ESSENTIALS OF MARKETING MANAGEMENT

GEOFF LANCASTER AND LESTER MASSINGHAM

SECOND EDITION

Essentials of Marketing Management

The overall success of an organization is dependent on how marketing is able to inform strategy and maintain an operational focus on key market needs. With an array of examples and case studies from around the world, Lancaster and Massingham's vital study offers an alternative to the traditional American focused teaching materials currently available.

This second edition has been fully revised and updated, including a new chapter on digital marketing written by Dr Wilson Ozuem.

Topics covered include:

- consumer and organizational buyer behaviour;
- product and innovation strategies;
- direct marketing;
- social media marketing.

Designed and written for undergraduate, MBA and masters students in marketing management classes, *Essentials of Marketing Management* builds on the successful earlier edition to provide a solid foundation to understanding this core topic.

Geoff Lancaster is Dean of Academic Studies at the London School of Commerce, UK.

Lester Massingham is Chairman of CMC Group, a management development and consulting company with businesses in South East Asia, the Middle East and Europe.

Essentials of Marketing Management

Second edition

Geoff Lancaster and Lester Massingham

Routledge
Taylor & Francis Group
LONDON AND NEW YORK

First published 2018
by Routledge
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

and by Routledge
711 Third Avenue, New York, NY 10017

Routledge is an imprint of the Taylor & Francis Group, an informa business

British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library

Library of Congress Cataloging in Publication Data
A catalog record for this book has been requested.

ISBN: 978-1-138-03888-2 (hbk)
ISBN: 978-1-138-03896-7 (pbk)
ISBN: 978-1-315-17701-4 (ebk)

Typeset in Times New Roman
by Sunrise Setting Ltd, Brixham, UK

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1 The development of a strategic approach to marketing

Its culture; internal macro- and external micro-environmental issues

Learning objectives

After reading this chapter you will:

- understand the meaning, importance and evolution of the marketing concept;
- appreciate the factors which have given rise to the need for a more strategic approach to marketing management;
- be familiar with the steps in strategic marketing planning;
- appreciate contemporary developments in understanding and applying marketing ideas and their implications for strategic marketing.

Introduction

Over the past 50 years we have witnessed at first a gradual and then an increasingly rapid recognition that effective marketing is the keystone of organizational success. Having said this, for some companies this recognition came too late. For others its meaning and implications have not been adequately understood or accepted. More important is the fact that at the same time as some companies struggle to come to terms with the basic concepts and meaning of marketing (i.e. the **marketing concept**), markets (and marketing itself) are evolving and changing. With respect to the practice of marketing, the most significant of these changes is that, increasingly, marketing has become more strategic in nature. The significance and implication of this shift, along with the concepts, tools and frameworks needed to achieve such an approach, are the focus of this text.

We start by tracing the **origins**, development and meaning of marketing as this is essential to understanding the second part of the chapter: namely, factors that have given rise to the growth of **strategic marketing**.

The origin and development of marketing

As might be expected from a function that has attracted so much research, critical comment and time and effort from those charged with the responsibility of managing it, we now have a substantial body of knowledge relating to the theory and practice of marketing.

Attempting to pinpoint the exact origins of marketing as a business function is challenging, as there is no single, universally agreed **definition**. The confusion over its exact meaning is demonstrated in a passage written by American marketing scholars:

> It has been described as a business activity; as a group of related business activities; as a trade phenomenon; as a frame of mind; as a co-ordinating integrative function in policy making; as a sense of business purpose; as an economic process; as a structure of institutions; as the process of exchanging or transferring ownership of products; as a process of concentration equalization and dispersion; as the creation of time, place and possession utilities; as a process of demand–supply adjustment; and many other things.[1]

Marketing tends to mean whatever the user wants it to mean and has, over the years, been the subject of numerous attempts at definition, including the very succinct:

> The function of marketing is the establishment of contact.[2]

> Marketing is the delivery of a standard of living to society.[3]

> … selling goods that don't come back to the people who do (sell them).[4]

A widely accepted definition is the one used by the UK Chartered Institute of Marketing (CIM) since 1976: 'Marketing is the management process, responsible for identifying, anticipating and satisfying customer requirements profitably.' The American Marketing Association's (AMA) latest approved definition of marketing was produced in July 2013: 'Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners and society.' It is our opinion that the AMA definition is more accurate than that of the CIM, as the CIM definition infers satisfying customer requirements profitably: in fact, public services such as the police and fire service are not-for-profit and in a modern context they undoubtedly apply marketing principles, as we discuss in Chapter 18. A more detailed definition was proposed from the CIM in 2007:

> The strategic business function that creates value by stimulating, facilitating and fulfilling customer demand. It does this by building brands, nurturing innovation, developing relationships, creating good customer service and communicating benefits. By operating customer-centrically, marketing brings positive return on investment, satisfies shareholders and stake-holders from business and the community, and contributes to positive behavioural change and a sustainable business future.

However, this definition does not seem to be very popular due to its verbosity, so another definition is proposed: 'Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.'

This plethora of meanings makes it difficult to say where and when marketing first began. In its most basic form – that is, people exchanging goods or services in a reciprocal manner – it has existed for centuries. The rudiments of contemporary marketing were discussed as far back as the eighteenth and nineteenth centuries by theorists such as Adam Smith,[5] the father of modern economics, who wrote: 'Consumption is the sole end and purpose of all production and the interests of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer.' This statement is close to the basis of the modern marketing concept, which postulates that needs and wants of consumers should be a manufacturer's main concern and they should produce only what can be sold. Marketing can be said to have developed in an evolutionary rather than revolutionary manner, alongside, and keeping pace with, our economy.

When economies were agrarian, people were mostly self-sufficient. As time passed, it became evident that some people excelled at certain activities and the concept of the *division of labour* began to emerge. Individuals concentrated on products they were best at producing, which inevitably resulted in them making more than they needed for themselves and their families. This laid the foundation for trade. Exchange then began to develop on a simple basis: usually a one-to-one trading of products. Trade is at the very heart of marketing. Adam Smith postulated that from the division of labour stems the benefits of specialization and the need for more effective means of exchange.

The next step sees small producers making relatively large amounts of goods in anticipation of future demand. This development produces another type of business person, the 'middleman', or agent, who acts as an intermediary between producer and consumer. This go-between is of utmost importance in a commercial society, as without this the right goods cannot be sold to the right people in the right place at the right time. Torrens[6] was an influential economist of his day whose writing and opinions have only recently been rediscovered: he anticipated this philosophy by more than a century when he wrote:

> Activities designed to make commodities available at either times or places where they are more in demand than at times and places at which they are available at the outset creates wealth or utility just as much as activities designed to change their physical composition.

This was economic justification for the existence of marketing intermediaries. McCullough,[7] developing this argument, explained:

> Merchants, or dealers collect goods in different places in the least expensive manner, and by carrying them in large quantities at a time, they can afford to supply their respective customers at a cheaper rate than they can supply themselves.… They also promote the convenience of everyone, and reduce the cost of merchandising to the lowest limit.

The parties involved – that is, manufacturers, intermediaries and buyers – gathered together geographically, and trading centres of the world evolved; indeed, such evolution is a continuous process.

As an economy becomes more advanced and sophisticated, so too does marketing. It can be said that marketing is adopted by a country's business and non-business organizations, depending upon the stage of development of its economy. It is generally accepted that modern marketing began with the Industrial Revolution (in Europe and the USA), with consequent migration to urban centres. As the number of factory workers grew, so too did the service industries to meet their growing needs and those of their families. Marketing was a very basic business activity in the USA (and Europe) until the late 1920s, when emphasis was on the growth of manufacturing firms because demand typically far exceeded supply. Modern marketing in the USA began after the First World War, when 'over-production' and 'surplus' became commonplace words. Since the late 1920s (with the exception of the Second World War and the immediate post-war period) a strong buyer's market has existed in America. There was no difficulty in producing goods; the problem lay in marketing them.

In tracing the development of marketing within the framework of business practice there are four distinct stages that can be identified:

- production orientation;
- product orientation;

- sales orientation;
- marketing orientation.

Production orientation

This is a philosophy that:

1. concentrates on increasing production;
2. controls and reduces costs;
3. makes profit through sales volume.

The era of **production orientation** occurred in the USA from the mid-nineteenth century up to the 1940s and was characterized by focusing efforts on producing goods or services. Management efforts were devoted to achieving high production efficiency (mostly by mass production of standard items), thus denying the customer much choice.

The production department was the central core of the business, with other functions (such as finance, personnel and sales) being secondary. The main philosophy by which production-oriented firms operated was that customers would buy whatever goods were available if the price was reasonable. This era is best epitomized by Henry Ford's classic statement that his customers could have any colour ('Model T' Ford) they wanted as long as it was black. This mass production mentality meant producing one car and attempting to adjust everyone's desires and tastes towards wanting this car. Henry Ford saw the objective as changing consumer attitudes rather than making what the public wanted. Absurd though it may seem, at the time (1913 in the USA) Henry Ford was correct: there was a demand for cheap private transport and his cars sold well. Production orientation in business was suited to an economic climate where demand exceeded supply.

Product orientation

1. Good quality products 'sell themselves'.
2. Companies concentrate on improving and controlling quality.
3. There is greater profit through increased sales due to 'quality products'.

With its emphasis on quality, engineering was predominant in both the USA and Western Europe through the 1950s and 1960s. In the United Kingdom, in particular, during this period, the predominant attitude among many manufacturing companies was that designing and engineering the 'best' products was all that mattered and 'sensible' customers would buy the products that were best engineered. A popular statement was: 'Build a better mousetrap, and the world will beat a path to your door.' This attitude that underpinned **product orientation** proved for many companies and industries to be their downfall.

In the late 1950s and early 1960s the once dominant UK motorcycle industry began to lose its share of home and export markets. The challengers were Japanese companies such as Honda and Suzuki. A major reason for UK marques losing out to these new challengers was that Japanese products were not taken seriously by UK producers; Japanese machines were considered to be inferior in terms of basic engineering and design. In fact, early Japanese machines *were* of poorer quality and design than their British counterparts. However, partly because of this 'inferior' specification, they were cheaper to buy and run. In addition, they were easier to maintain and came with back-up services. Japanese products also came with features such as electric, rather than kick, starting, fairings for protecting the rider from weather and dirt, and innovations such as panniers for carrying shopping – features that were scorned by British motorcycle designers.

Hindsight suggests that from a marketing standpoint the Japanese were right. The combination of a lower engineering specification with its attendant decrease in costs and prices and customer-friendly product design and features meant that customers quickly warmed to the new machines. Within a few years the UK motorcycle industry was decimated. Quite simply, UK manufacturers suffered from being product oriented.

In using the example of motorcycles we are not denying the importance of good design and product engineering backed up by stringent quality assurance and control procedures. In fact, if anything, today's customers are even more interested in quality. However, a problem with a product-oriented approach is that not all customers want, or can afford, the best quality. More importantly, this orientation leads to a myopic view of business with a concentration on product engineering rather than customers' real needs and the benefits they are seeking.

Sales orientation

This philosophy suggests:

1 emphasis on stock clearance;
2 aggressive sales and promotion;
3 profit through quick sales of high volumes.

Mass production started in the USA in 1913, when Henry Ford introduced flow-line production to the Model T Ford production line and was able to reduce unit prices substantially; this car had previously been manufactured on a more expensive batch production basis from 1908. In 1908 the unit price was US$825 and in 1913 flow-line production techniques enabled it to be reduced to US$260. Mass production techniques emerged on a large scale in the USA at first, followed by Western Europe. In the USA the late 1920s and 1930s saw a shortage of customers rather than of goods. In Western Europe this phenomenon occurred after the Second World War. This fall-off in demand led to increased competition and to many firms adopting a sales orientation by concentrating on advertising and personal selling.

A key issue for management was high levels of output. Here, the underlying philosophy assumed that customers were inherently reluctant to purchase and needed to be coerced into buying. However, even if consumers were willing to buy there were so many potential suppliers that firms had problems of stiff competition to overcome.

This was the situation in the USA in the 1930s and in most developed economies in the late 1950s: over-capacity accompanied by a fall in demand due to the Depression in the USA in the 1930s and, in Western Europe, due to Second World War shortages being fulfilled in the late 1950s. It was during these periods that many of the 'hard sell' techniques were practised in the USA in the 1930s and in Western Europe in the late 1950s, a great number of which were dishonest and unethical, and contributed to the tainted image of salespeople that still exists in the minds of many people today.

Although a small number of firms still practice **sales orientation**, the consumer is now protected by law from more dubious selling techniques, largely owing to the consumer movement.

Consumers International (CI), the global federation of consumer organizations, set out its solutions to the financial crisis of 2008, calling for effective, affirmative, preventative consumer protection as an essential foundation for moving beyond the economic crisis. Following worldwide consultation with its membership, CI submitted its position to the UN

Conference on the World Financial and Economic Crisis and Its Impact on Development, 24–6 June 2009.

Joost Martens, Director General of Consumers International, said:

> While CI research has shown most consumers manage their finances responsibly, they have been unfairly blamed by governments, media and industry for creating this crisis through irresponsible borrowing, and then prolonging it through insufficient spending. It is high time the so-called experts start listening to consumers, rather than blaming them for the mess the bankers and governments have created.

CI argues that the financial crisis began with a failure to protect consumers from bad loans in the USA and other mortgage markets. A viable fix for the global economy must include greater regulatory oversight of a far more transparent banking industry. However, while transparency is important, more information for consumers is not enough. The system is simply too complex at present and needs regulatory intervention to remove incomprehensible financial products and services. Robin Simpson, Senior Policy Advisor at Consumers International, said:

> Consumer education is a right, but avoiding financial ruin in the current climate takes more than access to information. No doubt the clients of Bernie Madoff thought their money was in good hands, but the billions he embezzled shows we are all susceptible to the faults in the financial system. Better law, as well as better understanding, is needed.

The meltdown of the financial industry has also led to bank mergers being hurried through by competition authorities. CI is concerned that the banking monopolies emerging from this crisis pose a danger to consumer choice and protection and calls for strict monitoring and reporting requirements to be established to ensure that the new financial services landscape works for the consumer. There must also be a clear distinction between retail and investment banking activities. Only then can consumer deposits be protected from the irresponsible behaviour and risky speculation of investment bankers.

CI is worried that the seizure of bank activity is denying customers access to basic bank account services and starving critical public utility developments of investment. This is of particular concern in the developing world, where the flow of funds is a vital means of achieving improved consumer access to electricity, water, sanitation and financial services. CI is demanding that taxpayer bailouts come with mandatory obligations to provide basic consumer banking services and investment in major social infrastructure projects. Robin Simpson said:

> The banking sector has elbowed its way to the front of the public expenditure queue as a result of the threat of collapse, effectively holding a gun to the head of government. They cannot simply swallow taxpayer money and carry on as before; firm commitments to provide for basic consumer needs and services must accompany these bailouts.

www.consumersinternational.org/Templates/Internal.asp?NodeID=99643
24 June 2009

Driving a hard bargain

Despite sophisticated uses of marketing tools and techniques some argue that many car marketers are still sales oriented when dealing with customers. The approach to customers is often based on a 'hard sell' that uses pressure to make a sale. The customer is manipulated into a position where they feel they have to make the purchase. Different sales techniques can be used to pressurize the customer to purchase. For example, the salesperson can use the 'time pressure' technique, whereby: 'This is the last one at the old price; prices go up by 5 per cent at the end of the week.' Another example is the 'play off' technique, whereby the salesperson plays off one person against another: 'I'm sure your partner would appreciate the extra safety features on this model and the park assist system. After all you wouldn't want her to drive something that wasn't one hundred per cent safe would you?' Even apparently rational appeals which appear to be based on identifying and satisfying a customer's real needs and wants can be hard sell techniques masked as something else: 'I'm sure the change to a four door model will be invaluable when your new baby arrives.' Car salespersons are often trained in hard sell techniques and are often incentivized on the basis of sales figures alone rather than more customer-oriented bases such as customer satisfaction or loyalty.

Even worse is the fact that often the car salesperson views the sales process as a win/lose process with every unit of extra profit gained from the sale being a victory and every unit of profit lost as a failure. This confrontational attitude to negotiations with customers often results in dissatisfied customers. Understandably, customers who subsequently feel that they have been pressurized or out-manoeuvred are unlikely to purchase again and will often pass on this dissatisfaction to friends and family.

Certainly there is a case for purposeful selling and the effective salesperson should know how to overcome objections and close the sale, but hard selling is now inappropriate in the contemporary business environment.

John Murphy, on the website axleaddict.com, contends that when selling cars the biggest thing to remember is that it is not about you but about your customer's wants and needs, and gives four steps for car salespersons to follow:

- Meet and greet: in the first 30 seconds the customer will form an opinion of you. If this is unfavourable, all is not lost, but closing the deal will be more difficult.
- Qualifying: this is when you find out your customer's requirements. You must ask a question and keep quiet, as customers like to talk about themselves. 'Which vehicle did you come to look at?' is good to get them talking and you must be familiar with which vehicles have been advertised, their price and availability. If there is more than one person try to ascertain who is the decision-maker, but don't ignore others, as they may be influencers.
- Choosing a vehicle: this is the point of the customer's visit. If the customer does not let you know how much they want to spend, show them the cheapest cars you have until you find something they like.
- Negotiation: the salesperson's task is not simply to sell cars, but to make a profit. What is termed the four squares system relates to: *price*, which comes last, as any downward movement means less profit; *payment*, which is your main negotiating tool; and *trade-in* and *cash down*, which are manipulative tools.

The best tools are *cash down* and *payment*, as they can be recalculated without lowering the price. Once you receive a commitment, either you or your 'manager' can close the deal, typically by saying to the customer on a final price-related issue: 'I'll have to ask the boss.'

Try to ask questions which elicit a positive response, such as: 'Do you like the car?' 'Could you see yourself driving this car?' or 'Would you buy the car today?'

Make eye contact when talking to customers to get you psychologically closer to your customer.

Source: adapted from https://axleaddict.com/auto-sales/Training-a-Rookie-Car-Salesman (John Murphy, 2016).

Consumerism

The transition from sales to marketing orientation was brought about partly by the advent of consumerism, which forced companies to become more aware of the needs and wants of their customers. **Consumerism** involves efforts on the part of public, government and organizational bodies to protect consumers from unscrupulous business practices as epitomized by sales orientation. A disenchantment with the hard sell and an increasing disillusionment with some of the problems associated with growing consumption gave rise to the emergence of the consumer movement, which first began in the late 1950s in the USA, when writers such as Vance Packard challenged the advertising industry, Rachel Carson criticized the business community for its pollution of the environment and Ralph Nader famously attacked General Motors, whose dubious practices shocked the public at large when they were uncovered.

The role of the US government in consumerism was first set forth in President John F. **Kennedy's** famous '**rights**' speech:[8]

> Additional legislative and administrative action is required if the federal government is to meet its responsibility to consumers in the exercise of their rights. These rights include:
>
> 1 the right to safety;
> 2 the right to be informed;
> 3 the right to choose;
> 4 the right to be heard.

To these rights can now be added:

1. The right to privacy, brought about largely as a result of advances in IT that have developed since Kennedy's speech, and the fact that organizations keep personal records like credit details on databases. Legislation now allows individuals to access information contained on such databases, so it can be challenged if necessary.
2. The right to a clean and healthy environment, brought about largely as a result of 'green' issues and the notion of 'global warming' being universally accepted by governments.

The consumer movement gained popularity more slowly in the United Kingdom than it had in America. The publication of *Which?* magazine first brought consumerism to the attention of the British public, with a completely new way of thinking; the consumer did not necessarily have to accept whatever manufacturers produced without question. In the past 30 years or so many governments have shown an increasing concern for consumer affairs, which is reflected in the number of statutes introduced to protect consumers.

It is no coincidence that at consumerism's most powerful and popular time a growing number of companies began to adopt the marketing concept as a way of orientating their businesses.

Marketing orientation

In the marketing-oriented company, planning and decision-making centre on customer needs, having due regard to competitors and distributors. It is vital to satisfy customer needs through a co-ordinated set of activities, including the actions and functions of all employees of the organization, irrespective of the area of the business in which they work. In other words, a **marketing orientation** requires everyone in an organization, and not just people who work in marketing, to become customer oriented. An increasing awareness of this need to co-ordinate and integrate all the various functional areas of a business in delivering customer satisfaction has led to the growth of **internal marketing**. We consider the nature and importance of internal marketing later in this chapter and in Chapter 9 when we consider **customer care** and relationship marketing.

Lancaster and Massingham[9] identify the marketing-oriented firm as one that ‘produces goods and services that consumers want to buy rather than what the firm wants to make’. (The term ‘market orientation’ is sometimes used, but this relates more to free enterprise, where buyers and sellers function freely.) When a company moves from a sales- to a marketing-oriented approach it is not just a case of changing the job title of Sales Director to Marketing Director; it requires a revolution in how a company practises its business activities. When shown in diagrammatic form, as in Figure 1.1 from Jobber and Lancaster,[10] this fact is clarified. This also illustrates the importance of the consumer movement during transition from a sales- to a marketing-based approach, in that marketing orientation stems from customer needs. For a business to be successful, consumers and their needs must be placed at the very centre of business planning.

There is some confusion as to the difference between selling and marketing, and they are sometimes thought to be similar. This is a fallacy. Theodore Levitt,[11] in his classic article ‘Marketing myopia’, sums up this distinction between selling and marketing orientation: ‘Selling focuses on the needs of the seller, marketing on the needs of the buyer. Selling is preoccupied with the seller’s need to convert his product into cash; marketing with the idea of satisfying the needs of the customer.…’ A philosophy of marketing, even as an important first step, is not the same as putting the philosophy into practice. Once the framework of the marketing concept has been established, the organization must implement it. Doubt has been expressed as to the extent to which the philosophy has been implemented. The practical manifestations of this philosophy are not well known, and this prompts the question: how can marketing orientation be recognized?

The following constitutes a list of requirements that must be met if a move towards marketing orientation within an organization is to be effective:

- Is there good understanding of needs, wants and behavioural patterns of targeted customers?
- Is the enterprise profit directed rather than volume driven?
- Does the chief executive see him/herself as the marketing strategist or marketing champion? Does the enterprise have a market-driven mission?
- Do strategies reflect realities of the marketplace (including the competitive situation)?
- Is marketing seen as more important by managers than other functions and orientations?
- Is the enterprise organized in such a way that it can be more responsive to marketing opportunities and threats than its competitors?
- Does it have a well-designed marketing information system?
- Do managers make full use of marketing research inputs in their decision-making?
- Are marketing costs and revenues systematically analysed in relation to marketing

activities to ensure the latter are being carried out effectively?

- Is there a strong link between the marketing function and the development of new products and services?
- Does the enterprise employ marketing staff who are professionals (rather than being, say, sales-oriented in their approach)?
- Is it understood that marketing is the responsibility of the entire organization?
- Are decisions with marketing implications made in a co-ordinated way and executed in an integrated manner?

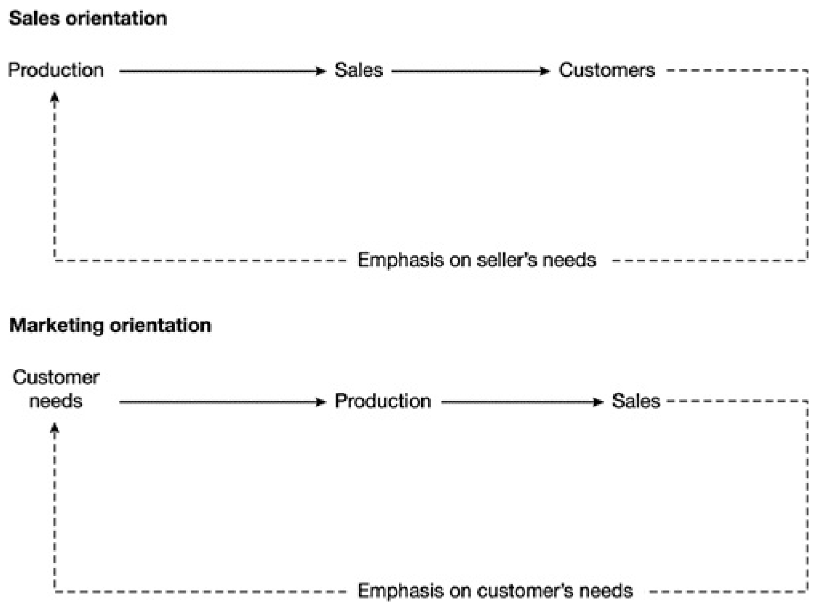

Figure 1.1 The distinction between sales and market orientations

Source: D. Jobber and G. Lancaster (2014), *Selling and Sales Management*, 10th edn, Harlow: Pearson, p. 20.

Developing marketing orientation is a long-term process and needs to be thought of as a form of investment that can change the organization's culture, so common values relating to the need to highlight service to customers and a concern for quality in all activities are shared throughout the organization. This cannot be provided by a 'quick fix'; it must permeate the entire culture of the organization.

A variety of steps can be taken to enhance the degree of marketing orientation of an enterprise:

- The first step is to secure top management support. A bottom-up approach would be doomed from the outset, given the company-wide implications of marketing orientation.
- There needs to be a specified mission relating to the development of marketing orientation. This should have a plan associated with it, and the necessary allocation of resources to enable it to be executed.
- A task force should be set up as part of the plan to bring together managers from across the company (possibly assisted by consultants) to carry out tasks such as identifying the current orientation of the company; carrying out a needs analysis as a basis for a management development programme to change the company's culture in a desired way; advising on structural change within the company to support marketing activities; and ensuring commitment to change via a system of rewards (such as bonuses and promotion) that will apply to facilitate change.

- The momentum of change can be maintained by continuously monitoring marketing performance to ensure that inertia does not set in. Progress towards improved marketing orientation can be measured by regularly asking questions such as: 'Are we easy to do business with?' Do we keep our promises?' Do we meet the standards we set?' and 'Do we all work together towards a common goal?'
- Developing marketing orientation requires a focus on customers, competitors, the changing environment and company culture. Achieving it is expensive and time-consuming. However, companies that make the effort are likely to have a higher level of marketing effectiveness and greater organizational effectiveness. The results may be extremely important amid uncertainties following the worldwide economic downturn and greater competitiveness in modern-day commerce.

On 22 February 2008 Northern Rock, for nearly 20 years one of the UK's fastest-growing and apparently most successful building societies, which became a bank in 1997, was taken into public ownership. The cause was a major liquidity crisis prompted by the worldwide credit crunch. As if this was not bad enough for Northern Rock customers, by March 2009 over 17,000 mortgage accounts were in arrears – an increase of nearly 400 per cent in just over 12 months (source: *Times* online, 3 March 2009). Some of these arrears were due to borrowers losing their jobs as a result of the recession. Others were due to illness or changed family circumstances – in other words, reasons that could be considered a normal part of the mortgage business or at least outside of the control of Northern Rock. However, the major reason for default was borrowers who had borrowed more than was prudent.

During the good times Northern Rock developed a mortgage product that allowed customers to take out a personal loan on top of their mortgage loan, in some cases enabling borrowing of upwards of five times earnings. In a period when house prices were rocketing this product had tremendous appeal to borrowers who otherwise were not able to get on the housing ladder. As a result sales of this product soared and Northern Rock expanded its sales and market share quicker than virtually than other company in the industry. At first glance it might appear that Northern Rock was being customer oriented in developing this product; after all, if sales were anything to go by there was a real customer need. However, with the benefit of hindsight, for many customers this was an inappropriate mortgage product.

Far from being market oriented, Northern Rock was very much sales driven. Certainly there was a strong demand, but for many customers the product was unsuitable. Marketing this product to these customers was not in the spirit of the marketing concept.

Standard Life, a major financial services organization in the UK, has been the target of an attempt to demutualize the company. After a long and at times bitter campaign, the management of the company secured victory in their attempt to persuade policyholders to reject the demutualization proposal. In the course of fighting this campaign, Standard Life realized that one of the reasons many investors were considering voting for demutualization was that over time the company had, through sheer inertia, begun to lose contact with its customers, often, for example, communicating with members only when policies matured. The challenge of demutualizers alerted an otherwise excellent company to the need to pay more attention to the needs of its customers and for this to be a company-wide effort backed by senior management commitment and resources.

Marketing management

Developing marketing orientation is only part of the equation of improving marketing effectiveness. Marketing management skills must be developed, as it is a management function that involves analysis, planning, implementation and control. Other management functions also have planning structures that link to the corporate plan. In terms of the company organization chart, a typical structure is shown in Figure 1.2. In this organization chart we see the place of marketing alongside major functions of line management.

The board of directors is responsible for strategic direction. Board members are not necessarily full-time employees and in larger companies they are often from outside the organization because of the expertise they lend to the board. Such people might be strategy experts, financial experts or people who lend distinction to an organization, or they might be on the board of other companies and thus able to bring a cross-fertilization of ideas, financial linkages and potential inter-firm dealings.

The general manager is the person who translates policy into tactics and is responsible for day-to-day operations. When the general manager is a member of the board the title is then managing director.

The company secretary is responsible for legal and administrative matters as well as serving as secretary to the board. This person ensures that board meetings take place at intervals stipulated in the company's articles of association and produces minutes that sum up board meeting decisions, ensuring that they are implemented. For this reason, the role of company secretary is a lateral relationship. This relationship similarly applies to the modern function of corporate strategy, which may be carried out by general management but is often a separate, relatively small, function whose role is to ensure that all sub-divisions in the organization have a plan (e.g. a marketing plan) and that each of these plans meshes with the five separate elements in the overall corporate plan: that is, operations (or production), human resource, finance, logistics and marketing. The corporate strategist ensures that there are no mismatches (e.g. marketing might plan to sell more than the firm can produce).

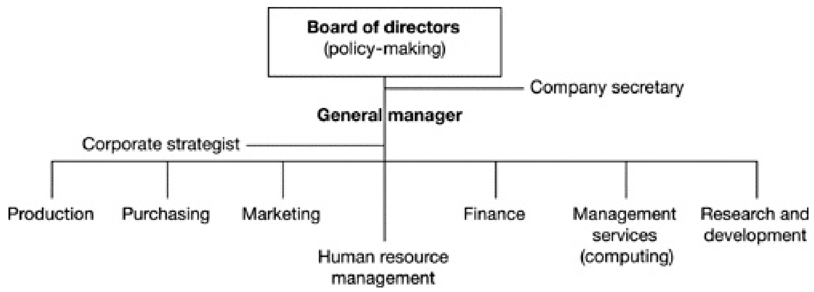

Figure 1.2 Traditional organization chart

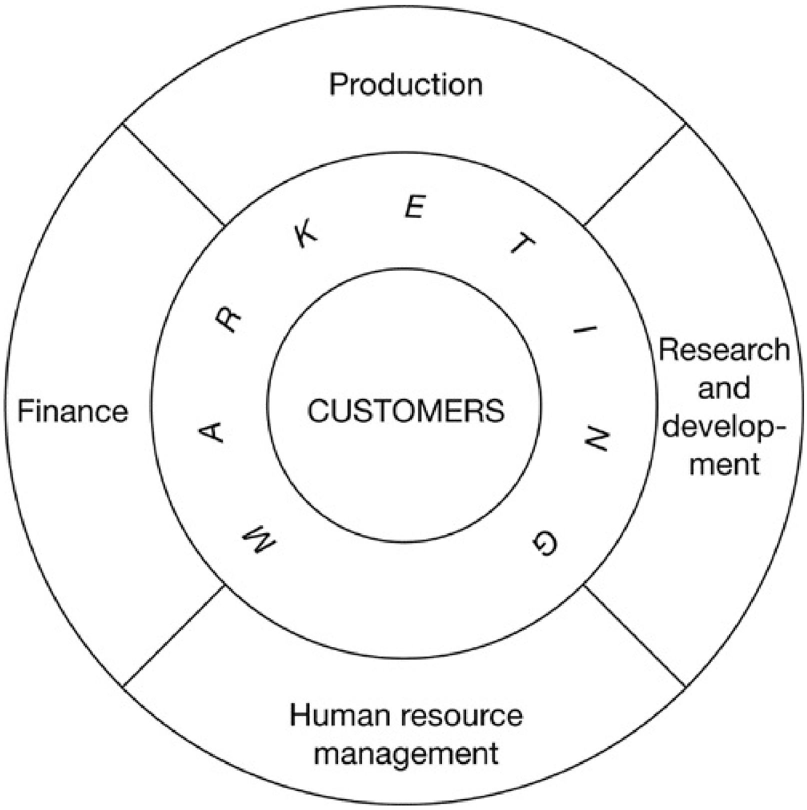

Figure 1.3 The place of marketing in the modern organization

The major line functions are responsible for translating strategy into tactics in terms of the organization's everyday operations and this includes matters such as manufacturing, training and recruitment, design and selling. In many smaller organizations, heads of these line functions are members of the board of directors, in which case they would then have 'director' behind their title; their responsibilities would then cover both strategic matters (being a member of the board of directors) and tactical matters (being a functional head of department).

Marketing is but one function within business. Arguably it is the most critical because it interprets customers' needs and requirements into products and services and repeat business, without which a business cannot continue. A modern view puts customers in the centre and sees marketing as the interpretative function surrounding the customer with other major functions of business around this, as shown in Figure 1.3. The idea is that all functions of business should be geared towards the satisfaction of customers' requirements and this has led to the notion of customer care.

Analysis

Effective marketing management requires analysis of factors that affect success and failure. It is the prelude to planning and decision-making and includes analysis of the following:

- market analysis – market size and trends;
- competitor analysis;
- customer analysis;
- company analysis – market share, portfolio analysis and profitability analysis.

Analysis presupposes effective marketing research and intelligence, control of information and