

The 30 Day MBA in Marketing

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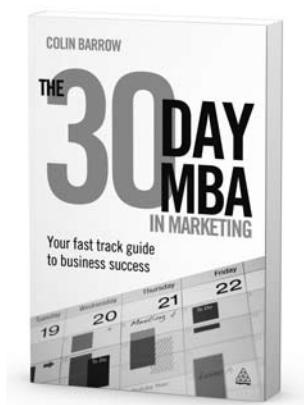
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You can find a list of all these resources online and interspersed within the chapters. Visit <http://www.koganpage.com/editions/the-30-day-mba-in-marketing/9780749462178>.



The 30 Day MBA in Marketing

Colin Barrow



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Publisher's note

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First published in Great Britain and the United States in 2011 by Kogan Page Limited

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120 Pentonville Road
London N1 9JN
United Kingdom
www.koganpage.com

1518 Walnut Street, Suite 1100
Philadelphia PA 19102
USA

4737/23 Ansari Road
Daryaganj
New Delhi 110002
India

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ISBN 978 0 7494 6217 8

E-ISBN 978 0 7494 6218 5

British Library Cataloguing-in-Publication Data

A CIP record for this book is available from the British Library.

Library of Congress Cataloging-in-Publication Data

Barrow, Colin.

The 30 day MBA in marketing : your fast track guide to business success / Colin Barrow. – 1st ed.
p. cm.

ISBN 978-0-7494-6217-8 – ISBN 978-0-7494-6218-5 1. Marketing—Study and teaching.

2. Marketing—Management. 3. Master of business administration degree. I. Title.

II. Title: Thirty-day MBA in marketing.

HF5415.B3587 2011

658.8—dc22

2011009119

Typeset by Graphicraft Limited, Hong Kong

Printed and bound in India by Replika Press Pvt Ltd

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Introduction

- What the holder of an MBA in Marketing knows
- Why *you* need that knowledge too
- How to use this book
- Planning your 30 day learning programme

The Master of Business Administration (MBA) is widely regarded as the solution to the apparent lack of professionalism in many aspects of management as well as providing a recognized qualification for business managers. Accountants, engineers, scientists, actuaries, chemists, psychologists and a host of others in and around the organizational world have bodies of knowledge and accrediting associations that ensure that those practising in the field meet at least some minimum criteria. The MBA to some extent addresses that problem for business and now over 2,000 institutions around the world turn out hundreds of thousands on MBAs each year.

The MBA has been around for nearly half a century but business schools, where these degrees are minted, have been around a good deal longer. The honour of being the world's first business school is usually said to go to Wharton, founded in 1881 by Joseph Wharton, a self-taught businessman. A miner, he made his fortune through the American Nickel Company and the Bethlehem Steel Corporation, later to become the subject of the earliest business case studies. Harvard Business School, a comparative latecomer, opened in 1908 with a faculty of 15 and launched a Management Masters programme two years later. By 1922 Harvard was running a doctoral programme pioneering research into business methods using the case study method, an approach that was to become its trademark and widely emulated throughout the business school fraternity. It wasn't until the late 1950s that the first business schools opened their doors in the UK – LBS (London Business School), Cranfield, and the Manchester Business School in the vanguard. In mainland Europe it took a further two decades for business schools to establish a niche in the market.

With the growing complexity of business it rapidly became apparent that there was a need for a more specialized business degree rather than the all-singing, all-dancing general MBA. While that was fine for giving an overview, anyone wanting to go deeply into a particular disciplinary area as a management practitioner needed something with a bit more substance. And so the specialized MBAs were born.

The MBA in Marketing, the subject of this book, goes under various titles. Initially the subject started out as a specialization within the general MBA. Edinburgh runs an MBA with a ‘Specialism in Marketing’. The pathways to a Marketing MBA are, as you would expect from such a subject, innovative and varied. WPP, for example, a world leader in advertising and marketing services, offers a number of Marketing Fellowships on MBA programmes to groom future leaders in the marketing needs of their clients. Business schools from Aberdeen to Vienna now offer MBA ‘marketing pathways’ to promote a comprehensive understanding of the role of marketing management in consumer and industrial markets and service industries. Silberman College of Business, in Madison, New Jersey, has segmented the market further and offers MBAs in Marketing that further specialize in areas such as Database and Interactive Marketing, International Marketing, and the Management of Advertising.

What is the content of an MBA in Marketing and what use will it be to you?

Anyone who wants to play a more rounded role in shaping and implementing the direction of the organization he or she works in but are inhibited by his or her lack of detailed marketing knowledge will find that reading this book will equip him or her to take part in the strategic decision making on an equal footing with MBA graduates, while feeling at ease in the process. It places MBA marketing skills within reach of all professionals in large and small organizations in both the public and private sectors, providing them with a competitive edge over less knowledgeable colleagues.

Marketing basically comprises a number of disciplinary areas, each with a number of components. The disciplines contain the tools with which you can effectively analyse a business’s marketing situation, drawing on both internal information relevant to the business and external information on its markets, competitors and general business environment as a prelude to deciding what to do.

The emphasis here in the contents of this book is on the terms ‘concepts’ and ‘tools’. The business world is full of conflicting theories and ideas on how organizations could or should work, or how they could be made to work better. They come in and out of fashion, get embellished or replaced over time. A good analogy would be the difference between the limited number of tools a carpenter, for example, has in his or her toolbox, and the infinite

number of products that could be made from those same tools. The ultimate success of the product the carpenter makes is partly down to his or her skills in using those tools and partly down to the world he or she find themselves operating in at a particular moment in time. A glance in a carpenter's toolbox will reveal an enduring range of common robust implements – screwdrivers, pliers, spanners, smoothing planes, saws and hammers.

In business, for example, there is no such thing as an optimal capital structure, or the right number of new products to bring to market, or whether or not going for an acquisition is a winning strategy. What is best in terms of, say, the ratio of growth generated from existing products and services as opposed to, say, that coming from new products or entering new markets varies with the type of organization and the prevailing economic conditions and the competitive environment. That ratio will be different for the same organization at different times and when it is pursuing different strategies. Layering an inherently risky marketing strategy, say, diversifying, with a risky financing strategy, using borrowed rather than shareholders' money, creates a potentially more risky situation than any one of those actions in isolation. But whichever choices a business makes, the tools used to assess marketing strengths and weaknesses are much the same. It is the concepts and tools to be used in those disciplines that this book explains and shows you how to use to comprehensively assess a business situation.

The MBA Marketing core disciplines

There are a small number of core subject areas that comprise the subject matter of an MBA Marketing programme. Many business schools eschew some vital elements within these disciplines as they are considered either too practical, or too unattractive from a research or career prospective, or more skill- or art-orientated than academic. A prime example is the field of selling, which fits naturally into the marketing domain but – much to the surprise of MBA students – often fails to appear on the syllabus. There are thousands of professors of marketing, distribution and logistics, market research, advertising, industrial marketing, strategic communications and every subsection of marketing, but there are no professors of selling. Yet most employers and students feel that an MBA's value would be enhanced by a sound grounding in selling and sales management.

The irreducible core MBA Marketing syllabus that you will find in the programmes of top business schools is as follows:

Introduction to marketing: How it all began, defining the marketing concept, marketing's role in the internet era, understanding markets – consumers, B2B, the marketing mix – the core concept of marketing strategy.

Buyer behaviour: Understanding customers, how consumers make decisions, how business buyers make decisions, researching markets, desk and field research methods, relationship marketing.

Marketing strategy: Generic option – focus, differentiation and cost leadership, segmentation – methods and procedures, market share, product and service positioning, to brand or not to brand, targeting markets, competitor analysis.

Products and services: Defining the product or service, understanding the product or service mix, the product life cycle model, quality positioning, extending the product service line, launching new products, the new product or service adoption cycle, protecting intellectual property.

Promotion and advertising: Communication strategies, advertising media defined, deciding on the promotional mix, public relations, sales promotion, personal selling, using databases, effective website strategies, measuring advertising effectiveness.

Place and distribution: Marketing channels and how they add value, retail, wholesale, and direct routes to market, vertical marketing systems (VMS), horizontal marketing systems, distribution strategy criteria, choosing channel partners, marketing logistics.

Pricing: Cost-plus pricing, break-even pricing, value pricing, competition pricing, skim vs penetration strategies, sealed bids and tenders, product-mix pricing, real-time pricing models, segmented pricing, negotiation and its role in pricing, handling foreign exchange risk.

Mathematics for marketing: Essential statistics to understand marketing data, sales forecasting and prediction techniques, inventory management, marketing decision tools and probability, marketing scheduling – Gantt, critical path management (CPM), profit margins and product or service profitability calculations, analysing marketing investment decisions.

Managing the marketing organization: How a marketing organization behaves, marketing strategy vs structure, systems and people, structures, the options – functional, matrix and strategic business unit (SBU), recruiting and managing the marketing team, planning for change.

Marketing and the law: Handling data, advertising standards, labelling, consumer protection, selling on credit, distance selling and online trading, returns and refunds, collecting money, the environment, marketing ethics.

Preparing the marketing budget and plan: Setting marketing goals, using growth matrices – Ansoff, Boston, GE and others, setting the marketing budget, variance analysis, using marketing planning software, macroeconomic indicators for marketing decisions, marketing acquisition/merger strategies.

The main uses of MBA marketing knowledge

Marketing and an appreciation of customers and competitors are common threads that run through all decisions and unless a manager has a sound grasp of the subject he or she will always be a junior partner in major operating decisions, particularly those of a strategic nature. Having this wider marketing knowledge base will open up more and diverse career options.

Specialist marketing knowledge as covered here in this book or in a business school equips the student to get a thorough understanding of marketing theory and practice and to master the skills needed to use marketing tools essential to implementing, interpreting and influencing marketing performance. With these skills a student can:

- gain the marketing analysis and strategic perspective needed to interact effectively with top management as a partner in making key business decisions;
- play a full role in marketing planning, control and competitor analysis;
- be able to take part effectively in acquisition strategies, including buying, selling and joint ventures;
- be able to prepare business plans and financial projections;
- know where to find detailed information on any business or market anywhere.

MBA marketing knowledge can also open up opportunities for career development and change in a wide variety of areas including business analysis, mergers and acquisitions. Tepper School of Business at Carnegie Mellon, consistently ranked amongst the top business schools in the world, lists destinations for its marketing graduates in over 200 companies, from Abbott Laboratories (pharmaceuticals), through Apple, Google, Yahoo! and of course Microsoft. Other career paths for marketing MBAs include consulting, banking and public services including hospital management, trade bodies, the UN and the World Bank. The University of Oxford's Saïd Business School (a top-ranking school whose MBAs' average salary on graduating is \$138,000) lists a number of 'tree hugging' destinations for its graduates including running a charity in Africa. The school also offers Skoll Scholarships, funded by eBay co-founder Jeffrey Skoll, that pay the tuition and living expenses for five students each year who are pursuing careers in social entrepreneurship, an increasingly popular destination for MBAs.

How this book is organized and how to use it

Each chapter in the book covers the essential elements of each of the core disciplines in a top MBA Marketing programme. There are links to

external readings and resources, online library and information sources, case examples and self-assessment tests so you can keep track of your learning achievements.

For many of the topics there are direct links to the *free* teaching resources of the world's best business schools. There are also links in the book to hundreds of hours of *free* video lectures given by other distinguished business school professors from top schools including LBS (London Business School), Imperial, Oxford and Aston. You can download Duke University's top-ranking Fuqua School of Business's lecture material on forecasting, a vital aid to anyone preparing sales projections. Link into Cranfield School of Management's research paper series and see the latest insights into marketing, or watch Professor Malcolm McDonald, a leading world proponent of marketing planning methodology, outline his ideas.

Depending on your knowledge of marketing, you should plan to spend about two days on each of the 12 areas. You should draw up a timetable spread over the time period allocated for your 30 day MBA in Marketing, say 12, 24 or 36 weeks. Then mark out the hours allocated for each subject, not forgetting to leave an hour or so for the test at the end of each subject. You will also need to build in a couple of days for revision before you take your final exam.

The subject areas within each chapter correspond to what you would find in the syllabus at major business schools in terms of theoretical underpinning and the practical application of that theory that you would pick up from fellow students.

The final chapter, 'The core', contains the basic tools that an MBA graduate will use or need to refer to more or less every working day. Every MBA student, whether he or she takes a general programme or one that specializes in a particular discipline, as this book does, will be required to study the four core disciplines: Marketing (the subject of this book), Finance and Accounting, Organizational Behaviour, and Strategy. Depending on your knowledge in these areas, you should plan to allocate the remaining six of your 30 day learning plan to these areas.

There are two accompanying appendices, available online. One contains a marketing information resource directory listing all the key areas for uncovering key marketing and related business facts that will help you stay on top of the subject. The second covers all aspects of personal development, and using it will ensure you keep abreast of current thinking in marketing. You should visit this on a regular basis to ensure you have all the advantages that an MBA in Marketing would hope for in terms of career progression. Here you will find how to update your skills and knowledge by taking short courses at top business schools around the globe. The cost of these ranges from a few hundred pounds up to £3,000 and by attending you can usually get onto the school's alumni list, plugging into a valuable business network in the process.

The case study method

Pioneered by Harvard and championed by schools such as Cranfield, which hosts the European Case Study Clearing House, Bocconi (Milan), Esade (Barcelona) and INSEAD (Paris), the case study teaching method is de rigueur. Business schools use the case study as a vehicle for applying and testing out the theories their students are studying in class. The logic for this is impeccable. By studying a business at a particular moment in time, students are forced to grapple with exactly the kinds of decisions and dilemmas managers confront every day. The case method brings into the classroom the opportunity to analyse a complex situation, where all the relevant facts are not available, and persuade others to your point of view.

Of course, if you weren't in the classroom you would be in your own organization, evaluating a business opportunity if you plan to start a business, or looking outside at other enterprises for new career prospects. In short, you would have no need of a case study. You would even have to hand an infinite supply of people whose views differed from your own to debate the options with.

This book contains a selection of shorter case studies that will give you a flavour of the case study method. On the websites of most major business schools you will find case studies that you can download, together with teaching notes that detail their key learning objectives. The Case Place (www.caseplace.org) and *The Times* (www.thetimes100.co.uk) also have case studies and related teaching notes, freely available.

Introduction to marketing

- Measuring markets
- Understanding customers
- The marketing mix
- The internet challenge
- Richness and reach combined

Business schools didn't invent marketing but they certainly ensured its pre-eminence as both an academic and practitioner discipline. *Principles of Marketing* and *Marketing Management*, seminal books on the subject by Philip Kotler (*et al*) of Kellogg School of Management at Northwestern University have been core reading on management programmes the world over for decades. The school's marketing department has rated at the top in all national and international ranking surveys conducted during the past 15 years (you can see Kotler lecture at www.anaheim.ed>CEO webcast).

Marketing is defined as the process that ensures the right products and services get to the right markets at the right time and at the right price. The key word in that sentence is the word 'right'. The deal has to work for the customer because if they don't want what you have to offer the game is over before you begin. You have to offer value and satisfaction, otherwise people will either choose an apparently superior competitor or, if they do buy from you and are dissatisfied, they won't buy again. Worse still, they may bad-mouth you to a whole mass of other people. For you, the marketer, being right means there have to be enough people wanting your product or service to make the venture profitable; and ideally those numbers should be getting bigger rather than smaller.

So inevitably marketing is something of a voyage of discovery for both supplier and consumer from which both parties learn something and hopefully improve. The boundaries of marketing stretch back from inside the mind of the customer, perhaps uncovering emotions he or she were themselves barely

aware of, out to the logistic support systems that get the product or service into the customer's hands. Each part of the value chain from company to consumer has the potential to add value or kill the deal. For example, at the heart of the Amazon business proposition are a superlatively efficient warehousing and delivery system and a simple zero-cost way for customers to return products they don't want and get immediate refunds. These factors are every bit as important as elements of Amazon's marketing strategy, as are its product range, website structure, Google placement or its competitive pricing.

Marketing is also a circuitous activity. As you explore the topics below you will see that you need the answers to some questions before you can move on, and indeed once you have some answers you may have to go back a step to review an earlier stage. For example, your opinion as to the size of a relevant market may be influenced by the results achieved when you segment the market and assess your competitive position.

Understanding markets

All products and services have markets that comprise consumers. However, there are two fundamentally different types of markets. The first is consumer markets where the product or service is largely bought and used by the same person, or someone close to them, for personal satisfaction rather than financial gain. The second is business-to-business (B2B) markets where both parties to the transaction expect to make money and both may simply be in the chain that links to end-consumers. A food processing company making pizzas would buy ingredients from other businesses and sell to outlets such as supermarkets or other retailers. They in turn would sell to someone who actually eats the pizza. It could of course be that they merely bought the product for some other family member to consume. Markets can be complicated, messy affairs and the marketer has to get an understanding of all the forces at work along the path from materials to end consumption or use.

Consumers

The same product or service can be used for a variety of purposes, by different end-consumers to gain quite different satisfactions or to meet quite different needs. Marketing to consumers requires getting under their skin to see what their needs, desires, preferences and aspirations are: all the subjects of later chapters. Also, of course, where they will buy – online or offline – and how much they are prepared to pay, factors that are influenced by their socio-economic and educational background, amongst other factors.

The problem for the marketer is that markets don't stand still and the most profitable path may move from selling B2B to end-consumers as markets mature and develop.

Business-to-business markets

Although apparently invisible to the end-consumer, the B2B market is bigger, more diverse, complex and profitable than the consumer market. To return to our pizza buyer, before that is available in the retail outlet dozens of businesses have played their part in the process. The cheese topping alone, just one of several ingredients that are assembled in the final pizza product, goes through many business hands before it gets to the retailer. Take milk, for example. Cows have to be bred, fed, kept healthy and warm, milked efficiently and that milk distributed from dairy to units for further processing. These business-to-business transactions involve farmers, fertilizer companies, milking equipment manufacturers, builders, transporters and cheese processors, amongst others.

The marketing mix

The term ‘marketing mix’ has a pedigree going back to the late 1940s when marketing managers referred to mixing ingredients to create strategies. The concept was formalized by E Jerome McCarthy, a marketing professor at Michigan State University in 1960. The mix of ingredients with which marketing strategy can be developed and implemented are price, product (or/and service), promotion and place. A fifth ‘P’, people, is often added. Just as with cooking, taking the same or similar ingredients in different proportions can result in very different ‘products’, a change in the way these elements are put together can produce an offering tailored to meet the needs of a specific market segment.

For example, a hardback book is barely more expensive to produce than a paperback. However, with a bit of clever publicity, bringing a hardback out a few weeks before the paperback edition, and a hefty price hike, an air of exclusivity can be created which satisfies a particular group of customers. The ingredients in the marketing mix only represent the elements that are largely though not entirely within a firm’s control. Uncontrollable ingredients include the state of the economy, changes in legislation, new and powerful market entrants and rapid changes in technology. The effects of these external elements are covered in the chapter on strategy, though many of the concepts discussed there apply to marketing as well as wider aspects of a firm’s operations.

In the e-business world the same rules apply. You can take almost any business proposition and change the ingredients in the marketing mix to appeal more specifically to one of the target market segments you have identified as being worth pursuing. Take an online share dealing business, for example. Its key market segments may include such diverse groups of clients as day traders, novice share clubs and sophisticated private investors. The company’s core ‘product’, which consists of providing information to enable investors to make choices and so place orders, can be altered along with other elements of the marketing mix, to appeal more to a certain segment.

For example, the company could run seminars, sell books or have web discussion sites aimed at its less experienced investors, all based on the core knowledge they already have, but packaged in different ways. Alternatively it could offer a more personal service giving one-to-one web advice, or share portfolio analysis. The price of these different offerings would reflect the different benefits being given and the promotion methods and messages would be different, but at its heart the ‘product’ would be virtually the same: just using the elements of the mix in different ways and in different proportions.

Marketing in the internet era

Exactly when the internet was born, like so many enabling technologies – steam, electricity and the telephone, for example – is a subject for conjecture. Was it 1945 when Vannevar Bush wrote an article in *Atlantic Monthly* concerning a photo-electrical-mechanical device called a Memex, for memory extension, which could make and follow links between documents on microfiche? Or was it a couple of decades later when Doug Engelbart produced a prototype of an ‘oNLine System’ (NLS) which did hypertext browsing editing, e-mail and so on? He invented the mouse for this purpose, a credit often incorrectly awarded to Apple’s whiz-kids.

Some date the birth as 1965 when Ted Nelson coined the word ‘hypertext’ in ‘A file structure for the complex, the changing, and the indeterminate’, a paper given at the 20th National Conference, New York, of the Association for Computing Machinery. Others offer 1967 when Andy van Dam and others built the Hypertext Editing System.

The most credible claim for being the internet’s midwife probably goes to Tim Berners-Lee, a consultant working for CERN, the European Organization for Nuclear Research. In June–December of 1980 he wrote a notebook program, ‘Enquire-within-upon-everything’, that allowed links to be made between arbitrary nodes. Each node had a title, a type and a list of bidirectional typed links. ‘Enquire’ ran on Norsk Data machines under SINTRAN-III. Berners-Lee’s goal was to allow the different computer systems used by the experts assembled from dozens to countries to ‘talk’ to each other both within CERN itself and with colleagues around the globe.

The record of the internet’s meteoric growth has been tracked by Internet World Stats (www.internetworldstats.com/emarketing.htm) since 1995. Then just 16 million people, representing 0.4 per cent of the world’s population, were online, mostly using slow and very limited connections with modest bandwidths – the measure of how much data can be moved and how fast it can travel. By 2010 over 2 billion people, more than a quarter of the world’s population, were online and using methods of connectivity infinitely superior to the early primitive telephone links. That growth has itself been overtaken by the volume of traffic driven over the internet. According to industry estimates,

some 150 exabytes (billion gigabytes) of data washed through the internet in 2005. By 2010 that had risen to 1,200 exabytes, a growth of 700 per cent.

So what's new?

In later chapters, particularly Chapter 2 when we look at the works of Maslow, the argument is advanced that consumer needs are enduring and only the means of satisfying them changes. While this gives a sense of stability to the whole subject of marketing, the internet has substantially changed everything by changing the traditional trade-off between giving customers what they want and what it is economically viable to provide.

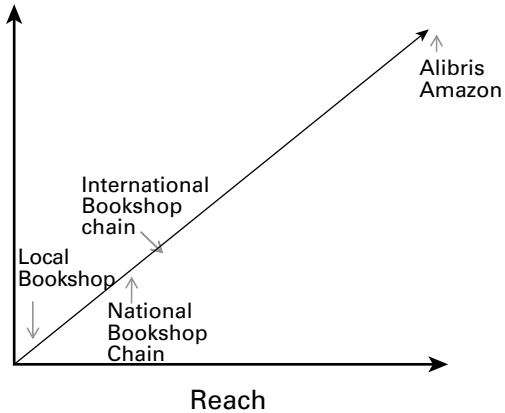
But for the first decade or so, the internet looked as though the only thing it could reliably deliver for the business world was a colossal collapse in value. In the years to 2002–3, investors in internet businesses lost hundreds of billions of dollars. Many of the first generation of internet start-ups had nothing unique about their offer other than that it was 'on the net'. Any new entrant to a market with nothing particularly distinctive to make it better in the customer's eyes will end up competing on price. New and small businesses are less able to win price wars than bigger and better established competitors. Arguably the first business to sell books on the internet was offering nothing new into a mature established market. The same was true of food retailers offering product on the net. Most customers for books and groceries already had a wide choice of products available close to them and available at convenient times. The only sector that the internet might have appealed to was rural populations who were not so well supplied. But the drawback here was that rural populations were less likely to be on the internet and had less spending power than people in urban areas. The result was a price war with few people in such sectors making any profit even after the best bit of a decade in the market.

Richness vs reach

The internet has largely changed the maths of the traditional trade-off between the economics of delivering individually tailored products and services to satisfy targeted customers and the requirement of businesses to achieve economies of scale. The near-impossible second-hand book that had to be tracked down laboriously and at some cost is now just a mouse click away. The cost of keeping a retail operation open all hours is untenable but sales can continue online all the time. A small business that once couldn't have considered going global until many years into its life can today, thanks to the internet, sell its wares to anyone anywhere with a basic website costing a few hundred dollars and with little more tailoring than the translation of a few dozen key words or phrases and a currency widget that handles its payments. The internet has made real what in the 1970s Marshall McLuhan, a Canadian visionary of marketing communications, called the 'global village'.

FIGURE 1.1 Richness vs reach**Richness**

- Bandwidth or amount of data that can be transmitted
- Ability to customize product or service to an individual buyer's needs
- Interactivity between 'buyer' and 'seller'
- Reliability of the service
- Security of data and transaction processes, including payment systems
- Currency – how current the data is
- Operating hours 24/7
- Ease with which languages can be added to facilitate global reach



- Number of people/customers who can be approached
- Geographic spread
- New intermediaries in the distribution channels

The book business is a powerful illustration of the way a product and its distribution systems endure in principle while changing in method over the centuries. From 1403 when the earliest known book was printed from movable type in Korea, through to Gutenberg's 42-line Bible printed in 1450, which in turn laid the foundation for the mass book market, the product, at least from a reader's perspective, has had many similarities. Even the latest developments of in-store print-on-demand and e-book delivery, such as Amazon's Kindle, look like leaving the reader holding much the same product. What has, however, transformed the book business is its routes to market, the scope of its reach and the new range of business partnerships and affiliate relationships opened by the internet. The Alibris case is a powerful example of how the internet has affected the way in which marketing strategy is developed and implemented.

CASE STUDY Alibris.com

On 23 February 2010 Alibris Holdings, Inc, owner of Alibris, Inc, an online marketplace for sellers of new and used books, music and movies, announced that it was acquiring Monsoon, Inc, an Oregon-based marketplace selling solutions company. Alibris is an online marketplace for sellers of new and used books, music and movies that connects people who love books, music and movies to the best independent sellers from 45 countries worldwide. It offers more than 100 million used, new and out-of-print titles to consumers, libraries and retailers, which include Amazon, Barnes & Noble, Borders and eBay.

Alibris was founded in 1998 out of the germ of an idea that had been bugging Richard Weatherford, a bookseller who loves old books and new technology. After teaching college for a number of years, Dick turned to selling antiquarian books via specialized catalogues from his home near Seattle, a city that would also become home to Amazon.

Alibris is a business that could only exist in the internet era. The richness of information on hard-to-find second-hand books and its global reach marrying tens of thousands on sellers with hundreds of millions of buyers can only be delivered online. The company built specialized sophisticated low-cost logistics capabilities from the start to allow orders to be consolidated, repackaged, custom invoiced or shipped overseas at low cost. Because Alibris collects a great deal of information about book buying and selling, the company came to be able to offer both customers and sellers essential and timely market information about price, likely demand and product availability. Eight new business partnerships (Akademos, Better World Books, BookRenter, Buy.com, Chegg, Coutts, eBay and Waterstone's) launched by Alibris in 2009 bring the total partner count to 16 and confirm its place as the premier marketplace for sellers of new, used and out-of-print books, music items and movies.

Intelligent data abounds

Marketers have always had an appetite for data. Anything that helps get a handle on customer needs, preference, buying patterns or spending power is all grist to the mill. But the internet has added two important twists to information gathering. In the first instance the information can be assembled in real time. That means the information is current and so probably more valid than that gleaned weeks or months ago when different circumstances might have prevailed. Just imagine a stockbroker trying to gauge share buyers' opinions in June 2009 when shares slumped, based on data assembled weeks or even days before. Marketing decisions that are altered out of all recognition by virtue of internet-accessed data include:

- Amazon and most other e-tailors use information gleaned from website searches to make offers that are particularly relevant to what those customers, actual and potential, might require now. These companies monitor web users' browsing and make relevant and focused suggestions either by e-mail or the next time you visit their site.
- Best Buy, a multinational retailer of technology and entertainment products and services, has a family of brands and partnerships including Best Buy, Audiovisions, The Carphone Warehouse, Future Shop, Geek Squad, Jiangsu Five Star, Magnolia Audio Video, Napster, Pacific Sales, The Phone House, and Speakeasy. In December 2009 it launched its Zone Rewards loyalty programme providing 'enriched communication with its members'. Using this data it discovered that

less than 10 per cent of its customers accounted for just over 40 per cent of sales. The company reorganized floor space to focus on those 'heavy buyers' and now accounts for sales in excess of \$45 billion.

- Cablecom, based in Switzerland, is one of 14 country-based subsidiaries operated by Liberty Global. It operates state-of-the-art broadband communications networks principally in Europe, Chile and Australia. Cablecom is the largest cable network operator in Switzerland with around 1.6 million customers, 1,400 employees and a turnover of over 1 billion Swiss francs. Cablecom has used information-tracking internet-based data to cut defections from 20 per cent a year to just 5 per cent.
- The fastest growing advertising segment by far is the internet, up by 40 per cent. The reason the internet is growing in popularity as an advertising and promotion resource lies in its proven cost effectiveness, the ease of measuring results and the speed with which messages can be changed in response to changing situations. In the hotel and travel industries, yield management, the process that maximizes usage and revenue, has become incalculably more efficient as a result of internet advertising. You don't have to be global or mega big to get seriously improved results in this respect with data mined from internet transactions. The Royal Shakespeare Company is a case in point. By analysing nearly a decade's worth of information on customer online bookings, it was able to discover enough about demographics to increase regular visitors by over two-thirds.
- Google and all search engines have a business model predicated on users' internet search habits. A search engine query can result in tens of thousands of results, but as users select sites to visit, the list of possibilities is reduced sharply. Companies such as eBay use that density of interest to re-jig prices in real time and so extract maximum prices at auctions.

Breaking down barriers and levelling the playing field

One of the criteria for a successful marketing strategy is to ensure that new entrants can't enter the market easily or at least without at least as much cost as you have incurred. The internet era has levelled the playing field between big established businesses and new market entrants. In many cases the heritage investment made by the early players in a market, however entrenched they seem, counts for little. Lloyd's of London had been in the insurance business for over 300 years when direct marketing via the internet and telephone all but swept it away.

CASE STUDY

Harold had worked in a car salvage business for five years when he decided he would like to be his own boss. The salvage business consisted largely of broken-down cars, rusty puddles of water and lots of used notes changing hands. A less likely business to start on the internet it was hard to think of. His employer had two sites situated strategically at motorway junctions to cover as much of the country as possible. Once a vehicle has been recovered from an accident, the insurance company assesses it: those that are beyond repair are sold for scrap after the spare parts have been salvaged, the rest are sold at auction by Harold's employer or one of his competitors. Historically, all vehicles were held and sold at the company's premises, which effectively acted as a car showroom. Prospective purchasers would visit, view and buy vehicles in the traditional way, much like a second-hand car dealership. This meant that traders who were located in prime positions had access to both the best buys and the best customers. Some customers from out of the area would visit occasionally, but not often because it was too time-consuming to take a day out browsing on the off-chance of finding a good deal.

But for Harold, having a prime site was too expensive a proposition. He had read about e-business and felt that it offered the possibilities of opening up the market so more buyers could be enticed into an auction. Also, if the auctions could be conducted online, Harold could use a less expensive site to store the vehicles, as access was less important to buyers, who could have their purchases delivered to them.

Harold bought an off-the-shelf software package which enabled him to come up with a no-mess, no-fuss website. He had all the features of an online auction up and working within six weeks. He ran a promotional campaign including advertising in local and trade publications to spread the word. He e-mailed his network of business contacts to start spreading the news by word of mouth. Harold started small with just a dozen cars for sale, but quickly built up his stock. He was able to do this because all his vehicles are sold and paid for in a matter of days. His previous employer took up to three months to get his money back after buying in stock.

Over 100 serious buyers attend Harold's online auctions, compared with a physical auction, which would be lucky to attract 50. Having a wider and larger audience ensures better prices, too.

Clicks and bricks

Of course, the internet business world and the 'real' world overlap and in some, cases take over from one another. Woolworth's, for example, died on the high street in 2009 only to be born again on the internet. Many of the old economy entrants to the e-economy have kept the 'mortar' as well as acquiring 'clicks'. When one national retail chain announced the separation of its e-commerce business, one great strength claimed for the new business