

The Critical Role of Marketing

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Marketing plays a critical role in the business world today and is central to the success of any business. Enterprise, Trade and Employment Minister, Micheál Martin is quoted as saying it is almost impossible to overstate the importance of marketing and sales expertise to business growth¹. Chairman of Forfas, Eoin O'Driscoll, stressed the important role that marketing and sales personnel play and described them as the true wealth creators and the drivers of innovation². Yet marketing is very much misunderstood and seen by many as a combination of advertising, gimmicks and 'snake oil' salesmen, tricking customers into buying something they don't want. So what is marketing and why is it so important to weave it into the fabric of business today?

The Role of Marketing

The following definition describes marketing succinctly.

'Marketing is the management process responsible for identifying, anticipating and satisfying consumer requirements profitably'. (Chartered Institute of Marketing)

There are many definitions of marketing but there is no single recognised precise definition or way of practising marketing. However a common thread throughout is the requirement to meet customer needs and provide benefits. Philip Kotler the distinguished professor and the world's foremost expert on the strategic practice of marketing states 'Today's smart marketers don't sell products; they sell benefit packages. They don't sell purchase value only; they sell use value'³

The key requirements of successful marketing contained in the various definitions might be summarised as follows⁴:

- a) The need to be capable of satisfying customers.
- b) The ability to identify and recognise marketing opportunities in the marketplace. The need to know and understand target customers or market segments for products and/or services, their needs and wants, the difficulties, hindrances and disappointments they experience and what they might pay to have them either removed or reduced?
- c) The ability to create and deliver a compelling value proposition or promise to customers that meets their needs or solves a problem for them i.e. a package of benefits from which customers believe they get superior value than what they might get from a competitor.
- d) The capacity to differentiate a business from the competition and build competitive advantage. This involves establishing where the main competition is coming from, from a customer's point of view, what their value proposition and package of benefits is, and how well they meet market requirements.
- e) An aim or goal to increase market share in carefully selected and clearly defined target markets.
- f) The ability to manage for value, allocating and reallocating resources as required, based on insights into customer needs and improvement in economic profit, where if money can be put to better use, then the capital is freed up and reinvested where value generated will be better.

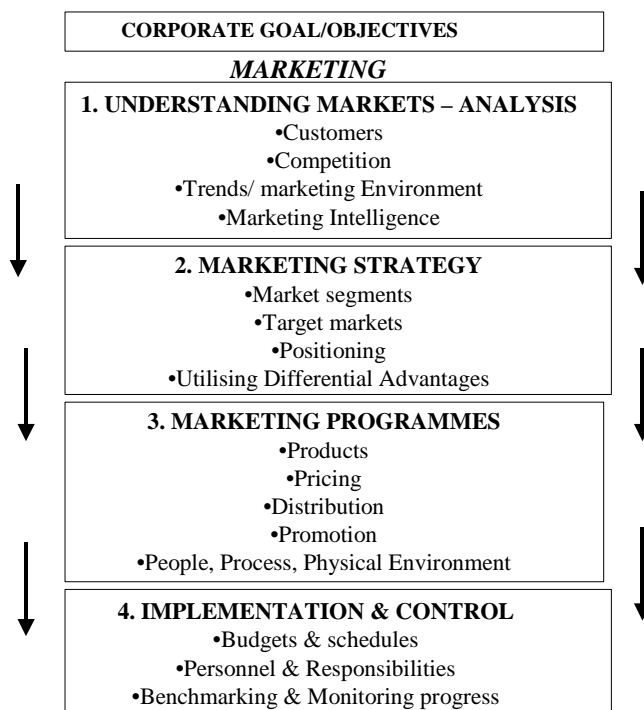
- g) The know-how to deliver a sustainable bottom line that can contribute to propelling the company forward.

The Marketing Process

The importance of a rigorous marketing process cannot be overemphasised. The four stages of the process are set out in Figure 1. In practice it is the phase one analysis that frequently gets insufficient attention. Clearly the better informed a company is about its environment, the better decisions it is likely to make.

The process sets out to discover customer needs and wants and to develop products and services in response to those needs. It involves understanding the external marketplace and the internal company situation. A strategy is then formed which clearly sets out a customer value proposition and priority target markets. Tactical decisions are made using the marketing mix, the plan is then implemented and the results monitored.

Fig 1: The Analysis, Strategy and Programmes Process of Marketing



Source: S, Dibb et Al (2001)

Different Company Orientations to the Marketplace

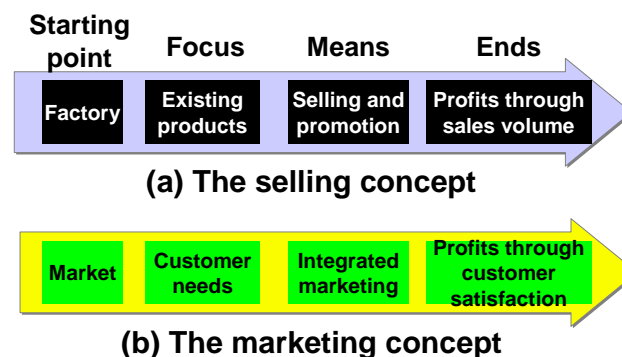
Not all companies subscribe to the marketing concept. In practice companies have different orientations to the marketplace of which there are four main types.

- 1) Marketing orientation
- 2) Product orientation
- 3) Sales orientation and
- 4) Production orientation

While a marketing orientated company arranges its business processes, products and services around the needs and wants of customers, a product-orientated company produces a product or service with little or no prior market research in the expectation that it will find a market with a sufficient number of customers in it. Both approaches might work, but to be successful today it is increasingly more difficult to do so with a product-orientated approach. It may be possible to develop what appears to be an exciting product but the task then is to find customers for it. Being marketing orientated involves establishing that there are interested and eager buyers for a product or service before it is introduced to the market.⁵

Businesses with the selling concept see their task as persuading customers to purchase their products through promotion and personal selling. Marketing also does this but the difference is that a sales-oriented business will by and large pay scant attention to whether a product or service is required, the objective being to simply win the sale from the competition with little thought given to the ultimate satisfaction of the customer. This is illustrated in Fig 2 where the marketing concept is shown to rest on four pillars; target market, customer needs, integrated marketing, and profitability. In contrast the selling concept takes an inside-out perspective, starting with the factory, an existing product focus, supported by a vigorous personal selling and promotional effort to produce profits.⁶ However this is not to underestimate the role of selling, which is of vital and significant importance, can be lengthy and involve many people.

Fig 2: The Selling & Marketing Concepts



Source: Kotler 2000

Companies holding the production concept believe consumers prefer products that are widely available and inexpensive. Their focus involves exploiting economies of scale.

Companies such as Baileys, Unilever, and Aer Lingus have brought together market and product orientation. They commission market research to get a better understanding of the needs and wants of customers. Product research follows the findings and they constantly engage in dialogue with consumers using focus group discussions to get a better understanding of attitudes to specific issues.

The new Sun dishwasher detergent from Unilever came successfully through such a process. Market research identified consumer concerns about the handling of powerful detergent. The new Sun 4in1plus product contains a 'hydrofilm' wrapper whereby a customer no longer needs to handle directly a detergent tablet, as the new individual wrapped tablet dissolves in the wash.

Relationship Marketing

However, like most things today, marketing is evolving. Business partners now handle many things that were previously completed in their own organisation and as a result the basic definition of what is and what is not a company has become somewhat obscure. This involves temporary workers, consultants, and even complete outsourcing of manufacturing and production etc, in an environment penetrated by all sorts of information and communications technology with the consumer taking centre stage in strategic considerations. Businesses are no longer closed behind high walls creating value in isolation; they are partners in an integrated value chain.⁷

So its not surprising that new understandings have been acquired along the way and Gummesson (2005)⁸ introduced this slightly revised version of the American Marketing Association's definition of marketing.

'Marketing is a culture, an organisation function and a set of processes for creating, communicating, and delivering value with customers and for interacting in relationships in ways that benefit the organisation, its customers and other stakeholders.'

Here Gummesson has brought the concept of relationship marketing (RM) into his definition, viewing stakeholders as potential active partners capable of contributing to the effectiveness of the marketing endeavours of a business. He points out that customers are not just consumers and users, but also collaborators and partners, co-developers, co-producers, co-managers co-marketers and that they can be adversaries and competitors too. The Gartner Group describe relationship marketing as "...a business strategy that maximizes profitability, revenue and customer satisfaction by organising around customer segments, fostering behavior that satisfies customers and implementing customer-centric processes."⁹ The notion expressed is that the key to the future value of any business revolves around customers and building strong deep relationships with them, with the ultimate goal of delivering superior value by continuously improving the quality of their experience.

Another important message is that marketing involves everyone and is everyone's job in an organisation. Collaborative business is the name of the game and involves the comprehensive development of the company's collection of relationships into a unified value chain supporting the company's marketing effort.

Peck et al suggest that the scope of relationship marketing involves six markets namely; internal, customer, referral, supplier, influencer, employee recruitment markets and that customer markets are at the core of relationship marketing¹⁰. The principle established here is that marketing's remit revolves around maximising customer value through the boundary spanning roles of customer advocate, internal integrator, strategic director and, within network organisations, partnership broker. This is supported by Gummesson's maxim that everyone in the firm is a part-time marketer¹¹.

The Scope of Relationship Marketing

Fig 3: The Six Markets Model



“Relationship marketing views stakeholders as potential active partners who are capable of contributing, if effectively managed, to the effectiveness of the firms market purpose”

Source: Peck et al (1999)

McDonald's have set out to learn from their 'customers'. In a report about to be published, amid concerns over food safety, obesity and falling sales, the firm declared that it has learned from customers and states, “We could do better in our understanding of wider social trends and expectations”. They go on to say how stakeholders have told them many times that they should communicate more on the marketplace issues they are involved with. The report is aimed at EU policy makers, pressure groups, shareholders, suppliers and employees, gives details about the content and quality of meals and employment conditions. It draws on the views of a wide range of shareholders from government officials to health and consumer groups, financial analysts and employees¹².

Conclusion

Customer value is the route to survival for most companies and requires the ability to out-think and out-value the competition. The value equation is: Customer Value = Total Benefits – Total Costs. The task of marketing is to satisfy customers by maximising the delivery value to them. It is not surprising therefore that marketing plays such a critical role in today's business world, is considered so central to the success and should be woven into the fabric of any business.

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