the same 'weight'**. It also became apparent that a method of categorising concepts to identify their significance was required. With this in mind the marketing concept is referred to as the primary marketing concept. Marketing concepts that have significant breadth and form a conceptual umbrella within the e-book are referred to as **secondary marketing concepts**. There are 5 secondary marketing concepts:

- profitable[4] exchange relationships[4]
- the buyer decision process
- the total product
- the circle of satisfaction
- The CADDIE business marketing process

The majority of marketing concepts have narrow parameters – they describe a specific area of marketing and a theory development these could simply be classified as concepts. Smaller concepts like theories are rarely stand-alone; most often they are inter-locked with other smaller concepts and combine to cover a broader area of knowledge.

We will discuss the buyer decision process, the total product, and the circle of satisfaction in more detail in section 2 of the e-book and the CADDIE business marketing process in more detail in section 3. Secondary concepts are not stand-alone concepts; they are inter-locked with other marketing concepts and marketing theories and when combined they form a much broader concept that covers all marketing knowledge - this is referred to as the marketing concept. We could refer to the marketing concept as the primary marketing concept because it encompasses all marketing concepts and provides theoretical guidance.

> **Author's comment:** this has been explained as often students, who study week by week, see chunks of information and not a more holistic perspective.

The marketing concept

Building on our discussions on markets and our exploration of marketing definitions we now have the necessary background information to discuss the marketing concept.

> The marketing concept is regarded as an axiom [a truism] of business – it is built on a simple premise that organisations that best satisfy the needs of their customers are best placed to satisfy their own needs.

When an organisation goes to market it is generally based on one of 3 business concepts:

- The production concept
- The selling concept
- The marketing concept

It is innate for consumers to search for and then select products that they **perceive** to best satisfy their needs. Therefore, organisations that communicate the **best-perceived value** are most likely to gain consideration and selection. Clearly, there is a difference between promising to best satisfy and delivering on promises.

Therefore, to make a sale an organisation may go to market with a philosophy based on one of three business concepts, for the purposes of defining key marketing terms each is discussed below, however, the 3 business concepts are discussed in much greater detail in the module evolution of marketing: a theoretical perspective module 1:2:2.

- A basic product that may not best satisfy, however, is attractively priced and therefore the consumer makes allowances and makes a choice primarily based on price - this is essentially **the production concept**
- A product that may not best satisfy, however, to achieve the necessary sales volume the organisation is prepared to overstate the product benefits with the knowledge that they are unlikely to deliver as promised - this is essentially **the selling concept**
- A product that best satisfies the needs of a selected customer segment, where product promises are fulfilled, and the objective is to create satisfaction for both buyer and seller - this is essentially **the marketing concept**

We will now focus on the marketing concept and discuss the production concept and the selling concept in more detail later in the e-book.

Organisations adopt the marketing concept as it improves organisational performance (Gaddefors, & Anderson, 2008; Narver & Slater, 1990; Kumar& Reinartz, 2016; Shaw, 2020; Click, 2021).

Although concepts are qualitative in nature the marketing concept is **if <> then** in nature:

- **If** an organisation provides a product that best satisfies their customers' needs
- **Then** the organisation is best placed to satisfy their own needs

Also implied in the marketing concept is the converse situation:

- **If** an organisation fails to provide a product that best satisfy their customers' needs
- **Then** the organisation is unlikely to satisfy their own needs

As we have discovered, markets and the practice of marketing are ancient, therefore, many of the ideas that are embedded within the marketing concept have been discussed for a considerable period of time [including Plato and Adam Smith]. However, it was McKitterick (1957), a sales executive at General Electric, who first coined the term 'the marketing concept' when he conceptualised marketing practice. Just for the record McKitterick (1957) did not claim to discover marketing as a concept and in his article, he acknowledges the influence of articles from the Journal of Marketing and the Harvard Business Review. Nevertheless, he put forward the view that:

> **Quote:** the major purpose of a venture [business] is taken from the need to solve some problem in the outer environment - some betterment for the customer - and all subsidiary decisions dealing with the acquisition and allocation of resources within the business are bent to that objective (McKitterick, 1957, p. 78).

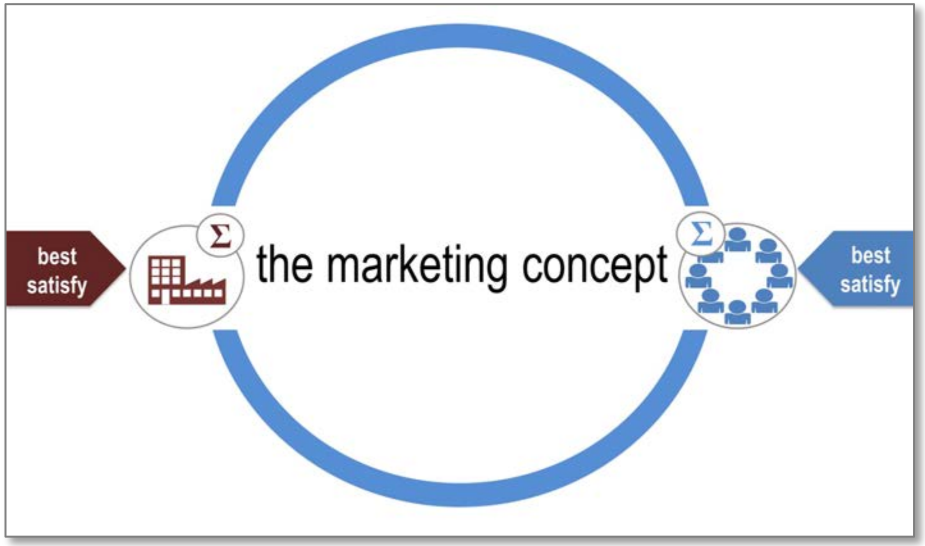

Figure 12: A visual representation of the marketing concept.

Click on activity icons to access

A marketing philosophy

In this article identifies that organisations exist to solve a problem that customers are experiencing in their lives and therefore every decision and investment that is made by the organisation should be directed towards outcomes that benefit customers.

McKitterick (1957) criticised businesspeople who focus on organisational needs at the expense of their customers' needs, criticised organisations that sought to manipulate customers rather than accommodate their needs, and criticised organisations that added little value to the customers' lives. He stated that business history shows that organisations that ignore their obligations to customers – will inevitably fail.

Building on our discussions on markets, our exploration of marketing definitions, and our explanation of the marketing concept we now have the necessary background information to discuss a marketing philosophy.

A marketing philosophy is a unique philosophy one that details how a particular organisation will implement the marketing concept.

The word philosophy is employed to describe a way of thinking about marketing - the marketplace, the ideas that are subsequently formed, and the roles and relationships with the marketplace.

A marketing philosophy could be defined as:

> How an organisation goes to market. A marketing philosophy is an organisation's belief system – it guides the behaviour of the people within an organisation – it determines an organisation's values and through those values how the organisation delivers value to their customers, their people, their channel partners, and society.

> **Author's comment:** Later we will discuss the difference between values and value in more detail. A channel partner is a person or organisation who performs a value adding service for an organisation [e.g., organisations conducting services such as market research, warehousing, transportation etc.

As we have stated, marketing is a business philosophy and should be considered as how an organisation goes to market. Drucker (1954) stated that an organisation has two functions marketing and innovation, he then went on to argue that innovation was directed towards marketing and then stated that "any organisation has only two functions: one concerns marketing the other is marketing" (cited by Darroch, 2010, p 266).

When an organisation accepts that the best way to satisfy their organisation's needs is to satisfy their customers' needs then - they have adopted 'the marketing concept'.

Organisations that adopt the marketing concept need a framework for communicating, planning, implementing and controlling - we call this a marketing philosophy. A marketing philosophy influences every aspect of organisational culture and behaviour and is influenced by the language, concepts and theories that have been tested in the past [marketing principles]. At this point it is worth highlighting that every organisation faces unique situational factors and therefore requires a unique marketing philosophy - the situational factors [COMP factors] are the customer, the organisation the market, the product. It is worth noting that COMP factors include the societal values in which the organisation operates.

Marketing is not philanthropy. Marketing involves a fair exchange [get something – give something] marketing involves at least, two parties [later we will explore the degree of involvement]. A marketing exchange is based on the premise that all parties voluntarily enter the exchange; that there is value for all parties; and that value is communicated and understood by all parties. Therefore, it should be recognised that consumers are also engaged in marketing when they enter the buyer decision process. This recognition of consumer involvement in the buyer decision process provides an insight as to how marketing as a business philosophy differs from other business philosophies and how marketing as a business function differs from other business functions.

Marketing is an iterative process [a continuous two-way communication process involving listening and learning]. Marketing is the relationship between the customers, the marketplace, products, and organisations.

Therefore, two organisations could recognise the importance of the marketing concept and the need to best satisfy their customers, however, the organisations due to different situational factors could have a different marketing philosophy. Therefore, the same organisation could have two brands with two distinct marketing philosophies [e.g., Scoot Airlines and Singapore Airlines]. A marketing philosophy outlines the principles and practices an organisation will apply to achieve satisfaction for a selected customer segment and the organisation.

> **Author's comment:** A marketing philosophy is like the picture on the box top of a jigsaw puzzle. This provides a clear, consistent picture of where the organisation is heading and where the pieces fit.

Whilst some described marketing as a function of business, Drucker (1954, p.39) made a seminal statement when he identified marketing as a philosophy.

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> **Quote:** Marketing is not only much broader than selling; indeed, it is not a specialised activity at all. It encompasses the entire business. It is the whole business seen from the point of view of the final result, that is, from the customer's point of view. Concern and responsibility for marketing must, therefore, permeate all areas of the enterprise (p.39).

According to Kotler, Bowen, and Makens (2006, p.6), a marketing philosophy is beyond a business function or department and is more *"a way of thinking and a way of structuring your mind."* Kotler *et al.* (2013) propose that marketing is about knowing the needs and wants of all customers, then designing and delivering products that provide your selected market segment of consumers with a better value proposition, and then finding the right products for the right consumers and finding the right consumers for the right products – and then keeping them.

According to de Swaan Arons, van den Driest, and Weed (2014, p.55) most "organisations are stuck in the last century" and need to reorganise for growth. They suggest that marketing practitioners need to have the right balance of internal and external marketing to build a total experience for the customer; they make the following recommendations:

- Connecting with the entire organisation
- Inspiring employees to engage with customers to co-produce value
- Communicating organisational priorities internally
- Build the internal capabilities needed for success.

We may conclude that an organisation's marketing philosophy guides an organisation in their quest to achieving the outcomes of the marketing concept. Keep in mind that when we refer to 'marketing', within this e-book, we are embracing the axiom of the marketing concept and the application of a marketing philosophy.

Marketing genres

The breadth and depth of consumption activities requires contemporary marketing practitioners to classify marketing activities as a set of marketing genres.

Although a marketing genre will share similarities with all other marketing genres there will be a set of distinct genre characteristics that will require special attention. To illustrate this concept further - consider music and your playlists - then consider what makes jazz unique - consider what is common to the jazz genre. Music genres allow musicians to compare jazz from heavy metal and to communicate why jazz is jazz.

Just as music genres help make sense of the music world - marketing genres help make sense of the marketing world. Understanding marketing genres is particularly important when considering the customer, their organisation, the market and the product considerations. Understanding marketing genres can be useful when communicating internally and externally.

What is also important to consider is the difference between a marketing genre, a marketing tool, and a marketing medium. Just as a musical instrument may be employed across different music genres and according to the conventions of the music genre a marketing tool can be applied across many marketing genres.

Figure 13: Just as there are genres of music, there are genres of marketing.

Although, there are occasions when one musical instrument is preferred, often different musical instruments are employed to provide a richer sound. Interestingly, just as a music genre may be broadcast via the most appropriate media - marketing communications should also be broadcast via the most appropriate media. Each marketing genre has similarities and differences with other genres this insight provides direction when conducting a marketing audit, designing, developing, implementing and evaluating marketing strategies and tactics.

Similarities: The marketing concept, the secondary marketing concepts, the fundamentals of the business-marketing planning process applies to all genres, and many marketing applications [tools] are equally effective across a number of marketing genres.

Differences: Identifying the differences become helpful when marketing practitioners drill down to discover the uniqueness of their business. Understanding the unique genre characteristics assists marketing practitioners to focus on organisations with similar genre characteristics when considering the most appropriate strategies, tactics, and tools. Managing genre characteristics is important as this will more likely produce a better satisfying product.

There are three important points:

- Although it would be more efficient if the genres were distinct, it should be recognised that imbrication often occurs [there are often overlaps when classifying genres].
- Marketing genres are often broken down considerably and this is referred to as niche marketing, however, to avoid imbrication marketing practitioners need to avoid a proliferation of marketing niches.
- Sometimes it may appear as if it is a marketing genre, however, it would be better categorised as a marketing practice [e.g., social media marketing which spans most marketing genres].

Applying a marketing philosophy

Organisations exist to satisfy the needs of their selected customers and those organisations that satisfy their customers' needs best are best placed to satisfy their own needs - this customer centric approach is referred to as adopting the marketing concept and applying a marketing philosophy.

Therefore, the starting point for any organisation is to understand the market in which it will operate, identify the various customer segments that make up the market, determine which segments are most attractive [keeping in mind the organisation's capabilities], and then determine how the organisation can deliver an attractive product value proposition to the selected market segment [this process is also referred to as **crafting a unique product value proposition** [UPVP].

Customer needs are continually evolving and to remain attractive to customers, organisations must evolve with the market. It is the role of marketing to continually listen to the market and assist the organisation to adapt. To ensure an organisation adapts a great deal of marketing effort is directed within an organisation – to internal customers. Ensuring that internal customers are more effective and efficient is referred to as **internal marketing**. The focus of internal marketing is to ensure that an organisation is customer centric and that promises made to customers are fulfilled and that all people in the marketing channel play their part.

> **Author's comment:** Generally, marketing scholars divide customers into two groups - internal customers [i.e., staff, and channel partners] and external customers. The idea behind calling staff - internal customers is that people within an organisation perform services for other people within the same organisation; they are a type of customer – an internal customer – a creator of value. Similarly, there are some that suggest that at the top of an organisational tree is not the managing director but the external customer as the customer is the most important member of an organisation. Please note, when we use the word customer in the e-book we are referring to external customers unless otherwise specified. Being customer centric is not the same as the 'customer is always right', or, that customer needs are more important than organisational needs.
>
> Consider how long a restaurant will remain in business if their desire to please their customers is stronger than their desire to fully charge their customers for supplying the best food and beverages and providing quality services.
>
> Consider a restaurant that aims for high quality customer service, however, fails to treat staff in an acceptable manner - external quality needs staff commitment. We will discuss this in greater detail in the circle of satisfaction in module 2:3.

Figure 14: In this slide we can identify how different organisations with different situational factors adopt and adapt the market concept through a marketing philosophy. In time and through cultivating the philosophy this become

Internal marketing means working towards the objectives of the organisation. Organisations articulate their objectives through their overall business plan. A business plan synthesises the key elements of a marketing plan, a finance plan, an operational plan, and an informational plan in one document. The marketing plan is a strategic document and contains the revenue plan for the organisation. As marketing has a number of specialist areas the marketing plan is operationalised through a number of tactical marketing action plans. Some refer to this integration of all functions to meet the customer's and the organisation's needs as an integrated marketing approach. Generally, organisations that practice an integrated approach to marketing are more likely to have senior members of the management team with marketing qualifications (Solomon, Hughes, Chitty, Marshall, & Stuart, 2014), furthermore, are also likely to recognise the importance of each discipline to organisational success.

Conclusion: The definition module we have explore the characteristics and defined markets and marketing, explained the marketing concept, discussed how the concept of profitable[4] exchange relationships[4] is fundamental to a marketing as a business concept and philosophy.

Reflect & review

Unpack the classic definition and explain the meaning of each of the key components: a human activity, satisfaction, needs and wants, exchange processes and then the holistic meaning of the definition.

When discussing needs and wants:

- Briefly discuss Maslow's hierarchy of needs and the extended hierarchy of needs] and why satisfying needs is important to marketers.
- Explain the differences between biogenic and psychogenic needs [provide examples]
- Explain the differences between utilitarian and hedonic benefits [provide examples]

Unpack the contemporary [organisational] definition of marketing and explain the key components:

- The meaning of the word iterative within the definition
- What is meant by 'where an organisation works with', 'adapts to the market'
- What is meant by 'process'
- What is meant by 'profitable[4] exchange relationships[4]'
- What is meant by profitable[4] exchange relationships[4]

The marketing concept is the primary or superordinate concept of marketing

- Explain the difference between <u>the</u> marketing concept and <u>a</u> marketing concept
- Why do marketing scholars say there is one 'the marketing concept' and many 'marketing philosophies'?
- Why does the marketing concept require a continuous improvement process to remain 'best satisfying'?
- In the marketing concept [e-book] we refer to the situational factors by the acronym COMP factors; what does COMP represent?
- Explain the importance of situational factors to both the customer and the organisation
- How does the characteristics of the market at a given time influence the consumer confidence?
- How does the characteristics of the product influence consumer decision-making?
- When a strategic marketing practitioner or a tactical marketing practitioner drill's-down' into the COMP factors the data may be referred to as
  - marketing m……. or marketing a ……..

1:2:0 The evolution of marketing [module preview]

Previously: We outlined the structure of the e-book. Then we discussed markets and marketing and stated that in our day-to-day conversations marketing is a term that is often employed with little consideration and often inconsistently. Next, to provide both a customer and organisational perspective, we unpacked two definitions of marketing. Then, we defined the marketing concept and explored the marketing concept as a business axiom. Then, we began our discussion on the four situational factors - the customer, the organisation, the market, and the product [COMP factors] and how these factors influence a marketing philosophy, how a marketing philosophy guides organisational decision-making and in time helps to shape an organisational culture.

Learning objectives

Learning objectives of the module: After completing the evolution of marketing module, you should recognise that marketing and society are intertwined. Furthermore, you should be able to discuss how marketing theory and practice have evolved to address the needs of marketing practitioners, commerce and society**.**

Understanding the history of marketing is important after all "How can we advance our knowledge of marketing if we have no prior knowledge?" (Jones & Shaw, 2002, p.39).

Directions

The evolution of marketing is a large module; for convenience, it is divided into two chapters.

The first chapter provides an historical exploration of marketing and society.

The second chapter explores how marketing as an academic discipline has evolved with marketing and society.

Background

Over the last 12,000 years another evolution has occurred, one that has shaped our lives and our societies – the evolution of marketing and society. An objective of this module is to explore the historical relationship between marketing and society to provide theoretical context (Beard, 2017) and to develop a deeper understanding of marketing theory (Jones & Shaw, 2002; Beard, 2017).

When people think of evolution, many automatically think of Charles Darwin. Whilst Darwin was not talking about society - his work does provide insight. In his book, *On the origins of species,* Darwin *(1859)* proposed that:

- an evolution has occurred and is occurring
- a process of natural selection has occurred and is occurring
- changing situational factors require a process of adaptation & co-adaptation
- whilst adaptation may produce small improvements, big advances are made through the emergence of hybrids.

Figure 15: This is an insightful quote by Charles Darwin. It is included because often people often incorrectly quote Darwin and suggest that he inferred a survival of the fittest - what Darwin is emphasising is about the ability to adapt to changing situational factors.

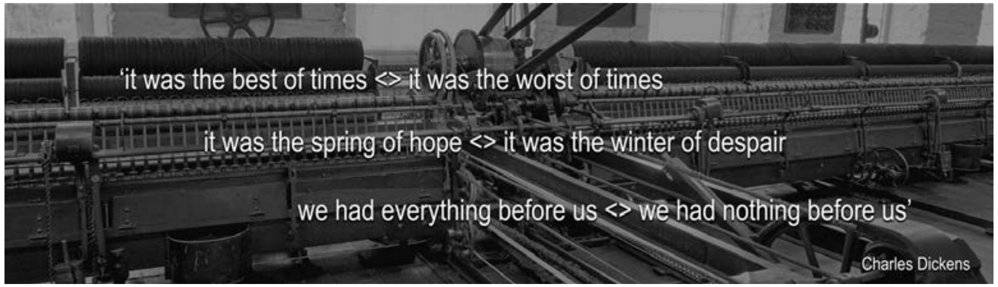

Figure 16: Let's look at another Charles. In 'A tale of two cities', Charles Dickens' beautifully describes the situation in which his novel is set - 'it was the best of times - it was the worst of times; it was the spring of hope - it was the winter of despair; we had everything before us - we had nothing before us'... To me, Dickens describes a dichotomy and how two opposite conditions can exist simultaneously. His description reveals, that whilst some are experiencing opportunity and growth - others are experiencing despair and decline. This dichotomy has long been a characteristic of the evolution of the marketplace. This statement sounds a warning; however, it also challenges marketers to seek opportunity and growth.

Due to the intertwined relationship between marketing and society: marketing has long been explored by academics from non-business disciplines [e.g., psychology, sociology, social psychology, cultural anthropology, archaeology]. Some scholars present the view that the origins of marketing as an academic discipline can be traced back to these disciplines. Schiffman, Bednall, O'Cass, Paladino, & Kanuk (2005) state that this is particularly true for consumer behaviour which is an interdisciplinary science that explores marketing beyond the constraints of 'economic theory' where consumers are thought to be rational decision makers focused on maximising economic utility. The possible downside is that some consumer behaviour topics have strayed from mainstream marketing and may blur the boundary of what is marketing and what is not marketing (Fehrer, 2020; Ritter, 2020).

The evolution continues

It is often said 'we live in disruptive times' – yes that's true but after completing the evolution of marketing module you may conclude that all times are disruptive, and the key is to understand the patterns of disruption.

In the first chapter, the evolution of marketing; a societal perspective, our objective is to learn from the innovations of the past. It would be difficult to fully discuss 12,000 years of marketing practice within the parameters of one book, and impossible within the confines of one module. Therefore, what is presented is a series of notable events. We will discover how people evolved from nomadic hunter-gatherers, where they lived as **pure consumers** and then after a series of events settled and evolved to become **producers and consumers**. Initially, people were more actively involved in the production and consumption process – if they wished to consume - they must first produce.

Today, people are rarely producers and consumers and mostly people live a life as **producers or consumers** - where production and consumption are separate activities This separation of production and consumption occurred when some people began to provide specialised products or services. Many specialisations enabled markets to develop and to become more efficient and effective. This separation of production and consumption through specialisation continues and today most people live the dual and distinct roles of producers or consumers.

The notable events are provided as 'evidence' to support the proposition that there are 4 recurring patterns or quests. This evidence helps to explain how the situational factors of customers, organisations, markets, and products are in a continuous state of evolution.

When we delve deeper into the notable events, we see that innovations often disrupt the *status quo*, society is often challenged, and if/when society has concerns or is negatively impacted, new regulations are introduced – regulating market activities has long been part of the evolution of marketing – since Roman times.

The lessons of the evolution are still relevant - we are presently experiencing a notable event and a process of natural selection is underway. In recent years we have seen retailing fracture into [1] traditional marketplace retailers and [2] digital marketspace retailers, however, a new form of retailing – [3] omni-channel retailing quickly emerged. Whilst there are many examples of traditional marketplace retailers successfully employing digital technology, more recently, we have seen digital marketspace retailers expand their footprint with marketplace retail outlets. Today, many see markets as a combination of marketplace and marketspace; some refer to this as an omni-channel approach. Supporters of an omni-channel marketing approach advocate that, customers no longer belong to one camp or another, instead they move freely between the marketplace and the marketspace during the buying process. Today, qualified marketing practitioners rarely see marketing as traditional marketing and digital marketing they simply see it as marketing - with one aim - to best satisfy the needs of their customers and their organisation. Keeping in mind that customers are only loyal to value and select which retailers to approach and which to avoid - organisations that ignore the lessons of the past and fail to adapt and best satisfy their customers – will become extinct

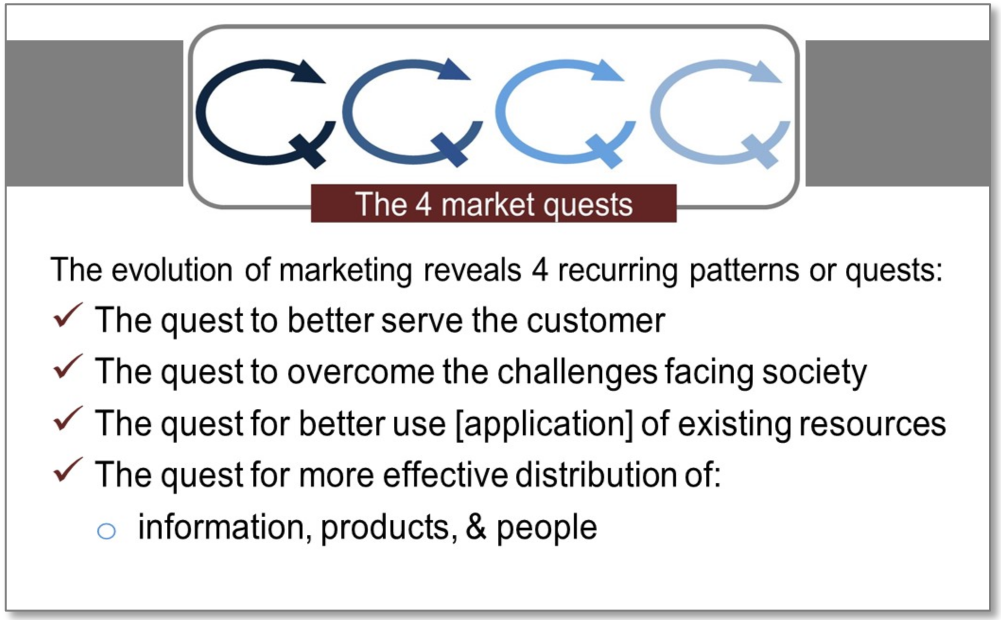

Figure 17: the evolution of marketing reveals 4 recurring patterns or quests. These should provide guidance for marketing practitioners.

In the second chapter, the evolution of marketing: a theoretical perspective our objective is to examine the classic research that has guided marketing thought. Keep in mind each article, when it was written, reflected and documented the prevailing business practices, by synthesising the literature we can form a clear picture of how marketing has evolved as a philosophy and business practice. When we analyse the literature, we can group academic thinking and focus into eras of thought. These are – goods thinking, strategic thinking, consumer thinking, services thinking, societal thinking, relationship thinking, tradigital thinking, and more recently, glass wall thinking.

It is important, when reading this module to consider the marketing examples and marketing literature in the context of the prevailing situational factors. It is also beneficial to consider how the examples and literature would be applicable in today's context. The philosophy of the marketing concept is a constant, the 9 objectives of marketing practitioners are the basis of all marketing efforts, however, the ideas and tools evolve with the market.

In their quest to be more effective, marketing practitioners are constantly searching for new ideas, however, few marketing practitioners have access to current peer reviewed academic journals and whilst there is value in the classics, ideas have a lifecycle and need to be considered and refreshed.

In their quest to be more effective, marketing practitioners are searching for and adopting new tools to be more effective and efficient. It is critical to recognise that people have always learned from the societies that preceded them, for example as Britain became wealthier the wealthiest encouraged the young men and women to embark on a 'Grand Tour' of Europe with a tutor. Although there were hedonic pursuits, the 'tourists' were schooled in the finer things. Art, architecture, literature advanced greatly when the tourists returned and shared their ideas with others. One of the recurring patterns is this ability to see how an innovation may be borrowed from on field and reapplied in another. Marketing practitioners are constantly positioning and repositioning their offerings – even if the changes are subtle. Marketing practitioners are seeking new ways to communicate with the market - new ways of promoting.

The birth of a consumer society

As a consequence of the industrial revolution people moved from the farms to the cities, products that had previously been self-produced, needed to be purchased from a merchant. Factory workers were now focused on gaining a return from their labour not producing what they needed. For example, whereas peasant farmers produced soap from animal fat, ash from the fire and perfume extracted from plants; factory workers now purchased from soap merchants. However, factory workers were now free to choose which soap he/she preferred and which soap represented the best value.

Furthermore, time took on a new meaning, people began to calculate the amount of time required to earn the money equal to the purchase price of a product; therefore, time became a component of value. The home of the peasant family was a place of production, storage and for sheltering family and animals; however, the home of the factory worker became a place of consumption, rest, and leisure.

The economic migration from farm to factory, the ability to spend money, and a general increase in prosperity brought about other important changes. For example, production began to have less influence over consumption and consumption began to have more influence over production. With the increase in prosperity, consumers began to demonstrate their wealth/status; this generated new products and choice. With choice, the route to mass consumption had begun. The obvious demonstration of the wealth/status of the middle and upper class through luxury products is often referred to as **conspicuous consumption.**

Figure 18: Established industrial countries often state that emerging countries are copying their ideas. It may seem as this is a new phenomenon, however, there are others who argue that learning from others and aspiring for the status symbols of others is a recurring theme of business.

In 18th Century Britain, there was a rising middle class. Consistent with consumer behaviour theory the middle class coveted the status symbols of those they aspired to be like. They travelled to Europe, were tutored on the architecture and art and returned to Britain as members of an enlightened class of people. They employed their new connections and knowledge, and some suggest that this contributed to the innovations of the industrial revolution.

The railways of the 18th century made the 'Grand Tours' more accessible and planted the seeds of tourism. The word tour refers to a loop with many encounters. Today, many young people follow in this tradition and undertake the modern version of the Grand Tour – the Contiki Tour.

evolution of marketing
[a societal perspective]

1:2:1 Evolution of marketing [a societal perspective]

Previously: In the module preview we stated that the evolution of marketing is a large topic and for convenience the module has been broken down to two chapters the evolution of marketing [a societal perspective] and the evolution of marketing [a theoretical perspective]. The premise of the first chapter is that marketing and society are intertwined and therefore marketing has evolved with society and society has evolved with marketing.

Learning objectives

Learning objectives of this chapter: After completing this chapter you should be able to discuss marketing as an ancient custom that, in hindsight, has evolved in a logical step by step process to reveal 4 marketing quests.

You should also be able to discuss how knowledge of the 4 marketing quests may assist marketing practitioners when designing and developing a strategic marketing plan and tactical marketing action plans.

Directions

In this module chapter, we explore the evolution of marketing from a societal perspective. The overall takeaway is that marketing and society are intertwined; marketing has evolved with society, and society has evolved with marketing. As this module unfolds, we will explore examples from the Neolithic evolution, the birth of the marketplace, and events before, during and after the industrial revolution. 4 identifiable recurring patterns will emerge from our exploration – we will refer to these as **the 4 marketing quests**. Given, that the 4 marketing quests are historically evident, it is suggested that they are likely to provide guidance to marketing practitioners during the CADDIE business-marketing planning process [outlined in section 3].

Although, there are parameters that confine our exploration of the topic, a number of **notable events** are highlighted as evidence for the 4 recurring patterns. Understanding the notable events reveals how and why markets function today. Understandably, most people take the evolution for granted, however, understanding the evolution of marketing will highlight that marketing practitioners have been innovators for thousands of years. The constantly evolving nature of marketing and society suggests that marketing is a dynamic discipline and that marketing practitioners must assist organisations to adapt to the evolving situational factors.

We could characterise the notable events since the industrial revolution as mass production and mass consumption. Mass production includes the distribution of products, people, and information. Mass consumption includes the evolution from the hunter-gatherer [pure consumer], to the producer and consumer, to the distinct producer or consumer living in cities across the world; this discussion reveals 3 consumer categories: 1] Consumers – hunter gatherers, [2] Producers and consumers – the peasant farmers, [3] Producers or consumers – engaged in work or leisure

Figure 19: People may be grouped into 3 producer-consumer categories

An objective of this module is that this knowledge will enable readers to consider marketing in a more informed and holistic manner. The notable events will now be discussed.

The Neolithic evolution

For the majority of human history people lived as hunter gatherers and in time developed an ability to learn from each other and adapt to their environment (Boyd & Richerson, 2009). Then, around 12,000 years ago the hunter-gatherers [some suggests that they were more foragers than hunters] began to adopt a sedentary lifestyle.

Some archaeologists suggest that this was out of necessity rather than choice and some go so far as to suggest that this is the explained through the metaphor of Adam and Eve in the Bible (Dietrich, Huen, Schmidt, & Zarnkow, 2012). This transformation is often referred to as the 'Neolithic Revolution', however, as the events evolved in a gradual and independent process, it is probably more accurate to describe these events as an evolution rather than a revolution.

Figure 20: Hunter gathers would bring the bones of animals to a collective site, they employed rudimentary tools, a fascination with the afterlife emerged in different societies.

At a dig in central-southern Italy, archaeologists discovered a tooth of a ten-year-old amongst the animal bones, they also uncovered rudimentary tools including tools employed to drill through the bones to enable the marrow to be extracted from the bones. What is also interesting is that some of the bones are of animals [e.g., elephants] no longer found in Italy.

Although Scotland is strongly associated with the industrial revolution, it has an ancient history and there are a number of sacred sites where burial rituals were performed.

Keep in mind that the Neolithic Revolution was not one distinct event, but rather an evolution that unfolded gradually and according to the society. Therefore, marketing practitioners should be mindful that [even today] different markets will have unique situational factors that need to be uncovered and considered.

In time, nomadic hunter-gatherers evolved into sedentary peasant farmers – they built shelters and domesticated animals and plants. They traded what was of value [e.g., furs and hides]. They cultivated plants, selected the best, and modified their environment to maximise their effort. They were largely self-sufficient. They preserved and stored food; for example, cereals were cultivated and baked into bread, vegetables, fruits and dairy were pickled and/or fermented. People were both producers and consumers. Interestingly, many food products that we consume today originated in this era – think cereals, breads, pickled vegetables.

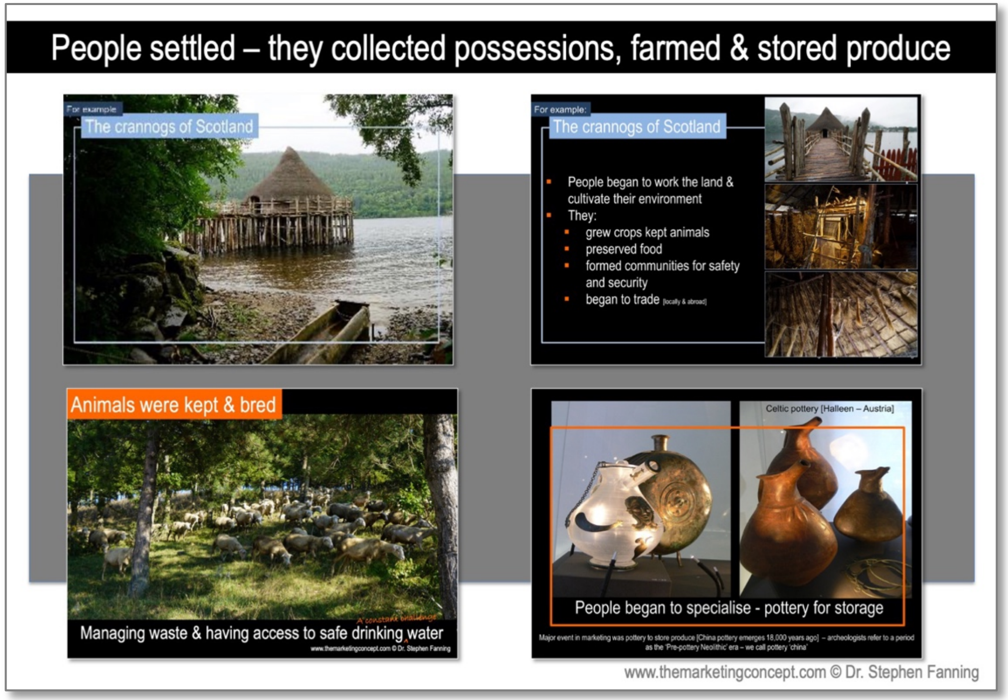

Figure 21: As people became sedentary, they needed to store food, they kept animals, and had other possessions, however, this made them vulnerable. For protection from marauders and from the weather they came together, built shelters and formed villages.

In time and for protection, peasant farmers formed villages. The crannogs of Scotland are an early example of the transition to village life. A crannog is a large timber framed roundhouse that protected a community and their possessions [e.g., food and livestock]. The crannogs were built over water and joined to the land by a wooden bridge, for defence part of the bridge could be removed. During the day people farmed the land and fished the waters but retreated to their crannog to eat and sleep.

In a quest to better store and serve food and drink people invented and the produced pottery. Pottery is one of the greatest advancements and one that provided archaeologists with tangible records of past societies. The Celtic pottery in Fig. 21 shows sophisticated and highly decorative pottery and how different designs were produced for different functions. Being a specialist trade pottery identifies how communities began to evolve from peasant farmers into specialisations.

In time, peasant farmers began to exchange surplus production. Others traded their skills and labour [the origins of the word 'tradespeople']; some specialised; for example, carpentry, butchering, leather tanning, pottery, transport. Other craftspeople specialised in the production of metals - some metals were cast into tools for farming and precious metals were crafted into jewellery and coins. As markets expanded, metals were also cast into weights - to provide a more exact measurement of produce. Standard weights and measures and regulations were introduced to ensure value and fairness – 'a fair exchange'.

Figure 22: In time villages were established, many were walled and fortified for safety and protection of people and possessions. In time populations grew, a great example of the increasing need for safety and protection is the Great Wall of China. It is hoped that a broad view of the evolution of marketing is considered rather than a one country view.

As people evolved from hunter-gatherers to an agricultural and village lifestyle, they encountered a number of new challenges (Boucquet-Appel, 2011). As a consequence of people and animals living in close proximity, water became contaminated with faeces.

Drinking beer [fermented cereals] was considered safer; beer was produced and traded; at some locations exchanges were recorded on wet clay that was dried and stored [cuneiform writing]. We could say that beer played a significant role in the development of writing, management, and bookkeeping.

Figure 23: Initially people, to access clean drinking water, began to dig deeper wells, however, regardless of the depth the wells became microbe infested and unsuitable for drinking. Infected water has long been a challenge of societies.

In time beer was brewed, this led to the farming of cereal crops, the selecting and storage of the best seeds. Three distinct groups emerged – farmers, brewers, and consumers. Interestingly some brewers today support clean drinking water projects in 3rd world countries.

In areas suitable for grape growing, grapes were fermented into wine and the wine was mixed with water to purify the water and provide calories [rice is also fermented to wine].

Cuneiform writing was developed in Mesopotamia [the land between the Tigris and Euphrates Rivers and often described as the 'cradle of civilisation']. The tablet was photographed in the British Museum in London is thought to be 5,000 years old. Transactions were etched into wet clay, the clay 'tablets' were dried. In this clay tablet, the symbol for beer is visible 3 times. Note how the writing is icon based [logo-syllabic]. Archaeologists comment that it would be a mistake to consider this a simple form of writing as it was employed and understood by people speaking multiple languages.

What are the similarities between the icon on the clay tablet with the software icons on a laptop or phone and do these icons span a number of languages?

When you think of a peasant farming family toiling in the field to survive it is hard to understand the effort needed to grow grapes and make wine - unless you consider that for thousands of years wine had an important purpose. Traditionally, wine [fermented grapes] when mixed with water was a proven method of purifying water. Wine, which is also high in calories, was a source of energy. Wine was taken by peasant farmers into the fields to mix with stream water as not only did this purify the water it provided the energy needed to work. Wine was also a method of preserving fruit, wine was used to clean meat before preserving, and for medicinal purposes.

The process of grapes to wine was perceived as a miracle - wine became sacred, 'wine gods' were worshiped. Wine was deified as ceremonial and recorded in the histories of Mesopotamia, China, Egypt, Greece, the Roman Empire, and Medieval Europe. The health benefits of wine lead to the widespread cultivation of grapes and the production of wine. Clearly, wine was viewed more utilitarian and less hedonic than it is today. Although history also records the misuse of alcohol and today, consumption of alcohol still presents challenges for society.

Interestingly, where grapes were not available other alcoholic liquids was produced and consumed [e.g., whisky, sake, cider]. The Scottish Gaelic language refers to whisky as *uisge-beatha* meaning the water of life (Arthur, 2000; Pearson, 2017).

Storage of produce has always been important. According to Work (2014) the wooden barrel was a result of the diffusion of ideas where the Greeks and the Celts took wooden boat building skills and then reapplied this knowledge. Twede (2005) argues that the invention of the wooden barrel played a significant role in trade, increased the shelf-life of products, and the round/flat shape created strength and enabled better handling. Such was the importance of coopers and cooperage that, for around 1,000 years, the manufacture of barrels was controlled by a strong guild of master coopers and regulated by industry standards.

Producing and trading beverages went beyond alcohol and boiling of water was also a means of survival. The history of tea is also enlightening. Chow & Kramer (1990) trace the trade in tea in China to the 12th century B.C. and reveal that tea was pressed into 'cakes' and embossed with the producer's seal. The tea cakes were an accepted means of currency and an early example of branding. Tea was first imported into Europe in 1610 and soon became a valuable commodity. The trade in tea received much government attention. Of course, tea and the taxation imposed on tea played an important part in US history.

Another commodity that has an ancient commercial history is salt. Historically salt was traded and valued for its ability to preserve and flavour food. A visit to a delicatessen or supermarket would reveal that salted meats and produce are still produced today and considered, by many [but not all], as a delicacy. Tannihill (1973) reveals that the production and trade in salt has a 12,000-year history. She emphasises the importance of salt in commerce and how 'salary' is derived from the Russian word for salt rations. Historically, salt mining was dangerous work often performed by slaves and prisoners as life-expectancy was low.

Figure 24: Initially the fermenting of grapes to wine was seen as a method of purifying infected water. This was promoted as a miracle by religious orders and nobility who often controlled the production, promotion, and distribution of alcohol. A system of marketing and distribution that was disrupted in France during the French Revolution. Wine was/is used in religious ceremonies.

Monasteries such as the one photographed at the Château du Clos de Vougeot in Burgandy, France had wooden framed structures and often had large wooden wine presses and large wooden vats. The workmanship of the wine making machinery in the in this collection is from a time before steel when wood was plentiful. A visit to the Château du Clos de Vougeot provides a 900-year insight into the history of wine marketing.

Although stainless steel vats have largely replaced wood in the production process, it should be highlighted that wooden barrels are still used to store and flavour alcohol. In some industries used wooden barrels are passed-on from other producers to provide unique flavouring. Whisky producers generally source used barrels [wine, sherry and port] to add colour and create a more complex and favourable taste than what can be achieved through the distilling process. The type of wood influenced the taste and Oak is preferred. Coopers also char or toast the inside of a barrel to add flavour – a trade rich in history.

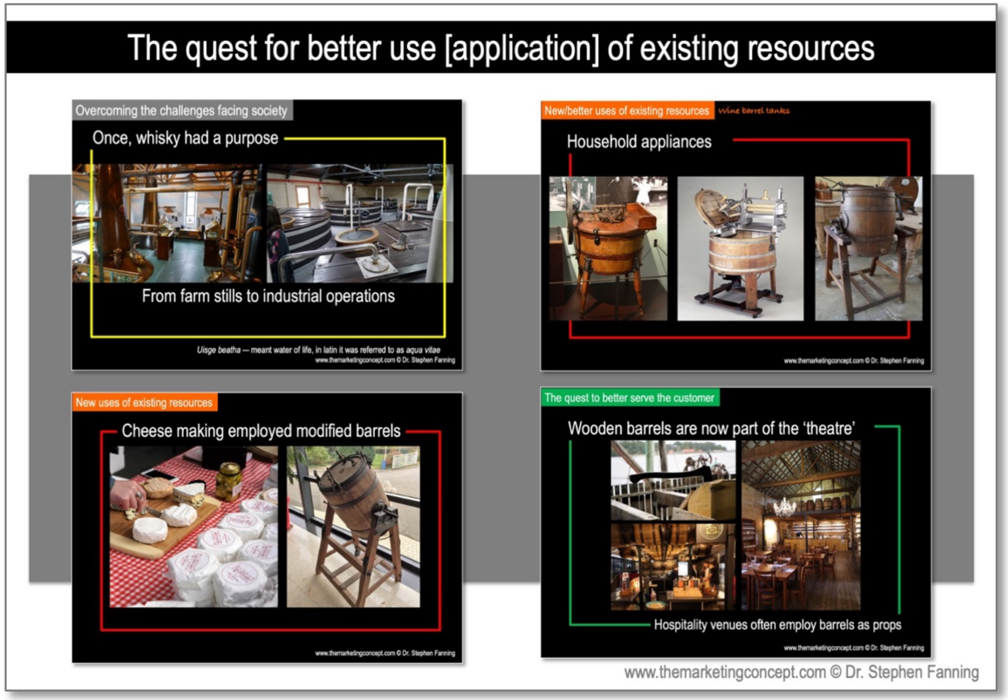

Figure 25: The work of coopers was to keep dry produce dry and wet produce wet. Although we tend to focus on wine and whisky, barrels were made for a variety of produce.

In the era of wooden ships coopers were in high demand, they often worked on wharfs and accompanied voyages to re-assemble barrels for the return voyage.

In this collection we can see large barrels still employed in the whisky industry. We can also see how barrels were modified and employed in the making cheese and butter.

Barrels were also employed in early washing machines – initially with the barrel rotating, later wringers were added. Obviously, this is before the general adoption of electric motors in household appliances.

Today, barrels are often employed within hospitality venues to help create a sense of theatre and as part of the meta-narrative of the product or brand.

Taking surplus production to market

Marketing has its origins in the peasant farmer taking surplus produce to market; keen to achieve the best value from the exchange people generally traded with people they knew and trusted. In time, informal markets evolved into formal markets. To facilitate and enable the markets to function intermediaries began to offer a range of facilitating and supporting services. Intermediaries settled near the markets and in time 'market towns' evolved.

Figure 26: The early days of markets. Markets often formed at the intersection of two paths. Initially informal, some became permanent and 'market towns' emerged. An example of one such town is Saepinum [now known as Sepino]; an ancient pre-roman market town around 130km south of Rome in Italy.

In time trade developed between different towns and in time became international. The advances by the Chinese, the Romans, and the Portuguese are of note.

Although rare today, for thousands of years an ancient process of *la transumanza*, the migration of livestock, was performed (Clissa, 2001). Today, many of Italy's modern roads follow the pathways that peasant farmers brought their produce to markets. Generally, the market towns had an entrance gate or entrance gates; this was not only to protect the merchants from marauders but also to levy taxes from the buyers and sellers.

Markets and the activity of marketing are ancient. In cities, such as Rome there are examples of ancient markets - for example, tourists can visit the site of an ancient fish market - *Il mercato del pesce* or visit the site of an ancient shopping precinct - *Mercati di Traiano*.

The Romans, according to Pressey (2014), were strict market administrators and they enforced harsh penalties for traders taking advantage of consumers. The legal concept of **unjust enrichment** originated in Roman times – it is based on the premise that exchanges should be fair, and that one person cannot unjustly profit at the expense of another (Giglio, 2003; Barker, & Grantham, 2018).

Hawkins (2017) states that the Romans also played a significant role in the establishment of markets through infrastructure including the construction of roads, buildings and the creation of a safe and secure marketplace environment. Rippon (2008) an archaeologist, presents the view that in addition to roads built in England by the Romans, the Romans also built ports for local and overseas trade. Furthermore, he suggests that there is evidence of cooperation between road and water-based transport. The Roman influence on commerce in Western-Eurpoean ended in the 6th Century [AD]; this according to Pressey (2014, p. 279), was followed by "a 700-year period of economic and cultural regression" – commonly referred to as the Dark Ages. Interestingly, the 'European Dark Ages' was a period of great enlightenment in the Middle East.

Protecting markets and creating favourable market conditions has long been a priority for governments as they were an important source of revenue (Jones, 1993). Guilds were also involved in creating favourable market conditions, enforcing a strict code of practice, passing on skills, and the protection of producers and consumers - counterfeit products (Petty, 2016).

What is also interesting about the traditional rural markets is that the **relationship** between the buyer and the seller could be described as **intimate**, furthermore, people did business with people they knew and trusted. As markets became more complex, intermediaries were often employed to represent the producers; establishing consumer trust became a priority and this led to the emergence of **branded products** (Hawkins,2017).

The traditional rural markets can also stimulate supply and demand; for example, in 18th Century Australia, informal farmers' markets became an important source of produce for the settlers in the new and struggling colony; interestingly, the role and importance of the informal markets was observed, and the markets were quickly regulated (Crawford, 2014). Regulation has long been a feature of markets.

As we introduced earlier, many European towns and cities began as **market towns**. In medieval times, being designated as a market town indicated that the town was awarded the 'market rights' to legally hold a market. Today, many of the local authorities in the United Kingdom recognise the medieval rights of market, which defines a market as "a concourse of buyers and sellers with 5 or more trading positions."

As markets developed villages grew to towns, some into cities and some mega-cities. London was once a market town, however, due to its strategic location on a tidal river international trade was possible and it became a city of merchants [the tide pulled sailing ships upriver or pushed sailing ships out to sea]. The history of London is fascinating and is a good example of the challenges that societies faced [invasion, floods, disease, fires] and the advances made to overcome the challenges [sewage, clean water, transportation, retailing banking].

Figure 27: As trade expanded cities evolved some such as London became mega-cities. What is also interesting is that as each society evolves the world of commerce evolves. Florence, whilst known as the banking centre of Europe in the Middle Ages was also known for great advances in the arts and sponsored many artists [e.g., Da Vinci and Michelangelo.

Even in medieval times, market regulation provided societal benefits. One objective of legal markets was to ensure that the 'title' of the purchased goods would be transferred to the buyer, therefore, the market organiser acted as a witness; for this service, the market organiser would generally charge the buyer and/or the seller a fee for service (Hough, 1997). In some countries, such as Scotland, crosses have been erected - a *mercat cross* to identify the position of a legal market and to ask God to watch over the market. In medieval towns traders displayed signs to promote their products and this is considered an early form of advertising (Hawkins, 2017). The signage communicated the occupation to a largely illiterate passer "the painted knife indicating the shop of a cutler … a bandaged arm, marked a surgeon's premises" (Mortimer, 2009, p.9). In time, this practice was recognised as a **trademark**.

A common feature of larger towns is that there is generally one street named 'Market Street'; this indicates where a market is/was located. Towns and cities evolve - sometimes, inner city wholesale markets have been relocated and the historic buildings are re-purposed; often these areas become an important part of the city entertainment scene – for example, the Covent Garden Markets in London, England.

Figure 28: The industrial revolution attracted people to the towns and the towns became cities, however, no city was prepared for the increased likelihood of infection.

For example, the population of Liverpool swelled due to the influx of immigrants seeking work. Life expectancy in Liverpool was 19 years. Scottish engineer James Newlands designed and managed the construction of the Liverpool sewage system. The project which included flushing toilets in tenements and public buildings took 11 years and was completed in 1869.

London for many years experienced what was referred to as the 'Great Stink' caused by a mix of industrial effluent and human waste discharged into the Thames River catchment. Regular outbreaks of cholera occurred. In addition, the cesspits caused methane gas and explosions and fires were common. As the Liverpool project was nearing completion London began a similar project, the objective was to improve the health and life expectancy of the population.

If you have ever walked along the Thames embankment in London, you are actually walking above the main sewage pipes. Initially the raw sewage was discharged untreated, however, The Thames is a tidal river, and the effluent often came upstream with the rising tide. It appears as if societies often make progress only to be presented with another problem.

Figure 29: Markets – places where sellers and buyers came to satisfy their needs became a common feature of many towns and they were recognised by authorities as 'market towns'. To facilitate a fair exchange common money, standard weights, and standard measurements were introduced.

One feature of markets was that they recognised the title of the goods sold and market exchanges recognised the transfer of the title and protected buyers from claims that they may have stolen the goods, however, it made those who entered transactions outside a market open to accusations. Markets have long attracted the taxes and attention of authorities.

As we discovered in the activity in the definition module, covered markets and street markets remain popular; generally, the markets are held on a particular day or days. Markets are often interesting places for tourists as they provide an insight to the culture, foods, and traditional crafts of a region. They give an insight to the people and how they live. Markets often attract local consumers who are searching for a more personal buying experience, better pricing, fresher produce, and local produce.

Supermarkets offer a different buying experience than local markets, however, they are popular for their convenience, the range of goods and the facilitating and supporting services that they provide.

Figure 30: This collection is from the Adelaide Markets in South Australia. The images could be anywhere as markets throughout the world have evolved and share many characteristics and are in many ways a snapshot of marketing in general.

The producer-consumer

There are a number of patterns in society that are of interest to marketing scholars; one is the transformation from a producer and consumer to a producer or consumer. Although peasant farming had largely disappeared in western nations by the 1950's, it still exists in some parts of the world [those of you who have visited rural parts of Asia may have noticed this].

The general characteristic of the peasant family is a self-sufficient and self-reliant extended family [small communes]. The communities grow their own food, preserve their produce for future consumption, build their own homes [often with local materials], and trade their produce or labour, for any items beyond their ability to produce. Generally, peasant families do not specialise and have a wide range of crops and animals; they have a 'waste not want not', 'frugal' philosophy.

To ensure that knowledge was retained, community engaged in rituals, and these were passed down from one generation to the next – verbal or oral histories. Some of the community rituals are still practice today and it is interesting to explore the origins and purpose of rituals and the roles they play in our lives as consumers [e.g., search the origins of Halloween].

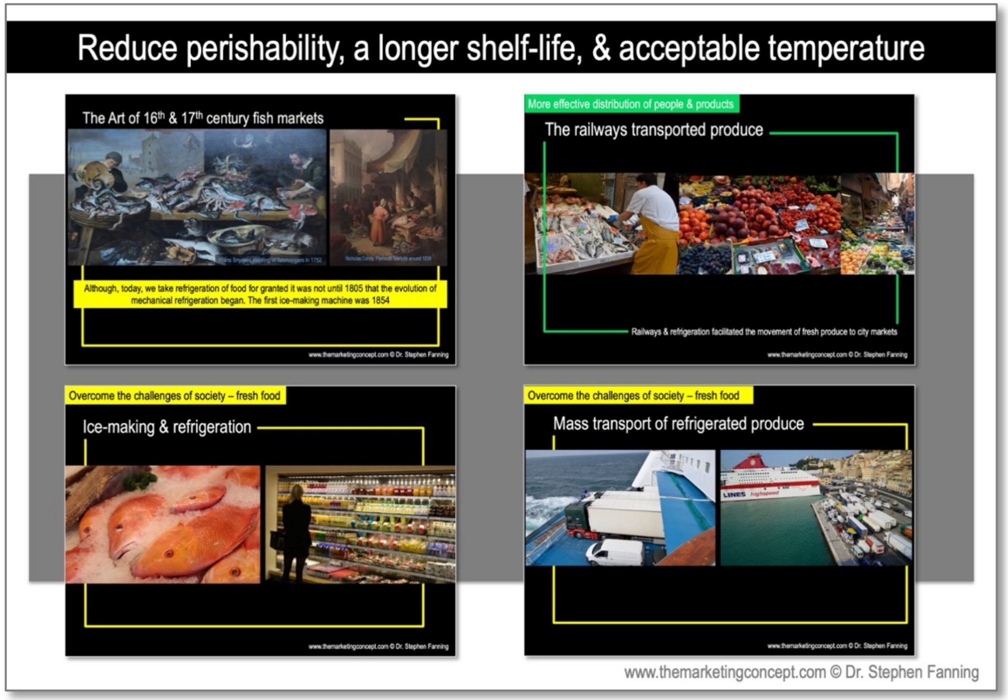

Figure 31: Prior to the inventions of ice-making and then refrigeration food had a limited shelf-life. James Harrison was a Scottish-Australian, the son of a fisherman and editor of an Australian newspaper. Harrison noticed that some of the printing liquids were cold when touched. This sparked his interest in refrigeration. At the time Australia was importing ice and he felt that a cheaper and more convenient alternative would overcome the challenges of society.

In time refrigeration evolved and progressed to include large, refrigerated spaces, the cooling of retail display cabinets, truck containers, and the household refrigerator. What you may spot is that refrigeration is a service provided by machinery. In recent years new refrigerant gases have been developed to minimise the environmental effect.

People have traded for thousands of years. We would all be familiar with stories of merchants and their treks on camel or horse. The ship has also evolved over time to more effectively deliver information, produce, and people. Although many of these events are brutal water transportation did evolve along the way from a simple canoe made from reeds, branches or hollowed from a tree trunk, through small coastal sailing ships, larger sail powered clippers, to sail and steam, to some of the super ships of today.

The evolution of the canoe/boat/ship is a great exemplar of the 4 recurring patterns or quests.

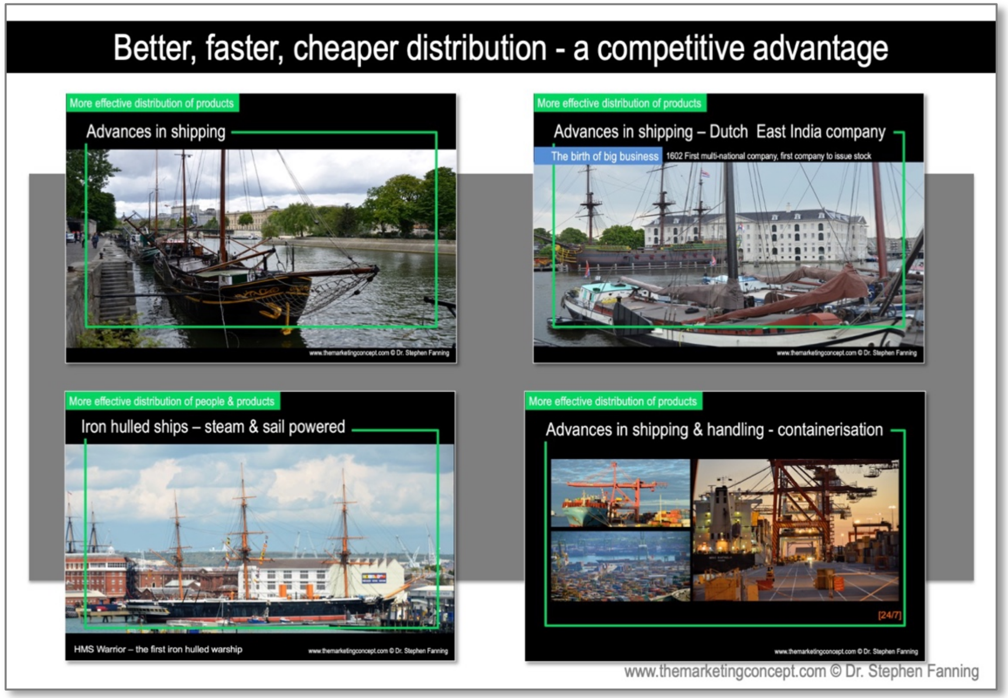

Figure 32: In the above collection we can see how trade developed from small sail powered coastal boats, these were before the time of steam power and were often at the mercy of the tides and the wind.

A pioneer of global trade was the Dutch East India Company, this mega-company was what we now refer to 'crowd funded' however it is also the first company to issue stock. Therefore, we could say that the Dutch East India Company is the beginning of the stock market.

We can also see one of the first sail/steam/iron ships, what is also interesting about this ship is that it was a diversification strategy by a railway company. The idea was that wealthy passengers would pay a premium to travel in luxurious surroundings, however, the idea was a little before its time.

Prior to containerisation cargo was loaded individually, the people who undertook this task were often referred to as 'lumpers' as they lumped cargo up the gangplanks and into the ship. Today container ships are a common sight, the idea of container ships is older than most think. The integration of freight over sea and land was common in Roman times. However, the modern container ship had its origins in improving rail and ship transport, today many containers move between ship transport and road transport.

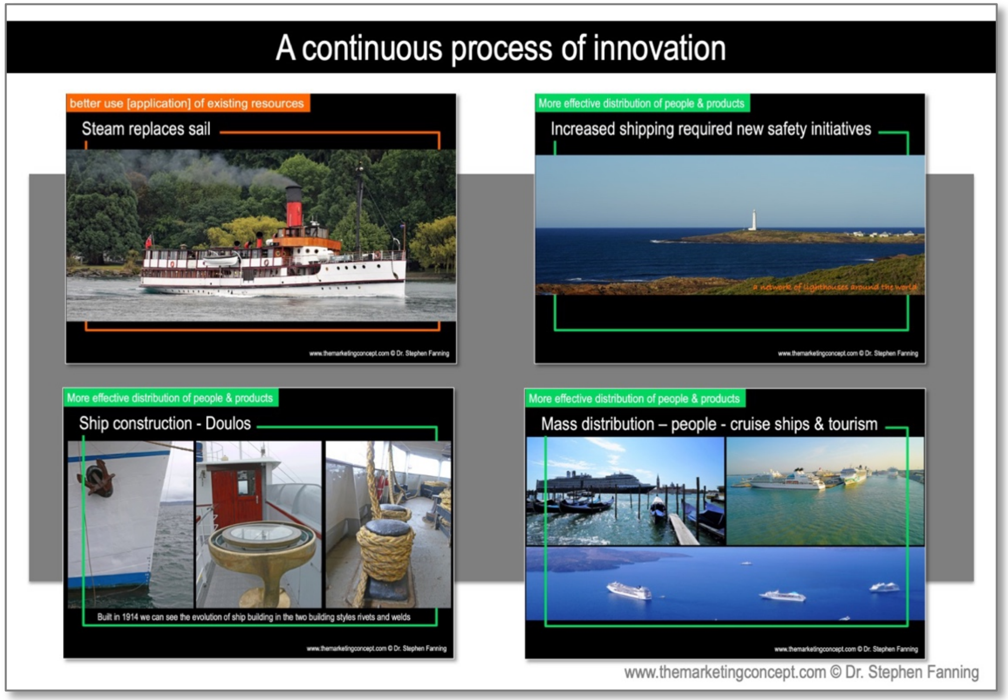

Figure 33: In this collection the innovations of steam and steel from the railways are applied to shipping - we note how innovations in one industry are applied in another.

With concerns for safety of vessels, people, and cargo a network of lighthouses was established to lower the risks associated with shipping. Managing risks and minimising financial losses associated with shipping have long been part of international trade, with archaeologists uncovering ancient maritime insurance contracts in cuneiform writing and around 4,000 years old.

Initially, rivetted steel ships were an extensions of wood building technologies. In the image of 'Ship construction – Doulis' we can see how an early steel planked and rivetted ship [built 1914] had a new bow added employing newer technology.

For a number of years passenger ships were an important means of transport, with the popularity and convenience of air travel the passenger numbers declined. However, with repositioning, a focus on the experience, and a new target market cruise ships became an important tourism industry. With large numbers of sated passengers cruise ships were criticised that they overburden the communities and did little for the economies of the destination. In 2020 cruise ships were put into mothballs as concerns for passenger safety were raised. Demonstrating that situational factors influence all aspects of marketing.

Figure 34: In this collection we reflect on how production was once reliant on muscle power.

The producer/consumer toiling in the field can still be found in some countries. Around 80 years ago it was a common sight in many countries, including countries in Europe, to see people toiling in the field, however, today it is a rare sight especially when men, women, and animals work together in the field to produce their food.

Today horses are seen as part of sporting events. And it is easy to overlook the role of horses and how they were a central part of many people's lives. Horses helped plough the fields, cart the crops to market, take fallen trees to the mill, transport produce, and take families to the city.

Prior to the railways there were a network of canals that crisscrossed some countries and produce was taken by barge boats that were drawn by horses. Many of the canals are still in use today, however, they are predominantly employed for leisure.

Horses also required a great deal of maintenance and required somewhere to be stabled, regular watering and feeding, grooming, and it took time to ready a horse for work.

Figure 35: The history of railways begins with horse drawn wooden wagons laden with coal on track made of wood. However, with a demand for faster transport to increase speed to market the evolution of the railways began. Initially, it was part of the industrial revolution sweeping England, however, in time it touched all parts of life.

Although initially the was a focus on transporting good to and from factories, in time railways became the accepted and affordable means of transport for working-class people. One area of interest is that it expanded tourism as families took the train to the seaside resorts for an escape from the city and the pollution.

In London the railway networks arrive at terminals at the edge of the city, however, as the city grew and to effectively and efficiently move people throughout the city and with no space for above ground trainlines the railways went underground, initially steam powered the were soon electrified.

Many may take the London underground network for granted, however, when it is considered the time and endeavour it is truly a remarkable event for society.

Today in many countries the railways have been rejuvenated and have found a new following. In many countries high speed trains connect cities.

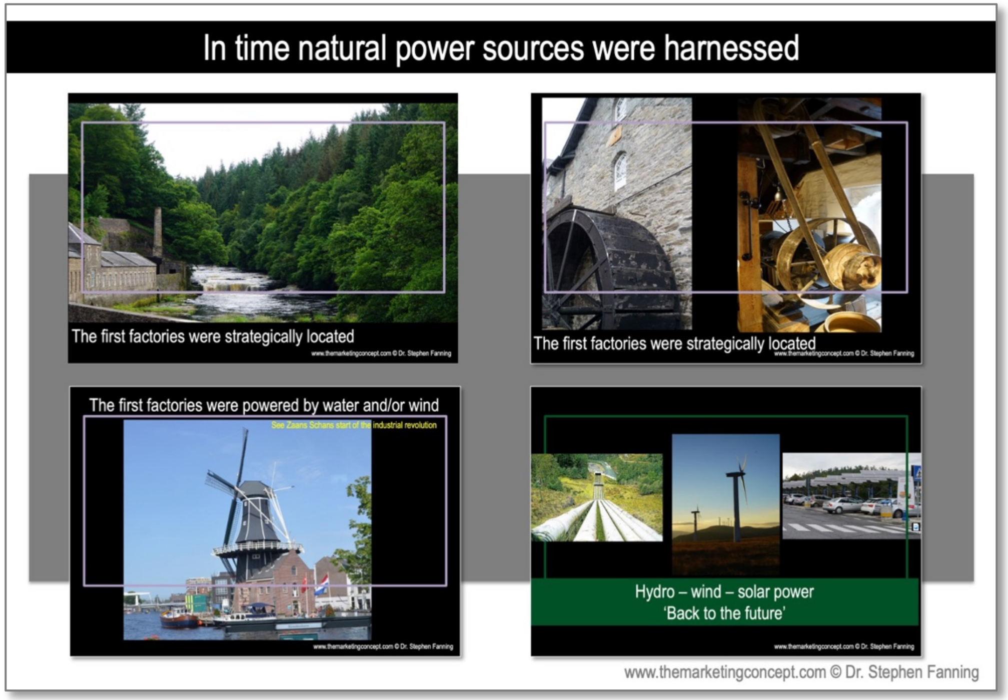

Figure 36: With all the talk about steam powered machinery it could lead people to think that the industrial revolution began with steam powered engines.

At the beginning of the industrial revolution England and Holland had the highest average wealth and life expectancy [around 4o years]. Both countries were progressive and with increasing wealth from trade were well positioned to take advantage of their situational factors. Availability and location to natural sources of power were key success factors.

Many of the weaving, flour, and timber mills relied on water from streams and rivers or wind power. We may think about renewable energy as something new, however, these sources of power, although simpler than today have long been utilised. What was also important for success was having access to rivers to transport to and from the mills.

In some mills animals were employed to turn the mills when insufficient natural power was available. There is documentation that animals were often given feed with alcohol as the calories in the alcohol provided the animals with additional energy.

Figure 37: The relationship with the horse spanned 1,000 of years, however, the arrival of the first 'safety bicycle' in 1839 was the beginning of the end of the horse. The safety bicycle replaced the 'penny farthing' style of bicycles. The penny farthing had one large wheel at the front and one small wheel at the back. The safety bicycle had two wheels of even size and employed a chain and geared system to replace the large wheel small wheel configuration. This enabled riders to reach the ground with their foot when stationary.

By the 1880s the safety bicycle was in mass production and took advantage of the advances in steel and the casting and machining of steel parts.

The bicycle was particularly popular with people living in cities as it could be stored safely and more conveniently than a horse, plus there was little maintenance.

In the collection above we can see how bicycles have continued to be an important means of transport for many and for some a lifestyle choice. The evolution of the bicycle bifurcated with one stream evolving into the motorcycle. In the collection above we can see some of the steps in the development and also see some luxury brands of motorcycles.

In time advances in wheels, tyres, gears, electrics found their way into the motor car. This evolution is outlined in greater detail in the exemplar 'Indian Motorcycles' [click here]

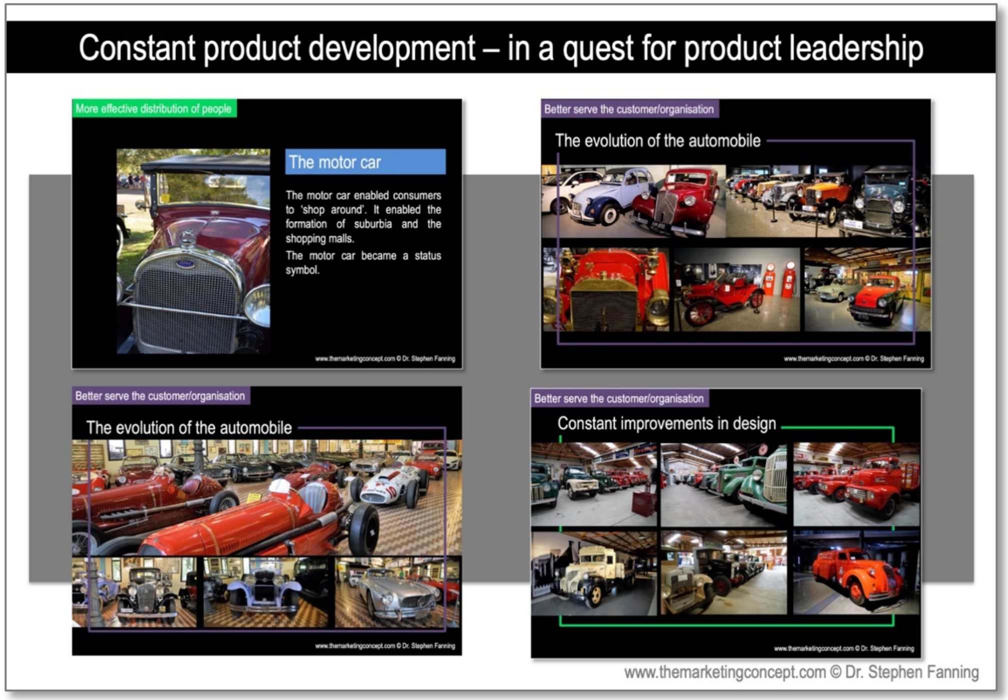

Figure 38: The quest to better satisfy + adopt the innovations in one product and apply them to another led to the development of the motor car. We can see how innovations by bicycle and motorcycle manufacturers were reapplied and began a process of the evolution of the automobile.

Each year automobile manufacturers would audit their customers, their organisational capabilities, the market, and the products and go through a process of constant product development. To many countries the automobile industry is part of national pride; there is a hierarchy, which is challenged from time to time. There are also mergers of brands and collaborations to seek economies of scale. Out of sight from the customers are the global original equipment manufacturers [OEM] who supply parts across manufacturers.

When we look through a car museum or attend a vintage car rally, we can see how some manufacturers have been consistent with their branding over the decades, for example the Ford logo. How many once successful brands have simply disappeared when they now longer had product leadership within their selected market segment, and we can see how features once found in luxury brands are adopted and trickle down to other brands.

We can also see how this constant product development has also applied to commercial products and how innovations in automobiles are applied in commercial vehicles.

Figure 39: In the northern Italian city of Como is a statue of one of their favourite sons, Alessandro Volta, each day thousands of people walk past this statue and probably only a few would consider how Volta's invention has changed the world. Equally it would have been impossible for Volta, 1799, to imagine the way his invention would influence society.

Consider for a moment, the products you own that have batteries to enable them to function. Consider how battery life is often a determinant product quality when selecting a product.

In this collection we can also see the evolution of the petrol bowser and how initially it was hardly convenient and how over time it became more 'user friendly'. We are beginning to witness the adoption of the electric car with more efficiency and the ability to travel further between charging. And just as the petrol bowser evolved it is likely we will see advances in the electric charging stations.

In the above collection we can see how electric trams once criss-crossed many cities and how today in an effort to meet the challenges for better air quality electric trams are having a rejuvenation. Interestingly, the motor car was initially promoted as been a safer alternative to horse drawn carriages as horse manure carried disease and this disease was then introduced to homes on the soles of the feet of family members.

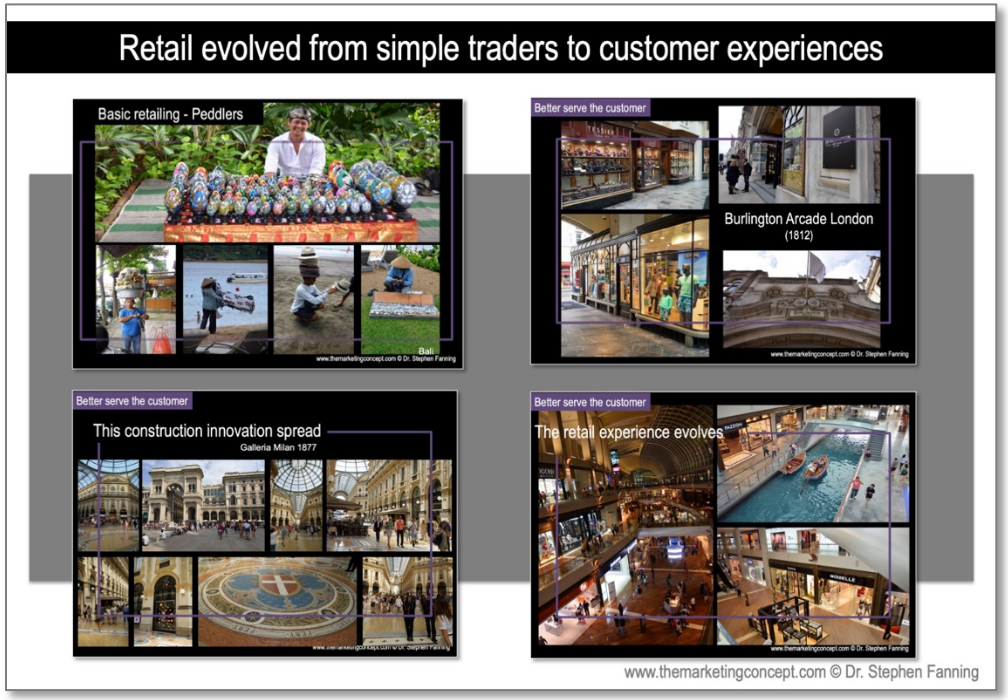

Figure 40: In the above collection we see some 'peddlers' on the Indonesian island of Bali. I enjoy watching them for a number of reasons. One of the key reasons is how much effort they put into their 'selling' and how they work hard and value their time. Another reason is that I like to observe tourists who bargain hard over what is essentially very little to them but a great deal to the peddlers when I get the opportunity, I ask them would they behave the same way if they were in a luxury watch shop rather than a copy watch seller on the beach. Often, they would not, and I feel that we behave according to how much power we feel we have.

Although there were arcades in Ancient Rome and covered walkways in many Roman cities [e.g., Bologna], the Burlington Arcade in London, the Bn Marche in Paris and the Galleria in Milan are great example of the birth in modern retailing.

In London in the 19th century a number of arcades soon followed the Burlington arcade to provide better upstairs accommodation for the merchants and a better retail experience for shoppers.

Interestingly, the arcades employed security guards who in time became the London Police. Today, the arcades occupy some of the prime real estate in and are the flagship stores for a number of brands. When talking about retailing the arcades and shops of Singapore offer a range of shopping experiences from convenience to extraordinary shopping experiences.

Figure 41: The evolution of retailing has many notable events. Some such as the cash register recorded exchanges and provided proof of purchase. In some countries customers were checked for cash register receipts to ensure that shopkeepers were recording transactions correctly for tax purposes.

The history of modern retailing has many notable events. For example, electricity to homes and electric motors produced many new household appliances. Electric lighting in retail spaces replaced the need for natural light, this allowed for better use of floor space, for longer shopping hours, and for better illumination of products.

The invention of plate glass enabled large one-piece shop windows. Window displays are an important form of marketing communication [promotional tactic] for many retailers. Window shopping is a popular pastime and part of the buyer decision process – particularly in the lead up to Christmas. Window displays provide a glimpse of the products on offer, and an opportunity for product positioning and branding. Many online retail organisations use the web-site homepages as a substitute window display.Customer convenience and comfort are important qualities are pre-purchase determinant qualities and then evaluated post purchase – they become part of customer satisfaction and repeat purchasing behaviour. Therefore, retailers face an ongoing constant challenge of maintaining a best satisfying customer experience.

The industrial revolution

There has always been some movement from the peasant farm to the village and from peasant farming to specialised activities; however, economic migration from the farms to the cities accelerated with the industrial revolution – and part of the history of a number of countries.

Since the very beginnings of the industrial revolution the peasant family has been a traditional source of factory labour. According to Richardson (1973) the industrial revolution was characterised by a process of **economic migration** where farm workers, in search of a better life [a common statement which some may question], migrated from the farms to the cities. He suggested that a plentiful supply of compliant workers provided British manufacturers during the industrial revolution with a source of cheap labour and, consequently, low production costs. Often economic migration from the family farm happens when the family land is unable to support the family. In these circumstances, it is expected that those who emigrate send 'remittances' to help improve the life for those who remain in the family home. What is interesting is that migrating to the city is often seen as a temporary solution; however, many migrants never make it home. What is also clear is that it is very hard to return to a peasant life. Some consumer behaviourists have called this phenomenon of being suspended between two places as a liminal state –this is often referred to as **liminality**.

Life for peasant farmers was generally restricted to consuming what they had produced and stored, and the skill of these people has to be admired. Karl Marx drew attention to the inseparable relationship of production and consumption for peasant farmers and referred to this as **consumptive production** and **productive consumption**. However, when the farm workers migrated to the cities and became factory workers their relationship between production and consumption changed dramatically. Factory workers had two separate and distinct identities - one as a producer and another as a consumer – in time many self-production skills were lost.

Furthermore, time took on a new meaning, people began to calculate the amount of time required to earn the money equal to the purchase price of a product; therefore, time became a component of value. The home of the peasant family was a place of production, storage and for sheltering family and animals; however, the home of the factory worker became a place of consumption, rest, and much later - leisure.

As people moved from the farms to the cities, products that had previously been self-produced, needed to be purchased from a merchant. Factory workers were now focused on gaining a return from their labour not producing what they needed. For example, peasant farmers produced soap from animal fat, ash from the fire and perfume extracted from plants; factory workers now purchased from soap merchants. Interestingly, factory workers were now free to choose which soap they preferred and which soap represented the best value.

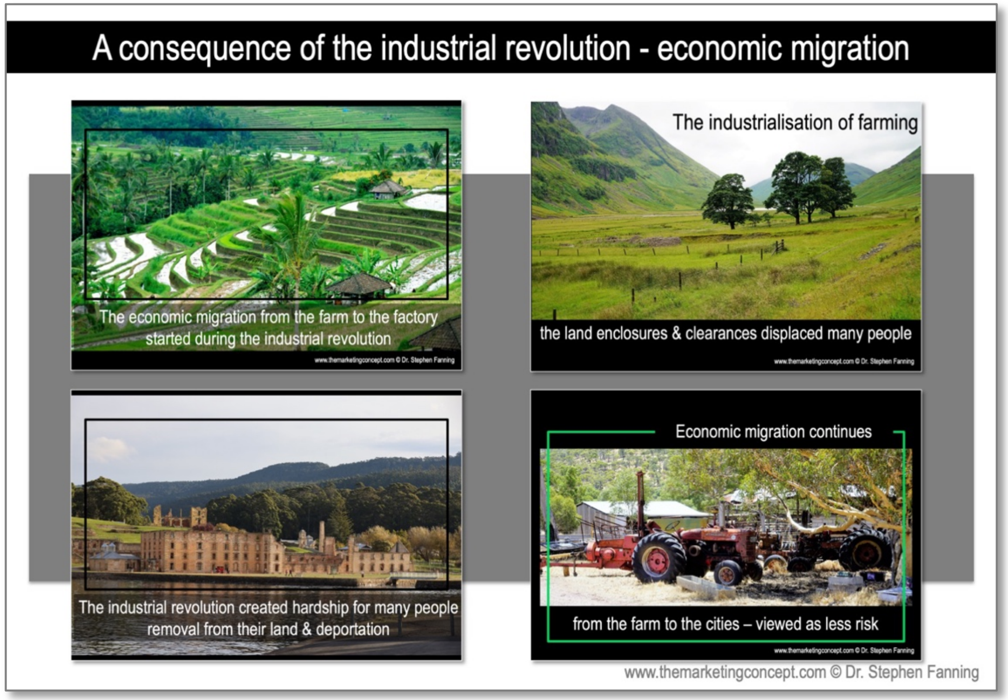

Figure 42: Often when we consider the industrial revolution we think of the advances in health and wealth of people. However, from a societal perspective we should also consider the industrial revolution as a period of great disruption. A time when people [in some countries] were forced off their traditional land as 'landowners' tried to industrialise their farms or produced high demanded produce [e.g,. wool for the mills].

Landownership was sometimes gifted arbitrary by those in power and new landowners [often absent] were often brutal. Displaced people were cleared from their land and often forced into cities. Although many were successful in finding work, the dynamic nature of the industrial revolution meant that often employment was temporary, people were forced to travel in search of work and without an income and permanent residence many were imprisoned.

When we consider these events, it is worthwhile to consider that this was an era prior to the rigours of a professional police force and an organised judicial system. A time when someone could be imprisoned and categorised as a convict without committing an offence.

Author's comment: According to Hughes (1986) the movement from farm to factories had tragic consequences for many and is a shameful chapter in English history. He states that with the industrialisation demand for labour fluctuated and often there was an over-supply of labour which caused high unemployment, lower wages, less job security, and this resulted in desperation and crimes of survival. Without welfare many had no option but prostitution and theft, some committed the crime of being homeless, some were evicted, and their crime was resisting arrest, and 160,000 were deported to conditions that could only be described as slavery, however, he states that in times of war many were conscripted and wasted on the battlefields.

Robert Hughes was motivated to write his epic account of the early days of Australia after a visit to Port Arthur in Tasmania.

Search the web

A number of notable events are listed; it is suggested that you select a few of interest and search the web to explore them in greater detail. HINT: don't get bogged down in this task.

Notable events in marketing practice

Charles Darwin suggested that an evolution has and is occurring, therefore it would be worthwhile to explore this topic further – the following are examples that can be explored relatively quickly [although you could also spend a lifetime exploring the topics]. You may notice that many major 'innovations' are on closer inspection a **recombination** (Gibson (2015) of existing skills and technologies to solve new problems. This process of adopting an innovation and re-applying is a recurring theme you will notice through the notable events [e.g., iron and steel]. Now it is unlikely that someone has the time to explore all notable events, however, exploring a few will be enlightening.

Let us go back around 12,000 years and consider the following innovations:

Sedentary behaviour

- The Neolithic revolution
  - The start of agrarian period when people farmed crops, kept animals and were relatively self sufficient
- The Crannogs of Scotland
  - Provide an insight to the safety and security challenges facing new communities Describe a few challenges and how these communities overcame the challenges
- The search for safe water to drink
  - How did the water supplies become polluted?
  - Explore how beer was originally employed to overcome polluted drinking water and how beer production has influenced business practices
  - Explore the wine gods and how wine was once seen as a miracle
- Storing and preserving of food
  - No longer able to migrate with the season's peasant-farmers found ways of preserving their production
  - The preserving of fruits, meats, cereals etc
  - Fermentation & yeast
  - How bread shaped society
  - How tea has long influenced business practices
  - The history of salt and how salt was used to preserve and flavour food
  - Why and how cheese was first produced and history
  - The history of fermented foods and which ones are still produced and consumed today

The evolution of markets

- The formation of markets where buyers and sellers came together
  - The peasant farmers began to trade their production with other producers
- The minting of money to facilitate exchanges beyond bartering
  - As markets became more sophisticated intermediaries would facilitate the exchange coins of value were offered often this was regulated
- The establishment of standard measures and weights
  - To ensure a fair exchange for both buyers and sellers, standard measures and weight were introduced these were often regulated

International markets

- The Portuguese explorers
  - The profound influence of the Portuguese traders on cooking throughout the world; for example, 'tempura' in Japan to 'chilli' in India.
  - What was the role of Portugal in finding new products and new markets?
- The Hanseatic League.
  - What was it and what was its purpose?
  - From what period did it operate?
- The *Vereenigde Oostindische Compagnie*; [VOC] / Dutch East India Company is often presented as the first international corporation.
  - Provide a brief overview of how they influenced markets.
- Postal services
  - Postal services increased communication, the diffusion of ideas, permitted sales catalogues to be distributed, products ordered and delivered

Transportation

- The canals of Europe
  - Enabled the movement of raw materials and finished good
- Ship design and propulsion
- The railways
  - Enabled mass distribution of information, products, and people
  - Challenged engineers to overcome challenges develop new materials
- Innovations of the engineers Isambard Kingdom Brunel and Thomas Telford

- What areas did Brunel and Telford influence?
- Advances in steel construction
  - Facilitated bridge construction, enable larger buildings [e.g., department stores]
  - Revolutionised ship construction when combined with steam propulsion
  - New ships led to international trade and tourism
- The shipping container
  - Reduced the cost of international trade, increased security

The industrial revolution

- Whilst there was considerable suffering there was also a greater distribution of wealth
  - The industrialisation of farming, the enclosures, the clearances, the famines, the deportation of people, slavery
  - Factories became places of labour - labour was a commodity
  - Homes evolved from places of work to places of rest and leisure
  - Greater wealth generated choice – mass consumption

Safety, health & society

- The Great Wall of China
  - Explore the motivation and effort throughout the construction period
- Sewage:
  - Sewage systems that removed waste from the alleyways of cities and towns
  - Explore pre sewage London and the devastating health effects
  - Explore the History of the Brighton Sewage System and why it was so important
- The production of paper
  - enabled books to be written by hand, permitted the keeping of records - such as the shopkeepers notes of credit, this also permitted handwritten advertising to be displayed.
- The Gutenberg printing press [1439]
  - Formal recording of history, more efficient production of books, more affordable books, newspapers, magazines, promotional materials, posters, catalogues
- The steam printing press [1814]
  - Increased speed, reduced fatigue, reduced production costs and subsequently the price of newspapers to readers. Circulation increased and with increased circulation newspaper advertising became more attractive and further reduced the cost and increased circulation; and as a consequence, the newspaper industry grew exponentially. In keeping with the emergent societal view of marketing, the increase in revenue was re-invested within the Times of London and this resulted in better pay, working conditions and more employment. One consequence was that newspapers became financially and socially independent – they were not beheld to those committed to the maintenance of the status quo.
- Universal education
  - Enabled people to read, write, calculate and communicate
- Gas and then electric lighting
  - permitted safer cities + modern appliances
- The 8+8+8-hour day resulted shorter working hours an increase in sport and leisure
  - How did the eight-hour day influence leisure?
  - How did having leisure time influence sport [Australian readers may check out the relationship between leisure time and the AFL].

Profits[4] and a business philosophy

When considering the following think how their philosophy has guided the organisation.

- Robert Owen as one of the pioneers, better working conditions, worker co-operatives, and advocate for worker welfare at New Lanark [Scotland]
- The history of Unilever
  - Explore the breadth and depth of Unilever products.
  - The Lever brothers and Port Sunlight: Explore the origins and the intentions.
  - Unilever today has a number of brands. Identify Unilever's present brand portfolio.
- George Cadbury and Bourneville.
  - What type of village did Cadbury establish at Bourneville?
  - After researching this topic, what are your conclusions?
- Henry and Joseph Rowntree.
  - What are the products/brands that they established?
  - Do the brands still exist today?
  - Why were the brands attractive to Nestle?
- History of Nestle
  - When was Nestle established?
  - What product categories did they initially focus?
  - What are some of the brands in their portfolio?
- Quakers and business.
  - Explore how Quakers established successful businesses after the industrial revolution
  - how they treated their workers and the results they achieved.
- Tate & Lyle
  - Explore how Henry Tate & Sons became successful sugar refiners,
  - How they later merged with Abram Lyle & Sons to become Tate & Lyle
  - What the Tate Gallery?
  - What is the connection between Tate gallery and Henry Tate?
  - Explore the company today.

Retailing

- How innovations in retailing were introduced adopted and diffused throughout the world.

- Select one of the following: Burlington Arcade in London, La Bon Marche in Paris, Galleria in Milan, QV Building in Sydney. The history of Marshall Field's department store in Chicago. The history of Selfridges Department store in London.
- The sewing machine
  - enabled ready to wear garments to be mass produced and sold through retailers
- Plate glass
  - Enabled the display window and enhanced promotion activities
- The mannequin
  - Facilitated the display of clothes and promotion of ready to wear garments
- The zipper enabled the manufacture of different types of clothing
- The mirror allowed people to view their appearance
- The cash register
  - Facilitated sales dockets, greater security and accountability
- The telephone
  - Enabled instantaneous communication, faster communication of news and ideas, B2B and B2C communication
- Vending machine
  - provided a labour free service based on convenience
- The motor car
  - Facilitated independence and influenced urban design and the shopping mall
- Chain stores
  - Enabled retailers to buy in bulk and to distribute widely
- Shopping trolleys
  - Facilitated convenience and a greater spend
- Refrigeration
  - Reduced the perishability of products, created a longer shelf life, and a more acceptable delivery temperature
- Air conditioning
  - Provided the ability to shop in comfort - all year
- Radio and television
  - Enabled mass distribution of information, organisations to advertise their product with reach and frequency, communicate new offerings, target the audience with a specific message, sponsor programs, create widespread adoption
- The scanner
  - Provided the opportunity to collect data and better manage stock. The scanner is arrival in the 1970s is seen, by some, as a major innovation in data collection
- Reward programs
  - Enable retailers to demonstrate and appreciation for repeat patronage, provide frequent customers with discounts
- House brands
  - Enabled retailers to leverage their brand, vertically integrate, provided competition to established brands
- Visual merchandising
  - software [planogram] enabled retail managers to manage store layout
- The world wide web [1989 >]
  - Information became more readily available and convenient
  - Permitted the distribution of non-printed information [lowered costs]
  - Created new means of shopping
  - Facilitated connectivity and engagement
  - Created new challenges for society
- Banking innovations,
  - Bank loans, savings accounts, the automatic teller machine, the credit card, all of which have facilitated and enabled commerce
- Music
  - The gramophone, the diffusion of music and the changes over the last 100 years
- Personal branding
  - The commissioning of poems and songs to praise Scottish clan chiefs [*moladh*].

Paper, printing, and advertising

One example is the evolution of paper, printing, and advertising. According to Rennicks (2017), an early material for writing was paper made from Papyrus reeds, however, over harvesting created a shortage of paper. Around the 5th Century BC a replacement material was made from the skins of cattle, goats and sheep this is referred to as **parchment and vellum**. Parchment was made until the time of the Gutenberg Press and a number of Gutenberg Bibles were printed on parchment, however, they proved too costly and unsuitable for mass production printing and paper from wood pulp eventually replaced parchment.

Advertising, helped to create a consumer culture in China prior to the 7th Century BC, (Eckhardt & Bengtsson, 2010) and featured on the walls of Pompei (Beard, 2017). According to Beard (2017) other notable event in advertising include; the printing of advertisements on a Gutenberg press in 15th Century, also in the 15th Century advertising was employed to sell Britain's first printed book, the first use of the term 'advertising' was in 1655, the first recognised advertising agent in 1786, and newspaper advertising was approximately 75% of newspaper content by 1750 – today advertising funds the internet.

Another example is the evolution of the catalogue. Whilst retailers have long employed in-home catalogues to reach customers, the Internet has provided a new medium for shopping. And with modern technologies the searching patterns of consumers can be collected and automatically analysed; organisations can now promote products to align with an individual consumer's searching patterns.

Retailing

As we have identified in the previous activity, retailing has evolved for thousands of years and retailers have adopted many innovations to meet the dreams desires and demands of customers and meet their financial, strategic, and communication objectives. The relationship between retailing and society has long demonstrated a number of organisational goals, reducing costs, increasing market share, obtaining advantage through location (Stobart, 2010). An interesting example in the evolution of retailing is the role of women and department stores. As 19th Century women became wealthier, their desire to shop increased. However, the mores [values] of this era discouraged women shoppers. Retailers such as La bon Marche [France] and Selfridges [UK] deliberately encouraged and targeted women shoppers and in the process, changed the views of society.

Today, retailing is an industry where the evolution of marketing is unfolding before our eyes – whilst many of the changes are driven by technology, others are driven by the societal changes, and often a desire to create a better customer experience.

Generally, people think of retailers as places to search for value, estimate value, and select products – or more simply a place to shop. Retail could be described as an activity that brings buyers and sellers together and adds value for the customer and the marketing channel. Retailers operate in both the B2C and B2B relationships. When we think of retailing we tend to think of local shops selling convenience, shopping, and specialty products such as supermarkets, specialty stores, discount stores, and department stores.

According to the Australian Bureau of Statistics the retail classifications are:

- Food retailing
- Household goods retailing
- Clothing, footwear and personal accessory retailing
- Department retailing
- Cafes, restaurants and take-away retailing
- Other retailing

Levy, Weitz, & Grewal (2019) in their Retail Management textbook provide an extensive variety of retail products including – groceries, fruit and vegetables, fast-food, cafes and coffee, confectionary, hospitality providers, clothing, shoes, hardware, household goods and appliances, furniture, consumer electronics, petrol, sporting goods, outdoor adventure equipment, toys, books, music, automobiles, garden supplies, liquor, health care including spectacles, hairdressing, fitness centres, office supplies, jewellery, banking, travel agencies, banking and financial services, child care, insurance, real estate agencies, automobile sales, rentals and maintenance, utilities, and internet services.

Retailers may operate from a traditional bricks and mortar store, a temporary 'pop-up-shop', a vending machine, or an online store. From this list of retail products, we can conclude that in addition to consumable and durable goods, retailing includes services, experiences, ideas, people, and place dominant products – this will be discussed in greater detail in the module 'the total product' in section 2.

One of the most interesting aspects in marketing today is evolution of the **market channel** or **retail channel** [a group of partners that collaborate to bring products to market]. Channel changes include the adoption of online retailing and the evolution of traditional retail store from **single channel retailing** to **multi-channel retailing,** and increasingly to **omni-channel retailing.**

- **Single channel retailing** is focussing on one outlet [traditional or digital].
- **Multi-channel retailing** is having distinct traditional or digital channels with little collaboration and often competition.
- **Omni-channel retailing** focusses on the customer [customer centric] and employs all available resources to maximise customer involvement and the total customer experience [often referred to as an **omni-experience**] they do not expect their customers to choose between traditional and digital platforms. At the same time omni-channel retailers recognise that to be a product leader the organisation must collaborate, adopt an integrated approach, and employ different technologies to create multiple touchpoints when and where the customer seeks them at different steps of the buyer decision process. Omni-channel retailing is not as simple as merging traditional and digital. Omni-channel marketers employ traditional and digital tools [digital tools such as, online display advertising, search engine optimisation, mobile commerce, in-store facial recognition, beacon technology, and marketing affiliates,] to create a more personalised message campaign to communicate with consumers. It is about the quests identified in the 4 recurring patterns outlined in this module.

There is no question that marketing practitioners are experiencing a notable event in marketing practice and a process of natural selection by customers; an event that will effect organisations that fail to best satisfy their customers.

Interestingly, this not the first time that retailing has experienced a disruptive innovation (Christensen & Tedlow, 2000). On closer inspection, we can see that marketing has a history of major innovations – innovations that have radically changed societies. Mitchell (2014) argues that the early 19th century was a time of increased prosperity and a time where retailing and shopping slowly evolved from a transient market basis to a more permanent secure High Street. In doing so, he suggests, the seeds for a consumer society were sown and an improvement in customer service. The seeds of a consumer society were also germinating in Australia, Crawford (2014) refers to an 1843 article titled 'Lords-day Marketing' in the Sydney Morning Herald that claimed outrage against the buying and selling of goods on a Sunday.

Marketing continues to evolve and in the last 50 years the retail landscape has changed beyond recognition – including mega-shopping malls. Many say that this change is partially due to the adoption and affordability of the automobile. However, the advent of the mega-shopping mall has seen the decline of high street shopping precincts and city centre retail.

Identifying past patterns

The evolution of marketing could be described as 'the quest for the best'. A search by customers for products that best satisfy their needs and a search by organisations for customers that are best suited to products. Best satisfying is the very basis of the marketing concept the consumer search for products that best satisfying products is the basis of the buyer decision process discussed in section 2.

Previously, we mentioned that a study of the evolution of marketing and the journey from producer and consumers to producer or consumers reveals 4 marketing quests. Each of the quests is discussed below.

The quest to better serve the customer

Throughout history consumers have sought and selected the best produce - and they have rejected the rest. Importantly, what was once 'the best' will be rejected when a better option is available [Apple had no problem taking Blackberry's customers]. The evolution of marketing tells us that meeting the needs of the consumer may gain consideration, however, the product that the consumer believes will best satisfy their needs will be selected. This has been a foundation of consumer behaviour for 12,000 years and it demands that organisations are vigilant and focus on offering the best satisfying products.

The quest to overcome the challenges facing society

The evolution of marketing demonstrates that to 'best satisfy' organisations are often looking for opportunities that overcome the challenges facing society. This may be satisfying a fundamental need for better health [e.g., hygiene, clean drinking water, sewage treatment, better health services, cleaner more efficient products]. An example that readers may be familiar with is how automobile companies are now exploring alternative fuels and more efficient engines.

The quest for better use [application] of existing resources

Often there is an existing resource – a skill or an innovation that can be applied in a new way - often this results in a second innovation – a major advancement. From the earliest time people have sought improvements in crops and stock and in methods of preserving food – this quest is part of being human. The better use of existing resources is often characterised by appropriating knowledge and skills from one area to another. For example, Gibson (2015) states that Gutenberg's printing press was achieved through combining existing technologies; incorporating the screw mechanism from a wine press, the engraving skills he acquired as a goldsmith, and ink modified from existing oil-based paints. There are many other examples where innovations in marketing have come from appropriating existing technologies to a new application, for example steel has been used in many innovations beyond its initial purpose, another example is the use of glass and the shaping of glass to improve people's vision.

The quest for more effective distribution – information, products, and people

The printing press also highlights that a great deal of effort has been employed to improve the communication/distribution of information and this quest continues today. For example, we only have to consider the advances in mobile phones over the last 10 years to witness the customer's and the organisations' quest for the best. This quest for more effective distribution also involves the quest to improve the distribution of products and the materials that are manufactured into products. There are many examples of the quest for more effective distribution, for example, the evolution from horse drawn canal boats, to steam powered canal boats, from wind powered ships to steam powered ships, to diesel powered mega-container ships and super-carriers. This quest for more effective distribution also involves the quest to improve the movement of people. Although these improvements may be for leisure/tourism, they are often to enable people to move between their home and place of work. Great leaps forward have been buses, railways, underground rail networks, the motorcar, and the aircraft [consider the fly in fly out workers that work in remote communities].

What we may conclude from studying the 4 identified patterns is that marketing has shaped society and society has shaped marketing.

It should also be recognised that the migration from farms to factories continues in many countries today – cities grow at the expense of rural communities.

Products continue to progress through the stages of the product life cycle. New products replace products that have lost their appeal to consumers.

Reflect & review

Reflect on each of the 4 recurring patterns or quests and then consider how this knowledge may be employed by marketing practitioners when considering future strategies and tactics

Reflect on the 4 recurring patterns or quests and consider how COVID has changed the world.

Discuss your findings on the evolution of marketing and nominate a product which indicates that marketing and society are still evolving

evolution of marketing
[a theoretical perspective]

1:2:2 Evolution of marketing [a theoretical perspective]

Previously: For convenience, the evolution of marketing module has been divided into two chapters. In the first chapter, we explored the evolution of marketing from a societal perspective. A number of examples were discussed, and 4 recurring patterns or quests were revealed. Other examples revealed how marketing has been practiced for around 12,000 years as people became sedentary, formed communities, and traded surpluses with other producers. We noted that people have always expected a fair exchange for their produce and efforts and how this is a characteristic of the marketing concept, therefore, it could be concluded that the marketing concept has been practiced for a considerable time.

Learning objectives

This overview of the evolution of marketing theory should provide a unique insight to how concepts, and theories have developed and how the purpose of marketing theory is to advance marketing practice – 'theories in use' (Reibstein, Day, & Wind, 2009). Some readers who are undertaking a research thesis may find the literature review identifies areas worthy of further research.

Learning objectives of this chapter: After completing this chapter you should be able to explain how marketing as an academic discipline has evolved and will continue to evolve to accommodate the needs of marketing practitioners, commerce and society – in light of the prevailing situational factors.

Directions

There is a belief that marketing scholars write for an audience of marketing scholars [i.e., journal articles] and that they write with the assumption that the readers have the necessary background knowledge. However, it is unlikely that this is always the case and therefore it is prudent to include a chapter on the evolution of marketing from a theoretical perspective to explain how the language, concepts, and theories of marketing is evolving with society and business thinking.

In the second chapter of the evolution of marketing [a theoretical perspective], we provide a snapshot of the origins of marketing theory and the marketing concept. Then, we reveal how organisations generally adopt one of 3 business concepts and we discuss the implications. Along the way we introduce some key marketing themes and a number of influential marketing scholars and their role in the evolution of marketing thinking.

The evolution of marketing: a theoretical perspective provides a snapshot of the evolution of marketing as an academic discipline over the last 100 years, with an emphasis on the last 50 years. Given that marketing scholars research and document the prevailing business practices, a journey through the past provides an insight to the past and the present. An examination of titles and keywords within the leading marketing journals reveals a period of extraordinary change. Parvatiyar and Sheth (2021) agree and present this as [1] evolving situational factors and societal changes propagating new marketing genres with a search for relevant contextual frameworks and theories and [2] a merging of older marketing genres. They highlight the influences the family structure, demographics, globalisation, and technology.

What is evident is that marketing concepts and theories have a type of life cycle - a new concept and new theory is presented as an emerging field of study, this attracts a great deal of interest, there is a great deal of debate as points are argued over and elaborated upon, and then as the discussion produces diminishing returns the concept or theory becomes conventional and marketing scholars move on to a new and emerging fields of study - both in research and teaching.

A marketing movement that continues to evolve with societal views over the last 50 years is the view that true marketing is about profitable[4] exchange relationships[4]. That to be profitable customers, organisations, channel partners and society must profit through the exchange and that exchange relationships must be synergistic, symbiotic, sustainable, and strategic. Increasingly, according to Chandy, Johar, Moorman, and Roberts (2021) marketing scholars actively promote prosocial behaviour and call out corporate and consumer misbehaviour that leads to individual, societal, and environmental harm.

In this chapter, an overview of the notable events in marketing theory are outlined, and attention is drawn to a number of classic marketing articles. It would be easy to discount the classics as old and out of date, however, there is a great deal of wisdom within the classics.

It is important, when reading this chapter to consider the marketing examples and marketing literature in the context of the prevailing situational factors. It is also beneficial to consider how the examples and literature would be applicable in today's context.

It will become apparent that the 4 recurring pattern or quests also apply to the academic world.

Marketing is old and new

Marketing is an ancient custom. The Greek philosopher Plato discussed the purpose and protocol of exchange relationships 2,500 years ago. According to Shaw (1995), Plato highlighted the role of intermediaries, the services they performed, and how they enabled the marketplace to function. Plato also addressed human needs, how society functions, the role of the profitable exchanges in societies, and how costs go beyond monetary costs (Shaw, 1995).

Whilst Plato discussed the protocols, Aristotle, as part of a wider discussion on Rhetoric, discussed marketplace communication, it was his position that there were rules and a structure to persuasion and people should be motivated to act based on **truth and not deceit** and a balance of **facts and emotions**. He warned of the danger of discourse based only on emotions and how the art of rhetoric may be employed by those who are just it can be misused. A number of marketing practitioners have since adapted this idea as 'marketing is the truth well told'. Later we will discuss how this thinking has influenced marketing communication [i.e., the peripheral <> central routes of persuasion].

Misbehaviour in the marketplace has long been a concern. **Usury** was a recurring theme in early business literature and employed to describe a loan where the lender, [referred to as a 'usurer'] profited excessively from lending money. In some societies charging interest was prohibited. Today, we commonly refer to a usurer as a 'loan sharks' and 'pay day loan shops'.

We can conclude that the marketing concept, has been practiced for considerable time, however, it is not the only business concept and not everyone will practice a marketing philosophy.

The transition to modern marketing is more evolutionary than revolutionary. Although, some view marketing as a 'western' discipline; there is sufficient evidence that it naturally occurred in many countries. There are 41 countries with businesses over 200 years, with 56% in Japan (Lufkin, 2020). He states that, in Japan, there are 33,000 *shinesi* [businesses that are older than 100 years] and believes the key success factors are a respect for the community, respect for the customer and respect for the traditions of the organisation – it may come as a surprise to see Nintendo on the list [search Nintendo]. Cohen (2013) highlights the role of Japanese merchants such as the Mitsui family who commenced business in 1673 and remain a major multinational corporation [search www.mitsui.com]. 15% of the oldest family-owned businesses [including 5 of the top 10] are Italian (AIDAF, 2021). In her investigation of the world's oldest family businesses Kristie (2021) stated that it was an ability to adapt and evolve that were the key success factors not the industry. Think profitable[4] exchange relationships[4].

The above paragraph highlights some key success factors:

- Respect for the community
- Respect for the customer
- Respect for the traditions of the organisation
- Ability to adapt and evolve

Although the term – market has been employed for considerable time, the first written use of the term 'marketing' as an activity in the English language was in 1561 when England was viewed as a "nation of shopkeepers" (Shaw, 1995, p.16).

As societies evolved scholars turned their attention to how societies functioned. The modern principles and practices of 'marketing management' emerged at the start of the industrial revolution in Britain. In his classic book - An inquiry into the nature and causes of the wealth of nations, the social philosopher Adam Smith (1776) highlighted the principles of the marketing concept and recommended the adoption of a marketing philosophy when he argued that businesses would best satisfy their own needs if they first focussed on satisfying the needs of their customers. This concept of mutual satisfaction is known to today as **the marketing concept**; interestingly, Smith (1776, p.274) argued that this fundamental concept cannot be ignored.

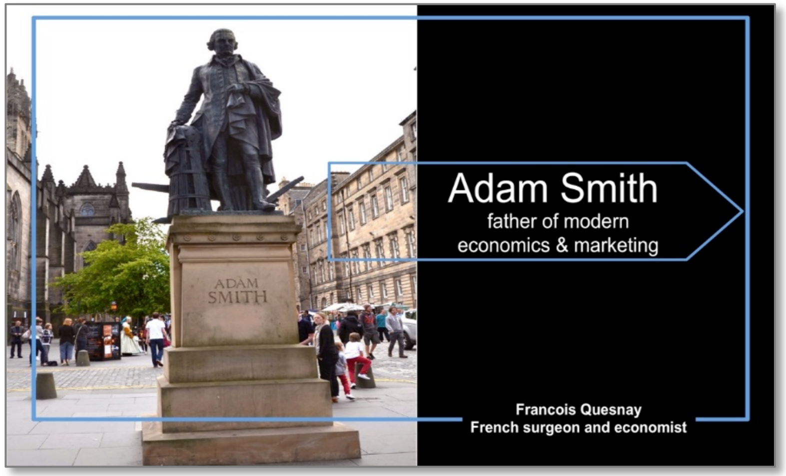

Figure 21: Adam Smith is often regarded as the father of economics and marketing.

Smith based this premise on his belief that consumers are predominantly self-interested and driven by their personal needs, and, he concluded, that consumers would unlikely enter into an exchange if the exchange did not meet their expectations of value. Moreover, Smith argued that as consumers are self-interested, organisations must promote products as a bundle of consumer benefits. He also argued that organisations are also self-interested, and he went on to state that it is the **dual self-interest** of consumers and organisations that will ultimately advance the interests of society. Furthermore, Smith's argument is - that not all possible exchanges will be mutually profitable, and that organisations and consumers will logically avoid exchanging with parties that are not in their own best interests – Smith stated:

> **Quote:** In the mercantile system, the interest of the consumer is almost constantly sacrificed to that of the producer; and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce.

A number of scholars [e.g., anthropologist Bronislaw Malinowski) have continued Smith's argument that the exchange is central to social cohesion. In a modern review of Adam Smith's work, O'Rourke (2007) puts forward the view that Smith should also be accredited with the first statement on consumer rights.

> **Quote:** The interest of the producer ought to be attended to, only so far as it may be necessary for promoting that [the interests] of the consumer (Smith, 1776, p. 274).

We have stated that marketing is an ancient custom; it is, therefore, worthwhile to look at some of the more interesting academic events.

Overarching business concepts

Previously, we introduced the marketing concept and we discussed how the marketing concept and society has evolved over thousands of years. We also stated that organisations implement the marketing concept through a business philosophy that is unique to the situational factors [COMP] that the organisation encounters.

In the 18th Century, as a consequence of the industrial revolution and an increase in world trade, two other business concepts gained support:

- The production concept
- The selling concept.

We will discuss how the 3 business concepts result in organisations approaching an exchange from fundamentally different philosophies.

> **Author's comment:** Like most people, I am often asked what I do for a job. When I say, 'I lecture in marketing at a university' I get different reactions. The most frequent would be those that have no real understanding of marketing, then those that see marketing as an evil craft that manipulates people into buying things that they do not really need, and thirdly, those that see marketing a creative craft that makes business happen.
>
> I believe that the misconceptions about marketing stems from the fact that marketing is often a misunderstood and applied incorrectly. An organisation can take a product to market and not be practicing the philosophy of marketing.

Although some marketing scholars have suggested that there are 5 business concepts [the production concept, the product concept, the selling concept, the marketing concept, and the societal marketing concept] it is more generally accepted that there are 3 business concepts [the production concept, the selling concept and the marketing concept].

Proponents of the 3-business concept model argue that the principles of the product concept; the design and development of best satisfying products is actually central to the marketing concept and therefore not a separate business-market concept, furthermore they argue that the principles of the societal marketing concept are important and a natural part of the evolution of marketing thinking rather than a 'new' business concept. Therefore, from a marketing practitioner's perspective the 3 business concepts would be easier to explain within an organisation and generate less confusion during the business-marketing process.

Some marketing scholars present the three overarching business concepts as **3 business eras** [i.e., the production era, the selling era, and the marketing era], however, this is generally considered to be an oversimplification (Fullerton, 1988; Cohen, 2013; Ferrell, Hair, Marshall, & Tamilia, 2015). Marketing scholars who present the 3-business eras state that markets have progressed through 3 eras and culminated with the general adoption of the marketing concept in the 1950s. However, it is important to recognise that this view is often found in textbooks originating in the USA – the notion of business eras makes sense from a single country perspective but not a global perspective (Tadajewski, Pressey, & Jones, 2017).

The 3-business era view ignores that:

- Marketing and economies have evolved independently in different countries
- Different industries within each country evolve at different rates
- Different organisations adapt their business philosophies at different rates

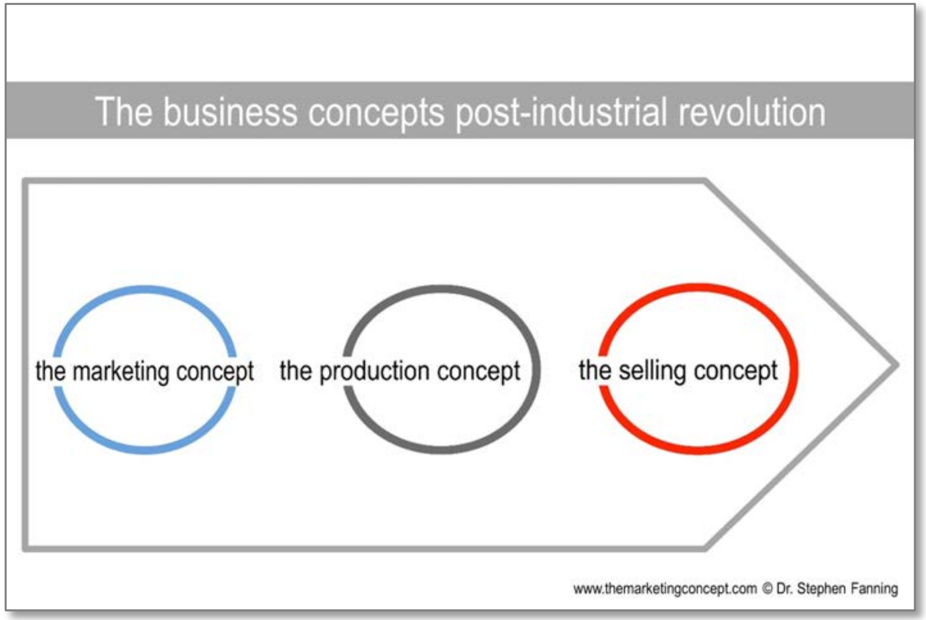

Figure 43: The marketing concept has existed for thousands of years with the industrial revolution increases the adoption of the production concept and the selling concept.

Other scholars [e.g., Peter Drucker] present 3 overarching business concepts as a more accurate description of how business is conducted [i.e., the production concept, the selling concept, and the marketing concept]. The 3-business concept view recognises that, regardless of which business concept is selected, each organisation would then develop a unique business philosophy shaped by the COMP factors they encountered. The 3-business concept view assists marketing practitioners to understand how different organisations and markets behave. Whilst the marketing concept is the most preferred/adopted business concept today, it should be recognised that a marketing philosophy is unlikely to be universally understood by all staff and that some organisations may have incorporated elements of the other business concepts within their organisational philosophy. However, businesses are evolving and take their lead from best satisfying organisations.

Author's comment: Not wanting to add to the confusion, however, some marketing scholars refer to the production concept as a production-oriented business and the selling concept as a selling-oriented business.

A brief summary of the three business concepts.

The production concept is based on the premise that if a product meets a customer's core needs and is priced at an attractively low price - then volume and profits can be achieved. Not every organisation has a low-production cost advantage; therefore, not every organisation can profitably achieve or maintain the lowest price. The production concept is a popular option for new market entrants with low-costs or low labour costs who wish to gain volume; however, it generally has a limited life as new entrants enter the market with lower operating costs.

Author's comment: Students often incorrectly confuse the production concept for a low-cost marketing strategy such as Aldi.

The selling concept is generally adopted when an organisation no longer has a cost advantage, no longer has a compelling value proposition [based on being the lowest price], and/or when demand has dropped below production capacity. The premise is that if a product is not desired and demanded then the organisation must aggressively sell the product and overcome customer objections. The aggressive nature of the selling concept results in limited customer appeal and low levels of customer loyalty.

In time, the unfair practices of the selling concept were questioned in many countries. As a consequence of increased attention, consumer activism, and academic research a consumer movement emerged in the 1960s. Since then, the consumer movement has grown in importance. The consumer movement is concerned with the misuse of power, ethical behaviour, the rights of consumers, and the protection of consumers. There are a number of government departments, quasi-government organisations, and interested organisations involved to ensure that the market operates in a fair manner and does not engage in misleading or deceptive practices.

Author's comment: In many countries, government bodies have been set up to oversee marketplace activity. In Australia, the first legislation to promote competition was passed in 1906, the trade practices act was introduced in 1965, the Trade Practices Commission [TPC] was established in 1974, the Prices Surveillance Authority was established in 1985 and the TPC and the PSA were merged in 1995 to form the Australian Competition and Consumer Commission [ACCC]. The ACCC is a regulatory body that reports to treasury with the purpose of promoting competition and fair-trading in Australia.

To find out more on the role of the ACCC visit www.accc.gov.au In addition to the national regulators the Australian states governments have established regulatory bodies to educate business and provide consumer protection. To find out more visit www.commerce.wa.gov.au

You may also like to do a quick search on the meaning of *caveat emptor*

The marketing concept starts with the customer and is directed towards the satisfaction of the customer and as a result the satisfaction of the organisation. The marketing concept does not imply that the organisation's needs are secondary; it implies that customer satisfaction is the best route to achieving organisational satisfaction. At first inspection, the production concept and the selling concept appear to have much in common with the marketing concept; whilst there are similarities there are fundamental differences. The production concept and the selling concept view customers as a *means to an end* and have little regard for customer satisfaction.

The selection of the business concept determines how an organisation operates – we call this an organisational philosophy. There are three business philosophies – a marketing philosophy, a production philosophy, and a selling philosophy.

Author's comment: some scholars add the product concept to the production concept, the selling concept, and the marketing concept. Buttle & Maklan (2015) states that a distinguishing feature of the product concept is that there is little consultation with consumers and that if you build the best product, then business success will follow. For example, there is an expression – 'build a better mousetrap, and the world will beat a path to your door'.

However, does the world dream, desire, and demand a better mousetrap?

This idiom may have been true in the 19th century when expressed by Ralph Waldo Emerson. And at the time, perhaps, there was a mouse problem that needed attention. However, the idiom is hardly true today; just because there is a neglected gap in the market does not mean there is a market in the gap.

The key point is that product leadership is different from the production concept. Product leadership is about being a **leader not a follower.** Product leadership is one of the 9 objectives of marketing practitioners, organisations that adopt a product leadership strategy focus are on understanding their customer's dreams, desires, and demands and are cognisant that these are continually evolving and then use their customer knowledge as the foundation for best satisfying products. However, many organisations spend a great deal of time on building a better 'mousetrap' rather than understanding the customer and the marketplace. 'Better mouse trappers' believe that following a good idea is the answer regardless of whether there is currently a need.

The organisations that adopt the 'better mousetrap' approach often unconsciously commit their organisation to a selling philosophy rather than a marketing philosophy – a selling philosophy is focused on organisational satisfaction and overcoming objections rather than customer satisfaction.

Consider: the last time someone **sold** you something that you did not need or want?

The 'better mousetrap approach' also highlights that organisations may attempt to 'sell' the product in the marketplace long after the marketplace has shifted. These organisations 'lock-on' to their own products and their own needs and develop what could be described as a **marketing scotoma** by neglecting a shift in the market.

Author's comment: As you progress through the e-book you will notice that the marketing concept and the marketing philosophy are central to an understanding of marketing. Readers should now recognise that not all organisations adopt the marketing concept or apply a marketing philosophy. Furthermore, organisations that adopt the marketing concept still require a focus on production costs and selling efficiency.

Key point: Some organisations move from the production concept and the selling concept towards the marketing concept because they believe that the marketing concept is the best route to long-term profitability.

An organisation that adopts a production philosophy does so because they wish to compete on a price basis and increase sales volume. To enable this an organisation must have a sustainable low-cost advantage over its competitors. Therefore, to maintain their market position it is likely that they expend considerable effort to minimise costs.

An organisation that adopts a selling philosophy does so because they have greater capacity than demand or have a product that has a less attractive value proposition than competitors. To maintain their market position, it is likely that they expend considerable effort to maximise sales and overcome marketplace objectives.

An organisation that adopts a marketing philosophy does so to increase sales revenue [which is quite different to sales volume], reduce costs as a percentage of sales [which is quite different to reducing operating costs] and increase the value of the business [gaining goodwill and loyalty which are seldom present with the other business philosophies]. It is also recognised that marketplace success is gained through profitable[4] exchange relationships[4]. The indicators of marketplace success are product that are classified as leaders in their segment, organisations that know and understand their customers, and organisations that are operationally effective and efficient [note these are the 3 marketing strategic objectives].

We can conclude that given customer satisfaction is central to marketing an objective of marketing is to reduce costs as a percentage of sales [also referred to **cost of sales**] and reduce the dependency on price [discounting] selling, advertising, and sales promotional tactics (Lim, Tuli, & Grewal, 2020). Therefore, creating 'buying moments' rather than a reliance on selling tactic. Furthermore, marketing practitioners should differentiate between costs related to customer satisfaction and cost related to promotional activities (Lim, *et al.,* 2020). Think the salespipeline, sales baseline, and objectives of marketing practitioners.

Author's comment: When you consider any large organisation, it is likely comprised of people from diverse backgrounds and experiences – including business experiences. It is therefore safe to assume that such an organisation will have staff that are enculturated from their previous organisations and their personal business philosophies may differ from the business philosophy of their current organisation. Organisations will need to be mindful that often they are an amalgam of business philosophies and more importantly – measure this 'amalgam' in a marketing audit and train staff to ensure that the preferred organisational philosophy is clearly communicated and practiced.

Frequently asked questions:

Q: Can an organisation practice a marketing philosophy and be a low-cost operator?

A: YES of course - look at the popularity of budget airlines. There are times when a low-price strategy is an appropriate strategy.

Q: Can an organisation practice a marketing philosophy and be sales focussed?

A: YES of course - most marketing organisations are sales focussed – a marketing philosophy should not be confused with philanthropy.

Q: Does a marketing philosophy suggest that 'the customer is always right'?

A: No: Firstly, no organisation can serve all customer segments profitably – that is why marketing practitioners segment the market and target and position their product for the most attractive segments. Also, there is no obligation to serve unprofitable customers or misbehaving customers.

Q: Are there elements of the production concept and the selling concept in a marketing concept?

A: There can be – every organisation is a mix of people and people arrive with different experiences. This means that if someone comes from a selling background they are likely to bring with them certain behaviours. Therefore, as a marketing practitioner, it is important to audit the business philosophies of the staff within an organisation.

Remember - marketing is something you do with a customer not to a customer.

A low-cost advantage is not always the result of the production concept - where wages are kept low, and suppliers are pressured; it may come from a more engaged workforce who are designing and developing more innovative production methods and suppliers who value the relationship and work towards designing and developing better products.

Sales are not always the result of hard selling salespeople 'hard selling' - sales are a measure of buying not selling activity.

Marketplace patterns

A close exploration of the 3 business philosophies in different countries demonstrates that there are recurring patterns. Marketing practitioners who understand the patterns will better understand the marketplace behaviour of organisations.

If we look at marketing history; we can see that the economic migration from farm to factory that began in the cotton mills of Derbyshire in England, has followed a recognisable pattern [e.g., England, Scotland, France, Germany, Switzerland, USA, Japan, South Korea, China, and India].

In times of demand, as cheap labour becomes scarce – organisations must compete for labour and wages increase. It is also worthwhile to note that as labour migrates from the farms more people must purchase food [food that they once produced as consumer/producers]. With less people engaged in agriculture and increased demand for food there is a rise in the cost of food. Factory workers demand higher wages and with rising wages countries lose the low-cost production advantage to countries with lower wages and production costs.

There is a pattern – when a country has an abundant supply of cheap labour they can compete on a low-cost price basis and gain volume. However, as cheap labour becomes scarce better wages and working conditions are sought and the cost of production increases. This provides the opportunity for other less advanced countries, with an abundant supply of cheap labour, to compete on a low-cost of production price basis.

We can conclude that generally the production concept has a life cycle and what was once a **strategic advantage** often becomes a **strategic impediment**. With the loss of a low-cost advantage, organisations are forced to change their business concept. Clearly, the production concept is appropriate when costs are low, and demand is high. As costs increase and demand drops [often due to competition from a lower cost entrant to the market or a saturated market] the production concept is often replaced by the selling concept, as organisations try to maintain production and offload excess production.

In the first 20 years of the 20th century there was a great deal of attention given to the sales process and sales management, however, this gradually changed as academics spread their areas of investigation (Usui, 2008). In a similar vein, Fullerton (1988) suggests that the production and the selling philosophies generally have a life cycle [introduction, growth, maturity, and decline]; however, he cautions that care should be taken when making the assumption; he states that organisations or industries seldom behave the same.

> **Author's comment:** Fullerton (1988) is suggesting that each organisation is uniquely influenced by customer, organisational, market and product factors.

Marketing history indicates that many organisations fail when they lose a low-cost advantage; some industries receive government assistance and suffer a long slow death [e.g., British Leyland slow death from 1968]. Some organisations come to the realisation that to survive they cannot compete on a price basis. They must still compete on value; however, value is through additional benefits that the consumer is willing to pay a price premium - this is known as an **augmented product**. Later we will discuss the **5-gap theory** and identify understanding the customer [how to best satisfy the customer] is the 1st gap.

Not all organisations progress from the production concept to the selling concept. Although, some organisations fail, some advance straight to the marketing concept. Just to repeat this important point - when an organisation loses a low-cost advantage some recognise the advantages of the marketing concept – and develop a marketing philosophy for the organisation. This enables them to offer augmented products at higher prices [i.e., value adding]. By adopting this strategy, an organisation is able to appeal to a more discerning consumer; one who is demanding more choice. This partially explains why the production and selling concepts are still practiced today and why a marketing philosophy is adopted at different times by different organisations in different industries and in different countries.

> **Author's comment:** The production concept may be confused with the marketing concept. Some organisations deliberately target the value conscious, no frills consumer. These organisations are sometimes referred to as cost leaders. Technologies may assist to increase efficiency and remove organisational cost; however, another alternative is to 'decouple' routine tasks from higher cost staff and have those tasks performed by lower paid staff or enabling technologies [see Metters & Vargs, 2000].

Low labour costs are not restricted to the production of goods-dominant products. In recent years, service-dominant products [particularly those that can be delivered at arm's length without the product provider and the product recipient meeting face-to-face] are often "offshored" to countries with cheaper labour costs. In addition, some product providers have recruited overseas workers to meet "onshore" demand [e.g., construction workers on Singapore buildings]. Workers from poorer countries are then employed in wealthier countries.

Author's comment: 'Foreign worker remittances' where money is sent home to support families is important to the economies of many countries.

Competition is inevitable

On two occasions, the Swiss watch industry faced intensive low-cost competition from organisations practicing the production concept - first from the USA in the 1870's and then from Japan in the 1970's. The Swiss watch manufacturers were able to overcome the competition by understanding the situational factors [COMP] and applying marketing principles to re-position their brands and products.

Another interesting example is the car industry. France was the No1 car-manufacturing nation [volume] for many years before being overtaken by the US [at the time the US had cheaper labour costs – and high demand - think Henry Ford and 'any colour you want as long as it is black']. The US held this position for many years. Then in the 1970's the US car manufacturers were under threat from cheaper imported cars from Japan [today Japanese carmakers are offshoring to take advantage of cheaper labour costs in other countries]. However, unlike the Swiss watch industry that adopted the marketing concept, the US car industry adopted the selling concept. They became organisational centric rather than customer centric. The US car manufacturers failed to listen to the voice of the customer; today they face intensive competition from both the emerging low-cost producers and established European prestige car manufacturers.

In 2013, China became the No1 car-manufacturing nation [volume]. In 2018 China produced the most cars followed by US, Japan, Germany, South Korea, India, and the. However, the leading car brands by rank are Toyota, Volkswagen, Hyundai, GM, Ford, Nissan, Honda. The Chinese pattern is similar to that experienced by other nations - many brands, few dominant brands, all manufacturers competing to gain a foothold. Given history it is likely that the big 3 US carmakers will face increased competition in the future and the Chinese car industry will see a rationalising of brands with increased market share.

Source: https://en.wikipedia.org/wiki/Automotive_industry

In another example that demonstrates the evolution of the US from having a low-cost advantage. The US dumped cheap corn on the Italian market in the 1880's and Italian farmers unable to compete were ruined (Procacci, 1970). 100 years later US farmers demanded protection from cheaper agricultural imports.

When organisations practice a production philosophy and have a focus on low costs there is often incidents of deception. For example, a few years ago, there was an outcry when Chinese milk producers added chemicals to reduce the cost of milk, however, milk has experienced the same contamination in other countries as competition increases.

There are marketing lessons within the previous examples.

- The premise of the marketing concept is that organisations that best satisfy the customers' needs are best placed to satisfy their own needs. Therefore, organisations are on a continuous process of improvement in order to 'best satisfy' and to remain within the consumers' considered set of products.
- We can see that the nature of the product influences an organisation's ability to implement strategies. For example, watches and cars can be positioned as a **brand** easier than commodities such as corn.

The power moves to the consumer

With increased cost of production and as the balance of power shifts from the producer to the consumer the overall business philosophy must adapt from a production or sales philosophy to a marketing philosophy. This explains why marketing as a discipline was established in Europe, and then later adopted in the United States and then elsewhere.

With the increase in marketplace activity, people became more prosperous. When people became more prosperous they felt the need to demonstrate their wealth. The more prosperous sought out and acquired more exclusive products. They demanded a greater choice of products, and this propagated increased competition (Bernstein, 2004). With increased competition came an increase in the considered set of alternative products, and the need to present a unique product value proposition. Greater prosperity, a desire for more exclusive products, and increased competition, redefined the standards for quality, value, and satisfaction (Bernstein, 2004).

Although there is a tendency for textbook authors to describe the evolution of marketing as something that has happened, readers should be aware that the phenomenon of economic migration of workers migrating from farms to factories is still happening today [e.g., the most notable examples are South-East Asia, China and India], however, we should be mindful that many other countries [e.g., Australia] are seeing a migration from country towns to cities..

It is therefore to be expected that different countries and different industries be at different stages of development and adoption of a marketing philosophy.

As production and consumption continues to become two separate activities [globally], it is getting harder to imagine the producer/consumer lifestyle. To the extent that over twenty years ago, McCracken (1990) observed that in many countries there exists a culture of consumption. Not all consumption is in line with societies values[1]. With a culture of consumption comes 'the dark side of consumption' which is an interesting topic.

Consuming to live <> living to consume

Leading consumer behaviourist, Michael Solomon, puts forward the view that every human activity is a form of consumption. Previously, we introduced the buyer decision process as the consumer's journey of searching, experiencing, and reflecting. Organisations produce value through products and consumers select products through the unique product value proposition that is embedded within the product.

The search for value and the drive to satisfy needs is central to our lives. This process of searching, experiencing, and reflecting is called **meaning transference;** where our human, cultural, and personal values and the meanings attached to a consumption activity are firstly estimated, assessed, and later evaluated. Our human, cultural, and personal values influence what we value and how we live our lives as consumers.

For example: although some people purchase a Vespa as a form of affordable transportation [getting from point A to point B], others may purchase a Vespa to be *'cool'* [a search for *la dolce vita* [the sweet life] as depicted in Italian movies and advertisements]. To some the Vespa may be more **utilitarian** [functional] whereas for others it may be more **hedonic** [pleasure]. Marketing practitioners need to understand the meanings attached to a product, in marketing there are no certainties – marketing is after all a social science.

The personal values that an individual exhibits - is often referred to as an individual's personality. The study of **personality** is of considerable interest to marketing practitioners. Although an individual's personality will demonstrate many shared characteristics [think - human and cultural values] a personality is an aggregation and is unique and an exposition of traits that are relatively consistent and, therefore, a personality distinguishes an individual from others. A personality is therefore a combination of motives, cognition, feelings, and demonstrated to the public through behaviours; marketing practitioners often appeal to personality types in marketing communication. The following personality traits are often cited: adaptability, need for affiliation, aggressiveness, need for achievement, ascendancy, autonomy, dominance, deference, defensiveness, emotionalism, orderliness, sociability stability, self-confidence (Lamb, Hair, McDaniel, Summers, & Gardiner, 2016).

What is also interesting is that a dichotomy has formed into people as producers and consumers, and we are seeing a separation of work time and non-work time. Torkildsen (2011, p.13) describes non-work time as leisure - he proposed that leisure could be thought of as "a type of time, as a set of activities or as a state of being." Homes are no longer a place of labour but a place of leisure. When we think of our own leisure time we can see that many of our consumption activities are leisure activities: for example, a hobby, an activity, or a sport. This separation of work and leisure has resulted in interesting marketing genres such as leisure marketing, sport marketing, hospitality marketing, tourism marketing.

How Marketing Thinking has evolved

Understanding the history of marketing enhances the ability of marketing practitioners and marketing scholars to learn from the past and be better prepared for the future (Fullerton, 2011). Exploring the history of the marketing concept provides a better understanding of how marketing evolves as markets evolve (Keelson, 2012). Tadajewski and Jones (2014) agree and state that an historical discussion also recognises those who have contributed to the discipline. In an earlier work, Fullerton (1988) presented the view that many of the marketing tools that are presented as 'post-war and American' can often be identified as common business practices in nineteenth and twentieth century Europe – and he urges marketing readers and scholars to explore earlier European examples of marketing practice. Similarly, Ritter (2020) suggests that marketing as a discipline and a practice must satisfy the needs of marketing practitioners.

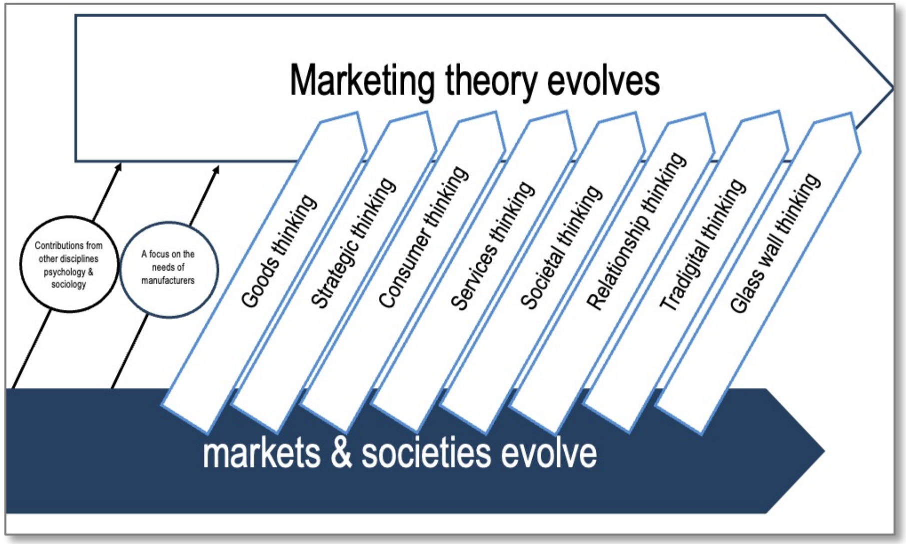

Figure 44: The above diagram communicates how emergent themes are developed and become part of mainstream marketing thought

Search the web

Advertising posters of bicycles in the 1890 were quite sophisticated. What do they suggest about how products are diffused?

Marketing education was established in Europe. Pressey (2017) uncovered university marketing courses in France [1819], Japan [1875], USA [1881] Germany [1891], Australia

[1902], UK [1902]. Similarly, Reed (2006) draws our attention to the adoption of marketing theory at European universities, particularly at German universities, in the nineteenth and early twentieth centuries.

With this criticism of the USA centric nature of marketing theory in the USA noted it should also be acknowledged that US marketing scholars have gone to considerable efforts to preserve their marketing heritage (Shaw & Tamilia, 2001). This, they suggest, is largely due to the work of Robert Bartels who made the history of marketing thought a recurring theme throughout his academic working life.

Eighmey and Sar (2007) note that an early pioneer of advertising research, Harlow Gale, began his exploration of the psychology of .advertising in 1895 at the University of Minnesota after visiting the University of Leipzig in Germany, where Gale studied under Wilhelm Wundt who is regarded as the father of psychology. A contributing factor to the early interest in marketing may have been the growth in newspapers and magazines and the inclusion of images within adverts. As this practice increased, advertising became an emerging topic in universities marketing courses (Eighmey & Sar, 2007). Bartels (1962) traces the interest in academic marketing thought in the USA to the beginning of the 20th century and then outlines the evolution of marketing into areas of specialisation.

An in-depth study of the work of influential authors is outside the scope of this e-book, however, there are a few early contributors that are worth further reading.

Georg Simmel (1858-1918) was a German sociologist. He explored a number of topics of interest to marketing scholars including money and the diffusion of fashion. On the topic of money, he presents the view that value is multifactorial and that costs go beyond money. On fashion, he presents the view that fashion is diffused and discarded in a particular pattern – this is often described as 'trickle down' when the fashion observed in people of higher status is adopted. His work has received a great deal of respect and attention and remains relevant/insightful today.

Harry Tosdal (1889-1978) was one of the early professors of marketing. Harry Tosdal, an American by birth, studied marketing in Europe and then at Harvard. According to Cunningham (1958) he worked at several US universities and was appointed a Professor of Marketing at Harvard University in 1922, he was the Chairman of the faculty committee that established The Harvard Business Review and was faculty editor from 1922-39. Tosdal also had strong links with the Journal of Marketing and was a prolific author.

Let's have a quick look at some of Tosdal's work:

- Tosdal (1921) in the preface to this book of case studies, Tosdal questions why 'marketing management' is neglected in comparison to manufacturing management when the costs associated with distribution are often greater than the cost of production. For the remainder of the book, he devotes his attention to sales-force management and providing solutions to typical problems facing the sales manager. Usui (2011) suggests that his focus on 4 areas - selling, products, pricing, and distribution could be seen as part of a conversation that evolved into the 4Ps.
- Tosdal (1925) in this book he provides a comprehensive review of the history of selling and selling techniques in both B2B and B2C situations. It is clear that Tosdal recognised the importance of sales and sales management to organisational success.
- Tosdal (1939) in which he proposed the need for rigorous market research to better understand the needs of customers and better manage capacity and demand [Tosdal believed that, in many regards marketing practitioners are managers of capacity and demand].
- Tosdal (1947) in which he revisited his work on sales management and, interestingly, emphasised the importance of the service component of products.

Edward Chamberlin (1888-1967) was a Harvard economist, whose work influenced the thinking of a number of marketing scholars (Hunt, 2011) including Wroe Alderson (Alderson, 1948; 1957). Although often controversial and intended for the study of economics Chamberlin's ideas, first published in 1933, have influenced the very nature of marketing; he is regarded as coining the term **product differentiation** and pioneered marketing topics such as **market segmentation** and **product positioning**. Chamberlin's ideas were later advanced by Wellard Smith who suggested that product differentiation and market segmentation are important considerations for managing the costs of manufacturing, marketing communications, and for clear product positioning (Smith, 1953; 1995).

The managerial approach to marketing accelerated, particularly in the USA, in the late 1940s and 1950s (Jones & Shaw, 2002). One of the most prominent was Wroe Alderson (1898-1965) who challenged conventional marketing thought. Alderson is often described as 'the father of modern marketing' and the catalyst for a major shift in marketing thought (Shaw, Lazer, & Pirog, 2007; Tadajewski & Jones, 2014). Nevertheless, there was a general feeling that many scholars failed to acknowledge the value of his work (Goodrich, 2007). Alderson challenged prevailing assumptions and articulated a clear direction for future marketing scholars, he recognised that consumers are motivated by non-rational influences, such as, personal emotions, and he put forward the argument that products have an experience component (Beckman, 2007). Tradajewski & Jones (2014) state that many of Alderson's ideas were ahead of their time, and some were later repackaged and reintroduced, when the ideas were ready for adoption [e.g., Alderson's discussion on consumer-producer interaction emerged as a theme of service marketing scholars fifty years later].

Goods Thinking

Reed (2006) suggests that the '*tipping point*' for USA marketing came in the 1960s. Keith (1960) a Pillsbury executive in the United States argued that by 1960 'the marketing concept' was now the dominant business concept and had replaced the production and selling concepts. His premise was that *"nothing happens at Pillsbury until a sale is made."* This statement recognised that power had begun to shift from the producer to the consumer - from production to consumption (Porter & Livesay, 1971). Keith (1960) also argued that as this shift occurs a business must change from being a manufacturing company to a marketing company. Similarly, La Londe and Morrison (1967) put forward the view that as organisations adopted the marketing concept they had to audit the skills of key staff; furthermore, he suggested that sales managers operating from a selling philosophy may not necessarily be effective marketing managers.

There is much we can learn from the Goods Thinking era and it would be easy to forget that many of today's top brands, which are often referred to as **legacy brands,** had their origins in the era of Goods Thinking: including, Cadbury, Colgate, Coca Cola, Dove, Faber, Gillette, Heinz, Kraft, Mars, M&M's, Nestle, Omo, and Sunsilk. Through an application of the production concept, legacy brands were able to achieve market share, however, through a commitment to quality, value, and satisfaction they were able to build trust, loyalty, and a competitive advantage and through an understanding the needs of their customers were able to craft messages that created top of mind awareness (McGrath, 2017).

As our previous discussions have suggested, marketing as a discipline is not a recent phenomenon. Fullerton (1988) suggests [using Britain, Germany and United States as examples] that modern marketing followed the movement of workers from the farm to the factory. Initially, he suggests, the primary production objective of many retail organisations was to meet the demands of factory workers as consumers, however, marketing principles were adopted as production capacity exceeded demand and competition increased. According to Fullerton (1998) and Reed (2006) there were a number of factors that promoted the marketing concept as the dominant management concept from 1960 onwards:

- Modern production methods
- Production capacity greater than demand
- The lingering memories of the Great Depression
- The dreams desires and demands of post-war consumers
- The rise of the United States as an economic leader.

Author's comment: The need for a longer term and international approach provides a richer more balanced perspective. However, the tremendous efforts and contributions from marketing scholars in the USA should not be discounted.

Marketing scholars of note: There are a number of scholars who have made a significant contribution and are worth studying – Harry Tosdal, Wroe Alderson, Robert Bartels, Neil Borden, [James Engle, David Kollat, Roger Blackwell], Philip Kotler, Theodore Levitt, Sidney Levy, E. Jerome McCarthy.

A change in thinking

It is, perhaps, a trait of scholars to question the prevailing thinking – questioning is in keeping with the 4 quests. One such scholar is Theodore Levitt and his classic article Marketing Myopia. The premise is that organisations often lock-on to existing ideas and lock-out new ideas. This article was published in the Harvard Business Review in 1960. According to Levitt (1960), too often organisations become myopic and focus on running the business rather than identifying the needs of customers and serving customers. Levitt suggests that managers should question what business they are really in – from the customers' perspective. He states that often organisations develop myopia and fail to recognise market shifts and fail to move towards areas of growth. Levitt employs a railroad example to describe how organisations can be inwardly focussed and miss a shift in the market; with the benefit of hindsight, we could enhance Levitt's work by recognising that whilst the railroad companies were trying to win customers – the customers were dreaming of the status and freedom to be gained by owning a motorcar.

Strategic thinking – the marketing mix & the 4Ps

Figure 45: According to Borden, the marketing mix is like the ingredients in a cake mix. When the cake is baked, it is hard to distinguish one ingredient from another - unless the ingredient has been overlooked and/or is missing.

The strategies and tactics within a marketing plan and the marketing action plans are often referred to as the marketing mix. Moreover, the marketing mix is also employed after the marketing planning stage to implement tactics, evaluate the outcomes, and take corrective actions to achieve the short-term and long-term objectives of the organisation. Given the importance and past attention given to this topic it seems prudent to provide a brief overview of the marketing mix.

In 1953, Neil Borden, the President of the American Marketing Association, presented the concept of the marketing mix, he acknowledged the work of a colleague, James Culliton, who employed a recipe metaphor to describe marketing practitioners as 'mixers of ingredients. Then, Borden (1964) updated his earlier work (Borden, 1942 & 1953) reinforcing the 12 elements and 4 market forces as the marketing mix. In his gentle manner, Borden (1964) states the importance of advertising and emphasises that it is one element of the marketing mix and, therefore, advertising tactics must work in concert with the overall marketing strategy.

> **Quote:** An able manager does not ask, "Shall we use or not use advertising," without consideration of the product and of other management procedures to be employed. Rather the question is always one of finding a management formula giving advertising its due place in the combination of manufacturing methods, product form, pricing, promotion and selling methods, and distribution methods (Borden, 1964, p.8).

He also identifies that advertising and promotion are distinct activities. This is an important article in the evolution of marketing as it distinguishes, from an academic perspective, the marketing concept from the selling concept.

McCarthy (1960) conscious of Borden's list of 12 controllable marketing mix elements and 4 market forces summarised the marketing mix concept into the 4P format [Product, Price, Place, Promotion]; his aim was to provide a *mnemonic* for the students in his *basic* marketing class.

Unfortunate consequences

Over the last 50 years **the 4Ps of marketing** has received a great deal of attention. Let's be clear on this - the 4P framework has an important place in the evolution of marketing theory and should be appropriately acknowledged. However, there are 2 unfortunate consequences that should be highlighted:

- McCarthy's '4P mnemonic' is often referred to as the 'marketing mix', which diverts attention and oversimplifies Borden's major contribution to marketing (Quelch & Jocz, 2008)
- McCarthy's original textbook provides a more comprehensive generalised discussion of marketing than just the 4Ps. Including where he describes marketing as 'to best satisfy consumers and accomplish the firm's objectives' (Quelch, & Jocz, 2008) an insight that is often overlooked and rarely acknowledged.

The widespread adoption of the 4Ps by marketing lecturers demonstrates its value as a mnemonic over many years (Cowell, 1984). Social media posts promoting the 4Ps still receive favourable responses – with some remembering the 4Ps with a sense of attachment and nostalgia of their university days and some resort to personal attacks on those who question the rigor and validity of the framework.

However, as marketing and society evolved the 4Ps appears to have travelled through a life cycle [introduction, growth, maturity, and decline]. Some scholars suggest that with time, the 4Ps no longer reflected marketing principles and practices (van Waterschoot & Van den Bulte, 1992). Gronroos (1994) and Yudelson (1999) suggested that a 4P framework for marketing textbooks was a mandatory/acceptable structure dictated by publishers and a convenient structure for textbook authors.

Commenting on the 4Ps, Gabbott, (2004) stated that it was hard to defend a model that is no longer practiced. Sweeney (2007, p.97) agreed and suggested that it was a "relic of the past." Ettenson, et al. (2013) state that it is now rare to hear a marketing practitioner refer to the 4Ps. Osborne and Ballantine (2012) stated that the 4P is organisational-centric and blind to the dynamics and relationships within a market. Some textbook authors present the 4P framework with cautionary warnings (Jain, Haley, Voola, & Wickham, 2012; and Kotler & Armstrong, 2014).

Other scholars have call for modifications, for example:

- Lautenborn (1990) suggested replacing the organisation centric 4Ps with customer centric 4Cs [customer needs and wants, consumption costs, convenience, and communication].
- Peppers and Rogers (1997) proposed replacing the 4Ps with 5Is [identification, individualisation, interaction, integration, and integrity].
- Sheth and Sisodia (2012) suggested the 4As [acceptability, affordability, accessibility and awareness].
- Ettenson, Conrado, & Knowles (2013) proposed modifying the 4P framework with the acronym SAVE; as this is more suitable in B2B marketing situations and is more customer centric, iterative, and service orientated. They suggest marketing practitioners should consider product as SOLUTION, place as ACCESS, price as VALUE, and promotion as EDUCATION.
- Pride, Ferrell, Lukas, Schembri, and Nuninen (2015) carry on the practice of adding more Ps and propose 8 Ps – product, price, promotion, distribution [place], people, physical evidence, processes, and partnerships
- Festa, Cuoma, Metallo, and Festa (2016) suggested replacing the 4Ps with the 4Es [expertise, evaluation, education, and experience] of wine marketing.

There are many areas of marketing that the 4Ps mnemonic is vague. For example, place represents where the product meets the customer and keeping in mind that place can be the dominant component of the product – [e.g., destination marketing].This may make sense for fast moving consumer goods [FMCG] and the retail focus of marketing in the 1950s and 1960s, however, provides a limited perspective for social marketing scholars (Edgar, Huhman, & Millar, 2015). Cognizant of the gap, many 4P marketing textbook authors expand place to include product distribution, however, this notion of place as distribution and e-distribution may be misleading – because product distribution is a service, albeit a 'hidden service', provided by intermediaries and/or distribution channel partners.

Author's comment: One only has to consider the growth in **dropshipping** to realise that technology has changed retail and distribution. Dropshipping is the practice of taking and online sale, however, the seller does not stock the product and simply facilitates the delivery of the product through a producer, wholesaler, or an intermediary. Dropshipping is said to reduce the cost of being involved in online sales as a new business or as an add-on to an existing business.

Interestingly, other scholars highlight the 4P confusion between strategy and tactics. Percy and Rosenbaum-Elliott (2012) suggest that the term 'promotion' is most often used incorrectly. Correctly used, promotion implies a short-term tactical tool. However, McCarthy's use of promotion implies a holistic, long-term, and strategic meaning. Recognising the importance of long-term strategies and short-term tactics some scholars employ marketing communication to indicate a long-term and strategic approach and promotion to indicate a short-term and tactical approach.

The 4Ps may not be consistent across all marketing genres. For over 30 years, services marketing authors have also argued that the 4P framework is inadequate for service dominant products (Booms & Bitner, 1981; Constantinides, 2006; Lages, Simoes, Fisk & Kunz, 2013). Instead of presenting a new framework, many argued for an extended 7P framework. The 7Ps are product, price, place, promotion, processes, physical evidence and people. Other scholars have argued for additional Ps for packaging (Nickels & Jolson, 1976), for public relations (Mindak & Fine, 1981; Kotler, 1986), for partnerships (Chaffey & Smith, 2013).

Perhaps, Gronroos is correct when he suggests that the 4P framework has confused many readers, particularly those new to marketing. Regardless of the number of Ps that are added, the format remains organisational centric – something you do *to a customer*, which is more in keeping with the selling concept. Whereas marketing should be seen as something you do with a customer – therefore, the question needs asking where is the customer in the 4P mnemonic?

Nevertheless, the contribution of the 4Ps to marketing is considerable and should not be dismissed as without any merit. It has helped marketing students to consider marketing as more than advertising. Perhaps, the 4Ps have retarded the progress of marketing, however, it could also be argued that the limitations have initiated a great deal of debate and through this debate the 4Ps have advanced marketing theory. Although many academics have criticised the 4Ps the concept must be considered in the keeping with the situational factors of the time.

Author's comment: The 4P debate is such a big topic. It is also worth warning readers that, when undertaking a review of marketing literature, divergent views on this topic may be a little confusing. This overview was provided to save readers the months that were spent researching this topic.

Moving forward, if we synthesise the marketing literature it is relatively simple - customers buy products – organisations market products – it is all about the unique value proposition of the total product.

Therefore, there a strong argument could be made that from an organisational perspective **there is only one P – Product.**

Furthermore, the literature suggests that each product could be explored as layers, considerations, components, and subject to the prevailing situational factors.

Marketing directions

Broadly speaking, marketing academics could be categorised into two groups as teaching focussed or research focussed.

- Teaching focussed academics could be described as 'generalists' and move freely between concepts, theory, and application. The focus is on synthesising a body of knowledge to facilitate the understanding and application of marketing knowledge. In many regards teaching focussed academics are consumers of research.
- Research focussed academics could be described as 'specialist researchers' or 'applied researchers':
  - **Specialist marketing researchers:** Some marketing scholars have an area of specialisation; this means that they comprehensively research an area of interest, and they tend to be less focussed on areas outside their area of specialisation. Members of this group are more interested in depth of knowledge rather than breadth of knowledge; they are more engaged in contributing to the body of knowledge on a particular topic than the interest of marketing practitioners. Generally, the work of specialist marketing researchers is found in section 2 [theory].
  - **Applied marketing researchers:** Other marketing scholars focus on breadth of knowledge rather than depth of knowledge; this group adopt a more holistic, strategic, and applied approach to their research. This group synthesises the work of specialist marketing researchers and then conduct research that is more applicable to the organisation and the marketing practitioner. Generally, the work of applied marketing researchers is found in section 3 [marketing application]. Applied marketing is generally referred to as marketing strategy or strategic marketing. We discuss marketing strategies and tactics later in the e-book.

Marketing scholars of note:

There are a number of scholars who have made a significant contribution and are worth studying – David Aaker, H. Igor Ansoff, Peter Drucker, Gary Hamel, Charles Handy, Henry Mintzberg, Michael Porter, C. K. Pralahad, Thomas Whelen.

Author's comment: Although previously stated that academic journals are often genre focused, that should not discourage further reading. A list of the academic journals is provided at the end of this chapter. For marketing practitioners, the Harvard Business Review is worth accessing as it has a holistic approach to strategy and often spans the boundary between marketing scholars and marketing practitioners.

Consumer Thinking

The work of marketing scholars in the 1950s, 1960s, and 1970s was directed towards the needs of marketing practitioners and highlighted the organisational benefits of adopting the marketing concept and marketing practices.

Although a number of scholars [e.g., Alderson] had expressed the need for a better understanding of the consumer in the 1960s, the Consumer Thinking movement gained traction in the 1970s. Kotler and Levy (1973) put forward the view that whilst marketing scholars are reporting on the increasing sophistication of sellers they should also consider the increasingly sophisticated buyer and that marketing is about mutual satisfaction.

In the 1980s there were several new directions in marketing thought, including the increased focus on consumer behaviour. A number of consumer behaviourists recognised the need to explore, how consumers purchased, why they purchased, and how they interacted with products to fashion their identities. This recognition sensitised marketing scholars to the importance of going beyond the traditional **demographic** view of buyer behaviour. One well respected scholar, Michael Solomon, suggests that consumers are actors, as if on a stage, and that they employ products to help establish their character, therefore, consumer behaviour goes well beyond the act of buying (Solomon, 1983).

As Australian sociologist Hugh Mackay (2014, p.2) states understanding why and how consumer behaviour is a complex task:

> **Quote:** What is clear is that we are complex creatures, each of us is located at different points along many different dimensions of personality, temperament, gender and physicality, and a great deal of what is going on in our brain is inaccessible to us, let alone consciously controlled by us.

Marketing scholars of note:

There are a number of pioneer consumer behaviour scholars who have made a significant contribution and worth studying: Soren Askegaard, Gary Barmossy, Russell W. Belk, Janeen Costa, A. Fuat Firat, Guliz Ger, Elizabeth Hirschman, Maurice B. Holbrook, Douglas Holt, Grant McCraken, Michael Solomon, John F. Sherry, Jagdish Sheth, Melanie Walendorf, Jerry Zaltman,

Service Thinking

The early 1980s was characterised by a number of situational factors that changed the marketplace. In many countries, there was high inflation, recession, a rise in unemployment, credit was difficult to obtain, and interest rates were historically high. Demand dropped, and manufacturing activity declined, furthermore, government spending came under increased scrutiny.

Organisations operating in emerging economies had lower labour costs and took market share from traditional manufacturers [e.g., in the car industry and electrical products]. In an effort to minimise the effect of the recession on their balance sheets, many organisations placed increased emphasis on services and embraced emergent computer technology. It was a time of political change and government implemented policies that a few years earlier would have been politically unacceptable [e.g., restructuring uncompetitive industries, deregulation of industries, outsourcing government services].

Commenting on this era, Lovelock (1991) identified a number of factors that attributed to the growth in services, including:

- Manufacturers recognising that services may augment their product and provide the source of competitive advantage
- Government relaxing business regulations
- Government privatisation and outsourcing
- Professional organisations permitted to promote their products
- Increased computerisation
- Growth of franchising
- Growth in internationalisation
- Increased leasing of equipment
- Increased competition and shareholder expectations

Marketing research scholars explored and documented the changing marketplace. Journal articles that explored services marketing increased by 100% in the 1980s and then again by 100% in the 1990s (Martin, 1999). Additionally, he highlights the significant role that services marketing scholars have played in the advancement of the marketing concept.

Services marketing scholars identified that marketing practitioners face a different set of challenges when managing products that have a high service component. There was general agreement that services have 4 unique characteristics that required the marketing practitioners' attention. The 4 unique characteristics are often referred to as **intangibility, inseparability, variability and perishability:**

- **Intangibility:** services are physically intangible [non-material is a better description] at the time of purchase
- **Inseparability:** the customer is inseparable from the service delivery process – they must be mentally or physically present

- **Variability**: services will vary in quality [due to a number of factors including the customer and the service provider]
- **Perishability:** the service component is perishable and therefore cannot be resold after purchase.

A word of warning: The inconsistency in the 4-unique characteristic argument is, that services marketing scholars also argued that **all** products have a service component. Logically, if all products have a service component then the 4 unique characteristics are perhaps *not unique to services*, but embedded, through the service component in all products.

Although, Borden (1964) recognised the importance of servicing as one of 12 ingredients in the marketing mix, he also highlighted that services are instrumental in the delivery of goods – therefore, even when goods are the dominant product component organisations also rely on services to facilitate the exchange. Borden's era [the goods thinking era] was a time when marketing was dominated by the needs of manufacturers. Since then, services marketing scholars have provided an important contribution to marketing; they have provided a more balanced perspective with new insights. Today, most services marketing scholars agree that services – facilitate, enable, or support the product delivery. This has led to the view that the service product components require special attention - service components also provide the opportunity to augment a product. Given the importance of services as a product component, the e-book will explore services in more detail in the total product components chapter.

A classic article is the 1994 Harvard Business Review article - **The service profit chain** by Heskett, Jones, Loveman, Sasser, and Schleslinger. The authors put forward the view that internal service quality leads to customer satisfaction, which leads to employee productivity and retention, which then leads to external quality, which leads to customer satisfaction, customer loyalty, revenue growth and increased profitability. This is a great article and easy to read. You will notice that the service profit chain theory runs through this e-book and is discussed in greater detail when we look at the circle of satisfaction. The service profit chain highlights that quality external relations begin with internal quality relationships. We return to this topic when we explore both quality and communications. This Services Thinking has greatly influenced marketing.

Marketing scholars of note

A number of scholars have made a significant contribution and worth closer inspection – John Bateson, Leonard Berry, Mary Jo Bitner, Stephen Brown, Pierre Eiglier, Raymond Fisk, Christian Gronroos, Stephen Grove, Evett Gummesson, James L. Heskett, Eric Langobard, Christopher Lovelock, Adrian Palmer, Earl Sasser, Valerie Zethaml.

Societal Thinking

One of the leading marketing scholars, Philip Kotler, was also a pioneer of Societal Thinking. Kotler and Levy (1969), Kotler, 1971, and Kotler (1972) argued that the principles of marketing could be applied to non-retail relationships, for example, not for financial profit organisations, charities, government agencies, schools, public health, the arts - etc. Although initially controversial, with time and further discussion, societal thinking became mainstream as non-retail organisations employed marketing principles and practices to design, develop, communicate, and deliver social value (Kelley, 1973, Quelch & Jocz, 2008).

The premise of societal marketing is that organisations must consider the needs and values of society. This means that they must act in a socially responsible manner [referred to as corporate social responsibility] and to be mindful to use the planet's resources in a sustainable manner. In their literature review of Societal Thinking, Abratt and Sacks (1989) present four dictums:

- Organisations should be accountable for their actions
- Promotion of the product should be ethical
- The welfare of the consumer is uppermost
- Marketers do not have a mandate to dictate consumer rights

Bravely, Abratt and Sacks (1989) studied two socially sensitive industries alcohol and tobacco. Products from both industries provide a short-term satisfaction for the customer but often a long-term dissatisfaction and, whilst the initial exchange may provide a short-term benefit to society [tax] there are long-term costs to society [health costs].

Societal Thinking encompasses the marketing genre of social marketing, which is directed towards the health and wellbeing of society and individuals, the health of the environment, and social issues [sometimes referred to as 'cause marketing'].

As we have discussed, organisations [C**O**MP] vary in their adoption of the marketing concept and application of a marketing philosophy, they also vary in size, reach, and market power. Organisations vary from small and medium enterprises to global organisations, therefore, the number of communities in which an organisation may operate will vary. Furthermore, organisations vary in market power [e.g., bargaining and negotiating power] that they can exert when establishing and operating in developing societies. Noting this and the economic benefits of being socially responsible, Lindgreen, Swaen, and Campbell, (2009) argue that the corporate social responsibility objectives are often part of a corporate and strategic business plan and should encompass the interests of local communities in which the organisation operates. Chilufya, Hughes, and Scheyvens, (2019) agree and state this corporate social responsibility statements may be included for stakeholder and shareholder peace of mind, however, to be of lasting value a local community social responsibility is critical. Interestingly, they note how tourists can also play a societal role through supporting local communities both short and long-term.

We could therefore extend Abratt and Sacks to include a fifth dictum:

- Organisations and customers should act socially responsible in all communities in which they engage

Author's comment: Note how social responsibility and societal thinking are similar to our earlier discussions on profitable[4] exchange relationships[4].

Relationship Thinking

In time, services marketing scholars established the importance, and the key challenges of services and **Service Thinking** was incorporated into mainstream marketing practice. Although, some services marketing scholars continued to discuss the 4 unique characteristics of services long after the point was made, other services marketing scholars expanded their horizons and explored emerging topics; one emergent topic that received a great deal of attention was relationships. Relationship Thinking was a natural progression and built on Consumer Thinking and Services Thinking. It was the generally accepted view that the inseparable and variable nature of the service component could be managed to enhance internal and external customer relationships (Reichheld, 1993: Heskett, *et al.,*1994; 2015).

Let's have a brief look at the evolution of **Relationship Thinking**. From an academic perspective, Berry (1983), is regarded as a pioneering scholar in this field, and brought the marketing objectives of **attracting, retaining, and enhancing customer relationships** to the forefront. Berry advocated that marketing was more than the one-off exchange that was inferred within the selling concept. Berry proposed that customers have a memory and, therefore, organisations are evaluated not on their promises but their past performance. Therefore, organisations that have nurtured positive relationships with customers are better placed to gain the customer's future business. Sheth & Parvatiyar (1995; 2000) echoed Berry's view and stated that relationships have been a key success factor for as long as there have been markets; furthermore, customising product offerings to meet the needs of individual customers has long been a crucial factor in building relationships.

Author's comment: You may have noticed we have moved from a one-off exchange to more than one exchange

Over thirty years ago, Dwyer, Schurr, and Oh (1987, p.25) highlighted the lack of attention given to buyer seller relationships, furthermore, they stated "we are hard pressed to find anything more central to marketing".

According to Palmer (1997), relationships were easier to develop and manage in earlier and simpler times, however, he maintained that as the 'distance' between producer and consumer increased, relationships became more complex; consequently:

- Products became more standardised
- Customisation became impractical and unviable
- Market segments grouped similar customers
- Mass production increased, and this:
    - Lowered production costs, lowered costs to the customer
    - Internationalised products
    - Relationships became less face-to-face and more difficult to establish
- As personal relationships became more difficult many organisations promoted the relationship with the brand

Furthermore, as markets and products matured the cost of attracting new customers became more expensive. Consequently, many organisations adopted a relational approach to maintain revenue and market share and this contributed to the move away from **Transactional Thinking**. In hindsight, Transactional Thinking was little more than one step away from the selling concept; where customers were treated as naïve and trusting, there was a focus on customer acquisition and there was little effort to build mutually beneficial relationships (Egan, 2004). On the other hand, Relationship Thinking was moving increasingly towards attracting, retaining, and enhancing and the generation of long-term value (Dibb & Meadows, 2004) and co-production of the product (Norman & Ramirez, 1994; Vargo & Lusch, 2004; Lusch, & Vargo, 2006; 2011; Lusch, *et al.*, 2007). What is generally regarded as good business practice (Parvatiyar & Sheth, 2001).

Relationship Thinking was originally practiced by B2B organisations (Mattson, 1997; Sheth and Parvatiyar, 2007). They observed that B2B transactions were more of a process, whereas B2C transactions were often *ad hoc*. Others observed that B2B were often characterised by long-term, mutually beneficial relationships based on trust and fulfilment of promises, whereas B2C exchanges were often transactional (Ardnt, 1979). Consequently, marketing scholars began to explore if the Relationship Thinking of B2B markets could be applied to B2C markets. Given that B2B organisations tend to have fewer relationships the impediment for B2C organisations [prior to the adoption of technology] was the cost of creating, maintaining, and the effort and time involved in retrieving customer records.

Initially the premise was that if an organisation enhanced the customer experience and customer satisfaction, then, customers would develop a relationship with the product/brand/organisation and this would result in a number of benefits for the organisation. As Relationship Thinking was a logical extension of the prevailing academic thinking it was adopted and practiced as a natural evolution of the marketing concept.

Whilst Services Thinking coincided with the introduction of computerisation, Relationship Thinking occurred in a period where major advances in technology were taking place. It should be noted that by the 1960s a number of sophisticated, although labour intensive, marketing analysis tools were available (La Londe & Morrison, 1967).

In time, software developers recognised a gap in the business software market and developed software to enable organisations to better manage the sales process and customer relationships. This new software became known as Customer Relationship Management software or more simply as CRM software. CRM software brought together data from a number of distinct software programs. CRM software was adopted because it provided the data for **tactical everyday marketing research** that was beneficial in the CADDIE business-marketing planning process [see section 3]. In addition, the information was often presented visually and in an easy to comprehend format. Access to better information enabled marketing practitioners to make more informed business decisions, however, the continuous availability of information also enabled marketing practitioners to be more responsive to changing market conditions. CRM software could also reveal the buying activity of different customers; this helped marketing practitioners to forecast demand more accurately, to identify market segments, and to develop loyalty programs to reward loyal customers. In time, CRM software became more sophisticated and paved the way for more sophisticated software.

We can conclude that CRM software enabled the marketing practitioner to combine the relational approach of the marketing concept with enabling software and technologies (Mullins, Ahearne, Lam, Hall, & Boichuk, 2014). This was particularly beneficial in the business-planning process, in the design and development of strategy and then after implementation with the evaluation of the marketing tactics.

Clearly, this was an important era as software for marketing practitioners [SfMP] increased decision-making rigour and provided the information more efficiently. No longer did marketing practitioners have to wait for month-end reports to be printed by other disciplines and then wade through reams of paper to collect relevant information and then analyse the data. As one marketing manager recalled 'There was a time when I had little access to information and often by the time I had the information it was the middle of the next month and I had moved on or lost interest'.

> **Author's comment:** there have been great advances in software products for marketing practitioners. This is now a mature industry. Competition has generated various product descriptions and it may be misleading if we continued to refer to this software category as CRM software. Today, CRM is just one of many descriptors for this category of software. Therefore, I will use an umbrella term – software for marketing practitioners [SfMP] to cover the various Customer Relationship Management and Marketing Analytics software products.

As a result of increased demand and emergent technologies, software developers provided more affordable products, greater choice, more specific tactical software – from a marketing perspective we can identify two themes:

- **Marketing through technology** – employing software within and organisation to augment their product, remain competitive
- **Marketing of technology** – the design, development and delivery of technology-based software

With internet advances including cloud services [outsourced services platforms, storage delivered by the internet], the marketing of technology provided **software as a service** [SAAS]; this was often provided on a fee for service basis, and this lowered the entry and establishment costs. Traditionally, software for marketing practitioners was aimed at larger organisations, however, in time software was also developed for small and medium enterprises; some products were designed and developed to suit the size and type of organisation and many products were scalable to enable the software to expand as their business grew or the data requirements of the organisation increased. SAAS highlighted that value may not be apparent at time of transaction; that value can become more apparent with use **- value-in-use**, therefore a subscription pricing model may better meet the customer and supplier's objectives (Macdonald, Wilson, Martinez, & Toossi, 2011) and that with time B2B customers and suppliers can co-produce and construct quality and value (Macdonald, Kleinaltenkamp, & Wilson, 2016) and that this can lead to B2B relationships based on cumulative satisfaction (Prohl-Schwenke, & Kleinaltenkamp, 2021).

With the increased adoption of mobile technology, software for marketing practitioners enabled boundary spanners [representatives of an organisation] to meet with their customers on-site and provide real time information [e.g., pricing, stock availability, sales history, and product information]; this ability was further enhanced when software for marketing practitioners was designed to be cloud based. Mobile technology has enabled manufacturers to create aftermarket technologies to ensure that products are working to specification [including in remote locations].

Peelan (2005), perhaps predicting the future, put forward the view that technology heralded a new era of real time marketing "anywhere, anytime, anyplace" and new opportunities to propagate Customer intimacy [customer centricity]. Understandably, software for marketing practitioners was quickly adopted by other discipline areas and this led to greater collaboration within organisations and an expansion of Relationship Thinking to include internal customers and channel partners.

There are other changes that have contributed to the Relationship Thinking movement. Changes include: the growth in franchising, the outsourcing and offshoring of traditional business activities, the increasing popularity of strategic alliances and joint ventures, and the globalisation of brands. Interestingly, leading consumer behaviouralists sounded warnings about the future. Belk (2014) noted the beginning of a 'virtual' era characterised by the dematerialising of previously physical possessions including consumer items such as a music collection but also business functions such as company records. Sheth and Solomon (2014) predicted a future where all online activities of consumers would be recorded, stored, and available.

Although overshadowed by later advances in technology, Relationship Thinking is an important event in the evolution of marketing practice. Since Berry's seminal work, Relationship Thinking has developed from a conceptual topic that was initially proposed as worthy of further discussion and further research by marketing scholars, to now be an accepted business practice. To the extent, that today managing customer relationships is recognised as a **strategic business imperative**, without which, business success is unlikely.

Relationship Thinking is across all touch points

In time, managing the customer experience became a method of augmenting a product (Pine & Gilmore, 1998) and the emergence of enabling technologies, over the last fifteen years, has advanced academic attention and applied marketing practice (Bolton, 2019).

> **Author's comment**: It is fair to say that what was once thought of as impossible, say twenty-five years ago, is viewed today as every day and ordinary. Technology has provided a variety of new marketing support tools and these new tools have enabled businesses to be more effective and efficient. If you are unfamiliar with Web 1:0 and Web 2:0 then it may be prudent to undertake a quick search.

In the process marketing is no longer defined to a department. Gronroos (2007) advocates that managing customer relations requires traditional non-marketing areas [e.g., invoicing, claims handling, accounts, product provider-product recipient interactions] to practice a marketing philosophy. For customer relationship management to be successful, all touchpoints of the customer experience and customer satisfaction must be carefully designed and managed appropriately at all levels. This requires collaboration between departments, the breaking down of organisational silos, and a market-orientated approach to business.

Relationship Thinking & customer engagement

Customer relationship management was initially about **organisations managing relationships with their customers** through **marketer-generated content** in a traditional and/or digital format. However, customer relationship management practices were challenged as consumers through **customers-generated content** on social media developed a more active role rather than a passive role (Malthouse, Haenlein, Skiera, Wege, & Zhang, 2013) and some suggest empowerment (Labrecque,vor dem Esche, Mathwick, Novak, & Hofacker, 2013). As the importance of social media became apparent, scholars called on marketing practitioners to embrace, communicate with, and nurture the new and more engaged proactive customer (Kumar, Bezawada, Rishika, Janakiraman, & Kannan, 2016). This requires a new approach to marketer-generated content, and new and holistic ways of measuring the emotional and psychological involvement of the customer with the product/brand/organisation and the subsequent value to the organisation (Kumar, 2013; Harrigan, Soutar, Choudhury, & Lowe, 2015; Pansari & Kumar 2017).

As the internet evolved a number of scholars identified the theoretical connection between customer relationship management and customer engagement, however, some also recognised customer engagement as a theoretical extension of Services Thinking and S-D Logic (Brodie, Hollebeek, Juric, & Ilic, 2011; Hollebeek, Srivastava, & Chen, 2019) [see Vargo & Lusch, 2004 for background]. Moreover, engaged customers were quickly recognised as co-producers of value, and the source of brand identity and brand equity and customers managing their personal relationships with products/brands/organisations through online and social media behaviour (Cui, Lui, & Guo, 2012; Hennig-Thorau, Malthouse, Friege, Genslar, Lobschat, & Skiera, 2010, Malthouse, et al. 2013, Kumar et al, 2016). Although at the time a major step in the evolution of marketing theory, the ability of marketing practitioners to collect and analyse information [beyond an organisation's internal data] and take into consideration the rich consumer data available through social media is now viewed as a strategic imperative (Weiger, Hammerschmidt, & Scholdra, 2019).

Background on customer engagement: The following discussion is based on Jana Bowden (2009), who discusses this topic in great detail and clarity. Customer engagement implies an involvement where a customer and an organisation have a positive and purposeful relationship – suggesting that there is an involvement, a commitment, and loyalty. This suggests that from an organisational perspective there has been strategic intent to nurture the relationship before, during, and after the purchase. This suggests that from a consumer perspective - engagement is as a consequence of being involved in an exchange, developing a commitment to a product, brand, and/or organisation to an extent that the customer intends to actively engage for mutual benefits. To move from involvement to commitment, to trust, to loyalty, to engagement suggests a positive psychological process for the customer with a number of interactions and an overall evaluation of satisfaction; it also suggests the strategic intent by the organisation to nurture a culture of employee engagement – a marketing culture to gain a competitive advantage. On the other hand, involvement can be a negative psychological process for customers who have expectations that are not met and have an overall evaluation of dissatisfaction. Organisations should employ the appropriate methods to measure and manage engagement. In the perfect world all employees would be engaged, however, there are also likely to be employees who are 'disengaged' and likewise organisations should employ the appropriate methods to measure and manage employee engagement.

> **Author's comment:** When I read this article by Jana Bowden I considered whether there was a type of 'fake engagement' where people engaged with a brand, perhaps more so in a digital platform, to profit from the product/brand associations or the brand community without an authentic engagement with the product/brand.

Customer interactions [encounters, moments of truth, touchpoints, etc] have changed considerably in recent years, for example - services such as online self-service and contactless technologies are changing traditional roles of service providers and the customer experience (Shulga & Busser, 2020).

Marketing scholars of note

A number of scholars have made a significant contribution and worth closer inspection – Linda Hollebeek, Jana Bowden, V. Kumar, Rod Brodie, Edward Malthouse,

There are many organisational motives for implementing software for marketing practitioners. One motive is the quest to best satisfy customers; therefore, SfMP is an important part of the

CADDIE business-marketing planning process within the organisation. SfMP can assist in organising the necessary data.

In some organisations, the motive is a general recognition that organisations must adapt with the market. In other cases, the motive may be a general dissatisfaction with the present business performance and the desire to improve business performance. Depending on the performance gap this could be the need to maintain a competitive advantage, to remain competitive, or to catch up and regain lost ground. Often the dissatisfaction with the present performance is as a result of a marketing audit that indicates a drop in one or more Key Performance Indicators [KPIs - e.g., drop in market share, drop in GP, lower satisfaction rates] or emerging situational factors that reveal a threat to the organisation [e.g., a new entrant to the market, a change in economic conditions].

It is important to note that an organisation can only achieve financial, strategic, and communication objectives through profitable[4] exchange relationships[4] built on:

- Episodic customer satisfaction
- Cumulative customer satisfaction
- Aggregate customer satisfaction [in many cases]
- Collective customer satisfaction

SfMP is not the silver bullet for an underperforming organisation and software will not breathe life into dead products – keep in mind software is a tool. For example, if an organisation has a product that has unacceptable warranty rates, poor quality service, inefficient processes then these require immediate attention. In this case relationship-building strategies are pointless until the total product performs to, and preferably above, customer expectations. The literature identifies an implementation hierarchy - philosophy, products, people, processes, and then technology.

For customer relationship management to be more than just another overhead it must provide a return on investment [ROI]; it must be an asset that grows over time; it must help to achieve the marketing objectives of the organisation. Business brokers often state that the market value of a business includes material and non-material assets. The material assets of the business are the stock, property, plant and equipment. The non-material assets are the ability of the business to generate future earnings.

Businesses are assets that may be sold in the future and SfMP can help provide evidence of market value. Business brokers state that when someone considers buying a business they are seeking an assurance about future income. And the business buyer wants evidence: who are the customers? Where are the customers? How many customers? What is the average spending? What is the frequency of repurchasing? How long are the relationships? How profitable/unprofitable is each customer or segment? And are there ways to generate more sales by improving acquisition and retention rates?

Also, important to a potential business buyer is protection of the asset they are buying; ensuring that this asset is transferred to the new owners of the business; they want to know what transition process will be needed to ensure that present customers remain with the business and what agreements are needed to ensure that the customers are not poached.

The ability to demonstrate goodwill, one of the most valuable assets on an organisation's balance sheet, is important when the business is to be sold, merged, or when the business needs to raise capital. From this we can conclude that SfMP can reduce risks when a business is being purchased.

Marketing scholars of note

There are a number of scholars who have made a significant contribution to customer relationship management and worth studying – Leonard Berry, Francis Buttle, Robert F. Dwyer, Christian Gronroos, Evett Gummesson, Christopher Lovelock, Adrian Payne, Ed Peelen, Don Peppers & Martha Rogers, Frederick Reichheld, Frederick E. Webster.

Tradigital Thinking

The advances in technology are not restricted to software. The use of digital technologies has been embraced by marketing practitioners, eager to add another tool to their communication toolbox and to achieve their communication objectives.

> According to Chaffey & Ellis-Chadwick (2012, p.10) **digital marketing** can be defined as achieving marketing objectives through applying digital technologies.

What we can conclude from this definition is that whilst the marketing tools may have changed - the marketing objectives [financial, strategic, and communication] remain a constant. This is an important point to consider - it is not about the technology it is about the most effective and efficient means of achieving the marketing objectives – marketing through technology in the quest for best.

Whilst there is some debate on the internet regarding traditional and digital formats that debate is not present in academic journals and discussions with marketing practitioners. Most marketing practitioners see digital marketing communication in the same way as other media. The introduction of print, radio, television as media were all disruptive innovations and each changed the way that marketing practitioners went to market. And just like other disruptive innovations demanded adoption so has digital marketing. The uptake suggests - that marketers embrace digital technologies to increase the effectiveness of their communication, however, it would be prudent to identify the right mix of traditional and digital methods – a **tradigital** approach [also referred to as **phygital** – believe it or not]. It is also interesting to observe the use of traditional media to promote online services – one that stands out is the hotel booking site Trivago.

Examples of digital marketing through computers, laptops, tablets, and smartphones include:

- An e-commerce website where products are offered for sale
- Promotion [e-promotion] of product offerings through texting, or email
- Communication via social media platforms
- Sales promotion and discounts through apps
- Content creation designed to foster engagement

> **Author's comment:** It is important to distinguish between social marketing [e.g., communicating a message with a societal benefit] and social media marketing.

Social marketing is effort directed towards creating awareness, interest, desire, and action regarding a social issue. Often social marketing highlights issues that are unprofitable or unsustainable for society – often social messages are unwelcome; therefore it is not surprising that some social campaigns adopt the tactics of the selling concept.

Social media marketing needs to be considered from three perspectives, the social media platform provider, the perspective of an organisation, and the perspective of a customer.

- A social media platform provider is an organisation that provides an internet-based platform for the sharing of user generated content.
- Social media marketing is, from an organisational perspective, employing technology platforms to communicate and engage with a selected market segment or market segments.
- Social media marketing is, from a customer perspective, employing technology platforms to communicate and engage with other customers through the three-time-zones of the buyer decision process. Therefore, it is an important tool for building the meta-narrative of brand identity.

Today social media is an everyday consumer activity and people regularly browse through their favourite social media platforms. Social media platforms overlap to some degree and are evolving with time. Therefore, marketing practitioners must consider the situational factors [COMP factors] that they encounter and then design and develop the appropriate social media tactics as part of the business-marketing planning process [the tactics outlined in a social media campaign need to be congruent with the objectives of the business-marketing plan]. Although it is difficult to identify a product where some social media marketing would not assist a marketing practitioner to achieve the 9 key marketing objectives, it needs to be recognised that the composition of a social media tactics will vary according to COMP factors.

The adoption of social media by consumers has seen many traditional market roles adapt – and sometimes rebadged with new names such as social media influencers, marketing influencers, marketing affiliates, and marketing aggregators. Importantly, like any major event in marketing, new challenges will emerge, and new legislation will be required. Keep in mind, that with e-commerce comes the e-conjob. Consumers, unless they are naïve, generally recognise that many social media platforms are for profit and are targeting customers with advertisements and 'independent comments' are often a 'fee for a service' and consumer scepticism is required as with all advertising. Today, branding requires new considerations.

It is also important to understand that social media is an investment and needs, like all marketing activities, to produce a return on the investment [ROI]. Social media marketing is not a plaything for the enthusiastic amateur or grants an IT person permission to make marketing decisions or bombarding people with a stream of uninvited messages. Social media marketing, when practiced correctly, can create a sense of engagement throughout the salespipeline and can be employed to amplify and accelerate traditional marketing activities [e.g., need awareness, organisation-consumer conversations, lead generation, sales promotions, facilitating and supporting services, reward programmes]. Social media marketing is often employed by consumers as 'self-education' when searching for information.

With online searching activity, social media marketing has led to the establishment of many organisations that specialise in social media marketing research – social media research tools should be part of the SfMP toolbox.

The Marketing Concept remains a constant

Throughout history customers, organisations, markets, and products have continually evolved. Organisations have adapted their marketing philosophies, marketing plans, and their marketing practices to suit the prevailing situational factors. In the evolution of marketing a societal perspective we identified 4 recurring patterns or quests that shape the evolution of marketing.

In the last 50 years, the rate of change has been substantial and the last 25 years has seen a dramatic shift in technology; in addition, there are new concerns for the sustainability of the environment and society. There is also an increase in scepticism and concern about corporate and government greenwashing, Siano, Vollero, Conte, and Amabile (2017, p.27) state that greenwashing is a communication tactic to deflect attention from major sustainability issues to minor sustainability issues to "create "green talk" through statements aimed at satisfying stakeholder requirements in terms of sustainability, but without any concrete action".

At the same time, we have seen an explosion of global businesses, and this has expanded the traditional business boundaries and consequently, marketing practitioners are often remote from the customers they serve.

In the definitions module, we explored a classic and a contemporary marketing definition and we discovered how marketing has adapted and is now more expansive – for example - we discussed profits and relationships as having dimensions and how the relationships went beyond the buyer and seller.Today, most marketing practitioners have better tools to collect and analyse information. Marketing is now more data driven and more scientific. Nevertheless, the marketing concept remains a constant; with the underlying philosophy of designing, developing and delivering best satisfying products central to the marketing concept.

For example, software can facilitate a large organisation to learn, with every interaction, more about its customers [their dreams, desires, and demands] and whilst this may sound revolutionary this is not unlike the small business operator who makes a conscious effort to learn about the needs and wants of each customer in order to attract new customers, retain, existing customers and enhance the relationship with customers[2] [e.g., local butcher that recalls that a customer likes steak mince rather than regular mince or prefers their meat cut a particular way].

Reed (2003, p.9) suggests, “It is more or less taken for granted” that a marketing philosophy is necessary for business success and worth emphasising that adopting the marketing concept and applying a marketing philosophy remains a source of a competitive advantage.

Marketing journals of note

There are a number of peer reviewed journals that are available in a printed and/or online version: the following is a list of the most popular and worth further reading.

Journals: *Journal of Marketing, Journal of the Academy of Marketing Science, Marketing Theory, Journal of marketing theory and practice, Journal of Interactive Marketing, Journal of Marketing Management, Journal of Macromarketing, Journal of Consumer Research, Journal of Marketing Research, Harvard Business Review, Journal of Business Research, California Management Review, Journal of Retailing, Journal of Services Marketing, Journal of Services Research, International Journal of Service Industry Management, Managing Service Quality. Journal of Retailing and Consumer Services.*

What is not marketing?

Previously we have introduced the three dominant business concepts and the corresponding philosophies [production, selling, and marketing] we should emphasise that all three philosophies employ a similar communication mix. However, there are fundamental differences between the different business philosophies. Organisations that have adopted the marketing concept and are practicing a marketing philosophy recognise that their organisation can only meet their needs and wants by satisfying the needs and wants of their customers.

Therefore, organisations with different philosophies will employ a communication mix - the objectives, the strategies and tactics are quite different – and if it is not marketing it is not marketing. Keep in mind marketing is something you do with a customer not to a customer.

Ritter (2020] suggests that as marketing evolves some academics view marketing as **big M** or with a **small m**. Big M marketing is strategic marketing – as a philosophy, process and function, whereas small m marketing is tactical marketing – as a series of tasks.

What is certain is that the marketing practitioners are focussed on strategies and tactics to achieve organisational objectives.

In summary

In this module we have taken a journey through the evolution of marketing. One thing that stands out is that that the marketing process of how organisations and consumer/customer go to market has radically changed. There have been periods of incremental improvements and periods of disruption. The recent years of characterised by the marketing of technology and marketing through technology has been one such time of disruption, however, adding to the complexity is that organisations must market with a more enabled, empowered, and engaged customer. Having said that - what we have also discovered is that whilst marketing practices have changed - the marketing concept has remained a constant – organisations that best satisfy the needs of their customers are best placed to satisfy their own needs.

In this chapter we have explored the evolution of marketing theory, in particular we have investigated how marketing scholars are part of the evolution and advance marketing as an academic discipline and as a business practice. We discovered that this effort is in keeping with the 4 recurring patterns or quests that we discussed in the module preview. The 4 recurring patterns or 4 market quests are:

- To better serve the customer
- To overcome the challenges facing society
- For better use [application] of existing resources
- For more effective distribution of: information, products, & people

Central to marketing success throughout this evolution is a commitment to best satisfying[2] [think: what, when, how, who, why and where]. Marketing scholars and practitioners have been part of an evolution to design a best satisfying experience at every touchpoint, to create and nurture consumer engagement and be rewarded by loyal services provided by the customer.

This module provides the groundwork for the objectives of marketing practitioners, the buyer decision process, the total product, the circle of satisfaction and the business-marketing planning process.

Reflect & review

Although an organisation may initially practice the production concept, there may come a time when the organisation may need to take a different strategic direction. List reasons why/when the production concept may no longer be viable strategy.

Discuss why marketers often state that sales are a reflection of **buying** activity rather than **selling** activity.

1:3:0 Marketing objectives

Previously: We explored the evolution of marketing from a societal and theoretical perspective and presented 4 market quests – which influence marketing practice.

Learning objectives

Learning objectives of this module: This is the last module in section 1. This module should put the final pieces of the profitable[4] exchange relationship[4] concept together. After completing this module, you should recognise that although different organisations have different structures, there are recognisable marketing objectives. In addition, you should be able to identify and demonstrate an understanding of the 9 objectives of marketing practitioners and how these objectives will enable organisations to achieve their financial, strategic, and communication objectives. This module introduces marketing metrics and the view that marketing is a process that begins with the collecting and analysis of marketing data [the CA of the CADDIE process].

Data is information that is developed from facts and statistics and may be from secondary sources or primary sources.

Author's comment: Marketing metrics V marketing analytics. There is much confusion on this topic. Increasingly the terms are used interchangeably. Many assume they are the same thing and this is generally because there is a lack of understanding of the differences between a strategic marketing plan and the tactical marketing action plans.

The e-book has elected to employ the term **marketing metrics** when presenting information that measures performance outcomes that are identified in the strategic marketing plan and **marketing analytics** when specific data is evaluated within a tactical action plan and where insights are required, and corrective actions are require to meet stated outcomes. Therefore, both metrics and analytics are important and interact.

Some of the confusion has been influenced by the growth and sophistication of commercial statistical analysis software products that measure the performance of marketing tactics – where the term marketing analytics is often employed. When referring to the employment of a specific tactical software some scholars employ the term marketing analytics (Hanssens, & Pauwels, 2016).

Marketing metrics is the more traditional term and the most preferred term in academic journals [e.g., the Marketing Science Institute]; for example, when comparing measurements of strategic marketing performance with strategic financial performance. Some textbooks suggest metrics is when information is organised to measure strategic organisational performance, whereas, analytics is when selected [i.e., tactical] data is organised (Elliott, Rundle-Thiele, & Waller, 2021).

According to Ambler (2000), a well published scholar specialising in this area, states that the term metric was chosen as it highlights the need for regular measurement and comparison. He states that the specific marketing metrics will vary according to the organisation, however, most organisations employ metrics to track current performance and make comparisons with [1] historical metrics and [2] the objectives outlined in a strategic plan, a strategic marketing plan or a tactical marketing action plan.

Marketing metrics and marketing analytics interact. Marketing metrics are a regular and central part of the business-marketing planning process, however, care is needed [1] to select the appropriate data and analytics to construct the metric (Mintz, Gilbride, Lenk, & Currim, 2021) and [2] to select the most appropriate metrics to ensure effective decision making (Bendle & Bagga, 2016).

Directions

Although this is a short module, it is critically important as it provides the foundation for remainder of the e-book.

Whilst, the marketing concept, a marketing philosophy, the many marketing concepts, and the 4 marketing quests provide strategic direction and help nurture an organisational culture they are qualitative and difficult to quantify/measure. The situational factors [COMP factors] influence individual consumer decision-making and, collectively, situational factors influence organisational decision-making; therefore, situational factors need to be identified and measured in order to be managed. In many regards the situational factors provide the context to judge past organisational performance and help marketing practitioners to identify and shape future marketing objectives. The marketing objectives quantitatively measure the organisation's performance and are generally managed through everyday research and marketing action plans that address the appropriate marketing metrics. This relationship is why marketing, from an organisational perspective, is described as an iterative process.

Marketing metrics are regular quantitative performance reviews to manage both short-term and long-term performance (Gao, 2010). They should be comprehensive, review areas such as awareness, market share, quality, customer satisfaction, customer retention/loyalty, complaint-compliment management, pricing strategies, segment profitability, segment potential (Ambler, 2000; Barwise and Farley, 2004). The Marketing Science Institute (2004, p.3) defines marketing metrics as:

> **Quote:** the performance indicators top management use (or should use) to track and assess the progress - specifically the marketing performance - of a business or business unit.

Although *strategic* marketing practitioners work towards the achievement of all 9 objectives and holistically marketing metrics should collect and analyse financial, strategic, and communication objectives (Ambler, 20000) it should be highlighted that *tactical* marketing practitioners will specialise and may be focused on a particular objective or even a component of an objective. It is important to recognise that the 9 key objectives of marketing practitioners provides a framework to select what marketing practitioners will measure and manage – strategically and tactically.

We can conclude that marketing metrics – may be strategic and/or tactical. Clearly, this process will vary according to the size, structure, and nature of the organisation. This is a key point - as it identifies that marketing practitioners in medium and larger organisations will need access to the right software to explore/measure an area of interest in sufficient depth – we discuss both strategic and tactical marketing metrics in greater detail in section 3 and highlight the importance of access to the appropriate data when we discuss software for marketing practitioners [SfMP].

> **Author's comment:** We should recognise that marketing metrics are both internal and external and include revenue metrics, therefore, collaboration with other disciplines is necessary to ensure that the metrics contribute meaningfully to the business-marketing planning process.

Measuring and managing marketing objectives is important as marketing practitioners must demonstrate marketing's return on investment [MROI] (Farris, Hanssens, & Lenskold, 2015) and consequently be a valued part of the strategic business planning process (Ambler, 2000; 2003; Rust, Ambler, Carpenter, Kumar, & Srivastava, 2004; Strauss & Seidel, 2004; Mintx & Currim, 2013; Bendle, *et al*., 2020; Mintz, *et al*., 2021). Marketing metrics which are linked with financial metrics enable marketing practitioners to demonstrate the value of marketing activities (Lehmann, 2004).

> **Author's comment:** When I discuss the importance of demonstrating a return on marketing investment in class, most students don't consider the influence of institutional investors in large public companies. Unlike private investors, institutional investors may be more proactive and may have a portfolio that provides special insights and the ability to make comparisons and recommendations (Kang, Luo, & Na, 2018).

Organisations operate in a marketplace influenced by the prevailing situational factors. The situational factors of the customer, organisation, market, and products provides a means of collecting and sorting and interpreting data for analysis. COMP factors assist marketing practitioners to analyse data and communicate it as meaningful information. Often businesspeople refer to this process as a marketing audit, however, what is important is to determine the structure that will provide a given organisation with the most appropriate data. It is also important to ensure rigour and objectivity and be cost effective.

Some measure financial objectives from solely a profit and loss perspective. However, philosophically, marketing is directed towards short-term and long-term revenue management and the building of profitable[4] exchange relationships[4]. Given that the marketing concept is directed towards best satisfying the customer and the organisation's needs, the marketing objectives go beyond financial objectives to include strategic and communication objectives; each objective is now discussed.

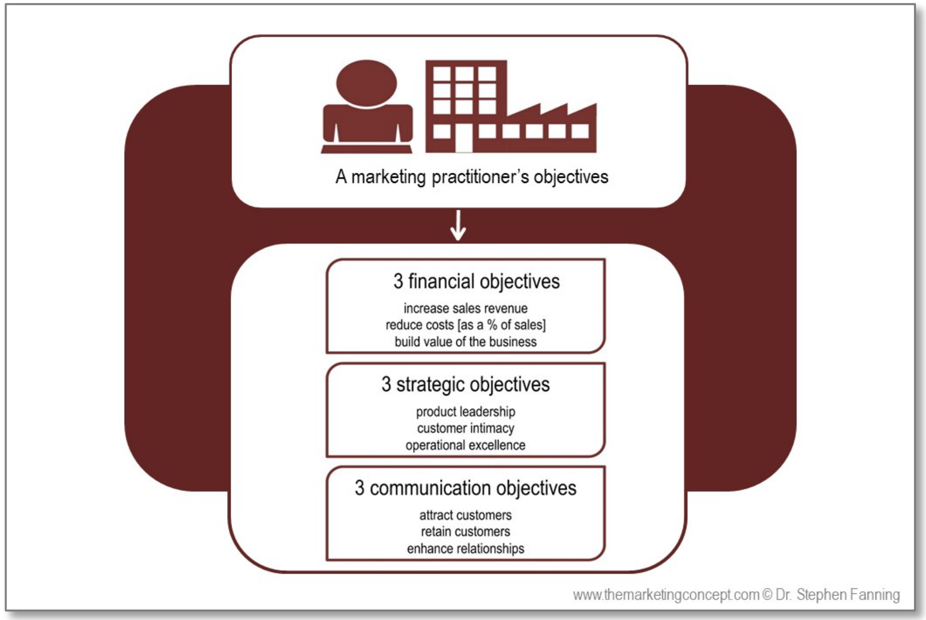

Figure 46: The 9 key marketing objectives arranged into financial, strategic, and communication objectives.

Financial marketing objectives: There are 3 financial objectives that most concern marketing practitioners. The premise is, that by improving the unique product value proposition customers will see the product as more desirable and be willing to pay a price premium, therefore, sales revenue will be increased. This means that sales revenue may increase independent of sales volume, [i.e., sales revenue is not entirely dependent on sales volume]. Furthermore, with an increase in sales revenue, costs generally increase, however, the marketing objective is to ensure that costs are reduced as a percentage of sales.

Overall cost reductions that result in a reduction in quality are likely to have long-term impact on the organisation and are generally viewed as **de-marketing**. Reducing costs as a percentage of sales may flow from increased customer satisfaction and loyal behaviour - which in turn will build the long-term value of the business. Organisational costs as a percentage of sales may also be reduced when fixed costs are spread over higher sales revenue.

The 3 financial objectives of marketing practitioners are:

- To increase sales revenue
  - Increase sales revenue [sales baseline] – the % of sales through satisfaction and referrals
  - Not to be confused with sales volume often achieved through discounting
- To reduce organisational costs as a percentage of sales
  - Cost may increase as revenue increases, but it is critical that they are reduced as a percentage of sales
- To build the value of the business
  - That the business fundamentals demonstrate a strong, healthy business and an attractive long-term investment

Strategic marketing objectives: There are three strategic marketing objectives that most concern marketing practitioners. The marketing concept suggests that organisations with the best satisfying products in any market segment are generally recognised as the leader in that market segment, are generally the most innovative and most responsive to trends.

Product leaders are more influential in determining the strategic direction of their organisation and driving change within an industry; they also are more likely to focus on customer education. Product leaders generally enjoy more recognisable brands and better margins and are the basis on which other products in a segment are priced. Organisations that have a strong customer service focus and have a thorough understanding of their customer's needs and then through customer satisfaction build long-term relationships are generally the customers preferred product. Organisations that focus on Customer intimacy [customer centricity] generally have a customer lifetime value approach and sales are generally more stable over time. Although product leadership and Customer intimacy [customer centricity] may permit a price premium, operational excellence is needed to ensure that products are produced and efficiently delivered to market at minimum cost and therefore the organisation is rewarded with appropriate margins. Operational excellence requires staff development and a constant focus on quality and costs.

The 3 strategic objectives of marketing practitioners are:

- Product leadership
  - Products that are distinct, distinguishable, and desirable from alternative products and provide meaningful benefits at a cost which customers are comfortable with. Keep in mind the 4 recurring patterns or market quests
  - Products that are leaders in a category enjoy the benefits of increases in primary demand
- Customer intimacy [customer centricity]
  - Understanding customers' dreams, desires, and demands and building quality profitable exchange relationships, and creating customer ambassadors
- Operational excellence
  - Producing a product and taking it to market more effectively and efficiently than competitors

[The strategic objectives were adapted from Treacy and Wiersema (1997)]

Communication marketing objectives: At first glance readers could be excused for thinking that the communication objectives are about advertising and public relations. Section 3, marketing application is for more advanced readers and explores the application of a marketing philosophy and marketing theory. Therefore, the communication objectives will cover internal and external communications. Of course, the 9 objectives of marketing practitioners all involve communication, however, the starting point is clearly internal communication.

To achieve this the marketing practitioner needs to clearly communicate the value of the marketing concept to the organisation. Engage the organisation to design and develop a marketing philosophy [how an organisation will go to market]. Then be a part of the business planning process, the marketing planning process, then design and develop a series of marketing plans and communicate to ensure that all the organisation objectives are achieved.

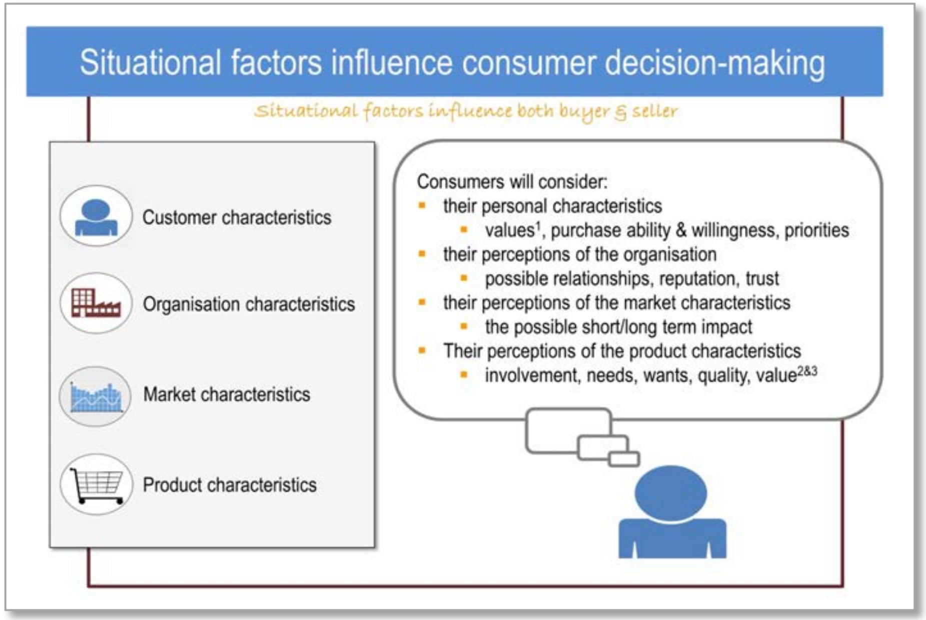

Figure 47: Situational factors from a customer perspective.

The 3 communication objectives of marketing practitioners are:

- Attract the right people
    - This means - attract the best staff and customers
- Retain the right people
    - This means - retain the best staff and customers
- Enhance relationships with customers, staff, channel partners, and society
- This means - that all parties must profit and that relationships are synergistic, symbiotic, strategic, and sustainable.

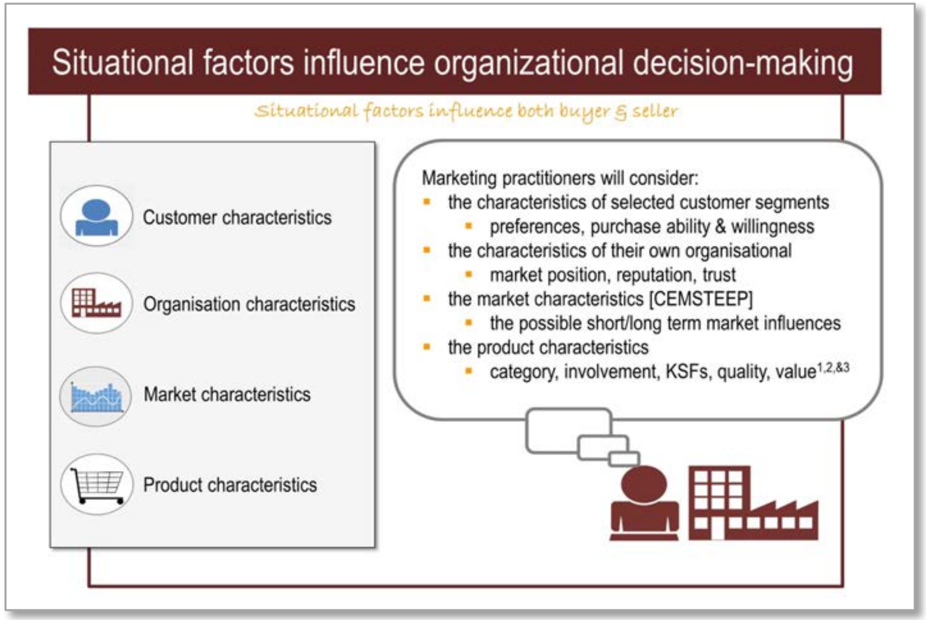

Figure 48: Situational factors from an organisational perspective we will explore this in greater detail in section 3.

Best satisfying the customer & the organisation

What we have discovered so far is that marketing is about buyers and sellers coming together in a marketplace to best satisfy their needs. That the prevailing conditions or situational factors that influence one customer's decision making during the buyer decision process when considered collectively will be the situational factors that influence the organisational decision-making during the business-marketing planning process.

When an organisation adopts and practices the marketing concept the idea is that the sales baseline will increase and therefore the organisation is less dependent on discounting and sales promotional tactics. This is why some [e.g., Kotler] have long argued that marketing is philosophically the opposite of the production and selling concepts. As you study the 9 objectives of marketing practitioners you will see that they all interact. Organisational needs are outlined in the financial, strategic, and communication objectives of marketing practitioners.

We unpack the buyer decision process in section 2 and the business-marketing planning process in section 3. This highlights the marketing concept which is built on the premise that organisations that best satisfy the needs of the customer are best placed to best satisfy their own needs. Organisational needs are outlined in the financial, strategic, and communication objectives of marketing practitioners.

Figure 49: Marketing practitioners manage the salespipeline to ensure that consumers evolve to customers and satisfied customers. Then by managing the collective satisfaction of all customers manage the sales baseline and help organisations to meet their objectives.

Reflect & review

What are the 3 marketing financial objectives [briefly describe each]

- What is the difference between increasing sales revenue and increasing sales volume?
- Explain the objective of reducing costs as a % of sales rather than indiscriminate process of reducing costs
- What is meant by increasing the value of the business and why is this an important marketing task?
- What are the 3 strategic objectives [briefly describe each]
- What are the 3 marketing communication objectives [briefly describe each]
- Explain what is meant by each of the terms attract, retain and enhance

section 1: review
[marketing philosopy]

Section 1: Review: [marketing philosophy]

Previously: To provide direction and improve clarity we identified and answered frequently asked questions. A number of conceptual and theoretical terms were described and some guidance on how to study the e-book was provided.

Holistically, we explained how the e-book has been designed and developed to introduce and enhance your knowledge of the marketing concept, a marketing philosophy, marketing theory, and how this knowledge may be the applied. Then, we outlined the e-book's 3X3 structure, provided a preview of the 3 sections, and detailed how the e-book is constructed to provide the necessary knowledge to apply your knowledge through the CADDIE business-marketing planning process.

In **1:0 Marketing philosophy [section preview]**, We presented an overview of section 1 and the key learning objectives within each module. Then we outlined the 3X3 structure of the e-book.

In **1:1 Marketing definitions** we discussed markets and marketing and stated that in our day-to-day conversations marketing is a term that is often employed with little consideration and care. Next, to provide both a customer and organisational perspective, we unpacked a classic and a contemporary [organisational] definition of marketing – this provided a consumer and an organisational definition of marketing. Then, we defined the marketing concept and explored the marketing concept as a business axiom. Finally, we discussed how a marketing philosophy is influenced by four situational factors - the customer, the organisation, the market, and the product [COMP factors] and how a marketing philosophy guides an organisation and in time helps shape an organisational culture.

In **1:2:0 The evolution of marketing [preview]** we stated that the evolution of marketing is a large topic and for convenience the module has been broken down to two chapters the evolution of marketing [a societal perspective] and the evolution of marketing [a theoretical perspective].

In **1:2:1 Evolution of marketing [a societal perspective]** we explored the evolution of marketing from a societal perspective. The view was put forward that the marketing concept has been practiced for around 12,000 years ago when people evolved from hunter gatherers to become sedentary producers, then formed communities, and traded surpluses with other producers.

We have discovered that marketing is an ancient custom. In the beginning, markets were informal meeting places - often where two paths intersected, and peasant farmers met to exchange surplus produce. We discussed how with time markets expanded, became legal entities, and intermediaries formed to provide services to facilitate and support the traders. In time, villages formed, and some evolved into towns and cities. Some of those cities [e.g., Amsterdam and London] were located on rivers and international trade commenced; to facilitate and support international trade a number of specialised services emerged – marketing channels. We can conclude from this brief description that services are essential in bringing goods to markets. What is also apparent is that by addressing the challenges of society there was an increase in commercial activity and prosperity, societies evolved, and life expectancy increased. The evolution of marketing reveals 4 marketing quests:

- The quest to better serve the customer
- The quest to overcome the challenges facing society
- The quest for better use of existing resources
- The quest for more effective distribution – information, products, and people

A characteristic of the marketing concept is that people have always expected a fair exchange for their produce. Therefore, we could conclude that marketing is 'the quest for best'

In **1:2:2 Evolution of marketing [a theoretical perspective]** Marketing as a human activity may be ancient; however, as an academic business discipline it is more recent. In this chapter we introduced and discussed 3 business concepts, the production concept, the selling concept, and the marketing concept and how each business concept is applied through a business philosophy. Therefore, organisations may be an amalgam of all 3 business philosophies.

Organisations often enter the marketplace with a philosophy based on the production concept [the organisation may have access to lower labour costs]. However, history suggests, when competitors with lower organisational costs enter the market, the production concept is often unsustainable. In market situations where demand exceeds production [i.e., a seller's market] organisations may find that a business philosophy based on the selling concept is effective, however, it will be less effective when demand is below the productive capacity and the market becomes more competitive [i.e., a buyer's market]. The argument was presented that the most enduring competitive advantage is when an organisation has a business philosophy based on the marketing concept and customer loyalty. Central to the marketing concept is the objective of profitable[4] exchange relationships[4].

Initially, marketing as an academic discipline, focussed on fast moving consumer goods [FMCG], and this gradually changed as academics began to look beyond 'what was delivered' [goods] to 'how goods were delivered' [services]. Today, the 'services' sector is a major source of employment growth and a dominant force in the economies of developed and developing countries [discussed in greater detail in section 2: the total product]. The evolution of marketing theory was outlined goods thinking, strategic thinking, consumer thinking, services thinking, societal thinking, relationship thinking, and tradigital thinking were outlined and leading scholars were identified.

We also discussed how marketing and economics share much in common. However, marketing practitioners and economists view the world from different perspectives. Economists have a macro-perspective and marketing practitioners have a micro-perspective. Whilst the economists are focussed on the strength of the economy - marketing practitioners are focussed on the strength of the organisation. Economists view products as goods or services and their contribution to the economy; marketing practitioners see products as goods, services, ideas, experiences, people, and places and their contribution to consumers, organisations, the marketplace and society.

In this chapter we outline the incremental and disruptive changes to academic theory and practices, discuss the changes relative to the 4 recurring patterns or quests and not how the one constant is the philosophy that emerges from the marketing concept. Clearly the evolution continues.

In **1:3:0 Marketing objectives** we presented the view organisations, generally, select one of three business concepts, and this determines how the organisation goes to market. We identified that the most adopted business concept in developed countries is the marketing concept – we described this as the primary marketing concept. The marketing concept is a simple concept, however, developing a philosophy and the application of the philosophy is more complex; there are four situational characteristics which need to be considered the nature of the customer, the organisation, the market, and the product – we identified these as COMP factors. It is important to consider the COMP factors as dynamic and unique to an organisation.

Once an organisation has adopted the marketing concept, they develop a marketing philosophy built around their unique COMP factors with the objective of meeting the 9 objectives of marketing practitioners. The 9 objectives are arranged into financial, strategic, and communication objectives:

The 3 financial objectives of marketing practitioners are:

- To increase sales revenue
  - Not to be confused with sales volume often achieved through discounting
- To reduce organisational costs as a percentage of sales
  - Cost may increase as revenue increases, but it is critical that they are reduced as a percentage of sales
- To build the value of the business
  - That the business fundamentals demonstrate a strong, healthy business and an attractive long-term investment

The 3 strategic objectives of marketing practitioners are:

- Product leadership
  - Products that are distinct, distinguishable, and discernible from alternative products and provide meaningful benefits at a cost which customers are comfortable with.
- Customer intimacy [customer centricity]
  - Understanding customers' dreams, desires, and demands and building quality relationships, and creating customer ambassadors
- Operational excellence
  - Producing a product and taking it to market more effectively and efficiently than competitors

[The strategic objectives were adapted from Treacy and Wiersema (1997)]

The 3 communications objectives of marketing practitioners are:

- Attract the right people
  - This means - attract the best staff and customers
- Retain the right people
  - This means - retain the best staff and customers
- Enhance relationships with customers, staff, channel partners, and society
  - This means - that all parties must profit and that relationships are synergistic, symbiotic, strategic, and sustainable

We stated that whilst, the marketing concept, a marketing philosophy, the many marketing concepts, and the 4 marketing quests provide strategic direction and help nurture an organisational culture they are challenging to quantify/measure. We have also stated that marketing is both a science and art. With this in mind it is important to stress that marketing objectives are measured through the appropriate marketing metrics [strategic and tactical].

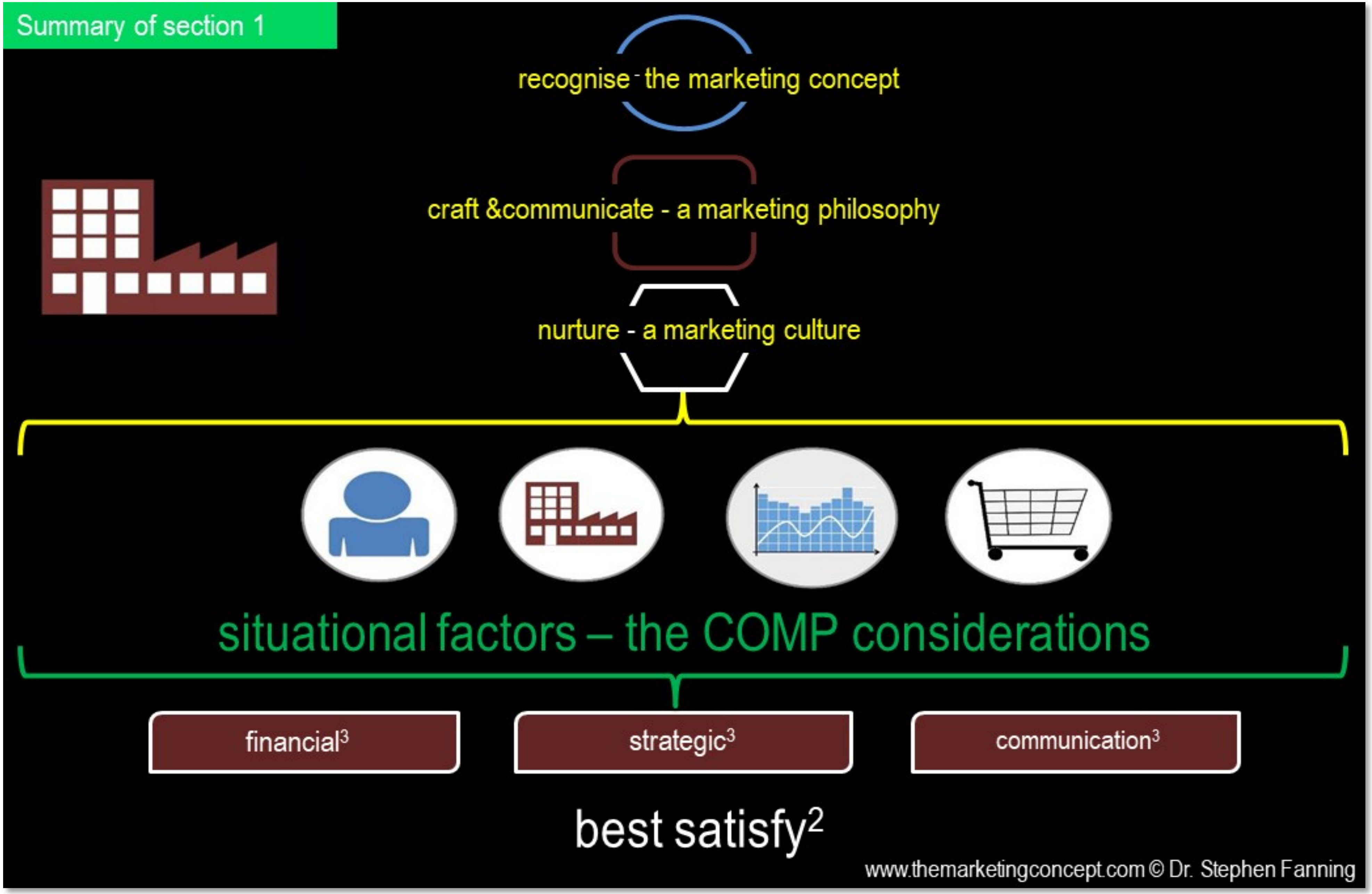

Figure 50: A summary image of section 1 reflecting how organisations adopt the marketing concept, implement a philosophy, consider their situation and work towards organisational objectives.

Suggested further reading

Section 1: Suggested further reading

The following article is well worth reading as it identifies some of challenges facing marketing as an academic discipline and practice. Someone new to marketing could think that marketing is in shambles, however, the authors are really just trying to academically - dots the i's and crosses the t's. The value of this article is that it identifies marketing academics that have shaped modern marketing – the reference list is impressive.

Lusch, R. F. & Watts, J. K. M. (2018). Redefining the market: A treatise on exchange and shared understanding. *Marketing Theory, 18*(4) 435–449.

A similar article that suggests that marketing academics should focus on the needs of marketing practitioners – well worth reading.

Reibstein, D.J., Day, G., and Wind, J. (2009). Guest Editorial: Is Marketing Academia Losing Its Way? Journal of Marketing 73(4): 1–3.

The following is a well-regarded essay by J. B. McKitterick (1957), the essay sensitised marketing scholars and practitioners to a marketing philosophy and the marketing concept. The year before this article was published McKitterick wrote an enlightening article from his experiences as a salesperson, the challenges facing salespeople and the relationships that can exist between a salesperson and a customer. In the earlier article, he also discusses, from his salesperson's perspective, the role of marketing research and how it can lead to improved organisational performance. The conclusion section of this article is outstanding and over the years the author has often revisited this article - it is well worth investing time to read and study.

McKitterick, J. B. (1956). The need for basic research in marketing. *Operations Research, 4*(4), 460-467.

The relationship between the marketing concept and a marketing philosophy has received a great deal of attention over many years. The following articles are particularly enlightening.

The following article is considered one of the most influential scholarly articles; it provided direction for marketing researchers for many years. Marketing students can still benefit from reading this article; however, it is worth considering it in today's context. One area that it highlights is the notion of the marketing concept as an umbrella concept for a number of smaller marketing concepts.

Kotler, P. & Levy, S.J. (1969). Broadening the concept of marketing. *Journal of Marketing, 33*(1), 10-15.

Kotler, P. (1972). A generic concept of marketing. *Journal of Marketing, 36*(2), 46-54.

The following is an interesting article and builds on the work of Maslow and others. It is part of a larger ongoing study. Using a hierarchy of needs, similar to Maslow's, the authors report on a study conducted in 123 countries. They concluded that economic factors influenced the ability to fulfill basic needs, and as Maslow suggested new needs will emerge when lesser needs are fulfilled.

In a special issue of the Journal of Historical Research [VOLUME 9 ISSUE 2] the authors discuss their careers including this seminal article.

Kotler, P. (2017). Some of my adventures in marketing. *Journal of Historical Research in Marketing 9*(2)*, 203-208.*

Levy, S. J. (2017). Sidney J. Levy: an autobiography. *Journal of Historical Research in Marketing 9*(2), 127-143.

The following article provides an interesting discussion regarding the contribution of a number of classic articles and influential authors.

Quelch, J. A. & Jocz, K. E. (2008). Milestones in Marketing. *The Business History Review, 82*(4), 827-838.

Taya, L., & Diener, E. (2011). Needs and subjective well-being around the world. *Journal of Personality and Social Psychology, 101(2)*, 354-365.

The following article is recognised as an influential article; it summarises and comments on the relationship between the marketing concept and a marketing philosophy. The authors also detailed the evolution of the marketing concept between 1945-1988 – a time when marketing as a marketing discipline made considerable advances. Furthermore, what is enlightening, when read with hindsight, is how U.S. marketing scholars viewed the increased competition facing manufacturers in the 1970s and how the authors urged marketing scholars and practitioners to meet the challenges of a more competitive world through a greater focus on the marketing concept. We will return to this topic in the evolution of marketing.

McGee, L. W. & Spiro, R. L. (1988). The marketing concept in perspective. *Business Horizons,* (May-June) 40-45.

The following article is particularly insightful as it provides an historical account of the marketing concept. The article puts forward the view that often, academic scholars posit that marketing, as an academic area of inquiry originated after the Second World War; he argues that this is not the case and provides evidence of scholarly attention. In doing so he highlights how situational factors influence the prevailing academic attention in various eras.

Tadajewski, M. (2009). Eventalizing the marketing concept, *Journal of Marketing Management, 25*(1-2), 191-217.

The following article synthesizes marketing as a system; it identifies the major contributions to marketing as an academic discipline. It is an easy read for those familiar with academic history, however, would be challenging for those unfamiliar, however, it is a worthwhile read.

Shaw, E. H. (2020). Constructing a partially formalized general theory of the marketing system: insights from the history of marketing thought. *Journal of Historical Research in Marketing,12*(2), 263-283.

The following article provides a good review of the loyalty literature and raises some thought-provoking questions.

Aksoy, L. (2013). How do you measure what you can't define? The current state of loyalty measurement and management, *Journal of Services Management, 24*(4), 356-381.

The following are worth reading on business-customer relationships.

Avery, J., Fournier, S., & Wittenbraker, J. (2014). Unlock the mysteries of your customer relationships. *Harvard Business Review, 92*(Jul-Aug), 72-81.

Buttle, F. & Makin, S. (2015). *Customer relationship management: concepts and technologies (3rd ed.).* Milton Park: Routledge.

The following article is fascinating, the authors suggest that the earliest evidence of the agrarian revolution involved hunter-gatherers coming together to celebrate, dance and create stone carvings. They suggest that beer was part of this ritual and the volume needed required the cultivation of cereals for the production of beer.

Dietrich, O., Heun, M., Notroff, J., Schmidt, K., & Zarnkow, M (2012). The role of cult and feasting in the emergence of Neolithic communities. New evidence from Gobekli Tepe, south-eastern Turkey. *Antiquity, 86*(333), 674-695.

The following article is by archaeologists working at Göbekli Tepe who put forward the view that memorials to honour the dead and pilgrimages to the memorials can be traced to the pre-pottery Neolithic era [approximately 12,000 years ago] and suggest that memorials were essential to the formation of the first sedentary cultures (Schmidt, 2010). Some suggest that it was the coming together in large numbers that led to the need for safe drinking water and created the need for the improved cereal farming and pottery.

Schmidt, K. (2010). Göbekli Tepe – the Stone Age Sanctuaries. New results of ongoing excavations with a special focus on sculptures and high reliefs. *Documenta Praehistorica, 37,* 239-256.

The following article is in a similar vein to the 4 recurring patterns or quests; Gibson (2015) suggests that innovations happen when people view the world through 4 lenses: [1] Challenging the prevailing orthodoxies, [2] harnessing existing trends, [3] leveraging resources, and [4] understanding needs. It is an enjoyable easy read and worth the investment.

Gibson, R. (2015). *The 4 lenses of innovation.* Hoboken, New Jersey: John Wiley and Sons Inc.

The following articles are classics and worth reading to gain an insight to the evolution of marketing thought.

Keith, R. I. (1960). The marketing revolution. *Journal of Marketing, 24*(1), 35-38**.**

Borden, N. H. (1964), The concept of the marketing mix, *Journal of Advertising Research, 4*(June), 2-7.

Kotler, P. & Zaltman, G. (1971). Social marketing: An approach to planned social change. *Journal of Marketing, 35*(3), 3–12.

Kotler, P. (1972). What consumerism means for marketers, *Harvard Business Review 50*(3), 48-57.

Fullerton, R. A. (1988). How modern is marketing? *Journal of Marketing, 52*(1), 108-125.

Banting, P. & Ross, R. E. (2010). *The marketing mix: A Canadian perspective. Journal of the Academy of Marketing Science, 1*(1), 11-12.

Webster's classic article was influential in changing the mindset of practicing marketing practitioners. Webster presented the view that organisation needed to become more relational focused and have a more strategic view.

Webster, F. E. (1992). The changing role of marketing in the corporation. *Harvard Business Review. (56)* October, 1-16.

The following articles provide an insight to t Peter Drucker's contribution to the discipline of marketing.

Webster, F. E. (2009). Marketing IS management: The wisdom of Peter Drucker, *Journal of the Academy of Marketing Science, 37,* 20–27.

Wind, Y. (2009). Rethinking Marketing: Peter Drucker's Challenge, *Journal of the Academy of Marketing Science*, *37*(1), 28-34.

The following article from the Journal of Consumer Research in 1983 provides an insightful view of consumer behaviour and the directions of early consumer behaviour scholars. Michael Solomon is a prolific well-respected consumer behaviour author.

Solomon, M. R. (1983). The role of products as social stimuli: A symbolic interactionalism perspective. *Journal of Consumer Research, 10*(3) 319-329.

The work of Grant McCracken is worth reading. The first one listed below is a journal article the second is a small book. The journal article contains some of the key ideas contained within the book. The book would be recommended only if you are conducting an advanced literature review for a thesis.

McCracken, G. (1986). Culture and Consumption: A Theoretical Account of the Structure and Movement of Cultural Meaning of Consumer Goods. *Journal of Consumer Research, 13*(June), 71-82.

McCracken, G. (1990). *Culture and Consumption.* Bloomington: Indiana Press.

Like all papers by Christian Gronroos the following is worth reading. Gronroos summarises the frustrations that European marketing scholars felt in the 1990's towards North American academics including a focus on the 4P's and their failure to cite European marketing theory. The following is an extract. Gronroos (1994, p.5) states "In fact, the Four Ps represent a significant oversimplification of Borden's original concept, which was a list of 12 elements … McCarthy either misunderstood the meaning of Borden's marketing mix, when he reformulated the original list in the shape of the rigid mnemonic of the Four Ps" … or McCarthy's followers have misinterpreted McCarthy".

Gronroos, C. (1994). From marketing mix to relationship marketing - towards a paradigm shift in marketing. *Management Decision*, *35*(4), 322- 338.

Usui's article has a more contemporary discussion on the 4Ps. This article reveals that the 4Ps still has the power to motivate marketing scholars to defend or attack this theory. In this article, the author reviews the marketing literature to uncover the pathway of thought that led to the 4Ps of marketing. The overall conclusion is that the 4Ps did not suddenly appear – a history of publications is presented, and it reveals that the starting point was viewed as the product and not the customer. This reveals that the evolution to the marketing concept was in progress.

Usui. K (2011). Precedents for the 4Ps idea in the USA: 1910s-1940s. *European Business Review, (23)*2, 136-153.

In the following article Prahalad and Ramaswamy put forward the view that there are organisational benefits when customers are part of the iterative approach. This is often called co-creation or co-production

Prahalad, C. K. & Ramaswamy, V. (2000). Co-opting customer competence. *Harvard Business Review, 78*(Jan-Feb), 79-87.

In the following article Thomas Ritter suggests that marketing needs to evolve and be relevant and this is apparent as organisations become more technology driven. He suggests that marketing must go beyond communication, sales, and lead generation in many organisations.

Ritter, T. (2020). Reclaiming or rebranding marketing: implications beyond digital. *Academy of Marketing Science Review, 10,* 311–314.

I*n the following article the authors suggest that innovation in marketing thought may be stifled when academic journals are overly risk averse. Within the article the authors summarise a few innovative articles that are helping to broaden marketing research.*

Moorman, C., van Heerde, H. J., Moreau, C. P., & Palmatier, R. W. (2019b). Challenging the boundaries of marketing. *Journal of Marketing, 83(5) 1–4.*

The following articles are worth reading back-to-back. The first article is a worthwhile read for anyone who wishes an overview of the evolving nature of the marketing concept and a central component customer engagement theory. This edition of Journal of the Academy of Marketing Science, 45(3) has a number of related articles. In this article the authors provide a detailed literature review of relationship management. They argue that customers engage with organisations when there is trust, commitment, satisfaction, and an emotional bonding. Clearly, this is a marketing activity which has been enhanced by technology in recent years.

Pansari, A. & Kumar, V. (2017). Customer engagement: The construct, antecedents, and consequences. *Journal of the Academy of Marketing Science, 45*(3), 294–311.

The next article provides a detailed account of what is often referred to on the internet as content marketing. It is a worthwhile article emphasisng the need to maximise all the digital tools to measure customer engagement at each touchpoint within all three time-zones of the buyer decision process – the authors promote the term ***digital engagement*** *which is more accurate than content marketing. They also provide a few examples which may be of interest to those involved in events.*

Meire, M. Hewett, K., Ballings, M., Kumar, V., & Van den Poel, D. (2019). The role of marketer-*generated content in customer engagement marketing. Journal of Marketing, 83(6) 21-42.*

2:0 Marketing theory [section preview]

Previously: in the preface we discussed how the marketing concept could be described as the primary marketing concept – a conceptual umbrella that spans all secondary concepts and all marketing theory and provides philosophical guidance and theoretical direction.

In section 1 we suggested that a marketing philosophy could be conceptualised as profitable[4] exchange relationships[4]. Then we explored the marketing concept as a philosophy, then we defined markets and marketing from a consumer and organisational perspective, we explored some notable events that shaped marketing and society, discovered 4 recurring patterns or quest, and we outlined the 9 objectives of marketing practitioners. We noted that situational factors [customer, organisation, market, and products] influence consumer and organisational decision-making.

Learning objectives

Learning objectives of the section: After completing this section you should have an understanding of the buyer decision process, the total product, and the circle of satisfaction from the perspective of a consumer and a marketing practitioner.

As a consumer this section will enable you to analyse consumer decision-making and as a marketing practitioner assist you to select and apply the appropriate theories to a context. Understanding the marketing context is the key to understanding theory (Savitt,1980).

Learning objectives of the module: After completing this module you should have a better understanding of the fundamental language, concepts, and theories required by marketing practitioners.

Directions

At the beginning of the e-book we discussed the importance of employing the language, concepts, and theories of marketing. We began section 1 with a discussion of the key marketing terms required to better understand the marketing philosophy section, likewise, we begin our exploration of section 2, with a discussion of the key marketing terms required to better understand the marketing theory section. This is important as definitions provide meaning and facilitates accurate and shared meaning; words are often described as the 'building blocks of thought'. Therefore, to think about marketing a comprehensive understanding of the key marketing terms is required.

We begin by introducing the modules in section 2. Then we provide an overview of consumers and customer behaviour and customer involvement. Then, we unpack, culture, products, qualities, total quality, value and values, satisfaction, and distinguish between products and brands. Then in preparation for the remained of the section, we provide a preview of the buyer decision process, the total product, and the circle of satisfaction.

Introducing the modules in section 2

In section 2 we continue our exploration of profitable[4] exchange relationships[4], however, in section 2 we explore it as the exchange process between organisations and consumers. To achieve this we organise section 2 into 3 modules; each module is a secondary marketing concept - the buyer decision process, the total product, and the circle of satisfaction. Initially, it may appear as if the 3 modules are distinct and unrelated, however, they should be considered as the exchange process between an organisation and a customer that is directed towards satisfaction for the customer and the organisation.

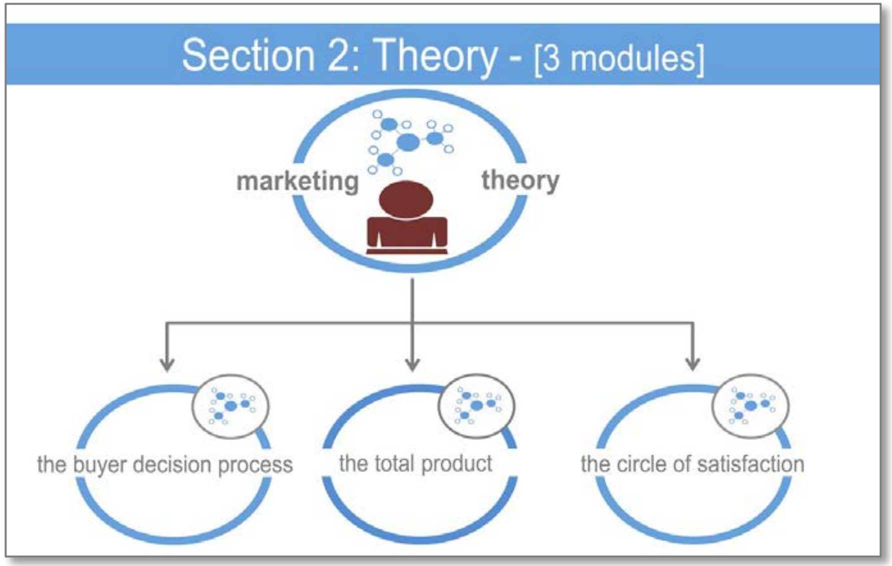

Figure 51: The 3 modules that organise the marketing theory presented in section2.

The first module is the buyer decision process: This module unpacks, from a theoretical perspective, the consumer's journey through 3 time-zones. In this module we will explore the consumer/customer decision-making and the rules that guide consumer behaviour - when [1] searching and selecting products, [2] experiencing and assessing the product delivery, and [3] when reflecting and evaluating what was expected against what was received. In many regards, we approach the buyer decision process as the C in COMP. This is a process where consumers evolve to become customers. Although each step in the buyer decision process will be similar for all products, the process will vary according to situational factors and the degree of involvement with the product; for example, there are clearly differences between selecting a snack bar and selecting a motor car.

The second module is the total product: This module is the totality of what is delivered and received in an exchange. In many regards the total product could be regarded as the P in the COMP. In the buyer decision process module, we discussed the 2nd time-zone - 'product delivery' from a consumer's perspective, in this module we look at the total product from an organisational perspective we explore and define the product considerations, product layers, and product components. that marketing practitioners employ when designing, developing, and deploying marketing strategies and tactics [section 3].

The third module is the circle of satisfaction: This module is a bridge that spans the consumer perspective of the buyer decision process and the organisational perspective of the total product. The circle of satisfaction details the post-purchase behaviour of customers and the consequences of this behaviour for organisations. From an organisational perspective the circle of satisfaction prescribes the steps to achieve the 9 key marketing objectives and cultivate a competitive advantage. Although, in this module there an emphasis on the 3rd time-zone - the steeds to achieve a competitive advantage are sown and nurtured in the 1st and 2nd time-zones. .

> **Author's comment:** Keep in mind that the modules are only a method of organising and presenting information. It will not be long before you synthesise your learning and no longer see it as 'chunks' of information.

The consumer/customer

The characteristics of the customer, the organisation, the market and the product [COMP] will influence the decisions of the customer and, in turn, the organisation. For example, the organisation will consider the characteristics of the consumer/customer segments, then select the most attractive segment [to match the organisation's capabilities] and then design and develop products appropriate to the selected consumer/customer segments. It should also be recognised that the characteristics of the market will influence consumer/customer decision making and therefore the organisation. Clearly, all of the COMP factors are intertwined. It is important to explore each COMP factors – let's begin with the customer.

> **Author's comment:** During the COVID lockdowns there was a heightened awareness of the influence of the COMP.

Common consumer categories

Generally, when marketers refer to 'consumers' this indicates a broad group [all potential and actual customers] and, refer to 'customers' as a narrower group of people who have **entered an exchange with a particular organisation**. A consumer may be a potential buyer – and may even be considering a purchase, however, it is only after an exchange that they are classified as a customer.

It is important to distinguish between 'a consumer' and 'a customer'. Often in our everyday conversations, the words consumers and customers are used interchangeably and without much consideration. Most times it's not a problem because people understand what is implied.

However, a problem occurs when we consider the verb 'consume' [as in eat or drink]; in these situations, a 'consumer' may consume without buying, for example, a child consuming an ice-cream that was bought by a parent. Clearly, the child may influence the parent's buyer decision process and may be thought of as a consumer but not as a customer.

Marketing practitioners often refer to consumers as suspects and prospects, and actual buyers as customers:

- **Suspects:** Individuals that suspect [i.e., have a suspicion] that a product/organisation can meet their needs. Suspects may be in the search stage of the buyer decision process – and the organisation may be unaware that they have begun their search.
- **Prospects:** individuals who have searched for information and although not committed to an exchange are considering the alternatives and the decision - these are often referred to as prospective customers or simply as prospects. The difference between suspects and prospects is that the organisation is now aware [or should be] that they are considering alternative products. Prospects have a value.
- **Actual buyers:** consumers who have entered into an exchange are referred to as customers and may be described more specifically [e.g., one-off customers, first time customers, casual customers, repeat customers, members, advocates or evangelists for a product or organisation]. Organisations often measure the lifetime value of a customer.

> **Author's comment:** The Australian Consumer Law regards consumers as domestic buyers [B2C] and not commercial buyers [B2B]. From a legal perspective this makes sense, however, it is worth noting that many marketing textbooks put forward the view that consumers can be domestic or commercial.

The study of consumers and how they behave throughout the **three-time-zones of the buyer decision process** is fascinating and of great importance to marketing scholars and marketing practitioners. This field of study is referred to as **consumer behaviour**.

Schemas

To better understand consumer behaviour the topics of socialisation, perception, memory, associative networks, learning, and the self-concept are critical. Importantly, all of these are components of schemas. A schema is a mental model about a topic – people create and modify schemas throughout their lives by accepting or rejecting information.

The following definition synthesises the academic literature:

> A schema is the result of an innate cognitive process where people attend, interpret, organise, and catagorise information, consider the associations and relationships and store this information in an associative network for efficient retrieval, future conversations, and decision-making.

> **Authors comment:** Schemas are also referred to as *schemata* and *schematicity* in the academic literature.

Schemas are not restricted to marketing. An understanding of schemas helps to explain how people interpret and organise information and reflect on their experiences – how people conceptualise themselves and their world. People interpret information or assign meaning in different ways. Often people see what they want to see, and this helps to explain why people react differently when exposed to the same stimuli [e.g., observe the crowd's reaction to a free kick at a football match].

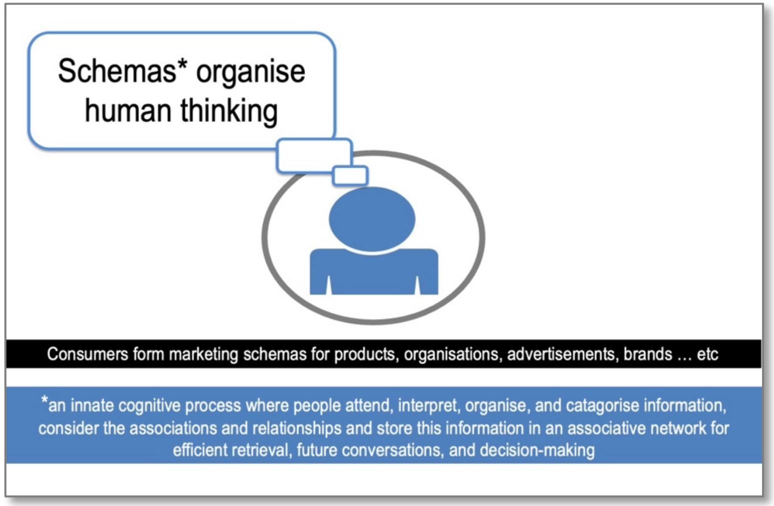

Figure 52: An understanding of schemas is critical to an understanding of marketing and branding

From a marketing perspective, consumers construct schemas based on their personal situational factors [COMP], experiences, and values. Just as each organisation will develop a marketing philosophy to guide organisational-market behaviour - consumers construct schemas to guide their consumer-market behaviour.

An understanding of schemas is important to marketing practitioners as consumers assimilate knowledge and experiences and form personal marketing schemas. Moreover, consumer research is often about identifying and understanding consumer schemas. Marketing schemas are perceptions, beliefs, and knowledge about a topic [e.g., a product, product category, brand, organisation, industry] that are internally generated, conceptualised, and stored; schemas are personal, cumulative, and subjective and are relatively robust (Fiske & Taylor, 1991). However, schemas will evolve with a consumer's cumulative consumption experiences and social interactions (Halkias, 2015). For example, the schemas a person has formed during early adulthood most likely will evolve and may differ later in life. According to Leung and Morris, (2014) people view and make sense of their world through **cultural schemas**; this influences individual behaviour, creates consensus, and organises collective behaviour.

According to Halkias (2015) consumers unconsciously construct a number of marketing schemas, one of the most important schemas for marketing practitioners is a **brand schema**, and this helps to explain how brands are conceptualised, how **brand preferences** are formed, and why consumers develop **brand loyalty**. A brand schema often takes the form of a mental taxonomy to organise associations and provide a hierarchy of categorisation and consumer preference by attributes [including personal relevance]. In addition to brand schemas, there are other consumer schemas that are of interest to marketing practitioners, for example:

- **Self-schemas** will mentally organise how we see our place in the world at a particular time and influence our motivations to approach or avoid purchase decisions
- **Product category schema** will mentally organise products within a product category
- **Product schemas** will mentally organise product preferences or a product line
- **Ad schemas** will mentally organise key advertisements in product categories (Stoltman, 1991).

Schemas have a function - schemas provide meaning and guidance and consumers employ schemas like a personal buying philosophy (Gebhardt, Farrelly, & Conduit, 2019). Although all consumers employ this process they vary according to their involvement with the product and their skills (Puligadda, Ross, & Grewal, 2012). Consumers do not treat all products, brands, and/or organisations the same way, moreover, consumers are generally vigilant to new information that updates personally relevant schemas – this is often referred to as **perceptual vigilance** (Bolfing, 1988). In this insightful article, Bolfing (1988) maintains that consumers are selective in what information they attend to, what information they process, and what information they retain in their memory; activities that are known as **selective exposure, selective comprehension, and selective retention** and consistent with the view that consumers will form schemas that are consistent with self-image attitudes and to reduce anxiety and/or cognitive dissonance.

When designing, developing, and implementing strategies and tactics marketing practitioners should recognise:

- How the formation of schemas is a natural human activity and how brand schemas will vary according to the customer and the product category

- Be consistent with established consumer schemas and consider the concept of **just noticeable difference** [for more information - see chapter on external communication in section 3].
- How established schemas, product familiarity, and loyalty may influence future communication strategies and tactics and how there is a need to be consistent with all communication [referred to as **cognitive consistency**]as what may be considered fresh and innovative [e.g., new packaging] may be ignored or be misinterpreted

Consumer socialisation

People are individuals and are variable and complex, however, as consumers we are shaped by human needs, the values and norms as members of a culture and/or a sub-culture. Norms are the social perceptions [standards/expectations/rules] that members of a society are expected to adopt and conform to – for new members, conforming to norms can be part of the socialising process (Leung & Morris, 2014). As such, consumers are influenced by society and in turn consumers influence those they interact with [or perhaps, attempt to influence]. Therefore, when marketing practitioners look at the marketplace behaviour of consumers - patterns emerge – these are called **consumption patterns**. By understanding consumption patterns marketing practitioners can design and develop products that better meet the needs of consumers and also better communicate the value of their products. Areas of interest are:

- **Demographics** [such as age, gender, ethnicity, education, income, geographic location],
- **Psychographics** [such as personality, values, opinions, attitudes, interests, and lifestyles].

Marketing practitioners study demographics and psychographics to build a better mental picture of the market and undertake more effective market segmentation, product positioning and repositioning strategies [discussed in more detail in section3].

Also, of interest to consumer behaviourists are the theories on motivation, perception, attitudes, and learning. This all provides insight into consumption patterns and how as consumers we are socialised and influenced by **reference groups**. Reference groups are groups that individual consumers observe to provide guidance as to what is acceptable and appropriate behaviour – there are three overarching actions **conforming, mimicking, and distancing**.

Some reference groups are groups where the individual consumer is a member. **Membership reference groups** influence values and behaviours as members *conform* to the expectations of the group. This influences all aspects of consumption [e.g., clothing worn to demonstrate support for an Australian Rules Football team would unlikely/seldom be worn to a wedding].

Other reference groups are groups that individual consumers aspire to belong to as a member. **Aspirational reference groups** influence the behaviour of individual consumers as they *mimic* the values and behaviours displayed by members of the aspirational reference group [e.g., buying similar clothing to surfers in the hope of belonging or seen to belong]. Often this is related to a desire to improve a person's social hierarchy and gain the respect of others.

There are also groups that individual consumers may wish to *distance/dissociate* themselves from. **Dissociative reference groups** influence the values and behaviour of individual consumers as they attempt to distance themselves from one group and aspire to belong to another [e.g., 'surfers' not buying commercial 'surf' brands favoured by non-surfers].

Whilst reference groups are often healthy, they may have a negative impact on individual consumers and consumer behaviourists balance this by studying and publishing their research on the **dark side of consumption**.

Reference groups have considerable influence on what products individual consumers purchase. The influence of reference groups varies from product to product, however, products that are more visible and help identify a consumer as a member of a group [or not as a member of a group] are of greatest interest to consumer behaviourists [e.g., products that are part of the surfing sub-culture]. Consumption 'just to be seen' is often referred to as **conspicuous consumption** and observation has considerable influence on what brands are appropriate.

Not all members of reference groups have equal influence; there are those who have special knowledge and whose opinions carry more weight and are sought, these individuals are referred to as **opinion leaders** and more recently as **social media influencers**. As you would immediately recognise marketing practitioners employ reference groups at different stages of the product life cycle and to effectively communicate with the selected market. Opinion leaders have greater influence on products such as travel, fashion, automobiles, homes, investments, education, and what to eat and drink. We will discuss this in greater detail when we discuss product adoption.

A reference group can be an actual or imaginary person or a group that has significant influence upon a person's evaluations, aspirations, or behaviour. A reference group has the power to influence, willingly or unwillingly, the actions of others. Influence could be:

- **Normative influence:** where the reference group sets, and enforces standards and conducts,- norms {e.g. club members conforming to the club rules}
- **Comparative influence**: where the reference group exerts influence over consumer choice decisions, [e.g. the right type of sports drink, sports shoe or clothing]

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One form of **consumer socialising** occurs within the family. Family members have considerable influence on what products and brands other family members adopt [consider who influenced your choice of your first car or your choice of car mechanic]. However, keep in mind families evolve and often devolve and there are blended families, single parent families, same-sex households, single person households.

Understanding the structures of the modern household is often important to marketing scholars and marketing practitioners [e.g., consider how the modern family structure may influence health insurance products]. The product decisions that are influenced by a household, regardless of the composition, are vast [e.g., food, clothing, furniture, appliances, kitchen products, bathroom products, laundry products, decoration, maintenance, banking, insurance [health, home and contents, council rates].

Whilst some decisions may be **autocratic** [made by one person [also referred to as autonomic]] other decisions are **syncretic** [made after consultation with more than one person]. We can see that within the family there are a number of contributors to the decision-making process and often the decision is made with the interests of everyone in mind [e.g., food preferences, choice of schools, a family holiday]. Sometimes, family decisions have both short-term objectives [e.g., a break from the ordinary], however, sometimes it is viewed as a long-term investment in the family (Shaw, Havitz, & Delemere, 2008).

Some products are targeted towards children; therefore, children may play a crucial role in communicating product awareness and product interests that leads to a purchase decision. A walk through the toy section of a department store can reveal how products are positioned from a child's perspective.

Percy and Rosenbaum-Elliott (2012) suggest that it is important for marketing practitioners to understand who may be involved in the product decision-making. They suggest 5 decision-making roles:

- **The initiator:** a person[s] who identifies the product as a means to satisfying a need
- **The influencer:** a person[s] who encourages or discourages further consideration
- **The decider:** a person who has the final say regarding if/what/when/where/how a product will be purchased
- **The purchaser:** the person who completes the exchange
- **The user:** the person[s] who consumes/uses the product

Consumer socialisation is an interesting topic [unfortunately further discussion is beyond the scope of this e-book] and highlights that as consumers we are learners from a very early age.

Culture

There are two words that help us understand socialisation and culture:

- **Enculturation:** which is learning one's own culture
- **Acculturation:** which is learning the culture of others

What is important to highlight is that consciously or unconsciously we live our lives in a constant process of enculturation and acculturation. *Consumer enculturation* is learning the consumption patterns of one's own culture, whereas *consumer acculturation* is learning the consumption patterns of another culture. However, it is clear that people are ready to adopt attractive components of other cultures.

> **Author's comment:** As marketing practitioners operating in a multi-cultural marketplace we should audit communication messages to ensure that we are considerate of other cultures.

Enculturation and acculturation are important considerations for marketing scholars and marketing practitioners, particularly in multi-cultural marketplaces such as Australia – there is always the danger that marketing practitioners see Australia through the stereotypical image of the dominant Anglo-Celtic ethnic group and fail to consider the multi-ethnic structure of Australia as a dominant ethnic group and many non-dominant groups.

Figure 53: Enculturation and acculturation are important considerations.

What is important to keep in mind is that when dominant and non-dominant ethnic groups come in contact - a hybrid culture inevitably develops; this occurs as all ethnic groups appropriate the most attractive aspects of other cultures and discard the unattractive aspects of their own [this is not suggesting that acculturation is a quick and painless process]. Later, when we discuss product adoption, we will explore how products are diffused through different groups coming into contact and appropriating desirable aspects of other cultural groups [e.g., food].

Culture is a complex, controversial and ambiguous concept (Galvin & West, 1988), a full discussion is beyond the scope of the e-book, however, it is important to provide an overview.

Earlier we discussed the marketing concept, and then we discussed how many organisations recognise the marketing concept as the most appropriate business concept for their organisation. Then we discussed how the next step is to design and develop an appropriate marketing philosophy for the organisation. A documented marketing philosophy will provide guidelines for all organisational activities and help form the **organisational culture** or **corporate culture**.

Culture is what we value; therefore, culture influences both the consumer and the organisation. In his classic work Geertz (1973] defined a culture as

> a set of beliefs, values, perceptions, and behaviours; learned by members of society and as such provides guidance [we would see that as feedback and feedforward] to its members – through culture man and society are formed.

Glassie (1999, p.41) presents the view that culture is the "patterns of the mind" non-material – culture is "invisible and shifting." Geertz (1973) reasons that "at birth, man is an incomplete, an unfinished, animal" (p. 46) … man learns to function through culture … "there is no such thing as human nature independent of culture" (p.49).

In addition, Geertz states that the journey from hunter-gatherer is through man's ability to learn and adapt through the learning of a culture. According to Ger and Belk (1990 & 1996), we live in a **consumer culture**. They argue that consumers are increasingly living through consumption activities that are of **perceived value**. A consumer culture influences what consumers desire in the form of possessions, experiences, and behaviours. A consumer culture shapes society – this occurs through what consumers have and what consumers do; consumers employ possessions as artefacts to help themselves belong and to define and distinguish themselves in society. Many scholars would argue that a consumer culture provides consumers with purpose and an identity.

Organisational culture

When culture is talked about in a business it is employed in two conflicting ways. One meaning **resists change** in another it **promotes change**. It is the strangest thing, but we use the same word for opposite meanings. Galvin and West (1988, p.175) state

> **Quote:** few words in the English language are as complicated in their historical development, or in their present-day usage.

Culture as resisting change: Culture *can* be defined as a pattern of assumptions, values, and beliefs, which results in the group sharing a consistent meaning (Hofstede, 1991). You often hear people in an organisation say, *'this is the way we do things here; it is part of our culture'* … *'we can't do that; it's not in our culture'.* So, in this regard the word is used to maintain the status quo. This use of the word culture, as a pattern of assumptions, values, and beliefs, is relatively new to the English language. Culture began as a metaphor and some have described the word as a double metaphor [a metaphor used as a metaphor].

Culture as promoting change: Culture in its older sense is employed as culture as in 'horticulture' or 'agriculture' it is about cultivating, nurturing, continuous improvements, selecting the best – sowing and then harvesting. Understanding and adapting to the environment is a continuous improvement process.

Culture in the latter meaning is a verb to **cultivate** within an organisation – a culture of best satisfying customers. To have a future – an organisation must philosophically determine:

- What does the future look like, sound like and feel like?
- What are the organisational objectives and what is the best way to achieve them?

With the contrary meaning of culture, it is important for marketing managers to realise that when using the word culture, we may not be sending our intended message. To adapt with the market, we need to clearly communicate, to cultivate an organisation that is willing to embrace a process of continuous improvements.

Nurturing a marketing culture

The starting point is having a clear and well-communicated marketing philosophy for the organisation and for the organisation's brands and products. Marketing managers are trying to cultivate a marketing culture - an organisation with a set of beliefs, values[1], perceptions, and behaviours that adapt with the market and are focussed on profitable[4] exchange relationships[4].

As we progress through the e-book we will discover that to cultivate a marketing culture, organisations need to include the following objectives:

- Recruit right
- Train right, educate employees
- Evaluate performance
- Acknowledge good work
- Communicate script & roles
- Efficient first - nice second
- Standardise procedures – Blueprinting
- Develop recovery policies
- Be proactive to identify deviations
- Take corrective actions [deviations]

Figure 54: Nurturing a marketing culture of best satisfying and profitable4 exchange relationships[4] is a key task for organisations.

Perception

Consumer enculturation and consumer acculturation are learning processes and central to this is the perception process. According to consumer behaviourist, Michael Solomon, perception is the organisational process where what we sense [sensory inputs or stimuli], through our sensory receptors [eyes, ears, nose, mouth, and skin], is selected, attended to, organised, and interpreted. *Perception involves interpretation*.

Clearly as consumers we are exposed to an endless array of sensory inputs, and we are programmed to filter the vast majority. Consumers are selective in what they permit, attend to, organise and assign meaning [**perceptual selection**]. Consumers are likely to be vigilant to stimuli that relate to their needs [**perceptual vigilance**]. Therefore, most marketing communication that a consumer is exposed to is not attended to and therefore there is often little comprehension. What is attended to, will vary from person to person; keep in mind attention is intentional. Consumers often permit and attend to messages that are consistent with their beliefs and block, ignore or distort messages that conflict or are inconsistent with their beliefs and attitudes. This defence against unwelcome stimuli is referred to as perceptual defence – perception is subjective [e.g., people who see themselves as a smoker may ignore or distort anti-smoking messages on cigarette packages]. In time consumers often block stimuli that become 'too familiar', that appear as if they are part of the scenery and have dropped below the sensory threshold.

There are techniques that may enhance awareness/attention for example, increasing sensory stimuli [e.g., increase the sound of advertisement, use vivid colours, have an attractive source, embed music, incorporate movement, increase the size of the advert in a newspaper, being inconsistent, using humour, and posing a rhetorical question].

Perception involves reasoning.

There are **sensory thresholds**, some sensory inputs are below what consumers can perceive. This is important to marketing practitioners when designing and developing communication strategies and tactics [e.g., too many words on a freeway billboard or a font size that cannot be read]. Marketing practitioners are therefore mindful of the point where perception takes place this is referred to as the **absolute threshold**. When a consumer is exposed to sensory inputs from an organisation [e.g., new packaging and the difference is noticeable then that point where difference can be perceived is referred to as the **differential threshold** [also referred to as the point of **just noticeable difference**].

What we will discover later [in the external communication marketing action plan chapter] is that although organisations generally attempt to **cut through the clutter** there are times when organisations wish to make changes that are below the differential threshold [e.g., small changes that are unnoticed]. Imagine you purchase a business - if the business is run down - you wish to generate interest communicate a new beginning and improvements – you may state 'under new management', alternatively, if you have paid a considerable amount for goodwill and the business is successful; your objective is to retain loyal customers, therefore stating 'under new management' may not be in your best interest and any changes you make should be small incremental changes.

Retailers often use the differential threshold [e.g., when pricing $19.95 rather than $20.00.

It is important to recognise that a person's sensory receptors may be unaware, ignore or filter many sensory stimuli. This is known as **perceptual selection**. This highlights that there are sensory thresholds that marketing practitioners must be sensitised to. The absolute threshold refers to the point when a stimulus is first noticed [e.g. the minimum size of print that can be read on a scoreboard from the other end of the ground, the minimum settings for the public-address system to be heard at different crowd numbers]. The differential threshold refers to the point when a difference in stimulus can be detected as different to a previous stimulus [e.g. a sports marketing practitioner may wish to change the club brandmark in three stages to be below the differential threshold and not upset loyal fans or the sports marketing practitioner may choose to change the brandmark in one stage to highlight a new direction for the club]. The sports marketing practitioner should also be aware that while loyal fans may be vigilant to a stimulus [e.g., an ad in the paper announcing the sport fixtures] other people might filter the same stimulus.

It is one thing to attend to a message it is another to interpret the message correctly – the goal is message comprehension - when meaning is derived from the communication message. Comprehension requires elaboration of the message, and this involves cognitive and affective elements [i.e., thinking and feeling]; therefore, comprehension is a major factor in consumer learning and consumer attitudes.

Memory

The conjoint relationship between a person's schemas and remembering has long been noted (Bartlett, 1932).

> **Quote:** Memory is the capacity of nervous systems to benefit from experience (Tulving, 2000, p.727).

Storage involves relating information with other relevant information. When a message has been attended to and is comprehended it is generally organised [this is referred to as **cognitive organisation**]. **Sensory stimuli** [sights, sounds, smells, tactile sensations, and tastes] are processed in the sensory memory [i.e., stored for a short period of time]. Sensory memory is important as it processes and passes important information [some refer to it as a gate keeper] on to the short-term memory for processing. **Short-term memory** is the working memory it processes information and then passes information onto the long-term memory for storage and retrieval when needed.

Information is stored amongst existing information has long been referred to as a **human associative memory** (Anderson & Bower, 1973; Anderson,1980) or as an **associative network**. An associative network is where information is associated with other information for better retrieval [consider adverts for luxury automobiles, perfumes]. Associations may be both positive and negative and must be handled with careful consideration and what may be appropriate in the past may not be appropriate as societies evolve: for example, in the past, leading up to Australia Day there are many ads that had 'patriotic' associations – the Australian flag, barbeques, beer, fireworks, mateship, inclusiveness. However, increasingly Australia Day has many negative associations from the English colonisation of Australia.

Understanding memory structures assists marketing practitioners to refresh our memory [sometimes referred to as reminder advertising] or build on existing memory associations. Some classic advertising refers to more than one sensory cue [e.g., Rice Bubbles 'snap, crackle, and pop']. It is therefore important for marketing practitioners to craft messages that are chunked with other information and to ensure that their brands become part of the awareness set. Our later discussions on **product awareness** highlight that whilst **physical availability** of a product is important, **mental availability** is also an important part of the buyer decision process and the success of the product. Increasing mental availability refers to the crafting strategies to increase the likelihood that a product/brand will be noticed that the message will catch the consumer's attention and be considered in the first time-zone of the buyer decision process. Whilst creating product and brand awareness is considered strategic and long-term increasing mental availability is tactical and short-term.

Learning

> Learning is a relatively permanent change in behaviour due to prior experiences, cognitive processing of information, and/or practice.

Given that we are continuously having consumer experiences and reflecting on those experiences - learning should be considered as an ongoing process and a process of adapting to situational factors. Learning also covers a broad spectrum from simple to complex concepts. Furthermore, and this is important for the buyer decision process - people learn at different rates.

Learning can be **unintentional or intentional**. Often learning happens unintentionally [also referred to as **incidental learning**], for example, when we are exposed to another person's consumption experience [e.g., observing a friend and the pleasure they receive from a new automobile; observing a fellow traveller using their smartphones to capture movies]. According to Wilson, Macdonald, and Baxendale (2015) **observational learning** is as important as word of mouth. Marketing practitioners often use an unintentional learning technique in advertisements [many may recall the TV advertisements for *Petit Miam* that features a cute French accented schoolgirl who did not know about the benefits of the product – she just knew it tasted 'yum']. However, learning can also happen intentionally - when we recognise a need and deliberately search for information to help in the decision-making process.

For marketing practitioners understanding the learning process is important - as it is only through learning that customers develop an awareness of an organisation's offerings, and then enter the salespipeline and then advance through the buyer decision process [later we will discuss product comprehension]. Post-purchase, when a person has an experience with a product then this is also a learning experience – consumers reflect on the product experience and evaluate the degree of satisfaction, and this influences their future behaviour. Therefore, consuming is a positive or a negative reinforcement of prior learning. When a consumption experience is consistent with prior learning, a positive attitude to a product is reinforced. In many cases this leads to trust in the product or brand. When a consumption experience is below prior learning [expectations] then the product attitude is eroded.

All consumer behaviour is a learning process

We should now be able to identify that learning is a process that has several steps:

- **Motive:** a motive is why we act or are predisposed to act in a particular way. The motivation factor or drive increases a person's awareness and interest to learn. This is related to the relevance to the consumer's situation and to the degree of involvement – the more relevant and the more involvement the greater the degree of willingness to search for information and to learn. Marketing practitioners may use Christmas as a time to release new products or advertise products that are considered as gifts for children

- **Cues:** stimuli are influencing factors that attract attention and give direction to a motive [e.g., products, product packaging, advertising, point of purchase signs, store displays, price discounts, sounds and smells]. For the stimuli to generate awareness it must be in keeping with a motive.
- **Response:** The action [behaviour] taken by a customer after identifying the motive and being aware of a cue is referred to as the response. The response may be immediate, however, often a response is achieved over time and with exposure
- **Reinforcement:** once the consumer has responded the customer will reflect on the outcome and it will reinforce the learning process

So far, we have discussed learning as part of the external marketing communication process, however, just as important is learning as part of the internal marketing communication process. When considering the topic of learning it is worth reflecting on the iterative nature of marketing and the role of marketing in helping an organisation adapt to the changing situational factors. Furthermore, it is worth considering how marketing practitioners must work with HR practitioners to design, develop, and deliver effective training programs. According to Kraiger, Ford, and Sales (1993) internal learning objectives within the organisation fall into one of three broad categories:

- **Cognitive outcomes:** this involves knowledge of organisational procedures, and the facts needed to perform to organisational expectations [including - what is taught at induction programs when an employee joins an organisation]
- **Skill-based outcomes:** are acquiring knowledge needed to perform technical aspects of a job [for example, what is delivered - preparing a meal in a restaurant]
- **Affective outcomes:** involves the knowledge needed to develop the attitudes and beliefs needed to deliver functional aspects of a job [for example, how the product is delivered - providing the customer with a rewarding experience]

Consumer behaviourists are focussed on customer learning and the following learning theories are commonly presented.

Behavioural learning

Classical conditioning: this process involves the pairing and simultaneous delivery of two stimuli. The objective is for someone to respond to one stimulus with a particular behaviour. For example, someone eats fast-food and reduces their hunger, the reduction of hunger happens within the branded environment of a fast-food restaurant. According to this perspective, a person will consider their hunger levels when they are exposed to the branding. If a person is hungry and is exposed to the branding, then they will consider the fast-food restaurant as a means to satisfy their hunger. This technique is frequently employed across many businesses – for example, travel agents employ images of places, retailers show credit card brandmarks near cash registers, automobile brandmarks are linked with the opera to infer high status. Repetition may increase conditioning and may maintain the learning. Marketing practitioners employ repetition to embed a message in the consumer's mind and once embedded they may reduce the frequency to the level needed to maintain the position.

Operant conditioning: this involves learning through a behaviour that results in a reward or a punishment. Some refer to this as **shaping** as behaviour is shaped by an action. Others refer to it as **instrumental conditioning** as gaining a **reward** or avoiding a **punishment** is instrumental to [influences] the behaviour:

- **Reward:** for example, Thomas buys a light blue shirt and his girlfriend states that the shirt highlights the colour of his eyes. Therefore, in the future he is likely to favourably consider light blue shirts. People are motivated to approach rewards. This is often referred to as **positive reinforcement**. Advertisers often employ this technique of reinforcing the reward
- **Punishment:** for example, Marshall buys a brand of deodorant, and his girlfriend makes an unfavourable comment. Therefore, in the future he will not use that particular deodorant and remove this product from his considered set. People are motivated to avoid negative outcomes. This is sometimes referred to as **negative reinforcement**. This technique is often employed by advertisers to motivate people to act in a certain way to avoid the likelihood of a negative outcome [e.g., purchase car insurance and reduce risk]
- **Stimulus generalisation:** this involves transferring the associations from one situation to another [e.g., a person tastes tuna from a tin – doesn't like the taste – therefore, doesn't like all tuna]. Employing consumer association is a frequently employed communication tactic, for example, bottled water labels often contain the colour blue to infer the purity of the water. There is a downside - you may have noticed that generic brands often mimic the fonts and colours of the market leading brands

Cognitive learning

Cognitive learning: explores 'people as problem solvers'. This perspective suggests that consumers do not immediately, passively and predictably respond to particular stimuli; but rather consumers are actively processing and making inferences and connections based on past experiences and prior knowledge [e.g., joining a gym and weighing up the various consumption costs, benefits, and risks].

Observational learning

Observational learning: is, as the name suggests, learning from observing the rewards and punishments people receive when they behave in a particular way [e.g., the compliments a friend receives after attending a gym for 3 months]. Some refer to this as **social learning theory** as it implies that we learn from others, for example a person joins a camera club, one member of the club has a Nikon 7500 camera, and her photographs are of a high quality. The new member may aspire to produce images of similar quality and perceives the Nikon 7500 as the product to achieve that. A search of the literature will reveal that there are both positive and negative criticisms of this technique in advertising. Often advertisers employ this technique in automobile adverts to demonstrate the outcomes from owning a particular brand [e.g., 'they must have bought a jeep'].

The next two vignettes demonstrate how children are socialised and how they become loyal to a brand. Consider the role of parents in the consumer acculturation of children.

Linking content & context

Marketing vignette: Like father like son

Aaron is 8 years old he is a keen Chelsea supporter [like his dad], Aaron wears the club strip and has posters on the wall of his bedroom. His mother finds this amusing; his dad is proud that his son imitates him [marketing practitioners refer to this as socialisation of children]. When Aaron plays with his friends they imitate the actions of their sporting heroes, often adopting their favourite player's names. Ashley is Aaron's younger brother and imitates everything that Aaron does [sometimes this annoys Aaron].

It comes as no surprise when Ashley announces that he wants a Chelsea kit for Christmas.

Q: Consider the learning within this vignette.

Marketing vignette: Changes in family life cycle

Brittany and Angus are thinking of updating their car a Peugeot 308 convertible, they have had the car three years and the lease is up. The car has clocked up about 80,000 kms and Angus has been told that now is the perfect kms to look for a new car. However, they are expecting their first child in a few months; with this change in his situation Brittany doesn't feel that a convertible is now a practical proposition. Angus' business has been performing well and he feels they deserve something a little better and more appropriate for the next stage in their life.

Q: Consider how a change in situational factors may influence decision-making. Take on the role of Brittany and Angus and consider the car that you would choose. With a baby due soon - do you feel Brittany may have greater input into the car that they should purchase?

As the above vignettes suggest the family can be an influential reference group.

Parents can influence their children to approach or avoid particular products. Consider the current popularity of soccer in Australia, which is perceived by parents as lower in physical risk than rugby or Australian Rules Football. Therefore, sport marketing practitioners should be sensitised to the dreams, desires and demands of parents – who may be the customer but not the consumer. This is especially important when well-paid sportspeople behave in a socially unacceptable manner both on and off the field. Elite sportspeople often provide an aspirational reference group for young sports participants; this power is a communication tactic often employed by marketing practitioners.

Attitudes

Over time and through learning, consumers form attitudes – attitudes are cumulative in nature. In his classic study, Katz (1960) states that attitudes help society function. Katz (1960, p.192) organises attitudes into four functions, however, we should note that whilst one attitude function may be more influential others may still have influence, the functions are:

- **Utilitarian function:** consumers form attitudes towards products based on the outcome the product provides [e.g., a consumer may state 'my car gave me many years of reliable service']
- **Value-expressive function:** consumers form attitudes to products based on what the product communicates to others
- **Ego-defensive function:** consumers form attitudes to products that prevent a negative judgement by others [e.g., an attitude to applying deodorant to avoid being negatively judged by others]
- **Knowledge function:** consumers form attitudes to products to enable more efficient future product decisions. They anticipate possible scenarios and then form attitudes to products to enable them to make the right decisions [e.g., consumers form an attitude that drinking whilst pregnant is to be avoided]

If we analyse Katz (1960) further we can conclude that there are a number of areas that **attitudes** influence the buyer decision process and are, therefore, of interest to marketing practitioners.

Attitudes:

- Provide a big picture of how society should function and appropriate behaviours of the individual within society
- Provide self-identity, self-image, self-expression, and self determination
- Help to organise opinions, beliefs and values into categories to influence future behaviour
- Sensitise consumers to their needs and creating priorities through attitude intensity
- Give direction as to the best direction to satisfy a need – including approaching rewards and avoiding punishments
- Generate likely scenarios and likely outcomes [expectations]
- Help to cognitively organise information – focusing attention, reducing ambiguity, and clarity of thought
- Help form long-term consistency and balance in feelings, thoughts, and actions

Katz (1960) maintains that attitudes may be the **personal attitudes** of an individual or the **collective attitudes** of society. Marketing practitioners are interested in both the attitudes of individual consumers [later we will revisit this idea when we study expectations] and the collective attitudes of society [later we will revisit this idea when we discuss branding].

Attitudes are generally enduring and are difficult and, generally, expensive for marketing practitioners to change. Often it is safer to position a product based on prevailing attitudes than attempt to change consumer attitudes. Understanding attitudes is important to marketing practitioners because consumer attitudes to products and brands will influence future consumer behaviour; including, what messages they attend to, what they buy, what is a priority, and how they attempt to influence others. Attitudes have three components:

- **Affect:** how a person feels about something – an emotional response. With products, affect is how a consumer feels about a product, the degree of dislike <> like and what associations motivate these feelings.
- **Cognition:** what a person thinks about something - is about having knowledge after reflecting on what is known and conducting an evaluation process. This aspect becomes more important when a product is complex or unfamiliar.
- **Behaviour:** how a person acts towards something. It would be wrong to assume that behaviour is always a result of affect and cognition because sometimes with products that are low in risk and low in customer involvement then customers behave and then feel and think.

Attitudes may vary in their degree of intensity. Keep in mind that any one of the three attitude components may be the major contributor. Although, there is often consistency between the three components, there are times when there is inconsistency between the components [generally referred to as **cognitive dissonance**]. When dissonance occurs, a person will seek more information or attempt to construct a convincing argument to reduce dissonance [e.g., when a person behaves in a way that is inconsistent their self-talk will say 'that is not like me I usually …' or 'I know smoking is not a good choice but I …. or 'I am going to give up smoking I don't know why I …'].

Often, there is **dissonance** when a consumer is faced with multiple favourable purchase choices, however, the consumer can only make one choice - then the consumer is left in the state of post purchase dissonance [this is sometimes referred to as **cognitive dissonance** and also referred to as a product that is high in 'credence properties/factors']. Marketing practitioners can often reduce customer **post-purchase dissonance** through marketing communication that reinforces the soundness of their decision.

Attitudes have different levels of intensity dependent on the degree of involvement. At the lowest level of involvement, it is simply compliance, these are superficial attitudes and there is little commitment to the attitude. Often attitudes to convenience products fall into this category. The next level of involvement is related to the self-image and a sense of belonging and the identification with a group. Often it is simply imitating behaviours that are seen as desirable. At the highest level of involvement attitudes are deep, enduring, and internalised; as such they are part of a person's human, cultural or personal value system. At this level, it is fundamental to a person's self-identity.

Marketing practitioners will research consumer brand attitudes and may vary their communication message tactics depending on the results of the research and their communication objectives at the time.

The self

The self as an ongoing iterative social process has received a great deal of attention across a number of disciplines since Cooley coined the expression the 'looking glass self' in 1902 The general idea is that we have an enduring actual self-concept, however, we are receptive to how we are perceived by others, particularly those we perceive as having higher status, and we work towards constructing an ideal social self-concept and whilst this is a lifelong activity it is more pronounced up to adulthood when we are more influence by the perceptions of others (Yeung & Martin, 2003).

It is generally accepted that the concept of **the self** is fundamental to an understanding of consumer behaviour is the concept of **the self**. In his classic work, Geertz (1973, p.45) puts forward the view that:

> **Quote:** one of the most significant facts about us may finally be that we all begin with the natural equipment to live a thousand kinds of lives but in the end live one.

In this statement, he presents the view that the choices we make ultimately [to some extent] determine our lives. Additionally, in this article he presents the view that there are layers to being a person. On one layer, we are like all other homo sapiens, on another level we are like other members of our culture and finally, as our DNA suggests, we are like no other person. It is this layer of uniqueness and the ability to make choices that motivates people to evaluate and compare their attributes and possessions against other members of society. This comparison with others results in a person developing a self-concept - a belief about their personal attributes in a given situation.

Perhaps, when we discussed the evolution of marketing you may have noticed that for much of this period a person was seen as a member of group rather than an individual. The idea of each person as an individual or as part of a group still varies according to the values of the society. In the area of cultural studies Geert Hofstede's work provides an overview of society and is insightful. He proposes 6 dimensions of culture; each dimension is scored out of a possible 100:

- **Power distance:** This dimension explores the degree of inequality in society and how power is applied and the acceptance of how it is applied within a society. It also explores how the less powerful can access the more powerful
- **Individualism:** This dimension explores the degree to which the society functions as 'I' or 'we'. This means how collective is the society, the degree to which members of society focus on the needs of society rather than the needs of the individual.
- **Masculinity:** This dimension uses the metaphors of masculine and feminine to explore how focussed on winning as opposed to how caring the society is. This factor influences that negotiating will be focussed on winning rather than mutual benefits.

- **Uncertainty:** This dimension explores how the society deals with the future and the anxiety that comes with the unknown. This explores how society deals with risk.
- **Pragmatism:** This dimension explores how members of the society deal with maintaining their past and preparing for the future.
- **Indulgence:** This dimension explores how the members of the society deal with their desires and are focussed on having fun and enjoying life - hedonism. A high score indicates that members tend to have fewer filters on their behaviour and are more focussed on leisure pursuits.

The **self-concept** according to Babin & Harris (2009, p. 116) refers to:

> **Quote:** the totality of thoughts and feelings that an individual has about him/herself …the way a person defines or gives meaning to his/her own identity."

Solomon (2009) discusses self-concept in terms of a person's evaluation about their personal qualities. Furthermore, he suggests that the self-concept is complex, and it comprises of many qualities each with a different evaluation. What is interesting is that once a person fashions their self-concept their motivations act out their self-concept. Generally, people express their self-concept through their choice of products and brands. This expression of self through products is due to people agreeing on the meanings attached to many products and brands – this is often referred to as *symbolic interactionism*. Consumer behaviourists often study the meanings attached to products, brands and symbols and they classify this as the study of *semiotics*.

What should also be considered is that what a person believes and what is reality - can be quite different – a list of different terms and a brief explanation is provided below.

- **Actual-self:** the perception a person currently has about himself or herself.
- **Actual-social-self:** a perception a person has about how others perceive them. This is also referred to as the *looking glass self* as it is based on signals received from others.
- **Ideal-self:** is how a person would like to be perceived in the future.
- **Ideal-social-self:** is how a person would like to be perceived by others in the future.
- **Possible-self:** this is what the person could become with effort
- **Extended-self:** is how a person uses products [mainly possessions and experiences] and brands to communicate an image to society.
- **Multiple-selves:** A number of scholars suggest that people have more than oneself and these are often revealed in different social settings [e.g., you may behave different in a place of worship than a sporting arena].
- **Undesired-self:** this is what a person wishes to avoid becoming

Marketing scholars present the view that consumers often buy products to close the gap between their actual self and their ideal-self. In his seminal paper Belk (1988) put forward the view that whilst we live a life as individuals we are also a part of a collective and we attempt to create and extended self-identity through our possessions [ideal-social-self].. Sheth and Solomon (2014) noted that Belk was pre-internet and suggested that Belk's theory on the **extended self** through possessions is also evident in the online behaviour which could be considered as a **digital extended self**. Moreover, Sheth and Solomon (2014, p.127) suggest that our online behaviour creates a digital extended self that is 'an indelible part of our extended self''. Much has happened since Sheth and Solomon (2014) wrote about the indelible digital extended self and we could conclude that our online behaviour creates both an individual digital extended self and are part of the collective extended self. Belk (2014) reflecting on his earlier work put forward two observations, [1] often what was considered material possessions and part of our extended self [such as our music collection] has been dematerialised and digitalised and [2] that whilst the internet has created a place that is personal it also creates an aggregate identity where people become part of online communities.

Figure 55: A consumer's perception of self will have a great impact on their consumption activities.

Self-esteem

The term **self-esteem** is used to describe a continuum of how a person determines their personal qualities and their personal worth. Self-esteem is often used to segment the market and communication can be directed towards consumers with different esteem needs.

Although this may not always be the case - a person with low self-esteem may try to avoid situations where embarrassment, failure or rejections are likely [e.g., the communication messages of deodorants]. Whereas a person with high self-esteem is more risk taking, success orientated, and comfortable with attention [some say this is the communication message of a luxury sports car but not always].

Self-esteem messages are subject to considerable criticism in the media. For example, advertising is often criticised for creating advertisements that lower the self-esteem of women

- particularly young women [e.g., body image]. On the other hand, messages that raise the self-esteem of woman cut through and resonate with the selected market.

Often when we think about self- esteem we think of luxury products, in particular luxury goods, the role of social media is interesting. Luxury goods are tangible and observable and can be amplified by social media, however, before social media luxury experiences [e.g., staying at a luxury hotel] can only be observed by those sharing the same experience. Today, with social media those seeking to brag about a luxury experience can employ social media to communicate their 'status'.

> **Author's comment:** Although luxury is a commonly used I reluctantly use the luxury descriptor, as it is situationally dependent and can be ostentatious and deeming to others. Luxury to some might be a not sleeping rough.

Involvement - engagement

According to Bolfing, (1988) the consumer's involvement with a product, brand and/or organisation are key considerations for marketing practitioners when designing, developing, and implementing strategies and tactics.

Customer involvement is sometimes referred to as **customer engagement**, and whilst there are overlapping similarities there are some subtle differences that influence marketing practice (Bowden, 2009). Involvement has been of interest to marketing scholars for around 70 years years and has explored the relationship between a consumer/customer and a product. The general idea is that customer involvement varies according to the characteristics of the customer, marketplace, and the product. With the increased interest in customer experience (Pine & Gilmore, 1998) and the adoption of enabling and facilitating service technologies the concept of involvement received increased attention from marketing academics and practitioners (Bolton, 2019). It was noted that customers can also be involved and engage not just with the products but also with an organisation.

We will now discuss the topic, of customer involvement – often referred to as simply 'involvement. Although we have discussed how involvement is a first step towards customer engagement it should be noted that **not** all consumers/customers advance beyond simply being involved (Bowden, 2009). Customers may be involved with their own personal purchase experiences, and this might include and vary according to their personal characteristics and the characteristics of the organisation, market, and product.

Although some refer to involvement as **product involvement,** others suggest that with the exception of a few services dominant products it is the customer not the product that is involved and therefore **customer involvement** is a more accurate descriptor. It should be noted that customer involvement varies according to the product, for example purchasing a snack bar on impulse is quite different to purchasing a home. Furthermore, the customer is often a co-producer of product whether as a decision-maker or as a co-producer. If we extend this logic then a more accurate descriptor would be **customer-product involvement.**

This following discussion is based on Bowden (2009), who discusses this topic in great detail and clarity. Customer engagement implies an involvement where a customer and an organisation have a positive and purposeful relationship – suggesting that there is an involvement, a commitment, and loyalty. This suggests that from an organisational perspective there has been strategic intent to nurture the relationship before, during, and after the purchase. This suggests that from a consumer perspective - engagement is as a consequence of being involved in an exchange, developing a commitment to a product, brand, and/or organisation to an extent that the customer intends to actively engage for mutual benefits. To move from involvement to commitment, to trust, to loyalty, to engagement suggests a positive psychological process for the customer with a number of interactions and an overall evaluation of satisfaction; it also suggests the strategic intent by the organisation to nurture a culture of employee engagement – a marketing culture to gain a competitive advantage. On the other hand, involvement can be a negative psychological process for customers who have expectations that are not met and have an overall evaluation of dissatisfaction. Organisations should employ the appropriate methods to measure and manage engagement. In the perfect world all employees would be engaged, however, there are also likely to be employees who are 'disengaged' and likewise organisations should employ the appropriate methods to measure and manage employee engagement.

> **Author's comment:** When I read this article by Jana Bowden I considered whether there was a type of 'fake engagement' where people engaged with a brand, perhaps more so in a digital platform, to profit from the product/brand associations or the brand community without an authentic engagement with the product/brand.

Customer interactions [encounters, moments of truth, touchpoints, etc] have changed considerably in recent years, for example - services such as online self-service and contactless technologies are changing traditional roles of service providers and the customer experience (Shulga & Busser, 2020).

From an organisational perspective, there are products where the organisation is also quite involved in the product; for example, products that have a high face-to-face service component [e.g., health services] and as a consequence organisational involvement with the customer occurs. With this in mind, a more accurate descriptor would be **customer-organisation-product involvement**.

But wait, there is one more situational factor – the market - and there are times when the market [as in a group of customers] becomes involved to influence a situation and influence the market behaviour of other customers [e.g., word of mouth through social media, protests against market behaviour that some find offensive]. Therefore, perhaps a more accurate descriptor would be **customer-organisation-market-product involvement**; this descriptor would highlight that all situational factors can play a role, however, for simplicity the concept is best known simply as **involvement**.

Figure 56: An understanding of customer involvement is critical for marketing practitioners, as involvement influences all consumer choices and therefore marketing strategies and tactics. In the above collection we can see a few selected example,

[a] for most people selecting a tin of baked beans would be low-involvement, however, there are situations that it would be higher involvement – for example, if the shopper was a parent of a child with food allergies. In the example

[b] we consider a classic Ford Mustang and we could imagine how this would become part ofan owner's self identity. How they may join a club and participate in car club events.

[c] For most people buying a home would be a major investment and some consideration would be required, however, for somepeople they may have bought a number of home over the years and with familiarity of the process it is less stressfull.

[d] There are people who enjoy a glass of wine and are quite knowledgeable and for them wine could be considered a hobby, however, for manyit is not and some people are quite unfamiliar with wines. Also many would buy a bottle of wine depending on the situation.

Regardless of how we describe the concept this is an important product consideration (Holbrook, 2006) and a strategic consideration that contributes to overall marketing effectiveness (Bloch, 1986; Flynn & Goldsmith, 1993).

According to Petty, Cacioppo, and Haugtvedt (1992) the origins of the involvement concept can be traced to Muzafer Sherif and his colleagues in the 1950's. After the initial exploration, involvement then focussed on communication effectiveness and the premise that people were more motivated to attend to messages that were personally relevant to a person's values[1] and their self-concept [ego-involving] – this is in keeping with the marketing communication focus of this time. The general view is that when **personal relevance** is high then it is more likely that involvement is high and when personal relevance is low then it is likely that involvement is low.

Involvement is closely related to attitudes and the components of attitudes. Earlier we stated that an attitude to a product is how a person feels [affect] and thinks [cognition] about a product and this will influence how they behave as consumers. Involvement with a product is similar – it is how they feel, what they think and their actions towards a product.

Product involvement throughout the buyer decision process has also received attention (Celsi & Olson, 1988; Richins & Bloch, 1991; Mitchell, 1992; Dholakia, 1997; Blackwell, Miniard & Engel, 2006). An early pioneer of message involvement, Zaichkowsky (1985, p. 342) defined the involvement concept as:

> **Quote:** Involvement is a person's perceived relevance of an object based on inherent needs, values, and interests.

Involvement remains a fragmented marketing concept due to marketing scholars exploring the concept according to their marketing genre and area of academic specialisation (Lastovicka & Gardner, 1978; Gensch & Javagli, 1987; McQuarrie & Munson, 1992). This means that a marketing scholar specialising in the effectiveness of advertising is likely to approach the concept of involvement from a different perspective to marketing scholar specialising in service quality or a marketing scholar specialising in customer relationship management.

> **Author's comment:** Adopting a holistic view of involvement is of benefit to marketing practitioners, particularly when undertaking the CADDIE business-marketing planning process.

We can conclude that involvement is a broad topic and is woven through the three marketing concepts in section 2 of the e-book. Interestingly, a number of marketing topics [e.g., co-production, co-creation, customer engagement] could, in a holistic sense, fall under the wider and more inclusive 'involvement' concept, as they refer to a consumer's degree of involvement and willingness to be involved in the production process.

Involvement also encompasses other areas we will discuss. Later in the e-book we will discuss **services as a product component**; services marketing scholars often discuss the

inseparability of the service provider and the service recipient; furthermore, services marketing scholars highlight the **variability** of services due to service provider and service recipient - both inseparability and variability are associated with the 'involvement' concept as they highlight that whilst the customer may be involved the service provider also has different degrees of involvement. Services marketing practitioners often measure service quality on the dimensions of **SERVQUAL**, interestingly all but one dimension of SERVQUAL is really a measure of organisational involvement with the customer – sometimes this is referred to as **employee engagement**. Retailers spend considerable effort nurturing loyal behaviours, which is also the degree of involvement a customer has with an organisation. It should also be evident that many of the brand considerations are to increase customer involvement with a brand.

Some organisations rely on franchisees to manage the exchange – franchisees are often more involved [including financially involved] than a manager/employee and therefore more motivated to achieve the overall marketing objectives. Furthermore, it has long been recognised that a characteristic of B2B marketing exchanges is that often there are long-term relationships – this is referred to as **enduring involvement**. Therefore, we can conclude that involvement is a broad topic and has evolved beyond what the early pioneers of the involvement concept could have envisaged.

> **Author's comment:** for those new to marketing this topic can be a little confusing as there are many other concept descriptors that fall within the customer-organisation-market-product involvement umbrella. As you explore marketing literature you will find articles that explore particular areas of customer-organisation product involvement [inseparability, co-production, co-creation, participation, and others].

Levels of involvement

Whenever there is an exchange there is involvement and this can vary from low to high. Therefore, all products have some level of COMP involvement. A review of the work by Prahalad, C.K. & Ramaswamy, V. (2000, 2002, 2003, & 2004) provides insight into this area. They suggest that customer involvement can vary according to the customer, the organisation, the market and the product and this may vary from the simple involvement to complex involvement, and they propose that customers and organisations often share the responsibility for design, preparation and delivery of products.

Synthesising their work reveals a number of **involvement considerations**:

- Where the considered set of alternative products is restricted, where there are a few options to customise, and very little requirement for input [e.g., utilities].
- Where the consumption costs and risks associated with the product are relatively low and the customer is familiar with the product [e.g., a snack bar].
- Where the organisation communicates an aspirational connection through the consumption of the product [e.g., major soft drink brands].
- Where the customer has routine involvement in the design of the product [e.g., internet shopping where customer may customise a product]
- Where the customer has **routine involvement** in the preparation of the product [e.g., tinned soup].
- Where the customer has routine involvement in the product delivery [e.g., self-service fuel].
- Where the customer has **limited involvement** in the design of the product [e.g., travel destinations and hotel choice]
- Where the customer has limited involvement in the preparation of the product [e.g., an everyday family meal].
- Where the customer has limited involvement in the product delivery [e.g., a ride at a theme park].
- Where the customer has **extensive involvement** in the design of the product [e.g., an architect designed home]
- Where the customer has extensive involvement in the preparation of the product [e.g., a fully prepared meal for guests].
- Where the customer has extensive involvement in the product delivery [e.g., DIY renovation projects].
- Where both the customer and the organisation's people have extensive involvement in the design, preparation and delivery.

> **Author's comment:** although I have provided B2C examples this would apply in a B2B setting. I tend to classify market channel involvement into co-production rather than involvement.

Product quality

Like many words, **quality** also has Latin origins; quality and qualities are a little harder to understand than some other terms. Nonetheless, an understanding of the terms quality and qualities is fundamental to understanding the higher order concepts of value and satisfaction. Due to ambiguity in our everyday language the following explanation of quality is necessary. It is interesting that many academics [particularly non-marketing practitioners] also misapply the word 'quality' and this often causes confusion.

In his classic work, Boodin (1911) argued that a 'thing' is the sum of its qualities and that if all of the qualities were removed then we would be left with nothing; he reasoned that 'the quality' of something is the sum of the embedded qualities.

We could therefore conclude that, 'a quality' is an element, a feature, a property or a characteristic of a product and that a product's qualities are what is received in an exchange. Qualities that are valued are those that help satisfy a customer's needs [we will discuss 'qualities of value' in the buyer decision process]. Total product quality is the sum of the product's qualities and, post-purchase, can be evaluated against the customer's expectations and/or the product specifications provided by the organisation.

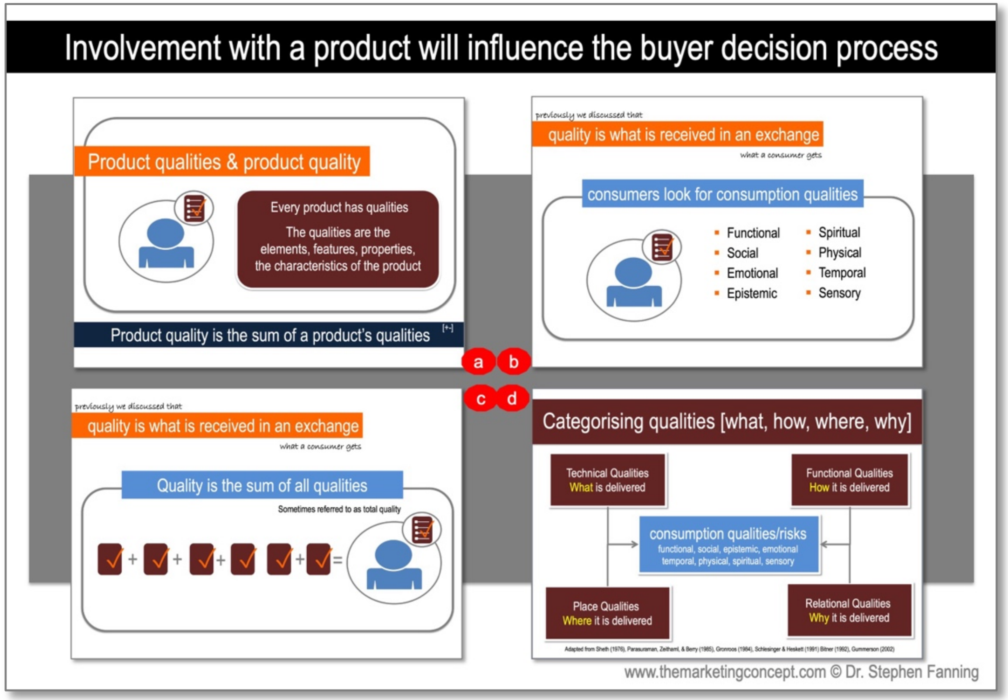

Figure 57: Quality is a component of value and satisfaction. Qualities are the element, features, properties - the characteristics of the product. Qualities are what a customer receives in an exchange. Product quality is the sum of all qualities.

There are 8 consumption qualities categories – functional, social, emotional, epistemic [novelty], spiritual, physical, temporal, sensory – what is interesting is that pre-purchase consumers view these as risks – i.e., the likelihood or probability of receiving these qualities.

Service academics often look at these as what, how, where, and why qualities.

Therefore, as qualities are removed or reduced [e.g., service qualities] - the perception of quality decreases and the post-purchase evaluation of value decreases. Keep in mind that although quality and value are related they are different concepts [later we will discuss this when we explore product augmentation]. In our everyday communications, the word quality has a positive connotation, however, as we can see total product quality is a continuum with two ends and a middle - unsatisfactory > acceptable > satisfactory. What should now be clear is that from a marketing perspective, it is the customer who estimates, assesses, and evaluates the quality of a product. Furthermore, within an organisation, strict specifications are needed as staff may have different opinions of what customers perceive as appropriate quality.

We may conclude that care is needed with the word quality, as sometimes in other disciplines, quality is viewed as 'fit for purpose' or as a quality process [e.g., Total Quality Management is more process orientated]. Nevertheless, as marketers, we could define quality as:

> A post-purchase activity where the customer reflects on and evaluates the qualities embedded in a consumption activity and determines how the qualities met their expectations and contributed to the customer's evaluation of value and satisfaction.

Value [123]

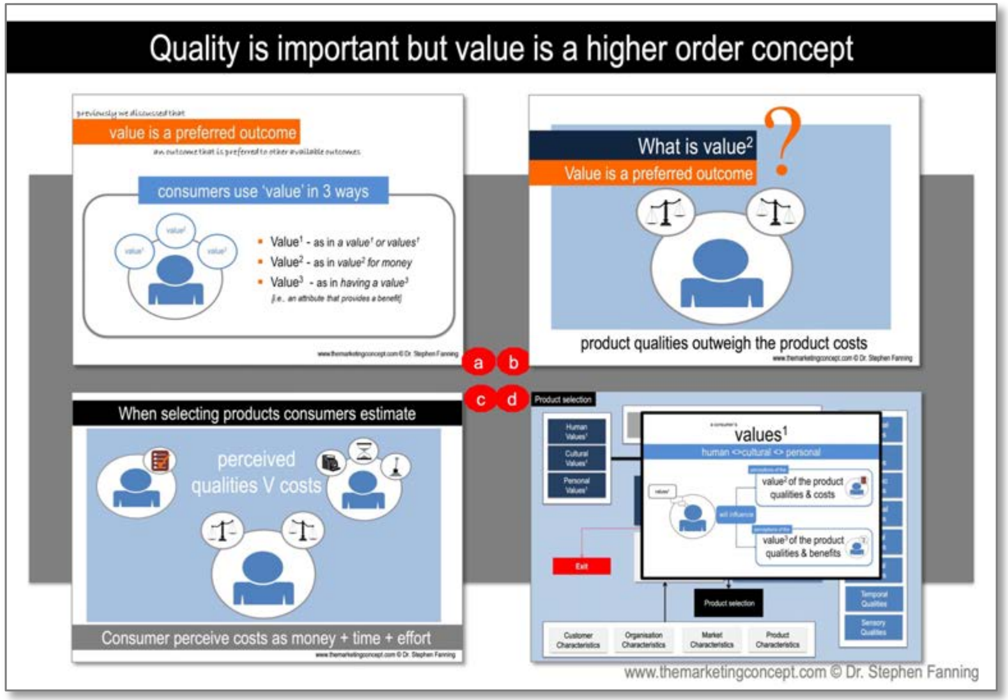

Figure 58: [a] in this collection we identify 3 key meanings ascribed to 'value'. [b] We identify value as a preferred outcome. [c] We introduce the idea that value is when a customer receives more that they gave. [d] we discuss how value is related to our values.

Value is central to marketing from both a consumer and organisation's perspective. There is also a general consensus that marketing is a **value creation process** (Alderson, 1957; Woodruff 1997) and that an exchange should produce value for all parties (Gronroos, 1994; Ravald & Gronroos, 1996; Zeithaml, 2000).

A brief dictionary description is provided for clarity; however, value is discussed in more detail throughout the e-book and particularly within the circle of satisfaction module.

- **Value[1]** - as in *a value[1] or values[1]* – a person's principles, beliefs or standards; a person's judgment of what is preferred or important in their life; as in a philosophy
- **Value[2]** - as in *value[2] for money* – the outcome of a calculative process where the total qualities [what we get] and the total consumption costs [what we give] are calculated
  - In the 1st time-zone, we are estimating value[2] [searching] [this is also referred to as **perceived value**]
  - In the 2nd time-zone, we are assessing value[2] [experiencing]
  - In the 3rd time-zone, we are evaluating value[2] [reflecting]
- **Value[3]** - as in *having a value[3]* – the value[3] of a good education - the worth, desirability, or utility of a thing, or the qualities on which these depend, as in usefulness. Consumers may estimate the nutritional value[3] of a product.

(Adapted from the Oxford English Dictionary, 1989, Vol. XIX, p. 415-417)

Bilsky and Schwartz (1994) state that a person will develop a hierarchy of values[1]. They state that values[1] are relatively stable and are important as they guide a person's behaviour towards a consistent outcome. Although understanding consumer values[1] is an important step for marketing practitioners it requires careful research, as a person may not be fully aware of their values[1] until they are in a situation where they are required to make a conscious choice. (Kopelman, Rovenpor, & Guan, 2003).

There are different types of values[1] and Widing, Sheth, Pulendran, Mittal, and Newman (2003) propose a hierarchy of values[1] with each value[1] having an influence on product selection:

- Human [values[1] that all people share]
- Cultural [values[1] that we share with some people]
- Personal [values[1] that an individual has]

Human values[1] are the first that need to be met, once these are met cultural values[1] are the next values that need to be met, and once cultural values are met then personal values[1] become relevant. According to Widing *et al.* (2003) this is an important consideration for marketing practitioners as understanding values[1] is important when designing and developing products to satisfy particular market segments. We could conclude that values[1] are fundamental to market segmentation strategies.

We stated that value is a preferred state – a preferred outcome – [i.e., an outcome that is preferred when compared to another outcome]. Clearly, the words values[1] and value[2,3] have the same origins and from a marketing perspective they are intertwined, your values[1] determine what you value[2&3]. For marketing practitioners values[1] and value[2,3] are core concepts. Kahle and Kennedy (1988) state that marketing is directed at satisfying consumer values[1]. Often more than one value[1] may influence the customer's perceptions of value[2] and may be a combination of objective and subjective considerations.

Marketing practitioners should also recognise that whilst many societies share the same cultural and personal values[1] - society may place different importance on the achievement of different values[1] – often this is referred to as the value[1] system of the society.

The work of Milton Rokeach (1968 & 1973) is insightful; the premise is that people have preferred end-states [preferred outcomes], Rokeach refers to preferred end states as **terminal values**, however, he states that often to reach a terminal value another value must be achieved, he refers to these as instrumental values. For example, golf may be terminal value for someone who loves the game of golf, however, golf may be an instrumental value for someone who sees golf as a means to socialising and staying fit – golf is a **means to an end**.

Rokeach lists 18 terminal values and 18 instrumental values. Marketing practitioners should uncover and consider both terminal and instrumental values when designing developing and implementing marketing strategies. To uncover instrumental and terminal values[1] marketing practitioners often employ focus groups and through a technique known as 'laddering' uncover and map the mental links between product attributes and terminal values [e.g., perhaps, you have witnessed a consumer studying the nutritional information on a food product and estimating the nutrition value – with the terminal value of a healthy body and well-being]. When marketing practitioners uncover and map the consumers' values this is generally referred to as a **means-end chain model** and is particularly helpful for both internal and external marketing communication.

We can conclude that needs, wants, values[1], and value [2&3] have a relationship and that, whilst organisations deliver value[2&3] - customers are judges of value[2&3]. Although, organisations may deliver products with a value proposition, it is the customer who estimates, assesses, and evaluates the value of the exchange.

Satisfaction

Previously when discussing Kotler's classic definition of marketing we had a quick look at satisfaction. We stated that satisfaction is the result of a post-purchase reflection process undertaken by the customer. During this process, the customer calculates the total qualities they received, the total consumption costs they sacrificed, and what they expected as an outcome before they entered the exchange. When we discussed value[2] [as in value for money] we stated that value is also a reflective process when we compare what we get and what we give in an exchange; we can see now that satisfaction is a higher order concept than value as it calculates what we getVgiveVexpected from the exchange.

Consumption patterns

There are many patterns to the way people consume – marketing practitioners often refer to these as consumption patterns. Understanding consumption patterns provides an insight as to how consumers are likely to behave during the three stages of the buyer decision process. Consumption patterns will also vary according to **four situational considerations**: the customer, the organisation, the market, and the product. The four considerations are also referred to as situational factors or situational characteristics [a mnemonic is COMP]. It should also be noted that the situation in which an organisation operates would vary constantly [e.g., the Australian dollar varies from day-to-day].

A product

The word **product** comes from the Latin *productum* - it means to deliver, to bring forth, the result – the sum of the parts – the sum of efforts. It may be worthwhile to consider related words [e.g., production, produce, producer]

As we have discussed, for a considerable part of marketing history, a product referred to produce that farmers took to market and exchanged for other produce or for money. In these markets, there were at least two parties - the producer and the customer. However, as markets developed and became more sophisticated intermediaries were often employed to facilitate and support the exchange and delivery of the products [producer < merchant > customer]. These facilitating and supporting actions are referred to as services. Services are embedded within every product.

It is interesting to note how the word product in marketing is consistent/similar to product in mathematics – the sum or total. In marketing, a product is the sum of the qualities. And just as in mathematics the equation can have positive and/or negative elements within the equation.

We will continue to discuss products for the remainder of the e-book – for example in section 2 when we discuss the buyer decision process, the total product and the circle of satisfaction, and in section 3 when we discuss products as part of the business-marketing planning process.

A brand

Within organisations the terms brand image, brand identity, and brand equity are often used interchangeably – it should be noted that brand image, brand identity, and brand equity are related and help create consumer awareness, recognition, and recall of a brand (Keller, 2013; Vyas, & Brahmbhatt, 2016). Clearly consumer awareness, recognition, and recall of a brand/product are critical to product selection and therefore important tasks for marketing practitioners (Aaker, 1991; Keller, 2003; Aaker, 1996).

> **Author's comment:** we progress through the e-book we will explore these constructs and identify the differences.

We often assume that branding is a new phenomenon, however, it is an ancient practice. According to Eckhardt and Bengtsson (2010) the first evidence of branding was uncovered by archaeologists in India, dated around 2,000 years BC and the first evidence of branding as packaging, an embossed seal, was uncovered by archaeologists, working in the ancient region of Mesopatamia [now Iraq] is dated around 600 years BC.

Traditionally, a **brand** was a permanent mark - generally a burn from a branding iron - to identify ownership of livestock and slaves. It evolved when tradespeople [e.g., coopers] 'branded' their work to endorse it and distinguished their work from the work of other Stonemasons and artists also branded their work often with a symbol or a signature to demonstrate provenance - authenticity and quality (Beard, 2017). He states that a business, including those in Pompei, would hang branded signs outside the place of business to communicate, often to people that were illiterate, that they were open for business.

At the outset we stated that marketing is a mix of long-term strategies and short-term tactics working to achieve organisational objectives. Furthermore, we put forward the view that if an organisation measures, manages, and improves **collective customer satisfaction** [the satisfaction score of all customers] - then the **sales baseline** will rise over time.

Building the sales baseline could also be referred to as brand equity - a longitudinal representation of the **unique product value proposition** of an organisation's product or products. Organisations may take products to market with a single brand or multiple brand strategy. It is generally recognised that most marketing activity could be viewed as a form of branding – and an organisation's most valuable asset may be its brands (Doyle, 2012).

Brands are important to organisations but they are also important to consumers. The following quote by Bastos & Levy, (2012,p.349) identifies how people position themselves through the brands they choose – it is worth reading carefully.

> **Quote:** At the root of all branding activity is the human desire to be someone of consequence, to create a personal and social identity, to present oneself as both like other people (e.g. to belong) and unlike other people (e.g. to stand out), and to have a good reputation

> **Author's comment:** Today the top 100 brands receive an enormous amount of attention. Should you wish to know more about the top 100 brands then a visit to the websites of Millward Brown or Brand Finance will be worth the effort. However, the challenges facing the top 100 brands have little in common to the challenges facing marketing practitioners, in other organisations. In this section, I have included some large and familiar brands to highlight a particular point, the majority of this section is directed towards providing a better understanding for the majority of marketing practitioners– not the top 100 brands.

We can see that brands have and continue to evolve. Branding is an interesting topic and one that has received a great deal of attention - including a great deal of conflicting information. One area of confusion regards the meaning assigned to products and brands. Although they are **interdependent** concepts, it is important to understand that products and brands are separate concepts (Barwise, 1993). An organisation's sales are a measurement of the buying of products. An organisation could have a brand that has a number of products and often at different stages of the product life cycle.

It has to be kept in mind that although an **estimation** of product quality, value, and satisfaction will be greatly influenced by a consumer's attitude to a brand (Payne & Frow, 2013) it is the **assessment and evaluation** of product quality, value, and satisfaction that will determine a consumer's attitude to a brand.

Care needs to be taken when considering branding a new product with an existing brand. Janiszewski and van Osselaer (2000) argue that branding a lower quality product with a higher quality brand will initially increase awareness and trial, however, when consumer pre-purchase expectations are not met the previous brand identity will be eroded – we can conclude that consumers employ brand names, to predict outcomes, when searching, selecting, and purchasing and then, post-purchase, re-evaluate their earlier attitudes [see satisfaction and cumulative satisfaction]. This interdependent relationship between products and brands will impact on an organisation's ability to meet their marketing objectives; therefore, marketing practitioners need to apply the appropriate strategies and tactics for both products and brands. Marketing practitioners will have a number of product considerations and brand considerations to manage when conducting the CADDIE business-marketing planning process [presented later in the e-book].

A brand is generally used as an overarching identification; one that spans a number of products; brands are, generally, more enduring than products. For example, if a person told you they bought a new BMW - then BMW is the brand. When the brand is mentioned a number of brand associations will come to mind [German quality, prestige, great driving experience, etc.]. If the person mentioned that they had bought a '2021 3-series BMW' then that is a product within the product portfolio of the brand.

If a car critic, wrote an article for a magazine on a particular car then they are reviewing a product; within the review they could say 'this car has all the qualities we have come to expect from BMW' [i.e., the brand]. The qualities are transferred between the product and the brand. For example, a consumer may aspire to one day own a BMW – without knowing the particular product; someone else, over many years, may purchase a number of BMW products and link their self-image with the BMW brand – they may even wear BMW branded clothing or join a BMW owners club.

Within this simple example, we can see that a brand may contain functional, symbolic, experiential, and cultural qualities that are carefully nurtured and communicated by the organisation and understood and appreciated by the consumer (Park, Jaworski & MacInnis, 1986; Holt, 2003; Nandan, 2005). We can also recognise that as part of the symbolic qualities of a brand, a customer may have an emotional connection with a brand this is also referred to as enduring involvement and brand loyalty. Furthermore, we can recognise that a brand may 'bond' the organisation and the customer see Customer intimacy [customer centricity]]. Schembri (2009) suggests that consumers help define the brand and at the same time the brand helps define the consumer. Furthermore, in some cases a brand may communicate the social and/or political attitudes of the consumer (McEnally & de Chernatony, 1999).

If we look at another automobile manufacturer - Toyota – we can see a different approach to branding. The Toyota organisation introduced the Lexus brand to appeal to a market segment that was new to their organisation. The Lexus brand enabled Toyota to offer a range of cars that are distinctive, discernible and desirable. The Lexus brand also enabled Toyota to present a different brand image and unique product value proposition. Interestingly, at the same time the Lexus brand raised the status of the Toyota branded cars. Therefore, an organisation may implement a multi-brand strategy to appeal to different market segments and increase market share (Dall'Olmo Riley, 2016). We can see that choosing a brand is also about choosing the brand identity that is congruent with a consumer's self-image (Fournier, 1988).

> **Author's comment:** The objectives of BMW and Toyota are similar - to increase market-penetration across multiple segments. This is often referred to as a segments-of-market approach and is discussed in greater detail later.
>
> If we look at camera manufacturers [e.g., Canon and Nikon] it is a convention to present one brand name with different models to appeal to the needs of heterogeneous market segments.

It is important to emphasise that some see branding as primarily a mass communication task and, perhaps, in the past this may have been sensible. However, it is important to emphasise that brands are also established from the customers' post-purchase evaluations of the total product experience – the value[2] and values[1] that the customer receives. Reed (2015) citing a McKinsey report suggests that brands are now comprised of two-thirds attitudes formed from customer experiences and one-third organisational communication.

To gain a deeper understanding of a brand let's look at a typical definition of 'a brand' from a well-received marketing textbook. Elliott, et al. (2021, p. 192) state that a brand is "a collection of symbols such as name, logo, slogan and design intended to create an image in the customer's mind that differentiate a product from competitor's products." If we analyse this definition, we can quickly identify that it specifies the relationship between brands and products. However, on closer inspection we can see that this definition of a brand is from an organisational and operational [sender-receiver] perspective. Although the American Marketing Association presents a similar view to Elliott *et al.* (2021), other scholars such as de Chernatony (2009, p.102) argue that this could be describing a "trademark" rather than a brand. Leading brand scholar Leslie de Chernatony (2010) states that the AMA viewpoint does not communicate the richness of the concept; he suggests that a brand could be defined as "a cluster of values that enables a promise to be made about a unique and welcomed experience" (de Chernatony, 2009, p. 104).

> **Author's comment:** The word logo is commonly used term – just as a point of clarity some marketing practitioners prefer 'brandmark'. A brandmark is a unique symbol that represents the organisation or a product within a brand. A brandmark may be a discrete symbol or combined with the organisation or product name. Many times I have seen an advertisement [e.g., Redbull] and I haven't paid attention to the ad but I am reminder of their core proposition.

There are marketing scholars who argue that the sender-receiver perspective of a brand is now a historical reminder of the past. Reed (2015) states that the sender-receiver perspective is now ‘obsolete’ as it does not take into consideration the empowered and connected consumer, a consumer who co-produces the meanings attached to brands through personal experiences and post-purchase actions. Other scholars also argue for a customer constructed view of a brand; stating that a brand is everything that provides meaning to consumers (Armstrong, Adam, Denize, & Kotler, 2012) and that “brands add value to the company because they add value to the customer” (Payne & Frow, 2013, p. 92).

Furthermore, we can conclude that the brand image communicated by the organisation should be congruent with the post-purchase evaluations of the customer. Park *et al.* (1986) recognised that it is important to manage the brand promise and ensure that the brand’s promise is fulfilled.

> **Author’s comment:** as we progress through the e-book we will explore how brand identity is the result of controllable and uncontrollable factors. We will also discover that one way to minimise the uncontrollable factors is through the fulfilment of promises. We revisit brands and branding when we discuss the product components and when we discuss communication. Later in the e-book we will discuss branding as the creation of a meta-narrative with the marketplace.

The brand images and communication from the organisation is an important contributor to brand identity. Therefore, articulating a brand image that is similar to the aggregate self-image of the selected market segment is a common technique.

There are also brand images that are designed and developed to appeal to consumers with common interests and aspirations, for example Harley-Davidson motorcycle owners (Schouten & Alexander, 1993,1995; Shembri, 2006). Having a clearly articulated brand image also provides guidance to marketing practitioners across a number of marketing activities, for example, when designing and developing the service component of a product.

Jennifer Aaker (1997) provides a list of five brand personalities with descriptors:

- **Sincerity:** Down to earth, honest, wholesome, cheerful
- **Excitement:** Daring, spirited, imaginative, up to date
- **Competence:** Reliable, intelligent, successful,
- **Sophistication**: Upper-class charming
- **Ruggedness:** Outdoorsy, tough

When applied, the brand personalities help consumers to form *perceptions* of a brand’s identity and determine the personal relevance of a brand and whether a brand will be compatible with their actual or ideal identity. A communication technique that is often employed is to develop **customer personas** that provide a fictional but typical representation of the selected market segment for a product. Establishing customer personas is particularly useful when an organisation has a product for different segments, and they wish to communicate the unique product value proposition for different customer segments.

In a literature review of brand communication and mnemonic elements (Vyas, & Brahmbhatt, 2016, p.67) identified brand names, colours, logos, typeface, emblems, designs, graphics, symbols, colour, taglines and slogans, packaging, celebrities and spokespersons, music, sounds, and jingles, URLs, signage, personality, product form, and consumer attitudes. More recently, (Ward, Yang, Romaniuk, & Beal, 2020) proposed that important communication elements are **-** a character, logo, logotype, product form, image on pack, taglines, and colour. However, they emphasised that an animated character [as employed by Nintendo and MacDonalds] can effectively prompt brand recognition and recall [they add **-** when all other factors are well executed]. They also highlight that although animated characters are often employed **-** it is a tactic that has received scant academic attention.

Nevertheless, it needs to be kept in mind that the brand identity is the consumer’s evaluation of the expected product [the brand promise] and the total product that is delivered. Later in the e-book we will discuss the confirmation-disconfirmation of expectations in more detail, however, if we apply this theory to a product and a brand then a continuum emerges with three anchor points high dissatisfaction <> indifference <> high satisfaction. Clearly, customers who are dissatisfied will have a negative attitude to a brand, customers who are indifferent will have a neutral attitude, and customers who are satisfied will have a positive attitude to a brand. This enables consumers to associate a brand with a future outcome and to simplify purchase behaviour (Dall’Olmo Riley, 2016). Brands that are well managed provide a promise of a future satisfaction for consumers and assist consumers to identify and select best satisfying products; for consumers, **brands reduce risk**.

There are a number of brand considerations/metrics that must be measured, managed, and maintained/improved:

- Brand awareness
- Brand recall
- Brand recognition [incl. brand nicknames]
- Position relative to competitors
- Personal relevance
- Social self-expression
- Brand approach V avoidance
- Value proposition
- Evaluations of quality, value, and satisfaction
- Perceptions of risk-trust
- Loyalty services
    - Future purchase intentions
    - Future spending intentions
    - Willingness to recommend

The brand identity held by an individual customer is the consumer's attitude to the brand, therefore it is how an individual customer feels, thinks, and behaves towards the brand. Few organisations have just one customer; therefore, most organisations are concerned with the cumulative brand identity of all customers - how all customers feel, think and behave towards a brand. When marketing practitioners identify gaps between the consumers' brand position and the organisation's preferred brand position; then the organisation needs to take the appropriate action – this should be articulated in the marketing plan and then operationalised through a marketing action plan.

The value of the brand to the organisation is referred to as brand equity (Solomon, *et al.*, 2014). Brand equity is the value of the future behaviour of all customers. Earlier we discussed the 3 financial objectives of marketing practitioners – (1) to increase sales revenue, (2) to reduce organisational costs as a percentage of sales, (3) to build the value of the business - we should immediately recognise that brand equity is when the three financial objectives are collectively considered as a quantifiable organisational asset [e.g., often this is when a business is offered for sale].

Whilst it is easy to recognise the value of branding in the B2C sector a review of the top 100 Australian Brands reveals that a **brand strength** is also important in the B2B sector and is just as important for the service sector.

Given that countries compete for trade, tourism, investment, and talent strategic image management of countries [defined below] is an important task for marketing practitioners (Kotler & Gertner, 2002, p.254).

> **Quote:** Strategic image management (SIM) is the ongoing process of researching a place's image among its audiences, segmenting and targeting its specific image and its demographic audiences, positioning the place's benefits to support an existing image or create a new image, and communicating those benefits to the target audiences.

The buyer decision process [preview]

The buyer decision process is really about the decisions that people make pre-purchase, during product selection, product delivery, and post-purchase. It is important that we view the buyer decision process as more than just buying and selling to include the decisions that people make post-purchase. In many regards the buyer decision process is how people interact with society through the products they select or reject, and how they interact with selected organisations.

The buyer decision process can be grouped into 3-time-zones; each time-zone has specific consumer behaviour characteristics:

- Purchase behaviour
    - Searching, estimating, and selecting
- Product delivery
    - Experiencing and assessing
- Post-purchase behaviour
    - Reflecting, evaluating, and post evaluation behaviour

Q: "Why not call it the consumer decision process or the customer decision process?"

A: This is a good question - the buyer decision process is the traditional name and was born in an era dominated by selling; initially, it was focussed on purchase behaviour. Later with marketing practitioners and academics adopting a wider view it included product delivery and post purchase behaviour. The term buyer has been retained as it spans both consumer and customer.

The total product [preview]

On one-hand marketing helps customers satisfy their basic everyday needs, then at a higher level, it helps customers achieve their dreams and desires. To understand this better, we will explore products in detail, we call this the total product. The total product has been divided into 3 parts:

- **Product considerations:** the nature of the product, what a consumer and a marketing practitioner take into consideration when buying or designing and developing a product
- **Product layers:** holistically how a product is designed - what is core, what is expected, and how a product is augmented to distinguish it from competitors
- **Product components:** The elements or qualities that construct the product. The e-book will explore the 6 interactive product components [identified by product]; the product components are goods, services, ideas, experiences, people, and places. We will explore the product components in greater detail; however, the following is a brief overview:
    - **Goods:** merchandise that is produced - consumables/durables/possessions
    - **Services:** acts or performances that facilitates/supports/enables and adds value
    - **Ideas:** the knowledge needed to buy and consume a product
    - **Experiences:** the anticipation, feelings and emotions of a product
    - **People:** the people that facilitate and support a product
    - **Place:** where the buying process takes place

The circle of satisfaction [preview]

The circle of satisfaction explores the interactions between the organisation and the customer. The circle of satisfaction could be described as the bridge that links the buyer decision process and the total product as it explores the outcomes of the interaction between the customer and the organisation.

The following is a brief overview of how the secondary marketing concepts [in section 2] complement each other:

- **The buyer decision process** is 80% customer focussed and 20% organisational focussed
- **The total product** is 80% organisational focussed and 20% on the customer focussed
- **The circle of satisfaction** is 50% customer focussed and 50% organisational focussed

Reflect & review

Employ these questions to reflect on your understanding and review your progress.

- In your own words describe how a marketing philosophy can help nurture/cultivate a marketing culture.
- What is meant by the terms - enculturation and acculturation?
- When creating a marketing culture marketing practitioners must collaborate with practitioners from other disciplines - discuss why this is important.
- What is meant by the terms - product? - quality? – brand?
- In your own words discuss this statement 'Quality is important, however, if the product is too expensive, for a particular consumer, then quality may be irrelevant'. Also could this statement indicate that quality may appeal to different selected markets.

The word value [i.e., a preferred state] is used by marketing practitioners in 3 contexts. Explain each meaning: Values^1 - Values^2 - Values^3

- Explain the difference between a product having instrumental value and terminal value.
- How do brands provide value to the customer?
- Why are brands heuristics for quality and value
- What is the study of consumer behaviour and what are the benefits?
- In your own words explain what is meant by consumption patterns
- What is meant by the term – reference group? How do they to influence consumers.
- What is meant by the term – membership reference groups?
- What is meant by the term – aspirational reference groups?
- What is meant by the term – dissociative reference groups?
- Explain normative and comparative influence:
- What is conspicuous consumption?
- What is consumer socialisation?
- There are 5 decision-making roles - provide examples of when each: initiators, influencers, deciders, purchasers, users
- Describe the perceptual process
- What is perceptual selection?
- What is perceptual vigilance?
- What are attitudes and how do they influence the buyer decision process?
- Provide a brief overview of how information is stored in the memory.
- Provide a brief overview of the learning process
- From a marketing perspective – what is a motive?
- From a marketing perspective – what are cues?
- From a marketing perspective – what is a response?
- From a marketing perspective – what is reinforcement?
- What are classical and operant conditioning?
- Describe cognitive and observational learning

Briefly describe what marketing practitioners mean by the concept of 'the self'

- Ideal-social-self, Possible-self , Extended-self, Multiple-selves, Undesired-self

Describe the concept of involvement [HINT: revisit this concept after the buyer decision process]

- How would the number of consequential products vary with involvement?
- Explain consequential products and the notion of instrumental and terminal values.

The buyer decision process

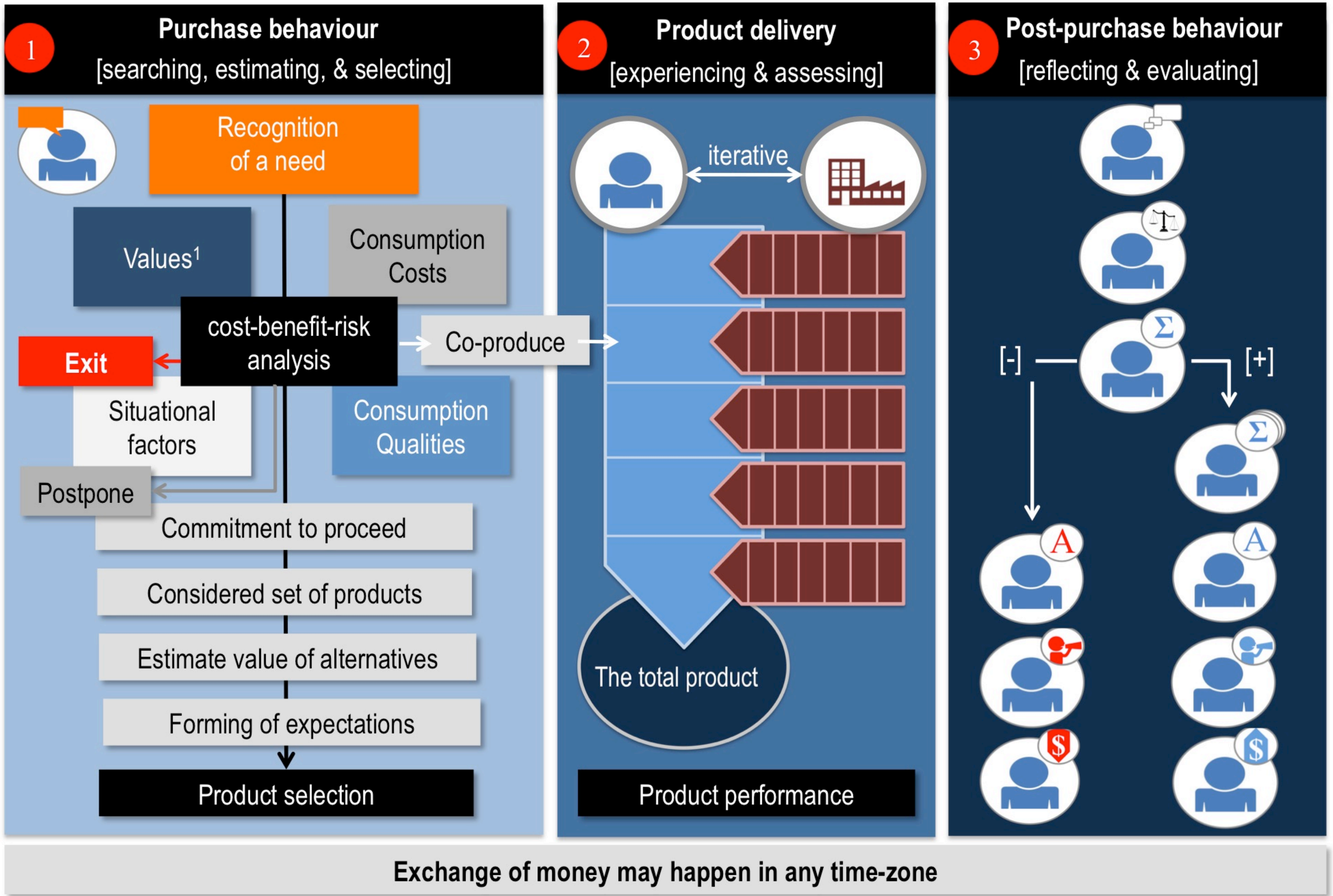

Figure 59: The buyer decision process will be discussed in more detail the theory has been organised around 3 time-zones.

the buyer decision process

2:1:0 The buyer decision process

Previously: We defined a number of fundamental concepts that are needed for the marketing theory section. We differentiated the terms consumers and customers, then discussed perceptions, learning, memory, attitudes, the self, involvement, culture, quality, value, satisfaction, products and brands.

Learning objectives

Learning objectives of the module: After the completion of this module you should be able to demonstrate and understanding of the 3 time-zones of the buyer decision process and explain how the buyer decision process will influence the design and development of strategies and tactics.

Directions

The buyer decision process is about the decisions that people, as consumers or customers, make throughout the buying and consumption process. The buyer decision process is a sequential journey, however, decision-making varies from simple to complex and decisions are influenced by the COMP factors; for example, selecting a snack bar at a convenience store will be relatively simple, whereas selecting a motor car, for most consumers, will be a complex process. The decision variables are the buyer's involvement with the product, the cost relative to the consumer, the familiarity with the products, and the number of alternatives. Moreover, a snack bar would be consumed in a short time whereas a motor car is enduring and will generally be consumed/owned/maintained for a considerable time.

The buyer decision model has a long history with research spanning over 100 years. The work of Dewey (1910) provided an excellent foundation for subsequent researchers. Key researchers in the last 50 years are Nicosia (1966); Howard and Sheth (1969); Engel, Blackwell and Kollat (1978); Zeithaml (1981); and Engel and Blackwell (1982). The buyer decision process has attracted a great deal of attention and as would be expected there are different interpretations and perspectives within marketing journals and texts. What is presented within this e-book is a summary of this topic based on marketing journals, marketing texts, and research undertaken by the author.

Understanding the buyer decision process is essential from a strategic and a tactical perspective.

- **Strategically:** the marketing practitioner needs to consider the buyer decision process and the transformation from consumer to customer – suspect > prospect > customer > repeat customer > advocate > evangelist – marketing practitioners refer to this as **populating and managing the salespipeline**.
- **Tactically:** staff must know their responsibilities and perform their roles to assist a consumer to enter the buying process and to advance along the salespipeline. As we can see, the tactical focus is particularly true for service personnel and salespeople who facilitate and support product selection and the product delivery process.

Therefore, to manage the consumer in an appropriate, effective and efficient manner - marketing practitioners need to know how consumers progress through the buying process and communicate the plan throughout the organisation [this should be included in a marketing plan and the marketing action plans] + [see internal marketing and the 5-gap theory].

Also, keep in mind that the nature of the product and the customer's familiarity and ability to purchase the product will determine the speed at which consumers progress through the buyer decision process. This means that although the buyer decision process follows a designated pattern for most products it will vary according to the situation [COMP].

The 3-time-zones

The buyer decision process has three distinct time-zones:

1. Purchase behaviour
2. Product delivery
3. Post-purchase behaviour

Customers behave differently in each time-zone. There are a number of steps in the purchase behaviour time-zone that led to product selection [or rejection]:

1: **Purchase behaviour** – *consumers are searching, estimating and selecting*

- The recognition of an unmet need
- Undertake an initial cost-benefits-risk analysis
    - Exit/postpone/commit to the BDP
    - If a commitment to proceed is made the BDP continues
- Searching for information
    - Including assembling a considered set of alternative products
- Determining product qualities
- Estimate the value of alternative products
- Estimating risks
- Forming expectations
- Product selection

2: **Product delivery** – *customers are experiencing and as they experience they are assessing the product against their expectations.*

- The delivery experience [see the total product and the metaphor - business as theatre]
- The BDP diagram indicates the front-stage experience of the customer and the back-stage activities of the organisation.

3: **Post-purchase behaviour** – *customers are reflecting and evaluating*

- Post-purchase evaluation [got V gave V expected]
- Post-evaluation behaviour [see the circle of satisfaction]

One of the key differences between a selling philosophy and a marketing philosophy is that a marketing philosophy is based on understanding that to build a relationship with a customer - the customer must have a need, have the resources to satisfy the need and make a decision that a particular product is the vehicle to 'best satisfy' the need. Therefore, the customers' needs are central to the organisation [i.e., being **customer centric**]. It is also important to recognise that marketing practitioners do not create needs – needs are part of being human, however, through a well-crafted **communication mix,** marketing practitioners may:

- Increase the awareness of a need
- Increase the motivational strength to attend to a need
- Increase awareness linking a product to a need [i.e., marketers can produce the want]

Purchase behaviour – the 1st time-zone

Customers enter the buyer decision process when they recognise they have an **unmet need,** and the unmet need has sufficient strength to require attention. A **need** is a recognised gap between an actual and a desired/preferred state. The need can be **biogenic** [for the body] or **psychogenic** [for the mind]. The recognition of a need can be stimulated by an

- Internal stimuli: [e.g., hunger, thirst]
- External stimuli: [e.g., the smell of freshly baked bread]

The concept of customer brand-engagement [involvement with a brand/product] recognises interactivity with a product, brand, and/or organisation as an important step in the selection and purchase of a product (Hollebeck, 2011). The premise is that people move towards a 'preferred self' or ideal-self through the products they search for, engage with, and aspire to own (Kahn, 1974. Belk, 1988). Moreover, it is suggested that the need may be the social benefits that the product communicates rather that the utilitarian function. The social media and mobile devices have provided a convenient tool for consumers to search for products across the involvement continuum [discussed in more detail in this module]. As early as 2015 it was suggested that around 40% of purchases were made after favouring and sharing a product that had been discovered on social media (Erdoğmuş & Tatar, 2015).

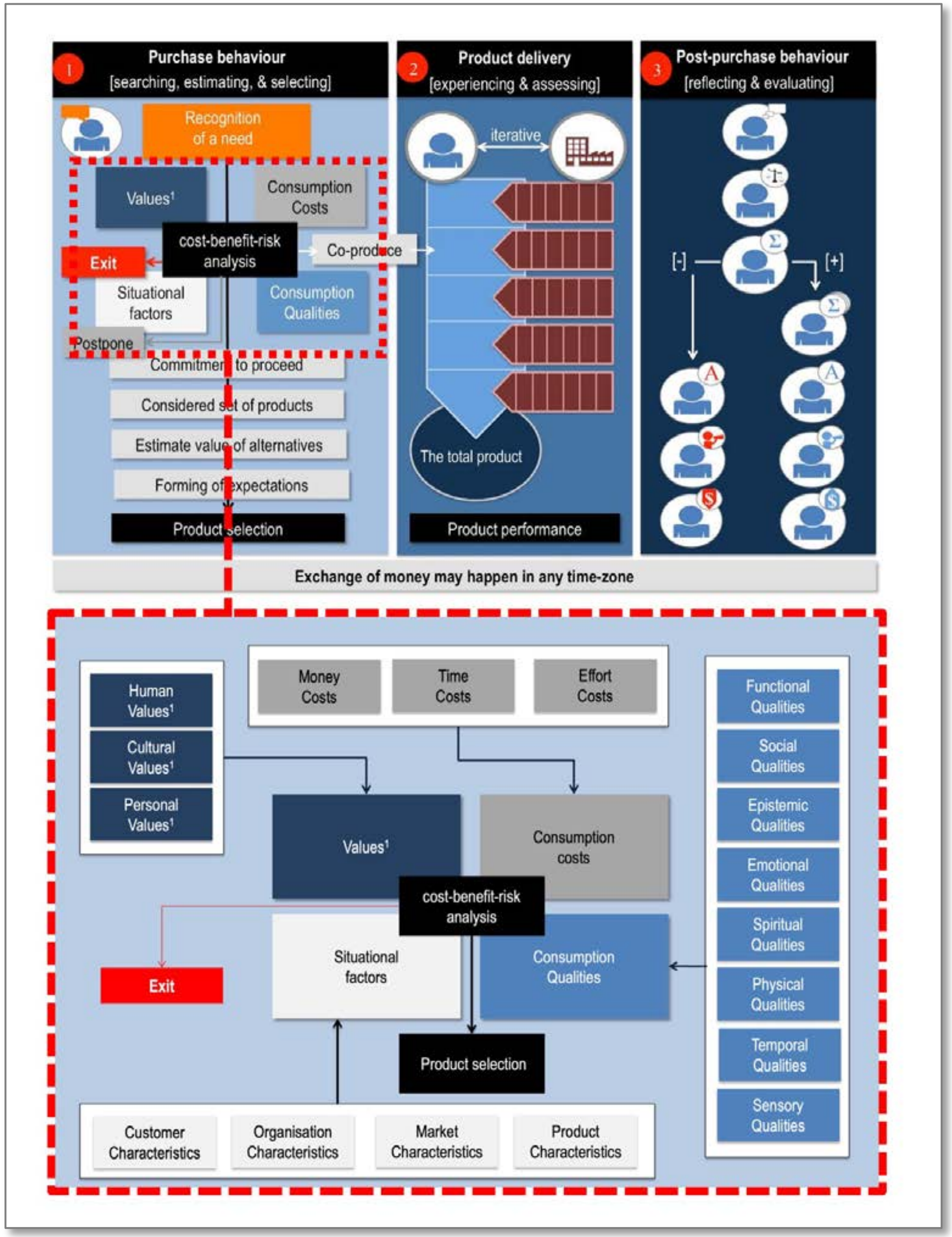

Figure 60: Costs, benefits, risks analysis.

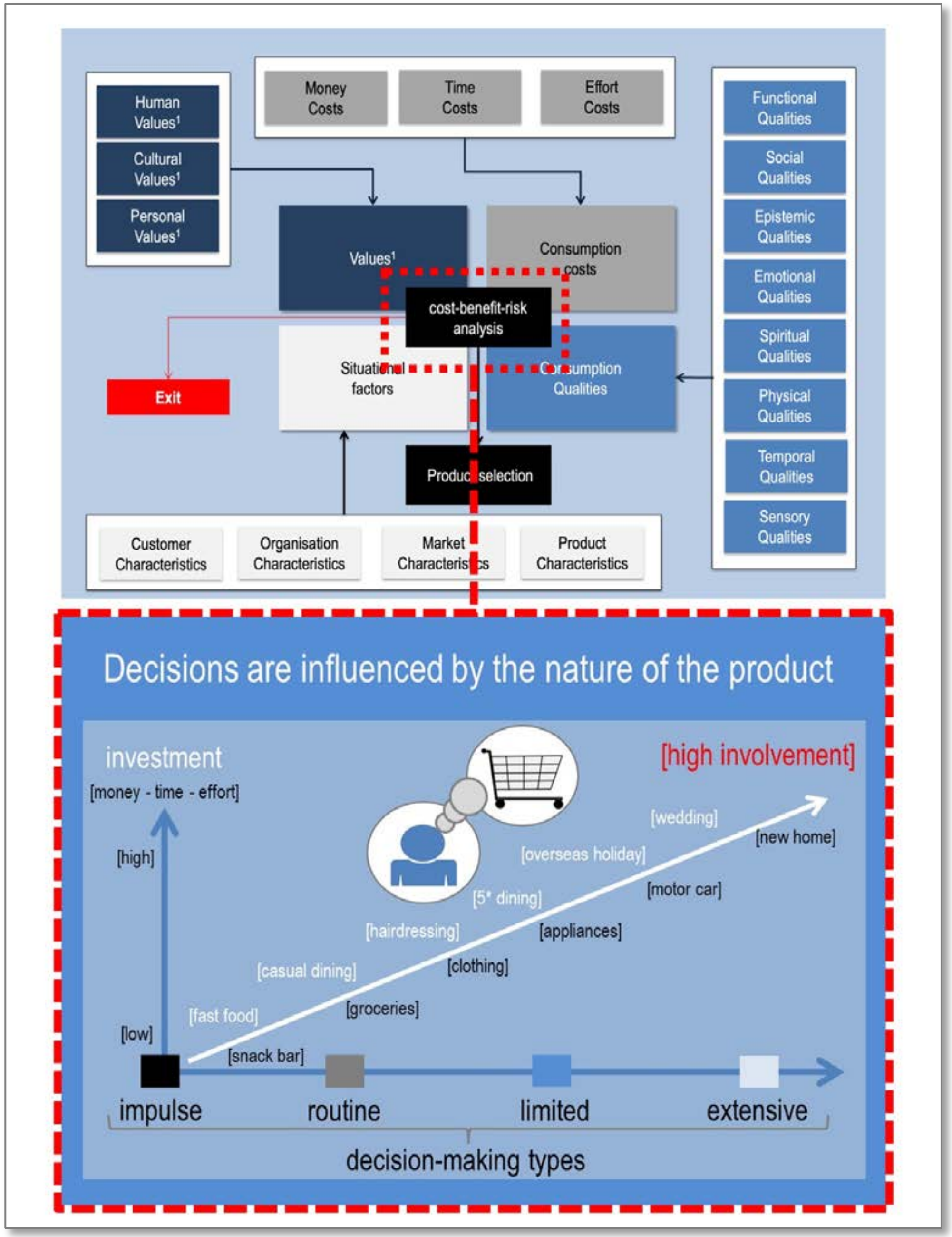

Figure 61: Decision making types.

Identifying product qualities

There are eight different consumption qualities that consumers estimate, assess, and evaluate as part of the buyer decision process. A consumer will estimate product qualities prior to purchase and evaluate product qualities post-purchase. Products are a composite of qualities, most products will have more than one quality, although, it is rare for a product to have all eight qualities. Although we are describing these as product qualities, it is likely that consumers would consider them also as attributes or benefits. The product qualities are:

- **Functional qualities:** perceived utility and price, incorporating attributes such as performance, reliability and durability
- **Social qualities:** consideration that other peoples' perceptions of the choice will be favourable and congruent with the reference group that they belong to or aspire to belong
- **Epistemic qualities:** desire for novelty, reduce boredom, desire to learn something new
- **Emotional qualities:** associated feelings or affective states that are aroused by the choice of a product category or brand [e.g., buying local produce]
- **Temporal qualities:** ones that saves time or makes use of time – because the person either has limited or excess time
- **Physical qualities:** ones that may provide a positive or negative value to your health,
- **Spiritual qualities:** ones that may provide a spiritual benefit such as attending a religious service or visiting a holy place
- **Sensory qualities:** ones that appeals to the senses [e.g., the smell of homemade biscuits]

Cost/benefits/risks analysis

Previously we discussed values[1], qualities, and COMP factors, these are important constructs when consumers are searching, estimating,, and selecting products in the first time-zone of the buyer decision process.

Once the consumer/s has recognised an unmet need and is motivated to attend to the need – the consumer/s will search for evidence of quality, value, and also estimate the likelihood of a satisfactory outcome. Although the recognition of a need is the first real step in the buyer decision process, it should be noted that not all unmet needs result in a purchase and not all products that are considered are selected. There is a selection process based on estimations of value and expectations of satisfaction. A **costs/benefits/risks analysis** is, generally, a part of the decision-making process, particularly for products with higher customer involvement.

When undertaking a cost/benefit/risks analysis the consumer will explore the perceived costs involved [i.e., money, time, and effort], the perceived product qualities[8] and estimate the likelihood of receiving those qualities, whilst taking into consideration their values[1] and their personal prevailing situational factors.

Author's comment: There are a number of products that are designed to save the consumer/customer time and effort – a service that provides a convenience to the consumer. Therefore, the monetary cost [price] may take into account that

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the product reduces customer effort and/or customer time. Some products [i.e., service dominant products] are designed for a market segment that is short of time and/or lacks the skills or inclination to perform the service.

At this point readers, should now recognise that the situational factors [COMP] impact on both the consumer and the organisation – after all, both the consumer and the organisation are entering an exchange – this is marketing. For example, the overall economic conditions [M – the market characteristics] that impact on a consumer [C] will impact on all consumers and this will collectively impact on the organisation [O]. Furthermore, this will vary according to the characteristics of the product [P].

Perceived risks

Risks are future scenarios played out in the consumer's mind; therefore, marketing practitioners often refer to risks as **perceived risks**. A perceived risk is generally presented as a consumer's pre-purchase subjective estimation of probable and possible scenarios (Havlena & DeSarbo, 1990). What is interesting about risks is that often what we perceive to be a risk prior to purchase may well turn out to be a quality of value in the post-purchase evaluation [read this statement carefully]. For example, a person may consider the risks when purchasing a holiday, however, later when reflecting on the holiday the conclusion may be that it was a great experience and well worth the money. Therefore, perceived risks are generally only considered prior to purchase as part of the probable and possible scenarios to select a product; post purchase perceived risks are no longer considered.

Author's comment: During an extensive literature review, I made a table of risks and on another occasion a table of product qualities. When I analysed the list of perceived risks and the list of product qualities it became apparent that, after semantics were taken into consideration, perceived risks and perceived qualities related to pre-purchase and post-purchase time-zones.

Therefore, we could conclude that consumers are estimating the perceived risk of receiving the product qualities, whereas customers, who have experienced the product, have the ability to evaluate the qualities they received [or did not receive] during the product delivery process. Therefore, estimation and evaluation are quite different processes.

In the consumer's mind, there is always a risk that a product will not deliver on the expected qualities. The consumer's estimation of the risks will influence the consumer's decision whether to exit the buyer decision process or to commit to the product selection process. Arndt (1967) in his classic article found that when people perceived a situation to be of high risk they engaged in more product conversations than when they perceived a situation to be of low risk. Furthermore, in his experiments, people who received positive word-of-mouth were more likely to proceed with a purchase than people who received negative word-of-mouth. Positive word-of-mouth decreased the pre-purchase estimations of risk, whereas negative word-of-mouth increased the pre-purchase estimations of risk. Additionally, Arndt (1967) found that people used product conversations not in an attempt to influence the behaviour of others, but, rather as part of their day-to-day social contact with others and saw 'advice' as a responsibility of belonging to a social group. He also found that consumers gain product knowledge as a result of **listening to other customers** and from **observing other customers**.

Other scholars state that, as consumer perceptions of risk increase, so does the effort that consumers commit to the purchase process including searching for new sources of information, this includes engaging with and observing other customers (Locander and Hermann, 1979; Murray, 1991; Mitra, Reiss & Capella, 1999). Murray (1991) suggests that personal conversations allow the decision maker to discuss and clarify areas of uncertainty with those who have product experience.

We could conclude that consumers seek out customers who have experienced the product and have the ability to help them estimate the probable and possible outcomes – what product qualities they will actually receive.

All products have some degree of perceived risk – consider something as commonplace as buying a litre of milk. When organisations manage the customer's perception of risks they can greatly increase the percentage of consumers that make a favourable product decision. Milk producers [like many other producers] manage perception of risk by having a 'best by' date to indicate the freshness. Customers use this information by selecting milk with the most favourable best by date.

The literature on risks is extensive and has attracted attention from many scholars over many years. If the risk literature is synthesised a number of risk categories emerge, they are:

- **Financial risk:** monetary - Could I lose my deposit?
- **Functional risk:** performance outcomes - Will my bags arrive?
- **Social risks:** acceptance by others - Will my colleagues approve?
- **Epistemic risk:** novelty and variety - Will it be exciting?
- **Emotional risks:** personal fears - Will I be as clever?
- **Temporal risk:** the time involved - Will I have to wait at the dentist?
- **Physical risk:** personal safety - Could I be injured?
- **Spiritual risks:** threatening of beliefs - Will my beliefs be questioned?
- **Sensory risks:** unwanted sensory stimuli - What will the meal taste like?

The risk categories are a synthesis of – (Taylor, 1974; Laurent & Kapferer, 1985; Kapferer & Laurant, 1985, 1986; Havlena & DeSarbo, 1991; Mitchell, 1992; Richins *et al.*, 1992; Dowling & Staelin, 1994; Dholakia, 1997; Laroche, Bergeron & Goutaland, 2003; Laroche, McDougall, Bergeron & Yang, 2004).

Dowling (1999) and Lovelock (2011) propose a number of explanations as to why perceived risk varies from person to person. They state that perceptions of risk vary according to a number of factors, to simplify the risks have been organised according to the situational factors.

- Consumer considerations
- Willingness and ability to purchase and ability to sustain a loss
  - Predisposition to risk and ability to manage risks
  - Attitude towards possible loss of face
  - Decision-making ability
- Organisation considerations
  - Relationship, reputation, possibility of returns, perceptions of trust
- Market considerations
  - Prevailing economic conditions
  - Competitive nature of market
  - Reputation of industry
- Product considerations
  - Degree of involvement with the product – reason for the purchase (personal use/gift)
  - Social visibility of the product (e.g., public or private)
  - Familiarity, knowledge
  - Complexity
  - Material/non-material properties

When a consumer conducts a costs/benefits/risks analysis the consumer may come to one of 3 conclusions:

- The product has an **acceptable risk**: the customer continues the product selection process [although they may still exit at a later stage or postpone the product selection process for a variety of reasons]
- The product has a **questionable risk**: the consumer may search further, undertake **risk management strategies** and then may conclude the risk is acceptable or unacceptable
- The product has an **unacceptable risk**: the consumer will conclude that the risks outweigh the benefits and exit the buyer decision process [although they may satisfy the unmet need with an alternative product]. Products that are evaluated as having unacceptable risk are generally excluded from the considered or evoked set.

When a product has some risks, however, the consumer wishes to mitigate/manage the risks they may employ a number of risk management strategies, for example:

- Assess tangible cues for physical evidence of value
- Seek information from experience and trusted past consumers
- Search websites for customer comments
- Rely on the reputation of the organisation
- Assess guarantees and warranties
- Assess competing products - seek a trial
- Stay with current provider
- Be more involved in the product delivery process

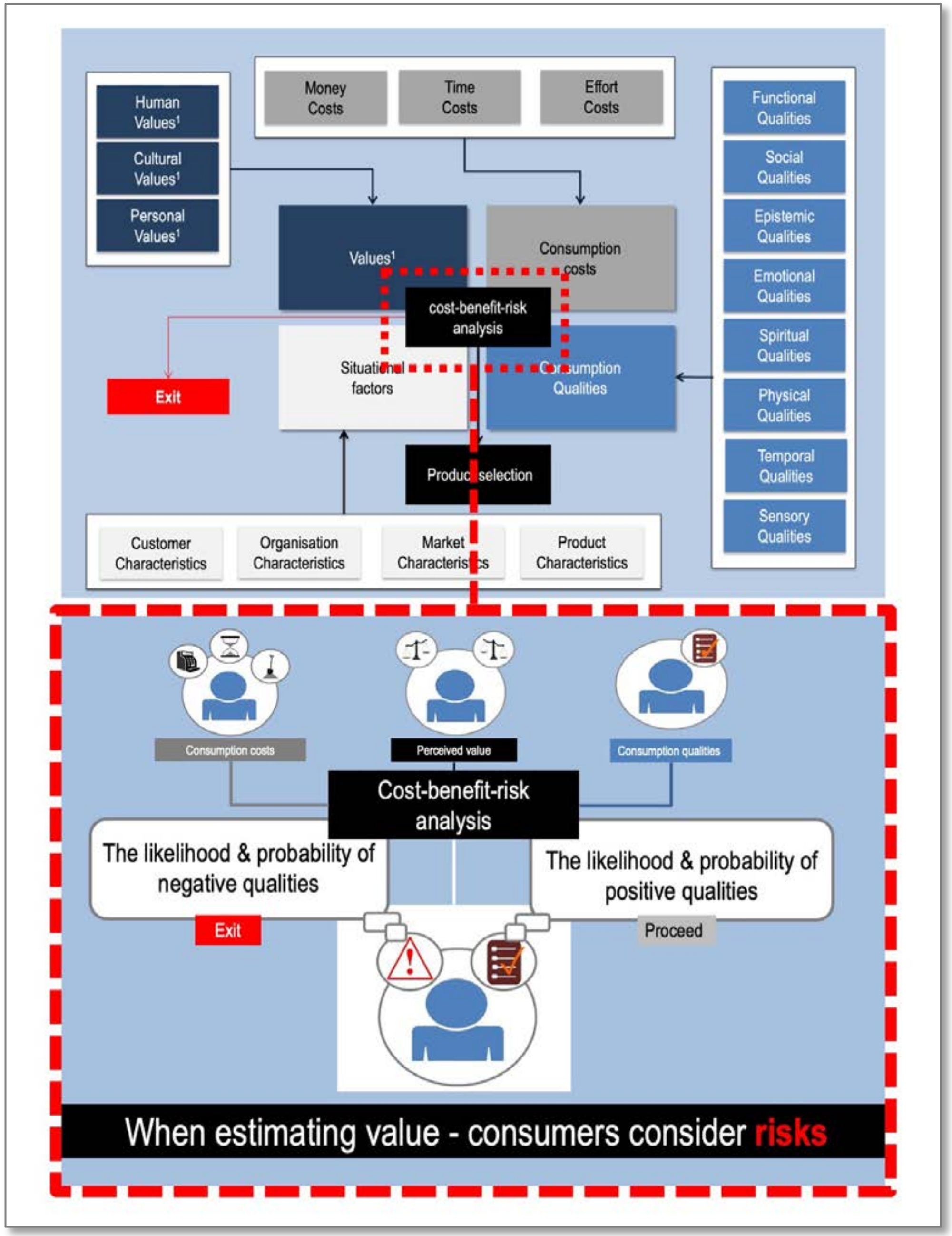


Figure 62: Risks & qualities are related.

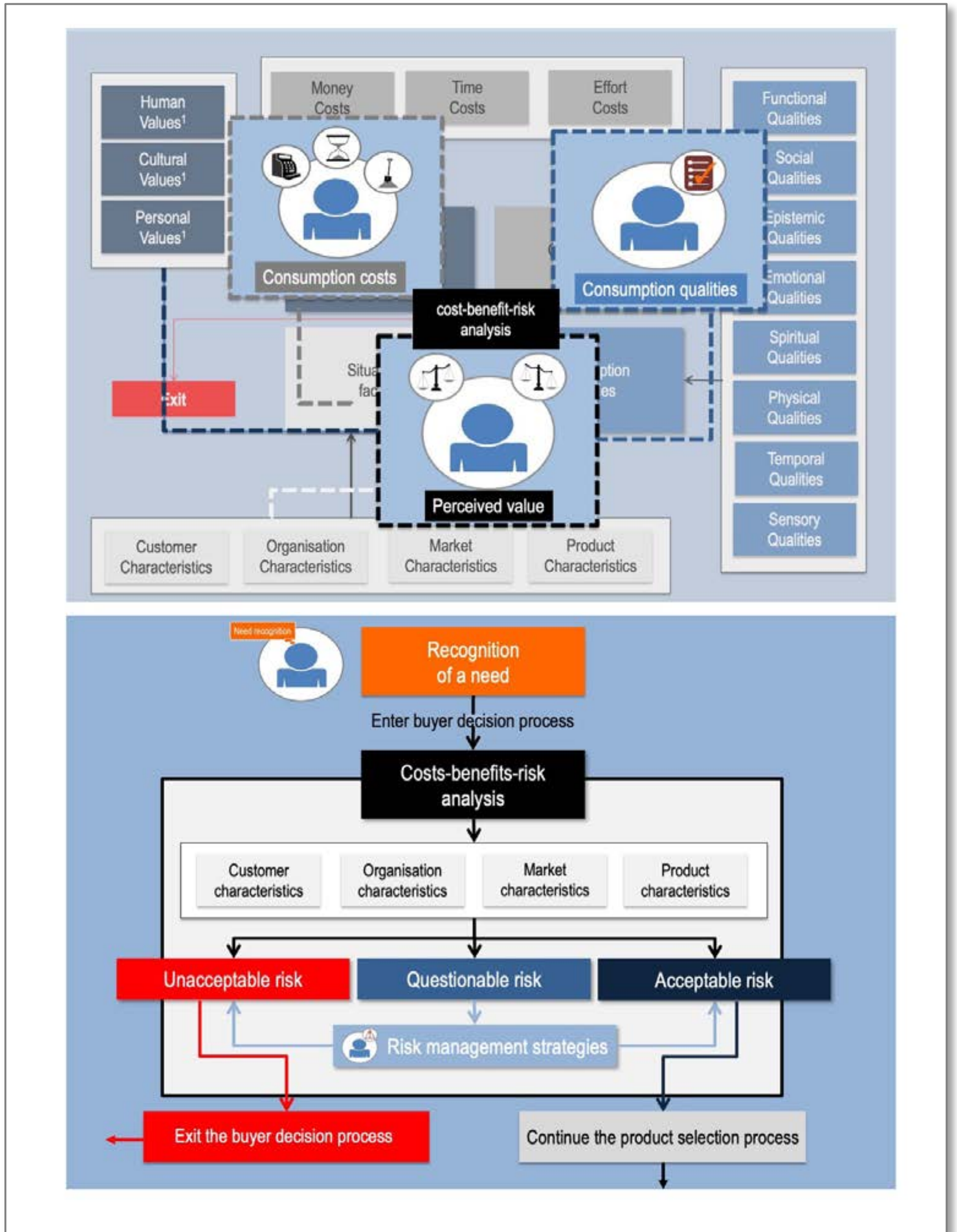


Figure 63: Consumers often undertake risk management strategies when searching

Managing and minimizing risks – an organisational perspective

Marketing practitioners often become immune to the angst that perceived risks might cause consumers, after all they have thousands of happy customers. What needs to be considered is that each consumer is making the journey for the first time; they do not have the benefit of hindsight. The list of consumer risk reduction strategies highlights the importance of mitigating consumer risks and addressing consumer estimations of risk.

Marketing practitioners need to be mindful that risks are multi-factorial and vary according to the characteristics of the customer, organisational, market, and product [COMP]. Managing perceived risks is clearly a key success factor for many organisations – consider the financial benefits if exiting consumers fell by 20%. Marketing practitioners need to be mindful of how consumers view the risks associated with the product category and how perceived risk influences the consumer's market choice behaviour. Marketing practitioners are therefore encouraged to put risk reduction processes in place and then communicate product and organisational attributes to minimise the consumer's perceptions of risk. Food manufacturers often have tamper proof seals – jar-lids that 'pop' when first opened – even milk has a best before date.

Strategically, both organisations and consumers employ brands to minimise perceived risk. Consumers form relationships with organisations and brands to manage risks. Furthermore, organisations often are required to implement tactics that may have a short-term negative impact on the organisation; however, they are implemented because they have a long-term positive impact on the brand and consumer perceptions of the brand.

There are often exceptions to what we have been discussing, the same is true with risks. There are products that are purchased **because there is an element of risk** and the element of risk may even be attractive – a quality of value [e.g., extreme sports – white water rafting].

Market considerations

In section 3 we will explore the market considerations in greater detail; the acronym CEMSTEEP will help us to explore the considerations [Competition, Economic, Market, Social, Technological, Environmental, Ethical [+legal] and Political]. Clearly, consumer decisions will vary by economic conditions. A consumer's willingness and ability to spend are important considerations. Willingness and ability to spend will vary according to the economic conditions and according to the amount of disposable and discretionary income of the consumer. The economic conditions could be classified as one of 4 stages prosperity, recession, depression, and recovery; each economic stage has its own characteristics. A business cycle is when the economic conditions are viewed over time and different economic stages are experienced; a business cycle may include recession, however, not all recessions deteriorate to a depression stage. Each economic stage is described below:

- **Prosperity:** employment opportunities are high and consumer confidence is high, consequently consumers are optimistic and have the willingness and ability to spend, consumers are less price conscious
- **Recession:** employment opportunities are restricted and consumers are cautious, consumers are pessimistic and although many have the ability to spend they are less willing to spend, consumers are more price conscious
- **Depression:** unemployment is high, wages are low, consumers are extremely cautious, consumers have little confidence and many neither have the ability or the willingness to spend, consumers are very price conscious
- **Recovery:** employment opportunities are increasing; consumer confidence is rising pessimism is replaced by optimism. There is a more positive outlook for the future, consumers are less price conscious

Marketing practitioners generally adapt the product and the product value proposition according to the economic conditions and the prevailing consumer sentiment [the consumer sentiment index is an economic statistic that measures the collective opinions of consumers, it is generally regarded as an indicator of the health of the economy]. When consumer confidence is rising, marketing practitioners may expand the product line to gain market share. When consumer confidence is declining marketing practitioners may evaluate their product line and eliminate poor performing products – with the objective of employing resources more efficiently and effectively. The communication message from the organisation will be more **hedonic** when consumer confidence is rising and more **utilitarian** when consumer confidence is declining.

An ability and willingness to purchase

Although the prevailing economic conditions will impact all consumers; some consumers will feel the impact more than others. Generally, an ability to spend will vary according to the income of the consumer. Some may have the ability to purchase and be willing to spend, however, a consumer's willingness to purchase will vary according to their personal values. Some consumers are naturally frugal [thrifty] and think carefully before consuming and purchasing. Some consumers are philosophically frugal and view overconsumption as a societal problem. Whereas others are rather cavalier and extravagant [ostentatious] and if they have access to money – will spend. Furthermore, willingness to spend may vary across product categories. There are a few variables that may need explanation:

- **Disposable income:** is an individual consumer's after-tax earnings
- **Discretionary income:** is an individual consumer's after-tax earnings, less the consumer's commitments [for example, mortgage, car repayments, car maintenance/fuel, credit card repayments, insurance, medical expenses, utilities, rates, food, clothing]
- **Buying power:** is an individual consumer's capacity to purchase products; the consumer's access to resources, ability to generate income, and the relative price of products in a particular market

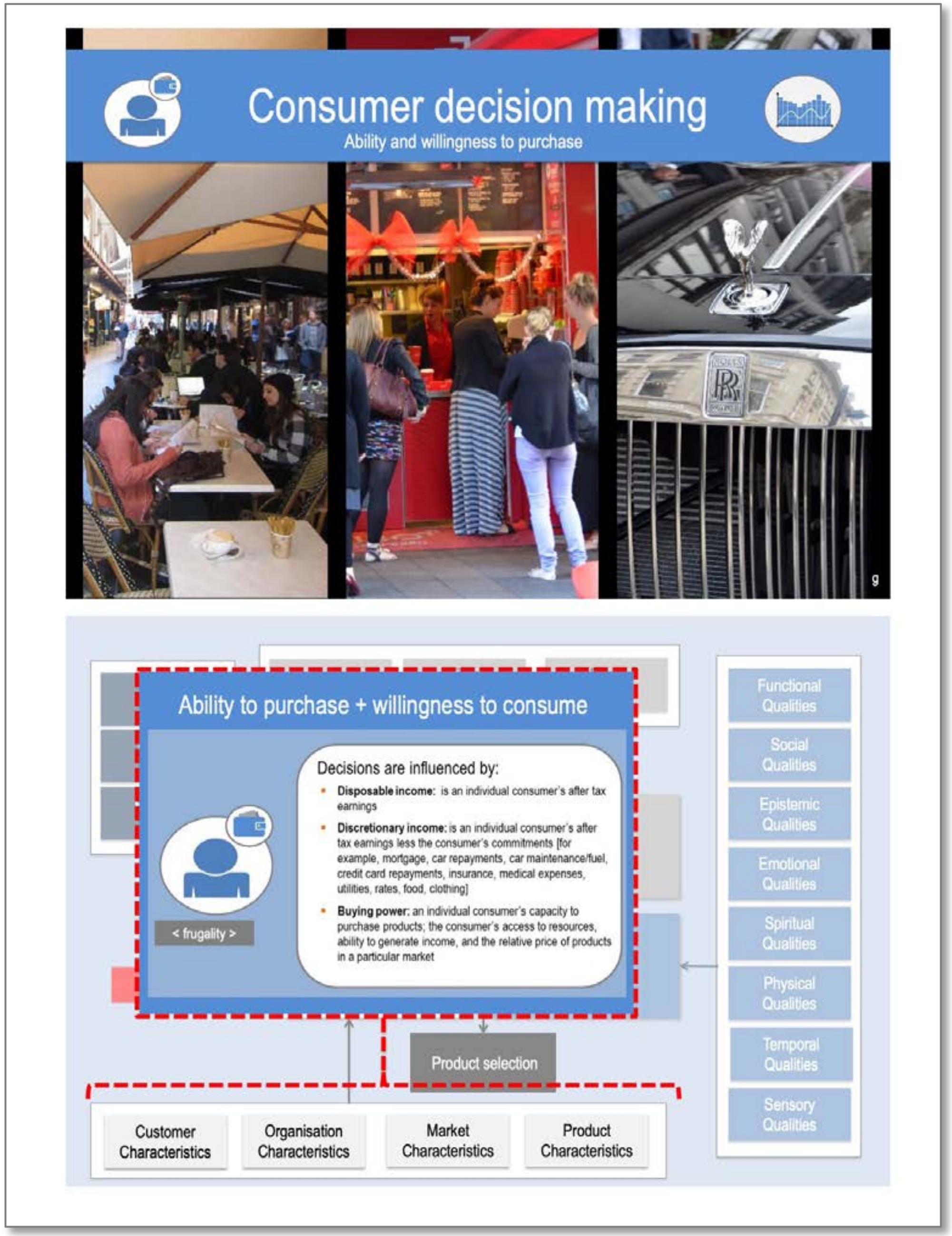


Figure 64: Personal values and situational factors influence consumption.

Product selection

Consumers conduct a costs/benefits/risks analysis and undertake the product selection process based on their values[1]. A consumer's values[1] [human, cultural, personal] will also influence what a consumer considers of value[2&3]. Values[1] also influences the direction a consumer will take to satisfy an unmet need.

As an example, consider two people, one in Sydney [summer] and the other in Salzburg [winter]; they may both feel hungry and recognise the need to eat, however, based on the situational factors and cultural values[1], they may select different meals to satisfy their hunger different wants]. Therefore, we can see that all humans have similar needs [in this case satisfy their hunger], we can also see that people may take different directions to satisfy the same need. In our Sydney-Salzburg example we are talking about human and cultural values[1], however, personal values may also influence how different consumers may satisfy a need; for example, two siblings living in Salzburg may go to the same café and select different meals – same needs different wants.

Marketing practitioners need to be mindful that the consumption patterns of society are collectively shaped by consumers' human, cultural, and personal values[1]. Marketing practitioners should also recognise that values[1, 2, & 3] are the foundation for new product development and market segment selection.

The time and effort consumers devote to product selection will vary according to the situational factors – the customer, the relationship with the organisation, the prevailing market conditions and the nature of the product. One factor that will determine the time and effort devoted to product selection is the consumer's involvement with the product – this is often referred to as product involvement – however, it is the customer that is involved.

The idea is that some products have more importance to customers than other products and therefore require more attention and effort. Therefore, COMP involvement varies on a continuum from low involvement <> high involvement. Clearly product decisions that are important to the consumer will gain more attention than products that are unimportant. However, the customer's involvement with the product will vary from customer to customer – what may be high involvement to one customer may be low involvement to another.

Marketing practitioners may develop a **customer involvement profile** to assist service providers to better understand and serve customers. Products are often categorised as convenience, shopping, and specialty and, as a general rule, involvement would be higher for shopping products than convenience products and higher for specialty products than shopping products. A number of factors influence the degree of COMP involvement: including values[1], product costs, product familiarity, product risks [see types of risks], & situational factors. Customer-product involvement will be greater when the product is linked to the customer's self-image [e.g., what a particular car may communicate about a person]. An understanding of the different decision-making processes will assist marketing practitioners to be more efficient and effective communicators.

Involvement and the buyer decision process

Earlier we introduced the concept of involvement, we will now discuss it relevant to the buyer decion process. According to Rothschild (1979; 1984) there are different types of involvement, and they relate to the three different time-zones of the buyer decision process. We will explore the 3 time-zones of the buyer decision process in the next module.

Product purchase involvement: When customers recognise an unmet need, there is a drive [motivation] and direction [referred to as a want] to satisfy the need. Depending on the situation factors [COMP] there are different degrees of involvement. At this stage consumers, could be classified as suspects/prospects and are searching for information [academics often refer to this as search qualities of search properties]. Involvement may vary from low involvement [customers engaged in habitual buying behaviour and simply restocking their pantry with convenience products] to high involvement [customers engaged in unfamiliar buying behaviour and rigorously considering all alternatives].

> **Author's comment:** As product purchase involvement is related to situational factors it is also referred to in the academic literature as **situational involvement.**

Product delivery involvement: Closely linked to product purchase involvement is response involvement. Response involvement is linked to making a purchase decision needed to enable the exchange to take place. At this stage, from an organisational perspective, product value has been established and potential customers [suspects and prospects] are becoming customers. Also during this stage, and this also varies according to COMP factors, the customer is involved in the product experience [academics often refer to this as 'experience qualities']. This consumer involvement with the product delivery and the interactions with the organisation are often defined in the academic literature as **response involvement.**

Product post-purchase involvement: Some products are more durable than others [e.g., a fridge would be considered durable] therefore have greater long-term consequences [e.g., buying a home]. Some products have an on-going relationship [e.g., gym membership]. Some may require a higher initial investment to gain lower running costs for the life of the product [e.g., solar hot water systems]. Sometime customers have to trust that given all the options they have made the right decision [academics often refer to this as **credence** qualities/factors]. Therefore, some decisions have greater consequences, and the buyer decision process is more involving. This post-purchase involvement is often defined as enduring involvement [e.g., consider how seldom people change football teams – this is **enduring involvement**].

As we discussed in the evolution of marketing for much of history production and consumption were inseparable activities and it was not until the industrial revolution that production and consumption became separate activities. Customer involvement as product participants and co-producers has received attention for a number of years (Silpakit & Fisk, 1985; Normann & Ramirez, 1994; Prahalad & Ramaswamy, 2000, 2004; Vargo & Lusch, 2004, 2107).

Central to the marketing concept is customer satisfaction, therefore organisations must design and develop their product offerings with the objective of customer satisfaction (Gwinner, Gremler & Bitner, 1998). Another central premise of the marketing concept is that marketing is something you do *with a customer* not to a customer - *with a customer* suggests that customers are active participants in the buyer decision process. Often customer participation in the buyer decision process is to be encouraged. In some cases, the degree of customer participation can be considered as **customer-organisation-product involvement**. Customer involvement, as a participant, may vary from low to high. Readers may find this surprising as it more common to read about the customer as a recipient.

Generally, decision-making has been classified as:

- **Impulse decision-making:** Some product categories are more likely to be purchased on impulse than others; impulsive consumer behaviour is referred to as **impulse buying.** It also seems as if most customers [90%] are impulse buyers given the product category and stimuli (Mattila, A. S. & Wirtz, J. 2008). Although there are examples of people impulsively buying expensive items, most impulse decision-making is directed towards less expensive purchases. Impulse decision-making is characterised by little time, little cognitive effort, and little caution devoted to product selection and purchase. Often little planning, forethought, or consideration is apparent [e.g., a snack bar from a service station]. However, customers are generally familiar with **impulse products** through previous purchase experiences and/or pervious searching activities. Marketing practitioners craft communication messages for impulse products to generate a stimulus-response [e.g., hungry <> feel like a snack bar]; therefore, impulse products are placed strategically to capture the customer's attention [e.g., magazines when paying for groceries]. Although the customer's situational factors at the time may influence impulse buying, consumers are also variable and the consumer's personality, purchasing power, or the customer's mood at a particular time may also influence impulse buying (Rook, 1987; Amos, Holmes, & Keneson, 2014; Sharma, Sivakumaran, & Marshall, 2010).
- **Routine decision-making:** Some products are purchased at regular intervals [also referred to as habitual buying, repeat purchasing, straight rebuy, fast moving consumer goods]. Routine decision-making is characterised by little investment in money, time, and effort. Most often, the customer is quite familiar with a product, and likely to have settled on a few favourite products [e.g., hair shampoo, soap, grocery lines]. With these products, previous product knowledge provides consumers with all of the information needed to select the product. Often consumers are aware that they have run-out and make a list or mental note to purchase a particular product next time it is convenient. Often there is loyalty to a brand and the convenience of the product will influence the place of purchase [e.g., the same product will be purchased regardless of which supermarket].
- **Limited decision-making:** For products with a higher degree of consumer involvement, perhaps, where there are circumstances that make this purchase decision more meaningful, then the search demands more time and greater effort. Limited decision-making is characterised by investing a nominal or designated amount of money, time, and effort [e.g., clothing, small gifts, books, music]. This investment may vary with the product category [e.g., purchasing a new television] and beliefs about the quality and value of the available brands. It is likely that an online search will be part of the search for information [retailers often use catalogues to generate awareness, interest, desire, and action [AIDA].
- **Extensive decision-making:** For products where there is a high degree of consumer involvement, where the investment, in money, time, and effort, is quite significant and the outcome is critical to self-image then the search becomes more time consuming, rigorous, and meticulous. Extensive decision-making may involve seeking advice from more experienced consumers. Advice may come from acquaintances; however, the role of consultants and specialist service providers is more important with increased investment risk [e.g., furniture, overseas holiday, investment product, a new home].

In our discussion on the buyer decision process we have explored how consumers after recognising a need undertake a costs/benefits/risks analysis. We may conclude that the degree of involvement in this process will depend on the characteristics of the customer, organisation, the marketplace, and the product are considered. Although the steps in the buyer decision process will be very similar consumers will expend more time and effort when the product is higher involvement. It is likely that consumers are unaware of their personal buying patterns, however, marketing practitioners should be mindful that the overall communication process will vary according to the degree of involvement. For example, if you were marketing snack bars or a new home the communication process would be quite different – discussed in more detail as we progress.

Low involvement – low cost – low risk convenience products that are frequently purchased and are frequently purchased are generally promoted to the consumer through the peripheral route of persuasion. At the other end of the continuum high involvement - higher cost – higher risk specialty products that are infrequently purchased are generally promoted to the consumer through the central route of persuasion. This is discussed in more detail when we explore marketing communication.

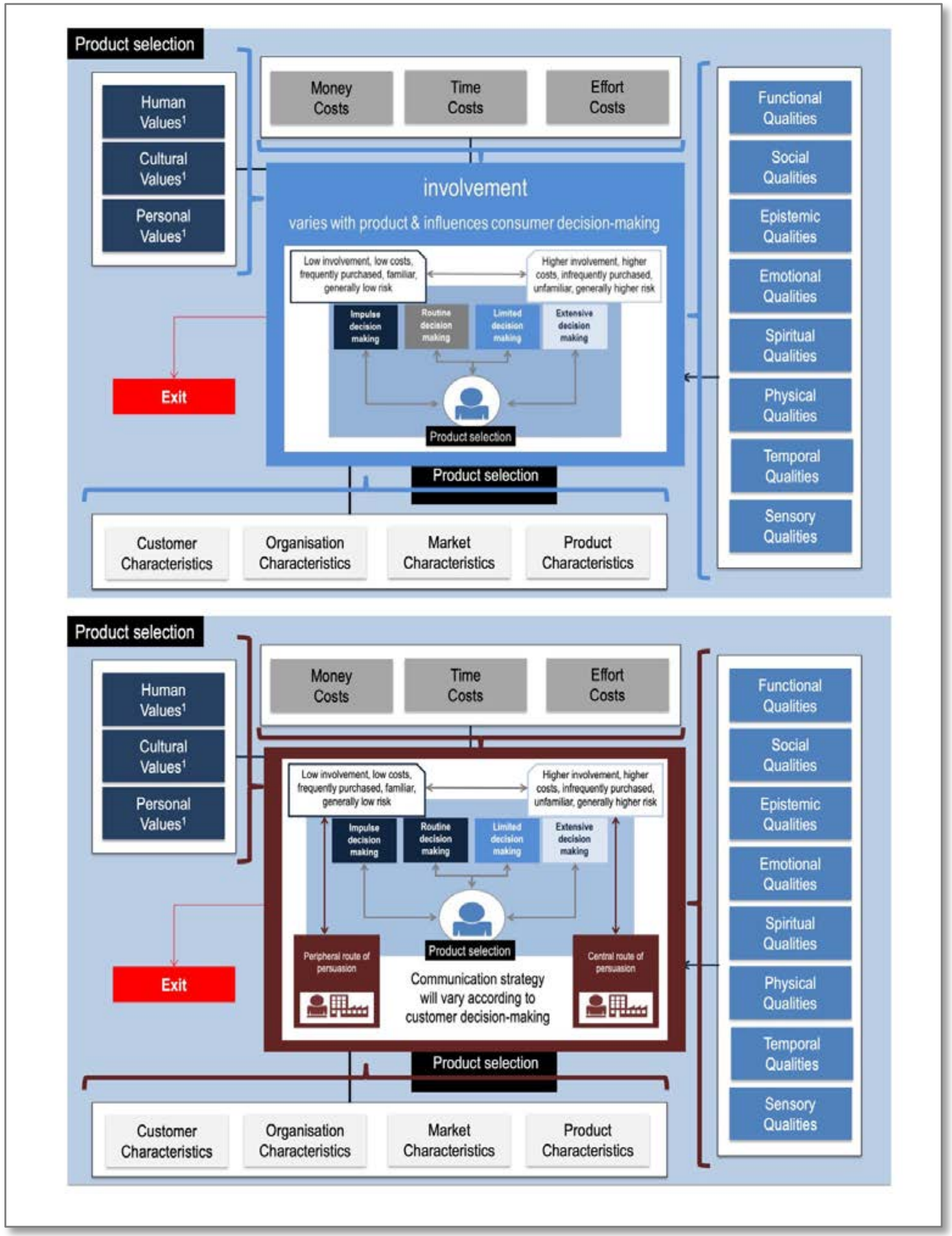


Figure 65: Peripheral <> central routes of persuasion

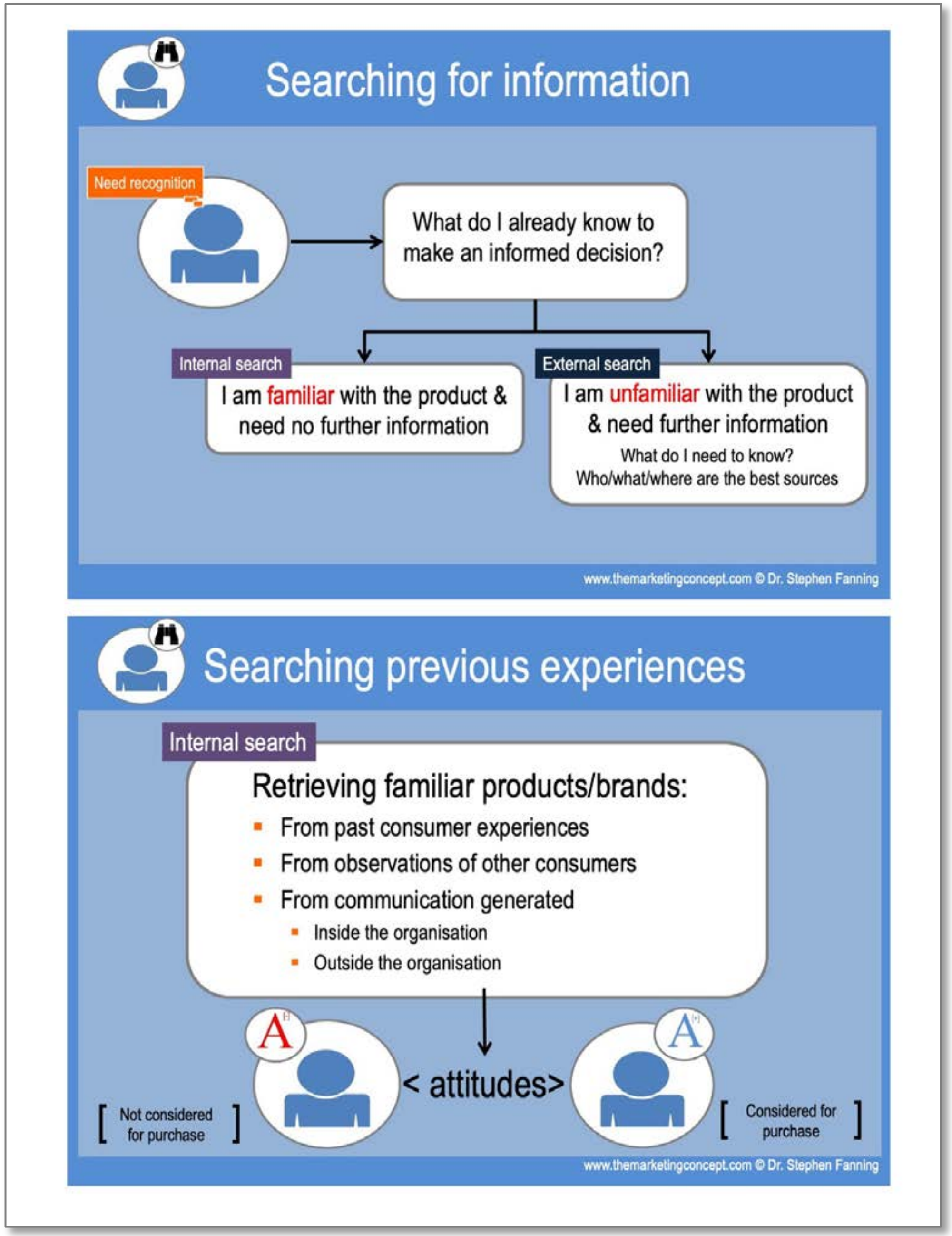


Figure 66: Consumers may conduct internal &/or external searches

The importance of customer satisfaction and word of mouth is highlighted in the previous figures. If a consumer has a negative attitude to a product or brand based on their own experience or passed on through the negative attitudes and experiences of other it is likely that those products and brands will be eliminated from the considered set of products. Although awareness of a product/brand may be high, low expectations of a product delivering satisfaction requires different marketing strategies and tactics than discounting, advertising, and sales promotion.

Internal and external searching for information

Another factor that impacts on the consumer's decision-making is the consumer's familiarity with the product category and the products and/or brands within the category. Consumers generally search for information both internally and externally in order to make informed decisions.

When consumers are **familiar** with a product category then they can retrieve product knowledge stored in their memory [see memory and associative network].

When the consumer is **unfamiliar** with the product there is little product knowledge, therefore, the search will focus on acquiring knowledge from external information.

When consumers attend to a need - they will consider the following:

- What do I already know to make an informed decision?
- Do I need further information?
- What do I need to know?
- Who/what/where are the best sources of information?

Internally: An internal [memory] customer search of may retrieve:

- Products/brands that the consumer is familiar with from past experiences
- Products/brands that the consumer is familiar with from observations of other consumers
- Products/brands that the consumer is familiar with through external communication
- Products/brand attitudes that have been formed

Externally: An external customer search will include information that is generated:

- **Inside the organisation:** messages originating within an organisation – messages that can be planned and controlled by the marketing practitioner
  - Advertising, educational material, sales promotions, interactive events, PR
- **Outside the organisation:** message originating outside the organisation – messages that reflect the opinions of the marketplace [including - past customers, competitors, stakeholders, media], including:
  - Word of mouth - family, friends,
  - Experiences of other consumers via a media [traditional and digital]
  - Competitors comments
  - Specialist reports, online and print articles

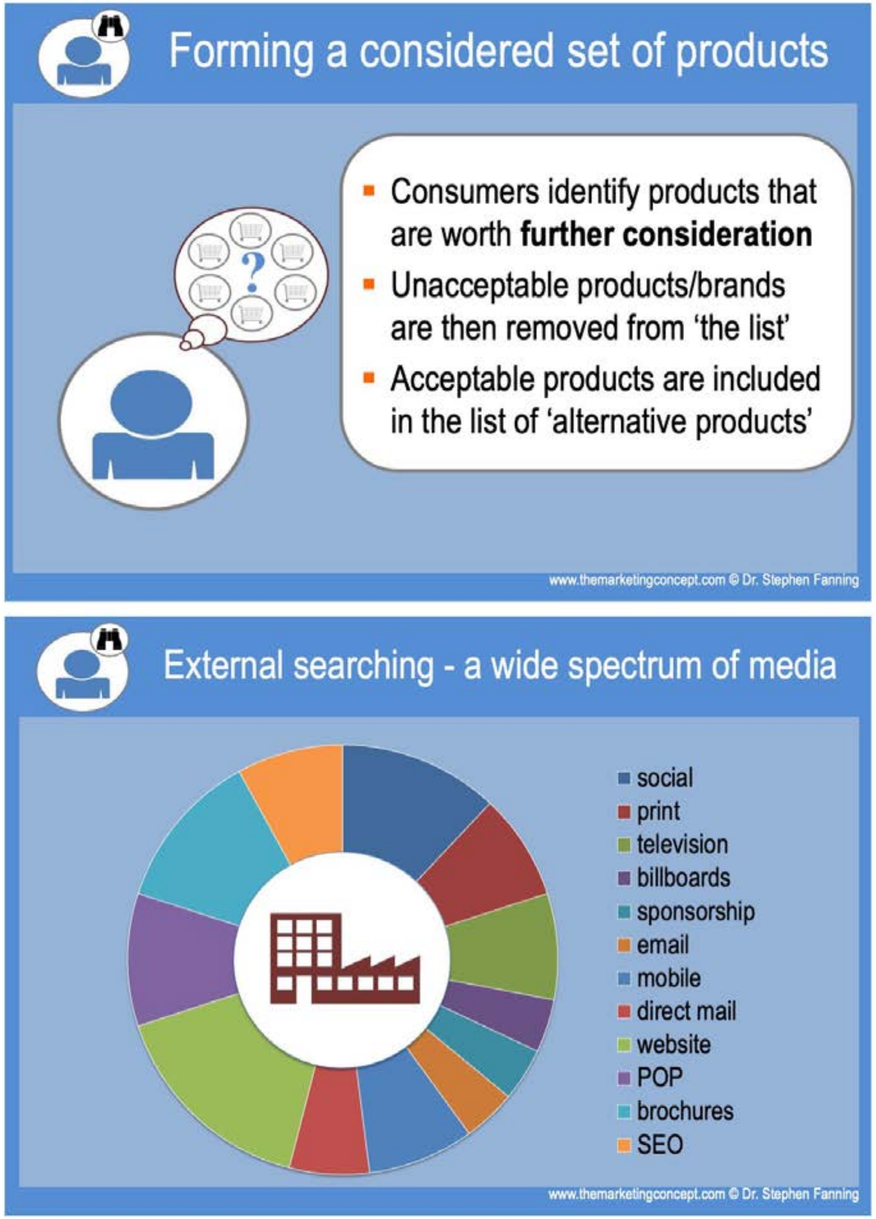


Figure 67: Consumers scan a broad spectrum of media when searching.

Forming a considered set of products

For limited and extensive decision-making, the consumer will generally compile a list of alternative products [i.e., products that appear to meet the consumer's needs and wants and are worth further consideration]. It is likely when consumer-product involvement is high that the degree of effort will be greater and that some products/brands will be accepted or rejected according to the consumer's preferences. Although it will vary from consumer-to-consumer the product costs, benefits, and risks will be analysed against a framework of:

- **Values:** human, cultural, and personal values[1]
- **Product risks and qualities:** functional, social, epistemic, psychological, spiritual, physical, temporal, and sensory
- **Consumption costs:** money, time, and effort
- **Situational factors:** the customer, the organisation, the product, the market [COMP]

This calculative process may result in one of two decisions: to exit the buyer decision process or to continue the buyer decision process. When the consumer **exits the buyer decision process,** they have calculated that the product costs and/or product risks outweighed the product benefits – the consumer has concluded that the product category does not have sufficient personal value[2] to proceed. When a consumer makes a **commitment to proceed,** they have calculated that the product benefits outweighed the product costs and product risks – the consumer has concluded that the product category appears to have personal value[2]. Although, some consumers will immediately begin to refine their search, other consumers may choose to postpone the purchase until a more appropriate time. There are many factors that may influence the consumer's decision to postpone the purchase; for example, the need to save money, other priorities have emerged, the consumer needs to convince others and the timing is not right. Marketing practitioners need to be aware that the buyer decision process is on hold and continue to communicate with the customer.

For consumers that commit to proceed, estimating the value of the alternate products may be an easy process, however, for other products it is a more complex cognitive process – the processes are similar they just vary in complexity. When the consumer is involved in an extensive decision-making process it is likely that the **considered set of products** will be modified as new information becomes available. Products that are found to be unacceptable will be dropped from the considered set of products and may be replaced by more acceptable products – further refinement will reduce the considered set until a product choice is clear. We can conclude that a search may begin with an internal search for information and expand into an extensive external search for information.

Cutler and Carmichael (2010) suggest that the 1st time-zone of the buyer decision process for tourists may include personal or intrinsic factors and external influences or extrinsic factors. *Let's look at a car example.* When consumers enter the buyer decision process for a car they are searching for the product that will best satisfy their needs. It is unlikely that the lowest priced car would have the best attributes and, therefore, the best value car may not be the cheapest. It is also unlikely that one particular car would possess the best attributes across all areas; therefore, each attribute [e.g., style, comfort, performance, fuel efficiency, etc.] will be calculated according to importance. Furthermore, within the list of attributes it is likely that different consumers will place different **weights of importance** on different attributes; therefore, how a consumer estimates the value[3] [worth] of each attribute will be based on their personal preferences and buying power [that's why people choose different cars].

Known, discovered, and undiscovered products

Consumers have many consumption experiences and are able to link products/brands with the needs that the product/brand satisfies - these are known brands; however, it is unlikely that consumers can recall all brand names in a **product-need category**. After all consumers receive thousands of communication messages every day and most will be ignored. However, as consumers start a search for information some previously irrelevant and ignored messages will become relevant; and therefore, the message will now gain the consumer's attention and interest. As the search for information continues consumers will recognise [recollect] brand names that they were previously unable to recall. Creating **brand awareness**, the ability to identify a brand is a key communication task for marketing practitioners. Brand awareness has two components **brand recall** from an internal search for information and **brand recognition** from an external search for information.

When searching for and considering **alternative products** it becomes apparent that some products are easier to estimate than others – the product qualities are more evident – there is physical evidence of quality. Products that are high in material properties are generally easier to assess than products that are low in material properties. Marketing scholars often classify products by the consumer's pre-purchase ability to search and estimate the value[3] - this is referred to as **search qualities** (Nelson, 1970). Sometimes products are low in search qualities because they are not produced until they are sold [e.g., commissioning a builder to build a new home], therefore, no material product properties exist prior to purchase [a product could be described as having non-material properties, e.g., service dominant products such as hairdressing & experience dominant products such as travel].

When a product is low in search qualities [i.e., searching and estimating are difficult] then consumers seek other quality cues to estimate the value of the products in the considered set, for example, a display home that showcases a builder's designs and quality standards. Quality cues may include price, the appearance of the **consumptionscape**, the staff, and even other customers [e.g., hairdresser, restaurant, nightclub]. Clearly, these subjective evaluations may vary from person to person, situation to situation, and also vary according to a person's mood.

When a product is low in search qualities a marketing task is to provide physical evidence that demonstrates product quality. Physical evidence may reduce the consumer's estimation of risk [the likelihood and probability of a negative outcome]. For example, service organisations, such as banks, have long recognised the need to present an appropriate message through the robustness of their buildings and the professional appearance of their staff.

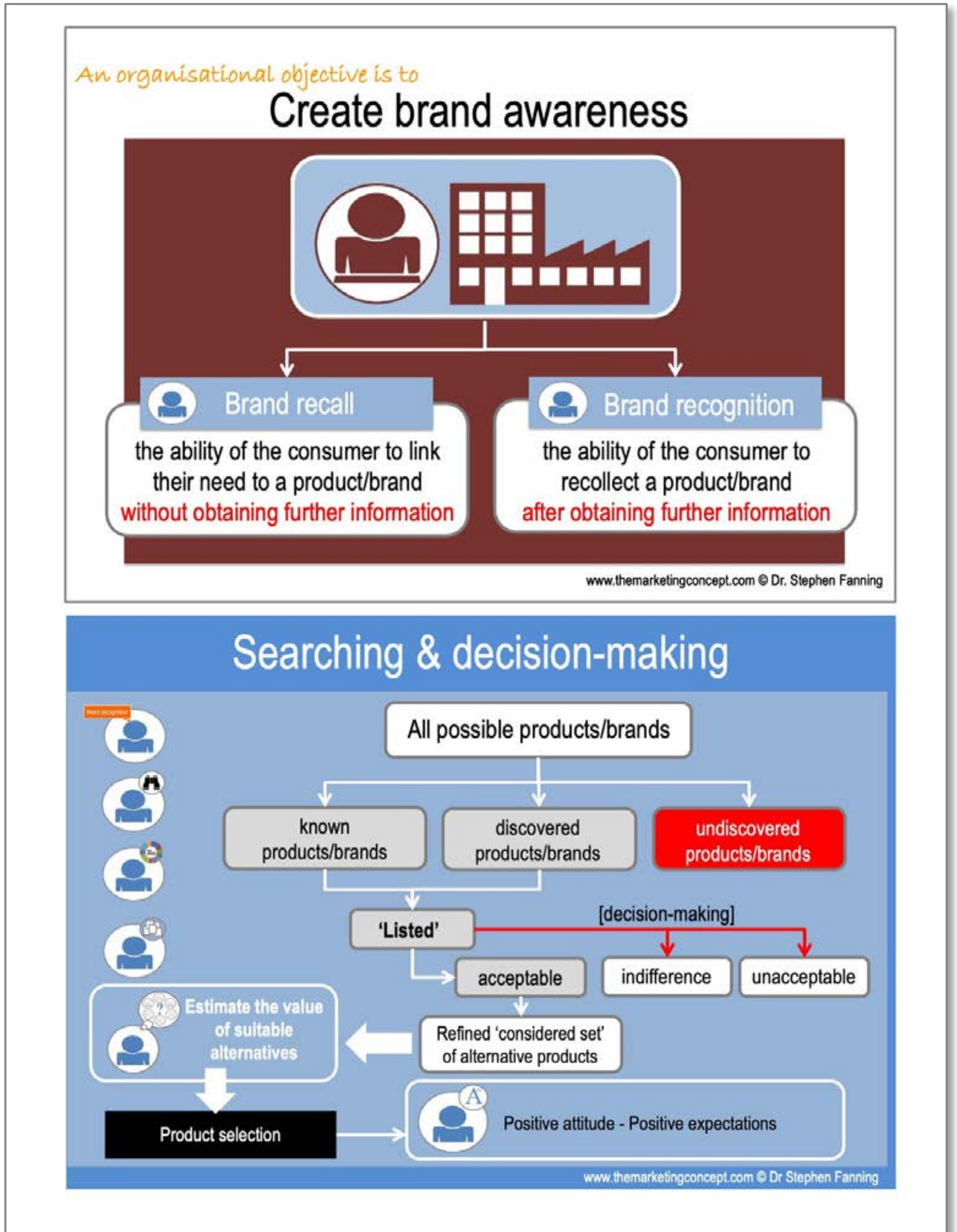


Figure 68: Products/brands must be known or discovered to be considered.

Creating brand recall and brand awareness are key marketing objectives. Keep in mind everything and organisation says or does contributes to a consumer's attitude to a product or brand. Ensuring that a product/brand can be discovered when consumers are searching is also a critical consideration for marketing practitioners.

Multi-attribute attitude models

Marketing scholars and practitioners have long recognised that there are patterns to how consumers estimate the value of alternative products and have developed appropriate research tools (Holbrook & Hulbert, 1975). Fishbein's **multi-attribute model** (Fishbein, 1963; Fishbein & Ajzen, 1975) and adaptions to this model have been widely employed by marketing scholars and practitioners to 'predict' consumer product preferences (Blackwell, *et al.,* 2001). The notion is that a consumer would estimate each product's attributes, this would lead to the formation of an attitude to the product, and the likely purchase of the product with the most favourable overall estimation of attributes.

There are 3 parts to common multi-attribute attitude models:

- **Attributes:** Product qualities that the consumer can identify as being embedded within the product
- **Beliefs:** For most products, the consumer would develop a number of beliefs about the benefits of the product attributes based on their perceived product knowledge. What is important to keep in mind is that an attribute may be a positive attribute or a negative attribute. The more positive the estimation is the more likely the product will be considered.
- **Importance:** the relative importance [weight of importance or a hierarchy of importance] of each product attribute to a particular consumer.

What the model reveals is that a consumer's attitude to a product is the estimation of the perceived product attributes, product benefits, and their relative importance to a consumer. The customer, after considering their own values[1], then ranks all products in their considered set. This sounds quite simple, however, the difficulty for marketing practitioners is when consumers are inconsistent and make decisions on a non-rational basis. Nevertheless, the multi-attribute model provides marketing practitioners with an insight into the behaviour of consumers during the product selection process and this insight assists marketing practitioners with the CADDIE business-marketing planning process (Blackwell, *et al.,* 2001).

Let's look at the estimation of attributes in more detail. There are recognisable product selection patterns. Some consumers will develop a hierarchy of 'must have' attributes and rate all products on the most important attributes and make special consideration for the most important attributes. Other consumers will identify the most important attribute [generally referred to as the **determinant attribute**] and then estimate all products on the determinant attribute. When the determinant attribute of two or more products are estimated as being equally attractive, then the products will be judged on the next most important attribute until a choice is clear. For consumers who select products in this way, products that do not have the determinant attribute will be eliminated from the considered set and not given further consideration. Other consumers will form a comprehensive list of attributes and choose a product that is perceived to have the most attributes.

Decision-makers

Earlier when discussing consumer behaviour, we discussed how some decisions are **autocratic,** one person as the decision maker and some decisions are **syncretic,** more than one decision-maker. Percy and Rosenbaum-Elliott (2012) suggest that it is important for marketing practitioners to understand who may be involved in the product decision-making and who may be the recipient of the product. They suggest 5 decision-making roles:

- **The initiator:** a person[s] who identifies the product as a means to satisfying a need
- **The influencer:** a person[s] who encourages or discourages further consideration
- **The decider:** a person who has the final say regarding if/what/when/where/how a product will be purchased
- **The purchaser:** the person who completes the exchange
- **The user:** the person[s] who consumes/uses the product

Decision-making rules

We can see that in addition to different decision-makers, and the different types of decision-making consumers also have different rules for 'listing' products for further consideration, estimating the value of listed products, and for selecting which product will be purchased. Consumers often cognitively list a considered set of products and then estimate the value of selected alternatives using a combination of decision-making rules. The general consumer decision-making rules are:

- **Compensatory rule:** consumers estimate the attributes of products and calculate a performance attribute score to identify acceptable products. It is referred to as 'compensatory' as consumers will cognitively 'compensate' each product across all the embedded attributes – calculate an average across all product attributes
- **Conjunctive rule**: rejects products that have any unacceptable product attributes including products that have unacceptable money, time, or effort costs. The **disjunctive rule** is considering products that have acceptable product attributes
- **Elimination by attribute rule:** initially, the consumer lists products that are acceptable across relevant attributes, then estimates the product attributes and removes the products with the lowest performance attribute score until one product stands out
- **Lexicographic rule:** consumers will rank products by preference, when two or more products have equal ranking then the consumer searches further to determine the product with the highest overall rating across all attributes plus one determinant attribute
- **Brand affect rule:** accepts the brand that is best known and has the highest degree of perceived trust

For many consumers, brand reputation is a key factor. The brand influences how consumers search for information and organise their estimations of value. Some consumers will form their considered set of products from known brands; the brand becomes a determinant factor and ensures that only products with quality attributes are considered. Brands that the consumer cannot recall from past experience [brand recall] or recognise when searching for information [**brand recognition**] are excluded from the considered set of products. Importantly, branding also allows consumers to have conversations with other consumers, to seek the advice of more experienced consumers, and to search more efficiently and effectively.

Let's recap: When we discussed needs and wants, we stated that marketing practitioners do not create needs - they may satisfy needs, but they do not create needs; we also stated that marketing practitioners can influence the strength and the direction the customer will take to satisfy the need – we referred to the direction a customer takes to satisfy a need - as a want. Also, we have discussed different types of customer-product involvement and how this influences the customer as they progress through the buyer decision process. Marketing practitioners can employ this knowledge to heighten the strength and direction of the want throughout the 3-time-zones [i.e., prior to purchase, enhance the customer experience during product delivery, and to strengthen the desire for repeat purchasing]. In many ways brand building is about increasing customer-product involvement. This means generating customer involvement that leads to a response involvement that leads to enduring involvement.

The difficulty for consumers and marketing practitioners is when a product does not have recognisable product attributes and therefore does not have a unique product value proposition – unfortunately when this is the case price is the only distinguishing factor.

> **Author's comment:** Naturally, the buyer decision process attracts different perspectives. Customer satisfaction scholars view the multi-attribute attitude model as the formation of a consumer's attitude to a product, which includes the customer's expectations of what will be delivered. They see product expectations as the basis for future evaluations on satisfaction. Marketing communication scholars view the multi-attribute model as the basis of personal and mass communication tactics. When we discuss external communication in section 3 we will discuss how marketing practitioners craft their communication strategies according to the decision-making process of the consumer. This is generally presented as the peripheral route of persuasion when customer-product involvement is lower and the central route of persuasion when customer-product involvement is higher.

What is important to recognise is that product selection process is similar regardless of the product – what will vary are the costs and complexity. Furthermore, as customer-product involvement increases and as the decision-making becomes more complex it becomes less linear, more investigative, and random. **What is also worthwhile to keep in mind is that often consumers will have more than one buyer decision process underway at any one time – therefore a consumer may jump from one search to another.**

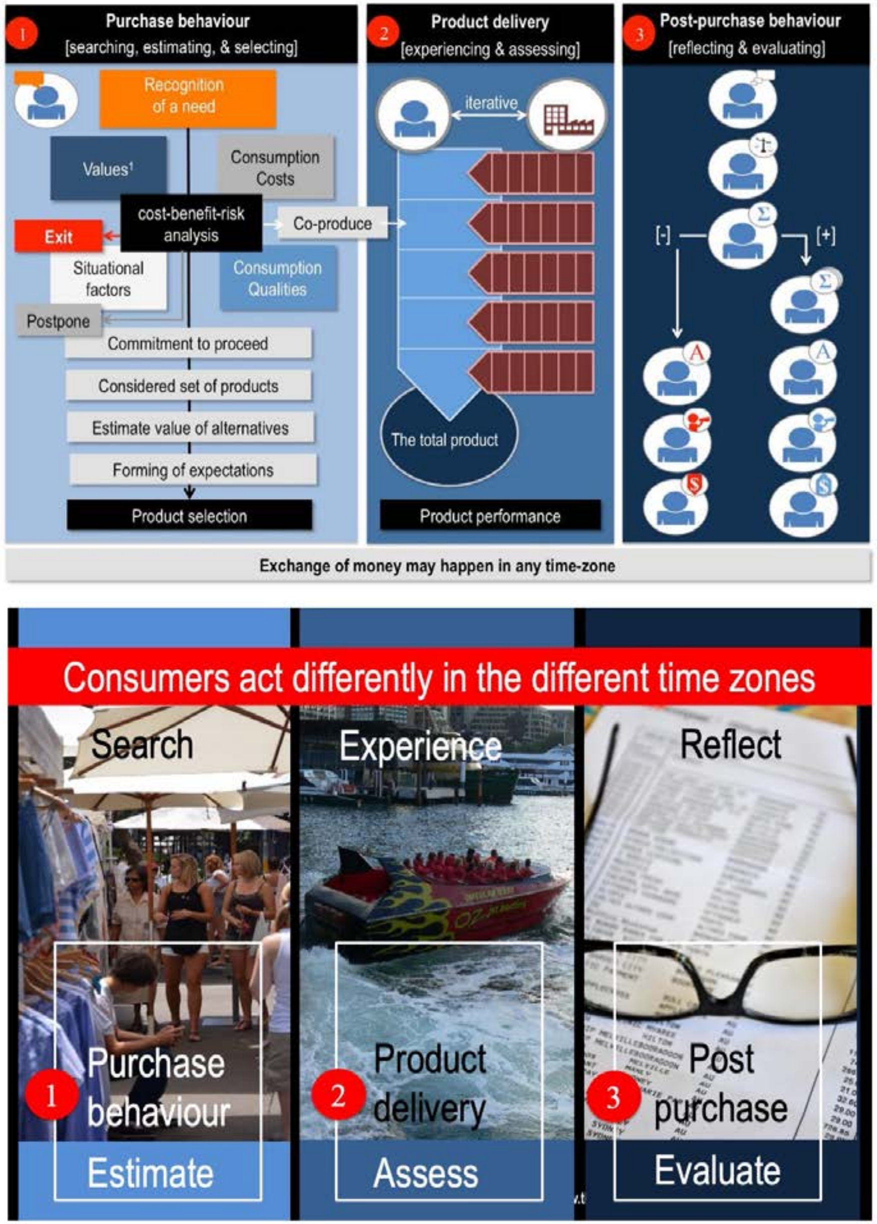


Figure 69: The 3 time-zones are characterised by different consumer behaviours.

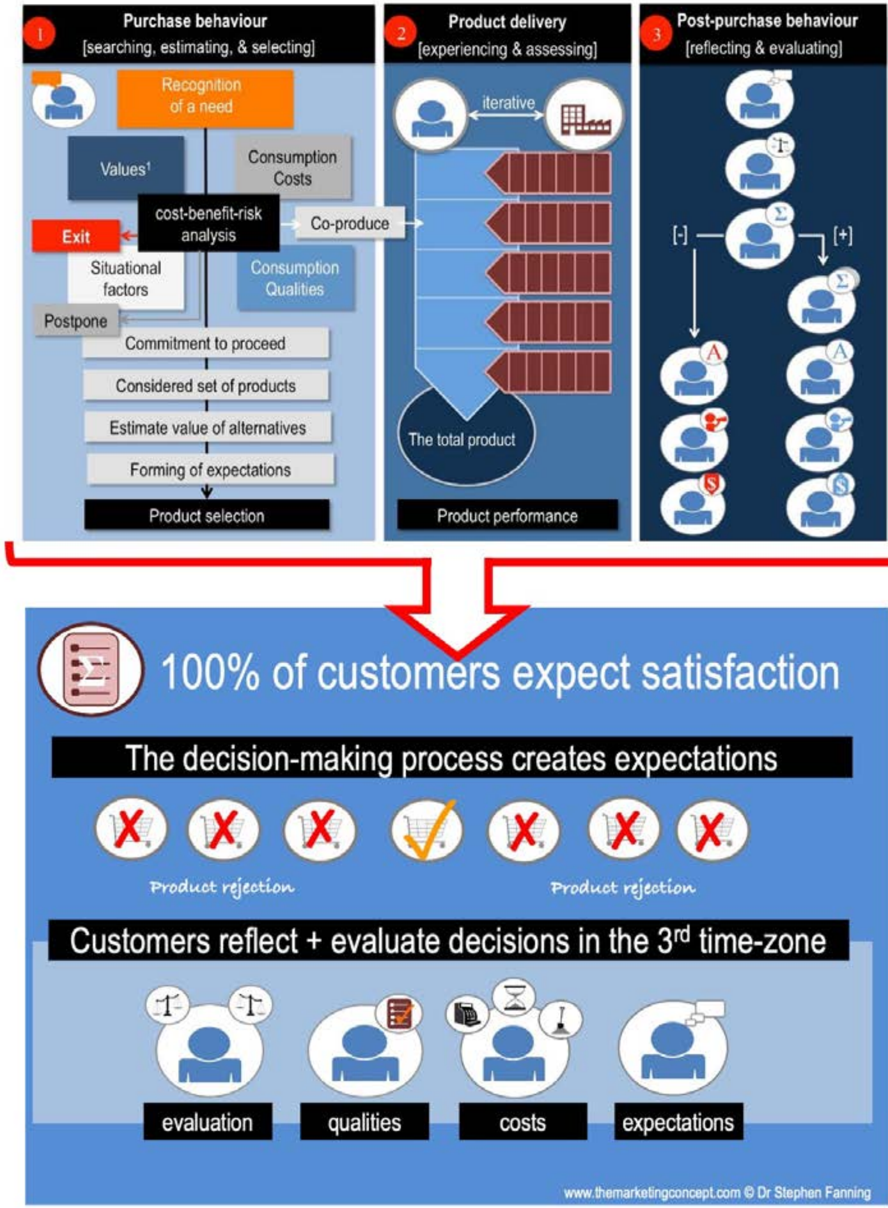


Figure 70: The buyer selection process creates expectations.

Co-producing value

As consumers, we are conditioned to think that the consumer is only involved in the exchange, but this is not always the case. When consumers consider proceeding along the BDP they have three product delivery routes:

1. Pay a third party to produce a product
2. Self-production [do-it-yourself [DIY]]
3. A combination of third party and DIY.

Some products [e.g., painting your home] could be achieved by paying a third party or through self-production.

DIY is often overlooked by marketing texts as a consumer option; however, some consumers may opt to self-produce or partly self-produce – sometimes this is to save money, however, increasingly self-production is seen as a method of helping to fashion self-identity or take greater control over the outcome [e.g., home renovation market, or purchasing hotel accommodation on-line]. Some refer to this as co-production of value (Normann & Ramirez, 1994; Vargo & Lusch, 2004) and with the growing sophistication of the Internet it is of increasing importance.

Before discounting the DIY market as insignificant, consider the number of times you go online to purchase. If, for example, you book a holiday on-line you are partly self-producing. Consider the following options:

- Going to a restaurant or fast-food outlet
- Cooking a meal from scratch at home
- Purchasing a meal that is semi-prepared and completing the preparation

There are many organisations that specialise in supplying the DIY market [e.g., hardware stores are retail suppliers of paint]. Some wholesale suppliers focus on the trade or specialist. There are some that want both the wholesale and retail business. Clearly, the fundamental needs of the two markets are different. With this in mind tradespeople [e.g., professional painters/plumbers/electricians] need to make a strategic decision whether to support wholesalers or retailers. The fundamental question is – are the suppliers to the DIY market a friend or a foe to the trade?

We can conclude that DIY is the tradespersons competitor. When DIY is a competitor, then the organisation needs to **provide physical evidence of value**; communication should promote the expertise of the organisation [e.g., painting a swimming pool] and emphasise the risks associated with DIY.

Product delivery – the 2nd time-zone

A great deal of managerial effort is spent providing evidence of quality, value and promising satisfaction [think advertising], however, marketing is about fulfilment of promises. Therefore, managing the product delivery time-zone requires considerable effort and much of the services marketing literature is focussed on the front-stage and back-stage services of the 2nd time-zone of the buyer decision process - we revisit this topic later in the e-book.

> **Author's comment:** We will explore the product delivery stage in much greater detail when we discuss the total product and the metaphor business as theatre.

Whilst the 1st time-zone is about estimating value and providing search qualities the 2nd time-zone, from a consumer perspective, is about **assessing value** and assessing the experience. **Experience qualities** are those qualities that can only be assessed during product delivery (Nelson, 1970). Some products are high in experience qualities [e.g., a meal at a restaurant, a sporting event, a nightclub]. Products that are high in experience qualities generally require the customer to be mentally and/or physically present during product delivery. Therefore, the marketing task is to ensure that interactions with customers [product contact] are carefully blueprinted and that roles, scripts, and control measures are in place to ensure an appropriate customer experience [see circle of satisfaction and internal marketing]. Sometimes, the experience results from interactions with other customers; when this is the case then the marketing task is to ensure an appropriate customer experience.

Key point: When a product is high in experience qualities then customers tend to retell their experience or try to capture their experiences to enable them to communicate with friends. When a product is high in experience qualities then consumers will generally seek out customers who have experienced the product. This communication can be done by face-to-face or through a medium. The travel pages in newspapers are often written by travellers and read by future travellers, sites such as *Tripadvisor,* are often visited, for an overall view of customer experiences, prior to booking. Sites such as *Urbanspoon* are often visited before choosing a restaurant or once a restaurant has been chosen to search the menu.

Post-purchase behaviour – the 3rd time-zone

Often it is relatively easy to reflect on a consumption experience and make an evaluation after considering the qualities received, the costs in money, time and effort, the overall value for money. This helps determine the customer's overall satisfaction and influences future purchasing intentions.

> **Author's comment:** We will discuss the post-purchase behaviour stage in much greater detail when we discuss the circle of satisfaction.

However, there are other occasions, when after reflecting on the consumption experience, it is quite difficult to make an evaluation. Services marketing scholar, Valerie Zeithaml has extensively researched and written about value and the evaluation process; her work has influenced the way scholars think. Zeithaml (1981), [building on the work of Nelson, 1970 and Darby & Karni, 1973], proposed that there are behavioural characteristics in each of the 3-time-zones. Whilst the 1st time-zone [searching, estimating, and selecting] and the 2nd time-zones [experiencing and assessing qualities] are often straightforward the 3rd time-zone [reflecting and evaluating] may be more difficult to evaluate. She states that some products are difficult to assess because they are high **in credence qualities** and therefore need marketing practitioners to apply appropriate strategies.

Credence qualities are those properties/factors that may never be able to be properly evaluated and the customer must have 'faith' that they have made the right decision**.** For example, if someone had heart surgery, they may lack the expertise to evaluate the quality of the procedure]. Credence qualities are generally present in all products to some degree (Darby & Karni, 1973). For example, if a consumer was choosing between an Audi and Mercedes and the consumer chose an Audi, it is likely they will be satisfied, however, if it was a difficult choice, they may wonder whether they would have been more satisfied with the Mercedes. They may see a Mercedes on the road and wonder whether that would have been a better choice; then later in the day they may receive a compliment on their choice of car and be happy with their decision.

This relates to **cognitive dissonance** where customers have post-purchase doubts regarding the soundness of their decision. Marketing practitioners often neglect to manage cognitive dissonance; organisations often fear that they will just propagate customer complaints by contacting them [more selling philosophy than a marketing philosophy]. The marketing task is to communicate to reduce cognitive dissonance and to encourage customer feedback as part of a continuous improvement process.

Marketing practitioners have a tendency to neglect the post-purchase time-zone – this is a lingering habit from the selling concept. However, marketing practitioners who understand the post-purchase behaviour of customers may be better placed to design, develop, and implement strategies and tactics to build repeat business, word of mouth and referrals.

Today – Good news travels fast – bad news travels faster.

In sum: Credence qualities [reflecting and evaluating] are those qualities that customers rely on to decide whether they have made the right decision. Basically, many products cannot be compared with another similar product [e.g., a bus tour through Europe]. As such, customers make post-purchase decisions regarding satisfaction on what they believe to be true [*credo* Latin – I believe]. Organisations that neglect past customers are likely to have weaker relationships with their customers. Clearly, this depends on the nature of the product – it would be unusual for a FMCG organisation to contact their customer directly, however, it would be worthwhile to promote a customer care contact point as part of a communication strategy.

> **Author's comment:** We will explore the customer's post purchase behaviour in greater detail when we discuss the circle of satisfaction.

Technology and the 3-time-zones

Many organisations have enthusiastically incorporated technology at each stage of the buyer decision process. Furthermore, there are many organisations that now provide services to facilitate and enable the buyer decision process. Whilst technology [mobile, digital, and social media platforms] has not changed the structure of the buyer decision process – technology has greatly influenced how consumers behave and advance through the 3-time-zones.

Often these innovations are described as 'disruptive' as they have disrupted established ways of shopping. The key point is to return to our marketing definition and then ensure that as marketing practitioners we understand the evolving behaviour of consumers and customers and then help the organisation adapt and take advantage of emerging opportunities.

For example, 'Pinterest' is a popular social media platform. For many consumers, Pinterest would be a frequent activity as they search this platform to discover new ideas and stay up to date with what is new. Therefore, organisations may find Pinterest an excellent medium to reach a selected market. Organisations may then evaluate the suitability of Pinterest to their business and if appropriate may craft a Pinterest strategy and establish a Pinterest business account as part of their marketing communication mix. For example, a wine merchant is likely to evaluate the effectiveness of Pinterest against current strategies and may also evaluate Pinterest against other platform options – just as they would evaluate the effectiveness of a campaign in a particular wine and food magazine. Keep in mind that performance of each platform option will be evaluated against:

- The three marketing financial objectives of increasing revenue, reducing organisational costs as a percentage of sales, and building the value of the business
- The three strategic marketing objectives of product leadership, Customer intimacy [customer centricity] and operational excellence
- The three marketing communication objectives of attracting new customers, retaining existing customers, and enhancing the relationship with customers

A need to evaluate the marketing performance of a mobile, digital, or social media tactic has propagated a number of services to help determine the performance of each tactic. However, what is 'disruptive' is the ability to track individual consumer conversations or search patterns and then quickly tailor the information as if the organisation anticipated the consumer's desires – it is proactive and has similarities with face-to-face sales. For example, a wine merchant may wish to maintain and augment their position in the established wine magazines with links to new platforms such as wine tasting videos on their organisation's website or their organisation's YouTube channel. Today, there are more options to enable marketing practitioners to satisfy the needs of the customer and the organisation.

It is common, in both a traditional and digital setting, to group the different marketing media channels under the headings of paid media, earned media, and owned media (Chaffey & Ellis-Chadwick, 2012). We will discuss paid, owned and earned media in greater detail in marketing communication, however, for now we will focus on technology and the buyer decision process. One of the key themes of the e-book is that consumers consider their own personal characteristics plus the characteristics of the organisation, the market, and the product, when making every buying decision. Clearly, during each of the 3-time-zones customers will employ technology according to these situational factors. Consequently, marketing practitioners will need to consider each media channel when designing and developing their marketing strategies. What this also highlights is that consumers will behave differently in different situations. As the following vignette highlights, customers comfortably move from traditional platforms to digital platforms – this is referred to as mixed-mode buying.

Omni-channel approach

When digital marketing started to gain a foothold, marketing practitioners talked about a **multi-channel marketing strategy**, however, the discussion in recent years has evolved to include **omni-channel marketing**. The basic difference is that omni-channel marketing is customer focussed rather than channel focussed. The omni-channel approach recognises that customers undertake mixed-mode buying. Furthermore, an omni-channel approach recognises that attracting, retaining, and enhancing the relationship with the customer is the communication objective and that a seamless approach that employs the most appropriate tools is required.

Earlier we introduced product involvement and how it is rarely the product that is involved and how it would be more accurate to refer to product involvement as **customer-product involvement**. Some products have a high service and/or people component and this increases the customer's involvement with the organisation and also the organisation's involvement with the customer. We can now see that with some products it may be worth considering that the organisation is also involved in the buyer decision process. When we consider the salespipeline metaphor we can also see customer-product-organisation involvement as the organisation advances the customer from suspects > prospects > first time customers > repeat customers > members > advocates [the salespipeline is discussed later in the e-book].

An exception: born again' & recycled products

Figure 71: We often overlook that goods can have multiple owners and several 'lives'.

Although we talk about the 3-time-zones there are exceptions that need consideration – this one is restricted to material products – when products are reborn through re-sale. Although often ignored in marketing textbooks this is an important retail sector; the buying/selling of a possession that is no longer required [e.g., a pre-owned car, houses, antiques or classic cars].

Recycling and re-using are also important considerations particularly with the growing trend towards sustainability. We discuss this topic further in product components ideas.

Linking content & context

Consider the following consumer actions. The learning objective is to relate our discussions to behaviours that you would be familiar with - either through personal experience or observation.

Webrooming and *showrooming* are often discussed in online blogs. The general consensus is that webrooming is more common than showrooming and that there are opportunities for retail organisations to grow their revenue by accommodating the behaviour of tech savvy customers.

Marketing vignette: opinion seeking

Renae is 22 and lives at home. At 7:15am she enters the kitchen for breakfast, she has her phone in her hand, her mum is reading the newspaper. "Mum I was online last night and found this really nice dress – what do you think?"

Marketing vignette: recognition of a need

Mary and Brendon have two adult children, they are watching TV, an advert for a European river cruise announces a special deal "Hey Brendon I would love to do that, I have always wanted to go to Budapest." Next thing Brendon does is reach for his tablet and begin his search. Mary suggests, "Brendon, why not check out Scenic Cruises - my friend Sally went on one last year."

Marketing vignette: seeking online opinions

Melissa is 16, she has been in her room lying on her bed and searching for a new dress, simultaneously she and her friend Claire have been sharing opinions on what is on offer…

Marketing vignette: Sally the omni-channel shopper

When Sally is shopping for clothes, she often searches for information online to refine her considered set of products before personally visiting the selected stores; she finds that although this practice saves a little money it saves a great deal of time and effort [this practice is often referred to as webrooming].

Sally also shops online at the UK retailer Marks and Spencers. She trusts M&S and is attracted by their returns policy and their free delivery to Australia. Sally will often buy her office clothes from M&S as they are good value, and she is less likely to find her colleagues wearing the same outfit [a risk reduction strategy].

Sally is planning a skiing holiday to Canada, and she has been searching online for ski boots, however, she is reluctant to purchase online. She stumbles on a local Perth retailer specialising in ski apparel, and during her lunch break she visits the store and tries on a particular ski boot. As she is sitting in the store Sally considers showrooming 1] to shop online for a cheaper price [she has the size and brand], 2] acknowledge the great advice from the salesperson as a component of price, 3] consider the online time, effort, risk and possible delivery fee.

Q: Could the urgency of the purchase influence Sally's shopping behaviour?
Q: Could the familiarity of the product category influence Sally's shopping behaviour?
Q: Could the product importance influence Sally's shopping behaviour?
Q: Is it likely that Sally may value and seek the advice of the salesperson when considering other purchases for her ski holiday?

Marketing vignette: selecting a school for Gladys

Marketing concepts are easier to understand when everyday activities are employed. The purpose of this exercise is to take on the role of parents and identify the important and determinant factors in the selection of a school for your child – Gladys.

You may recall that consumers generally recognise that products have multiple qualities and generally make decisions based on an overall evaluation. Consumers generally do a mental equation where each of the qualities are estimated and given a weight to determine their importance. However, there are determinant factors which may not be given the most importance but in effect determine the buyer's choices.

Identifying multiple attributes and risks. Natalie and Tom are partners and have a daughter Gladys who will soon attend primary school. It is time for Natalie [female] and Tom [male] to select a school for their daughter – Gladys.

Selecting a school for their child is an important decision for many parents.

Natalie and Tom are the proud parents of Gladys; a spirited 4-year-old. Tom is the sales manager of a roofing company and Natalie is a dental nurse/mother who has chosen to work part time [one day a week] until Gladys attends school fulltime. They live in a relatively affluent, south of the river, suburb in Perth, Western Australia and have the usual financial obligations that they must meet each month. Natalie has been talking to the other mothers at Gladys' playgroup [like a kindergarten] it appears that all the Mums have their own opinion on schooling and the opinions vary radically.

Tom states that a friend of his advised him to "choose a school that will do the least damage to your child." This statement enraged Natalie.

Tom feels that Natalie is a bit of a social climber and will use the school decision to further her own social ambitions. He also fears that Natalie will push Gladys to do things that Natalie's parents, who are immigrants to Australia and had to struggle when they first arrived, could never afford for Natalie, such as play the piano and ballet. Tom makes a mental note to speak with Natalie's mother, who is practical and knows the value of a dollar.

Natalie feels that Tom, who went to a public school, only ever talks about the sport that he played and his mates at school. However, unlike her father, who has olive skin and tans easily, Gladys burns easily in the sun and will not be able to play all the sport that Tom played. On the other hand, Tom did well at university so perhaps he is just playing down his academic ability so that he looks like one of the boys; Natalie, feels that Australian males tend to do that.

Q: Taking on the role of Natalie, Tom, or Natalie's mother make a list of the types of factors that would influence your decision.

Marketing vignette: The unironed shirt

John is staying in a leading Adelaide hotel; his plane was delayed in Sydney and now he is running late for a meeting. He expected that an ironing board and an iron would be in his room [after all this is standard]. When he can't find the iron or the ironing board he rings the receptionist. He is informed that he must speak to housekeeping. The housekeeper puts him on hold. Housekeeping eventually answers the phone and says they will deliver the ironing board and the iron to his room within 15 minutes. This does not happen.

John wears an unironed shirt to his meeting and vows he will never come back to this hotel. After all he went to Adelaide to make a good impression. His attitude to the hotel is negative and for the next two days, John finds fault with lots of other things, he realised he may not have noticed the other shortcomings of the hotel had the iron and the ironing board been available.

Statement: Given that the hotel had John's arrival time, that he was paying on a corporate card, that his clothes were in a suitcase, he was carrying a laptop bag, do you think that a quality hotel could have anticipated that he would be going to a meeting, and given that he was late checking-in that he may be running late and may need his clothes freshened up?

Q: What should this hotel have done to meet John's needs?

Marketing vignette: a father's view

Regularly, in the Australian press, there are articles discussing the inclusion of pharmacies within supermarkets [as is the case in a number of other countries]. The pharmacists' argument is that they provide a valuable service, whereas the supermarkets suggested that competition would improve availability and reduce the costs to the consumer [the supermarkets already supply a number of off the shelf medicines]. The pharmacists argue that they need extra margins because of the medical advice service they provided; a service that could not be provided by the supermarkets.

Amanda is 10 years old, and her mother is away on a book-club weekend with her girlfriends. Amanda and her father [David] have also been looking forward to this weekend. They want to do father-daughter stuff. Unfortunately, Amanda catches a bad cold and is not feeling well. David takes Amanda down to the local pharmacy to seek relief.

After entering the pharmacy, they are greeted by a pleasant well-groomed female assistant about 18 years of age.

David states, “My daughter, is ten, she has a bad cold, and I am looking for something to give her relief, she has a runny nose and a sore throat, and I want something that will not prevent her from getting a good night’s sleep.”

“Ok, I will have a look,” says the assistant as she begins to read the labels on the cold medicines.

After several minutes’ wait, David tells the assistant “Don’t bother, I will go elsewhere.”

The pharmacist who was working behind the dispensary recognises that David is leaving the shop and states “sorry she is new; I will be with you in a minute”

David replies “I am not angry at her [the assistant] I am angry at you. I came here instead of the supermarket because I wanted advice, I was prepared to pay a higher price, in exchange for that advice, but you want the higher price without providing the advice.”

The pharmacist replies “I told you, I will be with you in a minute.”

“Sorry, but I gave you your chance” states David.

As they walk out of the pharmacy Amanda says, “Dad, why didn’t you go to the pharmacy that Mum always goes to?”

As they walk into the next pharmacy the assistant, in her late thirties, greets Amanda “Hello Amanda, how are you?”

“I have a cold, a runny nose and a sore throat and I have to look after my dad, because my mum is away at book-club,” replies Amanda.

“That is not good, not good at all, why don’t we give you this for your sore throat and this for your runny nose and I am sure you will feel much better.”

A relieved David and Amanda leave the shop. Amanda explains “Dad, that lady is Julia’s mum; Julia is in my class at school.”

David may have encountered the first pharmacy on a bad day; however, the damage was done, and the service experience will be a deciding factor for many years to come.

Q: Why is it that people will drive past shops offering the required product to shop at another?

Q: Given that this medicine is freely available, what was the core product: the medicine or the advice?

Q: In a holistic sense given the debate about pharmacies and should they receive protection; is the first pharmacy impacting on the viability of other pharmacies?

Q: Consider your own post-purchase evaluations and behaviours, how often have you said:

> “What a rip-off” “What a waste of time”
>
> “Awesome, I was treated like the most important person in the world”
>
> “It was OK, but I don’t know whether I would go back there again”
>
> “I will never, ever, ever, ever go back there, that was humiliating”

Note how each of these reactions is a post-purchase evaluation of performance against pre-purchase expectations and how this evaluation will result in an attitude that will influence future purchase intentions. Keep this in mind that when we proceed with an exchange we generally factor in a number of outcomes and the probability of each occurring.

activity

[Ted goes shopping]

activity

[different people - different holidays]

activity

[technology & the sales process]

activity

[buyer decision making]

Reflect & review

Employ these questions to reflect on your understanding and review your progress.

The e-book puts forward the view that marketing practitioners employ their knowledge of the buyer decision process both strategically and tactically. Explain the difference.

There are four primary factors that influence the 1st time-zone of the buyer decision process – values1, consumption costs, consumption qualities, and situational factors. In your own words provide an overall description of each.

List the three types of values[1] [not the 3 meanings of the word value[1,2,3]]. Provide a brief explanation of each. Which of the values[1] is the most aligned with Maslow's hierarchy of needs?

- List the types of consumption costs and provide a brief explanation of each
- List the consumption qualities and provide a brief explanation of each
- List the situational factors that a consumer would be influenced by and provide a brief explanation of each

In your own words discuss the following statement 'The situational factors [customer, organisation, market, and product] influence every aspect of marketing'. How could these factors influence the buyer decision process?

Explain the following terms and give an example to reinforce the concept:

- Disposable income
- Discretionary income
- Buying power

Consider the following:

- 'The characteristics of the customer, the relationship with the organisation and the nature of the product will determine how quickly a customer progresses through the buyer decision process'.
- 'The economic conditions could be classified as one of 4 stages prosperity, recession, depression, and recovery'.
- After the recognition of a need consumers search internally and externally for information. Provide examples to reinforce your learning.
- Why is brand awareness important to an organisation?
- What is a considered set of products?
- What is a product attribute?
- Explain the premise of the multi-attribute model
- Explain the difference between a determinant and a non-determinant attribute
- What is meant by 'estimating the value of alternatives?
- Why is the word estimating used and not evaluating?

Read the following and provide example of each. The general consumer decision-making rules are:

- **Compensatory rule:** consumers estimate the attributes of products and calculate a performance attribute score to identify acceptable products. It is referred to as 'compensatory' as consumers will cognitively 'compensate' each product across all the embedded attributes – calculate an average across all product attributes
- **Conjunctive rule**: rejects products that have any unacceptable product attributes including products that have unacceptable money, time, or effort costs. The **disjunctive rule** is considering products that have acceptable product attributes
- **Elimination by attribute rule:** initially, the consumer lists products that are acceptable across relevant attributes, then estimates the product attributes and removes the products with the lowest performance attribute score until one product stands out
- **Lexicographic rule:** consumers will rank products by preference, when two or more products have equal ranking then the consumer searches further to determine the product with the highest overall rating across all attributes plus one determinant attribute
- **Brand affect rule:** accepts the brand that is best known and has the highest degree of perceived trust
- Self-production [DIY] is often overlooked as a competitor? – give an example
- What reasons may motivate someone to postpone the buyer decision process?
- What reasons may motivate someone to exit the buyer decision process?

The total product

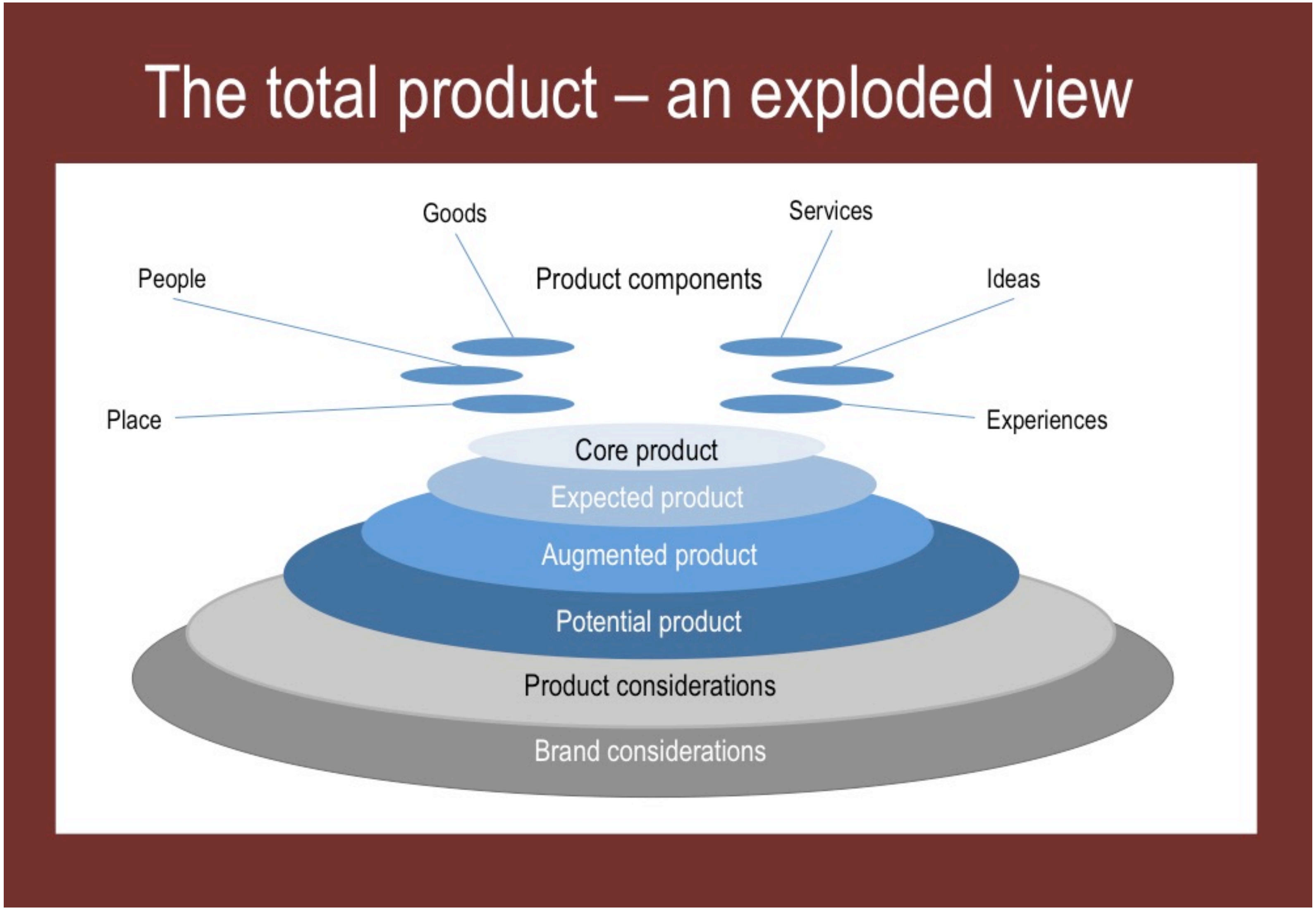


Figure 72: An exploded view of the total product identifying the layers, considerations, and components. We can see from the illustrations that marketing practitioners design and develop their product strategies on a foundation layer of brand considerations. The total product above represents an organisation's perspective – as it is unlikely that the consumer will fully grasp the degree of effort that organisations expend to developing their product offering.

the total product

2:2:0 The total product [module preview]

Previously: We explored the consumer's journey through the 3 time-zones of the buyer decision process, with a particular focus on the 1st time-zone - to recap:

- **Purchase behaviour** – consumers are searching, estimating, and selecting
- **Product delivery** – customers are experiencing and as they experience they are assessing the product against their expectations
- **Post-purchase behaviour** – customers are reflecting and evaluating

There are a number of BDP considerations that are worth highlighting:

- The motivation for entering the BDP- the recognition of a need
- The BDP varies according to product costs/benefits/risks + perceived value
- The BDP varies:
    - On a simple <> complex continuum
    - Involvement varies on a low <> high continuum
- Situational factors [COMP] influence BDP
- Customers vary in the ability to estimate, assess, and evaluate product qualities
- Consumer behaviour varies according to the time-zones

Learning objectives

The total product is a large module; for convenience, it is presented as 3 chapters:

- **Product considerations**: identifies a number of concepts and theories that are employed by marketing practitioners to explore the nature of the product
- **Product layers:** identifies the strategic product layers: core, expected, augmented and potential
- **Product components**: identifies the 6 product components that combine to form a product – they are goods, services, ideas, experiences, people and places

Learning objectives of the module: After completing the 3 chapters of the total product module you should have an understanding of products from a customer and an organisational perspective. Furthermore, you should be able to discuss product considerations, product layers, and product components[6] and how marketing practitioners employ this knowledge to design, develop, and deliver best satisfying products.

Directions

In the total product module, we explore the P in the COM**P** factors including the strategic objective of product leadership.

Background

In any field, there are 'classics'; for example, in music there are some works that have stood the test of time. Sometimes a classic song is revisited and introduced to a whole new audience. Classic marketing articles are very much the same and revisiting the classics and considering how they apply in contemporary markets is insightful (Fanning, Lambert, & MacCarthy, 2012).

Black (1951) in an exploration of 'product differentiation' introduces the total product. He proposed, citing the earlier pioneer works of Chamberlin (1938), Bowman and Bach (1949), and Boulding (1956), that 'the product' was an **inclusive concept** and could be considered as the totality of the attributes that a consumer would consider during the buyer decision process. Therefore, we could assume that the buyer decision process and the total product are very closely related.

Later, Kotler and Levy (1969) in the classic article 'Broadening the concept of marketing' cemented the idea of **the total product** – the premise is that a product is a bundle of components, and the total product is the totality of what is received and what is given during an exchange [the total qualities V the total costs]. Although, Kotler and Levy appealed for further exploration, their idea was self-evident, and few academics have explored the total product relevant to contemporary marketing practice (Fanning & Lambert, 2013). Kotler and Levy (1969) proposed that a total product could be a composite of tangible [**material**] and/or intangible [**non-material**] properties.

When you consider that the total product is the totality of what the organisation delivers to the customer, many marketing practitioners would agree that the total product is one of the most important concepts in business. It is the sum of what an organisation delivers to customers in all 3-time-zones – *what is expected, what is delivered*, *what are the costs,* and *what is evaluated*. The total product is the basis of customer satisfaction [i.e., the evaluation of what is expected, what is delivered and the total costs to the customer]. The total product is important to customers when searching and selecting the best product offering, when assessing the delivery of a product, and when evaluating an exchange.

If you were to revisit the buyer decision conceptual model you would recognise that, from an organisational perspective, the 2nd time-zone 'product delivery' is the total product and the 3rd time zone 'post-purchase behaviour' is the circle of satisfaction. When we combine all three time-zones we have the marketing concept.

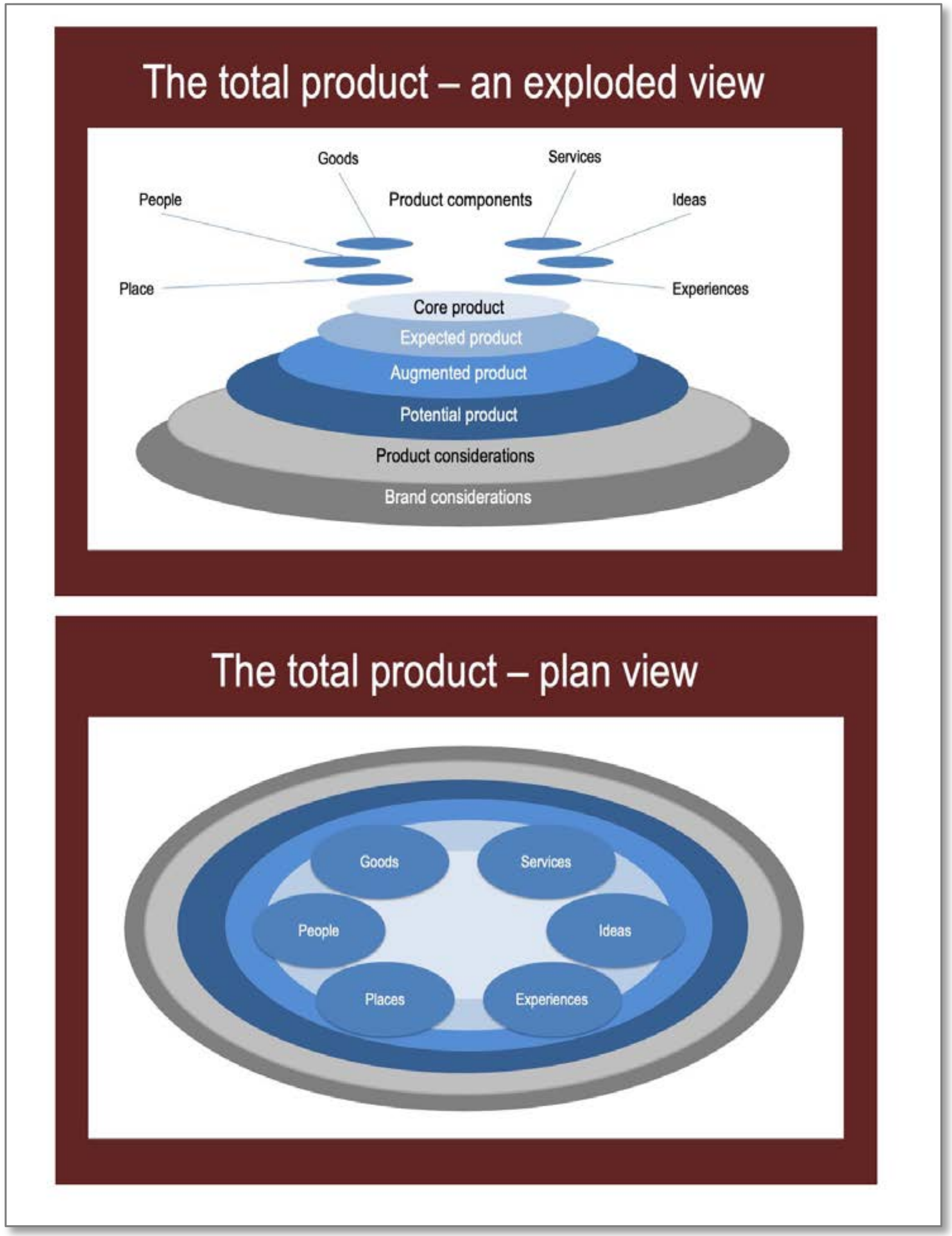


Figure 73: An exploded and a plan view of the total product.

Figure 74. Product layers, product considerations & brand considerations.

In the previous diagram we see that the total product is built on two important layers. The bottom or foundation layer includes the brand considerations that marketing practitioners must work with and from an organisational perspective work towards. The next layer includes the product considerations [the P in COMP] that marketing practitioners must work with and from an organisational perspective work towards. With Brand considerations being the foundation layer we may infer that whilst consumers may buy products for the benefits a product delivers, organisations see brands as generally spanning a number of product models and therefore brands are often more enduring than a product.

The total product is:

> The totality of what an organisation delivers to the customer – what is promised, therefore, what is expected, what is delivered, and what are the total costs to the customer.

The total product is the basis for organisational success or failure. Furthermore, an organisation's products are continually monitored by an organisation's competitors and, therefore, **the total product is a motivator for marketplace competition**. Marketing practitioners who cannot produce a total product with a **unique product value proposition** are often subjected to a cycle of discounting.

> **Author's comment:** The total product is primarily concerned with how an organisation constructs a product. This can be challenging for readers with little business experience and often there is a tendency to 'default' to the more familiar consumer's perspective. Please take your time.

To understand marketing, you must understand products and product uniqueness. To understand a product and then to improve a product you must be able to **reverse engineer** the product. Reverse engineering is a process of analysis [i.e., breaking down the product into parts] and synthesis [putting the product back together]. To undertake this process of analysis and synthesis, marketing practitioners need a total product framework to investigate a particular product and make comparisons with other products. After completing this module you will come to the realisation that products are not just goods and reverse engineering is not restricted to the material product components. Furthermore, to improve your own product you must be able to learn from other successful marketing organisations.

Marketing practitioners generally employ **product metrics** to measure, manage and maintain/improve a product and a product portfolio. An understanding of product metrics is central to a number of marketing activities such as a marketing plan, a marketing audit [including a product audit], and a marketing action plan - all of which are key components of an overall business plan.

From an organisation's perspective, every part of a product has a cost to produce; therefore, understanding the total product is fundamental to understanding the total cost of a product and determining what to offer and what not to offer to the marketplace. Moreover, this evaluation process is fundamental to understanding what the customer is willing to pay for [discussed further in the **augmented product**]. With these considerations in mind the purpose of this module is to better understand products, both from a customer's and an organisation's perspective.

Linking content & context

Scenario: What if a department store that was well regarded for customer service had an operational review and the Chief Financial Officer [CFO] compared the number and cost of staff to an industry standard and then recommended staff reductions.

Given the scenario there are three important questions.

- Would the staff reduction show an immediate increase in profitability?
- Would the staff reduction show a long-term decrease in profitability?
- Could the decision to reduce staff take the department store on a path of slow decline?

Now this scenario has been written so that you focus on the CFO, however, it points out a challenge for marketing practitioners. Marketing practitioners must provide evidence to demonstrate why their total product [including service quality] is a key success factor in their business. Marketing practitioners must also be able to demonstrate the likely financial effects of any reduction in service quality over the next 10-years. In this scenario, the CFO is doing his/her job by benchmarking costs; it is the marketing practitioner's responsibility to demonstrate the effectiveness of his/her marketing strategy.

It could be that an innovative CFO [with a marketing background] may identify an increase in staff numbers as a pathway to improve quality and increased profitability.

Frequently asked questions

Q: Why are marketing costs continually questioned by CFOs?

A: All costs should be questioned. However, marketing practitioners are often so focussed on providing evidence of product value to consumers that they forget the importance of providing evidence of value to their internal customers. Nevertheless, it is quite a simple task to benchmark the effects of quality service.

> **Author's comment:** Throughout the e-book we have promoted marketing metrics as a means of measuring, managing and improving marketing performance. Service quality is one area that needs attention. As we progress we will discuss the marketing practitioner's responsibility to demonstrate the value of marketing activities; this will include a look at Net Promoter Score [NPS], We will discuss how technology can be used [in larger organisations only] to monitor any shifts in word of mouth.

However, history suggests that marketing expenditure is often cut without full consideration of the long-term impact and is often due to an inability by marketing practitioners to justify a return on investment [ROI] for all marketing activities. (Strauss & Seidel, 2004).

Q: I am having trouble understanding the total product. In a supermarket is it the products on the supermarket shelves?

A: The total product is the totality of what is offered in an exchange [one exchange] between an organisation and a customer. If a customer goes to a supermarket and selects a shopping trolley full of groceries, then the customer has made a decision to shop at a particular supermarket over another supermarket – this would be on the basis that the selected supermarket offers overall better value. The customer selects some of the goods on offer and places the selected goods in the trolley – the organisation calculates the **total cost and there is one exchange,** and the exchange is **between the customer and the supermarke**t – not the customer and all the manufacturers of the goods. We may consider the goods within the customer's trolley as goods dominant products; however, supermarkets add value to the goods through **facilitating** and **supporting servic**es, therefore the total product that supermarkets offer, and deliver is better considered as a total product. As we progress through the total product module we will discover that in addition to goods and services the supermarket's total product also includes ideas, experiences, people, and place components.

In another example. A customer could elect to purchase a 10-day bus tour of Tasmania with one tour operator. During the 10 days, they may stay at a number of hotels, enjoy the breakfast at each hotel, travel on a ferry, and visit a number of places of interest – all included in the purchase price – sometimes this is referred to as a' package holiday'. In this example there is still one exchange between the organisation [the tour operator] and the customer. The total product is what the tour operator offers and delivers to the market. Generally, the tour operator, in the conditions of sale, will list what is included and what is not included in their total product offering. Consumers, considering this type of product, will look at the total of what is included and excluded when considering alternative products.

Aggregate product thinking

In this module, the total product, we assert that the total product is the totality of what is offered and delivered by an organisation and received by customers in an exchange – as we will discover the total product implies one organisation is 'responsible'. Although it has to be acknowledged that often the services of a number of channel partners are embedded within the total product, however, these are often hidden services.

When exploring any marketing concept there is/are generally exception[s] that need to be considered and disclosed – and the same applies to the total product concept. In some situations there are multiple total products [i.e., multiple buyer decision processes and exchanges] where consumers naturally bundled them together (MacCannell, 1976; Middleton, 1994) - then that bundle or aggregate of total products could be considered an **aggregate product**.

> **Authors' comment:** According to the Oxford dictionary the term 'aggregate' means – a collection of, or the total of, a number of disparate elements, that come together into one mass, united into one body.
>
> In marketing the term 'aggregator' is often employed to describe a person, organisation, or software that brings together disparate elements and presents them for comparison or sale. Often consumers would be unaware that they are being served by an aggregator.

If a consumer has a favourite supermarket chain and a favourite shopping centre. On this occasion the consumer visits the shopping centre, parks their car, then shops at the supermarket, the bank, a clothing store, has a sandwich and a drink with a friend, browses a homeware shop and buys a new toaster – then the shopping centre is an aggregate product. Multiple disparate and independent total products that are mentally bundled.

If a consumer selects a destination and then elects to independently travel Tasmania for 10 days and elects to organise their car hire, accommodation, meals, admission to places of interest - then this is a bundle of disparate and independent total products – each total product has a search, consider the alternatives, and a selection process. However, in the post-purchase the traveller is likely to holistically mentally bundle or aggregate the consumption costs and benefits and likely to think of the holiday as an **aggregate product**. Moreover, the consumer, in this example, is more involved as a co-producer of the product than if it was a packaged holiday with one buyer decision process.

As we can now see, destination marketing could be considered as an aggregate product as it is a mental bundle of total product expectations and experiences that are combined into an aggregate product experience. Destination marketing practitioners who consider their product as an aggregate product are better placed to satisfy the needs of the customer and therefore the needs of their organisation. This **aggregate product thinking** elevates the process from the selling a destination to measuring, managing and improving the visitor experience.

Whilst it is unlikely that consumers would explicitly express the aggregate product concept - it is inferred within their conversations:

- 'On Tuesday I am going to qwerty shopping mall'
- 'We had a great holiday in Tasmania'

In the above tourism example, because the consumer considers a Tasmanian holiday as an aggregate product, then, Tourism Tasmania [the government tourism authority] should recognise the importance of measuring, managing and improving the experience of all visitors to achieve aggregate visitor satisfaction and referrals. This aggregate thinking example highlights the importance of managing 'channel partners' in a 'marketing channel' that is less structured than bringing a goods dominant product to market.

When we discussed the business concepts we suggested that every business and therefore total product is an amalgam of the philosophies of each employee – this remains true with an aggregate product, however, adding to this complexity is that an aggregate product is an aggregate of business philosophies of each selected organisation.

Author's comment: If an organisation is not managing customer satisfaction then they may be going to market - but may not be practicing a marketing philosophy.

After researching a number of Tourism Annual Reports it is clear that the selling concept is the dominant business model for some government tourism organisations [Singapore Tourism Board is one notable exception]. Tourism organisations should go beyond **selling a destination** as a communication process and consider a sales baseline approach.

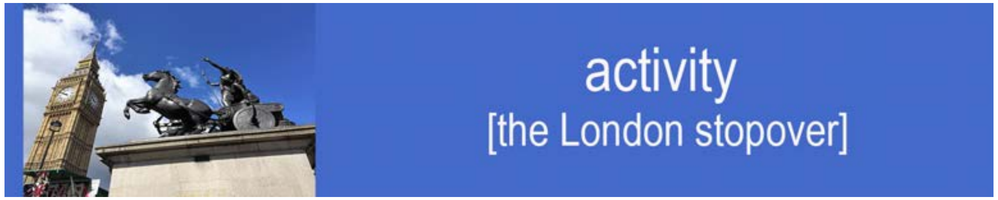
The aggregate product is, therefore:

a bundle of distinct and distinguishable businesses that may appear to be disparate and independent; however, on another level success is dependent on the cumulative evaluation of the customer and the collective evaluations of all customers.

Aggregate product thinking highlights that although businesses must compete, often, they must collaborate. Interestingly, an aggregate product may be comprised of total products across different classifications [e.g., convenience, shopping, specialty, and seminal product classifications] and involve a broad spectrum of product considerations [please refer to the following chapter].

Consider why it would be important to have a high customer satisfaction index across all retailers in a shopping centre/mall. In situations where there is a natural bundling together, it is preferable that the responsible organisation manages the aggregation of the total products.

Author's comment: It would be worthwhile to consider aggregate thinking and how it would influence marketing practice as we progress through the e-book [e.g., the 5-Gap model].



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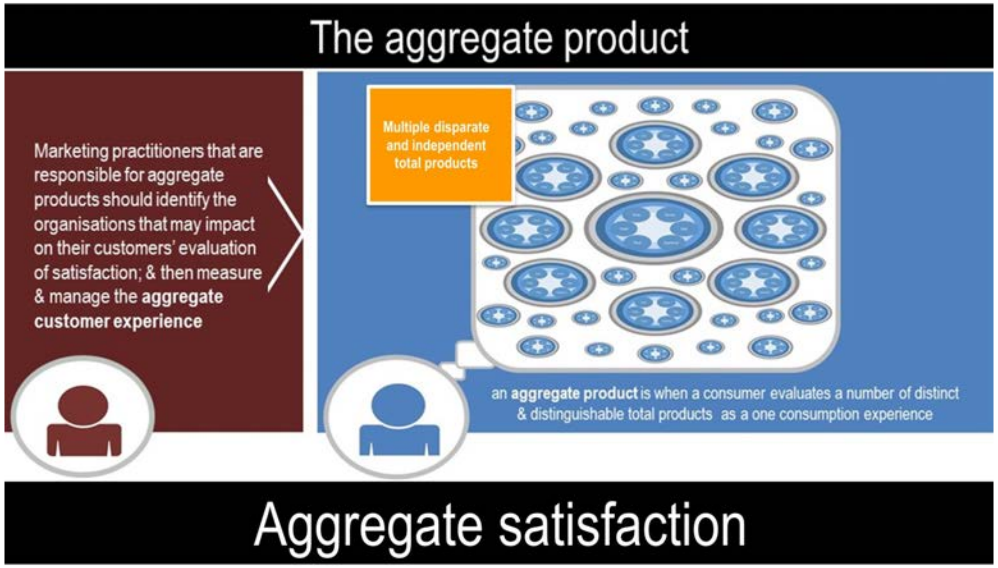


Figure 75: the above diagram provides an overview of the aggregate product. The size of each of the total products was selected to convey that some exchanges have greater costs, value and involvement than others. The aggregate product highlights the need to meas

the total product
[product considerations]

2:2:1 Product considerations

Previously: We began section 2 with an exploration of how consumers enter, and often, progress through the 3-time-zones of the buyer decision process. We noted that the motivation for entering the buyer decision process is the recognition of a need; one that requires attention in the near future. What is also important, is that through the buyer decision process a consumer transforms to a customer. Marketing practitioners, generally, categorise consumers as suspects and prospects and categorise customers as 1st time customers, casual customers, repeat customers advocates and evangelists. We introduced the 'salespipeline' metaphor to help explain this consumer-customer transformation and the customer's journey.

Then in the total product module preview we outline the direction of the 3 module chapters.

Learning objectives

Learning objectives of the chapter: After completing this chapter you should be able to demonstrate and understanding of the various factors that marketing practitioners must consider when making strategic and tactical product decisions.

Directions

As we have previously stated, all secondary marketing concepts are interlocked, and it is important to recognise that the total product spans all 3-time-zones of the buyer decision process with an emphasis on the 2nd time-zone – product delivery. In the total product module, we will explore how an organisation crafts a product to address the mutual objectives of the customer and the organisation's objectives, in particular the strategic objectives of product leadership and organisational efficiency.

We have divided the total product into 3 chapters. The first chapter explores the **product considerations**; these are the product characteristics and the concepts and theories that marketing practitioners must **consider** when designing, developing and delivering a new or existing product. An understanding of the product considerations is important as it assists marketing practitioners to collect the information needed for a product audit within a marketing audit. This information is then considered during the CADDIE business-marketing planning process.

Initially, we explore product leadership - one of the 9 objectives of marketing practitioners. Then we explore a number of product considerations, including the work of Everett Rogers. His work on **product lifecycle**, **product adoption**, and **product diffusion** is particularly insightful as it helps marketing practitioners to better understand and manage a product portfolio.

It is worthwhile to highlight, that most marketing texts present the product considerations as distinct and discrete marketing concepts; however, they are of greater value, to marketing practitioners, when they are considered as a mix of interacting considerations that are embedded within the total product. Product considerations help organisations to understand the nature of the product and identify important consumer considerations. It is also important that the product considerations are explored in conjunction with the buyer decision process and the circle of satisfaction.

Product leadership

Product leadership refers to organisations that provide a product with a unique product value proposition in the mind of a selected market segment. Organisations that have product leadership as a strategic intention not only aim to make their competitors' products obsolete but to design and develop products that make their own existing products obsolete. Product leadership are the benchmark products that all other products in a product category are compared with [e.g., Bose speakers]. In many ways product leadership is the quest for best satisfying products and is a key element of the marketing concept – the marketing concept is built on the premise that organisations that best satisfy their customers' needs are best placed to satisfy their organisation's needs.

Previously, we discussed the dangers of building a better mousetrap – of identifying a gap in the market then producing a product for the gap - rather than addressing the customers' needs. In the classic academic article by (Levitt,1960) entitled 'Marketing Myopia', he suggested that an organisation may develop a 'myopia' [an inability to see the big picture] if the organisation is focussed on producing products that the organisation wants. Furthermore, Levitt (1960) suggested that an organisation that has developed marketing myopia may fail to adapt to the market and may in their effort to meet targets become more selling focussed rather than marketing focussed. Although, some textbook authors interpret the article to argue for a new business concept - the product concept, that does not appear to be Levitt's intention. Levitt (1960) suggests that an 'organisational scotoma' [a blind spot] may occur within an organisation [i.e., regardless of the philosophy production, selling philosophy, or a marketing philosophy] if they neglect to place customer dreams, desires and demands at the centre of organisational decision-making.

It should be noted that organisations that wish to be leaders in a product class generally have a long-term commitment to new product development.

We will now consider many of the product considerations in greater detail. This knowledge is essential to marketing practitioners; it provides the building blocks of marketing strategy and tactics.

Product strategy

According to Porter (1980) and Trout and Reis (2000), product strategy starts with the realisation that an organisation can only compete on value. Consumers, see value as what I give and what do I get (Zeithaml, 1988). In their search for best value, consumers consider two questions:

- What do I get if I pay less?
- What do I get if I pay more?

Figure 76: Consumers select products on the basis of value, organisations must design and develop marketing strategies based on consumer decision making.

Porter (1980) argues that when an organisation takes a new product to market it must take one of two strategic directions - to compete with a **low-price and minimal augmentation** or to compete with a **higher prices and appropriate augmentation:**

- **A low-price minimal augmentation strategy:** the objective is to offer a product to the market at a more attractive price than competitors and as a result gain volume. To achieve a more attractive price, the product will comprise a core product [what all products must offer to be included in the product category] plus a minimum level of product augmentation. Often this strategic direction is practiced with a **whole-of-market approach** [discussed in section 3]. A whole-of-market approach is offering one product, at one price, with one message to the entire market. Generally, this strategic direction is more successful when the whole market has homogeneous [similar] needs.
- **A higher price with appropriate augmentation strategy:** the objective is to offer a product to particular segment of the market. This product would have qualities that are sufficiently attractive that the selected customer segment must be willing to pay a premium to obtain. To compete successfully, the augmented product will comprise a core product and an appropriate level of product **augmentation** for a particular price point.
    - Larger organisations will select multiple market segments. This strategy is generally preferred when the market has multiple heterogeneous [dissimilar] segments at different price points [e.g., automobiles] and sales volume can only be achieved by targeting selected multiple segments [e.g., Toyota]. Chamberin (1962) stated that heterogeneous demand dictates heterogeneous supply. This strategic direction is often referred to as a **segments-of-market approach** [discussed in section 3].
    - Smaller organisations may choose to target one segment of the market that may be unprofitable for larger organisations [sometimes referred to as a **niche approach**]. Generally, competing with an augmented product is more successful when the market has heterogeneous [different] needs and the market is comprised of segments with homogeneous [similar] needs. To be successful the selected segment should be identifiable, substantial, responsive, reachable, and profitable.

When there is heterogeneous market demand [customers have different requirements] then a segment[s]-of-market approach is appropriate. Generally, what happens is - the consumer recognises a need, then sets a budget [e.g., $20,000 to $25,000 for an automobile], and then forms a considered set of appropriately priced products – the consumer then evaluates the considered set of products within the budget. Within this price range there will be a product leader that sets the price and value proposition; other organisations will then set their price and value proposition relative to the product leader. The key point is, that all products are competing for the consumer's business on value for money. **What this means is that a lower-price strategy can be applied in a segment of the market; it does not necessarily mean the lowest cost product in the entire category**. Porter (1980) and Trout and Reis (2000) put forward the view that value is central to all consumer decision-making. They warn that competing with a lower-price strategy is only feasible if an organisation has value proposition and a sustainable lower-cost advantage over their competitors. When an organisation does not have the ability to compete with a lower-price strategy on a long-term basis then an augmented product strategy is a better approach. However, the organisation must still offer a best satisfying proposition [Get V Give] regardless of where it is positioned.

> **Author's comment:** It is common in marketing textbooks and literature to employ the term 'product differentiation'. This can be a little confusing. Originally, product differentiation was viewed as a product that is different to competitors when considered by a consumer – not necessary more attractive (Black, 1961). However, over time product differentiation was often employed to suggest that the product had a unique product value proposition. Stating that a product has a unique value proposition is a more accurate descriptor as unique and value are more in keeping with the marketing practitioners' objectives than simply being different – different does not necessarily indicate that a product has a positive value.

Product differentiation is often confused with market differentiation. Market differentiation is where an organisation offers different products to different market segments. Although these are commonly employed terms, I have elected to not employ the word 'differentiation' in the [e-book].

Some marketing scholars, for example Dickson and Ginter (1987) and Hunt (2011) argue that the term 'differentiation' may cause reader confusion because it is used inconsistently by a number of marketing scholars. This is not a recent concern, Hunt (2011) citing Chamberlin (1962) argues that authors often discuss product differentiation when the literature has long argued that every product is different, even if the difference is only minor.

Product positioning

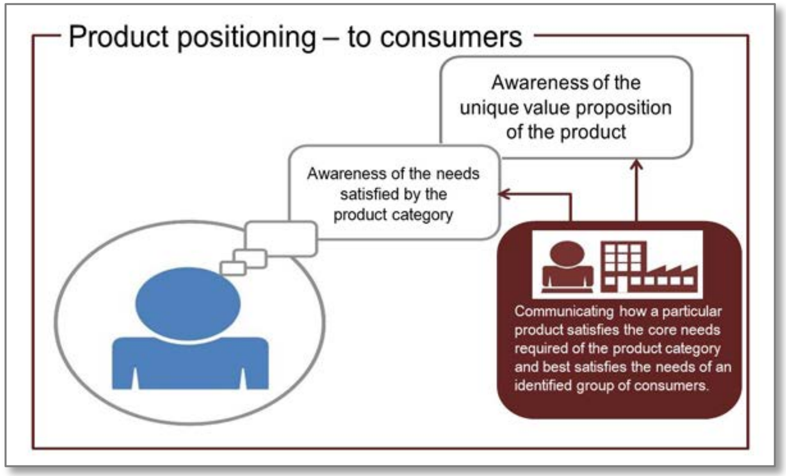


Figure 77: Product positioning is the position a product occupies in the consumer's mind.

Product positioning is the consumers' and customers' attitude to a product; is the position a product occupies in the consumers' mind; is how a product is branded in the consumer's and customers' mind. Product positioning is mentally **linking a product to a product category** and then communicating a position within that product category for a product. The first task is generating awareness and establishing how a particular product satisfies the core needs required of the product category and secondly, best satisfies the needs of an identified group of consumers. Product positioning is an ongoing and everyday process that includes marketing communication internal and external. Product re-positioning is modifying consumer attitudes to an existing product; sometimes referred to as re-branding.

Within an organisation, product positioning often has another meaning – how the product is positioned in the organisation's mind and how the product is positioned when compared with the marketing objectives of the organisation. Often an organisation will have more than one product, and this is referred to as a **product portfolio**. There are several tools that marketing practitioners employ when analysing an organisation's product portfolio, one of the most commonly cited is the Boston Consulting Group [BCG] approach – product portfolio matrix. The methodology is that organisations classify products according to:

- Market growth [low – high]
- Market share [low –high]

This develops into a 2X2 matrix with four cells. The cells are then given a metaphor - star, cash cow, question mark, and dog. With each metaphor having a corresponding strategy. Often market share is indicated by the size of a circle.

Marketing practitioners generally implement a different product strategy relative to the product's position within the product portfolio.

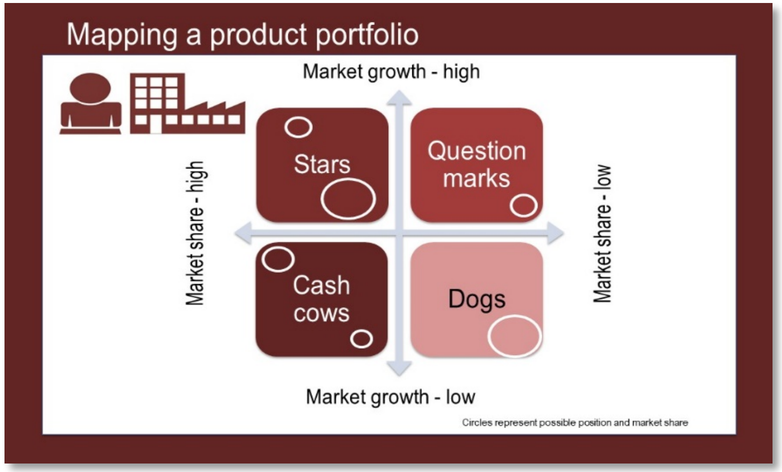


Figure 78: The BCG product portfolio - growth matrix tool

Product/brand status

Product positioning also involves the status a product [and with time the brand] has in the consumers' mind. In the activity 'the buyer decision process: car' the three characters asses a number of 4X4 dual cab utilities, what is clear from this activity is that different products and different brands have different status. During the buyer decision process the three characters will undertake a cost/benefits/risks analysis, a refinement of the considered set of products, and an evaluation of alternatives.

Product adoption and product life cycle

Prior to a new product being introduced to the market a new product must successfully progress through the product concept-testing process prior to being offered to the marketplace (Wasson, 1960; Ram,1988). [NPD is discussed in more detail in section 3]. Due to the high new product failure rate it has long been recognised that the new product development process is an important marketing activity (Ram, 1989).

The work of marketing scholar Everett Rogers on product adoption and product life cycle has received a great deal of attention and is generally recognised as the industry standard. It is discussed within most marketing texts. The seminal PLC articles are by the scholars Chester Wasson, Everett Rogers, Francis Bourne, and Frank Bass.

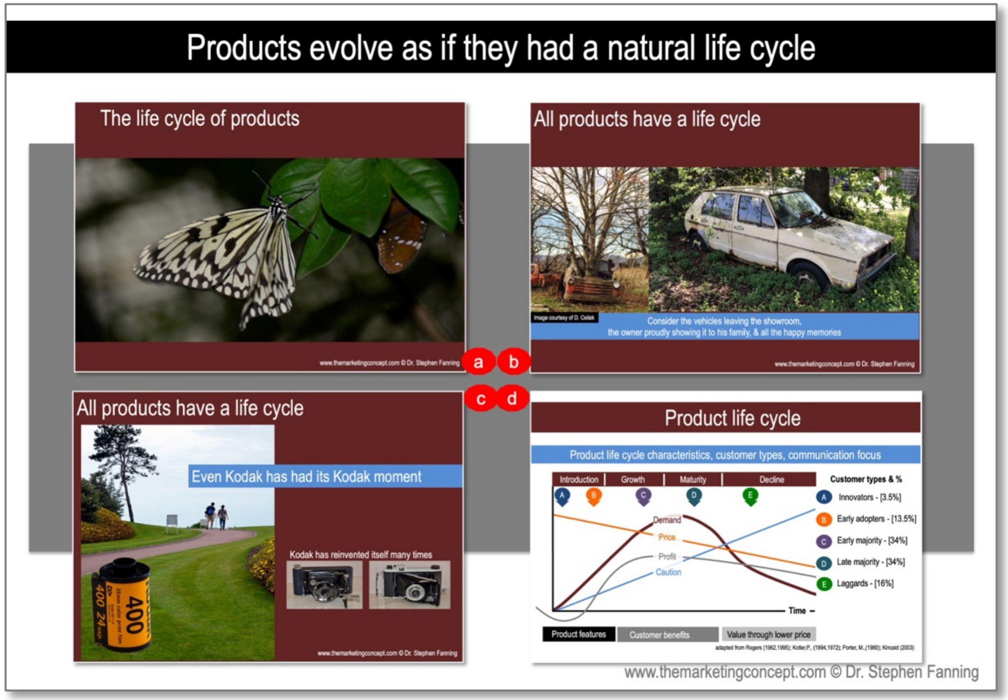


Figure 79: It is natural for products to evolve through a life cycle. Product life cycle & product adoption are closely related. Readers often miss this point because there are a different number of stages and adopter groups

Product adopter groups

Product adoption and product life cycle [PLC] are important considerations. Most marketing practitioners are familiar with product adoption and product life cycle; however, some students fail to see the overlapping relationship between the concepts. Perhaps, this is because the product adoption concept has five adopter types and product life cycle concept has four stages. However, they are very closely related, and it is beneficial to consider them jointly. Marketing practitioners consider product adoption and product life cycle when making a number of strategic and tactical decisions [e.g., including market segmentation, market selection, communication, and pricing].

Rogers' work was first published in 1962; however, he regularly updated his original work, to accommodate marketplace changes. Understanding these concepts is important, after all, it is pretty difficult to strategically discuss a product without discussing its position on the product life cycle and it is pretty difficult to discuss a product if you don't understand the broad nature of the adopter groups [customers] for that product and at a particular point of the PLC. Furthermore, it is also difficult to discuss pricing strategies if you are unsure of how different adopter groups perceive value.

Rogers suggests, that, for each product, there are different customer types. He suggests that the profile of the customer is fundamentally different as products progresses through the product life cycle. Understanding the changing customer profile is a strategic necessity for marketing practitioners. Rogers reinforces the need to continually track the expectations of customers and review the value proposition of a product.

Consumers generally adopt products according to a pattern. Product adoption is influenced by the consumer's involvement with a product and the situational factors [COMP] that influence a consumer's decision-making. Rogers proposes that there are 5 adopter groups. The first group of adopters are innovators. If you consider technology products it is likely you know someone who 'has to have' the latest products. The last adopter group is laggards if you consider technology products it is likely you know someone who is considering Facebook.

Below is the list of product adopter groups and typical traits:

- **Innovators** [A] – Tend to be venturesome, higher educated, multiple information sources
- **Early Adopters** [B] – Tend to be leaders in social settings and have slightly higher average education
- **Early Majority** [C] – Tend to deliberate extensively; have many informal social contacts
- **Late Majority** [D] – Tend to be sceptical and have below average social status
- **Laggards [E]** – Tend to be sceptics, cautious, often live in the past, have a fear of debt, and rely on WOM from neighbours and friends

Author's comment: Keep in mind that membership of a product adopter group will vary according to the product. Someone may be an innovator in one product category and a laggard in another product category.

Rogers suggests that product information is spread like a virus; firstly, it spreads through the members of one group, then through a member of one adopter group [group A] coming in contact with a member of another group [group B]; through this contact the product is observed and adopted by members of group B – Rogers states that products are diffused through a process of homophilious & heterophyllous relationships [members of the same group coming into contact with one another and members of different groups coming into contact with one another]. For example, the pastime of cycling has seen tremendous growth in recent years. Some say, this began with the broadcasting of the Tour de France, some adopted cycling and then introduced cycling to new adopters. Some of the new adopters came into contact with existing cyclist through personal communication or through observing previous adopters. For someone to adopt a product there must be a beneficial outcome for them, it must fit in with their existing lifestyle without too much disruption, it must be simple to understand, easy to try before fully committing and there must be consistent with their ideal-self. Rogers (1962; 1995) puts forward five conditions for adoption:

- **Relative advantage:** the customer must see an advantage in adopting the product
- **Compatibility:** the new product must be compatible with the customer's lifestyle – there must be minimal disruption to the consumer's life
- **Complexity:** the new product must be relatively easy to understand and incorporate into the consumer's life
- **Trialability:** there is an opportunity to use/test the product prior to purchase
- **Observability:** other customers can be seen with the product and enjoying the benefits of the product

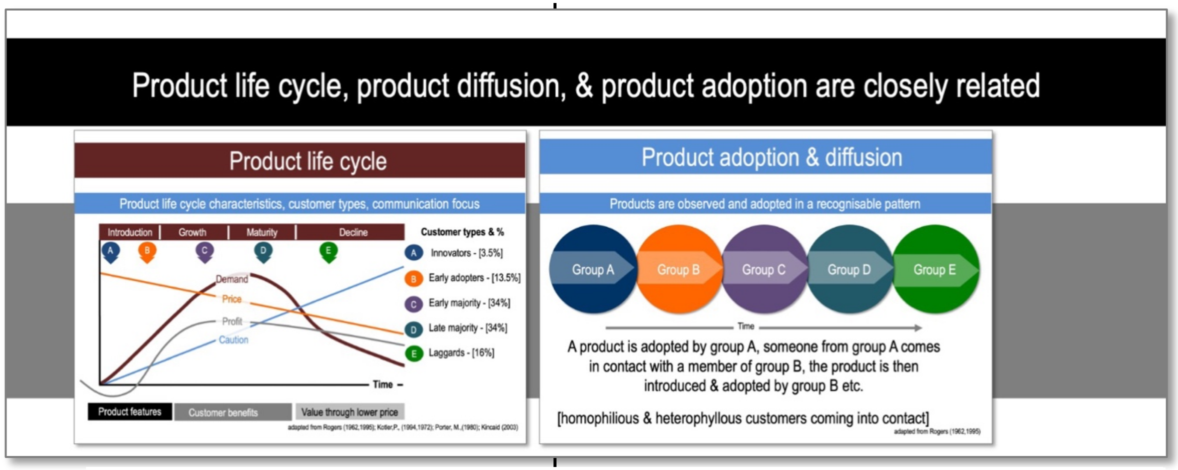


Figure 80: Product life cycle, diffusion, & adoption, should be considered as one concept.

Kincaid (2003) suggests; that marketing practitioners often fail to grasp that as the product life cycle unfolds, customers place less emphasis on the technical aspects of the product and the product performance and more emphasis on the solutions/benefits that the product delivers. Therefore, as a product progresses along the PLC, organisations should modify their communication message from a focus on product features, to a focus on customer benefits. Then when the product features and benefits are accepted, and the product has progressed through the product life cycle the communication message is focused on value for money. A typical example of this is automotive retailing. Model run-out sales tend to focus on price, whereas new models focus on the advances made over previous models and superiority over competitor products.

Adoption and non-adoption

Adoption and non-adoption are important considerations for marketing practitioners (Sheth, 1981; Sheth & Ram, 1989; Ram, 1989; Moore,1991; Cornescu & Adam, 2013). In a classic paper, Moore (1991) building on the work of Everett Rogers highlights that with technology products the diffusion process may not be as smooth as with some other products. Non-adoption occurs, when an adoption group undertakes a costs-benefits-risks analysis and does not consider there is a personal value, when an adoption group undertakes a costs-benefit-risks analysis and whilst recognising value postpones adoption because they see no immediate need. Moore (1991) describes this as a chasm between different adopter groups and suggests that there is often a "chasm" between:

- The early adopters - [B] - who are more focussed on the technology and performance
- The early majority - [C]– who are more focussed on solutions/benefits and convenience

Moore (1991) recommends that marketing practitioners should be customer centric and consider different adopter groups and communicate different product value propositions to appeal to different consumer values[1] and perceptions of value[2&3].

In section 3 we will discuss how product adoption and the product life cycle influences the business-marketing planning process – strategically and tactically. Given our 9 objectives of marketing practitioners, the product adoption and product life cycle concepts provide managers with 4 broad questions:

- What stage is/are our product[s] at [customer adoption profiles]?
- What is the effect on revenue?
- What is the likely effect on future revenue?
- What strategies can we implement to manage the customer, the product, and the PLC?

The adoption or non-adoption of a product and the diffusion throughout the population is influenced by a number of product factors. You may notice that the factors influencing adoption or non-adoption are similar to the risk factors – which is logical. Previously, we identified possible risks as financial, functional, social, epistemic, emotional, temporal, physical, spiritual, and sensory risks. The adoption or non-adoption factors are:

- **Product importance:** how important is this product is there a risk of 'loss of face'
- **Product familiarity:** the degree of awareness and experience with a product – has the customer used this product or know others that have used this product
- **Product knowledge:** what information has the customer acquired about this product and/or similar products
- **Product comprehension:** the degree that a customer understands the product, the buying process and the product benefits

- **Product complexity:** the ease or difficulty involved with incorporating a product into a person's life

Given the high failure rate of new products it is worthwhile to explore **innovation resistance**. At the height of the research into adoption and diffusion of innovations, Sheth (1981) put forward the view that the academic marketing literature appears to be pro-innovation and overly enthusiastic regarding the organisational benefits of innovations and have generally avoided discussing innovation resistance and **resistance behaviour**. Innovation resistance is a normal human instinct in both B2B and B2C situations and varies in intensity across different product categories, with intensity at its greatest when an innovation is perceived as a radical psychological change (Sheth & Ram, 1989). In his research Sheth (1981, p.281) found two factors "habit towards an existing practice and perceived risks associated with the innovation" and concluded that consumers who had **both** a strong habit + high perceptions of risk were more likely to have developed a vested interest in maintaining their self-image through resisting and opposing the change.. Given the high failure rate of innovations, Sheth & Ram (1989) suggest that researching innovation resistance may improve adoption particularly when an innovation conflicts with prevailing consumer values. Therefore, they suggest that marketing practitioners should consider prevailing attitudes and adoption risks across all market segments when designing and developing communication strategies. Sheth (1981) and Ram (1989) highlight that in addition to mass communication tactics organisations can employ personal communication tactics [e.g., face 2 face communication] to answer personal concerns.

Cornescu and Adam (2013) agree that there can be adoption and non-adoption but agree with Moore (1991) that there can also be adoption postponement [also discussed in the buyer decision process].However, postponement may not be with the innovation but with what the adoption represents to self-image (Ellen, Bearden, & Sharma, 1991).

> **Author's comment:** The marketing genre of social marketing was described by Kotler (2017) as social cause marketing. Within the Journal of Social Marketing the topic of adoption resistance for lifestyle, health and social changes has received substantial attention.

Product recipient

Exchange relationships can be business-to-business [B2B], business-to-consumer [B2C] or one of a number of smaller categories. It is important to realise that the same product can be both B2B and B2C. Let's take something as common as a can of Coke. We would instinctively say that Coke is B2C, however, for much of the journey through the marketing channel a can of Coke is B2B [think bottler > logistics > retailer]. Other products may be designed and developed for both B2B and B2C markets [e.g., photocopying at Officeworks, a telco plan]. In these situations, the organisation may have different strategies and tactics depending on the relationship.

The product recipient can also be considered in terms of who or what is the recipient. For example, if someone visits a dentist then the recipient is the patient [i.e., the who]; if someone takes her/his automobile to a mechanic then the recipient is the motorcar [a possession] – [i.e., the what]. We can see that the customer is involved in both situations, however, to varying degrees and that a service can be directed to both people and/or possessions.

Furthermore, if you consider the dentist and mechanic examples, you may have noticed that people and equipment are needed to facilitate and enable the service delivery.

Product contact

The number of episodes is an important consideration; however, the degree or type of contact is also important. During one or all of the 3-time-zones of the buyer decision process all products have some degree/type of contact between the organisation and the customer [otherwise an exchange would not occur]. Service marketing scholars often refer to product contact as **product inseparability** – the premise is that there is less 'separation' between the customer and the organisation during the services production process than during the goods production process and that the production of a service occurs in real time whereas the production of goods generally occurs without customer contact. Therefore, different management tactics are required to maintain service quality than goods quality.

Products are delivered through either:

- Remote contact – low contact through a medium, for example listening to the radio does not require face-to-face contact and this is delivered through a medium.
- Face-to-face contact – high contact- in person, for example, a haircut then it requires face-to-face contact

From the two examples, we can see that one is low contact whereas the other is high contact. The degree of contact can be plotted on a low <> high continuum. Although the two examples are quite different they highlight that the customer must be physically present and/or mentally present for the product to be delivered. For example, to consume a football match the consumer must be physically present at the match, or mentally present to the radio, TV, newspaper, or Internet.

Understanding the degree and the nature of product contact is an important consideration; particularly when the product or some product components is/are produced and consumed in real time [i.e., simultaneously]. Some products require the customer to visit the organisation, whilst other products require the organisation to visit the customer. In the haircutting example, there are two options. The traditional method is where the customer visits the salon, however, there are also mobile hairdressers where the hairdresser visits the customer. Mobile hairdressers provide a service to those that would find it impractical to visit a salon. Car maintenance is similar many take their cars to a mechanic, however, there are organisations that provide roadside assistance for those that have broken down and there are mobile mechanics that maintain vehicles at the customers preferred location. Also, product contact can vary during the 3-time-zones of the buyer decision process.

Product inseparability

The need to be mentally or physically involved during the delivery process is termed product inseparability – so we can see that product inseparability is related to 'involvement'. Although, some products are delivered on a one-to-one basis, other products are delivered in the presence of other customers; therefore, other customers may form part of the product – for example attending a nightclub or a sporting match. Inseparability is particularly important when the product has a high service, people, and/or experience component.

One area that requires management attention is when the behaviour of other customers impacts on the experience of a customer; for example, a recently engaged couple are enjoying a romantic meal whilst a group of customers in the next table are celebrating a Grand Final victory. Although this suggests a negative impact in other circumstances it may also have a positive impact; a couple on a cruise enjoying the company of another couple at mealtimes.

Product variability

The degree of contact and the need to be physically and/or mentally present during product delivery places greater emphasis on organisations to manage quality issues. Often quality varies from one employee and another and sometimes from one day to another. This will be discussed in greater detail in internal marketing and managing episodes of dissatisfaction.

Product variability is sometimes referred to as product heterogeneity in the services marketing literature. The ability to maintain quality varies according to the nature of the product and the degree of contact and the role of the customer in designing and producing the product. Consider what happens in the following scenarios:

- A staff member, who is having a bad day, meets a customer who is having a bad day
- A new member of staff comes in contact with a long-standing customer
- A staff member encounters a customer who has English as a second language
- A staff member who has strong beliefs has to serve a customer who has different beliefs

Clearly, due to the variability of people it is harder for some organisations to consistently deliver an appropriate customer experience. *This requires that marketing practitioners are sensitised to the nature of their product and ensure that they manage the process and customers to ensure a consistent quality experience.*

Product classification

We have stated that marketing strategies and tactics are contingent on the customer, organisation, market, the product [COMP].

The most employed consumer product classification is Copeland's (1923) classification of convenience <> shopping <> specialty products. This is one of the most enduring marketing concepts and although it has received some attention it remains essentially true to Copeland's original intentions (Fanning, 2011).

Two scholars that explored product classifications were Aspinwall (1958) and Miracle (1965) they suggested that products depending on the classifications have characteristics which require specific management consideration, however, Winzar (1992) stated that product classification is a generalisation and is situationally dependent and there will be exceptions.

Figure 81: Copeland's 3 product classification + the seminal classification - the extended classification organised by degree of involvement.

We will now discuss how products may be classified. We will now discuss convenience, shopping, specialty, and seminal products.

Convenience products

Convenience products are consumer products that are frequently purchased and consumed within a relatively short time [also referred to as **consumables**], purchasing is often a habit and, often, few competing products are considered, the buyer decision process is simple, and little physical and mental effort is expended to complete the purchase. Although some convenience products are considered necessities [e.g., milk, detergent, toothpaste] others are 'little luxuries' 'treats' [e.g., chocolate, magazines]. Sometimes, convenience products are impulse purchases. Impulse purchase are not always little luxuries and can be influenced by changes to situational factors [e.g., buying ice cream because a friend has just phoned to say she will visit]. Convenience products can be plotted on a sought <> unsought continuum [sought: an ice cream] [unsought: headache medication].

A characteristic of convenience products is that overall demand is generally stable [particularly with staples like bread and milk], however, individual products must compete robustly for market share. This classification has implications for marketing practitioners particularly managing mental and physical availability [i.e., being familiar with the product, being comfortable with the price, and being readily available at convenient locations] are the determinant factors.

Shopping products

Shopping products are consumer products that are purchased less frequently than convenience products [this is a generalisation – as some 'teenagers' live at home and purchase few convenience products and the bulk of their spending is on shopping products]. Shopping products require a greater degree of customer-product involvement, as consumers will consider a number of factors in their decision-making, such as - price comfortability, quality, value, features and benefits, and brand associations. Therefore, shopping products take more time and effort than convenience products. Once again, shopping products can be necessities [e.g., refrigerator] or luxuries [a bottle of champagne to celebrate New Year]. Shopping products can also be located on a sought <> unsought continuum [sought: e.g., the new outfit for a special date] <> [unsought: e.g., car insurance]. Therefore, whilst shopping products may be consumables, they may also be durables.

Marketing practitioners need to have strategies in place to manage shopping products, particularly managing mental and physical availability. Shopping products require greater personal communication with the consumer, there is more problem solving and more effort, low frequency of purchasing and a greater service component dictates higher margins than for convenience products. The extra customer interaction is such that the customer is often a co-producer of value. To communicate the unique product value proposition of shopping products, manufacturers and channel partners often participate in retail co-operative advertising campaigns.

Specialty products

Specialty products are also consumer products they tend to be more durable [consumed over longer periods] and purchased less frequently than both convenience products and shopping products [a person may buy a tub of ice-cream each week, however, may only buy a fridge every 7 years or so]. Generally, there is more customer-product-organisation involvement with specialty products.

As consumers are often unfamiliar with individual products [and models] brands are often a **heuristic** [mental shortcut] when searching for specialty products. Some consumers will make the decision to purchase a particular specialty product [e.g., Omega Seamaster] and then save specifically for that product. Therefore, it may appear as if little product/brand comparison is made at the time of purchase, however, this may not be the case with specialty products [see postpone on the buyer decision process model]. Furthermore, product selection may be the result of many years of branding [the character James Bond wears an Omilli Seamaster].

Specialty products can also be located on a sought <> unsought continuum [sought: the new car] unsought: choosing car insurance]

Marketing practitioners need to have strategies in place to manage specialty products, particularly managing mental and physical availability. With less product familiarity comes the need to communicate one-on-one with the consumer to a greater degree, with a higher dollar value there is more perceived risk, there is more problem solving and more psychological effort, lower frequency of purchasing and a greater requirement for service necessitates a higher margin than convenience and shopping products.

According to Powers (2012) consumers are willing to travel further and expend more time and effort to acquire specialty products than shopping products and travel further and expend more time and effort to acquire shopping products than convenience products. However, he also argues that specialty products have the highest risk and convenience products have the widest availability. Therefore, he suggests shopping products will be more suitable to online shopping than convenience or specialty products.

> **Author's comment:** My observations are that convenience products are gaining popularity through home deliveries by supermarkets and products such as 'Hello Fresh'.

Seminal products – the extended product classification

Previously we have stated that there are three product classifications, however, in 2011 the author of this e-book reviewed Copeland's work and added another classification – seminal products. Seminal products are those products that on reflection are life changing. Migration is one of the most obvious. There are many seminal products. Some say that taking a Contiki tour changed their lives, others say buying a home, whilst many say that a university degree changed their lives.

Seminal products are characterised by three liminal states – pre-liminal > liminal > post-liminal. Seminal products are products where there are distinct markers in a person's life a time before the product, a time experiencing the product, and a time after the product.

Some products are purchased to mark a seminal event in someone's life [e.g., birth of a child, graduation, an engagement, wedding, a business success]. The product is then given special status as a reminder [e.g., a memento, a souvenir]. This may be in the form of jewellery [e.g., a ring, bracelet, earrings, watch], however, it can be an automobile and even a vacation [e.g., going to Paris to celebrate an anniversary].


Product inseparability & contact
Product contact may vary
High contact
[e.g., dentistry]
Low contact
[e.g., radio]


Customers as co-producers
Some products are:
Delivered in real time,
Customers are co-producers
Provider skills vary
Perceived as riskier
Think
Product contact
Product variability
Product risk


Product inseparability & contact
Some products are:
Delivered in real time,
Customers are co-producers
Provider skills vary
Perceived as riskier
Think
Product contact
Product variability
Product risk


Product perishability
unsold seats cannot be sold at a later time


not sold - not delivered - not consumed
Choice between two companies


Product perishability
Source of picture unknown
Volcanic dust over Europe


Product perishability
unsold seats cannot be resold at a later date


Product perishability
unsold seats cannot be resold at a later date


Product classification
Convenience
Shopping
Specialty
Seminal
Low involvement
<>
High involvement
Copeland (1923) + Fanning (2011)


Product classification
Consumables
<>
Durables


Product category
Consumables
<>
Durables

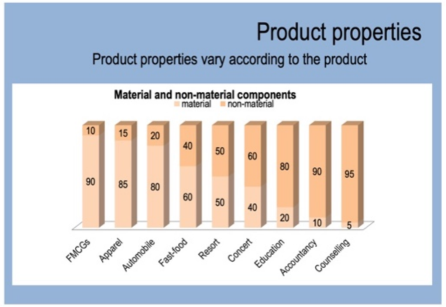

The product recipient
The product can be directed to a person or a possession
[who or what]
[e.g., Dentist]
[e.g., Mechanic]
If you consider both examples you will also see that
people and equipment are needed to complete the process.

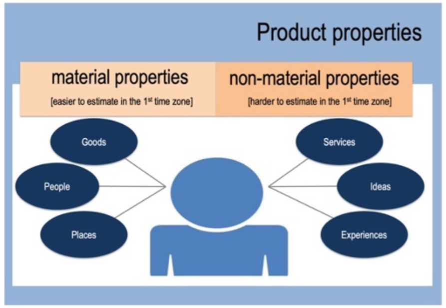

The product recipient
The recipient maybe a possession
* people skills are still critical


The product recipient
The recipient maybe a possession
* people skills are still critical


Product recipient?
Is this a B2B or B2C product


Product inseparability
How involved is customer in the production process?
Produced
Sold
Sold
Produced





Products - consumables or durables

Products may be classified as **consumables** or **durables**. Consumables are products that are purchased and consumed within a short period of time. Many convenience products could be classified as consumables. Durables are products that purchased and consumed over a longer period of time [whitegoods and automobiles]. Convenience products are often consumables, whereas shopping and specialty products are often durables. Furthermore, the consumable durable classification is generally applied to goods dominant products.

Product category

A product category is the constellation of products that may satisfy a need. A walk through an electrical retailer will provide an overview of how the retailer organises their shop by product category. Examples could be computers, hi-fi, mobile phones, cameras, and whitegoods. Products are arranged in product categories to make shopping and buying easier. Consumers often consider the constellation of products within a product category during the purchase behaviour stage of the buyer decision process.

Product class

A product class is a sub-set of a product category. To be considered by a consumer a product must be considered with a number of other products – the considered set of products. Product class is to generate an association with some products and yet at the same time be distinctive to others. This is generally applied to convenience products and a walk through the supermarket aisles will see many examples of a product class within many product categories [e.g., the low-fat yoghurt product class].

Product line – product mix

A product line is a group of similar products offered by one organisation for selected customer segments. An organisation may have more than one product line; some companies may have product lines that are targeted towards one group of customers and another line of products targeted towards another group of customers. An example could be a cosmetic company with a range of beauty products for different age groups and skin tones. Product line 'breadth' refers to the number of products in a product line and product line 'depth' the number of versions of each product there are [e.g., packaging sizes]. The entire range of products that an organisation offers is termed the **product mix**.

Product line extension

When an organisation adds a new product to an existing product line they are extending the range of products this is termed a product line extension strategy [e.g., Coke – Zero]. However, if/when a product line extension fails to meet the organisation's objectives then the product lines can be reduced. Marketing practitioners consider product line extensions as a low-risk strategy.

Product modification

Often due to competitor activity or changing consumer demands - a product needs to be modified. For some products, this [product modification] is a major cost in tooling [e.g., a motor car] or packaging [e.g., FMCG], however, there are also some products that are modified on a continuous basis. For example, the debrief that would happen in a restaurant to discuss how to improve service quality the following day. This is related to the potential product concept that we will discuss later.

Product planned obsolescence

Planned obsolescence is much more widely practiced than would be apparent. Often marketing practitioners have long-term goals for their 'potential' product; however, know that one large step may not be as accepted as a few small steps. Planned obsolescence is often built around where the market is going. Planned obsolescence tends to have sinister connotations, however, with shorter product life cycles and consumers searching for best satisfying products, organisations have little option than a constant process of new product development.

Product stewardship

This is the idea that managers are responsible for their actions and that when developing new products and managing existing products then environmental, health, and safety cost should be considered and managed (Bradley & Schouten, 2012). There are a number of similar terms such as triple bottom line. Many organisations promote 'sustainability' as an idea associated with their products/brand – we discuss this further in product components - ideas.

Product desirability

Some textbooks include an *unsought* classification into Copeland's product classification. However, sought and unsought can be applied to all products in Copeland's classification and Fanning's extended product classification [convenience, shopping, specialty, seminal]. It may be helpful to consider the degree of sought <> unsought as a position on a continuum.

The product consideration of sought <> unsought is the degree of product desirability; clearly some products are more desired than others. For example, whilst someone may wake up excited because they take delivery of their new car they tend not to get excited when it is the day they renew their car insurance. Some products are sought-after, and others are unsought – that is not to suggest that an unsought product is not necessary. For example, let us imagine a homeowner who has a gas water heater that needs regular maintenance – and the cost is $180.00. This is really an unsought product because after the maintenance has been undertaken there is little evidence of the exchange. However, consider the impact of neglecting to have the maintenance – increased gas consumption, a shorter life for the water heater, and the higher chance of being without hot water. We can see from this example that often consumers are motivated to enter an exchange to **avoid** an unpleasant outcome.

Product desirability is similar to Kurt Lewin's concept of **approach – avoidance**. Lewin (1935) stated that people are motivated to approach a positive outcome or motivated to avoid a negative outcome. Therefore, products can be directed towards providing a positive outcome or the avoidance of a negative outcome. Some scholars express this as a **desire for** or **freedom from.** Quester, McGuiggan, Perreault, and McCarthy (2005) citing Walters (1979) provide a list of outcomes that relate to desire for and freedom from:

- **Desire for:** acceptance, achievement, acquisition, affection, affiliation, appreciation, beauty, companionship, comfort, fun, distance (personal space), distinctiveness, esteem, fame, happiness, identification, knowledge, prestige, pleasure, recognition, respect, retaliation, self-satisfaction, sociability, status, sympathy, variety
- **Freedom from:** fear, depression, discomfort, anxiety, pain, imitation, loss, illness, harm, ridicule, sadness, pressure

Product visibility

Another product consideration that is regularly associated with Copeland's classification is the degree of product visibility or social visibility of the product. The degree of social visibility often dictates the importance of the brand in determining product choice. Product visibility relates to whether the product is:

- **Public** and visible to others
  - A home kitchen is public: homeowners are likely to consider what brands of appliances are on display
- **Private** and not seen by others
  - A bedroom is private: homeowners are less likely to consider what brand of mattress is purchased

This concept is often referred to as the need to 'maintain face' and is a key cultural consideration in many ethnic groups.

Products – utilitarian/hedonic value[3]

Products that have a utilitarian value are purchased for their functional and practical nature [think utility as in cars], whereas products that have a hedonic value are purchased for a pleasant experience. It should be highlighted that products may have utilitarian and hedonic values[3] [e.g., tradespeople who purchase a work vehicle with a degree of luxury].

Products – autotelic/instrumental value[3]

Products that have an autotelic value[3] are products that are consumed without another purpose in mind [e.g., someone watches football for the love of the game]. Autotelic value[3] is also referred to as a terminal value[3]. Products that are instrumental are products that are consumed as a means to an end [e.g., someone watches football with friends because they want to be part of the group rather than a love of the game or someone buys a new dress for a job interview because the want to present a professional appearance].

Product involvement

Author's comment: read more on involvement in 2:0 marketing theory [preview]

Product properties

Some marketing scholars talk about tangible and intangible products others prefer "material and non-material" product properties – so in your readings you are likely to come across both.

This topic is a contentious topic that can be traced back to Adam Smith and the value of labour and outcomes; however, it is important and fundamental to an understanding of marketing. We discussed it previously during our discussion on the buyer decision process and will now explore it from a different perspective.

Kotler and Levy (1969) [in the classic paper 'Broadening the concept of marketing'] argue that a product is more than first meets the eye, more than just the tangible – the material properties – products also include the intangible – the non-material properties.

The authors elaborated beyond the tangible and intangible product properties to state that products also include objective and subjective meanings. Duois, Jolibert, and Muhlbacher (2007) who revisited the Kotler and Levy article and an early French marketing article suggest that material and the non-material product properties is a more accurate description than tangible and intangible product properties. Material and non-material properties is also consistent with Glassie (1999) who refers to the material and non-material world. The term intangible means physically or mentally difficult to grasp. To a consumer, a product [e.g., a laptop computer] can be physically tangible [easy to grasp] yet mentally intangible [difficult to grasp – difficult to comprehend]. Therefore, the use of tangible and intangible may add confusion or require further clarification when used.

When marketing practitioners use the word intangible they can mean three things:

- That the product does not physically exist at the time of sale
- That the product is difficult to comprehend
- It is difficult to comprehend because it does not result in something material being owned by the customer.

However, a product may not physically exist and yet be easy to understand. Conversely, a product may physically exist and be difficult to comprehend. So, although some marketing scholars may understand intangibility and all its subtleties - for readers new to marketing, intangibility is 'hard to grasp' [intangible] at best.

Therefore, to be more specific and avoid confusion, in this e-book, we will talk about **product comprehension** [ability to understand, recall, and retell] and **material product properties** and **non-material product properties.**

The material and non-material product properties enable consumers to distinguish between one product and another – **search properties**. Material product properties are physical properties that can be estimated and assessed by the senses [e.g., often when people are choosing an article of clothing they may feel the fabric]. It is easy to recognise the importance of material properties; however, non-material properties are also important. Non-material product properties are non-physical properties that are embedded within the product, for example, the services that are part of a product, [e.g., the services that enable the article of clothing to reach the end-customer cannot be seen or felt]. Non-material properties also include the symbolic properties [the ideas] that distinguish one brand from another [e.g., Levis jeans from Lexi jeans – a copy brand].

In the past, some scholars stated that goods are tangible, whereas services are intangible, however, this broad statement ignores many factors that can be understood better by determining material and non-material product properties. Material and non-material product properties remain constant throughout the 3-time-zones. Whereas something can be intangible prior to purchase and tangible post purchase. For example, tourism products [e.g., staying at a five-star resort] are often described as intangible, whilst this may be true prior to experiencing the product it is not the case during the product delivery and in the post-purchase stage. This is discussed in the vignette The Bali Wedding.

There is another product property classification that is worth considering and one that is generally neglected in marketing textbooks - animate and inanimate properties. Goods are generally thought of as inanimate products [e.g., a ladder]; however, products can also be **animate** [e.g., pets, and plants]. Animate products are living products and therefore need special attention. Later in the e-book we discuss people as a product component. People may be the dominant or a determinant product component [e.g., my doctor, my accountant, my plumber, my butcher]. Sometimes, we select an organisation based on the people – animate and inanimate product properties will apply to some businesses.

To overcome the non-material product properties marketing practitioners must be aware of the nature of the product and provide the appropriate physical evidence of value and quality in the 3-time-zones of the buyer decision process.

Product complexity

Product complexity is the ease or difficulty involved with incorporating a product into a person's life. Therefore, product complexity influences a person's adoption of a product. When personal computers were first introduced they were complex, and some readers may remember the DOS system computers that required memorising commands. The takeaway from this example is, that when complexity was reduced, through less complex software, adoption increased.

Product comprehension

Some use the term 'intangible' when a product is difficult to understand. A product may be material but hard to comprehend - it may be complex. The ability of the consumer to comprehend the product offering [product comprehension] will influence the perception of risks and the rate of adoption. For example, mobile phone plans have often been criticised as hard to comprehend due to complexity of the terms of agreement and usage rates.

One of the key communication objectives is to ensure that the unique product value proposition is easy to understand – product comprehension. When a product is well positioned, and the benefits are understood - then consumer memory is enhanced, and the product is more likely to be considered.

When communicating the value proposition within the organisation [internal marketing] it is worthwhile to provide scripts to enable contact staff to firstly, better comprehend the unique product value proposition and then to better communicate the unique product value to customers. Later we will explore how the unique product value proposition becomes the **ideas** associated with the product and the basis of comparison between competing products in the customers considered set of products.

Although the majority of products are easy to comprehend there are also products that are difficult to comprehend. Generally, products are easy to comprehend when they lack complexity, when consumers are familiar with the product, and/or have experience with this product or the product category. The ability to trial a product also improves product comprehension. Product comprehension and risk are related. Furthermore, products that have high material properties are easier to assess and comprehend than products that have high non-material properties. Conversely, products that are high in non-material properties are said to be more difficult to assess than products that are high in material properties (Gronroos, 2007).

Some products are difficult to comprehend because they can't be assessed because they haven't been produced prior to purchasing [e.g., going to a live event]. Products often have a different production-consumption relationship; some products are:

- **Produced then sold:** goods are produced [perhaps, in a distant factory] and then shipped to the retailer for sale [goods that have completed the manufacturing process and are ready for sale are classified as finished goods]
- **Sold then produced:** services/experiences happen in real time [a live event such as a concert is sold and then produced]

Let us summarise the previous paragraphs - goods are produced and then sold, however, services are sold and then produced - this results in a number of management challenges. For example, retailers purchase finished goods [from a manufacturer or an intermediary] and then the retailer provides the place, people, services, ideas, and a retail experience. This is an important point, whilst the finished goods can be stored until sold – the other product components will perish if not sold. Therefore, retailers must not only manage capacity and demand for the finished goods they must also manage the capacity and demand for the other product components. Retailers, often use the 'sale' tactic to achieve this. Retailers are often faced with fluctuations in demand and capacity problems. This is something that is often overlooked as retailers place a margin on the finished goods to cover the total organisational costs of retailing.

Traditional goods retailers face a number of challenges, one of them is **showrooming**. For example, some consumers may visit a bricks and mortar retailer, they may try on clothes at the retailer's premises; once they have the correct size they leave the store and order the clothes from an online retailer. Meanwhile, the bricks and mortar retailer has provided a showrooming service to a consumer and has incurred an expense.

Q: What strategies and tactics could a retailer implement to communicate the advantages of shopping in-store and the hidden consumption costs of on-line shopping?

Q: What strategies and tactics could traditional retailers implement to convert showroomers to buy from them?

Q: What strategies and tactics could traditional retailers implement to increase webrooming [browsing online prior to visiting a store]?

Q: Are traditional retailers that fail to blend smartphones, tablets, computers into their repertoire failing to maximise the 9 objectives of marketing practitioners?

Q: How can a traditional retailer become an omni-channel retailer?

Some service dominant products have more material properties than others and this may influence product comprehension; for example, when searching, estimating and selecting a business a consumer may inspect the premises to estimate the qualities of the product against the costs. Other services dominant products are easier to comprehend because they result in the customer possessing something material [e.g., withdrawing cash from an ATM, the building of a home], or may result in an improvement [landscaping a garden] or a repair to a possession [the services provided by a panel beater].

Sometimes product comprehension is difficult. The product may be complex; for example, the product may require specialist knowledge [e.g., the services of a lawyer] or a customer may have little to show [material properties] after a service [e.g., a stay at a resort]. As we have stated earlier, marketing scholars refer to products as high in credence properties when a customer may have difficulty determining value.

Linking content & context

Marketing vignette: The Bali wedding

Evette and Ben are getting married in July and have chosen to get married in Bali; one reason for their choice is that they met in Bali. Evette has found a resort in Seminyak that caters for wedding parties and can accommodate wedding guests in Private villas.

Evette's mother, who has never been to Bali, sees this as high in risk. To manage the risks and her mother's anxiety, Evette and her mother purchased a weekend trip to Bali. In Bali, they met with the owners of the resort, inspected the gardens where the wedding ceremony will take place, ate at the restaurant, spoke with newlyweds, and spoke with guests who had just attended the newlyweds' wedding.

On the flight home Evette's mother said, "I feel a lot better now, I have a better idea ... and I am looking forward to the wedding."

In the above vignette, we can see that pre-purchase risks are often heightened by an inability to search for material cues. Consumers use a number of risk reduction strategies. A key marketing task for organisations is to provide physical evidence of quality that reduces the perceived risk of consumers.

Q: What are the challenges of providing physical evidence of quality to consumers?
Q: What product classification would you identify the Bali wedding as?
convenience [ ] shopping [ ] specialty [ ] seminal [ ]
Q: In the vignette 'the Bali wedding' could guests who were unable to attend the wedding in person attend the wedding through live streaming on the Internet?

Marketing vignette: Alicia buys a car

This vignette is designed to sensitise readers to one person's journey through the buyer decision process and how family members may influence a decision.

Alicia's present car is unreliable, it broke down on the way home from university, she has always wanted a new car, and her parents are concerned for her safety, they want her to have a safe and economical car. Her father believes that if she buys a new car it will be initially more expensive, however, the ongoing costs will be much less, therefore, when money, time, effort are considered it will be cheaper in the long-term.

Her mother has a Volkswagen Passat and her mother believes German cars are quality cars. Alicia shares her mother's point of view. Alicia has searched the Internet and has also observed some 'cool' people around her age driving Volkswagens. The three of them go to a Volkswagen dealership. The salesperson initially recommends a Volkswagen Polo, her father thinks the VW Polo is a bit small and prefers the Golf. Alicia takes the Volkswagen Golf for a test drive, and she is hooked. Alicia trades-in her old car as a deposit on the new Golf, she reflects on how thrilled she was when she got her 'first' car and how, eighteen months later, she can't wait to get into her new car. Her mother makes her promise to keep this car cleaner than her first car.

Her parents agree to pay for the car insurance if she makes the car payments. Alicia was planning a trip to Brisbane during the break but that will have to wait.

You may like to revisit the buyer decision process before answering the following questions.

Q: Discuss the difference between a product and a brand.

Q: Identify the types of involvement in the above vignette.

Q: Are there relationships between the involvement types and the 3-time-zones?

Q: Has Alicia's mother an enduring involvement with the Volkswagen brand or could it be with German cars? And if it is with German cars could it be that in the future Alicia's mother may move to another German brand [e.g., Audi which is part of the Volkswagen Group]. Marketing is interesting – do you think her mother may wish to position her next car above her daughter's brand.

Q: The vignette identifies something that is often overlooked; whilst many simple buying decisions [low involvement] are autocratic [one-person decision] others are more complex [high involvement] and are syncretic decisions [two or more-person decision]. Identify the autocratic and syncretic decisions.

Q: The vignette also identifies that Alicia's father has personal values that he is expressing; paying a little more may be better value in the long-term and safety issues. Can a parent's values influence the consumer socialisation of family?

Q: Country of origin 'place' plays a role in many purchase decisions. What has been your experience in this regard?

In the vignette 'Alicia buys a car' the search for information includes both internal and external and a variety of sources of information were employed: personal sources, commercial sources, public sources, and experiential sources.

Q: In your opinion, what sources are most likely to influence Alicia?

Q: What is the role of a brand when a consumer is estimating value [1st time-zone]?

Product value proposition

A product is the total of everything that is offered or received in an exchange. Kotler, Brown, Adam, Burton, and Armstrong (2007) emphasise that from an organisation's perspective a product is the **total organisational offering.**

From a customer's perspective, it should also be considered that an exchange includes the total of what is received and what is given [the total costs]. Furthermore, total costs are also made up of objective [money] and subjective factors [psychological and effort costs]. This could be termed the **total exchange value**. We can therefore surmise, that from a customer's perspective the total product comprises the objective and the subjective, and the material and non-material product qualities.

The product value proposition is how the total product offering is communicated with the targeted customers and how does this product offering meet the needs of the customer when compared to other product offerings within the considered set of products [see also product ideas].

Product decision type

Often, we assume that there is one decision maker; these decisions are **autocratic** decisions. However, as we will see in the vignette 'Alicia buys a new car', many products involve more than one decision maker. Take the decision to buy a family home in most cases there will be input from more than one person; these decisions are **syncretic** decisions.

Being aware of how consumers make decisions is important for marketing practitioners when designing and developing communication materials and during a sales presentation.

Product delivery duration

Whilst goods dominant products tend to be classified as consumables or durables - service dominant products are classified by the duration of the service. Some service dominant products are for a very short duration – for example purchasing a meal at a fast-food restaurant. Others are a much longer duration – for example repaying a home loan.

Frequency of purchase for service dominant products is generally classified on a relationship continuum from casual <> membership. An example of a casual relationship would be catching a taxi and an example of a membership relationship would be a fitness centre, golf club.

Product delivery may be a one-off episode or multiple episodes [imagine buying a new home from a builder and the number of interactions through the course of negotiations and construction].

Moreover, when a relationship with a product is ongoing and/or has multiple episodes then post-purchase evaluations of quality, value and satisfaction are assessed as individual episodes that contribute to an overall calculation – cumulative in nature. [In the literature, an episode between a service provider and a service recipient may be referred to as an episode, points of contact, encounter, interaction, touchpoint, or moments of truth]. Therefore, satisfaction becomes a cumulative evaluation comprising a number of exchanges or episodes. This is important, as it is cumulative satisfaction, rather than episodic satisfaction, that builds trust and then loyalty (Oliver, 1999; Keiningham, et al., 2014).

Product perishability

The product perishability characteristic is often associated with food [e.g., best before xx/xx/xx]. However, perishability also effects other organisations. Perishability effects products, that:

- Are delivered in real time
- Require a customer to be physically and/or mentally present
- Cannot be stored/warehoused for future delivery
- Cannot be resold [e.g., "I went to a great concert last night at the new Perth Arena – it was a great experience - would you like to buy my ticket"]

There are many ways to preserve food: for example, tomatoes can be canned, bottled, dried, and stored for future sale or use, however, the real-time nature of many products means that the empty seats on the flight to London cannot be sold once the plane has left the terminal, the hotel rooms that were not let last night cannot be double let in the future.

Fisk *et al.* (2007) emphasise that the opportunity to generate revenue disappears when capacity is not sold. Managing product perishability is an ongoing revenue challenge. You will notice that hotels offer non-peak pricing to manage capacity and demand and enhance revenue generation efficiency.

Product familiarity

When a product or a product category has never been purchased there is little product knowledge and therefore the perceived risk is greater. Unfamiliar products generally have greater time and effort costs for customers. When a product is frequently purchased then product knowledge is greater, and it could be assumed that the customer is satisfied and a relationship with a product is being formed. This relationship is likely to generate brand loyalty that may influence the customer likelihood of trialling other products under the brand umbrella.

Product uniqueness

From all of the product considerations we can see that all products have a degree of uniqueness, and it is through the uniqueness that consumers consider the unique product value proposition, and this determines product selection.

Product warranties

In many countries, for example Australia, there are two parts to a product warranty. The first part is prior to purchase, when it is a product promise; the second part is post-purchase, when it is a consumer right and can be enforced by law [e.g., the Australian Consumer Law].

Many organisations promote warranties to augment their product from their competitors and to reduce consumer perceptions of risk. In doing so they **increase their consumer responsibilities** in addition to what is required by law. Therefore, product warranties could be seen as part of the expected product and the augmented product. Product warranties are different to consumer guarantees, warranties are in addition to consumer guarantees;

warranties cannot override consumer guarantees. – The Australian Competition and Consumer Commission website discusses warranty in detail [www.accc.gov.au].

activity
[the buyer decision process: car]

Reflect & review

Employ these questions to reflect on your understanding and review your progress.

The e-book states "Product positioning is **linking a product to a product category** and then communicating a position within that product category for the product." Explain what is meant by this statement and provide a brief overview of the positioning steps.

Consider a retail organisation. Is the product of the retailer everything that the retailer offers or is the product limited to the goods they offer?

Explain how a product may start as a B2B product and transform to a B2C product – provide an example.

- Why is an understanding of a product so important for organisations?
- Why is crafting the right product strategy so important for organisations.
- When we introduced the idea of situational factors [COMP] we identified that the buyer decision process will vary according to the COMP factors. We also identified that COMP factors also influence the CADDIE business-marketing planning process. Why do marketing practitioners consider the characteristics of the product [i.e., product considerations] when bringing new products to market or re-positioning a product in the marketplace?
- What is product leadership?
- What is product positioning?
- What is product strategy?

Porter (1980) argues that when an organisation takes a new product to market it must take one of two strategic directions – 1] to compete with a low-price strategy with minimal augmentation or 2] to compete with a higher price with appropriate augmentation:

Explain the difference between a low-price strategy and an augmented product strategy? HINT this is a key concept more important than you may first consider.

- Low-price strategy:
- Augmented product strategy:

Explain product life cycle, product adoption, and product diffusion. List the adopter groups and why is this important to marketers – try to use an example?

- Innovators [A]
- Early Adopters [B]
- Early Majority [C]
- Late Majority [D]
- Laggards [E]

For a consumer to adopt a product there must be a beneficial outcome for them, it must fit in with their existing lifestyle without too much disruption, it must be simple to understand, easy to try before fully committing and there must be part of their ideal-self. Rogers (1962; 1995) puts forward five conditions for adoption. Provide an example for each condition.

- Relative advantage: the customer must see an advantage in adopting the product
- Compatibility: the new product must be compatible with the customer's lifestyle – there must be minimal disruption to the consumer's life
- Complexity: the new product must be relatively easy to understand and incorporate into the consumer's life
- Trialability: there is an opportunity to use/test the product prior to purchase
- Observability: other customers can be seen with the product and enjoying the benefits of the product

List and discuss the 5 product factors that influence adoption?

1. Product importance
2. Product familiarity
3. Product knowledge
4. Product comprehension
5. Product complexity

- What is a product portfolio?
- Why do organisations map their market position for each product?
- What /who is/are the product recipient[s]?
- What is a product classification?

Provide an example and explain each of the 4 product classifications

1. Convenience products .
2. Shopping products
3. Specialty products
4. Seminal products

Explain the difference between products classified as - consumables or durables?

- What is product category?
- What is product class?
- What is a product line – product mix?

- What is a product line extension?
- What is product modification?
- What is product planned obsolescence?
- What is product stewardship?
- What is product desirability?
- What is product visibility?
- Explain products – utilitarian/hedonic value[3]
- Explain products – autotelic/instrumental value[3]
- What are product properties?
- What is product complexity?
- What is product comprehension?
- What is a product value proposition?
- What is product decision type?
- What is delivery duration?
- What is product contact?
- What is product inseparability?
- What is product variability?
- What is product perishability?
- What is product familiarity?
- What is product uniqueness?
- Explain product warranties

Marketing practitioners employ the metaphor - 'marketing mix' – what does 'mix' imply?

the total product
[product layers]

2:2:2 Product layers

Previously: we discussed the product characteristics that marketing practitioners consider when designing and developing marketing strategies and tactics for new or existing products.

Learning objectives

Learning objectives of the chapter: After completing this chapter you should be able to identify the different product layers and demonstrate how marketing practitioners can employ this knowledge when designing and developing marketing strategies and tactics for new or existing products.

Directions

The idea that products have layers was introduced by Theodore Levitt in 1983. Understanding this concept will assist marketing practitioners to audit their products, design and develop new products for selected market segments, and better position products in the consumer's mind.

For marketing practitioners, understanding product layers is crucial as consumers search for and select products that are perceived as best satisfying. Therefore, having a framework when creating a new product or repositioning an existing product is crucial; marketing practitioners must identify what is core and meets the basic needs of the consumer, what is expected from a product at different price points, and what augments and distinguishes a product from alternative product offerings. Furthermore, marketing practitioners need to continually improve the product offering to consider the future offering and create a potential product.

The core product

In his classic article, Levitt (1960) stated most products are built upon a **core product**. The core product is the basic product - this meets the basic needs of the consumer and nothing more. For example, the core product of an airline is to get passengers and their possessions safely to their destination within an acceptable time. The core product is the minimum product that would include a product in a product category.

Although the core product is the basic product - *the minimum product that meets the customer's needs* - it may not necessarily meet the customer's wants. Kano (1995), in his frequently cited article refers to the core product as the 'basic qualities of a product'; he highlights that basic qualities are central to a product. His research suggests that failing to deliver the core product will lead to high levels of dissatisfaction. **Furthermore, although delivery of the core product may avoid dissatisfaction it is unlikely to produce satisfied customer** [i.e., customers will be ambivalent].

The expected product

However, most customers want and expect more than the basic qualities of the core product. The product that the customer expects is often referred to as the **expected product**. The expected product is the industry standard product [what most products deliver in a product category] at a particular price point. For example, the expected products of budget airlines Ryanair and EasyJet are similar – the expected products of premium airlines Emirates, Qantas, and Singapore Airlines are similar, however, the expected products of Ryanair and Singapore Airlines are quite different.

When travelling with a budget airline, customers trade the attractive qualities of a premium airline for the lower price of a budget airline. We can see that a customer's expectations of a product will vary according to price. As you progress through the e-book you will begin to realise the importance of understanding customer expectations. Kano (1995) describes the expected product as **qualities of importance**. He states that delivery of the expected product can result in a small improvement in customer satisfaction. This is consistent with scholars who suggest that within the expected product customers form a series of expectation scenarios.

Zeithaml, Berry and Parasuraman (1993) and others suggest that customers naturally enter an exchange with different expectation scenarios. Prior to any exchange – all customers expect to receive quality, value and satisfaction; therefore, they **approach exchanges** with an overall positive expectation, and they **avoid exchanges** with an overall negative expectation. Percy and Rosenbaum (2012, p.185) refer to 'approach' as having positive motivation, therefore, marketing practitioners should craft a message that communicates "sensory gratification and social approval." Furthermore, they refer to 'avoid' as having a negative motivation [the motivation to enter an exchange to avoid a negative outcome]. Therefore, marketing practitioners should craft a message that communicates a problem and how a particular product will help you avoid the consequences of the problem [problem avoidance].

It is well recognised that no one would enter an exchange if they expected an overall negative outcome. That is not to suggest that on complex products [e.g., building a new home] consumers believe everything will go perfectly. Moreover, sometimes the choice of an organisation is based on how the consumer perceives the organisation will recover if and when things go wrong. Nevertheless, research suggests that most consumers attempt to predict the possible outcome of an exchange. Often consumers predict multiple outcomes or scenarios;

multiple **expectation scenarios** are often referred to as **zones of tolerance**]. During this process consumers estimate the possibility and the probability of negative outcomes [risks] in the future. However, keep in mind what we stated earlier consumers enter an exchange expecting a favourable outcome. There are many influences on the expectation scenarios that consumers form: personal needs, past experiences, word-of-mouth, explicit product promises, situational factors, how alternative products were evaluated. Price also influences expectations; many lower quality organisations rely on discounts to reduce the perceptions of risk.

The expectation scenarios are:

- **An ideal outcome**
    - *Ideal:* customers recognise that the ideal scenario is unlikely to occur, however, if it were to eventuate it would be considered ideal [e.g., upgraded to business class when you have booked economy].
- **An equitable outcome** – similar to the augmented product
    - *Equitable:* would be more likely to occur than ideal – it would be considered a fair return [a bonus or a windfall]. Readers will find many conversations when the equitable scenario is discussed [e.g., receiving a more expensive product because the product you ordered was out of stock].
- **A predictive outcome** – similar to the expected product
    - *Predictive:* what customers expect to receive is a result of an internal and external search for information. Often a product has been purchased before and it is easy to predict the outcome. However, throughout the e-book we have stated that expectations are the basis of satisfaction [what we gave V got V expected]. Therefore, understanding expectations is critical for organisational success.
- **An adequate outcome** – similar to the core product
    - *Adequate:* below the predictive level is what the customer would consider less than expected, however, this is the minimum a customer would accept, it places the customer in a neutral state between satisfaction and dissatisfaction [e.g., you booked a plane trip and were given a seat outside the toilets and were disturbed throughout the flight, however, the flight arrived on time and so did your baggage].
- **An unacceptable outcome**
    - *Unacceptable:* is below acceptable and although considered prior to entering an exchange the consumer has concluded that this is unlikely to eventuate. If someone were to enter an exchange they would predict that the probability of this occurring is very low [e.g., you enter into a contract to have a home swimming pool constructed. You want it and are promised it for the start of summer; however, the contractor fails to meet the deadline and it is not completed till the end of summer].

Figure 82: The construct of product layers provides a number of insights.

> **Author's comment:** equity theory suggests that as monetary costs increase, expectations rise. Therefore, as a customer pays more [monetary costs] there is a corresponding upgrading of what the customer considers unacceptable, adequate, equitable and ideal [e.g., going to a fast-food restaurant and going to a five-star restaurant].

Understanding consumer expectations a key success factor. There is a strategic business imperative that needs to be accepted: **100% of customers expect a satisfactory outcome from an exchange**. In addition, most organisations enter each exchange with the intent of satisfying each customer. Therefore, any customer that is not satisfied is a deviation from the expectations of the customer and the organisation. This deviation in expectations is often expressed as **poor quality**, poor value or as a state of dissatisfaction. Importantly, any deviation in satisfaction is a deviation from both the customer's expectations and the organisation's expectations. Later in the e-book [customer retention] we will discuss the importance of identifying and managing deviations in satisfaction.

> **Author's comment:** For many readers, this is often a light bulb moment. In class when we talk about quality and deviations from expectations, I often ask: if 100% of customers enter an exchange with the expectation of satisfaction, and an organisation has customer satisfaction as its objective, then what percentage of customer satisfaction is the organisation's goal?
>
> The answer is of course 100%. So, any deviation in customer expectations is also a deviation in organisational expectations. Therefore - 100% satisfaction is an organisational goal.
>
> Often, in class the costs associated with achieving 100% satisfaction are raised and this is an important consideration. There is a point where effort produces a diminishing return.

The augmented product

Delivery of the core product and the expected product layers may avoid customer dissatisfaction, and result in what could be referred to as **customer ambivalence** - customers who are neutral, neither dissatisfied nor satisfied. The next product layer the augmented product layer is therefore important to marketing practitioners.

Many organisations provide more than just what is expected: more than the industry standard; they augment their product with product qualities that are attractive to the selected market segments. This layer is called the **augmented product** [some textbooks refer to this as the supplementary product]. Providing attractive product qualities enables the marketing practitioner to position a product from the product offerings of competitors [e.g., Singapore Airlines who augment their product through their inflight cabin staff – "Singapore girl - a great way to fly"]. Kano (1995) refers to the augmented product qualities as 'attractive qualities' he states that often they are unexpected and initially they can lead to high levels of customer delight. However, sustaining delight is difficult and over time attractive qualities can become expected, however, they are qualities that customers are unwilling to risk losing by choosing an alternative product (Oliver, Rust, & Varki, 1997; Bowden, 2009; Dixon, Freeman & Toman, 2010).

We can conclude that different product layers, core, expected, and augmented, influence the buyer decision process and n time customer satisfaction.

> **Author's comment:** Some marketing texts refer to the expected product as the actual product; you may discover this during your reading - so let me explain. During the 1st time-zone [purchase behaviour] product expectations are formed [i.e., the expected product], however, during the 2nd time-zone [product delivery] and the 3rd time-zones [post purchase] the product transforms from being an expected to an actual product.

The potential product [new product development]

The final product layer is the **potential product.** The potential product is often referred to as the future product - the product that will be released in the future – not all potential products will be released - some may be abandoned for any number of reasons. The potential product is rarely presented to consumers, when it is previewed it is often to collect customer feedback. When a product is launched, it loses its potential product status. Some consumers, innovators and early adopters, are prepared to wait for a new model or an updated model – therefore consumers are often keeping an eye on the market for potential products. For example, a consumer may be wary of buying a particular mobile phone because they believe a new model is always released in the months before Christmas.

The potential product is the product that marketing practitioners design and develop during the new product development process. Within the organisation potential product discussions will include what qualities to include and what qualities not to include.

The potential product may be something that is short-term and can easily be implemented; for example, every time people within an organisation make a conscious effort to improve the quality of their product they are re-engineering the potential product. Often the potential product is achieved through a process of continuous improvements. A service example would be an organisation's professional development days focussed on improving service quality.

The quest for the potential product is a theme that runs through this e-book; the potential product is the quest for a strategic competitive advantage. We only have to look at the release of a new model car to see that behind the scenes the car company has been working on hundreds of areas to improve their future product; keep in mind that at the same time the sales team are focussed on selling the existing models.

Once upon a time, monitors on the back of airline seats were a potential product, then after their introduction they became an augmented product and with time an expected product. The key point with this example is that organisations are always on the search for new qualities to augment their product from their competitors' products. Furthermore, as organisations emulate the product components of their competitors the potential product becomes the augmented product and the augmented product becomes the expected product. However, a low-cost airline may reduce organisational and consumption costs by not having 'back of seat monitors' yet meet customer needs by streaming content to the customers' devices [imagine the goodwill if the content was free; given that almost everyone has a tablet, laptop, or smartphone when travelling– or could be passed-on to friends for free maybe with and ad].

Market research plays an important role in the design and development of the potential product. Kano (1995) states that while market research is crucial, it should be kept in mind, that it is unlikely that consumers can predict the qualities of the potential product [for example: who would have predicted that phones would have evolved as they have].

> **Author's comment:** When you search this topic, you will discover that there are other descriptions of the product layers. This is the same concept just semantics.
>
> **Author's comment:** We return to the design and development of the potential product when we discuss the business-marketing planning process in section 3

Warning: The potential product can be a distraction for salespeople. When salespeople become aware of the potential product and start to introduce it to their prospective customers it can have an effect on sales. Often existing stock takes longer to clear as salespeople 'sell' the benefits of the new model and decide to hang on. Although in some cases communicating the benefits of a potential product may have customer benefits, in other cases it may confuse customers and they may consider an alternative product.

Bringing forward the release date of the potential product may also negatively impact on sales revenue. In their desire to get the 'early sales' and appeal to the early majority, retailers may change consumer attitudes and, consequently, may reduce the range of products available to consumers and lock themselves into a pattern that is not in the retailer's best interest. Consumers often comment that at the height of summer winter fashion is released, thus, reducing the amount of summer fashion that is available. They comment on whether having Easter eggs in January/February is a sound strategy. Changing the mindset of the consumer has resulted in consumers only shopping when a sale is on [e.g., pre-Christmas sales].

Organisations such as the Swatch Group and Volkswagen demonstrate how organisations use the product layers to position their products in the consumer's mind. This positioning provides a clear unique product value proposition – we referred to this as achieving product comprehension. In time with brand awareness hundreds of messages are communicated; simply by hearing the brand or seeing the brandmark.

Figure 83: Marketing practitioners employ product components & components.

Search the web

The Swatch group [including, Swatch, Tissot, Rado, Omega, Brequet]. The organisation markets multiple watch brands to suit the discretionary income of different consumers. Also, there are different types of watches for different activities. Do you believe this strategy is by accident or by design?

Marketing practitioners should determine.

- **What is our core benefit?** – What is our core product? What do we do to earn our living? What is it that we deliver? What industry are we in?
- **What are our supplementary benefits?** – How do we deliver our product and how does this make us unique? How do we add value to the core product?
- **What are our peripheral attributes?** - Why do people prefer us? Why do customers come back? What are the special skills and talents that make us unique? What are the emotions attached to our product? What are our strengths?
- **What could our product be?** – What attributes would provide additional value to our customers?

Reflect & review

Employ these questions to reflect on your understanding and review your progress.

'Customers are only loyal to value'. Consider this statement and discuss how this 'idea' dictates how an organisation goes to market.

'Marketing practitioners generally build their potential product strategies on a foundation of brand considerations and then product considerations'. With this statement in mind describe the product layers:

- core product layer
- expected product layer
- augmented product layer
- potential product layer

Explain how the product layers can assist marketing practitioners to design and develop a product with a unique product value proposition.

Why is the core product similar across all products in a market segment [e.g., hotels, airlines]?

Why is the expected product related to customer satisfaction?

Explain each of the expectation scenarios:

- An ideal outcome
- An equitable outcome – similar to the augmented product
- A predictive outcome – similar to the expected product
- An adequate – similar to the core product
- An unacceptable outcome

Give examples of how two [hotels or airlines] could have a similar core product, have a different expected product and the role of the augmented product in achieving the organisation's marketing objectives.

Give examples of how different organisations employ the product layers concept to gain market share

Explain customer expectations and product augmentation relevant to the product layers and price [perhaps employ a cruise ship example].

Explain why satisfaction is a higher order concept than quality and value – and how satisfaction is determined by expectations and price

Who determines whether a product is of quality value and provides satisfaction? And what are the implications of this outcome?

As a product component

Goods may be defined as:

Goods can be a dominant or determinant product component. Goods as a product component are material product properties that may be evaluated by the senses. Goods are acquired for an immediate or long-term consumer benefit and may be classified as **consumables** or **durables.** Whilst, goods are material and provide utility or a service they are surrounded by non-material product components.

Once manufactured, goods may be packaged, stored, handled, distributed, & exchanged; may require B2B & B2C marketing channel services. Goods may be classified as possessions & valued as assets.

As a product component

Services may be defined as:

Services can be a dominant or determinant product component. Services as a product component, are the performances, acts, deeds, &/or efforts that provide a benefit for internal or external customers. Services may result in a solution to a problem, produce a desired result, produce something material or facilitate the delivery of a product. Services can be performed by people and/or machines. Services can be directed towards people &/or machines

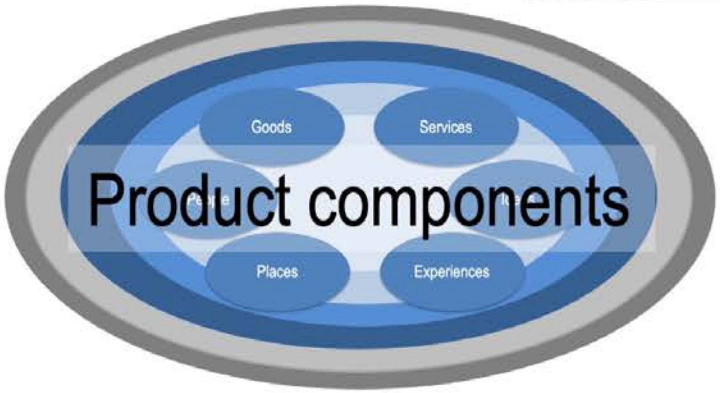
Services may be visible, however, often are hidden from the customer and not noticed unless not performed. Services may result in something material but a services is never a possession that can be stored prior to sale or resold after a sale.

As a product component

People may be defined as:

People can be a dominant or determinant product component. People as a product component are the human qualities, skills, and interactions that enable the production, and delivery of a product. The people component includes the social value of a product.

People design & develop products; can influence consumer preferences. People can be part of the service, ideas & experience components. People vary in skills & attitudes & managing customers and employees requires considerable attention.



As a product component

Ideas may be defined as:

Ideas can be a dominant or determinant product component. Ideas as a product component is the knowledge that is transferred from one party to another, the product information that enables a product to be considered, compared, and purchased. Ideas communicate the value proposition of the product and position a product in the marketplace.

Ideas as a product component are often the reputation of the organisation/brands. Ideas include what consumers value[123]. Therefore, price is an idea that is embedded within a product.

As a product component

Place may be defined as:

Place can be a dominant or determinant product component. Place, as a product component is the setting in which the product is purchased and delivered. Place may be a material or non-material site. Place can be natural or man-made. Place also is an idea that identifies the provenance of the product

Place is more that the location where the customer meets the organisation. It can be the marketplace or marketspace. It can be the product's provenance – and the ideas that this communicates.

As a product component

Experiences may be defined as:

An experience can be a dominant or determinant product component. As a product component an experience is an event, occurrence, or encounter that leaves a consumer with an emotion, impression, knowledge, or attitude.

All product have a customer experience, which influences the customer's post-purchase behaviour. Some product may be designed to provide an extreme experience.

the total product
[product components]

2:2:3:0 Product components

Previously: We discussed product layers and identified them as the core product layer, the expected product layer, and the augmented product layer. We also stated that a hidden product layer is the potential product layer – the future product. Product layers are important when marketing practitioners are designing and developing strategies and tactics for new and existing products.

Learning objectives

Learning objectives of the chapter: After completing this chapter you should be able to identify and discuss the six products components and explain how, depending on the product, each product will have a combination of a dominant and determinant product components. Furthermore, you should be able to detail how marketing practitioners employ this knowledge to design and develop products with a unique product value proposition.

Directions

In this chapter, we continue our exploration of the total product by discussing the product components. The product components are the goods, services, ideas, experiences, people, and place. These are the components that help to make up a product.

When a consumer is considering alternative products they are generally comparing the product components, with this in mind, salespeople may find it helpful to construct their sales conversations around the product components.

Like the product considerations and the product layers, identifying and analysing the product components is an important part of a product audit, a marketing audit, and the CADDIE business-marketing planning process. In this chapter, we explore each product component in greater detail.

Most readers can reflect on the total product and the product component concept and understand it quite quickly, where readers may have trouble is where each component starts and finishes. This is natural as the product components overlap and product qualities may span more than one product component [e.g., people and service].

Background

In a previous module, we referred to Goods Thinking, as a period when marketing practitioners and marketing scholars directed most of their focus to goods and in particular fast-moving consumer goods [FMCGs]. We then discussed how marketing practitioners and marketing scholars turned their attention to the other product components [BTW: this e-book is probably the most comprehensive discussion on the total product].

In many products, all six product components, goods, services, ideas, experiences, people and place, come together – like the individual members of a choir coming together in one voice. The individual product components have received attention, however, rarely do marketing scholars take a holistic approach and bring the components together as one. Conversely, marketing practitioners are cognisant of the importance of each component to the customer.

There are a number of reasons why research scholars have neglected the product components. One reason is that research academics tend to have a defined research parameters - a specialisation [often an extension of their PhD thesis or an area of personal interest]. Academic research is distributed through the publication of academic journals, and these have word restrictions or defined parameters. Some academic marketing journals specialise in a particular marketing genre and therefore do not focus on a general theory of marketing (El-Ansary, *et al.,* 2018).

Furthermore, to meet the page limit requirements set by academic journals, academics must restrict their research to within defined parameters. Most authors will detail the parameters of their research within the article and therefore exclude areas that are outside the scope of their research. Therefore, when a journal article is written it will generally be more micro than macro in focus; it will be narrow not broad (Key, Clark, Ferrell, Stewart, & Pitt, 2020).

Generally, academic scholars discuss macro current issues and conceptual topics in the keynote or presidential address at marketing conferences and whilst this provides some exploration of current issues – most presentations are micro and focussed (Key, *et al.,* 2020).

The micro focus of journal articles often confuses students who have limited subject knowledge and lack the historical context of an article; often an article will build on the previous work to form a body of knowledge. To read the entire history of an idea is an arduous task for academics and an impossible task for time poor marketing students or busy marketing practitioners.

> **Author's comment:** For example, when a marketing academic reads a particular in-text reference within a journal article the academic is most likely familiar with the article and often familiar with the cited author's area of specialisation. Therefore, what appears to readers, as a simple reference is a 'code' to an academic: a code that elaborates and provides a frame of reference.

Students can get up to speed quickly by starting with marketing textbooks [e-books]. The value of marketing textbooks is that they provide a quick macro view of the world and contain quality references. Therefore, students should consider marketing texts as having breadth but not depth, whereas journal articles have depth but not breadth. Students should employ marketing texts as a source of quality references to study when undertaking assignments.

The commercial world also has a micro focus

Marketing research, for commercial organisations, is generally undertaken with the product manager and/or brand manager in mind. The researcher would be engaged - as needed - to explore a particular ‘problem’ or ‘phenomenon’. Product managers are interested in product sales, product lines, product mix, product portfolios, product extensions, and product loyalty. Whereas, brand managers are generally interested in brand awareness, brand recall, brand recognition, brand loyalty, and brand reputation. It is also unlikely that a marketing practitioner will engage a researcher to research beyond their areas of responsibility.

Similarly, the area manager representing a consumer goods manufacturer will likely have a product/sales budget for a given territory. The area manager will make regular sales calls and sales presentations to retail buyers during the course of his/her day/week/month. The sales information will be specific in nature; keep in mind that an area manager for a consumer goods manufacturer will rarely meet an end consumer. Most area managers will feel that her/his job is done when the retailer takes delivery of the product [i.e., a B2B relationship]. So, at this level the product is a commodity, and the research is focussed on pushing the commodity down the marketing channel. Therefore, this B2B research will also be micro in nature.

Retailers buy in bulk and sell to individual consumers. The retailer sources the consumer goods to meet the needs of the customers they serve. The retailer, therefore, provides a service to the consumer/customer [and upstream to the marketing channel]. We can see that the retailer’s product is quite different to the supplier’s product. Retailers earn their margin by purchasing the goods and then value adding [e.g., services, place, ideas, experiences, people]. Therefore, as the products progress downstream towards the customer the goods component remains unchanged. Retailers, for example, add services, ideas, experiences, people and place components to facilitate and support the exchange. Retailers will generally focus their research attention on their product components; also, a micro focus.

From this discussion, we can conclude that regardless of whether the research is for academic or commercial purposes there is predominantly a micro tactical focus. Our discussion on the product components should help to bring the macro-marketing picture into focus.

Author’s comment: Perhaps, a macro-micro marketing focus is only presented when studying marketing.

We will now discuss the 6 product components – this is a reapplication of an idea that was introduced by Kotler and Levy (1969). This knowledge enables marketing practitioners to disaggregate [to break down] a product into its components and then explore the organisational and consumption costs and qualities of each component. Marketing practitioners are then able to manage the product value proposition and position or reposition the product.

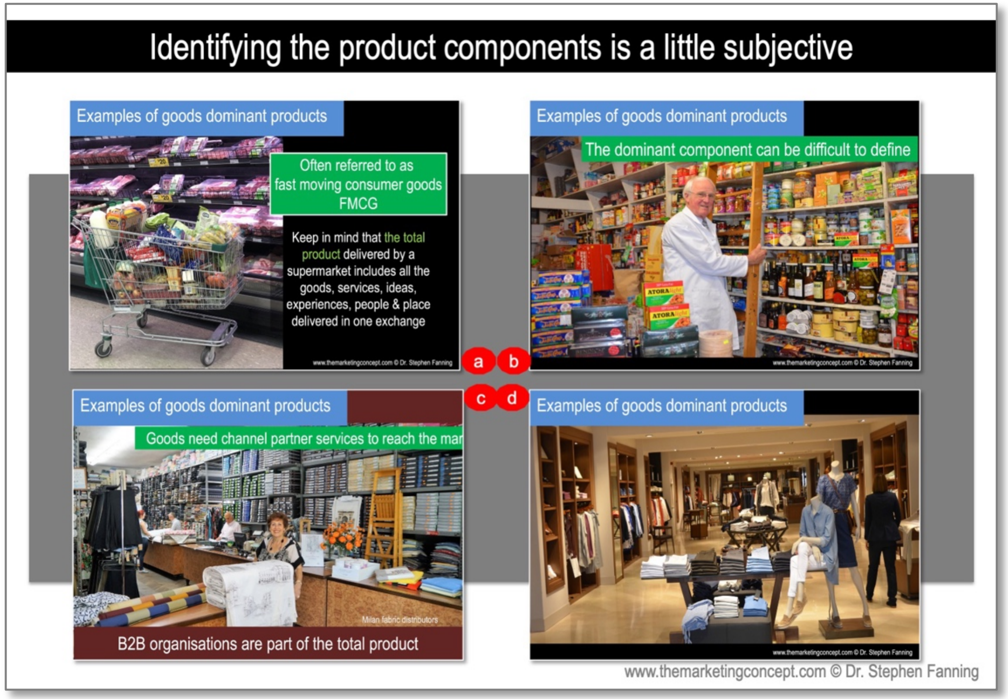


Figure 84: In this collection we can see [a] that we tend to think of goods as what is in our shopping trolleys and tend to miss the facilitating and enabling services performed by the supermarket. The supermarket's product is a total product. [b] When we shop at a small grocery shop whilst the goods are important often it is about social qualities the person and the experience. [c] This magnificent fabric wholesaler in Milan, Italy, is included as this business provides upstream and downstream channel services. [d] When we purchase an article of clothing, most often we are not conscious of the services provided by the channel partners.

Often, in the media, we hear the expression ‘goods and services’. This infers that products can only be classified as a good **or** as a service - a dichotomy – one or the other. In Australia, as in many other countries, this thinking is also reinforced through a tax on goods and services [GST].

Economists generally employ the classification ‘goods and services’ as they are interested in the gross domestic product [GDP] and the overall health of an industry or economy, therefore, a goods and services dichotomy may be appropriate. Whereas marketing academics and practitioners are more focussed on COMP factors. As there are no pure goods and few pure services a – goods/services dichotomy is of less academic or analytical benefit to marketing academics and practitioners.

Figure 85: Marketing practitioners construct their unique product value proposition through the management of the product components.

An everyday example 'fast-food' identifies how meaningless the goods-services dichotomy classification is to a marketing practitioner. Fast-food is relatively low in COMP involvement; it is a convenience product with a combination of fast [service] and food [goods]. Clearly, to categorise fast-food as either goods or services would provide little insight to a marketing practitioner. Furthermore, if you were to talk with consumers their attitudes to fast-food would vary greatly, some consumers are philosophically 'unaligned' with fast-food products and how far someone would drive to access fast-food would also be revealing – we can see, from this simple example, that a goods and services dichotomy does not provide an investigative framework for marketing practitioners.

What is also super important to realise is that services are embedded in all goods - even fruit and vegetables need services to bring them to market and to the consumer.

Author's comment: A recent TV program criticised supermarkets for price gouging on vegetables. They stated that growers were receiving less than 30% of the retail price. Perhaps, this is less than they should receive, however, there was no mention of the processes and the effort of channel partners that brought the produce to market. Think - labour, trucks, forklifts, warehousing, retail shelf space, checkouts, wastage, etc.

It would be more accurate, from a marketing perspective, to classify a product that is more goods than services as a **goods-dominant product** or a product that is more services than goods as a **services-dominant product** [the same would apply to the other product components]. A goods dominant product is one where the core product, that the customer purchases, has material properties. Whereas, a service dominant product is a product where the core product, that the customer purchases, is non-material and is comprised of facilitating and supporting activities.

Now this is dependent on situational factors [COMP]. Staying with our fast-food example - to some a fast-food burger will be a goods-dominant product, they like the taste; to others it will be a service-dominant product; they like the convenience. As we progress through this chapter we will discover that the 6 product components will provide marketing practitioners with a better framework, and we will discover that each component may be a dominant product component or a non-dominant product components. However, when evaluating products consumers will evaluate non-dominant product components, for example in the case of fast-food it could be the ideas attached to a particular brand. Therefore non-dominant components may determine a product choice and influence the customers evaluation of satisfaction.

Another factor that adds to the confusion is that there is a tendency to group all products that have a high degree of non-material product qualities under the services classification – there is a myth that anything that is not goods is a service. This myth is incorrect and misleading.

Clearly, not all of our purchases neatly fall into the goods-dominant product or service-dominant product classification. For example, no one chooses a university on the basis of the goods or the services; no one chooses a Contiki Holiday for the goods or the services.

The take-away [*sorry*] is that there are 6 product components that need to be considered.

Dominant and determinant components

As highlighted in the activity 'price & pricing & the product life cycle' – the dominant component may be the goods, however, after the brand has been chosen Sam is hoping that the other product components [i.e., services, ideas, experiences, people, and place] can be determinant components.

A determinant component is a component that customers use to estimate the value of a product offering – it may be the dominant component, but it will also be non-dominant components. The marketer's objective is to offer a product where all of the product components add value.

> **Author's comment:** In the e-book, we will employ the dominant product component to identify the major component and determinant component to highlight that whilst it may not be the dominant component it will still determine customer satisfaction.

Consider: Going to a nightclub and you are the only customer at the nightclub – the service may be first-class, but it is unlikely to be a great experience. As a consumer, do you choose to go to a particular venue because of the service? Sure, the service is important, but it is a mix of music, people, ambience, drinks, and price.

A synthesis of the marketing literature in this topic reveals 6 interactive product components that are present in most products – goods, services, ideas, experiences, people, and places.

Sometimes, not always, the product will be dominant in one component let's say - goods. We could say that we are marketing goods, however, also embedded in the product are services, ideas, experiences, people and places. The determinant product components are expected – they are part of the expected and/or augmented product and part of the total product. In this example, it could be said that we are marketing goods and marketing through services, ideas, experiences, people, and places.

Consider: Clearly there is a people component when you purchase the music of your favourite artist. If you were to purchase music on a CD [round plastic discs] then there is a greater goods component than if you purchase the music from Spotify. Purchasing from Spotify has a greater service component. If you were to attend a concert then it more the experience and people components. However, the product components go deeper in regard to music. If you were to audit the music that you like you will find that music is often influenced by ideas, place, people, and experiences. Personally, there are songs I enjoy because the song evokes a memory. Rarely is a song directed towards goods and/or services [although there are a few exceptions]. When we consider country music [as a product] we can see that country music often has a sense of place [to a greater extent than pop music]. John Williamson is an Australian country music singer-songwriter, and a quick review of his songs reveals that they often have a sense of place. Williamson's music is also influenced by people [the characters of the bush] and the ideas associated with the joys and challenges of country life.

We can conclude that organisations are marketing a product with a dominant product component and marketing through five determinant product components.

Therefore, it is worthwhile to think of products as goods, services, ideas, experiences, people, and places. This is the **product component classification** that we will adopt for this e-book. This classification recognises that there are goods, services, ideas, experiences, people, and place components in most products. When we relate this to the buyer decision process we can conclude that as each product component contributes to the total product it contributes to the total value of the product. Therefore, each product component influences the degree of customer satisfaction and post-purchase behaviour.

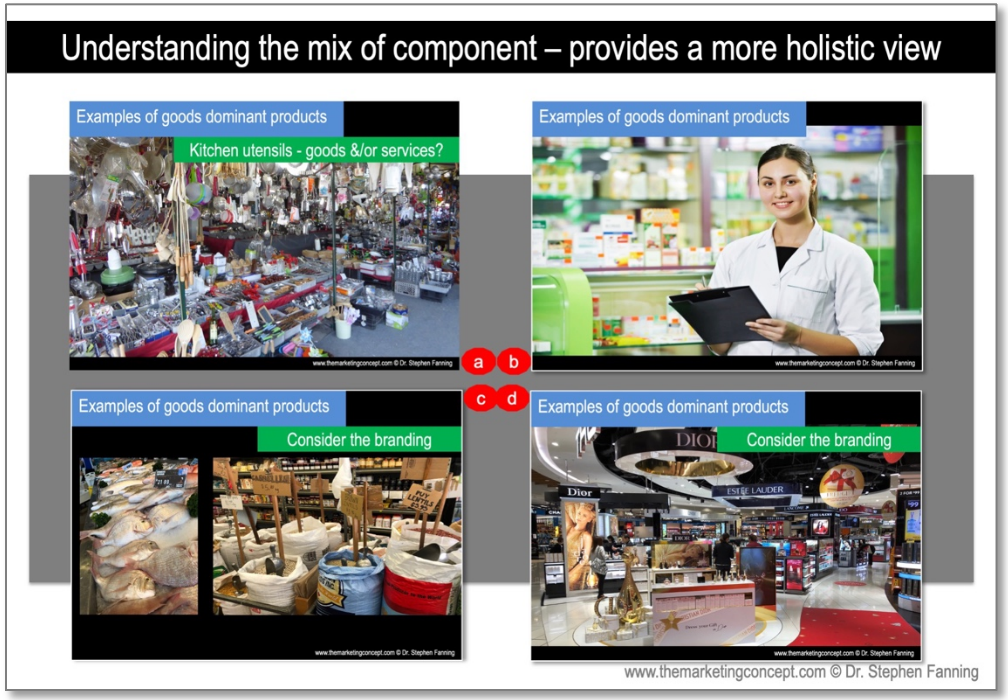


Figure 86: As we work through this module, we discover that goods dominant products are generally more than meets the eye. [a] People purchase kitchen utensils for a purpose – they provide utility. [b] Pharmacies are visited not just for the medicines but also the advice from the pharmacist. [c] Some goods have little branding. [d] some goods have considerable branding.

Products as a mix of product components is consistent with the original use of the 'marketing mix' metaphor proposed by James Culliton who referred to a marketing practitioner as a "mixer of ingredients" and then adopted and advanced by Neil Borden in the 1960s and many marketing scholars since.

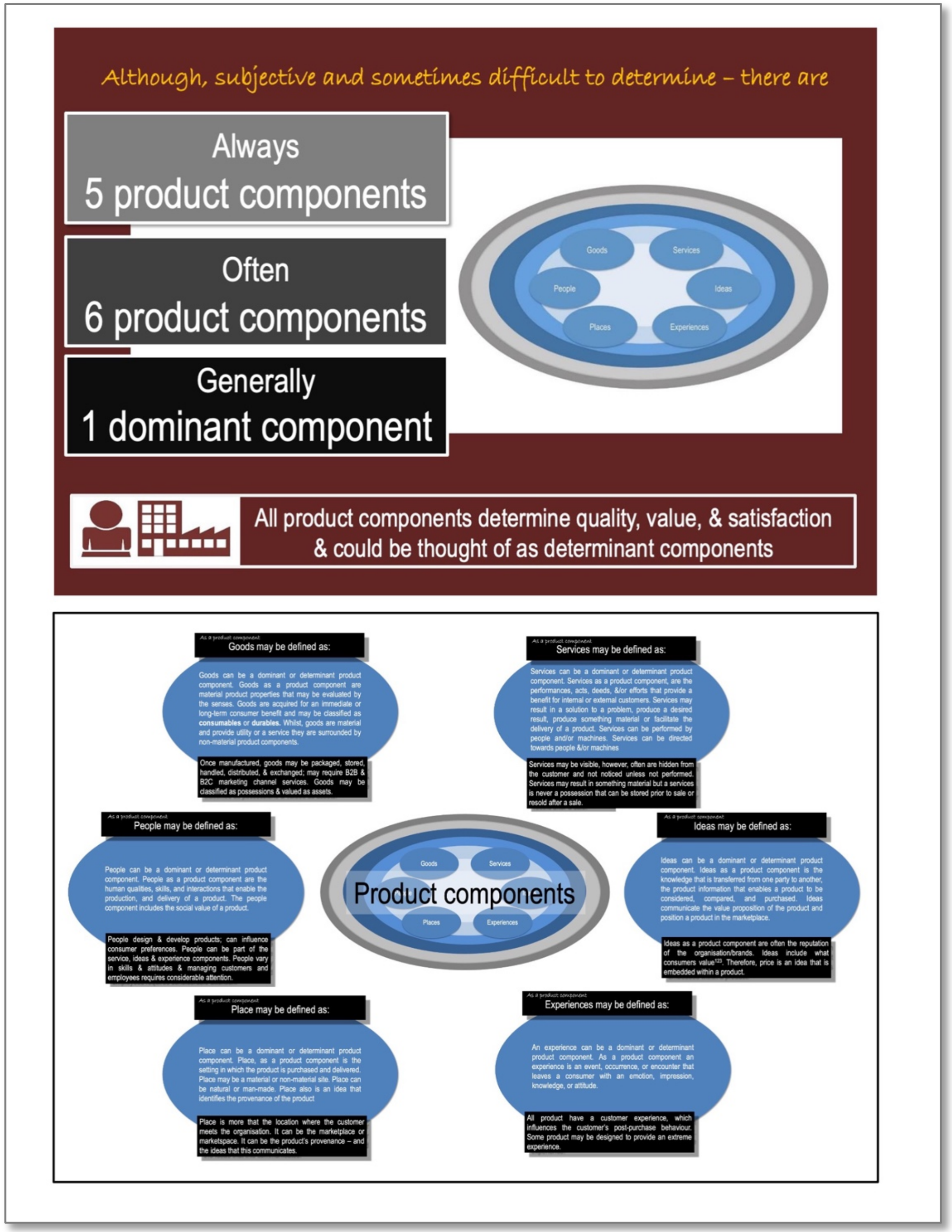


Figure 87: Products are an interactive mix of components.

2:2:3:1 Product components: goods

Previously we have introduced the six product components – goods, services, ideas, experiences, people, and place. Surprisingly, when there is a missing component it is the goods component. I say surprisingly because - when most people think 'products' they think of goods.

Broadly speaking, goods are manufactured and packaged; then warehoused, transported, displayed on a shelf or in a showroom, purchased and taken home. From a product component perspective – goods could be defined as:

> Goods can be a dominant or determinant product component. Goods as a product component are the material product properties that may be evaluated by the senses. Goods are acquired for an immediate or long-term consumer benefit and may be classified as **consumables** or **durables.** Whilst goods are material and provide utility or a service they are surrounded by non-material product components.

Consumables

Consumable goods are what people purchase frequently and regularly and consumed within a short time after purchase. Consumables can be the food we eat, including the preparation and storage of a meal. The goods we use on a regular basis, including the pens, paper, beauty products, and cleaning products are referred to as consumables because generally they are used/consumed within a short time of purchasing. Consumables often display a 'best by' or 'use by' date. A shopping trolley is generally filled with consumables; sometimes referred to as fast-moving consumer goods [FMCG].

Durables

Durable goods are products that provide a specific long-term utility, and, when they no longer provide that utility, may be disposed, stored, traded, sold, re-used, or recycled. Durables are goods that have more permanency and are used regularly or continuously – they are enduring [e.g., furniture, household appliances, motor cars, sporting equipment, laptops]. Generally, **durables provide a long-term service** [e.g., a refrigerator keeps our milk fresh, a motor car provides comfortable transport from A to B, a laptop enables someone to send emails and search the internet].

There are differences between durables and consumables; durables may be leased or rented and often financed; durables may be resold and reused. Durables vary in life span some, for example a mobile phone, may have a three-year life span, whereas other durables may have a much longer life span [a solar water heater].

Whilst consumables are rarely an investment, some durables may be classified as an investment. Consumables tend to be of lower COMP involvement than durables. Sometimes, it is difficult to classify something as a consumable or as a durable as the boundaries can overlap and it can be subjective [e.g., where does an inexpensive article of clothing fit?]. Some industries refer to some goods as 'consumables' [e.g., printing cartridges] and other goods as durables [e.g., printers]. Supplying durables and then the consumables is often a strategic approach adopted by many organisations.

Figure 88: In this collection we see how services can provide convenience and temporary access to a range of goods. Although there are services without goods there are rarely goods without services. The above collection gives a little hint at the importance of considering products from a total product perspective.

Although this discussion has focussed on ownership of goods it is important to realise that there are alternatives to ownership [in marketing there are always exceptions]. Sometimes we never take ownership or title of durable goods, we use them for a period of time and then when the time expires the goods are returned to their owner [e.g., hiring a canal-boat].

Figure 89: In this slide we can see two pop-up convenience stores in Rome, the needs may be to satisfy a hunger and quench a thirst, however, positioning the pop-up stores in convenient locations highlights the importance of a unique product value proposition built on all 6 product components. Interestingly, the vendor pictured RHS has attempted to improve the 'experience' by giving his transformed truck a 'Roman' theme.

Figure 90: The copy markets highlight how intellectual property [the ideas component] can easily be copied and replicated.

In the above slide we can see a 'street market' in K.L., Malaysia – but it could be anywhere. This particular market is focussed on the sale of low-priced copy goods o often purchased by tourists keen to return home with a few bargains. However, there is an experiential element to shopping in such a market. It is interesting observing those that shop just for the experience of bargaining.

Figure 91: Example of a shop creating their own UPVP.

In the above slide, we see a magnificent *alimentari* in Rome. This shop, the photographs [taken 8 years a part] don't do the shop justice, the shop is crammed full of specialty products [epistemic qualities]. The shop has a thousand smells that combine to create a memorable buying experience [sensory qualities]. Local residents, shop for the quality of the produce. There is a fast-food outlet nearby, however, tourists shop for specialty panini. Therefore, sourcing quality products is part of the hidden service the shop owner provides. However, customers would also appreciate the product knowledge, the advice on how best to prepare a meal and, importantly, local residents would shop for personalised and customised service. This is 1to1 marketing at its finest.

So, whilst the goods are important to the customers of this *alimentari*, so too are the services, ideas, experiences, people, and place components that make up the total product – the total exchange value. We can also conclude that this shop owner has relations with customers and relationships with suppliers.

Adding to the complexity is that durable goods often provide a service. We will now discuss services.

Figure 92: We continue our discussion on the relationship between goods and services. In the above example we consider a refrigerator and how this appliance provides a service - keeping food fresh and drinks at a pleasant temperature.

Figure 93: When we consider motor cars we can see that they provide a service for the passengers [think also ride share services]. However, we should also think that it is not just new cars that are marketed - but - also second-hand all the way to vintage. Think about how the product components differ with vintage cars.

2:2:3:2 Product components: services

It is easy to see how improving the quality of goods would be of benefit to the customer and the organisation, however, improving the quality of services is also an important consideration for marketing practitioners. Let us explore the product component of services.

Previously we mentioned; that products have layers - it is worthwhile to keep this in mind when you read this chapter. Also we highlighted the interactive nature of the product components, and this is also a key factor in the understanding of services.

All products [B2B and/or B2C] include facilitating and supporting services.

- **A facilitating service** – is a service that assists a product to be produced and delivered
- **A supporting service** – is a service that assists the customer during the production and delivery process

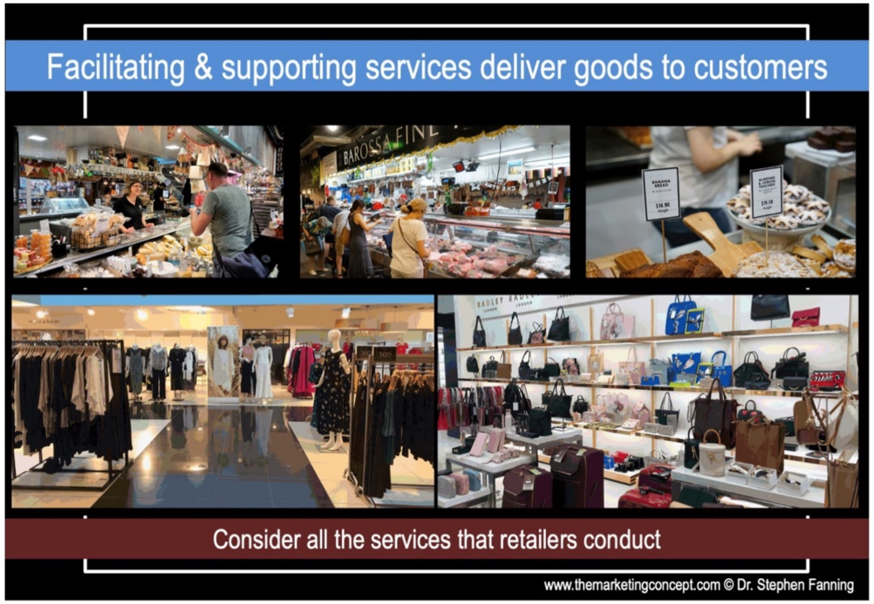
Products often have a number of services. Although services is the plural form of service, from an academic perspective it is not that simple and this needs to be explained to ensure clarity when reading academic journal articles. Many service marketing academics employ the terms service and services to distinguish between:

- A **service** as the provision of a facilitating or supporting service and
- **Services** as a classification method where the dominant product component adds value, is non-material, no title of ownership can be granted, it is produced as demanded, the product cannot be warehoused, it is variable, and the product cannot be resold.

Academics outside marketing often refer to services as the **service sector**, the service industry or the tertiary sector. Regardless, services are an important part of the economy and GDP. Examples of products that are considered as a member of the service sector [service industry or tertiary sector] are – accountancy, construction, medical, retail. There are products that have a high service component and are often classified as services, however, the consumer would consider the service component as a means to an end [e.g., construction of a building].

Often goods are purchased for the service they provide - for example, people purchase a refrigerator primarily for the **service** it provides – the service is to keep food and drinks at an appropriate temperature and preserve the life and quality of a product. Similarly, motorcars provide a service, and you hear people say - 'my car gave me many years of reliable service'. Of course, other aspects are important, the purchase price, aesthetic qualities, running costs, and reliability - status - are all important considerations.

Services are economic activities and whilst not all products have a goods component, all products have a service component. (Wirtz, Chew, & Lovelock, 2012). Therefore, service[s] are a component [dominant or determinant] of all products and across all categories and classifications.



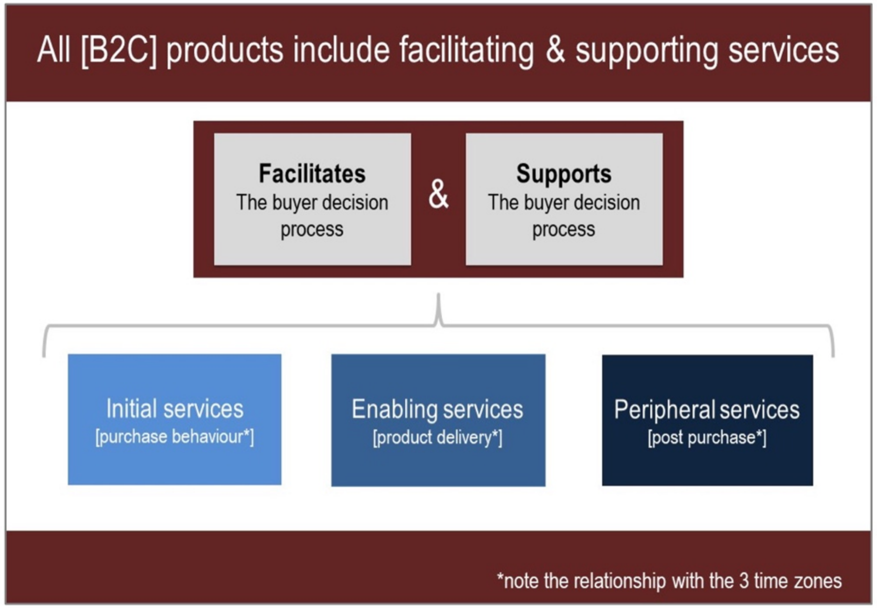


Figure 94: Products include a number of facilitating and supporting services.

Services are the foundations of society
POSTAGE
ONE PENNY
Trademarked
the colour
How old is the postal service in Britain?
[1516]

B2B services
Facilitate
think online shopping
FedEx
courtesy of trendwatchers.com

B2C services
Support
the customer

Sometimes the service component is
Visible
Product visibility
Product contact
Product inseparability

Sometimes the service component is
Hidden
Floraholland the largest flower market in the world

Examples of services dominant products
Keep in mind that
Not all retail businesses are retailing goods

Examples of service dominant products
MYER
Retail services

Examples of services dominant products
Transport services [e.g. taxis, buses, etc]

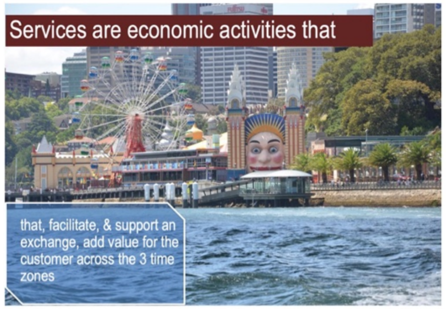
Examples of services dominant products
Transport services [e.g. taxis, buses, logistics, trains, etc.]

Examples of services dominant products
Do people play a part in the provision of these services?
Essential services [e.g. fire, ambulance etc]

Examples of services dominant products
Do people play a part in the provision of these services?
Health Services [Murdoch Hospital]

Examples of services dominant products
Mining services

Examples of services dominant products
Mechanical services
[e.g. airconditioning - provide comfort]



From a product component perspective – services could be defined as:

> Services can be a dominant or determinant product component. Services as a product component, are the performances, acts, deeds, and/or efforts that provide a benefit for internal or external customers. Services may result in a solution to a problem, produce a desired result, produce something material or facilitate the delivery of a product. Services can be performed by people and/or machines. Services can be directed towards people and/or machines.

Some services are part of the marketing channel – Furthermore, After the manufacturing process, many goods dominant products require a series of B2B specialised services to bring a product to market. The services are provided by channel partners and may be performed in more than one country [international services]. Furthermore, cloud-based software services are often part of the marketing channel process.

If we consider facilitating and supporting services from an organisational perspective rather than a consumer perspective - initial, enabling, and peripheral services are also present:

- **Initial service elements** - R&D, finance, etc. Often these are only evident on the financial statement of the organisation – generally before the product goes to market
- **Enabling service elements** - Shipping, customs and product representation, personal selling, many channel activities – assist in the delivery of the product
- **Peripheral service elements** - Delivery, after sales product support [computer software updates], warranty issues, maintenance – generally after market activities

Fisk *et al.* (2007) suggest that there are many ways to classify services, furthermore, they emphasise that services may belong in more than one classification. The most common classification method is by industry, or service sectors:

- Education and health, financial, government, information, tourism, leisure and hospitality, professional and business, transportation and utilities, wholesale and retail, and other.

Other service classifications include:

- Business-to-business
- Business-to-consumer
- Provided by
  - People
  - Equipment
- Directed towards
  - People
  - Possessions
- Product contact
  - High contact
  - Low contact

- Product visibility
  - Visible – [front-stage]
  - Hidden – [back-stage]
- The place of exchange
  - Marketplace [face-to-face]
  - Marketspace [arm's length]
- Degree of customers' presence & participation
- Duration and relationship frequency
  - Casual <> membership
- Degree of standardisation <> customisation
- Product category
  - Convenience
  - Shopping
  - Speciality
  - Seminal
- Degree of desirability
  - Sought<> unsought
  - The producer-recipient relationship

Retailing as a service

Retailing is a major component of the Australian economy and a major employer [second only to healthcare]. According to the Australian Bureau of Statistics (Dec. 2019) retailing in Australia directly employs around 10.1% (1.28 million people) of the workforce and many more indirectly. Retailing is a service that most consumers experience on a day-to-day basis and could be described as the end or *tail* of product distribution. It generally involves the bulk purchase of products by an organisation and then the sale of individual products [smaller lots] to consumers.

Retailing is wider than we may first imagine. There is a tendency to consider that retailing is restricted to physical shops; however, retailing can be through another media such as the Internet, mail order, vending machines, and even door-to-door selling. Retailing is not restricted to new products and also includes the sale of second hand or used products. Some even argue that retailing includes the hospitality industry.

According to Berman and Evans (2010) there are three core questions for retailers:

- How can a retailer best satisfy customers and still make a profit?
- How can a retailer offer a unique product value proposition on one product, whilst selling similar products?
- How can a retailer nurture loyalty from customers?

Therefore, although many retailers consider that they are marketing goods, and the goods are still important, often the other product components - services, ideas, experiences, people and places that offer greater opportunities to augment their product.

Previously we discussed how the retailer sources goods from a number of sources in bulk and then distributes to the end customer in smaller lots [note how tail is in the word retailing]. It is easy to see how the retailer provides the product components to the end-customer [downstream customers], however, what is often overlooked is the valuable service that retailers provide to suppliers and manufacturers [upstream customers]. Collectively, this is referred to as a 'marketing channel' and 'end-to-end marketing'.

The marketing channel's role in the movement of products is worth exploring - we can identify services, often provided by independent contractors that deliver manufactured goods to retailers and consumers. The range of marketing channel services are sometimes referred to as logistics. Logistics services include the important tasks of importing, warehousing, and transporting to market.

Marketing channel services may be hidden or visible. They are referred to as **hidden services** when they are not seen by the consumer; the expression *'out of sight and out of mind'* is often used. Often an awareness of a hidden service happens only if the service is not performed or is performed to an unacceptable level. Hidden services are also described as back-stage services. Other services could be classified as **visible services** - those that the customer is conscious of and may even participate [e.g., retailing], visible services are also referred to as front-stage services. The front-stage performance and back-stage activities are discussed in greater detail in the **metaphor of theatre**.

Consider: the services that a real estate agent performs when selling a home. This could be initially showing the client a home[s], providing them with services that enable the customer to purchase the property, and peripheral following up with the customer to ensure that all expectations were met.

Readers often interpret the recent growth in services, as 'services are new' and the popular business media often promotes this notion. Sometimes statistics show a growth in services, when the statistics actually indicate the decline in manufacturing. However, the impression that services are a recent phenomenon is not correct. What is true is that services are receiving greater academic attention [perhaps goods dominant products were receiving too much attention].

Historically, services have facilitated and enabled produce to reach markets [discussed in the module evolution of marketing]. One example of a facilitating and supporting service that demonstrates the role of services to enable society to function is the Royal Mail service, which was founded in 1516 in Britain. Note the role of the stamp in providing evidence of payment and the iconic branding of the 'penny red stamp and the red mailbox.

Search the web

We have discussed how services bring goods to markets, the role of intermediaries. Although some promote the services sector as 'new' this is not the case. With this in mind readers should search the Dutch East India Company and explore the history of the first multinational corporation and the first company to issue stock.

Service sector growth

Some say that the growth in services is due to the off-shoring of manufacturing to countries with cheaper labour, however, there are also a number of other situational factors:

- Rising consumer expectations
- Service quality movement
- Relaxation of professional advertising
- Increased competition
- Internationalisation
- Increase in franchises
- The prevalence of IT
- Social changes
- Government regulation/deregulation

What is interesting is how improvements in service quality are a continuous process. When an organisation raises their service quality expectations, and the staff improve the quality of the service - then the staff also expect higher levels of service quality when they purchase products. Therefore, as organisations increase the standard of the service delivered to their customers, the service providers within the organisations demand improved levels of service outside of their workplace.

The increased prevalence of IT has also had a number of influences in marketing, including search for information, methods of shopping, diffusion of information [e.g., word of mouth and pass-it-on], self-service technology [SST].

The service component provides outcomes and solutions

If you have studied the module slides you would see that although we have primarily focussed on services as being delivered by people [service providers] to people [service recipients – e.g., ambulance] some may have noticed that services are also provided by equipment [e.g., automatic ticketing machine, or a bank ATM] and that often services are provided to people's possessions [e.g., home maintenance]. Also, what is evident is that services can be business-to-consumer or business-to-business.

Sometimes, services provide alternatives to ownership; for example, people can hire a chain saw if it is more attractive to do so; alternatively, someone may hire a professional tree lopper. Today, mobility services are on the increase as alternative methods to car ownership emerge:

- Public transport
- Hire a car and drive it
- Buy a car and employ someone to drive it
- Hire a car and someone to drive it [uber or taxi]

Often, we are conditioned not to see that services are also an alternative to self-production [DIY]. For example, sometimes we may ask "shall we go out for a meal or stay home" or we may grab a sandwich at a lunch bar instead of making and taking our lunch. This is an important area for marketing practitioners to address as they have to make it attractive for the customer to make a decision in their favour – the organisation must provide physical evidence of value.

- Often, non-material product components provide the value component of the total product during the product delivery stage. Creating experience qualities is a key management task
- Often customers have an active role in designing and/or producing the product
- Whilst some product components may be produced and stored for later sale; other products require the customer's input and consequently, must be produced in real time. In these situations, managing capacity and demand is a key management task
- Transactions may be in the marketplace and/or marketspace. This increases the complexity of place and requires an integrated approach
- Some product components can be high or low in contact and this requires key management strategies and cooperation with other departments

Some academics refer to themselves as 'services marketing scholars' and there would be some within this group who would hold different views to those presented by the author they suggest a goods and service dichotomy. This is an out-dated theory and is an exception rather than the rule. Services marketing scholars often state that services present different challenges due to four characteristics, which are expanded, to eight generic differences. However, as all products have a service component these are still important – and apply to all products.

Whilst all service products share similarities, in many ways all services are unique [as are all products], therefore, readers and managers should not consider that all services are the same and can be managed the same way. Marketing practitioners should be mindful of the situational factors

The four service characteristics that are commonly presented in services marketing textbooks are: intangibility, inseparability, variability, and perishability and the eight generic differences between goods and services are:

- Customers do not obtain ownership of services – when the service component has been consumed the consumer has nothing tangible
- Non-material properties dominate value creation – often the service value is in how the service has been provided rather than the outcome
- Greater involvement of customers in producing – goods are made in a remote factory with little customisation whereas services are generally made after customer input.

- More difficult to maintain quality – because services are delivered in real-time and not pre-made, plus they have a high human judgement factor it is more difficult to deliver a uniform quality product
- Often difficult to evaluate the total exchange value – the lack of product properties means that there is nothing to search in the pre-purchase time-zone, potential consumers are often buying a promise
- The service components cannot be warehoused – because service components are produced and consumed simultaneously the service component cannot be pre-made
- Importance of temporal factors – often the product provider and the customer come together during the service delivery and are in real time contact. Therefore, customers are exposed to the good and the bad of the service
- The service component may be face-to-face or arm's length – services are either delivered with the customer present [haircut] or delivered remotely [credit card service, radio], these are classified as high contact and low in contact respectively

Although it is often said that services are 'intangible' this statement should be treated with caution as services often produce something material [tangible]. For example, building a house - the building company organises goods to arrive on site and contract work to the various tradespeople, they add their services and as a consequence a new house is built [e.g., bricks and bricklayers]. Therefore, a house is a bundle of goods and services, however, the builder provides a service where the end result is a house - which is material. However, what is important to keep in mind is that once a service component has been performed the actual service component cannot be isolated and resold. Holistically, it is handy to think of goods as nouns, and services as verbs. Nothing happens without services.

Click on image to access activity

2:2:3:3 Product components: ideas

It would be easy to underestimate the significance of ideas as a product component (Lusch & Watts, 2018), hopefully, by the end of this discussion readers will appreciate how product ideas play a critical role in organisational and consumer decision-making.

From a product component perspective – ideas could be defined as:

> Ideas can be a dominant or determinant product component. Ideas as a product component is the knowledge that is transferred from one party to another, the product information that enables a product to be considered, compared, and purchased. Ideas communicate the value proposition of the product and position a product has in the marketplace.

Ideas as, dominant product components, may at first seem confusing after a little consideration the importance will emerge. For example, Moorman, van Heerde, Moreau, & Palmatier, (2019a), all well respected academics, argue that the Journal of Marketing is a 'marketplace of ideas' and that the success or failure of the journal is dependent on the quality of the ideas within the journal - ideas can be knowledge.

Organisations can be involved in the marketing of ideas or marketing through ideas:

- **Marketing of ideas:** as a dominant product component; some products, for example the services provided by a lawyer, a business consultant, an advertising agency are often selected on the basis of ideas [e.g., knowledge, analytical skills, problem solving, and creativity]. Marketing of ideas may include causes [e.g., Greenpeace relies on public support]. Ideas are also prominent in 'not for financial profit organisations'. Generally, not for financial profit organisations exist to benefit society - some call this societal marketing [e.g., St Vincent De Paul].
- **Marketing through ideas:** as a determinant product component; the ideas embedded within a product position the product in the consumer's mind and represent the product knowledge that is needed to first consider a product and then select a product. Ideas help shape a consumer's expectations and attitudes.
- For many organisations one idea that needs to be communicated is a **unique product value proposition** to establish **price comfortability** with a selected market. The product ideas help consumers estimate, assess, and evaluate a product's qualities throughout the buying-consumption process. The ideas associated with a product, help consumers to comprehend the unique product value proposition of the product and in **the long-term the brand**.

Therefore, we could consider ideas from two perspectives – the consumer's perspective and the organisation's perspective. From a consumer's perspective - ideas communicate the unique value proposition of the product and the brand. From an organisation's perspective - ideas include the strategies that an organisation employs to go to market. Therefore, ideas are the foundations of marketing strategy for the brand and the product.

Figure 95: There is marketing of ideas and marketing through ideas.

Figure 96: An area that is often overlooked is the marketing of ideas. For example, the marketing of art, theatre, music where an idea is communicated. Another area is social marketing where an idea, perhaps a health message is communicated. Other social messages such as the slow food movement are about changing peoples' perceptions. When you really think about it ideas are central to all marketing communication and the adoption of a product.

Q: Have you heard someone say they have 'a great idea' for a new business or product?

A: Of course, you have. When positioning a product, organisations tend to build their persuasive arguments around a unique product value proposition [also referred to as a unique selling proposition [USP], however, a USP infers the selling concept rather than the marketing concept]. A UPVP communicates compelling benefits, or a positioning statement; for example, 'the world's favourite airline' 'engineered like no other car'. The key is to communicate value to the selected market; Kotler *et al.* (2007) suggest that the compelling argument must be:

- Important to the consumer
- Be distinctive from competitors
- Provide superior benefits
- Easily communicated to the consumer
- Be pre-emptive and not easily copied
- Be affordable
- Profitable for the company to undertake

Sometimes, in a marketing class a student will say that they have a great idea for a new business. Often, the student will want to 'pitch' their idea to gain feedback. There are 5 recurring questions that other students ask:

- How will customers benefit?
- Who will buy it?
- How much will it sell for?
- How many will you sell?
- Do you have a business plan?

Search the web

Ideas are often built into sporting teams through the use of colours, legends and myths.

When I consider the sporting team the 'All Blacks' I am full of admiration, not as a fan but as a marketer. I feel that here is a nation's passion encapsulated in one team, a team that has evolved with time and history. When the All Blacks enter the field, they are different from other teams. [Keep in mind that Rugby is a form of consumption] When they perform the Haka they are making the statement that they are proud of who they are, their history and proud to wear the All-Blacks jumper. A team where winning is expected and where losing is not acceptable. The people of New Zealand have an enduring relationship with their team from the cradle to the grave. Throughout the world, the All Blacks is one of the most valuable brand names in the world of sport. The colour black and the simple fern logo have become iconic to their nation. And in doing so New Zealand owns the colour black.

Search - the All Blacks, explore the history of this club and view the Haka ritual. What ideas are associated with this club?

Product comprehension

Ideas are the concepts, philosophies, images, knowledge, associations and issues that are linked to the product [good and bad]. Sometimes ideas are the information that must be communicated to the consumer to ensure that an exchange takes place. This positioning in a customer's mind could be described as the ability to comprehend a product – or **product comprehension**. Achieving product comprehension is an important marketing task. Marketing practitioners must craft their message to ensure that their message can be **understood, recalled, and retold**, particularly, when there is more than one decision maker. When a product will be produced after the signing of a contract to purchase [e.g., building a new home] it is important to verify that product comprehension has taken place [i.e., to ensure that customer expectations and the product specifications match].

Figure 97: Product ideas include price, pricing, an UPVP.

Product comprehension

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Ideas & price

Ideas are embedded within every product. Ideas are the unique product value proposition that distinguish one product from another. Furthermore, ideas of quality and value are also communicated through the price of a product. Price as an idea, helps position a product in a consumer's mind – it is a heuristic. Price is central to marketing – both short-term and long-term. Short-term price may be employed to stimulate short-term demand; understanding how price impacts demand and profitability is of critical importance for marketing practitioners, however, the overuse of price reductions is likely to have a long-term effect on the brand.

Price needs to be explored from the perspective of a consumer and organisation. We will now discuss **price** and the **pricing** process.

Price

From a consumer's perspective, **price** represents the monetary investment needed to obtain ownership of a product (Babin & Harris, 2009). Customers view a product's price differently to a product's costs. You may recall, that when we explored the customer's journey through the buyer decision process, we stated that total quality in an exchange is what the customer 'gets' [the consumption qualities] and total value is what the customer 'gets' and 'gives' [the consumption costs]. We stated that total consumption costs include money, time, and effort. Often a customer will expend time and effort in order to obtain a cheaper price, alternatively a customer may pay a higher price in order to save time and effort or to achieve exclusivity.

Author's comment: For example, a customer is doing their weekly shopping at a local supermarket – they may be aware that their preferred dishwashing liquid is 20% cheaper at another supermarket, however, may still purchase the dishwashing liquid at the higher price if the price of the total product [all the items in their shopping trolley] is cheaper.

It is also likely; a consumer may visit a less convenient supermarket if the extra cost in time and effort results in a worthwhile monetary saving. Therefore, there is a point where monetary costs are negated by time and effort costs.

In a classic article Monroe (1973) states that consumer decision-making is subjective and whilst price is often a major factor in estimating value, it is seldom the only idea that consumers consider. East, Singh, Wright, and Vanhuele (2017) agree that understanding how consumers estimate value is complex; furthermore, they state - ideas of price are formed through a combination of internal factors and external factors and this results in consumers forming a reference price. Other influencing factors include prevailing consumer sentiment, prevailing consumer preferences, promotional activities, competitive nature of the industry, influence of substitute products. East *et al.* (2017) state that the **reference price** allows consumers to make price comparisons and estimate the qualities and value of the considered set of products - including the attractiveness of discounts and promotions.

Pricing

Whilst obtaining the right price is *important* for the customer, obtaining the right price is *critical* for organisations.

Pricing is a complex process that an organisation undertakes to identify organisational costs and establish the price of a product. The pricing process is a strategic decision with involvement from the Strategic Business Planning Group [e.g., finance, operations, information, and marketing]. Marketing is about an exchange and pricing is the process where marketing practitioners determine the worth of their offering relative to the market.

It is also important to keep in mind that whilst an organisation can easily accrue costs **there is only one way to make a profit and that is to sell something for more than it costs to produce and to deliver**. Therefore, pricing is critical to an organisation because it is the only opportunity for an organisation to make a profit. For many organisations pricing is complex and takes into consideration:

- the organisation's short-term and long-term marketing objectives
- the expected demand at particular price points
- the market's ability and willingness to pay
- competitor pricing
- the costs of production, distribution, and the cost associated with sales
- the sensitivity of demand to pricing tactics [elasticity of demand]

Organisations may employ **reference pricing** to analyse the value of their product [the reference] against competitor products on a number of selected criterion when undertaking pricing activities.

Adding to the complexity of the pricing process is the evolution of the marketing through technology; for example, the growth in sharing and subscription business models and the ability to employ yield management pricing tactics that increase prices in times of high demand.

Let's define price and pricing:

> **Price** represents the customer costs required to purchase a product; whereas **pricing** is a complex process that an organisation undertakes to identify costs and establish the price of a product.

Price comfortability is when the customer and the organisation are comfortable with a price; it is achieved when a customer views a price as attractive, yet it is sufficiently high for an organisation to cover organisational costs [production, delivery and warranty etc.] and facilitate an appropriate profit (Palmer, 2001). Some organisations refer to the most comfortable price as the **base price.** The base price is employed as the basis for performance analysis and the fine-tuning of price. Price comfortability should also be considered from a regulatory position to ensure that pricing is in the public interest and that practices that are perceived as being misleading deceptive, discriminatory, lack transparency are not practiced.

From an organisational perspective, the product price generates revenue and profit [revenue = units sold X price] [profit = total organisational revenue – total organisational costs]. Pricing is central to marketing and the outcome will determine whether a product and often an organisation will survive. Pricing is a complex activity and varies according to the nature of the product, the organisation, the marketplace and the customer.

We can see two processes in play:

- The organisational process of what to charge the customer
- The customer process of estimating the perceived value of alternatives within a considered set of products

Therefore, we can see that pricing is central to marketing. Price through ideas of value is part of the first time-zone of the buyer decision process and part of the total product. In addition, price is part of the circle of satisfaction as it brings together quality and value from both a customer and the organisation's perspective.

Pricing activities must keep the three marketing financial objectives in mind; however, pricing objectives can be a mix of:

- Survival
- Cash flow
- Profit maximisation
- Return on investment
- Market share maximisation
- Position a product in the customer's mind
- Appeal to a selected market segment
- Maintain status quo
- Achieve a higher quality
- Social considerations,

- Adopt a leader or follower role

When discussing Maslow's hierarchy of needs, we noted that organisations also have needs and we can see in the following list of organisational objectives a list of lower order and higher order needs.

Pricing establishes a **floor price** and a **ceiling price**. The floor price is a price that reflects the cost of producing, product delivery and warranty considerations. The ceiling price is a price where price comfortability is questioned, and fewer consumers would consider an exchange. Survival is at the first goal of pricing. In most [larger] organisations sales that fall below an acceptable floor price will appear in a 'prices exception report' and require justification as to why a sale took place. Additionally, sales volumes will be monitored, and price will be adjusted to ensure cash flow objectives are met.

Clearly, price and demand are related. The sensitivity of price and demand is referred to as **elasticity of price** or **price elasticity of demand**.

The basic premise of elasticity of price is that:

- as prices rise - volume drops
- as prices fall - demand increases

Demand is said to be elastic if a price reduction of 1% increases sales by greater than 1% and inelastic if a price reduction of 1% increases sales by less than 1%.

Coupled with an understanding of elasticity of price should be an understanding of the effects of increased volume on the cost of sales as a % of revenue and the impact of reduced margins on net profits.

Although often practiced, elasticity of price is obviously simplistic - there are exceptions and all the COMP factors should be considered carefully, furthermore, a full quantitative assessment of marketing metrics needs to be undertaken after a sales promotion where elasticity of price has been employed.

Organisations often measure the success of a product on the ability of the product to produce an appropriate profit. An appropriate profit will differ according to the degree of risk and is usually identified as a **return on investment** [ROI] or a **return on assets**. Products that fail to meet the required ROI will face an uncertain future [see product considerations].

When developing a new product, marketing practitioners need to ask three questions, is there:

- A gap in the market?
- A market in the gap?
- Is the gap profitable?

Previously we stated that at a strategic level an organisation must choose whether to compete on a price basis or a non-price basis. Porter states that value is the basis of all strategy; it is an idea, a heuristic, and one that helps position a product in the customer's mind. Porter (1996) suggests that organisations need to begin their strategic planning by determining whether to:

- Compete on a low-price basis with little augmentation [core product]
- Compete on a higher price basis with appropriate augmentation [augmented product]

Trout and Rivkin (2000) suggest that to compete on a low-price basis you must have a sustainable cost advantage and in all other cases a core product with significant augmentation would be more prudent. Furthermore, they suggest that price discounts are a lazy marketing practitioner's tactic for stimulating sales.

This should not be interpreted, as price is only important for cheap products. When discussing product positioning we need to be mindful that all products are competing on price – even at the luxury end of the market. Most consumers begin their search with a budget in mind – the price they can afford.

The concept of price comfortability sensitises marketing practitioners to the fact that price cannot be separated from the positioning of a product. Often, we hear people say, "I have a budget of $xxxx" and whilst consumers often exceed their budget it demonstrates that they intend to shop for value. Pricing is linked to the product ideas component; however, price interacts with all other product components. **Equity theory** suggests that our expectations vary according to what we pay. When we pay more - we expect more and when we pay less we are more tolerant. The saying "you get what you pay for" is well established in consumer decision-making. No one will pay more for a product than what they are comfortable with.

For example, a consumer decides to upgrade their car and visits an Audi showroom [selected as an example only]. It is likely after initial pleasantries have been exchanged the salesperson will ask. "What is your budget?" Depending on the answer the salesperson will direct the consumer to a particular model [this approach of having products across a different range of price preferences is referred to as **product-line pricing** – different products are priced to appeal to different customer perceptions of value]. If the person is unable to determine the budget the salesperson will probably assume that the person is less advanced in the buyer decision process and is more curious than committed to purchase [a suspect rather than a prospect]. A polite salesperson will then provide an overview of the product range and the pricing of each model. The salesperson may even ask. "What car do have you now?"

Now let's assume that the person visiting the Audi showroom states that they wish to upgrade from a BMW3 series, the salesperson will then come to the conclusion that value for money needs to be communicated and established against the BMW3 series as the benchmark. The salesperson will also conclude that they are competing with BMW and all other Audi dealers and all other BMW dealers – price is important as total revenue is the sum of all exchanges.

To a consumer, value is the overall worth of a product; what are the qualities they receive in an exchange and what costs [money, time, and efforts] they incur in the exchange.

In the above example, we can see that although we would classify Audi as strategically adopting an augmented product strategy we can also conclude that consumers in this price bracket are every bit as determined to maximise value [i.e., more get - less give] as consumers in other markets. We can also determine that the Audi dealer will have to negotiate a price with individual customers. This approach is referred to as **negotiated pricing** where the final price is negotiated through bargaining and influenced by demand at a particular time. We can also conclude that the intensity of price competition may be different throughout the marketing channel.

Pricing is related to the core marketing activities of managing **capacity and demand**. Generally, as demand increases the price to the customer increases and as demand decreases the price to the customer decreases. When price is used as a marketing tool there is an inverse relationship - demand can be increased by a decrease in price and demand can be decreased by an increase in price. Keep in mind that price is just one of the situational factors that influences demand.

Marketing practitioners need to know how price influences demand and revenue; this is often referred to as **market sensitivity to price** or **price elasticity of demand**. For example, if the price of a product is ($100) and the quantity sold is (1000 units) then the total product revenue is ($100,000). If demand is elastic a change in price (+ -) will have an inverse relationship to demand (- +). For example, the demand is elastic if the price is increased from $100 to $110 and demand drops from 1000 units to 900 units or if the price is decreased to $90 and demand increases to 1100 units.

If demand is inelastic a change in price will have little influence in demand. For example, the demand is inelastic if the price is increased from $100 to $110 and demand remains constant at 1000 units.

You may have noticed in the elastic demand examples that the total product revenue decreased with both an increase in price and a decrease in price, this is to indicate that whilst, understanding demand elasticity is important, sales volumes, and profits also require careful consideration. Profit maximisation is a key organisational consideration when pricing.

Price is easier to change than product components or marketing communication mix elements. Therefore, price can be manipulated **too frequently**. Too often we witness organisations that believe that a price discount will stimulate demand [the demand increases as price decreases], however, this assumes that demand is elastic – which we know is seldom the case. Often price discounts only bring sales forward [at a reduced margin]. Often sluggish sales may be an indicator of other factors, and these should be considered before reaching for the price lever. For example: consumers in prosperous countries often purchase on price when there is nothing to excite them. Pricing tactics must also work in harmony and be congruent with the strategic objectives of the organisation [e.g., customer loyalty]. Pricing tactics should also consider the impact on all groups and not benefit one group at the expense of another group. Pricing tactics should also consider the message that is sent to competitors.

Organisations operating in industries that are market share focused [e.g., fast moving consumer goods] tend to be more focused on market sensitivity to price information than organisations that are not market share focussed. Market share is the percentage of total sales in an industry or industry sector [e.g., all motor cars, SUV sector]. Generally, it is expressed in number of units; however, it is also expressed in dollar value and often a comparison of units and dollar value in an industry sector.

Marketing practitioners also need to consider the **cost-volume-profit relationship**; the floor price, the lowest price that can be charged to cover the total organisational costs is also known as the **breakeven point**. Break-even point is the point where revenue and total costs are equal – below break-even there is a loss, at breakeven there is neither a profit nor a loss and above break-even there is a profit.

Break-even: is the volume point where fixed costs, variable costs, and semi-variable costs and revenue are equal.

Fixed costs: these are the costs incurred before a single product is sold or produced [e.g., rents, rates, insurance, utilities, base salaries, etc.]

Variable costs: these are costs incurred with each product that are not incurred unless the product is sold or produced [e.g., laundry in a hotel].

Semi-variable costs: these are costs that occur relative to volume at particular volumes [e.g., when an additional airplane is added to a route, or a new member must be added to staff].

A **break-even pricing** approach is often most successful in industries where once breakeven has been achieved the cost of each additional customer is insignificant; for example, if break-even at a sporting event is 40,000 spectators, then each additional spectator adds little additional cost [other than associated variable costs which are small]. Therefore, once break-even has been achieved profit increases substantially. Clearly, there is little point in offering a product where break-even cannot be achieved.

Sometimes managers refer to average fixed costs; the total fixed costs divided by units produced. When sales volume increases the average fixed costs per unit decreases. Organisations that are subject to seasonal fluctuations may choose to have a pricing model that has peak, shoulder and off-peak average fixed costs**. Break-even analysis** whilst insightful must also be treated with caution. Break-even analysis often uses forecasted sales volume to determine the break-even price, however, forecasted sales often vary from actual sales. There are also **semi variable costs** that are incurred at various sales volumes [e.g., extra staff needed]. Semi-variable costs need to be considered particularly when pricing for sales promotions and discount offers where additional volume is anticipated. **Unit pricing** is standard practice in supermarkets and retail outlets and often required by regulators such as the Australian Competition and Consumer Commission. The objective of unit pricing is to provide clarity for consumers; this approach displays the price against a common measure [e.g., litre, gram] on supermarket shelves. To reduce the frequency of deceptive pricing practices, **clarity in pricing** regulations may also require retailers to display the total product price to consumers [e.g., automotive retailers may advertise ‘driveaway no more to pay’ which includes government taxes and on road costs].

> **Author’s comment:** In some industry sectors, greater market share leads to economies of scale, and market power. Marketing practitioners should acquaint themselves with the current pricing regulations [B2B & B2C] to ensure that they are not engaging in misuse of market power practices or other activities designed to reduce competition.

Often marketing activities [including pricing] are directed towards market share objectives. It is not uncommon for organisations that are focused on market share to be constantly monitoring and adjusting prices. Some may guarantee to match or beat a competitor’s price. Niche players are less focused on volume and tend to be more focused on margins; therefore, their marketing [including pricing] is directed towards higher margins through added value. Niche players will try to position their product in the customer’s mind and may even employ a **prestige price** strategy to enable them to provide a superior total product.

Other organisations focus on maintaining market position this is often referred to as a *status quo pricing*. Generally, this approach is adopted in profitable stable industries where there is a recognised market leader that sets the price and other organisations fall into line and price according to the market leader. A variation on this approach is where the market leader is used as a benchmark and other products are priced according to the value of a product and other products in the marketplace relative to the customer benefits. This approach is often referred to as *value-based pricing* it is often employed with specialty products where there is considerable consumer search for information and face-to-face contact with the organisation.

There are other strategic approaches to pricing.

Cost-based pricing: Cost-based pricing is easy to implement and is often employed by market channel intermediaries who provide a facilitating or supporting service. This method adds a percentage or a dollar value to a product [sometimes a combination of both]. Organisations calculate the total costs of doing business and what they are as a percentage of sales. With this knowledge, they then calculate and apply an appropriate mark-up for all products they handle. The mark-up covers the total costs and provides an appropriate profit. Whilst this can provide a windfall in times of growing demand it can prove costly when demand declines. This means that by the time a product reaches a customer it may have passed through an indirect marketing channel partners and the retail price will include the cost of services of a number of intermediaries. Increasingly consumers are employing the Internet to reduce the marketing channel and therefore reduce the cost.

Demand-based pricing: Demand based pricing is often employed by service operators where fluctuations in demand are common and the product will perish if not consumed [e.g., a hotel room, seats on an airline]. The idea is to maximise the revenue generated from an asset. The premise is that customers pay more in peak times, less in shoulder times and less in off-peak times. The intention is to achieve break-even in off peak times to protect the profit in peak and shoulder periods. Hotels may present this information as occupancy rates or as the asset revenue generating efficiency [ARGE compares actual returns with 100% occupancy rates and 100% price targets]. Readers often see this as offering discounts in off-peak periods; however, a situational surcharge can be applied to cover additional organisational costs [e.g., Christmas day meals have a 10% surcharge].

Secondary market pricing: Often organisations that are subject to seasonal fluctuations will target a secondary market with a lower price outside of peak times [e.g., a ski resort may target mountain bike riders or ramblers in spring, summer, and autumn]. This approach is known as secondary-market pricing and can lead to better use of assets, a more stable workforce, and an improved cash flow. In addition to attracting a secondary market - organisations operating in seasonal market may employ a premium pricing approach during the peak of the season.

Value-based pricing: is often used within a demand-based pricing approach to maximise profit. Airlines often employ a dynamic pricing strategy and have a price for peak, shoulder, and off-peak demand; however, they will also have pricing for various classes within the aircraft and have price premiums for certain seats within economy class. There are many examples of value-based pricing. For example, concert seat prices may vary according to the ‘value’ of the location, the proximity to the stage and the augmented experience. Another example may be hotels that have a premium for an ocean view room.

Price can be employed to position an organisation. Some retailers position their organisation by offering **everyday low pricing**. This approach appeals to customers who believe that many organisations have high mark-ups and then offer markdowns to convince customers that they are getting a bargain. Sceptical customers also believe that organisations offer low-prices [sometimes referred to as **loss-leaders**] to attract customers and then attempt to move the customer to a product with a higher margin [**bait pricing**]. Organisations that employ an everyday low-price approach generally source a wide range of products [e.g., a hardware chain]. The objective is to build customer loyalty by rewarding them with quality products at consistently low prices. The buyer decision process is therefore more efficient, the customer saves on money, time, and effort, and the organisation has reduced costs as a percentage of sales [the costs associated with constantly changing prices and price negotiations]. Organisations that practice everyday low pricing generally offer a bundle pricing, where associated products are bundled into one low price [e.g., paint, paint roller, paint roller tray]. This approach results in higher revenue and offers savings to the customer.

Typically, organisations employ different pricing approaches at different stages of the product life cycle. Generally, products are introduced to the market with higher prices than they exit the market [e.g., a car run-out sale]. **Price skimming** is the practice of inflating prices when demand for a new product exceeds the production capacity. Then, when production is greater than demand, discounts are introduced to stimulate demand. **Market penetration pricing** is another approach to pricing new products. The idea is to set an introductory price that will maximise market share. Often the introductory price has no premium and is often priced below the competitors' price. The objective is to gain maximum penetration of the market.

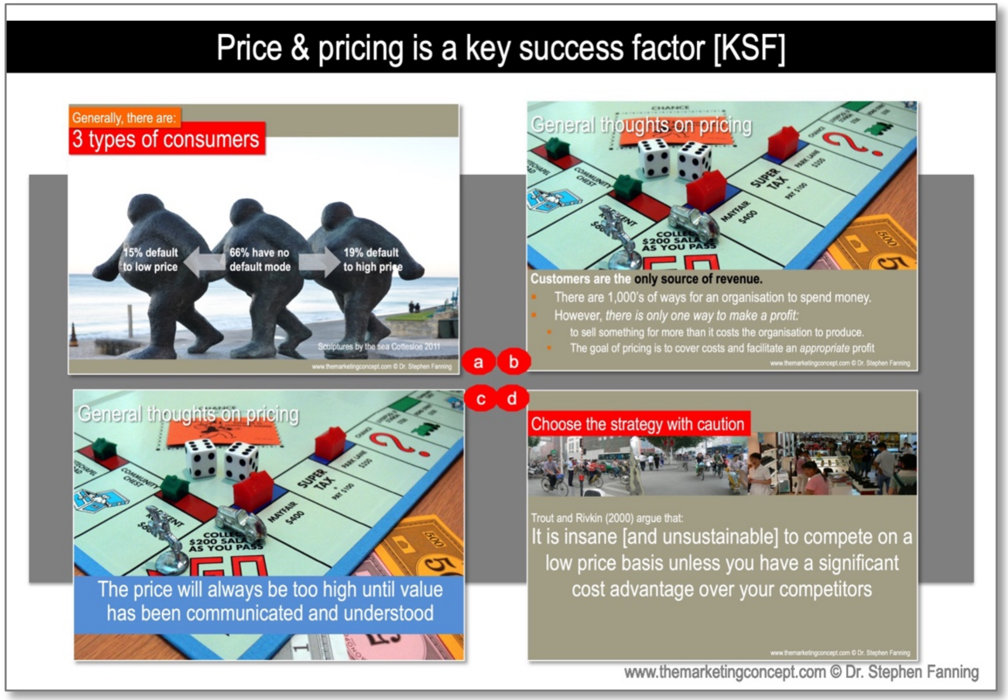


Figure 98: Price comfortability is important for the customer and the ORGANISATION.

B2B organisations often practice **discrete pricing** where individual customers are targeted with a customised price. Discrete price may be a quoted price for a particular quantity or situation [e.g., quoting for the carpets in a multi-storey building]. A quoted price may only apply in a one-off situation. B2B Pricing in a marketing channel often includes an incentive in the form of discounts. The discounts are in place to reward 'good behaviour'; the objective is to build loyalty with customers that are less costly to deal with. Often these are in the form of **short-term incentives** or **long-term incentives**. Organisations generally invoice at a **base price** and the incentives are returned to the customer in the form of credit invoices these are generally referred to as **rebates. Rebates** may be for a one–off bulk-buy, a cumulative total over a period of time, early settlement, a seasonal price promotion, and trade discounts.

To avoid the price confusion of discrete pricing B2B organisations often adopt a **uniform pricing** approach [sometimes referred to as national pricing]. With this approach, the pricing is regulated from a head office and the price is consistent regardless of location. Often franchises adopt this pricing approach. Retail chains also require a uniform pricing policy to accommodate the freight charges; these are amortised across all stores and built into the wholesale price [free into store FIS] or partially built into the price [free on-board pricing FOB]. Free on board is where the retailer pays the freight from a major freight terminal and passes any additional freight costs on to the consumer.

Another form of uniform pricing is **professional pricing** where people form a professional association and prices are set by the association. The price often varies according to the complexity of the task. Furthermore, the price reflects the degree of training required rather than the time taken to undertake the task. We have stated that the products offered by qualified people are 'ideas or people dominant'. Therefore, the price reflects the value of the knowledge, skills and experience of the professional person.

Previously we have stated that customers consider the **purchase price** as just one of the consumption costs [+ time, and effort costs] associated with a product decision. However, there are often other monetary costs to consider. Other monetary costs include ongoing operating costs, incidental maintenance costs. Therefore, consumers weigh up initial purchase price of each product and factor in post purchase costs. Let's consider a consumer weighing up between buying a solar water heater and a gas water heater. Although the solar water heater is more expensive to initially purchase the running costs are cheaper. Therefore, to make an informed decision consumers need to know the total monetary costs within the considered set of products, and the likely pay-back period if the more expensive purchase is made. For marketing practitioners of such products providing evidence of value is an essential communication task. Other monetary costs include the risks associated with each product in the considered set of products. Products that are perceived as having less risk are generally perceived as worth more than a similar product with a higher perceived risk. To attract customers, products with a perceived higher risk must discount and therefore are unable to achieve the same margins. This highlights the relationship between quality, branding and a competitive advantage based on loyalty.

Similarly, a product that has lower time and effort costs [e.g., staying with an existing service provider] may also be seen as better value as it represents lower total costs. People flying in business class often elect to pay more, as they believe that they are more refreshed and more effective when they reach their destination.

When designing and developing pricing strategies marketing practitioners of service dominant products must be cognisant of how pricing of services varies from pricing of goods. The non-material nature of services, the difficulty in assessing value, the real-time nature of services, the inseparability of the service provider and the service recipient, are extremely important considerations.

Some products are sold then produced and therefore more difficult to assess prior to purchase [low in search qualities, high in experience qualities], therefore, communicating to enable the customer to estimate value is a key task and presents new challenges for marketing practitioners.

Previously we discussed product inseparability, this is where the customer and the organisation meet [face-to-face or arm's length] and where the customer becomes a co-producer of the product. This provides the ability to customise their offering, however, from a pricing perspective it requires a more **dynamic pricing** strategy [sometimes referred to as a **fluid pricing strategy**]. Therefore, costs may vary from customer to customer. As service and experience dominant products [e.g., a meal at a restaurant] happen in real time, costs happen in real time, therefore, costs must be calculated in real time and passed on to the customer at the end of the encounter.

You should now recognise that there is seldom a 'one best way' and that strategy must consider the product, the market, the organisation and the customer. Product considerations should be studied carefully as they dictate pricing tactics, for example the pricing of luxuries and necessities [a bottle of perfume and dishwashing liquid]. Products vary greatly and the complexity of pricing can vary from a sole-trader [e.g., a one-person graphics studio] to a multi-billion-dollar investment [e.g., a high-speed rail network]. Clearly, pricing for a high-speed rail network is long-term, multi-factorial and includes political and social considerations.

Strategically, pricing sends a message to all segments it communicates the value of a product and which segment[s] the product is targeted towards; this is important as marketing communication is about attracting, retaining, and enhancing relationships and price is an important message in attracting customers. Pricing tactics need to be in concert with other strategies. Pricing strategies directed towards creating customers that are more loyal and less price sensitive are more sustainable than attracting customers with price discounts.

However, there are times when price discount tactics are important - for example:

- As products progress through the product life cycle they lose perceived value and are often displaced by a newer product with a higher perceived value. It therefore makes sense to reduce the price to increase perceived value
- When there is excess capacity and/or excess stock then discounts are an appropriate tactic to convert stock into cash flow

Ideas & brands

In section 1 we introduced brands and their relationship with products. It is now appropriate to explore branding to a greater depth. Previously, we discussed that during the three stages of the buyer decision process - a buyer will search and estimate product qualities, assess product qualities, and then reflect on and evaluate the product qualities.

According to Kapfner (2004) and Keller (2013) the purpose of branding is to ensure that the overall buying-consumption process is more efficient by providing reference points to distinguish the product from competing products. It is through these reference points that uncertainty [pre-purchase risks] are reduced and value is communicated and established.

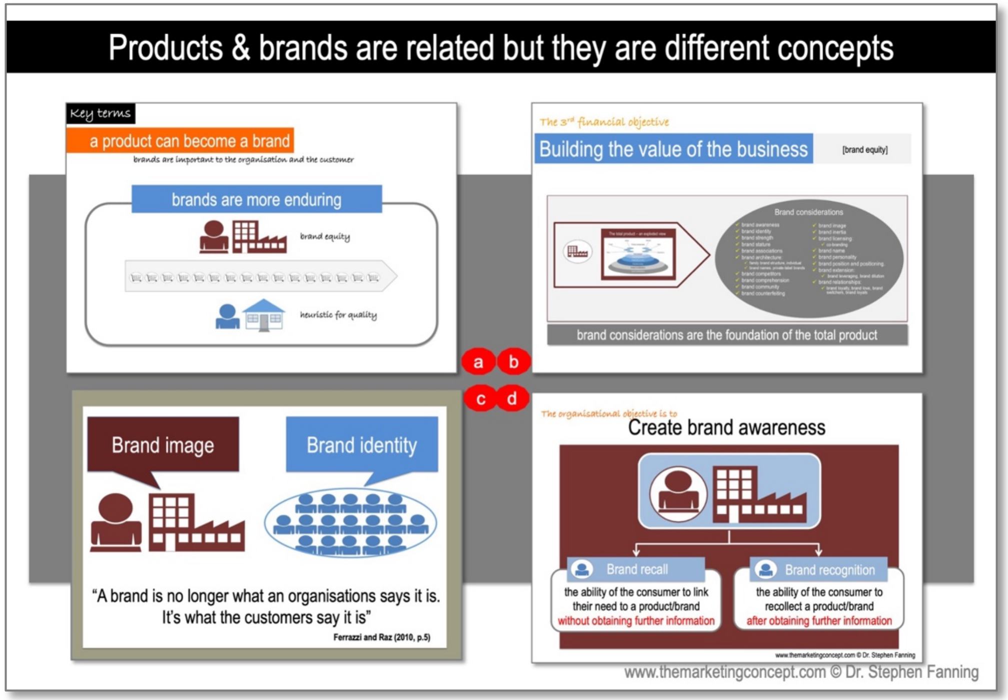


Figure 99: Products and brands are related; however, they are distinct concepts. Brands may be more enduring.

Product ideas are the distinct, distinguishable, and discernible product features. For this reason, marketing practitioners spend a lot of money, time, and effort positioning and re-positioning their products and brands. Through the ideas embedded in a brand a customer can evaluate the long-term product value – the total qualities and the total consumption costs.

The word 'brand' is a metaphor for how organisations attempt to position a product in the mind of the consumer. The practice of branding emerged thousands of years old and the metaphor originated from the keeping of livestock- where someone would brand the livestock by burning a permanent, recognisable, and unique symbol onto the skin to identify ownership.

Barbarically, this practice was also inflicted on humans kept as slaves.

People assign several meanings to the word brand. Today, some scholars refer to a brand as a recognisable symbol, or symbols that distinguishes a product from its competitors' and protects the property rights of the organisation (Lamb, et al., 2016). This meaning would be better applied to the term trademark.

Others see a brand in a more holistic sense and suggest that every marketing activity is a branding activity (Gobe & Zyman, 2001). Stone (2015) states that a brand is an ongoing authentic product story that has produced an emotional connection with consumers. Rein, Kotler, and Shield (2006) state that brands are the collection of product attributes that a consumer employs to distinguish one product from another in the market. This would suggest that a brand is the sum of customer beliefs about a product and branding is about generating awareness, knowledge, credibility and trust in a product (Gillespie & Hennessey, 2016).

Branding may be in the form of a distinctive brand name, brandmark, slogan, and product characteristics. Solomon (2004) suggests that there are several key considerations: easy to say, spell, read, remember and produce positive connotations. Marketing practitioners, particularly advertisers, refer to the following concepts: brand name, brand awareness, brand recognition, brand image, brand equity, brand associations, brand identity, brand extension, global brands, brand loyalty.

> **Author's comment:** Clearly, branding is an important part of product strategy. Speaking in Perth, Australia, [several years ago] Dr Markus Miele, joint managing director of appliance manufacturer Miele, stated that he saw a brand like a bank account. With this metaphor, he explained that the product experiences of consumers and channel partners contribute positively or negatively to the overall balance of this account. This metaphor is interesting and highlights the importance of engineering quality product experiences during the 3-time-zones of the buyer decision process. Dr Miele stated that the overall product experience and the received qualities are then calculated against the total costs of owning to determine value. He added that improving value for the end consumer is the leitmotif that has run through Miele since his great grandfather founded the company and coined the company vision "forever better." What is also embedded within this brand equity analogy is that although the brand is embedded within the product as part of the ideas associated with an individual product the product qualities and product value associated with today's products are transferred into future products.

In this e-book we will employ the word brand to mean:

> A longitudinal group of products that have a distinct and distinguishable position in the consumer's mind; a brand provides recall and recognition and a meaning that cannot be easily copied. A brand is a collection of ideas and intellectual property that influences the buyer's decision-making and in turn is influenced by the product experience and the communication that results from the product experience.

In this e-book we will employ the word branding to mean:

> The processes and activities that an organisation undertakes to manage and position a brand

It is important for marketing practitioners to understand the consumers' perceptions of a brand. Kleathous and Peck (2006) suggest that consumers will support brands that are responsible and act in a sustainable manner and suggest marketing practitioners should conduct a brand perception audit to better understand the consumer perceptions attached to their brands. Similarly, Young and Rubicam have a brand asset valuator [BAV] tool. They propose that a brand as an asset is the sum of the brand strength and the brand stature.

Figure 100: Brands communicate the desirability of a product.

Brand strength is the sum of:

- Uniqueness: Characteristics that are distinctive, discernible and desirable
- Relevance: The meanings and value embedded in the brand to a customer

Brand stature is the sum of

- Esteem: How the brand is regarded in the marketplace
- Knowledge: The understanding of the brand qualities in the marketplace

Organisations spend a great deal of money, time and effort protecting their ideas, for example, commercial names, trademarks, designators, patents, designs, copyright, intellectual property, confidential information. The communication of ideas is expensive, and the law is designed to protect the intellectual property of organisations. According to Clarke and Sweeney (2005, p.19) laws exist to ensure agreed market behaviour. They present the view that if laws did not exist to prevent the wholesale copying of new ideas "then research and development would vanish" and the corresponding lack of innovation would disadvantage consumers. It is therefore important for marketing practitioners to see the law as a marketing tool to protect the intellectual property of their organisation. In addition, care should be taken to prevent infringing on the rights of others and to avoid unnecessary litigation. Most people are familiar with the golden arches of McDonalds, the iconic apple of Apple computers, and font of Starbucks Coffee.

Through our discussions on branding it should be apparent that often it is easier for a competitor to copy the design of the goods component than it is to copy the services, ideas, experiences, people and place components of a product.

Brands have value to customers and organisations.

The financial value of a brand to an organisation is referred to as **brand equity**. According to Barwise (1993) brand equity is often employed to convey the importance of investing in the brand long-term and being consistent rather than viewing a brand as a resource that could be mined without regards for the future.

If a brand is managed well it is an asset of the organisation. For example, well-managed brands generally attract better channel support and wider distribution; this is likely to increase sales revenue and build the value of the business. Brands that are well-managed provide organisations with the confidence to invest, achieve revenue reliability, achieve higher margins, reduce the urge to maintain sales volume through discounting – therefore **brands reduce organisational risk.**

Brand equity is a non-material asset, it is the result of effort by both the organisation and the customer. Therefore, a brand is unlike a material asset, for example a factory building, or machinery. Material assets can be purchased, depreciated and easily valued based on historical data. However, brands are non-material assets and are rarely sold as a standalone item. When sold, brands are generally bundled up with other assets when a business is presented for sale and the value of a brand as a standalone item is determined by the willingness of the buyer and seller to enter an exchange. Therefore, brand valuations are difficult for accountants. Simon and Sullivan (1993) discussed the positive relationship between brand equity and the financial performance of organisations; they argued that although estimating brand equity is a complex process, it has benefits for people investing in the stock market and during corporate mergers and acquisitions.

> **Author's comment:** In large organisations, calculating brand equity is a task undertaken by experts. Furthermore, auditors will generally obtain independent expert brand equity estimations when conducting an audit.

Brand equity is often misunderstood. Some have commented that brand equity represents the price premium that customers are willing to pay for a branded product. However, there are caveats:

- Gaining a price premium for a product only results in an increase in sales revenue if the required volume is also achieved.
- Gaining a price premium may be a worthwhile objective for an organisation that has; an augmented product strategy, is a price leader, or has reached its optimal capacity.
- For other organisations, brand equity may be achieved as the result of a market penetration strategy that increases sales volume and reduce organisational costs as a percentage of sales.

Although some accountants and brand valuation specialists would like to put a monetary valuation on brand equity it will always be a difficult task.

Branding is essential to increasing sales revenue, reducing organisational costs [as a percentage of sales], and building the value of the business. According to Aaker (1991), in his classic work in this area, the key components in building brand equity are brand awareness, brand associations, brand quality, brand loyalty and other propriety assets. Aaker (1991) highlights that whilst brand equity suggests a collection of assets it also contains any liabilities that come with the brand.

Key Point: Normally when we think of 'service' we think of services as performed by the organisation. However, my research suggests that brand equity is the result of 'services' provided by the customers of an organisation – sometimes we call this behaviour 'involvement' or 'customer loyalty'. Customer loyalty is the result of actions by customers – repeat purchasing intentions, willingness to increase spending, willingness to recommend, being part of the delivery process. It is this service of customer loyalty – as outlined in the circle of satisfaction that is at the core of the marketing concept and leads to a competitive advantage in the marketplace.

Brand [and product] awareness

Brand [and product] awareness is important to the buyer decision process and an important marketing consideration that requires research. Within the universal range of products that may meet the customer's needs are products/brands that the customer has no knowledge of [non-awareness set] and products/brands that the customer has knowledge of [awareness set] [this could be plotted on a continuum]. Within the products that the customer is aware of [the awareness set] there are three groups:

- **The considered set:** products/brands that are considered acceptable and worth consideration [also referred to as the evoked set]
- **The inert set:** products/brands that are considered with indifference
- **The inept set:** products/brands that are considered unacceptable

Brand associations

Studies into product and brand associations measure the consumers' awareness and recognition of a product or brand. When measuring awareness and recognition a **quantitative approach** is most appropriate, however, when exploring and uncovering consumer feelings towards a product or brand a **qualitative approach**, if properly designed and executed, will be the appropriate approach. Associations are what come to mind when a brand comes to the attention of a consumer. Some scholars (Aaker, 1997) employ the metaphor of '**brand personality**' to uncover brand image and brand associations, other scholars, (Avis, 2012), suggest that the brand personality metaphor may be misleading as it is unlikely that brands have human traits. Nevertheless, there are a number of brand considerations that marketing practitioners research:

- **Product qualities:** attributes that are of value to the selected market and distinguish the brand from others [see multi-attribute model]
- **Benefits:** the outcomes that can be achieved from purchasing the products that are of value to the selected market
- **Attitudes:** an overall perception of the attributes and benefits of the brand and a sense of value to the selected market, that have an influence over the buyer decision process

Brand quality

A brand can also be considered in relation to other brands and will be perceived and positioned in a consumer's mind as having a degree of quality [e.g., Steinway pianos are the preferred piano of concert pianists]. In many ways, a brand is a heuristic [a mental shortcut] for quality. A product is likely to command a premium when the product has a reputation of quality, and the brand is highly regarded.

Brand loyalty

Brand loyalty is a primary reason why such considerable effort is expended on branding activities. A brand that has gained the trust of consumers will be purchased more frequently and often at a premium price than a brand that is distrusted or has yet to gain the trust of the consumer (Pansari & Kumar, 2017)..

Propriety assets

Propriety assets are the intellectual properties owned by an organisation and allocated/associated to a brand. It may include patents, trademarks, registered names, images, brandmarks, processes, promises, and often the channel partner relationships that are built over time.

- Organisations often have different approaches when managing products and brands. Some organisations have a portfolio of products [e.g., Unilever, Proctor & Gamble, Mars, Apple] grouped under a family brand name. For example, Unilever – have the Dove brand and a number of products within the Dove brand. Other organisations have one product and customise the product to suit each customer [e.g., accountants, electricians, banks]. In the latter example, the product name and the brand name may be the same [e.g., FedEx]. There are a number of factors that marketing practitioners take into consideration when they manage a brand - the process is referred to as branding
- Keep in mind that you cannot build the reputation of a brand without products of appropriate quality

Search the web

Brand rankings, brand equity for a better understanding of brands visit Interbrand –

https://www.interbrand.com/ +

https://www.interbrand.com/thinking/

https://interbrand.com/best-brands/

An Interbrand - Best Retail Brands Report (2014, p. 132), stated that brands are a mix of 4 internal factors and 6 external factors and through this mix an organisation will propagate future demand:

Internal factors:

- **Clarity:** Internal clarity throughout the organisation; organisational values, the unique product value proposition, how do we create customer value and for whom
- **Commitment:** An organisational commitment to allocate the appropriate resources to nurture the brand
- **Protection:** Brand security - ensure legal protection of intellectual property throughout the channel and beyond.
- **Responsiveness:** Brand and product leadership is adapting to market changes, constantly evolving and renewing

External factors:

- **Authenticity:** The brand has an inherent truth, a set of values, a defined heritage and a reputation for exceeding customer expectations
- **Relevance:** The selected customers have a high personal involvement with the brand and products
- **Uniqueness:** A unique value proposition that is distinctive, discernible, and desirable
- **Consistency:** The brand and products are trusted to deliver as promised
- **Presence:** The brand or product has status and as such creates positive word of mouth across traditional and digital media
- **Understanding:** The brand and products are renown for distinctive qualities and characteristics

An exploration of the Interbrand platform in early 2020 indicated that a brand is of value to the organisation and to the consumer; brands bring order to product selection, brands reduce the time and effort needed to make a decision, brands reduce the risks associated with buying products as assurance is transferred from one product to another, brands allow a form of self-expression and the creation of a personal identity in society. Brands are 'trust marks' for customers and the greater the trust the greater the customer loyalty.

Other brand considerations

Brand architecture is a term marketing practitioners employ to describe the organisation, the hierarchical order, and the relationships between the brands they manage. The objective is to reduce segment confusion [attracting the wrong customer], reduce internal competition for resources, and to reduce unnecessary costs and repetition (Keller, 2015; Zelenskaya & Elkanova, 2021). According to Asberg, & Uggla (2019). Marketing practitioners employ brand architecture to better meet their financial, strategic, and communication objectives, and may employ a mono brand with sub brands and/or multi brands with no or little mental connection.

Over time organisations have developed different approaches to branding, for example:

- **Family brand structure:** Is grouping products under a corporate name [or may have once been a corporate name] where all products benefit from the overall family brand [e.g., Kellogg's – Corn Flakes, Rice Bubbles, Coco-Pops, Special K, All Bran]. Keep in mind that although it is important to promote the family brand it is the family member brands that customers purchase
- **Individual brand names:** Is having independent brand names for each product. This makes sense when there is no benefit for the organisation to promote under one family name [e.g., The Mars organisation has Mars bars, however, they also have Snickers which competes with Mars bars, and they also have pet food products such as Whiskas]
- **Private-label brands:** Often retailers source their own products and promote their own brands within their stores. This may be where the retailer designs and manufactures the product, or, where the retail store designs, set specifications, and then contracts the manufacture of the products, or, where the same product is simply labelled with a retailer's brand name. Large retailers may have a combination of each of these arrangements
- **Brand competitors:** Organisations that offer similar products in terms of price, features, benefits to the same market segment
- **Brand comprehension:** When a consumer recognises, is aware of, and understands what a brand symbol such as a name, brandmark, slogan, and design represents
- **Brand community:** A consumer group that comes together to adopt the ethos of the brand
- **Brand counterfeiting:** The word counterfeit generally refers to imitating or forging something of value [e.g., currency]. This is often done to pass off one product as if it was from a respected brand
- **Brand dilution:** This occurs when a brand extension sends a message that is inconsistent with the core values of the brand and therefore brand comprehension is reduced
- **Brand equity:** Brand equity represents the cumulative price premium that customers are willing [or not willing] to pay for a branded product
- **Brand extension:** Applying the brand associations of an existing product line to a new product line in a new product category. Also, known as brand leveraging. [When a new product is added to an existing product line then that is referred to as a product line extension.]
- **Brand inertia:** Brand inertia is repeat purchasing without brand loyalty [e.g., convenience is the deciding factor]
- **Brand licensing:** A legal contract and exchange where organisations employ the brand across different organisations and [often] different product categories [e.g., toy manufacturers may enter into an agreement with movie studios to manufacture toys – clothing manufacturers may enter into agreements with sporting organisations]
- **Co-branding:** Is when two brands come together to produce a new product
- **Brand loyalty:** The degree to which a customer will likely purchase a branded product in the future
- **Brand loyal:** Consumers who have devotion to a brand and will at times forgo a purchase if their brand is unavailable.
- **Brand name:** The spoken representation of the brand
- **Brand personality:** The traits that can be attributed to a brand as if it was human [e.g., sincerity, excitement, competence, sophistication, ruggedness (Aaker, 1997)]
- **Brand position:** An intended message and brand associations [brand image] that considers the position of brand competitors
- **Brand positioning:** The process of establishing a preferred brand identity and brand position in the marketplace
- **Brand recognition:** A general awareness of a brand and the product categories the brand covers
- **Brand relationships:** Brand relationships are an involvement/interdependence; a customer or organisation may have with a brand; how a brand has become an integral part of someone's life. Having a strong relationship with a brand is similar to brand loyalty. Some scholars discuss the brand relationship concept as **brand love** [this is an extension on Kevin Roberts' book 'Lovemarks'. Although this sounds a little far-fetched and before you discount the idea consider how some car enthusiasts customise their vehicles even give them names and affection. Brand relationships have received academic attention in B2B and B2C marketing literature. B2B brand relationships often involve channel partners who help deliver a product [e.g., a franchise or dealer network]. The concept also relates to total profits[4].
- **Brand switchers:** Consumers who have no loyalty to a brand and will switch if there is a lower price or if a brand is not available. Brand switchers are at the opposite end of the loyalty continuum to consumers who are brand loyal.

Authors Comments: In Australia MacDonalds is referred to as 'Maccas' and going to *Maccas* is referred to as a *Maccas run*. This is partly due to social media and an Australian habit of shortening names. Clearly, there are a number of implications that need to be considered to ensure this is measured and managed.

Consider how may nicknames you employ for products

Linking content & context

Consider: In the photograph below, we see can see two well-known airlines [Singapore Airlines and Qantas Airlines]. The core product that both airlines offer to customers is similar: to get the customer and their possessions safely to their destination. If we study the advertisements for both airlines [newspapers and the web] we can see that their pricing is similar. In addition, their planes are similar; after all, there are only a few manufacturers of aeroplanes. And whilst both airlines offer a similar core product, their unique product value proposition is positioned on the services, ideas, experiences, people and place that they provide. Clearly, there are material and non-material components to their product. The aeroplanes are tangible; customers can assess whether they are new or old, clean or unclean.

Q: What other tangible clues would passengers assess?

We recognise these airlines because of the positioning [the ideas, the brands] over many years. Clearly, if the planes weren't branded could we identify the organisation?

Q: What are the ideas associated with each airline?

Search the web

For more on brand architecture search the brands of Kelloggs and Mars + search private label brands in Australian supermarkets to assess the growth in recent years compare this with supermarkets in United Kingdom compare how this is influenced by income.

Franchising may be selling ideas – [B2B]

Economists often incorrectly classify an organisation as a member of the services sector, when the dominant component may be any one of the product components. Consider McDonalds: the core business of the franchisor [B2B] is charging a fee and providing access to their intellectual property and the opportunity to become part of their supply chain. At a B2B level McDonalds are selling their ideas.

Ideas to consider

In this chapter we have considered ideas as a dominant or a determinant product component, the ideas associated with price and pricing, and ideas as brands. For the remainder of this chapter we will introduce the ideas associated with environmental, social and economic sustainability, and how attitudes may be changed with demarketing of products that have little social value.

The idea of sustainability

Figure 101: Customers/stock markets judge organisations on their commitment to sustainable.

One of the most important ideas that marketing practitioners need to communicate is that organisations must adapt to the changing marketplace. We highlighted this in our discussions on the evolution of marketing. It is clear that many people/countries have been over consuming to an unsustainable level. Martin and Schouten (2012, p.3) say it beautifully:

> **Quote:** The Earth is humanity's life-support system. If we interrupt the Earth's ability to renew itself, we are effectively shutting off the supplies of clean air, fresh water, and food for future generations.

Martin and Schouten (2012) propose three symbiotic and sustainable considerations: environmental, social, and economic. They state that they are all interdependent and people should preserve the scarce natural resources, people should work hard to ensure health and fairness for all members of society to enable all to contribute and lead purposeful productive lives.

It is clear that **environmental sustainability** [being green or bio] is often used as a promotional tactic and people are often suspicious that it represents the selling concept, rather than the marketing concept. However, there is a growing awareness and movement to remove waste, to recycle, to reuse, to repurpose [e.g., Flea markets where people sell possessions they no longer need]. Hart (1995, p.993) stated that management should practice *product stewardship* meaning management should listen to the "voice of the environment" and take into consideration the costs throughout the total life cycle when designing new products. This idea extends beyond product assembly to product disassembly to ensure that the maximum number of product components may be isolated repaired and recycled. There is a movement promoting design for disassembly [DfD] and to ensure that products meet the necessary regulations [e.g., disposals of televisions and electronics]

'Waste not want not' is a great topic for internal marketing programs – people with high values are attracted to organisations that have high values.

Social sustainability is also a movement that is gaining considerable attention and resonating with consumers. People like to buy fresh, local, organic products [e.g., popularity of the farmer's markets]. People want products that are produced in the spirit of fairness – and are often comfortable with paying a premium. The slow food movement is a movement that calls for traditional foods as a counter to the fast-food industry.

Economic sustainability is fundamental to the marketing concept and philosophy; however, it is important to note that economic sustainability is not possible without environmental and social sustainability. What we are seeing is the rise of 'trust brands' [e.g., Fairtrade].

Being innovative and sustainable is part of the quest for best and can increase sales revenue, lower costs, and build the value of the business.

We have stated that many people are attracted to products that are aligned with their values and the health of our environment, society, and economy. Understanding that marketing is about total profits[4] that are synergistic, symbiotic, strategic and sustainable is a major task for all marketing practitioners.

Marketing has been sustainable for 12,000 years - sustainability should be a society norm. Let's discuss two areas of marketing that are aligned with sustainability.

> **Author's comment:** Organisations and marketing practitioners tend to think of products as being linear. This is suggested in the product life cycle concept. In that we mine resources, produce raw materials, make goods, and then when the goods are no longer needed we discard them – often to landfill. It should be that the materials are seen as lent to the goods and recycled and then made into new goods. Not sent to landfill.

Demarketing

According to Bradley and Blythe (2014, p.1) **demarketing** is

> **Quote:** "the deliberate attempt by marketing practitioners to reduce demand for a product by using the same tools and techniques as are normally used to increase demand."

Some forms of demarketing are employed to manage capacity and demand in the short term [e.g., charging a premium in times of peak demand – accommodation at the height of the ski season]; however, other forms of demarketing are employed to reduce long-term demand for a product. Often the reason for demarketing is there is a net loss to society and a strain on public resources [e.g., tobacco, drugs, alcohol] or to discourage a particular group [e.g., insurance companies may charge a premium to consumers who are likely to make a claim] [e.g., hotels may wish to discourage misbehaving clients] [e.g., casinos may remove problem gamblers from promotions].

Keep in mind: Unintentional poor marketing [for whatever reason] is not classified as demarketing.

Dematerialisation

In many ways, **dematerialisation** is a move towards reduced consumption and collectivism. Dematerialisation takes on a number of formats. Proponents of dematerialisation argue that often the same outcomes can be achieved using less resources [e.g., concentrated laundry detergents that use less packaging and therefore have reduced transportation, warehousing and handling costs]. Advocates for dematerialisation ask consumers to question the traditional view of individual ownership of possessions and promote the idea that goods may be delivered through a service. This means that rather than a durable good belonging to one person; the durable good is owned and shared by members of a group [e.g., a person living in a city may have access to a bicycle rather than own a bicycle] [e.g., people in the suburbs may have access to carpooling]. Weston (2012) states that dematerialisation is natural for example, music in a digital form take much less shelf space than DVDs, emails replace letters, e-books replace physical books, digital photography has replaced film. Weston (2012) questions the thinking behind the throwaway society, he maintains that it would be better use of resources to build products that were too good to throw away.

This idea is not restricted to low-income earners and is often referred to as 'time sharing' and examples include luxury automobiles, holiday homes, yachts, and corporate jets.

2:2:3:4 Product components: experiences

Most marketing practitioners recognise that the customer experience is critical to how customers estimate, assess, and evaluate satisfaction. In keeping with the marketing concept, managing the customer experience, throughout the buyer decision process, is a strategic and tactical imperative (Homburg, Jozic, & Kuehnl, 2017). Therefore, all organisations are marketing through the customer experience, however, some organisations are marketing an experience – we would refer to the marketing of an experience dominant product.

From a product component perspective – experiences could be defined as:

> An experience can be a dominant or determinant product component. As a product component an experience is an event, occurrence, or encounter that leaves a consumer with an emotion, impression, knowledge, or attitude.

Researching, designing, developing, and delivering the appropriate customer experience [CX] also referred to as user experience [UX] is recognised as a strategic necessity in most organisations.

> **Author's comment:** The term user experience [UX] or end-user experience is employed to greater degree when discussing the total online/digital experience. Clearly, enhancing the user experience of online search & select, click & collect, return to store is critical and needs to be seamless.

The CX/UX design process is a holistic approach [later we will discuss design thinking in more detail] that considers the customer, organisation, channel partners, and the total product [including the product considerations, product layers, and product components] to deliver the best customer experience [CX] across all **touchpoints**.

Whilst it is natural to think of customer experiences as a determinant product component there are products where the experience can be the dominant product component [e.g., tourism products]. Some marketing scholars suggest that experiences fall under the banner of services marketing – they argue that services result in an experience – which is the case. However, there are other occasions when services are to facilitate and support customers **seeking an experience** (Van Boven & Gilovich, 2003). Furthermore, they maintain that many consumers believe that experience dominant products provide a better quality of life than the acquisition of goods dominant product.

Nevertheless, service marketing scholars emphasise the importance of blueprinting and then managing the customer journey and each service encounter is a critical task for all organisations [marketplace and marketspace]. We will discuss blueprinting later in the e-book.

In research that the author conducted in 2016; cruise ship guests acknowledged that services were instrumental in the quality of their on-board experience, however, recognised that the experience was the primary reason for the cruise – not the service component. This is aligned with marketing scholars who specialise in experiential consumption. According to Visa chief economist, Wayne Best, **conspicuous consumption** is reducing as a percentage of household income, however, **quality of life spending** is increasing [e.g., travel].

In his classic paper, Holt (1995) investigated the consumption of a sports product [baseball]. His research highlighted the importance of experiences as part of the product components that make up the total product. Within this paper, Holt suggests that there is purpose and structure to consumption activities and that the purpose may be obtaining an experience. Furthermore, consumers consume as a means to an end or as an end in itself:

- **A means to an end:** for example, the experience may be through socialising with people at a baseball match. Holt suggests that people often consume just for the need to belong [to be with other people]
- **An end in itself:** the affect that is gained through the experience of the game

According to de Swaan, Arons, van den Driest, and Weed (2014, p.58) high performing organisations enhance customer value through the "total experience", they suggest that measuring the total experience is an important marketing metrics. Experiences [as a product component] are the impressions a customer gains after an interaction or a series of interactions with a product and/or an organisation. Experiences can leave the customer with a positive affect – a pleasant experience or with a negative affect – an unpleasant experience. Moreover, to have a product experience a customer must have had contact, an interaction, or an encounter with the product and a subsequent response or reaction that is subject to some critical assessment. Therefore, experiences are assessed against a customer's expectations.

> **Quote:** The customer experience originates from a set of interactions between a customer and a product, a company, or part of its organisation, which provoke a reaction. This experience is strictly personal and implies the customer's involvement at different levels (rational, emotional, sensorial, physical, and spiritual) (Gentile, Spiller, and Noci, 2007, p. 397).

According to Howard (1957) and then Verhoef, Lemon, Parasuraman, Roggeveen, Tsiros, and Schlesinger, (2009, p.32) a customer's total experience includes the "customer's cognitive, affective, emotional, social and physical responses" that occur during the 3-time-zones of the buying-consumption process. The same authors put forward the view that the customer experience comprises both controllable [other product components] and uncontrollable aspects of the product delivery [COMP factors, including other customers]. Attitudes, you may recall, have three states:

- **Affective**: how a person feels
- **Conative:** how a person behaves
- **Cognitive:** how a person thinks

We can see from the ABC of attitudes [Affect, Behaviour, and Cognition] that a customer's past experiences will influence what customers *feel* and *think* and also their future *behaviour* as consumers. A key learning outcome of this e-book is that **consumer experiences have a**

cumulative effect; each new experience builds on previous experience. The customer through their product experiences is a learning participant. Through experiences, customers learn - who to approach and who to avoid - who to trust and who not to trust.

However, product experiences take place within a community and part of the experience is other peoples' reactions. In turn, other people's reactions are part of this critical assessment and shape how we feel, think, and behave about the product experience. In this way, the values of the community influence the consumer perceptions of each product experience and future behaviour. In this e-book, we will employ product experiences to mean:

> The formation of an attitude towards a product, or brand, based on observations and/or personal involvement during the buying-consumption process.

Measuring and managing the customer experience is a KSF

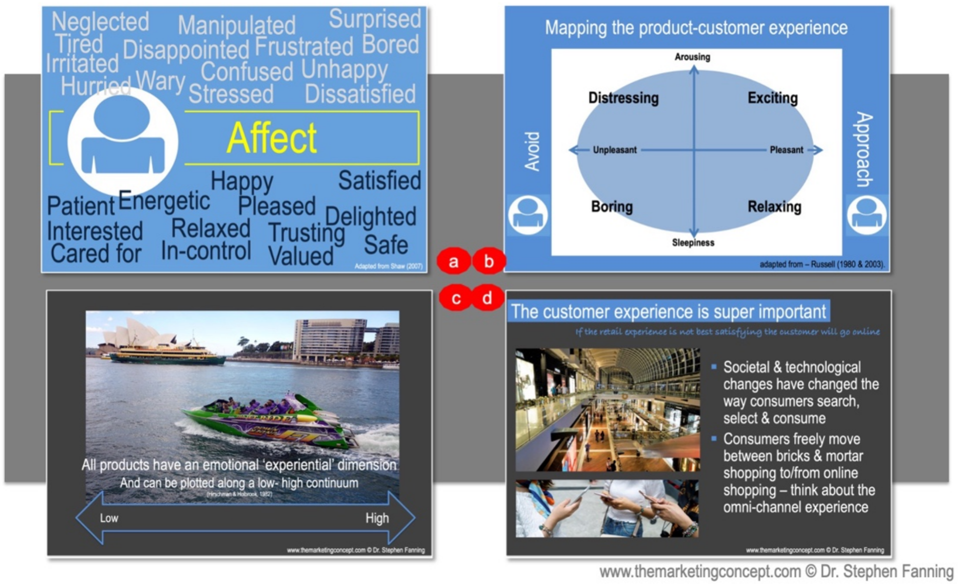
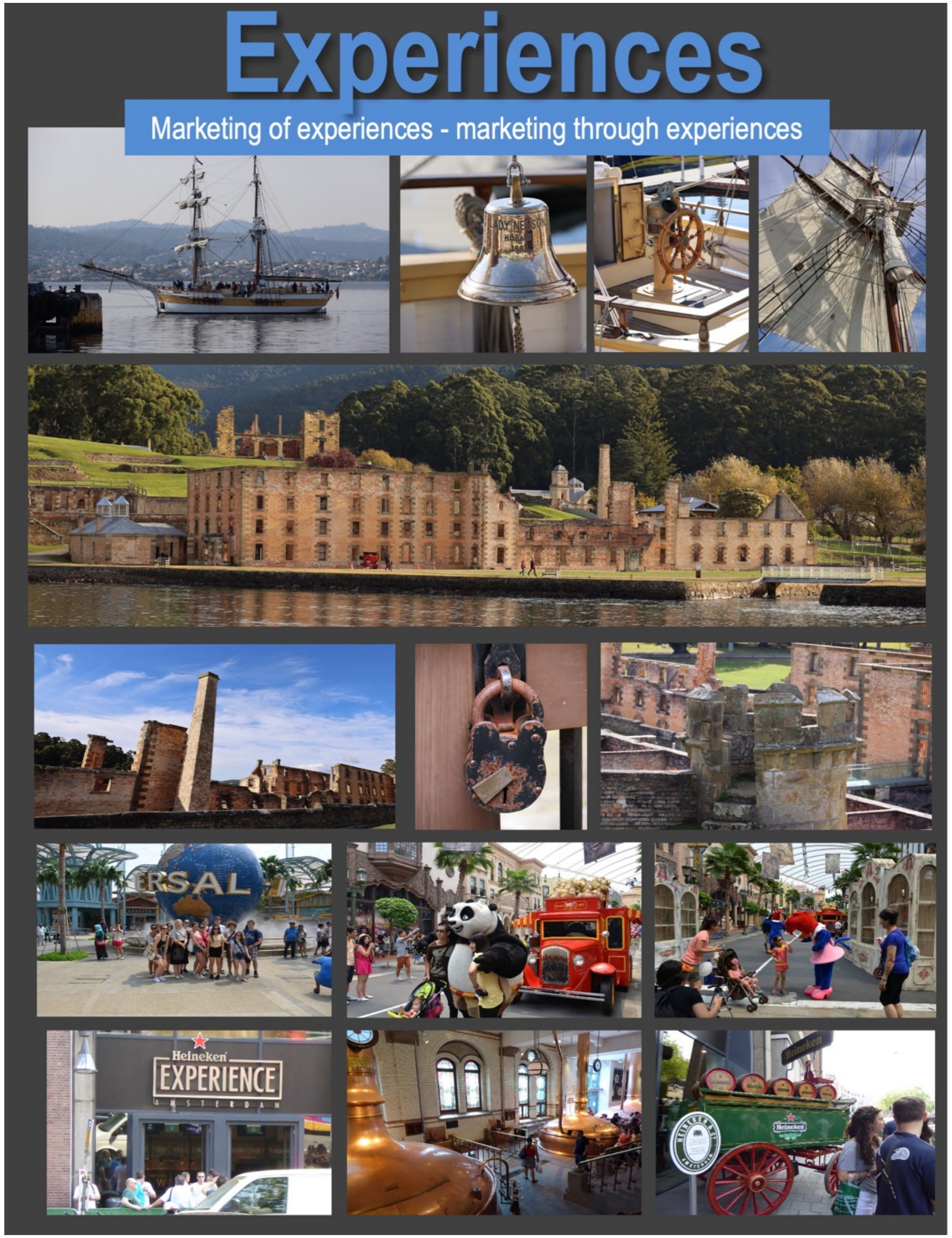


Figure 102: The topic of the experiential nature of products is worthy of further study. The articles by Russell and Shaw provide a conceptual frameworks for analysing experiences. Shaw states that customer affect can pleasant or unpleasant. Russell's model of affect. This model suggests that consumers avoid distressing and boring experiences and **approach** exciting and relaxing experiences. Given that all products have a degree of experience it should be managed carefully. This is particularly important in retail as there is always competition and a bricks & mortar and an online experience should be seamless.



Experiences are cumulative

Our experiences are important and cumulative throughout the buyer decision process. Increasingly, products are chosen on the expectation of a better experience and word of mouth is often discussed relative to the quality of the experience. In many ways experiences increase post-purchase product comprehension [e.g., a Bali resort holiday cannot be evaluated until experienced, however, after the experience it can be easily evaluated].

The same product can be delivered in different ways and produce different outcomes. Consider the different ways a cup of coffee can be delivered and how the experience may vary [remembering that products can also be delivered by human and/or mechanical effort]. You can make a cup of coffee at home or work [self-production], or it can be purchased from your favourite café, or, from a vending machine. However, although a vending machine may save time - it is unlikely that the experience component will match the experience of sitting at your favourite café – sitting in one of the university cafes with your friends, or the experience of sipping a coffee in Rome, with someone special and watching the world go by. This coffee example highlights that social encounters with other customers, the social encounters between the consumer and the product provider and the experience of the place of delivery are all important product components. As we can see the customer is often an active participant in the product – a co-producer of value.

The experience of giving gifts are an important but often overlooked area (Puente-Díaz. & Cavazos-Arroyo, 2021).They suggest that gifting experiences provides the enjoyment of giving a unique present but also the opportunity for the recipient to have a lasting memory.

Click on image to access the exemplar

Sacred and profane experiences

In 1915, Emile Durkheim, a French sociologist, introduced the themes of sacred and profane experiences. Later, Belk, Wallendorf, and Sherry (1989) explored Durkheim's treatise from a consumer behaviour perspective. Although, Belk, *et al.* (1989) defined profane experiences as **mundane, ordinary and commonplace** experiences they primarily focused on how sacred qualities may be assigned to consumption activities. They defined sacred experiences as **exotic, extraordinary and spiritual experiences**. The general premise is that sacredness is essential to a culture, and this includes a consumer culture – a visit to the Enzo Ferrari Museum may be sacred for some people – but not all. Therefore, as products have components, we may conclude that products can have sacred qualities embedded in the product components – goods, services, ideas, experiences, people, and places. There are some points worth noting:

- Not all people share the same values; sacredness can produce conflict, not everyone will share the same views as to what is sacred and/or profane
- Sacredness is subjective and may be unique to that person and may not be transferable [for example a possession that was once owned by a person's mother would be sacred to one person but not to another]

When we think of spiritual experiences we could be talking about religious, but we can often be describing experiences that have special meaning. Sacredness is an idea that is embedded in a product and spans all product components. For example, **memorial or remembrance tourism** - each year tourists, from all over the world, visit the battlefields and memorials in France to gain an appreciation of the sacrifices that ordinary people made during WW1 & WW2.

It should now be evident that other product components [goods, service, ideas, people, and places] contribute to the experience and critical to the assessment of the experience. Nevertheless, it is through the experience component that consumers assess and then evaluate the qualities embedded in a product.

Previously we stated that product ideas or branding might influence a purchase decision, however, the product experience may determine future purchase intentions and cement the brand's position in the customer's mind.

> **Author's comment:** Interestingly just as people collect goods that are rare to cultivate a self-image; other people seek out rare experiences to cultivate a self-image. If you have been unaware of this, then pay attention to the travel tales of your friends.

Search the web

Cirque Du Soleil is a Montreal based experience provider visit https://www.cirquedusoleil.com/

The "experience economy," the book is available online, read the reviews for a quick preview.

Also read recent history to better understand the challenges.

2:2:3:5 Product components: people

Figure 103: People as in other customers are often an important part of a product. Imagine you were at a resort and there were no other guests. Often it is the people we interact with that provide the social qualities. [b] We can see how some sports fans follow their team and that becomes part of the event. [c] People within an organisation create the products provide the services and form relationships. [d] The study of people is called demography.

Have you ever visited a place of business outside of business hours? If you have you may have noticed that it feels quite different to during business hours. You may have noticed that all the equipment is waiting for the people of the organisation to come and open the doors for business. However, the doors will not remain open if customers don't call and do business with the organisation. Organisations are about people; organisations function through people and business success is about creating profitable[4] relationships[4]. From a product component perspective – people could be defined as:

> People can be a dominant or determinant product component. People as a product component are the human qualities, skills, and interactions that enable the production, and delivery of a product. The people component includes the social value of a product.

Like the other product components, people can be a dominant or a determinant component.

Those of us who have a favourite accountant, doctor, dentist, hairdresser, butcher, architect, and electrician - know that people are an important part of many products. In some cases, people are the dominant product component. Often it is the qualities and skills of the person that draws a consumer to a product. Furthermore, people are often loyal to a particular product provider.

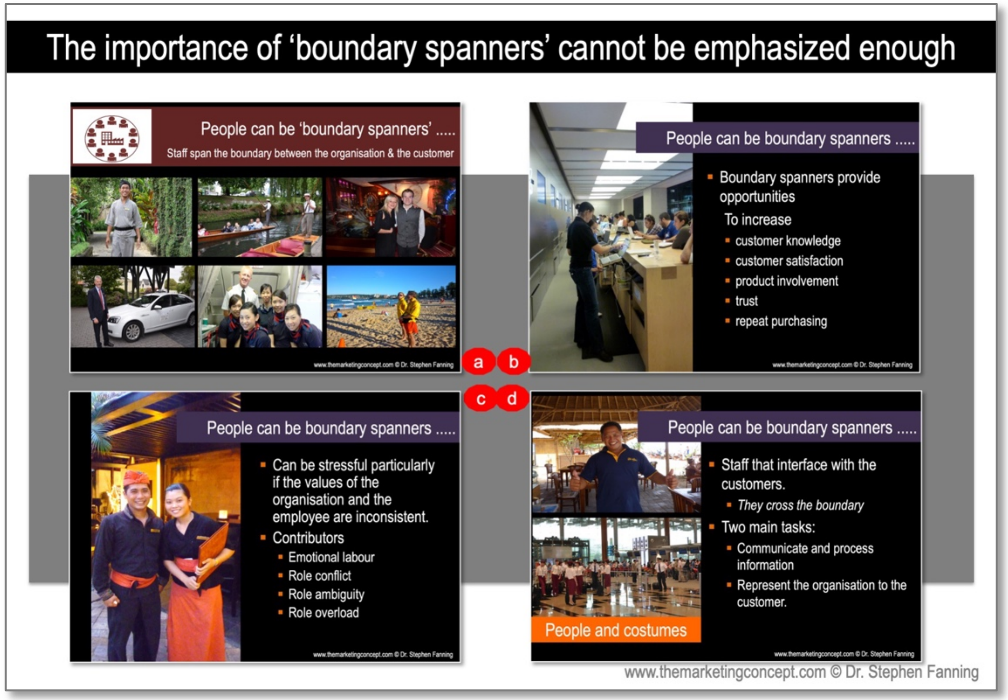


Figure 104: Later we will discuss the organisations' people as boundary spanners as they span the boundary between the organisation and the customer – the must represent the organisation to the customer and the customer to the organisation.

With some other products [e.g., socialising at a football match] it is the interaction with other people [i.e., customers] that is a key part of the total product. Therefore, sometimes the people component includes the product providers and includes other customers. These products have a social value; for example, going out with friends for a meal, going to a nightclub, in cases such as these - people are generally the dominant product component. **Consider**: When someone says why don't we catch up for a coffee? Is it the coffee or the other person's company that is the dominant product component?

Business success or failure is often determined by the cumulative effect of all of the interactions between the product provider and the product recipient: and often between other product recipients. People often make or break the experience. People are part of the service delivery process, regardless of whether they are front-stage product providers like the 'Singapore Girl', who greets and serves customers, or back-stage product providers [e.g., baggage handlers] who are never seen by customers.

Figure 105: The people component looks at people within the organisation as part of the product. However, we should be mindful of understanding how people as customers interact with boundary spanners and other customers.

People make the processes work.

The 'Singapore Girl' is a great example of an organisation that positions its product on people as a product component. Singapore Airlines takes an augmented product approach through its people, and they have a fine reputation for consistently delivering world-class service. They have promoted the *Singapore Girl* to icon status and as the basis of distinguishing their products from other airlines.

People as physical evidence of quality

When we visit a business, how the staff are dressed makes an impression – this provides evidence of quality, and it helps consumers to determine whether they approach or avoid an exchange (Bitner, 1992). For example, airlines provide physical evidence of quality through their dress codes; this leads to consumer expectations. Customers expect that a pilot looks like a pilot and flight attendants look like flight attendants, their dress enhances the experience. If the pilot was wearing a loud floral shirt, board shorts, and sandals, it would not communicate the same degree of professionalism and it would be unlikely to generate customer confidence.

Reducing the dependence on people

People are often the dominant or determinant product component and a reason why consumers and customers approach some products and avoid others. The people component needs to be carefully managed according to the customer, organisation, market, and product. For example, some hotels have introduced swipe cards for guests to access their rooms; this reduces the need to go to reception when entering and leaving the hotel. It reduces personal contact and the cost to the hotel. There are hotels where this may be appropriate – for example Premier Inn, which is based on a low-cost model. However, in a conversation with the Deputy Chairman of the Ritz Hotel London, Andrew Love, he stated that dropping the key off and picking up the key from the reception provides the opportunity to engage with the guests and enhance their experience.

Increasingly self-service technology [SST] is reducing the dependence on people. Petrol stations are often unmanned, and the customer swipes a credit card and fills their tank; then, when the pump is replaced the amount is automatically debited. At the same time, the petrol station is securing payment and reducing the risk. Many travellers are now familiar with booking and checking into airlines and hotels. Customer participation may vary from low to high involvement and this often involves self-service technology [SST]. There are a number of everyday examples of customer participation: online booking of airline tickets, downloading music, automatic teller machines [ATM]. Not all customer participation is technology based; for example, customers putting their rubbish in the bin at fast food outlets.

People participate when there is greater control over the outcomes; they wish to customise to suit their preferences, when it is more convenient and when there are savings in time or money. There are other reasons why people get involved in the provision of their own service. Sometimes there is product significance [e.g., building a home and the person wants to make sure the job gets done], when there is a relationship [save the product provider effort], when the customer has the knowledge and skills, and some people would rather not have to deal with other people.

To get people involved in self-service there are three rules; make the service delivery:

- Easy to use: remove complexity
- Easy to trial: participate without risk
- A logical extension of the present process: allow customers to take small steps

Then articulate to consumers and customers:

- The benefits
- The procedures

Care needs to be taken with automation. Automation is often a contentious issue; customers welcome automation when it saves money, time, and effort, however, customers also articulate their annoyance when automation erodes the quality of the service or experience. Some, suggest that often SST is no more than a cost-cutting exercise. For example, readers cite the endless options when they ring a Telco, how the right option is never there, and when they wait forever for a customer service operator.

Support during the product purchase and delivery can be a determinant factor and has the opportunity to build or erode customer satisfaction and referrals.

Internet shopping

Another example where automation is often incorporated into the product delivery process is Internet shopping. Internet shopping is becoming increasingly common for many consumers. Examples of Internet shopping include: buying books, music, tourism, clothes, etc.

Learning through self-serve technologies

Self-serve technology is increasingly being employed to reduce organisational costs and to increase customer participation in the delivery process. Consider how the introduction of SSTs would change the communication objectives of an organisation.

The following photograph shows an automated check-in system at the Premier Inn. Customers are encouraged to book online, choose their room through an online kiosk and use their credit card to facilitate the exchange. A room key is then issued.

A key consideration for customers and marketing practitioners is how information from transactions is collected and analysed and then employed in the design and development of a marketing plan and marketing action plans. For example, what useful segmentation information could this information produce? Keep in mind marketing practitioners now have the opportunity to collect information at many touchpoints.

Do-It-Yourself market can replace people

Another consideration is that some products may also have a DIY or self-production provision option [e.g., car washing, lawn mowing, tax return, painting a room]. When organisations are competing against the DIY market they should provide evidence of their expertise and the emphasise the risks associated with DIY.

Whilst, some people engage in DIY or self-production to save money, others do it because they want to be part of the delivery process [e.g., buying tickets to a rock concert online, or booking an airfare] and enjoy the experience of DIY.

People may be the dominant component?

Consider going to a rock concert. Think about your favourite artist. One artist that has been popular for around 140 years :-) is Rod Stewart. Stewart's fans span several generations and some fans have been loyal since his release of Maggie May in the early 1970s. While many artists have come and gone, Rod Stewart is still able to attract audiences to his concerts.

Q: Is Rod Stewart a product? Is it about the "Rod Stewart concert experience"?

Q: From a marketing perspective, what are the product life cycle issues between a classic performer like Rod Stewart and a one hit wonder?

Q: List the different ways a Rod Stewart product can be purchased

Q: If we consider the group ACDC, we may realise that the people product component may be a group – and this idea is not restricted to musicians [e.g., my accountant or my accountants].

……

Consider: A cup of coffee at your favourite café; when you consider the total product that you pay for are there?

- Goods [%], Services [%], Ideas [%], Experiences [%], People [%], Places [%]

Consider a cup of coffee from a vending machine; when you consider the total product that you pay for are there?

- Goods [%], Services [%], Ideas [%], Experiences [%], People [%], Places [%]

Consider a cup of coffee at home [for breakfast]; when you consider the total product that you pay for are there?

- Goods [%], Services [%], Ideas [%], Experiences [%], People [%], Places [%]

Consider the journey of the coffee bean from the field to your coffee cup. Does the coffee bean make a change from a B2B product to a B2C product?

……

Consider: Freeda likes to shop at David Jones [a chain of department stores in Australia]; for as long as she can remember she has shopped there. She believes that David Jones is a well-known and loved brand. One reason she shops at David Jones is they stock brands she likes. Freeda trusts David Jones to select and stock quality products and trusts that if her purchase deviates from her expected quality, then, she feels comfortable to return the purchase.

Q: What stores do you enjoy shopping at and what makes them special?

……

Consider: We may think that casting people for a role is only for the movies and theatre. For example, The James Bond franchise is now in its 40th year. Often you hear people say, "I think Daniel Craig is the best Bond ever …" and then go on to describe the Bond qualities to justify their stance.

Q: In what ways, should managers consider casting when hiring a new staff member?

2:2:3:6 Product components: place

Place as a product component has considerable breadth and depth, and, perhaps, more complex than some may consider (Tuan, 1979). To provide a broad view of place it is worthwhile to explore a few dictionary definitions – the word place may be a noun **a place** [a location, a position] or a verb **to place** [to locate, to position].

Figure 106: Place cane be a dominant product component as in a destination and a determinant product component as in the atmospherics of a business.

Place can be natural wonder or a natural constructed set. Place can be a physical site or a web-site.

Place has long been of interest to artists in [c] we can view the landscape in plan in [d] we see a replication of an Italian coastal town.

As a noun: place may be employed to communicate a location, site, position, home, shop, area, locality, neighbourhood, precinct, district, village, city, region, country. However, place may also communicate a position as status, standing, grade, rank, job employment and, furthermore, communicate a situation, circumstance, condition. This suggests that place may have a hierarchical order (Hanna & Rowley, 2015, Zelenskaya & Elkanova, 2021). For example, France > Paris > The Eiffel Tower.

Figure 107: People move freely from the marketspace to the marketplace. Consider the searching and selecting functions within the buyer decision process and then in the 3rd time-zone reflecting posting a review.

There are many who consider place branding as an important part of tourism and some who recognise the hierarchy of place brands with an umbrella brand and a number of distinct sub brands (Kavaratzis, & Hatch,2013); in this e-book we would identify this as an aggregate product that contributes to an aggregate brand.

As a verb: place may be employed to locate, to assign a position, to indicate a rank, to identify a hierarchy, to relocate, to invest money.

> **Author's comment:** There is also the concept of 'third place' which is not home or work but a place that feels comfortable – may even be a coffee shop or a bar (Oldenburg & Brissett, 1982).

Place can be a physical place that requires a physical presence [e.g., the marketplace] or place may be a digital place that can be visited through digital technologies [e.g., the marketspace]. With some products, we can visit both - the marketspace and the marketplace [e.g., booking a holiday online and then physically visiting the destination].

Author's comment: interestingly - when reading a book a person may 'bookmark' their place within a book – similarly – when online a person may 'bookmark' a favourite site.

From a product component perspective – place could be defined as:

Place can be a dominant or determinant product component. Place may be a material or non-material site. Place is a setting in which the product may be selected and/or delivered. Place can be natural or man-made. Place is an idea that identifies the provenance of the product. Place has qualities. Place can also be the product's position relative to other products.

Author's comment: you may have spotted that place may be the position that is established in the consumer's mind through place qualities. Hold on to that thought as we will visit this topic later.

Marketing practitioners will manage the product component of place throughout the three time-zones of the buyer decision process. Initially to communicate and establish positive expectations, then to provide a positive customer experience, and then to establish a positive evaluation of the consumption – and through managing place the marketing practitioner is establishing a place in the consumer's mind that ranks this product against other products.

Consider: Conversations about place are more common than we may realise, for example, a friend may ask:

Q: 'Where did you go on your holiday'?

A: "I went to Rome; it is such an ancient place - when compared to ..."

Place can be a place of natural beauty and part of the marketing communication process is to maintain the pristine beauty. for example, a friend may ask.

Q: 'Where did you go on your holiday'?

A: "I went to Elephant Rocks, near Albany in Western Australia; it is such an awesome place."

Place can be person made, for example, a friend may ask.

Q: 'Where did you go on your holiday'?

A: "I went to Christchurch in New Zealand; the Botanical Gardens are so beautiful".

Place often receives out-dated or scant attention in marketing textbooks - even in Tourism textbooks - where place should be treated as the dominant product component. In the past, marketing practitioners and scholars referred to place as a setting to distribute the product and conduct an exchange. It is interesting to note that prior to McCarthy's 4P mnemonic [product, price, place, and promotion] it was often referred to as Product, Price, Distribution, and Promotion]. As we have previously emphasised, distribution is better classified as a service component, a facilitating and/or supporting service, that enables products to reach a market. Place as distribution is an outdated view but one that is often carried forward from one edition of a marketing textbook to another, even by the most respected of authors, to avoid embarrassment I have removed the authors names from the following quotes:

- "Place – a means of getting the product into the hands of the customer"
- "Place stands for company activities that make the product available to target consumers"
- "Place … the availability of the product to the customer at the desired time and location"

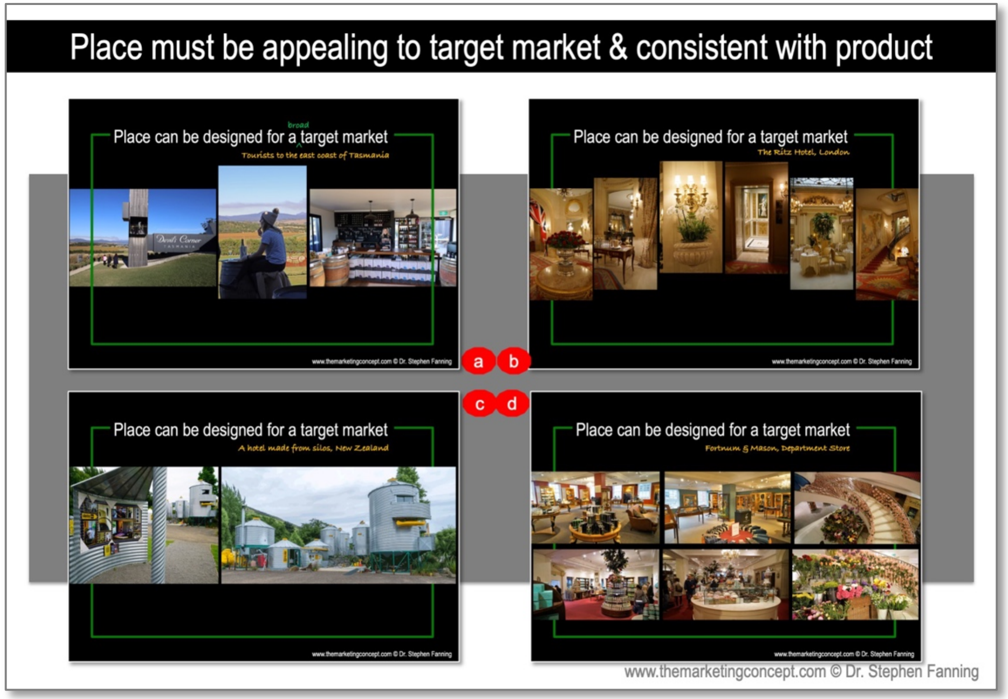


Figure 108: A key consideration for marketing practitioners is the characteristics of the customer and in particular the preferences of the target market - this also applies to place. The target market in [a] is broad and anyone who is a tourist to Tasmania that wishes to enjoy a wine and a lovely view, to give a feel the buildings are repurposed shipping containers. In the case of [b] it is a wealthy segment who are willing to pay to enjoy the luxury of the Ritz Hotel. In the case of [c] this hotel made from corrugated sheet metal in the form of grain silos is certainly for those seeking an epistemic experience. In the case of [d] it is for those who shop in the splendour of on of the world's great department stores - Fortnum and Mason.

The key point is that place must be appropriate with the COMP factors

Marketplace and marketspace

Place is an important product component and there are many internet services designed to assist the customer [tourist] to reach their desired destination [e.g., airlines, Trivago, Tripadvisor, Bookings.com, etc.] and many services are in place to accommodate them during their visit [e.g., hotels, restaurants, etc.]. This raises an interesting question about web sites [note the word site and the connotations with place].

Q: Should web sites be considered as a place component of a product?

A: Absolutely – the web sites is the place where many consumption activities begin. Therefore, place can be:

- The marketplace – face-to-face - a material place
- The marketspace – remote or arm's length via a medium - a non-material place

Note the presence of the marketplace and marketspace in the following examples:

- Place can be where the exchange takes place, however, sometimes the place and the exchange can be quite separate [e.g., booking a harbour boat ride in Sydney, Australia from Salzburg, Austria]
- Some services [e.g., credit cards] are designed to facilitate an exchange in one place and pay for it in another [e.g., book accommodation in Christchurch, New Zealand from Perth, Australia and pay for it in Christchurch]
- There are sites designed to inform visitors about places of interest before they depart [e.g., the website to climb the Sydney Harbour Bridge] or inform the visitor at the destination [e.g., The Sydney visitors centre in the Rocks area of Sydney]

Servicescape

The servicescape model [in the next figure] suggests that people [employees & customers] behave according to their surroundings. Please take a few minutes to explore the model.

[a] They approach places that are appropriately pleasant and avoid places that are unpleasant. Place also influences how employees and customers interact with each other.

[b] A best satisfying business may be a 5 star hotel or it may be a backpackers the servicescape model applies – place has to be appropriate.

[c] The same person will behave according to the surroundings and we can conclude that they will act differently in a church and when supporting their team.

[d] A place can have a calming effect a place of meditation and reflection.

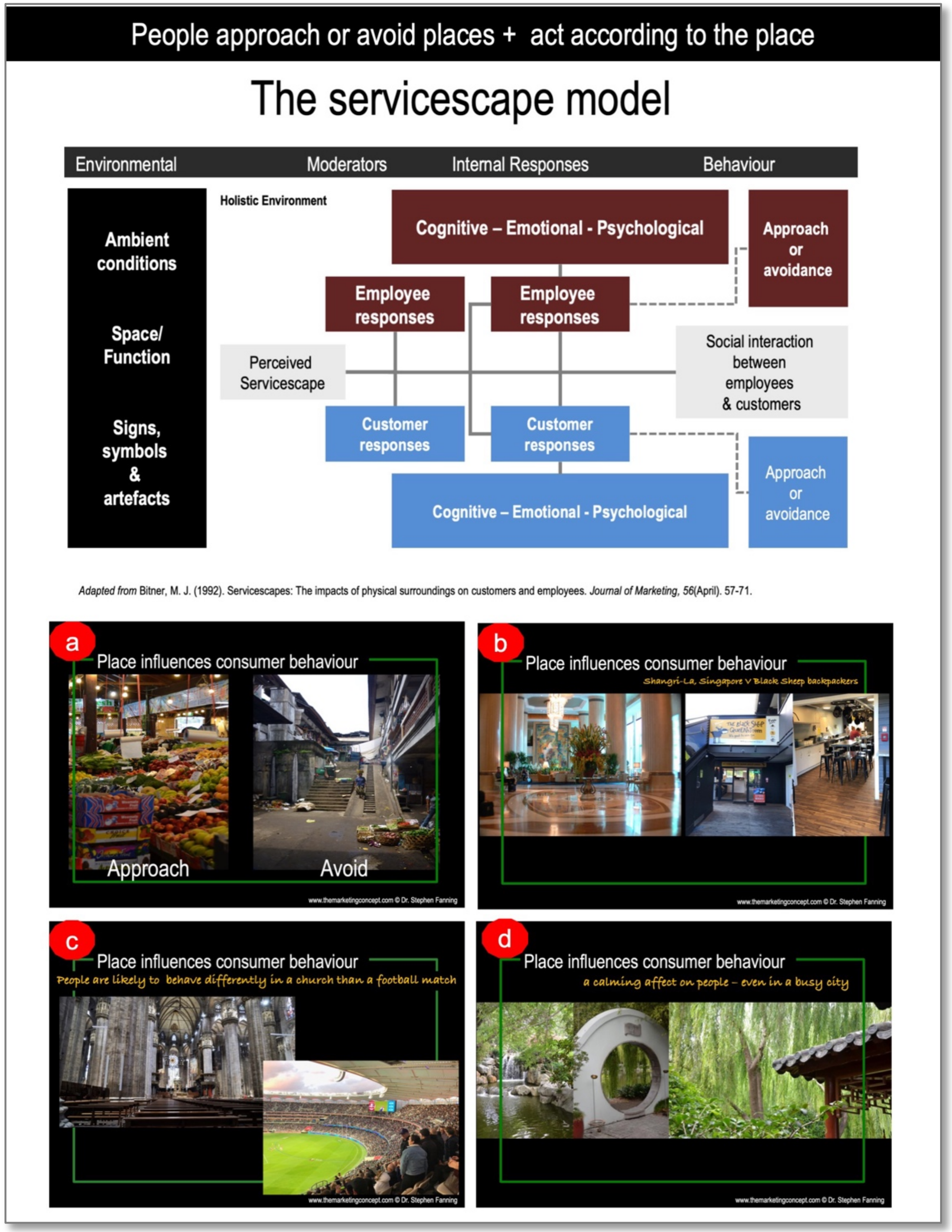


Figure 109: The servicescape model provides a better understand of place.

Figure 110: In this collection we can see the Quay West Apartments in Sydney. This photograph has been selected as one side of the building has this magnificent view of the Sydney Harbour Bridge and the Sydney Opera house, clearly – a price premium would be applied depending on the ambience created by the view. In the next image we see the view from Traders Hotel in Kuala Lumpur, Malaysia [LH] The Traders Hotel is directly opposite the KLCC Twin Towers [also known as the Petronas Towers]. The view from the hotel during both day and night is fabulous. There is a shopping mall at the base of the twin towers. The shopping mall is a short walk across a park, or a ride on a hotel golf buggy [an augmented service component]. The photographs of the Norfolk Hotel demonstrate how this hotel, one of the top 100 hotels in the world, delights its guest and provides a relaxing, traditional hotel in a beautiful garden setting. From a marketing practitioner's perspective we can see how the location of the hotel provides an opportunity to augment the product.

There is an old adage that marketing is all about location, location, location, [LLL] and whilst this may be an oversimplification there remains an important message. In marketing, place strategy is generally a long-term strategy that is often difficult to modify – and the selection of the wrong place strategy may prove fatal. Much of the strategy is dependent on understanding the nature of the product, the nature of the customer, the nature of the organisation, plus legislation and planning requirements.

Clearly, the location will require primary decisions like country, region, city, CBD or suburb; however, it will also include secondary decisions such as within a shopping centre, a retail park, a high-street shopping precinct, within a light industrial area, and tertiary decisions the actual locations within these locations. Whilst some larger retailers will opt to develop their own sites, and these may involve many years of planning and development - other smaller retailers may opt for a location within an existing building. Regardless, there will be planning and legal decisions that will need to be considered. In addition, a number of marketing decisions will need to be considered such as the demographics of the area, the location of competitors, the location of compatible businesses, passing traffic, performance of surrounding business - etc.

Figure 111: In the above collection we can see some different aspects of place.

In [a] we can see the QV Building in Sydney; this heritage building is centrally located building is well preserved and the general appearance is such that it appeals to up-market brands and service organisations.

In [b] we can see Bill's shed in Invercargill, New Zealand, this is one of the great car collections of the world. The use of lighting to better display the car collection and how the cars are ordered to provide the evolution of the cars and trucks is excellent.

In [c] we can see the Block Arcade in Melbourne also a very traditional building, we would expect to see that the tenants in this building complete the fit out of the shop in harmony withthe arcade and the other shops. This may that the signage is in keeping with the entire arcade – this may not suit all tenants.

In [d] we find the Hiji Lane in Singapore with respect to the use of colour this is in contrast to the QV building and the Block Arcade, yet is appropriate for the Lane and the type of restaurant.

Whilst location is important sometimes it is less important. Consider: The location most suitable for:

- A washing machine repair business, a garden centre, a smash repair business, a lawn mowing business, a home handyman service business

Although Location, location, location may be an oversimplification there are two weaknesses that need to be considered. Firstly, LLL is an instrumental goal rather than a terminal goal. Secondly, LLL takes on a different meaning when the marketplace and the marketspace are considered.

Perhaps. it would be better to replace LLL with convenience and accessibility for the customer and traffic for the organisation. **Convenience, accessibility and traffic** are really the terminal goals for an organisation, regardless of whether it is for the marketplace and marketspace.

Today, a number of scholars regard place more holistically and argue that place will vary according to the nature of the product. It should be noted that place, like all other product components, interacts with the other product components.

Convenience may be a location and an experience. Place can be where goods are exchanged [e.g., a convenience store, a department store], however, it can also be the place where a service is performed [e.g., a dentist surgery, or the Apple Apps Store].

Place can be where ideas are communicated [e.g., Wikipedia], Place may be part of an experience [e.g., a restaurant, a sporting arena]. Finally, place can be the dominant product component [e.g., going to a particular place [e.g., The United States of America > California >Anaheim > Disneyland].

It is important to keep in mind that place to the marketer is not just the location where the product meets the customer; it is a value-adding component of the product (Snepenger, Snepenger, Dalbey, & Wessol, 2007) that creates a place in the consumer's mind.

Place can be a destination, marketing practitioners in the tourism industry often refer to the marketing of place as 'destination marketing'. Place can be a destination which includes an overarching macro-destination [e.g., Europe] and a number of micro-destinations [e.g., Great Britain, England, London, Heathrow, Waterloo, The London Eye, The Premier Inn at Waterloo]. Often, when you hear people describing their travels, they talk macro and micro within the same sentence; for example, "we found this great little pub in the picturesque village of Cranleigh, just near Guildford, in Surrey, a few hours out of London."

Sometimes the place may be a specific location [e.g., a nightclub, restaurant, market, a department store – Fortnum and Mason] so - clearly place, like the other five product components and can be a dominant product component and can interact with the others. For example, Dubai has some amazing shopping malls; one, The Mall of the Emirates, has a ski snow slope; this example demonstrates how the product components, dominant and determinant, interact as a mix.

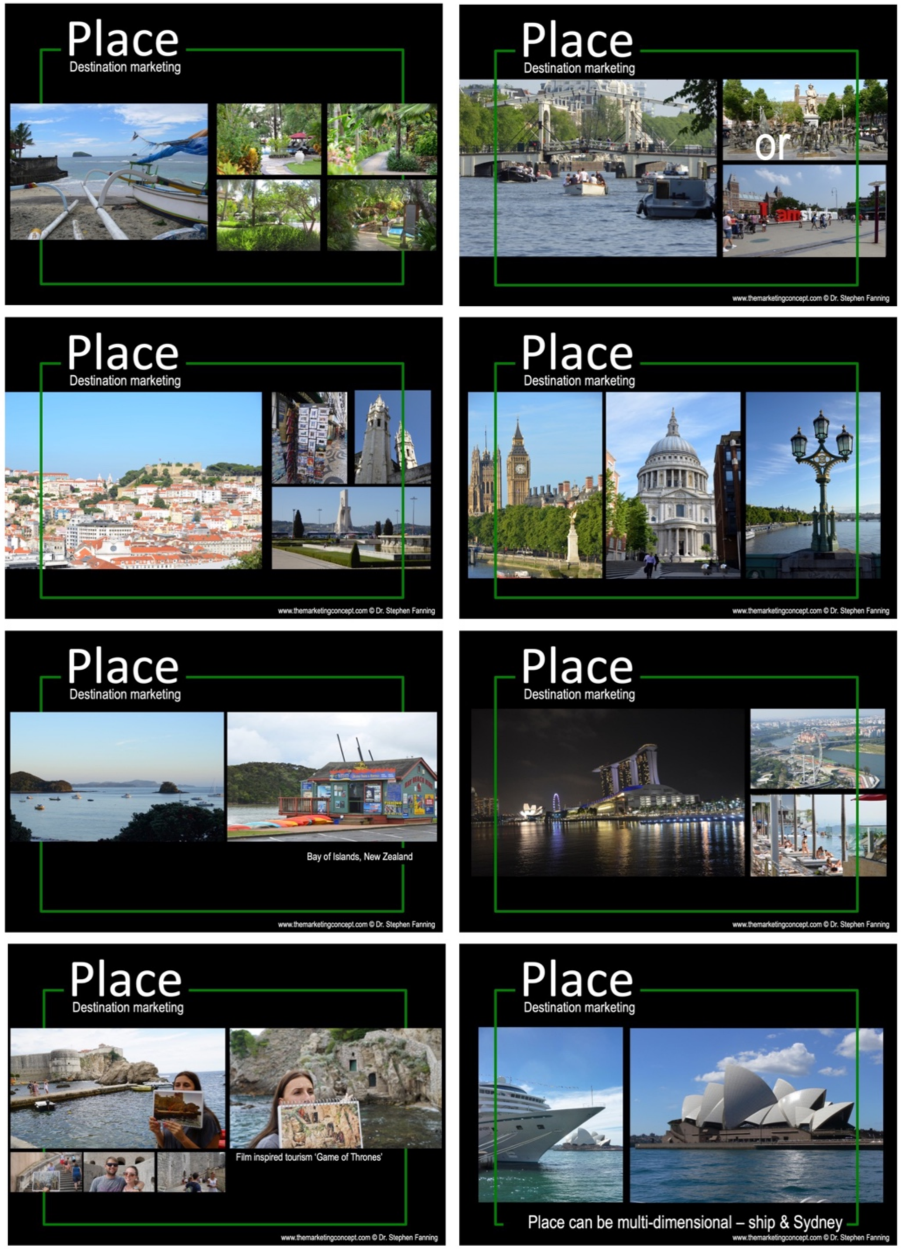


Figure 112: Tourism is about visiting a place[s] and returning home.

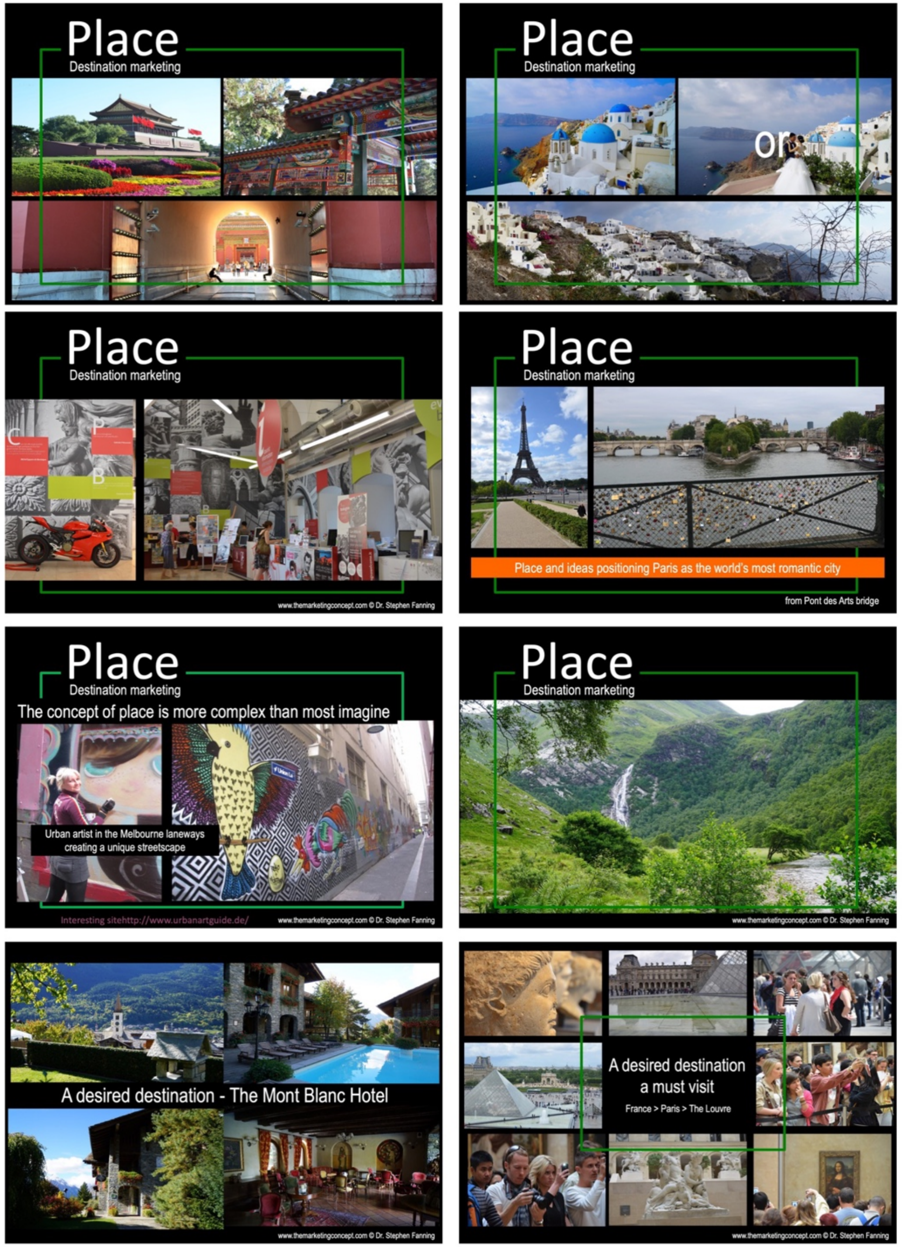


Figure 113: The construct of place has a number of layers.

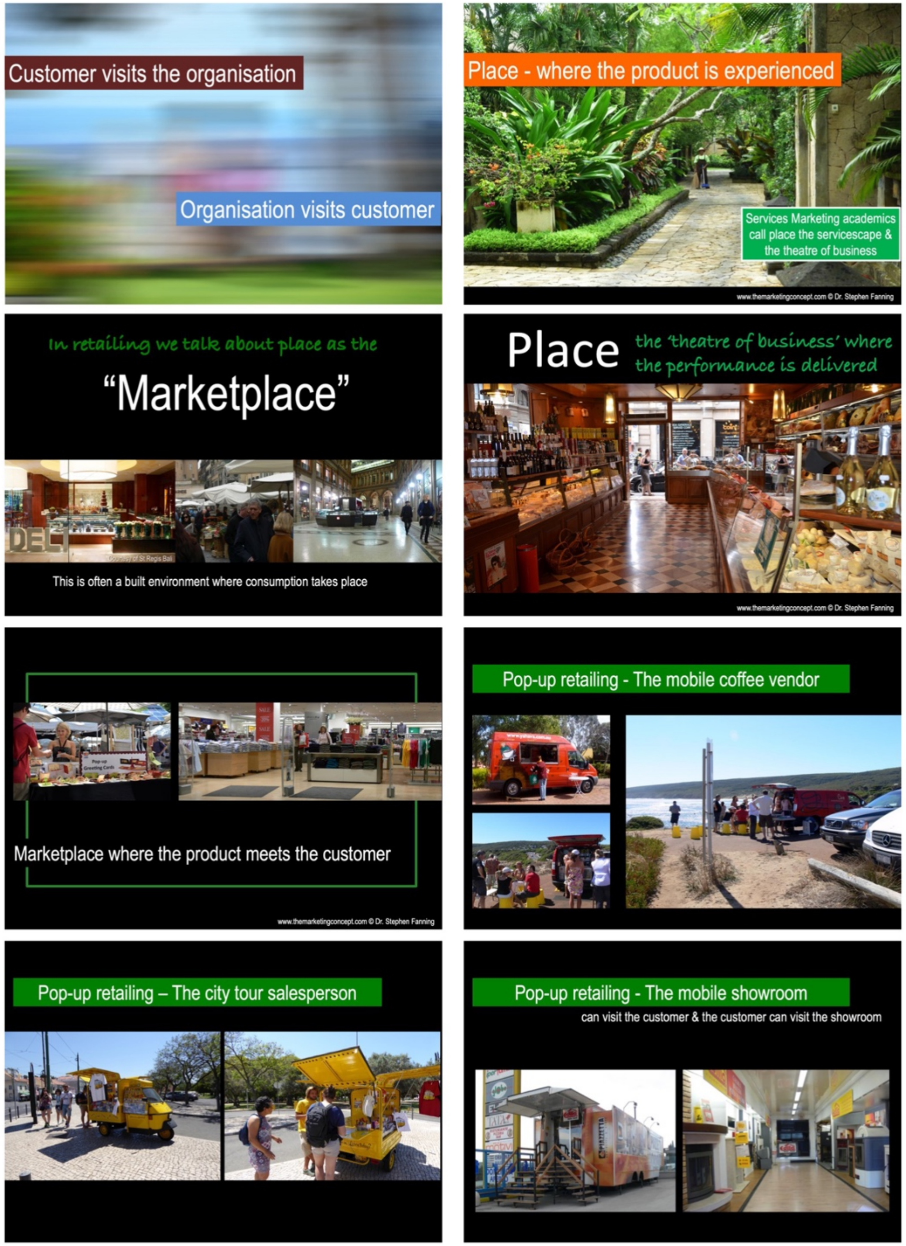


Figure 114: Place is where the organisation and the customer come together.

Provenance

Place is sometimes referred to as **provenance**; a topic that has greater significance than is initially apparent. Provenance is a French term that refers to the heritage/history/ownership that is embedded within the product and the brand. Provenance is also about authenticity – the authenticity of the place. Provenance is a term that is often used in art to identify the authenticity and history of a work of art. Just as in art, where a forgery is considerably less valuable than an original, the same is true with products. Provenance qualities influence price, with some organisations in the position to charge a price premium. Provenance and its relationship with price is, therefore, an important consideration for marketing practitioners. Provenance influences sales, however, it may also be of part of a long-term positioning strategy. For example: French wines are considered to be more authentic than wines from other countries, and even within France, only wines from the Champagne region are able to be promoted as "Champagne." This authenticity to a region is referred to as *terroir*. The general notion of *terroir* is that due to culture, soil, climate and topography, the wine from a particular region is embedded with unique qualities. Therefore, sparkling wine from other regions are not permitted to be promoted or labelled as Champagne etc. [N.B. in France emphasis is on the region not the grape variety]. *Appellation d'origine controlee* (AOC) is a French Government controlled certification that indicates the geographical place of origin of a number of agricultural products including wine, meat, cheese, butter etc. The AOC certification can be traced back to the 15th Century and is employed to position a product in the consumer's mind.

Some readers who have visited France may be familiar with Bresse Chickens [*Poulet de Bresse*] –the most acclaimed chicken in the world – and almost a cultural symbol of France. To achieve AOC place status, Bresse poultry farmers must adhere to strict quality control specifications, such as - the breed of chicken, how they are raised, how much land per chicken, how much time indoors and outdoors, what the chickens may eat and drink, how they are slaughtered and the defined region they may be produced. As a consequence, Bresse Chickens receive a price premium over other chicken products – to protect the interests of the consumer and the poultry farmers the chickens are branded with a metal band on the left foot of the chicken that indicates the provenance of the bird.

What is interesting about the Bresse Chickens is that this is an example of marketing practice at its finest. A literature review of this topic reveals that it was not that long ago that the poultry farmers of this region were facing financial difficulties and considerable challenges until they adopted the marketing concept. They could have chosen to compete with a low-cost production model, however, they chose to collaborate, to augment their product through strict quality control measures, and to establish a premium brand that is primarily sold through specialty butchers [*boucherie*]. Consider, the result of a low-cost production option - a few large low-cost volume producers selling a product of lesser quality through supermarkets and subjected to the demands of the supermarket chains.

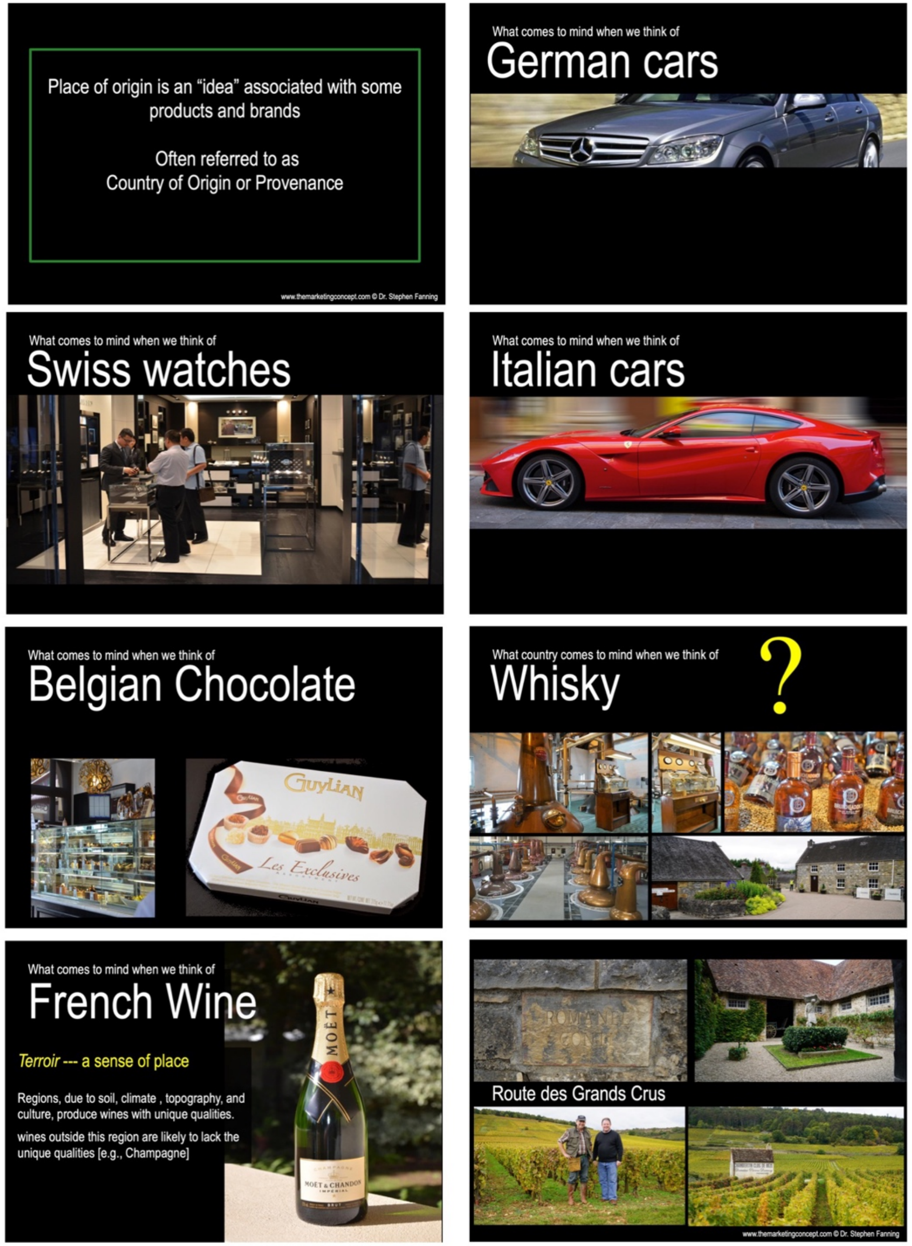


Figure 115: Country of origin, can provide cues as to quality.

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> **Author’s comment:** Provenance is a greater influence than we may first consider, in fact, provenance is often a heuristic [a mental shortcut] that indicates the products place amongst other products [ranking]. This is particularly true for consumers who lack the product knowledge to make an informed decision and wish to cultivate a good image rather than a bad image – to avoid social risk [Italians refer to this as *bella figura* and *bruta figura* a good face and a bad face – other cultures have similar expressions].

Place of origin can minimise social risk

A loss of face is often referred to as a social risk. A number of reports from China (e.g., Speedy, 2010) suggest that Chinese wine consumers are turning to provenance qualities to determine a hierarchy of countries of origin and by doing so minimise social risk. There are other examples of provenance as a heuristic: for example, many people say that if you can’t afford a German car - buy Japanese. The same is true for Italian leather goods, Belgian chocolates, Swiss watches etc...

Whilst, country of origin as a brand presents opportunities it also presents challenges (Kotler & Gertner, 2002) for example, dependent on the category, consumers are more attracted to products from one country than another, with products that have low consumer involvement consumers may not assign meaning or employ country of origin stereotypes, on higher involvement products consumers may want to disaggregate ‘Made in Qwert’ to a more meaningful indicator of the other countries that may be involved.

There are a number of examples of breaking free from the ‘provenance paradox’ (Deshpande, 2010). Whilst the Scottish are known for their whisky, Scottish beer does not command the same provenance appeal as Czechoslovakian beer. However, Scotland is renowned for the quality of its water and cereal crops; building on this advantage the craft beer brewers of Scotland are now making major inroads and building a reputation for fine and unique beers. Mexico is a country not really associated with beer, however, Corona is positioned as a Mexican beer and gained worldwide appeal and has overcome the challenges of provenance to become a coveted brand.

Service dominant products such as IT are not exempt from the challenges of provenance. An example is India, who, for many years, have had the Strategic Intent to become a world leader in software development. On the subject of India and strategic intent, the Bollywood V Hollywood is an excellent example of provenance at work and how countries can develop a unique product value proposition.

Provenance: a strategic shortcut

When times for the U.S. motor car industry were more optimistic Ford purchased Volvo [Swedish] and Jaguar [British]. When times became less optimistic they sold Volvo to Geely of China and Jaguar to Tata of India. In this example, we can see:

- That a brand has a place value that can be traded
- The value of the brand is relative to consumer perceptions of the brand
- The provenance value
- Buying a brand may be a strategic shortcut from a production philosophy to implementing a marketing philosophy

Being honest about country of origin

Prada ‘Milano’ faced a different marketing challenge when they labelled their products “Made in India.” Although there was some discussion in the press Prada chose not to run away from the issue but to emphasise that as a global company, they would show respect for the craftspeople in the countries they sourced their goods from in Italy, India, Scotland, and Peru.

This is a particularly strategic approach to an increasingly common problem for marketing practitioners in a global marketplace.

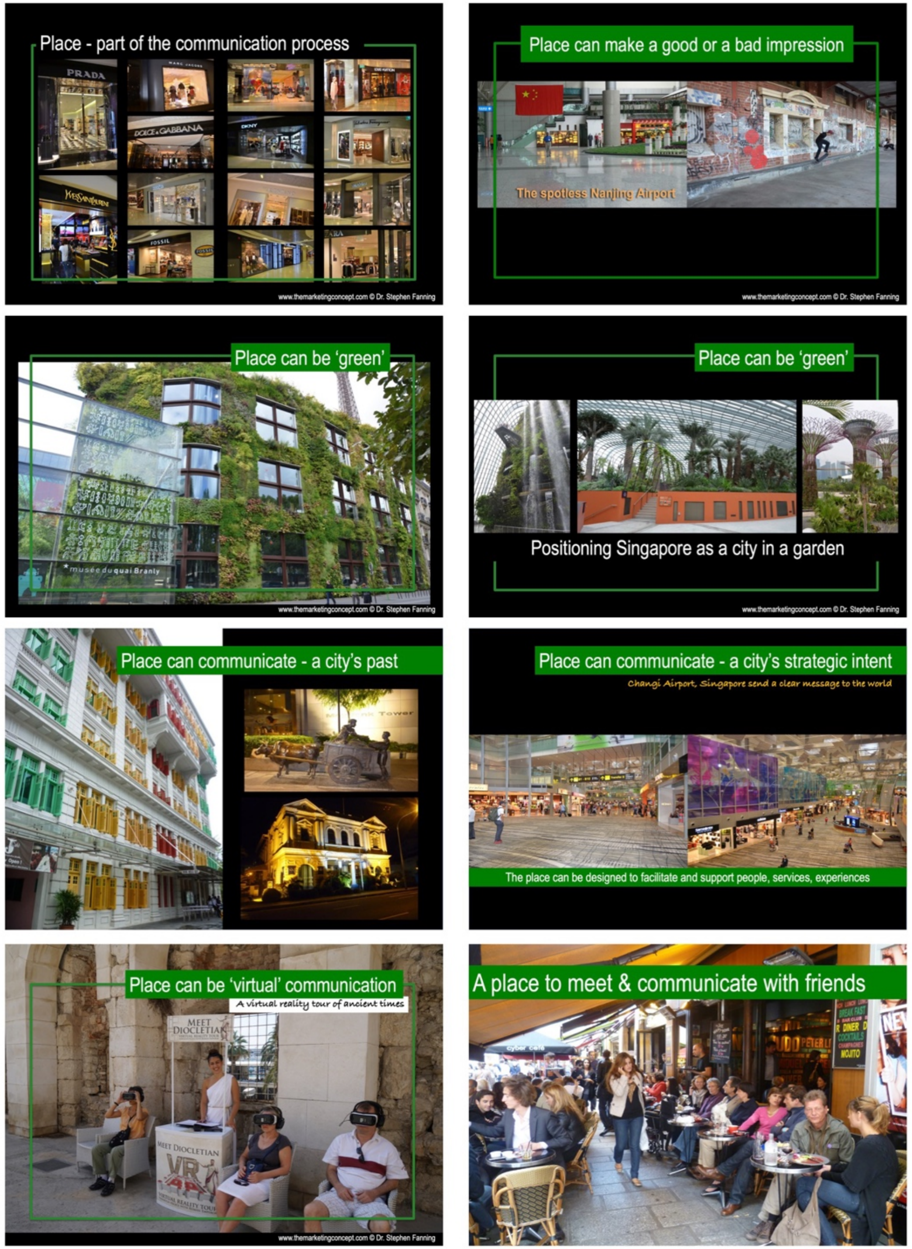


Figure 116: Place provides quality cues and is part of the communication process.

Place provides quality cues

Regardless of the method of product delivery, the marketplace] or the marketspace, place provides cues regarding the quality and value of the product and the intent of the organisation. Some scholars employ the metaphor of business as theatre to discuss place. Inferred in this metaphor are that staff [as actors] and their appearance and clothing [costumes] contribute to the set. In this metaphor [discussed later in the e-book], place is the setting, and this requires careful design and construction to set the scene and to enhance the experience. The organisational 'set' requires the same careful crafting that one would expect in a theatrical production. Marketing practitioners should consider exactly what their organisational set communicates about their strategic intent.

Place can be sacred [or profane]

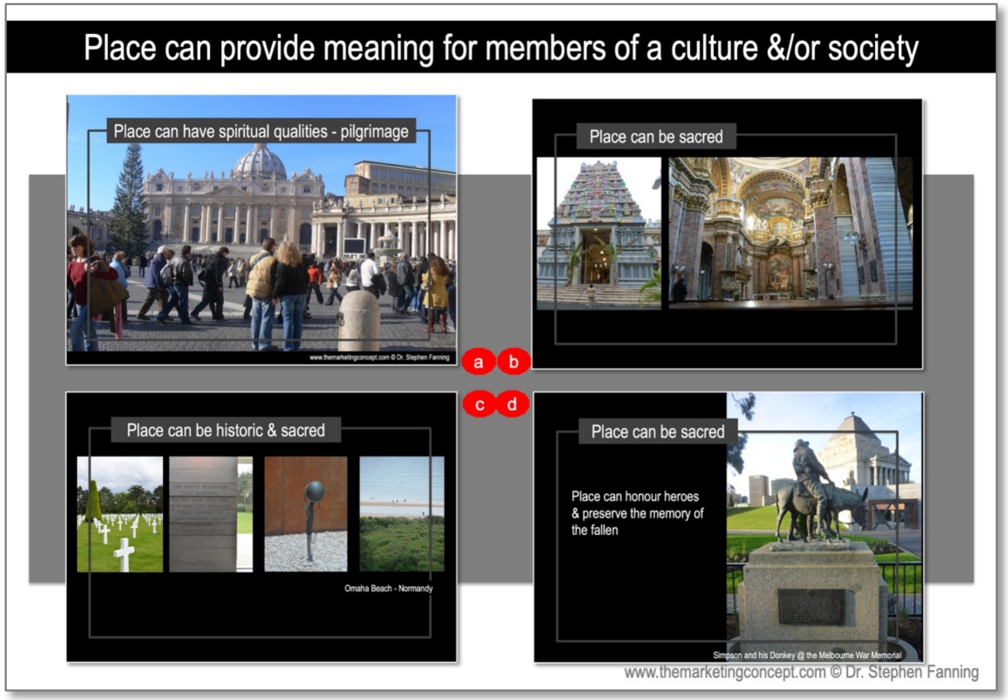


Figure 117: Place can take on a sacred meaning for members of a culture and or society.

Previously, we introduced the sacred and profane concept. Sacredness can be applied to places. This may be religious place; however, it may also be a special place for other reasons. Sacredness is important in the marketing of place [tourism, destination marketing]:

- Religious significance [e.g., The Sistine Chapel in Rome]
- Historical significance [e.g., The Forbidden City in Beijing]
- Cultural significance through sport [e.g., St Andrews Golf Course in Scotland].

- The location of a regular event [e.g., Formula 1 at Monaco]
- The site of a natural attraction [e.g., Niagara Falls, on the USA-Canada border]
- The site of a man-made attraction [e.g., The Great Wall; The Eiffel Tower]

activity
[backpacking New Zealand]

Linking content & context

Marketing vignette: A holiday in Singapore

Often when we think of a place - a number of ideas come to mind; this is especially true when we reflect on a consumption experience. Consider the following vignette.

Amelia and Amid are planning a holiday. Amelia just needs a holiday and Amid wants to go to Asia. He wants to go somewhere different, somewhere exotic. Neither has travelled overseas and therefore they have a number of perceived risks. Amelia has been talking to her friend who has been all over Asia and she loves it. However, her friend suggests; that considering the time constraints and the fact that neither of them has ever been to Asia, they should go to Singapore. She tells them that Singapore is a great introduction to Asia. Singapore is clean, safe, it is easy to get around, has great shopping, great attractions, great food – it is unique.

When Amelia tells all this to Amid, he says “I've heard that about Singapore, sounds good, let's do it. Why don't we start our Singapore experience in Perth and fly Singapore Airlines?” Amelia says “if we fly Qantas we are supporting an Australian company”

From the vignette and a search of the Internet we can identify a number of ideas associated with place. It is these ideas [and the fulfilment of the promises embedded in the ideas] that make Singapore a popular tourist destination.

When you think - *Singapore* - a network of associations come to mind. These ideas and their value are crucial when consumers make choice decisions.

Q: What do you consider are the Singapore product components?

Q: What customer segments would the Singapore product appeal to?

Q: Do you consider Singapore a brand?

Reflect & review

Employ these questions to reflect on your understanding and review your progress.
The e-book states that, “In many products, all six product components, goods, services, ideas, experiences, people and place, come together – like the individual members of a choir coming together in one voice.” Consider this statement and in your own words outline your understanding.

Explain the difference between a dominant and a determinant product component?
Generally, a product will have one dominant component and 5 non-dominant components. So if a product is goods dominant could the organisation be marketing goods but marketing through services, ideas, experiences, people and places?
YES/NO

- What does marketing of and marketing through mean?
- Make a short list of goods dominant products that you are familiar with.
- Make a list of service dominant products that you are familiar with.
- Make a list of ideas dominant products that you are familiar with.

Brand considerations

- What is brand awareness?
- What are brand associations?

- What is brand quality?
- What is brand loyalty?
- What is a family brand structure?
- Explain what is meant by individual brand names
- What are private-label brands?
- What are brand competitors?
- What is brand comprehension?
- What is brand community?
- What is brand counterfeiting?
- What is a brand extension?
- What is brand inertia?
- What is brand licensing?
- What is co-branding?
- Define a brand name
- What is a brand personality?
- What is brand positioning?
- What is brand recognition?
- What are brand relationships?
- What are brand switchers?
- Give examples of marketing an idea and marketing through ideas.
- What is demarketing?
- What is dematerialisation? .

The e-book presents the view that price is an idea that is embedded within a product. Consider this statement and in your own words discuss this in greater detail

- In your own words explain the idea of ‘price comfortability’ .
- What is meant by everyday low pricing?
- What is a loss-leader?
- What is bait-pricing?
- What is price skimming?
- What is market penetration pricing?
- What is discrete pricing?
- What are long-term incentives? What are short-term incentives?
- Give an example of marketing an experience and state how an experience dominant is different to a goods dominant product.
- The e-book presents the view That ‘experiences are cumulative’ discuss this statement.
- Describe marketing of place and marketing through place
- ‘An organisation’s people can be boundary spanners – that means they span the boundary between the customer and the organisation’. Discuss how this may be an important component of the marketing concept.
- Describe ‘marketing of people’ and ‘marketing through people’ – perhaps, give examples of each
- Explain ‘marketing of people’ and ‘marketing through people’
- Do higher involvement products often have consequential products? Explain the notion of consequential product through a car or holiday example.
- Do you believe that consumers place the same importance on satisfaction of consequential products?
- After studying all three chapters in the total product module reflect and review the following holistic questions.
- ‘The total product is the totality of what an organisation delivers to the customer – what is promised, therefore, what is expected, what is delivered, and what are the total costs to the customer’. Discuss your interpretations of this definition.
- In your own words explain what marketing practitioners mean when they undertake ‘reverse engineering’ of a product.
- Explain how the knowledge of the total product would assist marketing practitioners when they design, develop, and deliver a new product.

  Explain how knowledge of the total product would assist marketing practitioners when they reposition an existing product.

Click on image to access exemplar

The circle of satisfaction

Figure 118: This diagram outlines the circle of satisfaction. We will discuss it fully in the next module. Please take a few minutes to study the diagram.

Figure 119: The theory section comes together with the circle of satisfaction, with expectations formed in the search stage, assessed in the product delivery stage, and evaluated in the post-purchase stage.

2:3:1 The circle of satisfaction

Previously: We discussed the total product, the largest module in the e-book, therefore, it was divided into 3 chapters 1] product considerations, 2] product layers, and 3] product components. We stated that an understanding of the total product is critical when designing and developing marketing strategies and tactics. Managing the total product is an important step towards product leadership and the creation of a unique product value proposition.

> **Author's comment:** the circle of satisfaction is a name designed to assist students to remember the process. An internet search or an academic journal search may not uncover the circle of satisfaction in any journals, however, the work is supported through an extensive literature review on the topic.

Learning objectives of the module: After completing this module you should be able to discuss how satisfaction is estimated, assessed, and evaluated and how episodes of satisfaction may lead to cumulative satisfaction, aggregate satisfaction and collective satisfaction and how this may lead to trust, loyal behaviour, a competitive advantage, increased profitability, and ultimately organisational satisfaction.

Some students are studying part-time and working full-time, this group are studying to enhance their skills and career and search for marketing concepts that are immediately applicable in their workplace. For example, they state that whilst it is nice to talk about a competitive advantage, they would rather spend time working through the steps to achieve a competitive advantage. So, whilst 'full-time' students with little practical knowledge may find the circle of satisfaction a 'theoretical exercise', those working will find this module relevant, insightful, and applicable.

Keep in mind, that measuring customer satisfaction has long been recognised as central to business success (Gerson & Machosky, 1993). They suggest that poor quality erodes customer satisfaction, and this results in reduced profitability, increased production costs, erosion of market share, and an increase in selling costs. Customer satisfaction is a long-term strategy (Binet and Field, 2013).

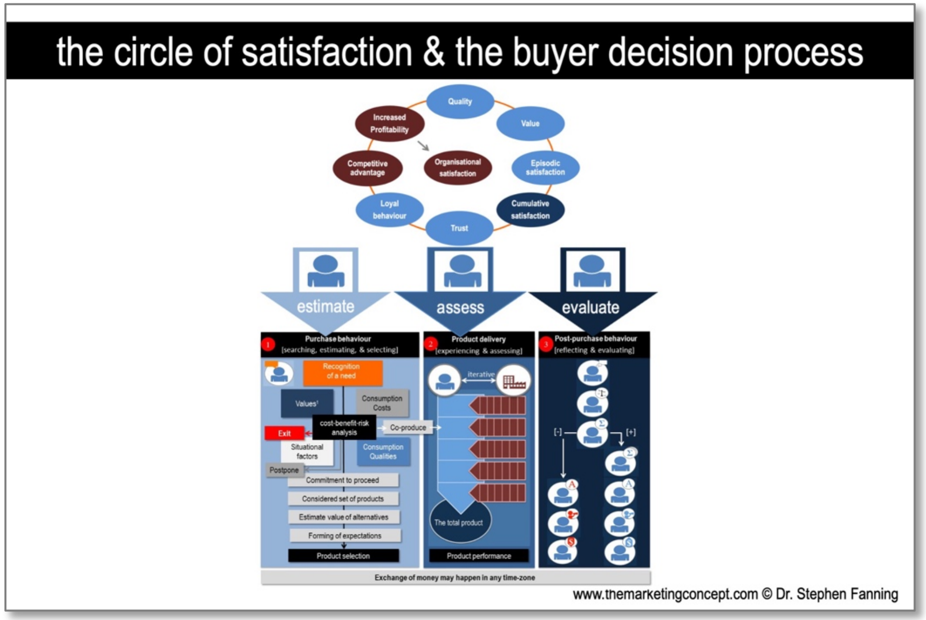
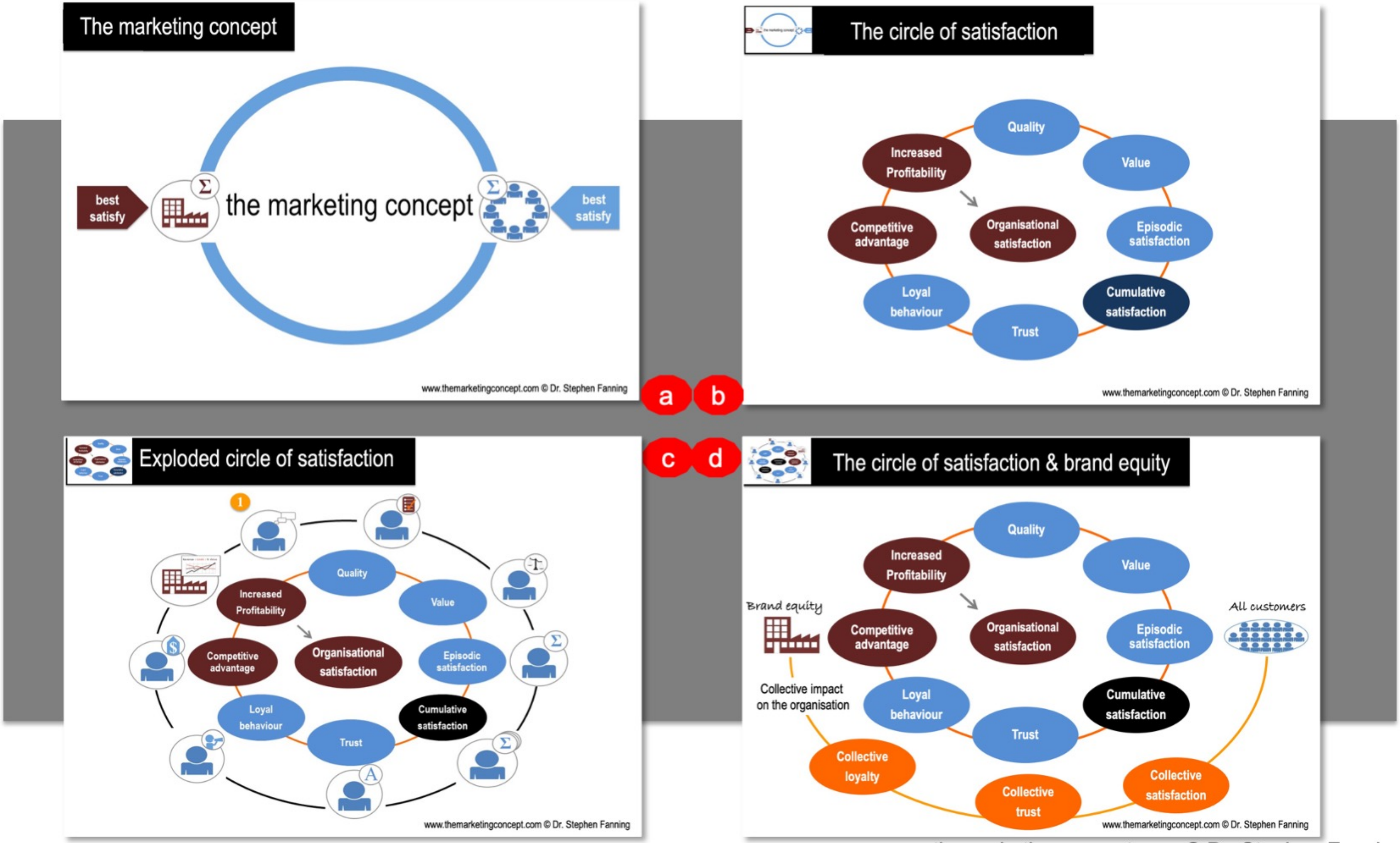


Figure 120: The circle of satisfaction brings the buyer decision process together.

In this module, we discuss the circle of satisfaction. From a consumer perspective the circle of satisfaction has its origins in the 1st time-zone of the buyer decision process when the consumer is searching, estimating and forming expectations of quality and value. The circle of satisfaction is also part of the 2nd time-zone of the buyer decision process when the customer is experiencing and assessing the total product. However, the circle of satisfaction lives primarily in the 3rd time-zone of the buyer decision process when the customer is reflecting and evaluating the exchange and then forms attitudes that influence future customer behaviour. At the end of this module readers should recognise how the marketing concept is formed.

The circle of satisfaction is a bridge that spans the buyer decision process and the total product; it discusses the consequences of consumer/organisation interactions and outlines the steps to assist a marketing practitioner to achieve the 9 key marketing objectives and nurture a competitive advantage. The circle of satisfaction introduces 4 types of satisfaction: episodic, cumulative, aggregate and collective satisfaction.

From the marketing concept to a sustainable competitive advantage



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The collection on the previous page has 4 diagrams, each one shows how the marketing concept and the circle of satisfaction are intertwined.

[a] is the diagram we have employed to holistically illustrate the marketing concept

[a] illustrates that the marketing concept is built on the premise that organisations that best satisfy the needs of their customers are best placed to satisfy their organisational needs. The diagram illustrates the circular nature of satisfaction.

In [b], [c], & [d] an exploded view of the marketing concept as the circle of satisfaction is presented. [b] identifies the major steps of the circle of satisfaction.

In [c] we explode [b] to present the circle of satisfaction through the eyes of a customer - how customers recognise a need, identify qualities, estimate total quality and value and form product expectations prior to purchase and then assess, and evaluate product quality, product value, against their original expectations.

In [d] we present the circle of satisfaction through the eyes of the organisation and the impact of all customers to we illustrate an organisational and brand perspective. And demonstrates how the circle of satisfaction can be expanded from the episodic/cumulative view of one customer to the collective view of all customers. Clearly, collective satisfaction leads to collective trust, and collective loyal behaviour and is the basis of a competitive advantage and brand equity.

After recognising the relationship between the marketing concept and the circle of satisfaction it should also be noted that buyer decision process and the total product are important steps in the circle of satisfaction. By measuring, managing, and improving the sales baseline and reducing the dependence on discounting, selling and sales promotions organisations are able to achieve a competitive advantage.

Quality

During our discussion of the buyer decision process we discussed how consumers, after recognising an unmet need, enter the 1st time-zone of the buyer decision process [purchase behaviour]. Purchase behaviour is a product selection process. This process involves consumers considering their values and situation and estimating the product qualities against the consumption costs of money, time, and effort. This estimation of the product qualities and consumption costs could be described as a **'cost – benefit - risk analysis'** and it should be noted that some consumers will exit or postpone the buyer decision process. At this point we are discussing perceptions – perceived quality and perceived value.

Marketing practitioners often refer to the selection process as 'searching for physical evidence of quality and value'. Estimating the value of alternatives is a calculative process involving recognised decision-making rules. The process often reveals products with both negative [risks] and positive qualities, therefore, customers are willing to accept some negative product qualities if the overall estimation of perceived quality and value is perceived as best satisfying. The product qualities are:

- **Functional qualities:** perceived utility and price, incorporating attributes such as performance, reliability and durability
- **Social qualities:** consideration that other peoples' perceptions of the choice will be favourable and congruent with the reference group that they belong to or aspire to belong to
- **Emotional qualities:** associated feelings or affective states that are aroused by the choice of a product category or brand [e.g., buying local produce]
- **Epistemic qualities:** desire for novelty, reduce boredom, the desire to learn something new
- **Temporal qualities:** ones that saves time or makes use of time – because the person either has limited or excess time
- **Physical qualities:** ones that may provide a positive or negative value to your health,
- **Spiritual qualities:** ones that may provide a spiritual benefit such as attending a religious service or visiting a holy place
- **Sensory qualities:** ones that appeals to the senses [e.g., the smell of homemade biscuits]

> **Author's comment:** from an organisation's perspective managing and providing physical evidence of quality and value is a key communication task.

To summarise; customers enter an exchange with expectations of qualities, consumption costs, value and satisfaction.

The 2nd time-zone [product delivery], is characterised by customers [they have transformed from consumers] assessing what they are getting and giving against pre-purchase expectations [see total product for more details].

The 3rd time-zone [post purchase] is characterised by customers reflecting and evaluating. The total quality [what was received] is evaluated against total consumption costs [what was given] and this is what marketing practitioners refer to as **value for money**. The total quality V total costs are then evaluated against the pre-purchase expectations to calculate the degree of dissatisfaction <> satisfaction. Therefore, satisfaction is calculated from the qualities that are received, the costs that are incurred, and then compared against the expectations that were formed. We can conclude that the customers can only calculate/determine quality, value, and satisfaction in the post-purchase time-zone.

Quality as a word is often applied incorrectly and confused with value; however, it is important to be able to distinguish between quality and value. It is important to recognise that something may be quality without necessarily being of value [e.g., a Mercedes Benz is considered a quality car, however, if the cost of the Mercedes Benz is beyond the reach of a particular consumer it will not be considered the best value at that point in the consumer's life]. Having said that, for a product to be considered value the product must have an acceptable and appropriate qualities [appropriate for the price]. In her classic article, Zeithaml (1988), makes the point that whilst quality is a strategic necessity, quality is not the terminal objective of the organisation. She states that quality is a means to an end, an instrumental objective, as perceptions of quality are a component value and satisfaction.

Marketing practitioners view quality as a key success factor due to the relationship with value, satisfaction, cumulative satisfaction, collective satisfaction, customer retention, customer loyalty, customer referrals, profitability, and organisational satisfaction [i.e., the circle of satisfaction]. Gummesson (2002) states that quality is a strategic imperative and delivering a quality product requires a comprehensive understanding of customer expectations and cooperation across all departments.

It would be prudent to revisit a few points before continuing our discussion on the circle of satisfaction:

- Perceived risks and perceived qualities are closely related when searching and estimating
- Secondly, quality varies according to the customer and the organisation:
  - **A customer's perspective of quality** is acquired through searching and estimating, experiencing and assessing, and then reflecting and evaluating
  - **An organisation's perspective of quality** is acquired through understanding quality needs, designing, developing and delivering appropriate levels of quality, providing evidence of quality, and managing deviations
- Thirdly, quality morphs into value when total quality [an evaluation of all product qualities] is evaluated against the total consumption costs of ownership

> Organisations can fall into the 'quality trap' - supplying quality beyond a customer's willingness to pay. The quality trap is failing to understand that at different price points a certain level of quality is expected [discussed in the expected product]. Therefore, organisations must be mindful that there must be a return on quality (ROQ). Improvements in quality must be communicated by the organisation, to enable the customer to factor the improvements into their searching, estimating and selecting behaviour.

To summarise, the concept of quality is a foundation concept of marketing.

- Marketing is about needs [customer's and organisation's needs]
- Marketing is about an exchange [it is about how much is given and how much is received]
- Marketing is about satisfaction of needs through the exchange

Although there are many definitions - quality is easy to understand if one thinks of qualities embedded in a product and how these qualities contribute to the needs of the customer.

We could define quality from a consumer's perspective as:

> a post-purchase activity when the customer reflects on and evaluates the qualities embedded in a product and determines how the qualities met their expectations and contributed to the customer's evaluation of value and satisfaction.

Although, customers view quality as what is received – organisations also view quality as how [the process] the product is delivered. Therefore, what is delivered and how a product is delivered are important quality considerations for customers and organisations. Gronroos (1988) states that *what is delivered* is referred to as **technical quality** and *how a product is delivered* is referred to as **functional quality**. Bitner (1992) adds another quality **place quality** and this explore where a product is delivered. Godson (2009, p.247) agrees and adds **relationship quality** this determines *why a product/organisation was chosen* and *which products will be chosen* in the future.

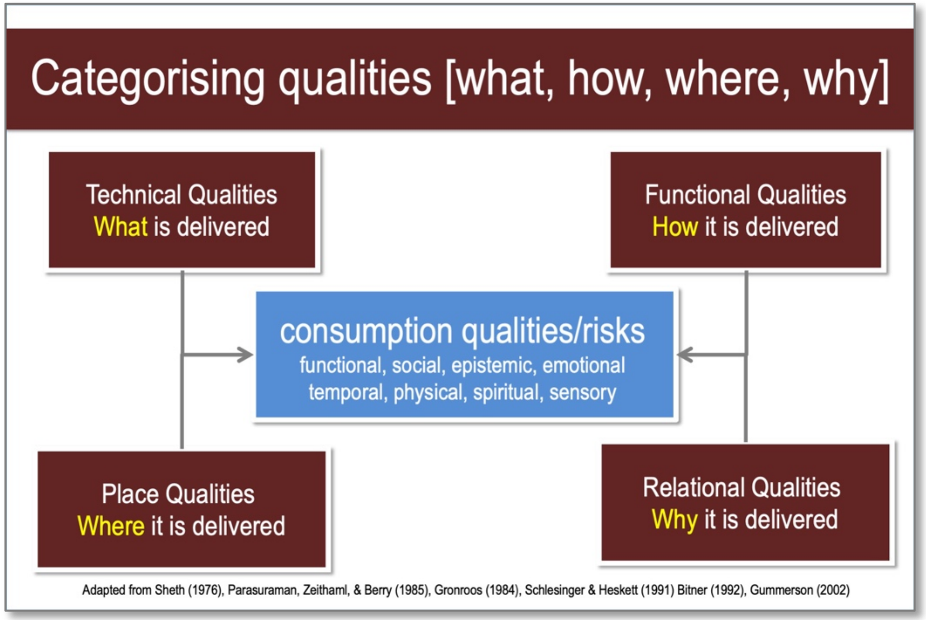


Figure 121: There are 8 qualities; they can be categorised as technical, functional, place, & relational. Qualities are estimated, assessed, & evaluated by the customer in the buyer decision process according to the situational factors [COMP]

The dimensions of product quality have been identified:

- Technical quality [what is delivered]
- Functional quality [how it is delivered]
- Place quality [where it is delivered]
- Relationship quality [why a product was chosen which products will be chosen]

Quality and value may be delivered and communicated by the organisation, however, they are **estimated, assessed, and evaluated by the customer** - it is worth restating that it is the customer and not the organisation who judge quality, value, and satisfaction. For example, the core product provided by a hairdresser is the cut and style. The customer may choose a hairdresser on the basis of the relationship with the hairdresser – this is called relationship quality and is a sister concept to cumulative satisfaction. After the visit to the hairdresser a customer can go home and assess how well this was performed – this is called technical quality. The customer can also assess the how the service was delivered – this is called functional quality. The supplementary or supporting services provided by a hairdresser may include a cup of coffee, a scalp massage and a friendly chat. The customers can reflect and evaluate how well the product was delivered and the value of the exchange.

> **Author's comment:** In the previous hairdresser example, we can see a number of touchpoints [when the product provider and recipient interact]. Every touch point between the provider and the recipient has been described as a 'moment of truth'. Moments of truth are those points where the product recipient has the ability to evaluate technical and functional quality components. Later in the e-book we discuss blueprinting as a tool to identify the front-stage and back-stage touchpoints.

Often organisations will focus on technical quality and place less emphasis on functional quality [the experience]. This may occur when an organisation has an operational focus directed towards internal efficiencies [lowering time and organisational costs] and view quality as conforming to organisational specifications. Whilst operational efficiencies are important, equally important are the customer's perceptions of how well the experience meets their **experience expectations**. We will return to this theme when we look at the 5-gap model. Readers should note how expectations of qualities, risks, and value are emerging as key concepts. Later in the e-book we will discuss the role of expectations in determining satisfaction, however, first we will explore value and then risks.

Gronroos (1990a) argues that, in the long term, a disregard for quality impacts the organisation [through the behaviour of dissatisfied customers] far more than the short-term savings of 'cutting corners' on quality. Christopher, Payne, and Ballantyne (2002) emphasise that quality requires an ongoing commitment from the entire organisation including upstream and downstream channel partners.

Easton and Araujo (1994) also put forward the view that quality pays in the long-term, however, they add that social and time costs are often neglected when considering quality. They maintain that over time, people build relationships that enhance the social aspect of the exchange and become more efficient shoppers [consider business-to-business markets]. Therefore, they suggest, that **markets are really a network of social relationships**, a community, that provide benefits to the customer and the organisation – and without quality relationships will not form.

Value

We have stated that marketing practitioners employ the term 'value' in three different contexts – we referred to these as value[1], value[2], and value[3]. We noted that the word value is employed in all three situations because it refers to a preferred state – a preferred outcome [i.e., where one outcome is preferred to another].

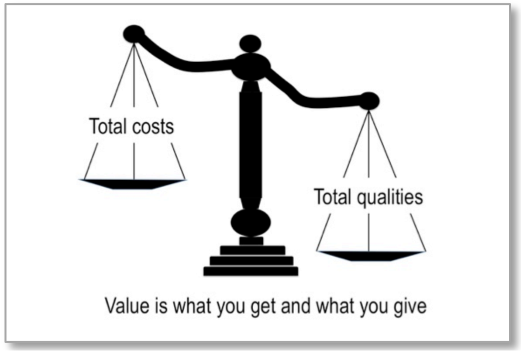


Figure 122: value is an evaluation of total qualities and total consumption costs.

The words values and value have the same origins and from a marketing perspective they are intertwined, what you value[2&3] depends on your values[1].

For marketing practitioners, values and value are core concepts; Kahle and Kennedy (1988) state that marketing is directed at satisfying consumer values[1]. Like quality, organisations may deliver and communicate the product value, exchange value is estimated, assessed, and evaluated by the customer. Often more than one value[1] may influence the customer's decision and may be a combination of objective and subjective considerations. Widing, Sheth, Pulendran, Mittal, and Newman, B.J. (2003) suggest that there is a hierarchy of values[1] which influence consumption:

- Human values
- Cultural values
- Personal values

Generally, they suggest, human values[1] are the overarching values that influence consumption, then cultural values[1], and then personal values[1]. According to Widing *et al.* (2003) this is an important consideration for segmentation strategies and tactics. Marketing practitioners should also recognise that whilst many societies share the same human, cultural and personal values[1] they may place varying importance on different values – often this is referred to as the value system of the society.

In sum: we can conclude that needs, wants, values, and value have a relationship. Furthermore, it is important to recognise that, whilst organisations deliver value - customers are judges of value.

According to Porter (1980) how an organisation delivers value[2] [value for money] is the foundation of business strategy. He states that all consumers seek value, however, when choosing a product, they will choose <u>one of two</u> value[2] routes:

- Value[2] is a product that has little augmentation; however, it meets a customer's core needs and is attractive due to a lower cost

- Value[2] is a product that meets a customer's core needs and provides customers with augmented qualities that are attractive, and the customer is willing to pay a premium to obtain

Value[2] is a preferred outcome where the sum of the product qualities is greater than the sum of all consumption costs. Perceived value in the pre-purchase time-zone is where a consumer estimates that the qualities they will receive will be greater than the consumption costs. Value in the post-purchase time-zone is where a customer makes the evaluation that total qualities received were greater than the total consumption costs that were sacrificed.

Prior to purchasing consumers form different scenarios or likely outcomes. They range from unacceptable, through to acceptable, predictive, equitable, and ideal. Clearly, if a consumer perceives that it is likely that they would receive an unacceptable outcome [or there is an unacceptable risk] then an exchange would not take place (Bauer, 1960; Dowling & Staelin, 1994; Sweeney, Soutar and Johnson, 1997). When this situation arises, they would either remove that product from their considered set of products or, if the risk applied to the product category, then the customer would exit the buyer decision process.

A product that is perceived as unacceptable is often referred as below the zone of tolerance. Sweeney *et al.* (1997) argue that - as risks are seen as a component of perceived quality and quality is a component of perceived value - organisations must manage their customer's perceptions of risk. Clearly, this is important in B2C but equally important in B2B.

When a customer expects a preferred outcome, and the outcome is not achieved, then the product is **below the customer's expectations** - a negative value has been received and dissatisfaction would result. The expectation scenarios for customers entering an exchange are:

- **Adequate:** - the minimum acceptable: [the core product] this is where a consumer formulates in their mind a product that is acceptable and below that point an exchange will not proceed [e.g., it is the car I want but and I will wait two weeks but no longer]
- **Predictive:** - what the customer expects: [the expected product] this is what a consumer predicts/anticipates as the most likely outcome [e.g., I expect to go to the restaurant have a nice meal, pay this amount, and get to the concert by 9:30pm]

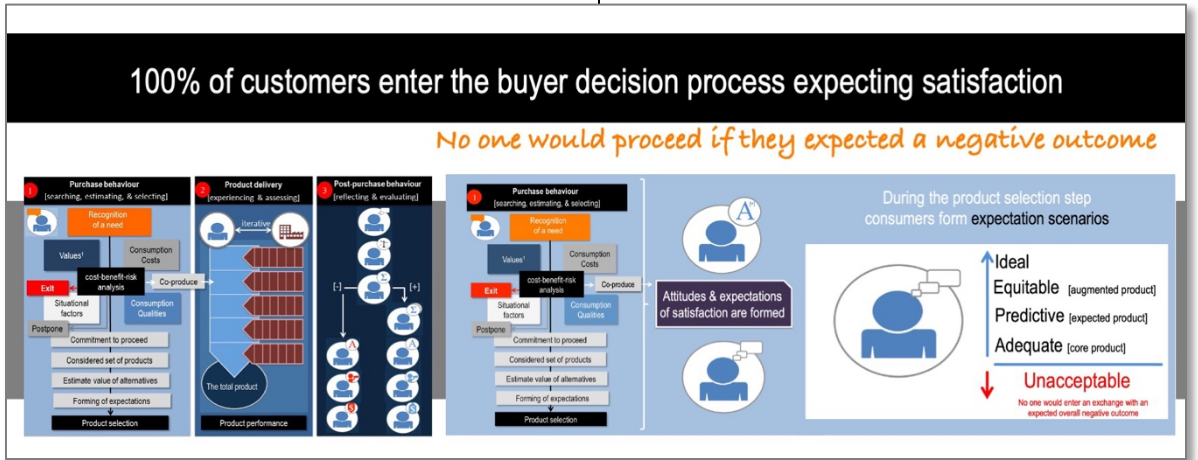


Figure 123:Customers enter the buyer decision process expecting satisfaction. When a product is selected, customers will have formed a positive attitude, and have positive expectations.

- **Equitable:** - what would be equitable: [the augmented product] this is when a consumer formulates in their mind a scenario with an outcome that provides more than expected value, however, 'given that I have been a regular customer I feel a little special treatment would be fair and appropriate'.
- **Ideal:** - what would be desired: this is when a consumer formulates in their mind a scenario that provides an unlikely but ideal outcome [e.g., upgraded to business class]

Armed with the different expectation scenarios for each product in the considered set of products, the customer will form an attitude for each product and then select the product with the best-perceived value. In the post-purchase stage, they evaluate their pre-purchase product expectations with the product performance. Therefore, satisfaction is a post-purchase evaluation of expectations and product performance. One of three emotional stages emerge from this evaluation process: dissatisfaction <> neutral <> satisfaction [these will be discussed later in the module].

Value is subjective and related to wealth. A luxury car may be seen as value to one person and not to another. Marketing practitioners often overlook customer wealth and how choice increases with wealth. According to Bernstein (2004) the more prosperous a consumer is the more choices that are available and the more likely that the consumer will broaden their considered set. Some people have sufficient wealth that everyday consumption activities have little value, to some the purchasing of rare products has value as it indicates status [e.g., purchasing a rare painting has a value because few people have the wealth to do so or purchasing a rare experience such as going on safari].

Primary and secondary value decisions

It is the premise of Sheth, Newman, and Gross (1991) [and others since] that when making product choices all consumers expect a positive value. As mentioned, a consumer is unlikely to proceed with an exchange if the consumer expects to receive less than they are entitled to, or, if they expect to receive a negative outcome. Sheth *et al.* (1991) argue that to achieve a positive value, consumers expend, to varying degrees, the common resources of money, time and effort. Furthermore, they argue that consumers make **primary and secondary value decisions**:

- **Primary value decisions:** The decision to spend or not to spend
- **Secondary value decisions:** The product category choice, the product, where to buy

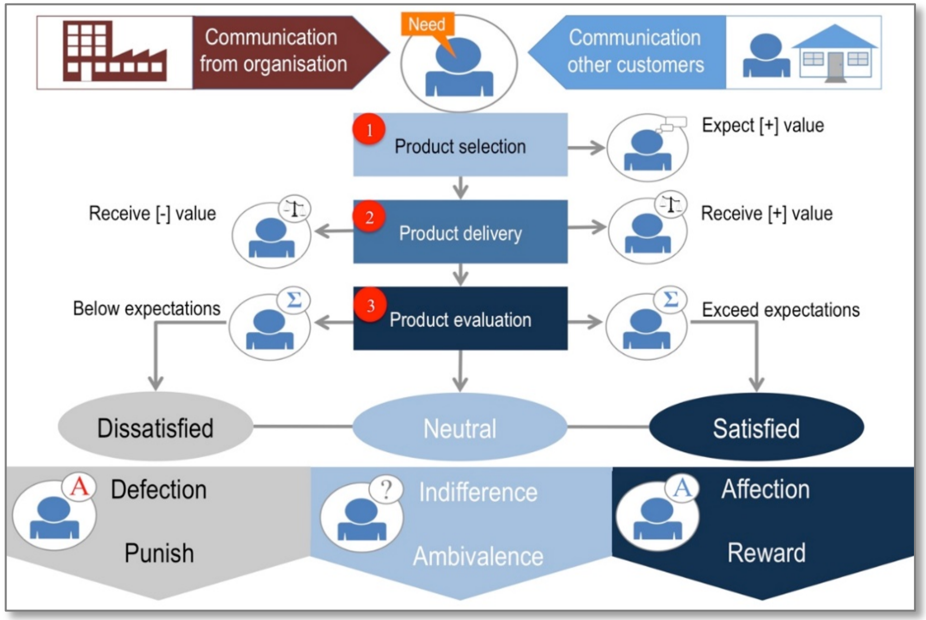
Simply put:

- Will I spend the money I have saved?
- Will I spend it on a car or a holiday? Y
- Will I buy a new Honda Civic or a Mazda 3?
- Which dealer will I buy it from?

By now readers should recognise the recurring theme of the relationship between expectations, quality, value, [performance] and satisfaction.

Satisfaction

The following diagram is an advancement on the expectation disconfirmation – confirmation model by Oliver (1980) & Patterson (1993). This model illustrates whether pre-purchase expectations were confirmed or disconfirmed [not confirmed].



In this model the buyer decision process begins when the customer recognises that they have a need, this need motivates them to [1] search for product information to satisfy the need, and they estimate the value of alternatives, manage risks and consider the outcomes and [2] proceed through the product deliver time-zone.

Only when the product is delivered can the customer reflect on their pre-purchase expectations and then [3] evaluate what they actually receive:

- If the customer receives less than they expected then they are dissatisfied and will defect and punish the organisation
- If the customer receives exactly what they expected [nothing more nothing less] then they will be neutral, neither dissatisfied or satisfied and will behave with indifference and ambivalence
- If the customer receives more than they expected, then the customer is satisfied and will have affection and reward the organisation

The degree of dissatisfaction or satisfaction could be thought of as a continuum and will vary according to the pre-purchase expectations of the customer. The chevrons at the bottom of the diagram highlight the likely attitudes and possible future behaviour of the consumer.

Christopher *et al.* (2002) suggest that satisfaction surveys are a common method of measuring customer satisfaction and are used as an indicator of how an organisation is performing. However, satisfaction surveys are most beneficial when they are employed to identify areas where remedial action is needed (Ogle & Fanning, 2013).

The role of expectations in the calculations of post-purchase satisfaction and post-purchase behaviour should be kept front-of-mind. Consider the consequences for an organisation that over promises beyond the organisation's ability to deliver.

Q: Will overpromising impact on the customer's evaluation of satisfaction?

Q: Will overpromising lead to an increase or a reduction of satisfied customers?

Q: Should sales be viewed as a measure of selling activity or should sales be viewed as a measure of buying activity?

Q: Should organisations focus on how to improve buying or selling?

Types of satisfaction

When consumers talk about satisfaction they do not distinguish between the different types of satisfaction, consequently there is a tendency for people within an organisation to refer to satisfaction however, marketing managers need to be able to communicate how different types of satisfaction influence the organisation. Let's look at 4 types of satisfaction.

When a customer has one encounter/episode/exchange/transaction with one organisation this is referred to as **episodic satisfaction** (Oliver, 1997; 1998). It needs to be considered that, with some products, there may be only one encounter per transaction; whilst other products may have more than one encounter per transaction. When a customer has multiple episodes or multiple transactions with one organisation then it is natural for the customer to mentally calculate all the episodes or multiple transactions (Olsen & Johnson, 2003) - this is referred to as **cumulative satisfaction** (Oliver, 1999).

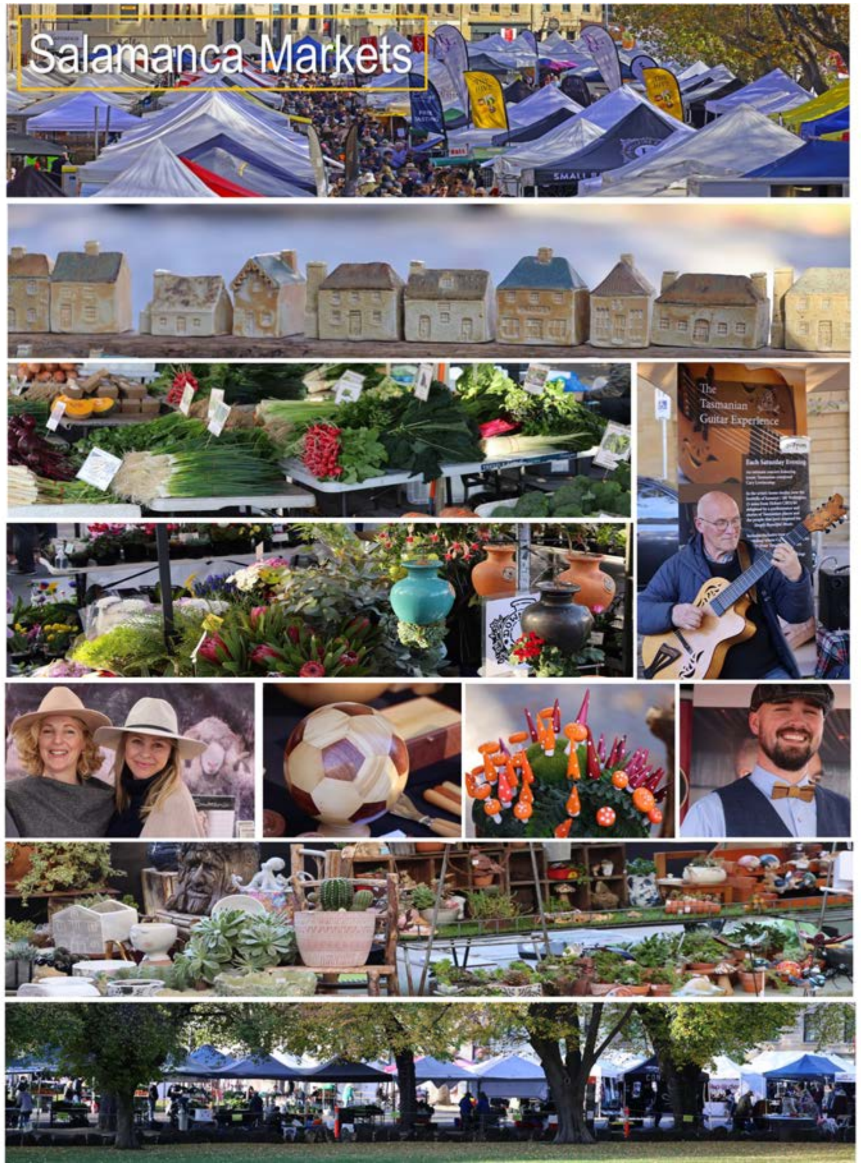
Whilst episodic satisfaction encourages repeat purchasing – cumulative satisfaction indicates the lifetime value of a customer and is the basis of trust.

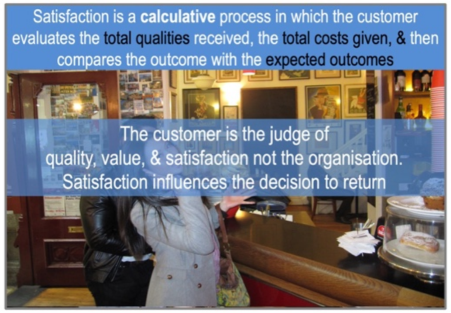
However, cumulative satisfaction is one customer's evaluation and seldom do organisations rely on one customer. Therefore, marketing practitioners combine the cumulative satisfaction of all customers, and this is referred to as **collective satisfaction**. Collective satisfaction indicates the overall satisfaction [all customers all episodes] and is the basis of brand identity and brand equity. Therefore, marketing practitioners should also manage **collective satisfaction** as this will influence the product, the brand, and the organisation's performance.

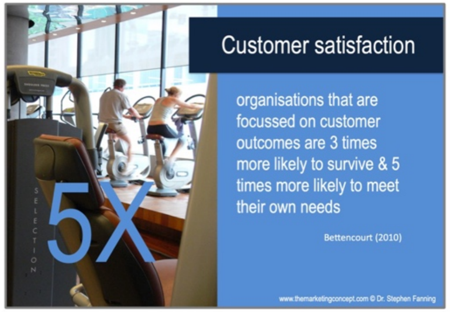
Figure 124: Types of customer satisfaction

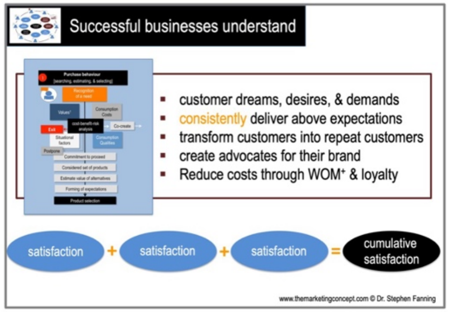
Author's comments: Most readers would be familiar with platforms that facilitate and enable consumer/customer feedback. Kozinets, Ferreira, Chimentri, (2021) conducted netnographic research to critique a Brazilian consumer platform - Reclame Aqui – a site that encourages expressions of consumer dissatisfaction. Well worth reading as it highlights the importance of managing cumulative satisfaction.

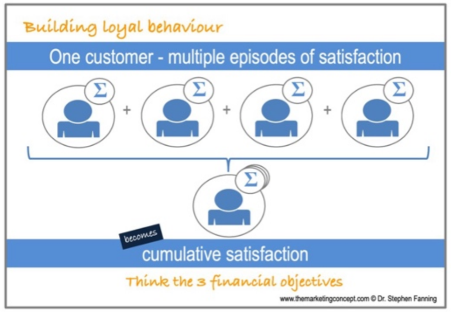
The next type of satisfaction is **aggregate satisfaction** has received less attention in the marketing literature and relates to aggregate products. An aggregate product is where there are multiple total products that are mentally bundled as one customer experience [e.g., a visit to Singapore would have many different total products]. Although tourism is an obvious aggregate product there are many examples [e.g., shopping malls are an aggregate of retailers]. Measuring the **collective [aggregate] satisfaction** of all customers is important when managing aggregate products [e.g., Salamanca markets].











Trust

When a customer [B2B & B2C] calculates multiple episodes of satisfaction then this is referred to as cumulative satisfaction. As a consequence, they form an attitude to the product. Attitudes have 3 components [earlier we referred to this as the ABC of attitudes - affect, behaviour and cognition]. The customer may come to the conclusion that they **trust** [or distrust] the organisation [trust comes from the German word *trost*, which means *to feel comfortable]*. When a customer trusts an organisation/product, they feel comfortable that the product promise will be delivered (Sirdeshmukh, Singh, & Sabol 2002). This attitude of organisational/product trust creates a loyal customer – loyal customers behave differently.

Kincaid (2003) presents the view that customer loyalty is a post-purchase affective [emotional] state. She suggests that satisfied customers are generally motivated to form relationships with an organisation they trust. Kincaid (2003) states, that this emotional state is the result of evaluating both material and non-material product properties. Customer loyalty influences future purchase intentions, for example - how often and how much the customer will purchase in the future (Mittal & Kamakura, 2002; Fornell, Rust, Dekimpe, 2010; Pansari. & Kumar, 2017; Meire, *et al.,* 2019).

Clearly, organisations need to manage quality to ensure that the product is delivered at consistently high standards and manage value to ensure that the product qualities are of value to both parties. Over time when customers become comfortable with an organisation then trust develops. Trust is also important in B2B relationships Sako (1992, p.1-2) states that:

> **Quote:** without trust, it would be too risky to depend on others who may well take advantage, by holding up delivery until prices are renegotiated, or not observing commercial secrecy ... as a result there is a heightened need for B2B trust to achieve corporate success.

The exploded circle of satisfaction [Figure C] illustrates how customer expectations of quality prior to purchase, leads to evaluations of quality, value, satisfaction, cumulative satisfaction, the forming of a product attitude, loyal behaviour and how loyal behaviour influences organisational satisfaction- customer lifetime value (Curtis, Abratt, & Rhoades, 2011). What is also important to recognise is that often trust is associated with an organisation through their brands and products [brands we know and trust]; also, the people component of a product is often the source of trust. Godson (2009,) suggests that the importance of people is an often-overlooked factor in a B2B channel. He uses the example of car manufacturing and suggests that a purchasing officer within a car manufacturer may choose to deal with a component supplier because he/she can rely on the people within one organisation rather than another organisation:

> **Quote:** put simply, organisations do not have relationships with other organisations, it is the people within them that do (Godson, 2009, p.247).

Building on the work of Sako (1992) and Godson (2009) we can see that B2B organisations tend to arrange their relationships as either **transactional contractual relationships** or **obligational contractual relationships**. Transactional contractual relationships are where lengthy and explicit contracts are negotiated and enforced, whereas obligational contractual relationships have contracts that are built on past convention and take into consideration situations of *force majeure* [situations which are outside the control of the organisation].

Trust is a central concept and one that runs throughout this e-book. Doney and Cannon (1997) suggest that trust is a process and is built through interactions involving organisations and their people [often boundary spanners although they use the term salesperson]. They suggest that trust is more important in B2B relationships when a past performance will more likely influence future purchase intentions. They suggest that although costly [money, time, and effort] there are many situations where trust is a key success factor. Furthermore, they suggest that there are 5 trust building processes in B2B relationships; each of these will be discussed.

- **Calculative process:** The calculative process involves one party calculating the benefits and then the likelihood of the other party acting in an untrustworthy manner. In effect, they are assessing the risk of the other party failing to deliver on the agreement.
  - The other parties' size, reputation, and strength, reputation for honesty, fairness, willingness to accommodate other party's needs, ability to communicate.
- **Predictive process:** The predictive process is based on how a party is likely to behave based on how they have behaved in the past. In the beginning, this would be based on word-of-mouth reputation, however, with time and a performance history an organisation would learn more about the other organisation and, therefore, feel more confident in their ability to predict future behaviour.
  - Length of relationship with product provider, consistency, likeability, similarity and familiarity of/with product provider
- **Capability process:** The capability process involves making a promise and having the ability to fulfil the promise. If an organisation makes a promise that is beyond its ability to deliver, then this would result in an element of distrust within the other party.
  - The expertise of the product provider and the power of the product provider
- **Intentionality process:** The intentionality process involves one party assessing whether the other party's intentions are 'honourable'.
  - Does the other party have good intentions?
  - What are their motives?
  - What is the organisation's willingness to accommodate another party?
  - What are the functional qualities of the boundary spanners?
  - What is the frequency of contact by the organisation?
- **Transference process:** The degree of trust developed through the transference process is where trust is transferred to a new party through association with a trustworthy source. This is like a third-party recommendation.
  - Reputation, size and degree of trust in the original source

From the work of Doney and Cannon (1997) we can see that trust is a calculative process and one that needs careful management between external, internal customers and channel partners. Peppers and Rogers (2005) say trust has financial and non-financial benefits for organisations:

- **Financially**, trust can increase sales; lower the cost of doing business and build long-term business value
- **Non-financially** trust can provide satisfaction for employees and provide ethical guidance to employees when faced with ethical dilemmas

Loyalty

Loyalty is an instrumental objective of marketing practitioners as it leads to behaviours favourable to the customer and the organisation (Schlesinger & Heskett,1991; Taylor & Baker, 1994; Heskett, *et al*., 1994; 2015; Mittal & Lasser, 1998; Lam, Shankar, Erramilli, & Murthy, 2004; Folinas & Fotiadis, 2018).

Furthermore, customer loyalty also applies in B2B relationships (Hewett, Money, & Sharma, 2002). Ulaga and Eggert (2006) state that with business-to-business relationships quality is an antecedent to value, value is an antecedent to satisfaction, satisfaction is an antecedent to trust and trust influences loyal behaviour of customers.

Although it generally accepted that organisations that focus on quality and customer service are most likely to achieve their loyalty objectives - the benefits are hard to quantify (Dubé, Renaghan , & Miller, 1994; Taylor & Baker, 1994). However, what is certain is that dissatisfied customers seldom return (Dube, et al., 1994).

Maslowska, Kim, Malthouse, & Viswanathan (2019), propose that loyal customers add value through online reviews that provide organisation with feedback on how to improve their services, influence other customers, and in turn helps generate brand awareness.

> **Author's comment:** In many ways loyal behaviours such as referrals, repeat purchasing, can be considered **a service that customers provide to an organisation** as a reward for providing best satisfying products. We could refer to this co-production as a **loyalty service**; what is interesting is that organisations tend to think of *services* as something that they provide and tend to overlook that customers may provide a service that facilitates future exchanges and supports the organisation - a type of customer involvement with the product/brand but also with the organisation.

Dick and Basu (1994) identify 4 classifications of loyalty from no loyalty, spurious loyalty, latent loyalty, and loyalty. They organise the 4 classifications on a 2X2 matrix based on **repeat patronage** [high or low] and **attitude** [high score or low score]. The work of Dick and Basu (1994) is interesting as it identifies that a consumer may have an attitude that is strong and positive [i.e., high score] and yet not be loyal - termed **latent loyalty**. For example, some consumers may have a strong and positive attitude to a particular restaurant, however, consumer behaviour in this market may have a need for epistemic qualities and experiences and this will motivate them to visit other restaurants. Suggesting that restaurant owners should carefully consider loyalty programmes. Dick and Basu (1994) also highlight that **spurious loyalty** is where a customer has high repeat patronage, but it is due to other factors other than loyalty - perhaps convenience. Hollebeek (2011) echoes this view and suggests that the complexity of customer loyalty is compounded by consumers who:

- seek epistemic qualities
- sensitive to social approval
- pay limited attention to online content,

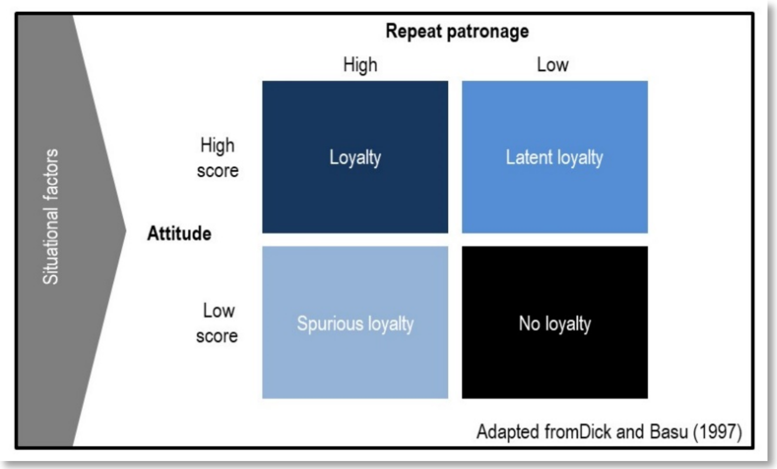


Figure 125: 4 types of loyalty

Interestingly, Hollebeek (2011) argues that strategic and tactical care is needed as digital customer engagement requires a balance between too little and too much.

Linking content & context

Marketing vignette: Fake loyalty

Grant has been getting his fuel from his local XYZA petrol station for nearly twenty years. Yet never once has an attendant greeted him by his name. This annoys Grant. He considers that whilst filling his tank with petrol is a chore; it could be a more pleasant chore. However, when the price of fuel became more expensive, Grant started to shop around for his petrol. He now buys fuel wherever it is cheaper. He uses the local petrol station when he is in a rush, and as a last resort; whenever possible he uses a fuel discount voucher to reduce the price.

This short vignette highlights an important issue. Sometimes, especially with low involvement convenience products, it may appear from a consumer's buying patterns that the consumer is loyal, however, this is quite different to having a loyal attitude (Javalgi & Moberg, 1997). [You may recall attitudes have three components affect, cognition, and behaviour.]

Spurious loyalty is also referred to as **fake loyalty**. because although it appears to be loyal behaviour it is not. It is repeat purchasing because there is no better option available or not a more convenient option or the price is so attractive it is tolerable [budget airlines]. Furthermore, this type of repeat purchasing based only on convenience is unlikely to generate word-of-mouth advertising. Although there is a kind of a relationship or association between the petrol station and Grant it is not what the author would define as *an ideal B2C relationship*. Nevertheless, as petrol could be classified as a 'means to an end' [an instrumental product decision] rather than an **end in itself** [a terminal product decision] it may be an appropriate strategy for this product.

Dick and Basu (1994) also discuss **no loyalty**, do not confuse this with dissatisfaction, consumers may still be somewhat satisfied. No loyalty is where customers may purchase a product in a product category, however, not view the competing products as distinct, distinguishable, or discernible in key attributes. Under these situations, consumers may switch brands frequently. Students often state that they have little loyalty to mobile phone companies [Telcos] and see little difference - a common sentiment is that 'they are as bad as each other'.

Interestingly, East *et al.* (2017) suggest a need to distinguish between **loyalty** and **true loyalty**; True loyalty is the preferred behaviour for marketers - where the attitude score is high and repeat purchasing is also high. However, true loyalty is not always fully achievable. Keep in mind that the situational factors [COMP] are such that any discussion on loyalty is situationally dependent (East *et al.*, 2017).

We have stated previously that the level of customer dissatisfaction <> satisfaction may result in a customer developing an enduring involvement with a product and this will affect a customer's future behaviour and this behaviour will have a financial impact on an organisation. According to (Folinas & Fotiadis, 2018) satisfied customers will generally have a positive financial impact on an organisation, whereas dissatisfied customers will generally have a negative financial impact on an organisation. Synthesising the literature, satisfied customers demonstrate their trust in a number of ways, for example, satisfied customers:

- Are the source of positive word-of-mouth and referrals
- May become brand advocates
- Purchase more frequently and are less price sensitive
- Compare less competitor products
- May ignore competitor offerings
- Provide positive feedback – co-produce
- Tend to be more tolerant if things go wrong

Author's comment: Although some academics may argue the accuracy of the term 'customer loyalty', we should be mindful that 'customer loyalty' contributes to all 3 of the financial objectives of marketing practitioners.

This contribution to the financial objectives is why Lovelock *et al.* (2004) [and others since] put forward the argument that it is substantially more profitable to retain existing customers than to find and attract new customers [to replace those that defect]. In some businesses, it may even be impossible to replace a defecting customer [often business-to-business]. However, it is important not to confuse frequency of purchasing with loyal behaviour – a frequent customer may be a repeat customer but may not provide the benefits/service that a loyal customer will provide.

Competitive advantage – increased profitability

We have discussed how satisfaction is related to brand equity. Furthermore, we have discussed how satisfied customers develop trust and this may develop into an **enduring involvement** – which often leads to an increase in repeat purchasing (Gustafsson, Johnson, & Roos, 2005), a reduction in price sensitivity (Homburg, Koschate, & Hoyer, 2005; Wieseke, Alavi, & Habel, 2014), increased positive word of mouth (Luo & Homburg, 2007), reduced sales costs (Lim, *et al*., 2020),

Whilst attracting customers through advertising may be necessary to meet immediate revenue objectives - attracting customers through quality, value, satisfaction and a focus on referrals is likely to be more cost effective and have a greater influence on brand equity, however, this is a longer-term approach (Bannon, 2002: Villanueva, Yoo, & Hanssens, 2008). Similarly, Lim, *et al.,* (2020) suggest that populating a salespipeline through quality, value, satisfaction, and referrals may reduce other organisational costs, they suggest it may reduce bad debts and reduce sales commissions and sales promotion costs.

Italians often call this **enduring** type of relationship *a di fiducia* relationship - *di fiducia* is an Italian expression meaning – trust, confidence, and reliance, it is an ongoing relationship based on past experience. According to Park (1992) many Italian consumers value their *di fiducia* relationships to the extent that they would be unwilling to give the name of a *di fiducia* to anyone who may harm the relationship or not show sufficient respect to the relationship. A customer who has a *di fiducia* relationship may exclude all other suppliers from their considered set. Clearly, all organisations would love this level of loyal behaviour which directs only profitable customers.

When we explored the product considerations, we discussed COMP involvement; we stated that there were 3 types of involvement - situational, response and enduring involvement. It should now be apparent that although situational and response, involvement may be a one-off event [a discrete purchase]. Sometimes, the involvement with the product or organisation is such that it results in an enduring involvement with a product or organisation.

Let's look at a FMCG example, a person notices that their pantry is empty of their favourite brand of biscuits [the situation], they purchase a replacement packet [response] and they find that they are rewarded by consistent quality and vow to purchase the product in the future [enduring involvement]. And so, the process repeats itself.

A repeat purchasing pattern is quite common and marketing practitioners often measure the lifetime value of a customer [CLTV]. **Customer lifetime value** is the net value of a customer's [commercial or domestic, individual or group] purchases over the customer's lifetime. The net value is the customer's contribution after all organisational costs have been deducted from all revenue – what the customer will contribute to the organisation. When you consider the lifetime value of a customer that is loyal to a convenience product such as a brand of tuna $6.00 X 52 weeks X 10 or more years. Therefore, although we think of FMCG as a low-cost purchase – the cumulative spend over many years from a loyal customer can be considerable?

The loyal customer, one who has developed a relationship with certain brands, will see the role of the supermarket to source and stock the products she/he prefers.

Author's comment: Now I am sure the supermarket will perceive her/him as *their customer* and to some extent she/he is, but the example highlights that relationships are more complex - even with low-cost frequently purchased items.

Search the web

Search the trends in house brands – Sainsbury's and Tesco in the United Kingdom are good examples to see how supermarkets enhance customer loyalty.

Although often overlooked, it is nevertheless important to recognise that some everyday FMCG are purchased so frequently that the CLTV may be more than that of a specialty product [e.g., an automobile].

The takeaway is that marketing practitioners should not consider higher cost products as the only products that may achieve a high customer lifetime value.

Creating a situational involvement that leads to a response involvement that leads to enduring involvement is the goal of many marketing practitioners. As we have previously stated it is cheaper to retain a customer than to replace a defecting customer. Involvement is therefore linked to the salespipeline.

Figure 126: This collection outlines our discussions.

In the previous collection of theoretical models, Figures [a], [b], [c], [d] incorporate a number of classic and contemporary journal articles to build on our work on the circle of satisfaction.

It would be expected that a number of readings of the circle of satisfaction module and considerable cognitive effort exploring the diagrams is needed to fully understand the importance of the buyer decision process, the total product and the circle of satisfaction and how they come together to create best satisfying[2] products.

[a] advances the classic work of Schlesinger and Heskett (1991) & Heskett, et al. (1994). In this diagram, we take an internal focus and outline how internal quality [services, people experience, place], leads to employee satisfaction, which in turn improves employee retention, which improves external quality, customer satisfaction, trust, and customer loyalty and customer retention.

In [b] we look at Schlesinger and Heskett (1991) & Heskett, et al. (1994) from the perspective of the 3 financial objectives and identify how this approach increases sales revenue, reduces the cost of doing business, and builds the value of the business – and leads to the achievement of a competitive advantage for the organisation, increased profitability, and organisational satisfaction.

[c] is from a consumer perspective and combines the confirmation-disconfirmation model with the classic work of Oliver (1980) & Patterson (1993). The impact on customer trust, repeat purchase intentions, likelihood to recommend, tolerance when a service deviation occurs, and a willingness to co-produce are introduced.

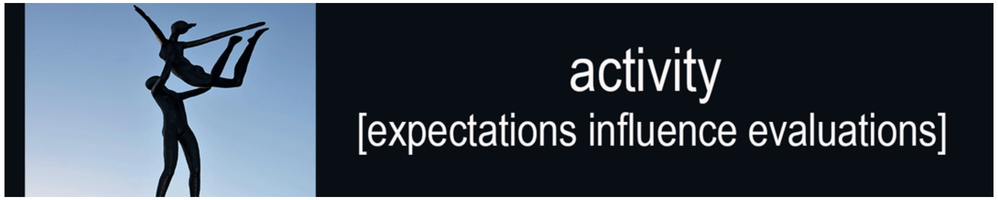
[d] is from an organisational perspective and then holistically projects the growth or decline in market share and the impact on the3 financial objectives of marketing practitioners.

Whilst [c] is one customer, [d] demonstrates the collective impact of dissatisfaction, indifference and satisfaction on trust, loyalty, retention, and ultimately on organisational satisfaction. The takeaway from [c] & [d] is that by focussing on customer satisfaction an organisation can increase sales, reduce organisational costs as a percentage of sales, and build the value of the business.

Author's comment: I do wish to highlight that it would be wrong to think that customer dissatisfaction is always a result of poor quality.

Sometimes customers are dissatisfied because the organisation has attracted customers outside their preferred segments. Another reason may be that consumer expectations have shifted beyond the organisation's ability to deliver. Also when considering this topic consider the impact on product life cycle.

Author's comment: Further reading on this topic is thoroughly recommended. There is a wealth of information available in academic journals related to what the author refers to as 'the circle of satisfaction'. It is important for marketing practitioners to understand the buyer decision process and the composition of their total product and to keep these factors in mind when considering their strategic approach to the market.



Click image to access activity

Reflect & review

Employ these questions to reflect on your understanding and review your progress.

- Consider the circle of satisfaction relative to the buyer decision process and the total product.
- The buyer decision process has 3 time-zones; in which time-zone is the total product primarily delivered?
- Outline the relationship between the buyer decision process, customer expectations and customer satisfaction
- In which time-zone is the circle of satisfaction evaluated?
- What percentage of customers expect a satisfactory outcome? ……………%
- What percentage of customers do organisation intend to satisfy? ……………%
- The realisation of that 100% of customers enter an exchange expecting satisfaction is in keeping with the marketing concept and highlights the importance of – profitable exchange relationships. Explain why.
- In your own words explain the following statement - 'Satisfaction is a **calculative** process in which the customer evaluates the total qualities received, the total costs given, & then compares the outcome with the expected outcomes'.
- Identify and explain the 4 types of satisfaction.
- Why is cumulative satisfaction more likely to indicate trust than episodic satisfaction?
- In your own words explain the relationship between quality, value, and satisfaction.

- When searching for information and considering alternatives, customers form expectation scenarios or likely outcomes. Outline your understanding of why communicating what will be delivered is crucial for customer satisfaction and organisational satisfaction.
- Explain what is meant by a product value proposition [this was asked before, but you should now have a deeper knowledge]
- In your own word discuss the expanded circle of satisfaction. Explain each of the steps in achieving a competitive advantage.
- With your new knowledge, explain the difference between quality and value
- Provide an example where quality may not influence the sale as much as value
- Who determines whether a product is of quality, of value and provides satisfaction? And what are the implications of this outcome?
- Explain the difference between satisfaction and cumulative satisfaction
- Explain the difference between cumulative satisfaction and collective satisfaction
- What is the relationship between cumulative satisfaction and loyalty?
- What is an aggregate product and when is aggregate satisfaction to measure?
- How is loyal behaviour linked to the three marketing financial objectives [increase sales revenue, reduce organisational costs as a percentage of sales, and build the value of the business]?
- How is loyal behaviour linked to the three marketing strategic objectives [product leadership, Customer intimacy [customer centricity], operational excellence]?
- How is loyal behaviour linked to the three marketing communication objectives organisations [attract
- How do the secondary marketing concepts come together to help achieve the marketing concept?

the circle of satisfaction
[the metaphor of business as theatre]

2:3:2 The metaphor of business as theatre

Previously: We discussed how customer satisfaction is estimated, assessed, and evaluated and how episodes of satisfaction may lead to cumulative satisfaction, aggregate satisfaction and collective satisfaction and how this may lead to trust, loyal behaviour, a competitive advantage, increased profitability, and ultimately organisational satisfaction.

Learning objectives

The learning objective of this metaphor: After completing this metaphor you should be able to employ this metaphor to run a professional development seminar to highlight the importance and improve customer satisfaction.

Directions

We will now explore the metaphor - business as theatre; this classic marketing metaphor has stood the test of time.

A number of scholars have put forward the view that considering business as a theatrical production is insightful (Grove & Fisk, 1989; Grove, Fisk, & Bitner, 1992; and Pine & Gilmore, 1999; 2011). Pine and Gilmore (2011) argue that the commoditisation of goods and services has increased consumer desire for better experiences – they suggest that we now live in the **experience economy** and organisations must generate a rewarding experience or risk extinction. A key similarity between business and theatre is that to be successful the value proposition must be crafted, communicated and be comprehended – the storyline/plot must be clear. The proponents of business as theatre suggest that **business is a dramaturgy**, and this requires a chorographical approach to business, where all actions are designed, detailed and sequenced and are performed in a setting that enhances the customer's experience.

This metaphor highlights that a good business performance has two key parts; what is seen and experienced by the customer and what is hidden from the customer. What is seen and experienced by the customer is described as the **front-stage** and what is hidden is described as the **back-stage**. Front-stage is the performance, it is what the customer senses and experiences, whilst the back-stage is 'out of sight and out of mind'; however, it is a critical part of the performance. This front-stage and back-stage analogy highlights that a quality front-stage performance is dependent on a quality back-stage performance, moreover, often the audience will only become aware of the back-stage if there is a deviation from specifications that has a negative impact on the front-stage performance. The metaphor infers that a quality performance is a series of actions that need to be carefully scripted and thoroughly rehearsed prior to opening night and this requires role playing, the learning of lines and actions, self-reflection and collaborating with other cast members and support crew members.

One only has to consider a restaurant to recognise the business as theatre metaphor. For example, in many restaurants the food is prepared in the back-stage and then makes a front-stage entrance. The dining area or front-stage could be considered a 'set' that has been carefully designed [interior designers] to provide the right ambience and experience – care is taken with the lighting and the props. The wardrobe for wait-staff is also an important front-stage consideration and this would depend on the type of restaurant [fast food > Michelin star].

The metaphor helps marketing practitioners to understand:

- The importance of dramaturgy:
  - The role of a director who designs, develops, communicates the artistic vision, and crafts comprehensive scripts to communicate the storyline [the creation of an artistic vision, a unique value proposition, a meta-narrative]
- The importance of casting [right people - right roles]:
  - The need to work towards common goals
  - A professional commitment to their role and the performance
  - The importance of managing the talents of staff
  - The need to stage manage the performance to ensure a seamless flow
  - Produce a running order [blueprint] to communicate responsibilities and sequence of actions that need to be rehearsed - both back-stage and front-stage
  - Training, role playing, learning lines [verbal and non-verbal communication]
  - Continuous debriefing, reflecting, reviewing, and improving the performance
- The importance of managing the back-stage
  - A running order
- The importance of stagecraft:
  - Communicate the story through set design, props, and ambience
  - Selection of the venue
- The importance of wardrobe:
  - Communicate the story and the roles through costumes
- The importance of public support:
  - Understanding the audience's needs, wants, expectations
  - People will critique the performance – feedback should be welcomed
  - Being mindful of good reviews: critics will reward or punish
  - Positive word-of-mouth is the result of a consistently high-quality performance
  - That the audience behaviour can influence the actors' performance and the experience

The business as theatre metaphor also highlights that the customer is often part of the product delivery experience and may enhance or erode the experience for other customers and whilst this is true for a restaurant it is also true for products high in services, ideas, experiences, people, and/or place components. As in theatre, business requires a chorographical approach a running sheet that links the front and back stages. In business, a chorographical approach is often referred to as **blueprinting**. The objective is to detail the roles, the scripts and outline a timeline of activities that are required to ensure a quality customer experience. The business as theatre metaphor highlights that people play roles within a business and this needs direction. Like the director of a theatre it is a manager's responsibility to ensure that the roles, scripts and actions are performed to specifications. This is referred to as 'role, script, and control theory' within the e-book.

At this point readers, should recognise how the product components may be employed to choreograph the theatre of business.

Blueprinting the customer experience

Previously, we described how marketing practitioners improve product quality by breaking down the total product into considerations, layers, and components. This process is similar to the process of **reverse engineering** undertaken by manufacturers. Manufacturers conduct the process of reverse engineering to improve the quality of the manufacturing process and therefore, the quality of their goods. Reverse engineering involves deconstructing the goods [e.g. a motor car] into parts; each part is then subjected to scrutiny and improvement. The overall principle is that manufactured goods are the sum of the parts and that by improving the individual part the overall goods, when reassembled, are improved. Whilst this practice is common in manufacturing goods, and often applied to competitors' goods, it is less frequently applied to the other product components. Nevertheless, substantial benefits can be made when applied to the total product [product considerations, layers, & components]. The overall objective is to reverse engineer the product considerations, layers, and components into parts, to investigate the parts, to improve the qualities of each part and then to reassemble the improved product.

Consider: consider the blueprint for the following products: Going to live theatre, selecting a photographer for your wedding, selecting a school for your child, a nursing home for an elderly parent, purchasing shoes, and purchasing a coffee in a cafe.

Due to the non-material nature of services, marketing scholars have long recommended the use of comprehensive blueprints [also referred to as flowcharts and in some disciplines as Gantt charts] as they are an excellent tool for determining how customers interact with a business.

Blueprints are a diagrammatic representation of the customer's journey through the 3 time-zones of the buyer decision process. Within the academic literature there is a tendency to focus on product delivery all three time-zones should be blueprinted.

The first time-zone, **purchase behaviour** is when consumers are searching, estimating and selecting amongst alternatives; in this time-zone a service failure may not result in dissatisfaction but rather the consumer having a negative estimation of product value [e.g., website failure] and removing the product from the considered set.

The second time-zone, is when the product delivery is experienced and assessed. It is when the customer experience [note an exchange has taken placer] is broken down to a molecular level [smallest parts] and organised sequentially. This allows organisations to break down a complex process into a series of simpler parts. The objective is to improve each part.

The third time-zone, is when the customer reflects and evaluates the product. When an organisation adopts the marketing concept the objective is to attract, retain & enhance and a blueprint is needed to manage [where possible] customer behaviour in this time-zone Blueprinting to manage any deviations in quality should be documented.

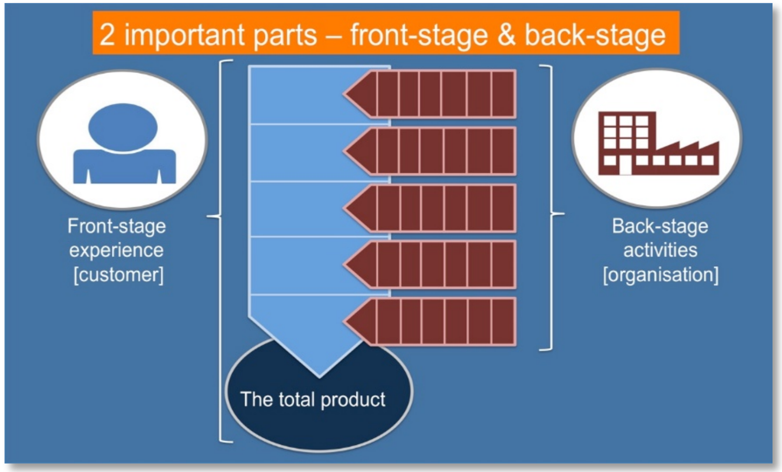


Figure 127: Most businesses have a front-stage and a back-stage. Each activity needs to be identified, mapped, and managed. In business, this is referred to as blueprinting.

Blueprints have two main components:

- **Front-stage activities:** - activities the customer experiences. These have often been expressed as touchpoint, moments of truth or moments of opportunity. It is these moments that are evaluated against pre-purchase expectations
- **Back-stage activities:** - hidden activities. Back-stage activities are those activities that if not performed to agreed specifications would impact on the customer evaluation of the product. For example, if a procurement officer at a restaurant fails to place an order for a key ingredient then regardless of the quality of the front-stage service the customer will still experience an episode of dissatisfaction

The line between what the customer views and what is hidden is often called the *line of visibility*. It is not uncommon for organisations [e.g., restaurants, TV news programs] to bring traditional back-stage activities to the front-stage to increase the customer's experience. However, a word of caution if this will not enhance the customer's level of satisfaction then, why do it?

Blueprints should recognise internal customers as well as external customers. Often front-stage staff are let down by a lack of consideration and are placed in a position where they must apologise for an episode of dissatisfaction that has occurred through no fault of their own. Another purpose is to map the process to allow cross-functional teams to view their roles and see how their roles interact with others. The blueprint shows all activities, performance times or lead times that are needed to ensure smooth service delivery.

For example: consider travelling from Perth to London by aircraft. The blueprint at the airport would include a number of parallel functions:

- Check-in, seat allocation, immigration, customs, security, and to the departure lounge
- Tagging of luggage, the flow of luggage through security and to the correct loading bay
- The refuelling and maintenance of the aircraft
- The cleaning and maintenance of the aircraft interior
- The loading of food [special requests] and consumables
- Staffing and pre-flight checks

This indicative list of front-stage activities highlights the cross-functional nature of product delivery, the interdependence with third parties, and the interaction of customers with service providers and other customers. [btw: the aircraft hasn't left the ground.]

Improving quality through blueprinting

If all activities are coded and deviations in quality are recorded against each code, then this will help identify and later **rectify product failure points**. Identifying **deviations from agreed standards** is important as often product failures are recurring problems and when a pattern emerges managers are able to rectify recurring product failure points. Miller, Craighead, Karwan, (2000; 2004) suggest that identifying and classifying the types of product failure is a key step in reducing product failures. What is also important to consider is that a product failure may occur at any point during each of the time-zones of the buyer decision process (Lemon & Verhoef, 2016); therefore, blueprints should encompass the entire customer journey. Furthermore, blueprints should detail recovery procedures within the context of the customers journey through the buyer decision process (Vaerenbergh, Varga, De Keyser, & Orsingher, 2019).

Buttle (2004, p.54) suggests a number of questions when looking at existing processes

- How are the present processes designed?
- What value does each process deliver to internal or external customers?
- Could internal or external customers benefit if the process was redesigned [from their perspective]?
- What performance measures are in place to measure compliance to agreed standards?
- In what ways, could the process be improved?
- Could the process improve relationships with customers?

Blueprinting when implementing change

Whilst the benefits of blueprinting the front-stage and back-stage activities are self-evident, what is surprising is that many organisations fail to employ blueprinting to improve the quality of the service, experience, and people components of their products. This lack of attention to documentation of processes is a major problem when implementing **change management**. Keep in mind that, often senior managers discuss changes to organisational structure unaware of the current [actual] organisational processes. There are a number of reasons:

- A lack of blueprinting in the past
- Failure to distribute/communicate an existing blueprint
- Out of date blueprints that don't reflect current practices
- Managers make false assumptions based on what they believe is happening
- New personnel wishing to stamp their authority
- IT personnel often ignore their customers and fall in love with the technology
- IT personnel show little respect for existing processes and customer points of contact
- IT personnel may redesign processes, reduce the opportunity to interact with customers and reduce customer satisfaction

Click images to access activities

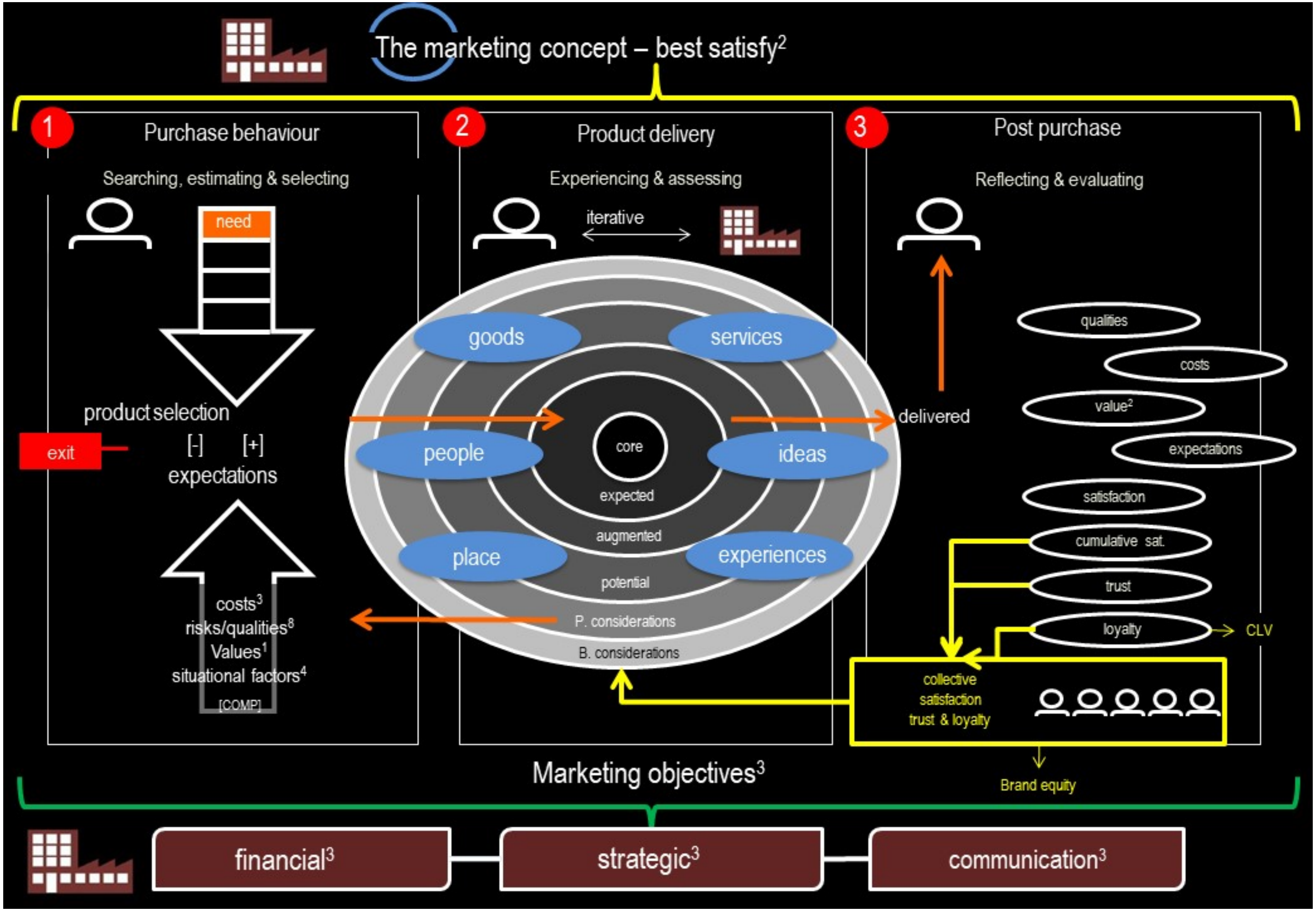


Figure 128: The summary of sections 1 & 2.

review: section 2

Section 2: Review [marketing theory]

In this section we explored th theories that guide the thinking of marketing practitioners. To enhance memory section 2 was organised into the marketing concepts. 1] the buyer decision process, 2] the total product, and 3] the circle of satisfaction.

The buyer decision process unpacks the consumer's journey through the 3-time-zones of the buyer decision process. This is a process where consumers are transformed into customers. The buyer decision explores the decisions and the decision-making rules that people make during the buying and consumption process. The buyer decision process will vary according to situational factors and the degree of involvement; for example, selecting a snack bar at a convenience store will, for most, take a relatively short time, whereas selecting a motor car will take considerably longer.

The decision variables are the buyer's involvement with the product, the cost relative to the consumer, the familiarity with the products, and the number of alternatives. What is also apparent in this example is that a snack bar would be consumed in a short time whereas a motor car is enduring and will generally be consumed/owned for a considerable time.

The buyer decision model has a long history with research spanning over 100 years and has attracted a great deal of attention and as would be expected there are different interpretations and perspectives within marketing journals and texts. What is presented within this e-book is a summary of this topic based on marketing journals, marketing texts, and research undertaken by the author.

The total product discusses the **P** in the COMP factors and is directed towards the strategic objectives of product leadership and operational excellence. Although, the total product spans all 3-time-zones of the buyer decision process, there is more emphasis on the 2nd time-zone - 'the product delivery time-zone'.

The total product is the largest module in the e-book; for convenience, the total product is divided into 3 chapters:

- **Product considerations**: are the product characteristics and the concepts and theories that marketing practitioners must **consider** when designing, developing and delivering a new product or repositioning and delivering an existing product. An understanding of the product considerations is important as it assists marketing practitioners to collect the information needed for a product audit within a marketing audit. This information is then considered during the CADDIE business-marketing planning process.
- **Product layers:** identifies the strategic product layers: core, expected, augmented and potential. Understanding product layers is crucial as consumers search for and select products that are perceived as best value. Therefore, having a framework when designing and developing a new product or repositioning an existing product is crucial; marketing practitioners must identify what the core needs of the consumer, what is expected from a product at different price points, and what augments and distinguishes one product from alternative product offerings.
- **Product components**: identifies the product components that combine to form a product - goods, services, ideas, experiences, people and places. These are the components that help to make up a product. When a consumer is considering alternative products in the buyer decision process they are generally comparing the product components, with this in mind, marketing practitioners will employ this knowledge when designing and developing a new product or repositioning an existing, moreover, marketing communications and salespeople may find product components helpful when constructing their communication strategies and tactics.

The circle of satisfaction' is a bridge that spans the buyer decision process and the total product. The circle of satisfaction details the interaction of the customer and the organisation during the buyer decision process and outlines the steps to assist marketing practitioners to achieve the 9 key marketing objectives and nurture a competitive advantage.

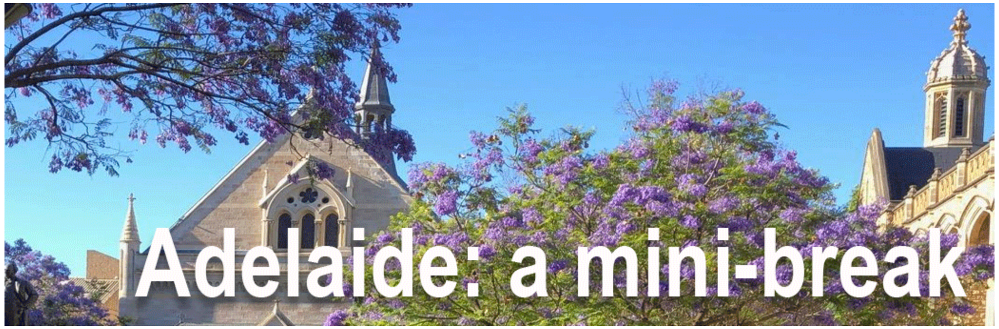
Although the circle of satisfaction spans all three time-zones of the buyer decision process, there is more emphasis on the 3rd time-zone. From a consumer perspective the circle of satisfaction has its origins in the 1st time-zone of the buyer decision process when the consumer is searching, estimating and forming expectations of quality and value. The circle of satisfaction is also part of the 2nd time-zone of the buyer decision process when the customer is experiencing and assessing the total product. However, the circle of satisfaction lives primarily in the 3rd time-zone of the buyer decision process when the customer is reflecting and evaluating the exchange and then forms attitudes that influence future customer behaviour.

The circle of satisfaction introduces 4 types of satisfaction: episodic, cumulative, aggregate and collective satisfaction. Initially, we looked at the interaction of one customer and one episode – **episodic satisfaction**, then we investigated the interactions of one customer and multiple episodes – **cumulative satisfaction**, then we looked at the consequences of all interactions of all customers – **collective satisfaction**. Collective satisfaction is important as it is relates building the value of the business - brand equity. In addition, we discuss how aggregate products are multiple products by multiple organisations that are mentally bundled by the consumer, therefore, measuring **aggregate satisfaction** is important when marketing practitioners are managing aggregate products.

Keep in mind, that measuring customer satisfaction has long been recognised as central to business success (Gerson & Machosky, 1993). They suggest that poor quality erodes customer satisfaction, and this results in reduced profitability, increased production costs, erosion of market share, and an increase in selling costs.

We then employed the metaphor 'business as theatre' to synthesise our knowledge and highlight the importance of a working from a sound theoretical framework.

The following exemplars may be worth visiting to identify concepts and theories in section 2



Suggested further reading

Section 2: Suggested further reading

The following article is particularly insightful. George Halkias provides a detailed discussion on schemas and how schemas are formed and their role in establishing brands in the consumer's mind. It is insightful to marketing practitioners and to marketing students. I would strongly suggest that everyone reads and applies this article.

Halkias, G. (2015). Mental representation of brands: A schema-based approach to consumers' organization of market knowledge. *Journal of Product and Brand Management, 24(5),* 438–448.

The following articles also explores schemas and are worth reading.

Gebhardt, G. F., Farrelly, F. J., Conduit, J. (2019). Market Intelligence Dissemination Practices. *Journal of Marketing, 83*(3), 72-90.

Puligadda, S., Ross, W. T., & Grewal, R. (2012). Individual differences in brand schematicity. Journal of Marketing Research, 49(1), 115-130.

The following article discusses schemas, values, and norms and their relationships. It is a detailed discussion and has a number of insights including how outcomes are influenced by situations.

Leung, K. & Morris, M. W. (2015). Values, schemas, and norms in the culture-behavior nexus: A situated dynamics framework. *Journal of International Business Studies, 46*, (9), 1028-1050.

To explore physical and mental availability in greater detail the following is a good overview.

Smith, E. R. & Queller, S. (2001). Mental representations. In A. Tesser and N. Schwarz (Eds.), *Blackwell handbook in social psychology: Intraindividual processes* (pp.111-133). Oxford: Blackwell,

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The following is a classic and often cited article, however, when you read the article, you will be surprised when you read the examples and how much attitudes have change since 1960.

Katz, D. (1960). The functional approach to the study of attitudes. *Public Opinion Quarterly, 24*(2), 163-204.

The following article by Gummesson (1998) is a worthwhile article and looks at value from an organisational perspective "Value creation is only possible when a good or service is consumed. An unsold good has no value" (p.247).

Gummesson, E. (1998). Implementation requires a relationship marketing paradigm. *Journal of the Academy of Marketing science, 26*(summer), 242-249.

The following articles on consumer impulsiveness are worth further reading. Although we tend to think of ourselves as rational consumers, we are probably more impulsive than we would first think. How often do we go to the supermarket and deviate from our shopping lists? How often do we see a new shirt and purchase it? Impulse buying covers a wide range of topics, including the darker side of consumption and personality disorders. The online-shopping and the availability of 'easy-access' credit add dimensions that are worth considering. Clearly, there are organisations operating from the selling concept that target overly impulsive consumers. A brief exploration of this topic will be insightful. The following journal articles are interesting reads.

Rook, D.W. (1987). The buying impulse. *Journal of Consumer Research, 14*(2), 189–199.

Sharma, P., Sivakumaran, B. & Marshall, R. (2014). Looking beyond impulse buying: A cross-cultural and multi-domain investigation of the consumer impulsiveness trait. *European Journal of Marketing, 43*(5/6), 1159-1179.

Sharma, P., Sivakumaran, B., & Marshall. R. (2010). Impulse buying and variety seeking: A trait-correlates perspective. *Journal of Business Research, 63*(3), 276-283.

Amos, C., Holmes, G. R., & Keneson, W. C. (2014). A meta-analysis of consumer impulse buying. *Journal of retailing and consumer services, 21*(March), 86-97.

Mattila, A. S. & Wirtz, J. (2008). The role of store environmental stimulation and social factors on impulse purchasing. *Journal of Services Marketing, 22*(7) 562–567.

Bellini, S., Cardinali, M. G., & Grandi, B. (2017). A structural equation model of impulse buying behaviour in grocery retailing. *Journal of Retailing and Consumer Services, 36*(May), 164–171.

Arndt's classic article highlights the importance of referrals and seeking advice. It is a little old, but it was the predecessor of many articles and therefore worth reading.

Arndt, J. (1967). Role of product-related conversations in the diffusion of a new product. *Journal of Marketing Research, 4*(3). 291-295

In the following article Dholakia (1997), argues risk is a subjective evaluation of potential loss or gain, which varies, by person and product. He argues that when evaluating different products, the variables [types of risk] may vary independently from one considered product to another and that an increase in one type of risk may result in a lowering of another [an increase in financial risk [spending more] may result in a decrease of functional or social risk]. Dholakia (1997) investigates the constructs of risks and involvement; he suggests that risks like involvement have a temporal nature. He suggests that some risks are associated with the purchase [situational involvement] and may be short lived, whereas other risks are a *consequence of the purchase and may be longer lasting and therefore influence enduring involvement.*

Dholakia, (1997). An investigation of the relationship between perceived risk and product involvement. *Advances in Consumer Research, 24*, 159-167.

In the following article the author of the e-book puts forward the notions that some product place a marker in a person's life where there is a life before and a life after a particular consumption event.

Fanning, S. (2011). Seminal exchanges: Exchanges that change our lives. *Proceedings of Australian New Zealand Marketing Academy Conference*, Perth, November 2011.

In the following book Sharp in this thought-provoking book, states that many textbooks leave readers with a list of immutable laws, Sharp questions some of these and suggests caution and a more scientific approach. He provides a number of examples to highlight his marketing science approach. However, his message is consistent with many businesspeople who often state - "my product is unique and textbook solutions don't apply." And others who state, "If you can't measure it you can't manage it."

Sharp, B. (2011). *How brands* grow*: what marketing practitioners don't know.* South Melbourne: Oxford University Press.

In The following article Vargo & Lusch (2004) vigorously argue that marketing as a discipline has traditionally had a goods dominant logic and that this should be superseded by a service dominant logic [SD logic]. The authors attempt to justify why they believe this is new logic is more relevant and meaningful.

Those with a more advanced understanding of marketing would find the full article well worth reading; it provides some interesting perspectives and questions prevailing marketing thought. However, readers with a basic understanding of marketing may find the article a little taxing.

As is usually the case with paradigm challenging articles, there is a great deal of academic support, however, the article has also attracted a great deal of criticism (Archol & Kotler, 2006; Gummeson, 2008, Eckhardt and Bengtsson, 2010).

Some suggest that the article is a work in progress (Prahalad and Rasawamy, 2004) and certainly the authors have delved deeper since the original article. Others suggest that supporters are a little 'evangelical' (Brown & Patterson, 2009). There are also scholars who contend that the essence of co-creation, as advocated by Vargo and Lusch, is well documented and ancient practice and not seminal in nature (Eckhardt and Bengtsson, 2010). In fairness, it should also be said that the article has brought together a number of existing ideas and has generated discussion and in doing so has advanced the marketing conversation (Ballantyne & Varey, 2007). An interesting consequence of this paper is that a number of academic supporters have suggested improvements whilst those less enthusiastic have elaborated on the merits of existing theory.

One idea that Vargo and Lusch (2004) have championed is that often the customer is an active participant [not a passive recipient] in the buyer decision process and as such is a participant in the production of the total product and in some cases, may be co-producers of value. In this way Vargo and Lusch (2004) echo Normann and Ramirez (1994) [and others] that organisations must collaborate with customers and provide services that facilitate and support the customer in their quest for best satisfying offerings [products] – wholesaling [B2B] and retailing [B2C] are examples where organisations work with a customer.

Vargo, S. L. and Lusch, R. F. (2004). Evolving to a New Dominant Logic for Marketing. *Journal of Marketing,* 68(January), 1–17.

The following journal article is certainly worth reading. In this paper, Peter Barwise provides a brief overview of why brand equity emerged as a point of discussion in the 1960's and then gained acceptance.

Barwise, P. (1993). Brand Equity: Snark or Boojum? *International Journal of Research in Marketing, 10*(1), 93–104.

In this interesting paper, Carol Simon and Mary Sullivan provide the groundwork for many brand equity studies that followed and demonstrated the importance of brands to the financial performance of organisations.

Simon, C. J. & Sullivan M. W. (1993). The measurement and determinants of brand equity: A financial approach. *Marketing Science 12*(1), 28–52.

In this paper, Susan Fournier introduces readers to the importance of brands and how people form relationships with some brands. She ties brand relationships with a number of related concepts and classic articles. This is worth a read.

Fournier, S. (1998). Consumers and their brands: Developing relationship theory in consumer research. *Journal of Consumer Research 24*(4), 343-373.

In the following paper, the authors, take up an idea by marketing practitioner Kevin Roberts that brands are now 'Lovemarks' and extend the idea of brand relationships.

Batra, R., Ahuvia, A., & Bagozzi, R. P. (2012). Brand love. *Journal of Marketing, 76*(1), 1–16.

You may also like to read Holt's classic work. It is a bit heavy going; however, it is worth the effort. It is particularly valuable to those studying sport.

Holt, D. B. (1995). How consumers consume: A typology of consumption practices. Journal of Consumer Research, 22(1),1-16.

The topic of the experiential nature of products is worthy of further study. The articles by Russell and Shaw provide a conceptual framework for analysing experiences. The framework is based on two XY continuums where the anchor points are unpleasant <> pleasant and arousing <> sleepiness. This provides four cells with descriptors and a number of experience outcomes in each cell. It is worth a read. Shaw states that we have positive or negative experiences and provides a list of moods.

Russell, J. A. (1980). A circumplex model of affect. J*ournal of Personality & Social Psychology, 39(*6), 1161-1178.

Russell, J. A. (2003). Core affect and the psychological construction of emotion. *Psychological Review, 110*(1), 145-172.

Shaw, C. (2007). *The DNA of customer experience: How emotions drive value.* Houndsmills, Basingstoke, Hampshire: Palgrave Macmillan.

The following articles provides an overview of the metaphor of business as theatre. They highlight that service dominant products generally have a front-stage and a back-stage. Furthermore, care needs to be taken to manage the customer experience.

Grove, S. J., & Fisk, R. P (1989) Impression management in services marketing: A dramaturgical perspective. In R. Giacalone & P. Rosenfeld, Eds) *Impression management in organisations.* (pp. 427-438). Hillsdale, New Jersey: Lawrence Erlbaum.

Grove, S. J., Fisk, R. P. & John, J. (1992). The service experience as theatre. *Advances in Consumer Research, 19*, 455-462.

Grove, S. J., Fisk, R. P., & Bitner, M. J., (1992). Dramatizing the service experience: The managerial approach. *Advances in Services Marketing and Management: Research and Practice, 1.* 91-121.

Pine, B.J. & Gilmore, J.H. (1999). The experience economy: Work is theatre and every business a stage. Boston: Harvard Business School Press.

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de Swaan Arons, M., van den Driest, F. & Weed, K. (2014). The ultimate marketing machine. Harvard Business Review, 92(Jul-Aug), 55-63.

When we think chocolate, we tend to think of Belgium or Switzerland. Deshpande (2010) questions why is it that Venezuelan chocolate does not have the same status as Belgium chocolate. This he finds surprising; given that the chocolate beans from Venezuela are particularly sought after by premium chocolate manufacturers. Rohit Deshpande's coverage of this topic is particularly insightful, and he provides a number of provenance challenges and outlines a number of provenance strategies. This is well worth a read.

Deshpande, R. (2010). Why you aren't buying Venezuelan chocolate. *Harvard Business Review, 88*(Dec), 25-27.

Keeping in mind that operational excellence is one of the strategic objectives of this e-book and with this in mind it is worthwhile to highlight that operational personnel often view quality a little differently to marketing practitioners. Kotler, Brown, Adam, Burton, and Armstrong, (2007) state that some organisations view quality as a process. Cohen (2013) states that many organisations have failed to achieve the 'promised' business success of the quality movement. He states, that many organisations saw Total Quality Management (TQM) as a panacea and as the road to organisational success. The history of the quality movement, which began with manufactured goods, is an interesting subject, however, it is not central to this e-book. Therefore, readers are advised to use the Internet to obtain a working knowledge of the quality movement. This can be done in around an hour; this will assist readers to recognise the differing perspectives and the strategic importance of quality. The following authors are worth searching: Walter Shewhart, W. Edwards Demming, Joseph M. Juran, Armand V. Feigenbaum, Philip Crosby, Peters and Waterman. The following articles are considered classics.

In this article Olins explores nations as brands. He promotes the term nation brand, however, he does present some alternate views. It does have to be stated that he presents brands [it is now an old article – not a classic article] more from a brand image perspective than a brand identity perspective. The article is worth reading as it provides an insight into how some see branding.

Olins, W. (2002). Branding the nation — the historical context. *Journal of Brand Management 9*(4), 241–248.

In this article, Steenkamp advocates for nation branding to be as a specific genre and proposes a 6-step framework. This article is thought provoking and worth reading and considering, particularly if destination management is of interest. The one criticism, that needs to be highlighted, is that it the framework is focused on the steps to create a nation product and brand image than the steps to communicate and deliver a long-term consumer value proposition. If that caveat is considered it is a worthwhile read.

Steenkamp, J. (2021). Building strong nation brands. *International Marketing Review (38*)1, 6-8.

The following articles focus on the confirmation-disconfirmation of customer expectations.

Patterson, P. G. (1993). Expectations and product performance as determinants of satisfaction for a high involvement purchase. *Psychology and Marketing, 10*(5), 449-62.

Oliver, R.L., Rust, R.T., & Varki, S. (1997). Customer delight: Foundations, findings, and managerial insight *Journal of Retailing,* 73(3), 311-336.

In the following article Ulaga and Eggert (2006) state that with business-to-business relationships quality is an antecedent to value, value is an antecedent to satisfaction, satisfaction is an antecedent to trust and trust influences the behaviour of consumers.

Ulaga, W. and Eggert, A. (2006) Relationship value and relationship quality: Broadening the nomological network of business-to-business relationships. *European Journal of Marketing, 40*(3/4), p.311-327.

In the following article Garbarino and Johnson (1999) identify the components of trust and the importance of trust as a driver of total profits4 and relationships[4].

Garbarino, E. & Johnson, M.S. (1999). The different roles of satisfaction, trust, and commitment in customer relationships. *Journal of Marketing, 63*(April), 70-87.

In the following article Eisengerich and Bell (2008) explores the question - is customer education a way of increasing the customer expertise and trust or an opportunistic sales ploy?

Eisingerich, A. B. & Bell, S. J. (2008). Perceived service quality and customer trust: Does enhancing customers' service knowledge matter? *Journal of Service Research, 10*(3), 256-268.

The following articles played a major influence on the marketing concept of the circle of satisfaction. They are classic articles and well worth reading.

Heskett, J. L., Jones, T. O., Loveman, G. W, Sasser, W. E. & Schlesinger, L. A. (1994). Putting the service profit chain to work. *Harvard Business Review, 72* (March-April), 164-174.

Schlesinger, L. A. & Heskett, J. L. (1991). The service-driven service company. *Harvard Business Review, 69* (September-October), 71-81.

I*n the following article the authors suggest that the level of satisfaction will influence a customer's willingness to pay, and high levels of customer satisfaction may influence an organisation's pricing strategies.*

Homburg, C., Koschate, N. & Hoyer, W. (2005). Do satisfied customers really pay more? *Journal of Marketing, 69*(2). 84-96.

The following article is one that I have returned to read on a number of occasions, the authors put forward the view that loyalty varies according to a number of factors. This article is one of the articles that started me thinking about situational factors as COMP factors and how these four factors effect and affect marketing decision. How COMP factors influence many factors including loyalty. It is worth a read.

Dick, A. S. & Basu, K (1994). Customer Loyalty: Towards an integrated framework. *Journal of the Academy of Marketing Science, 22*(2), 99-113.

The following article is certainly worth a read as it explains theory in use. Theory in use is where marketing academics discuss with marketing practitioners how the conceptualise and practice marketing. The authors are some of the most respected marketing academics and they caution against the practice of researchers borrowing theory from other disciplines and force-fitting into a marketing context. They provide a list of reasons why this is bad practice. This is a great article for someone starting a research thesis. Warning: The article employs the term construct where I would employ the term concept.

Zeithaml, V. A., Jaworski, B. J., Kohli, A. K., Tuli, K. R., Ulaga, W., & Zaltman, G. (2020). A theories-in-use approach to building marketing theory. *Journal of Marketing, 84*(1), 32–51.

marketing application [section preview]

3:0:0 Marketing application [section preview]

Previously: In section 1, we introduced the marketing concept, a marketing philosophy, the 4 quests, the COMP factors and the marketing objectives. In section 2, we explored how marketing practitioners conceptualise and contextualise the market. In section 3, this knowledge is applied in the CADDIE Business-marketing planning process. Keeping in mind that CADDIE is a conceptual acronym to aid recall – it is not a theory.

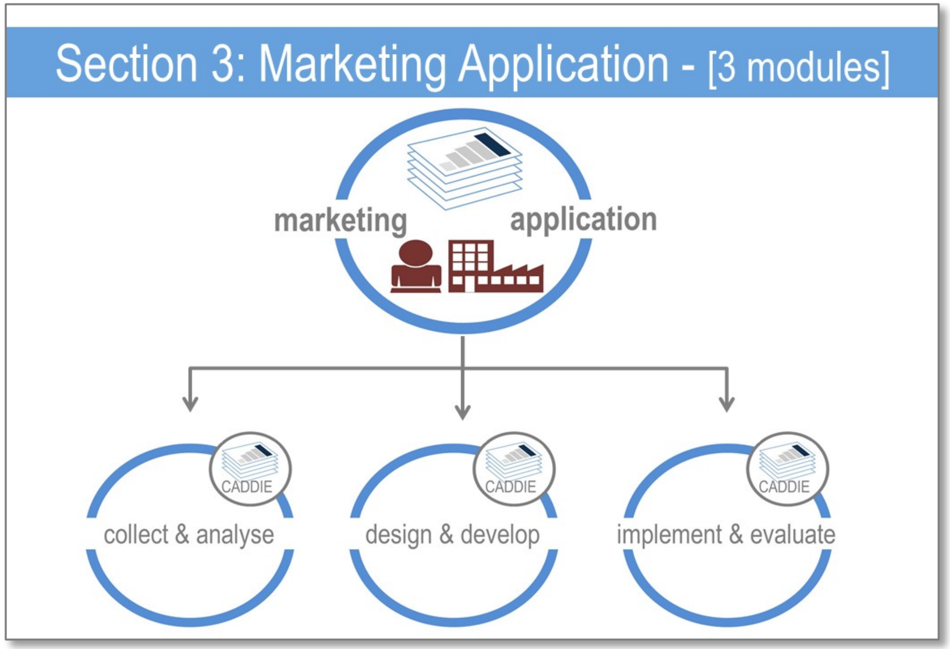

Figure 129: 3 modules of section 3

Learning objectives

Learning objectives of section 3: After completing this section you should be able to demonstrate an understanding of the **organisational decision-making process**; how marketing practitioners conduct a marketing audit, how through the Strategic Business Planning Group the market position and the basis of competition are articulated in a business plan, how strategies are communicated through a strategic marketing plan, and how through tactical marketing action plans the tactics needed to achieve the strategic objectives of the organisation are implemented and evaluated.

Directions

This section outlines the business-marketing planning process - how an organisation plans and goes to market with the intent of gaining a competitive market advantage.

Section 3 'marketing application' section has three modules:

- The CADDIE process: collect and analyse
- The CADDIE process: design and develop
- The CADDIE process: implement and evaluate

The marketing philosophy discussed in section 1 and the marketing theory discussed in section 2 provides an overview of what and how marketing practitioners think. The theory discussed in section 2 provides an insight into decision-making of organisations and consumers/customers. Section 3 outlines how this theory is applied to organisational decision-making process - through the CADDIE business-marketing planning process.

It is perhaps stating the obvious, but worth emphasising that understanding and applying marketing theory will enable marketing practitioners to analyse the situational factors, contribute to the strategic business planning process, design and develop a strategic marketing plan, implement the marketing plan through a series of tactical marketing action plans. And then implement, evaluate, and control the marketing activities to achieve organisation's stated financial, strategic, and communication objectives.

You may have thought that you heard the last of the COMP factors, however, section 3 is how marketing practitioners consider **historical COMP data**, audit the **current COMP data**, and then forecast the future COMP data which are the basis of strategies and tactics. Therefore, the **forecast COMP data** are the predicted situational factors to be managed by the forthcoming business plan, the discipline plans, and the discipline action plans. The **emergent COMP data** is how the situational factors unfold during the forthcoming financial period.

There is a relationship between COMP factors and marketing metrics. When marketing practitioners 'drill-down' and collect the COMP data then this is generally referred to as marketing metrics. Specialist tactical marketing practitioners are often only concerned with measuring specific marketing metrics, these are often technology tools and often referred to as marketing analytics (Hanssens & Pauwels, 2016). Nevertheless, this information is employed to make tactical decisions and holistically considered then aggregated and incorporated with broad COMP data during the CADDIE process.

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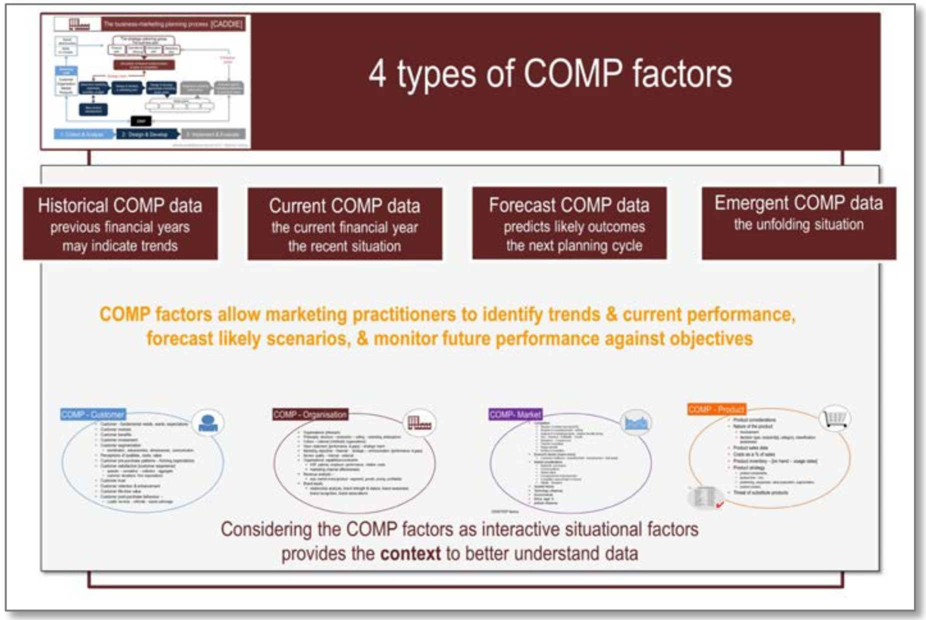


Figure 130: Historical, current COMP data are employed to forecast likely scenarios & then monitor emergent data. COMP data is the context in which outcomes were/are achieved.

In the module **'The CADDIE process: collect and analyse'** we explore marketing research and the role of a marketing audit. A marketing audit collects and analyses historical and current data [including the analysis of marketing metrics] on the customer, organisation, market, and products; the objectives are to assess present performance and to assess the market attractiveness and ability to compete within each market segment. This marketing information is reported and presented to the Strategic Business Planning Group.

Marketing practitioners are advised to stay connected with academic marketing research as it the foundation of marketing practice (Nenonen, Brodie, Storbacka, & Peters, 2017). Marketing research is defined by the American Marketing Association (2017) as:

> The function that links the consumer, customer, and public to the marketer through information – information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements data collection process, analyses the results, and communicates the findings and results.

If we examine this definition in detail we can conclude that marketing practitioners are involved in two [broad] types of marketing research: **as needed marketing research** and **everyday marketing research.** For many, the discussion on 'as needed research' will be a 'refresher' on the research process presented in most business research units.

As needed research involves the collection of primary or secondary data specific to an emergent situation. We can define as needed marketing research as:

> Research that is conducted when there are emerging situational factors that require marketing practitioners to collect and analyse new information.

Everyday marketing research is the work that marketing practitioners would undertake as part of their everyday work routine. The routine activities of marketing practitioners are either strategic or tactical. We can define everyday marketing research as:

> Research that is conducted regularly and routinely to monitor and achieve the marketing objectives of the organisation; this includes the steps to collect and analyse information, design and develop strategic marketing plans, implement and evaluate marketing action plans, and take corrective action when needed.

Everyday marketing research is based on data that is collected as an everyday day and routine part of business – it can be historic or in the current financial year

Strategic Business Planning Group

A Strategic Business Planning Group is a group of senior executives who represent the various disciplines of the organisation, it will vary from organisation to organisation, however, generally it will include the Chief Executive Officer, and the Chief Finance Officer [CFO], Chief Operating Officer [COO], Chief Information Officer [CIO] and Chief Marketing Officer [CMO]. It is recommended that a collaborative environment is cultivated (Ellinger 2000; Gupta, Raj, & Wilemon, 1986)

We can define a Strategic Business Planning Group as:

> a group of senior discipline executives who report to the Chief Executive Officer of an organisation and are involved in the strategic business planning of an organisation and responsible for the strategic direction outlined in the overall business plan.

The general idea is that each discipline will collect and analyse information from their area of responsibility and present this information to the other members of the Strategic Business Planning Group. The information will be documented in a report and, often, as a SWOT presentation to stimulate discussions . The SWOT presentations are to ensure that all members of the Strategic Business Planning Group have a holistic understanding of the business [outside their area of responsibility], have an opportunity to ask questions, and that the group is equipped to make more informed decisions.

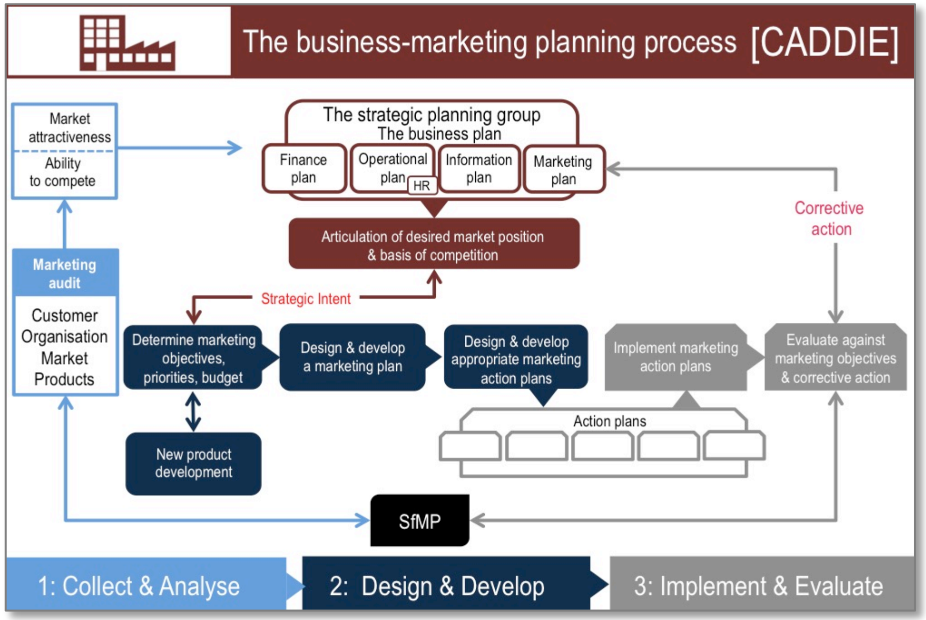


Figure 131: This diagram is an important diagram and outlines the CADDIE business-planning process.

A word of warning. Although there are many millions of references to SWOT on the internet it attracts a fair degree of criticism and caution over its application by business scholars (Nickols & Ledgerwood, 2006; Helms & Nixon, 2010). When SWOT is referred to it often attracts some cautionary comments. Panagiotou (2003, p. 8) traces its origins as a teaching tool employed to stimulate classroom consideration and discussion, however as a strategic tool he states:

> **Quote:** Despite its catchy acronym, a long history of service and continuing usage, SWOT remains rooted in vagueness, relies on an over simplified process and has numerous limitations (p. 8).

Therefore, SWOT is not recommended as a tool for collecting and analysing marketing data but for arranging information to provide an insight and stimulate discussions. Valentin (2015, p.54) state that SWOT consists "largely of catchall questions devoid of explicit theoretical underpinnings. Too often, they produce shallow misleading results". Other scholars suggest that there was little quantifiable evidence to suggest that, as an analytical tool, it is an effective tool (Helms & Nixon, 2010), however, as a method of stimulating discussion within a planning meeting it may be a worthwhile supporting tool.

To address the limitations of SWOT, Nickols and Ledgerwood (2006) suggest and alternative or complimentary 2X2 grid that they suggest is more prescriptive. Their alternative looks at what does the organisation wish to:

- Achieve
- Preserve
- Avoid
- Eliminate

According to Morris (2005) SWOT is a confusing tool and misses the primary objective; he suggests that whilst organisational opportunities are generally the objective it often is employed to provide a list of options. Therefore, he suggests being more applicable and prescriptive [1] opportunities should be better defined and [2] whilst they may be external they may also be internal to the organisation.

In the module **'The CADDIE process: design and develop'** we discuss how the Strategic Business Planning Group will meet and craft the business plan for the organisation. The business plan is an important document; it provides the strategic direction for the various discipline plans [for example, the finance plan, the operational plan, the information plan, and the marketing plan]. All discipline plans must be congruent and work towards the organisational objectives. The business plan will outline the future directions of the organisation and after an iterative process will set parameters for each discipline to begin the discipline planning process. Sufficient money, time, and effort should be invested in designing and developing the business strategy.

> **Author's comment:** The idea that marketing practitioners independently craft marketing strategy is incorrect. The Strategic Business Planning Group will articulate the desired market position and the basis of competition. All discipline plans should be congruent with the overall business plan. This is generally referred to as the strategic intent of the organisation.

> **Author's comment:** Not every organisation is a large organisation with a collection of C-suite executives. Many organisations are small to medium enterprises, staff may have multiple responsibilities. Therefore, the iterative business planning process, outlined above, is likely to take a different format according to the size of the organisation [see activity 4 university friends].

After the strategic intentions of the organisation are articulated within the overall business plan, the process of designing and developing the **various discipline plans begins**.

It is important to realise that marketing practitioners employ marketing research throughout the CADDIE business-marketing planning process, it would be wrong to assume that the marketing research process ends with the marketing audit as new relevant and specific information would be required when crafting the strategic marketing plan and the tactical marketing action plans. The CADDIE business-marketing planning process is a compound process; what that means is that it comprises a number of interlocking elements and the process should be consistent with a business [organisational] philosophy based on the marketing concept.

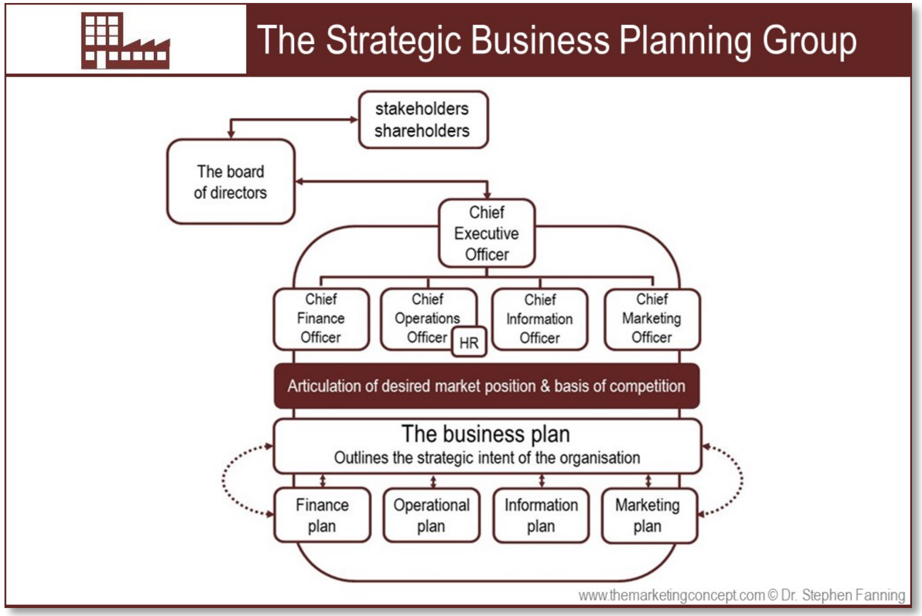


Figure 132: Structure of a typical Strategic Business Planning Group and the relationship with the various discipline plans.

A business plan, a marketing plan, and marketing action plans are briefly discussed below.

The business plan

After input from the Board of Directors the **business plan** is crafted by the CEO and the Strategic Business Planning Group.

The business plan outlines the business vision, operating structure, and the short-term and long-term objectives of the organisation. Often a business plan will focus on the next financial year, however, will outline the direction for the next 5 years. The business plan will reflect the dominant business concept and the resultant business [organisational] philosophy and the business [organisational] culture. The business plan and the various discipline plans need to be congruent. A business plan generally includes a well-crafted statement of purpose to provide guidance. The business planning process involves all disciplines; it is an iterative process - the various business disciplines provide input, however, they also receive guidance. As a result, the business plan will summarise and synthesise the various discipline plans into one holistic document.

Author's comment: There are 3 broad business concepts. All business plans will be founded on one of three business concepts – the production concept, the selling concept, or the marketing concept, but often an amalgam of the three. Generally one business concept will be more dominant. The marketing concept is built on the axiom that organisations that best satisfy the needs of their customers are best placed to satisfy their own needs. We can see that the marketing concept is a simple statement; it infers that satisfied customers will provide a service to organisation that will enable the organisation to satisfy their own objectives, in addition the marketing concept highlights the significance of best satisfying products. The danger exists when members of the C-suite have a poor understanding of marketing and take a short-term view of organisational objectives.

Author's comment: The business [organisational] philosophy outlines how an organisation goes to market and will be based on the business concept that is applied. A business philosophy provides overall guidance – beliefs, values, how value is produced, and guides marketplace behaviour and is articulated through an organisation's statement of purpose [vision statement]. A business philosophy takes time - it is not something to be downloaded from the web. When a business philosophy is based on the marketing concept then a marketing philosophy will guide the CADDIE business-marketing planning process and will be a central reference point for all marketing activities. When articulated it sounds like the *'what, when, why, which, where, and how'* of business. When applied a marketing philosophy will shape the culture of the organisation and determine the collective satisfaction of customers.

The marketing plan

After input from the CEO and the Strategic Business Planning Group, the CMO and the Strategic Marketing Planning Group will help craft the marketing plan.

The marketing plan must be congruent with the business plan. The marketing plan outlines the short and long-term marketing objectives of the organisation, how the organisation will go to market, and forecast the predicted revenue. Like the business plan, the marketing plan is an iterative process - the senior marketing practitioners will receive guidance from the business plan and introduce additional relevant and specific information.

The marketing plan is strategic: what is the marketing philosophy, what are the marketing objectives, what resources will be allocated, which objectives have priority and the timeline for each objective. A marketing plan should provide an overview of the agreed strategic objectives; it should have sufficient breadth of topics to allow non-marketing staff to be informed and to ensure they are aware of their responsibilities. The marketing objectives then need to be explicated in a series of individual marketing action plans. This means that the marketing plan is **operationalised** through the marketing action plans

The marketing action plans

After input from the CEO and the CMO each marketing action plan is crafted by the relevant Senior Marketing Practitioner and the Tactical Marketing Planning Group.

Although the marketing plan and the marketing action plans are distinct documents, they must be consistent and congruent. Whilst the marketing plan is a broad strategic document, each marketing action plan is a tactical document with defined parameters: how each objective will be achieved, who is involved and who is responsible for the implementation, evaluation, and any corrective action that may be needed. Marketing action plans should have clear, unambiguous instructions. Where appropriate, marketing action plans should quantify outputs and inputs. This means providing sales budgets and in some cases detail target pricing, forecasted sales by volume, revenue, and within a timeframe, expected cost of sales, projected profit and loss statements, sales baseline expectations.

There are two types of marketing action plans *as needed action plans* and *everyday action plans* – [i.e., why research is undertaken as each].

- **As needed marketing action plans** relate to specific projects, sometimes referred to as ad hoc projects as the action plan are only undertaken when a particular situation requires attention.
- **Everyday marketing action plans** relate to actions and outcomes that happen on an ongoing basis, often referred to as 'marketing metrics' – sales, market share, communication, advertising, promotions, public relations, social media, service quality, retention, etc.

Marketing action plans are important - people often remark that 'actions speak louder than words' and this is particularly true when crafting a brand. Some organisations focus on the brand image unaware that an actual brand identity is crafted through the organisation's actions - not their words. Brand identity influences consumer perceptions of value and assists consumers to identify and select best satisfying products. Brand identity is also important to organisations. Brands are an asset and recorded in a balance sheet as goodwill or brand equity.

> **Author's comments:** In a 24/7 world, marketing must interact across all disciplines. This is quite different to the 'silos' view of the world.

CADDIE is iterative and compound

The CADDIE business-marketing planning process is an iterative and compound process. During the research for the e-book, it was clear that if organisations employ a common framework it would enhance the business-marketing process. A recommended framework is – collect and analyse, design and develop, implement and evaluate [CADDIE].

Clearly the complexity of the CADDIE business-marketing planning process would vary according to the complexity of the situational factors – COMP factors.

> **Author's comment:** Although some may think of CADDIE as one process it may be better to think of it as one process with a number of smaller processes. At an organisational level there is strategic CADDIE, then at a strategic discipline level there are a number of CADDIE processes. Then at a tactical level there are a number of tactical CADDIE processes that are ongoing and ensure that the overall objectives of the organisation are measured and managed.

The module **'The CADDIE process: implement & evaluate'** has a number of chapters. The chapters are to expand on the 'typical' marketing action plans of an organisation. The as needed marketing action plans will be situational dependent [consider COVID 19], the e-book will only explore the following everyday marketing action plans:

- managing quality
- internal and channel marketing
- customer retention
- external marketing
- sales and salesforce management
- software for marketing practitioners
- the relational sales process

There is a tendency for non-marketing people to think of marketing as external marketing communication. Folinas and Fotidas (2018) emphasise the need to recognise the science of marketing and suggest that amateur marketing practitioners are like amateur medical practitioners. With this suggestion in mind, it is important to be consistent with the marketing concept, and the realisation that external quality is based on **managing internal quality**. **Internal marketing** is an important task and recognises that a product value proposition should be communicated internally prior to being communicated externally. Profitable exchange relationships is an umbrella concept of marketing and this concept suggests that **'customer retention'** and managing customer satisfaction and episodes of dissatisfaction is of critical importance. This is of growing importance in a marketplace now dominated by electronic word of mouth.

Marketing practitioners need information as constant evaluation and corrective action is needed to ensure the marketing objectives are achieved. This requires comparing the forecast performance outlined in the marketing action with the actual performance. The appropriate **software for marketing practitioners** will enable marketing practitioners to make better informed decisions and to take the appropriate corrective action in a timely manner. The other point to keep in mind is that software for marketing practitioners is constantly evolving and it is wise to keep up with the latest software

In section 3 we also explore how marketing practitioners manage the 'salespipeline' and how the salespipeline runs through the entire e-book as the interactions between the organisation and the consumers/customers cannot be ignored. To manage the salespipeline we explore **sales and sales force management.** This is an often-neglected area of marketing, which ties in with the financial marketing objectives of increasing sales and reducing organisational costs as a percentage of sales.

The final chapter in this module is the relational sales process, which synthesises our marketing knowledge and presents the sales process in a format that provides greater value for today's consumer. The objective of a relational sales process is to provide marketing practitioners with an alternate view on selling that is built on the marketing concept rather than the selling or production concepts.

Often, marketing practitioners talk about creating the 'silver bullet' ad, this is understandable as external marketing is an interesting topic and one that most people have an opinion. However, the topics of customer relationship management and managing the sales process is often given little attention and when it does, unfortunately, it is often discussed from a selling concept perspective [the subject of 100s of books]. Nevertheless, how a consumer enters and progresses along the salespipeline is of critical importance, both short-term and long-term. After all, without sales there is no revenue and therefore no organisation.

Strategic intent

For the remainder of this module we will discuss strategy and the types of strategic decisions that marketing practitioners may consider. We will also discuss the strategic language that the Chief Marketing Officer would communicate the strategic marketing options to other member or the Strategic Business Planning Group and to the wider organisation. This language is presented to ensure a better understanding of how/why/where and with whom an organisation will compete – the basis of competition.

A simple strategy is a good strategy

Grewal (2019) states that the articulation of an organisation's strategy should be simple, straightforward, specific, consistent and should clearly communicate how customers, the organisation, channel partners, and society profit.

Strategy is not a new idea

The ancient Greek word for strategy is *strategos*; which means the 'art of the general' and relates to the deployment of military forces. Often, when businesspeople consider strategy, they immediately think of Sun Tzu's 'Art of War'; an ever-popular book, that was originally written as a bamboo book some 2,500 years ago, however, has received renewed attention in recent years - The Art of War is worth a future read. Another military strategist who has received a great deal of business attention is the Prussian General Carl von Clausewitz (1780-1831). The work of von Clausewitz was interpreted into marketing thought by marketing authors Trout & Ries (1986) in their popular book 'Marketing Warfare'.

> **Author's comment:** There are many who would think that war and marketing should never be related. I share this view. So, when I think of strategy, I think of the Italian renaissance genius Michelangelo - then I think of the 'David' in the *Galleria dell' Accademia* in Florence [check it out www.accadamia.org]. Michelangelo, in his art and architecture clearly saw the finished product before he started and was so focused on achieving his objectives that he did everything needed to achieve his strategic objectives – including a number of inventions that are still in use today.

However, we cannot ignore that war has shaped strategic thinking. According to Reed (2010) the military techniques of analysis, strategy, and tactics of the Second World War were adopted by governments and business after the war. However, instead of military objectives, strategic research and planning was employed to achieve financial and social objectives.

The following is a brief overview of the evolution of business strategy. Freiderick Taylor, Henri Fayol, and Max Weber are recognised as the pioneers of business strategy. Their work in the first half of the 20th century provided the foundations for business scholars. Drucker (1954) introduced management-by-objectives (MBO) to the language of business and is often referred to as the 'father of management and marketing' (Morrison & Morrison, 2011; Cohen, 2013). Ansoff (1957; 1965) generated management interest in strategic analysis through business models. As a consequence of the business interest in strategic management generated by Drucker and Ansoff many business scholars elected to pursue this area of study [see the following list]. Around this time, business consultants, such as McKinsey and Company, started to promote strategic thinking at a corporate level.

> **Author's comment:** Readers may now recognise that many 'classic' strategic management tools have their origins in the post-war period and are now aware of the important role of Business Schools and Academic Journals in diffusing business knowledge.
>
> One journal, the Harvard Business Review, has offered a unique perspective in this area by combining the needs of business and academia.

Being strategic

When discussing strategy, it is important to define two important and related concepts - **strategic Intent** and **strategic planning**. At first glance, it may appear as if they are the same, however, understanding how they differ is important. Strategic Intent is the process of identifying the desired organisational objectives that will be incorporated into the business plan. Strategic planning is about identifying and documenting the steps needed for an organisation to achieve an organisation's objectives; this means that strategic planning starts with a desired position in mind. Hamel and Prahalad state that whilst the short-term objectives cry out for attention - organisational success comes from articulating a long-term desired market position.

Hamel and Prahalad (1989; 1992; 2005) state that many organisations focus on the strategic planning process but fail to articulate their strategic intentions [i.e., the strategic process of articulating the desired market position and the basis of competing in the future]. Hamel and Prahalad (1989; 1992; 2005) state that organisations that neglect to articulate their strategic intentions for their desired market position may find that their strategic planning process is no more than a process of **market imitation**.

Hamel and Prahalad's work has influenced the thinking of many marketing scholars; including the thoughts expressed in the marketing concept [e-book]. Hamel and Prahalad's ideas are embedded in product leadership, the unique product value proposition, the potential product layer, Design Thinking, Blue Ocean Thinking, and the process of articulating the desired market position and the basis of competition. A review of their work reveals that strategic intent is about being externally competitive and internally collaborative.

The following quote indicates the relationship between Strategic Intent and Blue Ocean (Kim and Mauborgne, 2004):

> **Quote:** Strategic Intent … implies a competitively unique point of view about the future. It holds out to employees the promise of exploring new competitive territory. Hence, it conveys a sense of discovery … a sense of destiny. (Hamel & Prahalad, 1994, p.70).

Other scholars have noted that a balance between the short-term and the long-term is needed. It has long been recognised that strategic planning is often obstructed by short-term performance measures. In some organisations, strategic planning is eroded through accountancy practices that present a long-term advantage as short-term financial disadvantage (Norreklit, 2000). He states that this is further aggravated by an inability to present non-financial performance measures that may indicate progress towards a strategic goal. Norreklit (2000) argues that as a consequence, departmental and personal objectives may not align with strategic objectives. Tett (2015) states that loyalty to a department is often stronger than loyalty to the organisation. De Hass and Kleingeld (1999) propose that organisations are likely to achieve their short-term and long-term objectives if they adopt a performance measurement system that provides both feed-back and feed-forward. One performance measurement system that addresses the feed-back and feed-forward problem is the **balanced scorecard approach**; an approach that considers both financial and non-financial measures (Kaplan & Norton, 1996).

Marketing practitioners often face similar key performance indicators [KPIs] that ignore non-financial measures. However, Obermayer (2007) maintains that many marketing practitioners often fail to track the effectiveness of marketing expenditure and, consequently, fail to demonstrate the **return on marketing investment** – this he suggests erodes the ability of marketing practitioners to communicate the effectiveness of the marketing strategies and tactics they have implemented. Most organisations find it straightforward to calculate the return on investment from a product or product line; however, they find it more difficult to calculate the return on investment in other areas of marketing expenditure. With this challenge in mind, Rust, Lemon, and Zeithaml (2004), suggest that often, marketing practitioners are faced with difficult decisions regarding which strategies and tactics to adopt to achieve their marketing objectives. They state that given marketing objectives are often expressed in quantitative measures it makes sense to have better quantitative information. They suggest that marketing practitioners should pay particular attention to what marketing contributes to organisational revenue [i.e., the return on marketing investment - see following diagram]. This includes communication expenditure [i.e., the drivers of sales revenue], the impact on customer attraction and customer retention, the lifetime value of a customer and the calculation of customer equity; this information can then be employed to calculate a return on marketing investment.

Communicating the value [i.e., total costs and total outcomes] of the salespipeline is particularly important. Berger and Nasr (1998) describe customer lifetime value [introduced in the circle of satisfaction] as the profit received from a customer when the costs of servicing the customer are deducted or "the economic worth of a customer" (p.11). They present the view that customers are better thought of in cumulative terms rather than transactional terms (i.e., the value of all transactions rather than one transaction). They highlight that servicing costs include the relationship costs of acquiring, retaining, and enhancing [e.g. discounts]. Rust *et al.* (2004, p. 110) describe **customer equity** as the collective value of the organisation's current and potential customers. The work of Berger and Nasr (1998) and Rust *et al.* (2004) is consistent with the earlier work by Heskett, *et al.* (1994) and Reichheld (1999). However, Berger and Nasr (1998) and Rust *et al.* (2004) emphasise that calculating customer equity will vary according to the nature of the product [e.g., frequency of repurchasing varies from product to product] and the organisation.

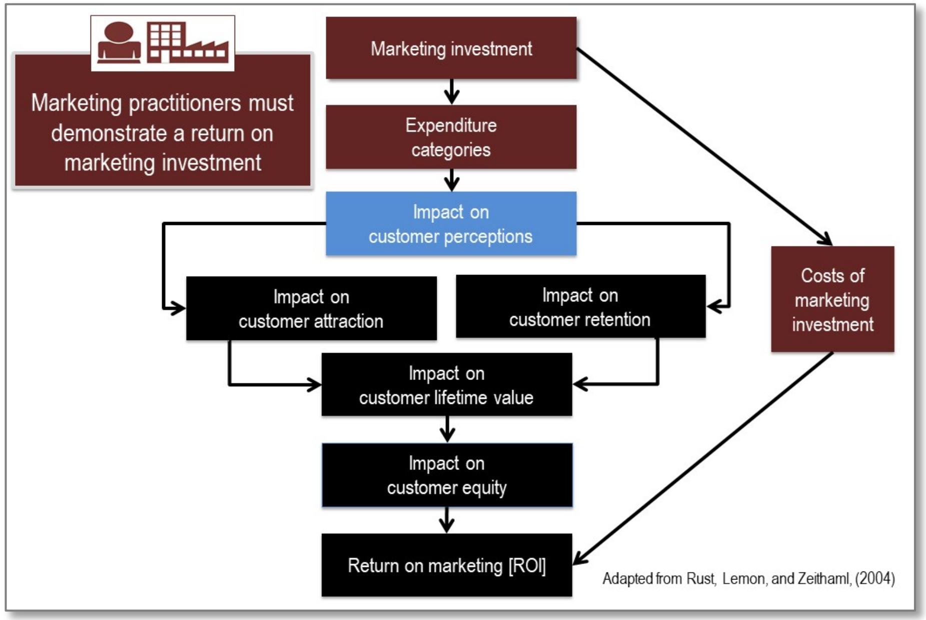


Figure 133: Marketing practitioners need to constantly monitor organisational costs and outcomes to determine and communicate the effectiveness of their strategies and tactics.

Schroder (2007) in his article on customer lifetime value puts forward the view that it is not quite as simple as ignoring non-profitable customers. He states there are 5 considerations:

1. *Estimate the revenue potential of a customer using recentness, frequency, and monetary value approach over a period*
2. *Estimate the attraction and retention costs incurred over the same period*
3. *Calculate 1 & 2*
4. *Determine if there is a positive or negative outcome*
5. *If there is a negative outcome calculate the organisational cost of abandoning the customer*

Author's comment: It is in keeping with the marketing concept to manage each episode with a customer and then to view a customer as a series of encounters with the intent on managing the cumulative nature of the relationship. However, as most organisations have more than one customer it is then important to take a collective cumulative approach to managing customers. This is the basis of customer relationship management and the foundations of brand equity.

The basis of strategy

Harvard scholar, Michael Porter has spent a lifetime exploring the topic of business strategy. Porter (2008, p.37) states that strategy is often expressed in "half-truths" and also dangerously expressed as statements of operational effectiveness. Porter (1996; 2008) argues that whilst operational effectiveness is critical **- it is not a strategy it is the consequence of strategy**. He also states that for a strategy to be sustainable trade-offs and segment selection are needed as the organisation must choose **what is valuable** and **what is not valuable** to the selected customers (p.54). Clearly, marketing strategy, if it is to produce a vision and direction for the future, is a rigorous process (Lee & Edwards, 2013).

If we consider the work of Chamberlin (1938), Black (1951), Boulding (1956) and Bowman and Bach (1949) and then Porter (1996; 2008), we can conclude that a competitive strategy requires an organisation to offer products that are **distinctive, discernible** and **desirable** when compared to the products offered by other organisations. In addition, the products should offer **meaningful benefits** to the selected customer segments. This means that to be successful the products should have a recognisable **unique product value proposition**.

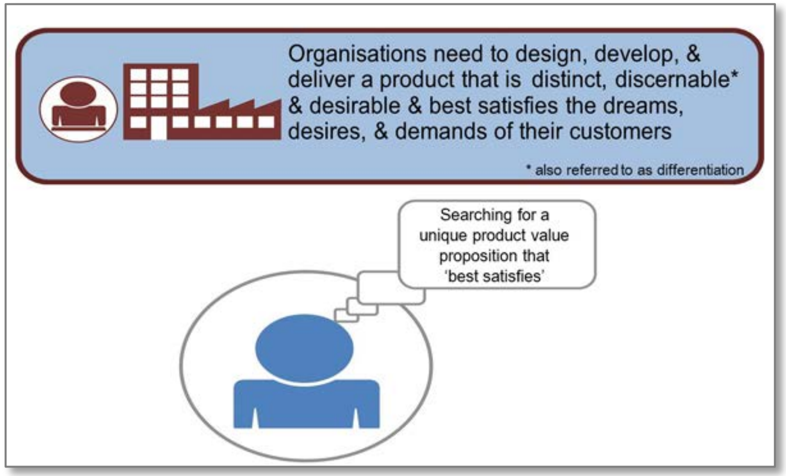


Figure 134: Customers must recognise the unique value proposition of a product.

Throughout the e-book we have referred to Porter's model (1980) and his proposal that all strategy is based on how customers perceive value. It would therefore be prudent to have a quick review of Porter's theory. A recurring theme of marketing is that customers are looking for best satisfying products – products that are of superior value. Porter suggests that customers can select one of two routes:

- Purchase an acceptable product on a lower price – a core product with minimal augmentation and with lower customer expectations
- Purchase a more attractive product at a higher price – a core product with appropriate augmentation and higher customer expectations

Therefore, according to Michael Porter, organisations can select one of two product strategies - to compete on **a low price with minimal augmentation** or a **higher price basis with appropriate augmentation**. Regardless of which strategy is chosen the organisation must then craft a unique product value proposition for each product and the selected market for that product.

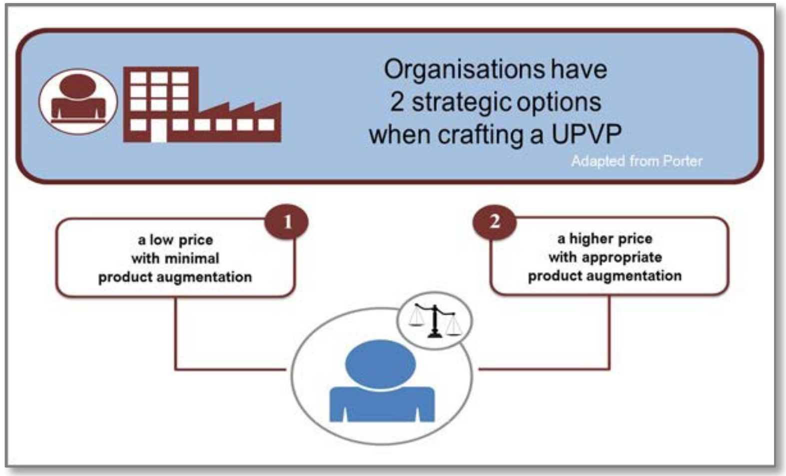


Figure 135: According to Porter organisations must select from one of two strategies.

Preparing for market

There is a prevailing view that rarely does an entire market have the same needs and rarely does a product meet the needs of the entire market. In fact, a market is generally described as a group of consumers with **heterogeneous needs** [different needs]. Marketing practitioners find it more efficient and effective to breakdown an entire market into groups [segments] of consumers with **homogeneous needs** [similar needs]. Therefore, most products are promoted to a selected group of customers; **market segmentation** is the process of dividing a heterogeneous market into homogeneous segments. Once this task has been completed organisations then select a market segment [or segments e.g., Toyota offers products for multiple segments] that is/are most attractive to their capabilities.

Selected market selection [AKA: target market selection] is the process of designing and developing a new product offering, or modifying an existing product, to suit the needs of a selected homogeneous market segment. Designing and developing and then communicating the unique product value proposition to a selected market segments is generally described as **product positioning**. Although the goal is to position a product in the mind of the consumer the entire process is referred to as segmenting, targeting and positioning and often abbreviated to the initialism - STP.

- **Segmenting:** identifying the market segments - understanding the needs and wants of each market segment
- **Targeting:** Analysing the segments and identifying the most attractive segments based on the organisation's ability to compete in the selected market
- **Positioning:** developing, modifying and communicating a product to suit the needs of the selected market segment

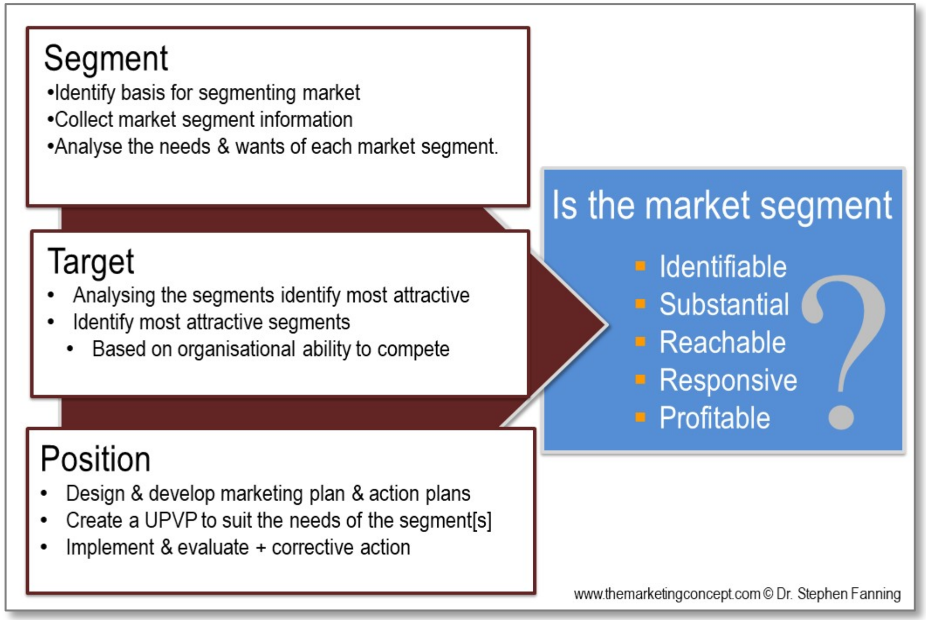


Figure 136: The STP of marketing

In an earlier module, we explored the evolution of marketing and a key takeaway from this module is that markets are constantly evolving – this has relevance when creating a product strategy. Bell (2015, p.204) states "markets never sit still" and have become increasingly active in recent years due to the digital revolution. Court, French, and Knudsen (2006) state that the modern customer is constantly redefining their dreams, desires, and demands and markets are in a constant process of division. They suggest that markets are often profitable at the high and low-price ends but often too competitive and, therefore, less profitable or unprofitable in the middle segments. They suggest that marketing practitioners should be rigorous and exercise caution when undertaking market segmentation. Therefore, we can conclude that today the process of segmenting, targeting and positioning requires greater attention than ever before.

It should be highlighted that identifying a market segment does not necessarily imply that the market segment will be worth selecting. The following are key considerations when segmenting the market and selecting the most attractive segments: is the segment identifiable, substantial, reachable, responsive, and profitable?

- **Identifiable:** A key consideration is that the segment must be identifiable and have distinguishable characteristics. Once this has been achieved marketing organisations can develop products that are of value to the segment and then craft communication strategies and tactics that generate awareness, interest, desire and motivate action [AIDA]. Identifying customers through their Facebook posts is one way that an organisation can begin the process of populating a salespipeline

- **Substantial:** a market segment needs to have sufficient size to be sustainable; too small and there will be insufficient sales to warrant a targeted marketing effort
- **Reachable:** a market segment may be identifiable and substantial, however, if the market segment cannot be accessed effectively and efficiently then it is likely there will be little attention or interest. Identifying the degree of loyalty for each segment will determine whether customers may be convinced to attend to a new message
- **Responsive:** a market segment must act in a positive manner to an organisation's unique product value proposition and communication strategy – in a cost-effective manner [e.g., similar medium]
- **Profitability:** the present and future profitability of a market segment is a key consideration. It could be that this segment has expectations that cannot be satisfied profitably. There are other market considerations such as market size, market growth potential, market competitiveness, market sensitivity [economic & natural cycles], and success factors needed to compete in a market [technology, patents]

Segmentation categories and variables

There was a time when textbooks referred to segmentation categories as demographic and psychographics; in more recent times, textbooks [e.g., Armstrong *et al.*, 2012; Pride *et al.*, 2015) have presented four segmentation categories, namely: demographic, psychographic, geographic, and behavioural. Although, some textbook authors, based on their own experiences, add new categories [e. g., Grewal *et al.*, 2015). Within each category there are a number of segmentation variables.

Additionally, Chaffey & Smith (2013, p.58) state that in the digital age "the search for value is relentless". They suggest that there are many new ways to analyse how and where customers interact with organisations. In addition, they suggest, that in a digital age, marketing practitioners need to re-evaluate past segmentation conventions.

From a review of recent marketing texts, we can conclude that in a **tradigital** [i.e., a traditional and digital] market there are endless segmentation categories and variables and that marketing practitioners should select the variables that best apply to their customer, organisation, market and product [COMP] considerations.

The most common segmentation variables [in marketing textbooks] are:

- **Purchase preference:** online, face-to-face, blended
- **Geographical:** proximity to business, location [city V urban, suburb, city, country], climate, terrain
- **Demographic:** age, gender, marital status, family size, ethnicity, religion, education, social class,
- **Stage of life:** baby boomers, full-nesters, empty-nesters, GenX, GenY, Millennials
- **Socioeconomic:** social class, occupation, income, disposable income, education,
- **Psychographic:** personality, lifestyle and values, aspirational goals, motives, attitudes, beliefs, hobbies, interests, opinions [HINT: a consumer behaviour text will provide elaboration]
- **Behavioural:** needs, benefits/outcomes sought, usage, frequency, loyalty, focus [e.g., price, quality, service, relationship],
- **e-marketing behaviour:** seek information, end-to-end convenience, cost reduction, connectors, regular visitors
- **Price - benefit:** outcome sought, perceptions of product quality and value hence products at different price intervals
- **Cultural:** culture influences values and in-turn consumption activities. Importance varies from product to product [e.g., high in some government services]. Also, keep in mind that some cultures are more collective in nature [value for the group/family] whereas some cultures are more individualistic [value for the individual]
- **Popular labels:** yuppies, muppies, dinks, woofies, jugglers

> **Author's comment:** Earlier, we discussed the metaphor of the salespipeline [where organisations identify the stage the consumer is at – suspects > prospects > 1st time customers > repeat customers > members and advocates] and this allows a 2-dimensional segmentation analysis. Clearly, identifying where the consumer/customer is on the salespipeline and also by another meaningful variable provides the marketing practitioner with a more meaningful and actionable data.

- One helpful and frequently employed segmentation typology is VALS [i.e., values, attitudes, and lifestyles]. The premise is that consumers can be grouped by one of three primary motivations and then grouped according to their resources.
- **Ideals:** will be motivated to purchase products based on strong personal values
  - **Thinkers:** financially comfortable, may overthink, buy proven products, traditionalists, and more utilitarian than hedonic
  - **Believers**: financially concerned, spiritual, romantic, sense of community, maintenance of status quo, influenced by advertising
- **Achievement:** will be motivated to buy products that communicate their success
  - **Achievers:** financially comfortable, more self-interested, approval seekers, busy schedules, outcome focussed
  - **Strivers:** financially concerned, copy and follow others, crave higher status, tendency to show their wealth
- **Self-expression:** will be motivated to buy products that communicate their social status and involvement

- **Experiencers:** financially comfortable, sensation seekers, risk takers, early adopters of new trends, spontaneous
- **Makers:** financially concerned, appear less educated, distrust for authority, have strong views, protective of property, tend to DIY

At the extremes of the main group two other groups: innovators and survivors.

- **Innovators:** financially very comfortable, constant knowledge seekers, broad view of the world, broad interests, confidence to adopt new ideas, eye on the future, problem solvers, active consumers
- **Survivors:** financially very concerned, frugal through necessity, cautious consumers, late adopters, risk averse, tend to be brand loyal, avoid the unfamiliar

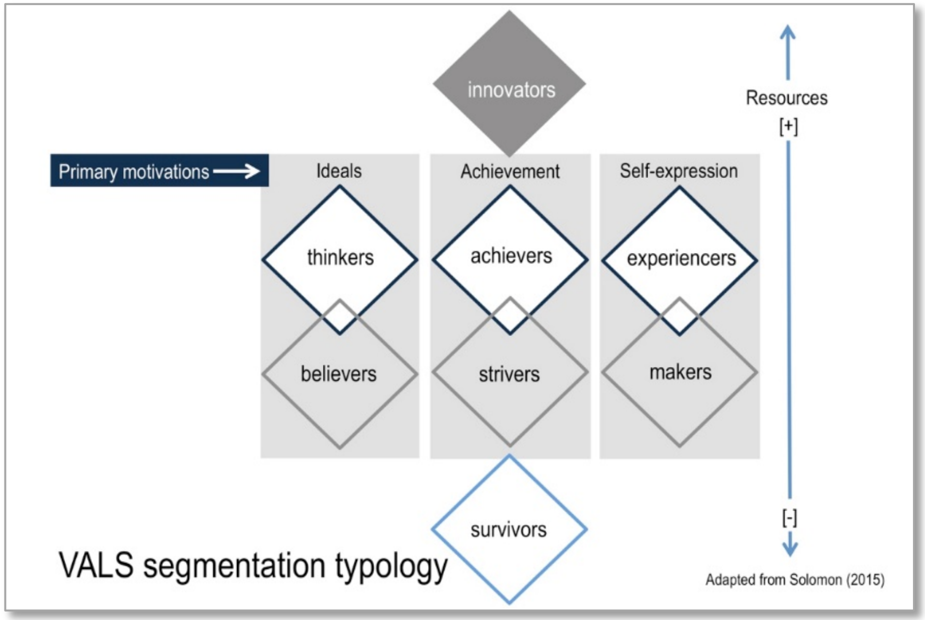


Figure 137: The VALS segmentation typology is a useful tool to analyse the various market segments and the attractiveness of the segment.

Author's comments: WARNING - The statements made on segmentation should not be viewed as rigid and being universally applicable - there are always exceptions. Let's take marketing students and their dreams. One exemplar, the Adobe Suite of products and the skills students need for their future. In my view, marketing students are the future customers of Adobe products and should be part of the salespipeline tactics – even though they are not a viable segment.

activity
[the aquatic centre]

Click on image to access the activity

B2B segmentation

There are similarities and differences between B2C and B2B market segmentation. B2B often involves a higher dollar value, a smaller number of buyers, often decision times are longer, more decision makers, more reliance on personal selling relationships, more rigid policies and procedures. There are a number of ways to segment a B2B market, the most common are:

- **Purchase preference:** online, face-to-face, blended
- **Geographical:** location, city V urban, suburb, city, country, climate, proximity to business
- **Industry type:** industry – manufacture [OEM], government, transport, education, retail type [e.g., pharmaceutical]
- **Organisational size:** small home office [SOHO], small medium enterprise [SME], large corporations, multinational
- **Market position:** market-share, reputation
- **Relationship:** degree of loyalty, profitability, importance of relationship, type of contract, purchase type [new buy, straight rebuy, modified rebuy]
- **Behavioural:** usage [e.g., volume, frequency, annual sales], outcomes sought, focus [e.g., price, quality, service]

In a B2B organisation, segmentation may also have a different structure at different levels of the organisation. For example, the national marketing practitioner of an organisation will segment by region [e.g., states], the state manager will segment by area, the area manager will segment by branch, and the branch will segment by customer. What should also be noted is that to accurately forecast capacity and demand communication needs to flow in both directions. Whilst segmentation is a useful tool when 'prospecting' for new business it is also a useful tool for explaining results, creating internal awareness of customer needs, and forecasting capacity and demand.

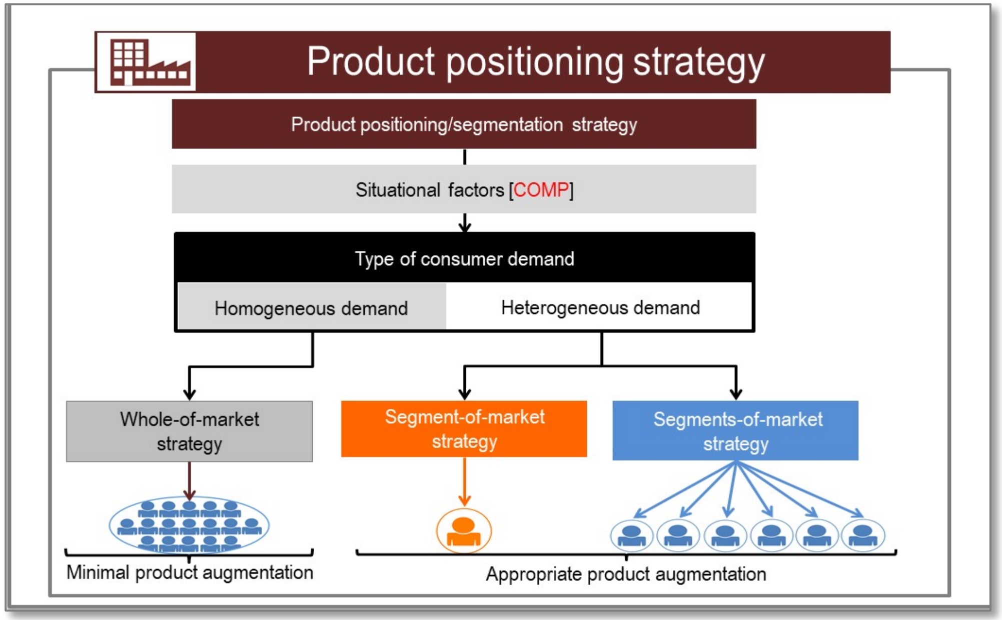


Figure 138: The above diagram outlines the product strategies for taking a product to market.

Once the segments have been identified and analysed the organisation will adopt a distribution strategy for the product and the product portfolio:

- **Whole-of-market approach:** If one product is offered to the entire market. Market segments are less important and hard to define, and the emphasis is on cost efficiency. A whole-of-market approach can be practiced if most customers have similar requirements and therefore high volume, and high market share can be achieved – often within the product the needs of different customers can be accommodated. Bunning's Hardware in Australia would be an example of an organisation that has successfully practiced a whole-of-market approach. Another example would be newspaper, where the requirements of different customers are catered for within different sections – fashion, sport, dining, etc..
- **Segment-of-market approach:** Where an organisation offers one product for a niche market segment and has no desire to develop a product outside their specific and selected market. Unlike whole-of-market approach, which requires considerable resources, a segment-of-market approach can be practiced by organisations of varying size and resources
- **Segments-of-the market approach:** Some organisations serve more than one segment; with a segments-of-market approach organisations produce multiple products to appeal to the requirements of multiple customer segments. Toyota, adopt this approach, offering a wide range of products under both the Toyota and Lexus brands. The individual organisational characteristics shape how this market approach may be practiced – there are variations - including:
    - **Mass customisation:** is when organisations provide the customer with the opportunity to customise the product to a limited degree [e.g., choosing the leather - luxury car manufacturers]
    - **One to one marketing:** is where the needs of the individual are personalised – this is often referred to as micromarketing [e.g., an architect]

According to Porter (1980), once the value proposition has been established an organisation must then decide the scope or markets to serve. Organisations may select a narrow scope or broad scope; a narrow scope would be to apply the chosen value proposition across one or a few market segments, whereas a broader scope would be to apply a number of value propositions across a number of market segments. Clearly, organisational size and resources would influence the number of market segments it targets. Smaller organisations may select a segment of the market to serve – serve a *niche* in the market. A niche approach is often selected when an organisation has sufficient resources to target a small but attractive part of the market – one product, one message, at a premium price [think custom made surfboards through a local surf shop]. Sometimes, with a niche approach, a product is targeted towards a specific demographic. The general idea is that with scarce resources a narrower scope with a more focussed [targeted] approach will reduce the organisational cost of sales per product.

Other organisations may adopt a whole-of-market approach. What is critical is that the value proposition is authentic, and this needs an organisational commitment to be successful. He states that if an organisation decides to compete on a price basis with a product with minimal augmentation then this needs attention from non-marketing functions [e.g., design, production, procurement] to gain the necessary economies of scale from targeting the whole market. Winter and Govindarajan (2015) state that it is often worthwhile for organisations to start with a strategic price point and then design the product to achieve the strategic price point.

There are examples of organisations that compete on both a price basis and a non-price basis by offering different products under different brand names [Scoot and Singapore Airlines]. Therefore, regardless of the chosen strategy understanding the market and the price comfortability of the various customer segments is critical.

Digital strategies need to pay special attention to consumer needs and perceived risks. Kim, Nam, & Stimpert (2004) in their review of Porter's model stated that it is important for marketing practitioners to align their marketplace and marketspace strategies to provide an appealing product value proposition. Chaffey and Ellis-Chadwick (2012) state that marketing practitioners should have a clear product value proposition for both traditional and digital platforms. They state that an organisation that employs a digital only strategy should have an **online product value proposition** to clearly distinguish the quality and superior value of shopping online. Furthermore, they state that it is critical to communicate the quality of the service [SERVQUAL] and manage consumer perceptions of risks. Marketing practitioners can use a number of tactics to demonstrate quality and value in their websites – endorsements, testimonials, customer comments, awards, warranties, guarantees, associations.

Strategic Thinking

We will now explore two contemporary ideas that have received a great deal of attention in recent years; both provide strategic insight into the design and development of potential products. Both are particularly insightful when organisations wish to re-think their present product value proposition and create a unique product value proposition..

Design Thinking

An overview of Design Thinking is provided below:

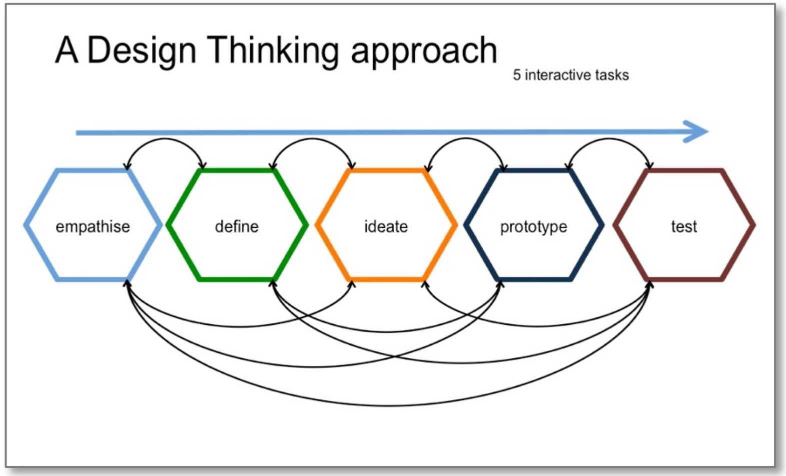


Figure 139: The above diagram identifies the 5 iterative tasks; the arrows indicate that each step is revisited as new knowledge is gained.

Design Thinking is a process often adopted by marketing practitioners. It begins with the articulation of a marketing philosophy, how the organisation will best satisfy their customers, best satisfy their organisation, how the organisation will engage with the market, and what types of products they will design and develop.

A marketing philosophy is 'a way of thinking' 'a rationale' that helps an organisation to achieve their marketing objectives. Design Thinking and a marketing philosophy help to nurture a marketing culture, which influences the creation of best satisfying products, customer loyalty, and sought-after brands, which in-turn generates a competitive advantage for the organisation. By synthesising the ideas of Design Thinking and the marketing concept, marketing practitioners are better able to understand the customer's journey through the buyer decision process, and view products as total products where **the success of the product is measured by how best they satisfy the customers' and organisation's needs.**

Previously, we discussed that marketing practitioners engage in an iterative process with the customer, organisation, and the market when designing and developing new products. In recent years, this iterative approach has been explored and documented and is often referred to as 'Design Thinking'. Design Thinking has gained widespread adoption and is practiced across a range of industries, particularly when designing and developing new products or repositioning existing products (Cleary, 2015). The Design Thinking approach is grouped around 5 interactive Tasks:

- **Empathise:** this is about understanding, through asking, listening, and observing what are the needs and expectations of product recipients [this includes all people who come in contact with the product]
- **Define:** this is about defining the problem from the perspective of the product recipients
- **Ideate:** this is about brainstorming and creating a mind map of ideas
- **Prototype:** this is about designing and creating a prototype that can be tested to provide feedback
- **Test:** this is about returning to the product recipients and testing the product to gain feed-back and feed-forward

It is important to see these as iterative tasks and not as steps. This is important as it distinguishes Design Thinking from other processes. The premise is that with new knowledge the interactive tasks are continually revisited, and new insights are gained.

> **Author's comment:** Cleary (2015) also highlights that there are other worthwhile approaches; for example, Plan - Do - Study - Act [PDSA] and the six-sigma improvement approach of Define - Measure - Analyse - Improve - Control [DMAIC]. Regardless of the approach, it is worthwhile for organisations to adopt and to implement a process when planning, positioning and/or repositioning a product.

Previously, we discussed how products have material and non-material properties. When most people think about good design, they tend to think about the material properties of a product – the aesthetics, the packaging, the communications. Brown and Martin (2015) and Kolko (2015) state that the practice of good design should also be applied to non-material properties, as these are determinants of customer satisfaction. This builds on our earlier discussions on 'blue printing' the customer experience; where marketing practitioners identify and design the front-stage and back-stage activities needed to deliver a quality product experience [i.e., the 2nd stage of the buyer decision process].

Design Thinking begins with an understanding of motivations, product attitudes, product expectations, past product experiences and situational factors that influence consumers (Welsh & Delher, 2012; Cleary 2015). As we have discussed in the circle of satisfaction, marketing is both collaborative and competitive. Design Thinking is about nurturing a culture that collaborates to achieve:

- The best value for selected customers [think - total profits[4] and relationships[4]; think co-production of value with customers]
- Customer satisfaction [think – episodic, cumulative, collective, aggregate],
- Trust and the customer services through loyal behaviour,
- A competitive advantage for the organisation.

Clearly, a culture of collaboration that best satisfies does not happen by chance and the designing and developing of an appropriate strategy is of critical importance. However, as organisations must also compete with other organisations for market share it is also about creating a culture that is competitive. Therefore, a marketing culture should be seen as being internally collaborative and externally competitive; this is an important consideration when analysing situational factors, designing and developing a marketing plan and marketing action plans, and implementing and evaluating marketing tactics.

Blue Ocean Thinking

An overview of Blue Ocean Thinking is provided below.

Blue Ocean Thinking [aka Blue Ocean Strategy] is also looking for best satisfying products. However, Blue-Ocean products compete in uncontested markets, markets that have never been explored or have been neglected. Clearly, not all products can be Blue-Ocean products, however, often, Blue-Ocean products are those that generate greater returns for the organisation and establish a stand-alone product value proposition [UPVP] in the mind of the consumer. Blue-Ocean products are often products that define an organisation. Although we highlight the advantages of Blue-Ocean products we also have to be realistic and be able to compete in Purple and Red Ocean markets.

Kim and Mauborgne (2004; 2015) introduce the metaphors of blue and Red Oceans – other scholars have introduced Purple Ocean, which is the mid-point between [blend of] blue and Red Oceans. Each metaphor represents a different strategic approach to positioning a new product or repositioning an existing product.

Blue Ocean Thinking has received a great deal of positive attention, particularly from marketing practitioners. There are a number of organisations that have incorporated Blue Ocean Thinking into their planning process, therefore it is worthwhile to have a working knowledge and discuss how it fits in with the marketing concept. It is also worth noting that Kim and Mauborgne's recommendations are generally congruent with the idea that marketing is the quest for best satisfying products.

> **Author's comment:** As you read this please note that what we are describing is 'an ideal' and many organisations will not be able to migrate from red-ocean, or purple-ocean to a Blue-Ocean and for those that are able it will take time. Further, many existing products are profitable and have earned customer loyalty – the author is not suggesting that a Blue-Ocean strategy is universally applicable. Also, it should be noted that uncontested marketplaces are unlikely to remain uncontested. However, it is worthwhile to be familiar with Blue-Ocean as it represents a way of strategic thinking within organisations – and a way of harnessing people who may think there is a better way.
>
> Therefore, creating Blue-Ocean products should be considered during new product development and the developing of marketing strategy. With the limitations noted, it is also the author's opinion that 'Blue-Ocean Strategy' can assist marketing practitioners to achieve the 9 key marketing objectives.

Some commentators criticise Blue Ocean Thinking and state that it has similarities to a 1980s management book by Peters and Waterman (1982). If you are familiar with Peters and Waterman's work, you would realise that many of the exemplars of 'best practice' lost their competitive advantage within a few years of the book being published. Critics of the book discounted the theory within the book on the basis of the exemplars. What should be considered is that the authors wrote the book just before a major recession and they were unaware that trouble times were ahead. Kim and Mauborgne (2004), aware of this criticism, stress that a competitive advantage is rarely permanent and what is a strategic strength today often becomes a strategic weakness in the future. This is exactly the situation that Encyclopaedia Britannica, founded in 1768, encountered when information could be digitalised (McGrath, 2017) and their selling concept method of distribution became unsustainable. Later in the e-book we discuss the advantages and disadvantages of pioneer products these should also be considered when reflecting on Blue Ocean Thinking in the future.

The *leitmotif* of Blue Ocean Thinking is that the typical organisation will unconsciously compete in a crowded marketplace [Red Ocean] rather than uncontested marketplace [Blue-Ocean]. The typical organisation will adopt a process of incremental improvements rather than adopt a process of leap-frogging competitors by anticipating where customer value is heading [**value innovation**]. Consequently, the typical organisation will also have a lower return on investment. Kim and Mauborgne (2004) studied 108 organisations and their findings suggest that 86% of all product launches are Red Ocean [14% Blue-Ocean], 62% of earnings in an industry are from Red Ocean [38% Blue-Ocean], and 39% of profits in any industry are from Red Ocean [61% Blue-Ocean]. What we can conclude is that although the market for Red Ocean products is substantially greater the profits in Blue-Ocean products are proportionately greater. Marketing practitioners are seeking a gap in the market; however, the return is far greater if the gap is uncontested. Keep in mind, marketing practitioners are looking for a gap in the market they are also looking for a market in the gap.

A Blue-Ocean strategy is congruent with the marketing concept [organisations that best satisfy the needs of their customers are best placed to satisfy their own needs]. The central premise of the marketing concept is that customers generate a considered set of products and select the best alternative; therefore, organisations should be on a continuous journey to best satisfy.

One example that Kim and Mauborgne introduce is *Cirque du Soleil*. Existing business paradigms would suggest that the circus industry would be considered a declining and unattractive market, therefore, the 'textbook' advice would be to avoid entering this market or for current participants to reduce investment, harvest any profits, and exit if possible. The existing business paradigm would be that most circus organisations would be on the decline stage of the product life cycle. However, the founder of *Cirque du Soleil,* Guy Laliberte, had the vision to create a new product in an uncontested market – and in doing so created a new product category [search recent events at *Cirque du Soleil*].

Kim and Mauborgne (2004, p.4) argue, "the only way to beat the competition is to stop trying to beat the competition." Some [e.g., Porter as we have discussed] argue that customer value is determined through a low-priced product with minimal augmentation or a higher priced product with appropriate augmentation; Kim and Mauborgne (2004) suggest that this may be true for highly competitive marketplaces, however, to enter Blue-Ocean both low-price and product augmentation are often needed. There must be a substantial leap in the product value proposition.

Author's comment: The above photograph is of a monument 'The age of discoveries' in Lisbon, Portugal. This monument celebrates the Portuguese explorers who left the known world and sailed into unchartered waters. The Portuguese empire was founded on the trade they built. I chose this photograph as is depicts the courage needed and rewards gained from sailing into uncontested markets.

There are a number of philosophical differences between Blue and Red Ocean market approaches; these are identified in the following table.

Blue-Ocean	Red Ocean
Create uncontested market space	Compete in an existing market segment
Disrupt and make competition irrelevant	Beat the competition
Capture existing and create new demand	Mine existing demand
Break the value-cost trade-off	Make the value cost trade-off
Align the org. activities towards appropriate product augmentation & reducing costs % sale	Align org. activities towards competing on a price or non-price basis

4 Blue Ocean Questions

Kim and Mauborgne (2004) argue that there are four Blue Ocean questions that organisations need to be asked.

The first question requires marketing practitioners to look at the assumptions that an industry has regarding the strategic imperatives needed for success. The authors believe that often the strategic imperatives that were key success factors may no longer be relevant and, in some cases, may be no longer of value to the customer.

The second question requires marketing practitioners to review the total product [we refer to product considerations, layers, and components and assess which components still have value for customers]. It could be, through benchmarking and incremental product improvements, that a product has become overdesigned.

The third question requires marketing practitioners to review the 'costs' to the customer. Not only the monetary costs, but also, importantly time and effort costs. Costs that may appear logical, however, represent standard practice - an industry paradigm.

The fourth question requires marketing practitioners to assess whether there are new sources of value for customers that could shift the strategic pricing options to one where the product is sufficiently attractive to appeal to a number of market segments and then gain sufficient volume to reduce organisational costs as a percentage of sales.

6 recurring paths

Kim and Mauborgne (2004) propose that there are pathways to how organisations achieve Blue-Ocean products; they uncovered six recurring paths. You may notice how they interact.

Industry: The first path starts with the recognition that competition is wider than immediate competitors or those in the same industry – [brand competition, product competition, generic competition, and total budget competition]. Consumers have the need for variety [epistemic qualities] and this should be considered when assessing the competition. [Red Ocean focuses on immediate rivals]

Strategic groups: The second path asks marketing practitioners to generate positioning maps of competing products and then group them into constellations with similar value propositions.

The typical organisation will tend to focus on competitors in their own constellation; however, the typical consumer will migrate from constellation to constellation. By analysing all constellations organisations may have a more comprehensive view of customer value. [Red Ocean focuses on immediate rivals]

Buyer groups: The third path asks marketing practitioners to do a similar mapping process, however, this time to identify the types of customers for each constellation and identify how value is estimated, assessed and evaluated across each customer type. [Red Ocean focuses on existing buyer groups]

Scope of product offering: The fourth path asks marketing practitioners to identify channel partners, their contribution to the total product, how channel partners add value to the total product, and identify whether there are substitutes [not alternative suppliers] who could add value and reach an uncontested market. [Red Ocean sets boundaries within existing parameters]

Product qualities: The fifth path asks marketing practitioners to identify the qualities that customers value. Previously we have stated that products have broad qualities of technical [what is delivered] and functional [how it is delivered]. We have also stated that customer needs fall into the categories of utilitarian and hedonic. And we have listed the eight qualities that customers see as qualities to be estimated in the 1st time-zone [risks], assessed in the 2nd time-zone and evaluated in the 3rd time-zone. In summary Kim and Mauborgne (2004) are asking marketing practitioners to determine whether their existing products have the qualities that customers desire and are willing to pay for. [Red Ocean focuses on price and organisational and consumption costs]

Forecasting: The sixth path asks marketing practitioners to follow trends and to employ those trends to predict how the market will evolve. This process is more analytical than crystal ball gazing. For example, if anyone followed the popularity of 'Dungeons and Dragons' (released in 1974) then it would seem that Internet gaming would be a logical and digital extension. [Red Ocean is trend reactive]

4 Visualising steps

Once the six paths have been completed Kim and Mauborgne (2014) recommend four visualising steps:
Awakening: clearly articulate the organisation philosophy and how the product results in value for the customer and the organisation. Once this has been completed an audit of competitor positions is required.

Exploration: The next step is to revisit the six paths and determine the advantages of alternatives. Determine what product characteristics are important and can be enhanced and then determine others that are marginal and can be modified [Kim and Mauborgne (2014) use the terms eliminate, create, or change]. This often requires assessing [observing] how consumers [includes customers of competitors] actually use the alternative products and which features they value.

Strategy fair [presentation of product ideas]: This step requires the parties involved in planning to present their potential product(s) and the product value proposition. In the e-book, this is referred to as 'articulation of the desired market position and the basis of competition'.

Communication: The next step is to craft a communication message [and measure the effectiveness of the message] that conveys a compelling product value proposition. The e-book emphasises that internal marketing and external marketing are both needed. However, Kim and Mauborgne (2004) state that creating a dialogue that transforms the communication from Red Ocean to Blue-Ocean throughout the organisation and fosters the transference of **next practice** is also a key success factor.

Market competing V market creating?

Another key area for organisations is to reach beyond existing demand. Typical organisations focus on maintaining or growing market share. Kim and Mauborgne (2004) state that organisations can fall into the trap of over-segmenting the market and as a consequence have products that compete in unviable markets. Blue Ocean Thinking would suggest research into the common needs of non-customers; this is a form of **desegmentation**.

As we have discussed previously - the term 'consumers' is a wider term than the term customers. Consumers include all existing and potential customers in a market – this includes those that are aware of a product and those that are presently unaware. Rogers (1962) identifies the market as adopters and non-adopters and states that there are identifiable patterns to the diffusion of product. Previously we have stated that awareness of a brand is also important, furthermore, we classified three groups of consumers:

- **The considered set:** products/brands that are considered acceptable and worth consideration [also referred to as the evoked set]
- **The inert set:** products/brands that are considered with indifference
- **The inept set:** products/brands that are considered unacceptable

Kim and Mauborgne (2004) classify consumers as customers and non-customers and then group them into three tiers; they are listed in order of attractiveness:

- **Tier 1** is similar to the considered set [above] they are aware of the product category, the product and the alternatives and are likely to be adopters in the future
- **Tier 2** is similar to the inert set [above] they are aware of the product category and/or the product, have considered the product category, however, they have exited the buyer decision process after conducting a cost-benefit-risk analysis [i.e., they are presently unconvinced as to the value of the product]
- **Tier 3** is similar to the inept set [above] they are aware but see no need for existing products and therefore they are generally ignored by all organisations

Kim and Mauborgne (2004) suggest that the typical organisation spends considerable effort on researching the needs of the market [Red Ocean] and would benefit by **researching the needs of the potential market** [Blue-Ocean] and then creating a potential product for the uncontested market. Previously we have stated the communication objectives of attracting customers, retaining customers, and enhancing the relationship with customers. Reaching beyond existing demand is an important strategy to firstly attract new customers and then populate the salespipeline.

Kim and Mauborgne (2004) suggest that 4 strategic questions need particular attention:

- **Product value proposition:** Are there compelling reasons for customers to buy the product?
- **Price comfortability:** is the cost of the product within the reach of the majority of buyers?
- **Business analysis:** does the cost of production return an attractive return on investment?
- **Product adoption:** what are the product adoption hurdles that need to be managed?

Although there are external [customer] adoption hurdles, there are always internal adoption hurdles that need to be overcome. The traditional organisation is often reluctant to change. However, Kim and Mauborgne (2004), like many other scholars, state that a reluctance to change may send an organisation along a pathway of obsolescence. They state that once Blue-Ocean ideas have negotiated the new product development process they need to be transferred into an action plan. This requires a 'Blue-Ocean Champion'; a person at a senior level that has the authority to change the mindset, allocate resources, motivate action from project teams, and be senior enough to manage the politics and agendas of competing forces within the organisation. The Blue-Ocean champion is challenged with creating "trust, commitment, and voluntary cooperation" and to eliminate "foot-dragging and sabotage" (p.184).

In Summary: Kim and Mauborgne (2004; 2014; 2015) put forward the view that there is a big difference between **market competing** [Red Ocean] and **market creating** [Blue-Ocean], therefore, organisations should choose the colour of their strategy carefully.

New product development

Throughout the e-book, we have remained focussed on the three overall objectives of marketing practitioners [financial, strategic, and communication] – it is also worth keeping in mind that they all relate to product positioning and repositioning. The three overall objectives are:

- The three marketing financial objectives:
  - Increasing sales revenue, reducing organisational costs as a percentage of sales, and building the value of the business
- The three strategic objectives:
  - Product leadership, Customer intimacy [customer centricity], and operational excellence.
- The three communication objectives:
  - Attracting customers, retaining customers, and enhancing relationships with customers

As marketing practitioners, we should be mindful that consumers search rigorously for the best product quality and the best exchange value; therefore, markets are competitive and dynamic, therefore, maintaining market share is an ongoing challenge for organisations. This search by customers for best satisfying products [product leadership] requires an organisation to continually improve their product offering – product vigilance. Should a product and brand be perceived as less than satisfactory then the product/brand will be mentally dropped from the customer's considered set. The contemporary marketing definition [see below] highlights the need to listen to the market and adapt to the market, the importance of this is reinforced in the 5-gap model.

> Marketing is an iterative process where an organisation works with and adapts to the market and through a process of communicating, creating, distributing, promoting, and pricing products endeavours to facilitate profitable exchange relationships with customers, channel partners, and society.

The total product concept highlights the importance of viewing a product as the 'totality' of product qualities, product benefits, and consumption costs [i.e., what is received and what is given in an exchange]. The total product can be considered as product considerations, product layers, and product components each is important when positioning or repositioning a product. When we discussed product layers, we identified that organisations may be offering one product, whilst developing a new product - the potential product. The process of bringing the potential product to market highlights the importance of considering many factors that influence the potential product – we referred to these as product considerations. For example, the product life cycle has recognisable patterns – the new product **enters the market**, is adopted by different adopter groups, in time adoption declines, and the product **exits the market**. Therefore, the product life cycle concept influences many of the day-to-day activities of marketing practitioners [e.g., new product development, communication, pricing, demand]. Recognising the patterns of the product life cycle sensitises marketing practitioners to the importance of positioning and repositioning their product offerings. Therefore, most organisations are in a continuous state of designing and developing a position for new products and repositioning existing products.

Marketing practitioners would regularly conduct product audits and product portfolio analysis as part of a marketing plan and a business plan. This would determine the 'health' of each product and their likely future contribution to the achievement of the organisation's objectives.

When marketing practitioners refer to the potential product, they are mindful that the term 'new' product is a little vague. Grewal, Levy, Mathews, Harrigan, and Bucic (2015) put forward the view that 90% of 'new' products should be considered as modification of existing products, leaving only 10% that could be considered as innovations – therefore really 'new'. Whilst some innovations may maintain and support existing markets other innovations [e.g., email and digital photography] may challenge and disrupt the status quo of existing markets these are referred to as **disruptive innovations** (Christensen & Overdorf, 2000). However, Rogers (1995) emphasises that an existing product may be 'new' to a particular customer or customer segment without being **true innovations**.

Furthermore, Grewal *et al.* (2015) suggest that a product's 'innovativeness' could be plotted on a continuum – from slight modification to a disruptive innovation. The degree of product innovativeness will determine the allocation of organisational resources and, therefore, requires communication with all business areas. A true innovation is often referred to as a 'pioneer product' or 'first to market product' this requires the greatest allocation of resources and strategic planning. Leiberman & Montgomery (1988, 1998) state that there are both advantages and disadvantages to being first to market. Oakley, Duhachek, Balachander, and Sriram (2008) agree and state that whilst there are advantages in being first to market this does not guarantee a sustainable competitive advantage.

In his classic article Ansoff (1957) suggests that there are four strategic market approaches when considering present and potential products – they are listed according to degree of risk:

- **Market penetration:** Marketing existing products to existing markets – lowest risk
- **Market development:** Market existing products to new markets
- **Product development:** Market new products to existing markets
- **Diversification:** Market new products to new markets - highest risk

The frequency and urgency of **positioning** and **repositioning** varies from industry to industry [for example, the market for jeans and mobile phones are radically different]. A review of marketing textbooks indicates that there is an emphasis on the manufactured goods component of products rather than all the 6 product components – goods, services, ideas, experiences, people, and places. This highlights an important consideration the 6 product components may be **improved independently**. Furthermore, whilst some of the product components [goods – a new model car] may be a major event and require a considerable investment, other product components [services and experiences] may be improved continuously and be less expense to improve. For example, a retail chain may have an ongoing program to improve their stores [place and experience] and this may rollout on a store-by-store basis. Independent to the store improvements the retailer may introduce an upgrade to their customer relationship management software with the objective of improving service.

It should now be apparent that there is a process of new product development, and it will vary by organisation and product [C**O**MP]. It should also be apparent that new product development precedes and connects with the introduction stage of the product life cycle. New product development is often presented in textbooks as a 6, 7, or 8 step process. A search of marketing textbooks will reveal that often authors present similar opinions, and the only difference is that the authors merge two or more steps. You may also see that the following steps should be considered as part of an organisation's CADDIE business-marketing planning process:

- Idea generation
- Screening
- Product concept testing
- Business analysis
- Prototype development
- Test marketing
- Enters the product life cycle
- Evaluation of results

Each step will now be discussed.

1: Idea generation: Ideas for product improvement can come from anywhere – and have emphasised the need to **listen to the market**. Ideas for new products can come from external and internal sources. External sources may be from customer feedback [including expressions of dissatisfaction] or from observing a trend [e.g., the growth in SUVs], or observing and applying a trend from one market to another [budget airlines – budget hotels] or observing what is happening in another country. Marketing practitioners may uncover ideas during internal meetings with employees, for example, researchers, engineers, boundary spanners [such as salespeople and service providers]. Marketing practitioners may uncover ideas during external meetings, with customer, channel partners or industry gatherings. Marketing practitioners may uncover ideas during the marketing audit of any one of the COMP factors.

An organisational culture that promotes and is receptive to new product ideas will be more likely to generate more ideas. One way to promote ideas is to engage with the community – today this is often done through an online community. This strategy of propagating ideas is generally referred to as 'idea generation'. Idea generation is the first step in an 8-step process that takes a product idea from the mind to the market.

2: Screening: Idea screening, where new product ideas are presented for consideration, is an important step. Clearly, not all new ideas will be worthwhile or appropriate for a particular organisation. Some new product ideas may be attractive; however, it may require the organisation to enter a new market or an unattractive market – thus increasing the risk to the organisation. Some new product ideas may cannibalise sales of existing products – this may be good or bad but needs to be considered. In some organisations and industries product cannibalisation may be seen as a natural part of the product life cycle. Nevertheless, it is prudent only to adopt new ideas that are congruent with the organisation's objectives and capabilities [although there could be exceptions]. Screening is the second step, and it is important to recognise that passing the screening process does not guarantee a product will go to market.

3: Product concept testing: The third step is product concept testing. This process involves evaluating the product attractiveness to potential customers; is there a compelling value proposition? Product concept testing generally involves a small sample or focus group. Marketing consultants are often engaged as this may reduce bias and keeps the process more confidential. Product concept testing by the automotive manufacturers is a more public and larger affair where 'concept cars' are released for public comment at the key motor shows. In some ways product concept testing is idea generation as one of the key objectives is to find out how the product may be improved.

4: Business analysis: Should the product idea advance from the product concept testing stage it will advance to the 'business analysis' step. This process involves the Strategic Business Planning Group evaluating the new product idea in regard to the potential value to the business. There would also be a number of market considerations such as are there any existing and competitor products, how is this product augmented. There are also a number of customer considerations such as who is the likely target for the product, what would they be willing to spend, what is the size of the market. There are also a number of organisational characteristics such as does the organisation have the financial resources, what is the likely demand, what is the break-even point, what is the likely draw on financial resources, what are the likely returns, what is the pay-back time. Other questions will involve organisational capabilities to design, develop, produce, and distribute the product.

Most organisations would set a number of **deliverables** that the product must achieve to be considered a success. At this stage, these would be documented and carried forward to the following steps. Should the product advance from the business analysis stage the next, and fifth, step is prototype development.

5: Prototype development: This stage involves agreeing to invest funds to design and develop a prototype. The purpose of the prototype is to bring the research findings of the previous steps together into product properties; this brings the ideas to life and enables further consideration. What is important to realise is that the prototypes are capable of being tested. In some industries [e.g., software] it is common to employ alpha and beta testing prior to a formal product launch. For example, product prototypes can be used for product testing to determine whether it performs to specification – this is often referred to as alpha testing. When consumers test a product prototype, and they are given the opportunity to help improve the product then this is referred to as beta testing.

6: Test marketing: The next and sixth step is test marketing where a limited release of a product is undertaken. Generally, a market that is representative of the wider market is chosen. The objective of test marketing is to study the rate of adoption by consumers, the appeal of the communication message, and to provide one last opportunity to modify the product and the communication mix before a full release. It could be stated that test marketing is a risk reducing strategy. To introduce an untested product onto the entire market may result in **organisational loss of face**. Although test marketing is seen as a risk reducing strategy there are risks; for example, competitors may increase activity in the test market to skew the results and as more competitors become aware of a new product then there is the increased likelihood that they will also benefit from the test marketing and may introduce a similar product.

Should the new product advance from test marketing then the next step is often referred to as commercialisation or product launch. You may recall from the discussion on product considerations that products have a life cycle - commercialisation is where products enter the product life cycle.

7: Enters the product life cycle: Armed with the results of the test marketing, marketing practitioners now advance to the introduction stage of the product life cycle. Clearly how the product advances through the product life cycle will vary according to the customer, organisation, market and product characteristics.

There are many considerations, let's consider material and non-material properties: Products that have material properties [e.g., launch of a new ice cream] have complex manufacturing and distribution considerations. Products that have non-material properties [e.g., software] also require careful 'manufacturing', however, some products are distributed through a medium [internet] and can be released quicker and from one [global] distribution point.

Whilst commercialisation is often about B2C relationships it is important to realise that quality B2B relationships are often crucial to the success of the product. When distribution is more complex [e.g., national and/or international distribution] a product is often released through a planned rollout. Sometimes, particularly with specialty products, the marketing channel takes time and considerable organisational effort to establish. Often select retailers are sought to help 'push' the product to the customer. It is likely that organisations will employ a number of communication tactics to 'push' the product. Today this is referred to as an **integrated marketing communication** strategy. Timing is often an important consideration when releasing a new product [e.g., movies targeting school aged should be released at the start of school holidays]. Also, some industries have peak and non-peak seasons and products are often released to coincide with peak and non-peak decision-making [e.g., ship cruises, air conditioning, outdoor adventure products].

These tactics are also discussed in internal, channel and external marketing – the key is to remember that new product releases are often complex and vary according to the customer, organisational market, and product considerations.

8: Evaluation of results: This stage involves comparing the performance of the product with organisational expectations [based on product development costs, product launch costs, and the expected deliverables that were agreed to throughout the process]. The evaluation of results would vary by product and the list may be considerable – with some products it may be the technical product quality [e.g., warranty claims], it may include customer adoption and social media comments, however, the overriding factor will be sales volume and profitability. Regardless of the external communication it is likely that the marketing practitioners within the organisation will have a number of areas that need attention.

Click on the image to access the activity

Reflect & review

Employ these questions to reflect on your understanding and review your progress.

- Provide a brief overview of the evolution of strategy
- What is meant by 'being strategic' as opposed to 'being tactical'?
- Why is there a need to balance long-term and short-term objectives?
- What is meant by a balanced scorecard?
- What are the two strategic approaches an organisation can take when designing and developing a product strategy?
- What is meant by Segmenting, Targeting, and Positioning [STP] and why is this an important part of the CADDIE process for marketing practitioners?
- Outline the key considerations when segmenting, targeting, and positioning a product.
- Briefly explain the following segmentation variables: purchase preference, geographical, demographic, stage of life, socioeconomic, psychographic, behavioural, e-marketing behaviour, price – benefit, cultural,
- Explain what is meant by the popular labels: yuppies, muppies, dinks:
- Briefly explain how marketing practitioners can apply the VALS model.
- It is suggested that there are 4 ways to grow a market, briefly describe each and the risks involved: market penetration, market development, product development, diversification:
- Marketing practitioners also analyse markets by types of competition – discuss the types of competition.
- New product development is generally regarded as an 8-step process. Discuss the objectives of new product development relative to the marketing concept

Briefly explain each step
What is meant by:

- [a] A whole-of-market approach and when is it most suitable to apply this strategy?
- [b] A segment-of market approach and when is it most suitable to apply this strategy?
- [c] A segments-of-market approach and when is it most suitable to apply this strategy?

How can organisational size and resources influence product strategy?
Discuss each of the following steps could be considered as part of an organisation's planning, implementing, and controlling activities.

- Idea generation:
- Screening:
- Product concept testing:
- Business analysis:
- Prototype development:
- Test marketing:
- Enters the product life cycle:
- Evaluation of results:

In your own words outline the Design Thinking approach. How can Design Thinking assist marketing practitioners [in the business-marketing planning process and in new product development]?
Explain the following metaphors: blue ocean, purple ocean, red ocean.
Briefly describe the 6 paths that organisations take to achieve Blue Ocean.
Product value proposition: what are there compelling reasons for customers to buy a particular product?
Explain how Blue Ocean thinking and Design Thinking may provide guidance to marketing practitioners when developing a new product offering.
Return on Investment [ROI] is a key management consideration what we have discussed in this module is Return on Innovation Investment [ROII]. What are your thoughts on the importance of ROII to achieve or maintain product leadership?

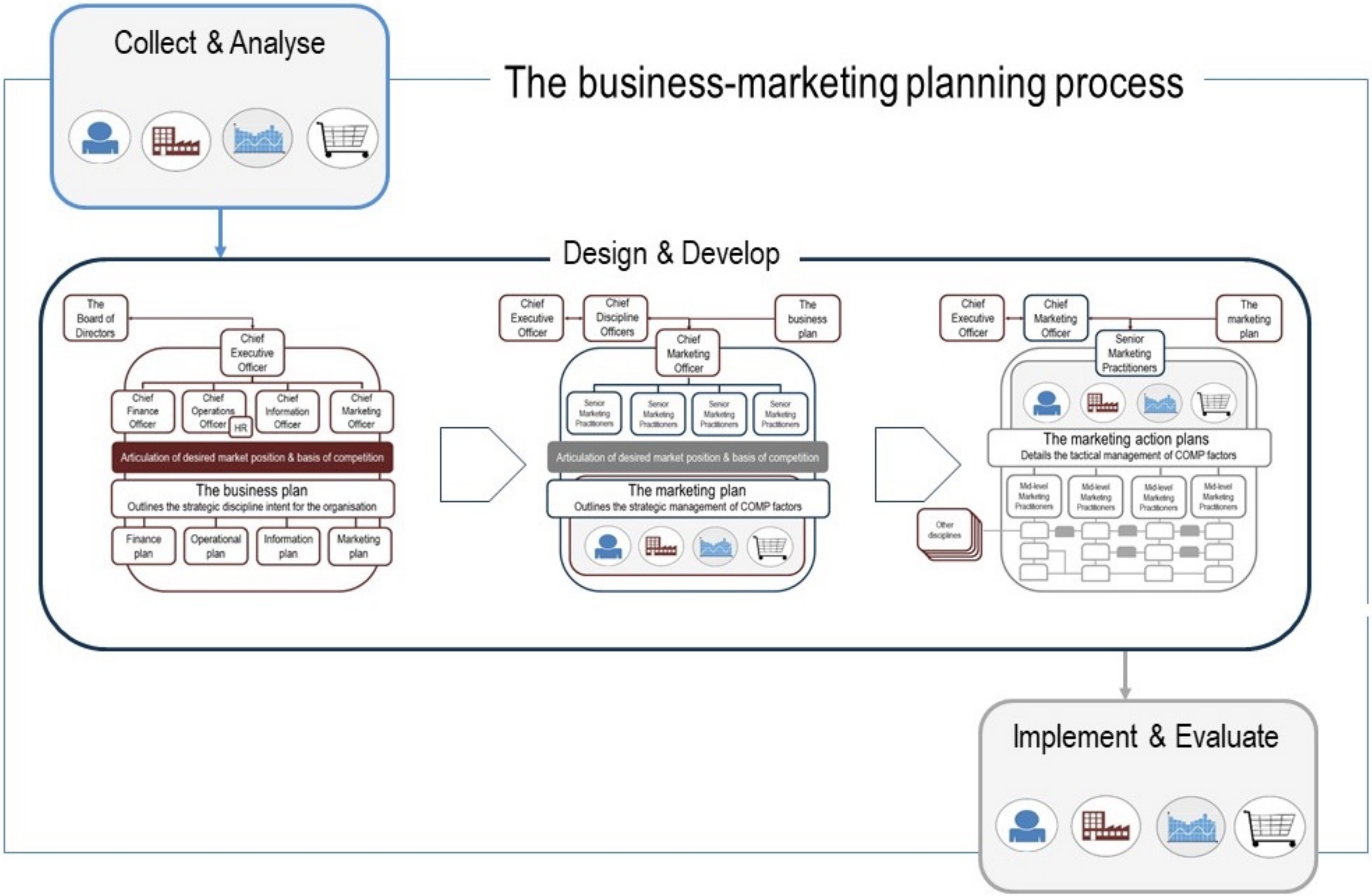


Figure 140: The groups involved in the strategic and tactical business-marketing planning process. Note how it goes from the overall business plan to the marketing plan and then to the tactical marketing action plans.

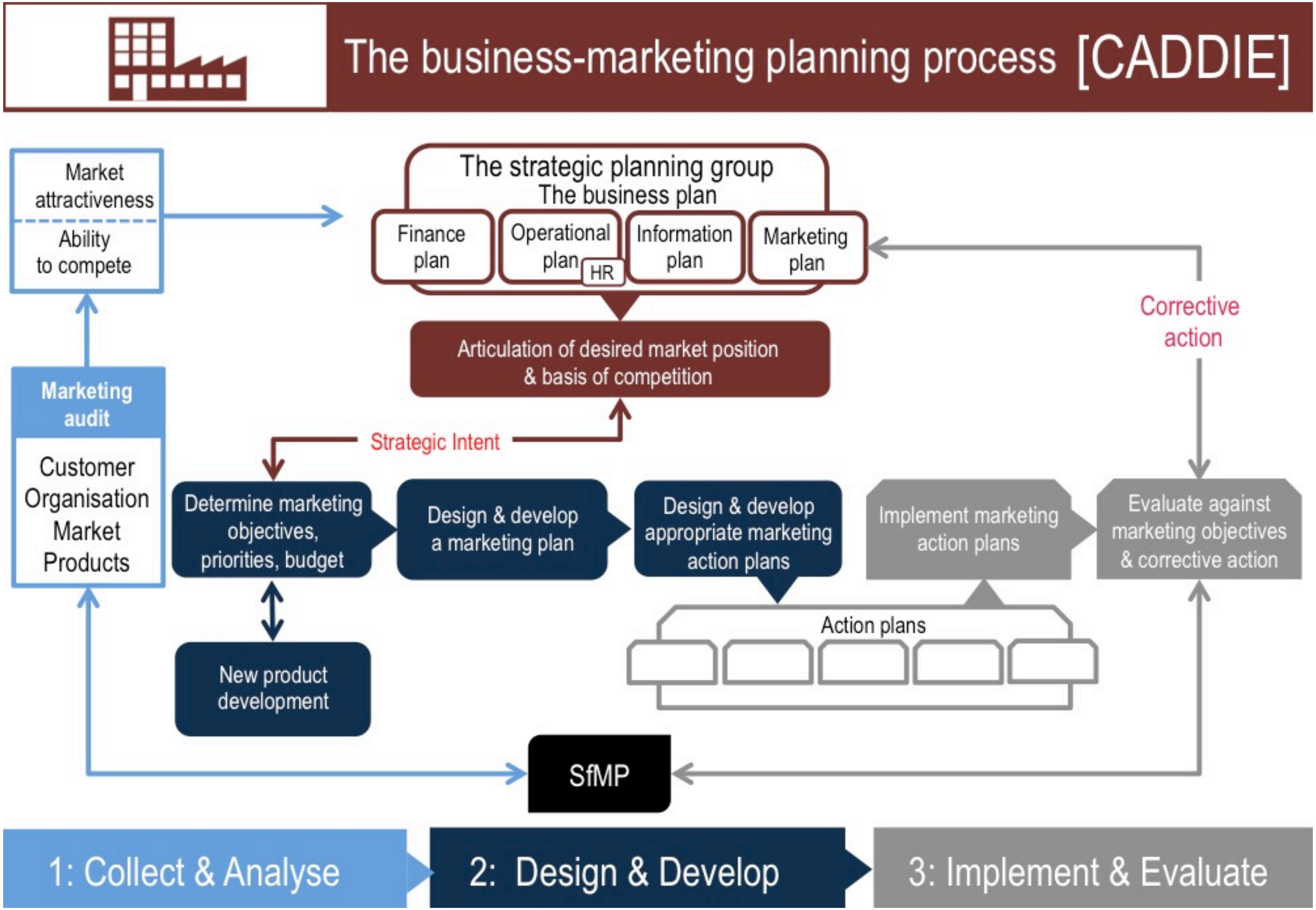


Figure 141: The business-marketing planning process is an iterative process with 6 steps grouped into 3 stages. The acronym CADDIE should assist recall.

the CADDIE process
[collect & analyse]

3:1:1 The CADDIE process: collect and analyse

Previously: We provided an introduction to the CADDIE business planning process and the language and concepts of strategic planning.

Learning objectives

Learning objectives of this module: After completing this module you should have a more detailed understanding of the CADDIE business-marketing planning process, including the 2 main types of research that marketing practitioners employ. You should also be able to outline how a marketing audit is synthesised into a report and a summary presentation to the Strategic Business Planning Group for further consideration.

Directions

In this module, we will focus on the collecting and analysing [**CA**DDIE] of information as part of a marketing audit. Marketing research has long been recognised as the foundation of marketing practice (Saegart & Fennell, 1991). Zaltman and Coulter (1995) agree and suggest that poor quality research accounts for 60-80% of product failures. They also suggest that quality marketing research leads to better decision-making, however, they caution, that rigorous marketing research cannot always guarantee success.

The importance of identifying and analysing appropriate marketing metrics in order to make informed decisions cannot be over emphasised (Bendle, *et al.*, 2020). Furthermore, drilling-down and evaluating the effectiveness of the 'implemented' strategies and tactics and taking corrective action is critical (Ambler, 2000). This is particularly important in today's dynamic marketplace/environment with short planning cycles [e.g., technology products]. Other factors such as increased competition; higher consumer expectations and increased public accountability have also increased the marketing practitioners' reliance on accessing high quality and relevant information. The objective is to make timely and better-informed decisions; decisions that may be long-term and strategic or short-term and tactical. Given the increased importance of data, it is therefore critical that marketing practitioners clearly identify and articulate their requirements to ensure that their IT needs are delivered (Mela & Moorman, 2018; Hair, Harrison, & Risher, 2018).

As discussed, marketing practitioners rely on two types of marketing research:

- As needed marketing research
- Everyday marketing research

As needed marketing research

As needed marketing research is research that is conducted to better understand an emergent phenomenon – such as, changes to the situational factors [COMP] that may impact on organisational performance [e.g., changes in customer preferences, changes in organisational performance, a change in market conditions, the entry of a new competitor/product to the market, natural disasters]. As needed marketing research is a traditional component of most business degrees.

The methodology for as needed marketing research may be a qualitative [exploratory] or a quantitative [measurement] approach, or a mixed method approach [qualitative and quantitative].

As needed research *may* reveal a new marketing problem that requires special marketing attention; in these cases, an **as needed marketing action plan** will be designed and developed to manage the phenomenon. An as needed marketing action plan may be either:

- **Ongoing:** a situation that requires long-term management and is a longitudinal and routine part of the CADDIE business-marketing planning process
- **Distinct:** a situation that requires an individual once-off action plan within the CADDIE business-marketing planning process

We can define **as needed marketing research** as:

> Research that is conducted when emerging situational factors require marketing practitioners to collect and analyse new information.

A useful first step in the as needed research process is conducting a qualitative **experience survey**. This may assist a marketing practitioner to gain a better understanding of the research phenomenon. An experience survey involves talking with knowledgeable personnel and industry experts. Experience surveys help to define the topic and help set the parameters for future research – as needed. If the research question requires further research the marketing practitioner will source information – this information may be classified as **secondary data** or **primary data**. Each of these will be discussed:

Secondary data

> **Author's comment:** The terms primary and secondary data are confusing. Secondary data is generally assembled prior to primary data. Secondary data is existing data and is generally collected prior to primary data as it is faster and less expensive than the collection of primary data (Zikmund, 1994).

Secondary data is existing data that has been previously collected. Secondary data falls into two categories:

- **Internal secondary data:** data that is currently available within the data libraries of the organisation. This information is collated from existing organisational data [e.g. sales data] and from past research [e.g., internal reports] [see software for marketing practitioners].
- **External secondary data:** data that is currently available from sources external to the organisation. An example would be data that has been collected by government agencies, such as the Australian Bureau of Statistics [considerable information is available online at www.abs.gov.au]. Libraries, local councils, industry bodies [associations], universities and private research companies are other sources of secondary data.

Warning: Marketing practitioners should resist the temptation to begin the collection of primary data until a comprehensive search of secondary data has been analysed (Zikmund, 1994). Secondary data is generally cheaper and faster to retrieve.

Primary data

Primary data is data that is not available from secondary sources (Neal, Quester & Hawkins, 2004) Therefore, it must be collected to address a specific research problem. It is increasingly common for organisations to engage a specialist research organisation to design and conduct primary data collection. Although the marketing practitioner may not conduct the marketing research it is advisable they have sufficient research skills to:

- Communicate the research problem, the aims and objectives
- Assess the appropriate research methodology
- Oversee the research project
- Interpret and communicate the findings within the organisation.

The 5 stages of as needed research

According to Shilbury *et al.* (2003) and Pride, Ferrell, Lukas, Schembri, and Nuninen (2015) the market research process to collect primary data has, generally, five distinct phases:

1: Clearly define the research problem and objectives

Problem definition focuses on uncovering the topic and parameters of the research. Often the first indication of a problem is an unexplained departure from a historical trend. This departure could be welcomed or unwelcomed; for example, at a sporting organisation it may be a decrease in membership, spectatorship or sponsorship. Clearly identifying the research problem helps define the parameters of the research.

Authors' comment: The word problem is used to indicate a situation that requires investigation or construction.

2: Develop an appropriate methodology

There is no one best type of research. This phase involves determining the type of research that will provide the most suitable results. For example, a marketing practitioner researching what or why something is happening will use a different methodology when measuring how often, when and with whom it is happening. The first research problem requires a **qualitative approach** to explore the elements of the situation, whilst the second research problem requires a **quantitative approach** to measure the frequency. Furthermore, the marketing practitioner who wishes to research both research problems may employ a research methodology that incorporates both approaches – a **mixed methods** approach (Cahill, 1996).

Qualitative approach

Saegart & Fennell (1991) emphasise the importance of qualitative research to the marketing concept. They suggest that marketing practitioners look beyond the statistics to truly understand the motivations behind the consumption patterns. This allows marketing practitioners to develop an innate knowledge of their product; their customers and how their organisation can best meet their needs.

Another important consideration is establishing the parameters of what and who to study and what and who not to study.

Qualitative techniques are more appropriate than quantitative techniques when the research problem is not fully understood, or the research problem is to explore more subjective issues. Neal *et al.* (2004) suggests that three qualitative techniques are often employed by researchers:

- Individual in-depth interviews
- Focus group interviews
- Observational research

Often in B2B situations the sample size of customers is restrictive for quantitative inferences, and it makes sense to undertake qualitative in-depth interviews – often by the salesforce.

In-depth interviews

In-depth interviews are often one-on-one interviews where the participants have been selected because they can add value to the research. Neal *et al.* (2004) suggests that in-depth interviews are appropriate when:

- Detailed probing is needed
- The topic is highly confidential/sensitive
- The topic has affective qualities
- The subject challenges social norms
- A step-by-step answer is needed

Focus group interviews

Focus groups are comprised of between eight to twelve individuals: broadly representing the characteristics of a market segment and a moderator. Neal *et al.* (2004) suggests that focus group interviews are appropriate when undertaking:

- New product conceptualisation
- New product exploration
- Product positioning
- Advertising appeal
- Establishing a vocabulary for future studies
- Uncovering attitudes and behaviours

Observational research

Adler and Adler (1994) suggest that observational research is one of the oldest forms of research and it is often employed in conjunction with other techniques. Observation is a useful technique when the product is consumed in public. In addition, Neal *et al.* (2004) suggests that observation is useful when the behaviour that is being observed is repetitive, frequent and occurs in a relatively short time span. Observational research must be purposeful, systematic, recorded, and trustworthy and authentic (Zikmund, 1994). Decisions that observational researchers must make:

- Undertake the research in a natural or contrived setting
- Determine which observational role to take:
- The complete-member-researcher
- The active-member-researcher
- The peripheral member researcher

There are a number of methods to record the behaviour patterns and the occurrences, including employing mechanical observation [video cameras, traffic counters, and scanners].

3: Data collection

The next phase is the how, where and when of data collection. There are a number of traditional methods available surveys [mail, personal, telephone]; focus groups, observation and experimentation as methods employed by market researchers.

HOWEVER, marketing researchers are increasingly employing social media researchers to find out what consumers are actually saying on social media platforms: following social media conversations, who is saying what about their products/brands and competing products/brands, what are the trends, what are the perceived risks preventing adoption of a product. Employing expert researchers is particularly important in an era when text is decreasing and images are increasing [a picture says 1,000 words]. For example, an organisation may wish to explore how often their logo appears at a sponsored sporting event.

It should also be noted that analytic tools are becoming increasingly sophisticated. If an organisation engages an expert researcher on a contract with a regular report on the findings this may fall under the banner of everyday marketing research.

Generally, time and organisational cost constraints precludes the collection of data from every member of the population therefore a **sample** [a selected portion of a large group] is generally selected. According to Zikmund (1984) establishing a sample requires a number of sampling decisions prior to conducting data collection:

- Define the target population
- Select a sample frame
- Select a non-probability [e.g. convenience or judgment] or probability [random] sampling method
- Determine procedures for selecting sampling units
- Determine sample size
- Select actual sampling units
- Conduct data collection

4: Interpreting data

The next phase involves interpreting the data and drawing conclusions. There are a number of software packages available to assist with this task. However, often a meeting of the Strategic Business Planning Group provides multiple perspectives.

5: Presentation of findings

The final stage is to report the research findings accurately and without bias or distortion. The report should describe the research methodology and the limitations of the research.

Everyday marketing research

Everyday marketing research is the research that marketing practitioners would undertake as part of their everyday work routine – what has been described as part of an iterative process. Everyday marketing research is broad it can be strategic or tactical, vary according to the organisation, the marketing practitioner's role within the organisation and the task.

> **Author's comment:** A marketing practitioner is conducting everyday marketing research when she/he reviews the daily sales performance data.

We can define **everyday marketing research** as:

> Research that is conducted regularly and routinely to monitor and achieve the marketing objectives of the organisation; this includes the steps to collect and analyse information, design and develop strategic marketing plans, implement and evaluate marketing action plans, and take corrective action when needed.

Strategic: In addition to the day-to-day management, marketing practitioners collect and analyse everyday marketing research for the design and development of the business plan, the marketing plan, and the marketing action plans. The business planning process may be conducted on an annual, six-monthly, and sometimes on a quarterly basis. Some organisations have a rolling marketing plan with regular reviews.

Collecting and analysing information and presenting it for inclusion in a business plan is often referred to as **conducting a marketing audit**.

Following the marketing audit; the Chief Marketing Officer would report the findings to a Strategic Business Planning Group [which she/he is a member] for consideration. This information would help craft the organisational business plan and provide guidance for the plans of the various disciplines. Often within in a business plan and a marketing plan, the findings of a marketing audit are summarised and included under the heading – *Situational analysis* – hence why COMP factors are also referred to as situational factors

The marketing audit data can be employed to gain a more accurate picture of:

- The past performance of the organisation
- The present performance of the organisation
- The likely future performance of the organisation [e.g., forecasting, scenario planning].

Tactical: Everyday marketing research is tactical when it is a component of a marketing action plan either:

- Tactically, marketing practitioners collect and analyse everyday marketing research data as part of their everyday evaluation of an organisation's performance. Everyday marketing research, at a tactical level, monitors the marketing metrics performance of an organisation against the marketing objectives stated in the marketing action plans.

Marketing practitioners at a senior level would be expected to be acquainted with and able to discuss outcomes in line with the financial, strategic, and communication objectives outlined in the business plan, marketing plan, and marketing action plans:

- **Financial objectives:** sales revenue, volume MTD, YTD, product, territory, margins, % of budget, cost of sales, market share factors
- **Strategic objectives:** customer satisfaction [Net Promoters Score], repeat purchase trends, customer churn, level/type of complaints, resolved/unresolved complaints, product preference
- **Communication objectives:** brand recall & recognition, awareness by selected market segment, preference in category, share of category, salespipeline performance.

In the course of their work, marketing practitioners generally move freely between as needed marketing research and everyday marketing research. For example, during a marketing team meeting a marketing manager may table a report on some research that has been recently published in a trade magazine [for example, changing consumer preferences]. The chief researcher may make a presentation of the findings. The marketing manager may invite questions and comments from the meeting. The next item at the meeting may be a presentation, from the sales manager, of last month's sales figures. During the sales manager's presentation, it was noted that the sales from one particular retail store have unexpectedly dropped. The sales manager may indicate that he wishes to research that situation and report his findings at the next meeting.

> **Author's comment:** Regardless of whether the research is 'as needed' or 'everyday' it is important to develop market research skills as this provides the ability to critically evaluate information.

In recent years, marketing success has increasingly relied on the collection and analysis of marketplace data rather than on 'marketing muscle and resources' (Walker *et al.*, 2015, p. 131). A report by IBM Australia (2014, p.2) emphasised the growing importance of customer centric data, the need to interpret the data, and the need to realise marketing opportunities.

> **Quote:** Marketing practitioners' ability to understand and predict customer behaviours is elevating their status in the boardroom. In an environment where businesses are placing the customer at the centre of their strategies, CEOs want marketing practitioners to become the voice of the customer.

A marketing audit includes the collection and analysis of internal and external secondary data that has been purposefully recorded, organised, and stored within an organisation's data libraries. Previously, we introduced a catchall expression - **software for marketing practitioners [SfMP]** to describe the data libraries and technology tools that enable strategic and tactical marketing practitioners to efficiently and effectively record, organise, store and retrieve data to implement and evaluate strategic and tactical business plans.

> **Author's comment:** The catchall expression SfMP has been employed to emphasise that different tasks need different tools and to avoid a lengthy discussion on the software as a service [SaaS] industry.

According to Walker, Mullins, Mavondo, Gountas, Kritz, and Osborne (2015) technological improvements enabled a number of marketing tools to be offered since the 1990s. They state that traditional back-office software vendors [e.g., SAP, Oracle, IBM] turned their attention to front-office marketing activities; as a consequence, marketing information became more accessible within organisations.

Conducting a marketing audit

What is also important to note is that the COMP data that is collected and analysed in a marketing audit includes the collective data that was once collected to manage, measure and improve the day-to-day performance of the organisation [i.e., marketing metrics]. However, as the Strategic Business Planning Group requires a holistic perspective the marketing metrics data is reassembled/repurposed to reflect the historical and current performance of the organisation. Therefore, marketing metrics that were once micro and tactical in nature are collated into a macro and strategic format. Obviously, much of the collation of data is undertaken by the organisation's software. In its macro format it is then analysed by the senior marketing practitioners and then presented to the Strategic Business Planning Group – communicating the data as the customer characteristics, organisational characteristics, market characteristics, and product characteristics creates greater understanding.

The ability to undertake a marketing audit and then report the findings is an integral part of the business planning process – this is a much sought-after skill. To undertake a marketing audit and report the findings requires knowledge of marketing concepts.

We could define a **marketing audit** as:

> The regular, comprehensive, and structured collection and analysis of internal and external marketing related COMP data for presentation to a Strategic Business Planning Group for consideration as part of the CADDIE business-marketing planning process.

A marketing audit is conducted with the understanding that all organisations are unique, and all strategy should **enhance this uniqueness**. Some call this uniqueness the 'DNA' of a business. The uniqueness comes from the organisational philosophy and the unique set of situational factors in which the business operates [COMP factors].

Perhaps you have heard of Alexander Calder; an artist who pioneered kinetic artworks – his work is sometimes referred to as 'mobiles'. A feature of his art is that the artwork takes on a different structure as the suspended parts move - seldom, if ever, is the artwork exactly the same. A business is in many ways like an Alexander Calder artwork.

- Every business is unique, it differs from all other businesses
- Every business varies according to the prevailing situational factors
- Every business will be different in the future

Furthermore, business strategies and tactics are selected to accommodate the changing situational factors [e.g., different economic conditions, consumer confidence, and stages of the product life cycle]. The research conducted during a marketing audit, provides marketing practitioners with a better understanding of likely COMP factors. Through this understanding marketing practitioners are able to diagnose what is happening and plan the appropriate strategies and tactics.

> **Author's comment:** Some say that a marketing audit could be likened to an annual medical check-up for a business – marketing diagnostics. This metaphor is interesting as it highlights that a scientific truth-seeking approach is required rather than presenting information that is filtered and acceptable. Furthermore, it suggests that historical information is considered to monitor trends.
>
> Diagnosis is a term that is often employed by medical practitioners, and it relates to exploration, discovery, identification, detection, logic, considering probabilities, and making conclusions. Can you imagine a medical practitioner that prescribed a course of action without undertaking a diagnostic evaluation?

Organisations that have adopted the marketing concept and are practicing a marketing philosophy are, are better placed, to commence a marketing audit. In many such organisations the marketing audit will be conducted regularly and follow a structured process – consistent with previous marketing audits [this is referred to as longitudinal research].

Sometimes, an organisation may like to set a new direction and modify their marketing philosophy – there could be many reasons for this [e.g., a new CEO, a strategic repositioning of products, changes in the marketplace, new competition]. In these situations, the Strategic Business Planning Group would meet prior to the business-planning period to establish the parameters and document the modified marketing philosophy.

Regardless, the starting point is to articulate [re-articulate] the organisational philosophy. This provides direction for the organisation and the foundation for all business communication. A marketing philosophy should include COMP considerations. Organisations that focus primarily on their own needs and ignore other considerations may develop what is referred as a *business scotoma – marketing myopia – an inside-out view.*

The marketing audit and the report is an examination - fact finding - it is not a creative document. The marketing audit process is important because it explores everyday issues with professional distance; some say that the process is working *on* the business instead of *in* the business. The analysis will look for patterns and trends and the report will often present information in tables and/or visual formats – these may be included in the business plan and the discipline plans.

Recap: Whilst the marketing audit may be an ad hoc affair in some organisations, it will be systemised and a regular part of the planning process in others. In most organisations, it is conducted by marketing practitioners under the supervision of the chief marketing officer [CMO], however, external consultants may be engaged when professional distance or additional expertise is required.

The marketing audit report may reveal gaps between an organisation's present position and their desired position [actual V ideal]. As the marketing audit is part of a longitudinal study the current marketing audit can be compared with past audits; this enables the analysis process to be more rigorous and to establish the degree of organisational progress. Being part of a longitudinal study requires that a structure is developed to enable comparisons to be made.

Collecting and analysing

We begin our marketing audit with a customer audit, however, starting a marketing audit with a customer audit is optional as some marketing practitioners suggests commencing with the organisation factors - as revenue data may indicate the presence and urgency of a potential problem. Regardless, and in keeping with the marketing concept the needs of the organisation and the customer are critical.

It is worth noting that during the marketing audit the same information may be listed under more than one heading. For example, segmentation could be listed in customer, organisation, market, and product. However, this information is for analysis only and would be synthesised within the marketing audit report [please see slides at end of this module].

A customer audit

Generally, although there are exceptions, an organisation may not have the resources to target and position a product for each customer segment. The general idea is to approach the profitable customer segments and avoid the unprofitable customer segments. The objectives of a customer audit are to identify the customer characteristics and the customer segments. The following are important considerations:

- Customer
    - fundamental needs and wants
    - pre-purchase patterns
        - motivators - to enter the buyer decision process
        - location [in-store & on-line]
        - benefits sought
    - involvement
    - perceptions of qualities, costs, value
    - expectations - quality, value [product requirements]
    - satisfaction [transactional, cumulative, aggregate, collective]
    - post-purchase behaviour
        - buying patterns [frequency]
        - trust and loyalty services - referrals - repeat patronage
        - social media habits
        - retention & enhancement
        - life-time value

An important task is to determine the methodology for undertaking the market segmentation process. Organisations that adopt a segment[s] of the market strategy will begin by identifying the customer segments. This information is important and during the organisational decision-making process and will consider an organisation's capabilities & constraints, the attractiveness of segments, the bargaining power of customers [see Porter's 5 competitive forces in this chapter].

- Customer segmentation
    - identification
    - characteristics
        - attractiveness, communication
        - sales, growth, profitability, lifetime value,
        - demographics, psychographics
        - income - ability & willingness to purchase
        - preferred payment methods

Customer characteristics and customer segmentation information will be employed to determine:

- Which segments will the organisation target?
- Which segments will the organisation not target?

An organisational audit

Many organisations operate in a dynamic market and from time to time may need to realign their organisational philosophy and statements of intent to better articulate their desired purpose. An organisational audit is often the catalyst for serious conversations. Therefore, the CADDIE business-marketing planning process presents the opportunity for an organisation to adapt to the market. The objective is to undertake an audit of the capabilities and constraints facing the organisation [other disciplines will conduct their own analysis]. The organisational audit is not a creative document; it is exploratory and fact-finding and part of the planning process. Clearly a marketing audit and the report is not 'puffery' or seeing the organisation 'through rose coloured glasses'; therefore, when the facts are listed and presented in the report it will be a combination of positive and negative factors – these could be summarised in the report as capabilities and constraints, however, it is not uncommon to discuss them as strengths and weakness or opportunities and challenges.

- Past and present objectives
- Past and present performance
    - 9 marketing objectives [3Xfinancial, 3Xstrategic, 3Xcommunication objectives]
    - Gaps between budget forecast and actual achievements
- Current capabilities and constraints
- Key success factors
    - Organisational competencies, culture, patents, technological skills, processes, employee performance, relative costs, marketing channel effectiveness, barriers to exit a market
- Revenue analysis
    - Size, growth, pricing, strategies, total sales and margins by product, life cycle, market position, market-share by segment, cost of sales, shareholder value analysis
- Brand analysis
    - Customer relationship analysis, brand strength [uniqueness, relevance], brand stature [esteem, knowledge], brand equity [value as an asset], brand awareness, brand associations

A market audit

Author's comment: It is easy to confuse a marketing audit with a market audit. A marketing audit covers all COMP factors and marketing practices. Whereas a market audit is more specific. You may recall that 'a market' is all current and potential buyers and sellers [domestic or commercial], and 'the market' are the factors that influence supply and demand. Therefore a market audit looks at buyers and sellers and the influencing factors.

After collecting and analysing the information from the customer audit [the buyer] and the organisational audit [the seller], marketing practitioners will turn their attention to the market audit. The market audit generally begins with a competitor audit [other sellers] - an analysis of competing brands, and products before moving on to other macro-external factors that may impact on the customer, organisation, and the total market. This process is sometimes referred to as environmental scanning.

We will organise the macro-external factors into categories of **C**ompetition, **E**conomic conditions, **M**arket attractiveness, **S**ociocultural factors, **T**echnological influences, **E**nvironmental considerations, **E**thical & legal factors, and **P**olitical influences – the acronym of **CEMSTEEP** may act as mnemonic. In most organisations, marketing practitioners will work in concert with other disciplines to explore the macro-external factors.

Author's comment: Over a number of semesters post graduate student have expressed their concerns regarding PESTELE and have suggested that the hierarchy implied within this acronym is incorrect; furthermore, it was generally accepted that PESTELE omitted the important consideration of competition. After some in-class discussions CEMSTEEP has been proposed as an alternative. CEMSTEEP is presented below.

Competition [Cemsteep]

Organisations face different types of competition, exploring the source of competition can reveal a more holistic picture of the factors that may impact on sales.

We begin by identifying present and potential competitors. Then the characteristics of competitors are documented. Initially, this may seem a daunting task, however, in time it will become an everyday marketing research activity and a regular part of the sales manager's report.

In the marketing audit report, it may be worthwhile to position competitor information as visually as possible – sometimes referred to as perceptual mapping. This may assist the executive team and other disciplines during the strategic business planning process and when articulating the desired market position and the basis of competition. For example, a pricing matrix [e.g., cost to customer V perceived value] would identify the value of the organisation's products against competing products; this may assist the executive team across a range of decisions.

A market audit would reveal the capabilities and constraints of competitors and their place in the hierarchy – market size and market power. It is also worthwhile to document past responses when an organisation is faced with increased competition. Furthermore, by listing competitors' past and current strategies it may provide insight to the future strategic directions of competitors.

The competition types are brand competition, product competition, generic competition, and total budget competition.

Brand competition: Is where a number of organisations offer similar and competing products to the same market segment. Customers will often select the brand and then the product [e.g., select the brand of sports shoe and then the product]. Brand competition is present in automobiles - people often select automobiles by brand and then the model. Consider the SUV market where products may be similar, and people will be influenced by brand and then the model. Perceptual mapping is often a useful tool to gain a visual perspective.

- *Revenue analysis:* Size, growth, pricing strategies, total sales and margins by product, life cycle, market position, market-share by segment, cost of sales, shareholder value analysis, past and current performance
- *Current capabilities and constraints:* customer relationship analysis, brand strength [uniqueness, relevance], brand stature [esteem, knowledge], brand equity [value as an asset], brand awareness, brand associations, past and current objectives, organisational competencies, culture, patents, technological skills, processes, employee performance, relative costs, marketing channel effectiveness, barriers to exit a market

Product competition: This is where organisations are competing with similar products and there is a choice [e.g., between different types of products some of which may be from the same brand], however, although similar - the products compete on features, benefits, and price. For example, compare the variety of competing products on offer in a supermarket [e.g., the types of biscuits]. Perceptual mapping is often a useful tool to gain a visual perspective.

- Analysis of competing products. perceptual mapping, features, benefits, pricing, size, revenue, profitability, growth

Generic competition: This is where the customer has a choice of different methods of achieving the same outcome – different products that may satisfy the same need [e.g., catching a train, bus, taxi, riding a bicycle, or driving a car to work]. A group of friends are considering a night out – one suggests a meal at an Italian restaurant another suggests a visit to the cinema, another a stand-up comedy night at a local pub. This is often referred to as substitute products.

Total budget competition: This is the broadest form of competition and recognises that at a holistic level all organisations compete for their share of the consumer's available money – this is sometimes referred to as *share of wallet*. For example, a couple may be considering a holiday in the south-west of Western Australia, however, after a great deal of consideration they purchase a new refrigerator instead. The holiday has been postponed to a time when there are fewer competing needs. Some products are more vulnerable to total budget competition than others.

Models of market competition

Marketing practitioners must adapt their products and their organisations to suit the nature of the marketplace in which they operate. Markets have different models of competition [sometimes this is referred to as the 5 market models or 5 market systems]. Economists often use this classification as it provides a macro understanding of industries and industry trends.

Understanding models of competition can help organisations to make decisions regarding whether to enter/exit a market, what pricing strategies to adopt, and the overall attractiveness of a market. The market models of competition are pure competition, monopolistic competition, an oligopoly, a monopoly, and a monopsony – each is described below:

Type	Characteristic	Market power
Pure competition	There are many different organisations offering the same products, barriers to enter the market are low	Customer
Monopolistic competition	There are many different organisations offering different products	Customer
Monopoly	There is only one organisation offering the product	Organisation
Oligopoly	There are a few dominant organisations offering the product	Organisation
Monopsony	There is only one buyer and more than one supplier	Dependent on situation

Pure competition: Many buyers and sellers with no dominant players and products that have limited augmentation [undifferentiated product]. These are often described as commodities – for example wheat, coffee, sugar, gold, oil. In pure competition, no one participant [buyer or seller] can influence the market greatly.

Monopolistic competition: Many buyers and sellers with no dominant players and products, however, there is the ability to augment the product and therefore differentiate one product from another. Laptop computers, large screen televisions are examples of monopolistic competition where the core product is essentially the same, however, competitors are distinct by aesthetic appeal, performance, build quality, price, status – etc.

Oligopoly: There are many buyers, however, due to barriers to enter the market there are only a small number of sellers. The core product is the same, however, in an oligopoly the products can be augmented to appeal to buyers. The airline industry is an example – the core product [safe transportation of the person and their baggage from one location to another] is the same, however, competitors are differentiated by reputation, service quality, price, convenience, status – etc. There is always the risk of sellers colluding to control the market.

Monopoly: There are many buyers, however, due to barriers to enter the market there is only one seller. This often occurs in government services where it would be inefficient or undesirable to have competition, for example, the issuing of passports. In a monopoly, buyers have no considered set of products and only one alternative. The costs of maintaining a monopoly [e.g., telephone lines] can be considerable so often governments open up the markets to provide competition. There is always the risk of sellers seeing no need to innovate.

Monopsony: There is only one buyer, however, there are many sellers [or organisers that may tender for a contract]. In a situation such as a monopoly [e.g., building essential services - water supply] there may be many alternative contractors tendering. In a monopsony, buyers have considerable power when the list of alternative suppliers is comprehensive. However, often a balance in negotiations occurs when a supplier may have a competitive advantage through skills, experience, and a global talent pool.

Warning: It would be wrong to assume that competition is limited to external competition. Often **internal competition** for organisational resources is intense; it should be noted that there is a downside to internal competition; Pfeffer and Sutton, (2000) state that intense internal competition results in winners and losers, this distorts employee focus, and turns 'friends into enemies', whereas **internal cooperation/collaboration** is a strategic strength. Marketing practitioners refer to internal cooperation/collaboration as internal marketing. It is generally regarded that internal cooperation/collaboration and a focus on external competition are the catalysts for total product quality, value, customer satisfaction, and subsequently organisational satisfaction.

Economic conditions [cEmsteep]

The prevailing economic factors influence the economy and impact a number of factors including consumer confidence. **Although the marketing audit report** will outline the economic factors from a marketing perspective; it is likely that this information will also be included in the financial report delivered to the Strategic Business Planning Group for their consideration. However, it is important to note that this data will be insightful for marketing practitioners when designing and developing the marketing plans and marketing action plans – so it must be communicated. Therefore, a summary of the current and potential economic situations, GDP, consumer confidence indicators, business confidence indicators, employment rate, costs of raw materials, household disposable income, interest rates, exchange rates will influence marketing strategies and tactics.

Economic conditions fall into 4 classifications [prosperity, recession, depression, and recovery]. Consumer and organisational decisions that are made in periods of prosperity and strong economic growth are likely to be quite different to decisions that are made in periods of economic slowdown.

Market influencers [ceMsteep]

When organisations co-exist in a market they must compete to survive and to prosper – in nature this is referred to as *natural selection - Darwinism*.

Within any industry there would be factors that influence supply and demand within the market. Although many market influencing factors can be anticipated and controllable [to some degree]; there are other marketing influencing factors that cannot be anticipated and are beyond the control of the organisation. Consider, for example, how some organisations would be impacted by the weather - how would a mild summer or hot summer or unseasonal weather impact on sales of airconditioners. chocolate, clothing, events. Organisations often undertake scenario planning as part of risk planning.

Auditing the market influencing factors can assist the organisation to make strategic and tactical decisions regarding product offerings, product pricing, product availability, and communication of the product and brand value proposition. Through this understanding marketing practitioners are better equipped to track changes over time and predict future trends (Bruce, 2000).

When undertaking a market audit and having completed the audit of the competition and the prevailing economic conditions marketing practitioners should aggregate this information to provide an overview of the competitive nature of the industry [market attractiveness].

An overall view of the market should be included in the report to identify market segments and market share within the selected segments. The overall view may include:

- Market size, profitability, growth, market patterns, potential, profitability, life cycle issues
- Competencies, strategic imperatives, Key Success Factors
- B2B & B2C communication channels
- Structure of market channels [distribution]
- Emerging trends and developments
- Market life cycle factors

Sociocultural factors [cemSteep]

The marketing genre of consumer behaviour explores the sociocultural factors that influence how people consume. Sociocultural factors are prevailing and potential situations, cultural values and influences, demographics, education, wealth distribution, prevailing attitudes, living conditions, lifestyles. The audit of sociocultural factors would identify social pressures or changes in societal standards that may influence consumer behaviour and may result in changes to regulations facing an industry – two examples,1] today there is a distinct movement towards anti-social behaviour caused by alcohol consumption – this will influence the hospitality industry and 2] today, in Australia, there is increased scrutiny of banking practices following a government investigation.

Technological [cemsTeep]

This will include current and potential situations, emerging technologies, opportunities or threat from disruptive technologies Changes in technology, for example, the products impacted as a result of ‘smartphones’ [e.g., decline in small digital cameras].

Environmental [cemstEep]

Current and potential situations, regulations and pending regulations concerning waste, energy, pollution and sustainability regulations

Ethical and legal [cemsteEp]

Ethical: some issues may be legal, however, may not reflect the values of society – sometimes the values of society may have shifted [see sociocultural factors]. Previously we have discussed the importance of values[123] in the buyer decision process. Increasingly marketing practitioners are aligning themselves with ethical issues and this could be considered a form of market segmentation. *Legal:* current and potential situations, regulations regarding employment [e.g., equal opportunities], consumer rights, product labelling, advertising standards, anti-competitive behaviour, health and safety - etc.

Political [cemsteeP]

This will include current and potential political situations, degree of intervention, degree of stability [e.g., forthcoming election], tax policies, trade policies entry/exit barriers, monetary policies, prevailing attitudes of political parties and movements.

> **Author’s comment:** The COVID 19 experience is an example of political influence in the market.

Product audit

Previously we discussed the product considerations that marketing practitioners take into consideration during the planning process. It should be kept in mind that there are a number of product considerations that are of importance to the business plan and the other discipline plans – this will vary regarding the nature of the product. It is unlikely that everyone in the Strategic Business Planning Group has an understanding of marketing – therefore detailing the nature of the product can assist members from other disciplines to make better informed decisions.

There is a need at this stage to work collaboratively with other members of the Strategic Business Planning Group. For example, the Chief Finance Officer can access existing sales data to determine past sales, however, they need the forecasted sales from the Chief Marketing Officer to enable them to undertake their finance plan. Similarly, the Chief Finance Officer will provide an economic forecast to enable the Chief Marketing Officer to accurately forecast sales and to determine product pricing. The business planning process is therefore an iterative process that begins with the collection and analysis of macro and micro factors - the business planning process is a compound process.

Product information would include:

- Product considerations
- Product sales analysis
  - Total sales X product
  - Total sales X territory
  - Sales by [hour/day/week/month/year/ or other suitable unit of measure e.g., weather]
  - Number of transactions
  - Average sell price
  - Margins X product
- Cost of sales
- Product inventory [e.g., value of inventory on hand – usage rates]
- Product adoption & life cycle [Decisions that are made by customers in the early stages of a product life cycle are likely to be different from the other stages]
- Product strategy
  - product line – mix, positioning, uniqueness, value proposition, augmentation, involvement, contact, product components, decision type, recipient[s], category, classification, awareness

Market attractiveness and ability to compete in a market

The collection of information provides a number of ways of analysing the market; two popular methods are Porter's five forces and the GE strategy-planning matrix. Both are relatively well known and therefore ideal for inclusion in a report or a presentation.

Porter's five forces analysis

Porter's (1980) five forces framework is a useful tool to employ when analysing the attractiveness of the market and an organisation's ability to compete in the market. He presents five forces that should be investigated, particularly when entering a new marketplace or deciding on a product's future:

- Competitive nature and rivalry of the industry
- Threat of potential entrants [entry-exit barriers]
- Threat of substitute products
- Bargaining power of buyers [influence of consumers]
- Bargaining power of suppliers

Competitive nature and rivalry

Industries also vary in the degree of rivalry between existing competitors. Competition can vary from polite to a war of attrition. There are a number of factors that influence rivalry: product life cycle stage, growth rate, number of competitors, size of competitors, percentage of fixed costs, ability to differentiate, cost to exit the market.

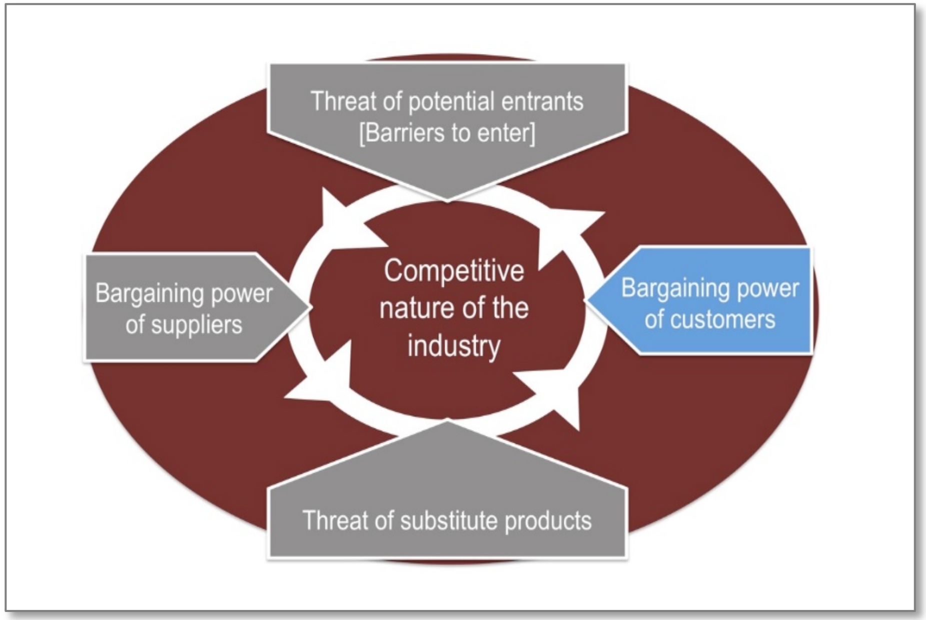


Figure 142: Details Porter's five forces framework.

Threat of new entrants

An industry attracts new entrants when the market is perceived to be profitable. With the new entrants comes an increase in competition and increased struggle to maintain market share. Industries vary on the barriers to enter; a market where the entry barriers are low will attract more entrants than a market where the entry barriers are high. There are a number of factors that determine entry barriers: the capital required, access to distribution channels, government regulations, an industry regulator, retaliation from existing competitors, and expertise.

Threat of substitute products

The next important factor in determining the attractiveness of a market is the intensity of competition that the industry faces from outside competitors or substitutes. Substitute products can have a number of influences on an industry including, extinction, retarding growth, lowering prices. Substitute products may come from changes in technology. Changes in technology may allow organisations to reach more consumers. This means that while an organisation is free to attack other markets, they must also prepare to defend their traditional market. Brand loyalty is therefore an important factor.

Bargaining power of buyers

The degree that the consumer has choice will affect the bargaining power of consumers. In markets where there is little choice and demand is high consumers have little bargaining power; however, in markets where there is plenty of choice and demand is low consumers have the ability to negotiate.

Bargaining power of suppliers/organisations

The final force is the bargaining power of suppliers. There are situations where suppliers/organisations have increased market power, for example, an essential product with few suppliers, a sought-after product where choice is limited due to few alternative products, and where there is market choice, but one product has a compelling and unique value proposition [e.g., Blue Ocean products].

This analysis would be included in a report would detail the findings of the analysis; however, the five forces are often presented as in a visual format to the Strategic Business Planning Group [SWOT presentation].

General Electric strategic planning matrix

Another approach that is often employed is the General Electric strategic planning matrix [also referred to as the McKinsey approach]. The general premise is that a market may be attractive; however, if the organisation lacks the capabilities to compete effectively in that market, then the organisation should consider their future in that market seriously. Therefore, market attractiveness and an organisation's ability to compete in the market should be considered when making strategic decisions on which markets an organisation enters, competes in or exits.

After the collection and analysis of COMP information this is a relatively easy task and one that is easy to communicate during a presentation.

When undertaking a marketing audit there are two areas that need to be considered together:

- The attractiveness of the market
- The organisation's ability to compete in a market.

The following diagram provides a list of research questions under the headings ability to compete, and market attractiveness. The matrix is comprised of nine cells; each cell represents a position based on the analysis conducted during the marketing audit. Each cell is numbered according to most likely strategy:

- [1] - Invest to grow
- [2] - Selective investment
- [3] - Harvest or exit the market

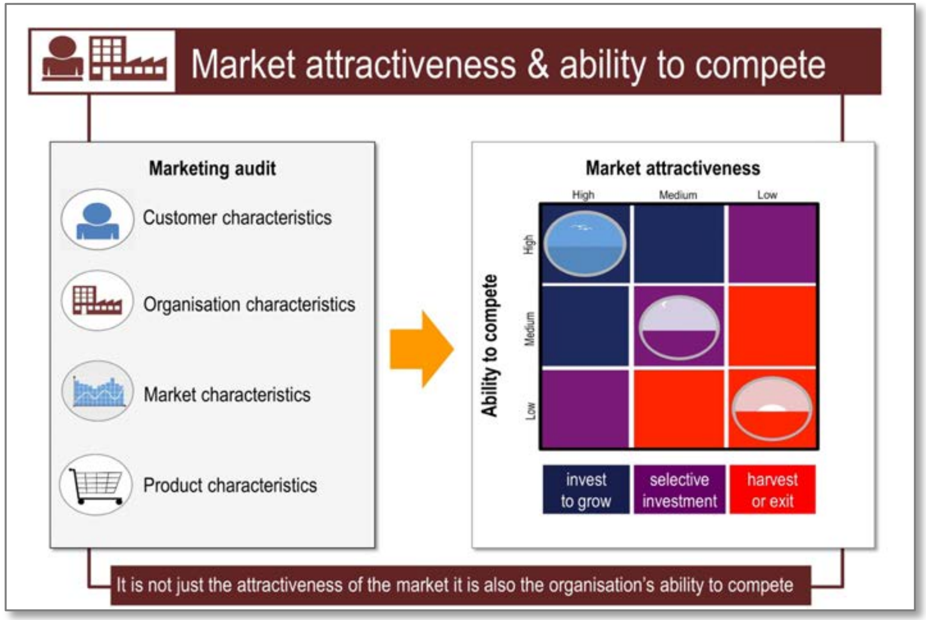


Figure 143: Synthesising the Marketing audit + GE planning matrix + Blue Ocean Thinking to explore market attractiveness and ability to compete.

Collating and presenting the findings

Once the various discipline audits have been completed the information is collated and presented for further consideration. Organisations vary in the way they collate and present information, however, there are two important components:

- The distribution of the discipline reports prior to the meetings
- The presentation of the discipline summaries at the meetings

A common method is to convene a Strategic Business Planning Group. This group would comprise the most senior representatives from the business disciplines and key locations. The meetings may be on a quarterly, six monthly, or yearly basis. The format of the business strategy meetings generally calls for the discipline reports to be distributed to members of the Strategic Planning Group prior to the meetings the presentation of discipline summaries at the commencement of the meetings.

A popular method of presenting the information at a Strategic Business Planning Group meeting is in a SWOT format – strengths, weaknesses, opportunities, and threats. The basic premise is that the situational factors facing an organisation have a positive value or a negative value and they are either internal or external to the organisation. The primary objective is to provide an overview of the situational factors highlighting the areas that require the organisation's attention.

The idea is to increase strengths and opportunities and reduce weakness and threats in the business planning process. This does not replace the discipline reports as these are necessary to enable members to analyse the audits of each discipline to understand the quantitative data and prepare for the strategic planning meeting.

At this meeting or following this meeting organisations would articulate their desired market and the basis of competition. The articulation of the desired market position and the basis of competition are the last step in the collection and analysis of information and the first step in the design and development stage. It is at this point that the Strategic Business Planning Group articulates the Strategic Intentions for the organisation.

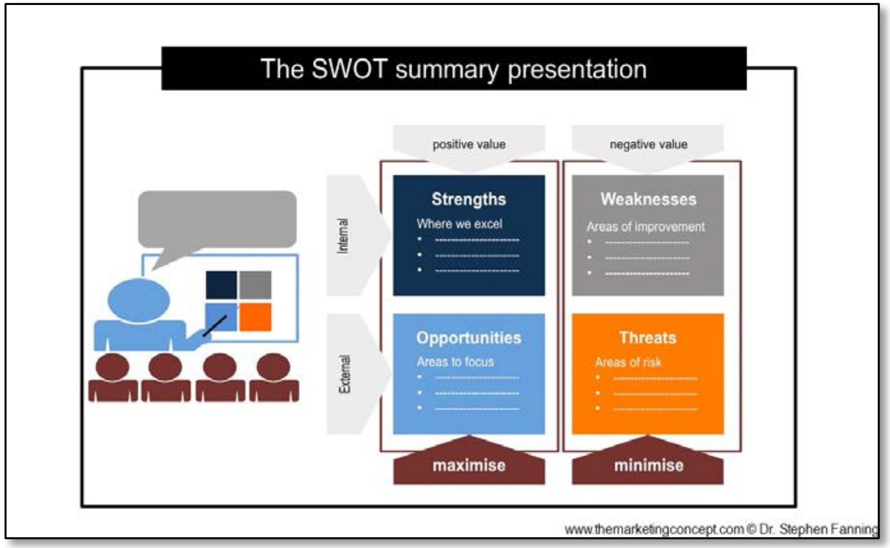


Figure 144: After a comprehensive report has been distributed for consideration a SWOT framework is often employed to synthesise and highlight the key points and is employed at various points in the CADDIE business-marketing planning process.

Search the web

The growth of Social Media Advertising has been phenomenal. One market company [1000heads] is worth a quick look to see the services they offer. HINT: look at this from a research perspective. https://1000heads.com/

Reflect & review

Employ these questions to reflect on your understanding and review your progress.

- There are two types of research that marketers undertake - as needed marketing research everyday marketing research - describe the purpose and the characteristics of each. Describe the 5 stages of - as needed marketing research
- How can market research assist an organisation?
- Discuss the differences between primary data and secondary data and why many believe that researchers should start with secondary data.
- Outline how marketing practitioners may employ software for marketing practitioners [SfMP] when undertaking a marketing audit.
- The CADDIE business-marketing planning process is an iterative process involving the Strategic Business Planning Group. Describe the iterative relationship between the CEO and the CFO, COO, CIO, and CMO when designing and developing the business plan and the individual discipline plans.
- A marketing culture is about the disciplines collaborating to best satisfy the customer. Why is this important particularly during the planning stage?
- Why is important to undertake a marketing plan in concert with other disciplines within the organisation?
- Discuss how an organisation's philosophy may influence how it plans to achieve the objectives of the marketing concept

- In your own words describe the customer audit.
- Why do marketing practitioners generally break the market into segments?
- Describe some of the segmentation variables that may be of interest to marketers
- In your own words describe the organisational audit.
- In your own words describe the market audit [note not a marketing audit].
- In your own words describe the product audit.
- Marketing practitioners generally analyse markets by attractiveness and ability to compete. Why are these two factors important?
- In your own words describe the role of a SWOT presentation/report.
- What is meant by the acronym CEMSTEEP?

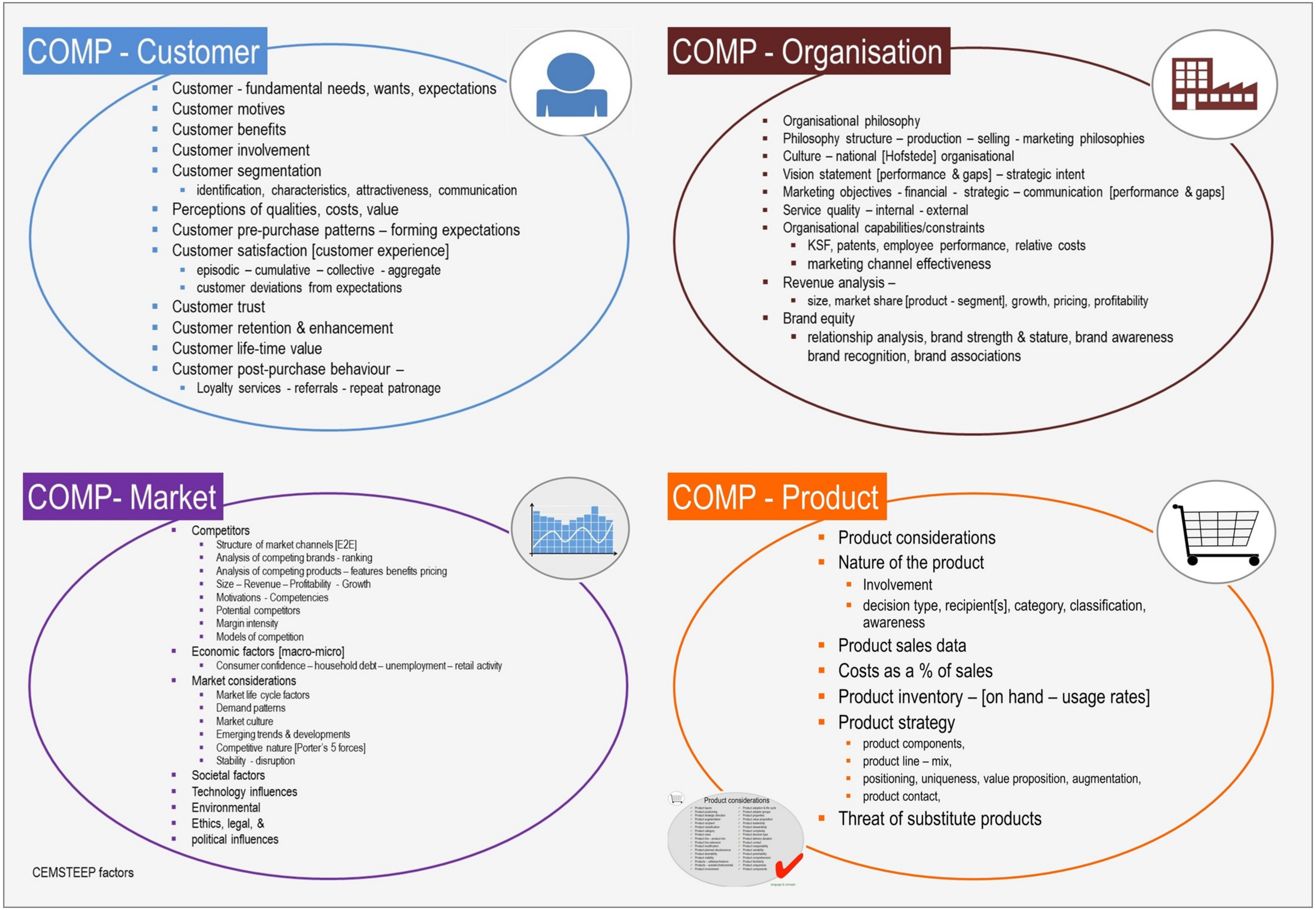


Figure 145: Undertaking a marketing audit will collect and analyse information on each of the COMP factors.

the CADDIE process
[design & develop]

3:2:1 The CADDIE process: design and develop

Previously: We discussed the collect and analyse stage of the CADDIE business-marketing planning process. We discussed 2 types of research that marketing practitioners employ when conducting a market audit of COMP factors Then, we discussed how the discipline research reports [focusing on the marketing discipline] and summary presentations are delivered to the Strategic Business Planning Group for further consideration.

Learning objectives

Learning objectives of this module: After completing this module you should be able to demonstrate an understanding of the documentation process for the business plan, the marketing plan, and the tactical marketing action plans.

Directions

Although the CADDIE business-marketing planning process will vary from organisation to organisation there are common tasks.

Once the Strategic Business Planning Group has completed the collection and analysis process, their next task is to design and develop the business plan. From a marketing practitioner's perspective one of the key components of a business plan is the articulation of the **desired market position and the basis of competition** this will include:

- What products to compete with
- How to compete
- Where to compete
- Whom to compete with

Once the business plan is completed, each discipline will begin the process of designing and developing the discipline plans and discipline action plans. For the **Strategic Marketing Planning Group**, it is to design and develop a marketing plan and marketing action plans that are aligned with the strategic intentions detailed within the business plan. Keep in mind that the business plan and the marketing plan are strategic documents as they outline the organisation's marketing objectives and, subsequently the tactical directions for the marketing action plans.

Articulation of desired position

Every organisation is influenced by the prevailing situational factors and by the decisions the organisation implements to manage their environment; therefore, how an organisation undertakes the marketing planning process is of critical importance (Aaker, 1995).

It is worthwhile to emphasise that 'the articulation of the desired position and basis of competition' was introduced when we discussed 'the contemporary marketing definition', 'Strategic Intent', 'Design Thinking', 'Blue Ocean Thinking' and 'New Product Development'. The articulation of the desired market position and basis of competition is an informal and formal iterative process and whilst it is the responsibility of the Strategic Business Planning Group, it is generally guided by the Chief Marketing Officer. The articulation of the desired market position and basis of competition is a key task, and it is through this iterative communication process that the Strategic Intent of the organisation and potential products are discussed, and debated (Hamel & Prahalad, 1989).

Whilst, the marketing audit is concerned with collecting, analysing and reporting, the articulation of the desired position and basis of competition is prescriptive - it is about designing, developing, and delivering innovative products that will meet the financial, strategic, and communication objectives of the organisation. It is where existing and potential products are estimated against **the attractiveness of the market and the ability of the organisation to compete** in that market.

Keep in mind that the articulation process is not about creating a convincing argument to 'sell an idea up and down an organisation' - it is about uncovering what may only be revealed by deep thought and discussion and then designing, developing, and delivering a product with a compelling and unique product value proposition.

From a marketing perspective, there are key questions that need to be addressed; to determine the marketing objectives, priorities, and budget:

- The uniqueness/augmentation/superior value of the product[s]
- The compelling reason to purchase the product[s]
- The most attractive market[s] to be targeted
- The anticipated market[s] size
- The anticipated revenue and return
- The likely competitors
- Allocation of resources to achieve marketing objectives
- Product protection from copying
- Best methods of communicating with internal and external customers

Often, at this stage, an organisation will determine if a project is feasible. A feasibility study will consider the desired market position, the organisation's short-term and long-term objectives, and expected revenue and expenditure targets.

The business plan

The business planning process is an iterative process – stakeholders, shareholders, the board of directors and the various business disciplines are involved [to varying degrees]. Therefore, although the business plan will provide an overview of the various discipline plans, the primary objective is to detail the organisation's objectives in one strategic reference document. As such, the business plan also documents the basis for evaluating the performance of management in the next financial period.

The outcome of the Strategic Business Planning Group is a business plan that articulates the organisation's strategic intent. Although the business plan will focus on the next financial period, it is likely the Strategic Business Planning Group will craft a rolling business plan that will articulate the strategic direction of the organisation for a stated number of years.

The planning stage provides the opportunity for each discipline to comment on whether the resources are available to complete each task. This is particularly important for organisations that operate in conditions that are unpredictable.

Another purpose of the business plan is to ensure that the various disciplines within an organisation are working together to achieve the strategic intent of the organisation. It must be considered that it is the Strategic Business Planning Group that determines the overall strategic direction of the organisation. However, the discipline plans [e.g., marketing plan] are also strategic documents, as they provide the strategic direction for each discipline to design and develop a series of tactical action plans [e.g., the marketing action plans] for implementation - transforming the strategic intentions to tactical actions.

To ensure focus, each discipline will have parameters of responsibility and it is normal practice that the business plan information is filtered and only discipline appropriate information is communicated in each discipline plan [finance, operations, information, and marketing].

The structure of the business plan

To ensure easy reference the business plan, the marketing plan, and the marketing action plans should be aligned. The CADDIE business-marketing planning process is a **compound process,** what that means is that it is comprised of a number of interlocking elements that come together and work in concert and provide the relevant instructions to each manager.

The business planning process is an important component of the internal communication of an organisation.

The business plan outlines the strategic intentions [vision] of the organisation, operating structure, and the short-term and long-term objectives of the organisation. Therefore, it is generally recommended that the business plan and the various discipline plans should have a similar format.

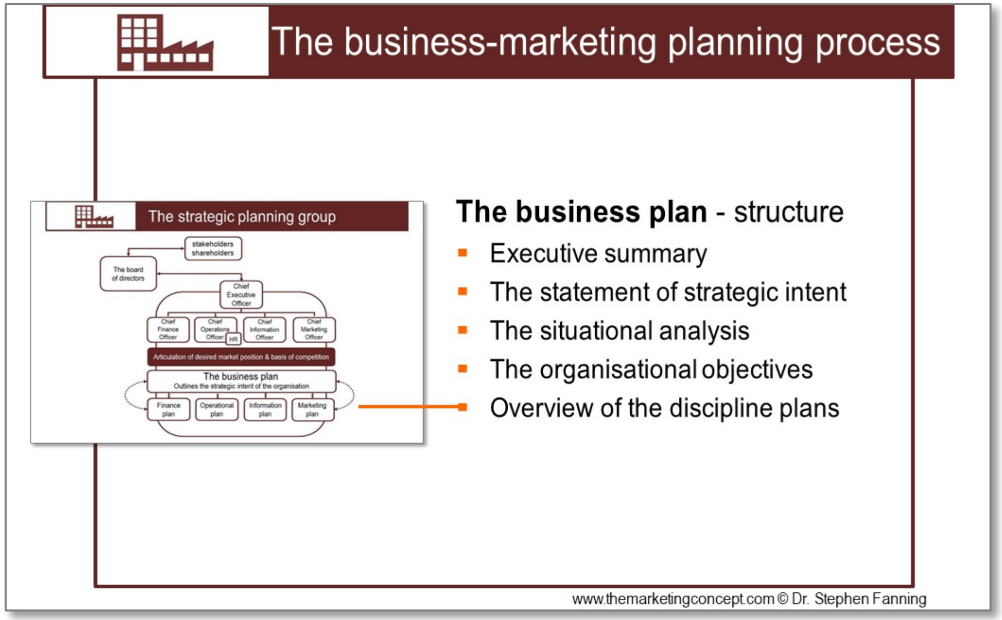


Figure 146: Overview of the structure of a business plan.

The executive summary

Although the executive summary appears at the beginning of the business plan, it is generally written around the time of the penultimate draft. The purpose of an executive summary is to outline critical factors and provide an overview of the strategic direction of the organisation.

The statement of strategic intent [vision statement]

This provides employees with a clear and concise statement detailing the strategic intentions of the organisation. The statement of strategic intent articulates the values[1] of the organisation and how the organisation provides value[2,3] for customers, the organisation, channel partners and society, additionally the statement of intent provides guidance as to how the brand[s] will be nurtured and helps to communicate an organisational meta-narrative.

The statement of strategic intent will influence the discipline plans and the action plans for each discipline. In addition, communication managers will often convey the essence of the statement when designing and developing key messages for different audiences.

The design and development of a business plan is not unlike the design and development of a set of architectural drawings. An architect doesn't say "go out and build a house", she/he will produce concept drawings, a set of plans and specifications. The concept design will identify the needs of the client, the needs of the environment, be compatible with the climate, specify the parameters of the project, be feasible, and meet the government and statutory requirements. Before work commences the overall design will be shunted between the different disciplines (e.g., electrical, plumbing, hydraulics etc.) for comment and to ensure that their needs are considered, and the plan is *doable*. After design and development, the set of plans will include detailed working drawings for each discipline. At this stage, the client will *sign off* on the set of plans and building contracts will be agreed on. The architect will also provide a list of written specifications (to detail items that are not easy to draw) for each part of the project. The written specifications will include a sequence for each task to be undertaken [e.g., Gantt chart, or project chart]. The architect will also administer a checking process to ensure monetary considerations, deadlines, and quality specifications have been met.

In much the same way, a business plan is a holistic "concept" plan for the organisation. The business plan will generally encompass the strategic plans of each of the strategic planning units (the disciplines) within the organisation. This is to ensure that all plans (which are like detailed working drawings) are congruent and work in harmony towards organisational objectives.

The reality is that to be included in the strategic business planning process, marketing practitioners need to consider and accommodate the views of other strategic planning units [sometimes referred to as strategic business units or SBUs] within the organisation (e.g., finance, operations, and information). Therefore, a marketing plan is not an isolated plan but part of the big picture. Marketing practitioners should promote the inclusion of marketing language, concepts and marketing management rigor. By contributing to the overall business plan marketing practitioners should demonstrate the value of the marketing discipline to an organisation.

The situational analysis

This provides an overview of the customer, organisation, the market and the product portfolio; it includes the overall economic conditions and the market conditions within the industry sector.

It will include total sales, industry trends, major players and likely scenarios for the sector. It may also provide an overview of internal and external factors, which negatively or positively influence the organisation's ability to compete and achieve objectives. This will generally include an overview of the capabilities of each strategic business unit [management, marketing, finance, human resources, operations, production, research and development].

In addition, the situational analysis will help to define the organisation - the history, nature of the business, assets, facilities, equipment, trademarks, products, the markets it serves and the overall market performance.

The organisational objectives

This provides a clear, quantifiable and holistic statement about what the organisation wants to achieve and by when.

Overview of the discipline plans

Previously we have mentioned that it is essential that a business plan sets clear, realistic and measurable objectives. Often interdisciplinary groups are formed at the strategic planning stage, and it is likely that an organisational business plan is likely to include an overview of the discipline plans.

The business plan should document deliverables, allocate responsibilities, provide budgetary details, provide an implementation timeline, project deadlines and how evaluation and corrective action will take place. Gantt charts are often used to provide an overview and a timeline; however, more detail is generally provided in the discipline marketing plans and discipline action plans. The discipline plans are designed and developed by the strategic discipline planning groups.,.

The marketing plan

Although the marketing planning process will vary according to the size and structure of the organisation, the design and development of the marketing plan will be similar to the format of the overall business plan. It should also be kept in mind that the marketing plan also documents the basis for evaluating the performance of senior marketing practitioners in the next financial period.

The marketing plan should unpack the business plan and identify and interpret information appropriate to the marketing discipline – in particular provide guidance regarding the specific marketing objectives, priorities, and budgets:

- The strategic marketing objectives of the organisation
- The strategies and the tactics needed to achieve the strategic marketing objectives

The pre-planning stage

Generally, overall responsibility for the marketing plan will belong to the Chief Marketing Officer [CMO] who was involved in the Strategic Business Planning Group that crafted the business plan. The Strategic **Marketing** Planning Group will be comprised of the Chief Marketing Officer and Senior Marketing Managers. The Senior Marketing Managers will generally be responsible for a key area of marketing, and this will vary according to the organisation [e.g., management of a brand, product, communication, channel, sales, region, research and development, and analytics].

The Strategic Marketing Planning Group will generally have a pre-planning discussion [face-to-face or through technology] to discuss the key elements of the business plan and the parameters of the strategic marketing plan. The real benefit of a rigorous marketing audit process should now be evident - as the majority of the information was collected for the Strategic Business Planning Group. Keep in mind that other disciplines contribute to the business plan, therefore, relevant information from the discipline reports will be included in the marketing plan. To meet timeline demands it is likely that the CMO will synthesise the information and provide a report. The CMO will also call for the Senior Marketing Managers to identify and report on any information gaps relevant to their area of responsibility - an updated report will be distributed prior to the strategic marketing planning meeting. Often, at this meeting the Senior Marketing Managers will be required to present a summary presentation [often in a SWOT format] for their areas of responsibility. The SWOT presentations by the Senior Marketing Managers will highlight areas of importance and stimulate discussions with the design and development of the strategic marketing plan as the objective.

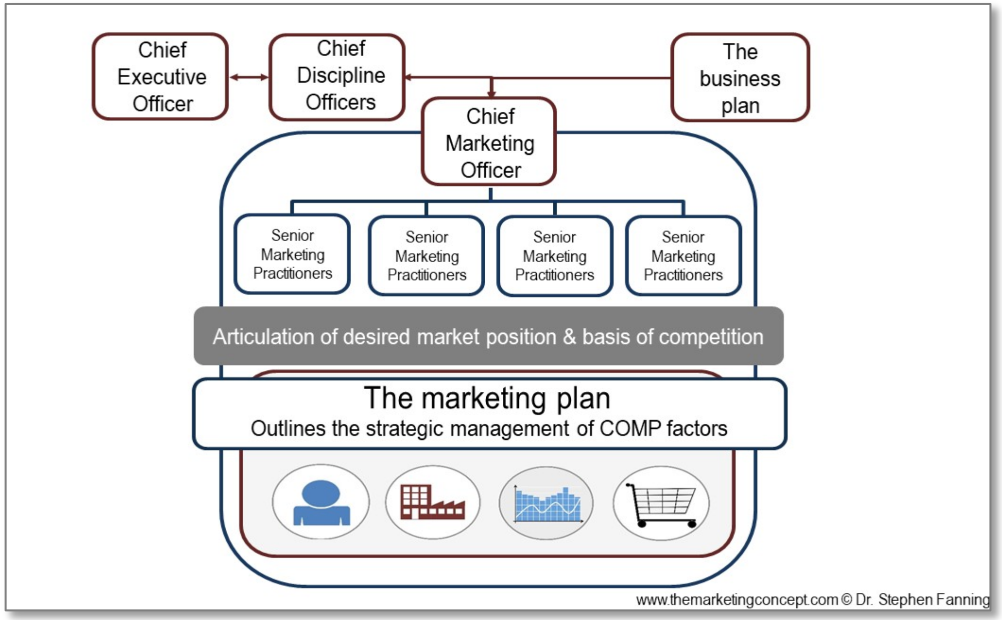


Figure 147: Illustrates how information for the marketing plan is communicated.

It is important to devote sufficient time to the writing of the strategic marketing plan, as the writing process also involves deep analysis and interpretation of the data; furthermore, the marketing plan is also a creative process as the writers find the appropriate language to best describe the value to the customers and the organisation. The marketing plan is an important part of internal marketing as it is through the marketing plan that staff not involved in the planning process become familiar with the marketing philosophy of the organisation and the unique value proposition that the organisation delivers to the market. Keep in mind - organisations are creators of value - customers are determinants of value and staff span the boundary between the organisation and customers; therefore, being able to communicate and establish value is the basis of strategy and organisational success (Doyle, 2012).

An objective of the marketing plan is to specify the most effective and efficient use of organisational resources – therefore, the marketing plan generally considers the short-term and long-term objectives of the organisation. The short-term objectives are to ensure sufficient revenue to meet costs and return an appropriate profit. The long-term objectives are the design and development of a sustainable competitive advantage [see the circle of satisfaction], long-term revenue, and the building of brand equity. Managers need consistency; a marketing plan should provide a long-term and short-term perspective and should have a timeline on deliverables to ensure budgets for particular tasks are not erratic.

The marketing plan is the revenue plan for the organisation and an important part of managing the revenue of an organisation. Additionally, as short-term and long-term revenue management and cost management are co-dependent, the importance of a marketing plan within an organisation's business plan cannot be overstated. An important part of the marketing plan is that it quantifies the financial objectives [e.g., sales volume, turnover, gross profit, net contribution of sales, sales performance by product/salesperson/division against within specific time frames [e.g., day, week, month, year]]. A marketing plan documents the key performance indicators; therefore, it is not a document that is completed and then forgotten, it is the reference point for the marketing objectives of the organisation - as we discussed previously, everyday marketing research is an ongoing process.

A marketing plan and marketing action plan requires constant revenue performance monitoring within the marketing metrics [often referred to as sales performance metrics] and these are at core of market-based management as they indicate how the business/product is performing]. These indicators are needed to assist with the corrective action needed to ensure that the marketing [financial] objectives are achieved.

Consider:

Q: If there were a decline in home building approvals of 10% and an increase in home renovations of 10% would this require a marketing practitioner of a window manufacturing business to alter forecasts or to consider re-evaluating promotional and sales emphasis?
A: YES.

Q: Would a sudden decrease in customer satisfaction require the marketing practitioner to investigate the communication gap and service gap in greater detail?
A: YES

Q: If an increase in market share revealed that a competitor had trouble supplying a particular product would the marketing practitioner use this opportunity to reassure key accounts that their orders will be filled before less loyal customers?
A: YES.

A marketing plan works in conjunction with the other business disciplines and like the working drawing of a building where, prior to commencement, every aspect is signed off and agreed to - the business-marketing plans are the working drawing to build the business. To ensure that the organisation remains true to its strategic direction the marketing plan should also be a reference point as to what resources [money, time, and effort] are allocated to what projects.

It is possible to overlook the importance of internal marketing when creating a marketing plan, however, an internal marketing action plan should outline key performance indicators and staff performance and the actions needed to ensure that staff have sufficient training and aware of their individual performance requirements.

Possible impediments

It is important to review some of the impediments that marketing practitioners may encounter during the marketing planning process. Previously we have discussed the marketing concept and a marketing philosophy and presented the view that a marketing philosophy has replaced the selling and production philosophy as the dominant business philosophy in most organisations. In addition, we have stated that there are a number of interpretations of what marketing is and is not. Furthermore, we put forward the view that there is still reluctance by some organisations to fully practice a true marketing philosophy that nurtures a marketing culture. For example, there are many organisations that undertake marketing activities (e.g., market research, advertising, sales promotion, personal selling) without embracing a marketing philosophy [these organisations may even consider that what they do is marketing]. In fact, there are some who say a 'marketing plan' when they actually mean an **advertising action plan** or a **promotion action plan**. These are also very important; however, an advertising plan and a promotional plan are components of a marketing plan and in some organisation part of a marketing communication action plan.

This inconsistency of terminology and a reluctance to fully practice a marketing philosophy often retards the design and development and implementation of a marketing plan.

> **Author's comment: In** the previous paragraph, we are discussing organisational action plans within the business plan, these should not be confused with discipline action plans – such as the marketing action plans. In an overall business plan, interdisciplinary task groups will likely shape the organisational action plans. The individual discipline action plans will generally be designed and developed by the discipline responsible for carrying out the allocated tasks. Marketing action plans are documents that outline how marketing strategy is translated into tactical tasks.

The marketing philosophy within the business plan is communicated in the marketing plan and operationalised through the marketing action plans. The marketing plan outlines the short and long-term objectives of the marketing discipline. Like the business plan, the marketing plan is an iterative process - the marketing departments provide input, however, they also receive guidance from the business plan and from those involved in the various marketing action plans. Although the marketing plan and the marketing action plans are distinct documents, they must be aligned.

The marketing plan is strategic: what is the organisation's marketing philosophy, what are the marketing objectives, what resources will be allocated, which objectives have priority and when are the completion dates for each objective. A marketing plan should provide an overview of the agreed strategic objectives; it should have sufficient breadth of topics to allow non-marketing staff to be informed and to ensure they are aware of their responsibilities. The marketing objectives then need to be explicated in a series of individual marketing action plans.

As mentioned, a marketing plan is a part of an overall organisational set of plans. There are a number of questions that must be answered in a marketing plan:

- Who are our customers?
- Where are our customers?
- Which market segments are most attractive?
- What are our organisation capabilities?
- What are our organisational goals?
- What do we wish to achieve and when?
- How attractive is our market?
- What is our ability to compete?
- What are the factors that influence success?
- What are the strategic imperatives?
- What core competencies are necessary?
- Who are our competitors?
- How are our products unique?
- How will we provide superior value?
- How will we make our product difficult to copy?

Creating a marketing plan will vary from one organisation to another. In some organisations where there is a marketing culture a marketing plan will be part of a **longitudinal planning process**, therefore, creating a marketing plan is a relatively easy task [review and plan]. In these organisations templates for the marketing plan will exist, past marketing plans will be available for reference, and the relevant information will be accessible from internal secondary data.

Conversely, in some organisations a marketing plan will require more analysis [research], design and development. There are a number of reasons for this; for example, a new project is under consideration or an event [internal or external] requires a review of the business. Marketing practitioners should be flexible to these occasions. Regardless of the motives for a marketing plan, it is likely that there are a number of situational factors that need to be addressed and this will determine the **as needed marketing research**.

The marketing plan will include much of the information discussed in the business plan. However, the purpose of the marketing plan is to elaborate and provide more depth than the business plan and to identify the marketing strategies and tactics that will be needed to achieve the organisation's objectives.

The structure of the marketing plan

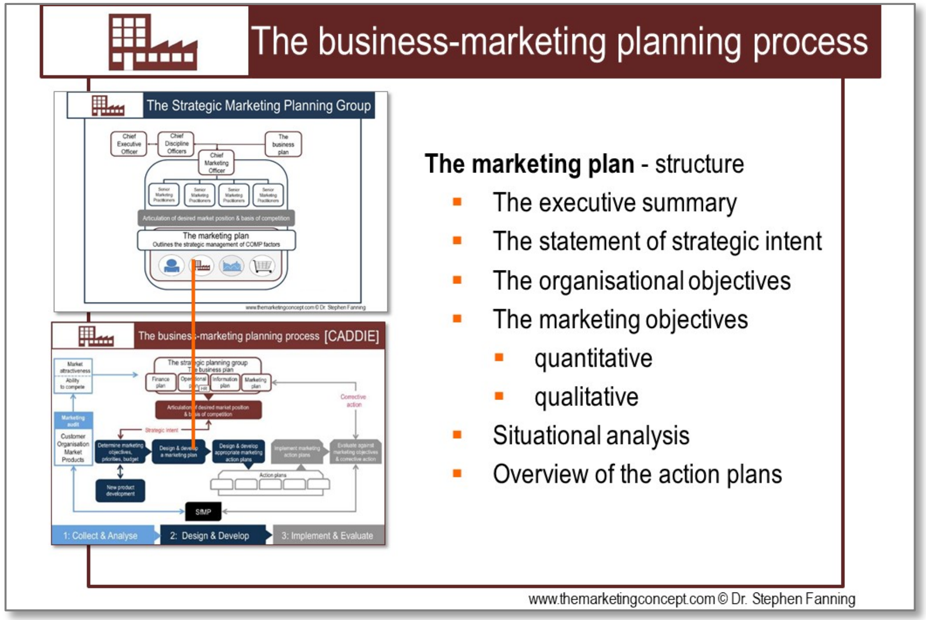


Figure 148: overview of the structure of the marketing plan.

The structure will be similar to the business plan; however, each section will be more marketing focused:

- The executive summary [similar to business plan]
- The statement of strategic intent [similar to business plan]
- The organisational objectives [similar to business plan]
- The marketing objectives [similar to business plan with a focus on marketing objectives]
- The situational analysis [similar to business plan but in more detail relative to the market]
- An overview of the marketing action plans [these will not appear in business plan]

The executive summary

Although the executive summary appears first it is generally written around the time of the penultimate draft. The purpose of the executive summary is to provide an overview of past performance and the critical factors that are likely to present in the next planning period.

The statement of strategic intent [vision statement]

This provides a clear, concise and memorable statement on the strategic intentions of the organisation regarding the **desired market position and the basis of competition**. The statement of strategic intent provides a key message to both employees and to consumers, it articulates how the organisation provides value, and provides guidance as to how the brand will be nurtured and help to develop an organisational meta-narrative. Therefore, the statement of strategic intent is particularly relevant to the marketing discipline plan.

The statement of strategic intent will influence the various marketing action plans. In addition, communication managers will often communicate the essence of the statement when designing and developing key messages for different audiences.

The organisational and marketing objectives

The overall organisational objectives are articulated within the business plan and the appropriate organisational objectives are restated in the marketing plan. Although the marketing objectives [i.e., the 9 objectives of marketing practitioners] are expressed in the business plan they are articulated in more detail in the marketing plan.

The marketing objectives will vary in different organisations [think COMP factors], however, the marketing plan is broad and details the various marketing action plans. Nevertheless, after reading the marketing plan marketing practitioners within the organisation should have a good overall knowledge of the strategic intent and direction.

The situational analysis

Throughout the e-book, we have discussed how situational factors [COMP] influence all aspects of marketing. The situational analysis section of the marketing plan identifies and explains the key situational factors revealed during the marketing audit. The situational analysis is likely to include an overview of influencing factors – often it will be presented as internal and external analysis and provide a detailed description of the internal and external factors which negatively or positively influence the organisation's ability to compete and achieve objectives.

Internal analysis is likely to include:

- **An organisational definition:** An identification of the history, nature of the business, assets, facilities, equipment, trademarks, products and the markets it serves.
- **Performance analysis:** Performance analysis may include determining: profitability, sales by product, revenue by product, shareholder value analysis, level of consumer

satisfaction, product quality, consumer retention, employee performance, brand associations, relative costs, and product portfolio analysis.
- **Determinants of strategic options:** Past and current strategies, financial resources, organisational capabilities and constraints, and overall strengths and weaknesses. The factors that influence success.
- **Market attractiveness and ability to compete:** Threat of potential entrants [entry-exit barriers]. Competitive nature and rivalry. Threat of substitute products. Bargaining power of buyers [influence of consumers]. Bargaining power of suppliers [upstream and downstream].

External analysis is likely to include:
- **Consumer analysis:** The identification of segments, identification of the most attractive segments, consumer motivations, and unmet needs.
- **Competitor analysis:** The identification of competitors [current and potential], competitor analysis on performance [size, growth and profitability], image, positioning, objectives, past strategies, current strategies, culture, cost structure, exit barriers and strengths and weaknesses.
- **Market analysis:** Research of the following dimensions to determine the attractiveness of the market: actual and potential size, market growth, life cycle issues, market profitability, cost structures, distribution systems, trends and developments and factors that influence success.
- **Environmental analysis:** Research into broad influencing factors, including: technology, government, economic, demographics and likely scenarios.

Product strategy

The product strategy section of the marketing plan will outline the market approach, the unique product value proposition[s] and the relation between products and brands.

Previously, we have stated that market segmentation is central to all marketing strategies and tactics. The marketing plan will detail the selected market approach - whether to offer the product to a market segment, market segments or to the whole market. Previously, we stated that - whilst the basis of segmentation may be endless it is important that targeted segments are identified and discussed within the marketing plan. Previously, we stated that each segment must have a dominant characteristic, it must be measurable and definable, it must be substantial and profitable, it must be reachable, and it must be ongoing, defendable and compatible with other segments. When necessary marketing practitioners should justify the organisational benefits of the selected market approach.

Segmentation variables

As previously mentioned, there are an endless number of ways to segment the market the most common are:
- **Geographical:** location, city V urban, suburb, city, country, proximity to business
- **Demographic:** age, gender, occupation, income, disposable income, family life cycle
- **Psychographic:** lifestyle and values, aspirational goals
- **Behavioural:** usage, loyalty, outcomes sought
- **Price/benefit:** perceptions of product quality and value hence products at different price intervals
- **Cultural:** culture influences values and in-turn consumption activities. Importance varies from product to product [e.g., high in some government services]
- **VALS:** on the basis of values, attitudes, and lifestyles

However, care should be taken to ensure that the segmentation variables are suitable for the particular business.

Pricing

Furthermore, the market plan should detail pricing strategies. The plan should outline the value proposition for products that are designed and developed for different market segments. Staff must be comfortable with the price before they can sell a product to consumers: the goal is to avoid price confusion through segmentation activities.

Collecting internal data

Software can assist marketing practitioners to collect the right information for analysis. Throughout the e-book, we have referred to how **software for marketing practitioners** may enable a marketing practitioner to identify cumulative customer details, buying history, and the collective cumulative consumption patterns of a market segment. This can assist marketing practitioners to identify the buying patterns of market segments including seasonal buying patterns [e.g., customers with children have different buying patterns during school holidays and in the lead up to Christmas]. The buying patterns of market segments and the forecasted income projections will be outlined in the business plan and then developed to greater degree in the marketing action plans. The graphics provided by software may provide a visual representation of the market which may be beneficial when designing and developing the marketing plan, and the various marketing action plans.

Product and brand decisions

Part of the marketing plan will be to make sales forecasts by an appropriate measure and by product group. Sales forecasts are necessary to ensure that organisational resources are allocated correctly.

Product considerations:
- The product decisions will vary due to the nature of the business; however, a comprehensive marketing plan is likely to detail the total product, including the product considerations, product layers and product components.

- Product considerations: whilst the situational factors may summarise the products that compete in a market this section of the marketing plan will identify the key considerations that need to be communicated.
- Product layers: this section of the marketing plan will communicate the core needs that the product must address, what consumer expectations, how the product is augmented, and *may* address long-term intentions for this product.
- Product components: this section will outline how the product is constructed; the qualities that are embedded in each component
    - The goods component
        - The material and functional properties
    - The services component
        - Facilitating and supporting activities
    - The ideas component
        - Branding, pricing, communication
    - The experience components
        - The feelings and emotional connections
    - The people component
        - Retaining, recovering, education
    - The place component
        - Ambient conditions, artefacts, signage, symbols, space, function, and location of the marketplace and marketspace

Brand considerations: This section will outline how the product[s] is/are aligned with the overall branding objectives of the organisation. There is likely to be an overview of the brands and often how the brands are positioned in relationship to competitor brands.

The marketing action plans

The marketing action planning process requires the involvement of the Tactical Marketing Planning Group comprising relevant managers. In some organisations the CEO and the CMO may be involved, however, in larger organisations it may be led by a Senior Marketing Practitioner and a number of Mid-Level Marketing Practitioners responsible for implementing the tactics to achieve the marketing objectives.

Prior to the marketing action planning meeting, the CMO and SMP will distribute a report which will contain information collected for the Strategic Business Planning Group and the marketing planning group. It would be expected that the report would be studied, and the situational factors given due consideration. Selected mid-level marketing practitioners will likely, present a tactical SWOT for their areas of responsibility [e.g., sales manager, communication manager, customer retention manager, retail manager – etc]. The SWOT presentation will highlight areas of importance and stimulate discussions, however, contributing to the design and development of the various marketing action plans would be the primary objective. Keep in mind that discussions will be robust as various mid-level marketing practitioners compete for attention and resources.

Whilst the marketing plan is a broad strategic document, the marketing action plans are tactical operational plans, and each will have defined and measurable parameters:

- How will each objective be achieved?
- When will it be achieved?
- Who is involved?
- Who is responsible for:
    - implementation?
    - evaluation?
    - any corrective action that may be needed?

Marketing action plans should have clear, unambiguous instructions. Where appropriate action plans will provide budgets and in some cases detail target pricing, forecasted sales by volume, revenue, and within a timeframe, expected cost of sales, projected profit and loss statements. The types of marketing action plans will vary by the organisation and what are the strategic priorities of the organisation at a particular time; however, there are two types of marketing action plans **as needed and everyday marketing action plans**.

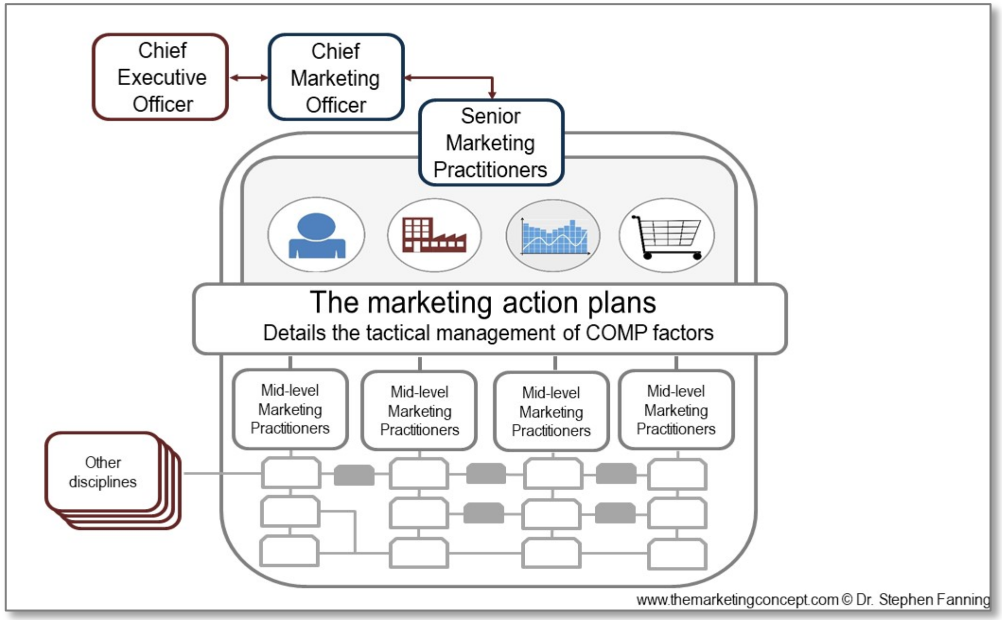


Figure 149: Illustrates the flow of information for the various marketing action plans.

As needed marketing action plans relate to specific projects and are only undertaken when a particular situation requires attention. *For example,* if the organisation believes that customer retention is below organisational expectations and **as needed marketing research** has been undertaken then an **as needed marketing action plan** will be designed and developed for implementation. This will be included in the marketing plan and the procedure outlined in a specific marketing action plan [it will be evaluated and may be a once off marketing action plan].

Everyday marketing action plans relate to actions and outcomes that happen on an ongoing basis, sometimes referred to as 'marketing metrics'. *For example,* sales, market share, communication, advertising, promotions, public relations, social media, service quality, retention. Everyday marketing action plans may also include the positioning of existing products, new product development, internal marketing, channel marketing, external marketing, customer retention, customer relationship management, sales and sales force management.

It is also likely that the marketing action plans will detail activities that are performed or involve staff in other disciplines. This is particularly important when responsibilities for implementing the marketing plan are across the organisation and when the cooperation of other disciplines is required [e.g., if improving service quality is a marketing objective this will require the cooperation of HR and operational disciplines. Consequently, a detailed flow chart or blueprint of the product delivery process is likely to be included in the marketing action plan].

Marketing action plans are important - people often remark that 'actions speak louder than words' and this is particularly true when branding. Some organisations focus on the brand image unaware that an actual brand identity is crafted through the organisation's actions - not their words. Brand identity influences consumer perceptions of value and assists consumers to identify and select best satisfying products.

Brand identity is also important to organisations. Brands are an asset and recorded in a balance sheet as goodwill or brand equity.

Marketing communication strategies and tactics will be outlined in the business plan and in the marketing plan and then explicated in the marketing action plan. The marketing action plans will comprehensively detail each aspect of the communication mix - a mix of mass communication and personal communication:

- **Mass communication:** is when broad information is transmitted [e.g., advertising, and PR]
- **Personal communication:** is when the message is delivered in person [e.g., service and selling] it may be face-to-face or through a medium

The purpose of the marketing plan is to communicate broad communication strategies and the purpose of the individual marketing action plans [generally part of management for performance MFP] is to provide the necessary detail for a staff member to focus on their areas of responsibility.

A number of software systems [e.g., project management software] are available to assist with monitoring the execution of the marketing plan and the marketing action plans. More traditional methods include Gantt charts and flow charts.

Often organisations have a number of channel partners, and it is unlikely [+ unwise] that the channel partners need to know the entire business plan or the entire marketing plan, however, it is likely that a marketing action plan will detail their role in the value creation process. The marketing action plan will detail their area of specialisation; for example, the organisation may outsource product warranty; an action plan specific to that area will be prepared by the marketing practitioner responsible and he/she will report to a senior marketing practitioner regarding performance.

Obviously, the customer retention action plan will be a completely different action plan to the one provided to the advertising agency.

Evaluation of the marketing action plan

After implementation of the tactics in the marketing action plans - everyday marketing research [marketing metrics] is likely to identify any deviations from the plan. **Not everything will go to plan - deviations from expectations are likely to occur**.

In many markets, competitors will take actions in response to the tactics that are implemented. Evaluation of the marketing action plan is an early warning system for organisations. Consequently, marketing practitioners must have control processes in place. The control measures should be documented in the marketing plan. How often and the types of control measures will depend on the type of business and the degree of unpredictability [daily, weekly, monthly, quarterly and annually]. The purpose of the marketing control process is to identify gaps between expectations and actual, analyse why the gaps are occurring and take corrective action. *For example,* typical control measures may be lead generation, lead conversions, sales analysis, expenses to sales analysis, pricing, customer satisfaction, and market share.

The evaluation process employs a comparative method to compare **actual performance** with the **ideal outcomes,** expressed in the marketing plan, and to compare actual with competitors, industry averages, past performance (Reed, 2015, p. 251). He suggests that after analysing what is happening an important consideration is to find out why it is happening [COMP factors].

Chief Marketing Officers in organisations where a Balanced Scorecard approach is in place will find it a useful framework for measuring performance against actual performance. Reed (2015) argues that performance measurement should be an iterative process that links all levels of an organisation and aligns with the business planning process.

The marketing action plan structure

Figure 150: The structure for each of the various marketing action plans

The structure of the action plans will vary from organisation to organisation. Therefore, the following structure is a guide only.

- **Title:** The title should identify the activity and parameters of the action plan
- **Statement of strategic intent:** This should be included to provide guidance to employees at all levels
- **Marketing objectives:** In broad terms provide a statement of purpose; an overview of what the action plans hope to accomplish. Describe the specific strategic marketing objectives that the action plan addresses
- **Financial objectives:** This would detail the increase in sales revenue, how it reduces organisational costs as a percentage of sales, build the value of the business
- **Processes:** the processes should be detailed and include a flow chart[s] of how the actions will be implemented and the sequence of events. The process for reporting of deviations should also be outlined
- **Roles and responsibilities:** this identifies who is responsible for implementing the action plan [this could be a person, an organisation, a team, and may involve channel parties] and who is ultimately accountable for reviewing performance and advising the CMO of any deviations from design.
    - **Implementation and evaluation:** what information is needed post implementation. The how, when, and with what frequency of collection and analysis. Who will analyse the information and who is responsible for distribution of information? Often a weekly report will be presented to the CMO for synthesis and communicating with the Strategic Business Planning Group
- **Timelines:** identifies the various milestones that need to be achieved and in what time period. It is common that a marketing action plan has a shorter life than the marketing plan or business plan therefore timeframes – who does what and by when
- **Budget:** itemises how much has been budgeted for the implementation of the action plan. This should include a breakdown of costs

Reflect & review

Employ these questions to reflect on your understanding and review your progress.
In your own words explain the relationship between a business plan, the marketing plan and the marketing action plans.
How does a discipline plan 'fit' into a business plan?
Explain the role of a marketing plan within a business plan
Explain the role of the marketing action plans within a marketing plan
To determine the marketing objectives, priorities, and budget a marketing plan must address a number of key questions; explain each:

- The basis of product a uniqueness/augmentation/superior value
- The compelling reason to purchase the product[s]
- The most attractive market[s] to be targeted
- The anticipated market size
- The anticipated revenue and return
- The likely competitors
- Allocation of resources to achieve marketing objectives
- Product protection from copying
- Best methods of communicating with internal and external customers

Holistically, outline the key components of a business plan
Outline the key components of a marketing plan
Explain the types of marketing plans [as needed action plan and everyday action plan]
What types of everyday action plans would be common to many organisations?
Outline a typical structure for a marketing action plan

the CADDIE process
[implement & evaluate]

3:3:1 The CADDIE process: implement and evaluate

The CADDIE process: implementing and evaluating module explores how strategic and tactical planning are transformed from strategic intentions to tactical actions. However, before we do that it may be prudent to undertake a quick review of key definitions and concepts.

Section 1: The foundations of marketing knowledge were constructed in section 1:

- We discussed and defined markets and marketing from both a buyer and seller's perspective
- Explored what is marketing and what is not marketing
- Discovered how marketing has evolved and has revealed 4 quests for marketing practitioners
- Identified how marketing has a role in shaping society,
- Identified how marketing has a role in the financial, strategic and communication objectives of an organisation.

In addition, in section 1 we stated that there were three business concepts the production, selling and marketing concepts. We discussed and defined the marketing concept and stated that the marketing concept is the most adopted and practiced. However, some organisations are an amalgam of all three business concepts even when the marketing concept is the dominant concept. Therefore, if an organisation adopts the marketing concept, they need to internally communicate the organisation's philosophy to ensure a marketing culture is nurtured.

The marketing concept is built on the premise that

> Organisations that best satisfy their customers' needs are best placed to satisfy their own needs

We stated that a marketing philosophy is directed towards achieving the marketing objectives of the organisation and takes into consideration the situational factors [COMP] that the organisation must manage, the characteristics of the customer, the organisation, the market, and the product.

A marketing philosophy is how

> A particular organisation goes to market. A marketing philosophy is an organisation's belief system – that guides the behaviour of the people within an organisation – it determines an organisation's values and how they deliver value to their customers, their people, their channel partners, and society.

We also defined marketing from a customer's and an organisation's perspectives.

> Marketing is the human activity directed at satisfying needs and wants through the exchange process (Kotler, Fitzroy, & Shaw, 1980, p.14).

> Marketing is an iterative process where an organisation works with & adapts to the market & then through the process of communicating, creating, distributing, promoting, and pricing products endeavours to facilitate profitable exchange relationships with customers, channel partners, & society.

Section 2: We discussed how it was worthwhile to consider the marketing concept as the primary marketing concept comprised of **5 secondary marketing concepts**. We also stated that the secondary marketing concepts provide direction and theoretical guidance.

We defined the buyer decision process

> As how customers search and estimate products, experience and assess products, and how customers reflect, evaluate, and form product and brand attitudes.

In the buyer decision process, we explored how buyers and sellers come together to satisfy their needs. We stated that the buyer decision process goes beyond the exchange. Nevertheless, for a sale to be made the organisation must create awareness, interest, desire, and action.

We defined the total product

> As the totality of what an organisation delivers to the customer– what is promised and what is delivered – it is what is expected, what is delivered and the total costs to the customers.

Our exploration of the total product revealed that products have considerations, layers, and components. We discussed how the product components are goods, services, ideas, experiences, people, and place [GSIEPP] and how any could be a dominant or a determinant component. We discussed that the product components each present communication challenges. Although many people think of products as goods if there is one that is missing then it is the goods component. The total product highlighted the importance of service quality how service quality is founded on communication quality and how without the communication of ideas then it would be unlikely an exchange would ever happen, and it would be unlikely a brand would be cultivated. We will discuss this further in this module.

We defined the circle of satisfaction

> As how customers form product expectations and then evaluate product quality, product value, and product satisfaction and consequently form product attitudes, that determines future behaviour, and which collectively influences product, brand, and organisational performance.

In our exploration of the circle of satisfaction we presented the view that a competitive advantage is established through a process that includes quality, value, and satisfaction and how satisfaction can be classified as episodic satisfaction, cumulative satisfaction, collective satisfaction, and aggregate satisfaction. In sum. Customer satisfaction results in trust customers providing a 'loyalty service' and rewarding the organisation – which results in organisational satisfaction.

Section 3 began with a discussion on how marketing practitioners apply a marketing philosophy and marketing theory through the CADDIE - business-marketing planning process. In the collect and analyse section of the CADDIE process, we discussed how marketing practitioners conduct a marketing audit to research the prevailing situational factors [COMP factors] of the customer, the organisation, the market, and the products to assess the market attractiveness and ability to compete. We noted from our previous discussion on the evolution of marketing that situational factors are constantly evolving, and this requires the organisation to adapt, however, we also noted that marketing practitioners have areas of responsibility that must be continually researched, and this required two types of marketing research - as needed research and everyday marketing research.

We defined **as needed research**

> Research that is conducted when there are situational factors that require marketing practitioners to collect and analyse new information.

We defined **everyday marketing research**

> Research that is conducted regularly and routinely to monitor and achieve the marketing objectives of the organisation; this includes the steps to collect and analyse information, design and develop strategic marketing plans, implement and evaluate marketing action plans, and take corrective action when needed.

Before moving into the design and development stage of the CADDIE process we discussed the strategic approaches available to organisation and introduced a few contemporary ideas including Strategic Intent, Design Thinking, and Blue Ocean Thinking; this discussion was to provide insight into the design and development of the overall business plan, the marketing plan, and the marketing action plans.

It should now be apparent that marketing strategies and tactics crafted in the collect and analyse and design and development stages must be implemented and evaluated.

We will, for the remainder of the marketing concept [e-book] explore marketing action plans – you will notice that a recurring theme of the action plans is communication, however, we take a more holistic view of communication and go beyond external media communication by the organisation.

Learning objectives

Learning objectives of the module: After completion of this module you should be able to demonstrate how the marketing concept and a marketing philosophy is transformed from strategic intentions to tactical actions plans. Furthermore, you should recognise the importance of evaluating performance and taking corrective action.

Directions

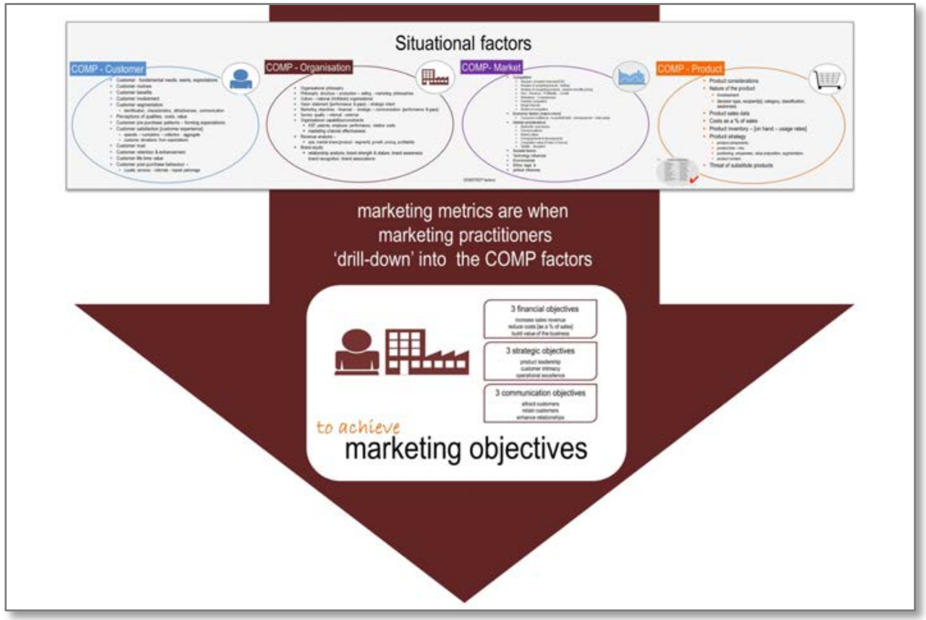


Figure 151: The COMP factors provide direction to drill-down further and measure marketing metrics to manage specific areas within a tactical marketing action plan..

The module **'The CADDIE process: implement & evaluate'** has a number of chapters. The chapters outline 'typical' marketing action plans of an organisation, however, as we know from COMP this will vary from organisation to organisation and will include action plans that are 'everyday' and routine and action plans that are 'as needed'. Everyday action plans are those that are traditionally needed to manage the 9 objectives of marketing practitioners, whereas as needed marketing action plans are those where a course of actions is needed to manage an emergent situation [think COVID] or a changes in the situational factors the organisation may encounter. As we saw from some of the activities, marketing practitioners may be employed in a strategic or tactical role – more often a tactical role. Tactical marketing practitioners generally measure, manage and report on specific marketing metrics relative to their assigned role.

Short and long objectives

We have discussed marketing objectives and the strategic and tactical marketing metrics needed to measure and manage performance – and – the role of marketing action plans. Binet and Field (2013) caution that marketing practitioners should view marketing strategies and tactics with both long-term and short-term objectives in mind – for example; incrementally building the sales baseline and being less dependence on short-term sales promotion. They argue that overly focussing on short-term sales revenue does not increase the sales baseline [sales that would be achieved without a sales promotion] and neglecting the long-term brand ambitions may be a recipe fo a disaster. They state that due to internal pressure there is an ever-present temptation to focus on the immediate sales revenue within the present financial period rather than over multiple financial periods – which is why the financial objectives of marketing practitioners includes reducing costs as a percentage of sales, building the value of the business, product leadership, and customer retention. This recommendation is often referred to as the 'short and long' of marketing.

Keep in mind, a major contibutor to long-term business value is collective satisfcation, trust, and loyal behaviour of customers. Although these are strategic objectives, they require a series of 'enabling' marketing action plans.

Marketing is an iterative process

We emphasise that communication is critical to all aspect of marketing, that marketing is an iterative communication process between the customers, organisation [including channel partners], the market [including society]. Therefore, we could conclude that marketing communication is both strategic and tactical, has both long-term and short-term objectives. Therefore, the following considerations should be kept in mind as we progress through the marketing action plans:

- How the marketing concept requires a different communication approach to the production concept and the selling concept
- How a marketing philosophy is unique to an organisation
- How an organisation must communicate the unique product value proposition both internally and externally and be directed to achieving the marketing objectives of the organisation
- How the definition of marketing emphasises how communication is central to marketing – and not just communication to **external customers** but also to **internal customers**, channel partners and society
- How the success of the buyer decision process, the total product, and the circle of satisfaction are dependent on quality internal and external communication
- How marketing practitioners must listen to their customers, organisation, markets, and society [and then collect and analyse information and develop, and implement and evaluate marketing plans and communicate their strategies and tactics to facilitate profitable exchange relationships through marketing action plans]
- How marketing practitioners craft a holistic communication strategy to help achieve their marketing objectives
- How the action plans are often overseen by tactical marketing practitioners and performance is measured by appropriate and specific marketing metrics that is often collected by specialised software

Generally, when non-marketing people use the term 'marketing' they are referring to what marketing practitioners call 'external marketing' and they tend to overlook how external marketing success is the result of a quality internal marketing process. When non-marketing people talk about a marketing action plan they are often talking about an external marketing action plan. This misinformation adds to the confusion and frustrates many qualified marketers [a constant theme on LINKEDIN]. Nevertheless, external marketing [marketing to external customers - B2B and/or B2C] is of critical importance and outlined in the communication objectives in a strategic marketing plan and expanded in the relevant marketing action plans and measured through appropriate marketing metrics.

The perception that marketing is external communication is deeply ingrained – consequently, it would be natural for readers to think that we would begin this module - the CADDIE process: implement and evaluate with a discussion of the 'external' communication mix model. However, if you have considered this - you may have recognised that beginning with external communication would not be in keeping with the marketing concept, in fact it would be more in keeping with the selling concept.

In the module chapters we explore the following everyday marketing action plans:

- Managing quality
- Internal and channel marketing
- Customer retention
- External marketing
- Sales and salesforce management
- Software for marketing practitioners
- The relational sales process

Therefore, our first marketing action plan is managing quality. Previously, we introduced three strategic objectives - product leadership, operational excellence, and Customer intimacy [customer centricity]; clearly, all three are only possible through quality internal and channel communication. Internal marketing is marketing within an organisation; channel marketing is marketing to the channel partners [partners who provide initial services, enabling services, and peripheral services that add value to the product and benefits to the customer and the organisation.

Readers should now recognise that consumers are involved to varying degrees when making choice decisions; therefore, it makes sense to ensure that staff and channel partners are well equipped to help consumers make their decisions. The marketing concept approach to communication is not about broadcasting a persuasive message with sufficient reach and frequency and then use manipulative selling techniques; it is about developing a meta-narrative with consumers/customers and the market – therefore, advertising, promotion and selling take on a more strategic role. **Keep in mind - that organisations craft a marketing philosophy to reduce their costs of doing business by reducing the organisation's dependence on advertising, price promotions, and selling tactics.** An advertising campaign can only be effective if it results in collective customer satisfaction, and collective loyal behaviour – we refer to this as **brand equity**.

> **Author's comment:** It is often said that a persuasive advertising campaign can hasten the demise of a failing company when a compelling promise is not fulfilled and negative word of mouth results.

Branding

A communication objective of marketing practitioners is to establish a **meta-narrative** with the marketplace. We introduced the idea of a meta-narrative when we discussed the difference between a product and a brand; that a brand is the result of product encounters and everything else that is communicated by the organisation and other customers. Whilst the organisation may initiate and control some conversations; customers may initiate and control others. Some of the customer-initiated conversations will be with other customers [think about customer conversations with 'friends' in person and via social media]. It is this recognition that the meta-narrative is influenced by many sources **controllable** and **uncontrollable** that elevates our thinking to a higher level.

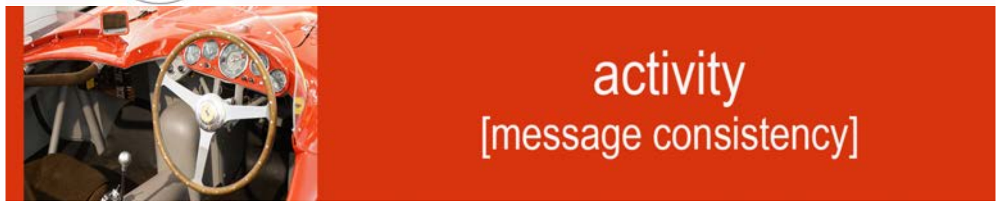
We have discussed how brand image is a message that is communicated by the organisation; however, brand identity is constructed by the collective [cumulative] satisfaction of customers. Clearly, everything an organisation does - positive and negative - communicates a message to consumers. It is also important to recognise that customers store this information for future retrieval and decision-making – consumers and customers have a memory. Stone (2015, p.33) suggests that brands 'inspire emotional connections' and therefore 'brands must behave properly', and this includes 'treating the customer with utmost respect'.

There following are some of communication considerations of marketing practitioners:

- Position or reposition a product; establish a unique product value proposition
- Populate and the salespipeline
- Manage risk
- Facilitate the exchange
- Manage post purchase concerns
- Establish roles and provide sales/service scripts
- Build B2B channel harmony
- Have internal marketing conversations
- Manage supply and demand
- Have rewarding on-line conversations
- Reward staff or customers for loyal behaviour

With this discussion in mind it is worthwhile to consider that many of the marketing action plans have communication as the key element.

Linking content & context



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Reflect & review

Employ these questions to reflect on your understanding and review your progress.

- With the diagram [on the next page] in mind, explain how marketing communication is an integral part of the marketing concept .
- What are the 3 marketing communication objectives?
- Explain how marketing communications can help achieve the 3 marketing objectives
- How can the communication help communicate the value of the 6 product components?
- Explain the importance of a 'brand to the organisation and the consumer.
- What is a meta-narrative and why is it important to communicate a meta-narrative?
- What is a unique product value proposition and how can communication help communicate the UPVP?
- Explain a push communication strategy and pull communication strategy and provide examples of when marketing practitioners would employ each approach.

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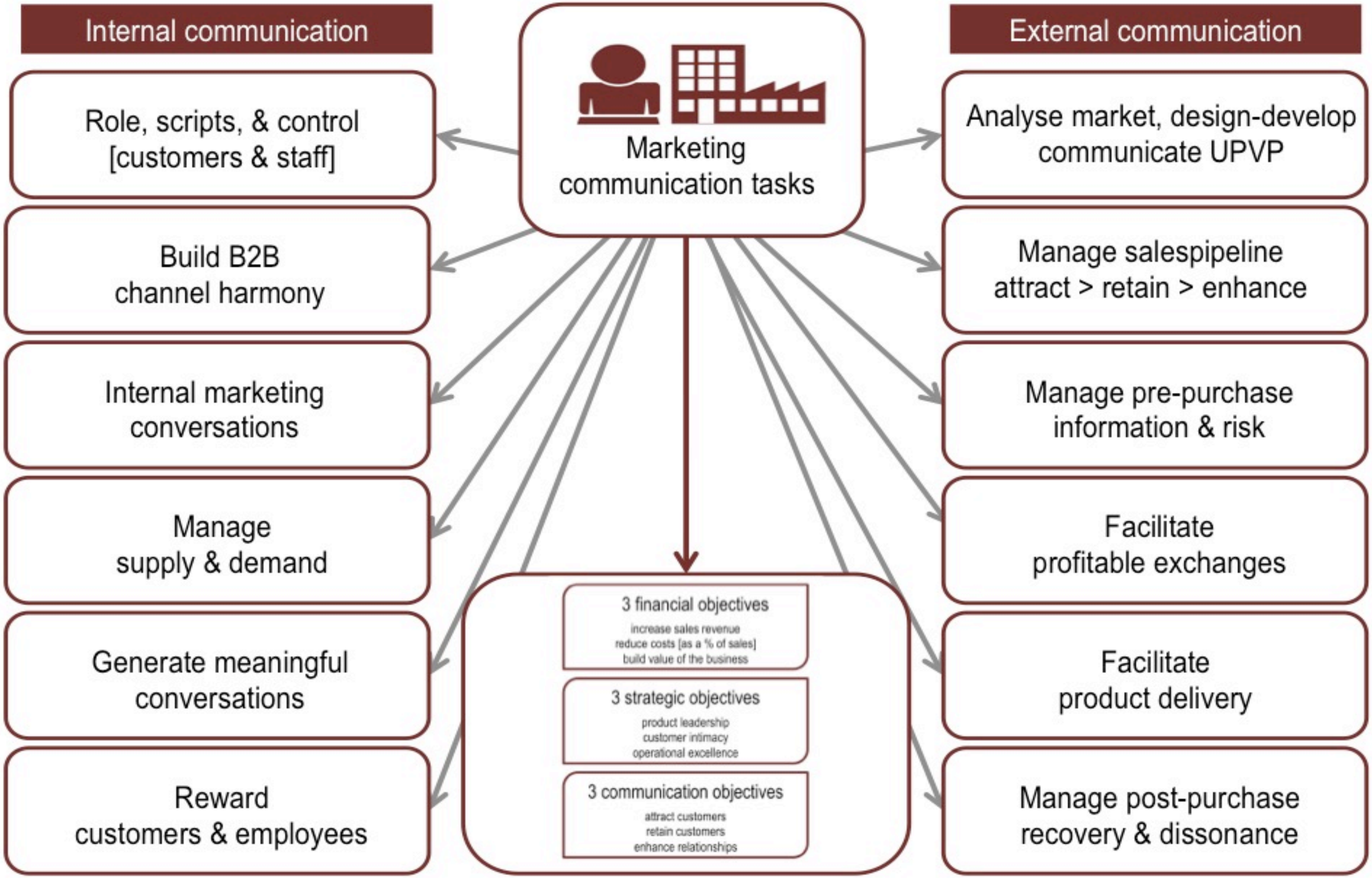


Figure 152: Highlights the communication objectives of marketing practitioners that would be included in marketing action plans.

marketing action plans
[managing quality]

3:3:2 Marketing action plans: [managing quality]

Previously: In the module introduction we introduced a number of typical everyday marketing action plans: managing quality, internal and channel marketing, customer retention, external marketing, sales and salesforce management, software for marketing practitioners, the relational sales process.

Learning objectives

Learning objectives of the chapter: After completing this chapter on managing quality you should be able to demonstrate an understanding of the 5-gap theory and the SERVQUAL tool for measuring and managing customer satisfaction.

Directions

In this chapter we provide an overview of managing quality and explore the 5-gap model, SERVQUAL, servicescape and net promoter score [NPS]; tools that marketing practitioners may employ to measure and manage customer satisfaction.

Tactical marketing practitioners that are involved in managing quality may measure and manage a number of marketing metrics – for example: *collective customer satisfaction score, net promoter score, willingness to repurchase, willingness to recommend, customer effort score [effort to resolve episodes of dissatisfaction], reliability [probability of failure], segment profitability, compliment and complaints as a proportion of sales.*

Interestingly, Morgan and Rego (2006) maintain that improving collective customer satisfaction score is the best indicator of future success – which is in keeping with the premise of the marketing concept.

The 5-gap model: closing the gaps

The 5-gap model is a well-recognised marketing tool developed by Parasuraman, Zeithaml and Berry (1985). Parasuraman *et al.* (1995) present the argument that managing quality is about identifying, measuring, and closing quality gaps - they identified five possible gaps: the knowledge gap, the standards gap, the delivery gap, the communication gap, and the total gap between what is expected and what is received.

Author's comment: Although the 5-gap model was originally written from the services marketing genre, it is more insightful when a COMP perspective is adopted and consultation and collaboration with other disciplines is undertaken.

The big takeaway from the 5-gap model is that marketing practitioners should not assume that all consumers have the same consumption patterns as they have or assume that they even know their consumers – that is the importance of COMP and the 5-gap model as it explores consumers and markets.

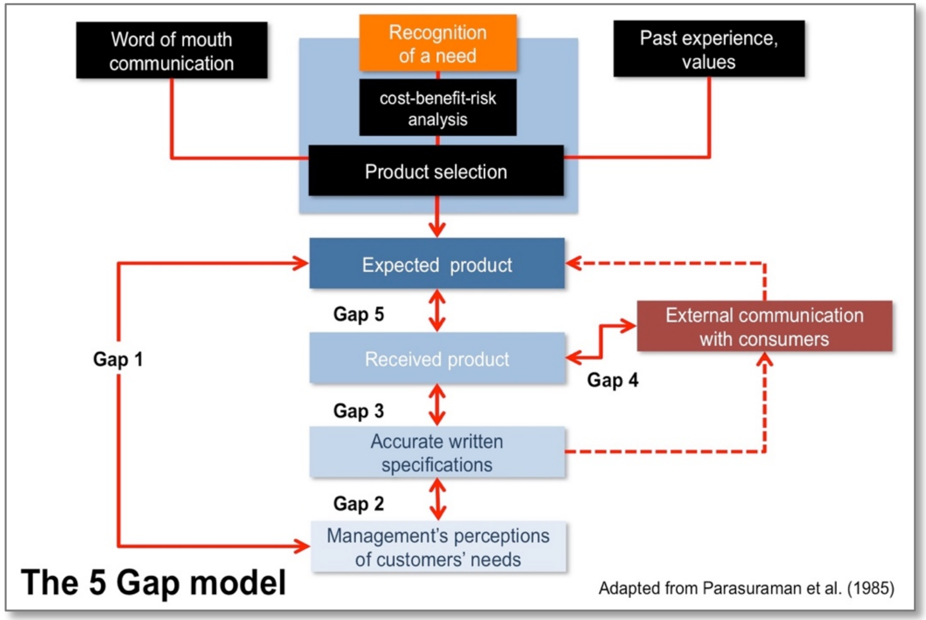


Figure 153: The 5-Gap model. Adapted to include the buyer decision process

Let's look at each of the gaps

1: The knowledge gap: – the knowledge gap occurs when managers do not fully understand the needs and wants of the selected market segments – i.e., *managers lack knowledge*. This is the gap between **what the customers/market expects** and what managers believe that **the customers/market expects.** The characteristics of the organisation, market, and product would need to be considered.

To close this gap: Managers must gain a better understanding of the customer through formal and informal research.

- Formal research can be both qualitative and quantitative research - for example, focus groups and surveys
- Informal research is direct communication between managers, customers, and staff

The objective is to nurture a more customer-focussed culture one based on listening to the customer and learning from the customer.

2: The standards gap: – this gap occurs when managers have researched and understand what customers/market expects, however, this knowledge has not been documented - or correctly documented. The gap occurs between management knowledge and the written documentation of the customer experience – there are insufficient documented specifications to guide staff.

To close this gap: Managers must establish and document service quality standards. Managers should produce a service blueprint [also known as a flow-chart] that details front-stage and back-stage activities and outlines the delivery sequence. Part of the blueprint is a detailed description of the roles and responsibilities of staff as the customer moves through the service delivery process.

There is a need to establish current standards and be time specific about meeting quality goals. Identify areas where the greatest improvements can be made - establish a hierarchy of priorities and do the most important tasks first. At this point it may also be beneficial to identify repetitive tasks that can be improved through the use of technology and self-service technology. This can often be achieved when the customer plays [or can play] a role in the service delivery process [e.g., airport check-in and seat allocation].

3: The service delivery gap: – this gap occurs when there are differences between what has been specified by the organisation and what has been delivered to the customer.

To close this gap: Managers must ensure that the specified standards are delivered. Managers must ensure that both front-stage and back-stage staff know the roles they must play, and act according to the script. It is important to minimise role conflict and to establish responsibilities and to empower staff to act when appropriate. Staff need to be trained to identify any deviations from documented standards and take the appropriate action. The objective is to reduce the number of deviations from established specifications and to recover when deviations occur.

4: The communications gap: – this gap occurs when the service is being delivered to specification, however, what has been 'promised' to the customer is different to what has been specified and delivered.

To close this gap: Managers must ensure that the promises that are made to customers are truthful and can be profitably fulfilled. An important part is to ensure that those responsible for delivering external communication [e.g., advertising, personal selling, and promotions] are aware of the specified standards and the negative effect that over-promising has on customer satisfaction.

Managers must ensure that staff input is part of the development process for external communication. Whilst external communication is important to ensure customer satisfaction, there is also a need for internal marketing that educates staff on service delivery specifications and motivates staff to maintain high service quality standards. It is important to ensure that advertised promises/pledges are communicated to front-stage and back-stage staff and to pre-test all communication material prior to release. When the customer is part of the delivery process there is a need to communicate with and educate the customer. The objective is to make a promise that is attractive to the customer and the organisation.

5: The total gap: – this gap includes all the gaps between gaps 1 and 4, this gap is the evaluation between the customer's expectations and what the customer believes has been delivered. The total gap spans the entire buyer decision process. This results in one of the following outcomes – dissatisfaction – indifference – satisfaction. This gap between expectations and performance is referred to as the 'confirmation – disconfirmation model' or the 'disconfirmation of expectations' model. Confirmation or disconfirmation is the result of an evaluation process in which the customers' expectations have either been confirmed or disconfirmed (Hill, 2003) [this model is discussed in the circle of satisfaction].

To close the total gap: Managers must close all previous gaps. They must manage all aspects that influence customer expectations and affect the delivery performance. To do this, managers must ensure that all communication informs the customer as to what is possible and then ensure that what is delivered conforms to specified standards.

> **Author's comment:** Although many marketing practitioners recognise the importance of 'closing the gaps' some see this as a once-off task – tick the box and move on. In assessments some students state, "I would undertake a 5-gap analysis" and then fail to acknowledge that closing the 5-gaps is an ongoing management task. This is important - closing the gaps is not something that is done once, or once a year, or once a month – it is something that is an everyday task for a business. Sure, some tasks like documenting procedures may not be everyday tasks, however, monitoring performance against specifications, ensuring that customer expectations are met, and that communication is honest are routine tasks. Another area that is often overlooked is how everyday management tasks are part of the continuous process of closing the gaps and improving the future product of the organisation and best satisfy the customer.

SERVQUAL

We will continue our discussion on the importance of measuring the gap between expectations and performance. Following the 5-gap model Parasuraman, Zeithaml and Berry (1985, 1988, 1991, 1994) developed, over a number of years, the SERVQUAL tool for measuring service quality. Their work has received a great deal of attention. It is worthwhile to be familiar with SERVQUAL as it is useful across a wide range of businesses and although readers may find it initially daunting it is quickly grasped and very applicable. Parasuraman, *et al.* (1985, 1988, 1991, 1994) developed 10 dimensions of quality. SERVQUAL is sometimes summarised into 5 dimensions; however, we will focus on the 10 dimensions: The ten qualities of SERVQUAL

Tangibles: the presence of physical evidence of quality [servicescape]

- Were the premises in keeping with the product position and product?
- Were the staff appropriately dressed?
- Would there be a tendency to approach or avoid in future?

Reliability: Ability to accurately and dependably perform to an expected level

- Was the service provided free of errors?
- Was the service consistent with expectations?

Responsiveness: The willingness/readiness to help customers

- Was the service provided in a timely manner?
- Were the staff willing to answer customer questions?
- Were requests treated professionally?

Competence: The possession of the required technical skills to perform to expectations

- Did the staff appear to know what they were doing?
- Were the staff able to perform the task unassisted?
- When is technology employed is the process effective and efficient?

Courtesy: The ability of the staff to perform in a professional, respectful, considerate manner.

- Did the staff behave in an attentive manner?
- Were the staff pleasant without being obsequious?
- Was communication with other customers handled appropriately?

Communications: the ability to understand, be understood, and confirm understanding

- Did staff communicate without jargon, listen attentively, acknowledge customers.
- Were options explained?
- Did staff confirm an understanding of customer needs?

Credibility: Did staff demonstrate trustworthiness, believability and honesty.

- Did the organisation behave in a manner that was likely to build a reputation?
- Was the level of service and selling appropriate to the product?
- Was information given in a manner that was customer orientated?
- Did staff behave in an unbiased manner?

Access: The degree to which the business and staff were approachable and available.

- Was it easy to gain access to the building?
- Was it easy to gain access by telephone?
- Was it easy to gain access by email?
- Were knowledgeable staff members on hand to deal with requests?

Security: The degree of apprehension, risk or threat

- Was the approach to building safe?
- Did the staff allay value for money fears?
- Did they allay performance fears?
- Was customer confidentiality appropriate?

Understanding: The extent that staff went to understand the customer's needs.

- Were the staff flexible to accommodate needs?

The overall premise is that if expectations and performance are critical to understanding then marketing practitioners must gain an understanding of customers, develop written specifications and then measure organisational performance to ensure that quality is an everyday task.

Sensory qualities

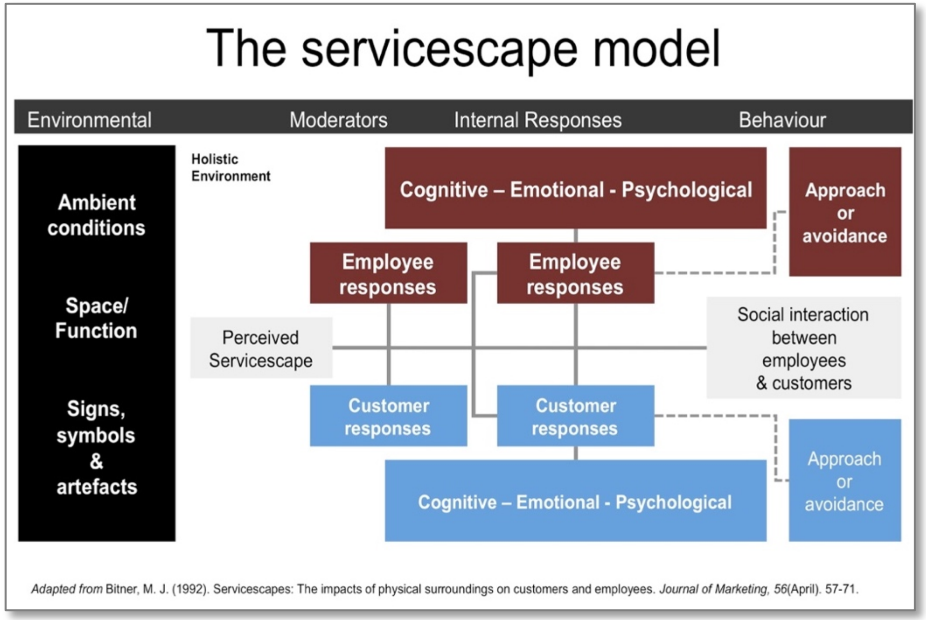


Figure 154: Bitner's model. Note the approach avoidance factors for both employees and customers

The above diagram is adapted from the work of Bitner (1992); you may recall she was cited as a proponent for the business as theatre metaphor with Grove and Fisk. Bitner's work is logical and is congruent with Lewin's (1935) and Mehrabian and Russell's (1974) work on approach - avoidance. The overall premise is that consumers and employees approach pleasant surroundings and avoid unpleasant surroundings. She confirms the findings of Donovan and Rossiter (1977) and Schlesinger and Heskett (1991) that appropriate surroundings will positively influence the mood of both the customer and the mood of the employee, and this positively influences how they interact with each other. Additionally, she states that place and behavioural norms varies according to the activity. For example, it is likely that the same person may act differently in a place of worship and at a sporting event [see multiple-selves in consumer behaviour].

Bitner (1992) states that the place of business is experienced through the senses. She breaks the environment into three groupings and states that the nature of the product should dictate what is appropriate and inappropriate [e.g., fast-food restaurant Vs. Michelin star restaurant; a sporting arena Vs. a place of worship; a lawyer's chambers Vs. a car mechanic's workshop]. The three groupings are:

- Ambient conditions – temperature, air quality, noise, music, odours
- Space/functional dimensions – accessibility, layout, equipment, furnishings
- Signs/symbols/artefacts – signage, props, style and décor

Bitner (1992) also states that the degree of interaction with the employees of the organisation [e.g., a hairdresser] and interaction with other customers should also be considered [e.g., attending a sporting event].

Marketing practitioners are urged to study Bitner's (1992) classic article as it provides insight into the importance of managing the place [plus the interacting components of experience, people, service, and ideas]. It also highlights that place sends physical evidence to prospective customers.

This evidence will include the atmospherics of the place, the staff, and other customers. Clearly, these are subjective evaluations and will vary from person to person and also vary according to a person's mood. Marketing practitioners are therefore advised to propagate a positive message and avoid cues that propagate a negative mood. However, propagating a positive image must not extend to over embellishing as this will result in increasing customer expectations beyond what can be delivered and lead to decreased levels of satisfaction.

The approach-avoid concept outlined in Bitner's model has exceptions. For example, Albany is one of the world's most beautiful destinations and a favourite tourist destination. However, it is also home to the ANZAC Centre; an exhibition that commemorates the sacrifices of Australian and New Zealand soldiers in the first world war. Clearly, this exhibition is confronting and, as you would expect for personal reasons some visitors avoid the exhibition, however, many visitors although they are aware of the distressing nature of the exhibition, approach the exhibition. In marketing there are always exceptions, it is important to have strategies and tactics in place to manage exceptions.

Net promoter scores

Earlier we mentioned that just as the success of a theatrical production is dependent of good reviews so does the success of a product/organisation. Marketing scholars have long advocated the importance of measuring the customer mind-set on an ongoing basis as this will reveal any changes in customer schemas (Srinivasan, Vanhuele, & Pauwels, 2010). One interesting method of eliciting feedback is called **net promoter score** [NPS] – like most ideas there are some who question the reliability (Keiningham, Aksoy, Cooil, Andreassen, & Williams, 2008; Kristensen & Eskildsen, 2014). Nevertheless, Fred Reichheld advocates measuring the likelihood of customer recommendations through the use of Net Promoter Score (NPS). Although, Reichheld (2003) has attracted some criticism, he is recognised as a leader in this field of study and the NPS tool is widely adopted. It appears as if Reichheld had an epiphany and realised that he was measuring too many elements of customer satisfaction and could take a short-cut by simply asking the likelihood that a customer would recommend an organisation in the future [i.e., loyal behaviour]. Building on his previous work, he advocates a simple test to indicate how an organisation will fare in the future. The basic premise is that customers are asked to rate, on a scale of 0-10, the likelihood of recommending a product to someone in the future.

0= Very Unlikely to 10 Highly Likely.

- Customers who rate their future behaviour between 0-6 are said to be detractors and engage in negative word-of-mouth
- Customers who rate their future behaviour as a 7 or 8 are classified as passives; passives are neutral, and they engage in neither positive nor negative word-of-mouth
- Customers who rate their future behaviour as a 9 or 10 are classified as promoters and they engage in positive word-of-mouth

The sum of the negative word-of-mouth is subtracted from the sum of the positive word-of-mouth and there is your NPS [Passives neither influence the equation in a positive or a negative way]. An organisation's NPS can then be compared to that of a competitor[s].

As readers, would expect there have been critics and the critics have some good arguments. However, NPS is presented as a simple easy test to indicate the WOM [positive or negative]. Positive WOM is generally correlated with customer satisfaction and growth and therefore it could be used to reinforce a customer-focussed philosophy.

In an online video Fred Reichheld suggests that there is often a disconnect between the manufacturers, the customer, the retailers, and the retail salespeople. He maintains that when retailers select and stock a product they are making a promise of satisfaction to their customers. Furthermore, by measuring NPS the retailer can provide the necessary feedback to the manufacturers which may identify gaps, improve the product, reduce returns [i.e., reduce the cost of sales], and maintain loyalty with their clients [build the value of the business].

Linking content & context

To illustrate: A leading Perth business broker had this to say about the importance of building the value of a business and then having evidence to demonstrate the lifetime value of customers:

People buy a business for one primary reason – to make a profit. Some think that they are buying the assets of the business, but buyers need to realise that assets must provide a return on investment. Purchasing a business is an investment and buyers need a return on their investment and the better the return the more desirable the business is and the more desirable the business is, the more a purchaser is willing to pay. So: it is in the seller's interest to make the business desirable.

On the subject of goodwill there are many ways of estimating goodwill, but in reality, it comes down to a reasonable expectation that, the existing income and profit, currently being achieved by the business, can be maintained once the business is transferred to a new owner.

In addition to the ability to maintain current profitability, there are many factors that influence goodwill. A history of profitability is nice, but the question on a potential purchaser's mind is can it be maintained in the future? Some businesses that were very desirable a few years ago, cannot be sold today.

We could categorise factors that influence the desirability of a business as factors that reduce risks and factors that increase risk. Factors that reduce risk include: a superior management structure, possession of certain skills or technologies, trademarks or brand name, patents, contracts, exclusive agencies, intellectual property, customer loyalty and database.

Factors that increase risk may include: questions over the security of a location, potential threats from new competitors, over reliance on the skills of the previous owners, over reliance on a small customer base, questions regarding the ability to access and transfer existing knowledge to the new owners.

Good systems are important; people buying businesses today often have had senior positions in large organisations and are therefore familiar with good systems. Of course, good systems reduce the risk by making it easier to undertake due diligence. Due diligence is a process, usually carried out by the purchaser's accountant to verify whether the financial and non-financial records of the organisation are true and accurate. It is also common practice to reduce risk by the new purchaser to insist on some form of retention to ensure fulfilment of promises.

marketing action plans [internal & channel marketing]

3:3:3 Marketing action plans: [internal & channel marketing]

Previously: We introduced a number of typical everyday marketing action plans: managing quality, internal and channel marketing, customer retention, external marketing, sales and salesforce management, software for marketing practitioners, the relational sales process. In the previous chapter we discussed the everyday marketing action plan of managing quality.

Learning objectives

Learning objectives of the chapter: After completing this chapter you should be able to demonstrate how the objectives of profitable exchange relationships are communicated to internal customers and channel partners.

Tactical marketing practitioners that are involved in internal and channel marketing may measure and manage a number of marketing metrics – for example:

Directions

In this chapter, we will focus on internal and channel marketing. In many ways, this chapter is the application of the circle of satisfaction and the service profit chain. It is also an extension of the CADDIE business-marketing planning process – marketing action plans directed towards internal marketing and channel marketing.

Initially, we explain the importance of internal marketing. We will present a key premise of internal and channel marketing - that customers, the organisation's staff, and channel partners should be considered as co-producers of value. As a result, internal and channel marketing can work with and amplify an external marketing strategy.

Traditionally, marketing textbooks argued that organisations must employ [1] push tactics or [2] pull tactics when promoting their products. The general idea was that if a consumer had product category awareness but not primary product/brand awareness and visited a retailer - a push strategy was recommended; whereas, if the organisation had high product/brand awareness - a pull strategy was recommended. In the tradigital years, many organisations have developed a combination of push and pull tactics:

- **Push tactics** are where an organisation [often a manufacturer] promotes their products through the marketing channel and pushes a product towards the end-customer. For example a manufacture enters a relationship with a distributor who promotes the product to their customers.
- **Pull tactics** are where an organisation [often a manufacturer] promotes to end-customer to generate demand and pulls the product through the marketing channel. For example: a consumer views an advert and enquires at a retailer.
- **Push-pull tactics** is a mix of push tactics and pull tactics where organisations focus on a mix of B2B and B2C communication tactics to maximise sales revenue.

In recent years, **direct-to-consumer sales** by manufacturers have become more popular; the increase has been attributed to changing consumer attitudes, the freedom from carting bulky items, and the adoption of enabling services such as online shopping and home deliveries. Whilst direct-to-consumer sales may be growing, organisations need to take care and not to upset existing channel partners. Regardless of the adopted tactics what is clear is that most organisation will have both internal and external communication tactics [see also forward and reverse marketing] and that nurturing internal and channel partner relationships is critical.

> **Author's comment:** Once the 'Yellow Pages' had enormous market power. To understand the degree of influence ask someone over the age of 45 to describe the role of the Yellow Pages in B2B and B2C decision-making – 20 years ago. Visit Wikipedia and search 'Yellow Pages' this is an example of no longer best satisfying and not adapting.

Apple's renaissance is an example of good internal marketing. Soon after his return to Apple in 1997 [he had earlier been sacked as apparently, he had little value to the company he founded], Steve Jobs addressed Apple employees - he urged them to think differently [see YouTube 'think different']. In his address, he said,

> **Quote:** Great products happen because a group of people care deeply about something … this is true in technology and in all other areas.

Jobs put forward the view that it requires people collaborating to produce great products. Collaboration needs to happen from the source of the idea all the way to the customer.

The idea of internal cooperation and collaboration to reach organisational objectives is not a 'new' idea; Drucker, (1973) states that internal, channel, and external marketing are fundamental to business success. Channel partner cooperation and collaboration are constant themes in business and even more vital in areas where knowledge and ideas need to be shared (Amabile, Fisher, & Pillemer, 2014). Some scholars put forward the view that channel partner engagement is more often a strategic necessity and a prerequisite in obtaining a strategic competitive advantage (Keeling, de Ruyter & Cox, 2019).

Collaborating to efficiently bring products to market has always been a key success factor and without the appropriate tools the topic of much speculation. However, today - technology enables the flow of appropriate and timely information between external customers, internal customers and channel partners [e.g., intranet]. Furthermore, customer-to-customer communication [e.g., via social media] has also increased the need for organisations to improve internal and channel communication [also referred to as employee engagement] and to create a mega-narrative. Furthermore, technology has enabled marketing practitioners to measure and manage marketer-generated content [sometimes referred to as content marketing] and user-generated content to gain insights into B2B and B2C performance and appropriately rebate channel partners (Kumar & Pansari, 2016).

Author's comment: The idea that staff and channel partners as 'customers' suggests that the concept of a salespipeline may also be applied to ensure that employee and channel partner engagement works towards the objectives of marketing practitioners[9].

Internal marketing

In recent years, many organisations have become aware of the importance of a **customer centric** and **relational approach.** This approach is consistent with how marketing is evolving, and it extends beyond external customers to internal customers and channel partners. To achieve quality relationships with external customers, progressive marketing practitioners recognise that the first step is to develop quality relationships with their own staff and channel partners. A relational approach to staff and suppliers has always been important, however, as low-cost producers 'move upwards' and adopt the marketing concept and practice a marketing philosophy there is increased pressure on established organisations to increase efficiencies, reduce the cost of their products [as a % of sales], and establish a unique product value proposition that positions the product favourably in the consumers' considered set of products.

With the customer centric and relational approach in mind, we will now focus on the internal, and channel marketing activities that foster customer satisfaction and, consequently, encourage loyal customer behaviour including positive word-of-mouth [WOM+]. Whilst traditional external marketing communications focussed on attracting new customers the contemporary approach is to also focus on **retaining existing customers and enhancing customer relationships**.

Organisations that adopt the marketing concept and practice a marketing philosophy often refer to staff as **internal customers** and **boundary spanners** and refer to the process of cultivating a customer centric culture as internal marketing.

An **internal customer** is an employee [she/he may work in finance, operations, information, marketing] who relies on the services of colleagues to work effectively; internal customers may never meet an external customer and their work is performed back-stage.

A **boundary spanner** is an employee who spans the boundary between the organisation and the customer [a waitperson in a restaurant is a common example of a boundary spanner]. The role of a boundary spanner is to reconcile the interests of both the customer and the organisation. Often boundary spanners must communicate the organisation's perspective to the customer and the customer's perspective to the organisation. The role of the boundary spanner will vary according to the customer, the organisation's commitment to being customer centric and the product. Whilst boundary spanner involvement will vary according to the product it will vary from customer to customer within the same product category [variability is a product consideration]. An example of variable boundary spanner involvement could be in the health industry where different patients may need different degrees of care.

It is also fair to say that whilst, many organisations recognise the importance of promoting their product to external customers, many fail to recognise importance of internal marketing and how it complements external communications.

Marketing - the bridge to the customer

Earlier we discussed how some organisations view profit[1] in short-term monetary terms. A proponent for this thinking was economist Milton Friedman; he proposed that the only responsibility a business has was to make a financial profit (Friedman, 1970).

Organisations who follow Friedman's thinking tend to adopt an **inside-out communication mentality**; broadcasting what they want the customer to know and think – we know this as characteristics of the selling concept. However, when an organisation adopts the marketing concept, they adopt an **outside-in communication mentality**. An outside-in communication mentality recognises that marketing spans the boundary between the customer and the organisation and is therefore an important source of information for all areas of business and not merely a tool to send information to the customer. In this way, the marketing department and the boundary spanners [who provide this service] provide value to the customers and organisation through a feed-back and feed-forward loop. Marketing practitioners who are sensitised to an outside-in communication model tend to see customers as an asset of the organisation and one that should be nurtured and respected like any other asset [think goodwill on a balance sheet – think building the value of the business]. And tend to see boundary spanners as a talent that can be managed to firstly minimise deviations in product quality and assist the organisation to recover and learn from the event if deviations do occur. Organisations that practice a marketing philosophy tend to view internal and external customers as **co-producers of value** – this is sometimes referred to as **customer collaboration.** Therefore, boundary spanners are not just the representative of the organisation they are the representative of the customer and how the strategic intent of the business plan and the marketing plan is implemented.

Organisations may espouse a customer centric philosophy, however, it is not uncommon for organisations to provide 'lip-service' to the concept of customer satisfaction and fail to implement the required processes to ensure satisfaction is measured, managed and improved.

Rather than build long-term relationships, some organisations focus on short-term sales objectives – these organisations have one foot in the selling concept and one foot in the marketing concept [think sales baseline].

Not all organisations are retail organisations; many are part of a B2B marketing channel. Where an organisation is positioned on the marketing channel [e.g., manufacturer, wholesaler, retailer] and the nature of the product [convenience, shopping, specialty, degree of desirability; product component mix; method of delivery... etc.] will influence the foci of the organisation's marketing communication.

Nevertheless, it is worth re-stating that only when a marketing philosophy is adopted, and marketing strategies and tactics are clearly communicated and practiced can an organisation achieve the 9 key marketing objectives.

Managing satisfaction

Figure 155: There are many different types of boundary spanners- they are an important part of many products.

As discussed in the circle of satisfaction: Every encounter between a boundary spanner and a customer influences the customer's overall evaluation of quality, value, satisfaction, and trust, which influences customer loyalty, repeat patronage, and profitability. In recent years, there has been recognition that each interaction between the organisation and the customer has the potential to increase or erode customer satisfaction. Interactions are also referred to in the marketing and popular business literature as **critical incidents, moments of truth, or touchpoints**. Therefore, each boundary spanner customer interaction should, as much as it is possible be managed. Customers naturally evaluate each episode of satisfaction and accumulate the outcome in their memory system for future referral [**episodic satisfaction** > **cumulative satisfaction]**.

Internal marketing

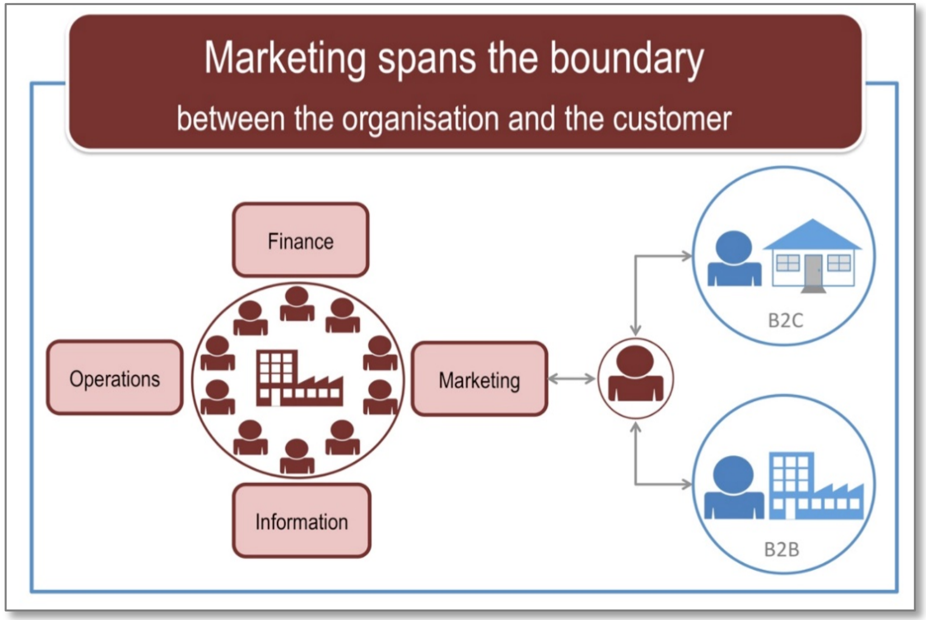


Figure 156: In the above diagram, we can see the important role of marketing and boundary spanners in providing information to customers and the organisation

Most organisations will have a marketing plan, which includes the marketing philosophy of the organisation and the marketing objectives; what is critical is that this message is regularly communicated throughout the organisation. It is worth considering that most employees join an organisation after it has been established and this means they must learn about their organisation and the product it offers. Often the marketing objectives of the organisations are assumed to be understood or are inferred within internal communication or are passed on in an informal process.

Internal marketing is an ongoing process where the values of the organisation and the value of the products are communicated; the objective is to improve the quality of communication with external customers and to populate and advance customers through the salespipeline. Ongoing quality training for internal customers and boundary spanners is crucial. What is often overlooked is that an organisation's boundary spanners estimate the unique product value proposition and form product attitudes, prior to communicating the unique product value proposition to external customers. Therefore, engagement programs are vital, within the SfMP there are a range of **social collaboration tools** [also referred to as Enterprise Social Software] to assist in the recording of the process.

According to Gronroos (2007) the overall premise of internal marketing is that boundary spanners must have the necessary skills and commitment to enable them to effectively communicate and deliver the unique product value proposition to external customers. He suggests that a focus on internal marketing is vital for an organisation to achieve its objectives. The adoption of an internal marketing program is an important step an organisation can take towards becoming a customer-focussed organisation and managing profitable exchange relationships with its customers (Gronroos, 2007).

Keep in mind, that world class brands are established through the commitment and hard work of employees. Here are some conclusions we can draw:

- It is important to measure and manage external customer satisfaction, however, it is also important to measure and manage internal customer satisfaction
- It is important to generate external word of mouth; however, it is also important to generate internal word of mouth
- It is expensive to replace defecting external customers; however, it is also expensive to replace defecting internal customers

We have discussed that services, experiences, and people are important product components and how **total profits**[4] are different to financial profits [remember the short and long of marketing]. One often-overlooked contributor to customer satisfaction is employee satisfaction.

It is hard to imagine that an unhappy employee will enhance a customer's experience [we all have our off days, so we can see that it is harder to maintain the quality of services component than the quality of goods component of a product – i.e., product variability and product inseparability]. A number of scholars argue that each employee/supplier in the channel should be recognised and treated as an internal customer (Ahmed & Rafiq, 2003; Ballantyne, 2003; Gronroos, 2007). Gronroos (2007) suggests that internal customers often feel frustrated in much the same way as external customers when their expectations of good internal service are not met. Furthermore, he advocates that quality management processes should be extended to include internal service failures [staff to staff deviations in standards].

Ahmed and Rafiq (2003, p.1181) suggest that internal marketing is often the starting point and not an afterthought.

> **Quote:** internal marketing works establishing, developing, and maintaining successful reciprocal exchange relationships within the organisation through: understanding and intimacy; trust; and commitment.

Brown, Mowen, Donavan, and Licata (2002) state that good relations between an employee and her/his supervisor are paramount. In addition, they state, how an employee rates themselves and how the supervisor rates the employee can influence their orientation to customer service. Other identified traits that affected employee performance include: the employee's degree of introversion, instability, agreeability, conscientiousness, openness and activity (Brown *et al.*, 2002). Clearly how introverted or extroverted will influence whether someone is more suited to a back-stage or a front-stage role, how stable they are will influence their focus on work tasks, their degree of agreeability will influence their reactions to other people, their degree of consciousness will influence how productive they are, their degree of openness will influence their willingness to share information and their degree of activity will determine their willingness to complete tasks.

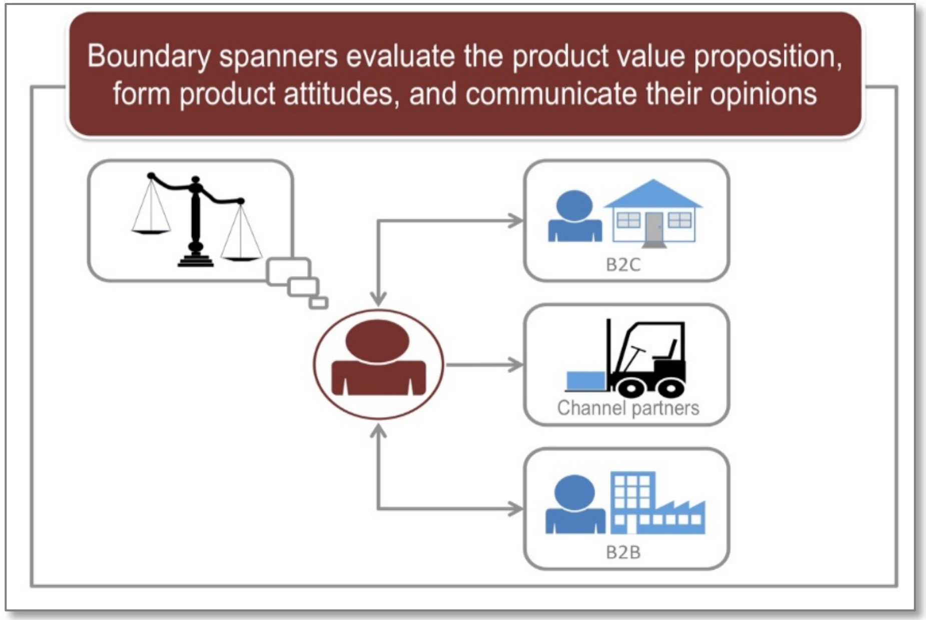


Figure 157: The diagram above highlights the need to communicate the UPVP to boundary spanners prior to any interaction with customers and channel partners

According to Palmer (2001) quality interactions are the result of quality management. He argues that it is about creating a culture based on:

- Maintaining "The Passion" "The Spirit"
- A customer focussed management
- Establishing & communicating high standards.
- Monitoring service quality
- Rewarding quality service
- Recruiting the right people

- Real team building [internal marketing and training]

It is important to realise that things will go wrong and that every critical incident has the possibility of deviating from the expected standards of the organisation and the customer. Any critical incident that doesn't meet the organisation's standard is a **quality deviation** [i.e., a deviation from quality specifications]. There are four areas where failure may occur:
- The service itself – the process is flawed and needs realignment
- The product providers – lack the technical or functional skills
- Customer related - including the behaviour of other customers
- Outside the service organisation's control – weather etc

When service quality is evaluated as poor [by either the customer or the organisation] how an organisation recovers is important to customer evaluations of satisfaction.
- Fast and effective handling can salvage a situation
- Failure to adequately address issues may result in:
  - Negative word of mouth [WOM[-]]
  - The creation of consumer terrorists
  - Likely employee disenchantment

Organisations are people

Although employees and partners will primarily have their own self-interest, fostering synergistic, symbiotic, and sustainable relationships is far better than allowing adversarial relationships to breed. Previously we have mentioned the cross-functional nature of managing relationships, therefore, it is important to cultivate a sense of mission within the organisation.

A student once described internal marketing as – "just as beauty comes from within - a beautiful product experience can only come from a commitment to internal marketing – from within the company."

> **Author's comment:** Sam Walton [founder of Wal-Mart] is frequently credited with this quote: "It takes a week to two weeks for employees to start treating customers the same way the employer is treating the employee."

Well-respected authors in this area, Kaplan and Norton (2006), employ the metaphor of a rowing eight. They suggest that the most successful team is rarely the strongest team; however, it is always the team that row like a team. They suggest that a successful rowing eight is the team rowing in harmony, in balance with each other, accepting the coach's and the cox's instructions. Too often, they suggest, business teams are uncoordinated, each member unsure of the *race* plan, pursue self-interest, and not willing to coordinate with others. As this analogy suggests the objective of external marketing, internal marketing and channel marketing is to work in harmony.

Marketing journals and texts often complain about the lack of knowledge and respect for the role of marketing within some organisations. The reality is that organisations *are what they are* and when you enter an organisation you are rarely in a position to change the organisation to how you would like it. People must make the best of what they have to work with – or find a more suitable workplace. However, what a person is responsible for is her/his attitude and if someone has an attitude that is focussed on the satisfaction for the organisation and customers [internal and external]; then they are more likely to have a positive influence on the organisation. Keep in mind that organisations are a collection of people and within any organisation there will be people who fit [i.e., their values are congruent with the values of the organisation] and people who don't fit.

When people enter the workforce, they should choose an organisation carefully. Furthermore, senior managers often say, "If I had more people like A and less like Z then achieving my goals would be a lot easier." When you delve deeper, what the senior managers are saying is that they want more people who are focused on satisfying the needs of the organisation, the needs of customers and the needs of their internal customers. Therefore, managers must also spend more time attracting, and enhancing relationships with staff - to build a team that augments the customer experience, some organisations refer to this as **talent management**.

The marketing concept suggests that organisations that practice a marketing philosophy are best placed to succeed. What is also true and often overlooked, is that **people** who practice a marketing philosophy are best placed to succeed within an organisation. Perhaps you have seen the popular training video - "FISH" which is set in a Seattle fish market. The theme of the video is that people make a difference. They offer four suggestions:
- Make your work play
- Make your customer's day
- Be there for your customers, stay in the moment
- Choose your attitude

In sum: for an organisation to be practicing a marketing philosophy it basically means that it is about a group of people who are practicing a marketing philosophy. This is important it means:
- Being honest when recruiting
- Selecting and retaining the best people
- Creating cooperation across departments [marketing, operations, finance]
- Training and internal marketing
- Creating a business community based on treating others the way we would expect to be treated ourselves

Organisational learning

Ballantyne (2003) agrees that building quality external relationships can only be achieved when quality internal relationships exist. He maintains that the key is a constant sharing of ideas directed towards organisational and customer satisfaction. One consequence of idea sharing, he suggests, is that people learn and improve everyday processes. Knowledge, he maintains, has a life cycle and needs constant renewal [this includes correction of false assumptions or out of date information]. Although, there can be learning at an individual level, it needs to be shared with others to be converted to organisational learning; to be shared requires that a communication process be in place (Ballantyne, 2003).

Buttle (2004, p.47) states that the knowledge exchange patterns within an organisation are vital to successful building relationships, he poses three audit questions:

> **Quote:** Is customer information shared across work groups? Do colleagues from different functions get together to identify how to improve the customer experience? Do we celebrate the success of colleagues in creating exceptional customer experience?

Propagating internal conversations

Marketing practitioners are often more aware/involved [than other disciplines] of the future direction of an organisation, an industry, or a society. Sometimes, marketing practitioners are more aware/involved that the organisation must adapt to the market; often this awareness is the result of everyday marketing research or as needed research. Marketing practitioners are generally aware that in the short-term it may be personally easier to ignore shifts in the marketplace than advocate change, however, marketing practitioners should be aware that to ignore a shift in the marketplace will likely have a long-term impact on the 9 key marketing objectives. If a marketing practitioner elects to ignore a market shift, then it may require the organisation to implement more radical change management measures at a later date - non-marketing personnel will likely manage this project. It is unlikely that non-marketing personnel will fully appreciate the customer implications and the impact on the 9 key marketing objectives. It is critical that marketing practitioners accept their responsibilities and communicate research findings and recommendations within the organisation.

Internal marketing communication is often needed to propagate the internal conversations that create awareness, interest, desire and action [AIDA}. Therefore, internal marketing communications should be as carefully crafted as external marketing communications. As we discussed previously, changing attitudes is difficult. It needs to be recognised that humans 'lock-on' to their attitudes and often 'lock-out' opposing views – this is true in any organisation.

Marketing practitioners need to be objective and adopt what is referred to as 'professional distance' and avoid demonstrating bias in their communication. Furthermore, they need to anticipate possible conversations and accommodate opposing views. One useful tool is the Burrell and Morgan (1979) multi-paradigm approach. This tool allows marketing practitioners to identify the likely **personas** within an organisation and provide information for the likely internal conversations. Burrell and Morgan (1979) advocate that all challenging issues vary across two intersecting continuums subjective <> objective and radical change <> no change. When plotted the two continuums result in a 2X2 matrix – revealing 4 personas with each persona representing a paradigm [a way of viewing a topic]. The 4 personas are functionalist, interpretivists, humanists, and structuralists.

- **Functionalists***:* are preoccupied with the objective world and maintenance of the status quo – they do not see a need to change
- **Interpretivists** are preoccupied with the subjective world; however, it is more about understanding a situation than being motivated to take action
- **Humanists:** are preoccupied with the subjective world, they are sensitised to how a situation impacts on people. However, they want action and right the wrongs of the world
- **Stucturalists:** are preoccupied with the objective world and demand change they are prepared to employ conflict to achieve their goals and have little consideration for opposing views

The general idea is to look at a given debate and to identify how each persona would view a situation. This allows the marketing practitioner to have a multi-paradigm perspective and communicate beyond their own persona. The marketing practitioner who adopts a multi-paradigm approach and has considered different paradigms will be viewed more favourably and with less suspicion.

Technology can be a communication blessing or a burden. Quality communication between internal customers and channel partners is a Key Success Factor and automating many routine tasks and making information more accessible can improve the quality of the communication. One example of this is Employee Relationship Management [ERM] software that can assist with the automation and diffusion of information [search 'ERM software'].

The objective of ERM software is to bring together a number of supporting functions for employees. The objective is to provide a 'portal' that provides easier access to a raft of information such as policies and procedures, payroll, available training, rosters, and incentives, whilst, at the same time communicates knowledge, motivation and a sense of community [note the similarity between community and communication].

It is appropriate that we now synthesise some of the related marketing tasks that we have discussed:

- Segment the market to identify attractive segments
- Research staff for latent needs
- Ensure core product is marketable
- Communicate the value package to staff
- Research customer needs V performance
- What product augmentation to offer
- Measure performance

Channel marketing

The word channel comes from the Latin word *canalis* - which means – conduit, duct, and pipeline. The message is something moving in a designated direction. A marketing channel comprises a group of organisations that undertake facilitating and/or supporting services that enable an exchange to take place. Marketing channels are often referred to as **distribution channels** or **supply chains,** however, a marketing channel suggests a greater degree of collaboration.

The marketing channel structure

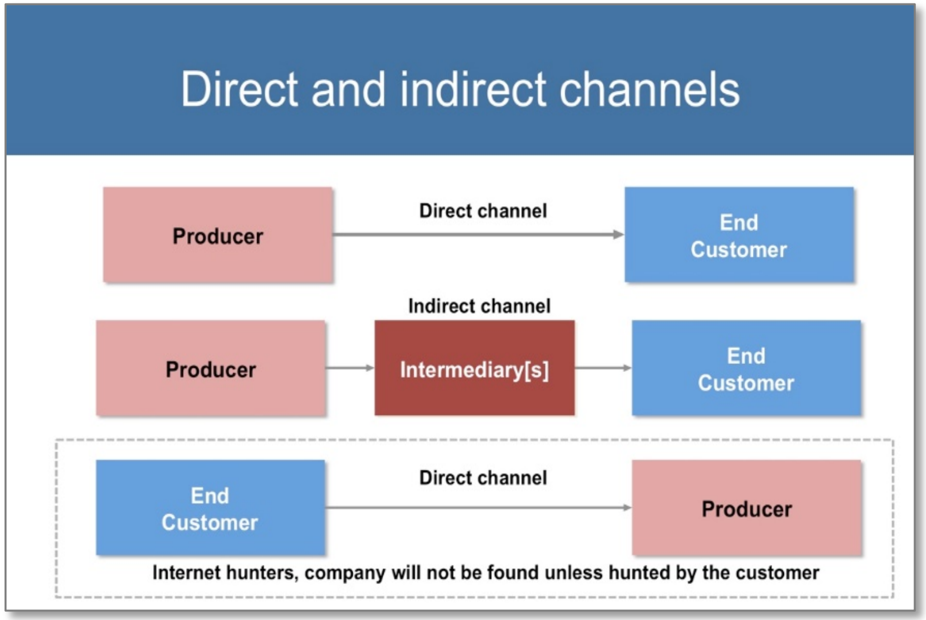


Figure 158: This diagram illustrates direct and indirect marketing channel.

There is no one right marketing channel structure. Depending on the COMP factors the marketing channel will adopt the most appropriate structure – in broad terms marketing channels vary on:

- The number of intermediaries
- The strength of the contractual arrangements

Although sometimes customers are dealing directly with the producer there are other times when they are dealing with a channel partner. Often a marketing channel will have a number of intermediaries who perform B2B services. The **end-customer** may be domestic customer [we refer to these as B2C exchanges] or a commercial customer [we refer to these as B2B exchanges].

Marketing channels form due to the specialisation of third-party organisations that have the ability to perform services more effectively and efficiently and therefore add value to the channel - this is often referred to as **outsourcing**. Outsourcing services vary from product to product and may include - manufacturing, logistics, insurance, wholesaling, retailing, and after sales service. From this list, we can see that some channel services are **before the market** and some channel services are **after the market**. Therefore, a marketing channel may not necessarily end with a retailer-customer exchange [e.g., a car needs to be serviced after it has been purchased]. Due to the impact on customer satisfaction, care needs to be taken when an organisation appoints an intermediary or accepts an intermediary role as part of a marketing channel.

There are two channels structures that we should highlight: **direct channels** and **indirect channels**. A direct channel also referred to as **direct-to-consumer** businesses is where the producer deals directly with the end-customer. Organisations may choose a direct channel when they wish maximum control over the distribution of the product. However, they may choose this approach when they wish to offer a lower-cost, disrupt an industry, and/or scale the business quickly. Interestingly, a number of organisations that began life as low-cost pure online operators employing social media channels to build customers and relationships have ventured into the physical marketplace either with their own stores or with channel partners.

Traditionally, organisations determined whether to operate on a direct or indirect basis, however, with advent of enabling software, the widespread adoption of enabling devices, and the changes in attitudes [customer and organisations] consumers are increasing the adoption of a direct channel approach.

More progressive organisations are focussed on matching their market approach with the actual buyer's decision process of today which includes online searching and buying; many have adopted an **omni-channel approach**. This approach is customer-centric and enables customers to be connected face-to-face and/or online. The general idea is to help inform customers before they shop and then provide the option to shop online or in-store. An omni-channel approach helps organisations to identify customers and to match offers to suit consumer preferences.

Indirect channels are those where there are one or more intermediaries. The key with indirect channels is to attract value-adding partners – "build customer demand, reduce costs and improve customer satisfaction" (Solomon, *et al.,* 2014, p.469). Often a marketing channel may appear to be a direct channel, however, on closer inspection it would be better classified as an indirect channel [this also applies to online as there are a growing number of affiliated sites].

Indirect channels take different forms when we consider the different types of distribution, we can see how the different types of distribution channels relate to product decision-making and the product classifications. Two major considerations are to identify the end-customer's needs and to ensure that revenue objectives can be achieved for all channel partners. The four most common indirect distribution types are:

- **Intensive distribution:** impulse and convenience products [e.g., snack bars, milk, soft drinks, bottled water] the idea is to intercept the customer at convenient locations – may use vending machines
- **Semi-intensive distribution:** products that are routinely purchased via supermarkets and shopping centres [e.g., convenience products and fast-moving consumer goods e.g., fruit and vegetables, soaps, shampoos, frozen products, confectionary, magazines] – distribute products in locations where consumers shop
- **Selective distribution:** products that require limited problem solving - shopping products [e.g., white goods, brown goods] – a balanced distribution approach sufficient distribution to intercept the customer, however, selected to minimise pricing conflict, maintain channel margins, and ensure channel support
- **Exclusive distribution:** products that require extensive problem solving - specialty products [e.g., new cars, jewellery] – narrow distribution to ensure that distributors commit to a high level of customer service and can achieve an appropriate margin. Franchising is a form of exclusive arrangements, and the needs of the franchisee and franchisor must be managed appropriately

Channel partners provide a number of facilitating and supporting services, many are hidden from the customer and only noticed if the service is not performed or poorly performed. It should be kept in mind that many are essential to upstream and downstream channel partners, including:

- Supply Chain Management
- Buying bulk and selling smaller lots from multiple producers
- Promotional Activities
- Logistics and Inventory control
- Financing & Budgeting
- Market Research activities and Market Information Systems

What should also be kept in mind is that, often, marketing channels may span more than one country – this is generally referred to as **international marketing** [however, it is common to have international elements in most products].

Forward and reverse marketing

Channel marketing is sometimes referred to as **forward and reverse marketing**; channel marketing can be upstream towards suppliers and downstream towards the end-customer. Channel marketing is a key success factor for many products [e.g., Toyota, Apple, and Microsoft] that rely on channel partners. When an organisation [e.g., Apple] has control over the entire channel it is often referred to as **end-to-end channel marketing** to indicate that there is a great deal of control.

Reverse marketing is also important to many businesses. Organisations that practice reverse marketing have identified that upstream relationships can reduce the costs of doing business. The aim of improving upstream relationships is to improve continuity of supply, provide greater flexibility, and reduce the time to bring a new product to the market. When a marketing channel is efficient and long-term alliances are formed, there are often reduced intermediaries and an increase in total profits[4].

If we consider tour bus operators [e.g., Kiwi Experience or Contiki] who market adventure tourism products; we can see the importance of likeminded service suppliers that contribute to the quality of the overall product experience. Therefore, reverse marketing is also important to organisations that outsource aspects of their operations.

Sometimes it is hard to define the exact source of the channel. There are some component manufacturers that supply parts to manufacturers; this is often referred to as original equipment manufacturers [often referred to as OEM suppliers]. OEM is a larger sector than many would appreciate as it is generally out of sight of consumers. The car industry, for example, may source their brakes from a short list of manufacturers; computer industry may source their chips from a short list of manufacturers. It makes sense, in these cases, to build OEM relationships [remember the 4Ss of relationships]. Cleary an adversarial relationship focussed on each episode or transaction would not be consistent with the marketing concept. To ensure consistency of supply and meeting warranty obligations the manufacturers and their OEM suppliers often enter into extensive contracts [often global contracts] and information sharing.

> **Author's comment:** One OEM campaign that readers will be familiar with is the 'Intel inside' campaign that positioned computers using Intel chips as superior to those using other chips.

Different approaches to channels

Given our earlier discussions on the production concept, the selling concept and the marketing concept it becomes clear that different organisations will have different attitudes to marketing channels. On one hand, there are organisations that will exercise dominance and see profit[1] as the objective; whilst on the other there are organisations that view relationships as synergistic, symbiotic, strategic, and sustainable and have a more holistic view of profits [i.e., total profits[4]] (Sako, 1992). Godson (2007) points to the German manufacturer Bosch as an exemplar of a company committed to profitable[4] relationships[4] [HINT: Bosch is worth following]. Organisations that are committed to good relationships will often have a 'relationship pipeline' where they actively nurture a mutually beneficial relationship. Naturally, these organisations often talk about:

- CLV [customer lifetime value]
- CE [customer equity]
- SLV [supplier lifetime value]
- ELV [employee lifetime value].

Customer lifetime value [CLV] is the financial measurement of future revenue of individual customers, whereas customer equity [CE] is the collective measurement of all customers – employed to predict future cash flow (de Haan, Verhoef, & Wiesel, 2021). Whilst many appreciate that external customers have a value [CE and CLV] the importance of supplier lifetime value - SLV and employee [internal customer] lifetime value – ELV is attracting increasing attention. Therefore, we should nurture channel partners.

Today, there are technologies that enable channel partners to access other channel partners' portals. There are no hard and fast rules about how much access a partner should have to an organisation's portal. However, some access is needed to automate tasks [e.g., product information, stock availability, order placement, delivery notification etc.]. Marketing practitioners often rely on software to assist in managing demand and supply, by tracking available stock, forecasting future stock and assisting in scheduling production and filling orders.

Figure 159: Cultivating CLV, SLV, & ELV are key success factors in achieving the 9 objectives of marketing practitioners.

Author's comment: The purpose of the marketing channel is to improve the flow of products and each intermediary in the channel should add value to the total product. Often the presence of intermediaries brings order to what would be chaos. They may perform or coordinate enabling and peripheral services that bring commodities to the market [just consider coffee beans from field to cup to see the complexity]. Each B2B intermediary or channel partner relies on the effectiveness and efficiency of the marketing channel [the old saying, "a chain is only as strong as its weakest link" is relevant]. The marketing channel requires cooperation and careful management to avoid conflict. Often there is a dominant partner in a channel and the dominant partner may coordinate the channel.

It is appropriate that we now synthesise our discussions. The benefits of channel cooperation:

- Speeds up inventory replacement
- Improves customer service
- Reduces distribution costs
- Steps to improving channel cooperation include:
  - Unifying channel to maintain market order
  - Agreeing to direct efforts toward common objectives
  - Precisely defining each channel member's tasks

Minimising channel conflict

All relationships have elements of conflict [even relationships between two people never mind two large organisations]. Channel conflict will occur when an organisation with the power to do so implements a strategy or tactic that is not in another's interest.

Sources of channel conflict include:

- Disagreements arising among channel members
- Communication difficulties jeopardising coordination
- Increased use of multiple distribution channels by manufacturers creating conflicts with distributors and retailers
- Intermediaries diversifying into and offering competing products
- Producers attempting to circumvent intermediaries and dealing directly with retailers

Many readers will also be familiar with the ongoing battle between supermarket [home] branded products and branded products. This is a topic that receives regular attention from television current affair programs and newspapers articles, it is suggested that most shoppers have purchased a supermarket branded product and employ these products when estimating the value of branded products

Author's comment: Reducing the market influence of brands [brand power in FMCG] is one area that has been the source of much conflict in recent years [and worth researching on the Internet]. Supermarket chains do this through the growing use of generic and home brands in supermarkets. Well-known brands often counter this through a reduction in supermarket support and direct communication with customers. [see push-pull strategies in marketing communication]

There has also been a tendency for organisations to remove intermediaries from the marketing channel through the use of technology. An example that many would be familiar with would be iTunes. Removing an intermediary is referred to as disintermediation. **Disintermediation** occurs when a channel partner[s] no longer provides a service that is valued by the consumer or the channel (Granados, Kauffman, Lai, & Lin, 2011). However, technologies also enable new channel partners to enter or re-enter the marketing channel with a value-adding role. There are a number of examples particularly in the travel industry where consumers employ technology to undertake services that were once performed by travel agents or hotels [e.g., Expedia].

Internal and channel marketing is more important than ever before. It was not that long ago, that organisations were less effected by word of mouth - as word of mouth was generally verbal, limited to a geographical area, and had a limited life span. However, technology has increased the impact, increased the speed of message diffusion, and resulted in a semi-permanent record. Therefore, we should be mindful that marketing communication could be generated by the organisation, and/or generated independent of the organisation. Marketing practitioners need to implement strategies to maximise the positive impact and reduce the negative impact of communication generated outside the organisation [central to this is customer satisfaction].

Furthermore, marketing practitioners are generally mindful that communication generated outside of the organisation may be more powerful than communication generated by the organisation. In addition, marketing practitioners recognise that to produce a quality customer experience it is vital to cultivate a sense of mission with employees, channel partners, and often the community. Therefore, marketing communication must go beyond attracting external customers to have a focus on creating a quality customer experience.

Reflect & review

Employ these questions to reflect on your understanding and review your progress.

Statement: A marketing channel is essentially the way that products reach the marketplace and customers. Marketing channels often have intermediaries to facilitate the movement of goods through the channel with retailers at the 'tail' of the channel and to facilitate and enable the exchange with domestic customers.

- The 5-gaps have been discussed from a number of perspectives explain it from an internal marketing and marketing channel communication perspective.
- Could a marketing channel be set up to facilitate and enable an exchange with a commercial or industrial customer. Yes – No? And if Yes provide an example.
- Could a product be both directed towards domestic and commercial customers and the retailer facilitate and enable exchanges between both. Yes – No? And if Yes provide an example.

Statement: Marketing channels form by intermediaries who have specialised skills and help deliver the product more effectively and more efficiently.

- Discuss this statement in greater detail.

Statement: Marketing channels partners deliver goods; however, channel partners are also involved in the delivery of other 5 product components.

- Discuss this and provide examples.
- Name other terms for a marketing channel.
- What is an end-to-end marketing channel?

Statement: Downstream channel partners are towards the customer, whereas upstream channel partners are towards the producers.

- Provide example of both.

Statement: Retailing is regarded as the 'tail' or end of the channel; however, channel partners can also provide after sales services.

- Provide an example.

Statement: Everyone in a marketing channel is a 'customer'. Discuss the inferences in this statement.

- What is channel cooperation? And what are the benefits?
- What is a direct channel? Provide an example.
- What is an indirect channel? Provide an example.
- What is franchising? Provide examples.
- What is a franchisor? Provide example.
- What is a franchisee? Provide examples.

marketing action plans
[customer retention]

3:3:4 Marketing action plans: [customer retention]

Previously: We introduced a number of typical everyday marketing action plans: managing quality, internal and channel marketing, customer retention, external marketing, sales and salesforce management, software for marketing practitioners, the relational sales process. In the previous chapter we discussed the marketing action plan of managing internal and channels. Internal marketing is marketing to people within an organisation and channel marketing is marketing to partner organisations that provide facilitating and supporting services.

Learning objectives

Learning objectives of this chapter: After the completion of this chapter you should be aware of the importance of managing customer retention and be able to explain the organisational benefits of managing episodes of customer dissatisfaction.

Directions

Attracting new customers is an important marketing task; however, an over-emphasis on attraction and a lack of emphasis on retention could indicate that the organisation has not fully adopted the marketing concept and is not fully practicing a marketing philosophy. Whilst attracting new customers is important, customer lifetime value and customer retention are of strategic importance and should not be neglected ((Mullins, *et al.*, 2014; Kumar, Luthra, Khandelwal, Mehta, Chaudhary, & Bhatia, 2017).

Lovelock *et al.* (2007) [and many others since] suggest that it is between 5 and 6 times cheaper to retain an existing customer than to find and attract a new customer. Reichheld and Sasser (1990) suggest that in some businesses, the cost of attracting and establishing a customer is a cost that cannot be recovered by a one-off sale and in such cases, customers may only become profitable with after some time. Therefore, post-purchase support [also referred to as **after sales service**] is, in many products, a key contributor to customer loyalty and repeat purchasing and ultimately a competitive advantage (Spencer-Matthews, & Lawley, 2006; Murali, Pugazhendhi, & Muralidharan, 2016).

This perhaps confirms the adage that: A bird in the hand is worth two in the bush.

The leaky bucket metaphor

A number of marketing scholars [e.g., Adrian Palmer] employ the 'leaky bucket' metaphor to convey the importance of retaining customers. The basic premise is that a leaky bucket needs a constant supply of new water to keep the bucket topped up. The more the bucket leaks the more water is required to keep it topped up. To reduce the amount of new water required, it makes sense to plug the leaks. Similarly - to reduce the cost of attracting and converting new customers it makes sense to retain more existing customers – one way is by managing episodes of dissatisfaction.

The leaky bucket metaphor is easy to understand and is consistent with academic theory; for example, Christopher, Payne and Ballantyne (1991) put forward the view that a balance between offensive and defensive strategies is needed:

- **Offensive strategies:** strategies focussed on attracting new customers [i.e., topping up the bucket]; including attracting disenfranchised customers of other organisations.
- **Defensive strategies:** strategies that help retain customers [i.e., plugging the holes in the bucket]

Managing episodes of dissatisfaction

Old Chinese saying, **"Person without smile should not open shop."**

We have stated that no customer would enter an exchange if they expected to be dissatisfied and that organisations that practice a marketing philosophy have the intention of satisfying each customer. These two factors highlight that every episode of customer dissatisfaction is a deviation from both the **customer's pre-purchase expectations** and the **organisation's pre-purchase intentions**. When marketing practitioners view episodes of dissatisfaction as a **deviation from standards** then a new customer retention paradigm [way of thinking] is revealed.

This **customer retention thinking** suggests that customer 'complaints' have a value to an organisation – some say they are a 'gift' (Quinn, 2006). Managers should consider a complaint as a customer's evaluation of the delivered quality and value of the product compared with a customer's estimations of the expected product. Customer retention thinking is consistent with a marketing philosophy; it aligns with:

- The 3 financial marketing objectives of increasing sales revenue, reducing organisational costs as a percentage of sales, and building the value of the business
- The 3 strategic marketing objectives of product leadership, Customer intimacy [customer centricity] and operational excellence
- The 3 marketing communication objectives of attracting new customers, retain existing customers, and enhance relationships with existing customers

Often the dissatisfaction may be from poor product quality, however, it may also be a result of **heightened customer expectations** which may be due to overpromising. The overpromising may be from any element of the communication mix. It could be that overpromising is a result of a lack of understanding of the role of expectations as a contributor of customer satisfaction [it may be worthwhile to revisit 5-gap theory and the confirmation-disconfirmation model if you are unsure]. Heightened expectations may also result from overzealous selling tactics – or a sales commission system that rewards sales performance without considering customer satisfaction.

Complaint management

The word *complain* presents a problem; it has three different meanings; the first meaning is consistent with the marketing concept; meanings two and three have negative connotations. The Oxford Dictionary suggests that **complain** means, to:

1. Express dissatisfaction
2. Announce that one is suffering from an ailment
3. Make a mournful sound, groan, and creak under strain

In everyday conversations people generally associate the word *complain* with the following negative connotations – *protest*, *grumble, moan, groan, wail, carp, whimper, gripe, grouch, whinge, and bitch*.

If a complaint is the act of complaining [i.e., behaving in a complaining manner] and a complaint has negative connotations is it any wonder that the number of registered complaints is a poor indicator of the number of dissatisfied customers? Often people are reluctant to express their dissatisfaction.

It should be stated, for conceptual clarity, that we employ the word **complain** as 'an expression of dissatisfaction' and the word **complaint** as an 'expression of an episode of dissatisfaction' (Landon, 1980). The primary concern of an organisation should be directed towards creating satisfactory exchanges.

Previously, we presented the 3 communication marketing objectives and how marketing activities are primarily directed towards attracting customers, enhancing the relationships, and retaining customers. It is therefore worthwhile to highlight that complaint management is directed towards all three objectives:

- Retaining customers when they perceive that expectations have not been met
- Enhancing the relationship by reducing the frequency of episodes of dissatisfaction
- Attracting customers by increasing positive word-of-mouth and decreasing negative word-of-mouth

Clearly, organisations that practice a marketing philosophy [customer-focussed] have customer satisfaction and organisation satisfaction as their core objectives. This is a critical point, and from it we can conclude that any episode that results is an episode of dissatisfaction is a deviation from the organisation's objectives (Gronroos, 1988). Therefore, complaint management is about creating an environment where customers feel comfortable enough to express their feelings of dissatisfaction. Two tactics emerge from what we have discussed so far:

- **Nurture a culture of doing the task right the first time:** Minimising episodes of dissatisfaction through a commitment to satisfaction
- **Managing episodes of dissatisfaction:** Implement effective recovery strategies when things deviate from the customer's and/or the organisation's expectations

The objective is to manage complaints ensure customer satisfaction , loyalty, and profits (Knox & Van Oest, 2014). Although, managing complaints may lead to increased satisfaction and enhanced reputation there are risks involved if it happens too often (Smith & Bolton, 1988).

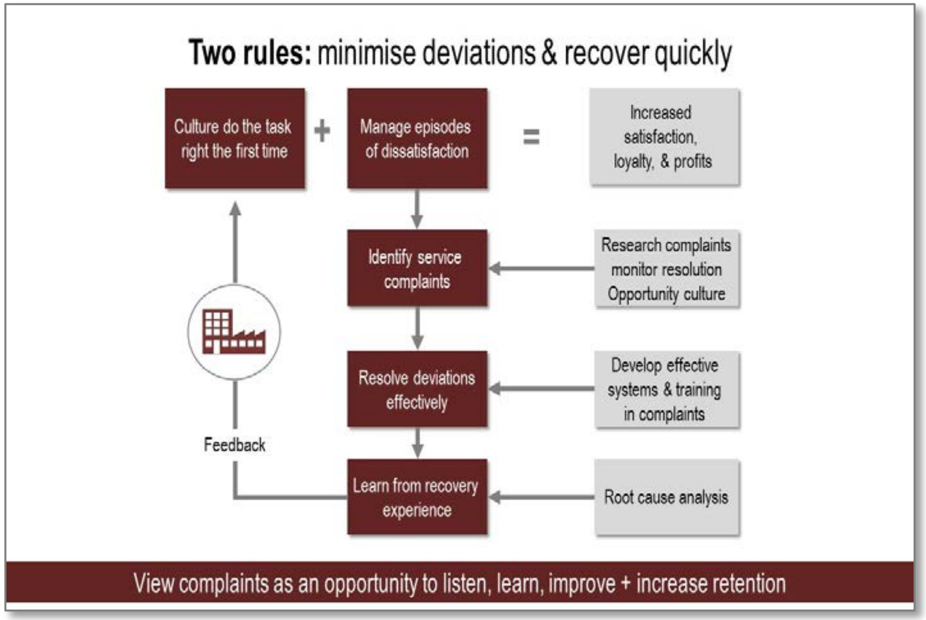


Figure 160: The two key rules of complaint management; nurture a culture of getting things right [first time] and if deviations occur - recover quickly.

Author's comment: Creating an environment where customers feel free to voice their dissatisfaction may seem an unusual strategy at this point; however, readers should see the wisdom in this strategy by the end of this chapter.

Strauss and Seidel (2004) state that many businesses operate on the false assumption that a low number of complaints indicates a high level of satisfaction. Whereas it may mean that customers find it difficult or pointless to express their dissatisfaction. Or it may indicate that the consumer's perceptions of the cost of complaining in money, time, and effort will be higher than the expected return. This false assumption that low levels of complaints is due to high customer satisfaction is often compounded internally when organisations quote the results of customer [or employee] satisfaction surveys. What is often missing from such 'surveys' is a measurement of the customers who have already defected. Therefore, the figures are likely to demonstrate higher satisfaction levels than is the case.

Poorly managed complaints can quickly escalate in emotional and financial costs.

Interestingly, a properly managed complaint will confirm that the customer made the right choice to deal with a particular organisation (Hart, Heskett, & Sasser, 1990; De Matos, Henrique, & Rossi, 2007). WHY? Because most purchases have some pre-purchase risks, often one pre-purchase consideration is how an organisation will deal with a deviation in expectations should it arise. Remember, customers are not a 'clean slate'; they have many purchase experiences to employ as a benchmark before they come in contact with a particular organisation.

Logging, tracking, and resolving

Whilst well-trained employees are essential in the recovery process, customer relationship management software can help with the logging, tracking, and resolution of customer complaints (Knox & Van Oest, 2014). Customer relationship management software can provide management with:

- A live window to monitor the lifecycle of a complaint [including correspondence]
- The opportunity to supervise, intervene, or redirect a complaint [when appropriate]
- Tools to analyse the root cause of complaints
- Monitor complaint management performance against stated business goals

The auditing of this process is a key success factor in meeting customer satisfaction targets and the building of trust and loyalty.

Benefits of managing customer complaints

The primary goal of complaint management is to increase the number of episodes of customer satisfaction by reducing the number of episodes of dissatisfaction. Organisations that manage complaints, enjoy the benefits of increased satisfaction [increased loyalty and patronage, increase positive word-of-mouth, reduced advertising cost per customer, more tolerant customers, reduced failure costs, competitive advantage, customers insulated against poaching, increased profits].

Strauss and Seidel (2004) suggest that complaint management should be viewed as **customer retention** and that this strategy leads to referrals. They suggest [in a similar way to Reichheld's NPS score] that as a customer progresses along the salespipeline and as trust increases the likelihood of their recommendation increases from 52% to 83%

Customers reward and punish organisations; they act according to their evaluation of expectations V performance.

Many organisations are reactive towards complaints; they see them as an inconvenience and therefore miss the opportunity to improve their future product offerings. Meyers (1999) agrees and found a positive correlation between satisfaction and profitability.

Strauss and Seidel (2004, p.3) state that managing customer complaints is central to customer relationship management. They state:

> **Quote:** the aim is a relationship of trust between the seller and the customer that leads to loyal behaviour and to a commitment in the sense of an inner bond. Trust and loyalty can, however, be neither forced nor bought; they must be won based on positive experiences. Only when customers actually learn through the various situations of the business relationship that the firm is behaving in a customer-orientated manner and thus has earned their trust can it be expected that the customer will hold onto the business relationship.

In my university classes I invite students to discuss an experience that went wrong and the consequences [there have been some great stories and lively debates]. *They state that it varies across the different product classifications and different product components.* Class discussions generally put forward a number of recurring themes [however, it is generally poor service that is the main irritant].

As one female student stated:

> If I buy a top, and say for example, the stitching is not good, or it didn't wash well then, I don't complain I just take it back and get a refund. If I buy something and I don't like the way I have been treated I will not go back AND I will tell my friends.

When asked if she would go back to a store where she bought a faulty garment she stated.

> Of course, they don't make the clothes, so they have no control, but they are responsible for the way they treat me, and I will not go into a store if I have had a bad experience there… just will not.

According to students, they are more likely to return a good [a material component] if it is not **fit for purpose.** Furthermore, students often state that they don't consider returning faulty goods as an act of complaining – they view it as an expression of their consumer rights. However, they are more likely to 'complain or feel like complaining' and more likely to boycott the organisation if the non-material components are not fit for purpose.

In addition, students don't see that expressing their dissatisfaction with non-material product components [rude service] is worth the effort.

> Look, said one male student, if I am at a club and I say to the barmaid 'Hey, I don't like the way you served me' - she will just avoid me next time.

Also, students state, they will only complain if it means something to them.

> If you buy something at the shops, say - a loaf of bread, and it is stale, it will cost you too much to take it back and complain, I know some people who do, they complain all the time, but I can't be bothered, it isn't worth the hassle.

The takeaway for managers is that a person's involvement with a product will affect how the consumer expresses their level of dissatisfaction. Also as the readers have identified time and effort are seen as costs.

Search the web

Go to Tripadvisor - then type in a destination and explore the 'traveller's reviews'.

- Do you consider that Tripadvisor is a form of word of mouth?
- Are social media sites open to abuse from competitors?
- Given your knowledge of disconfirmation of expectations do you believe the comments are an accurate reflection of the entire population of customers?

Attribution and equity theories

Attribution of blame and equity theory are important considerations when managing customer dissatisfaction (Grewal, Roggeveen, & Tsiros, 2008). When something does not meet a customer's expectations it is natural for a customer to reflect on the situation and attribute blame. Now it could be that the customer allocates a percentage of blame to multiple sources - including themselves. Equity theory suggests that a customer will tend to reflect more when there is higher involvement and/or high total costs [money, time, effort]. You may recognise this as similar to post-purchase dissonance. The customer will attempt to attribute blame. There are three types:

- Causal attribution [assess who was wrong - %]
- Control attribution [assess whether it was avoidable/foreseeable/controllable]
- Stability attribution [frequency/occurrence]

Importance of organisational learning

The first thing an organisation must accept/understand is - that things *will* go wrong. This is more likely where the product has high inseparability and variability characteristics. The key is to accept that quality deviations from standards will happen. The next step is to put a system in place that encourages customers to express their dissatisfaction. The next step is to learn from the feedback and to reduce the incidents of future quality deviations.

The important thing to do, according to Irish supermarket operator, and quality champion, Feargal Quinn, is to encourage a greater percentage of customers to complain. Quinn (2006, p.95) states

> **Quote:** if you reduce the number of complaints without reducing the number of problems all you are doing is reducing the number of customers.

Instead, Quinn suggests that we should see complaints as customers who care enough about a business to want to help and we should welcome them and learn from them. Hult and Morgenson (2020) argue that effective complaint management may result in a more satisfied customer as they appreciate the effort to recover and retain them as a customer.

To complain or not

Often, the level of dissatisfaction or the level of involvement with the product may not warrant complaining. The total costs of complaining may be greater than the likelihood of a satisfactory outcome. In addition, some customers lack the resources or abilities to complain or don't want to complain because they will lose face, or they have done business with friends and may get a bad reputation. Some customers recognise that they are partially to blame ["you get what you pay for" "if only I had asked…"]. Demographic and Psychographic factors also limit complaints.

In class, I ask students who are in the workforce if they have ever been on the receiving end of a customer complaint. Class discussions generally put forward a completely different set of circumstances when viewed from an organisational perspective. The first thing that is apparent is that people don't like being on the receiving end of complaints. They don't like the emotional interaction, the feeling of being powerless, the interruption to their routine, often their performance is measured on financial measures – so complaints are a distraction, there are feelings of shame when they report their findings to their superior [sometimes they are accused of not being a team player if they advocate for the customer], they highlight the lack of organisational processes to deal with the complaints and the 'blame game' that begins. Clearly, complaints are not a welcome part of anyone's day.

The final questions of the classroom discussions are often the most revealing.

- What do you learn from complaints?
- Does your organisation learn from complaints?

Sadly, most say that mistakes are repeated and repeated and they go from one crisis to another.

Complaints as a gift

Gordon Ramsay is one of the most celebrated and successful chefs with a portfolio of restaurants in his group. Ramsay (2007) devotes a chapter in his book to complaint management; the insights he provides from personal experience are worth reading [however, don't read it if swearing offends you]. Throughout his book, he is full of praise for his team with special mention to his business partner.

Ramsay states that he was once ambivalent towards his customers and would disregard [bin] letters of complaint until his business partner discovered his behaviour. The following is what Ramsay (2007, p.69-71) had to say

> **Quote:** He (his partner) went on about binning the most valuable management tool in the chest… the letter of complaint is the one chance to do two things … The first thing to do is to read it and work out what sort of letter we have here. Has the guest who has bothered to write got a genuine point, or is he just whingeing? ... What we need to know is whether or not we did something really stupid, and can we improve ourselves? Is there some blemish that has gone unnoticed till now? It is important for us to take a step back and look at the complaint with objectivity. Although it is vital to redeem our name with a guest when things go wrong, it is also of paramount importance that we analyse what went wrong and learn from it. You cannot do that if you are being sniffy and precious about the complaint.
>
> The second thing to do is to deal with the complaint. Take it on the chin…we tripped up on our own shoelaces and this is the cost.
>
> The big complaint is something … Not only do we start by apologizing without proffering any kind of excuse, but we make it clear that we are already in debt to the guest for bothering to write to us and tell us what a ghastly [experience] it was. An apology removes the wasp's sting and prepares the wound for suitable medical attention.
>
> Start giving reasons and you are only challenging the guest. This is not the time, believe me … We invite the guest back as the guests of Gordon Ramsay, which will provide us with the opportunity to redeem ourselves…'with wines chosen by our sommelier'… believe me, the one and only way to deal with a serious complaint.

Today, as you can see Gordon Ramsay has adopted a different attitude. He adopted his new attitude because his business partner who was also his mentor was more experienced, and Ramsay respected and was prepared to listen. Throughout his book, Ramsay preaches that if you set yourself up as the best you better measure up and when you don't measure up to the standards that you set [and that is inevitable] then you better put it right. Otherwise you face the wrath of the customer through negative word-of-mouth. He also suggests that for every three disappointed customers that bother to write there are seven that don't.

> **Quote:** So, the real answer is to get it right the first time" (Ramsay, 2007, p.71).

Complaint management more than lip-service

Leading complaint management academics Strauss and Seidel (2004) confirm the validity of many of the students' comments [and Gordon Ramsay's] and suggest that for many organisations their statements on customer satisfaction are empty promises: nothing more than lip-service. They suggest that the contempt for customers is evident when organisations have an ambivalent attitude towards the complaining customer or, worse, make it hard for customers to complain. Furthermore, they argue that the complaining customer is **the voice of change and a profit opportunity.**

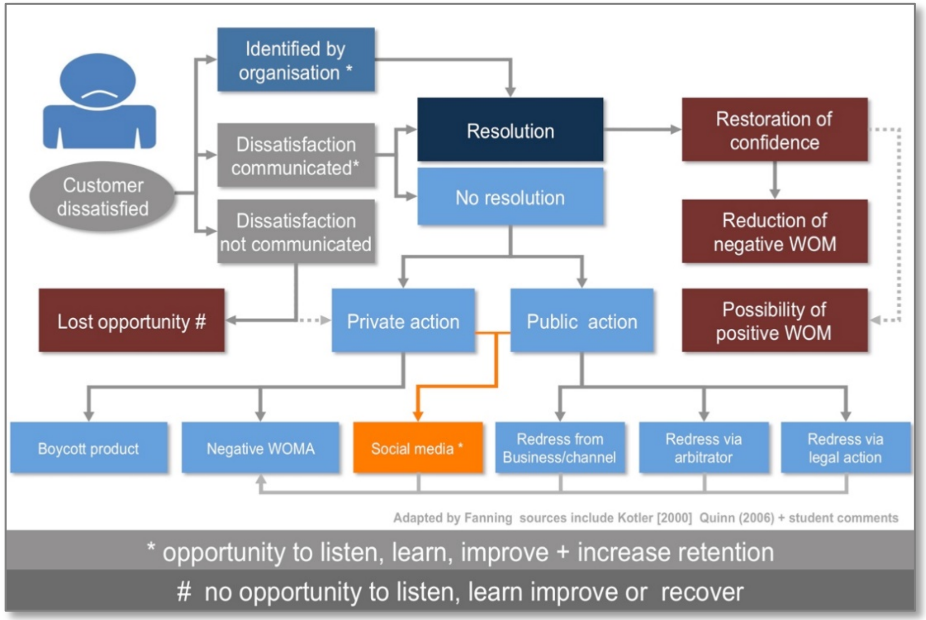


Figure 161: The above diagram shows the patterns of customer expressions of dissatisfaction.

Clearly, complaints are about people interacting; therefore, the person receiving/handling the complaint is transformed for the duration of the complaint into a boundary spanner [representing the customer and the organisation].

It is worth the effort; but, be warned, make sure you get it right the second time.

When the recovery attempts go wrong the second time, this is referred to as a **double deviation** and customers tend to lose all faith in the organisation (Bitner, Booms & Tetrault, 1990). When the service recovery process is above expectations then customers are often left with a more favourable impression than if the service had gone smoothly the first time (Spreng, Harrell, & Mackoy, 1995; De Matos, *et al.*, 2007) or are left with a favourable impression (Knox & Van Oest, 2014). Suggesting that the second encounter removes the negative effects plus the organisational effort to make amends demonstrates respect and a willingness to admit errors; qualities that consumers value in long-term relationships.

From all our class discussions emerges the importance of internal marketing/channel marketing/communication to propagate and nurture a good organisational culture and good customer relationships [marketing is about strategic, synergistic, symbiotic, and sustainable relationships[4]]. This Ballantyne (2003) suggests is an area that needs constant attention particularly in an era where downsizing has denuded many organisations of knowledge.

Guidelines of customer recovery

It is appropriate that we now synthesise our discussions. There are guidelines for customer recovery

- Act quickly – timing is everything
- Understand attribution theory [take responsibility, retrain customer]
- Empathise
- Never argue or attack attitudes
- Be sensitised to ego/esteem needs
- Give customers a fair hearing
- Clarify steps needed to resolve the issue
- Keep customer informed of progress
- Compensate when appropriate
- Persevere to regain confidence

Guidelines to create a marketing culture

It is appropriate that we now synthesise our discussions. Steps to take to implement a customer focussed philosophy [a marketing culture].

- Recruit right – hire customer orientated staff
- Train right, educate employees – this is a manager's job to manage the talents of her/his staff
- Evaluate performance – if it is not measured it can't be managed
- Acknowledge good work
- Communicate script & roles to:
- Also, inform customers of their responsibilities
- Educate customers – to enter the exchange informed.
- Efficient first - nice second – do not waste customers' time
- Standardise procedures – Blueprinting
- Be proactive to identify deviations – errors will happen - so be prepared
- Develop recovery policies
- Take corrective actions [deviations]

The reaction to the complaint must be appropriate

Olsen and Johnson (2003) make a valid point when they state, that in ongoing relationships, satisfaction is the aggregate of a number of episodes [we referred to this as **cumulative satisfaction**] therefore, the response to an episode of dissatisfaction should be appropriate to the long-term objectives of the organisation and the lifetime value of the customer. They suggest if the customer experienced rude service, then an apology should be offered and if a customer was overcharged appropriate monetary compensation should be made. The episode should be isolated and managed appropriately.

Make every encounter a learning encounter

Does your organisation provide warranties? Warranty cards can be a great way of gaining customer feedback. Perhaps you don't have a warranty card then customer feedback is still important. If it works for Starbucks, then it may be worth considering.

Search the web

Readers should determine the regulatory requirement for complaint handling in their country, state or territory. Readers should also search different industries including public services to determine any similarities and differences. In addition, readers should search CCMS consultants to identify the types of tasks that consultants in this area undertake.

Click on image to access exemplar

Consider the following:

Q: Customers have a value: Should missing customers be treated like missing stock?
Q: What would happen to the manager of a petrol station if 10% of the fuel went missing?
A: If 10% of the fuel went missing the company would be swift to act. The manager would probably lose his/her job, or, be demoted for neglecting to protect the organisation's assets. This theft would be recorded in the profit and loss statements of the organisation. Possibly, the organisation would install cameras linked to till transactions, etc. in the hope of catching and convicting an offending staff member.
Q: What would happen to the manager of a petrol station if 10% of the customers went missing?
A: If the service station lost 10% of their customers it is likely that they would either be ignorant to the fact, or, put it down to the cyclical nature of business. However, organisations operating from a marketing philosophy view a failure to prevent customer attrition as a failure to protect an organisation's assets [goodwill is an asset].
Q: Why is the same emphasis not given to the retention of customer as the retention of stock?
A: Some organisations state that customers are an organisational asset; however, many organisations fail to implement strategies to manage this asset. Some managers see customers as a resource to be mined, whilst more enlightened organisations see customers as an asset to be nurtured and cultivated.

Relationship properties

Buttle and Maklan (2015) state that relationship could include a number of properties, however, trust and commitment stand out as the dominant properties for a mutually beneficial relationship. We could define a relationship as:

> A relationship is an emotional association, an involvement, a connection, and interdependence, involving communication. Relationships are built on trust, agreed conduct, commitment and co-operation, and relationships evolve and can be durable.

Previously we have stated that a business relationship is made up of technical qualities [the what], functional qualities [the how] relationship qualities the why] and place qualities [the where]. In the earlier part of the e-book we mainly focussed on functional and technical qualities, however, relationship qualities also have an important influence on future consumer behaviour. Buttle & Maklan (2015) suggests that a business relationship is a mix of business tasks and social tasks. Marketing readers may recognise that a long-term business relation is also discussed as a type of customer involvement - *enduring involvement* (Houston & Rothschild, 1978; Rothschild, 1979; 1984).

The literature on relationship properties suggests that it is worthwhile to evaluate the properties of the relationships within an organisation; additionally, it is important to identify areas that need attention. The following scholars provide guidance when undertaking a relationship audit.

Sin, Tse, Yau, Lee, & Chow (2002, p.658) are often cited by scholars, they propose that relationships have six properties. Furthermore, research by Sin *et al.* (2002) indicates a positive correlation between the six properties and business profitability:

- **Trust** - reliance and confidence, integrity of promise
- **Bonding** - being united towards a goal, a closeness, friendship
- **Communication** - sharing meaning, solving disputes, agreed expectations
- **Shared values** - agreed norms of behaviour, appropriate and inappropriate behaviour
- **Empathy** - a willingness to see/accommodate the other party's point of view
- **Reciprocity** - fairness in dealings will be returned and lead to long-term profitability

Gummesson (2002, p.20-27) also suggests that relationships have properties; his list of relationships is like a to do list for marketing practitioners. Let's summarise Gummesson's list of relationship properties:

- **Collaboration** – a spirit of collaboration is the primary property; it can be for a one-off transaction or on a continuous basis [membership style relationship]. High collaboration generally results in less focus on price, or a focus on lowering price through a continuous improvement process.
- **Longevity** – new partnerships take time and effort. Therefore, when switching costs are substantial the focus is on retention and constructing durable relationships. However, if the partnership is no longer effective it should be re-evaluated [e.g., changing advertising agencies when the creativity has diminished]
- Commitment, dependency and importance – there are three levels:
  - Level 1 is a relationship with price
  - Level 2 is where the customer recognises the value of the augmented offerings
  - Level 3 is when resources are combined to meet common goals [e.g., in just-in-time manufacturing, outsourcing of services at an event].
- **Trust, risk and uncertainty** – with familiarity people develop a degree of trust, other people employ brands as a heuristic. The trust can be for a brand [e.g., Sony, is a trusted brand], or organisations [e.g., Marks and Spencers, and Singapore Airlines are trusted] or people [e.g. management consultant, doctor etc.], when a product is hard to assess and therefore risk and uncertainty are higher, then the importance of building a brand increases.
- **Power** – power between partners is seldom equal and when power is misused it often breaks a relationship. Globalised brands have power, the web has power, power can shift due to capacity and demand [e.g., in a building boom tradespeople have more power as there is high demand for their services].
- **Frequency, regularity and intensity** – by nature some relationships are ongoing everyday [e.g., attending university, membership at a gym may be for some people]. Other relationships have a cycle [e.g., buying a new car]. Some relationships are intense only for the duration of the product delivery [e.g., surgery] or intense for long periods of time [e.g., schooling]

- **Adaption** – adaption refers to the changes needed to make the relationship work, the changes may be people, processes, procedures. Keep in mind that people in organisations adapt at different rates [e.g., to technology] and allowances need to be made for different people.
- **Attraction** – there has to be an element of attraction in B2C and B2B. Business partners must provide special status, regardless of whether it is through the brands; an extreme example is the use of celebrities.
- **Closeness and remoteness** – mental, physical or emotional closeness should be considered. Some business relationships require a partner to be in close proximity [face-to-face, e.g., hairdresser] or may be conducted at a distance and enabled by technology [remote transactions e.g., credit card], or require the partner to share a mental closeness [i.e., similar values].
- **Formality, informality and transparency** – as a member of a club you agree to abide by an agreed code of conduct. In many B2B and B2C situations a degree of relationship informality allows agreements to be achieved [e.g., two people meeting in a café to discuss business, or on the golf course]
- **Routinisation** – just as a marriage may in time lose the romance, commercial relationships may also lose their zest. Everyone needs some form of appreciation; therefore, relationships require effort to nurture, and enhance.
- **Content** – often in a commercial relationship there is a flow of products and money, however, there is also the flow of information. Information often flows when an organisation outsources facilitating and supporting services [e.g., credit card transaction, meals for airlines are generally not handled by the organisation]. In addition, other commercial relationships [affiliate web sites] are formed to share knowledge
- **Personal and social properties** - there are many social traits that nurture relationships, however, the relationship properties of a desire to collaborate and a respect for the importance of trust are given as the most important

The process of attracting customers, retaining customers, and enhancing relationships with customers demonstrates that relationships between organisations and customers evolve with time. As we will discuss in the circle of satisfaction - trust is earned. According to Dwyer, Shurr and Orr (1987) relationships evolve through five stages:

- **Awareness:** this stage represents that the parties become aware of each other's presence
- **Exploration:** this stage is where the parties first explore the costs and benefits and enter a trial stage:
  - There is attraction
  - Communication and bargaining
  - Assessment of power - the determination of who has the advantage
  - Norm development – contractual obligations are negotiated
  - Expectations are developed
- **Expansion:** this stage is the extension of the exploration stage with an increase in trust and interdependence.
- **Commitment*:*** there is a degree of satisfaction where other organisations are excluded:
  - Inputs – each party is prepared to put in considerable effort
  - Durability – there is a bond – mutual goals
  - Consistency – each party knows what they will receive
- **Continuous renewal or dissolution:** the value of the relationship is reassessed
  - Renew the relationship, discuss areas where the relationship can be improved
  - Dissolve the relationship when the relationship is no longer needed or of value

Types of relationships

Coulter and Ligas (2004) suggest that there are identifiable types of *personal* business relationships. They suggest that there are four broad relationship types, they are:

- **Professional:** the delivery of the service is more important than the personal side of the relationship, instrumental in nature
- **Casual acquaintance**: there is a relaxed manner when doing business
- **Personal acquaintance:** product provider and recipient share information about their lives since they last met
- **Friendship:** a strong emotional and social attachment

Coulter and Ligas (2004) also indicated that whilst their research uncovered the four types of relationships there was not an order or a sequence. Furthermore, during in class discussions, students have identified a fifth type of relationship:

- **Convenience:** the business is located in a convenient place and the relationship develops around this quality

Relationships are often hidden

Let's consider the marketing channel and the relationships for solar water heaters. In addition to the relationships between the manufacturer, the retailer, and the customer the solar water heater retailer would also have a number of business relationships to manage [e.g., plumbers, installers, electricians, logistics - etc.]. Although the relationships may be as part of the marketing channel there can also be relationships with 3rd parties who provide facilitating and/or supporting services [e.g., external accountants, advertising agents, printing, etc]. In an earlier module, we discussed how often a product contains hidden services provided by channel partners. This interdependence of multiple channel partners, highlights that the 'blueprint' of how a product meets the customer must show visible and hidden components and include 3rd parties (Gummesson, 2004). If managed correctly, relationships provide an organisation with the opportunity to augment their product offering and improve their product value proposition.

B2B relationships develop for the same reason as business-to-consumer relationships: **mutual benefit**. According to (Blois, 1996) by forming the relationship B2B provide:

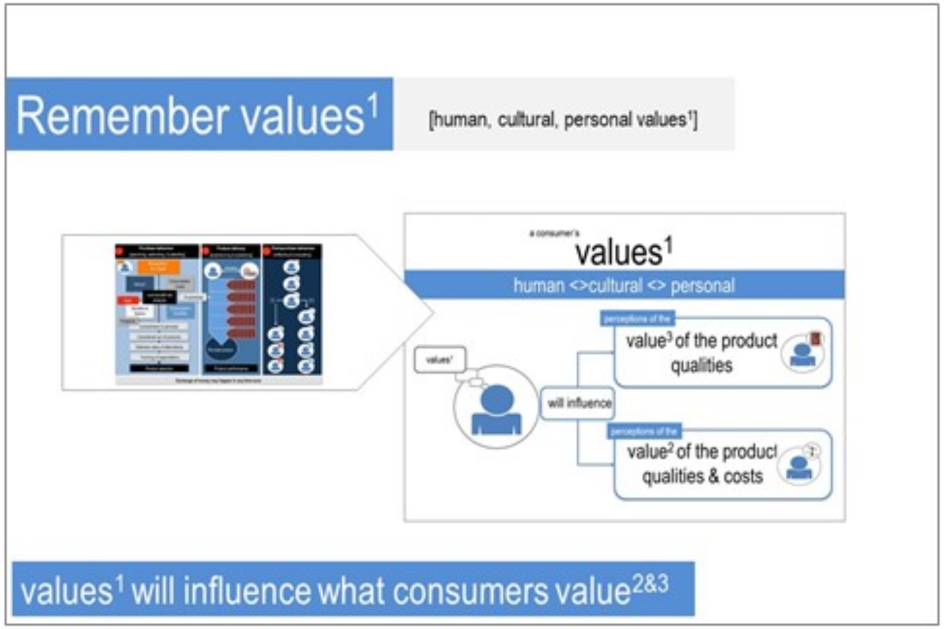
- **Stability:** beneficial long-term arrangements – OEM suppliers
- **Asymmetry:** reduce the power one partner has over another – buying groups
- **Legitimacy:** status of being associated with a more powerful organisation and physical evidence through certification by a third party – Microsoft partner, Intel
- **Necessity:** legal requirements, protection, consequence of doing business
- **Reciprocity:** some sort of *quid pro quo*, - sponsorship - Wesfarmers and the arts in Australia
- **Efficiency:** it is in the organisation's interest for another party to provide the product [e.g., outsourcing - office cleaning]

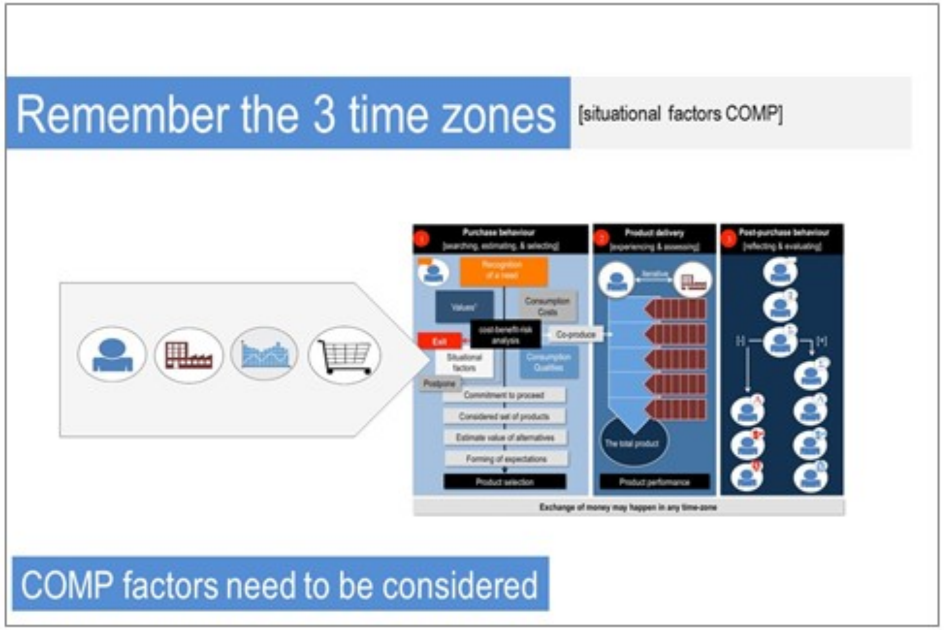
Intuitively, the work of Blois (1996) is not complete. Organisations form relationships with other organisations for a number of reasons of self-interest: it may be more profitable; there are opportunities for growth, or to keep out competitors.

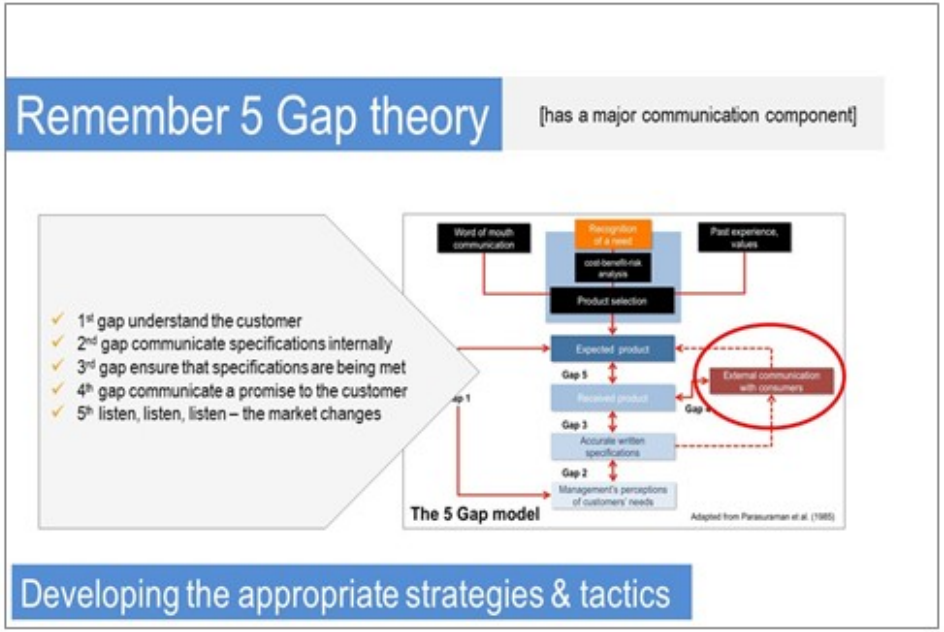
Reflect & review

Employ these questions to reflect on your understanding and review your progress.

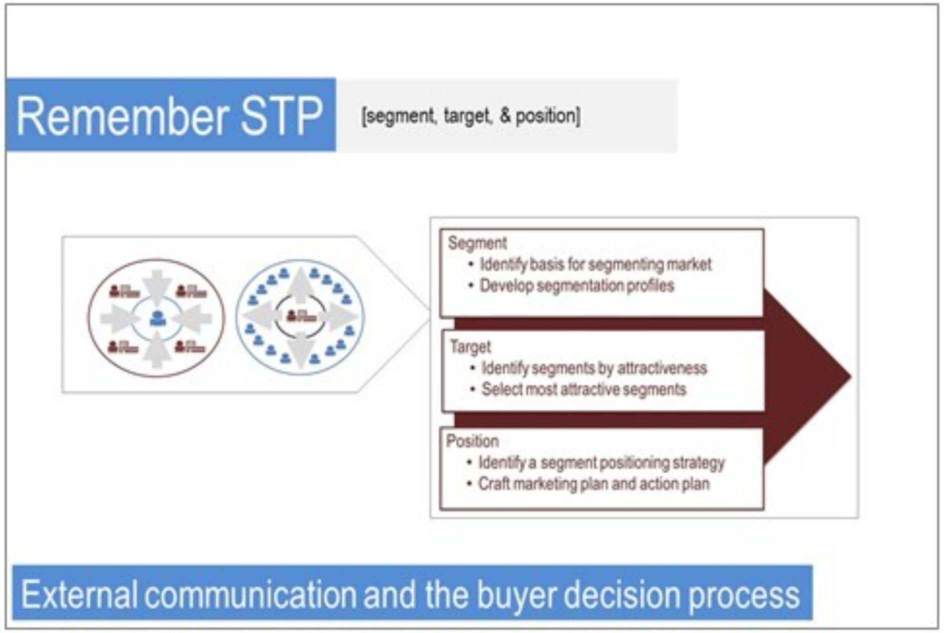
- Why is 'customer complaint' a poor choice of words for organisations committed to customer satisfaction?
- Discuss the importance of retaining customers to an organisation.
- The metaphor of iceberg is used to describe complaint management what is meant?
- There are two main rules 1] minimise errors 2] recover quickly – explain the broad steps within the rules.
- Why should an organisation welcome complaints?
- What factors influence a customer's propensity to complain?
- Describe how dissatisfied customers may behave [include the use of social media].
- Have you ever used social media to voice an opinion? Elaborate when and why.
- What are the key factors in recovering from episodes of dissatisfaction?
  How has social media increased the voice and effectiveness of the consumer?

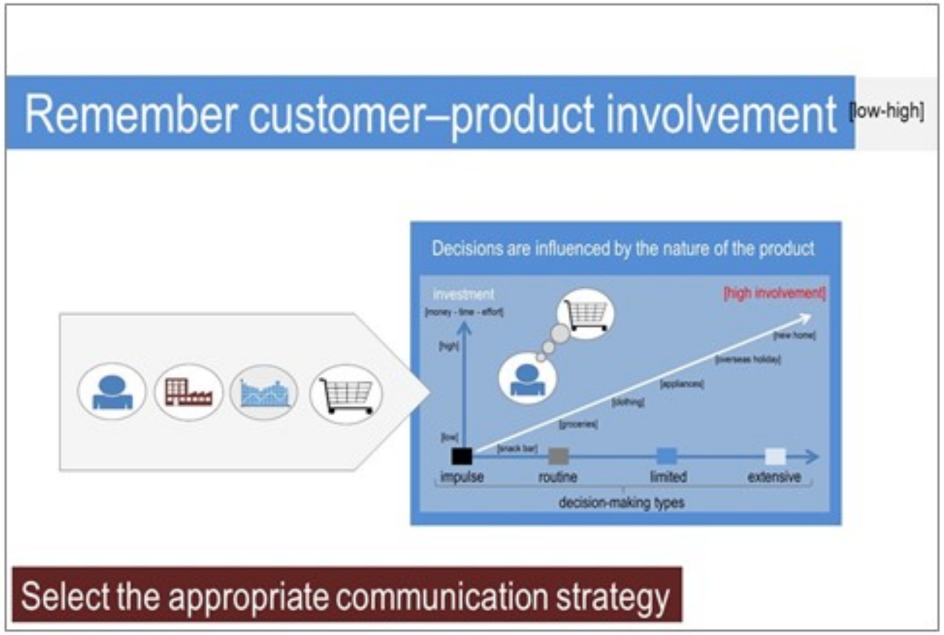


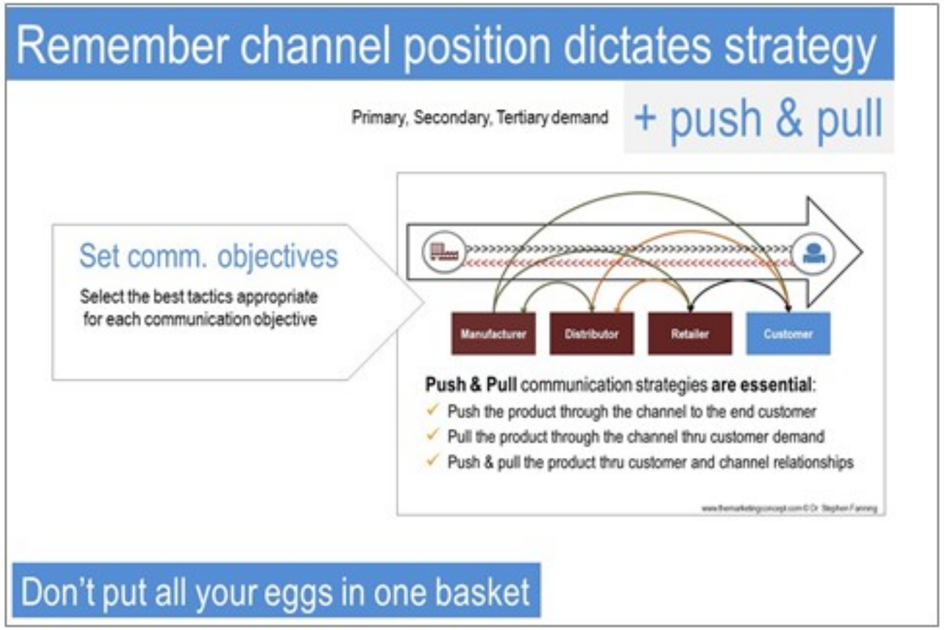


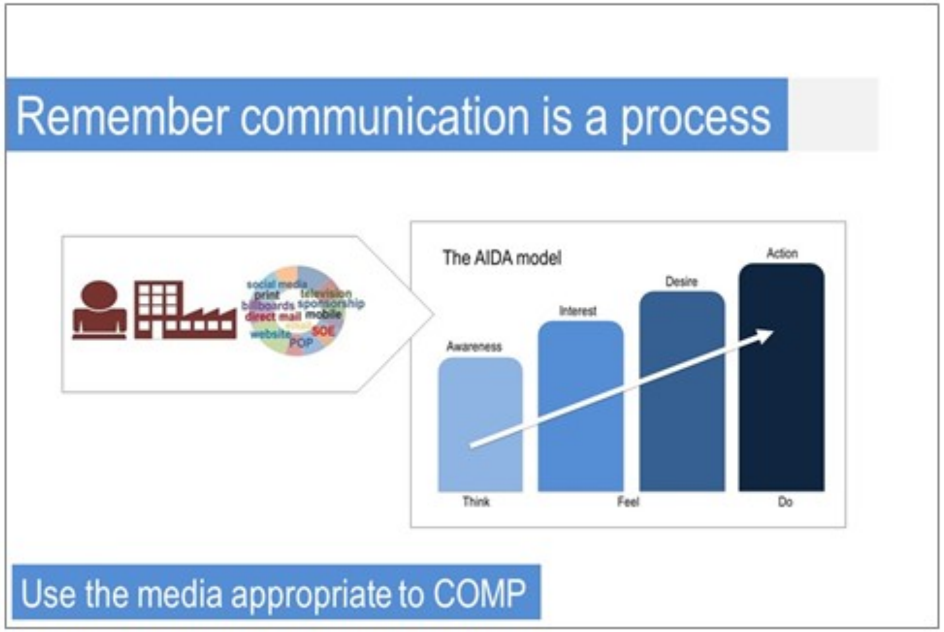


Key marketing concepts to re-consider

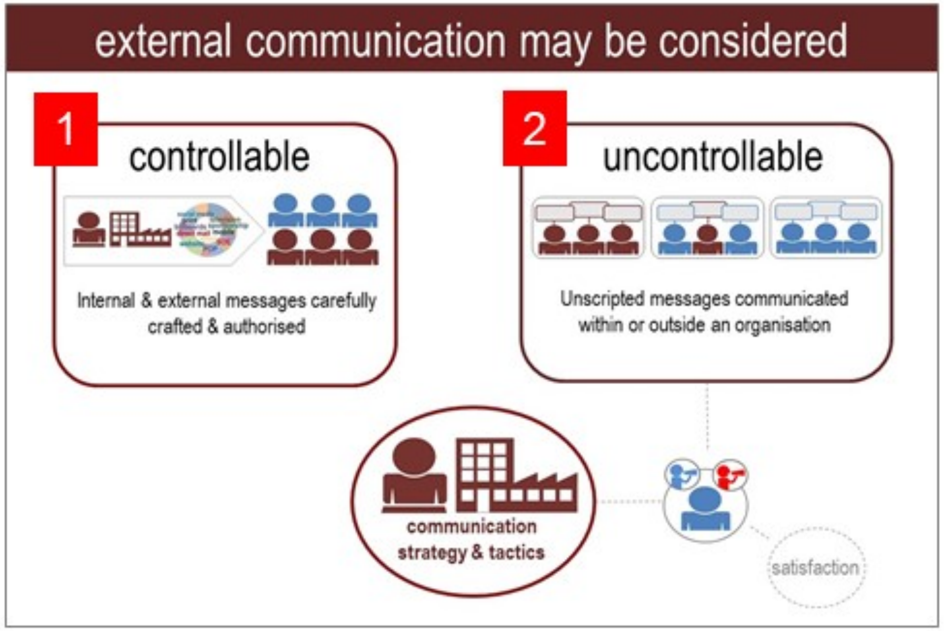


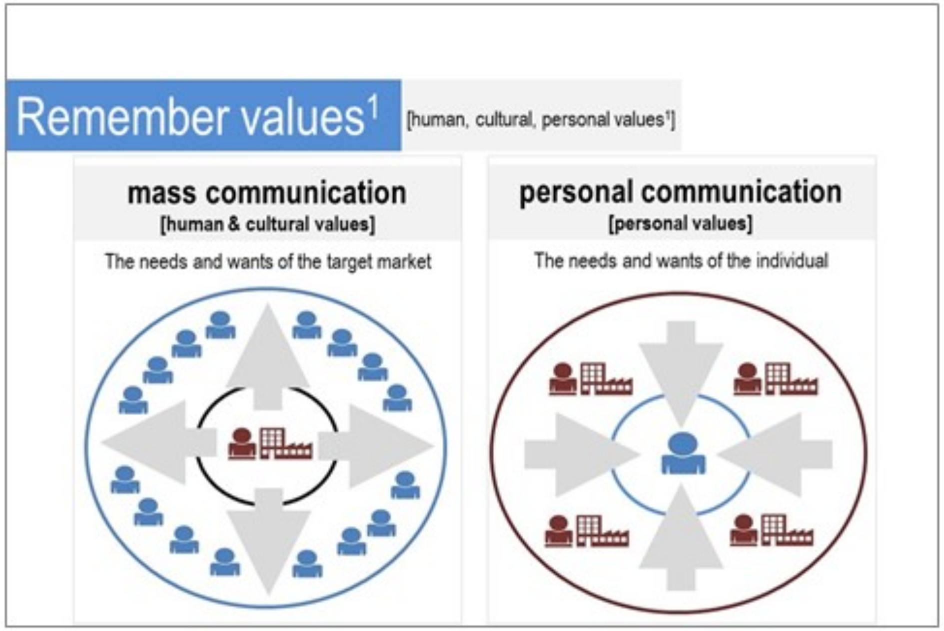


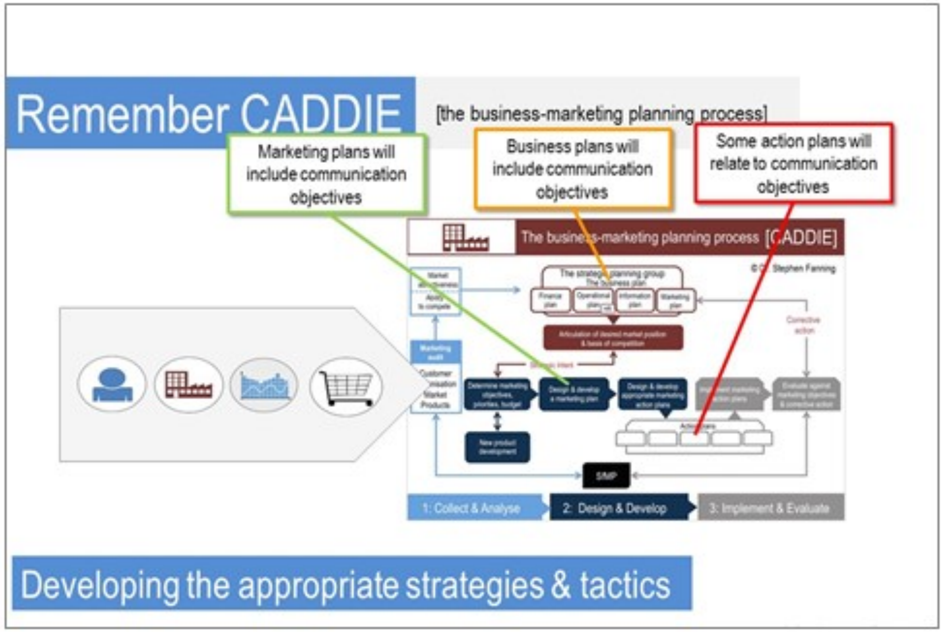




Key marketing concepts to re-consider







Key marketing concepts to re-consider

Figure 162: Everything an organisation says or does sends a message.

marketing action plans
[external marketing]

3:3:5 Marketing action plans: [external marketing]

Previously: In section 1 we stated that there are 3 business concepts/philosophies [production, selling, and marketing] and that often an organisation's philosophy is an amalgam of the 3 business philosophies. Although, one philosophy is generally the dominant philosophy, the other philosophies and the situational factors may still influence external marketing communications. Regardless of the composition of the organisational philosophy, most organisation will have a 'marketing' department, they will employ similar communication tactics and media, however, the dominant philosophy will influence the strategic intent of the organisation.Therefore, when an organisation practices a marketing philosophy the internal marketing communication and external marketing communication must work in harmony towards organisational objectives.

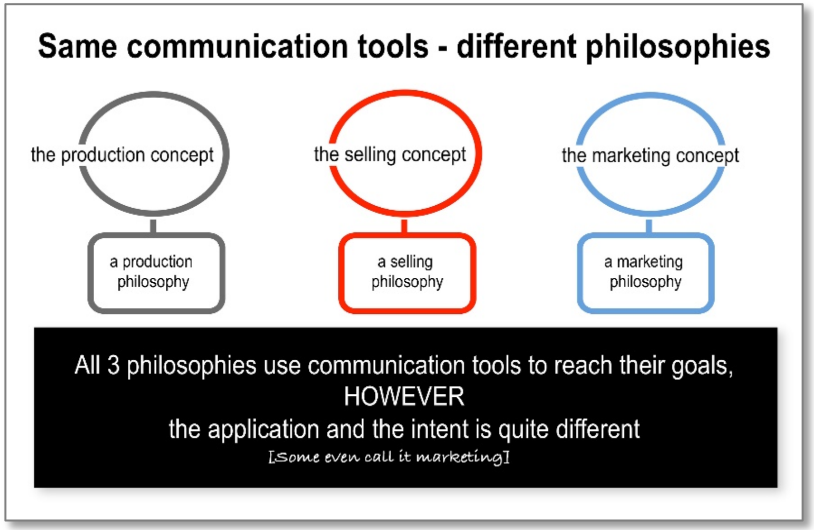


Figure 163: Organisations that are predominantly operating from a production concept or a selling concept often employ the same communication tools as an organisation operating from a marketing concept. Same tools different strategic intent.

In section 2 we discussed the importance of attracting customers and populating the salespipeline we discussed the importance of building the sales baseline through managing, measuring and improving collective customer satisfaction. We also introduced and discussed the product component of ideas, including brands as ideas. It may be worthwhile to consider this definition and it may be worthwhile to revisit this discussion:

> The ideas product component is related to external marketing communication. Ideas can be a dominant or determinant product component. Ideas as a product component is the knowledge that is transferred from one party to another, the product information that enables a product to be considered, compared, and purchased. Ideas communicate the value proposition of the product and position a product has in the marketplace.

So far in section 3 we have discussed the CADDIE business-marketing process and introduced a number of typical everyday tactical marketing action plans: managing quality, internal and channel marketing, customer retention, external marketing, sales and salesforce management, software for marketing practitioners, the relational sales process.

We have discussed the marketing action plans of managing quality, internal and channel marketing, and customer retention. During our discussions of typical everyday tactical marketing action plans the 9 objectives of marketing practitioners are a recurring theme.

Learning objectives

Learning objectives of the chapter: After completing this chapter you should have a broad understanding of an integrated marketing communication approach, including personal and mass communication tactics, how products influence the communication routes of persuasion, common types of communication tools, how controllable and uncontrollable communication requires vigilance.

Directions

A key task for senior marketing practitioners is to ensure that external communication action plans are integrated, holistic, maximise appropriate emerging technologies, and are congruent with the strategic business plan and the strategic marketing plan.

We can categorise external marketing communication into **communication objectives, communication tasks, communication tools, communication media** and **communication considerations:**

- Communication objectives: Attract, retain, and enhance the relationships with customers and contribute to the financial and strategic objectives of the organisation.
- Communication tasks [external]: Analyse market, design-develop communicate UPVP, manage salespipeline attract > retain > enhance, manage pre-purchase information &

risk, facilitate profitable exchanges, facilitate product delivery, manage post-purchase recovery & dissonance.

- Communication tactics [personal and mass communications]: person to person, educational, interactive events, advertising, sales promotion, public relations, product and corporate design.
- Communication media: [traditional and digital, sometimes referred to as phygital] social media, print [newspapers, inserts, magazines, catalogues], television, radio, billboards sponsorships, email, mobile, direct mail, website, search engine optimisation, point of purchase material [POP], brochures/posters, market influencers, and affiliates.
- Communication considerations: the customer, organisational. market, and product characteristics and the relevant theory that should be considered when designing, developing, implementing, and evaluating communication strategies and tactics.

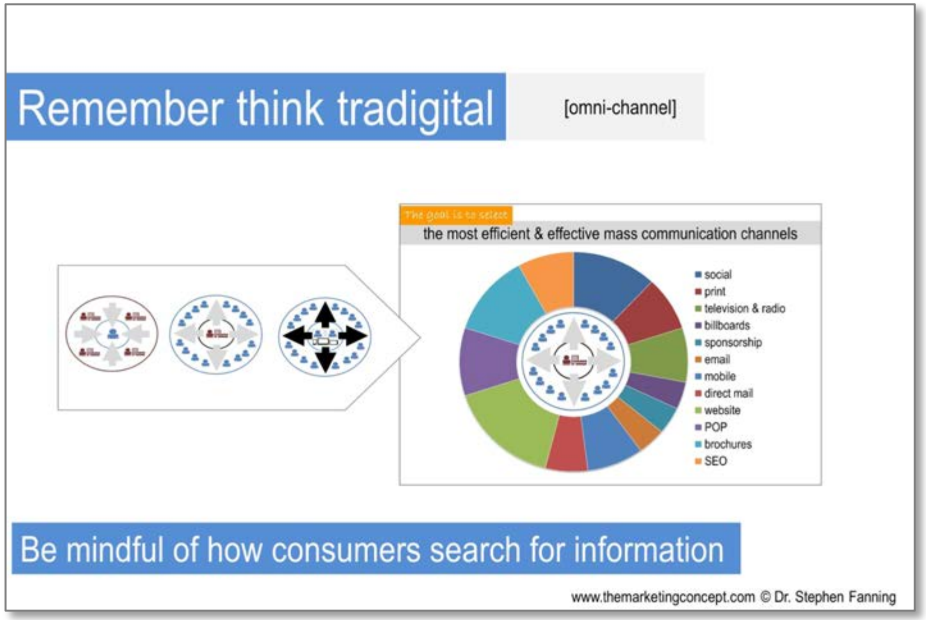


Figure 164: Marketing practitioners need to select the most appropriate media for the marketing genre, industry sector and objectives of the organisation.

In recent years, marketing communication is presented as an iterative process and one that incorporates all communication activities - communication originating *inside the organisation* [aka: marketer-generated content] and communication originating *outside the organisation* [aka: user-generated content]. Marketing communication involves internal customers, channel partners, external customers, and the society in which a business operates. Internal and channel marketing is about communication to foster engagement and collaboration within the organisation and throughout the marketing channel; the goal is to serve the customer more effectively and more efficiently; to attract the best staff, retain the best staff and enhance profit[4] and relationships[4].

Although most businesspeople are aware of the role that marketing plays in communicating with external customers, many are unsure of the role that marketing plays in communicating with internal customers and channel partners. Communicating with internal customers and channel partners [see circle of satisfaction] is generally referred to as internal marketing and plays an important role in an evolving marketplace.

The organisation's position as part of a marketing channel [B2B & B2C] will influence the communication strategies and tactics. Some channel partners are B2B and will have no or little contact with the end customer [e.g., an original equipment manufacturer]. Each member of the channel will have different roles and communication objectives [e.g., a logistics company and a retailer] this will relate to the demand [primary, secondary, & tertiary], furthermore, the marketing channels will vary according to the characteristics of the industry sector.

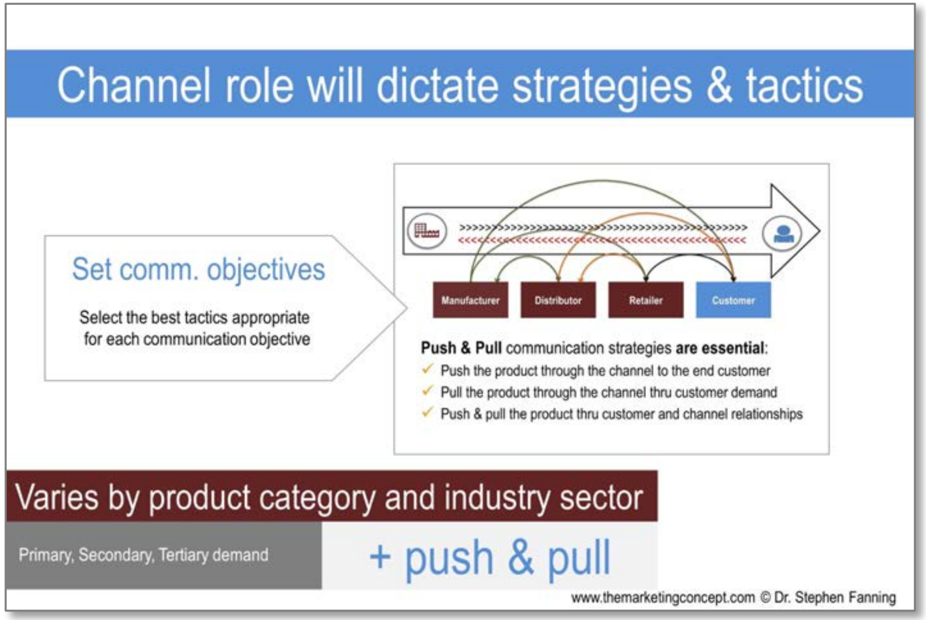


Figure 165: B2B and B2C organisations will have different communication objectives.

It is acknowledged that marketing communication is more than transmission of a message it is also about listening and understanding the customer and then communicating throughout the organisation and marketing channel [see 5-gap model]. A neglect of internal marketing will result in poorly trained employees, an inefficient marketing channel, disenfranchised employees, neglected customers, clumsy implementation of strategy, and lower probability of meeting organisational objectives.

We have also stated that whilst attracting new customers is an important communication objective, retaining, and enhancing the relationship with customers are central to achieving long-term objectives. Furthermore, we have discussed how a competitive advantage may be achieved through a service to the organisation by loyal customers and this requires a communication process of managing quality, value, satisfaction, cumulative , and trust (Vargo & Lusch, 2004; Bowden, 2009). Furthermore, we have also presented the view that by focussing on customer satisfaction, an organisation will reduce negative word of mouth within non-controllable communication. This is in keeping with the marketing concept. Clearly, communication is central to every aspect of marketing. The goal of external marketing is to attract the best customers, retain the best customers and enhance the profit[4] and relationships[4] between the organisation and the customer.

Integrated marketing communications approach

In the past, some authors have presented communication as the **transmission** of information to external customers. Often you will hear non-marketing people opine that if you communicate product features and benefits with sufficient reach and frequency, consumer attitudes will change, and consumers will be motivated to buy. YES – reach and frequency are important communication considerations, however, this thinking is only part of the picture and more in keeping with the selling concept and a selling philosophy.

When an organisation adopts a holistic and coordinated approach to communication then this is often referred to as **integrated marketing communications approach**. The objective is to send a **consistent unified message** and to amplify the message through diversity of mediums. The term 'integrated' is used to emphasise that this approach recognises the holistic nature of communication to achieve the 9 marketing objectives, recognises key communication tasks, employs a variety of communication tactics different tools and appropriate mediums to communicate the unique product value proposition to selected customer segments. Furthermore, that marketer-generated content across all mediums is consistent with the ideals of the marketing concept where promises are made and delivered, regardless of the medium (Weiger, *et al*., 2019).

When appropriate [think COMP and buyer decision process] **person to person communication** [also referred to as **personal communication**] is an important part of the external marketing communication mix. Personal communication is when two or more people have an iterative discussion. Personal communication is often part of the service delivery process, and an important task is to populate the salespipeline and then advance customers along the salespipeline. Person to person communication is more often employed in shopping and specialty product categories, when there is an educational element, there is problem to be solved, when involvement is medium to high, and benefits are individualistic. However, person to person communication may involve communication between customers.

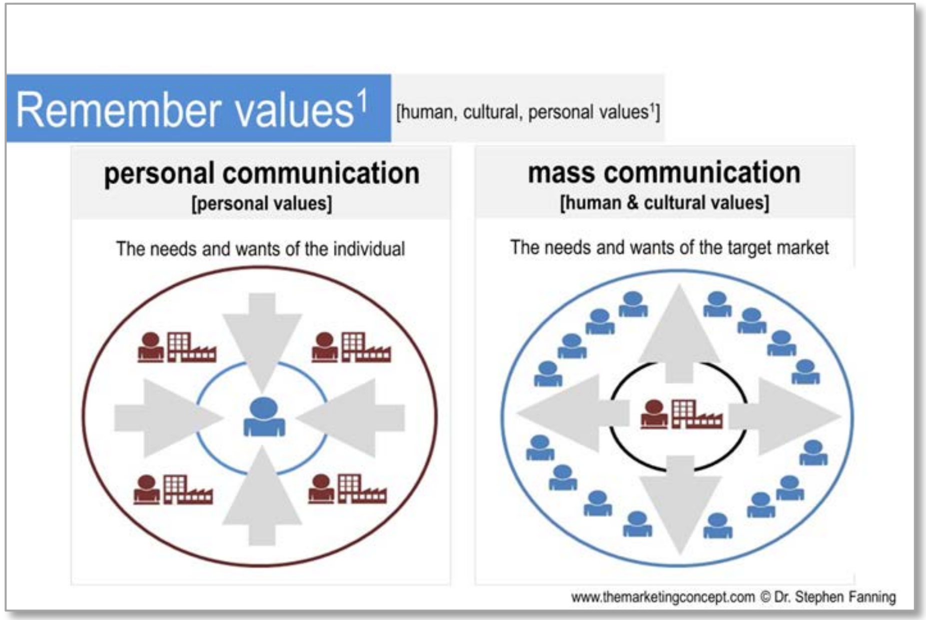


Figure 166: The differences between personal and mass communication.

It is generally recognised that marketing practitioners do not 'create needs' but rather produce products to satisfy customer needs. A customer's needs correlate with their values [human, cultural and personal], so whilst we share values with all other people and share values with some other people - we also have our own individual values – therefore our own needs. As a result, **mass communication** is effective at addressing human and cultural values, whereas **personal communication** is required to address an individual's personal values. Whilst mass communication can generate awareness and interest often personal communication is required to facilitate an exchange. Personal communication between an organisation and a customer becomes more important as co-production [co-creation] increases.

People tend to think of personal communication as face-to-face [e.g., selling], however, it can also be via a medium such as the phone [e.g., texting], the internet [e.g., email, online meetings, online text-chats], and even by post [e.g., letters]. Clearly, personal communication has evolved in recent years, and this shows little signs of slowing.

Personal communication [word of mouth], involving other customers, has influence and credibility, particularly with products that have greater involvement, are expensive, have a greater degree of risk, and have a high service and/or high experience component. In addition, personal communication is particularly important in B2B exchanges where relationships are traditionally long-term.

Personal communication spans all 3-time-zones of the buyer decision process. It is personal communication when

- A consumer communicates with a salesperson regarding a new car
- A consumer speaks with their partner about a new car
- A consumer is listening to another customer's experience
- The car salesperson hands over the car to the couple
- A consumer books their car in for a service

Personal communication is embedded in the product components of services, ideas, experiences, and people. Keep in mind that personal communication is not always between the organisation and the customer; peer-peer reviews are an everyday part of our lives. Who hasn't searched reviews to see what other consumers are saying about a product?

Some product components [e.g., services] happen in real time and require the presence of the customer. When this happens, it is important to realise that the communication process also happens in real time. This means that service providers [boundary spanners] must be given a clear description of their roles, the parameters, their responsibilities, and be given scripts to assist them in how they should act. Furthermore, the roles and the scripts should include service recovery instructions for when things do go wrong. Sometimes when we talk about scripts readers think we are talking about canned presentations; that is not what is intended. Scripts and role-playing are essential parts of training directed at reducing variability in the product delivery process.

Product education is also a key communication tactic for both internal and external customers. Product education may be delivered as in a personal or mass communication format. Personal communication methods include sales presentations, service delivery, trade shows events. Popular mass communication methods are video content, corporate websites, social media sharing sites [e.g., Pinterest], apps, blog posts, product case studies, and product brochures [print and electronic].

When a product is high in experience qualities then **interactive events** are an ideal communication tactic for both internal and external customers. When a product meets a need, plus, has a side benefit that can only be recognised through experience then an interactive event is an ideal way of communicating. Often interactive events can piggy-back off another event, for example a local market, a sporting event, an annual fair where people are passing by and can be coaxed into participating. Interactive events can vary in time and complexity and often requires the services of an event specialist.

The terms advertising and promotion are often misunderstood. Percy and Rosenbaum-Elliott (2012) explored the Latin origins of the words **advertising** and **promotion** to better differentiate their meanings. Their findings are similar to the short and long term recommendations of Binet & Field (2013) and the sales base line approach discussed previously. Percy and Rosenbaum-Elliott (2012) state that advertising should be directed towards creating a long-term positive attitude towards a product or organisation which is transferred from the product to the brand – **brand equity**. Whereas promotion should be directed towards motivating the consumer to trial the product and/or enter an exchange – in the immediate future. They state that advertising is more long-term and more aligned with strategic communication objectives, whereas promotion is short-term and more aligned with tactical sales objectives – hence why advertising is often referred to as **branding** and promotion is often referred to as **sales promotion**.

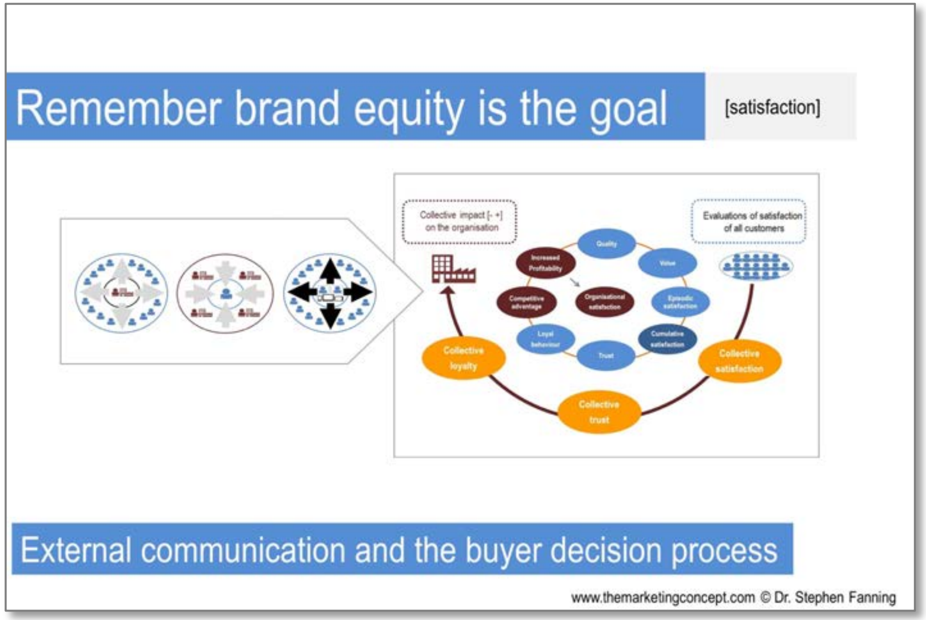


Figure 167: Marketing communication should also be directed towards building the value of the business – brand equity.

Throughout the e-book, we have stated that marketing strategy and tactics should be complementary and congruent; this also applies to advertising and promotion. Sometimes the line between advertising and promotion is a little blurred; for example, when retailers promote goods in their advertising. The retailer may promote a manufacturer's product/brand and the manufacturer contributes to the cost of the catalogue or television commercial. The retailer may have a number of similar promotions throughout the year and when combined communicate a strategic position for the retailer.

Public relations are a communication tactics designed to enhance relationships between an organisation and consumers, customers, internal customers, channel partners, stakeholders, and society. PR is about building a brand identity through messages that are educational and have a public interest. Although immediate sales may result from a PR activity, short-term sales are not an accurate or fair measurement of PR campaigns.

PR is more influential that some consider, and it is a core part of a marketing philosophy, and particularly useful tool for nurturing profitable[4] exchange relationships[4]. A marketing philosophy recognises that people within a community will pass on positive and negative information regardless of the organisational attempts to control the message [see Rogers' diffusion for more on this]. The patterns of adoption are often overlooked; PR is ideal to harness the value of past customers. There are many past customers who do not appear on the books as active customers yet act as advocates and evangelists for a product or organisation – a kind of brand ambassador. Nurturing a relationship[4] with the community sends an important message [reminder] to advocates and evangelists.

Keep in mind that from a consumer perspective a brand is a series of collective memories and PR can play an important role in creating a brand meta-narrative.

> **Author's comment:** It is the opinion of the author that engaging the services of a PR specialist with the necessary media contacts and knowledge is a key success factor in the creation of brand identity.

Corporate design is a broad communication tactic that is embedded in all aspects of communication and product positioning. Corporate design covers product packaging, print and digital communication, vehicles, clothing, merchandise and is an important part of **brand awareness** [**brand recall** and **brand recognitio**n] and **brand image/identity**. During the search stage of the buyer decision process, consumers become aware of products and brands. Brand awareness can be categorised as brand recall and brand recognition.

Product positioning is the position a product has in the consumers' mind and part of the consumers' and customers' attitude to the product. Product positioning is linking a product to a **product category** and then communicating a position within that product category for the product. The first task is generating awareness and establishing how a particular product satisfies the core needs required of the product category and secondly, best satisfies the needs of an identified group of consumers. Product positioning is an ongoing and everyday process that includes marketing communication internal and external. Product re-positioning is modifying consumer attitudes to an existing product; sometimes referred to as re-branding.

Consumers who are able to recall some familiar products/brands may have developed a product/brand attitude to them – this may be a positive or a negative attitude. The product brand attitude will influence how the consumer attends to the message and the actions they will take. Therefore, a long-term marketing communication strategy is to mentally link the product/brand with a need (Percy & Rosenbaum-Elliott, 2013). For example, when you think of 'headache relief' what comes to mind? The most dominant product/brand is referred to as **top of mind**. During the search for information consumers may also recognise/recollect familiar products/brands from past use or exposure to information.

Brand recall and brand recognition are quite different:

- **Brand recall:** the ability of the consumer to link a need to a product/brand without obtaining further information [unaided recall]. **Top of mind awareness** is when consumers are asked a **product category** and a brand is first mentioned by most consumers [e.g., in mobile phones if Samsung was the brand most frequently first mentioned it would be top of mind]. Top of mind is important as often it indicates a product or brand that would be on a consumer's considered set of products. Some scholars indicate that top of mind awareness and market share are related. Therefore, creating top of mind awareness is a major communication objective. Brand recall research may uncover products/brands that consumers would approach or avoid in the future. These are referred to as:
    - **The considered set:** products/brands that are considered acceptable and worth consideration [also referred to as the evoked set].
    - **The inert set:** products/brands that are considered with indifference
    - **The inept set:** products/brands that are considered unacceptable
- **Brand recognition:** the ability of consumers to recollect/recognise a familiar product/brand after obtaining further information. This research technique is often referred to as **aided recall** or **aided recognition** and indicates the quantity of research participants that when prompted recognise a product or brand. And are therefore likely during the search for information to add this brand to their considered set of products. Therefore, a short-term marketing tactic is to ensure that the product/brand message intercepts the customer during the search for information during the buyer decision process [why online advertising is so popular].

Within this brief explanation, we can see that information is searched for, collected and organised when there is the recognition of a need; that long-term and short-term external communication is needed for the product/brand to be considered (Tulving, 2000). Furthermore, marketing practitioners be mindful, measure, and manage awareness in the markets they serve. The **AIDA framework** [Awareness > Interest > Desire> Action] is a well-accepted framework for communication tasks in the first time-zone of the buyer decision process.

> **Author's comment:** Most marketing practitioners will join an organisation that has an existing product portfolio and with brands that are formed from the customers' past experience and attitudes. Consequently, many marketing practitioners see themselves as temporary brand custodians. Keep in mind that the application of textbook theory is dependent on the COMP factors.

The idea is to employ the right communication tactics and mediums for the task. The choice will vary depending on the COMP factors and a variety of marketing metrics should be employed to measure effectiveness.

The tasks, tactics, and media that an organisation employs to communicate with consumers/customers is generally referred to as the **communication mix**. Organisations employ different media [traditional and digital] to diffuse their message. With the increasing sophistication of technology, the task of selecting the most efficient and effective **communication mix** is more complex than in the past and requires specialist attention and metrics. However, it is worth remembering that organisations can seldom rely on one medium [sometimes referred to as developing media diversity]. Nevertheless, the organisational goals of increasing revenue, reducing organisational costs as a percentage of sales, and building the value of the business should be at the forefront of all communication decision-making.

Whilst **message consistency** is a key success factor and a corporate style guide plays an important role - the creative strategy and tactics to present a persuasive/compelling message will vary according to the media [for example, television, social media, out of home [OOH] and digital out of home [DOOH] media will require a consistent but different approach].

Style guides are an important part of marketing communication. The overall style should reflect the philosophy of the organisation.

When designing and developing a style-guide the first step is to analyse current practices – identify where the organisation communication appears – this should include printed and electronic. Often organisations have inconsistencies in both internal and external communications – inconsistencies may relate to old or different styles of fonts, colours of the fonts, perhaps the random use of bold, italics, or font shadows, inconsistencies when brandmarks [aka logos] are used, does the scale of the logo relate to the scale of the text, if there is a hierarchy of brand names how they appear, what happens when the logo is printed in colour or black and white are there inconsistencies across platforms.

It is important to also review the key message statements; these are statements that position the organisation - identify inconsistencies with the present positioning. Do the key message statements concisely depict how the organisation wishes to be perceived? Identify the different audiences and identify whether the present key messaging needs adjustment according to the audience.

After analysis, it would be appropriate to design and develop, craft and implement a style-guide – ensure that suitable versions are available for all media – for example the needs of a sign-writer, poster-printer, web designer and a stationery printer are quite different. Once this has been completed begin the task of identifying and replacing inconsistent documents eliminate anything that sends a mixed message. Explain the intent and the role of the style-guide internally and to channel partners. Care needs to be taken to ensure that consistency is achieved throughout the entire organisation.

A word of caution – the creation of a style guide is not about rebranding.

This process should not be hijacked by people with an agenda or those who wish to rebrand the organisation. When designing and developing a style guide there must be respect for the past [think brand awareness and what it has cost]. Keep in mind that if the organisation is performing well any changes should be below the **customer's threshold** [JND]. If it was a major rebranding exercise, then that would require input from the Strategic Business Planning Groups and involve creative consultants. A major rebrand should only be undertaken if it represents a major shift in the organisation philosophy.

There are a number of **communication considerations** that marketing practitioners must take into account when designing and developing a communication strategy and relevant marketing action plans. Previously, we discussed that when consumers recognise a need and before they enter the buyer decision-making process they first reflect on whether the need should be attended to [motivational strength] and then what sources to search and consider before they decide the direction to satisfy the need.

Understanding how consumers search is an important factor. Consumers take one of three routes when searching for information:

- An internal search of their memory
- An external search for information
- An internal-external combination

Author's comment: Tulving's work implies that if there is no need – there is no reason to remember. Therefore, memory and the associative network are linked to needs. It also highlights that for marketing communication to be effective it must link the consumer need with the product/brand – it must provide a preferred outcome.

What is also important and why our work on the total product is critically important is that the consumer may recall the retailer as 'the total product' [i.e., the provider of the solution]. However, once they visit the retailer then brand recall and brand recognition are important.

Therefore, when browsing retailer outlets, brand recognition may result from the recollection of product brand names but also from familiar product packaging.

We can see that marketing communication is strategic and requires a number of marketing action plans – communication goes beyond promotion and advertising.

Communication routes of persuasion

A recurring theme throughout the e-book has been the influence of involvement on consumer/customer and organisational decisions; involvement also influences the external marketing communication strategies and tactics. We will now discuss the peripheral and central routes of persuasion.

Marketing practitioners design and develop communication strategies and tactics according to the nature of the product and consumer decision making processes. The four decision-making processes are impulse, routine, limited, and extensive decision making (Petty, Cacioppo & Schuman, 1983). They state that consumer decision-making varies by the involvement of the selected market segments. Some products are low in customer involvement; consequently, decision-making will be impulse or routine. Other products are high in customer involvement; consequently, decision-making will be limited or extensive.

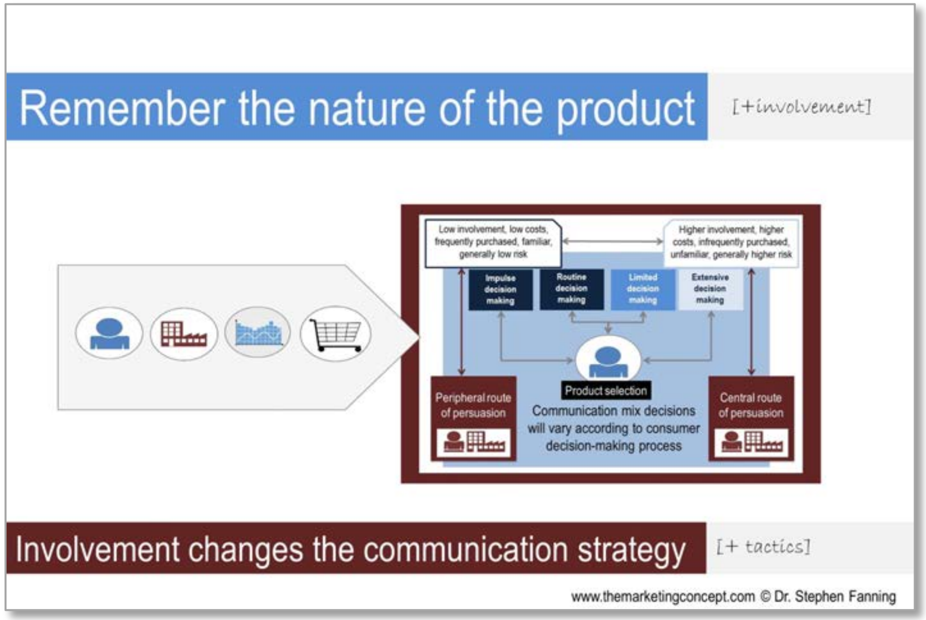


Figure 168: Communication decisions varies according to the nature of the product.

Subsequently, Petty, *et al.* (1983) suggest that depending on the decision-making process marketing practitioners should employ one of two communication routes of persuasion:

- **The peripheral route of persuasion:** [low involvement] When information is not considered relevant, significant, or of personal interest then a consumer is unlikely to attend to a message or be motivated to think about the message. Therefore, rather than focus on communicating the unique product value proposition, marketing practitioners will focus on a related or peripheral message to gain attention and interest – these are known as peripheral cues. The peripheral message tactics include associations, an attractive/aspirational/credible spokesperson, a pleasant environment, attractive packaging, humour, and appropriate music.
- **The central route of persuasion:** [high involvement] When information is relevant, significant, and of personal interest then a consumer will attend to the information with careful consideration, the consumer will weigh up the various views presented within the message and form an attitude to the product [see multi-attribute model]. The central route of persuasion is more about the content and comprehension. If the message resonates on an emotional and cognitive level, then the consumer will form a positive attitude to the message and product. It could be that the message will be attended to and stored for future decision-making in long-term memory because it resonates with future needs. [e.g., health messages – drinking when pregnant]. Often health messages will use a strong argument to encourage cognitive processing with the objective of changing prevailing community attitudes. In the next module, we will discuss the importance of product comprehension.

> **Author's comment:** Consider a couple [mid 50s] that are interested in buying a new leather sofa, they have a budget of $6500. When visiting a retailer, they noticed that a sofa was priced at $2999.00 at another retailer another was priced at $5999.00. They wish to avoid making a mistake and reduce this risk. Therefore, it is likely that the couple will employ an extensive decision-making process and the organisation should employ the central route of persuasion. This would involve communicating the value proposition of the $5999.00 sofa and why even though it is more expensive it is better value [e.g., build quality, Italian manufactured, Kangaroo leather]. If the organisation does not recognise the typical product decision-making process and adopt the appropriate route of persuasion, then it reduces the opportunity to communicate the unique product value proposition and advance the customer along the buying process.
>
> Clearly, the role of a sales consultant or boundary spanners would be more important when the product offering requires the central route of persuasion.

Understanding involvement and the routes of persuasion are important communication considerations for marketing practitioners. Petty, *et al.* (1983) argue that consumer product beliefs are stronger, more persistent, and more congruent with behaviour when the central route of persuasion is employed. Percy and Rosenbaum-Elliott (2012) suggest that the developing of the communication message is always important, however, it is critical when involvement is high, as the message has to be communicated and believed before the consumer will consider the product.

Previously when we discussed approach-avoid motivation, we concluded that the motivation for entering the buyer decision process may be to approach a positive outcome or avoid a negative outcome. We also discussed how consumers form a considered set of products and search for information when estimating the value of alternatives. With both considerations in mind, Rossiter, Percy and Donovan (1991) suggest that when motivation and involvement and approach avoidance are integrated then a strategic 2X2 grid is formed. This grid is often referred to as the Rossiter-Percy grid and can assist marketing practitioners to design and develop the appropriate communication mix.

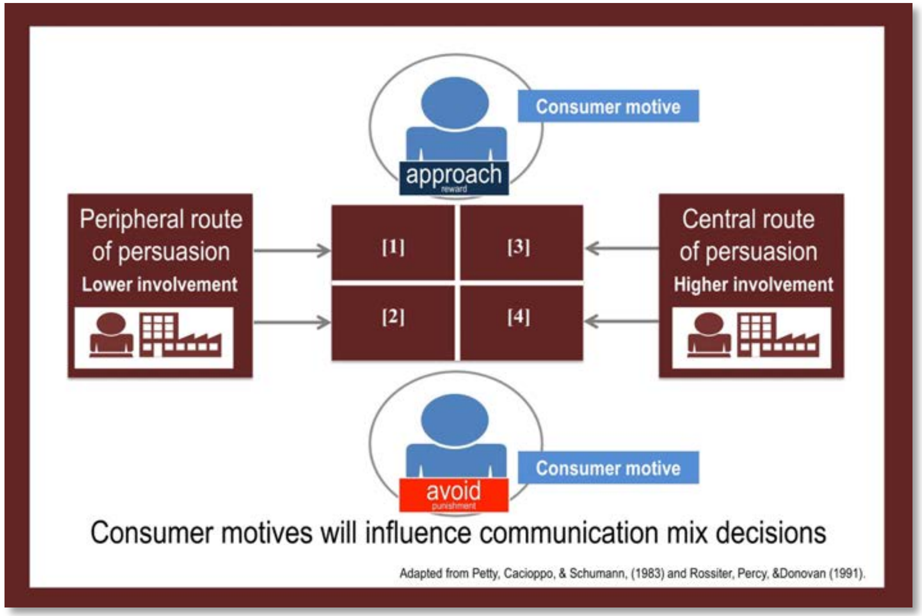


Figure 169: The above diagram integrates the work of Petty, Cacioppo, Schumann, (1983) and Rossiter, Percy, and Donovan (1991) and the synthesises our earlier discussions.

- [1] Low involvement and the consumer will consider approaching a reward
- [2] Low involvement and the consumer will consider avoiding a punishment
- [3] High involvement and the consumer will consider approaching a reward
- [4] High involvement and the consumer will consider avoiding a punishment

Armed with this information the marketing practitioner has a number of strategic and tactical options to deliver and appropriate message to the consumer.

The nature of the product

Product classification influences the way consumers and organisations communicate. For example, there is a different communication process between buying soap powder [a convenience product], a new shirt [a shopping product], and selecting the services of a wedding photographer [a specialty product]. There is *no one right way* **-** no hard and fast rules that will guarantee success, however, product classification does provide guidance.

Keep in mind that, when a product is low in **search qualities** or high in **experience qualities**, customers tend to seek the counsel of those who have previously purchased and experienced the product. With this in mind marketing practitioners may find replicating the expert is a worthwhile approach – even if it is a salesperson. Some products are more difficult to comprehend [product comprehension] than others and this increases the complexity of the buying process [see perceived risk]. When product comprehension is difficult, consumers will tend to seek advice and place greater importance on trustworthiness of salespeople.

Trustworthiness and the technical and functional skills of the organisation are also important communication considerations, particularly, when there is a high degree of **product inseparability** and **product variability**. Variability also requires that internal communication strategies are implemented for front-stage and back-stage staff to ensure that service meets the agreed standards gaps [2 & 3 of the 5-gap model].

Product perishability adds another layer of complexity for marketing practitioners to manage capacity and demand. In addition, when there is little or no face-to-face contact technology solutions may provide a solution and should be considered. Moreover, marketing practitioners should remain vigilant to how new technologies can improve the front-stage and back-stage communication process and how this software can improve the effectiveness and efficiency of the sales process.

Product life cycle [PLC] and **product adopter groups** are also important marketing communication considerations. According to Kincaid (2003) in the early stages of the product life cycle technically distinct and discernible product features and performance are important to innovators and the early adopters. However, as the PLC unfolds, the early and late majority place more emphasis on the solutions/benefits that the product delivers. Then in the late stages of the PLC laggards place more emphasis on value for money. Kincaid (2003) suggests that as a product progresses along the PLC, organisations should modify their communication message from a focus on product features, to a focus on customer benefits, to a focus on value for money.

A typical example of this is automotive retailing. Model run-out sales tend to focus on price, whereas new models focus on the advances made over previous models and superiority over competitor products.

Controllable & uncontrollable elements

It is also worthwhile to remember that not all mass communication is generated by the organisation. In recent years, many customers have the opportunity to engage in peer-to-peer communication; for example, someone makes an entry on trip advisor, or posts a video on YouTube. Technology has empowered the consumer to engage in post-purchase behaviour – and express their degree of dissatisfaction <> satisfaction. There is also the emergence of the 'modern-day town crier' or market influencer who post bogs or creates a website to promote or sell products for a fee or status.

Previously we introduced the idea that whilst communication generated by the organisation can be crafted to present the organisation in the best light; other communication is beyond the control of the organisation - including unscripted communication by employees to other employees and channel partners, unscripted communication to customers, and communication between customers. We live in a world where a careless social media activity can be picked-up and passed on, or what society believes is misbehaviour can create an uncomfortable narrative that may devalue a brand.

Communication may be considered as controllable of uncontrollable:

- **Controllable** – carefully crafted authorised and transmitted by the organisation
- **Non-controllable** – unscripted messages transmitted by internal customers and external customers.

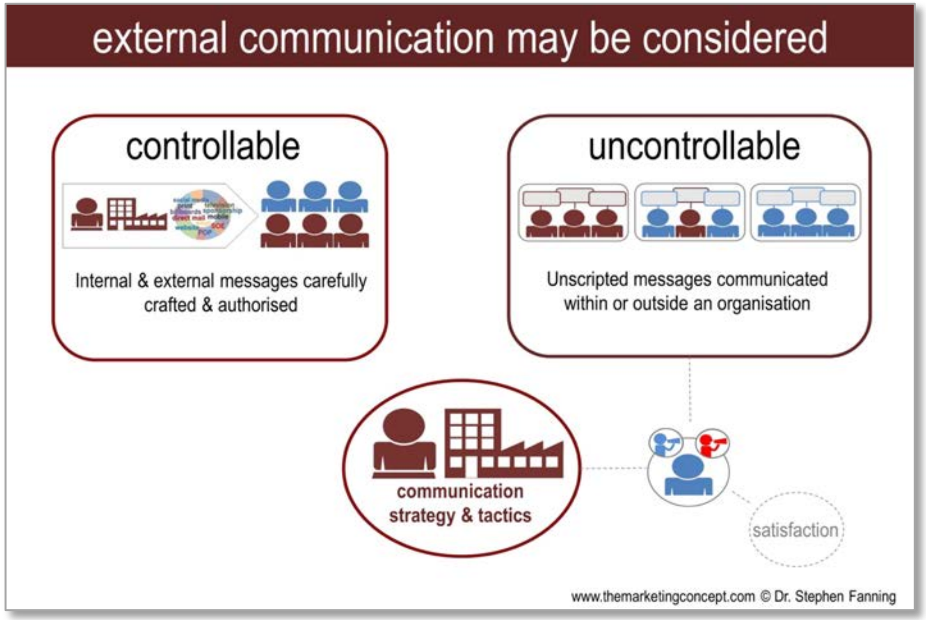


Figure 170: Although communication crafted by the organisation may be content controllable, other communication remains content uncontrollable.

Word of mouth is a form of non-controllable communication. Word of mouth [includes electronic WOM] is very effective and this effectiveness increases when the person providing the product insight is perceived as an opinion leader in that field. Now an opinion leader when you are 5 years old may be your older brother or someone in the schoolyard it doesn't have to be an expert – although it can be an expert. For many new mums, its advice from more experienced mums. Some companies [e.g., P&G] cultivate this natural need for community advice through online communication.

A word of caution is needed - creating a meta-narrative is a strategic and/or tactical communication activity within an organisation and is regardless of the communication medium. You often hear people discuss content marketing as if it was a genre of marketing rather than a strategical and/or tactical activity across all marketing genres – some scholars propose **marketer-generated content** [MGC] as a better descriptor and emphasise the importance of aligning and measuring MGC with the objectives of marketing practitioners (Meire, Hewett, Ballings, Kumar, & Van den Poel, 2019). Others echo this view and suggest that marketers should avoid overselling when crafting oline content as it is inconsistent with the objectives of fostering engagement (Weiger, *et al.,* 2019).

In a similar vein to controllable and non-controllable, Chaffey & Ellis-Chadwick (2012) state that it is worthwhile for marketing practitioners to consider three classifications of media channels when designing, developing and implementing a marketing communication strategy: Communication may also be considered as owned media, earned, & paid media:

- Owned media
  - **Traditional owned media** includes brochures, product manuals, billboards, signage, point of purchase material, and retail premises
  - **Digital owned media** includes organisation owned websites, mobile apps, social media platforms owned by the organisation [e.g. Facebook presence, twitter] blogs
- Earned media
  - **Traditional earned media** includes unpaid product endorsement [i.e., word of mouth] and positive publicity.
  - **Digital earned media** includes product endorsement [i.e., word of mouth] distributed through social media networks
- Paid media
  - **Traditional paid media** includes advertising in print, television, radio, billboards, direct mail, word of mouth advertising
  - **Digital paid media** is adverting that includes search engine marketing [i.e., search engine optimisation and pay-per-click], display advertising [a paid ad appearing on a web page], affiliated marketing [a fee for service arrangement], influencer marketing [a fee is paid to endorse or place and ad]

Author's comment: The discussion on owned, earned, and paid media highlight a recurring theme – that a brand is a meta-narrative that is a composite from many sources and from an organisation's perspective has controllable and uncontrollable elements. However, it should also be noted that consumers have more power to influence a brand than ever before.

For most organisations, creating a meta-narrative is an important part of internal and external marketing communication. A meta-narrative is a consistent and ongoing story embedded within the communication of an organisation and, in time, an important part of brand identity. A meta-narrative, when done well, provides philosophical guidance to staff and helps provide communication topics for online and face-to-face brand advocates and word of mouthers. Branding encompasses all activities that contribute to how a product, over time, is positioned in the consumers' mind. Branding could be thought of as the creation and successful delivery of a meta-narrative.

Author's comment: However, in recent years those promoting the ideals of creating a meta-narrative also refer to this task as **content marketing** when it applied in an online setting.

External communication objectives

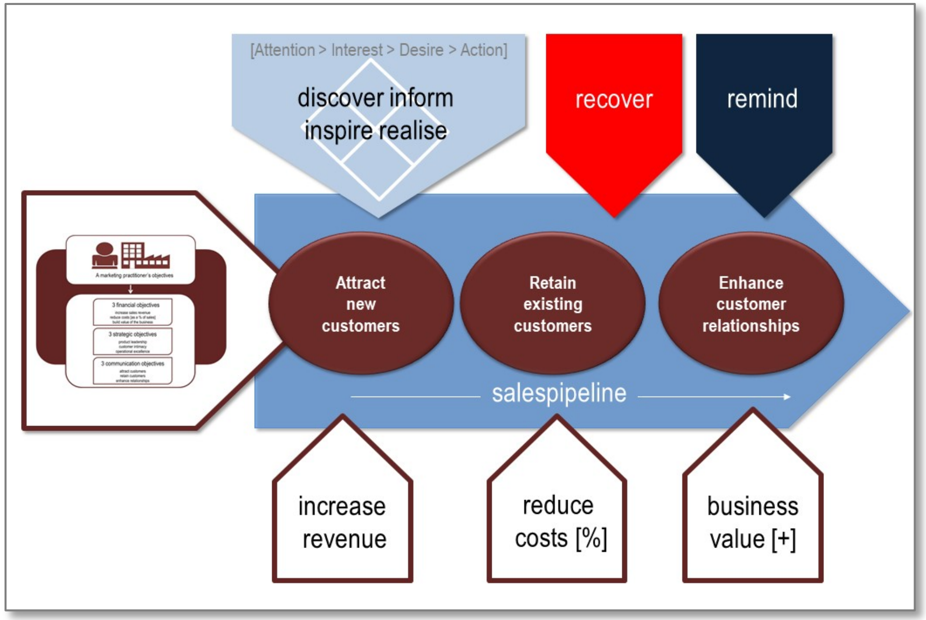


Figure 171: Marketing objectives and the salespipeline

It is perhaps stating the obvious; communication efforts must be directed towards achieving the organisational objectives. Therefore, it is important for organisations to articulate the communication goals across all areas of the communication mix [think marketing plan and marketing action plans]. Some goals may be broad and long-term whereas others are short-term and specific. A number of businesses consultants argue that goals should be SMART – specific, measurable, attainable, realistic, and time-based and this useful acronym applies to communication objectives. Lovelock *et al.* (2011) emphasise the importance of the following communication objectives:

- Creating and communicating memorable images
- Building awareness and interest
- Stimulating trial
- Communicating product strengths & benefits
- Manage supply V demand
- Providing reassurance, reducing risk & dissonance
- Rewarding customers and/or employees
- Repositioning a product

Palmer (2001) included some of the above however, also suggested the following communication objectives:

- Influencing the purchase decision
- Building a positive image
- Distinguishing the product
- Reminding of the existence

Depending on the size of the organisation the planning and execution process will involve a number of people from within the organisation; however, some specialised activities may be outsourced. Product considerations [COM**P**] will also impact on the process. The following broad planning and actions are generally presented in marketing texts – you will notice how many of these steps go beyond the communication strategy:

- Identify the market segments
- Identify the most attractive segments
- Set communication objectives [SMART]
- Determine a communication budget
- Redefine communication objectives [if needed]
- Determine objectives for personal communication
- Determine objectives for mass communication
- Determine most effective creative service agencies, media and tools
- Craft messages to gain attention, interest, desire, and motivate the consumer to take action [AIDA]
- Evaluate performance against objectives

The communication mix budget

A marketing practitioner is often faced with the dilemma of how much to spend on the communication mix; too little and sales will eventually suffer, however, too much and the precious resources of money, time and effort are wasted. Five broad methods of setting a communication mix budget are often presented:

- **Affordable method:** spending what the organisation can afford.
- **Percentage of sales method:** spending a predetermined % of current and/or forecasted sales.
- **Historical method:** based on past spending and sales achievement.
- **Competitive-parity method:** spending a comparable amount to competitors.
- **Objective and task method:** establishing the organisational costs of tactics necessary to achieve a specific objective, for example:
    - Launching a new product [gaining attention, interest, awareness]
    - Maintaining an existing product [retention, recover, remind]

In addition to how much to spend, a marketing practitioner needs to know where to spend the budget and what is the structure of the marketing mix. Many products will have a mix of personal communication and mass communication this mix will depend on the nature of the product [see product considerations]. For example, fast moving consumer goods [convenience products found in a supermarket] may have a high degree of personal communication in the marketing channel [B2B] and a low level of personal selling at a retail level [B2C].

Message content [what to say]

Mass communication messages require a persuasive appeal. A persuasive appeal is communicating a reason to purchase the product – we often refer to this a product value proposition. Appeal decisions are generally made by an advertising agency and would generally be made after market research has taken place. Three persuasive appeals are generally employed - a rational, emotional, and moral appeal.

- **Rational appeals:** focus on the product features and customer benefits. Rational appeals focus on objective, technical product qualities that produce a positive outcome for the customer. Convenience and reduced consumption costs are common rational appeal strategies
- **Emotional appeals:** try to produce an affect. The nature of the product and the degree of desirability will determine whether a positive or a negative affect will produce the most effective consumer motivation. There are a number of desired outcomes of an emotional appeal – fear, guilt, love, romance, joy, and pleasure. Another emotional appeal is the use of humour; this can be a particularly effective appeal for gaining awareness and interest. However, it can be offensive and can wear out quickly. Humour must be appropriate to the product and the selected market
- **Moral appeals:** are also employed and these are generally used to communicate a sense of justice – what is right or wrong. Moral appeals are often employed in 'cause-related marketing' also 'social and not for financial profit marketing' [we discussed this in the module marketing of ideas]. Environmental consciousness is a common moral appeal strategy

Often the message appeal is more effective when communicated through a source or spokesperson. Credible sources are more persuasive. Celebrity endorsers [including the British Royal Family] may or may not be credible to all consumers; however, they often increase, awareness/attention, and interest. Some organisations create a character or characters [e.g., M&M's, & Ronald McDonald]. This may be a longer-term strategy and is often a less risky and more controllable than a celebrity [e.g., Michael Jackson, Tiger Woods].

> **Author's comment:** Often we hear people use the word 'entertain'; for example, 'it is an entertaining advert'. The etymology of the word entertain is to create a sense of enjoyment, however, it also means to gain attention and keep a person's interest, to evoke a feeling, to motivate consideration.

Message recipient [what to say to whom]

There is a tendency to forget that decisions can be made by one or more than one person. Decision-making may be **autocratic** [i.e., one person making the decision] or **syncretic** [i.e., more than one person involved in the decision-making]. This means unpacking the buyer decision process to identify the initiators, influencers, deciders, purchasers, and users. Then, relative to the type of product, explore the role each plays and the extent each influences [or could influence] the purchase decision. Clearly, this will vary from product to product and a quick audit of television adverts will see the how messages are targeted to various family members. Whilst this is important for mass communication it is also vital for personal to person communication. Previously, in business as theatre, we discussed the role of scripts and role-playing as important tasks when determining what to say to whom.

Consumer values need to be considered

Care in the design and developing of the message is always important, however, it needs special consideration when a message is to be communicated to different cultures within a multi-cultural society or internationally to different cultures. Previously we have stated that whilst all people share common human values, different cultures have different values.

There are differences of opinions as to whether consumer needs and wants across different cultures are becoming more homogeneous or more heterogeneous – and it may be a bit of both. The notion is that if markets are becoming more homogeneous then communication strategies can be more global in their appeal and one communication strategy can be rolled out. Some time ago, Levitt (1983) forcefully argued that markets are becoming homogeneous in his Harvard Business Review essay and provided a number of examples to promote his point of view. Douglas & Wind (1987) state that whilst this may be true in some markets and with some products it cannot be assumed for all markets and all products. De Mooij (2003) agrees that whilst some markets have converged others have diverged. She rejects the argument put forward by some scholars that as societies become more prosperous their needs converge; she argues that there is also ample evidence to suggest that they form their own consumption patterns. Percy and Rosenbaum-Elliott (2012) highlight that a global communication strategy will be more efficient but less effective; whereas a multicultural message will be less efficient but more effective – it is a trade-off that needs careful consideration. What is common to most scholars is that market research is needed to determine the most appropriate communication approach given the prevailing COMP factors.

Message structure [how to say it]

When a mass communication message is crafted there are message structure issues that need to be considered. Should the message be posed as a question for the consumer to consider and reflect upon or should the message 'conclusion' be provided to the consumer. A similar tactic is to present the message as a one part or two-part message. A one-part message is often delivered as a statement. A two-part message is often delivered to overcome a product quality issue that is perceived as being a negative.

Message format and layout [creative elements]

Regardless of whether the mass communication message is traditional or digital; formatting the message is important. Key considerations are:

- Headlines
- Banners
- Copy – readability, font type and size
- Images – videos, photographs and illustrations
- Colours – consistent with brand and product

Previously it was stated that an organisation is evaluated on the fulfilment of their product promises and based on this evaluation - customers will then announce their verdict regarding the organisation:

- Can be trusted V Cannot be trusted
- Fulfilled their promises V Did not fulfil their promises
- Are of good character V Are of doubtful character

Communication is the sharing of meaning

Often there is a tendency to consider communication as a one-way process - sending information to a customer. This is quite natural as communication is generally presented as the transmission of information. Whilst one-way communication may be an appropriate strategy for some types of products [e.g., FMCG in a B2C exchange] it is an inappropriate strategy for products where the customer is actively involved in one or all of the 3 stages of the buyer decision process – co-producer of value.

Marketplace noise

Communication may be through non-personal sources [e.g., TV, newspapers, radio, Internet, mail] or personal sources [e.g. product providers, salespeople, other consumers]. The communication process for some products is a more interactive process that has four elements: 'encoding', 'decoding', 'response' and 'feed–back'. However, another element that should be considered is 'noise'; this is interference from competing communication that results in distraction or distortion. Although organisations cannot control the marketplace noise of others they can ensure that communication is on message..

Loyal customer behaviour

Creating loyal customer behaviour is a core objective of marketing – sales baseline. Simply, loyal customers behave differently to non-loyal customers, they may:

- Purchase more frequently
- Less price-sensitive
- More forgiving if things go wrong
- Be the source of positive word-of-mouth

Remember that generally, it is cheaper to keep an existing customer than to attract and convert a new customer [assuming it is a profitable customer]. Clearly customer self-interest is at the heart of customer loyalty programs and customers value the rewards that come from loyal patronage. Rewards programs provide an immediate or future reward for the cumulative patronage of a customer (Buttle & Maklan, 2015). Importantly, rewards programs should enhance the relationship between the organisation and the customer.

> **Author's comment:** readers, after reflecting on the circle of satisfaction, should see how cumulative patronage is dependent on cumulative satisfaction and how the success of a rewards program is dependent on the collective cumulative satisfaction [i.e., the cumulative satisfaction of all customers].

Loyalty is important across all product classifications and most industries. Loyal behaviour provides an organisational cost advantage as it enables organisations to achieve a higher margin. New entrants are often faced with higher set up costs; however, they are forced to compete with a low-cost strategy until they build up a reputation and gain the competitive advantage of loyal customers. Building loyalty requires the organisation's attention at an analytical, strategic, and tactical level.

As we have previously discussed, loyal behaviour evolves over time. Loyalty generally results from a number of episodes between the organisation and the customer; each episode is evaluated and then forms a cumulative evaluation of satisfaction. The customer trusts (i.e., is comfortable) with the organisation and sees no reason to go elsewhere. At a strategic level, loyalty is about changing attitudes - how people feel, think, and behave. Customer loyalty is often described as winning the hearts and minds of the customer. Winning the hearts and minds through loyalty suggests that marketing is more about rewarding good customer behaviour with better value than discounting. Therefore, creating loyalty is a two-way street and what may be seen as a loyalty program from an organisation's perspective may be seen as a reward program from a customer's perspective.

Rewarding customer loyalty is an important part of maintaining customer loyalty. Reward programs have been popular for many years. Some, loyalty reward programs are similar to B2B rebates [short term incentives and long-term incentives]. B2B rebates were used to encourage continual business and also conforming to agreed terms and conditions [payment terms, bulk purchasing, meeting targets etc.]

Reward programs have been employed in a B2C setting for many years. Older UK consumers often speak of "green stamps"; these were retailer stamps issued at the checkouts of supermarkets. Credit for retailer stamps is given to UK supermarket chain, Tesco.

Organisations that employed retailer stamps gained a temporary competitive advantage; however, they were easy to copy and soon became a broad discount that resulted in little loyalty and little increase in sales. Loyalty programs such as the Qantas *Frequent Flyer*, Emirates *Skywards*, or Singapore Airlines *Kris Flyer* programs are substantially more sophisticated than the green stamps. These types of programs require a long-term commitment. One notable difference is that during the signing up stage (applying for membership), customers provide information and this information allows their consumption patterns to be tracked.

Brierley (2012), a marketing consultant who was a pioneer of airline and hotel rewards programs, argues that often rewards programs miss the opportunity to satisfy customers who are loyal to another brand simply by not identifying their future potential.

The Cunard [Think - Queen Mary, Queen Victoria and Queen Elizabeth ships] loyalty program is an interesting example. This program has different levels of membership, which mirrors the "alchemy" theory discussed earlier in this e-book. The Cunard program, subtly, reveals to marketing practitioners that loyalty programs should:

- Be restricted to profitable customers,
- Customers should be rewarded according to profitability,
- Membership should have a hierarchy of aspirational goals.

These are all important marketing lessons because what separates loyalty programs from other promotional spending is that spending should be focussed on customers where there is the highest return. The Cunard program, as we would expect, results in an exclusive inner-circle of customers where esteem value replaces discounting.

Reward programs have taken many forms over the years.

Tobacco companies and then later bubble-gum companies included cards [baseball players, sports, rock and movie stars] to promote their products, differentiate their products, increase repeat purchasing and word-of-mouth. This strategy, introduced in the 1860's in the US and soon after in the UK, has been successful over many years and over many generations, to the extent that many cards are considered valuable and are traded like other valuable commodities

The notion of linking sport with loyalty is clearly not new; however, new ways of linking sport and customer loyalty appear on a regular basis. Credit cards are an example; some are printed in club colours and brandmarks and accrue points that can be redeemed for club membership, season tickets and club merchandise. Sport clothing, particularly the English Premier League, is also a good example of highly involved consumers publicly displaying their loyalty to their club.

Warning: Buttle and Maklan (2015) state that the costs and benefits of managing and maintaining rewards programs should be carefully considered as often rewards programs do not contribute to the value proposition of the organisation.

Direct marketing

Direct marketing has also influenced loyalty marketing. Direct marketing has its origins in direct mail and direct mail catalogues; later direct response radio and television emerged, today we are all aware of direct marketing emails and telemarketing calls. In its correct form, direct marketing is targeted and measures a known output [costs and efforts] against a known input [sales volume and revenue]. However, it is the targeted nature of direct marketing where a high probability database is used instead of the broad scatter approach of mass communication that makes it of interest to loyalty marketing practitioners. Direct marketing practitioners are continually honing their tactics to improve response rates.

The push & pull of communication

Marketing practitioners should analyse the product considerations when designing, developing and implementing communication strategies. When we talk about customers becoming advocates and evangelists for their products we should keep in mind that employees are internal customers, and the goal should be to build internal advocates and evangelists for the organisation and its products [after all they are part of the total product].

A key communication strategy is to build channel harmony, and to establish a balance of **Push and Pull** strategies

- Customer Push: through channel interest, awareness and support,
- Customer Pull: through customer preference, commitment, and loyalty

It is important to keep in mind that the manager's job is to manage and what the marketing channel may consider in their best interest may not necessarily be in the best interests of the product or an organisation. For many years FMCG organisations relied heavily on advertising to pull their products through the distribution channel. In many regards, this has resulted in many of our household brand names. Some organisations saw a reduction in advertising expenditure as a quick way to improve the bottom line. Some recognised the importance of the channel and increased their emphasis on pull strategies and increased rebates to channel partners.

Unfortunately, some became victims to "category killers" who, seized the opportunity and used the rebates to build demand for their product/brand/organisation and soon replaced long established brands with house brands.

Interestingly, some marketing text authors who once viewed push or pull strategies as a choice are now highlighting the need to have balance between both. However, for many marketing practitioners there is no easy answer – advertising catalogues which appear to be a balance of both strategies are expensive and there is no guarantee that what appears in the catalogue [mass communication] will be promoted at store level [personal communication] as sales promotions often reward salespeople for pushing a particular brand. Also, discounts that are given to retailers to increase sales often fail to reach the consumer. Perhaps, this is the reason so many brands are offering rebates direct to the customer [e.g., cash back offers] and some organisations now have their own branded stores.

What about the relationship?

Often in our private lives we meet people who have different communication strategies. We meet people who dump information. They talk about what they are up to, where they have been, who they have met, what they are doing at work, what their family are doing and so on. If you try to restore some balance to the conversation you can see their eyes have shifted and they become bored; they are looking around trying to find someone else to dump their important message on. Or they get to the end of their information dump, and they say: "so what have you been doing?" and looks at his/her watch. However, we know that there is no real interest in their question. These people are like the advertisements that shout at you on radio and TV, they want your attention, and they are going to make the most of it. Now consider a satisfying conversation with someone you have just met or someone you have known for a long time. These are quite different types of communication, and we can conclude that it is more satisfying to have a conversation with someone who cares about you, rather than be on the receiving end of an information dump. The same is true in business. The message is that often it is more appropriate to have a conversation with a customer than dump information on her/him.

According to Baier-Stein and MacAarron (2005) consumers no longer want to be talked at or lectured to. Instead consumers want to have meaningful conversations where they can express their needs and wants, and, where they can influence the products that they buy. They suggest that good conversationalists are also good listeners. Baier-Stein and MacAarron (2005) argue that consumers are becoming increasingly annoyed with organisations that present information without the facility to provide feedback. Marketing practitioners may, after considering their product, design and develop more meaningful ways of communicating with loyal customers – for example owners of motorcycle or car brands having member events.

> **Author's comment:** At this point of the e-book, we should realise that there is no one best way. The nature of the product and its position within its environment and marketplace dictate the strategies that must be taken. We need to be cognisant that communication is not a one-way transmission of information; it is the sharing of meaning; the sharing of ideas [remembering that ideas are a product component].

Sometimes people ask for feedback, but they are not interested. For example, have you ever noticed how sometimes at the end of meal when you have settled the account, the cashier will ask, "did you enjoy your meal?" However, it is not a real question; it is more a statement, a habit and no response is being solicited.

How do you think the cashier would respond if you said, "I have had better" instead of "yes, thanks?"

Then there are people that are focussed on listening to their customers. They have conversations with their customers.

Another marketing task is to intercept the consumer at the point where the search begins. Today, many consumers begin their search online and the tools for marketing practitioners have evolved dramatically in the past 20 years. Generally, there are digital specialists within a team of marketing practitioners.

Affiliate marketing

Affiliate marketing is a practice that has grown significantly in recent years, according to a report published in 2012 by PriceWaterhouseCoopers and the Internet Advertising Bureau (UK). Affiliate marketing is where a commission is paid for sales, sales-leads, or site visits. Affiliated marketing is also referred to as **performance-based marketing** and **online performance marketing**. With traditional advertising, an advert is displayed, and the advertiser pays a fixed amount, whereas with affiliate marketing the merchant only pays when an affiliate achieves a specified outcome. The business idea is based on customers shopping the market and considering alternatives and visiting a *price comparison website* [price comparison websites are also referred to as *aggregators*]. There are many examples – interestingly, some employ traditional marketing media channels to build awareness of their online services. Often price comparison websites will provide a review of products and sometimes the review is consumer generated [e.g., Tripadvisor].

In many ways affiliate marketing is an online extension of the traditional independent salesperson/broker who represented a number of organisations and gained a commission when an outcome [e.g., a sales-lead] and often an exchange has taken place [sometimes this is referred to as a *fee for service*].

Social media influencer

When discussing the buyer decision process, we noted how people can influence the decisions of consumers; marketers have traditionally employed spokespeople to endorse products, including product placement. The rise of YouTube and YouTube revenue has created a new type of influencer the social media influencer – also referred to as a marketing influencer. What is interesting is that although it is mass communication it often appears to be person to person communication.

Although, some have criticised social media influencing, stating that it may contravene established advertising standards other organisations have embraced it as a method of having control [or some control] over the social media chit-chat. Those that criticise social media influencing state that regardless of whether the opinion expressed is a person's genuine beliefs if there is a fee for service or a relationship it should be disclosed. Interestingly, a search of this issue reveals that the practice of social media influencing has received the attention of a number of government regulators and associations. The Australian Association of National Advertisers (2018) code of ethics states that, regardless of the platform and media, advertising should not be camouflaged to appear as if it is not advertising. They also state that if an endorser receives a benefit, such as a free product, then it is deemed as advertising.

Clearly, the COMP factors, particularly the organisations marketing philosophy, would influence a marketing practitioner's decision regarding the use of social media influencers.

> **Author's comment:** Just for the record, social media influencer would be a more accurate descriptor than marketing influencer – which sounds a bit like a selling philosophy. Prior to the rise of social media, paying someone to recommend a product was sometimes referred to as word-of-mouth **advertising** [WOMA], whereas word of mouth [WOM] was a voluntary and unpaid recommendation by a consumer.
>
> On social media platforms [e.g., Linkedin] we are also seeing a rise in activity of employee influencers – where employees post about recent events within their organisation and industry.

Search & display advertising

Search engine advertising and display advertising are often employed in concert. Most often a business will engage the services of a specialist who will cater for unique COMP factors of the organisation. Search engine advertising, sometimes known as **pay-per-click** advertising, is where a consumer conducts an online search for a product and then discovers and evaluates alternatives. Some organisations may elect to protect their brand name[s] against poachers through search engine optimisation [SEO]. Other organisations will employ search engine advertising to ensure that they gain better placement than organic positioning. If an organisation engages a specialist, it is likely to be strategically targeted and cost effective. Sometimes, the searching will result in a sale, on other occasions it will be part of a more involved buyer decision process, however, the advertiser pays by the click. On the other hand, display advertising, sometimes known as banner advertising, strategically places an advert to intercept a semi-qualified searcher – for example, someone is searching for a holiday in Bali and in the process undertakes a search, explores a few options and postpones the buyer decision process; the next time the searcher is online, perhaps on an unrelated matter, it is likely they will receive a strategically placed reminder advertisement. Keep in mind, the rules of traditional media [segmenting, targeting, and positioning – reach and frequency] are every bit as important when undertaking an online campaign – there are many specialists that employ both traditional and digital to maximise the effectiveness of the campaign. .

This can all be done inhouse, however, organisations that carefully select and the engage the services of a professional are likely to:

- Access specialist advice across various platforms
- Employ the most appropriate approach, based on the unique COMP factors
- Improve brand awareness, generate interest, desire, and action
- Improve the quantity, but more importantly the quality of leads to increase conversions
- Reduce the organisational cost of customer acquisition
- Analyse the campaign and provide transparency and market insight
    - e.g., Google tags management and Google analytics
- Consequently, achieve the 9 objectives of marketing practitioners.

Chapter review

Organisations that adopt the marketing concept and practice a marketing philosophy are committed to best satisfying products and evolving with the customer and the market. These organisations generally undertake the business-marketing planning process on a regular basis. This process includes a marketing audit that collects and analyses data relating to the situational factors [COMP]; then the strategic business planning group articulates the strategic intent of the organisation. The strategic intent is communicated via the strategic business plan to all disciplines and via the marketing plan to marketing practitioners. Then the strategic intent is implemented through a series of tactical marketing action plans to achieve the financial, strategic and communication objectives.

Internal and external marketing communications tactics and objectives are outlined within the marketing action plans. The overall communication objectives are to attract new customers, retain customers, and enhance the relationships with existing customers. An objective of marketing is to reduce the organisation's dependence on discounting, selling, advertising, & sales promotional tactics, this is achieved through a commitment to customer satisfaction and by improving the sales baseline and salespipeline to nurture loyal customer behaviour and achieve a competitive advantage. This differentiates a marketing philosophy from other business philosophies and requires appropriate marketing metrics.

The buyer decision process consists of 3-time-zones [purchase behaviour, product delivery, post-purchase behaviour]. Managing the consumer/customer journey through the buyer decision process requires the appropriate internal and external communication tactics. The importance of the buyer decision process and brand identity to organisational success cannot be overemphasised, however, brand identity is formed at every touchpoint of the buyer decision process – keep in mind everything an organisation says and does - communicates something; sends some kind of message and builds or erodes trusts.

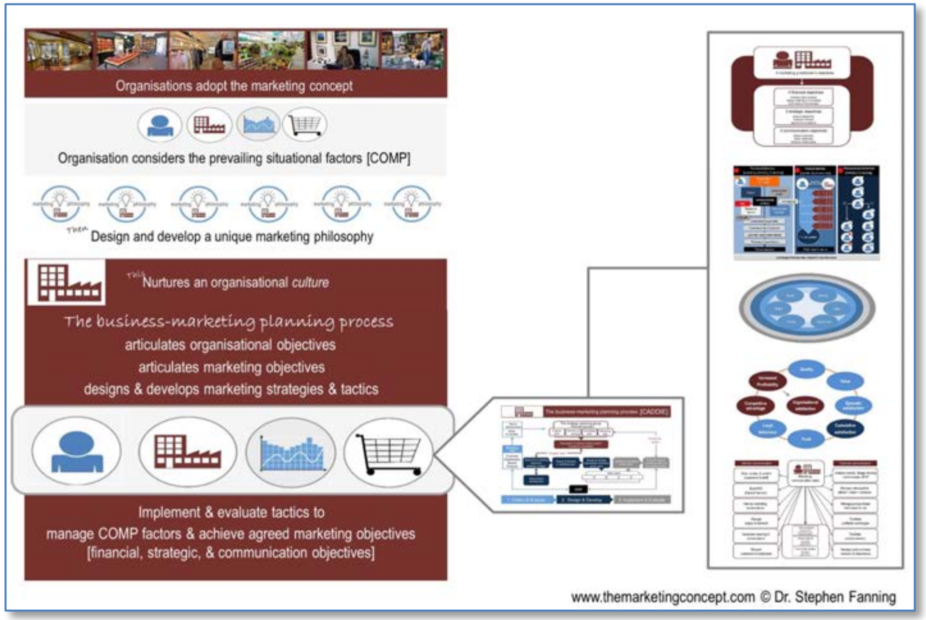


Figure 172: The steps to the marketing action plans.

Communication is more than advertising and more than making promises. Moreover, external communication can be classified as controllable [organisation generated] and uncontrollable [channel/consumer generated]. To maximise positive word of mouth and minimise negative word of mouth marketing practitioners [should] focus on episodic, cumulative and collective satisfaction, therefore, a key communication consideration is to ensure that pre-purchase promises can be fulfilled.

The external marketing communication model starts with the organisation, analysing the performance data [feedback] from previous transactions and then crafting and sending a message though a medium [see communication mix] to the receiver.

This message must cut through the marketplace noise if the receiver is to be exposed to this message. Cutting through the clutters is said to be a key communication task. The message can be above or below the threshold of the receiver this is often referred to as Weber's Law or just noticeable difference [JND].

Above the threshold: If the message gains the awareness/attention of the receiver then it is interpreted and enters the memory system. At this point it may enter the sensory memory or working memory and then be discarded. Or be kept in short term memory for the length of time it is required. If the message enters long-term memory then it is enduring and is stored in an associated network, where sensory messages can trigger recall [see brand awareness].

Below the threshold: If the message is below the threshold it is generally unattended. However, there are situations when it is better for a message to be below the threshold. For example, a private equity company buys a well-run and respected business then it would be best to keep the new ownership message below the threshold. Therefore messages such as "under fresh management" and "watch out for the changes" would be counterproductive.

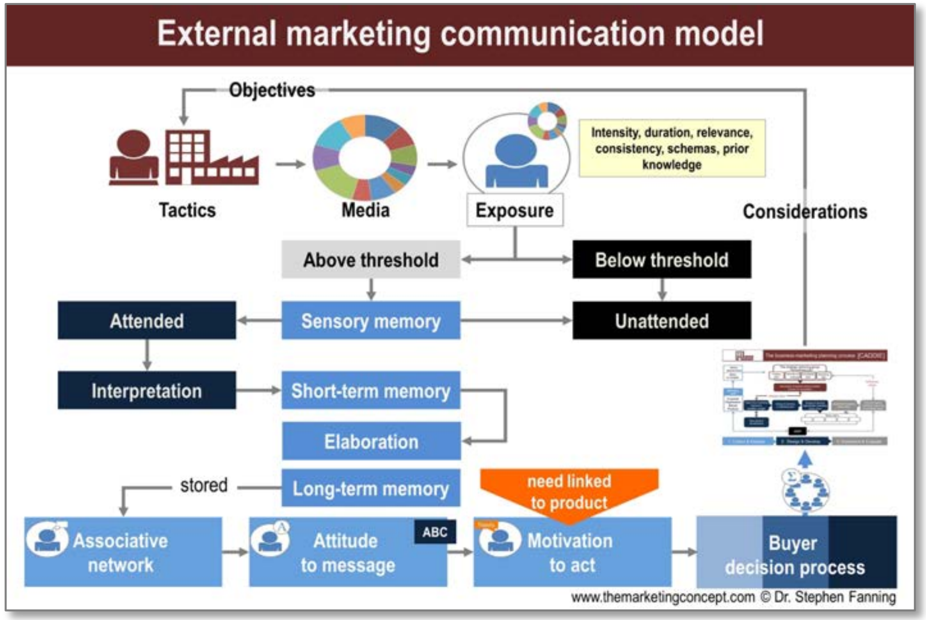


Figure 173: The external marketing communication models demonstrates how a message is received and attended to by the consumer.

Above or below the threshold is of interest to marketing practitioners, especially those who are about to implement a major change in direction, because sometimes information should be provided in small bites. Steady, steady. Too often - too much information is transmitted without ensuring that meaning has been accepted and understood by the receiver and consequently it may delay the communication objectives.

In time attitudes are formed, the product and the link are connected, and when a need is recognised the consumer is likely to enter the buyer decision process. The buyer decision process provides organisations with the opportunity to meet the expectations of the consumer. In the post purchase time-zone customers will employ social media to communicate with other customers this communication will help build or erode the brand.

Organisations have the opportunity to research the complaints <> complements of their customers, to better understand their customers' needs [gap 1 of the 5-gap model], communicate internal standards [gap 2 of the 5-gap model], improve their products [gap 3 of the 5-gap model], and improve external communication [gap 4 of the 5-gap model]. This is an everyday challenge that requires constant attention [gap 5 of the 5 Gap model].

Linking content & context

Click on image to access activity

Reflect & review

Employ these questions to reflect on your understanding and review your progress.

- Why have we elected to discuss external communication after internal and retention?
- Do you believe that some [operating from the selling concept] may start with selling rather than customer satisfaction? YES/NO
- Relevant to communication, discuss the key points of a relationship focus
- Discuss the various external communication tasks that involves a marketing practitioner
- Statement: 'the purpose of a business is to create and keep a customer'. In your own words discuss what Drucker implied with this statement.
- Discuss how external communication is influenced by the 5 Gap model
- Gap 4 is often referred to as the communication gap. It is core principle of the marketing concept. Explain the reasoning behind this belief.
- Discuss the process of segmenting targeting and positioning relevant to external communication.
- A key [sub] objective is to attract new customers. Why is attracting new customer crucial?
- Explain in your own words why and how the product characteristics would influence the unique product value proposition and the communication approach.
- Discuss how marketing practitioners must compete with 'marketplace noise' to gain the attention of prospective customers.
- Discuss the communication process particularly the importance of including an iterative conversation.
- Discuss AIDA [attention interest desire action]
- How would the characteristics of the product, customer, market and organisation influence the communication tools that a marketing practitioner may employ?
- What is meant by controllable and uncontrollable communication elements?
- There are occasions when we want a message to 'cut through' and occasions when we want the message to be below the threshold of perception. Discuss when each would be appropriate.

3:3:6 Marketing action plans: [software for marketing practitioners]

Previously: We introduced a number of typical everyday marketing action plans: managing quality, internal and channel marketing, customer retention, external marketing, sales and salesforce management, software for marketing practitioners, the relational sales process.

In the previous marketing action plan chapter, external marketing, we discussed:

- Communication objectives
- Communication tasks
- Communication tools
- Communication media
- Communication considerations

We suggested that situational factors [COMP] would influence the communication strategies and tactics and that an integrated marketing communication mix should be considered to achieve the 9 objectives of marketing practitioners. We stressed the importance of managing controllable and uncontrollable communication elements.

Learning objectives

Learning objectives of the chapter: After completing this chapter you should have an understanding of software for marketing practitioners [SfMP] in contemporary organisations. In particular how SfMP is employed to build profitable exchange relationships. How SfMP is employed to measure marketing metrics and contribute to a marketing audit and the business-marketing planning process including the evaluation and control of tactics. You should also be aware of the challenges involved when introducing a software project.

Directions

We have referred to technology throughout the e-book. On some occasions, this could be referred to as the **marketing of technology** products. Everyday consumers are exposed to advertisements for the latest laptops, desktops, tablets, mobile phones and a range of peripheral products. The advertisements may be creating secondary demand for a brand or tertiary demand for a retailer. An online search for technology products will result in frequent banner ads designed to intercept a consumer's everyday online activity. It would be fair to say that brand awareness for this product category is high; achieved through external communication from the organisations and learning through observation of publicly visible products. The marketing of technology products is generally covered by our previous discussions on the marketing concept, the 9 marketing objectives and the secondary marketing concepts. A review of the brand consideration will reveal the sophistication of the marketing of technology products – you may even know someone who has strong brand loyalty [like a fanatical football fan].

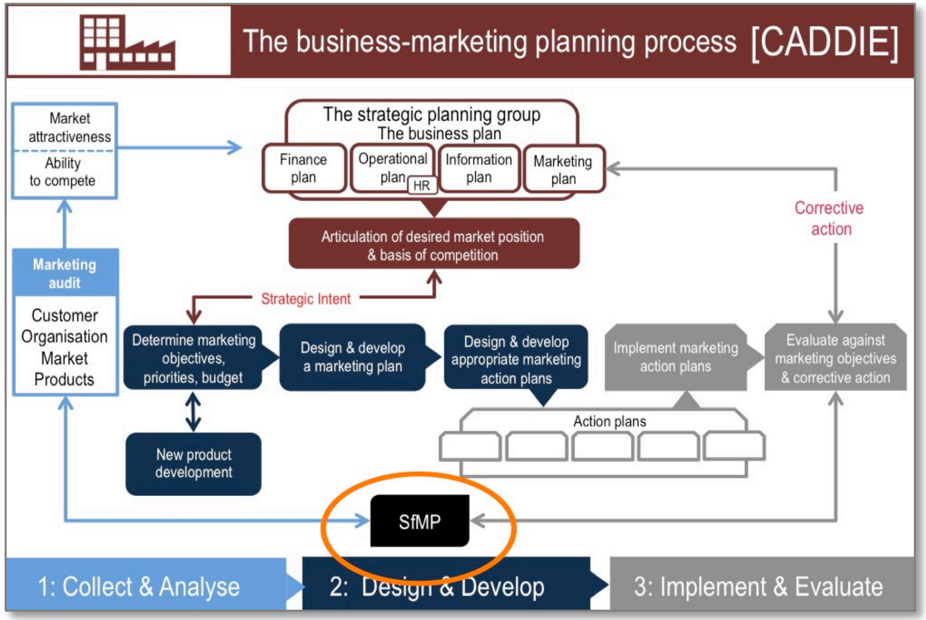


Figure 174: For simplicity and to avoid referring to each type of software by name the software employed by marketing practitioners in the CADDIE business-marketing planning process will be referred to as **software for marketing practitioners** and the initialism [SfMP]. This descriptor identifies that we are discussing technology as a means of listening to the market, recording, and accessing data and not discussing hardware or software employed by other disciplines.

Throughout the e-book we have also discussed **marketing through technology**. We have discussed the importance of marketing through technology through topics such as:

- Information technology
- Creating an omni-marketing channel
- Customer relationship management [to populate and advance the salespipeline]
- A facilitator and enabler of customer and organisational services
- A digital marketing communication tool
- A source of customer insight through data

An overview of the marketing through technology topics will now be presented. Given that customer relationship management software is critical to profitable[4] exchange relationships[4] and is a valuable source of marketing metrics CRM is given increased attention.

Information technology

Very briefly, from the early 1970s computer technology was described as **information technology** [IT] it was initially adopted by business primarily to manage creditors and debtors and financial management. However, due to high cost of hardware and customised software IT was restricted to large corporations. In the 1980s and then again in the 1990s costs decreased with increased adoption and market competition, the descriptor information technology [IT] was often extended to **information communication technology** [ICT] to reflect an expanded function. IT or ITC is now common in most organisations and a wide range of business software is available. Twenty-five years ago access to marketing data was limited and tediously slow. Today, access to marketing data is more convenient and timelier and has gone from a purely commercial product to a consumer and commercial product that integrates the consumer with organisations and other consumers. Information has gone from restricted access to easily shared and from local to global.

Omni-marketing channel

We can explore **omni-marketing channels** from both a consumer or organisational perspective and you may recall that online buying activity is often referred to as the **marketspace**, whereas the traditional buying activity is often referred to as the **marketplace**. When an organisation seamlessly integrates marketspace and marketplace it is generally referred to as an omni-marketing channel. We concluded that:

- consumers move freely and unconsciously from the marketspace to the marketplace during their searching and selection activities
- it is common for some parts of the buying process to involve marketspace activities and other parts of the buying process to involve marketplace activities [e.g., restaurants]
- many consumers [but not all] are happy to be involved in marketspace co-production when they perceive a benefit.
- technology is increasingly embedded in most buying and selling activities and that consumers will evaluate marketspace and marketplace activities for quality, value, and satisfaction in the post purchase time-zone.

Customer relationship management software

Marketing through technology also includes the software, applications, platforms and tools that facilitate and enable an exchange, manage the delivery of a product, and record the post-purchase outcomes. This is often to as **Customer Relationship Management** software.

Customer relationship management [CRM] is well adopted and particularly beneficial when employed in the management of the salespipeline; where customers are tracked as they advance from suspects > prospects > 1st time customers > repeat customers > members, and advocates. A component of CRM is sales lead management to assist sales managers to allocate sales-leads, monitor the performance of salespeople and analyse conversion rates and time to convert [we return to this discussion in the sales and sales management module]. Sales lead management is also employed [a marketing metrics] to analyse the effectiveness of communication strategies and tactics; for example, advertising where there is a call to action, promotional events where the object is to generate sales leads. CRM software is employed to improve the quality of customer service and sales-lead management to reduce neglected leads.

It is also worth noting that the CMO is likely to have a more strategic software requirement than a tactical marketing practitioners. Whilst both are likely to need software solutions their role will dictate their requirements. If we revisit our contemporary [organisational] definition of marketing, we will recognise that a holistic marketing objective is to achieve profitable[4] exchange relationships[4]. You may also recall that there are six pathways to achieving the financial marketing objectives of an organisation. The six pathways are:

- Attract new customers
- Sell more to existing customers
- Sell up to existing customers
- Reduce customer churn [defecting customers]
- Regain lost customers
- Re-evaluate unprofitable relationships

A review of the six pathways reveals that all six involve a relational approach to customers, therefore, most software is applied to measure, manage and improve relationships. It is common that organisations focus on attracting new customers and give less attention to customer retention [discussed in detail in a previous module] and on the more complex task of relationship building. It would be natural for readers to think about a relational approach to marketing as the emails and communication messages that land in our inbox every day. The 6 pathways listed above can be approached from the production concept, the selling concept, or the marketing concept. However, as we have seen marketing requires an integrated approach to conducting business and therefore a relational approach can be embedded within every activity and be directed towards attracting new customers, enhancing the relationship with customers, and building the value of the business [the communication objectives]. Software for marketing practitioners can assist marketing practitioners to manage front-stage and back-stage activities more efficiently and effectively and thus lead to a better customer experience increased satisfaction and in time better relationships.

Activity: Here are three questions to ask any businessperson:

1. How much does your organisation spend on attracting new customers?
2. How much does your organisation spend on keeping customers?
3. What percentage of your business comes from referrals and repeat business?

Improving cumulative satisfaction and building relationships takes time and it rarely happens with one event, therefore it needs a long-term approach to the software and data collection. However, as we have seen when we discussed customer retention cumulative satisfaction and relationships can be seriously impacted with one event. Therefore SfMP must be designed to 'flag' events that require intervention.

Clearly managing relationships is a key success factor in many organisations and CRM is an important relationship tool. We have often stated that there are always situational factors [COMP] that generate exceptions, and this applies to CRM. The software for retailers will be quite different to wholesalers. Even within the retail sectors there will be different software applications for different product categories.

The evolving consumer

Over that last 25 years there have been changes in technology, however, there has also been changes in society and changing expectations, and this has resulted in changes to consumer consumption patterns and the need to better understand consumers. For example:

- Demographic changes, in many countries the populations are aging, people are marrying later, family structures are quite different, and housing preferences have changed
- Consumer expectations have changed; consumers are far more discerning, have more access to information and have more choice than ever before.

With the adoption of digital commerce, the business environment is unrecognisable, business became more accessible and more competitive at both a local and global level. Consider your local High Street bookstore or travel agent; competition is no longer the shop across the road. Today, competition can come from a shop on the other side of the world. As people began to communicate in different formats, by mobile, text and email, traditional forms of communicating with the customer became less efficient and effective. Opening a store in the High Street and waiting for customers to walk in - became a risky strategy.

The changes in technology happened at a time when manufacturing in many countries declined and the service industry became the major source of new jobs. Marketing practitioners recognised that the service component of many products was high in human contact, happened in real time, was hard to assess before the exchange and sometimes after the product delivery. Whilst this presented a number of management challenges it could, if properly managed, provide an opportunity for an organisation to augment its products from competitors. CRM software could be employed to measure and reward employees on a performance basis [e.g., a bonus for sales or high customer satisfaction].

With all the changes [and more] came both new opportunities and new threats. Opportunities such as: the ability to collect more relevant customer data, the ability to mine the data within an organisation, the ability for multiple sites [and mobile staff] to access and share data in real time and the ability to contact customers more effectively and efficiently. Furthermore, new technologies emerged that allowed customers to access information and to become more **involved** in the buying process – co-production. Consumers no longer waited to be contacted they began to form lists of favourite sites and to search favourite sites on a regular basis. With the emergence of the **proactive customer** came new service providers to meet their need for information [e.g., trip advisor].

The biggest threat in times of change is ignoring change. Marketing practitioners must find new ways to understand their customers, their changing needs and find new ways to add value to their products. However, this should not be misinterpreted as embracing change for the sake of change or embracing technology for the sake of technology. There is ample evidence to suggest that technology, such as CRM software will only deliver positive results when the organisation is a relationship-focussed organisation and only then when the software is congruent with the nature of the organisation's business. Anton and Petouhoff (2002, p.vii) advocate that CRM is "first and foremost a corporate "culture" change, i.e., a different way of doing business, enabled with powerful technology at every customer touch point."

CRM is a convergence of needs and technology

Early in the e-book we discussed the 4 marketing quests. The 4 marketing quests are:

- To better serve the customer
- To overcome the challenges facing society
- For better use [application] of existing resources
- For more effective distribution of: information, products, & people

The evolution of customer relational management from a theory within the genre of services marketing to a strategic business practice is an example of the 4 quests and the result of:

- A general business need for more efficient and effective methods to do business
- The application of academic effort
- The availability and affordability of enabling technologies.

Customer relationship management emerged in the mid-1980s and since the mid-1990s has accelerated in interest, attention and adoption both academically and within organisations. As one would expect, the early academic literature is characterised by the arguments and justification for a new 'paradigm' in marketing; however, a web search would now reveal that relationship management is being increasingly adopted by the business.

Is CRM applicable to all businesses?

People who work in the hospitality sector [e.g., a convenience product such as a café] often state that they work in businesses that relies on loyal customers and that they have strategies in place to reward loyal behaviour [e.g., cards that are given to customers that give a free coffee after 6 cups]. Café staff often state that they don't have the time to ask the types of questions required by a CRM software system. They state that [A] they don't need the information and [B] it would only slow down the process. Furthermore, slowing down the product delivery process can erode the customer experience and this in-turn will erode loyalty and sales.

Therefore, initially it may seem that CRM software is not needed in a café, however, there are a number of POS software solutions that enable the front-stage and back-stage to better communicate and enable credit card and smartphone transactions [even when the network is down] and to map customers with demand. A visit to your local office supply company would reveal how affordable and prevalent these solutions have become – and reveals the need for technology vigilance.

Keep in mind that software is a tool to achieve an objective - it is not the objective [the means rather than the end]. The starting point is to understand your product from the customers' perspective. Clearly any process that would decrease customer satisfaction needs to be questioned before implementing.

With some products and in some situations, there is very little likelihood of repeat business. Therefore, an **offensive strategy** to continually attract new customers is more important than a defensive strategy to retain customers. In cases when word-of-mouth is a source of attracting new customers then customer satisfaction will remain a strategic necessity. Furthermore, sometimes people will only purchase a product once or twice but may be in a position to influence people over many years [e.g., funeral services, travel agents, face-to-face and through social media].

The image shows a very simple business - a street vendor in Rome selling roasted chestnuts. This street vendor is located in a prime tourist spot at the base of the Spanish steps [outside the Dior shop] in Rome. The author has observed this vendor at this location on a number of visits to Rome and over or many years – he appears to be doing well. Whilst this street vendor is a pleasant person and provides a quality product, there is little reason to employ SfMP.

Nevertheless, the chestnut seller is, most likely, part of a business channel and may find it beneficial to build relationships with his suppliers [suppliers may not be limited to wholesalers of chestnuts]. In addition, Rome is a city with many tourists and many residents, therefore, it is likely that locals are given special pricing considerations and may see him as *'their chestnut seller'*.

With exceptions in mind and considering the six pathways to growth six management considerations emerge: the need to:

- Understand the market and the needs of each segment.
- Embrace the marketing concept
- Employ the right people and provide appropriate training to provide product quality.
- Implement seamless customer friendly processes to accommodate the real-time nature of product delivery.
- When appropriate, invest in the right technology, technology that accommodates the existing culture of the organisation and the existing product delivery process.
- Provide sufficient physical evidence of value to attract and retain customers.

Customers can be relationship seekers

Customers are more discerning, they demand better service, they demand a better experience, they demand choice, they demand better value – they demand satisfaction, they expect to be recognised, and most importantly they punish or reward organisations depending on their level of dissatisfaction/satisfaction.

In addition to organisational benefits, a relational approach provides customer benefits [even if they are unaware of the benefits]. Customers expect that their custom is appreciated and that they are treated with respect; they expect satisfaction not just on what they receive but how they receive the product. For many customers, developing a relationship with an organisation enables buying to become more efficient and more economical (Jain, 2005; Avery, Fornier, & Wittenbraker, 2014) and with reduced buying stress (Sheth and Parvatiyar, 1995; Anton & Petouhoff, 2002). Therefore, relationship seeking customers are likely to enjoy a reduction in financial and non-financial costs and increase satisfaction. Keep in mind customers seek out and return to organisations that provide best satisfying products.

Berman and Evans (2010) building on the work of Berry (1995) and Bebko (2000) state that customers will be relationship seekers when they can reduce the risk or improve the quality of the outcome. Therefore, customers are more likely to seek a relationship when the relationship outcome is greater than the relationship effort.

Although customers often employ risk reduction strategies it is the marketer's responsibility to provide the evidence of value to assist the consumer in their decision-making and to enter the buying process. Keep in mind that both B2B and B2C customers establish relationships with organisations to reduce the risks of doing business.

Some scholars suggest that CRM is not a new approach but a return to the fundamentals of marketing. Long-time CRM advocates, Rogers and Pepper (2005) state:

> **Quote:** The only value that your company will ever create is the value that comes from a customer – the ones you have now and the ones you have in the future" (p.26).

Egan (2004) argues that for a period, many marketing scholars became intoxicated with the 4 Ps of marketing and marketing practitioners became addicted to the thrill of mass media advertising and loyalty schemes – they developed a scotoma to the fundamentals of marketing. Furthermore, he argues that many marketing practitioners could benefit from revisiting and re-studying the early definitions of marketing. Traditional marketing practices, they say, can be likened to the customer-focussed shopkeeper who caters for the needs and wants of individual customers, and provides consistent personalised service. The shopkeeper is agile and consequently her/his customers develop trust and behave in a loyal manner.

This shopkeeper analogy has a ring of truth to it – we all like personalised and attentive service; but is this analogy completely true? After all, the era of the local shopkeeper was a time when competition was less intense, and margins were considerably higher. In addition, people were less mobile; they shopped locally - often because they had to carry their purchases home. This was an era before credit cards; a time when people often relied on a shopkeeper to provide credit in between pay-packets. Let's be honest, the world has changed.

So, what can we learn from the shopkeeper analogy? Shopkeepers, past and present, know that revenue flows from customers to the business; and that information should, likewise, flows from the customer to the business and *then* from the business to the customer. The starting point is the customer. The more the shopkeeper understands her/his customer's dreams, desires and demands the better equipped the shopkeeper is to satisfy immediate needs, to anticipate future needs and to make informed suggestions to the customer. The shopkeeper knows that this is not information to be stored but information that must be applied for the profitability of the business. Each day the prudent shopkeeper would treat each customer according to their present and future value [i.e., customer lifetime value]. This may sound a bit subjective, however, it is the shopkeeper's ability to gather, analyse and apply this knowledge that is quantified in the profit and loss statements of the business. Keep in mind that the P&L statements of the business are the quantitative measurement of the marketing abilities of the business. The shopkeeper's ability is on display in every high street in every city or town.

Employing CRM software is often promoted as a new business paradigm by software vendors and IT management consultants, and they promote it as a revolutionary way to increase organisational profitability. Proponents of this perspective cite the success of large and well-known organisations that employ CRM software to serve their customers better.

Are proponents of this perspective telling the entire story? Perhaps not, after all, most organisations that have successfully implemented CRM software were successful prior to the implementation. In most cases, it was the practice of a marketing philosophy that ensured success. Nevertheless, it would be fair to say that success was augmented by the implementation of CRM software.

We have looked at both views, those that view CRM as a tool that helps marketers to return to traditional marketing practice of relationships and those that view software enabled organisations as operating from a new paradigm. Perhaps it is a blend of both.

When we look at both perspectives we can see that it would be foolish to ignore the benefits that technology can provide. However, technology is unlikely to resurrect a failing organisation and technology will not motivate disinterested staff to provide better service [however, it can assist in quantifying staff performance]. Some IT proponents suggest that it will provide a new discipline, often people say it is unnecessary and a 'box ticking exercise'.

In summary: the business fundamentals must be in place for customer relationship management to be most effective. In this discussion we have identified the following marketing metrics: *Product sales analysis, total sales X product, total sales X territory, sales by [hour/day/week/month/year/ or other suitable unit of measure e.g., weather], Number of transactions, Average sell price, Margins X product, Cost of sales, Customer revenue, Average customer revenue, Customer acquisition costs, Average acquisition costs, Sale baseline rate, Suspect > prospect > sales lead conversion rate and time, Salesperson lead conversion rate, Allocation of sales to communication activity, Customer satisfaction rates, Net Promoter Score, Customer lifetime value, Average customer lifetime value, Customer retention rates, Customer retention costs, Customer frequency & recency, Average customer frequency & recency, Customer loyalty.*

Further reading on marketing metrics: Bendle, N. T., Farris, P. W., Pfeifer, P. E., & Reibstein, D. J. (2020). *Marketing metrics: The manager's guide to measuring marketing performance. (4th ed.).* Upper Saddle River, New Jersey: Pearson Education.

Digital marketing

Throughout the e-book we have many references to **digital marketing**, and every attempt has been made to provide a balanced argument. One of the key purposes of discussing the evolution of marketing and presenting the 4 marketing quests is to sensitise students that markets evolve and to be open to the adoption of innovations [consider Mark Zuckerberg and his 2011/2012 leadership on making Facebook mobile]. However, we must also be mindful of the prevailing COMP factors and to seriously consider extreme views [for and against] and the motives for such views. For example – often you read that television advertising is more effective than social media. However, this suggests a bias as television is cost prohibitive for many organisations or a lack of understanding as there are better ways for some products to be communicated to a selected market segment.

Imagine you were the owner of a boutique winery in a wine region. Over the years through cellar door sales you have built up a regular following [sales baseline]. Consider how you would communicate with your customers. Consider how you could bring the activities of the vineyard and build a narrative with your customers.

Nevertheless, when most people think of marketing through technology they immediately think of digital marketing [i.e., online marketing, internet marketing, social media, web marketing]. Regardless of the terminology, this activity refers to the functions of marketing that employ technology devices [e.g., smartphones, laptops, tablets, desktops, television, and other media devices] to reach consumers [B2B, B2C, & C2C]. Digital marketing is often linked to the advertising, promotional, and PR activities of an organisation.

Marketing practitioners are increasingly employing social media to undertake brand storytelling and engage more personally with customers – the objectives are to communicate the brand image, create electronic word of mouth, and referrals. To accurately evaluate the effectiveness of social media campaigns marketing practitioners are increasingly employing **social media management software** [or third-party digital analysts] to undertake this work. Social media management software can assist to monitor content, track conversations, uncover emerging trends, and discover how customers interact with a brand.

Other technology areas

Google Analytics is and online tracking and reporting application and identifies what is happening [or not happening] at your website. The general idea is that by analysing what is happening you can tweak the site to improve performance. The information from Google Analytics can be customised to suit the objectives of the website and goes beyond the number of visitors and how they came upon the website – the source. Clearly, every website has a reason for being and there is a desired visitor behaviour, an activity, or outcome - so tweaking the website is important. **Google Tag Management** [GTM] is a short code that is placed on the source code pages of a website and collects data and reports activities to an administrator. GTM can be employed to track how people arrive at a site and land on a page, monitor activities such as clicks, downloads, aborted downloads, items removed from shopping carts and produce data that can be employed to evaluate performance.

During our discussions on the CADD**IE** we stressed the importance of timely and accurate marketing metrics. A well-designed marketing metric **dashboard** is an important investment and should be customised to enable marketing practitioners to measure, manage and improve the performance of the business.

An emerging trend is towards predictive software that can assist marketing practitioners to better anticipate the needs of the customers. The idea is to make it visually simple with data available in a hierarchy of importance, an ability to delve deeper, and mobile friendly for convenience (Tableau, 2020).

Point of sale [POS] software is employed in retail organisations, particularly hospitality organisations, such as cafes and restaurants, to manage front-stage and back-stage processes. Additionally, POS software can assist managers to better manage stock levels and to collect sales information and identify demand patterns. Delivery tracking software can provide delivery analytics and delivery driver performance to improve the delivery of the product to external customers.

Most websites are a collection of website plugins. Plugins are downloadable software applications that improve how a website functions and integrates with social media sites. Plugins could assist with e-commerce, lead generation, questionnaires, email marketing, identifying and personalising content for segments etc. Generally, these are relatively simple installations.

Sales associate software and software such as LiveChat enables organisations to have online conversations in real time. This enables organisations to inhouse or outsource customer services and if properly implemented may generate leads and increase sales revenue [but it has to be done well].

In supermarkets Fisher, Gaur, and Kleinberger (2017) recommends the use of predictive software that employs infrared tracking of customer movements to predict when the customer will arrive at the checkout and the ideal number of operating checkouts at any one time: thus, reducing the wait time, forecast demand better, and increasing customer satisfaction.

In retail environments, software that identifies the most effective sales staff and rosters them on for the busiest times can help to increase sales revenue and reduce the costs as a percentage of sales.

When we think of the 4 marketing patterns or quests it is clear that technology in the last 25 years has and is changing the way society and marketing function. When we consider the 9 marketing objectives we can see how technology is firmly embedded into the design and delivery of most products. Furthermore, it is hard to find an industry that has not been transformed through technology.

A recurring theme of relationship focussed is that **customers are an asset** that requires careful management and the recognition and the realisation that not all customers are of equal value to the organisation. This requires that customers are identified and then recognised for their value to the organisation. Understanding customer's lifetime value [CLV] is an important part of managing the customer as an asset and improving the collective lifetime value of customers. Key metrics are

Software as a source of COMP information

We will now explore an area of **marketing through technology** that receives scant attention in the academic literature, however, is a well-established marketing practice.

We will now discuss software for marketing practitioners:

- As a tool to collect, store, retrieve, analyse strategic and tactical COMP factors and marketing metrics
- The challenges of implementing new software applications

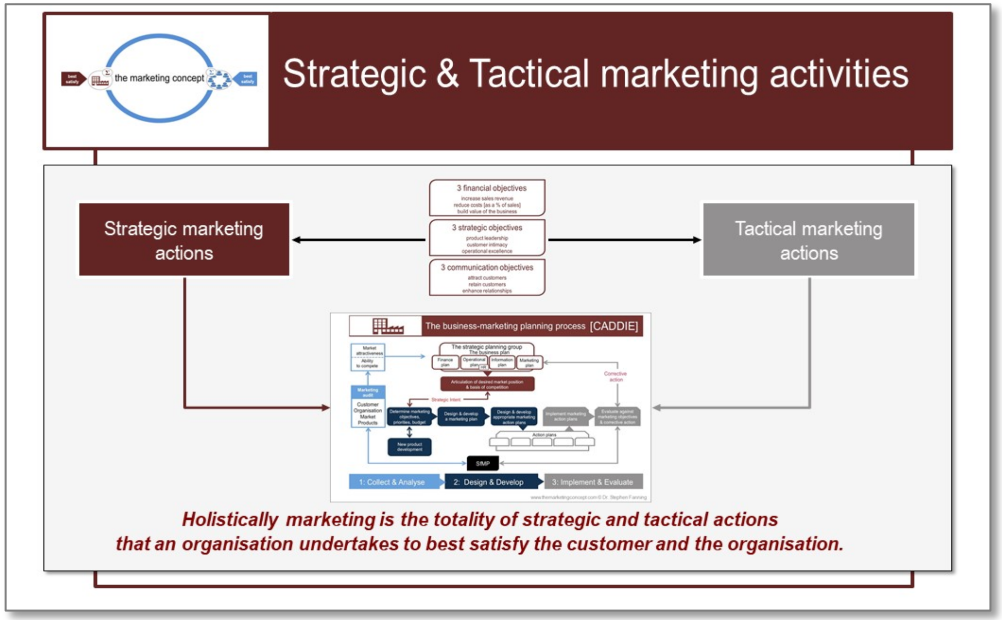


Figure 175: Marketing is the strategic and tactical actions that an organisation undertakes to best satisfy the customer and the organisation.

As we have discussed, marketing practitioners are continually collecting, storing, retrieving, and analysing COMP factors and drilling down to the related marketing metrics. Software for marketing practitioners plays a key role throughout the entire business-marketing planning process – Collect and Analyse, Design and Develop, Implement and Evaluate. It is often overlooked that the **Implementation** and **Evaluation** stages of CADDIE take place over the entire financial period and that SfMP is a major component when measuring, managing, and improving areas identified within the tactical marketing action plans.

We can conclude that data is needed in both **planning** and **control**.

Previously, we undertook the activity '4 friends catch up', [Parts A & B] you may recall that each of the characters worked for organisations with a different structure – therefore each organisation would select the **Enterprise Resource Planning** [ERP] software suitable for their needs.

What was common was that they all accessed a data library to manage relationships with customers. What we can also see from their roles that each will employ SfMP differently – some strategically, some tactically. Two of the characters [Bernadette & Neil] work for small-medium sized enterprises [SME] and they have a strategic role - whereas the other two characters [Claire & Joseph] work for large organisations and they are more focussed on tactical actions. When we revisited this activity [Part B] we highlighted that marketing could be thought of as a combination of **strategic marketing activities** and **tactical marketing activities** and how both need access to relevant data.

A takeaway from the '4 friends catch up' activity is that marketing practitioners employ different software tools depending on their organisation, their role within the organisation, and the required data.

Furthermore, we can see from this activity, that in smaller organisations people are more likely to take on multiple roles, whereas in larger organisations people may take on specialised tactical roles. This highlights that specialised marketing tacticians will employ specialised software to enable them to contribute insights to the strategic planning process, to meet personal KPIs and to meet stated organisational objectives. For example – in a larger organisation someone may be tactically focussed on social listening and the associated analytics and will have access to the most appropriate software. Larger organisations are more likely to employ marketing specialists [internal or external] to collect and analyse the data to a greater depth. Also the software may be related to:

- The strategic business plan
- The strategic marketing plan
- An everyday tactical marketing action plan
- An as needed tactical marketing action plan

Software is constantly evolving with new updates and releases – all of which require cooperation between the different disciplines and degrees of organisational involvement [to be discussed later in this chapter].

Linking content & context

Marketing vignette: Jason, the mobile representative

Jason is a representative for a large B2B organisation that sells steel products to steel fabricators. With over 2,000 steel products in the range Jason's clients often require the technical specifications prior to selecting the appropriate products. Jason relies on his laptop to help select the right products for his customers, to provide information about availability, to place orders, and to ensure that customers are trading within the terms and conditions of their account. Jason's organisation has cloud based SfMP and this provides him with real time on-site access. Jason finds that real time access to emails particularly helpful.

Search the web

A web search would also reveal hundreds of software solutions for marketing practitioners, each one promoting the unique product value of their product. The growth in SfMP is also characterised by a number of buyouts and mergers by larger vendors as they include attractive features into their products.

By now readers should have searched and be broadly familiar with strategic relationship software products. Readers should search products aimed at small, medium, and large businesses. The following GoldMine, Maximise, Microsoft Dynamics, Onyx, Oracle [including J. D. Edwards], PeopleSoft, Siebel], Pivotal, Sagecrm, Salesforce, and SAP products may be included in your search.

Implementation of a SfMP project

> **Author's comment:** a note of caution. Most software solutions are not a pay, plug in and play solution. To enable software to help marketing practitioners build relationships requires money, time, effort and commitment throughout the organisation.

We can conclude that most marketing focussed software is directed towards achieving the marketing objectives, therefore, marketing software is relationship focussed at a strategic or tactical level. Given our discussion regarding the Activity: 4 friends catch up we can conclude that software implementation projects will vary according to the organisation, whether it is strategic or tactical, the complexity, and the degree of organisational **e-readiness**.

For some organisations, the implementation of software is a smooth and a natural progression. For these organisations building relationships with external and internal customers is innate and good business practice (Sheth and Parvatiyar, 1995). Some of these organisations may have a **chief customer officer** responsible for managing the entire customer experience. Therefore, for some organisations the implementation of software can be fast-tracked - the organisation simply wants to leverage emerging technologies. Some organisations may already be employing SfMP software, however, have a number of incompatible software systems in different branches, countries, currencies and they may desire to have one system across the organisation [this can happen due to mergers and acquisitions]. It could be that an organisation wishes to update their SfMP software to a more effective and efficient version that tracks customers across different platforms [for example they may wish to enhance web loyalty/engagement or wish to communicate better with consumers at the 'suspect stage' of the buyer decision process]. Often an organisation will implement a SfMP project simply to avoid being left behind by competitors.

For those organisations where SfMP is a natural progression, careful planning and implementation is still required. Operating a business within a marketing philosophy is a process of continuous improvement - a journey and not a destination. A marketing philosophy is a way of doing business – before, during and after the implementation of SfMP. Implementing SfMP may represents a major cultural change for the organisation [or part of the organisation] and as many of us have experienced – *organisational change is slow at best*.

> **Author's comment:** There are many who prefer not to use the term change as change can be perceived as a negative or a positive encounter. Some suggest that it would be more accurate to use improvement rather than change. Although this might sound pedantic there is some merit in using improvement as marketing practitioners often refer to a continuous improvement process. Furthermore, change management has negative 'downsizing' connotations.

If the purpose of SfMP is to place the customer at the centre of organisational attention and to bring the functions of the organisation together; then it is essential that organisations come together to design the appropriate software programs for their customer and their organisation. Regardless, of the motivation for implementing SfMP, the needs of the customer and the entire organisation must be considered. All marketing practitioners [not just the boundary spanners] should be advocates for the customer, therefore, understanding the customer and clearly communicating the customers' needs [Gap 1] will result in a better customer experience, a more effective and efficient product delivery process, and the availability of timely and relevant data.

Don't put the cart before the horse

There is a general consensus that when implementing SfMP there is a need to do 'first things first'. The business needs to have adopted the marketing concept and be practising a marketing philosophy before a major SfMP project is implemented. The sequence is important. The selection process for the right SfMP should commence when the business fundamentals are in place (Anton & Petouhoff, 2002; Peelan, 2005). They warn that often organisations try to address the symptoms of the problem [e.g., a decrease in customer loyalty] by implementing SfMP. This response often ignores the root cause of the problem and results in further problems. This is important because the business should be *supported* by the technology not *driven* by the technology. How the organisation provides total value to its customers must be understood prior to the selection of the software. Peelan (2005) also states that prior to the implementation of SfMP, organisations must know their data needs.

When SfMP implementation is painful

Anton and Petouhoff (2002) suggest that the implementation of SfMP software can be painful. They put forward a number of reasons:

- Often there is a lack of appreciation/understanding for what generated organisational success in the past
- This lack of appreciation often results in the selection of the non-compatible software
- Sometimes there exists a naïve belief that simply by purchasing technology, an organisation can reduce costs and increase profitability
- There may be the false hope that technology can cure a dysfunctional company

When SfMP implementation is less painful

Anton and Petouhoff (2002) found that in organisations where a customer centric culture exists SfMP software has been relatively painless; the software is seen as:

- A tool to assist a continuous process of improvement
- A logical extension of the past
- A recognisable benefit to the staff, to the customer, and to the organisation

Regardless, the pain of change should always be weighed up against the future pain that will result if the business does not continue to improve. Some authors (e.g., Buttle, 2015) suggest that implementing SfMP is only the beginning - it is not a once-off event. The real benefits come to those organisations that use the information as part of a continuous iterative process where organisations use data to learn more about their customers and provide solutions that are of value to the customers and the organisation. It is also worthwhile to emphasise that:

- Satisfying customers and creating positive word-of-mouth [WOM+] remains a key objective of many organisations, regardless of whether customer loyalty will result in repeat business or not
- Relationship management should include employees and suppliers
- Relationship management extends beyond the application of technology
- Once the decision to implement a SfMP program has been confirmed, the task of implementing the program begins. A key point is that this is a journey, it is not *pay, plug in and play* and organisations that see it as a 'technology cure' are generally disappointed (Buttle, 2015).
- Clearly implementing a SfMP program will vary in complexity and cost according to the size and nature of the organisation. There is no one best or right way to implement a SfMP program. Readers should now be familiar that costs for SfMP range from a small monthly subscription fee to millions of dollars.
- Before implementation marketing practitioners should become familiar with what front-stage and back-stage solutions are available within each package. Associated costs should also be identified [e.g., initial costs, user costs, server/cloud costs, monthly costs and software delivery costs]. What other costs are involved in implementing a SfMP program? [e.g., software costs are only part of the total costs]. It should also be recognised that whilst there are implementation costs there are also training costs and ongoing costs.

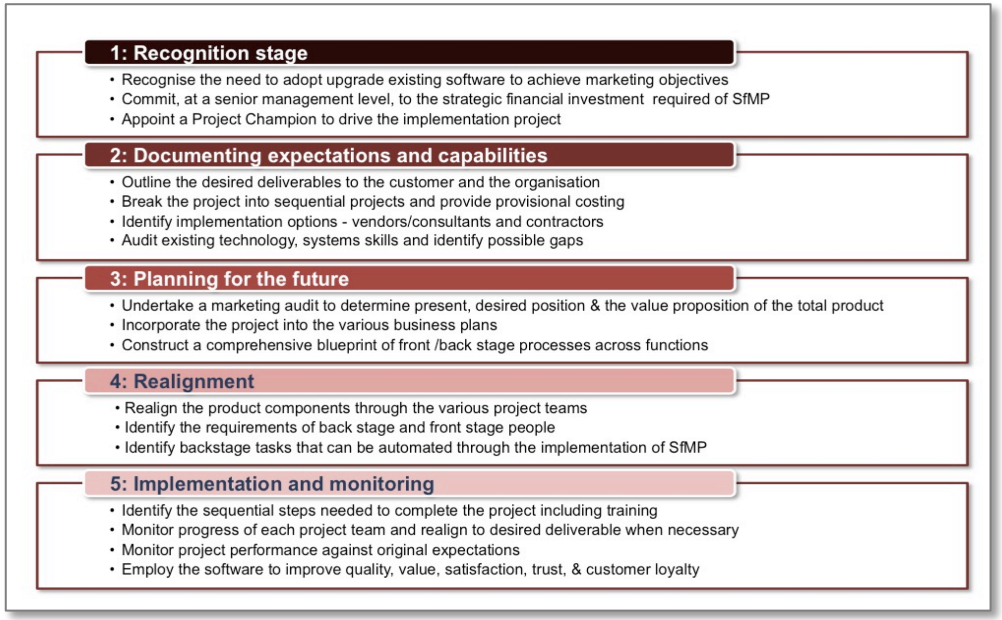


Figure 176: The 5-step process for implementing SfMP programmes.

Appointing a SfMP champion

Previously we stressed how successful SfMP implementation is about creating a customer focussed culture and a commitment to using technology as a tool to enable this to happen. This requires a commitment at a senior management [SBPG] level.

Following a commitment by senior management to proceed, the next step is the selection/appointment of a Project Champion. The role of the Project Champion is to lead the implementation team. This is an important step; technology changes [varying between minor to radical change] the way that an organisation will do business. Change must be managed.

The more senior the Project Champion is, the more respect this program will be given, the more likely improvements will take place. Appointing a senior manager to this program is important:

- A senior person is needed to ensure that communication is read, and instructions followed
- Implementing software often involves employing consultants and contract staff and someone must sign off on these additional expenses
- It is likely that structural changes will be needed, as the organisation becomes customer focussed
- With the best intentions in the world things go wrong and often go off track, when this happens someone must realign the project

The Project Champion needs the support of the senior management team and needs to give support to the project leaders and the project teams. Kincaid (2003) states that a Project Champion is a necessity and choosing the right champion is essential. He also counsels that if the right senior manager is not available to act as a Project Champion then maybe the organisation is not ready or not fully committed to the implementation of the SfMP.

> **Author's comment:** Consultants such as Accenture, McKinsey, Deloitte specialise in the implementation in larger organisations, however, there are smaller consultancies for small-medium enterprises.

Like any action plan the project begins with a comprehensive marketing audit. Basically, if you don't know where you are now, how will you know when you get to your destination?

The responsibility for the marketing audit would depend on the size of the organisation. In most medium to large businesses this would be performed by an outside consultant. An outside consultant will have professional distance and be able to maintain an outside-inside focus needed to represent the best interests of the customer. A marketing audit is often the precursor to a marketing plan so it likely that most organisations have past audits to review and build upon.

The importance of conducting a COMP marketing audit has been previously discussed and as this has been covered comprehensively it will only be discussed briefly. This includes understanding the customer, the total product, the segments, the attractiveness of the marketplace, the ability to compete, the competitors, the basis of competition, how value is produced, what are the components of quality, how satisfaction is measured and managed, and how value is communicated to internal and external customers. This is often presented and summarised as a series of marketing metrics.

The marketing audit contains qualitative and quantitative data. Qualitative may include organisational strengths and weakness as identified by internal and external customers and channel partners.

The marketing audit is needed to:

- Determine the present position
- Determine the preferred position for the organisation
- Formalise organisational expectations [expectations – performance relate to satisfaction]
- Align or realign the project with the organisation's vision
- Determine how implementing SfMP will benefit the customer
- Determine how implementing SfMP will benefit the organisation
- Identify risks associated with implementing [and not implementing] SfMP
- Assist in setting project priorities, parameters, costs, deliverables

If, at this point there is little commitment to the program, then it is prudent to postpone the decision and revisit the business plan of the organisation and focus on realigning the organisation with its business objectives.

The project will include smaller projects

Following the setting of project priorities, parameters, costs, deliverables a number of project teams would be formed. Each project teams would have a team leader and be responsible for the outcomes of the project. Each team leader would report back to the Project Champion, who would in turn report to the Strategic Business Planning Group.

Care should be taken when selecting members for teams; a good representation across departments is essential. This is important because successful SfMP is cross-functional and is essentially the marketing philosophy adopted and practiced by the entire organisation.

The complexity of the task will determine the structure of the project teams. It is not uncommon for project team members to be fully employed for the duration of the project [they often then leave and become consultants]. Often project teams include consultants and/or contractors. The advantage of employing consultants and contractors is that there is less disruption to rest of the business. Another advantage is the consultants are often more experienced in the implementation of software programs and can avoid pitfalls due to past experiences. Different consultants and contractors may be needed at different stages of the project. For example, IT consultants play a lesser role during the marketing audit than they do in the software implementation stages of the project.

> **Author's comment:** A consultant quotes for a specific deliverable whereas the contractor will bill by the hour.

The success of each project will depend on several factors:

- The quality of the instructions given to the project team
- The ability of the team leader to manage his/her team, manage the project and achieve project milestones
- The abilities of each member to communicate in the best interest of the customer and the organisation

A number of project management software applications are available to assist in managing projects. Some integrate well with email, diaries and allow video conferencing allowing team members to communicate better and be more effective and efficient with their time. The first task for the project teams is to ensure that each member is trained in the use and how this software will be applied.

What factors need to be considered?

Implementing a software project will vary with the type of project [strategic or tactical], the size and complexity of the project and the nature of the organisation. There are a number of factors that need to be considered – including people, processes, technology, measurement and training.

1: People

People are an important product component and measuring employee attitudes [to identify any gaps] is an important first step. The tactics required to measure, manage, and improve employee attitudes will depend on the results of the survey.

SfMP is directed towards relationship management – it is about nurturing a customer focussed. Culture. Often being customer focussed is miscommunicated to employees - who may interpret this message, as "the customer is always right." Then when the organisation acts in a self-interested manner, the employee receives a conflicting message; employees then find fault with the ideals of being customer focussed. Also, employees can be unforgiving when an organisation states one thing and then acts differently. The message should be that "the customer is always the customer, regardless of whether they are right or wrong".

Previously, we stated that the marketing philosophy is about the satisfaction of the needs of the organisation and the customer. This must be clearly communicated and established, not just transmitted, and this requires that understanding has taken place. Therefore, it is important to communicate that creating the culture is ongoing and employees will make mistakes along the way. The key is to recognise when there is a deviation and minimise the likelihood that it will happen again. Communicating progress [milestones] is important [e.g., customer retention is up by 4%] and provide appropriate recognition/rewards.

Although the objective is to get employee commitment, the reality is that not everyone is committed. Nevertheless, everyone within the organisation has a role to play and each person is a service provider and a service recipient within the organisation and this falls under internal marketing. This as you may recall from the 'theatre of business' metaphor is where **roles, scripts and control** measures are introduced to ensure that everyone plays their part in a successful production. Roles, scripts and control theory is based on the belief that commitment to organisational goals will vary and cannot be left to chance. People must be clear on their roles [what part they are playing], have a script that provides the parameters and expected behaviour and it must be controlled to minimise deviations from the agreed plan.

2: Processes

- Identify front-stage and back-stage processes that are part of the core/expected/augmented product and must remain intact.
- Identify the front-stage and back-stage processes that will need to be realigned to fit better with SfMP software.
- Involve IT people into the project, when re-aligning front and back-stage processes.

3: Technology

- Produce an inventory of current software systems and databases and future systems requirements
- Whilst it may be a long way till the actual software is selected, it may be beneficial in the early stages of the program to communicate with consultants/vendors specialising in implementation
- Identify technologies that can be best adapted to suit the organisation's way of doing business
- Speaking with consultants in this area will help determine the best way to migrate the existing data within the organisation, how existing software may integrate with new software and identify what options are available
- Speaking with IT consultants at this stage is likely to identify which consultants and vendors are best matched to meet the organisation's needs. Larger organisations are likely to select consultants and vendors that have experience in similar larger organisations. In some cases, multi-national organisations will have established global contracts and consultants and vendors will be specified. Smaller organisations may prefer to deal with consultants and vendors that have experience in dealing with organisations of their size

4: Deliverables

- Document program expectations
- Establish a timeline for the project
- Establish specific measurable objectives for consultants and contractors [beware of consultants that breed dependence] [if there is diminishing value, re-evaluate the relationship]
- Determine the best methods to measure the success of each project and the program [KPI's]
  - Sales and Gross Profit will be indicators; however, as the marketplace is dynamic, and variables change it may not provide the full picture.
  - Sales efficiency can be determined [e.g., number of leads, conversion of leads, % of GP, source of leads, referral rates etc.]
  - Customer profitability [migration on the profitability pyramid]
  - Customer satisfaction [e.g., SERVQUAL]
  - Customer retention [% this year V previous years]

Kincaid (2003) provides good advice when she recommends that organisations break the project into smaller, shorter projects [bite sized projects]; this she says provides:

- Small successes to bolster enthusiasm
- A demonstration that the organisation is improving and moving towards a goal
- Provides results to communicate to employees
- Constant evaluation helps keeps the project on track

Selection of the type of SfMP is often through a tender process where different software venders put in their bid for software and ongoing support. Where consultants have taken responsibility for the project, the consultants may have responsibility to select the most appropriate software vendor.

5: Training and training manuals

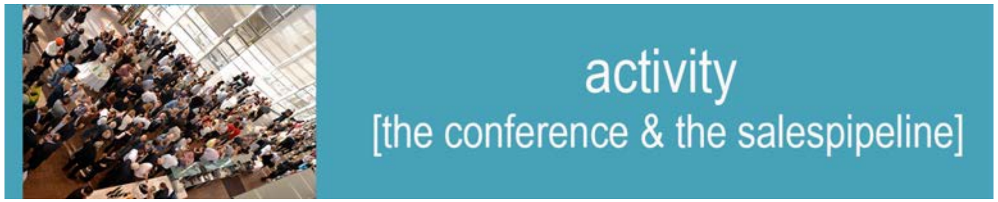
Training is vital. Trainers can include both internal employees and specialist training consultants. Throughout the implementation process training of internal staff is imperative. Training should be strategic and be in frequent bite sized chunks [avoid trying to accomplish too much too soon]. The training should involve the creation of learning moments and be practical and hands on. It is important for those who will work with the SfMP to be provided with sufficient time to *play* with the new tool. At every step, learning objectives, should be set, measured, and managed.

Trainers should recognise and accommodate that different people have different levels of experience and different learning speeds. Trainers should also recognise that there are different learning styles and be mindful that there are gender differences to learning. [There is a wealth of information available in these areas that is beyond the scope of this e-book – see professional development as a starting point]

Another key consideration is the production of training manuals. Training manuals should be written in everyday, plain English and provide a step-by-step approach for users. Where possible manuals should include illustrations, desktop images and be interactive. The training manuals should also include user hints, common problems, troubleshooting, and support contact information.

In the post implementation stage, it is important to provide ongoing support and a helpline. IT help staff should cultivate a helpful and supportive manner. It is also important to set up regular reviews in the post-purchase stage to ensure that training goals and management objectives/outcomes are being met.

Linking content & context



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Reflect & review

Employ these questions to reflect on your understanding and review your progress.

- Software is employed to increase the effectiveness and efficiency of an organisation – Identify some of the software organisations that provide software solutions to this sector.
- In the last 10 or so years Customer Relationship Management [CRM] software has been adopted by many organisations – describe why organisations would employ CRM software.
- Software for marketing practitioners is employed in the planning and controlling tasks that marketing practitioners undertake. Provide an overview of how SfMP could be employed in the CADDIE business-marketing planning process.
- Discuss how SfMP could assist marketing practitioners to better answer these questions.
- How much does your organisation spend on attracting new customers?
- How much does your organisation spend on keeping customers?
- Then ask what percentage of their business comes from referrals and repeat business.
- Outline the types of technology enhanced activities that a sales representative of an organisation may undertake in the course of his work. How would/should all his devices interact?
- How could SfMP assist marketing practitioners to better manage the consumers journey through the buyer decision process – perhaps also consider the delivery time-zone and if there has been a deviation from the customer's expectations.
- How could SfMP assist marketing practitioners to make their communication strategies more effective and efficient.
- Explain the role of SfMP to assist marketing practitioners to achieve the 9 objectives of marketing practitioners.

3:3:7 Marketing action plans: [sales & salesforce management]

Previously: In the previous marketing action plan chapter, software for marketing practitioners, we explored the use of marketing technology in contemporary organisations. We briefly discussed types of software and the how software for marketing practitioners [SfMP] can assist marketing practitioners to build profitable[4] exchange relationships[4], provide facilitating or enabling services to populate and advance the salespipeline, increase operational effectiveness and efficiency, and improve the customer experience. We discussed how, software is an essential tool for marketing practitioners for planning and control and outlined some of the challenges when implementing a software project.

Learning objectives

Learning objective of this chapter: After completing this chapter students should be able to discuss the salespipeline and the importance of managing sales leads.

Directions

A central theme of the e-book is that organisations may adopt one of three broad business philosophies - a production philosophy, a selling philosophy, or a marketing philosophy. We have stated that the business philosophy will determine the culture of the organisation and therefore the way the organisation behaves - how they do business. Organisations that operate from a production and selling philosophy tend to focus on organisational profit and see the sales process as a one-off exchange to achieve satisfaction for the organisation; whereas organisations that operate from a marketing philosophy will see profit as multi-factorial and focus on customer and organisational satisfaction. Moreover, organisations that view customer retention as a key success factor generally view the exchange as a buying process rather than a selling process and view the exchange as an opportunity to serve the customer and develop a long-term profitable relationship. In this chapter we expand on themes introduced earlier – relationships, the salespipeline, and communicating. It is important to realise that all relationships have a starting point and attracting [suspects and prospects] and converting [suspects and prospects to customers] is a critical to achieve the financial marketing objectives. Therefore, managing sales enquiries [also known as 'sales-leads' or 'leads'] is worthy of further discussion.

In the following vignette, we can see how determining the source of sales-leads is essential to effectively managing marketing expenditure. Readers should now be aware of how SfMP can assist this organisation to attract, retain, and enhance.

Linking content & context

Marketing vignette: Managing the sales process

Firstly, let's introduce the different players and their roles in this vignette:

- Geoff; The managing director
- Brian: The advertising manager
- Oscar: The sales manager

Brian is the advertising manager of a large build to order homebuilder in Western Australia. His managing director Geoff is questioning 'his' advertising budget. The sales manager, Oscar is also in this meeting. The meeting has become heated.

Brian blames the sales staff for being poorly trained "look my ads are working; the display home traffic and the phone enquires prove that. I can't help it if our sales staff can't convert."

Oscar is fuming "I will be the first to say our sales staff could improve, there is always room for improvement, but some of the ads you put in the paper are so creative that they produce the wrong impression, the ads give customers the wrong ideas, of what we are about. We need ads that say, 'we build great value homes – if you want value for money come and see us – today' not this little girl with ponytails on a tricycle ad. The ads are not suitable for a high-volume home builder"

Brian is caught off guard, "that ad won an advertising award."

The managing director states, "Brian awards are fine, but it is revenue that keeps us in business."

Oscar responds, "Look Brian don't take my word for it; go down to the display homes and ask the sales staff; ask them where the sales come from and they will tell you referrals, referrals, referrals. If we spent half the amount of money that we do on advertising trying to attract new customers on satisfying our existing customers, then we would get less display homes traffic, but I bet you we could increase our sales and increase our margins. You are only interested in what the traffic counters on the display homes state"

The managing director requests Brian to review his spending forecast for the next three months while he reviews the situation and asks Oscar to stay behind.

Once Brian has left the room the managing director Geoff has a chat to Oscar "Oscar at the present moment I don't know whether our advertising is effective or not and I have been feeling

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this way for some time and sometimes I think we tend to forget what made us successful in the first place. Anyway - have a look at this brochure I downloaded it is from a company that specialise in software that may help us to manage our salespipeline — follow this up and see if we need to improve how we track sales-leads through the system. Set up a meeting with this company I want Brian and I to be in on the meeting. We need to know if our ads are working, and which salespeople are most effective – I want to know which salespeople are converting and which salespeople are not."

Q: As a consumer: If you were in the market for new home; how important would be the opinions of family and friends?
Q: As a marketing practitioner: How important would it be to track a customer through the 3-time-zones of the buyer decision process?
Q: Where was the marketing manager in the above conversation?

A need to show the return on investment

Previously, we have discussed how marketing is often seen as a department or as a function rather than a business philosophy - a philosophy that guides organisational decision-making and behaviour. This thinking may happen when the marketing department fails to communicate the value of their work or wishes to remain focussed on broad communication strategies rather than sales. There are a number of reasons why some marketing managers are reluctant to venture beyond a broad communication focus:

- The organisational structure has sales outside the marketing manager's control or responsibility
- There is a focus on the creation of a brand image rather than the cultivation of profitable relationships
- The marketing manager is reluctant to express marketing objectives in terms of sales outcomes [revenue]

A better return on investment has received considerable attention. Business strategist Gary Hamel suggests that managers tend to be numerator or denominator managers [as in fractions]. What he means by this is that they see increased profits by increasing the numerator or decreasing the denominator. The numerator is sales revenue, and the denominator is expenditure. Hamel maintains that both are important, however, he warns against slashing costs [a denominator manager] with little regard to the effect on sales.

Obermayer (2007), in his book *Managing sales-leads: Turning cold prospects into hot customers*, argues that marketing managers often poorly manage their salespipeline. This, he argues, is often the reason why marketing budgets can be seen as a necessary evil, why marketing budgets are amongst the first to be trimmed, why marketing departments may be tolerated rather than respected, and we can conclude, why marketing as a philosophy may not be embraced within some organisations. Obermayer (2007) maintains that many marketing managers often fail to establish the value of marketing to decision makers within their organisation. This happens by failing to demonstrate that marketing expenditure is an investment and like all investments should produce an acceptable and quantifiable return on investment. Sometimes referred to as a return on marketing investment [ROMI]

Consider the pressure a lack of accountability places on a general manager of an organisation who has to make a decision between (a) investing in new infrastructure that promises to reduce costs by 10% or (b) investing in a new marketing program where the results are unpredictable and fuzzy.

Obermayer (2007) and Best (2009) maintain that when an organisation operates on the basis of accountability then new management processes are needed to categorise and allocate costs according to the communication activity. Both state that this accountability is necessary to evaluate long-term performance and commit future investment of company funds to marketing activities that provide an acceptable ROMI. There are a number of reasons why this fails to happen within an organisation. Astonishingly inexperienced people without marketing experience are often employed as marketing managers. As such, they lack the skills to implement proper market management processes. Often, unqualified managers mimic successful strategies they have observed, however, they lack the theoretical knowledge to craft strategies that are appropriate to the product category and the situational factors [COMP]. Another reason is that often the marketing manager is unable to quantify the ROMI simply because sales are often not recorded as diligently as costs. Therefore, marketing managers are often unable to determine which communication activity was the catalyst for the customer enquiry.

The temporal nature of allocating costs is quite different to allocating the source of a sales enquiry. With costs, there are order numbers that indicate the source of the order, the department, and cost centre; when there is uncertainty there is time for discussion. The real-time nature of making a sale and the focus on obtaining a sales-lead or an order is seen as being more important than engaging the customer in distracting conversations and risking alienating the customer. Consequently, customer information is often incomplete. There is another reason why marketing practitioners have trouble justifying marketing expenditure some marketing activities produce long-term benefits that cannot be allocated accurately to an individual activity.

The sales process varies across product categories

Often there is no opportunity to determine the source of the sale, particularly with low involvement convenience products and shopping products. With convenience and shopping products there is often little contact with the customer or little opportunity to determine the catalyst for the sale. Furthermore, consumers are often wary of such questioning and often see intrusions on their time as an unnecessary cost. However, with specialty products, where involvement, problem solving, and customer interaction are high, customers are often prepared to be involved in information collection. This is particularly true when they perceive that the conversation will be of benefit to them in the future.

The true source of a sales enquiry

Let us turn our attention to potential customers - there are two terms that need clarification; **a sales enquiry and a sales-lead** – there is a slight difference between the two terms. A sales enquiry may be from someone who suspects that an organisation has a product that may be of benefit to them. A sales enquiry transforms into a sales-lead when the suspect agrees to further discussion and is seen by the salesperson as a prospective customer also referred to as a qualified sales-lead. At this point the **suspect** has evolved to a **prospect**. It is worthwhile to note that not all customers enter the salespipeline as suspects; some customers are **presold** through the word of mouth of previous customers. Word of mouth is an important point that will be discussed later, because there are different communication techniques for suspects, prospects, customers, and repeat customers. In the vignette the European cruise, one of the first tasks of the travel agent is to establish where Mary and Brendon are on the salespipeline. This would require the travel agent to have a number of questions crafted for different situations.

It is important to recognise that each sales enquiry and each sales-lead has a cost to the organisation. A key task is to communicate the importance and benefits of accurate sales enquiry and sales-lead management to sales managers, salespeople, and to sales support staff within the organisation. Once the importance has been established the support staff need to be provided with the skills necessary to uncover the original source of the sales enquiry or sales-lead. For example, a sales support person may ask a consumer – 'how did you find out about our company?' This question may elicit the response of: I found you on the internet or the yellow pages [a suspect], however, on further exploration it may be that this was only the method of sourcing the telephone number. The original source may be a friend who recommended the product in a conversation [a prospect]. Identifying the sales readiness of a sales enquiry is important. For example, if the consumer states that they are seeking a quote then it is probable that they have an existing quote and are forming a considered set of products and estimating the value of alternatives – the sales-readiness of this customer is high, and it should be given a priority.

Similarly, someone who is browsing online and downloads a brochure or clicks on a price has a higher value to an organisation than someone aimlessly looking for inspiration. For example, earlier in our vignette, managing the sales process, Geoff the managing director of a home building company downloaded a brochure. Identifying Geoff's role and the size of the organisation is of importance and as he initiated the enquiry this would be the first touchpoint on a lead tracking system – if Geoff had visited the site on more than one occasion then the tracking software would record the touchpoints and identify his role as an 'influencer'. Later, when Brian and Oscar visit the site and download information their touchpoints will also be recorded. **Sales-scoring** is where a sales-readiness score is automatically calculated on the sales tracking system, this information is vital prior to an in-house presentation by the account manager of the software company.

> **Author's comment:** During the marketing audit, we discussed the types of competition an organisation will face. The competition types are brand competition, product competition, generic competition, and total budget competition. We should now see that consumers search for information according to their competition group[s].

The takeaways are that sales-lead scoring is critical in both B2C and B2B situations; furthermore, SfMP can automate many of the functions that would come natural to a small organisation. Identifying the original source, the sales-readiness, and the position within the 1st time-zone of the buyer decision process is important consideration to effective sales-lead management. Marketing practitioners need quality information to:

- Predict the effectiveness of the future campaigns and establish a ROI when submitting budgets for approval.
- Improve the effectiveness of marketing expenditure
- Rank marketing activities according to their outcome to the organisation

Not all sales-leads are equal

Generally, sales-leads generated from loyal customers and from word-of-mouth should be given a higher sales-readiness score - brought to the attention of the salesperson and given a priority. Armed with better information the marketing manager and the sales manager are then able to provide guidance to salespeople. This guidance will enable the salespeople to be more effective and efficient.

Activity: Consider this scenario: Traditionally WOM provides 450 out of a possible 700 sales-leads, however, in the last month WOM drops to 400 out of a possible 650. Clearly, if declining WOM is not a one-off event then it may indicate a problem that needs further attention.

Consider this scenario: A new marketing manager has just discovered that after a review of the promotional activities for December 1200 sales-leads were generated at cost of $75.00 per sales-lead. People within the organisation considered this as acceptable and typical. However, further exploration discovered that due to less working hours in December [public holidays and the shutdown between Christmas and New Year] and an inability to confirm appointments [people are busier in the lead up to Christmas]; only 800 of the 1200 sales-leads were serviced properly. In addition, due to an inability to follow-up on sales presentations the conversion factor drops from an average conversion rate of 50% to 45%. A marketing manager who is aware of this situation and is cognisant that sales-leads have a cost and are perishable is better placed to manage the situation.

Q: Should the marketing manager repeat the December promotional activities next year?

Q: Would you, if you were the marketing manager, want to know the percentage of neglected sales-leads per month?

Q: What other information would you need to know before you can determine whether to:

- Maintain the promotional spend
- Reduce the promotional spend
- Provide salespeople with training and promotional resources to improve their conversion rates
- Increase the number of salespeople
- Increase in house sales support personnel [relieve salespeople from unproductive tasks]
- Outsource sales support personnel in peak periods.

Sales-leads are one-thing sales are another, it is important that sales-leads can be compared to sales [invoices] to determine which source of sales-leads have the best conversion and importantly salesperson effectiveness [conversion rate, conversion time, customer satisfaction, and GP]. In the above example, the marketing manager needs to know whether this lower servicing of sales-leads and lower conversion rate is across all salespeople or varies from one salesperson to another. Sales managers need to be aware of this and counsel salespeople who fail to respect the value of a sales-lead. Interestingly, some organisations 'bill' sales-leads to their salespeople to guarantee that sales-leads are respected.

Clearly, sales managers and marketing managers need information to manage the sales support staff and salespeople. Most reports are available in real time, but formal reporting periods are generally monthly. Monthly reports are often adapted to suit the organisation, however, are likely to include sales X product, sales X salesperson, sales X region, margin X salesperson, and a prices exception report. The reports generally include the sales for the current month plus the previous eleven months. Generally, year to date figures are included. Reports are helpful but often require drilling down through the data to get an accurate picture. For example, the actual sales figures may show that one salesperson is a superstar. The sales manager will then drill down and see:

- The profitable margins for this salesperson
- The number of encounters required per conversion
- The costs incurred [e.g., mobile phone costs]
- How satisfied were the customers [keep in mind satisfaction is about fulfilment of promises]?

The consequences of neglected sales-leads

This is an important question if communication activities are generating sales-leads that are not serviced then research is needed to determine the effect that this has on future WOM. Consider the effect of a neglected sales-lead; "I rang that company, but they did not get back to me."

Consider: Peter [an evangelist for an organisation] has recommended an organisation to a good friend and he hears "Peter, I rang that company, but they did not get back to me."

What effect could this have on Peter's future WOM behaviour?

The salespipeline

For many specialty products, a rigorous sales-lead management system is an important part of the SfMP and important tool in managing the salespipeline and in managing the relationship - particularly in the early stages. A rigorous sales-lead management system records customer inquiries, records the nature of their sales enquiry, allocates accountability and tracks salesperson behaviour and interactions. Whilst recording all this information is important it is also important to have the ability to gain real time access to track and monitor inquiries as they progress from suspect to prospect to customer and beyond [the lifetime value of that customer]. Throughout the e-book, we have referred to the salespipeline as a metaphor for the buyer-seller relationship process. The salespipeline metaphor is employed because a pipeline requires energy and velocity to advance the customer. And it is the responsibility of the organisation to provide the initiative and the energy to advance the customer through the salespipeline. The opposite metaphor to a salespipeline is a salesdrain. A salesdrain infers that gravity is providing the energy.

The buyer decision process commences with the consumer's suspicion that a particular product is of interest. A product has somehow attracted the customer's awareness/attention [remember AIDA]. This awareness/attention may be as a consequence of a customer search, a mass communication activity and/or a word-of-mouth recommendation from a customer. In the early stages of the buyer decision process the consumer is often categorised as a "suspect." The suspect is searching and often the decision is whether this is firstly a need. If it is a need - is it a need that requires the consumer's consideration? Is it a priority? What are the broad price-points? Clearly, this is also related to the purchasing ability of the consumer.

Once we grasp the typical searching behaviour of suspects we can see two groups; those that will develop into prospects and those that will not. The difficulty is that there is no way of knowing which suspects will develop into prospects and which ones will exit or postpone the search. This is often compounded with specialty products where often decisions are syncretic decisions [decisions that require more than one decision maker]. The suspect is often a "scout" who has somehow discovered your product amongst the marketplace noise, your product has their awareness/attention, and they have a suspicion [hence suspect] that this product could be of benefit to them.

What do we do with suspects?

Marketing practitioners need to recognise the importance of managing 'suspects' stage – tasks include:

- Determining a $ value of a suspect to the organisation [what was the cost of gaining this customers awareness/attention?]

- Communicating the value of suspects to customer contact people and that like personal relationships develop at different speeds [they may not buy from you now but they most likely will buy from someone in the future and regardless they will communicate their conclusions to others]
- Creating opportunities for suspects to discover the product
- Producing communication material that is designed to advance the suspect to the next stage and empowers the suspect with sufficient knowledge to sell to other decision makers.

Much has been written about the need to qualify suspects and this is an important consideration. There is a need to prioritise against a time frame, however qualifying and prioritising a sales-lead should not be interpreted as ignoring or not following up on a sales-lead. It is an important task for organisations selling specialty products to follow up all sales-leads. A key point to remember is that relationships take time to develop and often it takes a number of buyer-seller interactions for a relationship to progress to the prospect stage. This is a key difference between salespeople with a marketing philosophy and others.

Follow-up on sales-leads

Organisations that follow-up on sales-leads will reduce the number of sales-leads that are neglected by salespeople. Following up generates more buying moments. Therefore, a process needs to be implemented to ensure that the follow-up has occurred. The time between the initial sales enquiry and a return phone call is also important. For many products, the sales-leads are perishable. A *best before* time needs to be recorded on each sales-lead as it is recorded. Every sales-lead requires an outcome statement; this needs to become an organisational requirement. For example, should sales-leads that are categorised as a **dead-lead** be followed up to determine if there has been a deviation from organisational sales-lead requirements? Absolutely!

When we discussed the buyer decision process we discussed how some consumers take longer to purchase than others – it could be that the consumer has postponed the purchase for any number of reasons. Sometimes sales-leads are not dead they are just on-hold [postponed]. It makes sense to keep on-hold consumers in the system and keep them up to date with offers.

Follow-ups are interruptions

It is important to stress that no one likes interruption to their day, so care is needed when designing, developing, and implementing follow-up strategies. Whilst there is danger in trying to push the relationship too fast there is also danger in not recognising when customers wish the relationship to advance to the next stage. And how will you know what the customer wants unless you ask. Most customers expect that if they have made an initial sales enquiry then it is a company's responsibility to follow up. In fact, many people consider this an important indicator of service quality.

Imagine for a moment that a busy professional buys flowers for his wife's birthday at a local florist. The florist asks for a business card and 51 weeks later the professional receives an email reminding him of his wife's birthday and an offer to assist with flowers. Included in the emails is a simple electronic catalogue/order form. Would this person consider this contact as a service or as a nuisance? We really can't be absolutely sure but, in most cases, we can assume, it would be considered a service.

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Linking content & context

activity
[the job application]

activity
[taking your eye off the ball]

Reflect & review

Employ these questions to reflect on your understanding and review your progress.

- Why is important for marketing practitioners to manage revenue?
- Why is it important for a marketing manager to show a return on investment?
- How can software assist marketing practitioners to manage the sales process?
- Explain the salespipeline metaphor
- What is a sales lead and why is managing them important?
- How can a SfMP assist marketing practitioners to track sales leads and identify neglected sales leads?

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3:3:8 Marketing action plans: a relational sales process

Previously: we discussed the salespipeline and the importance of managing sales leads.

Learning objectives

Learning objectives of this chapter. After completion of this chapter you should have a better idea of the relational sales process and how this sales process is more aligned with the marketing concept, a marketing philosophy and the 9 objectives of marketing practitioners.

Directions

In this module, we revisit Relationship Thinking and explore a relationship-focussed sales process, we discuss how it differs from a transactional sales process, detail the benefits of creating quality interactions with prospects to populate the salespipeline, highlight the importance of asking questions during the sales process, and outline the four key tasks of a relational sales process.

In this chapter, we will 'reverse engineer' the sales process with the goal to identify and improve the components of the sales process. Most sales training is built on a production or selling philosophy; however, a relational sales process is congruent with a marketing philosophy. Sometime ago, McMurry (1961) observed that there have been few advancements in the art of selling in 100 years. More recently, Fogel, Hoffmeister, Rocco, and Struck (2012) suggest the situation still remains dire and perhaps one reason is that the sales process is given little attention in MBA programs or universities in general.

After observing and consulting with a number of relationship-focused salespeople and sales managers and then relating it to marketing and professional communication theory the following is proposed as a sales process that is consistent with the marketing concept and adopting a marketing philosophy.

The relationship-focussed sales process

As you will have noticed a number of marketing texts were referenced for this e-book. You may be surprised to find that a consistent feature of marketing texts is that scant attention is given to the sales process. The scant attention given to the sales process is bewildering for a number of reasons – from both an organisational and a personal perspective:

- **Organisational:** Each of the 3 marketing objectives [financial, strategic, and communication] is dependent on the sales performance of the organisation
- **Personal:** From a marketing career perspective:
    - Many entry-marketing roles have a sales emphasis
    - A marketing career generally includes a sales management role, and
    - An understanding of the buying process is central to achieving sales targets

Previously we have discussed relationships[4], total profits4, the buyer decision process, the circle of satisfaction, the 5-gap model, the AIDA, and the importance of attracting customers, retaining customers, and enhancing relationships with customers. These should be kept in mind as we progress through this module.

> **Author's comment:** This module is included for those who wish to sell in harmony with the marketing concept or may wish to train sales staff in the future. It is important, however, not part of the assessment for this e-book.

Most marketing readers would be familiar with the three stages buyer decision process:

- The purchase decision – searching, estimating, and selecting
    - The recognition of an unmet need
    - Analysing costs - benefits - risks
    - A commitment to proceed or exit
    - Forming a considered set of products
    - Estimating the value of alternatives
    - Product selection
- The product delivery - experiencing and assessing
    - Receiving the total product
- Post-purchase - reflecting and evaluating
    - Rewarding or punishing the organisation
    - [Disposing]

Although, it appears as if the sales process ends with the purchase decision the reality is that it is just beginning – from our knowledge of the circle of satisfaction we now know how important pre-purchase expectations are to customer satisfaction, cumulative satisfaction, trust, loyal behaviour, a competitive advantage and ultimately organisational satisfaction.

Another popular model is AIDA model. Like the buyer decision process this model has its origins in the 1920s and in keeping with the marketing focus at the time this model was originally intended for goods marketing. There is some debate about the appropriateness of the AIDA model across all product categories; however, holistically it has merit for salespeople and marketing practitioners. The AIDA model takes the consumer through four stages.

1. Awareness/attention - the objective is for the consumer to recognise a product

2. Interest - the objective is to generate and hold the interest of target audience
3. Desire - the objective is to arouse desire
4. Action - the objective is to motivate purchasing behaviour in keeping with satisfaction objectives

Previously we discussed accountability – we stated, 'if it is not measured it cannot be managed'. Therefore, it is important to measure the effectiveness of communication strategy against previous performance and the performance expectations of the organisation [objectives] that were set. The AIDA model is particularly useful in setting objectives and later measuring performance. [e.g. increase awareness in 20-25 males by 2%, increase sales by 2.5% and market share by 2%; increase satisfaction by 3%]. AIDA can also be applied to the salespipeline and is often measured through digital analytics.

> **Author's comment:** Both the buyer decision process and the AIDA model provide guidance to marketing practitioners; however, face-to-face with a customer neither model is overly applicable. Can you imagine a salesperson working through the AIDA model? "Now that I have your attention I will now increase your interest"

No sales without buying

A major premise of the relationship-focussed sales process is that there can be no sales without buying; that sales are a measurement of buying activity and not a measurement of selling activity. In this module, we propose that the professional salesperson is not selling but providing a service; a service that provides value to her/his customers and her/his organisation and a service that supports customers through the buying process, facilitates an exchange, and is directed towards satisfaction. The sales process can be part of the service and part of the experience components of a product.

The relationship-focussed sales process is essentially - good communication with the objective creating profitable exchange where all parties profit[4]. Key communication tasks are communicating product qualities and establishing value, and also establishing trust [i.e., the circle of satisfaction].

Selling is a profession

Defining an everyday word often provides clarity to a discussion. A word that requires clarification is *professional*; it is a word that is overused and often used incorrectly and, perhaps, for some has lost its true meaning. For the purposes of our discussion a profession is a calling, a vocation and involves a commitment to quality service and continuous personal development. A profession is not the same as an occupation or job.

A professional is a person who has adopted a profession as a way of living their life. A sales-professional is a person who has professed [declared, affirmed, made a vow] this commitment. This commitment is to the products they offer, their organisation, their customers and society.

As a result of this commitment the sales-professional must meet the needs of those she/he serves. That means - a sales-professional spans the boundary [i.e., a boundary spanner] between the organisation, the customers, and society.

Sales-professionals as boundary spanners are required to mediate and negotiate internally **and** externally. Sales-professionals are an integral part of the product through facilitating and supporting services; they produce value. With some product that ideas dominant [e.g., accountancy] the product providers [e.g., accountants] are the boundary spanners and could be regarded as salespeople [keep in mind their job is to ensure revenue objectives are met].

Eisingerich, & Bell (2008) agree and present the view that quality face-to-face communication increases post-purchase evaluations, trust, and builds relational quality, however, they recommend that the communication should be customised to the customer's degree of product expertise.

The sales process is not about selling

We live our lives as consumers; to the extent that seldom do we engage in an activity that has no form of consumption. Many of our conversations with loved ones; friends, colleagues and acquaintances are conversations about our lives as consumers:

> I saw a great movie… I had a great meal… My partner and I went away for the weekend… Mum; I need new pencils… I had awesome surf… I am thinking of buying a new car… My washing machine has broken down… On the weekend, I just curled up in bed with a book.

We discuss our consumption activities [buying, experiencing and disposing] every hour of every day. Rarely, [and you should reflect on this] do we ever engage in a conversation where we discuss being sold something.

> I am just popping down the shop; I need to be sold something.

Let's be clear; it just doesn't happen; when a person discusses being sold it is generally a grievance.

> I went into the hardware and the guy tried to sell me a 5m ladder, he said he would knock fifty bucks off if it took two. I said – are you mad? What do I need a 5m ladder for, never mind two? I just walked out …

What we discuss every day is the buying process.

> I popped into the hardware the other day to buy some paint, and I was talking to the hardware guy, and he suggested that low sheen paint might be better as it is easier to clean than…

My water heater broke down; anyway, I thought I would give my plumber a call. He recommended that I replace my old one with a higher efficiency model …

You know how I have been talking about a new car – well - on Saturday I was flicking through the newspaper, and I saw this advert…

We buy continuously; Maslow said our needs are 'insatiable'; some say that we are the modern hunter-gatherers - hunting for new products and gathering new possessions. We stalk the shopping malls 'bargain hunting'. We flick through magazines hunting for new products in our leisure moments [watch someone pick up a magazine and flick]. We travel just to have the pleasure of new buying experiences – walking through an unfamiliar market or a new shopping mall. We compare our lives to others and through the possessions we gather - we communicate who we are to the world around us – we cultivate a personal brand. We see people in China wearing a Manchester United Kit and people in England wearing surf brands in winter. We are buying our identity.

Let us be clear; buying is the activity - not selling. Buying involves a marketing exchange. A marketing exchange has two essential and sequential elements:

- Communicating - exchanging of information
- Transacting – exchanging, something for something

Consumers need information to buy. Information empowers the buyer. Buying is about choice. Choice gives the buyer options in an exchange. Options allow the best value product to be purchased [i.e., the marketing concept]. People are proud of their hunting and gathering skills; the ability to choose between alternatives; the ability to buy well.

Organisations record buying activity as sales. The sales process is the buying process from an organisational perspective. Improving the sales process is how an organisation increases the likelihood of an exchange.

This focus on buying recognises the importance of outcomes. A salesperson can sell - without someone buying. Other professions understand this concept intuitively: teachers focus on learning, they focus on improving learning, creating learning environments, learning moments and learning experiences. However, just like a salesperson can sell without someone buying - a teacher can *teach* without someone learning. Professional teachers judge their success on how well their students learn. Sales-professionals should focus on buying; understanding the buying process; they should focus on improving the buying process; focus on creating enjoyable buying environments, buying moments and buying experiences. Sales-professional should judge themselves on how well their customers buy. Buying should be a more pleasurable part of our lives.

Author's comment: It would depend on the product and the customer; however, often consumers have searched, gathered a great deal of information and have formed attitudes to products before they meet a salesperson. Now consider how often a salesperson has taken the trouble to find out how far you have advance towards a product decision.

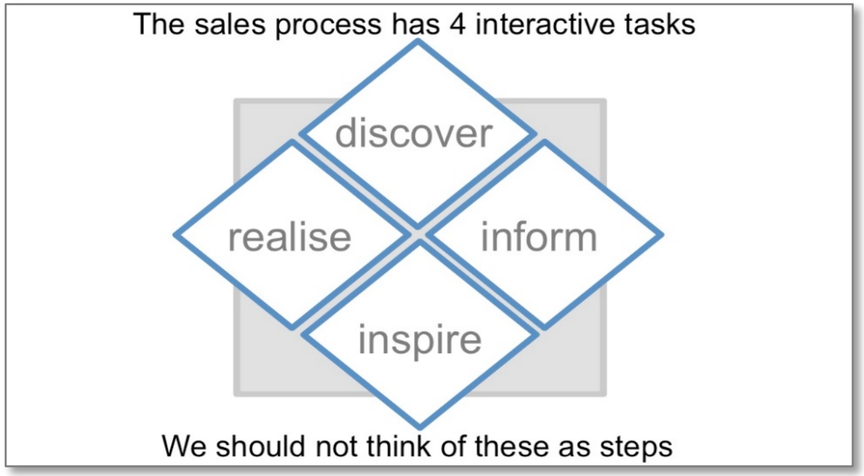

Figure 177: The relational sales process.

The objectives

The relationship-focussed sales process is essentially a sales template. A key point is that by providing a sales template to standardise the sales process it becomes possible to replicate success far quicker than the trial-and-error method employed by many salespeople. Having a sales process is crucial; today, no one has the time to learn by the trial and error.

This process should assist in all 3 marketing objectives through:

- Attracting and identifying suspects
- Converting suspects > prospects > customers
- Retaining customers
- Enhancing relationships and gaining higher margins
- Reducing costs through loyalty and positive word-of-mouth

The four interactive tasks of the relationship-focused sales process

The relationship-focussed sales process is the product of reverse engineering the buying process into a number of tasks and their components. The four main and overarching tasks are:

- Discover
- Inform
- Inspire
- Realise

Each task will now be broken down into components. We will then improve the efficiency and effectiveness of each component. The sales process will then be re-assembled to improve the overall efficiency of the sales process.

> **Author's comment:** We could consider reverse engineering the sales process to a car manufacturer designing a new model. The car manufacturer will break the car down into components. The car manufacturer will focus on improving the overall look, feel and performance of the engine, gearbox, windscreen wipers, comfort of the seats, etc, etc. They will focus on removing complexity to enable the manufacturing process to be more efficient and more effective.

The reverse engineering analogy highlights that each component is an essential part of the overall quality and that each component must work in harmony with other components. It also highlights the importance of focussing on areas that will give us the greatest returns first.

The concept of reverse engineering the sales process is also important if we wish to avoid the generalisations of most sales training.

- It is important to recognise that each product is unique [i.e., product considerations]
- Not all products have the same involvement, or perceived risks
- Customer's needs, desires, dreams, demands and situations vary
- Sales-professionals vary and that provides variety, however, they must be professional and authentic
- Different organisations have different protocols

It is therefore important to develop a sales process where the components of the process can be adapted to suit the expectations of the customer, the salesperson, the profession and the organisation.

Discover, inform, inspire and realise should not be thought of as mutually exclusive tasks [tasks that must be completed in a specific order, 1,2,3,4]. **Discover, inform, inspire and realise** are four interactive/interlocking/iterative tasks that must be completed by <u>both the sales-professional and the buyer during the sales process</u>. Each task works in harmony with the other tasks.

Why this sales approach is critical

Regardless of the profession, organisational survival and success is dependent on buying activity and therefore, salespeople are subjected to intense scrutiny. It is also critical to realise that all professional people [e.g., an accountant] sell and therefore the term salesperson refers to a professional when they are serving their customer [presuming they are charging for their services]. Buying causes anxiety in both customer and salesperson, therefore we can assume that something fundamentally is wrong with the way people communicate. Some sales processes focus on overcoming objections, overcoming objections is no longer a viable and profitable selling strategy. "Selling as Manipulation" as a concept has come and, thankfully, gone. Manipulation is a fifties selling technique it is disrespectful and annoying. Furthermore, no customer or salesperson with high self-esteem will endure the tension, stress, and frustration that comes with manipulation.

The rules are different today. All professions are experiencing increased competition and tighter margins. In addition, the quality movement has improved how people behave as product providers and product recipients. The values we have in our personal life must be congruent with the values we have in our business life.

To achieve long-term success salespeople must sell with integrity and be treated with integrity. Salespeople deserve to be compensated according to the level of satisfaction and value they help produce; and the more value - the more they deserve to be compensated. After all sales equals revenue.

> **Author's comment:** Sometimes, when I encounter a manipulative salesperson I ask them "Would you treat your mother this way?" The response is generally "What way?" I say coercing them to buy. They often just shrug their shoulders and say: "This is the way my boss wants me to behave."

FACT: Nice people change when they act like a stereotypical salesperson.

Selling isn't telling and telling isn't selling

There is an old saying that selling isn't telling and telling isn't selling. A conversation with a consumer is not an information dump; it should be an iterative process between the salesperson and the consumer. Moreover, it is expected that the salesperson with greater experience, product problem solving skills and product knowledge, navigate the sales process to a mutually profitable conclusion. Navigate implies that the salesperson discovers where the customer is now and where they are heading.

The relationship-focussed sales process is consistent with the marketing concept. The marketing concept is based on **mutual satisfaction** based on the exchange of needs and wants with customers. Moreover, organisations that best satisfy their customers' needs are best placed satisfy their own needs and, therefore, profit the most.

The relationship-focused sales process is an attitude+ process

Really, it's about, getting what *you want* by helping other people get what *they want*. Therefore, all parties must profit[4] from an exchange.

As previously stated marketing is a business philosophy, based on:

- Satisfaction and trust
- Maximising win-win
- Value and profit for both parties

Starting with this goal of customer satisfaction and then putting the steps necessary to achieve this goal is fundamental to the success of this process. This concept of reverse engineering the sale is therefore part of both the planning and implementation of the relationship-focussed sales process.

The need to manage time

One of the key objectives of this program is for sales-professional to become more effective and efficient. As Aristotle stated, *Time is the measurement of movement*; and how a salesperson manages time [their time and their customer's time] is strategically important.

There are two key points to keep in mind:

- Time is a finite resource, your time is your life, it is the most precious gift you have. Use it wisely.
- Focus all your efforts on maintaining a salespipeline of people who want your product
- Asking questions and interpretation of answers remains the most efficient and effective way of discovering a lot of information quickly.

How does the salesperson implement; discover inform, inspire and realise?

As mentioned the four tasks are interactive/interlocking/iterative and it is important to stress that there is no clear pattern. It will vary from customer to customer and how the process unfolds will depend on a number of factors:

- The customer's familiarity with the product – their progress on the buyer decision process
- The significance of the product to them
- Their level of involvement in the decision
- The perceived risks associated with the product
- The customer's relationship with the organisation

The salesperson would then employ a communication style, which would be one of the following: missionary, transactional, consultative, or membership.

The relationship-focussed sales process emphasises an important but often overlooked consideration. Customers will have different types of relationships with a salesperson, the product, and the organisation. Consequently, this requires the salesperson to apply a communication style consistent with the **customer's position**. It is important to look at this more closely.

When a salesperson meets a person in the early stages of their search - the goal is to move the suspect from a suspect to a prospect and then into the salespipeline, to begin a business relationship. With some product and some customers moving a suspect to a prospect is a major achievement.

Imagine a lady walks into your air conditioning showroom and starts to look around. Now it could be that she will buy that day, but it is unlikely. To provide the lady with the necessary knowledge to go out and sell your organisation to her partner is a major achievement. Gaining the knowledge to convince her partner may be the reason she entered your showroom. Therefore, to offer a product information brochure is a step in the right direction, to get the opportunity to measure up her home is a major step. On these occasions, it requires the salesperson to implement a **missionary** communication style. The idea is to populate the salespipeline through the creation of awareness, interest, desire [action will happen later]. In many ways, this could be considered a form of advertising [yes, I know this thought is outside the recognised definition of advertising]. As the relationship develops it is more appropriate to develop a **consultative** communication style; to ascertain the customer's needs, dreams, desires and demands. Our air conditioning consultant would measure the home, undertake a heat load to determine the kW of heating and cooling, determine the lifestyle to determine the zoning of the system. With repeat customers, where the relationship has developed further, there is loyalty and trust, and the salesperson has an understanding of the customer's needs; the salesperson should employ a **membership** communication style. With the **membership** approach the emphasis is on the long-term, the *lifetime value* of the customer and the focus is one reassuring the customer that you will continue to provide the best value total product. Our air conditioning salesperson may have a repeat customer who simply sends over the plans and asks for a quote. However, to some customers, regardless of how much you love your product, they just see it as a task to be completed in the minimum possible time and with the minimum inconvenience and minimum consumption costs and for these customers a **transactional** communication style is required.

Warning

Often salespeople adopt a 'one-size fits all' approach and this reduces their effectiveness. For other sales-professionals becoming aware of the different communication styles allows them to craft different sales scripts for different customers. With different scripts, the salesperson can freely move from one communication style to another as the customer advances through the salespipeline.

Locking on to one communication style is a trap. This trap is most evident when a new salesperson [i.e., with no referral business] emulates the communication style of an established salesperson [i.e., one who has an established and loyal customer base]. New salesperson should employ a missionary and consultative style, whereas the longer-term salesperson will predominately employ a membership and transactional communication style. However, established sales-professional need to populate their salespipeline. If established salespeople ignore the task of turning suspects into prospects and prospects into customers then they will fail to repopulate the salespipeline, and sales may dry up and often dry up quickly. We can conclude that both new and established salespeople need to employ the appropriate communication style [missionary, consultative, membership, and transactional] to attract customers, retain customers and enhance the relationship with existing customers.
Author's comment: the metaphor of salespipeline is borrowed from engineering to highlight the need for velocity, minimising resistance, and managing energy to bring about supply. The

shadow engineering metaphor would be a *salesdrain*, which is gravity powered and has waste connotations.

Q: Why is it important to manage the salespipeline?

Q: What is missionary selling?

Q: What is consultative selling?

Q: What is membership selling?

Q: What is transactional selling?

Q: How do the different communication styles interact?

Discover, inform, inspire, and realise

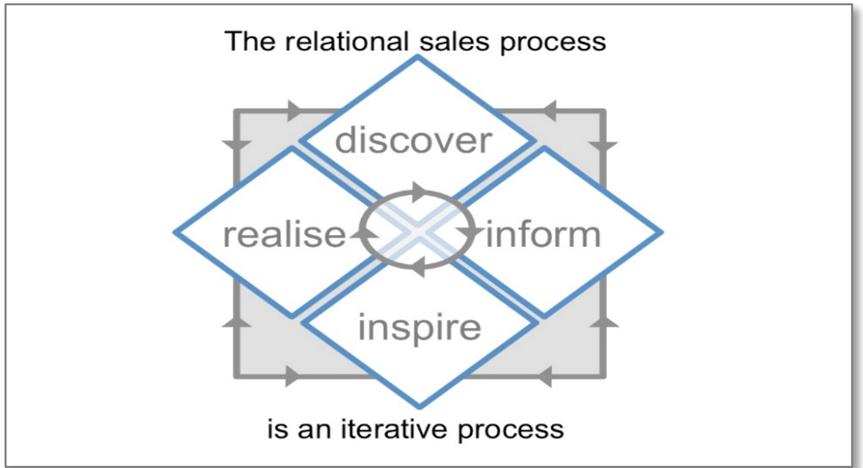

Figure 178: The iterative nature of the relational sales process could be likened to Design Thinking. It is not linear and will require the revisiting of the 4 tasks.

The salesperson would normally open a conversation by asking a series of *biographical* questions to **discover** essential details and to set the tone for the sales process. Then the salesperson may ask a *primary* question to **discover** a customer's requirements, a *secondary* question to **discover** more information. Then make a Key Benefit Statement to **inform** the customer of the company's abilities and another Key Benefit Statement to answer a question asked by the customer this should **inform** the customer and demonstrate that the organisation is flexible and attentive to their needs. Then **inspire** the customer by describing - through a Key Benefit Story - how others have enjoyed the product benefits. You may have noticed that a Key Benefit Story describes how others enjoyed the benefits of your product. This is important - people learn from the experiences of other people emulate those they feel are in a higher social level than they are. The story is generally couched in this way. Remember the story must be true; the relationship sales process is the art of skilfully communicating the truth. Telling your customer that 'this is the dishwasher that I have' will only have value to the customer if he/she believes that you are worth emulating [more on this later]. Throughout this process the salesperson will endeavour to communicate professionalism, confidence, credibility and reassurance.

Depending on the relationship with the customer and their familiarity with the product this may all happen within a short period of time. With other customers, the process may take longer. For example, you may find that you are back on to **discover** to ensure that you are steering the right course [staying on the 'rhumbline']. However, in the later stages of a sales presentation especially when you are summing up, you may **inform**, **inspire** and then **discover**, **discover** and **realise**.

The relationship-focussed sales process recognises that selling is an essential part of any product with a service component. Furthermore, selling plays an important role in the formation of the customer's attitudes, expectations and then the evaluation of the product. The relationship-focussed sales process is where the needs of the customer **and the organisation** are discovered, communicated, established and negotiated.

Some products are first sold then made [e.g., architects, accountants, travel]; therefore, part of the sales process for any professional is conducting the research needed to ensure that the product is designed and customised to the customer's individual needs. Consider the research that an architect must do, the questions he/she must ask. Selling a professional service is seldom '*one size fits all'* where *'no correspondence will be entered into'* approach. It is about discovering the customer's needs, helping the customer discover their needs, **helping the customer discover** your desire and ability to satisfy their needs and therefore avoid objections.

Discover, **inform**, and **inspire** draws from the 'Socratic Method' of communication. This is where two [or more] people have a parallel conversation based on mutual understanding, mutual benefit.

It is important to stay in the **YES** part of the brain, to avoid confrontation, to avoid the **NO** part of the brain. The **NO** part of the brain is activated by threat or fear [although, fear can be an effective emotional tactic with products that involve avoidance of an undesired situation]. A mistake often made by the salesperson is using manipulative techniques. Many sales-professionals work hard doing the wrong things - they are 180^{O} off course.

When you ask questions, you are not only obtaining a lot of information quickly:

- Distancing you from manipulative salesperson
- You are guiding not pushing
- Your customer must think and learn
- The customer is reassured
- You eliminate the unimportant and collect the important

- You are getting cooperation and commitment
- You are doing exactly what they expect from a professional

The relationship-focussed sales process also recognises that over 90% of all sales are syncretic decisions [more than one decision maker]. The salesperson is not always present during the syncretic decision-making process. Therefore, a key communication task [**inform** and **inspire**] is about giving information in a manner that can be recalled and retold during the syncretic decision-making process.

Realise is not about 50 ways to close a sale. **Realise** is not about a fancy manipulative closing technique that were once the fad. **Realise** is about recommending a course of action, providing direction, suggesting, inviting the customer to take the next step. **Realise** is about making things happen not just getting the order but creating a pleasant experience for the customer, for you and your organisation. **Realise** is not about abandonment after the paperwork is signed; it recognises that turbulence and cognitive dissonance is natural for most people and this needs to be managed. The relationship-focussed sales process highlights the importance of managing the relationship to ensure an outcome, repeat business and positive word of mouth.

Realise is not a final step like closing a sale. It is the 'Michelangelo Concept' it is about having a clear vision and objectives that you wish to achieve for each customer and then doing everything possible to achieve it one step at a time through **discover**, **inform,** and **inspire**. **Realise** begins with knowing where this customer is placed on a 'customer relationship continuum' [casual <> membership] and moving them along the relationship continuum at a pace the customer is comfortable with. **Realise** is also about matching the communication style [missionary - consultative – membership - transactional] to suit the customer and their perceived relationship, perceived product risk, and product familiarity.

Realise also works in concert with **discover** to ensure that the sale is on the right course, staying on track, keeping the sales process on the 'rhumbline'. **Realise** is about having longer-term objectives for a customer, it's also about bringing new prospects into and along the salespipeline. Keep in mind that it is unrealistic to expect to harvest sales if you don't sow and nurture.

The relationship-focussed sales process is about communications. Think about what makes a great conversation – great; and then apply the same principles to your sales process. Think how easy it is to recall and retell a great conversation – *'He said and then I said and then he said and then I said.'*

The components of great conversations

- Common interests
- Respect for point of view
- Parallel flow
- Mutual understanding
- Questions and listening
- Informative statements
- Contain great stories

Great conversations are an iterative process of discover, inform, inspire and realise.

The success of the relationship-focused sales process is in the preparation

Will the relationship-focussed sales process help if I don't prepare? Yes, it will. However, most successful people practice their craft. They are always analysing past performance, learning from their mistakes, implementing improvements, they are pro-active not re-active (Anton and Petouhoff, 2002).

This is really the 'sale before the sale' it is really what the philosophy of internal marketing is all about. Before a person can convince a customer, they must be convinced themselves. 'The 'sale before the sale' is always a work in progress - you will always be analysing and adapting. The sale before the sale' is where *you sell yourself*, where you identify your unique ability to satisfy needs and wants; where you craft the sales questions, statements and stories; where you craft your message giving as much importance to the spoken word as you would give to the written word.

Strategic and tactical sales preparation

- Strategic Sales Preparation, when you prepare for your presentations with all customers in mind.
- Strategic Sales Preparation is a toolbox full of the potential tools
- Tactical Sales Preparation, when you focus on a particular customer.
- Tactical Sales Preparation is what steps must I take for this customer?
- It is selecting the right tool for a particular task and customer

Strategic Sales Preparation is a very efficient method because it reduces the amount of time needed for each presentation. However, and this is of critical importance, it reduces sales stress by allowing the salesperson to focus on **listening** to what the customer has to say rather than constructing an answer. Furthermore, as a famous golfer and many since said 'the more I practice the luckier I get'.

Why is preparation important?

Author's comment: There is a school of thought that argues that Strategic Sales Preparation is the most neglected area of marketing at both a management and an individual level. Some researchers suggest that it is an area where major productivity gains can be made. I believe this is an accurate finding, as I have witnessed huge improvements in sales when serious attention is given to this area. Conversely, I have witnessed a gradual but steady decline when it has been neglected.

Generally, sales-professionals who are successful - appear lucky; they appear as if sales come to them with little effort. What is not seen is the effort expended in strategically preparing for the sale.

Sun Tzu [The ancient Chinese Warrior] is quoted as saying:

> **Quote:** 'While many can see the tactics that won the battle few can see the strategies that ensured victory.'

Sales Luck is when thorough preparation and opportunity meet.

A key concept to remember is that by standardising sales questions, statements and stories we manufacture a process. Processes are time efficient, success can be replicated quicker, and furthermore, when a process exists small incremental improvements can evolve. This could be likened to good theatre where a play is scripted, rehearsed and improved over time, yet is free flowing and flexible.

There will be different rates of adoption and commitment to this process. Some salespeople will adopt a less formal preparation process. Others will find that clarity comes with the writing and that revisiting on regular basis. Others will totally discount it, simply because they haven't needed this sales process in the past. True, in the past it has been possible for many salespeople to get by without thorough preparation by working harder and longer, accepting low conversion rates but this is inefficient, ineffective, stressful and unsustainable – it is also risky when organisations downsize. Some salespeople will discount this sales process because they are achieving some level of success. That is fine. Some products are more transactional than others and are really about the convenience and this sales process would be inappropriate. A relationship-focussed sales process is of greatest benefit when:

- The buying process may involve more than one meeting
- The organisational objective is a long-term relationship
- The customer feels that after sales support and warranties are important

> Author's comment: Keep in mind that if you wish to be welcomed in the future and build a long-term relationship with a customer or develop a relationship that generates positive word of mouth then the sales process needs to be a pleasant experience.

Who is responsible?

Here is something that may be of interest; productive sales-professionals are seen as **motivated** by their line managers. Their line managers generally see unproductive sales-professionals as lacking motivation. Think about this in a different way, your line manager will never take responsibility for your lack of success they will conclude, that you lack motivation, not that you lack training. So, we can infer that sales training and practice is generally a salesperson's responsibility.

Thorough preparation is an essential strategy

Be careful, many sales-professionals who have come up through the ranks with little formal training are only repeating the 'tricks' they have learnt themselves. Today's consumers are beyond 'tricks' they are time poor, keep in mind the fundamental needs we discussed earlier in this e-book customers demand value and have four fundamental needs that must not be violated, they must:

- Be shown respect
- Feel secure entering the exchange [types of risk]
- Feel their esteem will be enhanced
- Experience no form of discrimination [price, gender, race, age, etc.]

Be authentic do not try and fake it. And, if you don't like people perhaps you shouldn't be in a front-stage role.

Getting started on this journey

The main areas that require scripting are in the formation of Questions, Key Benefits Statements and Key Benefit Stories. Each one has a different task.

Begin with a brainstorming session

Write down random thoughts. Give it structure in time.

- What is/are our core benefit[s]?
- What is our core product?
- What do we do to earn our living?
- What is it that we deliver?
- What industry are we in?
- What are our augmented benefits?
- How do we deliver our product and how does this make us unique?
- How do we add value to the core product?
- What are our product attributes?
- Why do people prefer us?
- Why do customers come back?
- What are the special skills and talents that make us unique?
- What are the emotions attached to our product?
- What are our strengths?

Questions; mutual discovery

Questions are the best method of discovering front of mind needs and back of mind wants. Questions are the most effective and efficient method of finding out a lot of information quickly. Questions uncover what lies on the surface and discover what is hidden.

Author's comment: It is most important for the customer to know that you have understood her/him, therefore use questions to reconfirm your understanding.

Great question starters

What? How? Where? Why? When? Which?

Pitfalls

Designing and developing Questions takes practice , there are four major pitfalls:

- Too many closed questions
- The leading or bully question [which is really a statement, don't you think?]
- The irrelevant or distraction question
- The two-part complex question

Questions should have a structure and an outcome:

- **Background questions** [the background information you need to know to help]
- **Experience** behaviour questions [have you ever?]
- **Opinion value questions** [what do you think? what is your opinion?]
- **Feeling questions** [how did you feel when you?]
- **Knowledge questions** [what do you know about?]
- **Sensory questions** [what will it look/sound/feel/smell like? what did you first notice?]

Questions should be one of four types

- **Biographical questions:** functional information, the details. This should be presented on an onsite 'Customer Information Worksheet' where all the customer's details that will be needed in the future are recorded.
- **Primary questions:** are those questions that are used to discover front of mind needs.
- **Secondary questions:** are used to drill down and discover what is not clearly seen. The emotions and feelings - the real drivers of the decision-making process. Secondary questions are ideal when the customer asks the salesperson a question. And the salesperson suspects there is an underlying customer concern. For example,
    - "That's interesting, may I ask why you asked that question"?
    - "I have never been asked that before, may I ask why you asked that question?'
- **Rhumbline questions:** are used to confirm that you are on the right track. That there is mutual understanding. Also, if there is an area, which needs future clarification, such as price or a convenient date, rhumbline questions can also be used to discover hidden obstacles. Rhumbline questions may be used to communicate that you understand what the customer has said.
    - For example, "Am I right in assuming that …?"
    - "Earlier you mentioned that… and I just wish to reconfirm that that is still your intention."

Key Benefit Statements

Most sales-professional fumble, stumble and look feeble when asked a question. What is concerning is that often they have been asked this question hundreds of times before. They appear both unprofessional and lacking confidence. Furthermore, by stating irrelevant or weak information they erode the persuasiveness of their overall presentation.

Get a grip on this quick

Let's face it; there are probably 700 ways of asking the same 7 everyday questions.

For example: *Why should I buy from you and not the chap down the street?*

Try that question on the average salesperson and most will giggle and look shifty.

When asked a serious question, you should pause; look like you are considering the question; then count to 5; then rephrase the question into your own words matched to an appropriate key benefit statement.

I think what you are asking me is - why is our company and, why our product is better value for money? This is an important question; there are many reasons - I will highlight two...

The Key Benefit Statement has a structure that highlights two key areas where your organisation is superior in around 20 seconds.

Your task is first to craft 7 Key Benefit Statements [One a Core Benefits and you select the other that is most appropriate to that situation]. It is best to build them around:

- Uniqueness
- The uniqueness of your product
- The uniqueness of your organisation
- Major points of difference
- Why you are:
- Better quality and better value
- More experienced
- Your offer
- Costs V's Benefits [go beyond money to other costs]
- The total product [product components]

When you are asked a question

Key Benefit Statements are an excellent tool for dealing with customer questions. Count 1, 2, 3, 4, 5 then summarise or rephrase the question 'If *I understand your question correctly; you are asking me:*

- Why should you deal with our company?
- Why we are better value?

- Why will we help you avoid an expensive mistake?
- Why can we provide long-term benefits?

'Well I feel that we have a number of attributes; but let me explain two key reasons why we are number one in our market segment …'

Be professional

Key Benefit Statements show that you are professional, they instil a sense of confidence and credibility, and they reassure the customer. They demonstrate that you are committed to your profession; your company and you understand your customers.

Comparisons are great; but.

Key Benefit Statements are great when you use them as a means of comparison. Comparisons emphasise the gap between favourable and unfavourable situations; approach and avoid. But protect your integrity, and protect primary, secondary and tertiary demand for your product. Too many sales-professionals erode confidence in their industry, brand and themselves by knocking competitors. The goal is to highlight your unique ability to satisfy the customer's needs and to distance yourself from your competitors on value.

> Count 1, 2, 3, 4, and 5. *'That's a good question and I generally refrain from talking about specific competitors. So, let me explain it like this – there are really two types of companies in our industry ones that are driven by price and ones that are driven by quality. Price and Quality. Now let me explain why our offer, which is focussed on quality, is better value….*

Link core benefits to supplementary benefits to peripheral attributes

Key Benefit Statements should be well prepared they must link the core benefits to supplementary benefits to peripheral attributes. That takes work, it takes time – it will evolve.

They must leave the customer with a statement that is easy to recall and retell [even if it is an overall perception on how you handled their concern].

Key Benefit Stories

Key Benefit Stories must be the truth, or you will look and sound like a fake.

When you wish to get a point across it is often best to present it in a story format, people love stories it is a human trait. Craft your stories with associations, rewards and punishments [approach V avoid]. Key Benefit Stories helps the customer to make a better decision by adding weight and importance to the attributes of your product.

Key Benefit Stories improves understanding, learning, recalling and retelling of the value of your offer.

Craft: 7 Key Benefit Stories.

Each Key Benefit Story should be built around a **moral**. Generally, people will work out the moral of the story for themselves, well before you say, *'I guess the moral of this story is that quality is remembered long after….'*

One Key Benefit Story should be a Core benefit story

This is a story that reflects the organisation's overall mission - uniqueness - values - purpose.

> *'I agree 100%; in fact, a customer focus is one of the reasons why I chose to work for this company. I would like to tell you about a situation similar to the one you are in right now. I had a customer who had to make a similar decision between spending more on quality, or the temptation and risk of a cheap price…'*

The others Key Benefit Stories should highlight the core product benefits and how the product is augmented to provide value.

Compose 'that's interesting' stories bring your characters to life

Telling and listening to stories is a human trait and need

- Stories tell people what we stand for - what we care about
- Stories generate myths and a culture
- Stories help people visualise their dreams – they inspire, motivate & sustain.
- Stories help people learn, recall and retell

There are many examples how stories have changed the business world; here is one example. When Steve Jobs returned to Apple, he had been sacked and then was begged to return; he felt that whilst he was gone the people working at Apple had lost their way. The company was on its knees. He told a little story about who his heroes were, whom he admired and how they changed the world. He never said his heroes used Macs; but rather that they had changed the world. The story of Steve Jobs is a tragedy; nevertheless, we can see the Strategic Intent and how he communicated his vision for a new Apple.

Search the web

"Apple + think different + Steve Jobs"

Considerations

The following are a series of tasks to help you prepare:

Q: How do you greet your customers? [You may have several options]

Q: How do you state your purpose?

Q: What it is that you have to offer?

Q: What are the benefits that you sell? [all benefits]

Q: What are the questions you are frequently asked, and how do you answer them?

Q: What makes your organisation special?

Q: How is value established, benefits V's costs?

Q: What are the common areas of concern for most customers, how do you deal with them?

Q: What risks do you think are going through the customer's mind?

Q: What questions do you ask?

Scripting Hints; build your script around a series of questions

Try: What? How? Where? Why? When? Which?

Invite your customer to open up

- Have you ever had a xyz before? What did you have? Were you happy?
- That's interesting, please, tell me more about…?
- What else should I know about…?
- What else would help me…?
- How long have you been thinking about [purchasing]…?
- What makes this urgent?
- Why have you chosen now to call… is there a deadline that we must meet?
- If you could give me your perspective on that . . .
- I sense comfort/quality/job means a lot to you

Gain attention

- I am going to ask a question and you might find it strange, so I will explain why I will ask it... Have you a special reason for purchasing this?
- I guess you are getting tired of getting quotes, what stage are you at?
- Have you ever wished you had just spent a few dollars more and bought the better-quality product?
- What makes us spend so much time on saving a few dollars? We seem to get a quote select the cheaper option have 2 sleepless nights and then ring up and get the better one, what is that all about?

Invite the customer to speak by asking a question to a question

- Why do you ask?
- I have never been asked that before, why did you think of that?
- Tell me more about . . .
- What are your expectations?
- Could you describe to me …?

Ask 'just suppose' questions

- Suppose, I was able to resolve the deadline/price etc. issue and I know it is not resolved now, but to save your time and get this rolling, are there any other issues stopping us from doing business?
- OK, you have told me price is the issue, what would the price be if it were not an issue?
- Suppose, we were to go ahead with...
- When would you…?
- Would you require finance…?
- What else would help me, help you…?

Rhumbline questions

Revisit the key points at regular intervals to confirm what you have learned; clarify the situation and draw out new insights.

If the customer hasn't indicated that they wish for you to proceed.

- Determine [ask] whether this is an autocratic decision made by one person or a syncretic decision made by more than one person.
- When both parties are present never attempt a close on a syncretic decision without creating the opportunity for them to talk it over. Somehow, excuse yourself or ask for a few minutes to check your notes.

Then summarise, confirm a date this can happen and then ask them if they wish to proceed, suggest the next course of action, and outline the steps needed to bring this project to life.

The self-closing sale

Part of this 'make it happen' positive attitude is the belief that if you allow the customer to design their own ideal product and you continually check with rhumbline questions to ensure that you are on the right course the sale will be a self-closing sale.

If you are in overall doubt about the self-closing sale, you either don't believe in your product or you have not prepared sufficiently - it is you that is not sold on your product.

However, you must also ask the rhumbline question of what is required to make the sale happen. If there is an obstacle isolate the obstacle and ask a just suppose question.

> *'I know we haven't resolved the …. issue, but just suppose we could resolve that issue, and I understand it is not resolved right now, are there any other issues preventing us doing business?'*

If you are not sufficiently along the relationship continuum to ask for the order, you must end the discussion by suggesting the next course of action, a next step. The sales pipeline

> 'There are a few things we discussed which I need to follow up on. That should take me x hours/days/weeks. I would like to schedule a meeting for next Tuesday

the 18th at 9.00 am. How does that suit you?' …. '9.00am next Tuesday it is, I look forward to seeing you then, thanks for your help.'

Summation: In this chapter, we have discussed how the sales process is really a buying process and how the sales process is fundamental to the marketing concept and the implementation of a marketing philosophy. The objective is to attract new customers, retain customers, and enhance the relationships with existing customers. This dictates that the sales process is more aligned with providing quality service rather than selling. It is about making a promise and ensuring that customer expectations are met or exceeded.

Reflect & review

Employ these questions to reflect on your understanding and review your progress.

- Explain the AIDA model from a sales perspective
- A major premise of the relationship-focussed sales process is that there can be no sales without buying – detail your understand of this premise.
- How does a relational approach to selling differ from manipulative selling?
- Regarding the relationship sales process, explain what is meant by discover, inform, inspire, and realise.
- How do discover, inform, inspire, and realise come together to form the sales process?
- What is strategic sales preparation and why is it important?
- What is tactical sales preparation?
- Why is important for sales professionals to craft questions?
- List and explain the 6 areas to draw questions from.
- List and explain the 4 question types.

What is the purpose of key benefit statement?

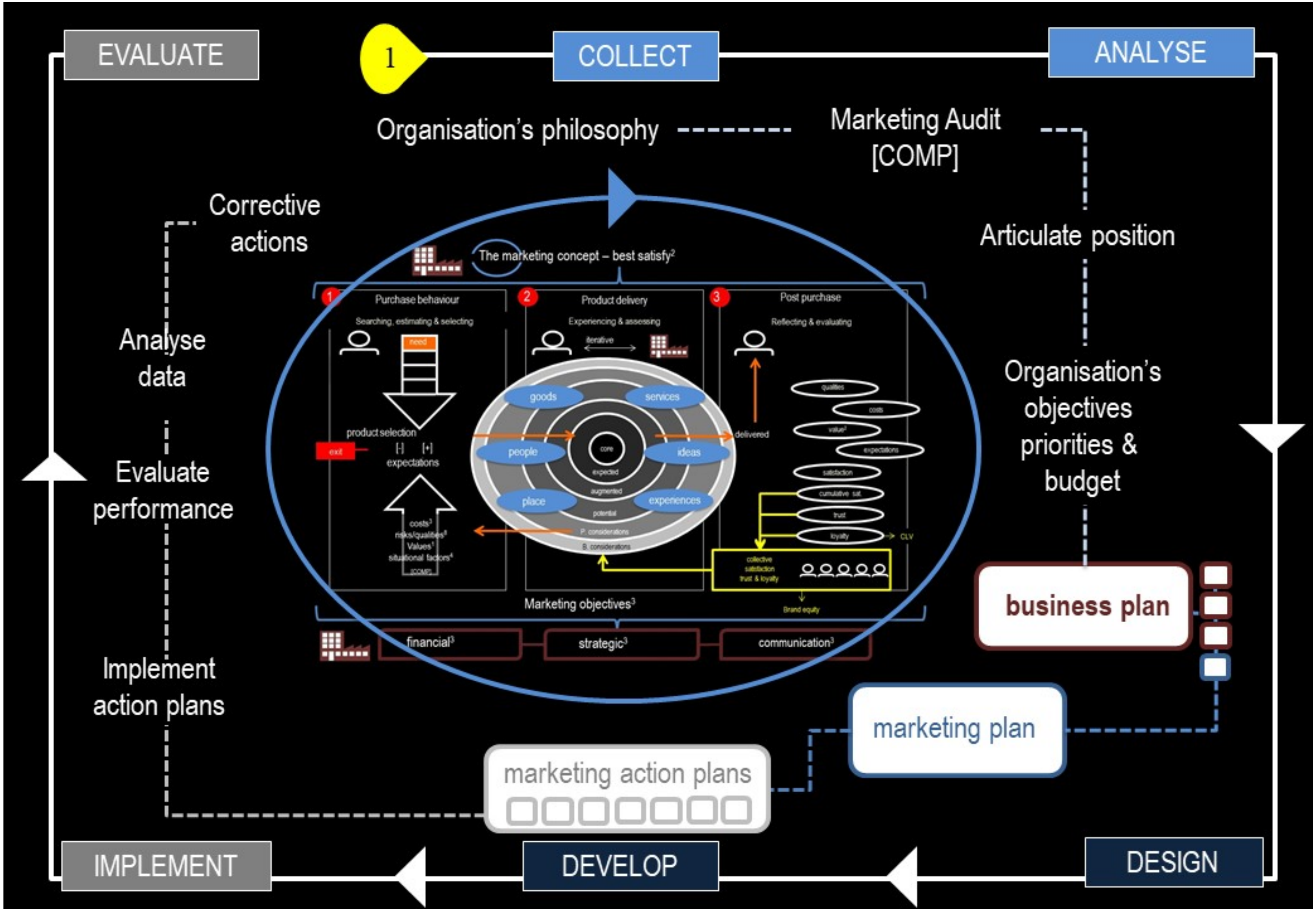

Figure 179: An overview of sections 1, 2, & 3.

Suggested further reading

Section 3 Suggested further reading

An exploration of the Harvard Business Review will reveal the attention given to strategy since the 1960s.

Ansoff, H. I. (1957). Strategies for diversification. *Harvard Business Review, 35*(Sep-Oct), 113-124.

Levitt, T. (1960). Marketing Myopia. *Harvard Business Review, 38*(Jul-Aug), 45-56.

Argyris, C. (1977). Double Loop Learning in Organisations. *Harvard Business Review, 55*(Sep), 115-125.

Hamel, G. & Prahalad, C. K. (1989). Strategic Intent, *Harvard Business Review, 67*(May-Jun), 63-76.

Prahalad, C. K. & Hamel, G. (1990). The core competence of the corporation, *Harvard Business Review, 68*(May-Jun), 79-91.

Heskett, J. L., Jones, T. O., Loveman, G. W, Sasser, W. E. & Schlesinger, L. A. (1994). Putting the service profit chain to work. *Harvard Business Review, 72* (March-April), 164-174.

Mintzberg, H. (1994). The fall and rise of strategic planning. *Harvard Business Review, 72*(Jan-Feb), 107-114.

Porter, M. E. (1996). What is strategy? *Harvard Business Review 74*(Nov–Dec), 61–78.

Gadiesh, O. & Gilbert, J. L. (2001). Transforming Corner-Office Strategy into Frontline Action. *Harvard Business Review, 79*(May), 72-79.

Kim, W. C. & Mauborgne, R. (2004). Blue-Ocean strategy. *Harvard Business Review, 82*(Oct), 76-84.\

Mankins, M. C. & Steele, R. (2005). Turning great strategy into great performance. Harvard Business Review, 83(Jul-Aug), 64-72.

Porter, M. E. (2008). The five competitive forces that shape strategy. *Harvard Business Review, 86*(Jan), 78-93.

Neilson, G. L., Martin, K. L., & Powers, E. (2008). The secrets to successful strategy execution. *Harvard Business Review, 86*(Jun), 60-70.

Hamel and Prahalad have a book and article that explores strategic intent.

Hamel, G. & Prahalad, C. K. (1989). Strategic Intent. *Harvard Business Review, 67*(3), 63-78.

Hamel & Prahalad (1994) is insightful and regarded as a 'classic' article. The ideas presented are the foundations for their subsequent book 'Competing for the future'. Such was the interest in this article that the authors revisited the article in a 2005 Harvard Business Review edition. The article is well worth reading; however, the business examples are from 1989 and you will need to take this into consideration.

Hamel, G. & Prahalad, C. K. (1994). *Competing for the future.* Boston: Harvard Business School Press.

Kaplan, R. S. & Norton, D. P. (1996). Using the balanced scorecard as a strategic management system. *Harvard Business Review, 74*(Jan-Feb), 75-85.

Amabile, T., Fisher, C. M., and Pillemer J. (2014). Ideo's culture of helping. *Harvard Business Review, 92*(Jan-Feb), 55-61.

Sometimes, people overlook that marketing is about collecting data, analysing data to meet the financial objectives of an organisation. This article is often cited and is a classic article, it has a number of insights. Well worth reading.

Rust, R. T., Ambler, T., Carpenter, G. S., Kumar, V., & Srivastava, R. K. (2004). Measuring marketing productivity: Current knowledge and future directions. *Journal of Marketing,68*(4), 76–89.

There are many journals and books on business strategy. The following are a sample of classic readings. Whilst it may be difficult to access the older books there are a number of commentaries that describe their significance and contribution to strategic management.

Nerreklit, H. (2000). The balance on the balanced scorecard: A critical analysis of some of its assumptions. *Management Accounting Research, 11*, 65-88.

Berger, P. D. & Nada I. Nasr, N. I. (1998). Customer Lifetime Value: Marketing Models and Applications, *Journal of Interactive Marketing*, *12(*1), 17–30.

Rust, R. T., Lemon, K. N., & Zeithaml, V. A. (2004). Return on marketing: Using customer equity to focus on marketing strategy, *Journal of Marketing* 68 (Jan.), 109–127.

Drucker, P. F. (1955). *The practice of management.* New York: Harper.

Ansoff, H. I. (1965). *Corporate Strategy: An Analytic Approach to Business Policy for Growth and Expansion,* New York: McGraw-Hill.

Porter, M. E. (1980). *Competitive Strategy.* New York: The Free Press.

Porter, M. E. (2008). The five competitive forces that shape strategy. *Harvard Business Review, 86*(Jan), 78-93.

Day, G. S. & Wensley, R. (1983). Marketing theory with a strategic orientation, *Journal of Marketing,* 47, 79-80.

Mintzberg, H. (1993). The Pitfalls of Strategic Planning. *Californian Management Review, 36*(1). 32-47.

In the following article Yankelovich & Meer provide an insight into market segmentation and

the application of market segmentation techniques by marketing practitioners. Worth reading, particularly, for those seeking a greater depth of marketing knowledge.

Yankelovich, D. & Meer, D. (2006). Rediscovering market segmentation. *Harvard Business Review, 84*(2).1–11.

In her book - The silo effect, Gillian Tett, highlights the organisational benefits of being collaborative and the organisational dangers of being overly internally competitive; the examples she provides are insightful. She discusses how departments often hide information from other departments and have more regard for their own department than have for the health of the organisation. She describes one organisation as having a culture of "eat what you kill" (p.248) and how their incentive structure was creating internal competition and then she recommends that organisational structure and remuneration should be linked to collaboration.

Tett, G. (2015). *The silo effect.* New York: Simon and Schester.

The following looks at Blue Ocean Thinking

The Kim & Mauborgne books and articles are on Blue Ocean Thinking searching for uncontested markets.

Kim, W. C. & Mauborgne, R. (2004). *Blue-Ocean strategy: How to create uncontested market space and make the competition irrelevant.* Boston: Harvard Business School Press.

Kim, W. C. & Mauborgne, R. (2014). Blue-Ocean Leadership. *Harvard Business Review. 92(May), 60-72.*

Kim, W. C. & Mauborgne, R. (2015). *Blue-Ocean strategy: How to create uncontested market space and make the competition irrelevant - expanded edition.* Boston: Harvard Business School Press.

In the following article Christensen & Overdorf provide a pioneer article on disruptive change.

Christensen, C. & Overdorf, M. (2000). Meeting the challenge of disruptive change. *Harvard Business Review, 78*(Mar-Apr), 66-76.

An overview of the literature on being first to market can be gained from reading the following.

Song, M., Zhao, L. Y., & Di Bedetto, A. C. (2013). Do perceived pioneering advantages lead to first-mover decisions? *Journal of Business Research, 66*(8),1143-1153.

Markides, C. & Sosa, L. (2013) Pioneering and first mover advantages. The importance of business models. *Long Range Planning, 46*(4-5) 325-334.

An introduction to qualitative research techniques can be gained by studying the following:

Adler, P. A. & Adler, P. (1994). Observational Techniques. In N.K Denzin and Y. S. Lincoln (Eds.), *Handbook of Qualitative Research.* Thousand Oaks: Sage Publications. 377-412.

Cahill, D. J. (1996). When to use qualitative methods: A new approach. *Market Intelligence and Planning, 14*(6). 16-20.

This classic article by Parasuraman, et al. (1991) is essential reading and is cited by many scholars. There are a number of ideas presented in this article; the authors spent many years researching and expanding on this topic. The first idea that is presented is that people generally view quality as a multi-dimensional concept with a number of qualities that are listed. And that quality is an assessment of what customers expect to receive with what they receive; so, customers have many quality expectations and then evaluate these expectations.

Parasuraman, A., Berry, L., & Zeithaml, V. (1991). Refinement and reassessment of the SERVQUAL scale. *Journal of Retailing*. 67(4), 420-450.

Reichheld's work on Net Promotor Score is worth reading. There is also a book "Ultimate Question."

Reichheld, F.F. (2003). The one number you need to grow. *Harvard Business Review*, *81*(12), 46-54

Peter Drucker. He is considered one of the top management thinkers; Wikipedia has a very good overview of his work.

Drucker, P. T. (1973). *Management tasks, responsibilities, practices*. New York: Harper Row.

This book provides a template for analysing and categorizing people. It is particularly insightful for people crafting messages as it may predict how certain groups will interpret a message.

Burrell, G. & Morgan, B. (1979). *Sociological paradigms and organisational analysis.* London: Heinemann Books.

This frequently cited article by Evert Gummesson is well worth the effort to read and study. The article provides an alternative perspective to the traditional business paradigm of transactional relationships.

Gummesson, E. (2004). Return on relationships (ROR): the value of relationship marketing and CRM in business-to-business context. *The Journal of Business & Industrial Marketing, 19*(2),136-148.

The following article explores the bases of power: Legitimate power, Referent power, Expert power, Reward power, and Coercive power.

French, J. R. P. & Raven, B. H. (1959). The bases of social power. In D. Cartwright (Ed.), *Studies in social power* (pp. 150-167). Michigan: University of Michigan.

The following are key articles in the evolution of CRM.

Morgan, R. & Hunt, D. S. (1994). The commitment–trust theory of relationship marketing. *Journal of Marketing, 58*(3), 20–38.

Sin, L. Y. M., Tse, A. C. B., Yau, O. H. M., Lee, J. S. Y., & Chow, R. (2002). The effect of relationship marketing orientation on business performance on a service-orientated economy. *Journal of Services Marketing,* 16(7), 656-676.

Selnes, F. (1998). Antecedents of trust and satisfaction in buyer-seller relationships. *European Journal of Marketing, 32*(3-4), 305-322.

Dick, A. S. & Basu, K (1994). Customer Loyalty: Towards an integrated framework. *Journal of the Academy of Marketing Science, 22*(2), 99-113.

Meyer-Waarden, L. (2008). The influence of loyalty program membership on customer purchase behaviour. *European Journal of Marketing, 42*(1-2), 87-114.

Liu, Y. (2007). The long-term impact of loyalty programs on consumer purchase behaviour and loyalty. *Journal of Marketing, 71*(Oct.),19-35.

Shugan, S. M. (2005). Brand loyalty programs: Are they shams? *Marketing Science, 24(*2), 185-93.

Brieley, H. (2012). Why loyalty programs alienate great customers. *Harvard Business Review, 90*(Jul–Aug.), 38.

The work of Richard Oliver is insightful and the following allows readers to view his longditudinal research journey.

Oliver, R.L. (1977). Effect of expectations and disconfirmation on postexposure product evaluations. *Journal of Applied Psychology, 62* (4), 246-250.

Oliver, R.L. (1980). A cognitive model of the antecedents and consequences of satisfaction decisions. *Journal of Marketing Research, 17*(40), 460-469.

Oliver, R.L. (1993). Cognitive, affective, and attribute bases of the satisfaction response. *Journal of Consumer Research, 2*0(3), 418-430.

Oliver, R. L. (1975), The Moderating effect of Product Knowledge on Multi-Attribute Attitude Model Predictions, *Advances in Consumer Research, 2.* 295-306*.*

Oliver, R. L. (1980). A cognitive model of the antecedents and consequences of satisfaction decisions. *Journal of Marketing Research, 17*(4), 460–469.

Oliver, R. L., Rust, R. T., & Varki, S. (1997). Customer delight: Foundations, findings, and managerial insight *Journal of Retailing, 73*(3), 311-336.

Oliver, R.L. (1999). Whence consumer loyalty? *Journal of Marketing, 63*(4), 33-44.

The following classic article is also worth reading.

Petty, R. E., Cacioppo, J. T. & Schumann, D. (1983). Central and peripheral routes to advertising effectiveness: The moderating role of involvement. *Journal of Consumer Research. 10*(2), 135-146.

The following articles discuss how consumers attend to a message depending on personal relevance and how an appropriate communication strategy can be planned.

Rossiter, J. R., Percy, L., & Donovan, R. J. (1991). A better advertising planning grid. *Journal of Advertising Research,* 30(5), 11–21.

This is an interesting article for marketing practitioners. Eisingerich and Bell (2008) put forward the view that organisations that market products with a complex service component and where there is significant personal communication should allocate appropriate resources to communicate the quality of their product; this is particularly important when organisations practice a product augmentation strategy. Their study, which explored financial service organisations, found that communication can increase customer expertise, can reduce the customers' perceptions of risk, can increase pre-purchase estimations of value and can enhance the customers' post-purchase ability to evaluate product qualities against product costs. What is interesting in this study is that it presents the view that customers view quality communication as an improvement in functional quality [how a product is delivered]; however, they do not view it as an improvement in technical quality [what is delivered]. This suggests that customers generally have high expectations of technical quality within the core product and view functional quality as a means of augmentation. Furthermore, the study suggests that quality communications can increase relationship quality and organisational trust.

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