

# Brief contents

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<b>Part 1</b>	<b>Marketing Strategy</b>	<b>1</b>
1	Prologue	3
2	Marketing and competition	16
3	Marketing and corporate strategy	50
4	Principles of strategic marketing planning	77
5	Analytical frameworks for strategic marketing planning	108
6	Research for marketing	146
<b>Part 2</b>	<b>The Marketing Appreciation</b>	<b>171</b>
7	Macro-environmental analysis	173
8	Industry and competitor analysis	197
9	Customer analysis	225
10	Internal (self-)analysis	246
11	Matching – putting it all together	260
12	Product differentiation and market segmentation	269
13	Positioning and branding	302
<b>Part 3</b>	<b>Managing the Marketing Mix</b>	<b>321</b>
14	The marketing mix	323
15	Product policy and management	339
16	Packaging	375
17	Pricing policy and management	385
18	Distribution and sales policy	408
19	Promotion policy and management	427
<b>Part 4</b>	<b>Implementing Marketing</b>	<b>449</b>
20	Customer care and service	451
21	Developing a marketing culture	479
22	The (short-term) marketing plan	494
23	Implementation and control	503
24	Current issues and future trends	523
25	Recapitulation	553

# Full contents

	<i>Brief contents</i>	vii
	<i>Full contents</i>	ix
	<i>List of figures</i>	xvii
	<i>List of tables</i>	xx
	<i>Preface to the fourth edition</i>	xxii
	<i>Acknowledgements</i>	xxv
	<i>Acronyms</i>	xxviii
<b>PART 1</b>	<b>MARKETING STRATEGY</b>	<b>1</b>
<b>1</b>	<b>Prologue</b>	<b>3</b>
	Introduction	3
	The Point of Departure	3
	The Strategic Perspective in Marketing	4
	Marketing Organisation and Management	4
	Needs	6
	Objectives	7
	Assumptions	7
	Analogy and Metaphor	9
	The Practice of Marketing	10
	Why Marketing Still Matters	10
	Scope of the Book	11
	References	15
<b>2</b>	<b>Marketing and competition</b>	<b>16</b>
	Introduction	17
	Competition	17
	What is Marketing?	18
	Marketing as a Synthetic Discipline	20
	What is Strategy?	22
	Sources of Competitive Advantage	24
	Market Structure, Conduct and Performance	26
	Competition and Marketing Strategy	28
	International Competition	31
	The 'Diamond of National Advantage'	32
	The Role of Government and Chance	35
	The Development of 'Clusters'	35
	The Creation of Competitive Advantage	36
	Marketing and Competitive Success	38
	Competing for the Future	41
	Knowledge and the Learning Organisation	45
	Chapter summary	47
	Recommended reading	48
	References	48

<b>3</b>	<b>Marketing and corporate strategy</b>	<b>50</b>
	Introduction	51
	The Development of a Marketing Orientation	51
	Corporate Strategy	53
	The Concept of the Firm's Business	55
	Defining the Firm's Business	57
	Growth Vector Analysis	58
	The Concept of Limited Strategic Alternatives	60
	Guerrilla Marketing	62
	Business Strategy or Marketing Strategy?	63
	Emergent Strategy	65
	Basic Marketing Strategies	68
	General Management and Marketing Management	73
	CRM: Marketing or Management	73
	Chapter summary	75
	Recommended reading	75
	References	76
<b>4</b>	<b>Principles of strategic marketing planning</b>	<b>77</b>
	Introduction	78
	The evolution of management systems	79
	Time Span	82
	Some Definitions	83
	Mission, Vision and Strategic Intent	84
	The Mission Statement	86
	Formulating Objectives	87
	A Framework for Strategic Marketing Planning	90
	Principles of SMP	94
	The Formulation of Corporate Strategy	96
	Criticisms of and Obstacles to Strategic Planning	98
	Marketing Planning and Practice	101
	Strategic Planning	102
	Payoff from Strategic Planning	103
	Chapter summary	105
	Recommended reading	106
	References	106
<b>5</b>	<b>Analytical frameworks for strategic marketing planning</b>	<b>108</b>
	Introduction	109
	The Demand Curve	110
	The Product Life-cycle (PLC)	113
	Diffusion Theory	118
	The Diffusion Process	118
	Using the PLC as a Planning Tool	121
	Product Portfolio Analysis	124
	Market Share Strategies	124
	BCG Growth-share Matrix	125
	Shell's Directional Policy Matrix	130
	Baker's Box	136
	The Basic 'Box'	136
	Gap Analysis	139
	Scenario Planning	140
	SWOT	142
	Chapter summary	143

	Recommended reading	144
	References	144
<b>6</b>	<b>Research for marketing</b>	<b>146</b>
	Introduction	147
	The Need for Marketing Research	147
	Quantitative or Qualitative Research?	150
	Data Collection	153
	Secondary Sources of Data	153
	The Collection of Primary Data	154
	Probability Samples	154
	Non-probability Samples	155
	Field Survey Methods	156
	Data Reduction and Analysis	158
	Bayesian Analysis	160
	Chapter summary	169
	Recommended reading	170
	References	170
<b>PART 2</b>	<b>THE MARKETING APPRECIATION</b>	<b>171</b>
<b>7</b>	<b>Macro-environmental analysis</b>	<b>173</b>
	Introduction	174
	The Environment as the Ultimate Constraint	175
	Demographic Factors	176
	Social and Cultural Factors	179
	Political and Governmental Factors	180
	Economic Factors	181
	Technological Factors	182
	UK Competitiveness	186
	Cycles and Trends	187
	Changing Times = Changing Values	191
	Forecasting Demand	192
	Preparing a Sales Forecast	193
	Chapter summary	196
	Recommended reading	196
	References	196
<b>8</b>	<b>Industry and competitor analysis</b>	<b>197</b>
	Introduction	198
	Competitor Analysis	198
	Competition	201
	Non-price Competition	204
	The Value Chain	205
	Value Added and Benchmarking	208
	Critical Success Factors	210
	Skills and Competencies	213
	Benchmarking	214
	Best Practices	216
	Strategic Alliances	216
	Customer–Supplier Alliances, Partnerships and Networks	218
	Chapter summary	223
	Recommended reading	223
	References	223

<b>9</b>	<b>Customer analysis</b>	<b>225</b>
	Introduction	222
	Choice and the Social Sciences	226
	Selective Perception	229
	Hierarchy of Needs	232
	Hierarchy of Effects	233
	Post-purchase Dissonance	233
	Buy Phases	234
	Characteristics of Goods	235
	Buyer Behaviour and the Decision-maker	235
	The Baker Composite Model	236
	Using the Model	239
	Conducting a Customer Audit	242
	Chapter summary	244
	Recommended reading	244
	References	244
<b>10</b>	<b>Internal (self-)analysis</b>	<b>246</b>
	Introduction	247
	Marketing Audits	248
	Core Competencies	252
	Skills and Competencies	253
	Why Companies Fail	254
	Internal Marketing	256
	Chapter summary	258
	Recommended reading	258
	References	258
<b>11</b>	<b>Matching – putting it all together</b>	<b>260</b>
	Introduction	261
	Matching	261
	Resource-based Theory	262
	SWOT Analysis	266
	Chapter summary	268
	References	268
<b>12</b>	<b>Product differentiation and market segmentation</b>	<b>269</b>
	Introduction	270
	Defining the Market	270
	Product Differentiation vs. Market Segmentation	271
	Bases for Segmentation	273
	Procedure and Methods	276
	Cluster Analysis	278
	Major Segmentation Methods	280
	Demographic Segmentation	280
	Location as a Basis for Segmentation	282
	Psychographic and Behaviouristic Segmentation	285
	Segmentation by Social Character	286
	Profiling	286
	Usage Segmentation	287
	Benefit Segmentation	290
	Segmenting Industrial (Business-to-Business) Markets	292
	When to Segment	293
	Chapter summary	299

	Recommended reading	300
	References	300
<b>13</b>	<b>Positioning and branding</b>	<b>302</b>
	Introduction	303
	Perceptual Mapping	303
	Positioning in the Mind	306
	Branding	309
	Building a Brand Reputation	311
	The Company as a Brand	315
	Chapter summary	318
	Recommended reading	319
	References	319
<b>PART 3</b>	<b>MANAGING THE MARKETING MIX</b>	<b>321</b>
<b>14</b>	<b>The marketing mix</b>	<b>323</b>
	Introduction	324
	The Evolution of the Marketing Mix Concept	324
	Identifying the Ingredients of the Marketing Mix	325
	Selecting the Right Mix	328
	Managing the Mix	331
	Some Criticisms of the Marketing Mix	332
	Chapter summary	338
	Recommended reading	338
	References	338
<b>15</b>	<b>Product policy and management</b>	<b>339</b>
	Introduction	340
	The Role of the Product in Marketing	340
	User Needs and Product Characteristics	342
	Product Classification and Marketing Strategy	344
	Some Definitions of the 'Product'	345
	Are Services Really Different?	346
	Growth of Services	347
	The Nature and Characteristics of Services	348
	Managing Services Marketing	350
	Product Policy	351
	Product Development	355
	The Concept of the Product Portfolio	356
	Factors Influencing the Product Portfolio	357
	The New Product Development (NPD) Cycle	359
	Organisation for New Product Development	362
	Managing the Product Life-cycle	365
	Monitoring Product Performance	371
	Chapter summary	372
	Recommended reading	373
	References	373
<b>16</b>	<b>Packaging</b>	<b>375</b>
	Introduction	376
	Definitions	376
	Packaging Criteria	377
	Developing the Pack	380
	Chapter summary	383

	Recommended reading	383
	References	384
<b>17</b>	<b>Pricing policy and management</b>	<b>385</b>
	Introduction	386
	Theoretical Foundations	386
	Limitations and Contributions of Price Theory	389
	Pricing Objectives	390
	Profit Objectives	392
	Sales-oriented Objectives	394
	Pricing Objectives in Practice	395
	Price Determination	396
	The Role of Pricing in the Marketing Mix	399
	Pricing Strategies	402
	Pricing in Practice	403
	Chapter summary	406
	Recommended reading	406
	References	406
<b>18</b>	<b>Distribution and sales policy</b>	<b>408</b>
	Introduction	409
	Why do Channels Develop?	410
	Functions of a Channel	411
	Channel Composition	413
	Channel Characteristics	416
	Selecting the Distribution Channel	416
	Formulating a Distribution Policy	418
	Vertical Marketing Systems	421
	Personal Selling	422
	Sales and Distribution Effort Through the Product Life-cycle	423
	Chapter summary	425
	Recommended reading	425
	References	425
<b>19</b>	<b>Promotion policy and management</b>	<b>427</b>
	Introduction	428
	The Nature of the Communication Process	428
	How does Advertising Work?	431
	Promotion Objectives	434
	Publicity	438
	Developing a Promotional Strategy	439
	Setting the Promotional Budget	440
	Effective Advertising	443
	Measuring Advertising Effectiveness	444
	Chapter summary	446
	Recommended reading	447
	References	447
<b>PART 4</b>	<b>IMPLEMENTING MARKETING</b>	<b>449</b>
<b>20</b>	<b>Customer care and service</b>	<b>451</b>
	Introduction	452
	Customer Satisfaction	452
	CRM or CSM	453
	Customer Care	454
	What is Customer Care?	456

	Customer Service	460
	Customer Loyalty	462
	The Scope of Customer Service	465
	The Strategic Use of Customer Service	468
	Total Quality Management (TQM)	472
	Pricing Services	474
	Measuring Service Quality	474
	The Industrialisation of Service	475
	Service as a Marketing Strategy	475
	Chapter summary	477
	Recommended reading	477
	References	477
<b>21</b>	<b>Developing a marketing culture</b>	<b>479</b>
	Introduction	480
	Organising for Marketing	480
	Basic Business Orientations	481
	Developing a Market-oriented Organisation	486
	Implementing Marketing	488
	Chapter summary	493
	Recommended reading	493
	References	493
<b>22</b>	<b>The (short-term) marketing plan</b>	<b>494</b>
	Introduction	495
	A Framework for Marketing Planning	495
	Essential Components of the Short-term Marketing Plan	498
	Chapter summary	501
	Recommended reading	502
	References	502
<b>23</b>	<b>Implementation and control</b>	<b>503</b>
	Introduction	504
	The Measurement of Marketing Performance	504
	Profits and Performance	505
	Cost Analysis	507
	Other Important Cost Concepts	509
	Contribution Analysis	511
	Cash Flow and Net Present Value	514
	Management Ratios	515
	The Balanced Scorecard	519
	Marketing Spend – Expense or Investment?	520
	Chapter summary	522
	Recommended reading	522
	References	522
<b>24</b>	<b>Current issues and future trends</b>	<b>523</b>
	Introduction	523
	Information Technology and Marketing	523
	Electronic Commerce – The Future is Here to Stay	524
	Areas of Growth	526
	Other Issues/Barriers	527
	The New Economy	528
	Marketing Strategy and the Internet	530
	A New Model of Marketing?	533

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Ethics in Marketing	537
Green Marketing	540
Corporate Social Responsibility (CSR)	542
Globalisation and Marketing Strategy	544
What is Globalisation?	545
The Development of Global Marketing	547
Towards a Reconciliation	549
The Next Global Stage	549
Chapter summary	551
Recommended reading	551
References	552
<b>25 Recapitulation</b>	<b>553</b>
Introduction	553
<i>Vision 2010</i>	553
The 'Virtuous Circle' of Best Marketing Practice	555
Marketing and Competitive Success	556
Maxims for Marketers	559
A Baker's Dozen of Key Concepts	564
References	566
<i>Index</i>	567

*Part 1*

# MARKETING STRATEGY

## INTRODUCTION

Prologues, like overtures, are intended to achieve at least three objectives:

1. To establish the point of departure
2. To indicate the direction in which one is to proceed
3. To introduce some of the themes which will be encountered as the plot unfolds.

These, then, are the basic goals of this chapter in which we shall seek to define the general scope of the book, the audience for which it is intended, the information and learning objectives to be pursued, and the structure to be followed in attempting to meet these objectives.

## THE POINT OF DEPARTURE

Writing in the spring 1983 issue of the *Journal of Marketing*, two well-known American professors of marketing, Yoram Wind and Thomas S. Robertson, offered the opinion that marketing had reached a point of discontinuity in its development as a discipline from an emphasis upon marketing management to a broadened perspective concerned with marketing strategy.

The early emphasis upon marketing management and the marketing functions – particularly advertising and selling, distribution, market research and product development – is not surprising. The manipulation of these elements of the marketing ‘mix’ allows tactical responses to the prevailing conditions in the markets in which one is competing. However, tactical manoeuvres tend to be sufficient to cope only with short-term and localised conditions and circumstances. They are only effective in the long term and on a large scale if they are coordinated and integrated within

a more broadly based strategic framework. As the markets of the advanced industrialised economies of the Western world gradually moved from an endemic condition of undersupplied markets to one of potential oversupply, it was clear that marketing practices had to change. Tactical management was not able to cope with the intense competition of the new market conditions; something more was required. It was this recognition that led to what I have chosen to characterise as the ‘rediscovery’ of the marketing concept.

While most authors and commentators date the statement of the marketing concept to the 1950s and identify its articulation with the General Electric Company, it is obvious that such identification is purely a matter of convenience. Marketing did not just happen in the 1950s – its functions had been in daily use in some shape or form from the beginnings of trade and commerce way back in antiquity. What happened was that the changing balance resulted in the conclusion that supply is the servant of demand. Of course this has always been true, but under conditions of general scarcity demand tends to be basic and obvious. One does not require a sophisticated intelligence and planning system to identify attractive market opportunities. Rather one requires the most cost-effective production and distribution system. This encourages the production and sale of standardised products, which can minimise cost thus satisfying more customers. But the combined effects of technological innovation, increased competition, both national and international, and a slowing of growth in population (to mention but a few long-term trends) have resulted in a much more complex and competitive marketplace. In this environment survival, let alone success, calls for a new philosophy of business in which the process of manufacture or supply creation should be seen to start with a clear statement of customer needs – the marketing concept.

## THE STRATEGIC PERSPECTIVE IN MARKETING

The adoption of the marketing concept and a marketing orientation (discussed in detail in Chapter 21) does not create or bring into existence new business functions but it does call for a change in both focus and emphasis, and it is this change of focus and emphasis that has led to the need for marketing-oriented strategy. In Wind and Robertson's view it was this strategic emphasis or perspective that was missing from the development of both marketing thought and practice. Specifically, they identified seven key limitations within the marketing field that are a direct consequence of the emphasis on management as opposed to strategy, namely:

1. A fixation with the brand as the unit of analysis
2. The interdisciplinary isolation of marketing
3. The failure to examine synergy in the design of the marketing programme
4. Marketing's short-run orientation
5. The lack of rigorous competitive analysis
6. The lack of an international orientation
7. The lack of an integrated strategic framework.

At the time, many thought that Wind and Robertson's criticisms were exaggerated but, 10 years later, many other commentators were questioning both the role and function of marketing in the organisation. Taken together, these criticisms were characterised by McKinsey & Co. (1993) as 'Marketing's mid-life crisis'. We shall return to these issues in Chapter 2 when addressing the question 'What is marketing?' but, for now, it should be stated that when the first edition of this book appeared in 1985 it was very much concerned with developing a strategic perspective of marketing. At the same time, it was also felt that to explore the nature of marketing strategy on its own without examining its relationship to marketing management would perpetuate the deficiency of a partial treatment which Wind and Robertson had criticised in the first place. Accordingly, in this book we seek to show how a strategic approach to marketing can be implemented through management of the marketing function.

At the outset, however, it will be useful to help distinguish between *strategic* and *tactical* (or managerial) decisions. Steiner and Miner (1977)

suggest that this may be done along eight dimensions, namely:

1. *Importance*: Strategic decisions are significantly more important than tactical ones.
2. *Level at which conducted*: Strategic decisions are usually made by top management.
3. *Time horizon*: Strategies are long term, tactics short term.
4. *Regularity*: The formulation of strategy is continuous and irregular, tactics periodic and fixed time, e.g. annual budget/plan.
5. *Nature of problem*: Strategic problems are usually unstructured and unique and so involve considerable risk and uncertainty. Tactical problems are more structured and repetitive and the risks easier to assess.
6. *Information needed*: Strategies require large amounts of external information much of which relates to the future and is subjective. Tactical decisions depend more on internally generated accounting or market research information.
7. *Detail*: Strategy broad, tactics narrow and specific.
8. *Ease of evaluation*: Strategic decisions are more difficult to make.

Similarly, Weitz and Wensley (1984) distinguish between levels of strategic decision-making: 'Strategic decisions at the corporate level are concerned with acquisition, investments, and diversification', i.e. the management of a portfolio of businesses or strategic business units (SBUs).

At the business or SBU level, strategic decisions focus on how to compete in an industry – or product – market. Business level strategy deals with achieving and maintaining a competitive advantage. Strategic decisions at the business level are concerned with selecting target market segments and determining the range of products to offer.

It is with these issues that *Marketing Strategy and Management* is mainly concerned.

## MARKETING ORGANISATION AND MANAGEMENT

Much of the discussion about marketing's 'mid-life crisis' prompted by a McKinsey article in 1993 and Webster's (1992) 'The changing role of marketing in

the corporation' came about as a result of changes in the role of marketing within the organisation. Conventionally, discussions of organisation for marketing focused upon the existence of a marketing department responsible for management of the various mix functions. However, as a result of increasing competition through the 1970s and 80s the emphasis changed from the manipulation of the mix functions to a view which saw marketing's role as one involving the entire organisation. Thus, Piercy and Cravens (1999) observed: 'Marketing organisation has become a fundamental strategic issue concerned with intra-organisational relationships and inter-organisational alliances, and the management of critical boundary spanning environmental interfaces.' In Webster's (1997) view this represents the fourth stage in the evolution of marketing organisation. To begin with, marketing was equated with sales and demand generation activities. In the second phase, bureaucratic and hierarchical organisational forms are developed to plan and control the performance of specialists. In turn, this leads into a third phase where marketing becomes identified as a function in its own right responsible for the development of integrated marketing strategies. Nowadays, however, in response to competitive pressures, marketing competence has become integrated with other business functions in team centred organisational processes focused on the customer.

Much of the debate on organisational structure is reflected in the distinction between 'marketing orientation' and 'market orientation'. Superficially, this may appear a semantic quibble but the distinction is much more than this. In essence, a marketing orientation assumes the dominance of the marketing function in managing the organisation's interfaces with its markets, whereas a market orientation mirrors Drucker's (1954) original conceptualisation of the role of marketing as the need to focus all the organisation's efforts on the needs of customers and markets.

Piercy and Cravens (1999) distinguish four different levels of organisational strategy and suggest that each of these calls for a different kind of analysis, as reflected in Table 1.1. They cite a number of examples to underline the speed of change in the organisation of marketing. Thus, 'in 1997, IBM announced its global initiative customer relationship management in which most marketing activities are embedded. The goal is to coordinate customer relationships by focusing management on core business processes instead of traditional functions.' Similarly, Procter & Gamble adopted a 'customer business development structure' while the Unilever-owned Elida Faberge 'abandoned its conventional brand management and marketing management roles by creating customer development and brand development as centres of expertise, with category management

**TABLE 1.1** Levels and focus of organisational analysis in marketing

Strategic level	Unit of analysis	Examples of major issues	Examples of new organisational forms
FUNCTIONAL	Marketing subsystems	Organising and coordinating sub-functions of marketing such as advertising, marketing research, sales operations	Channel management. Logistics/services specialists. Information/technology specialists
BUSINESS	Marketing department	The departmentation of marketing and internal structure of the marketing department. The integration of marketing sub-functions Relationships with other functions	Sector/segment management. Trade marketing. Investment specialists. Venture/new product departments
CORPORATE	Divisional marketing responsibilities and group-wide marketing issues	Centralisation/decentralisation of marketing decision-making and relationships between central and peripheral marketing units	Marketing exchange and coalition companies. Network organisations
ENTERPRISE	Strategic alliances and networks	External relationships and boundary-spanning with strategic marketing partners. Marketing 'make-or-buy' choices	Partnerships Alliances

working with retailer customers as part of the sales organisation'.

Piercy and Cravens also cite extensively from a Marketing Science Institute (MSI)-sponsored publication *Reflections on the Futures of Marketing* (Lehmann and Jocz, 1997) to which George Day and Frederick Webster made important contributions on marketing organisation.

While there was an element of overstatement in Wind and Robertson's claims they had a point and this book represents an attempt to meet the criticisms they voice by providing both a description and analysis of the nature of marketing strategy. But to write a book on marketing strategy without examining its relationship to marketing management would seem to perpetuate the deficiency of a partial treatment which Wind and Robertson criticised in the first place. Accordingly, this book seeks to show how a strategic approach to marketing can be implemented through management of the marketing function.

However, before describing how this is to be attempted in any detail, it will be helpful if we anticipate our own advice and spell out:

1. What is the need to be satisfied?
2. What is the objective to be achieved?
3. What assumptions underlie the approach and method selected?

## NEEDS

From the preceding section it should be clear that the basic need to be satisfied is a formal description and analysis of both the strategic and managerial aspects of marketing. However the vital question is, how has this need been identified?; for there can be little doubt that few if any practitioners responsible for marketing strategy and management have expressed a demand for a book on the subject. Indeed many practitioners would readily tell you that marketing is an art or craft which you practise and that it is practice or experience, not theorising or book-learning, which makes you proficient.

I reject this lack of overt demand on at least three counts. First, as will become clear in Chapter 4 when discussing the environment, there has been a radical change in recent years to the extent that the prevailing and likely future conditions

differ radically from those of the 1970s and 80s when most senior managers were acquiring their experience. While some have been able to adjust to the changed conditions the overall sluggishness of the economy and the number of business failures suggest that the majority have not.

Second, the adoption of a marketing orientation is well advanced and no longer confined to the fast-moving consumer goods (FMCG) companies where it originated. All kinds of manufacturing companies now subscribe to the marketing approach as do service organisations in both the public and private sector whether for profit or not-for-profit. This widespread acceptance has resulted in a massive increase in demand for people to fill marketing appointments and it would seem sensible to try and prepare and train young persons to fill such posts rather than pursue a policy of trial and error learning through experience. Third, the body of knowledge based upon experience has now become so extensive that it makes sense to try and distil and codify it so that it can be communicated formally through books and other media. If experience, synthetic or real, is the key to the identification and solution of problems, who needs a book on the subject? Clearly this is an overstatement, for if everyone subscribed to this view there would be no book, nor a reader for these words. As in most things, the truth probably lies between the two extremes – managerial decision-making cannot be learned from books alone, but it is equally unlikely that it can be learned without them other than possibly by a gifted few with an intuitive flair for it.

A balance of formal learning and practice in application is required. Skills such as driving a car certainly fall into this category – flying aeroplanes even more so, for they involve three dimensions as opposed to two. In fact, flying aeroplanes provides a good analogy with managing an organisation – much of the activity is routine and can be handled satisfactorily in an almost reflex manner, thus leaving the practitioner free to concentrate upon two factors critical to continued success in executing the skill – anticipation and planning – while still maintaining the integrity of the system through a feedback and control system.

Like flying, management has become much more complex in this century. Speed is an obvious example and requires very sophisticated systems

to maintain the integrity and safety of the machine. Everything must be done to much finer tolerances and the pilot must depend upon aids to his skill which were unknown and unnecessary in the early days of flying. The substitution of radar for visual observation is but one example of a situation where science and technology are required to give sufficient advance warning of hazards to permit evasive action to be taken. Of course, as many near misses bear witness, in the final analysis it is the pilot's observation and skill which are critical. In the management context, speed is the speed of change and demands elaborate forecasting systems to predict the future conditions likely to be met by the organisation. Similarly, size and complexity have increased markedly and require more extensive and more intricate systems to maintain control.

Without wishing to labour the analogy, the point being made is simply that managerial decision-making is a blend of routine and predictable events with occasional but potentially very hazardous interruptions. Therefore, it makes good sense to define and describe the routine occurrences and to develop standard operating procedures to deal with them. By doing so, it will be possible to delegate responsibility for routine to a lower level of management (or to a mechanical or electronic control system) and leave time free for the anticipating and planning functions. It also makes good sense to accept that if standard operating procedures evolve then they should be formalised and codified into a 'rule book' to which reference can be made as appropriate.

## OBJECTIVES

And so to the justification for this book. In the author's opinion managerial decision-making itself is amenable to description, definition and codification. Hence, standard procedures for identifying and solving problems may be created. However, it cannot be overemphasised that providing a framework for managerial decision-making cannot automatically guarantee correct or 'good' decisions. The selection of data to be used and their interpretation is still in the hands of the decision-maker.

The real point is that everyone is fallible. For

those who are skilled decision-makers this book will provide an aide-memoire – a cockpit checklist. While everyone likes to think that the pilot can get his jumbo jet off the ground without such assistance (and, even more important, back down again), it is comforting to know that use of a checklist prevents him omitting a vital step in the procedure.

For those less gifted or less experienced, the purpose of the book is the same – to provide a structured approach to managerial problem-solving – but its contribution is likely to be greater. Indeed I would claim that, as many management problems are of a recurrent type and require the exercise of only a minimal amount of judgement, then following the procedures and methods prescribed in this book will lead to a successful outcome in 95% of the problems one is likely to meet. This is not to decry judgement – far from it – merely to put it into perspective.

In light of the above arguments the objective to be achieved may be stated as:

- To provide a comprehensive and integrated framework for the direction and management of the marketing function.

It must be stressed that it is the framework that is claimed to be comprehensive and integrated. While it is hoped that the overall treatment is integrated also, it manifestly cannot be comprehensive. However, references to more specialised sources will enable the reader to follow up on topics on which they require more detail.

## ASSUMPTIONS

Assumption 1 is that readers have read a basic textbook on the subject and/or have some business experience. As the author of a basic textbook I have tried to make this work complementary and avoid duplication as far as possible. Of course there are situations where repetition is essential for clarification and desirable for reinforcement, but, in general, *Marketing* (Baker, 2006) is primarily descriptive while this book is analytic and normative.

Assumption 2 is that there is a 'wheel' of management which revolves through a sequence

of conceptualisation, planning, implementation, evaluation and feedback. Assumption 3 is that diagnosis must precede prognosis and Assumption 4 is that while firms may be at any stage of the management wheel it will simplify the analysis if a clean sheet start-up is assumed and so start with conceptualisation and diagnosis before proceeding to planning, prognosis, etc., in an ordered sequence (the organising principle for the book as a whole). Assumptions 5 to 8 are:

5. That the majority of cases are in existing organisations/institutions and that action plans must be based on realistic proposals for the transition from the present to the desired future state.
6. That the broad means of achieving one's objective is a strategic decision and that awareness of broad strategic alternatives must precede the formulation of action plans.
7. That the translation of plans into action is a managerial responsibility and that marketing has a primary role to play.
8. That planning and management are iterative and interactive so that measurement of performance, feedback, control and adjustment are essential elements of the managerial task.

While the above assumptions are the ones on which this book has been developed, it is important to recognise an important qualification – in order to be comprehensive many of the practices and procedures described may be neither relevant nor appropriate for the small to medium-sized enterprise (SME). As presented in standard textbooks, the normative theory of marketing almost invariably adopts a 'big business' perspective. Given that more than 90% of people work for organisations with less than 200 employees (SMEs), one should not automatically assume that they are either relevant or applicable in such firms. This issue was examined in some detail by Lancaster and Waddelow (1998) in an article in which they explored specifically the role of strategic marketing planning in SMEs.

A review of existing literature indicates that both the concept and implementation of marketing planning appear to be at variance with the philosophy and practice of small firms. In order to test this perception delegates at a management seminar were interviewed to see whether or not

their companies had a formal strategic marketing plan. Of the 20 respondents only three (15%) had such a plan but they regarded it as a chore rather than an ongoing process. The remaining 85% did not have a marketing plan and explained this away with a variety of 'reasons', which may be summarised as:

- Lack of focus (market orientation, direction, consensus)
- Lack of capability (knowledge, skills, resources)
- Lack of will (desire, faith, commitment, motivation).

Clearly, what is called for is adaptation of the normative theory as applicable to the large organisation in order to meet the needs of SMEs.

The importance of doing this was underlined in a report entitled 'Marketing success in fast growth SMEs' published as a result of work by the Marketing Council and Warwick Business School's SME Centre (1997). Based upon a series of case studies, the report identifies nine fundamental lessons about how marketing can work for growing SMEs. These lessons were identified as:

- *Professional advice*: outside professionals can act as a catalyst, to focus the business on the importance of marketing.
- *Basic techniques*: simple techniques are required, e.g. segmenting the market, or using existing information.
- *Customer focus*: this will improve business performance because you will be better able to give customers what they really want.
- *The need to plan*: the discipline of putting the customer first brings with it a range of benefits, e.g. systematic planning, prioritising and measuring effectiveness, all of which aid performance.
- *New focus changes other factors*: focusing on customer needs changes the whole outlook of the business as it reviews all its functions in a new light.
- *New rules create new markets*: legislation and regulations have created new opportunities for those actively seeking them. This is a real growth area.
- *Competitive advantage*: by focusing on customer needs and marketing issues, SMEs can establish a competitive advantage, as they target their operations on what is really required of them by the customer.

- *Changed outlook*: marketing can become the central business function, which increases the firm's competitiveness.
- *Staffing changes*: staff need to change to adopt the new philosophy.

As will become clear in later chapters, this advice might just as well have been offered to senior managers in large companies. In other words, the principles are the same but their implementation will be a matter of scale and degree appropriate to the complexity of the organisation and the issues it is addressing.

## ANALOGY AND METAPHOR

Everett Rogers (2003) argues that the speed with which people will be willing to modify their current behaviour and adapt to change is the function of five factors or characteristics which he identified as:

- Relative advantage
- Complexity
- Compatibility
- Communicability
- Trialability.

Of these five factors the first four are perceptual and depend on the knowledge, attitudes and experience of the decision-maker. They will also be influenced by the specific context and situation in which a decision is to be made.

In simple terms *relative advantage* reflects the scale and nature of the additional benefits that will arise from the changed behaviour. *Complexity* represents the degree of difficulty perceived in adoption and is closely linked to *compatibility* – how similar or different the new thing is to the established way of doing things – and *communicability* – the degree of ease or difficulty experienced in explaining the innovation to others. The final characteristic of *trialability* measures the ability of the potential user to experience the innovation without final commitment to it. It is essentially objective but may also be perceived subjectively.

In the case of physical objects, evaluation of an innovation is facilitated by the existence of phys-

ical evidence and the ability to demonstrate performance. For intangible objects such as services and ideas, this is more problematic and innovators frequently have to resort to analogy and metaphor in order to communicate the nature of and potential benefits associated with their innovation. The case of strategic marketing planning is a case in point and provides a good example of the barriers to the adoption of a new (and recommended) managerial practice. It also helps explain why textbooks such as this are written the way they are and why readers must interpret them in the context of the situation in which they find themselves. We will address the latter point first.

The purpose of a textbook is to summarise the current and accepted body of knowledge for the subject with which it is concerned – in the present case marketing strategy and management. Depending upon the scope (length) of the textbook, it may be more or less comprehensive than others but, in terms of the core ideas and principles with which it is concerned, it should not differ to any significant degree from any other textbook on the same subject. Further, the structure and development of the subject matter is likely to follow a similar pattern. This is so because the authors of textbooks are concerned with the normative theory that represents current perceptions and beliefs about the subject, and the best way of applying it in practice.

However, this creates a dilemma when one considers the context in which the normative theory is to be applied and requires the author to make certain assumptions. If one believes one is dealing with an unsophisticated audience and/or one which wants an unequivocal treatment of the subject, then the treatment is likely to be prescriptive. Conversely, if the audience is more sophisticated and has more knowledge and/or experience of the subject, then the author may acknowledge the need to question or qualify certain generalisations or prescriptions contained in the current theory. I have assumed this book is addressed to the latter audience!

One further issue needs to be resolved. While it is true that over 90% of all people work for SMEs with less than 200 employees, there is little evidence of strategic marketing planning within these companies as was highlighted in the

Lancaster and Waddelow (1998) paper referred to earlier. Whether this accounts for the higher failure rate of SMEs is an issue on which the reader will have to form their own opinion having considered the evidence in this book.

## THE PRACTICE OF MARKETING

Yoram (Jerry) Wind (1997), of the Wharton School, identified a number of key issues concerning the practice of marketing in the twenty-first century.

As has been noted elsewhere, with the growing recognition of marketing as the key business philosophy, it has become necessary to reappraise the role of the marketing function. Wind suggests that,

In considering these required changes and their implications, management may want to consider 12 interrelated questions:

1. Is marketing and its focus on meeting and anticipating customer needs widely accepted as a key business philosophy?
2. Are your business and corporate strategies focused on creating value to all your stakeholders?
3. Do your objectives include customer satisfaction and the creation of value?
4. Is the marketing function integrated with the other functions of the company as part of the key value creating processes?
5. Are the key marketing positions market segment (or key accounts) managers?
6. Are products viewed as part of an integrated product and service offering that delivers the desired benefit positioning for the target segment?
7. Is your marketing strategy global in its scope?
8. Are you utilising market research and modelling for generating and evaluating your marketing and marketing driven business strategies?
9. Are you relying on information technology as an integral part of your marketing strategies?
10. Does a significant part of your marketing efforts constitute innovative practices not previously used by you and your competitors?
11. Are you forming strategic alliances for co-marketing activities and are you building your market-

ing strategies on the development of long-term relationships with your clients?

12. Are you focusing your attention and resources on message effectiveness (instead of media power) and value-based pricing (instead of discounting)?

Wind concludes that in order to succeed in the twenty-first century, it is not sufficient to answer 'Yes' to these 12 questions. To be successful it is necessary to involve the whole organisation in the integration of these activities into a focused and market-oriented strategy. These are themes we address throughout the book. But, if marketing is everybody's interest do we still need a dedicated marketing function?

## WHY MARKETING STILL MATTERS

The above heading was the title of an article by Kamran Kashani (1997), which was itself a summary of a longer report that had appeared in *Long Range Planning*. In summary, the report led to the conclusion that:

The marketing function in companies may appear to be under threat from 'own label' products, re-engineering, and advances in information technology. But it is alive and well and has undergone important shifts in recent years so as to provide a better service for top management. It has frequently become more of a line than a staff responsibility, it has developed a strategic bias, and it has become diffused throughout the organisation.

Increasing price competition, more (general) competition and the growing role of customer service are among the most important changes facing marketers generally ... Four key management tasks stand out: Improving product quality, developing new products, keeping up with customers and improving customer service. The three most relevant competencies for marketers are: Strategic thinking, communication capability and sensitivity to customers. Specialist marketing skills appear to be among the least important.

We believe these conclusions still apply and endorse them.

## SCOPE OF THE BOOK

To provide a perspective of the book as a whole, Chapter 2 addresses the subject of 'Marketing and competition'. Beginning with a definition of 'competition' and the role it performs in ensuring that scarce resources are used to maximise satisfaction, we then examine the role which marketing plays in this process. The concept of 'market structure' is then introduced both as a consequence of and an influence upon the conduct and performance of firms in competition with one another. The concept of international competition is then introduced and supported by an extended review of Michael Porter's discussion of *The Competitive Advantage of Nations* (1990). Next, we offer a broadly based assessment of the contribution of marketing to competitive success and conclude with an assessment of what will be necessary to compete successfully in the future – essentially a knowledge-based, learning organisation.

Chapter 3, 'Marketing and corporate strategy', seeks to establish the point of departure by defining the development of the marketing orientation and the nature of marketing strategy, and comparing the latter with the broader concept of corporate strategy. The conclusion is that the two are very similar, although marketing strategy may be seen as a subset of corporate strategy responsible mainly for anticipating and planning. The larger concept embraces issues of organisation design and control which go beyond marketing per se. Then, it is proposed that there is only a small set of strategic options open to the decision-maker and these are defined as a backcloth for an examination of basic marketing strategies. The chapter concludes with a statement of the functions of marketing management – analysis, planning, implementation and control – which serves as an introduction to the extended treatment of the topics in the remainder of the book.

Chapter 4, 'Principles of strategic marketing planning' (SMP), looks first at the evolution of management systems and the role of mission, vision and strategic intent before moving to the heart of the issue by proposing definitions, a framework for SMP and some basic principles to be observed in developing and implementing a strategic marketing plan. It is then argued that the need for SMP is continuous, in the sense that every

innovation contains within itself the seeds of its own destruction, and will increase the user's awareness and expectations which will prepare the way for new and improved substitutes. Thus marketers need to formulate strategy in terms of the underlying needs and satisfactions of customers rather than the specific products or services which serve as the means of delivery of these satisfactions. Equally they must be sensitive to the inevitability of change summarised in the concept of the product life-cycle (PLC), an analysis of which leads to a proposal to use it as a key element in the process of SMP.

Chapter 5, 'Analytical frameworks for strategic marketing planning', builds upon the foundations introduced in Chapter 4 and suggests techniques and procedures for implementing SMP. To begin with we look at demand curves and the product life-cycle (PLC) concept. We propose that the latter provides a highly useful framework for organising our thinking about the evolution of products, firms and industries, and the appropriate strategies and tactics associated with the phases of birth, growth, maturity and decline. The inevitability of this progression prompts the view that an organisation should seek to develop a portfolio of products which are at different stages of the cycle and so ensure the firm's long-term survival. The ideas of the product portfolio and portfolio analysis are extended to examine analytical approaches developed by successful companies such as Shell and GEC, and the techniques of gap, scenario and SWOT analysis, all of which help the decision-maker structure and implement strategic marketing plans. We also take the opportunity to introduce Baker's Box as an introduction to the ideas of segmentation, targeting and positioning which are the subject of extended treatment later in the book.

Chapter 6, 'Research for marketing', was placed much later in earlier editions as an element of the marketing mix, and a specialised aspect of the management of the marketing function. Experience with using the text suggests that it would be more appropriate to discuss research methods used in marketing before exploring the kinds of data the manager requires in developing a focused marketing strategy and plan. The chapter opens with a discussion of the factors that create particular difficulties in seeking to apply formal analytical procedures to marketing decisions, namely:

- Many marketing problems are more or less unique
- Buyers can think for themselves
- Most marketing problems are very complex.

To help overcome these difficulties, it is argued that the first step must be to establish just what information is available or may be acquired, to assess its worth, and then combine it with one's own experience and judgement to reach a decision. A review of sources of secondary and primary data leads naturally into a discussion of data reduction and analysis as a means of imposing structure and meaning on what otherwise might constitute an 'information overload'.

The chapter concludes with a review of decision-making under uncertainty and the ways in which decision-makers may combine objective 'facts' with their own subjective judgement to reach a decision using a Bayesian approach.

Part 2, 'The Marketing Appreciation', contains seven chapters. Chapter 7, 'Macro-environmental analysis', is based on the proposition that the external environment constitutes the ultimate constraint upon the firm and dictates the boundary conditions within which it must operate. Following a review of the major forces that influence and shape the environment – demographic, social, cultural, political, economic and technological factors – attention is focused on the argument that there are discernible cyclical and secular trends in the overall pattern of business activity. An analysis of four basic kinds of economic cycle and broad theories of economic growth lends support for the existence of an underlying process or life-cycle and reinforces the use of the PLC as a basic organising principle. The need to take account of the nature of competition in the marketplace, discussed in Chapter 2, is reviewed, with particular emphasis on the importance of non-price competition and the implications this has for marketing strategy. Finally the chapter provides some guidelines for the commissioning and execution of an environmental audit as an essential prerequisite to the formulation of a marketing strategy.

Chapter 8, 'Industry and competitor analysis', builds upon the macro-discussion of competition in Chapter 2 by exploring in more detail, and from a micro-perspective, competition between the

individual players in the industry. The chapter opens with a review of the nature and importance of competitor analysis before introducing the notion of the value chain as a model that helps to highlight the interdependencies between producers, their suppliers and their customers – a perspective which helps explain the growing interest in networks and relationships in recent years. This leads naturally into a review of critical success factors, and the skills and competencies that firms need to succeed against the competition. Three further topics included in Chapter 8 are benchmarking, the identification of 'best practices' and the growing importance of strategic alliances, all of which have assumed growing importance in recent years.

Chapter 9, 'Customer analysis', addresses the nature of 'buyer behaviour' and poses the fundamental question 'How do buyers choose?' Following a limited and eclectic review of four different disciplinary explanations of choice behaviour, six concepts are examined because of the light they throw on the basic issue of how individuals and organisations choose between alternatives, namely:

- Selective perception
- The hierarchy of needs
- The hierarchy of effects
- Dissonance
- 'Buy tasks' and 'Buy phases'
- The characteristics of goods.

In and of themselves, none of the basic models, or the key concepts, appears sufficient to reflect the complexity of real-world purchase decisions. So a composite model of buyer behaviour is proposed that seeks to incorporate and synthesise both objective and subjective considerations.

The need for a composite model of buyer behaviour rests essentially on the fact that the total demand for a product is the aggregate of the demand of all the individuals who have a need for it backed up by purchasing power. In that each of these individuals will bring to the purchase decision their own values and perceptions, we have to allow for these when presenting the 'facts' about our product to them. However, with limited exceptions, very few suppliers can afford to tailor their output to the precise needs of the individual

customer (even services have to be standardised to some degree), and it follows that to compete successfully one must steer a careful course between complete homogeneity and total heterogeneity. To achieve this compromise marketers have developed an extensive range of techniques for aggregating individual demands or, conversely, disaggregating total demand, into worthwhile groupings or segments. To do so calls for a 'customer audit' and 'market segmentation' that is the subject of Chapter 12.

In Chapter 10 the analysis is directed inwards to identify and quantify insofar as possible the firm's assets, resources, skills and competencies through the execution of a marketing audit. In Chapter 11 the outputs of the marketing appreciation are pulled together in what we call the 'matching' process. Matching represents a more balanced view of strategy formulation and execution than that implied by the structure, conduct performance approach popularised by Michael Porter that tends to emphasise external factors as those determining the firm's strategy. While we have acknowledged that the environment, competition and customers all proscribe the firm's freedom of action, they don't control it. If they did there would be no need for managers as the course of action available would be predetermined. Because it is not, management can exercise control, and this it what it seeks to optimise by matching its strengths with opportunities, avoiding threats and correcting potential or actual weaknesses. The view that organisations have a degree of control over their destiny is implicit in the resource-based view of the firm and we look at this as background to the conduct of a SWOT analysis.

In Chapter 12 we pick up the idea of market segmentation and a wide range of different approaches is considered in some detail – demographic, locational, psychographic and behavioural – as a basis for suggesting how and when segmentation should be used as an appropriate strategic approach.

Chapter 13, 'Positioning and branding', recognises the fact that a sustainable competitive advantage depends increasingly upon the seller's ability to develop a distinctive personality and reputation in the perception of prospective buyers. Key concepts such as positioning, branding, perceptual mapping, niche marketing and the augmented

product are defined and described and the chapter concludes with a discussion of the view that increasingly companies will come to be seen as brands. This chapter also completes Part 2 and prepares the way for Part 3 'Managing the Marketing Mix'.

In Chapter 14, 'The marketing mix', we recognise that marketing planners have a number of key factors or variables which they can manipulate in seeking to devise a distinctive and differentiated marketing plan. Several approaches to classifying the mix elements from the basic 4 Ps of product, price, promotion and place to Borden's extended listing of 12 elements are considered. The chapter concludes with an examination of the management of the marketing mix and acts as an introduction to Part 3 in which we explore each of the major mix elements in some detail.

Chapter 15, 'Product policy and management', begins with a reminder that most business is transacted by existing organisations with commitments to both products and customers. It follows that a preoccupation with one's product is not a negation of the marketing concept, but an essential precondition of survival. Similarly, it is argued that the emphasis upon user needs and product benefits has distracted attention from the product's physical characteristics, and it is contended that a more even balance needs to be struck between the two. The interaction between product and market is implicit in the four core strategies considered earlier – market penetration, market development, product development and diversification – each of which is reviewed in terms of the most appropriate product policy, and in the idea of the product portfolio. To a lesser or greater degree all require development of the product, which leads naturally to a discussion of the role and nature of the new product development process and alternative forms for achieving this. Depending upon its stage in the life-cycle, the product will require differing degrees of emphasis upon the other elements, and these are summarised in terms of the four major stages – introduction, growth, maturity and decline. The chapter concludes with a discussion of ways and means of monitoring the product's performance.

'Packaging' (the subject of Chapter 16) does not always receive separate treatment in marketing texts, despite the fact that it may provide 'the just

discernible difference' on which so many choice decisions hinge. In part this may be because packaging is considered an intrinsic element of the product and treated as such, in part because it is seen as a promotional tool and the subject of passing reference alongside the detailed discussion of advertising. The chapter opens with some definitions of packaging that underline the different roles it plays in protecting and selling goods, and is followed by an extended discussion of the five criteria to be considered in developing a package – appearance, protection, function, cost and disposability. To round off the chapter the issues and steps involved in developing a pack are reviewed.

Chapter 17, 'Pricing policy and management', acknowledges that, while firms prefer to compete on dimensions other than price, nonetheless price is of critical importance in the buying decision and calls for a high level of attention. Accordingly, while marketers might deprecate the economists' overwhelming emphasis upon price as the mechanism for adjusting supply and demand in the marketplace they can learn many useful lessons from price theory. A number of key concepts such as elasticity, fixed, variable, marginal and opportunity costs are considered, as are some of the major limitations of price theory as an explanation of the real world, e.g. its assumption of profit maximisation, lack of dynamism, neglect of subjective factors, etc. Pricing objectives are examined, together with the three broad approaches to price determination – cost plus, flexible mark-up and marginal cost. Finally, the role of pricing in the marketing mix is explored as are the three basic strategies – skimming, penetration and value based.

The comparative neglect of 'Distribution and sales policy' provides the introduction to Chapter 18. Given the functions performed by channels of distribution and the important role these play in the creation of time, place and possession utilities, such neglect is seen as surprising. The composition and structure of alternative channels, and the factors that influence them, are described, as are the considerations that condition channel selection decisions. In the latter context much will depend upon whether the producer wishes to pursue an undifferentiated, differentiated or concentrated marketing strategy and intends to push or pull the product through the distribution channel. All these alternatives receive attention. The chapter

concludes with a brief summary of the personal selling function.

Chapter 19 deals with the final element of the marketing mix – 'Promotion policy and management'. Like distribution, promotion and particularly mass-media advertising is often regarded as a cost-creating function which adds little or nothing to the value of a product – a viewpoint which finds little or no support in the evidence presented here. Starting with the argument that awareness is a necessary prerequisite to purchase, Schramm's model of the communication process is reviewed to clarify the essential point that all information has to be transmitted by a sender to a receiver. While personal communication may be the most direct method, it is by no means always the most efficient or cost-effective, and it is here that the impersonal and indirect methods classified collectively as 'promotion' have an important role to play. Ever since Lord Leverhulme offered the opinion that half his advertising expenditure was wasted, marketers have been increasingly concerned with the problem of determining which half. To solve this conundrum one must first have some working hypothesis as to how advertising works and the two major schools of thought – that attitudes cause behaviour and vice versa – are analysed to throw light on the problem. Once one has formed an opinion as to how advertising works it becomes possible to formulate objectives and state policies for their achievement. In turn this leads to a discussion as to how one should set an advertising appropriation and measure the effectiveness of the expenditures incurred.

The chapter concludes with a look at the problems involved in choosing between the various promotional alternatives in order to develop an optimum promotional mix. This chapter concludes Part 3 and introduces Part 4 'Implementing Marketing'.

Since the publication of the first edition in 1985 the importance of service has become much more widely recognised, to the point that specialised textbooks are now available concerned solely with this aspect of the marketing mix. Within a general text it is not possible to give the topic extended coverage but Chapter 20 explores some of the key issues of customer care and their contributions to competitive marketing strategy. The chapter concludes with a discussion of how one should offer and price customer services.

Chapter 21, 'Developing a marketing culture', opens with a discussion of the relationship between organisational structure and strategy formulation. As recognised elsewhere in the book, most strategies are developed by organisations which already exist. Only rarely does management have the opportunity of the clean sheet start-up situation so easily assumed in the textbooks. Accordingly, strategy formulation must take place within the constraints of existing structures, and the existing values and attitudes associated with them. While marketers naturally emphasise the importance of a marketing orientation, it is quite clear that other functional aspects of business may colour an organisation's overall orientation – R&D, production, sales and finance. The nature of these orientations is examined together with the underlying concepts of organisational climate, corporate personality and culture as the basis for determining what is required to develop a marketing-oriented organisation. The chapter concludes with a review of the issues involved in implementing marketing.

Chapter 22 takes a brief look at the nature of the short-term marketing plan. The need for formal plans is justified and a normative framework proposed. The conditions necessary for producing market plans are spelt out, as are the key elements in the marketing plan itself.

Within the constraints imposed by the environment, the firm will seek to control its own actions in order to achieve its corporate objectives in the most effective and efficient way, and control is the theme of Chapter 23. The primary concern of marketers must be to optimise the marketing mix and to do so they must attempt to quantify and measure the contribution of its different parts. To this end cost–volume–profit relationships are examined, as are the concepts of cash flow and present value. Finally, in order to assess both one's own and one's competitors' performance, a brief look is taken at the interpretation of corporate accounts through the use of management ratios.

Chapter 24, 'Current issues and future trends', is an overview of some of the 'hot topics' in marketing at the time of writing and includes coverage of information technology and marketing, electronic commerce, ethics in marketing, green marketing, corporate social responsibility, globalisation and marketing strategy, and guerilla tactics in marketing.

Chapter 25, 'Recapitulation', is just that. Unlike this introduction, which is designed to give a broad overview of the scope and coverage of the book as a whole, the final chapter is more eclectic, in that it seeks to tease out what I regard as the key lessons to be learnt from a reasonably extensive and rigorous review of the field as a whole.

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# Index

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## A

Abbott, L. 19, 52, 202–3, 342  
Abell, D. F. 83  
Abell, D. F. and Hammond, J. S. 84, 91  
ACORN 283–5  
adopter categories 121  
advertising, how it works, 431–4  
    budget setting 440–3  
    effect of 431–4  
    effectiveness 443–4  
    effectiveness measurement 444–5  
    objectives 419–23  
    strategies 439–40  
Aguilar, F. 150  
AIDA model 233  
Albrecht, K. 179–80, 183  
Aldersen, W. 412  
alternative strategies 59  
alternatives, identification of 162–3  
Ambler, T. 434  
Ames, B. C. 99, 109, 497  
analogy and metaphor 9–10  
Andrews, K. R. 54–5, 83  
Ansoff, I. 53–4, 56, 58, 59–60, 88, 139–40, 351–2  
area samples 155  
Arthur Andersen 216  
Arthur D. Little Inc. (ADL) 45–6, 84,  
    94–8, 257, 486  
Ashridge Mission Model 84–5, 86  
Aspinwall, L. 235, 344  
assumptions 7–9, 499–500  
attitudes 432–3, 435–7  
augmented product 312, 456  
automatic interaction detector (AID) 278  
Avlonitis, G. 344–5, 369  
Axelsson, B. and Easton, G. 26

## B

Baillie, A. and Johnston, G. 82  
Bain-Mason paradigm 25  
Baker, M. J. 119, 149, 176, 309  
    with Hart, S. 38–41, 150, 304, 307–8, 369–70,  
    371–2, 557, 559  
    et al. 101–2  
Baker composite model 236–9  
Baker's Box 136–9  
balanced scorecard 519–20  
Baligh, H. H. and Burton, R. M. 480–1  
bandwagon effect 367  
bargaining power  
    customers 30–1  
    suppliers 30  
barriers to entry 31, 110, 367  
Bart, C. K. 86  
Bass, S. 22  
Bates, J. and Parkinson, R. 384  
Bateson, J. 348  
Baumol, W. J. 392–3  
Bayesian analysis 53, 160–9, 515  
Beik, L. and Buzby, S. 512–3  
benchmarking 208–10, 213–5  
benefit segmentation 290–1  
Bennett, R. C. and Cooper, R. G. 341, 353–4  
Bennis, W. and Nanus B. 84, 487  
Bentham, J. 226  
best practices 216  
Blenel, W. H. and Bender, H. E. 460–1, 468–70  
Bliss, P. 228–9  
Booz, Allen and Hamilton 359, 361  
Borden, N. 147, 329–31, 325–8  
Boston Box *see* growth-share matrix  
Boston Consulting Group (BCG) 98, 124, 125–30  
Boulding, K. 17  
Boyd et al. 434–8  
brand reputation 311–15

branding 302–19  
 breakeven analysis 398, 508–9  
 British Direct Marketing Association (BDMA) 431  
 Briston, J. H. and Neill, T. J. 376–9  
 Broadbent, S. 440–2  
 Bronder, C. and Pritzl, R. 217–8  
 Brookings Institution 395  
 Brown, D. and Banks, R. 474  
 Brown, S. 353  
 Brownlie, D. 83, 252  
 Bucklin, L. 413–15  
 Burns, T. and Stalker, G. M. 484  
 business cycles 187–91  
 business policy 53–4  
 business strategies 65  
   development of 80–2  
 buy classes 234  
 buy phases 234–5  
 buyer behaviour 225–45  
 Buyers, C. I. and Holmes, G. A. 193  
 buyers' intentions 195  
 Buzzell et al. 124–5  
 Buzzell, R. 113–14  
 Buzzell, R. and Baker, M. J. 434  
 Buzzell, R. and Gale, B. 310, 313, 523–4  
 Buzzell, R. and Sisodia, R. J. 499–500

## C

CACI 283–5  
 Campbell, A. and Yeung, S. 84–6  
 Canadian Office of Tourism 296–9  
 Cannon, J. T. 252  
 Cardozo, R. N. 292  
 Caron, D. 455–6, 457  
 Carson, D. and Gilmore, A. 455, 458  
 cash flow 514–15  
 censuses 154  
 certainty 160–1  
 Chamberlin, E. 204  
 chance, role of 35  
 Chandler, A. 83, 480–1  
 channels *see* distribution

characteristics of goods 235  
 Chaston, I. 455  
 Chevalier, M. and Carty, B. 395  
 Choffray, J. and Lilien, G. 292  
 choice and the social sciences 218–21  
 Chonko, L. B. and Hunt, S. D. 538–9  
 Christopher et al. 460, 461 466, 472  
 chunking of information 109  
 Clark, J. M. 203  
 Clifford, D. K. and Cavanagh, R. E. 314  
 climate, organisational 483–4  
 cluster analysis 278–80  
 'clusters', development of 35–6  
 Coe, B. J. 400–1  
 commercialisation stage of NPD 362  
 communication 500–1  
 communication process 428–31  
 company, as a brand 315–18  
 competition 17–18, 25, 201–5  
   international 31–2  
   and marketing strategy 28–31  
   non-price 204–5  
   perfect 203  
   role of chance 35  
   role of government 35  
 competitive advantage 36–8, 69–70  
   sources of 24–6  
 competitive forces 28–30  
 competitive position 95, 136–9  
 competitive success and marketing 556–9  
 competitiveness, UK 186–7  
 competitor analysis 198–201  
 complexity theories 26  
 concentrated marketing 68–9, 367, 417, 547–8  
 conglomerate companies 80  
 conjoint analysis 278  
 consumer rights 538  
 consumerism 470  
 contract packers 378–9  
 contribution analysis 511–14  
 contribution approach *see* pricing  
 control 15, 504–11  
 convenience sample 155  
 Copeland, M. T. 344  
 core competencies 44–5, 252–3  
 core strategy 500

- Corey, R. 68, 340  
Corkindale, D. and Kennedy, S. 437–8, 445–6  
corporate personality 484  
corporate social responsibility (CSR) 542–4  
corporate strategy 53–5  
    formulation of 96–8  
Corus 382  
cost analysis 507–9  
cost analysis contribution approach 509, 511–14  
cost-plus pricing 397  
costs  
    average 389  
    concepts 389, 509–11  
    versus control in distribution 416  
    engineering approach 508  
    fixed 389, 507–9  
    long-run 388–9, 507–9  
    marginal 389, 510–11  
    opportunity 389, 509–10  
    semi-fixed 507–9  
    short-run 389, 507–9  
    statistical approach 508  
    variable 389, 507–9  
Coyne, et al. 253–4  
Crisp, R. D. 251  
critical success factors (CSFs) 38, 199, 200,  
    210–12, 304  
CRM 73–5, 453–4  
cross-impact analysis 142  
CSM 453–4  
cues 227  
CUGs (currently useful generalisations) 21–2,  
    105, 109, 336  
Culliton, J. 324–5  
cultural factors 228–9  
culture, marketing 479–93  
customer analysis 225–45  
customer audit, conducting a 248–50  
customer care 454–60  
customer loyalty 462–5  
customer satisfaction 452–3, 463–4  
customer service 460–1  
    pricing 474  
    quality 465–8  
    scope of 465–8  
    strategic use of 475–7  
customer–supplier alliances 218–23  
cycles and trends 187–91  
Cyert, R. M and March, J. G. 393
- ## D
- Dart, P. 382  
data collection 152–4  
data fusion 445  
data reduction and analysis 158–60  
David, F. R. 86  
Davidson, H. 227  
Davies, G. and Brooks, J. 304–6  
Day, G. 6, 135–6  
Day et al. 270–1  
de Chernatony, L. and Dall’Olmo Riley, F. D.  
    311, 312  
Dean, J. 387, 390, 395, 402  
Deans, K. R. 524–6, 552  
decision criterion 53, 166–7  
decision trees 163–9  
demand 386–9  
    cross-elasticity 388  
    curves 110–13, 387–8  
    derived 388  
    elasticity 387–8  
    industry and company 387  
    law of 386  
    long-run 387  
    short-run 387  
demographic factors 176–8  
demographic segmentation 280–2  
de Solla Price, D. J. 119  
Desmond, E. W. 405  
development stage of NPD 362  
Dhalla, N. K. and Yuspeh, S. 113, 122, 123  
Diamantopoulos, A. 396, 398  
‘diamond of national advantage’ 32–4  
Dibb, S. 294–5  
Dichter, E. 228  
Diffenbach, J. 175  
differentiated marketing 68–5, 129–30, 417, 547  
diffusion  
    curves 120–1

process 118–9  
 theory 118–21  
 direct marketing 431  
 directional policy matrix (DPM) 130–6  
 distribution 14  
   channel characteristics 416  
   channel composition 413  
   channel control 416  
   channel development 410–11  
   channel selection 416–18  
   channel strategy 410  
   channel structure 413–16  
   functions of channels 411–12  
   policy formulation 418–21  
   and sales policy 408–26  
 diversification 59–60, 255, 351  
 Donaldson, W. 455, 457  
 Doyle, P. 309–15, 331–2, 480  
 drives 227  
 Drucker, P. 5, 16, 19, 82, 83, 86, 91, 336, 357,  
   409, 516–8  
 Dwek, R. 178

## E

Easton, G. 26  
 economic cycles 187–91  
 economic factors 181–2  
 economic growth, stages of 189  
 Economist Intelligence Unit (EIU) 275–6,  
   553–5  
 Ehrenberg, A. 22  
 electronic commerce 524–8  
 Emerson, R. W. 428  
 empirical generalisations, *see* CUGS  
 Enis, B. 272  
 Enis, B. and Broome, C. 147–9, 161–2  
 environmental analysis 173–96  
 equipment 345–6  
 Erdogan, Z. 274, 316, 369, 381, 413  
 Erickson, T. 472–3  
 ethics 537–40, 541  
 Evans, J. R. and Berman, B. 417  
 Everitt, B. 279–80

evolutionary theories 25  
 executive summary 498  
 experience effects 125–6  
 exploration stage of NPD 359–60

## F

fabricated materials 346  
 factor analysis 278  
 factor rating tables 266  
 fail, why companies 254–6  
 Fajen, S. 441  
 fashion goods 115  
 fast second, strategy of 360  
 Festinger, L. 234  
 field survey methods 156–8  
 Fifield, P. 67  
 financial orientation 480, 481, 482  
 Finkelman, D. and Goland, A. 468  
 firm's business, concept of 55–7  
 Firth, C. 114, 116, 123, 127  
 Fisher, L. 391  
 flexible mark-up pricing 397  
 Ford, H. 51, 111–12, 125, 489, 548, 561  
 Ford, H. II 392  
 Frankle et al. 218  
 Freud, S. 228  
 Frey, A. 325, 376, 379–80  
 future, of marketing 553–5

## G

Gabor, A. 392, 402  
 Gaedeke, D. M. and Tootelian, D. 417, 419,  
   422–3  
 Galbraith, J. 228  
 game theory 25  
 Gannon, T. A. 465, 466  
 gap analysis 139–40  
 General Electric Company's stoplight strategy  
   134–6  
 general management 73

General Motors 112–3  
 generic strategies 69  
 Gerstner, L. 346  
 geographic segmentation 282–5  
 global brands 314, 317–8  
 globalisation and marketing strategy 544–50  
 globalisation, the next stage 549–50  
 goals 55  
 Gordon, W. and Langmaid, R. 151  
 governmental factors 35  
 Granovetter, M. S. 26  
 Grant, R. M. 263–4  
 Grashof, J. F. 251–2  
 Gray, D. H. 98  
 green marketing 540–2  
 Green, P. and Tull, D. 159  
 Griliches, Z. 120, 121  
 growth-share matrix 125–30  
 Grunert, K. and Ellegard, S. 210–11  
 guerrilla marketing 62–3  
 guerrilla tactics 550  
 Guiltinan, J. P. and Paul, G. W. 355  
 Gunn, L. 79, 81–2  
 Gupta, P. 329, 330

## H

Hair, J. H. and Keep, W. W. 524  
 Hakansson, H. 26  
 Hakansson et al. 24  
 Haley, R. I. 290–1  
 Halfpenny, P. 151  
 Hamel, G. and Prahalad, C. K. 41–5, 85, 95, 253  
 Haour, G. 540–1  
 Harvard Business School 29, 324  
 Harvey, J. and Woods, D. 443  
 Hastorf, A. and Cantril, H. 229–10  
 Hauk, J. 474  
 Hayes, R. and Abernathy, W. 38, 80, 167, 352, 482, 485  
 Health Education Board for Scotland (HEBS) 191, 230  
 ‘heavy half’ 155  
 Henderson, B. 125–6

Henkoff, R. 102–3  
 heterogeneity 349–50  
 ‘hierarchy of effects’ 233  
 ‘hierarchy of needs’ 232–3  
 Hofer, C. W. and Schendel, D. E. 83, 263  
 Hollander, S. C. 418  
 Hooley, G. 129, 278  
 Hooley, G., West, C. and Lynch, J. 150, 555–6  
 Houlder, V. 403–4  
 Hout, T., Porter, M. and Rudden, E. 545  
 Howard, J. 507–10  
 Huber, G. P. 162–3  
 human behaviour in organisations (HOB0) 483  
 Hunt, S. D. 26  
 Hunt, S. and Morgan, R. 265  
 Huss, W. and Horton, E. 140–1  
 hypothesis testing 160

## I

idea generation 360  
 implementing marketing 488–92, 503–22  
 industrial market segmentation 292  
 industry/competitor analysis 197–224  
 industry life-cycle 95  
 information technology and marketing 523–4  
 innovation 488  
 inseparability 349  
 intangibility 348  
 integrated marketing communications (IMC) 430–1  
 internal (self) analysis 246–59  
 internal marketing 256–8, 333  
 intuitive logics 141  
 inventory cycle 188–9  
 investment cycle 188–9

## J

Johansson, J. K. and Nonaka, I. 152  
 John, A. 122, 363, 485

Johnson, S. C. and Jones, C. 355  
 Jolly, V. 545–6  
 Joyce, T. 432–4  
 judgement sample 155  
 Juglar cycle 188–9  
 jury of executive opinion 194  
 just noticeable difference (JND factor) 313

## K

Kashani, K. 10  
 Kay, J. 25, 29, 43  
 key account management 293  
 King, S. 315–6  
 Kitchin cycle 188–9  
 Klemm et al. 86–7  
 knowledge management 45–7, 257–8  
 Kondratieff cycle 82, 188–9  
 Kotler, P. 19, 65, 67, 73, 114, 192, 203–4, 226–8, 248, 287, 308, 392, 402, 429, 471  
 Kotler, P., Gregor, W. and Rogers, W. 248–50  
 Kotler, P. and Levy, S. 564  
 Krugman, H. E. 432  
 Kuznets cycle 188–9

## L

Labich, K. 255–6  
 Lalonde, B. J. and Zinszer, P. H. 465–6, 467  
 Lambert, D. 413, 414, 415  
 Lancaster G. and Waddelow, I. 8  
 Landor Associates 314, 315  
 Laric, M. 395, 399–40  
 law of inertia of large numbers 154  
 law of statistical regularity 154  
 Lawrence, P. and Lorsch, J. 484–5  
 Lawson, R. 378–9  
 Lazer et al. 325  
 Lazer, W. and Kelley, E. J. 325  
 Learned et al. 70  
 learning – low and high 366  
 learning organisation 45–7, 247, 257, 492

Levitt, T. 18, 19, 32, 55–9, 63, 86, 91, 111, 122, 255, 311, 312, 343, 459, 470, 544–6, 561, 564  
 Liddell Hart, B. H. 54  
 limited strategic alternatives 60–2, 565  
 Lindquist, J. D. 304–5  
 Lipson, H. A. and Darling, J. R. 325, 326  
 Lorenz, C. 83  
 low involvement 432  
 loyalty cards 464–5  
 Luck, D. 370–1  
 Luck, D. and Ferrell, O. 363–5, 420  
 Lynch et al. 557–9  
 Lynn, R. 394

## M

McCammon, B. C. 421  
 McCarthy, E. J. 324, 325, 347  
 McDonald, M. 82, 88, 93, 94, 99, 495  
     and Leppard, J. W. 495, 496–7  
 McKay, E. 88, 89, 91, 95, 482, 487  
 McKinsey & Co. 4, 20, 41, 205, 207  
 McKitterick, J. B. 261  
 McKonkey, D. D. 499  
 McNair, M. 418  
 mail questionnaires 156  
 Majaro, S. 328  
 Makens, J. C. 200, 250  
 management ratios 515–8  
 management systems, evolution of 72–82  
 management tools 104–5  
 managing the marketing mix 331–2  
 marginal cost 510–11  
 market assessment, check list 157–8  
 market defining 270–1  
 market development 59–60, 351  
 market orientation 5  
 market penetration 59–60, 351  
 market performance 26–8  
 market pull 102, 354  
 market segmentation 269–301, 565  
     barriers to 294  
     demographic 280–2  
     profiling 286–7

by social character 286  
market segmentation bases 273–86  
market segmentation methods 276–8  
market share 95, 395  
  measuring 358–9  
  strategies 124–5  
market structure 26–8  
marketing approach 52  
marketing audits 248–52  
  and competitive success 333, 556–9  
  as a synthetic discipline 17, 20–2, 333  
marketing concept 3, 19, 336, 341  
marketing culture 15  
  developing 479–93  
marketing, definitions 18–20  
marketing function, implementation 488–92  
marketing information system (MkIS) 199  
marketing investment, boosting returns on  
  442–3  
marketing malpractices 291–2  
marketing management 73  
marketing maxims 559–64  
marketing mix 3, 13, 73, 93, 143, 323–38, 566  
  criticisms of 332–7  
‘marketing myopia’ 86, 91, 111, 122, 255, 311,  
  453  
marketing, organisation and management 4–6  
marketing-oriented organisation 486–8  
marketing orientation 4, 5, 51–3, 64, 102, 352,  
  480, 481, 482–3, 556  
marketing plan 15, 494–502  
marketing planning *see* strategic marketing  
  planning  
marketing planning and practice 101–2  
marketing planning, short-term 494–502  
marketing research 146–70  
Marketing Science Institute (MSI) 6, 124  
marketing strategy 4, 63–73  
  hidden flaws in 70–2  
  and Sun Tzu 72  
  what is? 18–20  
Marshall, A. 226–7  
Martin, J. 325, 327  
Marx, T. G. 99–101  
Maslow, A. 232  
Mason, E. S. 27

matrix analysis 110–39  
Mattsson, L. G. 26  
mechanistic organisations 484  
media, strengths and weaknesses 441  
Meidan, A. and Moutinho, L. 148  
Melville, D. 55  
military strategy 60–2  
Miller, G. 109, 307  
Minzberg, H. and Waters, J. A. 24, 64  
Miracle, G. E. 344–5  
mission, 84–6, 90  
  statement 86–7  
Mitchell, A. 317–18  
multidimensional scaling (MDS) 278, 304–6  
multiple discriminant analysis (MDA) 278  
multiple regression 278  
multivariate techniques 278  
Murphy, J. 314

## N

Narayandas, D. and Rangan, V. R. 24  
National Industrial Conference Board (NICB)  
  150, 193–5  
needs 6–7  
Neill, J. 492  
Nelson, R. R. and Winter, S. G. 25  
net present value 514–5  
network theories 26  
networks *see* partnerships and networks  
new product departments 363  
new product development committee 363  
new product development cycle 359–63  
  organisation for 362–5  
NICB *see* National Industrial Conference Board  
niche marketing 308–9  
Nike 317, 386  
non-probability samples 155–6  
Normann, R. and Ramirez, R. 208  
NTIC *see* standard industrial classification  
Nylen, D. W. 422

**O**

objectives 7, 55, 87–90, 91, 249, 500  
 formulation 87–90  
 observation 154  
 Oburai, P. 438  
 Oburai, P. and Baker, M. J. 24, 25  
 O'Guinn et al. 430–1  
 Ohmae, K. 424–5, 470–1, 549  
 O'Malley, L. and Patterson, M. 336, 337  
 online shopping 537  
 opportunity cost 389, 509–10  
 organic organisations 484–5  
 organisational climate 483–4  
 organising for marketing 480–1  
 O'Shaughnessey, J. 92, 324, 439  
 outsourcing 555  
 Oxenfeldt, A. 390–1, 394–5

**P**

packaging 13, 375–84  
 characteristics 379–80  
 criteria 377–80  
 definitions 376  
 development 380  
 functions 376  
 Packard, V. 228  
 Pareto's Law 111, 287–8  
 partnerships and networks 218–23  
 Pavlov, I. 227  
 pay-back 515  
 Pemberton, H. E. 118–9, 120  
 penetration pricing 402  
 Penrose, E. 26  
 perceptual mapping 136–9, 303–6  
 perishability 350  
 personal interviews 152, 156–7  
 personal selling 422–3, 539  
 Peterhaf, M. A. 264–5  
 Peters, T. 45  
 Peters, T. and Waterman, R. 34, 39, 41, 485, 556  
 Piercy, N. 267, 488–92  
 Piercy, N. and Cravens, D. 5–6

PIMS *see* profit implications of market strategy  
 plan, marketing 495–502  
 policies 55, 500  
 policy and strategy 53–4  
 political factors 180–1  
 Porter, M. 17, 18, 22–4, 25, 28–36, 69–70, 80, 99, 110, 207–8, 530–2  
 portfolio analysis, 56–8, 564, 565  
 positioning 302–19  
 post-purchase dissonance 233–4, 367, 468  
 Prahalad, C. K. and Hamel, G. 212–13  
 price determination 389–90  
 price theory, limitations of 376–7  
 pricing  
 contribution approach 397–9  
 cost-plus 397  
 marginal cost 397–8  
 and the marketing mix 399–402  
 methods 398  
 objectives 390–2, 395–6  
 policy 14, 385–407  
 in practice 403–5  
 strategies 402–3  
 primary data 154  
 private label brands 318  
 probability 165–6  
 probability samples 154–5  
 problem specification 161–2  
 Probst, G. 257  
 product characteristics 342–4  
 product classification 344–5  
 product, defined 345–6  
 product development 59, 60, 351, 355  
 product differentiation 269–301  
 product elimination 369–71  
 product life-cycle (PLC) 63–4, 113–18, 185, 189, 334–5, 356–73, 562, 564  
 decline 117–18, 369–71  
 extension 368–9  
 growth 114–16, 367–8  
 introduction 113–4, 365–7  
 managing 365–71  
 maturity 116–7, 368  
 use as a planning tool 121–3  
 and sales effort 423–5  
 product managers 363–5

product performance, monitoring 371–2  
 product policy 13, 339–74  
 product portfolio analysis 124  
 product portfolio concept 356–7  
   factors influencing 357–9  
 product, role of 340–2  
 production orientation 51–3, 482  
 profit implications of market strategy 124, 310, 313  
 profit maximisation 389  
 profit objectives 392–3  
 profit and performance 505–7  
 promotion objectives 434–8  
 promotion policy and management 18–20, 427–47  
 promotional budget, setting 440–2  
 promotional strategy, developing 439–40  
 psychographic segmentation 285  
 publicity 438  
 push and pull strategies 420–1

## Q

quantitative methods, a taxonomy 148  
 quantitative versus qualitative research 150–2  
 questionnaires, administration 156–7  
 quota samples 155–6

## R

Ragoff, D. and Lynn, R. 394  
 Raiffa, H. 53  
 random samples 155  
 raw materials 345  
 reinforcement 227  
 relational views 26  
 relationship marketing 20, 456–7  
 resource-based theory 26, 57–8, 262–6  
 Ricardo, D. 31  
 Ries, A. and Trout, J. 23, 303, 306–7, 308–9  
 Riesman et al. 285  
 Riesz, P. 352–3

risk 161  
 Robinson et al. 130–2, 234–5  
 Robinson, J. 204  
 Rockart, J. F. 210  
 Rogers, E. 32, 116, 120, 366  
 Rosenberg, N. and Frischtak, C. R. 190–1  
 Rosenbloom, B. 410, 415  
 Rostow, W. W. 189  
 Rothschild, W. 198  
 Rothwell R. 354  
 Rothwell, R. et al. 342–3  
 Roxburgh, C. 70–1

## S

Said, H. 399  
 sales force composite (forecast) 194–5  
 sales forecasting 192–5  
   definitions 192  
   methods 194  
   preparing 193  
 sales orientation 482  
 sales oriented objectives 394–5  
 Salter, M. 79  
 sample survey 154  
 Sampson, P. 151  
 satisficing 392  
 Saunders, J. 201, 202  
 Say's Law 115, 409  
 scenario planning 103, 140–2  
 Scherer, F. and Ross D. 17, 27–8  
 Schlaifer, R. O. 53  
 Schmanlensee, D. 473  
 Schnarrs, S. 125, 130  
 Schramm, W. 429–30  
 Schumpeter, J. 190  
 Schwartz, H. and Davis, M. 485–6  
 Schwartz, N. D. 182–4  
 Scottish Health Education Group  
   (SHEG)/Scottish Health Education Unit  
   (SHEU) *see* Health Education Board for  
   Scotland (HEBS)  
 screening stage of NPD 359, 360–1  
 secondary data 153–4

- segmentation *see* market segmentation
- selective perception 229–32, 303–6, 565
- selectivity 109–10
- Selznick, P. 86, 212
- Senge, P. 45
- service 14, 451–78
  - frontline 461
  - industrialisation of 475
  - value-added 462
- services 346–51
  - growth of 347–8
  - industrialization of 475
  - marketing 350–1
  - as a marketing strategy 476–7
  - nature and characteristics 348–50
  - pricing 474
  - quality 474–5
- Seth, A. 317
- Shell's Directional Policy Matrix 130–6
- Shostack, G. L. 347, 348, 349
- SIC *see* standard industrial classification
- Simon, H. A. 392, 401–2
- Singh, M. P. 475–6
- situation analysis 498–9
- Sizer, J. 398, 510–11
- skills and competences 212–13, 253–4
- skimming strategy 367, 402
- Sloan, A. 112
- SMART (specific, measurable, achievable, relevant, targeted and timed) 90
- SME (small- to medium-sized enterprise) 8, 9–10
- Smith, A. 18, 226
- Smith, N. C. 537, 539–40
- Smith, R. E. and Swinyard, W. R. 432
- Smith, R. W. 174
- Smith, W. 271
- social and cultural factors 179–80
- Society of Motor Manufacturers and Traders (SMMT) 275–6
- sorting activities 412
- specialisation 483
- standard industrial classification 292
- Stanton, N. J. 348
- Stapleton, J. 199, 200, 250–1
- Steiner, G. and Miner, J. 4
- Stern, L. 416
- Stewart, R. 65
- Stewart, T. A. 452–3
- Stevenson, H. H. 267
- stimulus response theory 227
- strategic alliances 216–8, 554–5
- strategic architecture 42, 43–4
- strategic business unit (SBU) 84, 94–8, 261
- strategic condition matrix 96
- strategic intent 44, 84–6
- strategic marketing planning (SMP) 77–107
  - criticism of/obstacles to 98–101
  - definitions 83–4
  - framework for 90–4, 108–45
  - key stages in 497
  - payoff from 103–4
  - principles 94–6
  - trends 78–82
- strategic versus tactical decisions 4
- strategic thinking 102–3
- strategy 22–4, 55
  - evaluation of 70
- stratified sample 155
- strengths and weaknesses 206, 266–8
- structure, organisational 480–1
- successive focusing 149
- summary statistics 160
- Sun Tzu 72
- supplier partnering 216–18
- supplies 346
- Supral 231
- Surowiecki, J. 24
- sustainable competitive/differential advantage (SCA/SDA) 65, 174, 254, 264, 309
- Swalm, R. O. 166
- SWOT analysis 91, 142–3, 266–8, 499, 565
- synergy 96, 483
- ## T
- Taguiri, R. and Litwin, G. H. 483–4
- Taylor, B. 93
- technological factors 182–6
- technological innovations 183

technology orientation 482  
technology push 102  
telephone survey 156  
Tellis, G. J. and Crawford, C. M. 63  
testing stage of NPD 362  
Thaler, R. 71  
Thomas, H. 165–6  
Thomas, M. 280–1  
Thomas, M. and Saxena, N. 208  
Thompson, H. V. 341  
time series analysis 195  
Toffler, A. 548–9  
total quality management (TQM) 457, 472–3  
transaction cost analysis 25  
trend-impact analysis 141–2  
trends, anticipating 193–4  
Turnbull et al. 24, 26  
Twedt, D. W. 288–90

## U

Udell, J. 204–5, 399  
umbrella branding 316  
uncertainty 161  
Uncles, M. 22  
Uncles et al. 22  
undifferentiated marketing 68–9, 413, 547  
Urban G. and Starr, S. 303  
usage segmentation 287–90  
user needs 342–4  
utility theory 166–7

## V

value-added and benchmarking 208–9  
value chain 205–8  
values 88  
    changes in human 184  
van Duijn, J. 188–90  
van Waterschoot W. 332  
Vasconcellos, J. A. 62  
Veblen, T. 228

venture teams 363  
vertical marketing systems (VMS) 421–2  
Virgin brand 316  
virtuous circle of best marketing practice  
    555–6  
vision, corporate 84–6, 487  
*Vision 2010* 553–5

## W

Waldrop, M. M. 26  
Wasson, C. 332, 334–5, 365–6  
Waterman, R. 487–8  
Webber, R. 282–3  
Webster, F. E. 5, 6, 20, 24  
Weitz, B. and Wensley, R. 4, 55  
Wensley, R. 64–5, 134, 267–8  
Wernerfelt, B. 26  
West, C. 201  
‘wheel of retailing’ 418  
Wickham et al. 348  
Williamson, O. E. 25  
Wilson, R. M. S. 516  
Wind, Y. 10, 271–2, 273–8, 299  
Wind, Y. and Mahajan, V. 357  
Wind, Y. and Robertson, T. S. 3, 4, 6  
Wong et al. 41  
Worcester, R. M. and Downham, J. 293–4  
Wynne-Jones, D. 83

## X

xerography 153

## Y

Yeshin, T. 431  
Young et al. 294, 296–9