Introduction

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1.1 The Marketing Concept

What is meant today by the term "marketing concept" and what are the special features of strategic marketing? These questions will be answered in Sect. 1.1, while Sect. 1.2 will give a short overview of the concepts dealt with in detail in the subsequent chapters.

1.1.1 From Production Orientation to Marketing Orientation

In the following, the development from the traditional sales concept to today's marketing concept will be outlined on the basis of and as the result of changes in market conditions. The spotlight will be placed, in a somewhat redundant manner, on what is generally understood today as marketing, so as to render the basic idea as clearly as possible.

Based on an article by Keith (1960), it is possible – though in a highly simplified way – to identify certain phases in the development of the sales sector. Although this classification has received considerable attention in the (textbook) literature due to its clarity and plausibility, there is still some doubt concerning its historic accuracy (Fullerton 1988). According to this hypothesis, at the beginning there were periods in which the suppliers of goods held a strong position due to high demand and scarce supply (sellers' markets). The start of industrial mass production at the end of the nineteenth century and post-war Germany come to mind. Under the conditions prevailing at the time, entrepreneurial activity mainly concentrated on the development ("rationalization") of production and procurement, and less on sales, which hardly presented difficulties under these market conditions. This may also be described as a phase of *production orientation*. Very little effort was made with regard to the relationships with potential customers. The scientific study of sales-related matters tended to concentrate on problems affecting the distribution of goods rather than on instruments for a comprehensive sales policy.

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In contrast, the more recent development of the sales sector is determined by a situation characterised as a buyers' market: Buyers with a large share of disposable income are faced with a very large and varied supply of goods from which they can choose with a relatively high degree of freedom. So the providers are in a weaker position, as they have to compete with numerous other companies and have to adapt to and attempt to influence the wishes of the purchasers who are not just concerned with the satisfaction of elementary needs any more. This is the situation that has characterised the Federal Republic of Germany and Switzerland since the 1960s and 1970s. In a situation in which sales had become a bottleneck, many companies drew the logical conclusion and orientated their entire activities towards the requirements of the market. Such a policy, which will be examined more closely in the following, is known as marketing orientation. This refers to a situation in which companies are simultaneously adapting to market conditions and actively influencing them.

Formulation of the Key Idea of Marketing Back in 1954 by the Leading Management Theorist Peter Drucker

"Actually, marketing is so basic that it is not enough to have a strong sales department and to entrust marketing to it. Marketing is not only much broader than selling, it is not a specialized activity at all. It is the whole business seen from the point of view of its final results, that is, from the customer's point of view." (Drucker 1954, p. 38)

In the past, numerous critical contributions on marketing dealt with the question to which extent customers/consumers can be actively influenced or "manipulated". However, the perspectives regarding this question have expanded in relation with the development of strategies. Do providers have to act in a "market driven" way (Day 1999) by *adapting* to pre-defined wishes/preferences that are kind of "given" or can they potentially influence or even determine these preferences themselves? Carpenter et al. (1997) desribe this latter approach as "market driving strategies". The basic idea of this approach consists of not taking customer preferences as given, but trying to influence them. In this context, especially companies that enter a new market early on ("pioneers") can shape the customers' assessment criteria for their own benefit.

The differences between production and marketing orientation become especially clear by comparing traditional and contemporary views on the sales sector. Traditionally, sales was the last phase of the operational process in which selling products or services generates revenue to secure the existence of the company and enable the continuation of production. Somewhat simplified, this point of view means that sales has the main purpose of serving to continue production.

In contrast, marketing is characterised by a systematic "decision-making process that ensures that customer needs are considered in all corporate activities directed towards the market in order to achieve the corporate goals" (Meffert et al. 2012, p. 10). Many representatives of marketing practice describe this perspective as "marketing as a management philosophy". This means that the entire company – including the decision on the range of goods and services is focussed towards the market.

The market orientation of companies therefore typifies marketing. Nevertheless, this key aspect has only been investigated in detail since around 1990. The work of Kohli and Jaworski (1990) and Narver and Slater (1990) had a major impact in this context, with the two research groups assuming different perspectives, which Homburg and Pflesser (2000) refers to as the behavioural and cultural perspective, respectively (in the sense that market orientation is a feature of a company's culture). Kohli and Jaworski (1990) consider the acquisition of market-related information, the distribution of market-related information within the company, and the focussing of the company on market-related information as the essential indicators of market orientation. On the other hand, the cultural perspective is defined by Narver and Slater (1990, p. 21) as follows: "Market orientation is the organizational culture (i. e. culture, climate etc.) that most effectively and efficiently creates the behaviors which ensure superior value for the customers and, thus, continuous superior performance of the business". Irrespective of the various conceptualisations, several studies (Narver and Slater 1990; Jaworski and Kohli 1993; Homburg and Pflesser 2000) have shown that market orientation is an essential influencing factor for the success of a company. Hunt (2002) provides an extensive overview of a large number of further empirical studies that largely confirm this positive relationship.

So market orientation is a crucial aspect of corporate culture. This is the point of departure for Gary Gebhardt (2012) who characterises the values, assumptions and behavioural norms typical of market orientation. The most important of these are presented in Fig. 1.1 following Gebhardt (2012, p. 30).

The presentation of the phases outlined so far would be incomplete without the *sales orientation* phase which occurs between production orientation and market orientation.

Value	Assumptions	Behavioural norm
Market success as the main objective of the company	The company exists to serve a market and to benefit the owners and employees.	For every decision and measure the impacts they have on the market have to be considered.
Cooperation within the company	Success on the market is achieved faster and better through the cooperation of various areas.	Work is carried out in interdepartmental teams.
Commitments are honoured	All participants have to contribute their share to success.	All individuals are responsible for their own contribution.
Openness	Propagation and exchange of market-related information facilitates cooperation.	Active and correct communication of information to other departments.

Fig. 1.1 Values, assumptions and behavioural norms of market-oriented firms (Excerpt from Gebhardt 2012, p. 30)

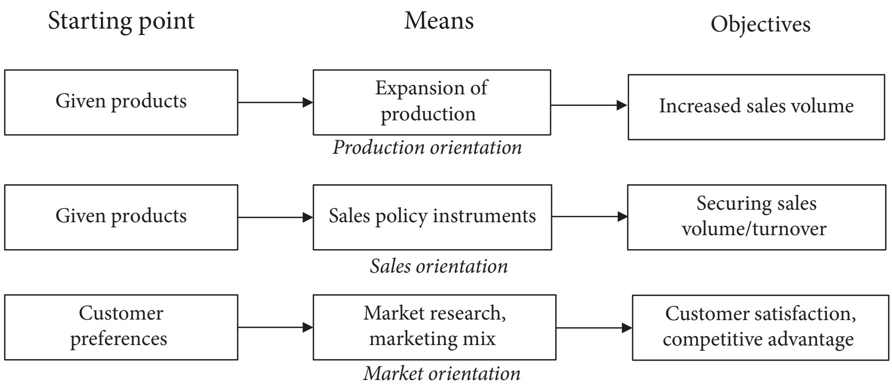

Fig. 1.2 Various company orientations

The idea behind this is that in many (sellers') markets the position of the provider is weakened over time due to saturation phenomena and substitution competition and special efforts are necessary to promote sales (e.g., intensified deployment of sales people, advertising). The range of goods and services is not yet defined by sales-related considerations; instead, the company tries to "market" a given offering as advantageously as possible. Figure 1.2 illustrates the various approaches.

In this context, some explanatory remarks might be appropriate:

- Of course, the development presented here depends on industry- or company-specific characteristics. While some companies, for instance due to market-specific particularities, have to act in a market-oriented way, product orientation may still (or again) be expedient for others. In practice, it has been observed that market orientation emerged most rapidly and became most widespread among branded products manufacturers in the consumer goods markets.
- Of course, the terms "production orientation", "sales orientation" and "market orientation" do not imply that the other corporate functions are unimportant. They simply identify certain areas of priority.

1.1.2 Definitions of the Marketing Concept

The following overview presents various definitions of the modern marketing concept which illustrate the concept from different positions and address various relevant aspects. It is not intended to offer the "ideal" marketing definition, but rather to present the different facets of the marketing concept. The two definitions by the American Marketing Association (AMA) from 1985 to 2008 are of particular interest here. While the definition from 1985 still presents the "classical" view of marketing (focussing on the marketing mix and exchange relationships), in 2008 the AMA definition emphasises the creation of values for the customer and the development of customer relationships. Since 2008, the social responsibility of marketing has also become anchored in the definition.

> *American Marketing Association 1985:* "Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders."
>
> *American Marketing Association 2008:* "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."
>
> *Backhaus and Voeth (2010, p. 12, source text in German):* "[…] marketing has the task of aligning the functions of a company to market (sales) requirements in a product-specific way, so as to be perceived by the customers as being superior to relevant competitor offerings. In this sense, marketing takes on a *coordinating role*."
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> *Esch et al. (2013, p. 4, source text in German):* "Marketing in the sense of market-oriented corporate management characterises the alignment of all the relevant corporate activities and processes to the requirements and needs of the stakeholder groups."
>
> *Homburg (2012, p. 10, source text in German):* "Marketing involves facets both inside and outside of the company. Outside the company, marketing encompasses the conception and implementation of market-related activities […]. These market-related activities include the systematic acquisition of information on market conditions, as well as shaping the product range, pricing, communication and distribution. Within the company, marketing means creating the prerequisites for the effective and efficient implementation of these market-related activities. […] Both the external as well as the internal entry points of marketing aim towards the optimal shaping of customer relationships in line with the corporate goals."
>
> *Kotler and Keller (2012, p. 27):* "Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others."

Some of the above definitions emphasise that marketing is essentially about the development and promotion of advantageous exchange relationships. These may be related to an exchange of "goods against money", but may also relate to an exchange of "political achievements against votes" or "donation against social recognition". Kotler (1972) speaks in this context of a "Generic Concept of Marketing", which refers to the transfer of marketing ideas and techniques to areas that go beyond the sale of goods (Kuß and Kleinaltenkamp 2013, p. 22 ff.).

Exchange Relationships Outside the Commercial Domain

One example (among many) for exchange relationships – in this case in the cultural field – is the organisation of the "Patrons of the Deutsche Oper, Berlin", a sponsorship association supporting this opera house. In an advertising brochure from 2013, the following advantages are offered in return for various annual contributions and donations:

- "The sponsors will be mentioned by name in the annual season preview and on the website."

- "The sponsors will be named on the partner panel in the foyer."
- "An opera evening in the artistic director's box with your guests and a reception accompanied by a member of the opera management."
- "Invitation to the exclusive receptions of the Board of Trustees."

1.1.3 Features of Marketing

Looking at marketing in various industries and situations, some typical features recur. These will be outlined in the following in order to deepen and round off the understanding of the fundamental ideas of marketing. Figure 1.3 provides an initial overview of eight features.

Orientation towards customer wishes is of key importance for marketing. This means a profound understanding of the needs of potential buyers, which, in many cases, is expressed by considering the products offered or to be offered in terms of their suitability for solving the customers' problems.

The following statement is attributed to a leading marketing manager of a US machine tool manufacturer: "The customer does not need one-inch drills, but rather one-inch holes."

Above, we referred in a somewhat undifferentiated way to the sales market. However, when examining the different markets in highly developed industrial societies, homogeneous demand is rarely to be found. Typically there is a more or less large number of *customer groups* with diverse requirements. For example, you do not encounter "the car buyer", but different kinds of car buyers who may place importance on sportiness or economy or safety. So the fundamental orientation on the market requirements generally needs to be differentiated. Usually it is necessary to divide the potential buyers

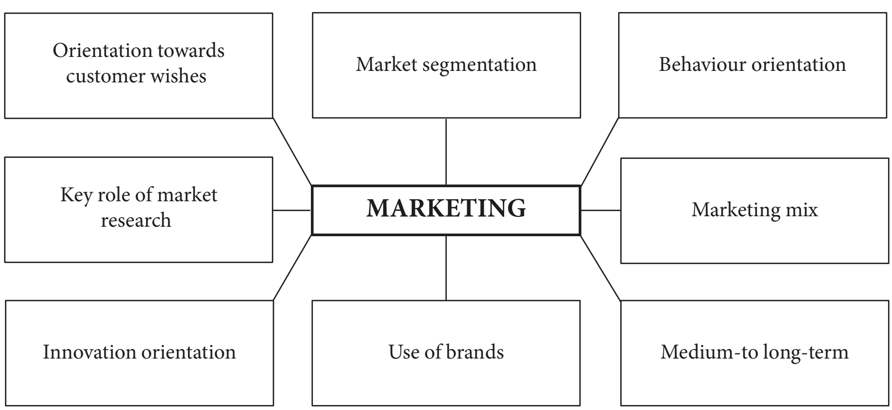

Fig. 1.3 Features of marketing

into groups that are as homogeneous as possible with respect to the relevant features, yet are sufficiently large to allow for efficient operating in these sub-markets. This categorization into various customer groups is intended to allow for an adaptation to their specific needs – in contrast to competitors wherever possible – and to develop "tailored" influencing strategies. This approach, which is characteristic of marketing, is known as *market segmentation*. This important aspect will be examined in more detail in Chap. 4 of this book.

The aspect of orientation towards certain customer groups which is associated with market segmentation leads directly to the *behaviour orientation of marketing*. Quite often the use of economic attributes (consumer income, turnover of companies, etc.) is not sufficient for defining these groups. Regarding consumer behaviour it is plain to see that economic, psychological and sociological variables are relevant in many purchasing decisions. Taking the market segments for outer apparel as an example, gender, age, social relationships etc. have also to be taken into account, not just the consumers' purchasing power. Today, insights from behavioural science are even indispensable in business-to-business marketing. We need only think about the study of negotiation processes. Such issues have led to the huge significance of behavioural science insights for theory and practice in the marketing field.

All the aspects of market orientation presented above require a comprehensive and powerful system for collecting and processing *market information*. In general, continuous market observation (market growth, market share etc.) is combined with sporadic, targeted studies (buyer typologies, preference research, advertising effectiveness tests etc.). A broad range of methods is now available in market research. In this context, it is worth emphasising that market research not only lays the foundations for adapting the company to market conditions but also plays a key role in the endeavour of influencing and testing the market conditions. Hence, one can speak of a *key role of market research* for many areas of marketing (see Sect. 2.4 of this book).

With regard to marketing activities many companies usually deploy several individual measures in parallel. In sales promotion, for instance, there is often a price reduction (special price) for a limited period in conjunction with a special placement in retail and communication (advertisements, flyers). The launch of a new product is often accompanied by advertising and a focus on field sales efforts.

These examples correspond to the well-established empirical knowledge that marketing often depends on the effective interaction of individual measures/instruments. Accordingly, the coordination of individual measures (and the appropriate organisation of the marketing department as a prerequisite) is a crucial success factor. The importance of the *marketing-mix concept* (introduced by Borden in 1964), which takes the interaction of various measures into account, becomes apparent when looking at the following examples: a new, high-quality product for everyday use, which, while heavily promoted and offered at an attractive price, is not made available to retailers in time, or a machine tool which may be superior to the competition in terms of quality and price, but for which no suitable service can be assured.

A further feature of marketing is its *innovation orientation*. If a company orients its range of goods and services to the more or less rapidly changing customer wishes, this means that new products have to be launched or new (sub) markets developed at frequent intervals. What is more, innovations regarding products, product features, advertising etc. are central tools for differentiating the product from the competition and offering advantages to potential buyers which lead to the desired purchasing decisions.

Some marketing instruments can only be deployed if the products can be clearly identified by the customer (e.g. as *brands*). This is especially true in the area of communication policy, which ranges from linking certain emotions with certain products through advertising to the objective communication of technical data. Without being able to allocate these messages to certain products with the aid of brand or company names, such efforts will be in vain. An essential aim of marketing measures is often to make a product known in the first place and then to raise its profile. In practice, this is described (rather exuberantly) as "building product personalities". Branded items in the consumer goods sector offer the most numerous and clear-cut examples of this aspect.

The last feature worth mentioning is the *planning perspective* of marketing, especially in the *medium-term*. In contrast to a company with a sales orientation, in which a short-term rise in sales often takes priority, a company with a marketing orientation usually requires longer periods for planning and realising measures. At the beginning there is a thorough analysis of the sales markets, followed by the development of suitable products, culminating in the market launch. Many years may pass between the idea for a new product and its successful market penetration. The typical goal of marketing is therefore rather to permanently safeguard old, or to open up new, sales markets through medium-term and long-term measures (such as product development, implementation of an effective sales organisation, advertising etc.) than to raise turnover in the short term.

1.1.4 Strategic Marketing

In the meantime, the core of the marketing concept as outlined above has been augmented by a new perspective, which is characterised as "*strategic marketing*". This important addition will be briefly described here.

Just as the three phases described above reflect the response of companies to fundamental changes in sales markets, strategic marketing also originated from an essential change in market conditions. Some of the decisive influencing factors are:

- rapid technical advancement and, resulting from this, a shortening of product lifecycles (as, e.g., in the field of electronics and digitalisation),
- the internationalization and globalisation) of markets and the accompanying intensification of competition,
- oversupply and saturation tendencies in numerous markets,
- scarcity of resources and consideration of environmental issues (e.g., in the fields of energy, chemicals, automobiles),

- a blurring of the (former) borders between markets (as in computers, consumer electronics and telecommunications).

Given these changes in economic and social conditions, the marketing concept presented above appears too narrow and shortsighted. Sales market orientation is no longer sufficient; *long-term developments* in the framework conditions for corporate activities (politics, overall economy, competition etc.) must be integrated into corporate planning to a greater extent. While companies traditionally attempted to improve their position in all markets operated in, now, under more difficult conditions, they are forced to invest their resources (finances, expertise, field sales capacity) in a more focussed way. *Concentration of resources* means, however, that stagnation or declining trends in individual markets are accepted in order to be successful in more attractive markets.

Varadarajan (2012, p. 13) characterizes strategic marketing decisions in the following way: "Strategic marketing decisions refer to an organization's marketing decisions that are potentially of major consequence from the standpoint of its long-term performance."

One of the decisive aspects of marketing is that the company's range of goods and services has to be subjected to market-oriented planning. Thus, for example, an automobile manufacturer may have to define and continuously ascertain which market segments its range of models (compact car, mid-range, people carriers, estate cars, transporters, trucks etc.) should be geared to. Only rarely will the question arise whether the company wants to remain in the automobile industry. But the inherently long-term fundamental decision on the nature of the business activity is at the core of strategic planning.

Examples for Fundamental Decisions on the Nature of the Business Activity
Examples from the recent past show that major companies pursue a proactive policy: Large banks, for instance, have attempted to expand their business activity to the insurance sector. Chemical companies have focussed their activity on certain areas (e.g pharmaceuticals) and have abandoned other areas (e.g. fertilisers or crop protection). Daimler AG first expanded its corporation through specific diversifications (AEG, Dasa, MBB) and now once again concentrates on vehicles and the associated financial services. Everyone knows the example of Apple, which, up until a few years ago, was mainly oriented towards the IT sector and now has further focal points in other markets with its iPod, iPhone and iPad. Siemens was active in the mobile phone business for around 20 years before it withdrew from this market in 2005 and sold the entire division to the Taiwanese company BenQ.

Three questions are paramount in strategic marketing:

- *Where*, i. e., in *which markets,* is one to remain/become active (e.g. entry into new markets, withdrawal from previous markets)?
- *How* are competitive advantages to be achieved (e.g. price advantage or performance advantage)?
- *When* does one become active in a market (e.g. early or late market entry)?

These three questions are examined in more detail in the following chapters, particularly in Chap. 3.

The nature of the decisions to be made in strategic marketing implies that these decisions are typically geared towards a long period of time and are made on a high management level (often on the executive level). Another significant factor is the *close interlinking of marketing with other corporate functions*, such as Finance or R&D, which is associated with the concentration of company resources and is in contrast to the previous assumption that all areas have to be subordinated to marketing requirements (which occasionally led to an overemphasis of the importance of marketing).

Another typical aspect of strategic marketing is a pronounced *orientation on the competition with other providers* which are relevant for the purchasing decisions of the respective target groups. Gaining and defending competitive advantages is at the heart of decision-making in strategic marketing. *Two types of competitive advantages* are generally distinguished:

- Goods and services which, *in the eyes of the customers*, are better than those of the competitors (e.g. brand image, improved service, longer service life, closer alignment to customer wishes) and offered at a comparable price or
- Comparable goods and services offered at *significantly lower prices*.

After this brief outline of the basic ideas of marketing and the associated strategic considerations, the following chapters will present in detail how to develop the relevant strategies and measures for *gaining and defending competitive advantages*, including the pertinent analyses. First, a brief overview of the process of marketing planning will be presented in the following section.

1.2 The Process of Marketing Planning – An Overview

This section characterises and defines the key components of marketing planning, market-oriented corporate and business unit planning, as well as planning of the marketing mix. This links in with the discussion of strategic marketing on the previous pages.

Most authors make similar distinctions, although different terms are used in this context. Kotler and Keller (2012, p. 58 f.) speak of the strategic and tactical part of marketing planning; Assael (1993) distinguishes between marketing strategies and the development of the marketing mix, with the latter referring to the specification of marketing instruments for a certain product. Schreyögg and Koch (2007, p. 73) differentiate between the overall corporate strategy, which determines the combination of business units or fields, and the business unit or field strategy, which defines the approach taken by a certain business area.

Figure 1.4 provides a basic overview on the process and the interdependencies of marketing planning with its three main areas:

Market-oriented corporate planning is based on the general aims and basic principles of the company, as well as information on the company's environment, related industries, individual markets and the position of the company in this constellation. This planning phase results in decisions regarding the various business units (e.g. market entry, targeted growth, withdrawal from the market), the strategic focus (e.g. positioning as a "technically leading provider" or an "inexpensive mass provider") and temporal aspects (e.g. market entry as a pioneer). The questions "Where?", "How?" and "When?" can then be answered for the elements of an (envisaged) business units mix.

Here's an example of such a planning process for a business unit: A brewery wishes to become the market leader in the German brewing market (Where?) in the segment of premium beers (How?) within five years (When?). It becomes apparent that at this point the aims are specified on which the next part of the planning process is orientated.

Market-oriented business unit planning is not concerned with the entirety of the business units (mix), but takes place separately for each business unit. The respective aims are determined in detail, the growth strategy (see Sect. 4.2) and the marketing strategy (i. e. the positioning, the core task profile and possible networks or cooperations; see Sects. 4.3, 4.4 and 4.5) are defined and guidelines for the use of marketing instruments are determined. This outlines the framework for the timely, flexible planning of individual measures, their coordination and interaction (marketing mix).

Accordingly, *planning of the marketing mix* involves developing measures, investigating and/or testing alternatives (e.g. selection of advertising messages and media), and dealing with the complex problem of combining various individual measures to form a single marketing mix.

After the planning steps have proceeded from relatively general aims to specific measures, these will be implemented, with the appropriate feedback loops to the individual steps of the planning process (controlling). Implementation and controlling will be only briefly outlined within this book which is specifically on "Marketing Planning".

Some important differences between these three main areas of marketing planning are summarised in Fig. 1.5.

1.2.1 The Marketing Mix

Within the context of planning the marketing mix, the most common marketing instruments will be briefly characterised.

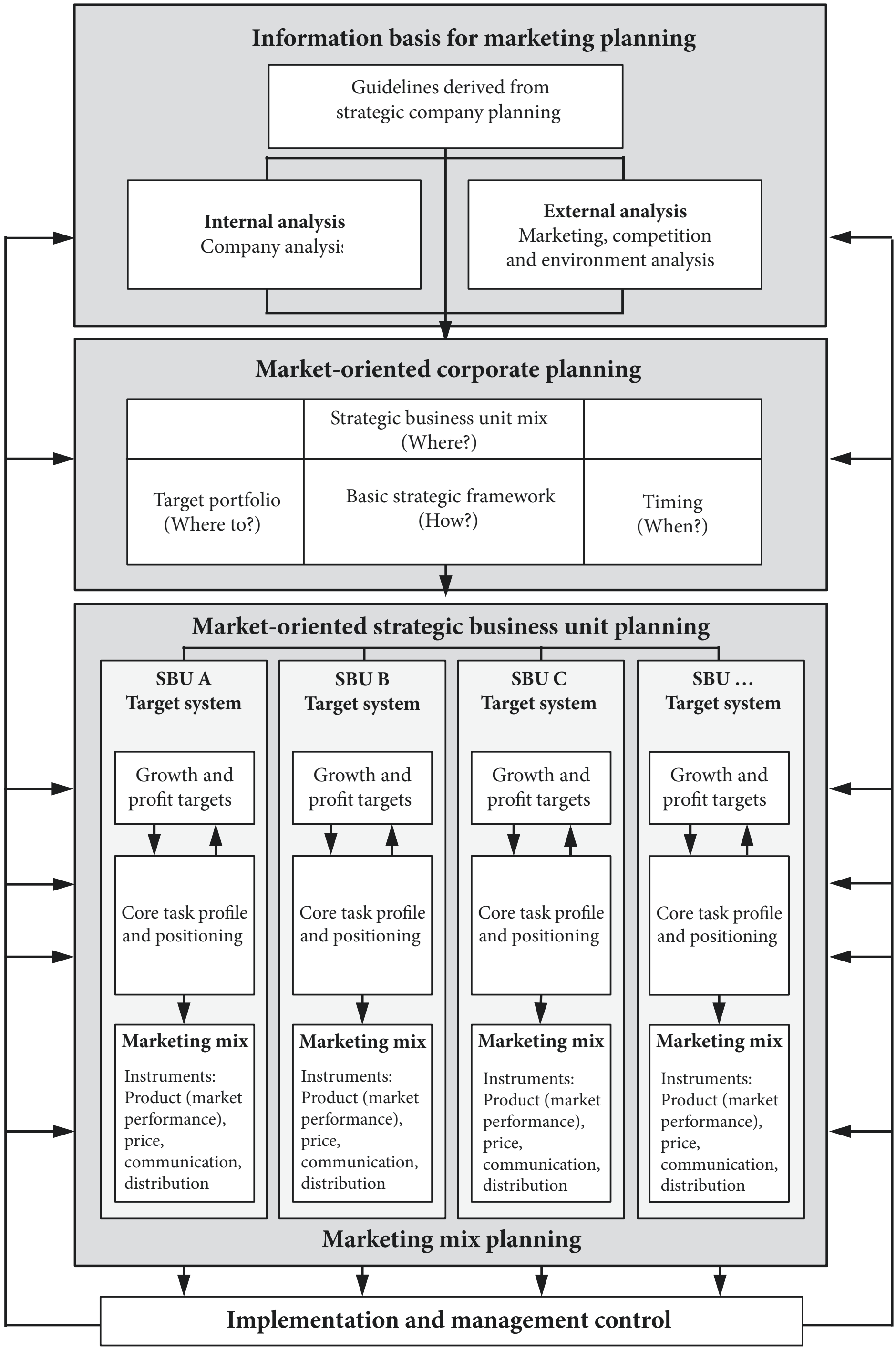

Fig. 1.4 The process of marketing planning at a glance

	Market-oriented corporate planning	**Market-oriented business unit planning**	**Marketing mix planning**
Planning unit	Strategic business unit mix (→ entire company)	Individual strategic business unit	Individual product(s), brand, customer group
Market	Free selection of markets	Selection of segments/ target groups	Considered as given
Objectives, success criteria	Profit, shareholder value, business growth	Cash flow and sales development of strategic business units	Contribution margin of individual products and customer groups, market share
Competition	Competition through the use of all the company's resources and capabilities	Performance or cost advantages over competitors and setting apart from the competition	Better perceived satisfaction of customer wishes through the marketing mix
Planning horizon	Long-term (5–10 years)	Medium-term (3–5 years)	Short-to medium-term (0.5–3 years)

Fig. 1.5 Three main areas of marketing planning

In science and practice, marketing instruments have long been categorized into four groups, with only minor variations between the various authors regarding the designation of the four areas and the allocation of some instruments to these areas. This textbook refers to the following four marketing instruments:

1. Product
2. Price
3. Communication
4. Distribution

These designations have become generally established and characterize the core areas of the various marketing instruments.

In marketing, the designation "product" has become an all-encompassing term that includes material goods, services, rights, and combinations thereof. Thus, *product* includes all measures that are closely related with the product, e.g. packaging, services, guarantees, and, additionally, all measures concerning the product range, i. e. decisions on the nature and number of products offered.

Pricing mainly involves the planning and implementation of prices obtainable for the respective products, but also include the aspects of conditions (discounts, payment conditions) and sales financing which are closely related to the definition of prices.

The term *communication* may be a bit confusing for the uninformed because marketing is not primarily concerned with an exchange of information, opinions etc., but mainly with the unilateral attempt of the providers to influence the consumers. Only recently, with the advent of the Internet, have the possibilities of interaction in marketing communication expanded considerably. Advertising, sales promotion and, in part, public relations are considered to be the most important communication policy instruments.

Distribution covers all the decisions that affect the path of a product from the provider to the final customer. This refers to the corporate sales organisation and the involved intermediaries on the one hand, and the physical path of the product to the customer (including warehousing, transport, choice of location), also known as "marketing logistics", on the other hand.

Key Functions of the Marketing Instruments

van Waterschoot and van den Bulte (1992, p. 89) characterize the key functions of the four marketing instruments as follows:

- **Product policy:** "Configuring something valued by the prospective exchange party."
- **Price policy:** "Determining the compensation and the sacrifices the prospective exchange party must make in exchange for the offer."
- **Communication policy:** "Bringing the offer to the attention of the prospective exchange party, keeping its attention on the offer, and influencing – normally in a positive way – its feelings and preferences about the offer. This is communicating the offer."
- **Distribution policy:** "Placing the offer at the disposal of the prospective exchange party."

The four basic instruments of marketing will be examined in more detail in Chap. 5 of this book.

Suffice it to say here that the characterization of the four instruments as stated above underlines the shift outlined in Sect. 1.1. When companies were still production-oriented, the decision on products and product ranges was not a subject of sales-related considerations. Instead, the crucial action variable of sales policy was the price. With the sales orientation came along the communication policy and efforts in distribution to support the sales of the companies' predefined range of goods and services. Only with the advent of a buyers' market, which led many companies to adopting a marketing orientation, have the four areas (product, price, communication, distribution) become more or less equally important instruments of marketing.

1.2.2 The Role of Brands

The significance of brands has increased enormously over the past 30 years or so, at least in the consumer goods sector. In many sub-markets (e.g. in services), brands have expanded and taken on a dominant position; in numerous markets for fast-moving or durable consumer goods (e.g. consumer electronics, cars), unbranded products play only a minor role or no longer any role at all. The relevance of strong brands is becoming increasingly apparent in business-to-business marketing, too (e.g. Hilti). According to the central idea of marketing – orientation towards markets – this development has had an effect on the marketing practice of numerous companies and has also attracted attention in marketing research.

Generally a *brand* is understood to be a name, a shape or design, a logo or another feature of a product or service, usually a combination of several of these elements, which, as a protected trademark, is uniquely attributable to a certain provider and is clearly distinguishable. Beyond this rather functional and legal definition of a brand, an impact-related perspective of brands is crucial for brand management. Esch (2012, p. 22) expresses this succinctly as follows: “Brands are mental images in the heads of the stakeholder groups that take on an identification and differentiation function and shape choice behaviour.”

Besides setting a product apart from comparable competing products (ideally putting it in a unique position), there are further important functions of (successful or “strong”) brands that make the growing importance of brands easy to understand (see e.g. Esch 2012, p. 24; Kuß and Kleinaltenkamp 2013, p. 208 f.):

- Strong brands help to achieve brand loyalty and customer retention and thus they open up price flexibility for the provider.
- Established brands can be expanded by additional variants of the same product line (line extensions) or transferred to another product group (brand extensions).
- Sufficiently well-known brands have communication effects, both on the supply side with a view to developing a brand image, and regarding the communication among customers (word of mouth).
- With the help of different brands, a company can configure its strategies in various sub-markets or market segments relatively independently (e.g. Volkswagen AG with the brands VW, Audi, Skoda, Bentley etc.), as the customers tend to perceive the brands rather than the company behind them.

So the individual brand as well as the entire brand portfolio has an essential function in differentiating a company from other providers in the market and thus has major relevance for all aspects of marketing planning. With regard to the market-oriented planning process, brand management has major implications for the development of growth strategies (see Chap. 4 for the core question: in which markets or sub-markets can a brand open up new opportunities or exploit existing potential?) or competitive advantages (see Chap. 3 for the core question: which strategies can help a brand assert itself against the competition?). The long-term definition of the key characteristics of a brand and its differentiation from other brands is the subject of “positioning”, which will be discussed in detail in Sect. 4.6. The target parameter which is occasionally used as a yardstick for the success of a brand strategy is called the “brand value” (see Chap. 6 on marketing management control).

In conclusion, it is apparent that some aspects of brand management overlap with several of the phases of marketing planning outlined above. At the same time, brands and brand management affect a second dimension of marketing planning, that of the coordinated planning of the deployment of the different instruments of the marketing mix. In this sense, the different marketing measures have to be in line with the overall brand positioning and also have to show a certain continuity over the course of time to achieve stability and to increase brand value.

1.2.3 The Process of Marketing Planning and the Structure of this Textbook

Planning processes in marketing are typically characterised by great complexity. A huge amount of diverse information has to be processed, creative and analytical activities have to be linked and diverse feedback mechanisms and cross-connections superpose the planning process. Nevertheless, some basic steps of marketing planning and their logical sequence can be identified.

Figure 1.6 serves to further enhance the understanding of this process. It shows the stepwise development and clarification of a marketing strategy and the responsibilities at the various management levels. Decisions on the development of business units are derived from the underlying long-term corporate strategy (e.g. growth in the existing areas, maintaining viability through diversification). The result of this part of marketing planning is a business mix strategy. In the subsequent steps there follows the definition of marketing objectives, positioning, and the marketing strategy. On this basis, a marketing mix is developed which allows the realisation of the objectives for products and business units set up in the previous steps. The last step is to deploy the marketing mix in the sales market (implementation). The reactions of the market form the starting point for operative

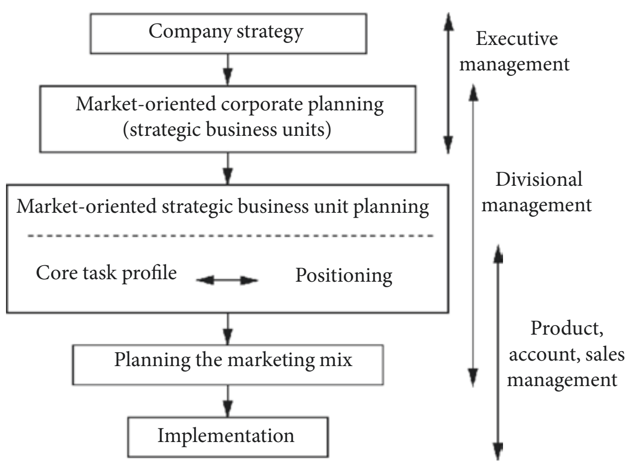

Fig. 1.6 Planning phases and management levels

control; strategic control relates to the attainment of objectives with the various products and business units.

Figure 1.6 also shows that corporate strategy and market-oriented corporate planning have largely to be defined by the top management. The development and realisation of the marketing mix, on the other hand, is mainly in the hands of the product and sales management. The connection between these two areas is provided by the middle management – here called divisional management – which is responsible for certain business units.

This textbook is based on a structure of marketing planning as outlined here: Chap. 2 deals with the baseline conditions, such as the environmental and competitive forces. Based on this, the key definitions are made by answering the three basic questions of market-oriented corporate planning (Where? How? When? in Chap. 3). The result of these considerations is reflected in the marketing objectives and the positioning of the various products and business units (Chap. 4). Subsequently, the marketing mix is developed (Chap. 5). Chapter 6 discusses the implementation and control of marketing.

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