

Quintessence Series

Nils Bickhoff
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The Quintessence of Marketing

What You Really Need to Know
to Manage Your Marketing Activities

 Springer

Quintessence Series

Series Editor

Nils Bickhoff

Quintessential Strategies

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The Quintessence of Marketing

What You Really Need to Know
to Manage Your Marketing Activities

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Contents

| | | |
|----------|--------------------------------------------------------------------------------------------------------|-----------|
| 1 | Introduction: Essential Marketing Know-How | 1 |
| 2 | Marketing and Marketing Management: A First Basic Understanding | 3 |
| 2.1 | Definitions, Tasks and Scope of Marketing | 3 |
| 2.2 | Company Orientation Towards the Marketplace | 9 |
| 2.3 | The Role of Marketing in the Company | 13 |
| 2.4 | The Marketing Arena: How Instruments and Process Interact | 14 |
| 3 | Step 1: Market Analysis: Structuring and Evaluating the Market Information | 17 |
| 3.1 | Market(ing) Research | 17 |
| 3.1.1 | Definition of Marketing Research | 17 |
| 3.1.2 | The Marketing Research Process | 19 |
| 3.1.3 | Customer Buying Behaviour | 26 |
| 3.2 | SWOT | 32 |
| 3.3 | PEST | 35 |
| 3.4 | Value Chain | 36 |
| 3.4.1 | From Value Chain to Value Net | 41 |
| 3.4.2 | The Competitive Triangle | 42 |
| 3.4.3 | The Virtual Value Chain | 44 |
| 4 | Step 2: Strategic and Operative Marketing Planning—Segmenting, Targeting, Positioning | 47 |
| 4.1 | Portfolio Analysis: Segmenting Your Markets | 47 |
| 4.2 | Ansoff’s Product/Market Matrix: Targeting Markets | 51 |
| 4.3 | Porter’s Five Forces: Positioning Within Your Markets | 54 |

| | | |
|----------|--------------------------------------------------------------------------------|------------|
| 4.4 | Traditional 4Ps Marketing Mix | 57 |
| 4.4.1 | Product Decisions | 57 |
| 4.4.2 | Pricing Decisions | 62 |
| 4.4.3 | Place Decisions | 67 |
| 4.4.4 | Promotion Decisions | 70 |
| 4.5 | 7Ps Marketing Mix for Services | 80 |
| 4.6 | Global Marketing | 83 |
| 4.6.1 | Glocalization | 88 |
| 4.6.2 | Global Marketing Planning | 91 |
| 4.7 | Social Media Marketing | 101 |
| 4.7.1 | From “Bowling” to “Pinball” | 106 |
| 4.7.2 | The 6C Model of Social Media Marketing | 107 |
| 5 | Step 3: Marketing Implementation—Executing the Marketing Plan | 111 |
| 5.1 | CRM, KAM and GAM | 111 |
| 5.1.1 | Types of Relationships | 112 |
| 5.1.2 | Developing and Managing CRM Relationships | 116 |
| 5.1.3 | Key Account Management | 119 |
| 5.1.4 | Global Account Management | 122 |
| 5.2 | Budgeting | 125 |
| 5.2.1 | Marketing Metrics | 127 |
| 5.2.2 | The Global Marketing Budget | 127 |
| 5.3 | Controlling | 129 |
| 5.3.1 | Design of a Control System | 131 |
| 5.3.2 | Feedforward Control | 135 |
| 6 | Conclusion: Marketing and Railroad Companies | 137 |
| | About the Authors | 139 |
| | References | 143 |

Books on management can inevitably be called into question. There are so many outstanding and relevant works on the different subjects, does the executive readership—many of whom were students at one time or another—really need further volumes on the bookshelf? Well, the aim of the Quintessence Series was and is to deal with management subjects in a way that covers as few pages and is as accessible as possible, while communicating the fundamental, most important theoretical aspects and facilitating the transfer of this knowledge to real-life decision situations.

This book is on marketing and the state of knowledge on this subject has changed again and again in recent years—and many books with a lot of pages are being published regularly on marketing. But books that concentrate on the essential marketing know-how can hardly be found—that is our mission with this book.

There can be but few readers whose job description constitutes a knowledge of marketing alone—and theirs must be a rather academic career at that. The majority will become (or already are) practitioners of marketing, who will need to structure and evaluate specific situations—it is for these practitioners in particular that this book is intended.

However pragmatic or brief it may be, every book needs a structure: in this case there are four main sections. First we develop a common understanding of “marketing” and “marketing management” to ensure that all readers start from the same base point. In the further three sections we describe **the quintessential Marketing Arena** by following the logic of the three major steps of the

marketing process. Along this process we present to you the fourteen most important marketing instruments that occur during this process.

Having read this book:

- You will have a basic understanding of marketing and the process of marketing management.
- You will know the most important marketing instruments and how they interact.
- You can develop your own marketing plan based on our Marketing Arena.

2.1 Definitions, Tasks and Scope of Marketing

Peter Drucker, an Austrian-born American management consultant, educator, and author, whose writings contributed to the philosophical and practical foundations of the modern business corporation once stated: ‘A business has two, and only two, basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs.’ In the future, marketing will play an increasingly important role for companies in order to achieve a sustainable competitive advantage and sustainable business growth.

But what actually is marketing? Many people think of marketing as only sales and advertising! Every day we are bombarded with TV commercials, flyers, catalogues, sales calls, and commercial e-mail. However, selling and advertising are only one element of marketing. Today, marketing must be understood not in the old sense of making a sale but in a contemporary and holistic sense of satisfying customer needs. Marketing guru Philip Kotler defines marketing as societal and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others (Kotler and Keller 2012).

To put in into a nutshell, Marketing is the achievement of corporate goals through meeting and exceeding customer needs and expectations better than the competition.

To apply this concept, three conditions must be met (Jobber 2013):

- First, company activities should be focused on providing customer satisfaction.
- Second, the achievement of customer satisfaction relies on an integrated effort. In the framework of a holistic and integrative approach to marketing today's marketers have to work closely with a variety of marketing partners when it comes to creating customer lifetime value and building strong customer relationships (Hollensen and Opresnik 2010). The responsibility for the implementation of the concept lies not just within the marketing department. As the late David Packard of Hewlett-Packard observed: 'Marketing is too important to leave it to the marketing organization.' Consequently, the belief that customer needs are instrumental to the operation of an enterprise should be internalized right through production, finance, research and development, engineering and all other departments. It is paramount to emphasize that marketing must affect every aspect of the customer experience. Every employee has an impact on the customer and must regard the customer as the source of the company's success and sustainable development. This concept of marketing implies it to be not just a function in the organization but a business philosophy which affects the entire company.
- Finally, management must be convinced that corporate goals can be achieved through satisfied customers (Fig. 2.1).

Marketing has to be considered as a process by which companies create value for customers and build sustainable relationships in order to capture value from customers in return. Thus, marketing is the central driver of corporate profit and growth. The marketer's role is to choose target markets, to build superior customer value and a sustainable competitive advantage by integrating all the activities in the company that affect the value offered to the customer.

A marketer is someone who seeks a response (attention, a purchase, a vote, a donation) from another party, called the prospect. If two parties are seeking to sell something to each other, they are both called marketers. Marketers are skilled at stimulating demand for their products, but that is merely a very limited view of what they



Fig. 2.1 Key components of the marketing concept. *Source:* Based on Jobber (2013), p. 5

actually do. Just as production and logistics professionals are responsible for supply management, marketers are responsible for demand management. They seek to influence the level, timing and composition of demand to meet the organization's objectives. Depending on a company's specific situation, there are different states of demand, which confront the marketer with particular challenges. Eight demand states are possible (Kotler and Keller 2012):

- *Negative demand:* Consumers dislike the product and may even pay to avoid it.
- *No demand:* Target customers are unaware of, or uninterested in, the product, e.g. farmers may not be interested in a new farming method. The marketing task would be to find ways to connect consumers' needs and interests with the benefits of the products and services.
- *Latent demand:* Consumers share a strong need that cannot be satisfied by any existing product, e.g. there is a strong latent demand for electric cars. The subsequent marketing task is to measure the size of the potential market and develop products and services to satisfy the respective demand.
- *Declining demand:* This is the biggest challenge facing most companies today. Due to rapid advances in technology and strong competitive pressure many companies are in danger of losing their

competitive advantage and customer base. Against this background, the marketing task is to analyse the reasons for this decline and determine whether demand can be restored by opening up new target markets, by changing product benefits or by designing entirely new business models.

- *Irregular demand:* Customers purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis.
- *Full demand:* Consumers are adequately buying all products put into the market.
- *Overfull demand:* More customers would like to buy the product than can be satisfied.
- *Unwholesome demand:* Consumers may be attracted to products that have undesirable social consequences.

Against the background of a holistic marketing philosophy, you can identify a specific set of tasks that make up successful marketing management (Kotler and Keller 2012):

- *Developing marketing strategies and plans:* A key task is to identify potential opportunities and core competencies. You have to develop concrete marketing plans that specify the marketing strategy and tactics going forward.
- *Capturing marketing insights:* You need a reliable marketing information system to monitor their marketing environment so they can continually assess market potential and forecast demand. To transform strategy into programs, marketers must make basic decisions about their expenditures, activities, and budget allocations.
- *Connecting with customers:* As a marketer you have the task to consider how to best create value for its chosen target markets and develop strong, profitable, long-term relationships with customers. In order to accomplish these tasks, companies need to understand consumer markets as well as organizational buying behaviour: Who buys which products, and why? What features and prices is the customer looking for, and where do they shop? In this respect, companies need a sales force well trained in presenting product benefits. They must divide the market into major market segments, evaluate each one, and target those it can serve best.

- *Building strong brands*: You must understand the strengths and weaknesses of their brands as perceived by customers. They have to decide how to position them and must also pay attention to competitors, anticipating their strategies and knowing how to react adequately.
- *Shaping the market offerings*: The product is at the hearts of the marketing program and includes the product quality, design, features, and packaging. A critical marketing decision relates to the price. Marketers must decide on wholesale and retail prices, discounts, allowances, and credit terms.
- *Delivering value*: You must also determine how to deliver to the target market the value embodied in its products and services. Channel activities include those the company undertakes to make the product accessible and available to target customers. Marketers have to understand the various types of retailers, wholesalers, and physical-distribution firms and how they make their decisions.
- *Communicating value*: You must also communicate to the target market the value of their products and services. They need an integrated marketing communication program consisting of advertising, sales promotion, events, public relations, and personal communications. Companies also need to hire, train, and motivate salespeople.
- *Creating successful long-term growth*: Based on its product positioning, you must initiate new-product development, testing, and launching. Furthermore, they must build a marketing organization capable of implementing the marketing plan. Finally, a company needs feedback and control to understand the efficiency and effectiveness of its marketing activities.

While marketing originally concentrated on physical goods (especially consumer goods), today many more types of 'goods' are marketed. Marketers market ten main types of entities (Kotler and Keller 2012):

- *Goods*: Physical goods constitute the bulk of most countries' production and marketing efforts. Companies market diverse goods such as food products, cars, refrigerators, machines, televisions and other articles.

- *Services*: As economies advance, there is more focus on the production of services. Services include the work of hotels, car rental companies, barbers, maintenance and repair people, accountants, software programmers, management consultants and other market offerings. Many merchandises mix goods and services, such as a fast-food meal.
- *Events*: Marketers also promote events, such as trade shows, artistic performances, company anniversaries and global sporting events such as the Olympics and the World Cup.
- *Experiences*: By combining several services and goods, a company can create, stage, and market experiences. Examples includes parks like Disney World or Sea World.
- *Persons*: Artists like Madonna, musicians like the Rolling Stones, sport stars like David Beckham and other professionals get support from celebrity marketers.
- *Places*: Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies. In this respect, cities, states, regions, and whole nations compete to attract tourists, residents, factories, and company headquarters and consequently are marketed.
- *Properties*: Properties are intangible rights of ownership to either real property or financial property. They are bought and sold, and these exchanges require marketing. Examples include real estate agents marketing houses, or investment companies marketing securities to both institutional and individual investors.
- *Organizations*: Organizations work to build a strong, favourable, and unique image in the minds of their target groups. Companies, museums, universities and non-profits all use marketing to enhance their public images and compete for audiences and funds.
- *Information*: The production, packaging, and distribution of information are major industries. Information is ultimately what books, schools and universities produce, market, and distribute at a price to their customers.
- *Ideas*: Every market offering includes some basic idea. Products and services are platforms for delivering ideas or benefits.