What is Consumer Marketing?

CHAPTER

1

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Introduction

The purpose of commercial business is to find and retain customers by creating a compelling value proposition. Marketing is at the very essence of this purpose, and this chapter provides a holistic view of the marketing concept specifically related to consumers. Not all marketing is commercial; the principles in this book can therefore be applied to marketing many things, like ideologies or not-for-profit organisations. Similarly, not all marketing is directly related to consumers (for example, a company can market nuts and bolts to another company that makes cars). This book, however, is about marketing to consumers.

Before we get into chapters on the fundamental principles of marketing, this chapter provides a broad strategic overview of what marketing is, and how to think about consumer marketing. A clear understanding of this chapter is required before the rest of this book's contents can be fully understood. In fact, some of the best marketers in the world do not have formal marketing training, but understand the principles of this chapter and have built great business empires around this thinking.

Definitions of marketing

In order to **define marketing**, let us look at two definitions from key sources. According to Kotler and Armstrong marketing is defined as:

> *A social and managerial process by which individuals and businesses obtain what they need and want through creating and exchanging value with others.*[1]

According to the American Marketing Association:

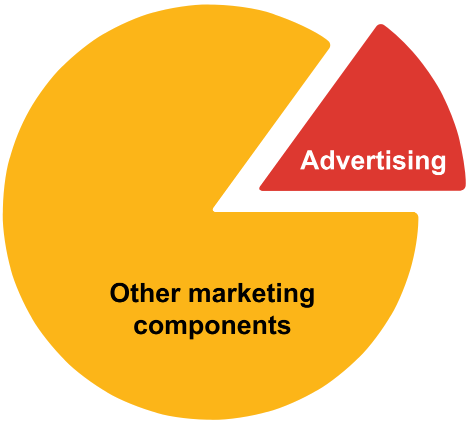
> *Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.*[2]

The role of marketing is to be the link between the consumers (that pay money for goods and services) and companies (that produce goods and services). There is no formal function in business that fulfills this crucial role in the same way (See Figure 1.1).

Figure 1.1: Marketing's role in connecting production to consumption

Different companies may have an inaccurate internal definition of marketing. For example, an industrial refrigeration company may define marketing as the function of creating advertisements in industry publications. This is a misleading use of the term marketing since consumer needs are not met through advertising. Advertising is a component of marketing used to communicate a brand's value proposition, to create awareness, or to impart information. These are done with a view to create an action (maybe a sale) or behaviour change (like recycling). Advertising, however, is only one of many marketing-related tools at a company's disposal. These marketing tools (or tactics) are small pieces of a larger whole (see Figure 1.2) that include other tactics, such as pricing strategy or product design.

Figure 1.2: Advertising as a component of marketing



The role of advertising as part of marketing strategy is explored later in this book when we look at the marketing mix (also known as the Four Ps) in Chapters 13–16.

Creating value propositions

At the very heart of marketing is the idea of a value proposition. A value proposition is an offer (or promise) made by the marketer to the potential consumer. The consumer then decides whether they would be willing to part with their money in order to receive the offering. While not made as mathematically as the equation below, the essence of value comes from understanding the benefits (or perceived benefit) on offer minus the cost (or perceived cost) involved.

Value = Benefit – Cost

While the process is far more organic and complicated than the equation suggests, understanding value propositions is crucial to successful enterprises. Consumers are constantly choosing between alternatives based on what they get (benefit) and what it will cost. Note that costs can also include aspects like time and missed opportunities (known as opportunity cost). For example, a consumer may consider buying groceries at their nearest shopping centre. Benefits of this choice could include a saving of time (close proximity) and money (saving on transport costs). Costs could include the fact that they don't stock the consumers preferred brand (which is available at a shopping centre at the other side of town). The consumer makes a calculation over the trade off between benefits and costs. Consumers will make different decisions based on their wants and needs (for example, is their brand preference as important as the cost in time and money?). Companies that understand consumer behaviour and make strong value propositions have a good chance of success.

In the 1980s, Mr Price was formed in South Africa, building its success on one of its premises: fashionable clothes don't need to be expensive. Before that, the options in clothing were mostly either expensive-fashionable or cheap-unfashionable. The fact that you could buy lower-quality clothes that were fashionable was a new proposition was a new proposition that had relevance in many markets across the world, including South Africa.

The exchange process

The exchange process occurs when two or more parties give something of value to each other to satisfy their perceived needs. In a marketing context, it is typically manifested in terms of a buyer-seller relationship. The seller offers goods and services desired by possible buyers. In return, the consumer (buyer) returns something of value to the seller (generally money). Both parties receive something of value in the exchange process. The marketer makes money and the customer receives goods, services or ideas that satisfy their needs. This exchange process is the very basis of marketing.

In order for an exchange to occur, at least two parties are needed. The following conditions also need to exist:

- Both parties must have something of value to exchange.
- Both parties need to be able to communicate. The South African clothing manufacturer mentioned in the example above must have a means to let people know that they exist and the products they offer (for example, by purchasing advertising space on Instagram).
- Both parties must be able to exchange something. For example, the manufacturer must meet the physical and legal requirements for production and the consumer must be able to buy the product with their money (or on credit).
- Both parties must be willing to exchange (based on perceived equity in the transaction).

The role of marketing is to create the environments in which these exchanges that satisfy the perceived needs and wants of individuals and organisations can take place. These exchanges are facilitated by marketing through the distribution plan, the pricing model, the development of products and services that people want, the communication process to communicate benefits. It is marketing's role to facilitate the delivery of the total package that will hopefully achieve a satisfactory exchange.

It is important to note too that this exchange is not always immediate. One of the key roles marketers play is building the brand so that the value is understood and can be acted on when the time is right for the purchase to be made.

A marketing concept related to value is that of **utility**. Utility is the state of being useful, profitable or beneficial. In a marketing context, this is any quality or status that provides a product with the capability of satisfying the consumer's wants and needs.[3] Utility is used to define the degree to which a product can satisfy a **functional or emotional need-state**. Within the framework of functional or emotional need-states, there are five types of utility that a consumer marketer must take into consideration when creating a strategy:

- **Form utility:** The process of increasing the attractiveness of a product to a group of consumers by altering its physical state.

- **Place utility:** Making the product available where consumers will buy it. Chocolate manufacturers, for example, secure shelf space for their chocolates at a wide variety of retailers, including supermarkets, cafés, cinemas and garage convenience stores.

- **Time utility:** Making the product available when consumers want to buy it. An example of this is ensuring that convenience products are placed in garage convenience stores, which are often open 24 hours a day.

- **Possession utility:** Once a consumer has purchased a product (for example, a software product that may have restricted usage permission), what rights do they have to use the product?

- **Image utility:** This is the satisfaction acquired from the emotional or psychological meaning attached to products. For example, when buying a gift, some people pay more for a chocolate perceived to be of better quality.

The outcome of a positive exchange is mutual satisfaction (utility) and, hopefully, a loyal consumer. The next subsection briefly discusses some of the terminology used in consumer marketing and provides a framework for terminology.

Marketing to consumers

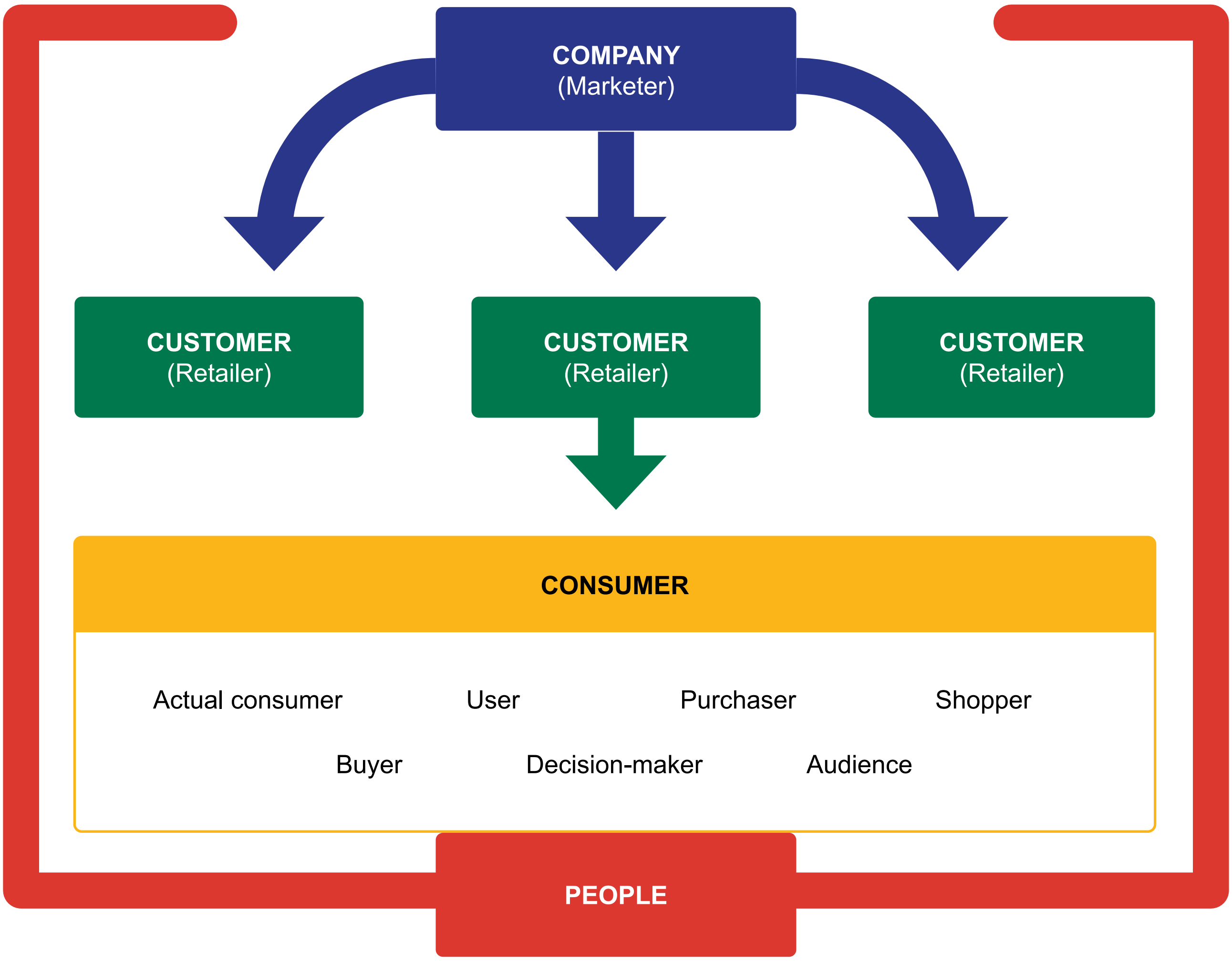
This book is about marketing to consumers and does not include other subsets of marketing that may be included in the above definitions. For example, marketers may sell their products and services to companies (and not end consumers). This form of marketing is called business-to-business (B2B) marketing and it carries a different set of theoretical and practical principles. In discussing consumer marketing, however, there are a number of challenges in the way consumers are described in the marketing literature. The terms 'shopper, 'buyer', 'user', 'customer', 'target market', and 'audience', to name a few, may be used to refer to a consumer. In order to provide some clarity, Table 1.1 provides a framework and definitions to better understand the terminology used in the field to describe consumers. In many cases the same person can occupy multiple roles (shopper, decision maker and end-user). In other cases, the person may only fulfil one role in the ultimate consumption of the product.

Table 1.1: Definitions of terms used to describe consumers

Term found in marketing literature	Definition for the purposes of this book
Actual consumer or end consumer (also user)	The person in a household who consumes a product or service. For example, a child will consume a bowl of breakfast oats that they did not shop for nor pay for. They are, however, the end consumer.
Decision-maker	The person in a household that decides which product or service to buy. For example, a father may decide that, if his child is going to eat oats, then it must be a specific brand. He may not be the shopper or consumer, but he is the decision maker.
User (online usage)	The person who uses a service or platform. For example, a family might start using Ecommerce to shop for non-perishable groceries. While everyone agrees with the benefits, only one member is tasked with the shopping. They would be the user of the Ecommerce platform, but not necessarily the end consumer of the product.
Shopper	The person who makes the retail transaction but is not necessarily the consumer. For example, a child may be sent to a spaza to buy hand cream for a parent. The child was the shopper, but not the end consumer. Sometimes a retailer might refer to shoppers as 'customers' since they may not be the end consumer.
Purchaser/buyer	The person who pays for the product or service but does not always consume it. One partner in a household may purchase an item for the other. They pay for it but don't necessarily consume it themselves. A purchaser might be differentiated from a shopper in that this role is usually assigned to more complex decisions than retail shopping (for example, purchasing a car).
Audience	A term used to describe a consumer of media (for example, a television advertisement). Often the audience and target consumer are the same, but one can also be part of the audience but not be a consumer of the product or service promoted.
Customer	A term sometimes used interchangeably with consumer, but best used to describe an intermediary relationship. For example, Coca-Cola deals with many customers (shopping outlets) in order to supply its product to the end consumer. Most often used in B2B (business-to-business) marketing. Some institutions, like banks, also refer to the end customer as the *client*. In hospitality and retail, sometimes the term *patron* is used.
People	Aside from all of the above terms, it's important to remember that marketers work with people.

In contemporary literature, some of these terms are used interchangeably. This can be confusing. A business may refer to a customer as the company that it supplies products to (for example, a shampoo brand may supply to customers like Pick n Pay, Checkers and hair salons). These customers then sell the shampoo to consumers. A similar article describing this might, however, say that the shampoo brand sells to intermediaries that then sell to customers. Since there is no universal convention, reading marketing literature can be confusing. Figure 1.3 is an attempt to distil the various consumer definitions under the umbrella of 'consumer'. While the terminology landscape is not so clearly defined and there is much overlap in terminology (even when their meanings are clearly different), for the purposes of this book we group the purchaser/buyer (financing the exchange), decision-maker (choosing the brand), audience (consuming messages about the brand), user (using the product/service, but not necessarily paying for it or even choosing it), and shopper (the person who visits the retail outlet) under the umbrella of 'consumer' unless clearly explained (for example, the use of 'audience' in media planning).

Figure 1.3: Understanding some of the complexity and interchangeable terminology that we find in marketing literature



The term 'customer' (while often used interchangeably with 'consumer' or 'shopper') is used to represent an intermediating business that the marketer sells to, for example, a distributor or retailer (see Chapters 6 and 15). In all cases, from the company to the consumer, marketers work with people, so understanding people is crucial to any marketing activity.

In a narrower consumer business context, marketing involves building and managing profitable relationships with consumers. Consumer marketing is, therefore, the process by which companies create value for consumers and build strong consumer relationships in order to capture value from consumers in return. Alternatively phrased, the goal of consumer marketing is to attract new consumers (consumer acquisition) by promising to deliver superior value and to keep and grow a current consumer base (consumer retention) by delivering satisfaction.[4]

Understanding what a consumer needs or wants is fundamental to marketing. The next section unpacks a foundational principle in strategic marketing based on the work of Theodore Levitt (1960).

The marketing concept

As with many other areas of management, marketing has evolved over the last century. In particular, a few authors have shaped how we understand marketing. This section summarises the evolution of modern marketing from a field that was orientated around manufacturing towards a field that is far more consumer focused. While many of these ideas are decades old, businesses still make mistakes based on an unevolved view of the marketing concept.

Marketing myopia

Marketing Myopia is a paper written by Theodore Levitt in 1960.[5] In this paper, he suggested that businesses thrive when their focus is on consumer needs and wants, rather than selling products. The paper addresses the blind spot (myopia) that entire industries experienced as a result of a short-sighted view of their business. In one of his more famous examples, Levitt asked why the railroad industry of old was not more instrumental in the development of the motor car or commercial aircraft. His conclusion was that the railroad industry defined their business according to the product they made (trains and tracks), as opposed to the need that they were fulfilling (mass efficient transport). While they focused on making better and safer railroads, others were looking at how transportation could be revolutionised. In time, the railroad industry declined as the main mass transportation business because they were 'railroad oriented instead of transportation oriented; they were product oriented instead of customer oriented'[6]. The major railroad industry declined not because of the invention of cars, trucks, and aeroplanes, but because of its own shortsightedness. The same principle applied to Hollywood, which almost imploded when television was launched. Television became a bigger commercial engine than 'big screen'' movies ever were. Levitt said:

> *Had Hollywood been customer oriented (providing entertainment) rather than product oriented (making movies), would it have gone through the fiscal purgatory that it did? I doubt it.*

The problem with being too product-orientated is that the focus moves to incremental improvements, and the needs of the consumer are assumed. Another more recent example of marketing myopia is Encyclopaedia Britannica. Britannica was a huge company ($650 million annual revenue in 1990[7]) that prided itself on selling the best reference books. It quickly lost out to companies like Encarta (that were CD-ROM based) and, eventually, Wikipedia (and arguably the internet) which were better at meeting the need for knowledge (in terms of both format and cost).[8]

Some of the consequences of defining your business according to your product, as opposed to needs, are:

- Intense focus on incremental improvements.
- Arrogance regarding smaller companies meeting the same needs in different ways.
- Over-focus on competitors' actions rather than on changing consumer needs.
- Complacency during times of success.

The publication of Levitt's paper marked a new era in marketing, often referred to as 'modern marketing'. Marketing managers were urged to re-evaluate their vision and redefine the businesses they were in. At this point, companies began to develop more consumer-orientated marketing strategies, phasing out product-orientated ones.

A key question faced by many older companies is: to what extent can an industry change its production model? Can a petrol company become a solar or electric company, thus satisfying the consumer need for energy in a different way? Consumers do not buy petrol for its taste, colour or smell; they buy the ability to drive their cars. The future is not about technology for its own sake but seeking a new means to satisfy consumer needs. This process may lead companies to see the need to dispose of profitable assets in order to survive in the long term. Examples of companies that are accused of missing this principle include Kodak (a camera film producer that lost out when photography digitised) and Blockbuster (a DVD rental store that lost out when internet streaming started). An industry is a consumer-satisfying continuum of transactions.

Understanding marketing management orientations

In the light of Levitt's marketing myopia principle, a set of management orientations are observable in various companies. Knowing the reality of a company's management orientation can assist in shaping long term strategic direction. The key concepts associated with understanding management orientation are as follows:

Production concept. This is the notion that consumers will give preference to available and highly affordable goods. It follows that management should emphasise improved production and efficient distribution. Although this concept is a useful one, it can result in marketing myopia, by which companies will focus on the product rather than customer satisfaction.

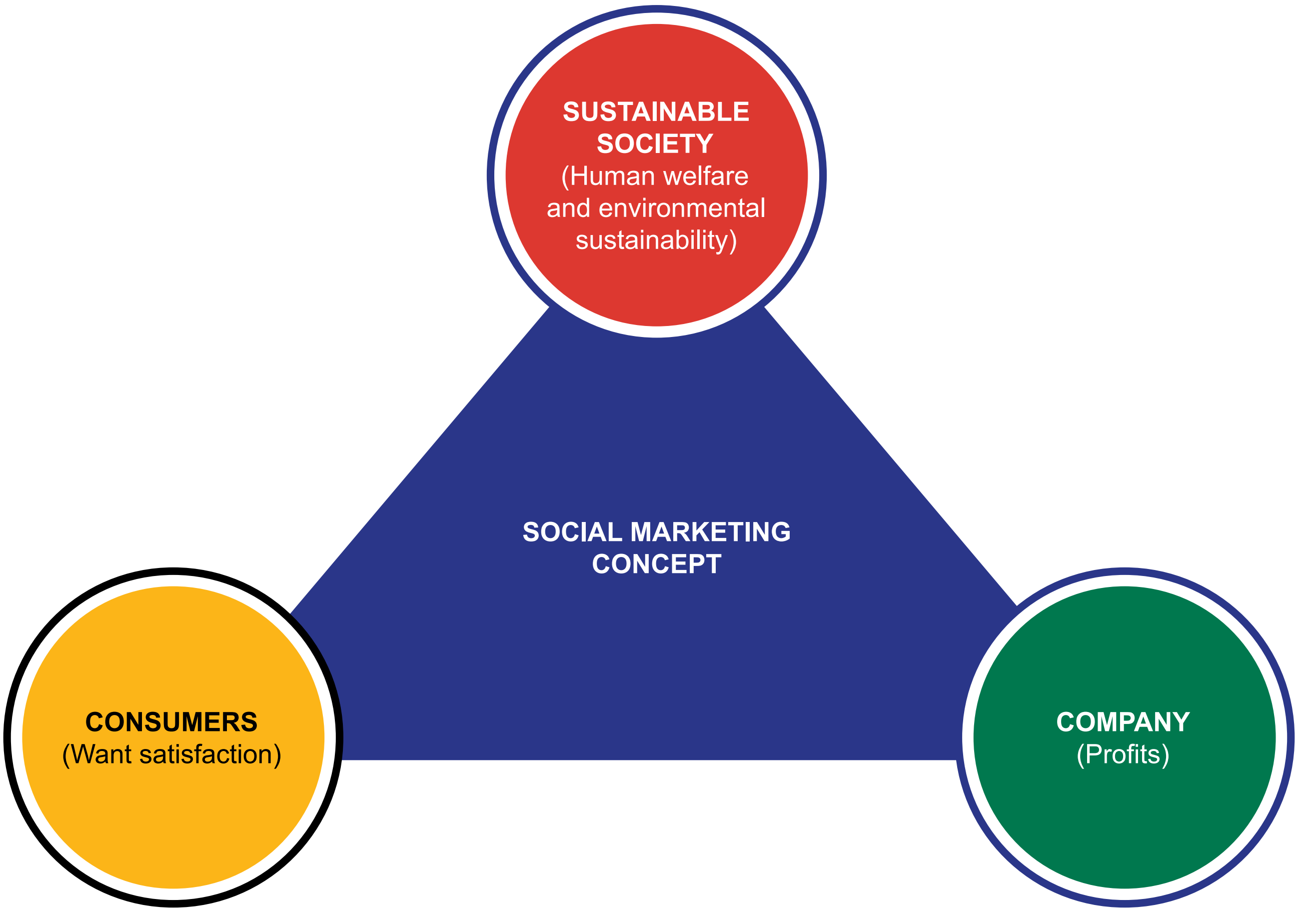
Product concept. This is the notion that customers will give preference to products that offer the highest quality, performance and innovative features. This concept directs the marketing strategy at product improvements and can lead to marketing myopia if the company neglects consumer needs and relationships.

Selling concept. This is the notion that unless a company invests largely in selling and promotion, it will not make sufficient sales. This concept refers mainly to goods that are not necessarily sought-after. This type of good would usually require companies to direct their strategies to consumer recruitment through special promotions (for example, the use of call centres) in order to boost sales. However, this concept focuses on making sales rather than consumer retention, through the creation of long-term and profitable relationships. The main aim of the concept is not to please the consumer, but to make them buy what the company has to offer. This concept makes a poor assumption that the recruited consumers remain loyal to the product, regardless of any disappointments, which is not always true.

Marketing concept. This is a marketing management philosophy that a company's goal achievement relies on the knowledge of the needs and wants of the target market and satisfying the consumer more than do competitors. The marketing concept is consumer-orientated and focuses on matching the right product to the consumer, in contrast to the selling concept, which matches the consumer to their product. This concept seeks to offer the consumer exactly what they are looking for; in return, the company generates profits by creating long-term relationships based on consumer value and satisfaction. The marketing concept also includes research on current consumers to acquire accurate knowledge of their desires, as opposed to giving a simple response to their obvious needs. This enables companies to explore new product and service ideas and to evaluate new suggestions.

Societal marketing concept. This concept holds that a company should not only consider the consumer and company's immediate desires, but the consumer's long-term interests and a sustainable society at large. This concept suggests that a marketing strategy should deliver consumer value in a manner that is sustainable to the consumer, the environment and society as a whole. The societal marketing concept is linked to the idea that building goodwill through ethical practices and doing good will promote loyalty to the company. Figure 1.4 illustrates the relationship between company, consumers and society, in the context of the social marketing concept.

Figure 1.4: The societal marketing concept

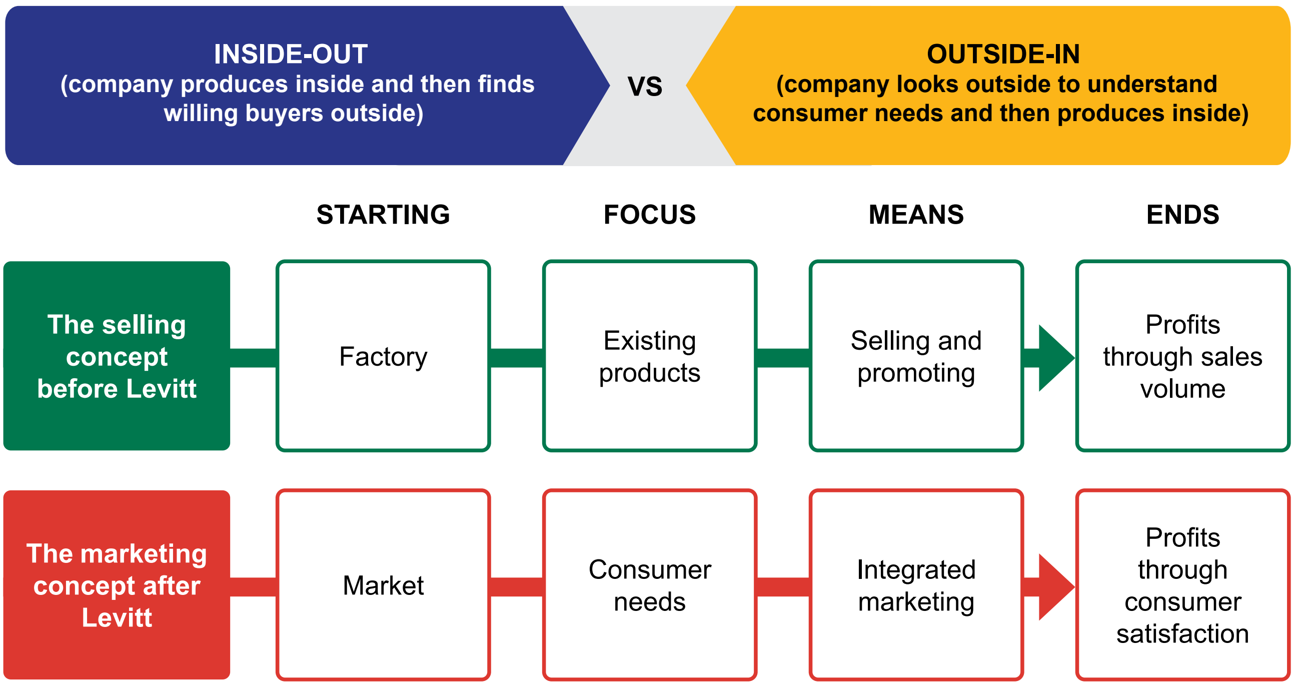


Signs of danger are when the marketing effort is still viewed as a 'necessary consequence' of the product. Companies and industries are in danger of having a product orientation (marketing myopia) instead of a market orientation in the following business environments:

- Where growth is assured by an expanding and affluent population.
- Where there is no competitive substitute for the company or industry's major product.
- Where too much faith is placed in mass production and in the advantages of rapidly declining unit costs as output rises.
- Where there is a preoccupation with a product that lends itself to carefully controlled scientific experimentation, improvement and manufacturing cost reduction.

Marketing myopia is the legacy of mass production, with its narrow view that profit resides essentially in low-cost full production.[9] Selling (the selling concept) focuses on the needs of the seller while marketing focuses on the needs of the buyer. Selling consists of tricks and techniques focusing on the seller's need to convert the product into money (starting on the inside of the company). Marketing is dedicated to the idea of satisfying the needs of the consumer by means of the product or service (starting with the outside consumer). Figure 1.5 provides a comparison between the selling concept and marketing concept models. The selling concept model depicts a process by which the factory creates products in order for marketers to sell (Inside-out). The marketing concept model depicts the market and consumer needs at the start of the process (outside-in). Production is then included in an integrated marketing design that comes after needs are understood. Market (consumer) orientation is the start of the value creation process.

Figure 1.5: Comparing the selling concept to the marketing concept



A natural consequence of marketing myopia is paying too much attention to research and development without enough consumer understanding. While innovation is crucial, there can be an illusion that a superior product will sell itself (especially when this seems to be happening). Today, too many engineers, accountants and scientists fill management positions as they create increasingly complex and sophisticated products and systems to track wealth creation. The marketing function can be reduced to advertising the products developed. When consumer needs are brought to the discussion, it is often without the controllable and concrete variables that satisfy engineers and scientists.

Here are some questions to help your management team avoid marketing myopia:

- What need is being met and are there ways for that need to be met by companies outside the industry?
- When decisions are made, is the consumer represented in the discussion? If not, what pitfalls could result?
- What emerging technologies could make your product obsolete in the long term (for example, compact cameras becoming obsolete as mobile phone companies improve their product)?
- Is innovation internally defined as incremental improvement? If so, how could innovation be expanded to engage with a broader context?
- Have we become so focused on cost cutting and technological development that we are missing some obvious ways to better meet fundamental needs?

The new marketing myopia

During the past half century, marketers have heeded Levitt's (1960) advice to avoid marketing myopia by focusing on consumers. Smith et al. (2010)[10] argued that marketers have learned this lesson too well, resulting in a new form of marketing myopia. The hyper consumer focus in many firms 'causes distortions in strategic vision and can lead to business failure'[11]. As marketers have moved away from the 'old myopia', a new myopia has emerged, by which short-sightedness limits the company to only considering itself and its consumers, ignoring other stakeholders and society. There are three states of this new myopia. First, to only focus on the consumer. Second, to have too narrow a definition of consumers' wants and needs. Finally, ignoring societal changes and the existence of multiple stakeholders, for example, the impact a company may have on climate change. As a result, many companies have become so focused on their own company and consumers' needs that they ignore society as a whole.

Here are two examples of the new marketing myopia that illustrate the complexity and importance of an expanded view of marketing:

The obesity crisis
For generations, food marketers catering to children have focused only on satisfying the short-term appetites of young consumers, with little thought given to their longer-term well-being. These marketers have excluded other stakeholders' concerns about health and nutrition. What if they had led the way by recognising the long-term needs of consumers and collaborating with, rather than resisting, stakeholders who are championing healthy eating?

South Africa has recorded accelerated obesity statistics, with 70% of women and 40% of men obese or overweight. Furthermore, for ages 2-14, one in five boys and one in four girls are either obese or overweight. These statistics have seen obesity-related diseases accounting for significant numbers of deaths in South Africa.[12]

The plight of the auto industry

Likewise, with their narrow reading of consumers' preferences, large automobile manufacturers have largely ignored pleas from scientists, environmentalists, politicians and journalists to attend to the problems posed by the oil industry and to develop the potential of alternative energy sources. They have held fast to their long-held emphasis on large, fuel-guzzling cars, trucks and sport utility vehicles. Lured by large margins on big vehicles, they have catered to only one component of consumer preference and have ignored the need for cleaner, fuel-efficient vehicles.

There are many other examples of the new marketing myopia in marketing practice and marketing research. Attention to stakeholders beyond the consumer often means engaging with groups that managers sometimes view as adversaries. These stakeholders include activists, scientists, politicians and members of the local community. However, such collaboration provides many benefits, which include helping marketers develop foresight regarding the markets of the future and providing the impetus for innovation.

As marketing evolves, marketers that give insufficient attention to all stakeholders are likely to be adversely affected in the long run. Here are five activities that can help marketers correct marketing myopia:

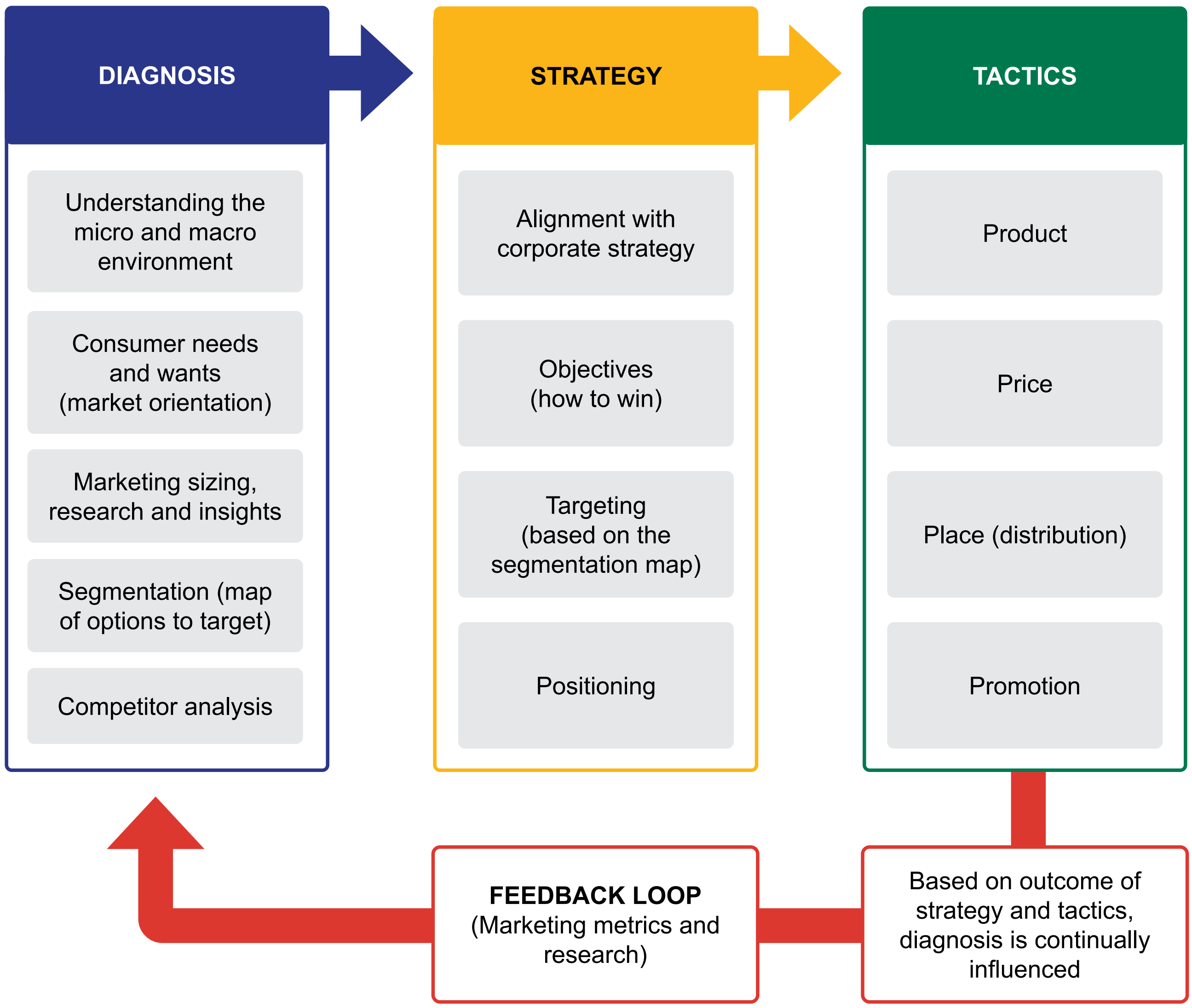
1. Map all the company's stakeholders
2. Determine stakeholder importance
3. Research stakeholder issues and expectations and measure impact
4. Engage with stakeholders
5. Embed a stakeholder orientation

These activities suggest many avenues for research, from researching communication practices to developing metrics for the measurement of stakeholder orientation. Both marketing practitioners and researchers need to better comprehend the company's deeply embedded position in society and shift from a narrow focus on consumers to a stakeholder orientation, if companies are to prosper in the unpredictable business environment of the 21st century.

What is a marketing strategy?

Up until this point, we have discussed marketing as a concept that centres around meeting consumers' needs. A full history of the development of marketing strategy is beyond the scope of this book. Implementing a marketing strategy, however, is a skill that requires a combination of theoretical understanding and tactical application. A key point came in the 1930s when Neil McElroy, an employee of Procter and Gamble (P&G), recommended dividing brands into separate teams (at the time marketers would work with product categories rather than individual brands). A brand is a unique design, sign, symbol, words or a combination of these, employed in creating an image that identifies a product and differentiates it from its competitors.[13] McElroy suggested splitting the P&G soap brands (Camay and Ivory) into two entities that should be built separately. In a famous memo (you can still find a typed copy on the internet), he outlined a process for marketing strategy that is just as valuable today.

Figure 1.6: Summarised overview of marketing strategy[14]



In summary, marketing strategy entails brand teams studying the past to uncover weaknesses and opportunities. They then develop a detailed tactical plan and prepare the necessary resources to carry it out while keeping records to measure whether the plan has been successful. Figure 1.6 provides a summarised approach to marketing strategy.[15] The summary includes phases of diagnosis, strategy and tactics.

All three elements of a strategy must work together. Making errors in just one area can cause problems for a company. Some elements of this perspective on strategy are summarised in this next section, with chapter references for more detail.

Diagnosis component

Before crafting a strategy with true market orientation, marketers must understand consumer needs and wants as well as all the micro factors (Chapter 4) and macro factors (Chapter 8) that impact on the marketing environment. Research is a crucial component in diagnosis (Chapters 17-18). In addition, any understanding of consumer behaviour (Chapter 9) and decision-making (Chapter 10) in the category of interest is important. Before devising a strategy, the market (all possible consumers) must also be segmented into identifiable groups with similar characteristics (Chapter 11). This segmentation provides a 'map' of the market. Finally, a competitor analysis will help marketers understand the other companies (and other forces) that do or will compete with the eventual value proposition (Chapters 4 and 18).

Strategy component

Before designing marketing tactics like advertising or pricing, the strategy component must be created. Unfortunately, some untrained marketers implement tactical decisions without a clear strategy. This may work in the short or medium term, but even successful companies can be outmanoeuvred by competitors with a clearer strategy. The building blocks of strategy include questions like: What brands should the marketer focus on (in large multi-brand companies) in the next year? Which consumers should the marketer target?

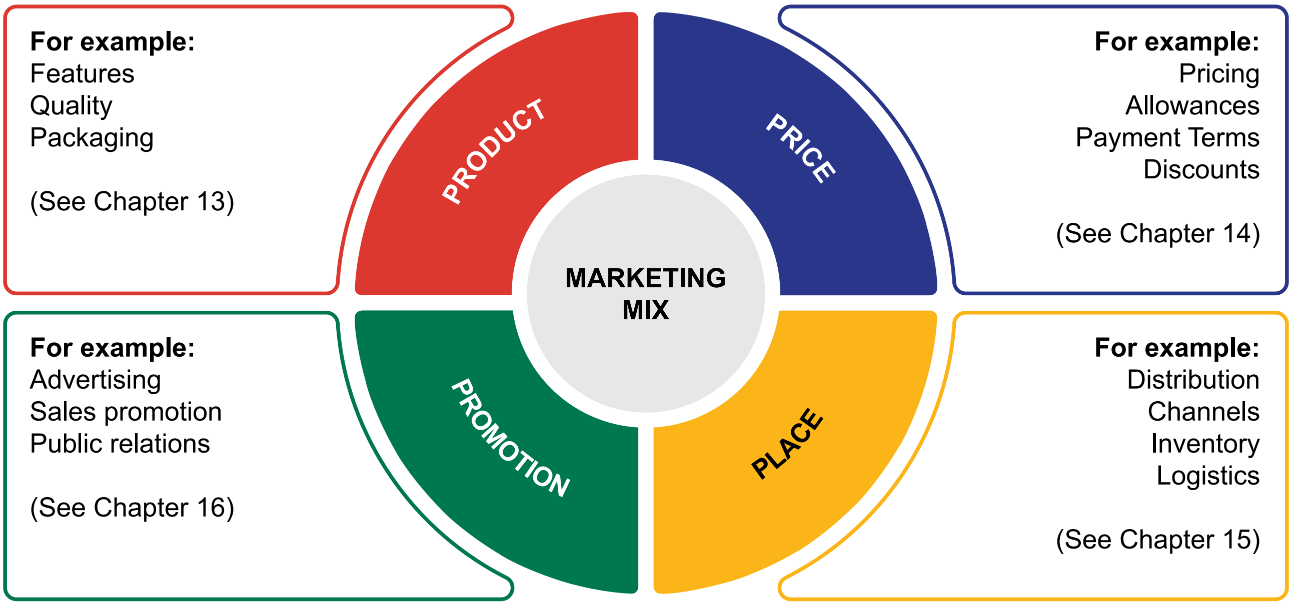
A crucial component of marketing strategy is positioning. In asking how brands should be positioned, the marketers are asking about what space the brand takes up in the mind of consumers relative to various competitors (Chapter 12). Positioning strategy is about key benefits, perceptions and value (intrinsic and extrinsic). Many categories are hard to differentiate on product attributes, price or availability. For this reason, communicating a clear and distinctive brand position is crucial. Finally, what are the actionable and measurable objectives for the brands in question? All of the above need to align with an overall corporate strategy, as discussed in Chapter 2.

Tactics component

Marketing tactics are the elements of marketing with which the end consumer is most familiar. These are essentially the means by which a company implements its strategy. While there are a number of views on what makes up a tactical toolbox, the most common approach is known as the *marketing mix*.

This set of tactical tools is often mistaken for strategy, but is actually at the tactical end of the strategic process discussed above. The marketing mix (Figure 1.7) is also known as the Four Ps (Produce, Price, Place and Promotion), each of which is summarised in the figure.

Figure 1.7: The marketing mix (or Four Ps)



Product

This is a summary term for the actual offering of the company. The product may be a physical product, service or even an idea. Once a strategy has been designed, marketers can work on creating the features, quality levels, packaging and so on that match the strategy. Notice that if a product is produced before appropriate diagnosis and strategy, there is a danger of marketing myopia (i.e., the selling concept is being followed, not the marketing concept). See Chapter 13 for a detailed overview of product tactics.

Price

This is the cost of the transaction to the consumer. Often price is about perception as much as anything else; hence understanding consumer behaviour is key to pricing strategy. Price should also account for other hidden costs, like the cost of public transport to the point of sale. Notice that it may be tempting to view price as a financial function (i.e., determined by cost plus desired profit margin), but seeing price this way will severely limit strategy, as many consumers are more swayed by price than any other marketing mix elements. See Chapter 14 for a detailed overview of pricing tactics.

Place

This is a general term for the distribution and physical availability of the product. A product may meet a specific consumer's need and be well priced, but if it is not available from a local retailer (or through eCommerce) it cannot be sold to that consumer. Place includes decisions about where a product is sold, how it gets there and any elements connected to the point of purchase. See Chapter 15 for a detailed overview of place tactics.

Promotion
Promotion is the communication of the value proposition in the form of advertising, public relations or any other promotional activity. Essentially, a compelling offering needs to be communicated in order for it to get into consumers' minds and to eventually translate into a purchase decision. Promotional activity is often the most visible of marketing tactics and is therefore sometimes seen as marketing. This is an error that must be corrected in order to produce strategy that delivers holistically in the long run. See Chapter 16 for a detailed overview of promotional tactics.

Feedback loop

Finally, measurable results from the implementation of tactics must be used to inform future changes in the strategy. These measurements, known as marketing metrics, are discussed in Chapter 17.

Overall, a robust marketing strategy will have synergy between all of these elements; with diagnosis informing strategy, strategy informing tactics, and measurable outcomes feeding back into diagnosis. Most companies will have an annual strategic planning session. Arguably, any timeline beyond a year is too far in the future to account for rapidly changing conditions. The next section gives some very brief historical insight into dynamics and shifts in the South African consumer landscape.

Consumer marketing in South Africa: Past and present

The comprehensive history of marketing in South Africa is a story that is yet to be written. Nevertheless, we have attempted to provide some insight into the history of marketing in South Africa in order to provide the background to the phenomena that you will encounter in this book. This section is divided into two sub-sections: Apartheid (1948–1994) and Democracy (1994–present).

Marketing in South Africa during Apartheid (1948–1994)

In 1948, the National Party came to power in South Africa and began to formalise existing racial oppression in a way never experienced before. Apartheid laws were implemented that suppressed the majority of South Africans on the basis of race and provided extreme privilege to the white minority (who were mostly Afrikaans and English speaking). Legislation such as the Group Areas Act and the Bantu Education Act restricted movement of everyone except white citizens and downgraded the education of everyone except the white minority. The full consequence and incredible nature of Apartheid is better understood by knowing that South Africa is 80% Black and only 9% white (See Chapter 5). This oppression continued until the first democratic election in 1994, when, for the first time, all South Africans of voting age could choose their government. The African National Congress won the election and Nelson Mandela became the first Black, democratically elected president of the country.

While this book is not a comprehensive history book, some historical facts are important to appreciate when understanding past and present consumer marketing in South Africa. A few of these are summarised below:

Majority of Black consumers excluded from the formal economy

The segregated and oppressive Apartheid system gave the white minority access to a rapidly industrialising economy that grew in sophistication. The financial services sector, for example, was highly regulated and mirrored many top global trends. Formal retail (big chain stores) were restricted to outside of the impoverished township areas, leading to a growing informal sector (see chapters 5 and 6). The majority of the population was excluded from many aspects of the economy, like bank loans and upmarket shopping malls. Most brands targeted at the middle class and above would, therefore, only cater to white consumer needs and tastes. Despite the skewed allocation of resources by marketers, many of today's strongest brands across all segments did emerge during South Africa's Apartheid years. Some of these legacy brands (pre-1994) were Pep Stores, Tastic Rice, Sunlight, Lifebuoy, Black Label, Omo, Oxo, Iwisa, Bovril, Joko and Nugget.

Migrant labour

While the majority of South Africans were excluded from the benefits of South Africa's economic engine, many people were used as cheap labour. Since segregation meant that homes were often far removed from places of work (often mines or urban areas), many nuclear families were broken by the fact that income-earners often needed to travel great distances and live in other provinces in order to be closer to work. The impact on the size and makeup of the South African household was catastrophic, with deep socio-economic and personal consequences.

Townships

Because the middle class was almost exclusively white, and because legislation, such as the Group Areas Act, meant Black South Africans were confined to living in townships, suburban South Africa was exclusively white. Townships (and informal settlements), were therefore created as residential areas for the Black population. White-owned businesses were not permitted to operate in these areas and basic groceries were supplied to wholesalers on the fringes of townships. Small informal retailers (spaza shops) would purchase from wholesalers and sell goods in the townships.

Sanctions

In the latter years of Apartheid, there was growing pressure from the international community for South Africa to abandon Apartheid for democracy. Part of this pressure came from trade sanctions whereby some countries and multinational organisations refused to trade with South Africa due to Apartheid. A number of global brands that South Africans are familiar with today were not available during Apartheid. This phenomenon allowed some brands that remained after the transition to democracy to entrench themselves, while brands returning after democracy were initially at a disadvantage.

These phenomena, and many like them, have shaped the consumer landscape to make South Africa unique among developing nations.

What has shifted in South Africa post-Apartheid (1994–present)?

Following the first democratic election in 1994, South Africa witnessed significant shifts in the demographic landscape, specifically in the majority Black population. Some of these shifts are briefly explained below.

The impact of Apartheid lingers
While Apartheid ended in 1994, the impact continues to be felt. South Africa remains a deeply divided country with huge inequality and structural racism. From a marketing perspective, the same retail outlet may serve one extremely poor consumer and at the same time a very wealthy consumer. In many cases, they may be purchasing the same brands. The impact of migrant labour on the nuclear family is still ripping apart families in South Africa, many years after democracy. Only 33,8% of households have children with both biological father and mother living in the home and there are tens of thousands of child-headed households.[16] The remnants of Apartheid spacial planning still place the Black poor (those that were disadvantaged most by Apartheid) far away from commercial hubs, while the privileged few (many of whom benefitted directly from Apartheid) continue to benefit from the country's economic core (See Chapter 5). The impact of Apartheid on marketing could be a whole book on its own, and must always be considered in the South African context.

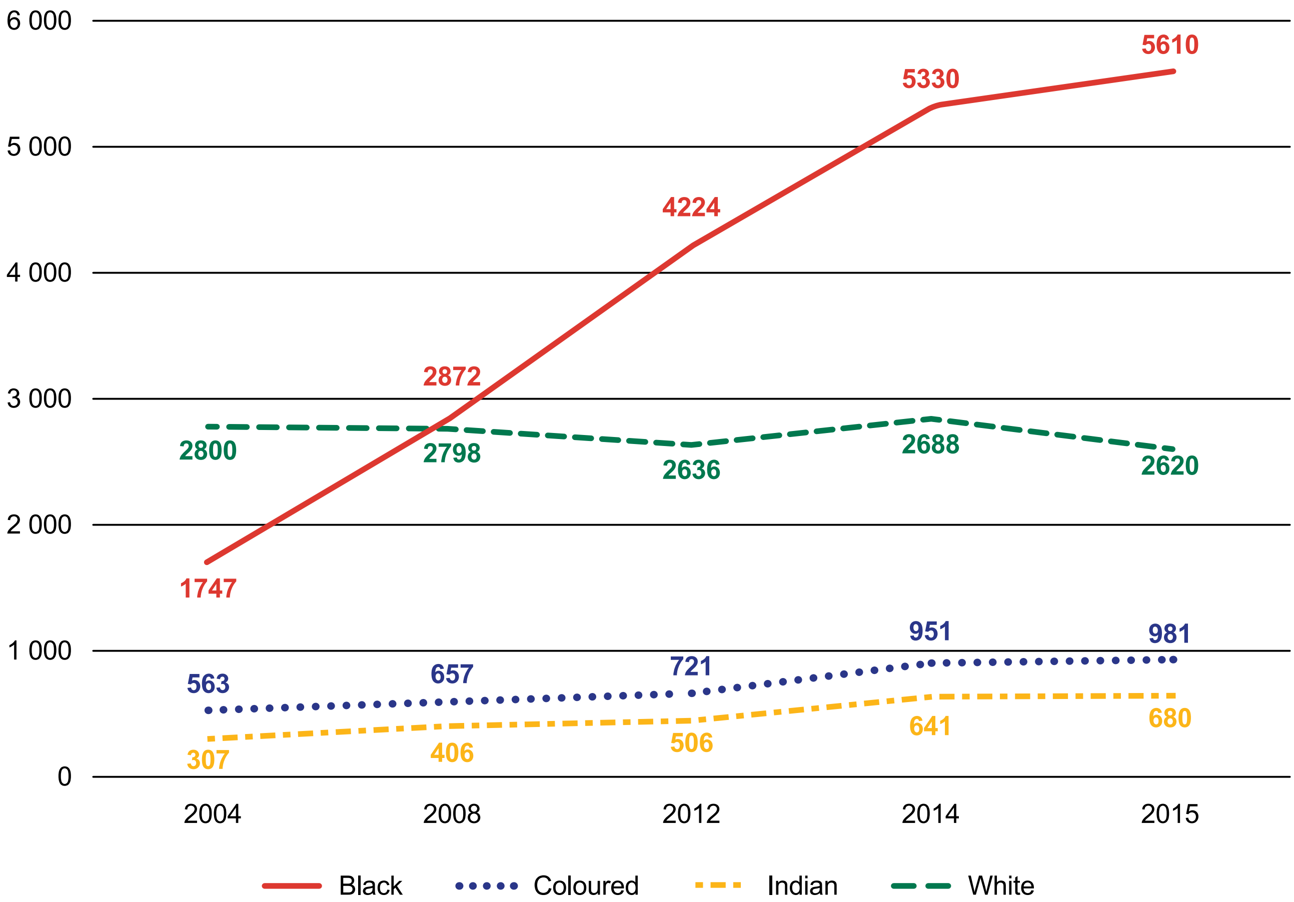
Significant inequality
South Africa is recognised as one of the world's most unequal countries.[17] The wealthy and middle class form less than 10% of the population. The poor, middle and wealthy segments display unique characteristics, but often coexist in similar contexts, with the lives of the rich and poor separated by only a few hundred metres. This consumer heterogeneity makes marketing to South African consumers a complex task.

A growing Black middle class
After 1994, millions of Black households gained middle class status and joined a consumer class with significantly more disposable income. Seeing South Africa's Black majority start to have fair compensation, better access to jobs and more financial inclusion was crucial to marketers, as it indicated a major change in the consumer landscape, with fundamental changes to the nature of large scale middle-class consumption. After a long period of there being a predominantly white middle class, the Black middle class began to significantly outgrow the white middle class, as can be seen in Figure 1.8.

Social grants
By 2022, the South African government is set to spend annually over R200 billion on social grants for the millions of households that did not migrate out of poverty after 1994.[18] These grants are given to poor households (primarily in child support, but also pension and disability grants). In addition, many poor households also receive free housing, subsidised electricity and free water. The injection of a stable household cash income (social grants) and the subsidy of certain living expenses means that South Africa's low-income majority has more income stability than most other low-income segments around the continent.

Myopia still exists in South Africa, as many companies do not comprehend the needs and desires of their market. Many still tend to make assumptions about their potential customers and do not realise that each segment can be further segmented, helping to differentiate needs of one segment from another.

Figure 1.8: Growth of the Black middle class in South Africa (2004–2015)[19]



In the next section, developments in the global marketing landscape are discussed. While these developments will differ in significance between sectors, understanding these trends is crucial to developing a strategy in most areas of marketing.

The new global marketing landscape

Marketing is a continuously changing discipline. The core principles or marketing, however, do not change. Changes mainly occur in the shifting set of tools, environments and consumer trends that marketers apply the marketing concept. Some of these are detailed in this next section.

Digitisation of channels

Growth in digital technology has had a significant impact on how companies deliver superior value to their consumers. Digital technology has revolutionised the way marketers produce, communicate, price, research, service and distribute their products and services. Of note is the shift to an internet enabled omnichannel experience. Omnichannel is an approach that integrates different marketing channels. Instead of multiple channels working independently, omnichannel seeks to integrate the consumer experience. For example, a consumer may search for a product on social media and then receive a promotion specific to their local retail outlet.

Globalisation

The world has become more integrated, with marketers making global connections with their consumers and marketing partners. In this age, companies face global competition within their domestic boundaries. As a result, some companies take both a local and global outlook on their market, industry, competitors and opportunities. Not all businesses, however, are able to compete in the global market. Companies need to evaluate the risks and rewards of being a global player in order to make informed decisions. Companies also need to evaluate whether they can operate within the context of challenges presented by different languages, laws and cultures.

Ethics and social responsibility

As social and environmental awareness prevails, companies are under pressure to take responsibility for their actions. Companies are urged to strike a balance between making profit and doing what is best for society in the long run. With the increasing number of cultural and socio-political movements, making decisions to do good can be complicated for commercial entities that have profit as a goal. Those that embrace the importance of social responsibility view it as an opportunity to do good, and many are rewarded by the consumer.

The rise of data-driven approaches

The increase in information and communication technology use has led to an upward spiral of more data-driven marketing tactics. Marketers use various methods to collect data on their consumers in an attempt to understand wants and needs. Many companies employ data professionals to analyse consumers in an attempt to deliver superior value. An example of this might be what is called 'social listening', by which social media data is collected on what consumers say about a brand and its competitors.

Data can also be sourced from purchase transactions and can be used by marketers to make assumptions about purchases and the reasons behind the purchase of particular products. Marketers increasingly try to use focused or targeted marketing in order to ensure that relevant content is marketed to the right consumer at the right time, in an attempt to persuade them to buy their product instead of just irritating them. Most companies today use cookies on their websites to track their consumers' online movement and to gather data on who they are, what they are interested in and where they are from. This gives companies an idea of which markets to target with which products. Companies also collect data through online surveys and sales records in particular places. They do this to gauge trends in consumer behaviour and to predict future trends. This enables them to identify new opportunities and threats. Although strong data-driven marketing is reliable, consumers change over time (for example, lifestyle shifts, changes in financial status). If a company emphasises data-driven marketing, it needs to be up to date with data and have a deep understanding of consumer behaviour. There is still much room for growth in this area with the growth of big data (the use of huge data sets) in order to drive customisation and the fact that data driven personalisation is far from perfect (for example, promoting products that have already been purchased).

More innovation

Influenced greatly by the digital age, modern consumers are comfortable with change and well informed about trends. Marketers are therefore required to be more innovative in order to position themselves in these consumers' minds. Innovation drives competitiveness, increases sales and boosts product development. Companies are required to respond to consumers in a timely fashion and take advantage of the technological and social changes brought about by technological developments. Online and social marketing comprise significant innovations.

More strategic (in some places)

A consumer-orientated marketing plan is, in general, a strategic marketing plan. Today, most companies engage in more strategic marketing, whereby they identify the needs and wants of their target consumers to achieve consumer satisfaction. In return, they capture consumer value to increase business operations and sales. Companies are increasingly able to access consumer data (feedback loop) and identify their competitive advantages (and those of competitors).

Conclusion

This chapter introduced the main principles and definitions of consumer marketing. By exploring a combination of history and core theory, the chapter surveys the content that is explored in more detail throughout this book. Each of the main concepts introduced in this chapter has been aligned to a chapter later in the book.

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