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What Do
Marketing
Executives
Do?



BYRON SHARP



INTRODUCTION CASE

A portable music history: Why marketing matters

In 1979 Sony launched the 'Walkman', a small portable music device that played audio cassettes, allowing people to listen to music while out and about. In addition to being portable, it offered high-quality stereo sound (for the era) at a low price. The Walkman advertising stressed its Japanese origin, when Japan was well known for small, well-priced, high-quality technology products. The advertising also featured teenagers in active outdoor settings and portrayed the product as culturally hip. The Walkman was very successful. There were many competitors but none built a brand (Walkman) the way Sony had. Later on, CD and (the less popular) mini-disc versions of the Walkman were added to the range. In 1999 Sony launched leading-edge (and expensive) flash-memory-based Walkman products, followed in 2005 by the release of the W800 Walkman phone, which was briefly very successful.

Meanwhile, in 2000, Apple hit what it called a 'speedbump' in sales growth, when it failed to include writable CD drives in its computers. Apple thought that DVD drives would be more attractive to buyers, but failed to take account of the rising popularity of online music sharing (which was often done illegally). This event made Apple realise that digital music stored and shared via computer software was the future. Later in 2000, Apple bought out SoundJam software for managing digital music, which they further developed and launched as free software called iTunes for Macintosh computers in 2001. Months later, Apple launched the 'iPod' into a market where there were already several other digital music players, including Sony Walkman products and the MP3 player pioneer, Rio. The original iPod was a minor sales success, considering that it was an expensive, high-performance product that could only connect to the very latest Macintosh computers. Three years later, Apple had gained many new points of distribution and, with the launch of the first flash-memory-based iPod, sales rocketed upwards. iTunes for Windows was released, making the product attractive to the wider market. Sony unsuccessfully attempted to emulate the iPod's success with new Walkman models that offered higher sound quality than the iPod of the era. What had changed in this market, and how did a late entrant like Apple come to dominate when Sony started with a very advantageous position?

Unlike Sony and other competitors, Apple made transferring digital music from a computer to their product, the iPod, simple (using its iTunes software). It was also easy to rip and transfer CD content to a computer and then to an iPod. Apple's launch advertising didn't talk about geeky technology like MP3 encoding formats; it simply said 'a thousand songs in your pocket'. But Apple made sure they did support the MP3 codec that was at the time popular with (illegal) file sharing over the internet, while Sony refused to offer this format. Later, Apple would make it simple to buy legal music from its iTunes store—a smart extension to the growing Apple ecosystem.

Apple's branding was brilliantly clear; iPod 'silhouette' billboards and the white earbuds became instantly recognisable. Apple spent heavily on advertising, increasing the brand's exposure each quarter (three months) as the market grew.



As well as being brilliantly branded, Apple products were (and remain) extremely good quality. As Apple's Chief Design Officer, Sir Jonathan Ive, articulates:

'Our goals are very simple, to design and make better products. If we can't make something that is better, we won't do it.

Most of our competitors are interested in doing something different or want to appear new. I think those are completely the wrong goals.

It's not about price or a bizarre marketing goal to appear different—they are corporate goals with scant regard for people who use the product'.

Its pricing was reasonably competitive and, as soon as technology allowed, Apple added cheaper, smaller versions to its iPod range, driving sales even higher. However, ultimately Apple expected mobile phones to take over these features so, to prevent the iPod from being out-competed by a phone, they worked to bundle the iPod's features into what became the iPhone.

While success or failure depends on a great deal of luck, marketing decisions have a huge influence on a brand's success or decline. There is much marketing knowledge that—if used wisely—can help to grow brands. The Apple iPod would have failed if it was a technologically faulty product, but it never could have enjoyed the success that it has without Apple's superb marketing.





Introduction

Marketing offers many exciting and rewarding careers. It is a growing profession that is short of qualified people. In 2012, *AdNews* reported an extreme shortage of senior marketers in Australia (Blight, 2012). Marketing jobs are interesting—they require creativity, as well as insight and analytical ability.

Marketers make decisions and recommendations about what products to offer and to whom, how to advertise, and are sometimes responsible for promotions. Like doctors, marketers use metrics to assess the health of their brands and the impact of their marketing actions. Their job is to maintain and build the **market-based assets of mental and physical availability** that underpin their brand's sales today and into the future.

Marketers also play a vital part in ensuring that the company culture is customer focused. However, the customer isn't always completely right, and sometimes marketing seeks to shape customer demands to deliver sustainable customer value and profits; for example, towards healthier food options.

Marketing scientists investigate how buyers buy and how marketing works. Evidence-based marketing is when marketing managers use discoveries from marketing science to inform marketing decision making, just as medical doctors base their advice on medical science.

*** market-based assets (mental and physical availability):** The mental and physical availability that makes a brand easier to buy for more people, in more situations.

Learning objectives

After reading this chapter you should:

- + have an initial appreciation of the options and decisions that marketers face each day
- + understand what marketing is, and its importance
- + understand what marketers are employed to do
- + appreciate that marketing science is beginning to transform marketing theory and practice
- + understand the concept of sustainable marketing and the dilemmas that marketers face in balancing short-term and long-term objectives.

CHAPTER OUTLINE

Introduction	Two types of marketer	Customer needs and wants
Marketing may be well paid and exciting ... but someone has to do it	Marketing science	Sustainable marketing
The rise of marketing	Marketing metrics and market-based assets	Conclusion



KEY TERMS

advertising agencies	market	not-for-profit organisations
agent	market-based assets	offerings
brand	market economy	physical availability
business model	market research	production department
business-to-business (B2B) marketing	market share	retail partner
campaign	marketing interventions	retailers
centrally planned economy	marketing metrics	sales
consumers	marketing mix	specialisation
distribution	marketing science	sustainable
evidence-based marketing	marketing strategy	sustainable marketing
mass marketed	marketing systems	systematic research
	mental availability	trade
	new media	

* **marketing strategy:** The way marketing activities are put together to achieve the organisation’s aims for the brand.

* **retailers:** The physical and online stores where the consumer can buy the end product, e.g. supermarkets.

* **consumers:** In a business-to-consumer market, these are people who buy and use the service or product.

* **customer insights:** Detailed information about customers (or consumers) used to assist marketing decisions.

* **market research:** The gathering of factual information about the market, often through observations and surveys.

* **brand:** A service or product identified by a distinctive and individual name or logo that distinguishes the offerings of one company from those sold by their competitors.

* **market:** The total number of potential buyers for a product or service.

Marketing may be well paid and exciting ... but someone has to do it

Many marketing jobs are well paid because they require a combination of skills and knowledge that few people have. As a marketing executive you will have to understand people and how they behave. You’ll also have to gain skills for analysing market and financial data. Being a great marketer requires sound judgment as well as creativity; you’ll need to analyse things quickly and estimate the probable consequences of your marketing decisions. Importantly, marketers have to be good communicators, able to explain the **marketing strategy** to management, staff, **retailers** and **consumers**.

Marketers use **customer insights** to help understand customer needs and market opportunities so that the organisation can adapt to stay competitive. **Market research** is one of the key sources of customer insights. Marketers ceaselessly promote the organisation’s services and products, so that customers maintain their awareness of the company’s **brand(s)**.

Each day, marketers make and review an enormous range of decisions, which together affect whether the firm will thrive or fail. Such decisions include the following:

- Should we offer a particular product or service?
- Which **market** should we target?
- What price should we charge? What different prices should we offer to different customers? At different locations? At different times?



- Should we advertise on television? On which networks? When? How often? What should the advertisement say?
- Who should be our **agent** or **retail partner** in delivering the product or service? In which locations? To which consumers?

As a marketer, you might encounter opportunities to have your product or service endorsed by a celebrity, to have a special in-store display, or to be featured in a magazine—each of these opportunities costs money and has implications for your other marketing activities; you will have to weigh these considerations and make these decisions, sometimes very quickly.

Today marketers don't just work in **advertising agencies** and global brand companies, such as Kraft or Vodafone. Many universities, hospitals, charities, churches and government departments have large marketing departments. **Not-for-profit organisations** usually have to compete for customers or donors, so marketing insights and practices are bringing new efficiencies to their operations.

The marketing world is changing dramatically as **new media** emerges, and new ways of advertising and delivering products and services are developed. Markets are becoming more openly competitive, more global and more complex. Consumers are becoming wealthier and better educated, with better access to information, so they have higher expectations. Therefore better educated marketers are required.

This means that a marketing career is usually interesting and intellectually challenging as well as financially rewarding. A marketing qualification opens up opportunities to work for all sorts of organisations around the world. From retailers selling to consumers, to industrial firms selling to other firms, to charities, hospitals and governments.

The rise of marketing

The modern economy depends on **trade**. Marketers are the people who oversee that trading. They also plan and research it, and compete against one another to deliver **offerings** to the market. As a result, products and services get produced that consumers *actually want to buy*, at a price they can pay.

Marketing is trading—buying and selling. If everyone, or every family, had to look after their own needs entirely by themselves there would be no trading, and no businesses. Now this might sound romantic—growing your own vegetables, living a simple life—but if everyone had to do this, the world would be a backward, miserable place. Who among us knows how to make a mobile phone? Or even how to make a decent cup of coffee (which involves growing, harvesting and roasting the beans, plus building an espresso machine)? Most likely we'd all be hungry and cold, living in primitive huts, and hoping like crazy that none of us gets a toothache or anything that requires medical expertise.

The marketing revolution began about 10,000 years ago when human beings made the transition from being hunter-gatherers to being farmers. The surplus crops had to be stored and counted (which led to the development of accountancy) and

* **agent:** An individual or organisation employed to provide a specific service.

* **retail partner:** A retailer that has an agreement to stock a company's products.

* **advertising agencies:** Providers that are contracted by an organisation to develop campaign concepts, as well as to produce and find placements for finished ads.

* **not-for-profit organisations:** Businesses—such as charities—that do not operate with the key purpose of making a profit or distributing profits to shareholders.

* **new media:** New platforms for communicating with consumers that are typically digital and often linked to the internet, e.g. social media, applications (apps) and e-books.

* **trade:** Exchanging one thing for another; buying and selling goods and services.

* **offerings:** The different products (and associated benefits) that a company sells. A product offering includes many other features than just the physical product, e.g. packaging, service, customer support, design, special features, etc.



TABLE 1.1 A sample of current marketing job titles

Beginner / Graduate positions	Intermediate / Managerial positions	Senior and Directorial roles
Advertising Coordinator	Associate Brand Manager	Advertising Planning Director
Brand Assistant	Brand Asset & Marketing Properties Manager	Chief Commercial Officer
Communication Coordinator	Brand Manager	Chief Marketing Officer (CMO)
Junior Brand Manager	Business Development Manager	Corporate Planning Director
Marketing Assistant	Campaign Evaluation Manager	Director, Advertising Research
Marketing Coordinator	Category Development Manager	Director, Global Analytics
Marketing Officer	Communications Planner	Director, Global Pricing
Marketing Research Analyst	Consumer Insight Manager	Director, Global Shopper Insights
Sales Representative	Category Leadership Manager	Director, Portfolio Growth
	Consumer Insights & Planning Manager	Director, Media Planning
	Consumer Promotions Manager	Director, Sales Research & Strategy
	Consumer Strategy Manager	Director, Worldwide Agency Operations
	Corporate Affairs Manager	Export Director
	Developing Markets Analyst	General Manager, Marketing
	International Marketing Manager	Global Director, Marketing College
	Franchise Manager	International Marketing Director
	General Manager, Distribution	Marketing Capability Director
	Marketing Analyst	Marketing Director
	Marketing Finance Manager	Market Research Director
	Marketing Manager	Media Director
	Marketing & Public Relations Manager	Public Policy Director
	Market Research Manager	Regional Brand Director
	Marketing Training Manager	Regional Brand Leader
	Portfolio Development Manager	Sales Director
	Pricing Analyst	Senior Brand Manager
	Regional Innovation Manager	Senior Category Insights Manager
	Relationship Marketing Manager	Senior Market Analyst
	Sales Manager	Vice President, Client Services
	Senior Sales Analyst	Vice President, Product Development
	Technical Marketing Manager	
	Trade Promotions Manager	
	Trend Research Manager	



guarded (soldiers, police, security services), and these crops could be traded for other desirable goods and services (marketing). Trade created value, and made everyone wealthier. Trade meant that people's jobs became ever more specialised: in addition to farmers, we developed doctors, politicians, scientists, engineers and many other professions. It's worth remembering that our technological advances are all due to a **market economy** that allowed some people to specialise as thinkers and researchers.

The gains from **specialisation** and trading have been astonishing. When the marketing revolution was starting some 10,000 years ago, there were only 5 to 10 million people on the entire planet. They were all living short lives in conditions that we would today describe as miserable poverty. Today billions of people are supported by food production and **marketing systems** that provide amazing nutrition and variety.

Trade and science together have lifted millions out of poverty, at a rate never seen before in the entire history of humanity. In just the last 100 years the extreme poverty that was the norm for most of history has dropped to less than 10 per cent of the world population, and that statistic is in freefall. The number of people living in poverty has almost halved since 1980, even though the world population has grown much larger, almost doubling since then. Or, put around the other way, billions of people have been lifted out of poverty, more than anyone would have predicted. New, less extreme measures of poverty will need to be invented, but they will show the same trend. By almost every measure that matters, the world is becoming a better place—wealthier, better educated, less violent, greener—and we are even making good progress in the conservation of endangered animals. News reports often give the opposite impression but that is because they focus on dramatic events, such as wars and robberies, whereas steady improvement, such as child death rates reducing by a fraction of a per cent each month, is not seen as dramatic and newsworthy. If you are interested in the statistics of global development the website <ourworldindata.org> presents many interesting charts based on facts. For example, from 2003 to 2013 (just 10 years) global median income almost doubled; more of this growth income came in poor countries, so global inequality declined.

Today there is more global trade than ever before. This has played a large role in reducing world poverty; for example, there is no way that China's recent rapid economic growth, which has almost eradicated extreme poverty in the country, could have occurred without China trading with the world. The exchange of goods, services and ideas enriches everyone, and particularly allows poorer countries to 'catch up', giving them rates of growth far faster than developed countries. It also reduces conflict. The number of wars and deaths from wars and armed conflicts has been steadily declining.

'When goods don't cross borders, Soldiers will'

—Otto T. Mallery (1881–1956) in *Economic Union and Durable Peace* (Harper and Brothers, 1943)

The important point is that little, if any, of this extremely positive global development would have happened without modern marketing.

* **market economy:**

An economy in which consumer demand guides production and prices, and there is competition between privately owned businesses.

* **specialisation:**

Expertise developed through focusing attention on a specific skill or knowledge area.

* **marketing systems:**

Networks that match sellers' products and services with buyers' needs and wants. Such networks are complex, dynamic and adaptive.



INDUSTRY INSIGHT

Marketers' influence across the organisation

'Business has only two functions—marketing and innovation.'

—Professor Peter Drucker, management theorist

Marketers directly control some activities, such as advertising and market research. They also act as the 'voice of the customer' across the whole company, helping it implement the 'marketing concept'—the idea (first proposed by Peter Drucker in the 1950s) that firms succeed by profitably meeting customers' needs better than the competition.

Later research has shown that the marketing concept works, and also that having an influential marketing department helps companies become more customer-focused and leads to improved business performance.

However, in many companies, marketers' influence is limited. Thomas Barta and Patrick Barwise (2016) argue that this reflects three specific challenges faced by marketers, which are:

- a trust gap—because marketing is mostly about the future, which is always difficult to forecast
■ a power gap—because most of the people who determine the quality of customer experience don't report to marketing
■ a skills gap—because marketing is now so complex and changing so fast.

Barta and Barwise's (2016) research shows that the most effective and successful marketers overcome these challenges by mobilising their bosses (e.g. by working on big business issues); their non-marketing colleagues (e.g. by 'walking the halls'); their teams (e.g. by recruiting the right mix of skills); and themselves (e.g. by knowing their stuff about customers and competitors).

Two types of marketer

There are two types of marketer. One is a 'doer', someone who spends most of their time doing things to promote and sell their company's brands. They act like specialised members of the production department, only instead of making products, they make items such as brochures, web pages, promotional material and price lists. They commission designers, and advertising and media agencies. They organise promotional events and in-store promotions. They collate and report sales figures and market-research findings. They are marketing people who largely do the same things year after year.

The other (usually more senior) type of marketer makes informed marketing decisions and budget allocations. They design marketplace experiments and market research, they analyse data, and they are constantly learning which marketing strategies work better than others in certain situations. These more senior marketers

* production department:

The area of a business concerned with manufacturing the product.



will also spend more time than their junior counterparts outside the marketing department, whether this is communicating with other organisational departments or working with clients.

This book is mostly for these decision makers, or people aiming for senior marketing management. This book includes some deep knowledge and marketing discoveries that every marketing decision maker should know. Like professionals in fields such as medicine, engineering and architecture, marketers' decisions need to be informed by reliable knowledge about the way the world works. Such knowledge includes how advertising works, how pricing works and how consumers behave. This is called **evidence-based marketing**.

CRITICAL REFLECTION

Eisenhardt, Kahwajy and Bourgeois' (1997) research into top management teams supports the notion of evidence-based marketing and decision making. They found that high-performing management teams use current factual data to support any warranted decision making. In comparison, low-performing management teams ignored relevant data—instead relying on opinions, wishes and guesses.

- 1 List and describe three advantages of using current factual data to support business and marketing decisions.
 - 2 Can you think of any cases where businesses should have better considered relevant evidence before making a major decision?
-

Marketing science

The first known university marketing course was taught in 1902 (Bartels, 1951). For most of last century, marketing was a discipline based on folk stories and mythology rather than any scientific study of the marketing world. Today marketing thought and practice is increasingly informed by science.

Science is the formal study of the real (that is, empirical) world. Scientific laws allow us to understand and predict how the world behaves. **Marketing science** is the study of marketing—both buying and selling. It seeks to develop the generalised knowledge and scientific laws (repeating patterns) that inform evidence-based marketing.

Science itself is only a few hundred years old, and in that time it has had a dramatic effect on every discipline that it has touched. For instance, for several thousand years medical knowledge consisted of elaborate theories that were passed down from doctor to doctor. Practically no **systematic research** was done, and if results clashed with theory these findings tended to be dismissed or forgotten—rather than rejecting or modifying the incorrect theory. For example, the discovery that if doctors washed their hands far fewer women died from fever after giving

* evidence-based

marketing: Marketing activities that consists of two key principles: marketing decisions are based on what is currently the best, reliable, generalised knowledge about how the world works, how buyers buy and how market interventions work; the use of situation-specific evidence and factual data to support decision-making.

* **marketing science:** The study of marketing, which seeks to develop scientific laws, such as patterns of buying behaviour that repeat under known conditions.

* **systematic research:** A methodical investigation into the study of a discipline in order to establish facts and generate knowledge.



birth was rejected and ignored because it didn't fit with theory (see Sharp & Wind, 2009). Similarly, it was discovered that fruit consumption prevented scurvy, but this discovery was then rejected over and over or forgotten (Bown, 2003). For nearly 2000 years the dominant theory in Western medicine was that illness was caused by an imbalance in four 'humours' in the body—blood, phlegm, black bile and yellow bile—and procedures such as bleeding were widely practised to address such imbalances; these practices killed many people. Only comparatively recently were the effects of bleeding tested, and doctors discovered that it was harmful—indeed it is far better to put blood back into patients than remove it! Aspirin, the first proven efficacious drug, was **mass marketed** only as recently as last century (Jeffreys, 2005). The most junior intern today is a better doctor than the most brilliant, best educated, most renowned medieval doctor—science has transformed medicine from superstition and guesswork into a practice that works, and it gets better each year.

* **mass marketed:** A brand that has marketing strategy that focuses on an entire consumer market rather than a specific group of consumers within that market.

Marketing science is starting to affect the marketing profession in a similar way, sweeping away many myths and misplaced theories. But it is early days, as most marketers are unaware of even the most major discoveries of marketing science. Marketers hold conflicting views that are based on guesses, rumours or fashion. Some marketers are scared of science, for much the same reasons that many medieval doctors rejected science: they don't understand it, or fear it will undermine their authority. Some marketers believe that nothing is predictable in marketing, but if this really were the case then it would be impossible for them (or anyone) to do their job. Fortunately, it turns out that there are regularities in marketing, just as there are regularities in the rest of the physical and social worlds. We'll describe these regularities in this textbook and discuss how they can be used to guide and predict the outcome of marketing actions.

Marketing science is sometimes called an 'applied discipline', the notion being that there are some pure disciplines—note the connotations of nobility and superiority—and then there are the applied disciplines. This mistaken idea is that marketing is really just a branch of psychology or economics. Using this logic, biology is just applied chemistry, and for that matter chemistry is just applied physics—which of course is nonsense: each of these disciplines has different focuses of inquiry. Similarly, marketing is not just applied psychology, nor is it applied economics, nor some mixture of the two (i.e. behavioural economics).

Another argument is that marketing is an applied discipline because marketing knowledge is *used* by people—marketers. But all scientific knowledge is (hopefully) used—engineers, architects and many others apply physical science—so by this argument physics is an applied discipline.

Marketing science studies buying and selling. It has a pure focus that no other discipline can lay claim to. There are some other disciplines that apply such pure knowledge. The study of wine marketing, for instance, uses marketing knowledge and marketing's focus of inquiry but in a specific application area; there are many



others ... financial services marketing, food marketing, tourism marketing, and so on. In your marketing degree you will learn fundamental knowledge that can be applied to many such contexts. In Chapter 16 we examine marketing's role in social causes.

INDUSTRY INSIGHT

Specsavers: Establishing a major retail brand in Australia

BY DAVID CORKINDALE

In 2008, the world's third-largest optometry retail chain—the UK-based Specsavers—aimed to enter the Australian consumer market and become a major player. At the time, the Luxottica Group, which has five brands (OPSM, Laubman & Pank, Sunglass Hut, Bright Eyes and Budget Eyewear) had the dominant share of optometry services—that is, supplying glasses and eyewear—with OPSM having a 35 per cent market share. Much of the rest of the market was served by small, locally based chains and sole practitioners. The market was worth around AU\$1.5 billion in annual retail sales and was expected to grow by 2 per cent per year. The Luxottica Group had approximately 1000 stores in Australia and tended to serve the upper end of the market, as its brands included Prada, Gucci, Bulgari, Persol and Ray-Ban. In the three years before Specsavers entered the market, the Luxottica Group had grown by 21 per cent. However, the global financial crisis that began in 2008 saw customers especially keen to save money.

Specsavers' value proposition—their basis for winning customers in the market—is embodied in its name. It claims to offer glasses at a lesser price than its competitors, with offers in 2009 of two pairs of spectacles for the price of one, starting from AU\$179—and if you paid an additional AU\$20, you could get two pairs of designer eyewear for AU\$199 (for example, prescription sunglasses and reading glasses). 'We have given Australian shoppers choice and what we brought into Australia is clear pricing—the price we advertise is the price you will pay at the cash counter. What you see is what you get,' said Doug Perkins, one of the founders of Specsavers (Ooi, 2010).

For Specsavers, the provision of products in Australia was already in place, as it had entered Australia as a wholesaler in 2006. In order to become a major player in the provision of optometry services and products for consumers, it had to become widely available to them both physically, in convenient locations, and mentally. Its brand name needed to readily come to mind when people thought about buying glasses.

Specsavers set about putting in place a retail chain of conveniently located shops throughout Australia. The store roll-out was one of the fastest ever in Australian retailing history, with 100 stores rolled out in 100 days, and 150 stores operating by the end of 2008. This was partly achieved by buying out the small chains and sole practitioners that had already established a presence in the main shopping malls and shopping strips of cities and towns. To quickly establish a wide network of outlets, the company also relied on entrepreneurs to take up Specsavers franchises. By October 2010, Specsavers had 240 retail outlets in place.



In February 2008, Specsavers appointed a public relations (PR) company ahead of a planned mass-media advertising campaign in August of that year. A market research company was commissioned to conduct research with small groups of people around the country into where they bought glasses, why they went to certain optometrists, how much they spent and their perceptions about the price of the glasses (whether they felt that they were paying too much). Additional discussion topics included whether those interviewed had ever worn spectacles even though they didn't need to and who Australia's favourite spectacle-wearing celebrity was. Further research was conducted by another market research company to find out Australians' opinions about wearing glasses and whether these had changed, compared with 50 years earlier.

The PR company sent stories through the news media about the arrival of Specsavers and the claimed benefits to the Australian community. The research results gave the company data and publicity angles to gain the interest of the media in the impending launch of Specsavers and its main media advertising campaign. Subsequently, articles appeared in the media about Specsavers, their value proposition and their track record overseas. This started to build awareness in the community of the brand and its credibility.

In planning the launch, the market was seen as being all spectacle and contact-lens wearers—young and old, rich and poor—with a slight skew towards the 40-plus age group, as people are more likely to need some form of spectacles when they are 40 years or over. However, it was recognised that in promoting certain fashion-oriented products there would need to be a younger, more female skew. For the launch, it was decided to have a state-by-state roll-out program, including a media event in each state. The launch roll-out would start in Victoria and coincide with the opening of the first stores in each state. The launch used Dame Mary Perkins, an award-winning businesswoman and co-founder of Specsavers (Butler, 2011), as a spokesperson. This provided an interesting media 'hook' and a person of interest for television interviews.

The state-by-state roll-out was designed as the best way to introduce Specsavers to the media, offering them their own state-based photo and interview opportunities to gain local media coverage. Underlying the launch program were two key embodiments of the Specsavers brand's value proposition: professionalism and affordable fashion.

Specsavers identified that the most important messages to spread through the media were those surrounding issues of 'value for money', 'trustworthiness', 'successful concept', 'professionalism' and 'fashionableness'. The PR program aimed to grow Specsavers' brand recognition in the first year of operation. This—together with the media advertising that started in August—drove consumer awareness (see Chapter 3 for brand awareness metrics) to 30 per cent of the population. The company is reported to be spending AU\$20 million a year on media advertising. Specsavers' advertising is also unashamedly focused on price, as Specsavers' traditional offer is two sets of frames for the price of one. Doug Perkins claimed late in 2009 that Specsavers had managed to push optical prices in Australia down by as much as 30 to 40 per cent, although competitors have challenged this. Whatever the actual figure, Specsavers' aggressive media advertising and PR allowed it to very quickly grab pricing leadership in the minds of consumers.

By 2016, Specsavers had achieved a market share of 27.9 per cent and an annual revenue of AU\$752 million, well beyond its initial target of AU\$200 million.



Marketing metrics and market-based assets

Every day, senior marketing executives have to interpret **marketing metrics**. In the same way that doctors make decisions based on metrics such as blood pressure, temperature and weight gain or loss, marketing managers use metrics to determine the health of their brands and to assess how their marketing decisions are affecting their health. In reading this textbook, you will learn how to correctly interpret such metrics and make better marketing decisions.

Marketers intervene in the marketplace by changing what is commonly called the '**marketing mix**':

- the product or service
- pricing
- advertising and communication
- **distribution**.

The marketing mix is often called 'the 4Ps': product, price, promotion and place. In each of these aspects there is a huge range of options and many decisions that have to be made.

One of the guiding principles of marketing is that *the marketing mix should be consistent*—a high quality product should have high quality packaging, quality advertising and a high price—so as not to confuse buyers. This is widely accepted even by non-marketers; however, marketers often have to spend time correcting inconsistencies in the marketing mix.

* **marketing metrics:** Measures used to evaluate marketing actions and brand performance, and to inform future marketing decisions.

* **marketing mix (also known as the 4Ps):** Set of manageable elements in a brand's marketing plan, adjusted to implement the marketing strategy: product, price, promotion and place.

* **distribution:** Making goods and services physically available to buyers. This can involve selecting retailers to sell the product and supplying them with the goods.



TABLE 1.2 Marketing mix considerations and decisions

Marketing Mix '4P' Key Considerations and Decisions			
'Product' or service	'Pricing'	'Promotion' (raising mental availability, e.g. advertising and communication)	'Place' (raising physical availability, e.g. distribution)
<ul style="list-style-type: none"> ■ What need is there to meet? ■ Is there a market to sell to? ■ What market to aim to sell to? ■ Who to sell the product to? <p>In the product development stage, it is crucial to properly research customers and markets. Without in-depth research, there is a risk of wasting valuable company resources developing a product that people won't buy or adopt. For example, there is probably not much point developing a lipstick for men. Yes, around half the population could potentially adopt the lipstick—but what is the likelihood they will?</p> <p>Chapter 7 details the many considerations when making decisions regarding the specifications and features of the product.</p>	<ul style="list-style-type: none"> ■ What price to charge? ■ What method(s) of payment? ■ What is the cost to produce? ■ What are competitors charging? ■ What margin do we need to make? ■ Are there pricing regulations we must conform to? <p>When setting a price for a product or service, the marketer must consider external and internal factors. External factors include what competitors are charging, and assessing whether to price your product differently (higher or lower) or the same. Marketers need to consider what customers are willing to pay for the new product and what intermediaries such as retailers expect to be charged.</p> <p>The key internal factor to consider when price setting is the cost of production. Ensure prices are set high enough to not only cover production costs, but to also make a profit. The price of other company products in the line will need to be taken into account.</p> <p>Chapter 9 details considerations for price setting.</p>	<ul style="list-style-type: none"> ■ Where to advertise? ■ How to advertise? ■ How often to advertise? ■ Who to advertise to? <p>Many of the key decisions about advertising depend on the product being sold (is it a physical product, a service, an event, a place, a person?) and the distribution of the product (where the product is sold).</p> <p>For example, a family-run gardening business located on the Yorke Peninsula in regional South Australia wants to start advertising in an effort to expand its customer base. They place ads in the local newspaper and in the <i>Adelaide Advertiser</i> but refrain from national advertising as the business will not be selling its gardening services in states outside South Australia. Advertising in places where a product (or service) is not available can be a waste of resources.</p> <p>The size and budget of the brand will also affect media choices. That is, the family gardening business is unlikely to be able to afford advertising spots in primetime television on a major network.</p> <p>The strengths and weaknesses of different media types also need to be considered, e.g. who do they reach, how much will it cost to reach just one person, does this reach match with who we want to sell to?</p> <p>Chapters 11 and 12 detail the considerations involved in making promotion decisions.</p>	<ul style="list-style-type: none"> ■ In what type of outlet will the product be made available? ■ Where geographically? ■ In store vs. online <p>The extent of the availability of a product can largely affect its overall success.</p> <p>Where a product is sold will depend on the type of product. For example, some products will be better suited to being stocked in physical stores, rather than being sold online (e.g. fresh fruit and vegetables; products that benefit from 'touch and feel' aspects of buying), whereas other products will not be disadvantaged by being sold online (e.g. electrical items, books, DVDs etc.).</p> <p>Outlet type considerations:</p> <p>The first consideration here is what type of store best suits the product being sold. Will it be a store that stocks only that product or brand? Or will the store also stock other (possibly competing) brands?</p> <p>For example, Lorna Jane 'active wear' products are only available in Lorna Jane stores, whereas other active wear brands such as Nike are sold in both Nike stores and in other sporting stores that sell multiple brands.</p> <p>Online considerations:</p> <p>Some products are suited to being sold online. Again, products can be sold through the product owner's store (Kogan brands on Kogan website) or through someone else's (multiple fashion brands sold on ASOS). Kogan and ASOS only have online stores.</p> <p>However, online stores may also be extensions of physical stores, e.g. JB Hi-Fi, Flight Centre or department stores such as Myer.</p> <p>Personal services like dentists and doctors are not normally available online, but e-health facilities are making some services available remotely.</p>



Marketers can and do make many changes to their marketing mixes. For example, one consumer products company calculated that its marketers make 13,000 changes to packaging each year in the United States and Europe alone; that's 250 packaging changes each week, at a cost of more than US\$50 million in design and printing costs. This can be activity for activity's sake (to show that staff are busy); it can be a misguided strategy that confuses consumers and causes losses in **sales** and **market share**; or it can maintain or improve the competitiveness of a company's brands. Capable marketers use marketing metrics to assess whether actions need to be taken, and to evaluate the impact of their actions, so that they are more likely to make the right changes.

The most commonly used marketing metric is sales, usually expressed in dollars of revenue, or units sold. More sophisticated marketers will also use a market share metric, because sales can still rise in a growing market when the brand is actually losing competitiveness.

While such measures are important, they need to be interpreted in context. Company profits can be inflated in the short term by cutting expenditure (such as advertising) that builds long-term revenue; in a similar way, sales and market share can be 'bought' with activities that deliver sales today at the expense of sales in the future. As Tim Ambler (2010) from London Business School points out, a farmer whose crops depend on irrigation from a river that flows through the farm should be intensely interested in what is happening upstream. Marketers need metrics that give insight into the likelihood of *future* sales—how risky are today's cashflows, and how likely are they to keep flowing? **Sustainable marketing** is inherently concerned with the long term, and hence with risk—we'll discuss this in more detail at the end of this chapter.

Examples of marketing metrics commonly used by marketing managers are listed below. Expanded definitions can be found in the glossary.

- sales (in units or dollars)
- profit contribution per sale
- market share (in units or dollars)
- percentage of sales sold on price discount
- percentage of repeat sales
- churn
- percentage of satisfied customers
- number of customers
- brand awareness (percentage of people aware of the brand)
- average number of purchases per customer
- total advertising spend
- share of voice (SoV)
- number of customers exposed to advertising
- average number of advertisement exposures
- number of (weighted) distribution outlets
- sales per outlet.

* **sales:** Total revenue or number of products sold during a given time frame.

* **market share:** The total category sales that are devoted to a particular brand. It can be measured in terms of units sold, volume or dollars.

* **sustainable marketing:** Marketing that involves an ongoing analysis of long-term revenues and risks in order to ensure that the business model and customer demand is sustainable.



* **marketing interventions:** The different actions that marketers carry out in order to meet strategic goals and grow their brand; for example advertising campaigns.

* **mental availability:** The likelihood of a brand being noticed, recognised or thought of in buying situations.

* **physical availability:** How easily (or conveniently) the product or service is available in a buying situation.

Marketing interventions, such as a new advertising campaign, don't just deliver sales today; they also contribute to the maintenance and building of market-based assets that determine the likelihood of future sales. The two principal market-based assets are **mental availability** and **physical availability**. Together they determine how easy a brand is to buy and for how many people. Coca-Cola has tremendous market-based assets. First, the brand is known by practically everyone: they know what Coke is, what it tastes like, what the cans and bottles look like, where to buy it and roughly how much it costs. More importantly, billions of people usually recognise and sometimes notice or think about Coca-Cola—this is great mental availability. Second, Coca-Cola is physically available in nearly every supermarket and convenience store, there are vending machines in likely (and some unlikely) places that run 24 hours a day, and cafés and restaurants sell it too; this is great physical availability. The Coca-Cola Company has been working for decades to build these assets and continues to do so. Coca-Cola's sales today depend more on these two assets than on the current level of advertising, or what price (or discount) it decides to charge today. Coca-Cola's sales are very likely next year to be at least as good as this year's sales, and they look secure for a very long time, because these market-based assets can't erode overnight.

CRITICAL REFLECTION

- 1 Coca-Cola spends almost US\$3 billion on advertising across the globe for its brands. Considering the strength of the market-based assets of their main brands, do you think this level of spend is justified? Why or why not?
- 2 What do you think would happen to Coca-Cola's market share if they completely stopped all advertising for one month? Would the market-based assets continue to support the brand? What about after one year? And after ten years?
- 3 Coca-Cola has the advantage of being a very big and well-known brand—with a very big budget. What about small companies and new or unknown brands? How can they grow their market and build their mental and physical availability?

Market-based assets constitute much of the value of any successful company. For example, if you wanted to buy the Google corporation in 2016 it could cost you around US\$560 billion, yet Google only owns net tangible assets (such as computers, furniture, cars and cash) worth around US\$115 billion, so the bulk of its value lies in its intangible assets. Some of these assets are special knowledge, patents and systems; the rest are market-based assets. The Google name and web domain <www.google.com> are worth far more than any of the buildings that Google owns. When people think of searching online, they think of Google, and it's this mental availability that allows Google to sell search advertising that generates billions in revenue.

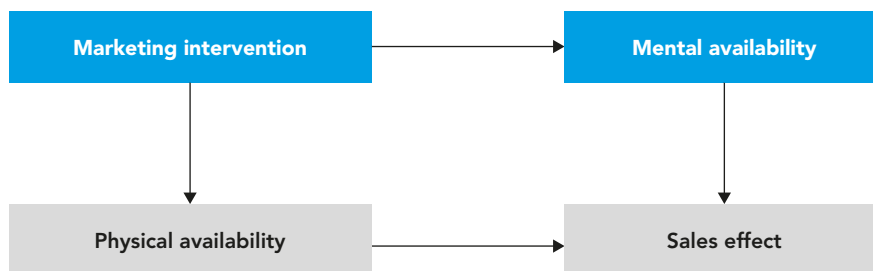


Marketers are the chief custodians of market-based assets. Their actions should maintain and hopefully expand mental and physical availability for their brands. They should have good measures (metrics) of these assets. They should know which actions are more or less likely to build these assets. Without proper measurement systems in place, marketers can often unknowingly do things that damage these assets while they chase temporary sales or profits.

Customer needs and wants

One of the key roles of marketing people is to help the organisation understand customer needs—things that are essential or very important—and how these translate into wants. Market research (consumer insights), observing and surveying customers, is therefore a very important responsibility of the marketing department.

FIGURE 1.1 The effect of the marketing mix on sales is moderated by mental and physical availability



Marketers also have a responsibility to encourage a company culture that is responsive to customer needs. Professionals have a tendency to become absorbed in the technicalities of their profession and forget about customers. Finance managers think about money and easily forget that it comes from people buying the firm's services and products. Engineers think about the technical details of their products and easily forget that customers may not value or understand these features. We've all encountered service people in stores, cafés and banks who act as if we, the customers, are nothing but a nuisance getting in the way of them doing their job. But customers are the only reason that any firm exists, and if they decide they don't need the firm any more then it fails. Even very well-meaning service providers such as hospitals, local governments and schools often get wrapped up in their own internal issues and fail to consider what the people they are trying to help really need or want.



CASE STUDY

Starship Children’s Health: Addressing customer needs

Starship Hospital, run by Starship Children’s Health, is a children’s hospital in Auckland, New Zealand. The entire building is shaped like a spaceship—hence the name. But the attention to the needs of their special customers goes much further than this. Every ward has an allocation of toys, and every child has a personal play coordinator to



check that they are happy. When children interact with doctors, there are child advocates on hand whose primary job it is to think from the child’s perspective and say things that the child may be unable or scared to say—like ‘please put the drip into my broken arm so that I will still have one arm free to play with toys’. This is explicit recognition of the fact that doctors, who are trained to think of the physical medical requirements of the patient, may have difficulty also thinking of children’s fears and other psychological needs.

QUESTIONS

- 1 Why do you think that Starship Hospital has employed extra people specially for the job of monitoring the children’s needs? Do you think this could instead be managed by the doctors, nurses or the children’s parents?
- 2 What are the key benefits for the hospital in employing child advocates and play coordinators?
- 3 A large children’s hospital in Australia is suffering from bad press. Local news stations are reporting that the doctors at the hospital are insensitive to the children’s needs. Imagine that you are in charge of marketing at this hospital. What would you do?
- 4 Think of a scenario in a general hospital (not one specifically for children) where it would be very important for individual customer needs to be considered.



Without maintaining an up-to-date appreciation of what customers might want, a firm risks missing market opportunities and being replaced by competitors who can serve customers better. In the early 2000s, McDonald's was floundering and sales growth had stalled. People were eating better quality food and coffee. Starbucks had ridden the coffee trend in the United States, opening hundreds of stores right under the nose of McDonald's. Subway was another outstanding success, simply selling branded sandwiches and salads. McDonald's market research told them that group decisions to eat at McDonald's were often being vetoed by one or two people in the group, particularly women, who were health- or weight-conscious; that is, Mum was often saying 'no'. While McDonald's had been working hard to further streamline their operations and reduce costs in order to be competitive, they had lost sight of their customers. Led by Australian-born CEO Charlie Bell, they eventually reacted with menu changes to introduce salads, then sandwich wraps, then coffee with McCafé. They even worked with nutritionists to reduce levels of salt, sugar and fat in their products. They began more upbeat advertising, starting with the 'I'm Lovin' It' **campaign** featuring Justin Timberlake. Fortunately, McDonald's had considerable mental and physical availability, so once they rejuvenated their marketing mix to match current customer demands their sales growth rebounded. Each change was an outstanding success, and gave them the confidence to embark on serious upgrades to their stores and to open for longer hours (in many cases 24 hours a day), further improving their physical availability.

* **campaign:** A planned series of advertisements that appear in one or more media over a specific time period. The advertisements often share an idea or theme.

Sustainable marketing

It's often said that 'the customer is always right', and there is a great deal of truth in this statement. Firms have to understand customers' tastes, perceptions and needs. However, it is a mistake to think that marketing is always about giving people what they want. The brewery that gives away free beer is very customer-oriented and will have many satisfied customers—but not for long, because the brewery will go broke. Customers may want things now that in the long run will hurt them or the planet. Sometimes it is better to embark on the difficult task of teaching customers to buy something different rather than simply giving them what they want today. The concept of sustainable marketing acknowledges these complex issues. The aim of sustainable marketing is to provide long-term customer satisfaction. To do that, a firm must ensure both that their **business model** is financially sustainable and that customer demand is **sustainable**. That must include considering the effect of the production, marketing and consumption on society and the environment.

* **business model:** The way a business competes and makes money, e.g. Google's business model is to provide free search services to consumers and then sell search advertising to businesses.

* **sustainable:** Able to be maintained perpetually.

The global financial crisis that began in 2008 was sparked by unsustainable marketing practices. Financial institutions, predominantly in the United States, sold home loans to people who had very little capacity to pay back the loans within the loan periods. The slightest downturn in these people's circumstances or rise in interest rates would result in them being unable to meet their interest payments.



These consumers used the loans to build and buy large houses, and in doing so pushed up US house prices to crazy levels. When the economy slowed and these people started defaulting on their home loan payments, the house price bubble burst; house prices plummeted, leaving some banks owing billions of dollars that had been secured against houses that were worth very little. The banking system reacted in fear, and banks were unwilling to lend money to any business they weren't incredibly sure about. This stifled business growth and led to job lay-offs, meaning that even more people could not meet their loan payments. A terrible spiral down into economic recession was all started by unsustainable marketing.

Many products have undesirable side effects. Cars, for instance, are an extremely popular product. They give us freedom and opportunity and save us much work; consequently, we are willing to spend large amounts of money to buy them—we really like our cars. But the World Health Organization estimates that car crashes kill around 1.2 million people a year and injure as many as 50 million people. That's more than many major wars—in fact it's 30 times as many people as are killed in all the armed conflicts going on in the world today (including the war in Syria). What's particularly disturbing is that many of those killed are not car drivers but children, pedestrians and cyclists—a car is a dangerous weapon. These statistics oblige car marketers to work on ways to make their products less dangerous. This includes:

- researching and developing new safety features
- telling (advertising to) consumers about the importance of safety features, so that when buying they look for and are willing to pay for these features
- working with government authorities on driver education campaigns
- lobbying and supporting governments to improve road signage, reduce speed limits and add pedestrian crossings and bike lanes.

There is a clear moral duty to make car driving safer. It also makes obvious business sense not to kill future customers—and to make your product safer so that you avoid being punished with legislation and taxes, or your product being replaced with safer alternatives. In the past, the ethical principle (and business sense) of sustainable marketing was not embraced by companies as well as it is today. In the 1960s, US car manufacturers were accused by consumer advocate Ralph Nader of marketing some particularly dangerous cars. *The New York Times* reported that General Motors reacted by hiring private detectives to tap Nader's phone and investigate him, looking for ways to discredit him (Nader subsequently successfully sued the company for invasion of privacy). In 1966 the US government legislated to require car companies to install safety features such as seat belts.

The failure of the US car industry to invest in safety, reliability and fuel economy gave them temporarily higher profits, but it helped European (e.g. Volkswagen) and Japanese (e.g. Honda and Toyota) car firms enter and succeed in the US market.



CRITICAL REFLECTION

- 1 Do you think the car industry is doing enough today?
 - 2 Can you think of other products that have some adverse side effects? Are the marketers of these products practising sustainable marketing? Are they thinking long term or just giving consumers what they demand today?
-

Application to business-to-business marketing

Some firms market to other organisations (businesses, governments or not-for-profit organisations) rather than individuals or households. This is called **business-to-business marketing**. For example, Alcoa markets to manufacturers that use aluminium as a raw material for their own products (such as beverage cans, engine components and window frames). Bosch provides automotive parts and accessories to various car manufacturers throughout the world. In Australia, Elders Limited acts as a sales agent for many grain, meat and wool producers, and also provides various agricultural products and services (such as farm equipment, fertilisers and agronomic advice) to agricultural producers.

Marketing executives in such firms need to understand not just the needs of their customers—such as a car manufacturer or an Australian wheat producer—but also developments within the markets served by their customers. For example, marketing executives at Bosch should identify and understand consumer preferences for luxury cars, rather than just the needs of BMW regarding automotive parts and accessories, when identifying how best to promote their products and services to that firm.

Since the largest organisational customers spend millions or even billions of dollars annually on some products, business-to-business marketing executives in some firms effectively treat each of their largest customers as a virtual market, developing a customised marketing mix for each 'mega-customer'. For such a customer, the product or service would be customised (such as a Bosch automotive component being designed for a specific BMW car model); pricing would be negotiated based on individual customer and product-related factors; and distribution arrangements would be based on customer requirements (such as just-in-time delivery to factories in various countries, with quantities based on planned manufacturing levels at each location, which in turn are based on forecast sales of the relevant car model in different geographic markets). In addition, Bosch might establish a global team of marketing and logistics executives to coordinate communication and other customer-related activities to service BMW. Naturally, Bosch would expect BMW to commit contractually to purchasing components for the life of the car model.

* business-to-business (B2B) marketing:

Marketing products or services to other businesses rather than to consumers.



INDUSTRY INSIGHT

Is fair trade a marketing scam? One that harms marketing’s reputation?

‘Fair Trade’ branding of products is an established marketing phenomenon. It’s also promoted as a trade policy.

‘Fair Trade’ is big in coffee, where the spiel goes something like this:

‘Only a tiny fraction of the money you pay for your cappuccino goes to the coffee growers, who receive very low prices for their coffee beans. Yet multinationals like Nestlé and Starbucks earn millions in profits. With our “Fair Trade” coffee we pay growers a decent price and ensure that they employ workers at proper wages and conditions.’

Sounds great, doesn’t it? For the cost of a cup of coffee you make the world a better place. Except you don’t. It’s a (well intentioned) sham.

- 1 Low coffee prices are caused by overproduction. ‘Fair Trade’ encourages farmers to keep on producing uneconomic crops rather than diversifying. It encourages farmers to start growing coffee, and to increase production (e.g. by cutting down forests).
- 2 ‘Fair Trade’ isn’t fair. Some farmers get the special price, most don’t.
- 3 ‘Fair Trade’ proponents push for workers to receive higher wages and improved conditions. But low-cost labour is the competitive advantage of these countries. Without it there wouldn’t be the investment to build factories and create jobs. Needless to say, unions and politicians in developed countries (who fear competition for jobs from poorer countries) argue not to accept goods from countries that don’t have developed country labour standards. They say they are protecting workers in poor countries, but really they are trying to keep them out of a job.

People choose to work in factories because it is a better option than others. Remember, your ‘sweat shop’ is to someone else a nice paying job in a warm factory—much better than toiling in rice paddies for next to nothing in pay.

Oxfam are a leading proponent of ‘Fair Trade’ (and marketer of ‘Fair Trade’ coffee). They sensibly oppose EU subsidies to European farms that undermine the competitiveness of Third World farmers. Yet Oxfam promote subsidies and other trade tariffs for poor countries. Poor countries already have much higher tariffs than developed countries—these hurt consumers in these countries, making them pay higher prices, and prevent resources flowing to productive industries (that’s one of the reasons why too much coffee is produced).

Is ‘Fair Trade’ a sham? Perhaps it is more generously described as a case of good intentions undermined by faulty logic, and a failure to understand how modern market economies do so much good. Marketers should be concerned about the rise of the ‘Fair Trade’ brand because of the obvious connotation that normal trade is unfair or harmful, when the true story is that trade has lifted billions out of poverty, and continues to improve people’s lives every day. Marketers should be the first people to stand up and defend trade.

What the developing world desperately needs is more trade. Fewer subsidies and tariffs, not more.





CASE STUDY

Mike's Milk: Making marketing decisions

BY ELIZABETH GUNNER

Mike's Milk has been operating for 20 years. Over this time they have grown from a small dairy selling only at local farmers' markets to a huge business that stocks supermarket shelves all over Australia. As the company grew, they needed more employees to help manage the business—a board of directors, accountants, business managers, payroll officers and marketing staff. The new director of marketing spent the first month of the job sitting at her desk writing a marketing plan and projecting future market share. At the end of the month, she gave a presentation to the board of directors and suggested two key changes to improve future revenue: a name change to something 'with less of a small-town feel' and a package redesign to something 'more modern'. She suggested that these changes be implemented as soon as possible and that they do lots of advertising just before and shortly after the launch. After the meeting the board discussed the suggestions. They were split down the middle: half thought that the existing package and brand name were out of date and that for growth they needed a change, but the other half felt that the growth so far had come as a result of the name 'Mike's Milk', so why should they change it?

QUESTIONS

- 1 What do you think that the company should do? Why?
- 2 If the board decided to implement these changes, how do you think the mental and physical availability of Mike's Milk would be affected?
- 3 If you had been appointed as marketing director for Mike's Milk, what indicators would you have used to make recommendations for the brand?
- 4 What do you think would happen to the market share of Cadbury chocolate if they changed their name and got rid of their well-known purple packaging?
- 5 Think of a scenario where a company would benefit from changing their brand name and packaging.



Conclusion

Economic theorists used to be unsure whether there would be any difference in performance between a market economy and a **centrally planned economy**. Last century, quite a number of countries, such as China and the old Soviet Union, experimented with running their countries with a reduced number of markets; government bureaucrats set prices, they allowed little or no advertising, and in many cases only a single brand (for example one brand of car or one brand of chocolate) was produced in government-overseen factories. It was hoped that by reducing the costs of marketing there might be

* centrally planned

economy: An economy that is controlled by the government. Prices are set by government planners, who also determine what will be produced, who will produce it, how much they will be paid, and where it will be distributed.



efficiency gains. These and other different economic experiments produced dramatic findings: market economies produce vastly more output, greater variety of products and services, more innovation and more satisfied consumers. Recently Venezuela—despite substantial oil revenue—showed just how years of increasing regulation of a market economy could lead to a starving populace and economic collapse (see weblinks for more information). Today, countries such as China and Russia are market economies; advertising and brand competition are back, their economies are growing again, and there have been dramatic improvements in the wealth and life expectancy of their citizens.

Last century we saw oppressive regimes eventually fall when they failed to deliver product choice and abundance, banned advertising, and denied their populations brand choice. Their failure to deliver economic progress made these leaders paranoid and oppressive. Democracy and human rights depend on markets.

Modern markets aren't perfect but they are very important and necessary. Marketers (often unknowingly) play a crucial role in making sure this unplanned chaotic system works through ensuring that firms produce the products and services that customers really want and buy. Marketing is a necessary and important business function—without sales to customers, the business will fail, and all of its capital investment will be a waste. More than any other part of the business, marketing is responsible for understanding customers—their needs and wants now and in the future. It's an exciting profession to be a part of.

Russians eat as much chocolate as people in other northern European countries, which are among the highest per capita chocolate consumers in the world. But back in the Soviet era when Russia was a planned economy, Red October was the only chocolate brand, and chocolate was a very rare treat (despite its mediocre taste!).

FIGURE 1.2 The Red October factory in Moscow





Summary

- + The role of the marketer is to understand consumer behaviour and recognise market opportunities so that the organisation can adapt and stay competitive.
- + Consumer insights and market research are some of the most important tools of marketing, helping us to understand buyer behaviour.
- + Marketers should practise evidence-based marketing and inform decisions with scientific knowledge about the way the world works, how advertising works, how pricing works and how consumers behave.
- + Marketers measure metrics to track the performance of their brand and aid decision making. If marketers do not understand how to measure metrics or analyse them in context, they risk making decisions that will damage their brand.
- + Marketers are in charge of developing a brand's market-based assets. Marketers aim to maintain (and hopefully expand) the mental and physical availability of their brands.
- + Sustainable marketing focuses on long-term customer satisfaction and a financially sustainable business model.
- + Although marketing science is sweeping away many myths and misplaced theories, it is still early days, and many marketers are unaware of even the most major discoveries of marketing science.

REVISION QUESTIONS

- 1 A person goes into a pharmacy and tells the shop assistant that they have cut their knee. They ask for a bandage to deal with it. The assistant goes to the shelf where bandages are displayed and gives a well-known brand to the customer, who then pays for it and departs. Does this episode display good marketing practice? Give your reasons, using points made in this chapter.
- 2 Managers use marketing activities to help increase demand for what their organisation can provide. Think of at least one situation where a community might want to reduce the demand or the use of something, and think of a marketing activity that could be used to reduce this demand.
- 3 Think of other activities, beyond those cited in the chapter as the 'marketing mix', that managers in an organisation could use to stimulate a response from a marketplace. List any that start with the letter 'P' and try to find at least five.
- 4 Lifeline is a social service started by the Uniting Church in Australia that, among other things, offers a free help and counselling service over the phone for people who have a personal crisis in their life. List some of the needs and wants of:
 - a individual donors who give money to support Lifeline
 - b volunteers who give their time to Lifeline.



- 5 When you use Google to search for an item, there are little advertisements listed down the right-hand side of the results page, as well as along the top and the bottom. When a person clicks on an advertisement, it is called a 'click through', and these are counted over time for all of the advertisements on that page. For everyone who searches for the item, the percentage that clicks on each advertisement is calculated and called the click-through rate (CTR).

For all advertisements for a search item that appear in position 1 in the list, the average click-through rate is 8 per cent, for those in position 2 it is 4 per cent, position 3 is 2 per cent and for position 5 it is 1.5 per cent. Draw a simple graph of this, with CTRs on the y-axis (the vertical one, and start it from zero at the bottom) and the position of an advert on the x-axis (horizontal).

If a marketing manager was planning to have a Google search advertisement and believed it would gain position 7, what would be your estimate of the CTRs it would receive?

- 6 In this chapter, we say in relation to marketing metrics: 'More sophisticated marketers will also use a market share metric, because sales can still rise in a growing market when the brand is actually losing competitiveness.' Explain this statement by explaining why having increased sales in a total market that is also increasing could mean you are not being as successful as you should be. It will help if you use a specific example of a product, such as a soft drink, in its overall market.
- 7 Some organisations do not feel that they need to think about marketing or employ any marketing people. What do you think would be the circumstances that might encourage them to think this way? Would there still be value in them paying attention to marketing principles?
- 8 Important market-based assets are mental and physical availability. Give examples of what these might be for services such as:
- a an accountant
 - b a person who has just graduated and is a freelance graphic designer
 - c a well-established political party.
- 9 The research department of a national bakery company, which had 60 large bakeries around the country to supply supermarkets, developed an ingredient that would keep bread products tasting fresh even when they were three weeks old. The company was not doing well financially and thought it should try to cut costs to help with this situation. The company closed over half the bakeries and saved a lot of money in production costs by making all of its bread products in those bakeries that were left, and delivering larger batches of bread to its supermarket customers around the country once every three weeks, rather than weekly. What do you think might have happened to demand for its bread over the months that followed this decision, and why?



10 It appears to be possible for a country to have a market economy with a government that places a great deal of restrictions on free speech and movement. But is it possible to have a country with a planned controlled economy and great freedom for its population? How do you think free trading markets, brand competition and free advertising help social development?

FURTHER READING

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WEBLINKS

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<http://en.wikipedia.org/wiki/Marketing>

Starship Children's Health:

www.starship.org.nz

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Market economy regulation in Venezuela:

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MAJOR CASE STUDY

Kerry Sanderson, AO: Marketing a lifetime of service to business and government

BY STEVE KLOMP, MURDOCH BUSINESS SCHOOL, MURDOCH UNIVERSITY, WESTERN AUSTRALIA

Kerry Sanderson, AO, is one of the most successful public sector career professionals Western Australia has produced. Through more than 40 years of service she has built up a reputation of excellence and expertise that has made her sought after in the boardrooms of the private sector and seen as a respected voice, influencing the shaping of Australia's future (Kerry was confirmed as the 32nd Governor of Western Australia on 20 October 2014).

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her the dictatorial leadership and rash decision making that were the hallmark of so many failed business and government leaders in Western Australia in the 1980s!

Kerry Sanderson rose to prominence in late 1991 when she took over the role of CEO of Fremantle Ports. This was not her first big role—she had spent 17 years in the Department of Treasury and four more at the Department of Transport—but it was certainly a high-profile appointment.

At the time, many people in business and government circles argued that Kerry had been handed a poisoned chalice. Fremantle Ports had suffered a financial loss of more than AU\$70 million in the previous year, container handling efficiency was nearly as low as staff morale, and few believed the unionised workforce could be dealt with successfully. Staff were resigned to a bleak future for the port of Fremantle, and the people of Western Australia cringed with embarrassment over the port's reputation.

However, the appointment proved to be a masterstroke by the then Minister for Transport, Pam Beggs. It signalled change was going to happen and that management were committed to finding solutions to long-standing problems using a more cooperative approach.

Kerry Sanderson graduated with a science degree (mathematics) from the University of Western Australia and later completed an economics degree. A widowed mother of two adult sons, she is very family oriented and has a great sense of tradition and community obligation. Her loyalty to her friends and work colleagues is well known, yet at the same time she is apolitical and self-deprecating.

Her lifetime of work saw her nominated for an Order of Australia for services to shipping, transport and governance. While it is her highest accolade, it is hardly the only award she has received. Kerry was the Telstra Western Australian Business Woman of the Year in 1996, and in 2005 was the inaugural inductee to the Lloyd's List Maritime Hall of Fame—no mean feat for a woman in a (traditionally) man's world. She was also awarded an honorary doctorate from the University of Western Australia in 2005.



Here is what Kerry has to say about her time at Fremantle Ports:

It became obvious to me very early that Fremantle was a unique place. It had a very dedicated but very frustrated workforce, and union movement that were very keen to see the place succeed. It was inefficient, yes, but there were structural and process reasons for that I was determined to fix.

I knew my financial experience and workplace reform experience was going to be useful, but I also knew that reform was going to come through teamwork and a commitment to staff. I wanted to see our staff commit to the long term, and that meant that I had to commit to them long term. In my time there we achieved massive change in thinking, in processes and in a team approach to problem solving. However, even that wasn't enough in itself. We had to also use a total quality framework analysis (later the Australian Business Excellence Framework) to work out where our inefficiencies lay and set new processes in place.

Fremantle Ports actually had two small and spatially separated container terminals—an inherently inefficient situation. We consolidated both terminals into one continuous berth line and increased their size. These physical changes, along with significant waterfront reform, saw an almost immediate improvement in efficiency. Fremantle's container handling rates went from 12 to more than 20 per hour. Later, Fremantle

Ports bought the bulk handling business in the outer harbour from BHP.

The enterprise has never looked back. In 2007 we achieved a Gold Award under the internationally recognised Australian Business Excellence Framework. Fremantle Ports also received the Excellence Award for the highest awarded company nationally, and a Gold Award in the People category. This involved all areas including data use and processes, continuous improvement and the monitoring of results.

Today, Fremantle Ports has world-standard efficiency in terms of crane rates, taking into account the level of capital investment and the scale of operations.

Kerry Sanderson is passionate about the future of Western Australia, particularly Perth. She sits on a steering committee for the Committee for Perth, which puts out discussion papers on what kind of city Perth should be and how to get there.

We are happy to contribute to the thinking on the future of the city. By 2050 there will be 3.5 million people living here. We have to plan for that so that our environment, our amenity and our prosperity are not compromised. It is exciting, but we need to plan. The rest of Australia doesn't seem to have woken up to Perth and its potential. We already have more listed companies per capita than both Melbourne and Sydney. For example, Wesfarmers, Woodside, iiNet, Shell and Rio Tinto all have their headquarters or their regional headquarters here, just to name a few.

On the other hand, we also have an underdeveloped public transport system and we have concerns with our carbon footprint, urban sprawl and water use.

Kerry has an articulate vision of how these issues could be tackled:

I support development around transport hubs, with shopping centres, entertainment, and residential areas around train lines. I love railways! They are perhaps the most efficient form of public transport, but we have only 173 kilometres of train track in Perth, whereas Sydney has around 1500 kilometres.

Buses are important too, which is why I very much supported the decision to make buses in the central city free of charge. I also think we need to look more at alternative forms of work, such as telecommuting.



Perth and Western Australia could also have the scientific research sector as the second plank in our economic base: we already have world-class oil and gas research here, agricultural research, physics, radio astronomy, bio-medical, bio-technology and others. Our research base is strong but there is room for a lot more. We also need more focus on innovation and education.

Perth needs to embrace multiculturalism more. In many ways we are better in this area than the rest of Australia, but not as good as, for example, the UK. Multiculturalism is wonderful if you embrace it; tough if you oppose it.

A member of a number of boards for organisations such as Downer EDI Limited, Atlas Iron Limited and St John of God Health Care, Kerry shows no signs of slowing down. She also has very strong views on the role of business in the community:

Business should work with government to achieve community objectives. Corporate social responsibility should not simply be a marketing exercise; it should be a commitment to the long-term prosperity of the community by organisations that profit from that community.

Corporate social responsibility should also be a commitment to the environment. It makes good business sense anyway: companies can't continue to take resources from the environment without helping it to be self-sustaining.

Organisations with which I am associated all look to contributing to the community. For example, St John of God Health Care, which has hospitals in Perth and in country Western Australia, in the eastern states of Australia and also in New Zealand, contributes 2 per cent of its profit to the community, with a strong emphasis in the field of the health of Indigenous families.

Similar to Fremantle Ports, St John of God Health Care is also committed to its staff in the long term. Staff who remain with an organisation longer build up expertise, knowledge and loyalty that is too valuable to ignore, and they are much more likely to identify with the vision of the organisation than short-term or contract employees.

Kerry left Fremantle Ports to take up the position of Agent-General for Western Australia in London for three years, leaving the UK only after surrendering her fight with the cold English winters. She was originally appointed by Labor Premier Alan Carpenter, but

took up the appointment with the endorsement of Colin Barnett's Liberal government in 2008, which demonstrates the respect with which she is held on both sides of the political divide.

Kerry defines success in this way:

Money and career are important, but other things measure success a lot better. My friend, the late George Seddon, is an example. He was a professor of landscaping, architecture and many other fields. He left us *Swan River Landscapes* (1970) and got the public comfortable saving water by using native plants in our gardens. He was a great success, but not in the conventional sense.

My grandmother is another example. She was a huge support to our family. I remember her determination and willingness to help us all.

Success is all about the example you set, supporting others and the influence you can have on people.

Kerry has the following advice for up-and-coming young professionals:

Do what you love to do, work with people who have the same values as you, be determined and committed to the long-term goal, aim high, and take a team approach to everything. At the same time, balance your life with family, fun, learning and community.

Case study based on interview with Kerry Sanderson on 3 March 2012.

QUESTIONS

- 1 What is marketing, and what do marketers do? Is Kerry Sanderson a marketer?
- 2 Why is Kerry Sanderson in demand for positions on the boards of major companies and organisations?
- 3 Consider the relationship between ethics and marketing. Why are these two concepts not at odds with each other?
- 4 Define the term 'sustainable marketing'. Choose a company you know and discuss how that company applies the principle of sustainable marketing.
- 5 What is marketing science? Consider the stakeholders at Fremantle Ports and consider what marketing metrics might be gathered to satisfy the information and product needs of three stakeholders.
- 6 Marketers face many options and decisions every day. What dilemmas did Kerry Sanderson face in balancing the short-term and long-term objectives of Fremantle Ports?



Bruce McColl



Industry Professor, Ehrenberg-Bass Institute

Curiosity. It is the 'X factor' that separates great marketers from the rest.

I have enjoyed 30 years as a marketing practitioner living and working across the globe. In that time, I met literally thousands of marketers. Irrespective of their title or their seniority, the marketers that stood out were those that had an insatiable appetite to learn. To understand how markets operate, learn what drives consumer decisions and discover how to increase the odds of business success.

Most of those people have achieved success in the careers. Each of them have other skills that have helped their careers. However, that quest for understanding meant they continued to develop their thinking and their capabilities whilst others stagnated.

I worked across many categories in many countries. I started as a sales representative, and then as brand manager, marketing director, followed by 10 years as the global CMO of Mars Incorporated. I retired in 2016 after 24 years in marketing at Mars. I ended my time as a practitioner with more questions about how businesses succeed than when I started my career. Either I am a very slow learner, or there is so much that is still unknown within the field of marketing.

It still fascinates me. It is why I jumped at the opportunity to continue my learning by becoming an Industry Professor with the Ehrenberg-Bass Institute. I am now surrounded by talented people who have chosen "discovery" as their profession!

My advice to anyone starting their marketing career ... ask questions, read lots, think more!