6 Marketing to Create Value

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Entrepreneurs generally feel enthusiastic when discussing their product or service idea but less comfortable when asked about their marketing approach. Marketing can suggest advertising, selling or tricks to influence people to buy things that they do not need, at a price they perhaps cannot afford. Marketing does include advertising and selling, but it is not about manipulating customers. Fifty years ago the Chartered Institute of Marketing defined marketing as "the management process responsible for identifying, anticipating and satisfying customer requirements profitably" (CIM, 2007). It is both a way of thinking *about* and a function *within* business – an activity and a way of thinking. It is the part of an enterprise that thinks about the customer first; by taking a customer-centric view it better understands needs and wants. It can then actively use the resources available to provide the very best value goods and services and develop a long-term relationship with existing and potential customers. For many smaller businesses marketing can seem to be an expensive luxury but this chapter will consider how any new enterprise will benefit from both the ideas and actions of marketing.

Marketing and the enterprise

Not all enterprises claim profit as their main goal; some have other goals. Charities wish to create awareness, recruit volunteers and gather donations for their cause, while the health service works to cure illness and change behaviour to promote health. Even traditional, for-profit organizations may have other objectives requiring marketing thinking, such as recruiting the best employees or raising awareness of their corporate social responsibility activity. Multiple objectives and stakeholders necessitate a broader and more up to date definition:

> Marketing is…the strategic business function that creates value by stimulating, facilitating and fulfilling customer demand. It does this by building brands, nurturing innovation, developing relationships, creating good customer service and communicating benefits. With a customer-centric view, marketing brings positive return on investment, satisfies shareholders and stakeholders from business and community and contributes to positive behavioural change and sustainable business future. (CIM, 2007)

Marketing has been incorrectly criticised for being transactional, focussing on creating an initial sale. Good marketing strives to create longer-term relationships, where value is consistently delivered for mutual benefit.

Exercise

What are the differences between the two CIM definitions? Can marketing as a way of thinking and and as an action be separated? What other definitions of marketing are used across the world?

■ Which market?

This fundamental question should be tackled by every business. Defining the market determines who the customers and competitors are. It involves identifying influential macro environmental factors and drawing the boundaries within which the business operates. Levitt (1960) suggested that companies were myopic (short-sighted) when defining their business in narrow product terms. The railroads in the US failed to see the impact that air travel or motoring would have on their business. Had they identified their business as transportation they may have seen the threat posed by substitutes. Companies like Apple take a broad view and see their business as more than the design and manufacturer of computers. A growing 10% of their revenue is now generated from digital content through the App store, iTunes and iCloud (Dredge, 2014; Apple, 2015).

Value and exchange

Once an enterprise has determined which markets they wish to serve they need to think about how they can create value for customers. Fahy and Jobber (2012) identify four types of value:

- **Performance value –** the functional benefits achieved, i.e. what the product does, e.g. a mobile phone featuring new capabilities such as holographic projection. Competitors may be able to copy these tangible features relatively quickly.

- **Emotional value –** the intangible benefits based on consumer perceptions and how the product makes them feel. This is not easily copied. Luxury branded goods fall into this category.
- **Price value –** low prices and saving money. Aldi is an excellent example of a company benefiting from everyday low pricing (E.D.L.P.).
- **Relationship value –** developed between a company and its customers, evident in personal services such as hairdressing. Many physical goods also add value by developing customer relationships (e.g. Moonpig, the on-line greetings card retailer sends reminders of birthdays and anniversaries).

As we can see, tangible or intangible offerings are valued where benefits are clear. Value creation is a two-way process and both the customer **and** the organization must benefit. An organization must fulfil its own objectives to continue creating customer value. Value is about exchange; at the simplest level customers exchange money for products or services and the business profits from this transaction. But not all exchanges are about money and profit (see Table 6.1).

Table 6.1: The nature of exchange

Enterprise	Provides	For	Who exchange	Organization objective
Bakery	Bread and confectionary	Customers	Money	Profit
Bank	Salary/wages	Employees	Time and skills	Profit
Public hospital	Healthcare	Citizens	Taxes	Improved community health
Charity	Training	Volunteers	Time and skills	Widely available services

What does marketing do?

If every employee thinks about how they personally can add value for the customer, the part-time marketer is born and the marketing department becomes obsolete (Gronroos, 1990). But the professional marketer offers various skills in research, managing and running promotional campaigns, assisting sales force activity, pricing and forecasting. They act as:

- **Customer champions**, representing customers in all decision making and reinforcing commitment to customer value

- **Brand guardians**, protecting brand values when making decisions about the marketing mix.

Put simply, the marketing department combines a number of ingredients to provide customer value. The number and names of these ingredients has been debated over time, but the functions or activities of marketing are commonly referred to as the *marketing mix* (McCarthy, 1960) or the four Ps. The marketing mix includes:

- **Product** – what is offered, what are the benefits and value?
- **Price** – how much the company charges or the cost to the customer.
- **Promotion** – communication between the business and the consumer.
- **Place** – where and how the product is obtained, customer convenience created.

For a services market three additional Ps are generally included. These are:

- **Physical evidence** – the location and the look of the business.
- **Process** – how the service is organized and delivered.
- **People** – the service personnel who deal with the consumers.

Before examining the marketing mix in more detail the customer should be identified. A parent may buy goods (customers) used by the family (consumers) but all family members influence the decision. In a business-to-business (B2B) market, the influencers can include engineers, users, finance and specifiers. Where goods are sold through retailers or wholesalers, a priority is to ensure the product is available and marketing efforts need to be targeted towards the retailer. Marketers must therefore consider the needs of the whole decision making unit in determining the most appropriate marketing mix.

Segmenting the market

It can be difficult for an entrepreneur to understand that not everyone is in love with their product, brand or service idea. Not all customers are the same and this is why segmentation is important.

Segmentation is the essence of marketing. Levitt (1986) said: “if you’re not thinking segments you’re not thinking” (1986:128). Segmentation breaks up a larger market into smaller homogenous groups of people who share similar needs. People within each segment have similar characteristics but segments should be as distinctive as possible. Segmentation allows a business to get to know customers and concentrate efforts on using their resources to meet those