

# MARKETING STRATEGY AND SEVENTH EDITION COMPETITIVE POSITIONING

GRAHAM HOOLEY  
BRIGITTE NICOLAUD  
JOHN M. RUDD  
NICK LEE

# **MARKETING STRATEGY AND COMPETITIVE POSITIONING**





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Seventh edition

# MARKETING STRATEGY AND COMPETITIVE POSITIONING

Graham Hooley • Brigitte Nicoulaud •  
John M. Rudd • Nick Lee



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# BRIEF CONTENTS

Preface	xi
Acknowledgements	xiv
Publisher's acknowledgements	xv
<b>PART 1</b> MARKETING STRATEGY	3
<b>1</b> MARKET-LED STRATEGIC MANAGEMENT	4
<b>2</b> STRATEGIC MARKETING PLANNING	28
<b>PART 2</b> COMPETITIVE MARKET ANALYSIS	55
<b>3</b> THE CHANGING MARKET ENVIRONMENT	56
<b>4</b> CUSTOMER ANALYSIS	94
<b>5</b> COMPETITOR ANALYSIS	114
<b>6</b> UNDERSTANDING THE ORGANISATIONAL RESOURCE BASE	140
<b>PART 3</b> IDENTIFYING CURRENT AND FUTURE COMPETITIVE POSITIONS	169
<b>7</b> SEGMENTATION AND POSITIONING PRINCIPLES	170
<b>8</b> SEGMENTATION AND POSITIONING RESEARCH	202
<b>9</b> SELECTING MARKET TARGETS	230
<b>PART 4</b> COMPETITIVE POSITIONING STRATEGIES	255
<b>10</b> CREATING SUSTAINABLE COMPETITIVE ADVANTAGE	256
<b>11</b> COMPETING THROUGH THE EVOLVING MARKETING MIX	287
<b>12</b> COMPETING THROUGH INNOVATION	320
<b>13</b> COMPETING THROUGH SUPERIOR SERVICE AND CUSTOMER RELATIONSHIPS	354
<b>PART 5</b> IMPLEMENTING THE STRATEGY	385
<b>14</b> STRATEGIC CUSTOMER MANAGEMENT AND THE STRATEGIC SALES ORGANISATION	387
<b>15</b> STRATEGIC ALLIANCES AND NETWORKS	423

<b>16</b>	STRATEGY IMPLEMENTATION AND INTERNAL MARKETING	452
<b>17</b>	CORPORATE SOCIAL RESPONSIBILITY AND ETHICS	485
<b>PART 6</b>	<b>CONCLUSIONS</b>	521
<b>18</b>	MARKETING IN THE TWENTY-FIRST CENTURY	522
	References	544
	Index	569

# CONTENTS

Preface	
Acknowledgements	
Publisher's acknowledgements	

## PART 1 MARKETING STRATEGY

### CHAPTER 1

#### MARKET-LED STRATEGIC MANAGEMENT

Introduction	
1.1 The marketing concept and market orientation	4
1.2 The resource-based view of marketing	5
1.3 Organisational stakeholders	6
1.4 Marketing fundamentals	12
1.5 The role of marketing in leading strategic management	14
Summary	19
<b>Case study:</b> LEGO builds new dimension with digital vision	23

### CHAPTER 2

#### STRATEGIC MARKETING PLANNING

Introduction	
2.1 Defining the business purpose or mission	28
2.2 The marketing strategy process	29
2.3 Establishing the core strategy	30
2.4 Creation of the competitive positioning	33
2.5 Implementation	34
Summary	44
<b>Case study:</b> Amazon eyes online sales boost through 'Fire' smartphone	47

xi	<b>PART 2</b>
xiv	<b>COMPETITIVE MARKET</b>
xv	<b>ANALYSIS</b>

### CHAPTER 3

#### THE CHANGING MARKET ENVIRONMENT

Introduction	56
3.1 A framework for macro-environmental analysis	57
3.2 The economic and political environment	58
3.3 The social and cultural environment	59
3.4 The technological environment	61
3.5 Changes in marketing infrastructure and practices	65
3.6 New strategies for changing macro-environments	68
3.7 The Five Forces model of industry competition	70
3.8 The product life cycle	72
3.9 Strategic groups	76
3.10 Industry evolution and forecasting	78
3.11 Environmental stability	81
3.12 SPACE analysis	83
3.13 The Advantage Matrix	85
Summary	87
<b>Case study:</b> Dyson: A British inventor pivots to Asia	89

### CHAPTER 4

#### CUSTOMER ANALYSIS

Introduction	94
4.1 What we need to know about customers	95
4.2 Marketing research	98
4.3 The marketing research process	106
4.4 Organising customer information	107
Summary	110
<b>Case study:</b> Amazon and Google lead way on virtual assistant dealmaking at CES	111



**CHAPTER 5****COMPETITOR ANALYSIS**

Introduction	114
5.1 Competitive benchmarking	115
5.2 The dimensions of competitor analysis	116
5.3 Choosing good competitors	118
5.4 Obtaining and disseminating competitive information	131
Summary	133
<b>Case study:</b> Adidas kicks off US drive to close in on Nike	136
	137

**CHAPTER 6****UNDERSTANDING THE ORGANISATIONAL RESOURCE BASE**

Introduction	140
6.1 Marketing resources as the foundation for differentiation	141
6.2 Value-creating disciplines	142
6.3 The resource-based view of the firm	143
6.4 Creating and exploiting marketing assets	145
6.5 Developing marketing capabilities	149
6.6 Dynamic marketing capabilities	158
6.7 Resource portfolios	159
6.8 Developing and exploiting resources	161
Summary	163
<b>Case study:</b> Why Ford is stalling in China while Toyota succeeds	164
	164

**PART 3****IDENTIFYING CURRENT AND FUTURE COMPETITIVE POSITIONS****CHAPTER 7****SEGMENTATION AND POSITIONING PRINCIPLES**

Introduction	170
7.1 Principles of competitive positioning	171
7.2 Principles of market segmentation	173
7.3 The underlying premises of market segmentation	175
7.4 Bases for segmenting markets	177
7.5 Segmenting consumer markets	177
7.6 Segmenting business markets	179
7.7 Identifying and describing market segments	189
7.8 The benefits of segmenting markets	193
7.9 Implementing market segmentation	194
	195

Summary	198
<b>Case study:</b> Turning right: First-class air travel is in decline	199

**CHAPTER 8****SEGMENTATION AND POSITIONING RESEARCH**

Introduction	202
8.1 A priori segmentation approaches	203
8.2 Post hoc/cluster-based segmentation approaches	205
8.3 Qualitative approaches to positioning research	208
8.4 Quantitative approaches to positioning research	215
Summary	217
<b>Case study:</b> How millennials became the world's most powerful consumers	225
	226

**CHAPTER 9****SELECTING MARKET TARGETS**

Introduction	230
9.1 The process of market definition	231
9.2 Defining how the market is segmented	233
9.3 Determining market segment attractiveness	235
9.4 Determining current and potential strengths	236
9.5 Making market and segment choices	244
9.6 Alternative targeting strategies	246
Summary	248
<b>Case study:</b> No-frills Ryanair faces test with Business Plus	250
	251

**PART 4****COMPETITIVE POSITIONING STRATEGIES****CHAPTER 10****CREATING SUSTAINABLE COMPETITIVE ADVANTAGE**

Introduction	256
10.1 Using organisational resources to create sustainable competitive advantage	257
10.2 Generic routes to competitive advantage	257
10.3 Achieving cost leadership	259
10.4 Achieving differentiation	260
10.5 Sustaining competitive advantage	263
10.6 Offensive and defensive competitive strategies	272
	274

Summary	285		
<b>Case study:</b> Volvo's heart will 'remain in Sweden'	286		
<b>CHAPTER 11</b>		<b>PART 5</b>	
<b>COMPETING THROUGH THE EVOLVING MARKETING MIX</b>		<b>IMPLEMENTING THE STRATEGY</b>	
Introduction	287	<b>CHAPTER 14</b>	
11.1 The market offer	288	<b>STRATEGIC CUSTOMER MANAGEMENT AND THE STRATEGIC SALES ORGANISATION</b>	387
11.2 Pricing strategies	300	Introduction	388
11.3 Communications strategies	305	14.1 Priorities for identifying strategic sales capabilities	391
11.4 Distribution strategies	311	14.2 The new and emerging competitive role for sales	394
11.5 The extended marketing mix – people, processes and physical evidence	314	14.3 The strategic sales organisation	397
11.6 New businesses and business models	315	14.4 Strategic customer management tasks	404
11.7 The connected marketing mix	317	14.5 Managing the customer portfolio	406
Summary	317	14.6 Dealing with dominant customers	408
<b>Case study:</b> How ABB FIA Formula E championship built a fan base from scratch	318	Summary	419
		<b>Case study:</b> Power of the 'mummies' key to Nestlé's strategy in DR Congo	420
<b>CHAPTER 12</b>		<b>CHAPTER 15</b>	
<b>COMPETING THROUGH INNOVATION</b>	320	<b>STRATEGIC ALLIANCES AND NETWORKS</b>	423
Introduction	321	Introduction	424
12.1 Innovation strategy	322	15.1 Pressures to partner	425
12.2 New products	337	15.2 The era of strategic collaboration	429
12.3 Planning for new products	340	15.3 The drivers of collaboration strategies	430
12.4 The new product development process	342	15.4 Network forms	434
12.5 Speeding new product development	348	15.5 Alliances and partnerships	436
12.6 Organising for new product development	349	15.6 Strategic alliances as a competitive force	440
Summary	351	15.7 The risks in strategic alliances	442
<b>Case study:</b> Apple moves into fashion business with Watch launch	352	15.8 Managing strategic alliances	443
		Summary	448
<b>CHAPTER 13</b>		<b>Case study:</b> UPS and FedEx turn focus to consumer behaviour	449
<b>COMPETING THROUGH SUPERIOR SERVICE AND CUSTOMER RELATIONSHIPS</b>	354	<b>CHAPTER 16</b>	
Introduction	355	<b>STRATEGY IMPLEMENTATION AND INTERNAL MARKETING</b>	452
13.1 The goods and services spectrum	359	Introduction	453
13.2 Service and competitive positioning	361	16.1 The strategy implementation challenge in marketing	457
13.3 Relationship marketing	364	16.2 The development of internal marketing	460
13.4 Customer service	369	16.3 The scope of internal marketing	461
13.5 Providing superior service	370	16.4 Planning for internal marketing	471
13.6 Customer relationship management	373	16.5 Cross-functional partnership as internal marketing	473
13.7 E-service quality	375	16.6 Implementation and internal marketing	480
13.8 Measuring and monitoring customer satisfaction	377	Summary	481
Summary	380		
<b>Case study:</b> Property portals hand control to homeowners	381		

**Case study:** Inter Ikea’s Torbjorn Loof:  
making the vision clear 482

**CHAPTER 17**  
CORPORATE SOCIAL RESPONSIBILITY  
AND ETHICS 485

Introduction 486

17.1 Marketing strategy and corporate social responsibility 490

17.2 The scope of corporate social responsibility 493

17.3 Drivers of corporate social responsibility initiatives 495

17.4 The other side of corporate social responsibility initiatives 497

17.5 Defensive corporate social responsibility initiatives 502

17.6 Corporate social responsibility and innovative competitive advantage 508

17.7 How companies are responding to the CSR mandate 512

17.8 CSR and customer value 516

Summary 517

**Case study:** Iceland Foods takes heat for bold environmental message 518

**PART 6**  
CONCLUSIONS

**CHAPTER 18**  
MARKETING IN THE TWENTY-FIRST CENTURY 522

Introduction 525

18.1 The changing competitive arena 525

18.2 Fundamentals of strategy in a changing world 529

18.3 Competitive positioning strategies 534

Summary 541

**Case study:** Twitter builds on its character 542

References 544

Index 569

# PREFACE

Since the sixth edition of this book, published in 2017, many economies around the world have continued to feel the aftershocks of the deepest recession since the Great Depression of the 1930s, which started with the well-publicised ‘credit crunch’. Despite continuing academic debate about the causes and extent, there is now little doubt that climate change and global warming is beginning to have a significant impact on our physical environment. Technology and the ever-growing acceptance and use of social media are having a profound effect on customer expectations, experience and behaviour.

Despite ongoing economic difficulties and turbulence, climate change has not been ignored, and it presents significant challenges and opportunities for businesses. Sustainable energy technologies, such as wind, solar, wave and thermal biomass, are now being pursued more vigorously and attempts to reduce energy consumption (of cars, buildings and airplanes) are creating new business opportunities. Increasingly, companies, public sector organisations, individuals and nations are adopting and implementing measures, such as sourcing more raw materials locally to reduce ‘carbon miles’ and limiting the use of high-emission travel options to reduce their carbon footprint.

In parallel, a technological revolution is in full swing: driverless cars are a reality, members of the Y generation communicate and share their feedback via social media, customers look for consistent experiences across all shopping channels, and even traditional business models such as the humble taxi have felt disruption – in this case from an app.

Within this context, throughout the seventh edition we have attempted to identify new approaches to doing business that promote sustainability, both for the organisations adopting them and for the environment (economic, social and natural) in which they operate.

*Marketing Strategy and Competitive Positioning* (7th edition) deals in general with the process of developing and implementing a marketing strategy. The text focuses on competitive positioning at the heart of marketing strategy, and includes in-depth

discussion of the processes used in marketing to achieve competitive advantage within the context introduced above.

The text is primarily about creating and sustaining superior performance in the marketplace. It focuses on the two central issues in marketing strategy formulation – the *identification of target markets* and the *creation of a differential advantage*. In doing so, it recognises the emergence of potential new target markets born of the recession, increased concern for climate change and disruption from ongoing technological advances. It examines ways in which firms can differentiate offerings through recognition of environmental and social concerns and innovation.

Topics examined include service quality and relationship marketing, networks and alliances, innovation, internal marketing and corporate social responsibility. Emphasis is placed on the development of dynamic marketing capabilities, together with the need to reassess the role of marketing in the organisation as a critical process and not simply as a conventional functional specialisation.

## The structure of the text

**Part 1** is concerned with the fundamental changes that are taking place in how marketing operates in organisations, and the increasing focus on marketing as a process rather than as a functional specialisation. The central questions of the market orientation of organisations and the need to find better ways of responding to the volatile markets, lead us to emphasise the market-led approach to strategic management and the framework for developing marketing strategy that provides the structure for the rest of the text. Our framework for strategic marketing planning provides the foundation for two critical issues on which we focus throughout this text – *choice of market targets* and *building strong competitive positions*. Central to this approach is the resource-based view of marketing and the need to develop, nurture and deploy dynamic marketing capabilities.

**Part 2** deals with the competitive environment in which the company operates, and draws specifically

on recent changes brought about by recession and concerns for sustainability. Different types of strategic environment are first considered, together with the critical success factors for dealing with each type. Discussion then focuses on the ‘strategic triangle’ of customers, competitors and company in the context of the environment (social, economic and natural) in which the firm operates. Ways of analysing each in turn are explored to help identify the options open to the company. The emphasis is on matching corporate resources, assets and capabilities to market opportunities.

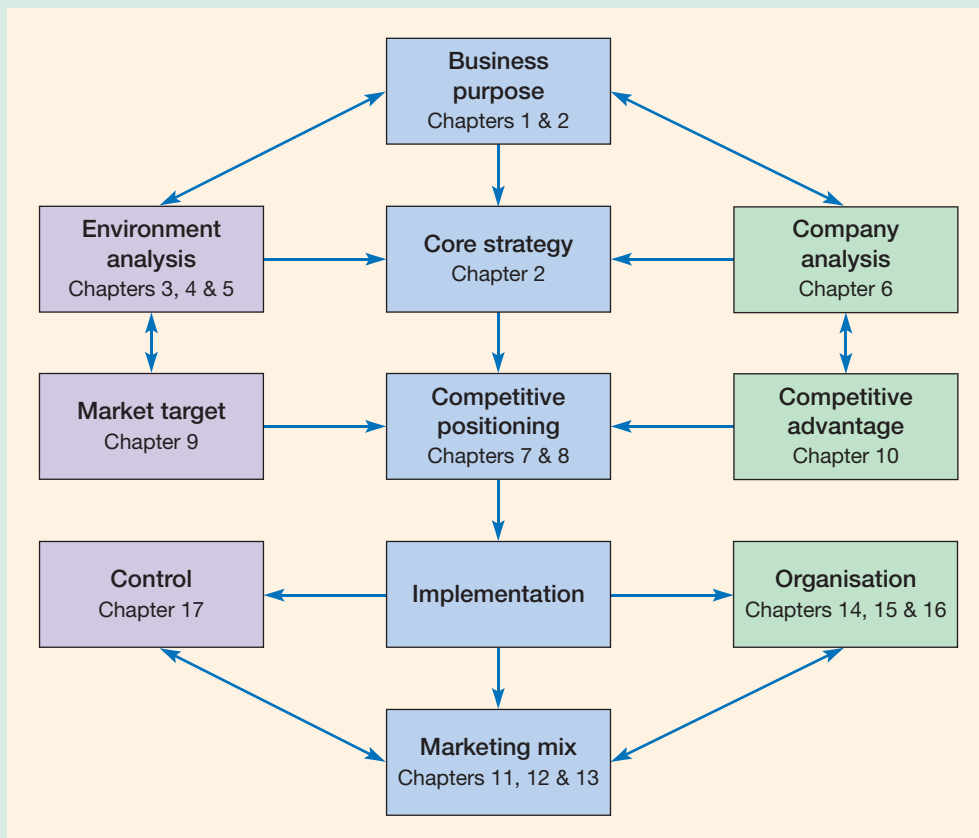
**Part 3** examines in more detail the techniques available for identifying market segments (or potential targets) and current (and potential) positions. Alternative bases for segmenting consumer and business markets are explored, as are the data collection and analysis techniques available. Selection of market targets through consideration of the market attractiveness and business strength is addressed.

**Part 4** returns to strategy formulation. The section opens with discussion of how to create a sustainable

position in the marketplace. Three chapters are concerned with specific aspects of strategy formulation and execution. The chapter on competing through the marketing mix has been retained from the sixth edition, and expanded to reflect increasing use of new media to promote, distribute and create market offerings. The roles of customer service in relationship building and innovation to create competitive advantage are considered in depth.

**Part 5** examines implementation issues in more detail. The section includes chapters on strategic customer management and corporate social responsibility, as well as updated chapters on strategic alliances and networks and internal marketing.

**Part 6** provides our perspective on future competition and competitors. Various themes from earlier parts of the text are drawn together in order to identify major changes taking place in markets, the necessary organisational responses to those changes, and the competitive positioning strategies that might form the cornerstones of effective marketing in the future.



Source: Hooley, Nicolaud, Rudd and Lee (2019).

## New to this edition

- Updated content to reflect ongoing economic turbulence and its impact on business and marketing.
- Coverage of the impact of emerging markets on issues of marketing and innovation, and new realities of competing through services, market analysis and segmentation.
- Increased emphasis on competing through innovation, including new business models/new types of retailing.
- Increased emphasis on competing globally in a digital world.

- Updated vignettes at the beginning of most chapters, and new case studies in many of the chapters.
- Updated online resources, including an Instructor's Manual and PowerPoint slides for instructors, along with additional case studies for students.

This text is ideal for undergraduate and postgraduate students taking modules in Marketing Strategy, Marketing Management and Strategic Marketing Management.



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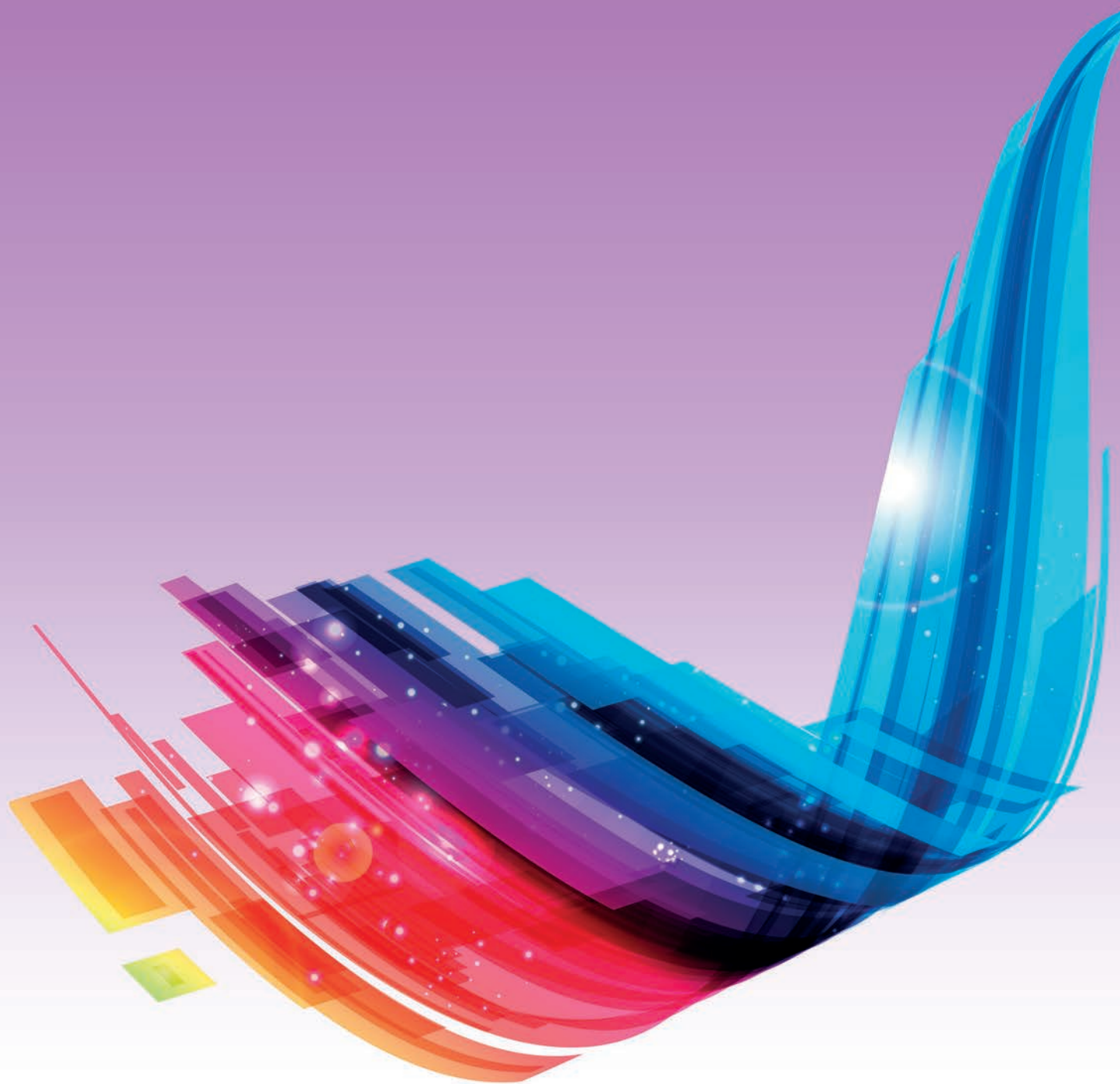
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# PART 1

## MARKETING STRATEGY

The first part of this text is concerned with the role of marketing in strategy development and lays the groundwork for analysing the two central issues of competitive positioning and market choices.

Chapter 1 discusses marketing as a process of value creation and delivery to customers that transcends traditional departmental boundaries. We examine the issue of market orientation as a way of doing business that places the customer at the centre of operations, and aligns people, information and structures around the value-creation process. We also recognise and explore the role of organisational resources in creating sustainable competitive advantage. The chapter concludes with a set of fundamental marketing principles to guide the actions of organisations operating in competitive markets, and identifying the role of marketing in leading and shaping strategic management.

Chapter 2 presents a framework for developing a marketing strategy that is adopted throughout the text. A three-stage process is proposed. First, the establishment of the core strategy. This involves defining the business purpose, assessing the alternatives open to the organisation through an analysis of customers, competition and the resources of the organisation, and deciding on the strategic focus that will be adopted. Second is the creation of the competitive positioning for the company. This composes the selection of the target market(s) (which dictates *where* the organisation will compete) and the establishment of a competitive advantage (which clarifies *how* it will compete). Third, implementation issues are discussed, such as the achievement of positioning through the use of the marketing mix and organisation and control of the marketing effort.

The ideas and frameworks presented in Part 1 are used to structure the remainder of the text, leading to a more detailed discussion of competitive market analysis in Part 2, segmentation and positioning analysis in Part 3, the development of competitive positioning strategies in Part 4 and strategy implementation issues in Part 5.



# CHAPTER 1

## MARKET-LED STRATEGIC MANAGEMENT

**'The purpose of marketing is to contribute to maximising shareholder value, and marketing strategies must be evaluated in terms of how much value they create for investors.'**

Peter Doyle (2008)

### Younger consumers drive shift to ethical products

By Alice Hancock in London

**From free-range meat to vegan haircare, demand for sustainable goods is rising**

In a busy north London supermarket the weekend before Christmas, the meat aisle is a hub-bub. Sarah Rymer, 32, picks her way through a shelf of whole chickens. She chooses a free-range bird. 'I've definitely become more conscious of what I buy in the past few years,' she says. 'It can be confusing, but I think it's worth the money.' Ms Rymer is one of an increasing number of shoppers driving the UK's £81.3bn market for ethical products and services. According to not-for-profit consultancy Ethical Consumer, the sector has grown by more than £40bn since 2008, with households spending an average of £1,263 on ethical goods last year. The ethical food and drink market alone was up 9.7 per cent, compared with 5.3 per cent growth in 2015. Businesses are seeing the appeal. For Thanksgiving this year Butterball, the US's largest turkey producer, launched its first organic range in response to increasing consumer demand, while earlier in the year UK sandwich chain Pret A Manger opened its second and third all-vegetarian outlets. Ikea, which says that it uses its sustainable credentials to set it apart from other affordable homeware brands, intends to use only recycled or FSC certified wood by 2020. Big consumer



With consumers showing increasing concern for animal welfare, demand has risen for free-range poultry

Source: Jamie McDonald / Staff/Getty Images.

product groups are making concerted efforts, too. French cosmetics company L'Oréal this month unveiled its first vegan hair colour products, aimed at boosting its flagging professional haircare division. As part of a steady strategy of smaller acquisitions, Unilever bought Sir Kensington, a maker of vegan mayonnaise, and Pukka organic teas. Its sustainable brands – those the company describes as 'combin[ing] a strong purpose delivering a social or environmental benefit' – grew 40 per cent faster than the rest of the business in 2016, it says.

Younger consumers are fuelling this response. YouGov data show that in the past year alone the proportion of 18- to 24-year-olds turning to vegetarianism for environmental or welfare reasons has increased from 9 to 19 per cent. And it is not just in their consumer habits. ‘We know that millennials want to work for companies that take this stuff seriously,’ says Rob Harrison, director of Ethical Consumer. ‘Lots of new start-ups have an ethical mission and it translates across into buying patterns.’ He is speaking to me on his Fairphone, marketed as ‘the world’s first ethical, modular smartphone’. Ben Gleisner is the founder of one such ethically minded start-up. In 2009, while working as an economist in the New Zealand treasury, he identified what he calls a ‘massive market failure’: businesses, unaware that customers were interested in ethical products did not invest in them, resulting in a ‘huge undersupply’. Conscious Consumers, the platform he has set up, provides retailers with data about customers’ ethical preferences. Shoppers sign up online and link their credit or debit card to the app. Whenever they spend money at businesses

registered with Conscious Consumers, data entered on their profile – from whether they would prioritise buying organic to whether they are interested in climate change or workers welfare – is sent to the retailer. In 2015 Mr Gleisner and his team ran New Zealand’s second-biggest crowdfunding campaign and in autumn next year it plans to launch in its first foreign market: the UK. Richard Collier-Keywood, previously managing partner of PwC UK, has come on board as a director. Mr Gleisner says that 16- to 35-year-olds – Generations Y and Z – are the strongest market. ‘Generation Z is the most environmentally and socially “aware” consumer market yet. Even more so than millennials,’ he says. The sticking point is cost. At higher-end supermarket Waitrose, where Ms Rymer is shopping, an Essential range chicken is £2.40 per kg while a free-range bird is £6.25 per kg – more than double the price. Josie Mallin, 27, who is shopping for a Sunday joint in the more affordable Morrisons supermarket nearby, chooses a standard chicken. ‘I try to buy ethically but say a normal chicken is £4 and an organic chicken is £10, I’m going to buy the normal one,’ she says.



Source: from ‘Younger consumers drive shift to ethical products’, *Financial Times*, 23/12/17 (Hancock, A.).

## Discussion questions

- 1 What issues is Conscious Consumers trying to address?
- 2 How is the company trying to address them?

## Introduction

In the quote that begins this chapter, Professor Peter Doyle highlights that the primary overarching goal for chief executives of commercial companies is to maximise shareholder value. However, is this at odds with the increasing awareness of, and attention to, environmental and social responsibility issues? Surely firms seeking to maximise shareholder value will pay scant regard to the natural and social environment in which they operate, taking what they can, irrespective of the consequences, in order to make a quick buck? Isn’t this the essence of market-based capitalism – red in tooth and claw?

Wrong! The essence of the shareholder value approach is the long-term sustainability of the organisation through the creation of *lasting* value. Indeed, Doyle also argues that shareholder value is often confused with maximising profits. Maximising profitability is generally considered to be a short-term approach (and may result in eroding long-term competitiveness through actions such as cost cutting and shedding assets, to produce quick improvements in earnings). Maximising shareholder value, on the other hand, requires long-term thinking, the identification of changing opportunities and investment in the building of competitive advantage.

The role of marketing in the modern organisation poses something of a paradox. As Doyle (2008) again points out, few chief executives come from a marketing background, and many leading organisations have no marketing directors on their boards. Indeed, in many firms, the marketing *function* or *department* has had little or no strategic input, and instead is largely concerned with public relations (PR), advertising or sales support roles. However, there has been a noticeable change over the last decade or so regarding the importance of the *marketing concept* in setting strategic direction and influencing the overall culture of firms. Indeed, marketing is now routinely discussed, and embraced as being influential and important, in sectors that might have previously considered its use as irrelevant – for example in not-for-profit enterprises, such as charities and the arts, political parties and public sector organisations such as universities and the police service.

Managers increasingly recognise that the route to achieving commercial or social objectives lies in meeting the needs and expectations of their customers (goods or services). The concept of the customer has always been strong in commercial businesses, and as supply has outstripped demand in so many industries, so customer choice has increased. Additionally, there has been a vast increase in information available to customers through media sources such as the Internet, and as a result power in the supply chain has shifted dramatically from manufacturer to retailer/supplier, to end customer. In a rapidly changing and increasingly complex world, organisations that don't have customer satisfaction at the core of their strategic decision making will find it increasingly hard to survive.

In the not-for-profit world, the concept of the 'customer' is taking more time to get established but is no less central. Public sector organisations talk in terms of 'clients', 'patients', 'students', 'passengers' and the like. In reality, all are customers, in that they receive some form of benefit through an exchange with an entity or service provider. Where customers can make choices between service providers (within the public sector or outside it), they choose providers who best serve their needs. Some private sector providers have successfully identified areas where customers have not been well served by the public sector, and have provided new choices (in healthcare, education, security services and transport, for example). Additionally, and conversely, where private service providers have not delivered promised levels of service/service improvements, they have been 'taken back' into public hands. For example, in 2019, Her Majesty's Prison (HMP) Winson Green in Birmingham (UK) was returned to public hands from the private provider (G4S) by the Ministry of Justice following a series of high-profile issues, and a very poor report from inspectors.

While organisational structures, operational methods and formal trappings of marketing can, and should, change to reflect new developments and market opportunities, the philosophy and concept of marketing, as described in this chapter, are even more relevant today than ever before.

This first chapter sets the scene by examining the marketing concept and market orientation as the foundations of strategic marketing, the role of marketing in addressing various stakeholders in the organisation, and the developing resource-based marketing strategy approach.

## 1.1

## The marketing concept and market orientation

### 1.1.1 Evolving definitions of marketing

One of the earliest examples of codification and/or definition in the development of marketing as a discipline was concerned with the marketing concept. Over 50 years ago, Felton (1959) proposed that the marketing concept is:

a corporate state of mind that exists on the integration and coordination of all the marketing functions which, in turn, are melded with all other corporate functions, for the basic objective of producing long-range profits.

More recently, Kotler *et al.* (1996) suggested that the defining characteristic of the marketing concept is that:

the marketing concept holds that achieving organisational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do.

At its simplest, the marketing concept holds that in increasingly dynamic and competitive markets, the companies or organisations that are most likely to succeed are those that take notice of customer expectations, wants and needs, and gear themselves to satisfying them better than their competitors. It recognises that there is no reason why customers should buy one organisation's offerings unless they are in some way better at serving their wants and needs than those offered by competing organisations.

As it probably should, the meaning and domain of marketing remains subject to evolution and discussion. To exemplify this, in 1985 the American Marketing Association (AMA) reviewed more than 25 marketing definitions before arriving at their own (see Ferrell and Lucas, 1987):

Marketing is the process of planning and executing the conception, pricing, planning and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives.

This has since evolved further, but very much embraces the broad ideas expressed in this initial definition. The AMA's current definition of marketing (from July 2013) is:

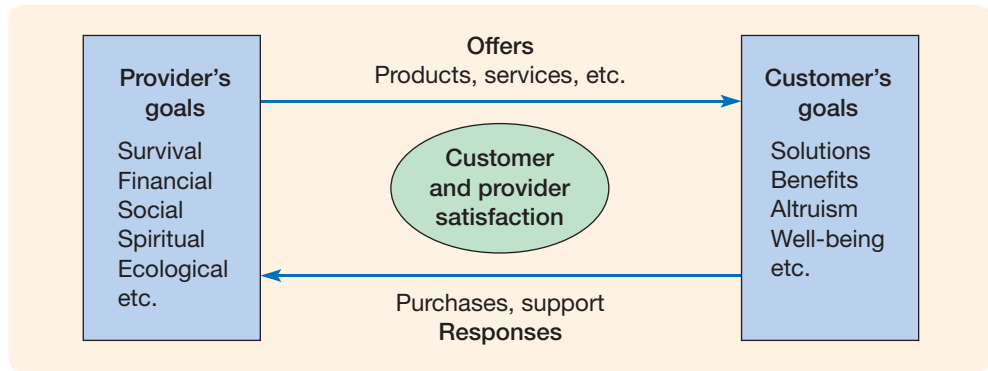
Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Taken together, the definitions position marketing as embedded within an organisation, and as something that has extensive impact outside the organisation. They also reinforce the centrality of the marketing concept, value, process, mutually beneficial exchange and customer relationships. These issues may, or may not, be managed by a marketing department or function. These definitions lead to a model of 'mutually beneficial exchanges' as an overview of the role of marketing, as shown in Figure 1.1.

Definitions of marketing are, of course, extremely useful. However, the reality of what marketing means operationally, and in reality, is a far more difficult topic. Webster (1997) points out that, of all the management functions, marketing has the most difficulty in defining its position in the organisation, because it is simultaneously culture, strategy and tactics. He argues that marketing involves the following:

- **Culture:** marketing may be expressed as the 'marketing concept' – that is, a set of values and beliefs embedded in employees that drives organisational decision making through a fundamental commitment to serving customers' needs, as the path to sustained profitability.
- **Strategy:** as strategy, marketing seeks to develop effective responses to changing market environments by defining market segments, and developing and positioning product offerings for those target markets.
- **Tactics:** marketing as tactics is concerned with the day-to-day activities of product management, pricing, distribution and marketing communications such as advertising, personal selling, publicity and sales promotion.

The challenge of simultaneously building a customer (or market) orientation in an organisation (culture), developing value propositions and competitive positioning (strategy) and



**Figure 1.1**  
Mutually beneficial exchanges

developing detailed marketing action plans (tactics) is complex. It is perhaps unsurprising that the organisational reality of marketing often falls short of the demands suggested previously.

### 1.1.2 Market orientation

Marketing Science Institute (MSI) studies during the 1990s attempted to identify the specific activities that translate the philosophy of marketing into reality, and hence achieve a market orientation. In one of the most widely quoted research streams in modern marketing that stemmed from the seminal, and still influential, Kohli and Jaworski (1990) study, market orientation was defined in the following terms:

a market orientation entails (1) one or more departments engaging in activities geared towards developing an understanding of customers' current and future needs and the factors affecting them, (2) sharing of this understanding across departments, and (3) the various departments engaging in activities designed to meet select customer needs. In other words, a market orientation refers to the organisation-wide generation, dissemination, and responsiveness to market intelligence.

This view of market orientation is concerned primarily with the development of what may be called market understanding throughout an organisation, and poses a substantial management challenge.

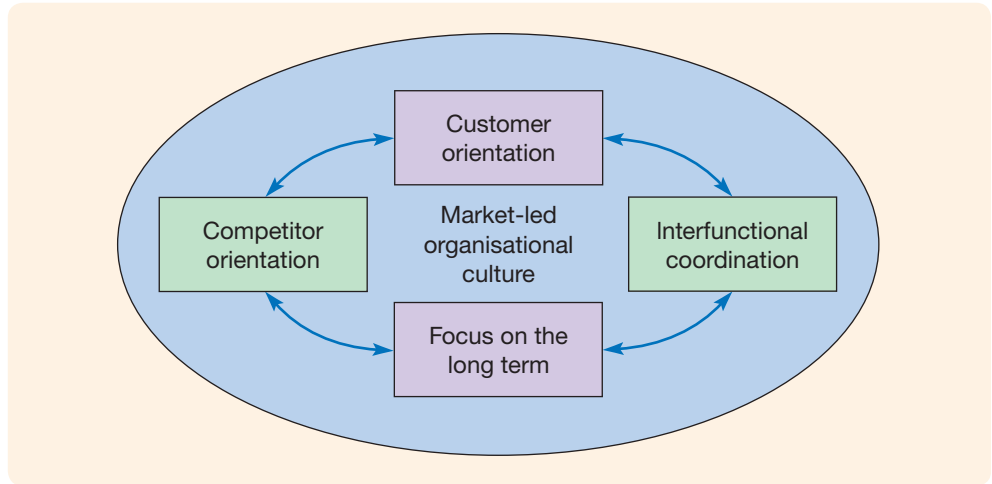
Another important contribution to this discussion, Narver and Slater (1990), defined market orientation as:

the organisational culture . . . that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business.

From this work a number of components, and in essence the context of marketing, are proposed (see Figure 1.2):

- **customer orientation:** understanding customers well enough to create superior value for them;
- **competitor orientation:** awareness of the short-term and long-term capabilities of competitors;
- **interfunctional coordination:** using all company resources, working together, to create value for target customers;
- **organisational culture:** linking employee and managerial behaviour to customer satisfaction;
- **long-term creation of shareholder value:** as the overriding business objective.





**Figure 1.2**  
Components and  
context of market  
orientation

To support these ideas, there is a significant and quite compelling amount of support for the view that market orientation is associated with superior organisational performance – that is, financial performance and non-financial performance such as employee commitment and *esprit de corps* (Jaworski and Kohli, 1993; Slater and Narver, 1994; Cano *et al.*, 2004; Kumar *et al.*, 2011).

However, it has also been suggested that there may be substantial barriers to achieving market orientation (Harris, 1996, 1998; Piercy *et al.*, 2002). The reality may be that executives face the problem of creating and driving marketing strategy in situations where the company is simply not market orientated. This is probably at the heart of many strategy implementation problems in marketing (see Chapter 16).

The ‘signs’ of market orientation can be summarised in the following terms, and underlines the links between them and our approach to marketing strategy and competitive positioning:

- Reaching marketing’s true potential may rely mostly on success in moving past marketing activities (tactics) to marketing as a company-wide issue of real customer focus (culture) and competitive positioning (strategy). The evidence supports suggestions that marketing has generally been highly effective in tactics, but only marginally effective in changing culture, and largely ineffective in the area of strategy (Day, 1992; Varadarajan, 1992; Webster, 1997; Varadarajan, 2012).
- One key is achieving understanding of the market and the customer throughout the company, and building the capability for responsiveness to market changes. The real customer focus and responsiveness of the company is the context in which marketing strategy is built and implemented. Our approach to competitive market analysis in Part 2 provides many of the tools that can be used to enhance and share an understanding of the customer marketplace throughout the company.
- Another issue is that the marketing process should be seen as interfunctional and cross-disciplinary, and not simply the responsibility of the marketing department. This is the real value of adopting the process perspective on marketing that is becoming more widely adopted by large organisations (Hulbert *et al.*, 2003). We shall see in Part 4 on competitive positioning strategies that superior service and value, and innovation to build defensible competitive positions, rely on the coordinated efforts of many functions and people within the organisation. Cross-functional relationships are also an important emphasis in Part 5.
- It is also clear that a deep understanding of the competition in the market from the customer’s perspective is critical. Viewing the product or service from a customer’s