MARKETING ENHANCEMENT OF MANAGEMENT CONCEPTS

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Marketing concepts reflect market realities - thus embodying a number of precepts that can enhance the market focus of management concepts. Total Quality Management is enhanced by the societal marketing concept, the marketing concept, the product life cycle, and marketing myopia. The core competencies concept is enhanced by marketing myopia and differential advantage. All of these concepts are integrated into a model of market-focused processes. This model is complemented by a strategic model that uses marketing concepts to enhance the market focus of Porter's three generic strategies. These conceptual linkages have implications for both theory and practice.

INTRODUCTION

Influence in an organization usually flows from strategic management to strategic marketing with little flow of influence in the other direction (Day 1992). For example, strategic management objectives guide marketing objectives. Marketing concepts, however, embody insights that reflect market realities. Some precepts of marketing concepts should enhance the market focus of certain management concepts.

This article addresses the question of how marketing concepts should affect management concepts. Such enhancement might involve (1) extending a management concept to include market considerations, (2) complementing a market focus that already exists in a management concept, or (3) indicating when a management concept will interfere with effective marketing. For example, Frederick Webster (1988) has shown how the concept of strategic *planning* focused on competition and market dominance in the 1970s, thus detracting attention from the customer orientation aspect of the marketing concept. The customer focus was regained in the 1980s with the concept of strategic *management*.

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Understanding the relationships between management concepts and marketing concepts should lead to rigorous theory for managerial guidance. The following analyses indicate how several important management concepts are enhanced by marketing. This leads to a marketing-enhanced model that integrates core competencies and Total Quality Management (TQM). A strategic model is then developed through marketing enhancement of Porter's (1985, p. 12) three generic strategies for competitive advantage. These enhanced models are congruent with the current movement to tie strategic management closer to market realities (Byrne 1996).

TOTAL QUALITY MANAGEMENT

Schonberger (1992, p. 82) asserts that TQM's most important principle is "Get to know the next and final customer." This leads to customer satisfaction; but other satisfaction goals may also be appropriate, as shown by the societal marketing concept. This concept advocates considering the satisfaction of society and the company, as well as customers (Kotler 1994, p. 15). In other words, it enhances

TQM because it advocates awareness of the interests and possible responses of all the significant publics.

The societal marketing concept is an extension of the marketing concept, which "...starts with a well-defined market, focuses on customer needs, coordinates all the marketing activities affecting customers, and makes profits by creating customer satisfaction." (Kotler 1994, p.14) This enhances the TQM concept as a reminder of valuable insights, e.g., some customers may not provide attractive profits because they purchase too little or they demand excessive services.

In addition, the marketing concept's concern that markets be "well-defined" helps to characterize relevant needs. For example, the success of Gillette Company's Sensor for Women razor resulted from the designer asking herself, "How do women shave?" (Maremont 1993) Most previous shavers for women were variations of the men's T-shaped razors, but research revealed that women's shaving needs are very different from men's needs. The Sensor for Women was designed with an unusual wafer-shaped handle that met women's shaving control needs. Despite being introduced in mid-year, it seized 60 percent of the market in the last six months of 1992. Women's razors had been marketed for years, but a quick success resulted from research into the shaving needs of women as a unique market.

SATISFACTION AND CONTINUOUS IMPROVEMENT

To some extent, a product's pattern of sales indicate customer satisfaction, which is a concern of TQM. The product life cycle (PLC) is a standard for evaluating sales patterns, and the PLC recommends marketing strategies that can assist in selecting TQM activities. The PLC induces managers to systematically plan significant variations in the marketing mix. This intensifies continuous improvement efforts according to a known pattern. It may stimulate new marketing mixes to modify or extend the PLC. The decline stage gives impetus to new product development.

Stimulation of new product development is further intensified by the concept of marketing myopia, which recognizes that radical changes may occur in the ways that needs are fulfilled. It leads strategic thinking to "...be seen as an opportunity to transform a corporation and change the rules of an industry to its advantage." (Byrne 1996, p. 48) This enhancement is vital in that continuous improvement may distract attention from discontinuous innovation. For example, as CEO of Procter & Gamble, John Pepper seeks to focus development resources on major innovations, rather than continuing a stream of minor improvements (Henkoff 1996a).

The competitive importance of discontinuous innovations is well-recognized (Lynn, Morone, and Paulson 1996) and is embodied in certain management concepts, e.g., the strategic formulations of Hamel and Prahalad (1991, 1994). Such concepts are enhanced by marketing concepts because of the difficulties (1) in matching discontinuous innovations to the market and (2) in inducing potential customers to accept radical changes. Lynn, Morone, and Paulson (1996, p. 12) see development of the market understanding as "perhaps the most difficult and poorly understood task" of discontinuous innovation.

CORE COMPETENCIES

The concept of marketing myopia is particularly important for the management concept of core competencies. Prahalad (1993) sees the following tests for a core competence: (1) a significant source of competitive differentiation, (2) transcends a single business, and (3) hard for competitors to imitate. Too close a focus on maintaining current core competencies, however, may reduce alertness to completely new competencies for market application. Marketing myopia is a reminder that radical changes in core competencies may be mandated by radical changes in market factors. Customers, competition, and technology are all involved in the following example that relates to core competencies, marketing myopia, and TQM, especially its continuous improvement aspect.

In the early 1990s, Selko Epson Corporation was the leader in American sales of computer printers because of its overwhelming core competence in "dot matrix" technology. To overcome Epson's dominance, Hewlett-Packard Company focused on development of inkjet technology for printers. Epson's American executives had warned the home office around 1985 that consumers would soon require a low-priced, high-quality printer; but Epson suffered from marketing myopia. Epson continued to focus on continuous improvement of its core competencies in dot matrix technology, neglecting inkjet technology. As the president of Epson's American unit observed, "Every engineer was looking at dot matrix because we had a big market, big profits, big business, and the technology itself had a long history." (Yoder 1994, p. A6) By the 1990s Hewlett-Packard's inkjet technology was outperforming dot matrix technology. American shipments of inkjet printers grew from less than one million units in 1991 to almost eight million in 1995, while dot matrix shipments fell from six million units to less than four million (Yoder 1994).

Core competencies are also enhanced by the differential advantage concept. This concept requires that a core competency make a difference in the market, unlike a capability, which involves skills that may or may not be applied to the market. Prahalad (1993 p. 45) asserts, "Capability is crucial for survival but, unlike a core competency, does not confer any specific differential advantage over other competitors in that industry." A recent definition sees differential advantage as "...some feature or attraction, which competitive offerings lack, that will provide satisfaction or understandable benefits to buyers." (Ferrell, Lucas, and Luck, 1994, p. 110) There may be more than one differential advantage generated by a marketing mix as its elements are integrated into a market offering for customers to evaluate against competing options. Core competencies, therefore, cannot be fully defined or understood, except in terms of any marketing mixes to which they give rise. Evaluations of core competencies must include marketing capabilities, which - in themselves - may be core competencies that develop differential advantages.

MARKET-FOCUSED PROCESSES

Unfortunately, Michael Porter's (1985) "competitive advantage" concept has caused the term "differential advantage" to virtually disappear from business writings - even marketing writings. For example, consider Slywotzky and Shapiro's (1993) concept of strategic investment into marketing to targeted customers. This investment over a period of time is expected to make an impact on potential customers - an impact that will endure and continue to influence these customers' purchases. The two primary factors for doing this are (1) continuity of investment and (2) the "unmatchable" message, which another company cannot imitate. An unmatchable message involves differential advantage; but Slywotzky and Shapiro's article does not use the term.Readers, therefore, are not led to draw on the insights that have previously been developed for this concept.

In contrast, research by Thwaites, Walley, and Foots (1996) used differential advantage as a set of marketing assets. They found that the employees of a leading chemical company ranked relative company performance different from customers' rankings, i.e., employees did not know how well the company performed relative to competitors. Fortunately for the company, customers perceived it as performing well in the important factors, as compared to competitors, thus awarding it differential advantage. Knowing the factors that are important to customers allows an organization to focus its resources on the core competencies that underlie these factors - and unimportant factors are not given undue support.

When dealing with the market, why is "differential advantage" a better concept to use than "competitive advantage?" The answer is that differential advantage is more market-focused than competitive advantage. Differential advantage involves customers' perceptions relative to competitors' offerings. As shown in Figure 1, capabilities are translated into core competencies for developing a marketing mix that presents a market offering with differential advantage for customers to perceive. A marketing mix differs from its market offering in terms of customers' perceptions. Some of the mix's factors are not directly perceived by potential customers who are exposed to the offering. Consumers, for example, are usually not aware of a sales representative's presentation to a buyer for a retail store that they patronize or of the mode of transportation of the product to the store. Even though customers do not perceive them, these are planned elements of the marketing mix. The market offering consists of those elements of the marketing mix to which potential customers are exposed.

Customers' perceptions of the market offering and of other influences in the market will lead to a series of purchase decisions. The resulting purchases form a pattern of sales revenues that provide profits. The sales pattern also provides feedback at both tactical and strategic levels for improving the marketing mix. Such feedback can enhance usage of the core competencies and TQM concepts. Figure 1 can be seen as a Marketing Enhancement Model for Core Capabilities and TQM.

GENERIC STRATEGIES

Figure 1's processes should be guided by the marketing concept and the societal marketing concept. Competitive advantage should be used in selecting and developing the market strategies that determine which specific core competencies will be required. Figure 1, therefore, leads to consideration of marketing enhancement of competitive advantage with respect to generic strategies.

Porter sees (1985 p. 11) low cost and differentiation as the two basic types of competitive advantage that underlie his three generic strategies - differentiation, cost, and market scope as broad or narrow. Porter's (1985, pp. 62-118) analysis of the cost advantage strategy, however, focuses on cost reduction. His six steps for strategic cost analysis do not mention price.

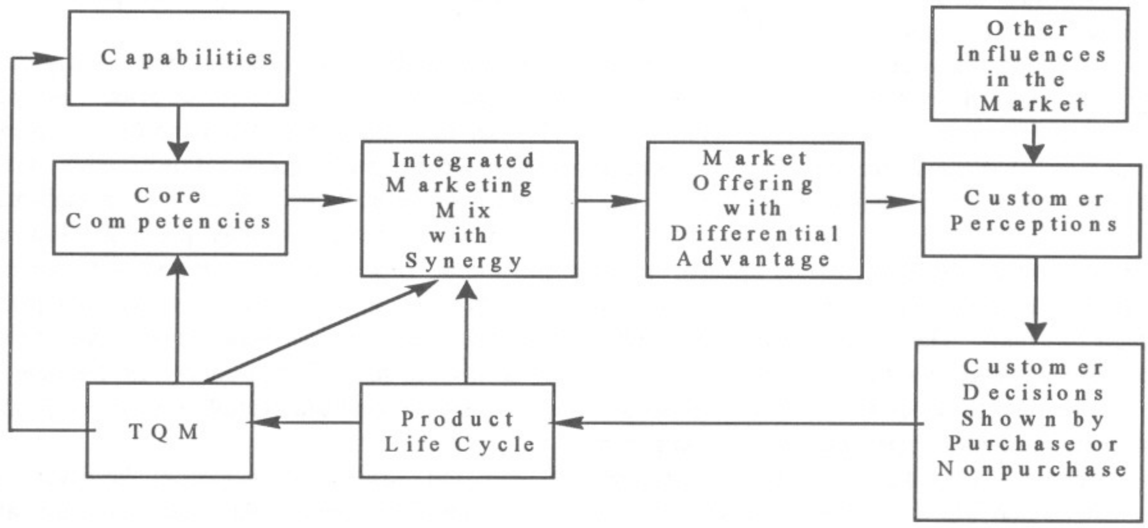
As Figure 1 indicates, however, price is integrated into the marketing mix to complement the other elements. For example, a product designed to be sold in Neiman-Marcus will generally have more unique features than will a different version to be sold in Wal-Mart. The prices charged will differ and will be of different significance to the customers. For some consumers, the higher price at Neiman-Marcus might even enhance the quality image of the product.

For market-focused planning and strategy, the relevant factor for customers is price - not cost. Beyond this, the gap between the two is strongly influenced by profit goals. Lower costs do not necessarily mean lower prices, e.g., a high-price, high-profit organization may press for low cost operations. In some cases, cost does not even set a floor for price. For example, in product line pricing for a line of women's cosmetics, lipstick may be sold at a loss if the other products in the line are generating an adequate overall product line profit.

Cost-based pricing is common; however, any discussion of enhancing profits requires consideration of demand-based pricing. For example, an article entitled "Japan's Smart Secret Weapon" (Worthy 1991) leads to questions about the effects of competitive advantage's focus on cost, rather than on market price. This article explains how Japanese manufacturers first research the price that potential customers will pay for a new product with certain characteristics. This allows a manufacturer to set cost targets that will furnish attractive profits when the product is sold at the customers' desired price. Design, engineering, manufacturing, and purchasing are directed to keep costs low enough to make attractive profits at the demand-based price.

This is no "secret weapon" to any marketer who understands the concept of a marketing mix where price is integrated with the other three elements. It appears in some principles textbooks as "demand-minus" pricing (Evans and Berman 1994, p. 710-711). Why did *Fortune* magazine deem it a surprise

FIGURE 1
Marketing Enhancement Model for Core Capabilities and TQM



to some American firms in 1991? Were American firms distracted in the late 1980s by the cost focus of competitive advantage? More recently, were the past few years of cost cutting intensified by a strategic focus on cost, neglecting the role of market price and revenues?

In any case, demand-pricing considerations are implicit in managers' growing concern with revenues. "After years of restructuring, downsizing, rightsizing or, perhaps, dumbsizing, many American companies are concluding that cost cutting isn't enough. They need to rev up revenues." (Bleakley 1996, p. A1) An American Management Association survey of executives in large and midsize companies ranks revenue generation as the second priority after customer service (Henkoff 1996b).

MARKET-FOCUSED GENERIC STRATEGIES

Enhancement by marketing concepts implies that Porter's two basic competitive strategies might be better stated in market-focused terms as "price or differentiation." Enhancement insights are used in Figure 2 to adjust Porter's (1985, p. 12) diagram of "Three Generic Strategies."

FIGURE 2
Marketing Enhancement Model for Three Generic Strategies[1]

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Marketing Enhancement Model for Three Generic Strategies[1]

[1]Adapted from Michael Porter (1985), *Competitive Advantage*, New York: The Free Press, p.12.

Figure 2 offers a more market-focused configuration. The basic grid is the same with "price" substituted for "cost" but other features have been added.

The concepts on the top of the grid reflect strategic concerns. Putting costs and profits together reflects the direct, inverse relationship between them. Profitability represents survival and success, so it is an actuating function for managers. The societal marketing concept puts the concerns of the various publics into market strategy.

Strategic management may develop profits by generating revenues and/or by reducing costs. The market, however, is paramount. Revenues must exist for profits to occur, and market revenues can be generated only by applied strategies. Each strategy involves the costs of efficiently developing and applying its supporting core competencies. Profits will depend on the degree of effectiveness with which core capabilities are applied, the cost efficiency, and the market's scope - broad or narrow.

Figure 2's inclusion of the relationships of profits, costs, and revenues leads managers to give explicit attention to these factors. Strategic managers should always be alert for developing comprehensive approaches that include both cost reduction and revenue generation (Bleakley 1996, Byrne 1996). For example, the revenues of Starbucks are rapidly-growing; but the president has sought to restrict growth enough to keep control over quality, while seeking efficiencies through reengineering (Henkoff 1996b).

Compaq Computer Corporation also indicates the possibilities. In 1996 it embarked on a strategic restructuring to make it a full-line information-technology company with divisions that are matched to market needs. Compaq intends to retain its fast growth of more than 20 percent a year in sales while generating attractive profits. The "new financial yardstick" of return on assets "will involve wider use of outsourcing and partnership deals" and "will force the divisions to slash investments in assets such as plant, inventory, and overhead wherever possible." (McWilliams 1996, p. 71) Compaq may not be completely successful in an industry that features intense competition and falling prices. It is, however, seeking to seize every advantage with a market-focused, comprehensive approach. It is addressing revenues, cost, and profits in a strategic manner.

The bottom of Figure 2 involves strategic marketing and includes the marketing concept. This can be a bridge between strategic and operational considerations, as shown by Webster's (1994) new marketing concept. The PLC with its pattern of sales, stages, and recommended marketing strategies is also included. Sales - planned and actual - are actuating forces for managers at all levels.

CONCLUSION

These two marketing enhancement models may be integrated and used together. Figure 2's model provides strategic aspects of management with the same conceptual framework as shown in Figure 1 for operating aspects. Strategic considerations translate directly into developing an integrated marketing mix because the grid includes all the marketing mix's elements. Price has its own position in the grid; and differentiation includes product, place, and promotion. This framework induces strategic consideration of core competencies as they develop synergistic marketing mixes that furnish market offerings with differential advantages. Figure 2 is a strategic management foundation for Figure 1's operational processes. Both of the models are dynamic, focused on market impact, and open to market feedback. They enhance strategic management concepts.

These two models can also be used separately. Figure 2's enhancement model should facilitate market-focused approaches to strategic management. It includes both cost reduction and revenue generation. Inclusion of price in its grid should induce a more strategic use of price in actual practice. Although techniques exist for setting prices in a strategic manner, price management is a significant problem for many managers (Simon 1992).

Figure 1 could be the foundation of a model of strategic marketing. Marketing objectives would guide marketing strategies into the Integrated Marketing Mix and into the Core Competencies. Such extensions are not necessary here - the basic purpose of showing marketing enhancement of management concepts has been served.

Marketing concepts have been shown to enhance management concepts to some extent. These two enhancement models fit within current trends in strategic thinking. They may constitute a step toward a general theory of market-focused management.

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