

5th edition

MARKETING

an introduction

Rosalind Masterson,
Nichola Phillips
& David Pickton



A large yellow speech bubble graphic with a tail pointing towards the bottom right corner. The word "MARKETING" is written in white, bold, uppercase letters inside the bubble.

MARKETING

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digital focus

Explores digital innovations, social media marketing and online campaigns.

ethical focus

Illustrates the importance of sustainability and ethical practices to marketing today.

b2b focus

Highlights key examples from a major area of employment in marketing, business-to-business (B2B).

global focus

Looks at marketing examples from around the world and across cultures.

research focus

Classic articles and cutting-edge research summarised to help you expand your knowledge around key topics for assignments and exams.

MINI CASES

At the end of every chapter show you how it all comes together in real life.

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Whenever you see one of these icons in the book, head to the above website for the supporting online resource.

ABOUT THE AUTHORS



Rosalind Masterson has taught, and been an external examiner, at a number of universities during an academic career spanning twenty years, most recently at De Montfort University. She has been Marketing Subject and Programme Leader at both undergraduate and postgraduate levels and was an Examiner for the Chartered Institute of Marketing. She has developed numerous teaching modules. Ros has a degree in English and American Literature and an MBA. Her commercial experience includes sales and marketing positions mainly within the IT industry. Before moving into academia full time, she ran her own marketing consultancy.



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His commercial experience includes marketing and advertising management positions on both the client and agency sides of industry, and directorship of his own business consultancy. His professional affiliations have included membership of the Academy of Marketing and Fellowships of the Chartered Institute of Marketing, the Royal Society of Arts and the Higher Education Academy.

PRAISE FROM LECTURERS

‘Cleverly organized in short bursts of information, which suit modern students’ needs. It is well-supported by various examples and specialist features highlighting key marketing theory and practice.’

Riccardo Benzo, Birkbeck, University of London

‘Excellent examples, activities and links to academic research, which provides the perfect introduction to marketing for undergraduate students and will continue to be useful throughout their programme of study.’

Charlotte Lystor, Lecturer, University of Winchester

‘Interactive marketing textbook for any marketing student wanting to understand the key marketing principles. Very easy to read, and engaging with several activities that would help students not only to understand the theoretical principles but also to learn how apply it in practice. Well researched, relevant case studies, and appropriate activities make this textbook a very good choice for marketing students.’

Magdalena Gonzalez Triay, University Gloucestershire

PRAISE FROM STUDENTS

‘Coherent, easy to navigate and engaging; all the right words which sum up this latest edition. My favourite element of the book is the revision questions and case studies at the end of each chapter, making troublesome revision a thing of the past.’

M. Chaggar, First Year Student, Marketing

‘A beautifully engaging book, with the ability to help all types of learners gain academic knowledge with ease.’

C. Singleton, First Year Student, International Business & Marketing

‘This book is easy to read and revise from due to the use of colour and images. It also usefully guides you to wider reading around topics through the research focus boxes which can help you with essays!’

E. Stevens, First Year Student, Advertising and Marketing Communications

‘An engaging and intuitive book to guide students through the marketing world. Not only does it present key principles in a clear way, but it provides examples to improve knowledge acquisition as well. The succinctness of this book made exam revision much easier.’

G. Warwaszynska, First Year Student, International Marketing & Business

WHAT THIS PART IS ABOUT

The term 'marketing' comes literally from market: a place where traders go to sell and customers come to buy. Sellers have always tried to show their products to advantage, and buyers have always looked for good value. This has not changed. However, marketing has come a long way since the days when traders travelled around the market towns with their goods packed in a wagon.

The first part of this book looks back at marketing history to show where the marketing discipline has come from in order to shed light on its strengths and limitations. It explains why marketing is more important today than it was in earlier times. It looks at how marketing has evolved into such a sophisticated business discipline and also briefly considers the key aspects of modern marketing.

All business organisations, and most non-commercial organisations too, are built around six main business functions: marketing, finance, operations (or manufacturing), human resources (HR), Research and Development (R&D) and Information Systems (IS) (or Information Technology (IT)). Marketers must work with their colleagues from other disciplines in order to make the best use of the resources available. However, no organisation exists in isolation. It has to interact with other organisations and with individuals. Successful marketing depends on a thorough understanding of the context in which the organisation is operating. Good marketers will be prepared for changes in their world and so they are constantly scanning their marketing environment and making changes to their plans.

PART ONE

THIS IS MARKETING

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PART ONE THIS IS MARKETING

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Chapter 2 The Marketing Environment

PART TWO MAKING SENSE OF MARKETS

PART THREE THE MARKETING MIX

PART FOUR MANAGING MARKETING

MARKETING TODAY

MARKETING CHALLENGES

At the start of each chapter in this book, you will find several challenges. They are there to help you see the significance of the chapter you are about to read. *You aren't expected to know how to deal with the challenges now*; just bear them in mind as you read the chapter and see what you can find that helps.

You tell friends who are studying sciences that you are doing a marketing course. One says, 'You're studying advertising, what fun.' Is he right? Is marketing just another name for advertising?

You are the marketing manager for a large university. Funds are always short. A local bar owner has offered the university Registry a substantial amount of money for its list of student names and mobile numbers so that he can text them with a very tempting offer to visit the bar. The Registry wants your advice. Is this ethical? Is it even legal?

You work for a large online retailer. In the previous year, too many customers complained that goods were arriving damaged so you have recently changed the packaging. The new packaging is much stronger but it is plastic – this has prompted more customer complaints about environmental damage. What are you going to do next?

Winston Smith installs CCTV systems for a living. He is self-employed and all his jobs are one-offs. Today he's very annoyed because he's just seen someone else adding to one of his systems. The customer was pleased with the work Winston did but couldn't remember his name, so he got someone else in when the system needed enlarging. How could Winston have got that job himself?

INTRODUCTION

A market is a place where things are bought and sold. It is often defined as a place where buyers and sellers meet.

Marketers are the sellers. They set out their stalls, displaying goods to their best advantage, and then try to attract buyers. Of course, modern marketing is rather more complex than a street market, but it is still about attracting customers, serving them well, competing with others and making a **profit** (usually). Marketing is a customer-focused discipline centred on an exchange between two (or more) parties. That exchange is at the centre of marketing

profit

the difference between what something costs to make and the price for which it is sold

activity and is usually of products for money. Good marketing brings about fair exchanges where both sides feel that they have got good value.

In this chapter, marketing is introduced through a brief look at how it evolved to become what it is today. We will consider current marketing issues and where marketing might be tomorrow.

Some organisations see themselves as marketing companies, while others see themselves as primarily manufacturers, or as financially excellent, or perhaps as innovators. They may have different strategic orientations (strategic orientations are explained fully below) but all businesses need customers, ideally loyal ones. The importance of cultivating and managing customer relationships will also be introduced here.

Towards the end of this chapter, there are overviews of some of the key developments in modern marketing.

ethical focus: safety starts at home

In 2020 so many things changed – dramatically and in a very short space of time. As the Covid-19 pandemic took hold, people had to find new ways of living, of working, of staying safe. Demand for some previously popular purchases, such as haircuts and travel, dried up, while other things were so much in demand that suppliers couldn't keep up, for example bread-makers, freezers, sun-loungers, jigsaw puzzles and elastic.

Why elastic? Health workers rightly had priority for the inadequate supply of face masks so the general public took to making their own face coverings. They cut up old T-shirts and other items of clothing to obtain material but most of the patterns, which were easily downloadable from a number of sources, required decent elastic to hold the mask in place.

Sewing became a valuable skill and sewing machines were prized. But what about people who couldn't make their own face coverings? They were eager to buy from those who could. At the same time, those who could sew wanted to help – and perhaps to make a little money to compensate for their lack of income during the crisis. These were not businesspeople, just people with their own sewing machines. Fortunately, there are a number of websites offering retail services to individuals such as these homeworkers. Etsy, for example, showcases craftwork and provides secure payment facilities so that craftworkers don't have to worry. Buyers and sellers are able to meet – and be safe.

WHAT IS MARKETING?

The two most commonly quoted definitions of marketing come from the Chartered Institute of Marketing (CIM) and the American Marketing Association (AMA).

The first definition of marketing is:

The management process which identifies, anticipates and satisfies customer requirements efficiently and profitably. (Chartered Institute of Marketing, n.d.)

This definition stresses the need for management action to understand what customers really want from products. A product must meet customer needs physically (e.g. it should work), psychologically (e.g. they should feel good about owning it), financially (e.g. they

should be able to afford it) and timewise (e.g. it should not take too long to actually get it). For the company, this may involve considerable market research and analysis.

Take a moment to think about what people really want from a pair of shoes. Clearly, the shoes need to fit and they need to be affordable, but what else? They may also need to be comfortable, although how comfortable will depend on whether they are high-fashion shoes or walking boots or something in between. It is unlikely that customers will be prepared to travel too far to buy a pair of shoes; they need to be easily purchased. As a final act before purchase, customers usually walk up and down in the shop, look in the mirror, see if the shoes suit them. Do they feel right? Do they look good? Do they make the wearer *feel* good? With today's plethora of choice, this may be the most important consideration.

The second definition of marketing is:

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. (American Marketing Association, 2017)

The AMA's definition looks for balance between the needs of the firm, the needs of the **customer** and the needs of other **stakeholders**. There are a number of ways in which marketing can create value, most obviously through good products and prices, but also through good service, convenience and any number of imaginative other ways. The AMA's previous definition (2004) referred to 'the organisation and its stakeholders', however, the new one makes more specific reference to 'society at large' and therefore embraces **societal marketing** for the first time.

(The **coloured** words can be found in the glossary at the back of the book.)



Traditional markets are the origin of the term 'marketing'.

Source: Alex Segre//Shutterstock.com

customer

a buyer of a product or service

stakeholders

individuals or groups who are involved in, or affected by, an organisation's actions and/or performance

societal marketing

meeting customers' needs and wants in a way that enhances the long-term well-being of consumers and the society in which they live

research focus: classic concept

Kotler, P. and Levy, S. (1969) 'Broadening the scope of marketing', *Journal of Marketing*, 33 (Jan): 10–15.

This article argued against focusing marketing too narrowly and asserted that organisations of all types undertake marketing activities. As the authors conclude, 'no organisation can avoid marketing. The choice is whether to do it well or poorly'.

MIXED TERMINOLOGY: CONCEPT, PHILOSOPHY OR FUNCTION?

Marketing can be viewed in many different ways. It is:

- a function
- a department
- a discipline
- a concept
- a philosophy
- an orientation.

First, let's distinguish between the marketing 'function' and the marketing 'department'. Function is a wider concept. It embraces all marketing activity within the organisation – whether or not it is carried out by members of the marketing department. The department is a defined part of the organisation in which specialist marketers work. They report to marketing managers and directors who lead the department. The distinction is important because, in a truly market-orientated organisation (see below for an explanation of **market orientation**), everyone will think marketing and, at least some of the time, carry out marketing-related activities.

market orientation

the provision of customer value determines an organisation's direction

For example, reception staff could be said to play a key role in the maintenance of a company's image and the building of relationships with customers; they do not report to the marketing manager, and are not part of marketing staff, but they do perform a marketing function as part of their job. See Exhibit 1.1 for the most common marketing activities.

The 'discipline' (i.e. area of study) of marketing is of primary interest to students and their tutors. Organisations are more likely to consider marketing as a function or a department.

Academic researchers are more concerned with the marketing 'concept', marketing 'philosophy' and market 'orientation', though the distinction between these terms is sometimes unclear. They are used differently within different texts and journal articles. Sometimes they are even used interchangeably with no real distinction drawn between the terms. These differences in definition are less important than the principles behind marketing – and are not something to be too concerned about at this stage. Just be aware that such terms are often substituted for each other, without there being any great significance in the way they are used.

'Market orientation' is another term that gets thrown into this mix. An organisation's strategic orientation provides 'the guiding principles that influence a firm's marketing and strategy making activities' (Noble et al., 2002: 25) and so determines how it will interact with its marketplace. Orientation literally means the way a person, or an organisation, faces. Market-orientated firms, then, look to markets, and markets are made up of buyers and sellers, so a truly market-orientated organisation ought to be both customer and competition facing. (Strategic orientations are covered in more detail below.)

ACTIVITY

What does BOGOF stand for?

If you don't know, look it up in the glossary at the back of the book. (All terms in **coloured text** can be found in the glossary and terms are also defined in the margins.)

For the purposes of this textbook, the terms 'marketing concept' and 'marketing philosophy' will be used in a similar way. 'Market orientation' will be used to describe those firms that have embraced the marketing philosophy (or concept) and use it to inform all their activities and strategies. So a true market orientation requires marketing actions, not just thoughts or intentions.

Marketing research and analysis – <i>where and who we are now</i>
Market research – who are our customers and what do they want?
Competitive research – who are our competitors and what do they do?
What is our position in the market? [market share, customer views]
Organisational research – what are we good at? [organisational strengths]
What are we bad at? [organisational weaknesses]
Are we risk takers?
Objective setting – <i>where and who we want to be</i>
Targets – e.g. market share, profits, sales, brand image, brand awareness, number of sales outlets, locations where products are available (at home and abroad), new product launches, product updates, customer satisfaction levels...
Marketing tasks – <i>how we are going to make it happen</i>
Planning – selecting and scheduling marketing tasks
Staff – suitably selecting and training
Budgets – allocating to activities
Promotion – advertising, PR, sales promotion, sales force support, direct marketing, packaging, website, social media, etc.
Sales – finding new customers, getting repeat business
Pricing – setting prices, discounts, credit terms, etc.
Distribution – stock holding, packaging, shipping, order handling, etc.
Product management – development, dropping old products, standardisation, adaptation to suit different customers, etc.
Branding – visual design, brand strategy, brand identity
Market entry – selling in new markets (directly or through a third party)
Customer service – complaint handling, after sales service, warranties and guarantees
Customer management – customer database, events/actions designed to build relationships
Collecting feedback and controlling activities – <i>how we will keep track of things</i>
Objectives – have they been achieved? Are they likely to be achieved?
Customer feedback – complaints, compliments, recommendations, repeat buys, satisfaction surveys
Checklists and deadlines – have things happened on time?
Market position – are we doing better/worse than our competitors?

EXHIBIT 1.1 Marketing activities

advertising

a persuasive communication paid for by an identifiable source and addressed to the whole of a **target audience** without personal identification

promotion

another name for marketing communications (one of the 4Ps); communication designed and implemented to persuade others to do, think or feel something

marketing communications

another name for **promotion**; communication designed and implemented to persuade others to do, think or feel something

press conference

a meeting at which journalists are briefed

WHAT MARKETING IS NOT

The world, even the business world, has some erroneous ideas about what marketing is. It is worth being aware of these (it may save some confusion) as it is important to be clear that marketing is not just selling, **advertising, promotion or marketing communications**. Let's take selling first. Although the idea of selling pre-dates that of marketing, many marketers would claim that selling is a part of marketing, an important part. The underlying aim of most marketing activity is to make sales. However, this could be said to be the underlying aim of most business activities. After all, where is the profit without sales? The clear importance of commercial organisations making sales has led to a counter-movement where sales is held to be a discrete function worthy of a sales director on the board – though this may be a consequence of a more limited view of the nature of marketing.

Peter Drucker, a world-renowned marketer, once famously said: 'The aim of marketing is to make selling superfluous'. Companies should know their customers so well that they only make products that the customers actively want and then a hard sell is unnecessary.

So selling is a part of marketing, but not all of it. In fact, it would be more accurate to say that selling is a part of marketing communications or promotion (these are alternative terms for the same thing), and that marketing communications is part of marketing. Marketing communications (promotion) will be covered in more depth in Chapter 8. It is a collective term for all the activities that an organisation undertakes to promote its products to its customers. Such activities may include holding **press conferences**, designing appealing packaging, making promotional offers such as prize draws and BOGOs, managing websites, sponsoring sports teams and advertising, which means that advertising is only part of marketing communications, which in turn is part of marketing. Clearly, there must be more to marketing than just advertising. So, what is included in marketing besides promotional activities?

global focus: the hard sell

Holiday souvenirs are typical one-off transactions

© S. Borisov/Shutterstock

It may seem obvious that there are subtler and more effective ways to persuade someone to buy than the hard-sell technique, but it depends. In many countries, and some situations, a hard sell is needed. It may even be part of the local culture. If you have ever been a tourist anywhere, but particularly in a developing country, then you will almost certainly have been subjected to a hard sell. Trinkets, local crafts, postcards, boat tickets, even accommodation, are thrust at tourists as soon as they arrive anywhere. Many sales are made (and many are later regretted by the new owner of a stuffed donkey or undrinkable local liqueur).

One of the biggest areas of marketing is **market research** (see Chapter 5). Research is vital in understanding customer needs, buyer behaviour (see Chapter 3) and how to design goods and services to meet those needs. Without new product development (see Chapter 6), a company will die. Marketing is also concerned with getting the right products to the right place at the right time, and so distribution (place) is key (see Chapter 9). Those products also need to be at the right price (Chapter 10) or they will not sell.

Although marketing definitions tend to be centred on customers, marketing is also about understanding your competitors (competitive intelligence) and devising strategies to beat them. Strong branding is a commonly used competitive strategy. Think of the sportswear market; it has some of the strongest, most valuable **brands**: Nike, Adidas, Reebok, Under Armour, Umbro, Puma. There are many of them but some are stronger than others and therefore have a **competitive advantage** over their rivals. Yet, how much is there to choose in terms of quality, value for money, even style, between Nike shorts and those made by Adidas?

Marketing, then, encompasses a large number of business activities (see Exhibit 1.1).

BEFORE MARKETING

In a subsistence economy, such as the poorest in the world today, there is very little trade. Only when people have a surplus of goods do they swap them with other people for different things. If farmers have an abundance of apples, say, they may go to market and try to trade them for something else. If they only have enough to feed their own families, there will be no apples left over for others to buy. So markets, and marketing, are only found where the economy has developed beyond these very early stages.

In Europe, before industrialisation, the emphasis was on making enough goods to supply people's needs, not on persuading them to buy them. There is no need to be persuasive when there are not enough shoes, soap or sugar to go round anyway. There was a time when goods were produced in small quantities, sold locally, and farmers or craftspeople sold everything they made. There were enough local buyers and no need for the expense, and risk, of travelling to find more custom. So marketing is a relatively new discipline.

Those markets were **supply-led**, not **demand-driven**. That is, the challenge lay in producing enough to meet customers' needs rather than in persuading customers to choose your products. However, as factories opened and towns developed, there were more goods available and the city workers became more reliant on buying things from others to meet their needs. They did not have land on which to grow their own vegetables or keep animals. They needed to buy food with the wages they earned. Farms became larger and so produced surpluses that could be sold at market. Smaller farmers sold their surplus food to intermediaries, who would take it to market for them, where it would be sold alongside other products from other parts of the country, or even overseas.

This represented a major change in the way that goods were sold. Sellers no longer had direct contact with their buyers; there were agents and shopkeepers in between. This had two effects: first, it meant that they were not as aware of customers' requirements, relying as they did upon these intermediaries, and, second, it meant that customers no longer knew their suppliers – they only knew the shopkeepers or stallholders.

The smarter producers made conscious efforts to find out what customers wanted – that is, they began to conduct rudimentary market research (largely through those same

market research

the systematic gathering, recording and analysing of customer and other market-related data

brand

used to differentiate between similar products by means of a set of visual cues (e.g. logos) that represent the brand's attributes and associations (e.g. history)

competitive advantage

something about an organisation or its products that is perceived as being better than rival offerings

supply-led

when shortages of goods mean that suppliers can dictate terms of business

demand-driven

when a surplus, or potential surplus, of products to be sold gives the buyers more power than the sellers

intermediaries). Some also badged their products so that customers could recognise them. These makers' marks were an early form of branding.

The factories brought with them an even more significant change. Their new mass-production techniques meant that there was a greater supply of products and that they were cheaper. Initially, the focus was still on finding more efficient ways to produce larger quantities as people queued up to buy all these new cheap products. There was more than enough demand to keep the early factories going. However, technology continued to improve and the volume of products available grew until there was no longer a shortage but a surfeit of almost everything. Today's suppliers cannot rely on people to buy everything they produce. They have to compete for customers. In such a situation, they need good marketing skills.

There are still a few supply-led markets though. Some modern products are in short supply just by their nature (e.g. precious stones or antiques), others by design (e.g. limited-edition prints or collectibles). Have you ever struggled to buy a festival or football match ticket? Perhaps you have even paid more than the face value? These are modern-day, supply-led markets.

Markets may become supply-led temporarily, if there is a temporary shortage, or a sudden excess of demand, as there was for personal protective equipment (PPE) during the Covid-19 pandemic. Usually this imbalance will correct itself as more suppliers move into the market, seeing an opportunity in making the products that are in high demand. (See below for more on demand and supply.)

THE EVOLUTION OF MARKETING

Before mass production, value for money, pleasant service, a shop sign, a maker's mark and a reputation built by word of mouth were enough to keep a business afloat. Modern marketing is clearly more complex than that, although those early good-business principles are still valid today. More sophisticated marketing techniques were originally developed for the everyday, high-volume products of the new mass-production techniques: washing powder, toothpaste, shoe polish, soap, foodstuffs, and so on. They were easier to make and so there were more companies making them. At the same time, transport improved. There were roads, railways and canals available to ship goods to other parts of the country. Consumers had lots of choice and competition became an issue.

These mass-produced products acquired **brand names**, had posters and **press advertisements**, were sold on special offer, and were adjusted to suit customer tastes and to be better than rival products. Manufacturers clearly could not sell such large volumes to so many customers directly and so the intermediaries, the shopkeepers and **wholesalers** became more significant. They were persuaded to stock products (and perhaps not to stock rivals' products), to display them more prominently, to recommend them to customers. So a number of factors led to the birth of marketing, the main ones being:

- breakthroughs in production technology
- advances in the technology for transporting goods (particularly railways)
- social changes such as the move away from the countryside and into towns
- increased competition.

These forces still drive marketing today. Technological advances (such as cloud computing, sophisticated data analysis, social media and mobile technologies) still have the power to

brand name

the product's, or product line's, given name

press advertisements

adverts placed in printed media such as newspapers and magazines

wholesaler

a reseller, buying products in bulk to sell on to other businesses in smaller quantities

change the way we sell goods and services. Air freight has made it possible to have fresh foods from around the world. It means we can have tropical fruits in northern Europe all year round. The changing age profile of our population means more products are developed for, and aimed at, older age groups. In many parts of the world, people are leaving rural areas and heading for the towns to find work. They have to buy food that they might previously have grown for themselves. They need housing and transport, and so on. Competition now is global; it is no longer limited to rivals based in the same town, or even the same country. European Union (EU) companies compete fiercely with each other across the region – and across the world. The wealth of Europe attracts American, Canadian, Japanese, Chinese, African and Asian competitors. Almost all countries across the world are home to at least some internationally competitive companies.

You will learn more about how these forces shape marketing – and indeed our world – in later chapters, particularly Chapter 2 which looks at the **marketing environment**. ‘Global focus’ boxes throughout the text provide further insights into the nature of global competition.



Marketing had to evolve to cope with the increased supply of goods from mass-production techniques

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DEMAND AND SUPPLY

The concepts of **demand** and **supply** are fundamental in business – and in marketing. The word ‘demand’ causes some confusion. It is being used here in its economic sense, that is it means what people actually buy, not just what they would like if only they could afford it, find it, and so on.

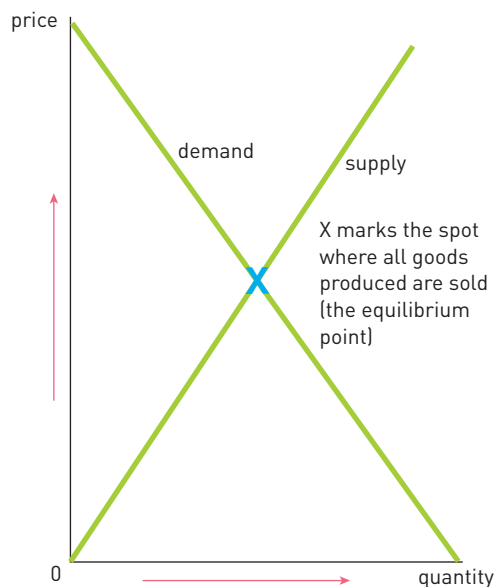


EXHIBIT 1.2 Demand and supply

marketing environment
the forces and organisations that impact on an organisation's marketing activities

demand
the quantity of goods that customers buy at a certain price, i.e. sales

supply
the quantity of goods that sellers are prepared to put on the market at a certain price

Today, most markets are demand-driven. This means that the amount of goods made available for sale is dependent on the customers and how much they will buy. In a supply-led market, the amount of goods available would depend on how much could be produced.

In a supply-led market, the most successful companies are those that are the most efficient producers. Everything they can make will be bought. However, in a demand-driven market, companies have to compete for custom, hence the modern-day importance of marketing. It is the job of marketers to stimulate demand, to provide the goods and services that people want, and to persuade them to buy.

Ideally, demand should equal supply exactly. At this point, firms maximise sales without having anything left over. The point where the supply curve and the demand curve cross (see exhibit 1.2) is called the equilibrium point. At this price, customers will want to buy just exactly the amount that suppliers want to sell. Take the example of a book publisher. The easiest way to make sure that all its books are sold would be to produce fewer books than demanded. However, this would mean that some customers will be unable to get copies and the publishing firm will miss out on potential sales and so make less profit. It would be in its interest to print more books.

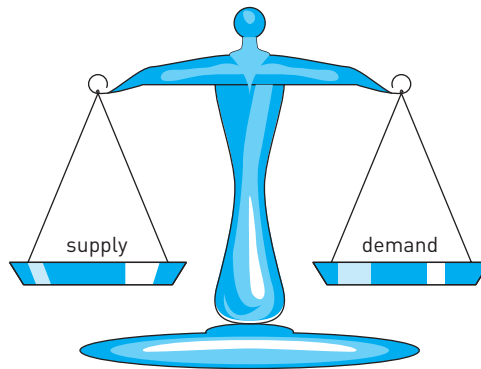


EXHIBIT 1.3 Equilibrium

EXCHANGES

exchange

when two parties swap items perceived to be of approximately equal value

It is often said that marketing is about managing the **exchange** process. If you exchange something, you part with something of value (e.g. a product or an idea) in return for something else of value. The 'something else of value' is, of course, usually money, though it could be another product.

Clearly, there must be two parties to an exchange: the seller and the buyer. Each wants to exchange something for something else that they value more. The car that the customer buys must be a car that they want more than the money they will part with in order to obtain it, and the car dealer would rather have the money than the car standing on the forecourt. This may sound obvious, but it is a concept worth remembering as you move on to more complex marketing ideas. This value exchange is at the heart of marketing. If we cannot offer customers goods and services that are worth more to them than whatever they have to give up to obtain them, then we will not sell much.

Good marketing will create and maintain mutually beneficial exchange relationships. They may be very short-term relationships, if the sale is a one-off, or ongoing ones if a company

is looking for repeat business. To be sure of repeat business, a company needs to make its customers loyal and loyalty should, of course, be a two-way street. The company needs to be consistent in its good treatment of its customers if it wants the same in return.

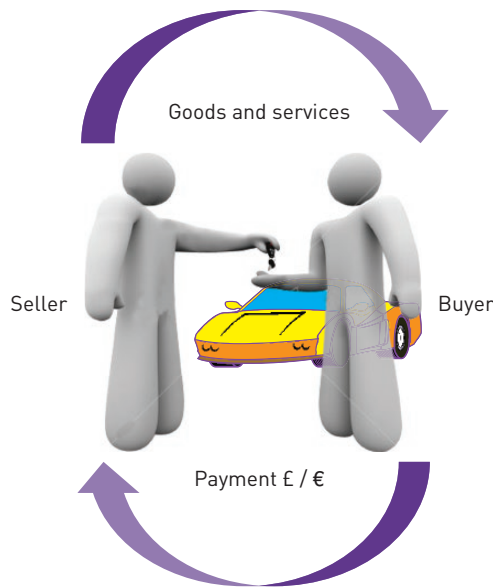


EXHIBIT 1.4 An exchange of value

Customers give up more than just money. They give up time: the time taken to check out the other options, to test drive other cars, for example. They put in effort that could have been expended doing something else. They have to weigh up the pros and cons of each possible car in order to make their decision. Sometimes customers will pay more for something just because it is less hassle, or quicker, or safer, or for any number of other good reasons. For example, train tickets are cheaper if booked in advance, but it is often just not convenient to book ahead. Many products can be bought more cheaply online, but not everyone trusts online sellers, or at least not for all things. Vegetables are usually much cheaper when bought from a market stall than from supermarkets, but still you see lots of people with supermarket carrier bags full of them.

Customers take a risk when they hand over their money for a product. The product may not do the job it is being bought for, or may not work at all. It may go out of fashion. It may not suit them or other people may not like it. A good salesperson recognises this and tries to reassure customers that the risk is minimal and worth taking.

MARKETS

A **market** is a place where buyers and sellers meet. The term is often made more complex, but it is worth hanging on to that simple definition.

There are lots of different markets (e.g. consumer markets, industrial markets, **b2b** markets, overseas markets). These are broad groups of buyers and sellers, and they can be

market

a composite of individuals or organisations that have a willingness and an ability to purchase products; a market can consist of single or multiple segments

b2b (business-to-business)

business dealings with another business as opposed to a consumer

white goods

large electrical appliances for domestic use, e.g. fridges, washing machines (traditionally coloured white)

narrowed down into smaller groupings such as product type (e.g. the **white goods** market) or customer type (e.g. the youth market) or a combination (e.g. the children's clothing market). Often, when people refer to 'markets' they are using the term interchangeably with 'customers'. However, a market needs sellers too and so any thorough study of a market should also include the seller – and its competitors. Exhibit 1.5 provides a framework for categorising markets.

<i>Market</i>	<i>Typical purchase descriptions</i>	<i>Purchase</i>
Business-to-consumer (b2c) markets	Personal purchases	E.g. household weekly shop
Industrial markets	Things that will be used in the making of other things	E.g. glass to go into headlights for cars, cooling fluids for machinery
Business-to business (b2b) markets	Thing for use in the course of another business	E.g. delivery vans
Not-for-profit markets	Purchases and marketing activities by charities, government organisations, trade unions, clubs and associations, etc.	E.g. as other organisations
Government markets	Purchases by central government, local government, health services, schools, public libraries, armed forces, police, etc.	E.g. office supplies
Reseller markets	Goods to be sold on, e.g. by retailers, wholesalers, distributors, dealers, etc.	E.g. anything found for sale in a shop
Overseas markets	All above categories – but in other countries or outside the home country's trading bloc (e.g. the EU)	Could be anything at all
Internal markets	Other divisions, subsidiaries or employees of the organisation itself	E.g. own product sales (usually at discounted prices), services provided by one division for another in the same organisation

EXHIBIT 1.5 Market classifications

STRATEGIC ORIENTATIONS

Different organisations take different approaches when it comes to achieving their objectives. Almost all (the successful ones anyway) will have a strategy to guide their future actions but there are many ways to achieve success. The strategies themselves, and the thinking behind them, vary. If an organisation has embraced a marketing philosophy, then the needs and wants of its customers, coupled with a recognition of what competitors offer them, will be the driving force behind its thinking. That organisation will be market-orientated.

However, 'market' is not the only strategic orientation an organisation could adopt. Exhibit 1.6 shows some of the other options.

<i>Orientation</i>	<i>Focuses on</i>	<i>Typical objectives</i>
Production	Production efficiency	Higher profits through reduced costs
Product	Product quality and features	Increased sales through product improvements
Sales	Sales techniques and advertising	Sales volume – often short-term
Customer	Customers' needs	Increased long-term sales through good customer relations
Marketing	Customers' needs and competitors' strategies	Long-term profits through good customer relations and a sustainable competitive advantage
Cooperative	Workers' needs	Long-term job security, good working conditions
Financial	Financial ratios and other measures	Return on investment [ROI], higher share prices and dividend payments
Societal	Society's well-being	Environmental regeneration, community welfare

EXHIBIT 1.6 Strategic orientations

Many textbooks ascribe these orientation strategies to specific eras, usually making production the earliest and market the most recent. However, there are still organisations that are product, or production, orientated, even though market orientation is widely accepted as being better in terms of business performance.

Cooperative and financial orientations are beyond the scope of this book. The next section goes into detail about the other, more marketing-related orientations. Production is included as it often appears in marketing texts, though it is out of favour with modern-day management thinkers. Societal orientation is included because of its links with **corporate social responsibility (CSR)** and positive **corporate image**.

corporate social responsibility (CSR)

'the responsibility of enterprises for their impacts on society' (European Commission, 2011)

corporate image

audiences' perception of an organisation

PRODUCTION ORIENTATION: PUTTING THE FACTORY FIRST

Firms that have a **production orientation** focus on production efficiency. They try to make their products and services as quickly as possible and at the lowest possible cost. A production-orientated firm will take great pride in its production facilities, which may well be state of the art.

Such firms place great emphasis on **economies of scale** and so are likely to be large-scale producers. It is usually most cost-effective to produce a large amount of a product because it makes it worthwhile to have the largest, fastest machinery or specialist tools, gains bulk **discounts** on component parts, and enables workers to concentrate on certain tasks and so become expert in them. This efficiency often comes at the cost of **product range**. If a firm is making a huge quantity of one product, then it cannot also make others. In fact, it is in the interest of such a firm to offer its customers a limited product choice. The most famous example of a production orientation is the original Ford car, the Model T, of which Henry Ford is alleged to have said, 'They can have any colour they like, so long as it's black'. This lack of consideration for customer requirements means that a production orientation is not in keeping with the marketing philosophy. However, today, technological developments are making it possible to

production orientation

the philosophy of an organisation that focuses on production rather than marketing

economies of scale

unit costs fall as larger quantities are produced; a cost advantage associated with large organisations

discount

a deduction from the price

product range

the products sold by a particular company or, more commonly, brand

achieve production efficiency and lower production costs without the need to go into large mass-production quantities.

PRODUCT ORIENTATION: PUTTING THE PRODUCT FIRST

Firms with a product orientation are concerned with making the best possible product. They put great effort into product development and improvements, adding new features, expanding ranges, improving quality, and so on. Their view was nicely summed up by the nineteenth-century American philosopher and poet Ralph Waldo Emerson, who asserted that if someone can build a better mousetrap than anyone else can, the world will beat a path to their door. This is often used as an indictment of marketing communications – showing it to be unnecessary. However, there are a number of flaws in this product-orientated view, not least that the world can only beat that path to your door if it knows about the mousetrap and where to get one. So communication in some form is required. If you build a better mousetrap, chances are that someone will steal your idea – or build an even better one, or make a cheaper one. Technology moves on and it is hard to keep ahead of the competition, even with ground-breaking new ideas. Also, sometimes the mice just get smarter.

research focus: classic concept

Levitt, T. (1960) 'Marketing myopia', *Harvard Business Review*, 38 (Jul/Aug): 45–56.

Levitt, T. (1975) 'Marketing myopia: a retrospective commentary', *Harvard Business Review*, Sept/Aug: 1–14.

The first of these two articles is one of the most widely read and quoted articles in marketing. In it, Levitt argued that companies need to define the nature of their business in a wide sense if they are to best highlight the competitive forces that surround them and avoid demise. He warned about the dangers of marketing short-sightedness. In the second article, written some 15 years later, he revisits the issues and considers the use and misuse that have been made of marketing myopia, describing its many interpretations and hypothesising about its success.

In his famous article 'Marketing myopia', Levitt (1960) stated that product-orientated industries inevitably die. The example he used was that of the North American railways, which believed themselves to be in the railroad business and were therefore surprised when they lost all their customers to airlines. They had not appreciated that they were all in the transport market.

Product-orientated firms believe that, if they provide a good quality product at a reasonable price, then people will buy it without much further effort on the firm's part. This concentration on product improvement has its advantages. For example, it may well produce ground-breaking new products. Many technology companies are product-orientated; they produce new computers, machinery, gadgets and gizmos, believing that other people will be as caught up in the invention and its cleverness as its designers are.

Sometimes this works. Vacuum cleaner manufacturer Dyson is a modern example of a successful product-orientated firm. People find it hard to imagine products or services that do not currently exist. Someone – often someone with technical expertise – has to come up with the ideas before they can run them past potential customers to check their likely popularity. Imagine a world without television. Would you have come up

with such an idea? How about recorded music? These are only twentieth-century inventions. Before that, if you wanted to hear music, you had to learn to play an instrument, or befriend others who could. If you had only ever known communication over distance by letter, would you have asked for a mobile phone? (See Chapter 6 for more on product innovation.)

Of course, there are some basic needs that we know we want fulfilled, even without imagining new technology. For example, we want cures for a number of diseases – from cancer, HIV and Covid-19 through to the common cold. We want to be able to get to places faster and more reliably. Many of us want to be slimmer. Often, it is more useful to ask people what they want to be able to do, what desires they have, rather than what new products they would like.

Technological breakthrough products, then, usually require a leap of imagination, and faith, on the part of their providers. Most of these products fail in the marketplace. The ones that do succeed tap into a real customer need, either a pre-existing one that was being met less well (or not at all) previously, or a need not previously recognised (e.g. to be able to talk on the phone, hands-free of course, while driving a car).

Other situations where product orientation may be effective are where there is little effective competition or a shortage of that type of product – for example, where a company has a patent, as Dyson had for its ‘cyclonic’ cleaner technology, or a monopoly, as many train operators have in their designated area or under the terms of their franchise. Product-orientated companies that do not have these advantages may need to do some very hard selling.

SALES ORIENTATION: SAYING THAT THE CUSTOMER COMES FIRST

Firms that are **sales-orientated** spend a lot on sales training, sales aids and support materials (brochures, presentations, etc.). They do a lot of **sales promotion** (short-term special offers such as ‘buy one get one free’, coupons, competitions) and often use hard-sell advertising (‘amazing special offer’, ‘this week only’, ‘never before available to the public’, etc.). They are likely to have a large salesforce that may be quite pushy. Such firms seem to believe that customers will not want to buy their products unless they are pushed into doing so. They are trying to overcome customers’ reluctance to buy. Double-glazing firms and timeshare sellers are often sales-orientated.

The emphasis here is on the seller’s need to shift stock or to make targets, rather than on customers’ needs. However, as part of the heavy sales drive, salespeople may pay lip-service to marketing – perhaps by calling salespeople something different, such as ‘new business executives’, and by taking an interest in the customer’s requirements (so they can sell them other products). This may really just be part of their sales technique, a way of generating rapport with a **prospect**. Sales-orientated firms are far more interested in their own needs than those of their customers, and their salespeople often have high quotas of products to sell, with the prospect of large commissions if they succeed. So the success of a sales-orientated firm depends largely on the skill of its salesforce.

Sales-orientated companies are stuck in the old transaction exchange way of thinking (see above). Pushing a customer to buy something that they may not really want or need, and may later regret, is no way to build a relationship.

sales orientation

a strategic view that focuses on short-term sales

sales promotion

short-term special offers and other added-value activities, e.g. two for the price of one

prospect

a prospective (i.e. possible future) customer

CUSTOMER ORIENTATION: ACTUALLY PUTTING THE CUSTOMER FIRST

Many writers do not distinguish between customer orientation and market orientation – but there is a key difference. A market is made up of buyers and sellers so, within this text anyway, a market orientation will be taken to include serious consideration of the competition.

A customer orientation is held by most to be essential to long-term success. How strange, then, that so few organisations are customer-orientated. Many pay lip-service to the idea but fail to gear their systems to satisfying customers, focusing too much on the needs of the organisation itself instead.

retailer

a sales outlet that deals with end customers, e.g. a shop

An organisation has a number of types of customer. A company that focuses on end customers, without considering trade customers, may find that its products are not actually available to consumers (trade customers include **retailers**, wholesalers, distributors, and import and export agents).

The move to a true customer orientation is not easy and takes a long time. Organisations typically experience considerable resistance from individual departments and employees. Any organisational change has to be managed carefully to ensure that it is accepted and works, but turning an organisation around, so that all its processes are geared towards the customer, can be particularly gruelling and may cause major conflict. An organisation's orientation is a feature of its culture. Organisational culture can loosely be described as 'the way we do things around here'. The procedures an organisation follows are evidence of its culture. The culture may be formal (as in many banks) or informal (as in many software companies). It may be traditional (like John Lewis) or contemporary (like, say, Virgin Radio). The tone of it is often set by the chief executive or founder, and their lead influences the behaviour of all members of the organisation – all successful members that is.

An organisation's culture is possibly the hardest thing about it to change. It can be a source of great strength but, if it is too rigid, it can hold an organisation back and prevent it from moving with the times (as happened with IBM in the late 1980s). Changing an organisation's culture is rather like asking you to become another nationality – and to behave appropriately, forgetting all of your original beliefs and behavioural patterns. You would have to learn to like different food, support a different football team (possibly a whole new sport), maybe wear different clothes, talk another language, etc. Very few firms have yet managed to adopt a true customer orientation that permeates their whole organisation. Do not underestimate the obstacles in their way.

research focus

Kaur, G. and Sharma, R.D. (2009) 'Voyage of marketing thought from a barter system to a customer centric one', *Marketing Intelligence and Planning*, 27 (5): 567–614.

This article charts the developments that have taken place in marketing thinking and provides an extensive review of much of the relevant literature.

MARKET ORIENTATION: PUTTING THE CUSTOMER FIRST, WHILE WATCHING THE COMPETITION

A true market orientation requires a focus on both customers and competitors. Marketing is about providing products and services that meet customers' needs, but it is also important to do that better than your competitors. Many marketers believe that there is a third, vital, component of a true market orientation, and this is coordination between the different functions of the business. Kohli et al. (1993: 467) defined market orientation as:

[the] organisation-wide generation of market intelligence pertaining to current and future needs of customers, dissemination of intelligence horizontally and vertically within the organisation, and organisation-wide action or responsiveness to market intelligence.

Much recent evidence suggests that organisations that are market-orientated enjoy better overall performance than those with other orientations, and marketing practitioners see clear-cut benefits from the adoption of this orientation. This is in no small part due to these organisations' emphasis on marketing research. They use their superior market information to find new marketing opportunities in advance of the competition.

Market-orientated organisations take marketing research seriously. Research is essential to an understanding of customers and their needs. It may not be formal marketing research; many smaller companies are able to maintain personal contact with their customers, which is by far the best way to get to know them. Larger companies have to find more cost-effective ways to understand their much larger customer base. These may include customer satisfaction **surveys**, websites, **loyalty schemes**, owners' clubs, helplines and customer service desks.

Market-orientated firms take a long-term view of their markets and the products and brands they develop to serve them. Not for them the quick fix that will make this year's sales targets at the expense of next year's – that's a tactic more likely to be employed by a sales-orientated company. For example, if you were an industrial machinery salesperson with a quota of sales to make before the year end, achievement of which would gain you a large bonus, then you would want a customer to order sooner rather than later. However, suppose the customer said they could only afford the smaller machine this year, but if you wait until their next financial year they would buy the larger, newer model. Might you offer them discounts and other incentives to order early so that you get your bonus and your company makes its targets (and makes you a hero)? Then, next year, when the new, improved model comes out, how welcome is that customer going to make you? Will they buy any more from you? Probably not.

The advantages of a market orientation are:

- better understanding of customer needs and wants
- better customer relations
- a better reputation in the marketplace
- more new customers
- more repeat purchases
- improved **customer loyalty**
- more motivated staff
- a competitive edge.

survey

the direct questioning of market research subjects

loyalty schemes

ways in which companies try to retain customers and encourage repeat purchases, often accomplished by awarding points (e.g. Tesco Clubcard, Air Miles)



SAGE Video: Customer centricity

<https://study.sagepub.com/masterson5e/student-resources/chapter-1/videos>

customer loyalty

a mutually supportive, long-term relationship between customer and supplier, which results in customers making multiple repeat purchases

However, the other orientations should not all be dismissed out of hand – they may work for specific organisations in particular circumstances (Noble et al., 2002). Technology companies, such as Apple Inc., can become market leaders through their product focus, while others, such as The Body Shop, are successful thanks to their societal marketing orientation (see below).

research focus: classic concept

Kohli, A.K. and Jaworski, B. (1990) 'Market orientation: the construct, research propositions and managerial implications', *Journal of Marketing*, 54 (April): 1–18.

Narver, J. and Slater, S. (1990) 'The effect of a market orientation on business profitability', *Journal of Marketing*, 54 (Oct): 20–35.

Both of these pairs of authors are the early researchers of market orientation. Each has taken a slightly different perspective to the elements which best characterise market orientation and that may be used in its evaluation. Much of the work that has followed, both by these authors and others, has taken its direction from these early works.

consumer

the individual end-user of a product or service

SOCIETAL MARKETING ORIENTATION: PUTTING CONSUMERS AND THEIR SOCIETY FIRST

Societal marketing involves meeting customers' needs and wants in a way that enhances the long-term well-being of **consumers** and the society in which they live. Some of the products and services on sale today (e.g. cigarettes) are known to be bad for consumers. Some are damaging to our environment (e.g. petrol), either in use or in production (e.g. power plants). Organisations that adopt a societal marketing orientation recognise the wider implications and responsibilities of marketing and take them into account when formulating strategies. For example, they may design packaging that is minimal, made from recycled materials and biodegradable. Their product design may take into account how the product can be disposed of at the end of its life. Their advertising will encourage responsible product use, for example they would not encourage children to over-indulge in high-sugar treats. The Co-operative Bank sets great store by its values, all of which are underpinned by the statement 'to make a difference, you have to care' (n.d.).

Cynics would say that societal marketing is just another marketing ploy: responding to a current trend. Societally-orientated companies may be motivated by enlightened self-interest or they may have a genuine desire to do good. Consumers are beginning to choose organic foods and other green products, and these are proving lucrative niche markets as customers seem prepared to pay a little more for them (not too much more, though).



Website:
Co-op values

<https://www.co-operativebankjobs.co.uk/ethics-values/>

FOCUSING ON CUSTOMERS

'The customer is king!'

This is a rather sexist and hackneyed phrase, but it has a serious point: companies cannot exist without customers. It would therefore seem to make sense to design the company around the customer, gearing everything to serve the customer better to ensure a positive customer experience. This focus on the customer is at the heart of good marketing and is one of the hallmarks of a market or customer orientation (see above).

It is important that employees recognise they are there to meet customers' needs and wants rather than their own. It is not good service for a delivery person to stand on the doorstep saying, 'But this is the best time for me to deliver' if it is not a good time for the customer – even though it frequently happens.

It is equally important that investors recognise that, without the customer, there is no company. A few years ago, jewellery retailer Gerald Ratner was widely reported as saying that his firm's products were of poor quality and not what he would buy. The firm's reputation was irreparably damaged, customers quickly turned elsewhere and the company's share price plummeted.

ethical focus: know when to stop

Diageo (the company that makes Guinness and Smirnoff vodka) ran an unusual ad campaign. Titled 'Know when to stop', the TV campaign encouraged people to drink less. Diageo claimed it was part of its corporate social responsibility programme.

The drinks industry has been heavily criticised in recent years for not doing enough to tackle problems caused by alcohol, particularly drink-driving and under-age, excessive drinking. Anti-drinking charities welcomed the campaign as a step in the right direction but pointed out that it didn't amount to much when set against the £200 million (£280 million) or so that is spent each year on alcohol advertising in the UK.

Whose responsibility do you think it is to promote sensible drinking – if anyone's?

CUSTOMERS OR CONSUMERS?

There is a distinction between customers and consumers, both of whom are vital to business success. A customer is someone who buys the firm's products. However, they may not actually use the products themselves. The eventual user of the product is called the consumer.

Consumers are important influencers on **purchase decisions**, even if they do not make the actual decision on what to buy (see Chapter 3 for more on this).

For example, children's toys, particularly those designed for young children, are usually bought by other members of their family or by friends. They are the customers but the child is the actual consumer. Most perfume is bought as a gift, usually from a man to a woman. So, while perfume consumers are clearly predominantly female, perfumers' customers are mainly men. A person may be a customer but not a consumer, or a consumer but not a customer, or both consumer and customer.

ACTIVITY

Think about paper. Who buys it? What for? How many different types of customers and consumers can you list? What do they want from paper?

purchase decision

the selection of the preferred product to buy

b2b focus: Dave the decorator

Dave the decorator has a thriving business. He is booked up at least six months in advance. He doesn't need to advertise as word of mouth brings in all the business he needs. Many of his customers are regulars, who are so impressed by his work that they wouldn't dream of employing anyone else, and most certainly wouldn't do the decorating themselves.

Dave has a lot of experience in interior decorating and so has become an expert on which paints and papers look best in which situations and which last longest. People ask Dave for his opinion on their proposed colour schemes and for his recommendation on types of paint.

Currently, Dave favours an eggshell finish rather than gloss for woodwork. He thinks it looks smarter and says it doesn't fade as quickly. He dislikes ceiling paper and thinks some of the supposedly better wallpapers are overpriced.

People say you can tell Dave's work, not just by the quality of the finish, but also by the trademark eggshell woodwork, the plain ceilings and the brand of paper.

So, from Dulux, Crown or any other wallpaper manufacturer's point of view, who is the key customer here – consumer or trade?

MARKETING'S CHANGING EMPHASIS

In its short history, marketing has moved its focus from the immediate sale to the preservation of future sales. Good marketing practice today involves thinking beyond the one-off sale. It means long-term planning and that makes it a more complex process to manage.

TRANSACTIONAL MARKETING

transactional marketing

focuses on the immediate sale

transactional exchange

a one-off sale or a sale that is conducted as if it were a one-off

There is still a place for the one-off sale that is sometimes referred to as **transactional marketing**. Here there is no intention to continue a relationship. Both parties are satisfied by that one sale and they go their separate ways. A **transactional exchange** is likely to be appropriate where the product is a basic commodity, such as salt, or an occasional purchase, such as a house. Alternatively, the circumstances of the exchange may dictate that it be transactional. For example, the buyer may just be passing through, as a visitor to the area. The seller may only have one thing to sell, perhaps a private car or furniture that is no longer wanted, or they may be winding a business down.

RELATIONSHIP MARKETING

relationship marketing

a long-term approach that nurtures customers, employees and business partners

Relationship marketing is a long-term approach, typically involving multiple transactions between buyers and sellers. When it was first proposed, relationship marketing was a revolutionary idea that turned sales and marketing on their heads. No longer were end-of-year sales figures the prime measure of success; companies wanted to look ahead to next year and the year after that. Could they count on repeat business from this year's customers?

The other new and exciting thing about relationship marketing was that these long-term relationships were to be built not just with customers, but with all members of the supply chain, both upwards and downwards. The key to maximising long-term profitability was seen to lie not just with loyal customers, but also in ongoing relationships with suppliers. Keeping the same suppliers not only makes for more pleasant, comfortable working relationships, it also saves the time and risk involved in finding new ones. It can have more

direct benefits as well. A supplier who is secure and has a good working relationship with the buyers is more likely to be flexible and to try harder.

Although the term ‘relationship marketing’ can be traced back to Berry (1983), the importance of building long-term customer relationships is still well recognised. Retaining customers for just a little longer increases a company’s profitability significantly. It is also much cheaper to hold on to existing customers than to find new ones. Loyal customers may prove a company’s best form of promotion: they tell their friends about their good experiences with the company and so word of mouth spreads. Who would you be more likely to believe when they recommend a product – a friend or the company’s salesperson?

Loyal customers can also become brand fans and actively seek out opportunities to engage with the brand and other fans to share and fuel their passion. For example, a thriving **brand community** surrounds the iconic motorcycle brand, Harley Davidson. Alongside the official Harley Owners Group, the company website features videos celebrating diverse community cultures including Harlistas (Latino Harley owners), the Iron Elite (African American riders) and military and veteran riders.

RETAINING VALUABLE CUSTOMERS

Long-standing, regular customers can be valuable assets. They buy more products, tell their friends good things about the company (word-of-mouth advertising), are less time-consuming (because they already know how to handle orders with the company and they trust its products) and less likely to be put off by a price increase. It costs approximately five times more to attract a new customer than it does to keep an existing one happy. **customer relationship management (CRM)** and **Database marketing** both evolved in response to this need to retain customers and increase their value to the company.

A good database enables a company to **cross-sell** (i.e. to sell existing customers additional, different products) and **up-sell** (i.e. to sell customers a more expensive version of the product), but customer relationship management is the use of procedures and management techniques that enhance the customer’s experience of the organisation, build loyalty and contribute to long-term profitability. It is about attracting and keeping the right customers. Technology is an enabler rather than a main driver – if you have a poor value proposition, you are not going to gain or keep too many customers (Woodcock et al., 2000).

It is as important to be skilled in ending relationships as it is to be able to maintain them. A customer will end a relationship that no longer has value. The organisation must be prepared to be similarly ruthless. Some customers, particularly long-standing ones, can in fact cost the firm money.

It is often said that 20% of a firm’s customers generate 80% of its profits (the Pareto principle). The other 80% of customers only account for 20% of profits and so may not justify the time and money spent on servicing their needs. This is not a hard-and-fast rule, of course; for example, new customers take up a lot more time than older ones who know the ropes, but a firm must still have new customers if it wants to grow and thrive. They may well turn into profitable customers in time.

If the relationship is good enough, then some of those regulars may become loyal or even brand ambassadors, that is people who feel strongly enough about the brand to recommend it highly, and frequently, without even being asked. Exhibit 1.7 illustrates these different stages.

brand community

a group of people, usually consumers, formed on the basis of their shared admiration for a particular branded product or range of products, e.g. the BMW owners’ group



Video: Harlistas

<https://www.youtube.com/watch?v=HVO9sjQDckw>

customer relationship management

attracting and keeping the right customers

database marketing

the use of computerised information for targeted marketing activities

cross-selling

persuading a customer to buy

up-selling

persuading a customer to trade up to a more expensive product



SAGE Video: Loyalty

<https://study.sagepub.com/masterson5e/student-resources/chapter-1/videos>

research focus

Payne, A. and Frow, P. (2005) 'A strategic framework for customer relationship management', *Journal of Marketing*, 69 (4): 167–76.

In this article, the authors develop a conceptual framework for customer relationship management (CRM) that helps broaden the understanding of CRM and its role in enhancing customer value and, as a result, shareholder value. The authors explore definitional aspects of CRM, and they identify three alternative perspectives of CRM.

marketing mix

(see 4Ps, 7Ps) the basics of marketing plan implementation, usually product, promotion, place and price, sometimes with the addition of packaging; the services marketing mix also includes people, physical evidence and process

4Ps

a mnemonic (memory aid) for the marketing mix: product, promotion, place, price

price

how much each product is sold for

place

one of the elements of the marketing mix, concerned with distribution, delivery, supply chain management

7Ps

a mnemonic (memory aid) for the services marketing mix: product, promotion, place, price, process, people, physical evidence

people

one of the elements of the marketing mix, concerned with distribution, delivery, supply chain management

process

one of the 7Ps of the services marketing mix; the way in which a service is provided

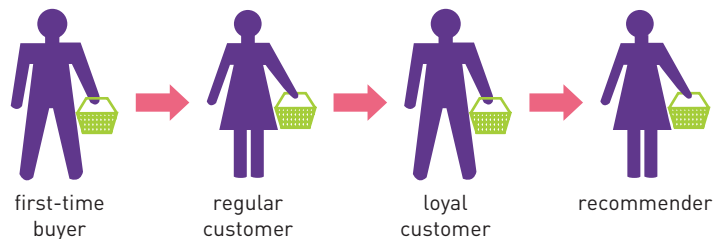


EXHIBIT 1.7 Customer loyalty

True loyalty is an emotional attachment that typically develops over time. Not all regular customers are loyal, and a strong brand is not enough to create loyalty on its own (although it helps). For example, customers may buy products regularly just because they are cheap or convenient, and when something else becomes available, either more cheaply or more conveniently, then they may switch. Someone who usually buys milk from their local petrol station is unlikely to be a loyal customer, just a rather disorganised person who runs out of milk a lot. They could be lured away quite easily by another, more convenient, retail outlet. This is why there is a trend towards encouraging consumers to participate more actively in branded experiences with the aim of nurturing deeper consumer–brand connections.

See Chapter 6 for more on experiential marketing and Chapter 11 for more detail on brand building.

INTRODUCING THE MARKETING MIX

One of the most enduring, and popular, concepts in marketing is the **marketing mix**. The mix is the basic marketing toolkit that marketers use to implement their marketing plans. It is most commonly known as the **4Ps**: product, promotion, **price** and **place**.

This 4Ps mnemonic was first proposed by Jerome E. McCarthy in 1960 and, despite some criticism over the years, it is still taught in universities and used in practice today. However, with the increasing dominance of service products, and the importance of the service elements of physical products, the preferred framework today is the **7Ps**, first popularised by Bernard Booms and Mary Jo Bitner in 1981. The 7Ps add physical evidence, **people** and **process** to the original 4Ps.

The 4Ps (or 7Ps) sound deceptively simple but each P covers a range of marketing ideas and theories. A product is so much more than the item you buy. The product that is offered to customers includes its packaging, its brand and its supporting services, and the decision to buy it may have more to do with those things than with the make-up of the item itself. Promotion (or marketing communications) is so much more than just advertising, which is, in any case, considerably subtler than simply saying 'buy this'. Place is about getting the right products to the right people at the right time and about making it easier for customers to buy the products. Without a price, a product is a gift. Set the wrong price (either too high or too low) and products may not sell at all.

Decisions about the 4Ps should not be made in isolation. The Ps need to fit with each other. An exclusive product, such as a designer suit or a Bang and Olufsen stereo, commands a high price, is sold in upmarket shops or delivered to your door in a smart van, and should be high quality. An everyday product, such as shampoo or cat litter, should do its job reliably, be inexpensive and widely available. If just one of the Ps is out of sync, then the whole of the product offering will be devalued.

Each of the 4Ps has its own chapter in this book, while the additional 3Ps that make it up to 7Ps are covered in Chapter 7. Chapter 11 then brings them all back together to demonstrate how they can be used to build brands.

MARKETING TODAY AND TOMORROW

Looking ahead, what is happening in the world of marketing? This section considers what is changing in the way marketing is carried out. Most of these things are interrelated, with each supporting and encouraging other changes. Some are external influences on marketing, such as the major developments in technology. Some are to do with the ways in which people's behaviour and lifestyles are changing as they respond to these developments. Marketers have at least to react to these changes; at best, they are proactive in seeking out and taking advantage of new marketing opportunities.

TECHNOLOGY AND TRANSFORMATION

No product is made today, no person moves today, nothing is collected, analyzed or communicated without some 'digital technology' being an integral part of it. That, in itself, speaks to the overwhelming 'value' of digital technology. (Louis Rossetto, founder of *Wired* magazine)

Technology advances don't just provide new ways of doing marketing, they transform the context in which marketing happens – and the pace of change is accelerating. Even a decade ago, the smartphone (as we know it today) didn't exist and voice assistants like Alexa or innovations like Google Glass (now in its second incarnation as a b2b product) would have seemed like science fiction. Changes in customer behaviour, driven by technological developments, present some of the greatest opportunities and challenges in marketing today. This applies to all firms, whether they consider themselves digital businesses or not. Whilst some organisations *only* do business online (such as Google and eBay), others have a business model that incorporates both online and offline customer contacts – so-called clicks-and-mortar operations. *All* firms, however, must acknowledge the fundamental interconnectedness of customers who socialise, shop and control their environments

using a variety of technologies, all the time. Whilst digital marketing professionals employ some specialised tools and skill sets, it is questionable whether digital marketing represents a distinct discipline. In practice, all marketing today and tomorrow depends on selecting the most appropriate techniques to identify and understand the needs of customers and to serve them better with more personalised and timely offers and joined-up customer service across multiple channels and devices.

research focus

Lemon, K.N. and Verhoef, P.C. (2016) 'Understanding customer experience throughout the customer journey', *Journal of Marketing*, 80 (6): 69–96.

Customers now interact with firms through numerous touch points and multiple channels and touchpoints. This article provides a comprehensive review of research in the area of customer experience and identifies critical areas for future research as customer journeys become ever more complex.

Technology crosses borders, making international marketing a realistic aim for businesses of all sizes, wherever they are located in the world. Whilst it would be hard for a small, high street shop to compete with larger companies, a website is relatively cheap to design and many of the most popular online social networking services offer 'plug and play' options to buy and sell products from within social media and mobile applications – for example, Pinterest's buyable product pins. This changes the fundamental nature of competition in many markets, enabling many smaller niche and boutique businesses to rapidly establish themselves and even thrive alongside larger, multinational brands. While some firms look to the Internet to reach and serve customers more efficiently, others are finding and exploiting new opportunities by creating Internet platforms that enable buyers and sellers (and lenders and borrowers) to interact directly. The company then charges a commission on each transaction. Amazon marketplace, Airbnb and Uber are internationally successful examples of a phenomenon that has become known as *Uberisation*. 'The Internet of Things' is an interconnected ecosystem of smart devices that is fast becoming an everyday reality. From mobile phones to coffee makers, washing machines and a whole host of wearable devices, consumers are spoilt for choice when it comes to **innovative products** and services: a plant pot that texts when it needs watering, a dog collar that tracks and reports its wearers' activity, heating and lights that can be controlled by phone, and even an alarm clock that automatically sets itself early in response to traffic or weather conditions on its owner's usual route to work, are just some examples.

innovative product

a really new product,
possibly a technological or
medical breakthrough

New developments in augmented reality (AR) enable location-specific information and promotional content to appear in the world when viewed through smartphones and specialised headsets. These developing technologies are driving particular innovation in the travel and tourism industry. For example, the AR City app from Blippar is designed to help visitors navigate urban environments, pointing out places of interest on the way. For those who prefer the great outdoors, the Viewranger Skyline app uses the smartphone's camera to identify elements of the landscape and download location-appropriate hiking and biking routes and maps. Football fans making a pilgrimage to Manchester City can make use of AR to meet and interact with manager Pep Guardiola at the top table of a press conference. The stadium tour itself includes 3D holographic content and a 360-degree cinema screen – all designed to offer a truly immersive experience.

CONVERSATIONS AND CONNECTIVITY IN THE MARKETPLACE

Rapid advancements in digital media and mobile technologies have opened up a world of marketing communications opportunities for brands to engage consumers (more detail on this in Chapters 8 and 11). Earlier in this chapter, the traditional marketplace was used to illustrate the fundamental principle of the marketing exchange. But, even hundreds of years ago, people came to market to *share* as well as buy. The medieval marketplace would have been a very noisy place as people travelled from miles around to meet up with friends, to exchange news and gossip and to keep up with the latest trends and for entertainment. There may have been music and games, stallholders would have been shouting and calling out about their offers, and there would certainly have been hundreds of conversations going on (both between buyers and sellers and between customers and other customers). In many ways, social media and the mobile devices that keep us connected 24/7, are making it possible for brands to recreate these immersive experiences and encourage conversations that lead to greater customer involvement and advocacy (see digital focus: the art of Nowness).

Even relatively recently, it was media owners (e.g. television companies, newspapers, cinemas) who controlled all the significant means of communication, but that is no longer true. Social media facilitates and amplifies peer-to-peer (p2p) communications which have radically altered the way most organisations approach marketing and promotion. Whereas even a decade ago, relationships between the company and the customer or the company and the media would take priority, now customers are communicating with other customers *about* brands and the balance of power has shifted.

The Internet and social media empower customers to take more control in the relationships they have with brands. Contemporary consumers have ready access to information and can easily compare products and prices. Expert advice is only a click of a mouse away. It is important that marketers understand these evolving decision-making networks (see Chapter 3 on decision-making). In the age of social media, one consumer's disappointing experience is very easily shared with millions and a negative review can be a big blow to business.

In a world so heavily influenced by peer-to-peer connections, marketing communication cannot be a monologue. Marketers need to hold conversations with their customers and consumers and integrate their brands into people's lives. Modern marketers want to understand and plan the **customer journey** in relation to all customer **touchpoints** with the company and its brands. There is a focus on the customer experience and how the relationship between customer and company or brand develops over time. It is about understanding each and every point of contact, actual and potential, and weaving these understandings together.

customer journey

a customer's experience of the brand, incorporating all the customer's brand-related interactions and emotions; this journey can be mapped as an aid to planning



Video: Socialnomics

https://www.youtube.com/watch?v=6k_G_h41ZaQ

touchpoints

all a customer, user or consumer's contacts or interactions with a brand, including communications and actual use

digital focus: the art of Nowness

Digital video channel www.nowness.com describes itself as a 'movement for creative excellence in storytelling celebrating the extraordinary of every day'. The content is at the leading edge of contemporary culture; is aesthetically striking and thought-provoking. *Nowness* has become a respected source of inspiration and influence in the global design, fashion, beauty, music, food and travel industries. It is also the ultimate content marketing channel but only for brands that *belong*. *Nowness* was launched in 2010, as a joint venture between publishing

(Continued)

audience

readers, listeners and/
or viewers

**Video: Nowness**

<https://www.nowness.com/>

trailblazer Jefferson Hack, and luxury brand LVMH (Louis Vuitton Moët Hennessy) Group. Since 2017, LVMH no longer has a controlling share in *Nowness* but Louis Vuitton's presence is still substantial. *Nowness* doesn't feature advertising and certainly doesn't *sell* products. Instead, it works in partnership with selected brands to co-create content that meets exacting editorial standards: (1) something that can't be seen anywhere else online, (2) made in a way we haven't seen before, and (3) telling a story that moves the **audience**. As a result, *Nowness* enables brands to become part of the stories it tells and to be perceived as enablers of the aspirational lifestyles portrayed. Capturing and analysing user data allows *Nowness* to send personalised content recommendations and track and respond to emerging trends. In the realm of luxury brands, the emphasis is less on *buying* products and more on securing *buy-in* to the brand's image and thereby on gaining entry to an elite global community. *Nowness* has become a unique cultural content hub that is as rich and luxurious as the aspirational lifestyle its brand partners are perceived to enable. *Nowness* users, both existing and aspiring luxury brand users, share the brand's story far and wide. There is no need for anything as crass as an ad.

Sources: Bunz (2010); www.nowness.com (n.d.)

Progressive organisations are not only finding new ways to get promotional messages *to* customers, they are also reaping the rewards of collaborating more closely *with* customers: creating and nurturing vibrant online communities, using customer feedback to identify new trends, and getting customers actively involved in the process of designing and developing new products and even supporting other customers.

research focus

Jeon, S., Sung, T.K. and Dong, H.L. (2011) 'Web 2.0 business models and value creation', *International Journal of Information and Decision Sciences*, 3 (1): 70–84.

This article includes discussion of crowdsourcing, social networking, mashup, product customisation and open-market models.

MARKETING AUTOMATION AND BIG DATA

Digital technologies enable some very sophisticated ways of capturing and analysing data that can be used to manage customer and prospect interactions and support. As the number of channels that customers and companies use to communicate and transact has exploded, marketers have found new ways to make use of the data trails we leave behind. Many marketing processes are becoming increasingly automated as a result, with a range of technological solutions available to support planning, budgeting, targeting, data management and analysis, creative campaign execution, lead management and reporting (Biegel, 2009) (see also digital focus: rise of the robots).

Many marketers see automation as a critical technology in its own right, and adoption of marketing technology (often abbreviated to martech) is on the rise. In order to take advantage of these new opportunities, marketing departments are developing new organisational structures and there is growing demand for specialist skills in IT, web development, marketing operations, applications, and data management and analysis.



**Website: marketing
technology event:**

<https://www.marketingtechexpo.co.uk/>

digital focus: rise of the robots

With so many ways for businesses and customers to connect, is it any wonder that firms are looking for new techniques to deal with the increasing volume of customer queries? Whilst the human touch really does go a long way in dealing with difficult customers, machines have their place too. Voice-activated assistants like Apple's *Siri* and Amazon's *Alexa* have become increasingly commonplace. As of 2019, there are an estimated 3.25 billion digital voice assistants being used in devices around the world (Tankovska, 2020). Many organisations are extending Search Engine Optimisation (SEO) strategies to improve results from voice search; stealing a march on the competition by ensuring their products and services get found first. Advances in AI (artificial intelligence) and machine learning are helping firms to understand and make use of patterns in large volumes of data (even unstructured data, such as brand mentions on social media sites or voice recordings from customer service calls). These insights can help firms gain deeper customer insight, create more accurate customer profiles and improve predictions of return on investment (ROI).

AI is also enhancing the capabilities of the chatbots that operate within popular social media apps such as Messenger and WhatsApp, offering personalised support to consumers wherever and whenever they need it. Whilst the most basic follow pre-determined rules and can flounder when off script, others learn through experience to recognise what customers want, however the question is posed. Intelligent bots can even fill out forms and make appointments. The latest generation of chatbots goes a step further and can learn to recognise when it's time for a human to intervene in the conversation.

AI applications are also helping organisations make efficient use of their human sales force by qualifying sales leads and prioritising the most valuable prospects based on patterns *learned* from exposure to data from previous sales enquiries and their outcomes.

Will customer service lose the human touch? While some experts predict thousands of customer service jobs could be lost, bots could also be used to ensure human representatives always have the most relevant data at their fingertips, making the whole experience smoother for everyone concerned. If bots can take care of the most monotonous and repetitive tasks, then human staff can focus on helping customers with more complex needs. The Royal Bank of Scotland (RBS) has a virtual online assistant called Cora who is trained in over 1,000 responses to more than 200 customer queries, and is still learning. Who knows what the future will bring, but it certainly looks like bots are here to stay.

Sources: Hubspot.com [n.d.]; Murgia (2016); Tankovska (2020)



Video: Cora

<https://www.youtube.com/watch?v=70drfmMG8uU&feature=youtu.be>

SOCIAL CHANGE

Social change is one of marketing's key emerging themes, according to the Chartered Institute of Marketing. In part, this is due to the changing demographic profiles of the population. People are living longer and choosing to use their discretionary income in different ways. Targeting the **grey market**, that is the over-50s, is relatively new to marketers who have courted the youth market for decades but, for a number of product areas, these are important markets with substantial buying power.

The markets within both developed and developing economies are also experiencing new behaviours in the younger populations of Generation Y (born around the late 1980s to early 2000, also referred to as millennials) and Generation Z (those reaching adulthood in the second decade of the 21st century, perceived as being familiar with the Internet from a very young age). These generations (and the ones that follow) each have unique experiences, beliefs and behaviours and therefore present new challenges and opportunities

grey market
see grey importing



Digital natives have grown up in a technological world

Source: Monkey Business Images/Shutterstock.com

for marketers. The term digital native is sometimes used to describe people who have grown up with technologies that were unthought-of when their parents were young but are now taken for granted as part of everyday life. Both millennials and Gen Z-ers spend a lot of time on Instagram, Snapchat and YouTube, looking for entertaining content to share with their peers. Emojis and memes have become part of the language for both groups but Gen Z-ers have no experience of pre-digital life.

Whilst each generation's distinguishing characteristics do not apply to every individual, the World Economic Forum suggests some key similarities and differences between millennials and Gen Z-ers (Desjardins, 2019) (see also Exhibit 1.8).

<i>Millennials</i>	<i>Generation Z</i>
Raised by Baby Boomers	Raised by Gen-Xers
Grew up during an economic boom	Grew up during a recession
Tend to be idealistic	Tend to be pragmatic
Focused on having experiences	Focused on saving money
Mobile pioneers	Mobile natives
Prefer brands that share their values	Prefer brands that feel authentic
Prefer Facebook and Instagram	Prefer Snapchat and Instagram

EXHIBIT 1.8 Key differences between millennials and Gen-Z

Source: www.visualcapitalist.com/meet-generation-z-the-newest-member-to-the-workforce.

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Changes in consumer attitudes and behaviours occur relatively slowly; sometimes however, major events trigger accelerated change to which marketers must adapt more rapidly. The Covid-19 global pandemic caused a worldwide economic downturn in 2020, affecting not only demand but also supply. As many countries around the world went into lockdown, consumers put plans for holidays, cars and other significant purchases on hold, whilst online demand for everyday items soared. Supermarkets were unable to keep pace with demand for food delivery services and scenes of panic buying of some essential goods (particularly toilet roll) captured headlines around the world. Firms that could, turned to technology to optimise supply and distribution and adapt products and services where there were viable online alternatives. Brands in non-essential categories developed new promotional campaigns, showcasing socially-responsible actions and sharing messages of togetherness-in-adversity. Almost overnight, consumers around the world had re-prioritised the health and basic needs of their families and re-evaluated the importance of freedoms that had been previously taken for granted. According to research, few consumers expected to go back to their old behaviours any time soon (Rogers and Cosgrove, 2020). As might be expected following an event on this scale, many people were in a mood to pause and reflect. Time will tell how enduring are these shifts in consumer attitudes and behaviours and how rapidly society adapts to a new normal.

CONSUMERISM

In the Western world, we have more material wealth, more stuff, than any society has ever had before. The amassing of goods is seen as a sign of success. Expensive, desirable possessions confer status. **Consumerists** believe that it is economically desirable to consume (i.e. eat, drink, use) more and more. Modern production techniques mean that we have more than enough of everything. Every day, Western businesses and households throw away millions of excess goods. In the meantime, there are parts of the world that are so poor that they are short of basic necessities: food, water, clothing, shelter. This disparity provokes envy and conflict, yet still, even where governments have the will to do so, it is difficult to even things out.

With this surplus of goods, the power has shifted to consumers. Today, most producers of goods and services are more reliant on their customers than the other way around. A customer can usually go to another supplier but, for the supplier, a replacement customer is harder to find. This would suggest that customers have the upper hand but this is not always true. Large customers, which are usually big companies, can indeed dictate terms to their suppliers. UK supermarkets have such dominance in the food market that they can demand low prices, specially packed products and frequent (often several times a day) deliveries. However, it is harder for an individual consumer to make demands on a large corporation. Even with the current levels of competition for customers, just one customer among thousands is not so significant a loss.

As a consequence, just as workers formed trade unions in the early twentieth century, consumers in the latter half of that century got together and formed pressure groups. The power of numbers can make large corporations listen and effective use of social media can amplify the consumer voice. #PacketInWalkers was a campaign that urged customers to protest against the use of non-recyclable packaging materials by sending them back to the Leicester-based manufacturer, using the company's own freepost address. Supporters were urged to stick an address label on to the empty packet, and then post a picture of themselves posting the crisp packet onto social media. Such was the level of support for the campaign that Royal Mail had to request envelopes be used instead – as packets could not be machine sorted.

Organisations such as the Consumers' Association have significant influence. The media can make an impression too – even the largest of multinationals wants to be seen to be doing the right thing. Most newspapers have consumer advice columns and are prepared to take on any size of organisation, as are consumer television programmes such as the BBC's *Watchdog*, now a segment of *The One Show*.

consumerism

the belief that increasing consumption is economically desirable

consumerist

someone who believes in consumerism



Article: Plastic

<https://www.thegrocer.co.uk/environment/war-on-plastic-adds-pressure-on-an-industry-in-packaging-limbo/594620.article>

research focus

Carrington, M.J., Zwick, D. and Neville, G. (2016) 'The ideology of the ethical consumption gap', *Marketing Theory*, 16: 21–38.

This conceptual article explores ethical consumption with a focus on the gap between consumers' attitudes and intentions and their actual behaviour. The authors argue that the ethical consumer is an ideological figure and that the notion of an attitude-behaviour gap is a source of consumer guilt and may paradoxically preserve rather than challenge underlying capitalist structures.

ETHICAL CONSUMPTION

Many of today's consumers share concerns over sustainability and the future of the planet. Citizens and their governments are worried about environmental issues such as energy consumption, waste and pollution. Greta Thunberg is a Swedish teenager who has ignited a global movement for climate justice, led by youth activists using social media to share facts and passionate protests that have inspired tens of thousands of students around the world to join her school strikes. Greta has received support from climate activists, scientists and world leaders. Whilst not everyone likes what she has to say, there is no denying that her work has seen climate change move up the media agenda. The rise of eco-concern directly challenges the assumption that greater consumption (i.e. we should eat more, drink more, use more) is economically and ethically desirable. For many, marketing is one of the villains here but, actually, responsible marketing has a great part to play in helping the environmental cause.



Video: Trash Isles

<https://www.youtube.com/watch?v=FzXSsnFN-Aj0&feature=youtu.be>

Companies are more keenly aware of their corporate social responsibilities. While responsible business benefits society, CSR activities also create opportunities to gain added marketing and competitive advantage. There are brands whose values are built on sound environmental principles. For example, Ecover uses natural, sustainable resources for both ingredients and packaging and does less harm to the environment. One brand of toilet paper advertises the fact that, for every tree used in its manufacture, three more trees are planted.

logo

a graphical device associated with an organisation

Increasing numbers of brands display their Fairtrade credentials proudly on their packaging – and increasing numbers of consumers look for that distinctive **logo** when choosing products (see Fairtrade Foundation, 2011). The Fairtrade mark declares that the producer is an ethical company which actively supports sustainability and fairness to suppliers from less developed countries.

research focus

Kumar, V. (2018) 'Transformative marketing: the next 20 years', *Journal of Marketing*, 82 (4): 1–12.

This article introduces the concept of transformative marketing to explain how a firm's marketing activities both respond to and effect marketplace changes and future trends. The article discusses the various forces that are transforming the marketing discipline, the likely outcome of these changes and how academics and practitioners might prepare themselves.

Baldassarre, F. and Campo, R. (2016) 'Sustainability as a marketing tool: to be or to appear to be?', *Business Horizons*, 59 (4): 421–9.

This article explores the role of sustainability within a firm's marketing and promotional strategies. The authors identify the risks and benefits associated with different approaches to sustainability communication, for example whether companies choose to communicate their commitment or remain discreet.

SUMMARY

This book has been carefully designed to help those new to marketing as a subject. As well as the questions and case studies that you would expect to find in a textbook of this type, we have included challenges, activities and focus boxes. The focus themes are key marketing issues and they, along with the focus boxes you will see throughout the text, should

help build a bridge from your academic studies to the marketing practitioner's world – and your future marketing career.

- A market is a place where buyers and sellers meet.
- Marketing is a customer-focused discipline centred on an exchange between two (or more) parties:
 - good marketing brings about fair exchanges where both sides feel that they have got good value.
- The concepts of demand and supply are fundamental in marketing. 'Demand' is used here in its economic sense, i.e. it means what people will actually buy, not just what they would like if only they could afford it, find it, etc.
- Today, most markets are demand-driven, i.e. the amount of goods made available for sale is dependent on how much customers will buy. In a supply-led market, the amount of goods available would depend on how much could be produced:
 - ideally, demand should equal supply exactly.
- An organisation's strategic orientation has a huge influence on its marketing decisions. Some organisations put their products at their heart; others focus on customers:
 - those with a market orientation put their customers first, while keeping a close eye on the competition.
 - a customer is someone who buys the firm's products, while a consumer uses the products; they may be the same person – or not.
- Relationship marketing is a long-term approach, typically involving multiple transactions between buyers and sellers. This contrasts with transactional marketing, which sees sales as one-off events.
- The marketing mix is the basic marketing toolkit; it is commonly known as the 4Ps: product, promotion, price and place.
- The chapter concludes with an overview of key trends and some of the current influences on marketing.

MINI CASE STUDY: REDUCING THE PAW-PRINT

Read the questions, then the case material, and then answer the questions.

QUESTIONS

You have recently been employed as marketing executive by a large pet-food company with a new, alternative-sources pet food division. Your immediate tasks are:

- 1 The pet food market provides an excellent example of the difference between customers and consumers. Identify the customers for your manufacturing company. Are the consumers significant? How and why?
- 2 Write a short report (200–300 words) for your boss, outlining the objections people may have to vegan and insect-based pet food and suggesting arguments to overcome them.

(Continued)

- 3 The company is considering introducing a range of vegetarian dog treats. Propose two or three ideas and explain why you think they would appeal to dogs and dog owners (you may want to do an Internet search, or talk to dog-owning friends to help with this).
- 4 Getting these new products accepted in the market is likely to mean winning over a number of organisations as well as pet owners. Who would you build relationships with? You should explain why these relationships are important.

Vegetarian, vegan, flexitarian, pescatarian or meat-lover? Humans have been making some serious life choices over the last few years. However, pets consume about a fifth of the world's meat and fish – what about them?

While cats are widely recognised to be natural carnivores and therefore exempt from healthy eating plans, dogs are omnivores, that is they can eat just about everything, and they do – ask any dog owner. A Mintel market-research report released in 2020 showed that a third of UK dog food buyers believe it is good for their pets to regularly have a plant-based meal instead of a meat-based one. Younger dog owners are even more likely to believe that limiting their pets' meat eating is a good idea.

There has been a spate of new, planet-friendly, dog food launches. Man's best friend is being encouraged to eat plant protein moulded and flavoured into tempting deliciousness. But dogs don't have to live on vegetables alone. They can still help save the planet by eating insects instead of cows and sheep.

Insects are being hailed as planet savers. They have always worked their magic in agriculture, pollinating and keeping crops healthy by eating destructive, smaller bugs. It is being increasingly recognised that they could also provide us all with enough protein to live well. As can be imagined, an insect farm is very small – insects need only a fraction of the resources that cattle, sheep or pigs require. The snag is, most people don't like the idea of eating insects, even when they're moulded into sausages or burgers; even if they taste great. We just don't fancy it. Fortunately, dogs are much less fussy and they can't read the packaging. They mostly eat what their owners give them – supplemented by treats, some sanctioned, some stolen.

The UK market for cat and dog food is worth approximately £3 billion per year, so it is not surprising that the demand for healthier, planet-saving pet foods has caught the attention of several suppliers. Yora's dog food is made from 'nutritious insects with oats, potatoes, seaweed, and healthy herbs and botanicals'. Its packaging promises that it is made from '100% whole grubs rather than the animal parts you might find in some dog foods'. Wild Earth's meat alternative is based on yeast protein and includes 'superfood ingredients'. Lily's Kitchen promises a 'wholesome veggie feast' and claims to be 'proper food for dogs'. It even comes in proper tins, just like old-fashioned dog food. Yarrah sells 10 kg bags of tasty vegan kibble laced with organic soya beans, coconut oil, white lupine and baobab.

The market for these non-traditional foods is still small. Pets at Home, the UK's biggest pet care retailer, stocks only a limited range of plant-based products. Chief executive, Peter Pritchard, is uncertain about whether vegan dog food will become mainstream. He said: 'I've seen many new pet foods and approaches come into this market over the years and they are often very fringe and based on beliefs rather than the cold, hard facts of what pets need to survive and thrive.'

Most new products fail in the market. They need the support of good marketing – and of excellent marketers.
Sources: Mintel (2020); Wood (2019)

CHALLENGES REVIEWED

Now that you have finished reading the chapter, look back at the challenges you were set at the beginning. Do you have a clearer idea of what's involved?

HINTS

See 'definitions' and 'what marketing is not'.

Good marketers always act ethically; also, check the Data Protection Act 1998.

You might want to talk with the courier/delivery company about damaged parcels, and then investigate other, more planet-friendly packaging options.

Customer retention and customer relationship management (CRM), and database marketing; if he had kept in touch, then his customers would have known how to find him; also, a simple sticker on the cameras might have helped.

READING AROUND JOURNAL ARTICLES

Cluley, R. (2016) 'The depiction of marketing and marketers in the news media', *European Journal of Marketing*, 50 (5/6): 752–69.

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European Journal of Marketing

Journal of Interactive Marketing

Journal of Marketing

Journal of Marketing Management

Journal of Marketing Research

MAGAZINES

The Drum

The Marketer (Chartered Institute of Marketing magazine)

Marketing Week

(Most libraries will have these magazines – possibly online – ask your librarian.)

WEBSITES

econsultancy.com

mashable.com

www.smartinsights.com

www.oii.ox.ac.uk – a multidisciplinary Internet institute based in the University of Oxford and devoted to the study of the impact of the Internet on society

www.pewinternet.org – the Pew Internet and American life research project.

TEST YOURSELF

- 1 Define a market. (See p. 3)
- 2 Is marketing an alternative term for advertising? (See p. 8)
- 3 What is another term for marketing communications? (See p. 8)
- 4 Why is marketing less important when there is a shortage of goods? (See p. 12)
- 5 Why is it desirable for a product's demand and supply to be in equilibrium? (See p. 12)
- 6 Why is value such an important part of an exchange? (See p. 12)
- 7 List five advantages of a market orientation. (See p. 19)
- 8 What is relationship marketing? (See p. 22)

REVISION TOOLS

Want to test yourself even more? Review what you have learnt by visiting <https://study.sagepub.com/masterson5e>:



- Practise for exams with **multiple-choice questions**.
- Revise key terms with **interactive flashcards**.

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