PRINCIPLES OF MARKETING
A VALUE–BASED APPROACH

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1 THE PURPOSE OF MARKETING

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LEARNING OUTCOMES
The content of this chapter will help you to:

● Understand the relevance of value and how this underpins what marketing is about
● Explain the key concepts associated with marketing
● Define marketing from the perspective of value creation and delivery
● Discuss evolutionary trends in marketing to map out changing value orientations
● Explain marketing as a philosophy and function of business
The Purpose of Marketing

INTRODUCTION

For quite some time, marketing analysts have been trying to answer some fundamental questions about the relevance and purpose of marketing in business organizations. Some of the questions include wondering why some companies out-perform others in any given sector? Is it because they:

- Provide ‘better’ products (if we can understand how ‘a better product’ should be defined)?
- Have better resources and access to the market?
- Are stronger or larger than the competition?
- Can sell more products or have more customers than the competition?

There are no clear-cut answers to these questions. However, a synthesis of the literature suggests that companies with sustained records of out-performing their competitors usually have a strong value orientation. It is this value orientation that really accounts for the distinctive capability of a successful company. This is illustrated by a quotation from a famous marketing scholar: ‘Show me a success story and I will uncover a distinctive capability’ (Day, 2003, p. 23). It is now widely accepted that a distinctive capability underlies how companies might differ competitively and embodies a company’s value configuration.

Marketing in action

Nokia: fighting back on customer-based value

Nokia was once a ‘global superstar’ and world market leader in mobile phones. It sold more smartphones than any of its competitors during the past decade but its market share had progressively declined in recent years. With both Samsung and Apple overtaking Nokia in smartphone sales, many people are beginning to forget that Nokia was actually the first company to introduce the smartphone device during the 1990s. However, Nokia is beginning to fight back to regain market share by focusing customer-based value through the use of price-competitive products and social media to reposition in the market. It is a matter of returning to the basics of what made the company popular in the early years – that is, its ability to tap into and connect with consumer values in relation to economy, versatility and affordability of products.

Several years ago, the company unveiled a new range of cheap products such as E7, C7 and C6 (now all discontinued) which it intended to use as weapons for fighting the smartphone wars. During an event that was appropriately termed ‘Nokia World’, the company’s then Executive Vice President (Markets), Niklas Savander, declared to delegates that: ‘We are not going to apologise for the fact that that we’re not Apple or Google or anybody else. We’re Nokia and we’re unique.’ By this strategy, the company aims to regain market attraction through its wide assortment of apps-loaded and price-competitive smartphones to appeal to a broad range of users. It has also teamed up with Microsoft to introduce the Lumia range, phones compatible with an emerging standard for wireless charging and in some cases also coupling in the necessary hardware and apps to enable users to pay for store purchases by simply tapping the phone on electronic payment card terminals. Recognising the growing potential of social media in mass marketing strategy, the company has introduced major improvements that would make it more lucrative and easier to introduce new apps. In all these, the organization wants to be seen as a company that makes great mobile products to satisfy a huge bundle of customer-based value needs.
As shown in Figure 1.1, customer satisfaction is closely linked to, and a desired outcome of, how value is orchestrated in a company. The process reflects the inter-connections between different activities that give force to a firm’s ability to offer a superior bundle of value to customers.

Value configuration represents the processes through which a firm anticipates, creates, delivers and monitors what the customer values. Effective marketing is grounded in valid and insightful monitoring and enhancement of the sources of customer value. For a success-oriented company, sources of value might be evident in spheres such as technological leadership, product innovativeness, environmental sensitivity and quality of customer relationship processes. Therefore, the role of marketing is to illuminate the manifestation of superior customer value and use this as a source of competitive advantage in terms of improved customer satisfaction, customer loyalty, market share and profitability (see Figure 1.2).

Effective value configuration is a solid foundation of successful marketing and, indeed, an enduring source of advantage. Essentially, the ability to create and deliver superior value is paramount to any company’s long-term growth and sustainability. In fact, a company’s long-term success hinges on offering customers the ‘best value’. What may be considered best value by customers is dynamic and changes with time and circumstances. Therefore, value needs to be constantly created, nurtured,
implemented and appreciated. Without this, the company will become competitively disadvantaged, resulting in an erosion of profitability and shareholder wealth.

Example 1.1: Value-oriented marketing at Kellogg’s

Kellogg’s, a world-leading producer of cereals, is widely known for creating and delivering value to its customers over ten decades. The success recorded by this company over the years is a sure proof of how it has continued to reinvent and reposition in consumer value maps.

The firm is passionate about delighting its customers. Its commitment to ensuring that customers have a great and delicious start to the day, with a Kellogg’s brand of breakfast cereal, is demonstrated in how it positions its products to delight consumers. Kellogg’s business revolves around processing grains into various end-products for specific consumer targets. Its choice of business line is greatly linked to the benefits of grains, which (as stated on its website) include being rich in carbohydrates and low in fat. The effort of this organization in ensuring that its customers have value has prompted its introduction of various forms of offerings such as cereals, biscuits, crisps, bars and fruit-flavoured snacks.

Its sales figures in 2011 were over $13 billion and it acquired the iconic Pringles business in May 2012 as a means of expanding further towards targeting and satisfying more customers. It is therefore not surprising that it is acknowledged in 2013 as one of the ‘world’s most reputable companies’ by Forbes and one of the ‘world’s most admired companies’ by Fortune.
DEFINING MARKETING FROM A VALUE PERPSPective

Marketing is a living subject mainly because it is dynamically evolving. This is what makes it hugely difficult to define precisely. The principal difficulty lies in the fact that the aspirations or expectations of primary marketing stakeholders (such as consumers, producers, suppliers, distributors, society) are in a perpetual state of flux and susceptible to dynamically continuous change. As the underlying aspirations or expectations change, so also does the understanding of what marketing means. To disentangle the complexity surrounding the definition of marketing, it is important first to outline its core concepts.

CORE CONCEPTS IN MARKETING

Figure 1.3 highlights the core concepts of marketing. An understanding of these concepts affords significant insights into how customer value might be conceived, created and delivered by a company. These core concepts include needs, wants, demand, market offering, exchange, satisfaction and profits. A brief discussion of these concepts follows.

**Needs:** Put simply, a need can be described as the difference between a person’s current state and their desired state. We often hear people say ‘I need a car’. This simply means that the individual feels there is a discrepancy between his/her current state of not having a car (which may be a constraint to travelling around) and the desired state of acquiring one to ease travel constraints. At a most basic level, marketing is about meeting consumers’ needs. So, it resolves consumers’ state of felt deprivation.
(unmet needs). Consumer needs may be categorized on two levels: primary needs (such as food and clothing) and secondary needs (for example, luxury goods such as cars, designer shoes and perfume).

A popular theory of motivation, the hierarchy of needs, proposed by Abraham Maslow, can be very helpful here. He suggests that human needs can be arranged in a hierarchical order, ranging from basic-order to high-order needs: physiological needs, safety and security, love and belongingness, esteem needs and self-actualization (see Figure 1.4).

So, it is possible for consumers to be operating at different levels on the needs hierarchy. Each consumer’s position on the ladder will influence the type of product or service s/he buys in order to satisfy his/her needs.

**Wants:** These are desires for particular offerings that will satisfy the felt or identified deprivation. It is important to state that consumers’ wants are influenced by a number of factors such as personality, lifestyles, life history, learning and culture. For instance, it is possible that two friends may have a need for food at the same time. However, while one might prefer to buy chicken and chips, based on her lifestyle, the other may decide to consume crispy noodles with mixed vegetables, not only because she is a vegetarian but also based on her doctor’s advice. What differentiates wants from needs is the diversity in the offerings used to satisfy the basic need. These two friends both need food but each of them wants a different type of food.
**Demand:** This represents effective consumption-driven action, aimed at fulfilling wants and satisfaction of needs. Essentially, demand could be explained as consumers’ wants for an offering coupled with purchasing power. A good number of people may desire a particular product or brand but this can only become an effective demand when the desires are backed up by purchasing power.

**Market offering:** Market offerings are ‘**something of value**’ – tangible or intangible products that a firm puts out to the customer in the hope that such will satisfy their needs. Market offerings are the bases upon which value can be measured. They can take several forms such as physical products, services, ideas, people, places, information and organization. As an example, while consumers pay to buy physical electronic products from companies such as Sony and Apple in value-creation and value-delivery transactions, they will also pay for services such as those provided by British Airways and Barclays Bank. This further emphasizes that the key focus in marketing transactions is value.

**Exchange:** This involves swapping something considered to be of value between two or more parties, usually the producer (marketer) and the consumer. See Figure 1.5. Although we have explained the importance of needs, wants, demands and market offerings, they are brought together in marketing in a reasoned form through the notion of exchange. Some decades ago, a detailed explanation of exchange was provided by Bagozzi (1975), who explains that there are three forms – ‘**restricted exchange**’, ‘**generalized exchange**’ and ‘**complex exchange**’. The restricted exchange is a two-party reciprocal relationship which may be described in the form of A↔B, meaning that A gives to B and receives from B. The generalized exchange refers to a system of univocal, reciprocal relationships among at least three factors in the exchange system. In a univocal reciprocity situation, the three or more parties do not benefit from each other directly but do so indirectly. This generalized exchange situation can be diagrammatically represented as A→B→C→A. Unlike the other two exchange forms, the complex exchange is a system of at least three actors with mutual relationships. The relationship can thus be described as A↔B↔C. So, it is logical and very important for us to state at this stage that a marketing exchange will involve at least two parties. For example, recall the last time you bought a loaf of bread. You paid an amount of money that you considered right for the bread while the seller collected the money in return for the bread released to you. Without this exchange, marketing cannot be deemed to have taken place.

![Figure 1.5: Exchange and marketing](image-url)
Satisfaction: Since marketing is partly about the exchange of something of value between transacting parties, a relationship is bound to exist between the parties involved. This relationship could take several forms just like the relationships we keep with different people. Some can be more intimate than others. Some started well but stopped for certain reasons, while some are enduring. Marketers stand to benefit from developing and maintaining a very good relationship with their various customers. One of the key factors and arguably the most important reason why buyers remain in a relationship with marketers is the satisfaction they derive from their transactions with the firm. Usually, satisfaction is closely linked to customers’ expectation and actual experience of the product or service involved. For the customer to be satisfied, marketers will need to ensure that the products or services offered match or exceed customers’ expectation. Conversely, if the customers’ experience falls short of their expectation, then dissatisfaction is deemed to have occurred.

Customers that are satisfied are most likely to engage in repeat purchases and subsequently become loyal. Conversely, the dissatisfied customer will not only stop buying but will most likely tell friends, family and neighbours not to buy the product. So, it is important for marketers to ensure that every activity involved in serving customers is geared towards satisfying them in order to maintain the relationship.

Example 1.2: The market offerings of Virgin

The Virgin Group, originally founded by Richard Branson, has grown to become a formidable force in many market sectors. The organization has a number of market offerings which include mobile phone services, air travel, rail travel, credit cards, cosmetics, holidays, music and a host of others. But something common to all the product lines is that they are all in the unique, value-oriented positioning of the company which make the organization a globally respected brand.

In all, Virgin communicates that it stands for innovation, value for money, quality, fun and a sense of competitive advantage. Thus, the organization enjoys high customer patronage and loyalty in many of its business areas. The lesson from Virgin is that successful organizations often approach their markets from the perspective of customer value. The organization demonstrates an understanding that repeat purchases, brand loyalty and positive word of mouth by customers are important ingredients of success. To remain on top of the game in the marketplace, whether a company provides only one market offering or very many, as in the case of Virgin, its key focus should be on ensuring the delivery of customer value that is superior to that of its competitors.

Profits: A salient factor in the explanation of marketing thrusts is profit. For a marketing relationship to continue smoothly, it is important for both parties to derive benefits. Profit is a key benefit derived by the marketer from the marketing relationship while the customer gets the satisfaction from the product or service paid for. A company cannot survive for long without profits. But this is a complex issue because of lack of agreement on how profit might be measured. Further complications are added by the presence of non-profit-making organizations that are now embracing and integrating marketing principles in their operations. For such not-for-profit organizations, the core focus in business is not about profit-making because their
survival is mainly ensured through donors’ financial support. Nevertheless, they are also increasingly under pressure to satisfy their stakeholders through meeting their needs and value expectations.

**TYPES OF MARKET**

If the practice of marketing is based on the key concepts of value creation, exchange, satisfaction and relationships, then the term ‘market’ can be seen to cover a variety of situations. Different people have different views as to what constitutes a ‘market’. For example, there is the stock market, the labour market, the tech market, the supermarket and so on. To view this on a very simplistic level, each individual is unique in terms of their background, culture, religion, language, household composition, consumption patterns, interests, aspirations and goals. A market is therefore an attempt to define a discrete set of actual or potential buyers of a product or service who possess common needs or wants coupled with a willingness, authority and purchasing power to buy that product or service. A market can also comprise individual consumers or organizations. In order to achieve some understanding of the types of market that organizations compete in, we can look briefly at common types of market below.

**Consumer markets:** These comprise consumers of goods and services. Consumers are the end-users of the marketed product and are normally the target of marketing activities generated by business. Examples of consumer goods include ‘brown’ goods (such as televisions), ‘white’ goods (such as dishwashers), common household items and foodstuffs (such as baked beans).

**Business or industrial markets:** These markets are characterized by goods and services that are generated by business for the exclusive use of business. These could include products and services that are used in the manufacture of other goods and services, either for the consumer market or for further resale in the business-to-business market.

**Product markets:** These can be split into tangible product markets (such as washing machines) or intangible markets, which are normally characterized by services (such as insurance and banking). The important point to remember here is that the end-user normally buys a ‘package’ of both goods and services. For example, when a buyer purchases a washing machine (tangible) there is also included a guarantee, a maintenance scheme, the brand name and so on (see Chapter 6). The customer can be seen in some circumstances to consume both tangible and intangible goods and services in one purchase package.
Not-for-profit markets: As the name suggests, this market consists of organizations for which an operating profit is not the primary business strategy. Examples will include museums, galleries, charities (sometimes called ‘third sector’), universities, churches and hospitals. Such organizations normally have an emphasis on donations and focus on what is called ‘donor marketing’.

Government markets: These markets normally comprise government agencies and can include defence, public health, transport and so on. The nature of the markets is that contracts are tightly monitored and result from a tendering process. These markets should be seen at a ‘macro’ level and are invariably concerned with services or industries that are government controlled or have national significance.

Public sector markets: These are very similar to the government markets but are on a local scale. Again, the tendering process for contracts is typical of this sector, which looks for best value.

Global markets: We live in an age of globalization where companies compete across the global stage. This can be business to business or business to consumer. The characteristic of these markets is the ability of an organization to take advantage of lower cost bases available around the world while also localizing their product in the market. This is termed an ‘Act global, think local’ or ‘glocal’ strategy.

We can see that there are many other ways to define a market and this sometimes involves segmenting the generic market. For example, the white goods market could be segmented into refrigerators, deep freezers, dishwashers and washing machines, all of which could have their own distinct characteristics or drivers. It is up to the marketer to define the market properly in order to develop suitable marketing strategies and tactics to compete in that market.
MARKETING SYSTEM AND VALUE DELIVERY

The marketing system explains the interrelationship of the actors and elements that influence how organizations fulfil their value-creation and value-delivery goals for their target markets. The key components are the suppliers, marketers, channel members, customers and various value-seeking participants in the marketing system.

Figure 1.6 demonstrates how the key elements in the system are anchored on the notion of value creation and delivery. This process begins with the suppliers of the relevant raw materials, whose activities make it possible for the marketers to produce the outputs needed by consumers in the right form. Channel members are responsible for providing time, place and possession utilities. They play significant roles in ensuring that customers derive value from the transactions. As the figure shows, the activities of competitors relate to all the elements in the system including the customers.

Towards a value-based understanding of marketing

The starting point is the concept of 'more for less'. The underlying assumption is that the 'average customer' is a 'utility maximizer' – striving to maximize benefits from market interactions (however defined) and minimize their outputs for acquiring those benefits. This suggests that consumers would want more (delivered value) for less cost (monetary cost, time cost, energy cost, psychic cost and so on). For this reason, consumers are strongly attracted to companies that they perceive to offer the highest value. In a way, just as companies desire to make profits, so also do consumers. According to this concept of more for less, when a customer believes that value received from a transaction outweighs the cost, then she or he has made a profit.

As shown in Figure 1.7, customer net value (CNV) tends toward maximization when total customer value (TCV) increases in an inverse proportion to total

*Value is the perceived benefits minus the perceived costs in terms of time, money, or emotions.*

(Solomon et al., 2009, p. 29)
customer cost (TCC). That is, CNV will increase if TCV increases at a faster rate than TCC. This can be represented as follows: CNV = TCV – TCC.

![Figure 1.7: Customer value](image)

It needs to be pointed out that the concept of value is multidimensional and can be interpreted differently by different stakeholder groups in the marketing system (see Figure 1.8). For example, shareholders may be inwardly more interested in profit maximization but this can only be achieved if profit-creating customers are attracted to what the company offers.

**THE CONCEPT OF VALUE EMBODIED IN THE PURPOSE OF MARKETING**

So far, we have deliberately avoided a one-size-fits-all, *universalistic* definition of marketing. This is because the values that drive marketing activities are continually changing and, as a result, profoundly expanding the frontiers of the marketing paradigm. Achrol and Kotler (2012) emphasize the point that there has always been an evident dynamic shift in marketing ethos since the origin of the discipline.

One of the more recent and equally rigorous attempts at constructing a definition of marketing was offered by Voss and Gilliam (2012), who argue that a definition process needs to integrate different dimensions of the *purpose of marketing*, not just one dimension. This means that, to gain a thorough understanding of marketing, there also needs to be deep reflection on the issues of the *purpose, process, contents, outcome/benefits* and *consequences*. Much earlier, almost working from this philosophical base, Keith Blois suggested that the meaning of marketing can be understood in ‘five simple questions’ (Blois, 1989).

**Think and discuss**

What is your understanding of ‘value’? Consider Figure 1.8. Try to map out the value of each stakeholder and explain their interrelationships.
Marketing in five ‘simple’ questions

- Who are the customers?
- What does the customer want?
- Why does the customer make a purchase?
- Why should the customer make a purchase from my company?
- Why does my firm wish to supply the customer?

Underpinning the questions, either individually or collectively, is the concept of value. This concept is materially and symbolically crucial because it strategically lies at the heart of how marketers:

- Define their activities (that is, which market to serve, how and with what product)
- Understand what customers really want (needs and wants as a source of value composition)
- Design and deliver value propositions to the customer
- Differentiate their companies from the competition through, for example, a strong brand or corporate equity
- Generate added value for the business (that is, through profitability, stronger market share and market positioning or other measures that embed a firm’s market and competitive strength)
The Purpose of Marketing

General definitions of marketing

**American Marketing Association (AMA):** '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.' (2007)

**The Chartered Institute of Marketing (CIM):** 'Marketing is the management process responsible for identifying, anticipating, and satisfying customer requirements profitably.' (2001)

**Kotler and Armstrong:** 'The process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.' (2014, p. 27)

**Dibb, Simkin, Pride and Ferrell:** 'Marketing consists of individual and organizational activities that facilitate and expedite satisfying exchange relationships in a dynamic environment through the creation, distribution, promotion and pricing of goods, services and ideas.' (2012, p. 8)

To gain a sense of dynamic movements and value/philosophical shifts in marketing, we next consider how marketing has evolved and, importantly, the values that underlie the evolution.

**EVOLUTIONARY TRENDS IN MARKETING**

Marketing scholars have come up with a variety of frameworks to describe how marketing has evolved, though this should not be confused with the *history of marketing* (that is, the evolution of marketing thought), which is a topic of interest at an advanced stage in the study of the subject. A very popular framework that chronicles the evolution of marketing (see also Figure 1.9) outlines the stages that encompass the following:

- Production concept era
- Product concept era
- Selling concept era
- Marketing concept era
- Societal marketing concept era

**Production concept:** Approaching marketing from this perspective involves concentrating effort on attaining efficiency in production and ensuring wide distribution of the offering. The assumption is that the key factors that define value for the customers are *product availability and affordability*. Accordingly, the role of marketing was to ensure low-price value, usually in the form of mass production and intensive distribution.
Product concept: In this phase, the key focus is on product quality. It assumes consumer value to be inherently linked to the availability of products of highest quality and performance. Hence, the marketing role was to offer products that the company determined to be of ‘best value’ to the consumer. A classic example was Ford’s Model T, where the company was severally cited to have said that customers could have any colour ‘so long as it’s black’. The focus is on the product and not on the customer. Nonetheless, consumers’ perception of quality varies and may be different from the firm’s. This is the main difficulty associated with this orientation to marketing.
Selling concept: The key factor emphasized in the selling orientation is sales stimulation. You may have heard people argue that ‘a good product sells itself’. Those holding this view speak from the perspective of consumer satisfaction associated with a good offering, which often leads to repeat purchase, and possibly loyalty. However, if explored superficially, the expression could mislead by suggesting a marketing operation with no marketing communications budget. On the contrary, this is what the selling concept challenges. The belief of firms that practise the selling orientation is that the success of the organization is a product of various forceful promotional strategies aimed at convincing consumers to select the firm's product or brand over competitors' offerings. Hence, however good a product may be, consumers will not be in a position to consider buying it if they are not made aware of it. If considered very deeply, it will become clear that this approach is not about customer satisfaction or engendering a good and long-term relationship with the customer. It is about giving the firm the opportunity to make as many sales (and possibly as much profit) as possible from the transactions. That is the major downside of this approach.

Marketing concept: This emphasizes customer satisfaction and long-term relationship. Logically, for target customers to be satisfied, it is imperative that the firm should identify their needs and wants, and design the marketing mix elements to meet those needs and wants more efficiently and effectively than competitors do. This is the focus of marketing orientation.

Societal marketing concept: Much as the marketing concept seems good for both customers and the firm, it is short of perfect if it fails to incorporate the preservation of societal welfare into the scheme of things. The factor that primarily constitutes the value in this orientation to marketing is sustainability. Nowadays, consumers are more informed and are increasingly challenging firms to be more responsible to society. So, it is not surprising that, in addition to providing products or services in the exact form that consumers will love, using appropriate pricing, distribution and promotion strategies, most firms now emphasize their degree of environmental friendliness in order to woo customers. This takes a myriad of forms such as encouraging the recycling of packaging, promoting healthy consumption, safe disposal of by-products and many more.

MARKETING AS A FUNCTION AND PHILOSOPHY OF BUSINESS

Marketing has been recognized as a relatively new subject area that borrows freely from other disciplines such as economics, psychology and the behavioural sciences. Is marketing then an art or a science? The answer is that it is both! If we take a positivist view, then marketing exhibits objectivity (it takes a detached viewpoint of a particular situation), is measurable (it measures sales, brand recall, profit and so on) and is similar to a scientific process in that we can draw conclusions from the interaction of force A on force B to give a known outcome. However, it also exhibits a post-positivist view in that it is unlike the natural sciences, being based on the premise that the true meaning of phenomena is best discovered through qualitative
Example 1.3: Societal marketing concept at Marks and Spencer (M&S)

Marks and Spencer, a British retailing organization, has been proactive in its social consciousness strategies. Essentially, its business consists of 51 per cent food and 49 per cent clothing and homeware products. The Group’s revenue for 2012 was £9.9 billion, which represents an increase of 2 per cent on the figure recorded for the previous year – an indication of customers’ appreciation of what the company is doing.

M&S is the UK market leader for womenswear, lingerie and menswear, but something else that significantly contributes to its success and popularity among its customers is the company’s green credentials. It has shown commitments to improving the environment and healthier living conditions. For example, through its Plan A programme, the company demonstrates clearly to all its stakeholders, including customers, its intention to become the world’s most sustainable retailer. Its eco and ethical programme is at the heart of how it practises its marketing activities. Through this plan, which was launched in January 2007, the organization is now working with customers and suppliers to combat climate change, use sustainable raw materials, reduce waste, trade ethically and help customers to maintain a healthier lifestyle. There were 100 Plan A targets when the programme was launched and that number has now increased to 180 to be achieved by 2015. So far, it has successfully achieved 138 targets and is making significant efforts to improve this record in the years to come. The organization makes the point clearly that marketing is not just about providing products or services and making profits, but also about ensuring a responsible approach that embraces environmental sustainability.

approaches. Marketers should adopt both perspectives as befits a discipline that borrows from both the natural sciences and the social sciences.

The discipline, as has been seen above, has not always been the dominant business paradigm. It has evolved over the years from a production conceptual base to a societal one. Marketing will always be an important business paradigm. In this situation, the way that a company develops and delivers greater value to its target customers in relation to its competitors will invariably be the dominant success factor. This customer-centric approach is the foundation on which a business is built. Marketing then becomes a business philosophy of putting the customer first. In this situation, every company employee or department is involved in marketing – from
the reception staff or those staff involved in direct customer interface through to the production department. Marketing and hence value creation then becomes the ‘glue’ between the internal functions of an organization and the interface with customers and external stakeholders (see Figure 1.10). Marketing is also a function of business, involving a series of techniques such as advertising and market research. However, these techniques will fail if no marketing philosophy is adopted.

As Figure 1.10 shows, marketing thus becomes the interface between an organization and its customers and external stakeholders.

What is the difference, then, between marketing as a business approach and marketing management? As has been shown, marketing is both a business function and also a set of processes that creates and delivers value to customers. If marketing in the societal market era has a role in managing relationships between customers and the organization/stakeholders that benefit all parties, then marketing management is the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value.
It is evident that marketing has evolved from a transaction base – that is to say, occurring at the point of sale or where the transaction between buyers and sellers takes place. Marketing in the 21st century has evolved beyond this and can now be said to have a relational base. The differences between transactional and relational marketing are presented in Table 1.1 (Payne, 1994).

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<th>Relational marketing</th>
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<td>Orientation to</td>
<td>Service features</td>
<td>Customer benefits</td>
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<td>Short</td>
<td>Long</td>
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<td>Customer service</td>
<td>Little emphasis</td>
<td>High emphasis</td>
</tr>
<tr>
<td>Customer commitment</td>
<td>Limited</td>
<td>High</td>
</tr>
<tr>
<td>Customer contact</td>
<td>Limited</td>
<td>High</td>
</tr>
<tr>
<td>Quality</td>
<td>Primarily operations concerns</td>
<td>The concern of all</td>
</tr>
</tbody>
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**THE MARKETING MIX AND VALUE CREATION**

The aim of relational marketing is not just to gain new customers but to retain them over a long period of time through value-adding activities and superior benefits. The emphasis here is on customer service and high customer contact that generates higher levels of commitment either through repeat sales or increased word of mouth (oral or electronic via social networks). The basic premise is that everybody in the organization is in marketing. As Peter Drucker once said, marketing is too important to be delegated to the Marketing Department. Its fundamental purpose for any organization is to identify value points and create, deliver and maintain, on a continuous basis, consumer value aspirations.

This superior, customer-focused value is mainly delivered to target market segments through the marketing mix. This is the collection of tools that a particular marketer uses to target and satisfy their customers in value-oriented marketing. Traditionally, this was known as the ‘4 Ps’ (product, price, place, promotion). However, the number of ‘Ps’ has grown to include three additional ‘service’ tools of people, processes and physical evidence as well as a number of allied tools such as packaging and positioning. For ease of use, the ‘7 Ps’ framework in Figure 1.11 is generally the base from which an organization delivers value. The mix ensures that the right product is promoted to the right target market, and delivered at the right place and time and at the right price. The three service Ps ensure that the people who deliver the service/product, the process by which the product/services are delivered and the physical ‘cues’ (such as company livery, premises and signage) all add to the perceived and actual value delivered to the consumer. It could be stated that marketing is the conduit between the inputs/outputs of an organization and the utility derived from the consumption of those outputs by the end-user, the consumer. Therefore, the purpose of marketing, for an organization, is to create and deliver better comparative value than its competitors and thus achieve repeat business and build brand equity.
CONCLUSION

Marketing is basically about creating and delivering value to customers, and the notion of value-orientation is becoming increasingly important for achieving success in the marketplace. This is because consumers now have innumerable choices and are therefore more selective about which products they buy to satisfy their needs. So having a strong value-orientation in business is a key reason why some companies out-perform others.

To be able to deliver value to customers, it is important to have a good appreciation of the links between the core concepts of marketing. These concepts include needs, wants, demand, exchange, market, satisfaction, market offering and profit. For example, a key factor in delivering value to customers is having the ability to move them from a state where they are deprived of certain products or services to their ‘desired’ state, where these products or services are provided. Meeting a need can be done in a variety of ways, but the one emphasized in marketing is that achieved through exchange; if a need is thus satisfied, customers can become loyal to a company or brands, and an organization becomes profitable and sustainable. It follows from this that while marketing may seem to be solely a function of an organization, success in the marketplace is achieved when its core concepts, listed above, are considered as a business philosophy wherein delivering value to the customers is the focus of all members of an organization.

Review questions

1. Using an appropriate example, discuss the concept of value and show how it is embedded in the marketing activities of a named company.
2. In what ways are consumer value and producer value likely to be similar?
3. How might society’s marketplace value differ from that of the consumer?
Few people could doubt the popularity of Apple as a strong firm of global standard. Although many will attribute this to the innovative ability of the team in the organization, arguably the key success factor lies in Apple's ability to create and deliver value to its disparate customers all over the world. While it has had a number of challenges since its inception in 1976, it was clear from the early years that the company was on the way to making a remarkable impact on the world of computers and other electronic products. For instance, the introduction of Apple II in 1977, which followed Apple I introduced a year earlier, created a unique space for the organization in the competitive market. It being the first computer introduced in a plastic case and with colour graphics, consumers quickly realized that the product stood out among others and could meet their needs effectively. Hence, they responded positively. Similarly, the instant success of the first generation of the PowerBook in late 1991 is noteworthy and also shows that Apple is keenly determined to satisfy its customers in all ramifications and ensure value creation and delivery.

The company demonstrates that creating value revolves around all the elements of the marketing mix. Apart from the products designed to meet the needs of its various consumer groups, Apple announced on 10 November 1997 that it would sell computers directly over the phone and on the Internet, thereby strengthening how it provides time, place and possession utilities. Its pricing and communication strategies are strategically designed to be of good fit for its customers. It has a very strong presence in social media such as Facebook and Twitter through which it communicates with its customers. All of these are symptomatic of Apple's value-driven philosophy.

Apple's case clearly shows that good marketing practice revolves around the exchange of something of value. The more the company works at giving customers products that satisfy them, the more successful it becomes in the industry. Its market share increases, customers become increasingly loyal to the brand and the sales and profit figures increase considerably. Another classic example is the release of iTunes for Windows in October 2003, which led to the sale of more than 70 million songs in the first year. Indeed, the step captured the interest of music lovers. The subsequent improvement in sales figures is another pointer to the fact that customers have an affinity with Apple's offerings and are convinced of the value they derive from the transactions.

It is evident all around us that Apple has introduced many products since the inception of its business several decades ago. However, the impact of the iPhone and iPad in society has been hailed as remarkable in recent times. When the iPhone was introduced in 2007, the positive response of the market showed that Apple fully embraces the marketing orientation because it ensures that the new offering addresses what the market really needs. Hence this emphasizes that the key focus of the firm is about creating and delivering value. But the company is not complacent about its success level. It modifies the product to accommodate changes in consumers’ tastes and developments in the market environment to suit the dynamic needs of the target market. For instance, the iPhone 5, which was released in September 2012, has been described as having the fastest chip and ultra-fast wireless technology, and as being the thinnest and lightest iPhone ever. In the design of the headphones, as the Apple website says, ‘Instead of starting with the speaker, we started with..."
The key focus in this approach was to make the headphone more comfortable for customers. In fact, Apple engineers asked a number of people to test more than 100 iterations of the Apple EarPods. The research shows that the product offers stronger protection in relation to sweat and water and is strikingly stable in the ear.

The same pattern of customer-oriented philosophy drives Apple's introduction of a series of tablet computers, branded iPad. The first generation of iPad was successful among various groups of consumers, as is evident in the sales figures, but the company ensured that the iPad 2, which was introduced in 2011, had a better processor and included front and back cameras and many other new features. Still keeping ahead of the game, Apple introduced what it calls The New iPad early in 2012. The unique selling point (USP) of this additional offering is highlighted by the company as the retina display. Ultimately, customers are becoming increasingly loyal to the organization and are eagerly looking forward to seeing and buying new offerings from Apple. The rationale for this is crystal clear. To be successful in marketing, the focus must be on the creation and delivery of three things – value, value and value.

Sources
http://apple-history.com/h8 (Retrieved 9 October 2012)

Questions
1 Why do you think Apple has been so successful despite the complexity of the global marketing environment? Do you think the success can be sustained in view of the increasing volatility of the marketing environment?
2 It is stated that Apple consulted a number of people in the target market to test the suitability of EarPods. Which of the marketing management orientations does this approach represent? Justify your claim with relevant explanations. How would this have been handled if the production and selling orientations had been used?
3 Apart from the customer, which other parties could be significant to Apple's success in its marketing activities, and how?
4 What advice would you give Apple to increase its market share by 10 per cent in the next quarter?

Group task
Identify two companies operating in the same sector (for example, high street retailing). Your task is to analyse these companies and answer the following questions:
1 Which of the companies do you consider more successful?
2 Why is one company more successful than the other?
3 What are the sources of the company's success?

Glossary/Key terms
Customer-centric: A predominant focus on the customer
Superior customer value: Value advantages as perceived by customers
Unmet need: A consumer need that is insufficiently addressed or not addressed at all by companies
Value: The perceived benefits that consumers derive in consumption situations less the perceived costs (e.g. time, money or emotions) involved
Value configuration: Process of integrating the disparate activities to add value to what a firm offers

Value orientation: The principles or philosophy underlying how firms approach the task of value creation and delivery

**Vocab check list for ESL students**

<table>
<thead>
<tr>
<th>Configuration</th>
<th>Myriad</th>
<th>Physiological</th>
<th>Synthesis</th>
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<tr>
<td>Flux</td>
<td>Paradigm</td>
<td>Reciprocal</td>
<td>Tangible</td>
</tr>
<tr>
<td>Manifestation</td>
<td>Perpetual</td>
<td>Salient</td>
<td>Universalistic</td>
</tr>
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Definitions for these terms can be found in the ‘Vocab Zone’ of the companion website, which provides free access to the Macmillan English Dictionary online at www.palgrave.com/business/Gbadamosi

**Further reading**


*This article stresses that marketing is an engine for growth in organizations.*


*This paper explains and links psychic needs to price, margin risk, customer satisfaction and value.*


*The key focus in this paper is the widening scope of marketing. It explains how marketing covers all transactions between an organization and all its publics.*


*In this article, the author argues that marketers will do better to focus on satisfying the needs of their customers than to be preoccupied with their products.*


*This article shows why selecting customers for retention based on lifetime analysis could be very useful for relationship marketing strategies.*

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