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The Evolution of Marketing

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The importance of the customer in any business is brought out in 'The ten commandments of good business' put out by Carey International Limousine, in frameable format. Parts of these commandments are attributed to the Father of our nation, Mahatma Gandhi - as displayed in many bank premises. It can be seen that the purpose of marketing is creating and retaining customers.

The Ten Commandments of Good Business

1. A customer is the most important person in any business.
2. A customer is not dependent on us; we are dependent on him.
3. A customer is not an interruption on our work; he is the purpose of it.
4. A customer does us a favour when he calls; we are not doing him a favour by serving him.
5. A customer is part of our business - not an outsider.
6. A customer is not a cold statistic; he is a flesh-and-blood human being with feelings and emotions.
7. A customer is not someone to argue or match wits

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with.

8. A customer is a person who brings us his wants; it is our job to fill those wants.

9. A customer is deserving of the most courteous and attentive treatment we can give him.

10. A customer is the life blood of this and every business.

It is easy to display such things as 'ten commandments of good business', but to practise them is an arduous task. However, good businessmen always had this kind of orientation which is evident from the following two quotes:

"The man who will use his skill and constructive imagination to see how much he can give for a dollar, instead of how little he can give for a dollar, is bound to succeed." - Henry Ford

"One of the first declarations of business philosophy I heard from my father soon after I came to work at Neiman-Marcus in 1926, was 'There is never a good sale for Neiman-Marcus unless it is a good buy for the customer.'" - Stanley Marcus

One need not be an expert in marketing to understand this concept. For instance, the hawker woman who sells vegetables from door to door - if you ask her how she decides on the assortment of vegetables, she can give a clear description of her customers and their preferences. She can even tell what her customers would buy when, as she knows the food-habits of the households she serves. The lesson here is that marketers should understand the customers' needs and satisfy them.

The STP Model

This is the model that dominated marketing thinking for more than five decades. Here, the idea is that the needs of different people are different and a marketer cannot satisfy the needs of all the people. However it is possible to identify clusters (segments) of people

with relatively homogeneous needs and preferences.

The marketer should then choose that segment (target) that can be profitably exploited by the company by offering a product needed by the group at a price affordable and make it available in places that are convenient for the target customers and promote/ advertise (Position) the product as meeting a specific need of the target group. The product, price, place and promotion (4Ps) are the controllable marketing-mix variables that a marketer can manipulate to get the desired results.

The 4Ps approach gave a good frame-work for understanding the marketing process. It is particularly very appealing to consumer products marketing. Hence it led to the entire research efforts getting focussed around the 4Ps, which turned out to be its undoing subsequently.

Value-based Marketing

The 4Ps approach got extended much beyond its limits. The same format was applied to industrial products as well. With the emergence of the service sector in the late seventies, attempts were made to apply the same approach to services as well. Then it was realised that it was inadequate to capture the complexities of services marketing as well as business to business marketing.

Additionally, the 4Ps approach took away the practice of marketing from its core marketing concept, namely, customer focus and customer satisfaction. People started questioning whether the companies actually understood and implemented the substance of marketing. Truly, marketers were too preoccupied with positioning, advertising, creating a brand image etc. rather than trying to understand the needs of the customers and satisfying them.

It was at this juncture that Japanese products started getting global acceptance. On further scrutiny, it was found that these companies were using the TQM approach and through, that they were trying to offer better value to the customers. Then the attention

shifted to value based marketing.

Customer satisfaction measures became all-pervasive. Customer satisfaction is seen as a proof of delivering a quality product or service. Higher customer satisfaction is an index of perceived quality. It is believed that customer satisfaction brings sales growth, and market share. These in turn will not only generate higher profits, but will provide competitive strength for long-term business vitality and growth.

Hence a company may offer average value by offering comparable quality at a comparable price, by offering superior quality but charging a premium price for it, or by discounting for inferior quality. These forms of average value correspond to three common product/service offerings: average, premium and economy respectively. When relative perceived quality and price are out of balance, a competitor adopts either a better value position (superior quality at the same or lower price), or a worse value position (inferior quality at the same or higher position).

It has been found that companies that offer average value at the premium end of the market show the highest rate of profitability, on average. The surprising fact is that better-value businesses (superior quality, but no price premium) are nearly as profitable. What is lost in price (no premium), they make up in lower costs, stemming from their strong tendency to gain marketshare and the lower marketing costs that are incurred when one sells superior quality at a less than premium price.

Relationship Marketing

The early history of the marketing discipline (Bartels 1988) focused on selling agricultural products. Subsequently, the discipline's scope expanded to marketing of industrial products. In textbooks and other publications, the accepted wisdom that marketing meant physical goods marketing was rarely challenged. Suddenly realisation dawned on a few academics and practitioners that what really

matters is the relationship with the customers.

Relationships are essential in the business-to-business marketing situation. It was found out that even in services marketing closer relationship with the customers enabled service providers to customise their services to the exact needs of the customers.

It is now well established that it is more profitable to retain the existing customers than running after new customers. The higher profits from existing customers come from larger share of purchases, referrals and price premiums. The longer a customer stays with a company, a larger share of his/her business is likely to come to the company. Due to the closer relationships developed over a period of time, the company can understand the needs of the customer leading to greater customisation of products which command price premiums. The more happy the customer, he/she is likely to refer the company's products and services to more people.

According to Davidow and Vital, loyal customers offer their suppliers a triple payoff. They buy instead of being sold to, so the marketing and sales costs are lower than prospecting for new customers. Second, a company that deals with loyal customers knows a good deal about them and about how to get in touch with them, so the firm does not have to spend as much for transactions and communications - credit checking, or setting up new records for ordering, shipments and returns. And a very loyal customer buys more than the moderately loyal or new customer.

One-to-One Marketing

Another major trend that will completely alter the way we do business is the emergence of 1:1 marketing. While the earlier paradigm aimed at meeting the needs of segments of consumers, the new paradigm treats every customer as unique. The development of technology has made it possible to address the needs of individual customers. The day may not be very far off when a customer wanting to buy a toilet soap may have to put his/her hand into a

scanner which will sense the skin complexion and pop out a pouch of liquid soap that is ideally formulated to suit his/her skin.

Basically, trust and relationship commitment lead to satisfaction and customer loyalty. While product and service quality is becoming the minimum requirements, the quality of relationship with individual customers is emerging as a proper measure of success. The new marketer will gauge success of marketing programmes by the increase or decrease in a customer's future value to the company.

It is now possible to maintain data on individual customers and address their needs on a one-to-one basis as is done at the Ritz- Carlton chain of hotels worldwide. From its example, it is obvious that customer satisfaction and retention can be measured at the individual level. Secondly the integration is complete with marketing research also getting integrated as part of the selling function. The data gets collected by the company itself.

This new approach is closest to reality and it is possible to carry out a lot of individual level analysis on profitability, future value etc. Then the company will have the option to retain or retrench a customer. The company can customize and offer maximum value to customers of segment size one. Companies truly get it into the customer value management.

A number of companies are already moving into this bandwagon. One of the early entrants is Pond's which offers make-up advice to individual customers through interactive touch-screen kiosks in addition to a telephone helpline. Pond's consumers can also access advice through a website 24-hours (www.pondsintstitute-india.com).

In some sense, one on one marketing and relationship with individual customers formed the basis of primitive marketing. We have made one full circle to come back to what was existing several centuries ago and operationalising the same

principles using high technology on a higher plane.

Concluded

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