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MARKETING MANAGEMENT PROCESS OF A SERVICE
COMPANY OPERATING IN AN INTERNATIONAL FIELD

Degree Programme in International Business and Marketing Logistics

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ABSTRACT

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This bachelor's thesis studies the effect of cultural differences on marketing management process. The case company in the research is Bacchus, an international coffee shop and secondhand bookstore located in Madrid Spain. An important part of this study is to find and give recommendations to the case company on how to improve their marketing operations.

The theoretical part is divided into two main topics: cultural differences in management and creating a marketing plan. Under the cultural differences topic is gathered information on several cultural theories and on culture in general. The marketing part of the theory consists of the different steps of creating a marketing plan and includes topics from SWOT analysis to the marketing mix.

The empirical part was conducted using a qualitative method. A semi-structured interview questionnaire was sent to a key person in the case company, Mr. Joshua Green. The interview gave information on how the case company operates and how they conduct their marketing processes.

The results of the research indicate that Bacchus is doing rather well and that there are no big problems or issues that should be addressed. The cultural aspect of the study was left somewhat unclear as the case company, despite their international nature, had had no problems or concerns on this area.

TIIVISTELMÄ

Kansainvälisen Palveluyrityksen Markkinoinninjohtamisprosessi

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Tämä opinnäytetyö tutkii kulttuurierojen vaikutusta markkinoinninjohtamisprosessiin. Kohdeyrityksenä tutkimuksessa on Bacchus, kansainvälinen kahvila-kirjakauppa joka sijaitsee Madridissa Espanjassa. Tärkeä osa tutkimusta oli löytää ja antaa suosituksia kohdeyritykselle markkinointitoimintojen parantamiseen.

Teoriaosan sisältö on jaettu kahteen pääotsikkoon: kulttuurierot johtamisessa ja markkinointisuunnitelman tekeminen. Kulttuurierot johtamisessa otsikon alle on kerätty tietoa useista tärkeistä kulttuuriteorioista ja kulttuurista yleensä. Teorian markkinointiosa koostuu markkinointisuunnitelman tekemisen eri vaiheista ja sisältää aiheita kuten SWOT analyysi ja markkinointimix.

Empiirinen osa suoritettiin käyttämällä kvalitatiivista metodologiaa. Haastattelukysely lähetettiin avainhenkilölle kohdeyrityksessä. Haastattelu antoi tietoja kohdeyrityksen toiminnasta ja siitä miten he toteuttavat markkinointiprosessinsa

Tutkimuksen tulokset osoittivat että Bacchuksella menee varsin hyvin ja että heillä ei ole suuria ongelmia tai kysymyksiä joihin tulisi puuttua. Tutkimuksen kulttuuriaspekti jäi hieman epäselväksi koska huolimatta kohdeyrityksen kansainvälisestä luonteesta heillä ei ole ollut ongelmia tällä saralla.

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1. INTRODUCTION

The main subjects of this thesis are the cultural differences in management and how they affect the marketing management process and the creation of a marketing plan. These subjects are vital for all companies who want to understand how to operate in an environment with employees and customers of a different cultural background. This study is of particular interest because in today's multicultural and multinational market most companies fall under this definition. As a student of international business I feel it to be imperative to have an understanding of how one should operate in an international setting.

The theoretical part of the thesis consists of two different but related subjects. First I have examined culture as a concept and different cultural theories of several leading scholars of the field such as Professor Geert Hofstede and Fons Trompenaars. The second part focuses on creating a marketing plan which includes subjects such as marketing strategies and marketing mix.

In the empirical part of the thesis I will research how these different theories and ideas relate to an actual case company operating in a highly multicultural environment. The company in question is a bookstore and coffee shop called Bacchus which is located in Madrid Spain. Bacchus is owned and managed by people from The United Kingdom and The United States and because of the international theme and nature of the company, the client base is very varied. This makes Bacchus an ideal company to be researched for the thesis.

2. CULTURAL DIFFERENCES IN MANAGEMENT

2.1 Culture in general

Definition of culture

According to Cateora, Graham and Ghauri (2000, 88), culture can be defined as a society's programme for survival, the accepted basis for responding to external and internal events. Without understanding the geographical characteristics to which a culture has to adapt and to which it must continuously respond, it cannot be completely understood. Nor can one fully appreciate the fundamental attitudes or behaviour of a society without knowledge of the historical events that have shaped its cultural evolution. Usunier (2000, 4) writes "there exist many definitions of culture because it is a vague and abstract notion". Bradley (1999, 143) quotes a large definition of Hall (1960): "Culture is a man's medium, there is not one aspect of human life that is not touched and altered by culture. This means personalities, how people express themselves (including shows of emotion), the way they think, how they move, how problems are solved, how their cities are planned and laid out, how transportation systems function and are organized, as well as how economic and government systems are put together and function". Culture is the main component of the socialisation process together with the reference groups as the family and the social class. These three components as well as the individual characteristics of people are involved in the buying decision process and affect the consumer behaviour. This general process can be drawn as follows:

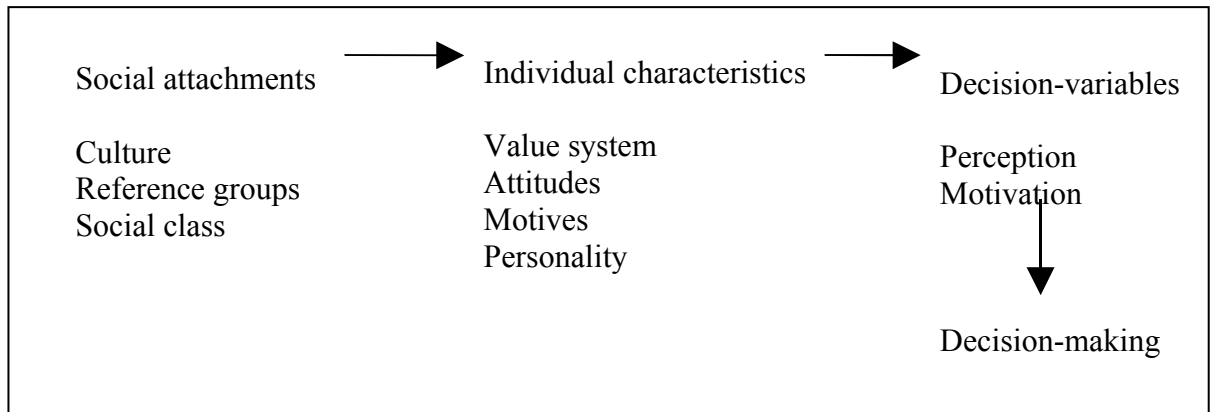


Figure 1: Social attachments affecting behaviour (O’Shaughnessy 1995, 126)

Acculturation consists of the adaptation to another culture. We cannot change and adopt another culture. People are born with their own culture and they can only try to understand and adapt themselves as well as possible to another one. This constitutes a key success for international firms that want to extend their activities on the international scale. Today we hear more and more of the term *globalization of the markets* and companies tend to think that it goes with the expression *global consumers*, that is to say a common culture worldwide. But is it really the truth? (O’Shaughnessy, 1995, 126-130; Czinkota & Ronkainen, 1998, 64-65; Trompenaars & Hampden-Turner, 1999, 3; Mitchell, 2000, 4)

The Layers of Culture

The outer layer is traduced by explicit culture as is shown in the figure below. The explicit culture is what people can hear as the language or can see as food, buildings, houses, monuments, agriculture, shrines, fashion and art. These elements cover entirely part of one country and help understanding the culture of this country.

The middle layer consists of norms and values. Norms define when people are acting in the “right” or “wrong” way. Written laws determine them. Values are ideologies within a group or a society. A society is said to be “stable” when norms and values are compatible. If not, it creates a source of tension in the culture.

The core layer is the assumptions about existence. It is how people organise themselves in order to reach what they expect about their life. It is what corresponds to a problem and to a solution within a given society. People in diverse cultures have different assumptions about their life, and that also distinguishes each culture. (Trompenaars & Hampden-Turner, 1999, 21-24)

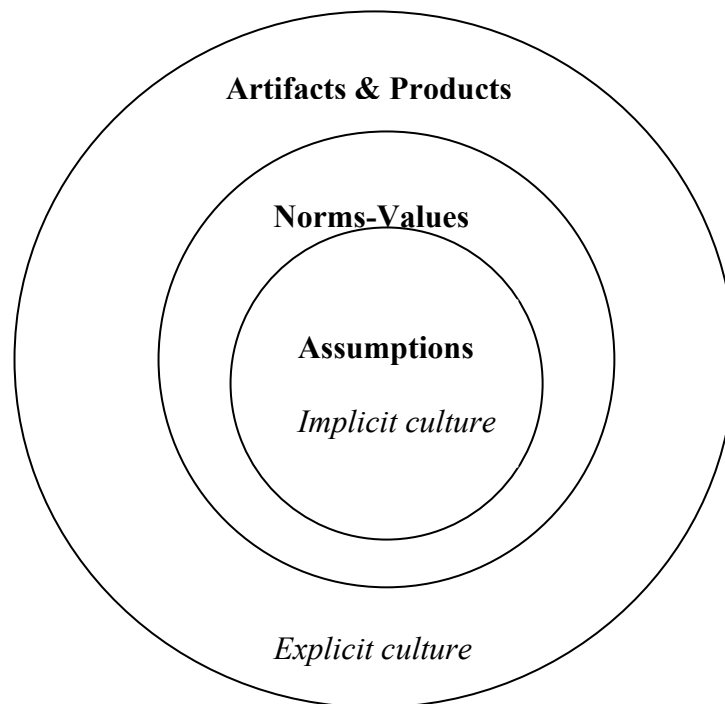


Figure 2: A Model of Culture (Trompenaars & Hampden-Turner, 1999, 22)

2.2 Cultural Dimensions

Here cultural differences in management are viewed through Geert Hofstede's studies on cultural dimensions. Hofstede is an influential Dutch writer whose study has demonstrated that there are national and regional cultural groupings that affect the behaviour of societies and organizations, and that are very persistent across time.

Hatch and Cunliffe (2006, 181) write that Hofstede's approach to organizational culture is derivative from the idea that organizations are subcultures of larger cultural systems and in the late 1970s Hofstede studied the influence of national

cultures on IBM. At the time of the study IBM operated in seventy countries, the forty largest of which Hofstede used for his study. The data came from IBM annual employees surveys conducted from 1967 through 1973. Hofstede used the data to construct measures of work-related values that he then compared across countries. Hofstede's study demonstrated that there are national and regional cultural groupings that affect the behaviour of societies and organizations, and that are very persistent across time. Distinctive patterns of national cultural differences were found among IBM's subcultures that, after further analysis, revealed four dimensions of national cultural differences operating within IBM's organizational culture: power distance, uncertainty avoidance, individualism vs. collectivism, and masculinity vs. femininity. In further studies a fifth dimension, long-term orientation was added to the list. The findings supporting these dimensions have been replicated in additional studies that included populations other than IBM employees (e.g., commercial airplane pilots, civil service managers, consumers) and that expanded Hofstede's research to include fifty countries and three regions. Geert Hofstede's research gives us insights into other cultures so that we can be more effective when interacting with people in other countries.

2.2.1 Power Distance

Power distance is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally. This represents inequality (more versus less), but defined from below, not from above. Hofstede's data showed that low power distance characterized countries like Denmark where such inequalities are difficult to accept. For instance the Danish Jante Law proclaims that no individual should have more than, or stand out in any noticeable way from, other Danes. Their unwillingness to accept an unequal distribution of wealth can be seen in the exceptionally high income tax paid by Danish citizens. Another indicator is that when Danes try to put themselves forward as more prestigious or powerful than others they are quickly reprimanded and thus reminded of the inherent equality of all. Power and

inequality, of course, are extremely fundamental facts of any society and anybody with some international experience will be aware that 'all societies are unequal, but some are more unequal than others'. (Hofstede Resource Pages; Hatch, Cunliffe, 2006, 181)

Organizations from high power distance cultures (such as Brazil, Singapore and the Arabic countries) rely heavily on hierarchy, which involves the unequal distribution of authority together with lack of upward mobility. When organizations from higher power distance cultures attempt to impose their authority structures on subsidiaries from lower power distance cultures like Denmark, difficulties generally follow. Similar difficulties confront Danish managers who attempt to use distinctively Danish leadership practices to control international subsidiaries in countries noted for higher power distance. Such difficulties, according to Hofstede, are the result of differences in cultural expectations. In high power distance cultures subordinates expect to be told what to do; for them hierarchy is an existential inequality. In low power distance cultures, hierarchy is considered an inequality of roles created for convenience rather than reflecting essential differences between people, thus subordinates in these cultures expect to be consulted by their superiors. As a consequence of these contradictory expectations, the ideal boss in a low power distance culture is a resourceful democrat, whereas in a high power distance culture the best boss is a benevolent autocrat. (Hatch, Cunliffe, 2006, 182-183)

2.2.2 Individualism

Individualism on the one side versus its opposite, collectivism, is the degree to which individuals are integrated into groups. On the collectivist side, we find societies in which people from birth onwards are integrated into strong, cohesive in-groups, often extended families (with uncles, aunts and grandparents) which continue protecting them in exchange for unquestioning loyalty. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family. In

countries with a high collectivist orientation, there would be a preference for group as opposed to individual decision-making. Consensus and cooperation would be more valued than individual initiative and effort. Motivation derives from a sense of belonging, and rewards are based on being part of the group (loyalty and tenure). The role of leadership in such cultures is to facilitate team effort and integration, to foster a supportive atmosphere, and to create the necessary context or group culture. (Schneider, Barsoux, 2003, 90; Hofstede Resource Pages)

Individualism versus collectivism involves the degree to which individuals in a culture are expected to act independently of other members of the society. The word 'collectivism' in this sense has no political meaning: it refers to the group, not to the state. Again, the issue addressed by this dimension is an extremely fundamental one, regarding all societies in the world. In highly individualistic cultures, individual rights are paramount. Evidence of individualism versus collectivism can be found in the ways in which people live together (e.g., alone, in shifting partnerships, tribes or nuclear families) and in their religious beliefs. (Hatch, Cunliffe, 2006, 183)

Hofstede (2003) pointed out that in cultures such as the United States individualism is seen as a source of well-being, whereas in others like Chinese or Mexican cultures, it is seen as undesirable and alienating. Relationships between members of individualistic cultures are loose and individuals are expected to take care of themselves. By contrast, in collectivist cultures cohesive groups (e.g., extended families) give individuals their sense of identity and belonging, demanding considerable loyalty in return for the sense of security that such loyalty imparts. Hofstede claimed that tasks take precedence over relationships in organizations from individualistic cultures, whereas relationships prevail over tasks in organizations from collectivist cultures. It is easy to see the many difficulties that are created when an organization from the United States attempts to impose its task-focused control systems on acquisitions located in collectivist cultures.

2.2.3 Masculinity

Masculinity refers to the distribution of roles between the genders which is another fundamental issue for any society to which a range of solutions are found. The IBM studies revealed that (a) women's values differ less among societies than men's values; (b) men's values from one country to another contain a dimension from very assertive and competitive and maximally different from women's values on the one side, to modest and caring and similar to women's values on the other. In highly masculine cultures such as Japan, Austria and Venezuela, men are expected to be more assertive and women more nurturing. In Sweden, Denmark, Norway and the Netherlands, cultures that score high on the feminine dimension, gender differences are less pronounced. The highly masculine cultures in Hofstede's studies tended to place emphasis on work goals having to do with career advancement and earnings, and their members valued assertiveness, decisiveness and selling oneself. The feminine cultures in Hofstede's studies favored work goals concerning interpersonal relationships, service and preserving the physical environment, their members valued quality of life and intuition. (Hatch, Cunliffe, 2006, 183-184; Hofstede Resource Pages)

The assertive pole has been called 'masculine' and the modest, caring pole 'feminine'. The women in feminine countries have the same modest, caring values as the men; in the masculine countries they are somewhat more assertive and competitive, but not as much as the men, so that these countries show a gap between men's values and women's values. Furthermore, members of organizations in feminine cultures were likely to ridicule assertiveness and to undersell themselves. Not surprisingly Hofstede found that women held more professional and technical jobs and were treated more equally in highly feminine cultures than in cultures high on the masculinity scale. (Hatch, Cunliffe, 2006, 183-184; Hofstede Resource Pages)

According to Schneider and Barsoux (2003, 90) the management style in countries ranked high on masculinity is likely to become more concerned with task accomplishment than nurturing social relationships. Motivation will be based on the acquisition of money and things rather than quality of life. In such cultures,

the role of leadership is to ensure bottom-line profits in order to satisfy shareholders, and to set demanding targets. In more feminine cultures, the role of the leader would be to safeguard employee well-being, and to demonstrate concern for social responsibility.

2.2.4 Uncertainty Avoidance

Uncertainty avoidance deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to man's search for Truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising, different from usual. Uncertainty avoiding cultures try to minimize the possibility of such situations by strict laws and rules, safety and security measures, and on the philosophical and religious level by a belief in absolute Truth. Uncertainty avoidance involves the ways in which human societies have learned to cope with uncertainty and ambiguity. For instance, technology is often used to defend against uncertainties caused by nature (e.g., the use of reinforced building structures in earthquake prone areas) while law defends against uncertainties produced by antisocial behaviour (e.g., laws against thievery, brutality, fraud). Religion, on the other hand, is a cultural means to help us accept uncertainties that we cannot defend against. Hofstede argued that different societies have different levels of tolerance for uncertainty and that these differences can be defined as the degree to which members of a culture feel threatened by ambiguity and risk. (Hofstede Resource Pages)

In low uncertainty avoidance cultures, people are more accepting of innovative ideas, differences of opinion and eccentric or deviant behaviour, whereas in cultures with high uncertainty avoidance these things are resisted or even legislated against. Rules, regulations and control are all more acceptable in high than in low uncertainty avoidance cultures and Hofstede said that organizations in these cultures have more formalization and standardization, whereas organizations

in cultures with weak uncertainty avoidance dislike rules and resist formalization and standardization. (Hatch, Cunliffe, 2006,184)

In countries with high uncertainty avoidance, organizations would tend to have more formalization evident in a greater amount of written rules and procedures. Also there would be greater specialization evident in the importance attached to technical competence in the role of staff in defining jobs and functions. Managers would avoid taking risks and would be motivated by stability and security. The role of leadership would be more one of planning, organizing, coordinating and controlling. People in uncertainty avoiding countries are more emotional, and motivated by inner nervous energy. The opposite type, uncertainty accepting cultures, are more tolerant of opinions different from what they are used to; they try to have as few rules as possible, and on the philosophical and religious level they are relativist and allow many currents to flow side by side. People within these cultures are more phlegmatic and contemplative, and not expected by their environment to express emotions. (Schneider, Barsoux, 2003, 90)

2.2.5 Long-Term Orientation

In later research, conducted with students in twenty-three countries, Hofstede and Bond demonstrated the presence of a fifth dimension of national cultural difference: long-term versus short-term orientation. This dimension describes cultural differences in predilections for thrift and perseverance as well as respect for tradition. It can be said to deal with Virtue regardless of Truth. Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face'. According to Hofstede a high long-term orientation scores indicate belief that hard work will lead to long-term rewards and also that it may take longer to develop business in these countries, particularly for foreigners. Traditions and commitments represent fewer challenges to change in organizations from cultures that are characterized by a short-term orientation. The addition of this dimension provides evidence that there are potentially many

more ways to define national cultural differences yet to be explored. Both the positively and the negatively rated values of this dimension are found in the teachings of Confucius, the most influential Chinese philosopher who lived around 500 B.C.; however, the dimension also applies to countries without a Confucian heritage. (Hofstede Resource Pages; Hatch, Cunliffe, 2006,184)

2.3 Universalism – Particularism

Universalists are associated with “rule-based” societies. People search for equality, that is to say that rules must be applied and followed by everyone and people must be treated equally. Moreover, they affirm that the right or good action should always be done according to the rules and laws, without accepting exceptions. Universalism is associated with modern, complex and developed societies. In the opposite, *particularists* judge the situation regarding its nature: “Is it an exceptional circumstance or not?” If the person involved is a friend, brother, husband, child or son, particularist people will protect him whatever the rules dictate. The particularist culture considers relationships and obligations, and the best decision must be taken in order to help their family or friends even if it is not in accordance with the established rules. This culture is often present in small and rurale communities, where people are closer and know each other. The difference between universalism and particularism cultures is shown in the figure below and it also explains how a mix between the two can be made.

In order to understand better, it is explained that universalists would say of particularists: “they cannot be trusted because they will always help their friends”. In the other hand, particularists would say of universalists: “you cannot trust them, they would not even help a friend”. (Trompenaars & Hampden-Turner, 1999, 31-33)

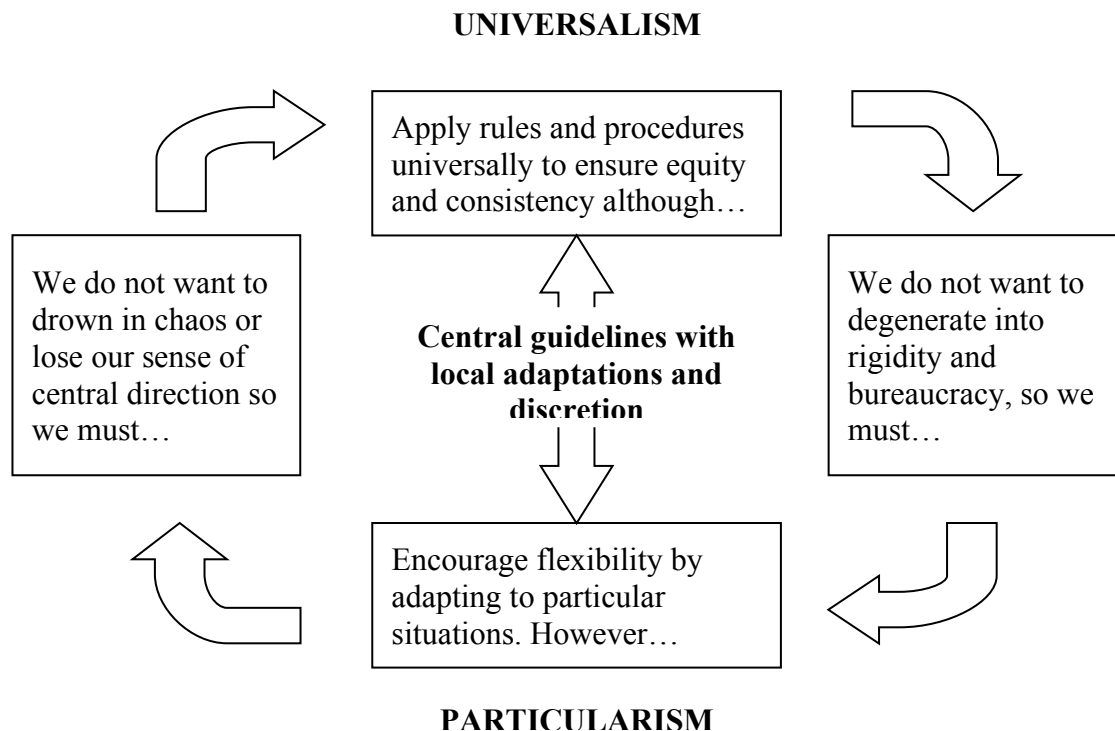


Figure 3: Reconciling Universalism and Particularism (Trompenaars & Hampden-Turner, 1999, 44)

2.4 Communitarianism – Individualism

This theory studies the behaviour of people towards other people. In *individualist* societies, actions are taken to satisfy individual interests. Trompenaars & Hampden-Turner (1999, 50-51) define individualism as “a prime orientation to the self” and communitarianism as “a prime orientation to common goals and objectives”. In fact individualists, issued from modern communities, think that the individual is more important than the group itself and acts to reach their own requirements. *Communitarianists* are the opposite. They act in order to satisfy the objectives of the group. It is stated that the religion or the political statuses traduce an individualist or communitarianist society. Catholics focus more on the group while Protestants act more for an individual purpose. In politics, the richer the State is, the more the society is qualified as individualist, as in the United States for example.

Modern societies are also classified as individualist. However, concerning business or education, the approach used is more related to communitarianism. In fact, the development of the company is done thanks to the group: the superiors and the employees, which form the organization. Moreover, even in individualist countries, it is also the family or the educational system, seen as a group, which educate the child. In order to avoid extreme situations both cultures can be reconciled (see figure below). Determining the type of society in business will help to define a strategy either in negotiation or in marketing. In marketing, television advertising should be different for the same product promoted in for example the United States or in Japan. In Japan, a communitarianism society, the family would be the centre of the message when in the US, an individualist society, the message would be more focused on the individual. (Trompenaars & Hampden-Turner, 1999, 50-65)

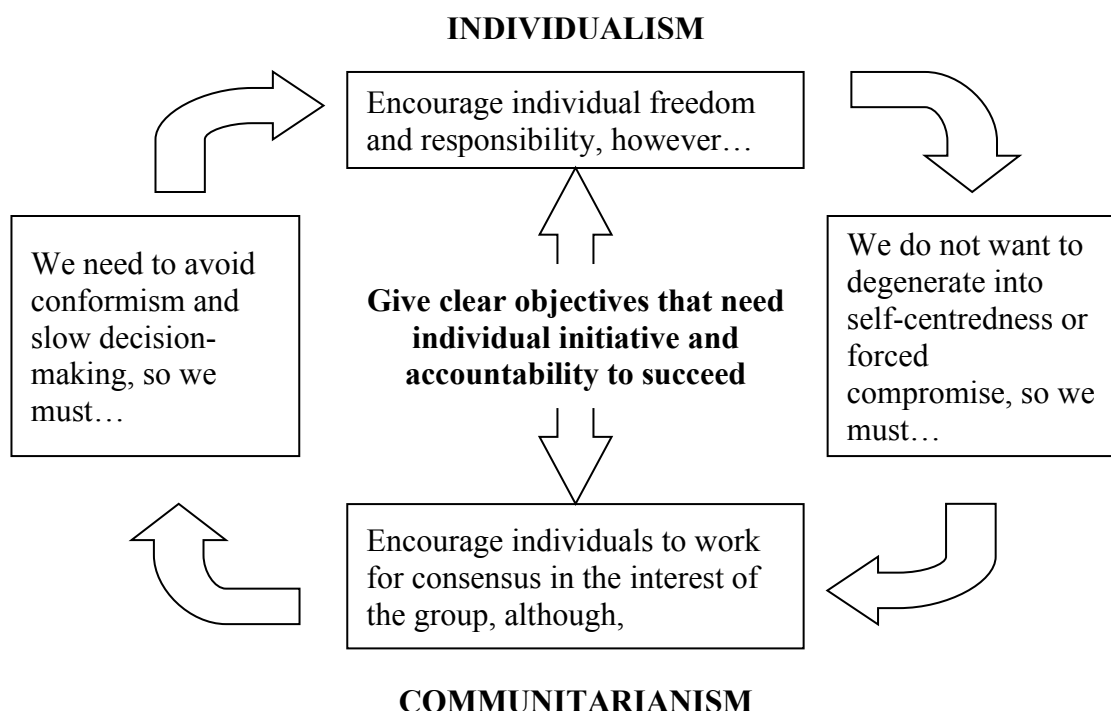


Figure 4: Reconciling Individualism and Communitarianism (Trompenaars & Hampden-Turner, 1999, 58)

2.5 Affective – Neutral cultures

Affective or neutral context describes how cultures express their emotions. In affective cultures like in China people express their emotions more naturally. Reactions are shown immediately verbally and/or non-verbally by using mimic and gesture in form of body signals. People in these cultures don't avoid physical contact, which is well known especially from Italians and Spanish when meeting each other very enthusiastic and with raised voices. In contrast neutral cultures like Japanese tend to hide their emotions and don't show them in public. Neutral cultures don't express precisely and directly what they are really thinking which can lead to misunderstandings and certain emotions are considered to be improper to exhibit in certain situations. It is also considered as important not to let emotion influence objectivity and reason in decision making. In general they feel discomfort with physical contact in public and communicate in a more subtle way which makes it difficult for members of other cultures to read between the lines and get the message.

The Chinese may also use more intuition or feeling in making a business decision. The Americans are in the middle of this dimension. They express their emotions but try to avoid that they won't influence the rational decision making, especially in business situations. Germany, France and Finland are also more centered within the scale of this context neutral versus affective. These cultures respond from a non-emotional level in business life. They often expect gratification for their work achievements - not immediately but later on. (Trompenaars & Hampden-Turner, 1999, 69-79)

3. CREATING A MARKETING PLAN

Marketing planning can be defined as a structured process of evaluating and researching the market environment and analyzing market opportunities. The marketing plan consists of several factors, such as selecting target markets, developing marketing objectives and strategies. The market planning process is a delicate balance of creativity and structure. The opportunity to think creatively and explore market issues outside the realm of day-to-day business is an important part of developing a proactive marketing plan. On the other hand, a marketing plan has to have enough structure to ensure that it is comprehensive and accurate and that marketing strategies, resources and performance objectives are credibly linked to the marketing situation. Both creative insight and structure are necessary to paint a meaningful picture of the market situation, marketing strategy, and logic-based path that leads to desired performance objectives. (Best, 2004, 330; Hunter 1997, 66; Wood 2003, 3)

A marketing plan is an outcome of a marketing planning process, as well as a written document that summarizes what the marketer has learned about the market. The plan also indicates how the firm plans to reach its marketing objectives. A written marketing plan makes communication throughout the organization easier. A marketing plan is not only helping the managers to have concrete information of the market situation, but it also gives information to other member of the organization who might be involved in the decision-making processes. (Proctor 2000, 41; Winer 2000, 33; Wood 2003, 3)

A marketing plan is a written document detailing the current situation with respect to customers, competitors, and the external environment and providing guidelines for objectives, marketing actions, and resource allocations over the planning period for either an existing or a proposed product or service. A written marketing plan is the outcome of the marketing planning process. It is effectively a business proposition containing proposed courses of action which in turn have resource implications. Written marketing plans verbalize (and formalize) our intuitive

model of the market environment within which we operate. Written marketing plans help to make things happen.(McDonald, 2007, 455)

While some firms – particularly smaller ones – do not bother to write their marketing plans, most organizations believe that unless all the key elements of a plan are written down there will always be loopholes for ambiguity or misunderstanding of the strategies and objectives, or of assigned responsibilities for taking action. This suggests that even small organizations with limited resources can benefit from preparing a written plan, however brief. Written plans also provide a concrete history of a product's strategies and performance over time, which aids institutional memory and helps educate new managers assigned to the product. (Mullins, Walker, Boyd, 2008, 20)

3.1 Market Research

Market Research is the function linking the consumer, customer and public to the marketer through information – information used: to identify and define marketing opportunities and problems; to generate, refine and evaluate marketing actions; to monitor marketing performance; and to improve understanding of the marketing process. Marketing researchers specify the information needed to address marketing issues, design the method for collecting information, manage and implement the data collection process, analyse the results and communicate findings and their implications.

Marketing intelligence is everyday information about developments in the marketing environment that helps managers prepare and adjust marketing plans. The marketing intelligence system determines the intelligence needed, collects it by searching the environment and delivers it to marketing managers who need it.

Marketing intelligence comes from many sources. Much intelligence is from the company's personnel – executives, engineers and scientists, purchasing agents and the sales force. But company people are often busy and fail to pass on

important information. The company must 'sell' its people on their importance as intelligence gatherers, train them to spot new developments and urge them to report intelligence back to the company.

The company must also persuade suppliers, resellers and customers to pass along important intelligence. Some information on competitors comes from what they say about themselves in annual reports, speeches, press releases and advertisements. The company can also learn about competitors from what others say about them in business publications and at trade shows. Or the company can watch what competitors do – buying and analysing competitors' products, monitoring their sales and checking for new patents. (Kotler, Armstrong, Saunders, Wong, 2002, 268, 272)

3.2 Analysis

When writing a business plan, the focus of the Analysis section is a thorough examination of your own company and the target market, the people that you intend to sell your products or services to. In the beginning of the marketing planning process, the current situation is examined within the context of the mission, higher-level strategies and higher-level goals. This is accomplished through environmental scanning and analysis, the systematic collection and interpretation of data about both internal and external factors that may affect marketing performance. (Wood, 2004, 39-55)

The analysis is a very important part of the marketing plan, as it forces the management to think systematically about the environment and also the ability of the company to use its resources according to this analysis. Most marketers agree that the marketing analysis can be summed up by a SWOT analysis. (Brassington, Pettit, 2000, 896)

3.2.1 Internal

The internal audit covers organisational resources and capabilities, current offerings, previous performance, business relationships and key issues. These internal factors are instrumental in the way a company fulfils its mission, serves its customers and competes in the marketplace. Strength is an internal capacity or factor that can support the organisation in achieving its objectives, making most of the opportunities or deflecting threats. A weakness is an internal capability or factor that may prevent the organisation from achieving its objectives or effectively handling opportunities or threats. (Wood, 2004, 39-55)

In designing marketing plans, marketing management should take other company groups, such as top management, finance, research and development (R&D), purchasing, manufacturing and accounting, into consideration. All these interrelated groups form the internal environment. Top management sets the company's mission, objectives, broad strategies and policies. Marketing managers make decisions consistent with the plans made by top management, and marketing plans must be approved by top management before they can be implemented. (Kotler et al, 2002, 119)

An internal audit should be carried out annually and it can be done by an employee of the company or by an outside consultant. It is more often carried out by an internal member, which creates the risk of a lack of objectivity. (Brassington et al, 2000, 898)

3.2.2 External

External audit covers political-legal factors, economic factors, social-cultural factors and technological factors plus ecological and competitive factors that may present opportunities or pose threats. An opportunity is an external circumstance or factor that the organisation can attempt to exploit for higher performance. A

threat is an external circumstance or factor that could inhibit organisational performance, if not addressed. (Wood, 2004, 39-55)

To plan effective competitive marketing strategies, the company must also try to find out all it can about its competitors. It must constantly compare its products, prices, channels and promotion with those of close competitors. In this way the company can find areas of potential competitive advantage and disadvantage. It can launch more effective marketing campaigns against its competitors and prepare stronger defences against competitors actions. (Kotler et al, 2002, 419)

The external environment should also consider the microenvironmental aspects, in other words, the industry should be analyzed. It will imply the competitors, new entrants, substitutes and suppliers. (Fitfield, 1998, 42-48; Johnson, Scholes, 1999, 115-117; Oliver, 1995, 171-178)

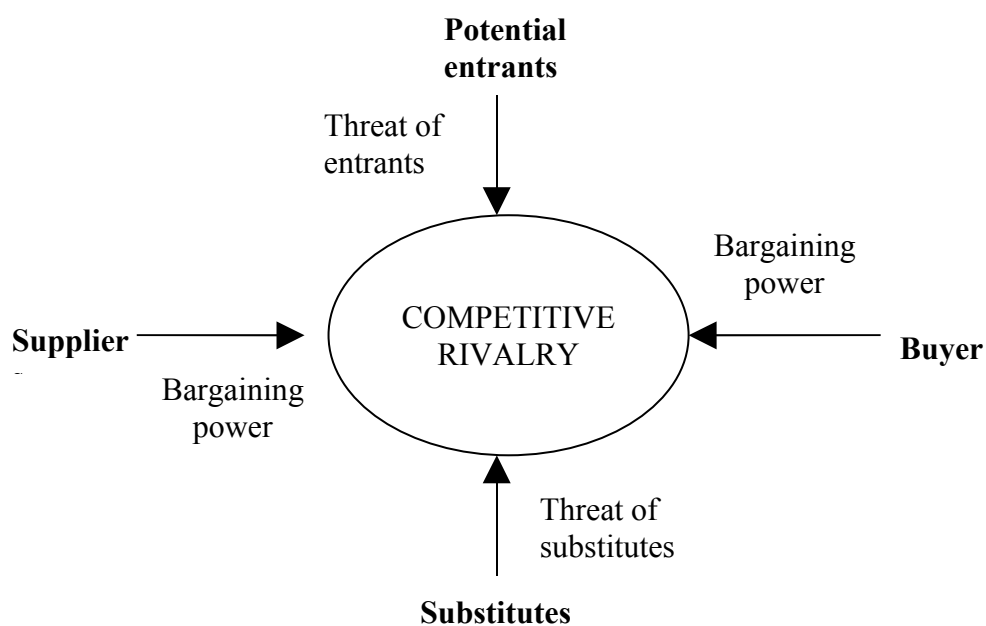


Figure 5: Five forces model (Adapted from Porter 1980, 4)

3.2.3 SWOT Analysis

SWOT (strengths, weaknesses, opportunities and threats) analysis is a technique specially designed to help identify suitable marketing strategies for a company to follow. The purpose of a SWOT analysis is to match key strengths with promising opportunities and see how strengths can guard against weaknesses and threats in supporting marketing strategies and programmes

A SWOT analysis encompasses both the internal and external environments of the firm. Internally, the framework addresses a firm's strengths and weaknesses on key dimensions such as financial performance and resource; human resources; production facilities and capacity; market share; customer perceptions of product quality, price and product availability; and organizational communication. The assessment of the external environment includes information on the market (customer and competition), economic conditions, social trends, technology, and government regulation. When performed correctly, a SWOT analysis can drive the process of creating a sound marketing plan. SWOT analysis can be especially useful in discovering strategic advantages that can be used in the firms marketing strategy. (Hollensen, 2003, 265)

3.3 Marketing Strategies

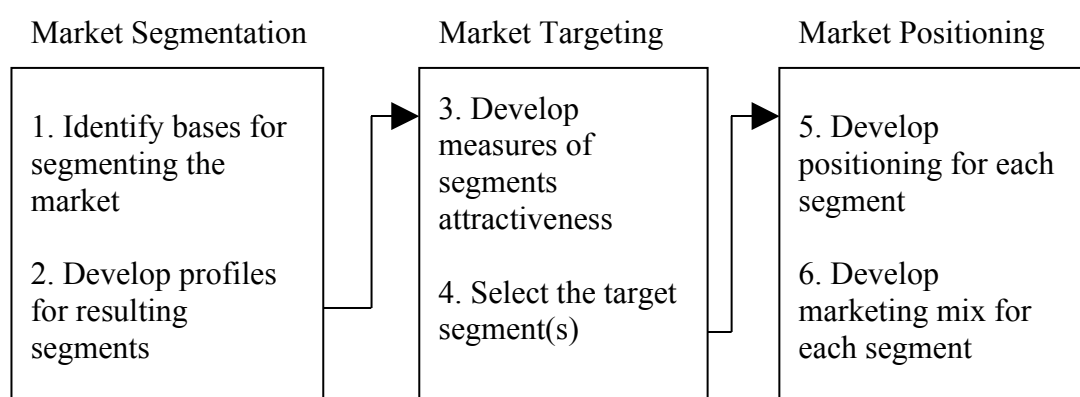


Figure 6: Six steps in market segmentation, targeting and positioning (Kotler, 2001, 316)

3.3.1 Segmentation

Market segmentation is the process of dividing the total, heterogeneous market for a product or service into several segments, each of which tends to be homogenous in all similar aspects. (Shilbury, Quick, Westerbeek, 2003, 65). The activity of market segmentation is critical to the effectiveness of the marketing plan. It is a process that must be undertaken with thought, creativity and skill. Market segmentation has long been considered one of the most fundamental concepts of marketing. It not only provides one of the major ways of implementing the marketing concept but also directs a firm's marketing strategy and resource allocation among different markets and products. (Hollensen, 2003, 307)

It is not enough simply to find a descriptive way to break a market up. To have any value, those within the segment must have something in common, something which allows marketers to serve their needs specifically and more effectively than the competitors. If age, sex, company size or a customer's location significantly influences buyer behaviour, then these will be useful dimensions for segmentation. If not, new bases for the segmentation need to be found.

People often buy the same generic product or service, but to satisfy different needs. A person may buy a bicycle for racing, fitness, social or work motives. Training shoes may be bought as a fashion accessory, for amateur or professional sport, or as comfortable, casual footwear. These different motives for purchase are an extremely relevant approach to market segmentation. Whatever the customers' geodemographic or socio-economic profile, their buying needs and priorities are likely to be similar. (Hatton, 2000, 157-159)

3.3.2 Targeting

After a company has defined market segments, it can enter one or many segments of a given market. Market targeting involves evaluating each market segment's attractiveness and selecting one or more segments to enter. A company should

target segments in which it can profitably generate the greatest customer value and sustain it over time. Who should we be serving? is a question that every business needs to raise periodically. Customers often differ widely in terms of needs. They also differ in terms of value that they can contribute to a company. not all customers offer a good fit with the organization's capabilities, delivery technologies, and strategic direction. A company with limited resources might decide to serve only one or a few special segments or "market niches". This strategy limits sales but can be very profitable. A company might also choose to serve several related segments – perhaps those with different kinds of customers but with the same basic wants. (Kotler, Armstrong, 2001, 64-65; Lovelock, 2001, 138)

3.3.3 Positioning

After a company has decided which market segments to enter, it must decide what positions it wants to occupy in those segments. A product's position is the place the product occupies relative to competitors in consumers' minds. If a product is perceived to be exactly like another product on the market, consumers would have no reason to buy it. Positioning is the driver behind all company's marketing mix strategies and tactics. Effective positioning must satisfy three desirability criteria; be competitively distinctive, relevant and credible, as well as three deliverability criteria; the positioning must be feasible, able to be communicated and sustainable. (Wood, 2004, 110-112)

In positioning its product, the company first identifies possible competitive advantages on which to build the position. To gain competitive advantage, the company must offer greater value to chosen target segments, either by charging lower prices than competitors do or by offering more benefits to justify higher prices. But if the company positions the product as offering greater value, it must then deliver that greater value. Thus, effective positioning begins with actually differentiating the company's marketing offer so that it gives consumers more value than they are offered by the competition. Once the company has chosen a

desired position, it must take strong steps to deliver and communicate that position to target consumers. The company's entire marketing program should support the chosen positioning strategy. (Kotler, Armstrong, 2001, 56-66)

3.3.4 Branding

Czinkota, Rivoli and Ronkainen (1992, 419-421) explain "Brand refers to a name, term, symbol, sign or design used by a firm to differentiate itself from the competitors. It is the most standardizable item in the product offering". Peter Brabeck, vice-chairman and chief executive of Nestlé (2001, 18) affirms "if brands are seriously built and solid, they do not need to be changed in order to adapt themselves to other markets or countries". In fact, its brand "Nestlé" and the "Nest" in the logo are over 130 years old. He specifies however that its brand was not unchanging because brands and companies evolve permanently in perception and presentation. They need to adapt to the environmental context and need constant nurturing. To be successful, brands have to be supported by a solid corporate image.

A brand name is more than a label employed to differentiate among the manufacturers of a product. It is a complex symbol that represents a variety of ideas and attributes. It tells the consumer many things – not only by the way it sounds (and its literal meaning if it has one), but more importantly by the body of associations it has built up and acquired as a public object over a period of time. Brand management is at the centre of conflict between short-term profits and long-term investment. For most successful companies, their brands are their most valuable assets. Brands generate customer loyalty and through this they build profit, growth and shareholder value. The net result of creating a brand is the public image, character or personality that may be most important to the customers. (Hollensen, 2003, 470; Doyle, 2002, 184)

3.4 Marketing Mix

Marketing mix is the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything the firm can do to influence the demand for its product. (Kotler, 2001) The marketing mix is the set of marketing decisions that management make to implement their positioning strategy and achieve its objectives. These have popularly been termed the four Ps: product, price, promotion and place (i.e. distribution). In the services marketing mix, the product is the service and there are three added elements relevant to services: people, process and physical evidence. (McCull-Kennedy, 2003, 11; Doyle, 2002, 88)

Traditionally the 4 Ps are product, place, price and promotion. During the last two decades, marketing researchers have increasingly found that the list of 4 Ps is too restrictive and more categories of marketing variables have been suggested, most often in the form of additional Ps such as people, processes and physical evidence as well as public relations and politics. (Grönroos, 2007, 273)

3.4.1 Product

The basis of any business is a product or offering. A company aims to make the product or offering different and better in some way that will cause the target market to favor it and even pay a price premium. In general, product marketers understand that the challenge is to create *relevant* and *distinctive* product differentiation. The differentiation may be based on: physical differences (e.g., features, performance, conformance, durability, reliability, design, style, packaging), availability differences (e.g., available from stores or orderable by phone, mail, fax, internet), service differences (e.g., delivery, installation, training, consulting, maintenance, repair), price differences (e.g., very high, high, medium, low, very low price), image differences (e.g., symbols, atmosphere, events, media)

Any successful differentiation will tend to draw imitators. When imitators introduce their versions of the product, often at a lower price, it puts pressure on the innovator. The innovator faces three choices:

- Lower the price to protect market share and accept lower profits
- Maintain the price and lose some market share and profits
- Find a new basis to differentiate the product and maintain the current price

Of the three choices, the third offers the best hope of maximizing long-run profitability. It requires the firm to recognize that it cannot rely on its current advantage. It must continually search for the next advantage. The hope of finding one “long lasting, sustainable advantage” in a hypercompetitive marketplace is largely a pipe dream. (Kotler, 1999, 97-99; see also: Lancaster, Reynolds, 1995, 44-45)

All products have, what is called in ‘marketing speak’, a product lifecycle. This describes the natural process by which a new product is introduced, is gradually accepted, sells well for a while and is then gradually superseded before, potentially, being phased out. The following chart gives an indication of how sales will vary as a product goes through the various stages of its lifecycle. The product life cycle is a useful concept to consider when reviewing your product or service set (product/service portfolio). It is important to consider where a product is on the lifecycle in order to set marketing objectives and appropriate marketing programs. For example, if a product is in the introduction phase it may be appropriate to spend more on promotion than for a product in decline. (Billy Fire LLC Resources)

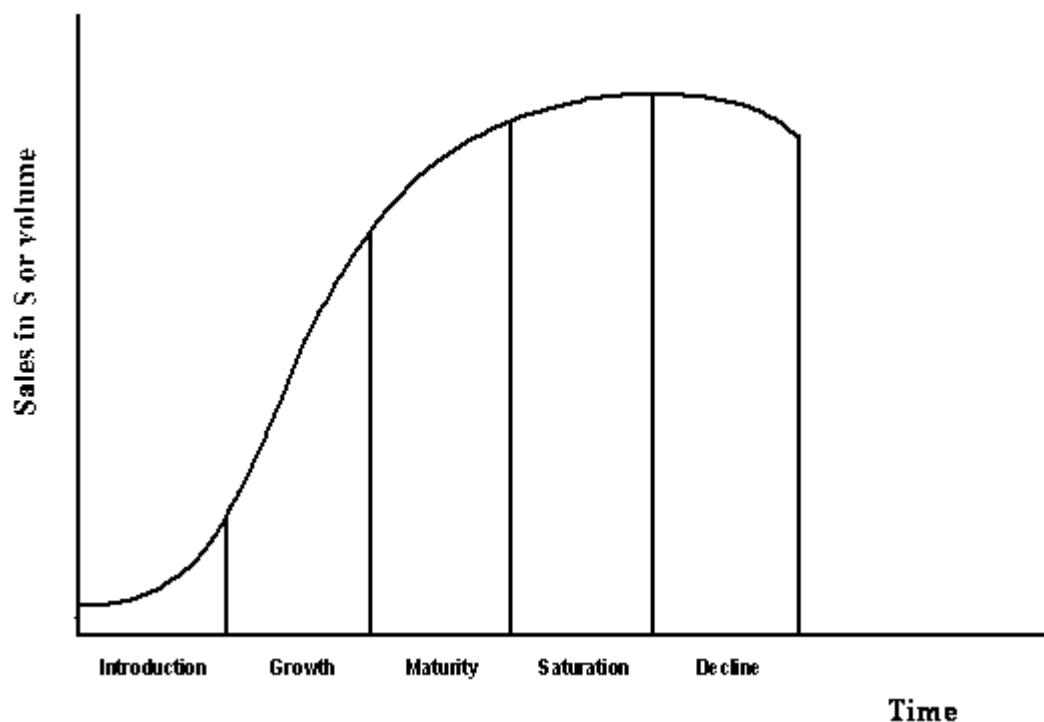


Figure 7: The Product Lifecycle (Billy Fire LLC Resources)

3.4.2 Price

Price plays a pivotal part in the marketing mix of a service because pricing attracts revenues to the business. Pricing decisions are significant in determining the value for the customer and play a role in the building of an image for the service and it also gives a perception of quality in the eyes of a customer. (Payne, 1993, 136)

It is important to distinguish between list price and realized price. Discounting is so rampant today that hardly any buyer pays list price. The buyer may receive a price-off, a rebate, a free service thrown in, or a gift, all of which drains the realized price. Most companies do a poor job at measuring and controlling the “cascading” or “diluting” effect of such pricing allowances. A large customer who is getting a lot of price-offs and service favors may turn out to be unprofitable.

In setting their prices, many companies add “markup” to their estimated costs. That is known as *cost-based pricing*. In the food business, producers and retailers apply certain standard markups to each product category, at least as a starting

point. In the management consulting business, consulting firms normally set their fees at 2,5 times the consultant's cost, figuring that this will cover their total costs and leave an attractive profit margin. Alternatively, some companies practise *value-based pricing*. They estimate the most that the buyer would pay for the offering. They don't charge that price, because the buyer may resist buying. Instead they charge something less – the value price – to leave the buyer with some “consumer surplus”. The seller hopes that its costs are much lower than the value price, in which case the seller enjoys a good profit. If the seller's costs are close to or exceed the value price, the seller would probably never make the offer. (Kotler, 1999, 99-100; see also: Lancaster et al, 1995, 46-48)

As price is the key for the profitability of the organization, marketing managers try to reduce the significance of the price by managing other elements of the mix which should enable a non-price competition. These other elements are for example innovation, quality, service and speed in the delivery. The price will define the value of the product in the eyes of the customer, in other words creating a value is to manage the combination of the price and the relative functional and psychological advantages that the brand offers. (Doyle, 2002, 227-228; Lancaster et al, 1995, 46-48)

3.4.3 Place

The place involves decisions on the distribution channels and on their management, on the location of outlets, as well as methods of transportation. The distribution channel is the network which enables to make the product available to the final user, in other words, it corresponds to the intermediaries, retailers and wholesalers, which will take part in the sales process. It is very important to manage this part of the marketing mix well, as it will determine the cost-efficiency of the access to the market place. (Jobber, 2004, 14)

Every seller must decide how to make its goods available to the target market. The two choices are to sell goods directly or to sell them through middlemen.

Within a given industry both distribution choices can be found. In the consumer market, there is an intense battle taking place among retailers (e.g, small versus large retailers, large retailers versus other large retailers). In addition, a growing battle is now emerging between home-based shopping and store-based shopping. Today's consumers are able to order more goods in more ways from home instead of having to drive, park and stand in line in a store. As people get more time-pressured, their at-home purchasing will grow more rapidly than store-based purchasing. Distribution, clearly, poses a number of challenges. Companies recognize that their distribution choices establish a fairly long commitment that they may have to live with even when new and more attractive channels appear. (Kotler, 1999, 103-105)

3.4.4 Promotion

The fourth P, promotion, covers all those communication tools that can deliver a message to a target audience. Promotion is what the general public thinks is marketing, because the promotions are what the public sees. More specifically, promotions are especially designed to get a person's attention. Promotion is the process of promoting and promoting means raising awareness. The marketer's purpose for promotion is to encourage the person to purchase the product. The tools fall into four broad classes: Advertising, Sales promotion, Public relations, and Direct marketing. (Pitts, Stotlar, 2002, 99)

3.4.4.1 Advertising

Advertising is the most potent tool for building awareness of a company, product, service, or idea. On cost-per-thousand people reached, advertising is hard to beat. If the ads are also creative, the advertising campaign can build image and even some degree of preference or at least brand acceptability. But most ads are not creative. One need only examine car ads to see how similar and inconsequential they are. In fact, if one's ads are not different from and better than competitor's

ads, the company may be better advised to spend money on other marketing communication tools, such as public relations, sales promotion, or direct marketing.

Advertising is most effective when it is narrowly targeted. Ads placed in specific magazines targeted to fishermen, motorcycle aficionados, packaging purchasing agents or other specific groups will have a greater impact. In such cases, advertising serves more as an investment than an expense. Although it may be difficult to measure the rate of return on advertising investment (ROAI), it is probably higher for highly targeted ads.

Advertising involves making decisions on on the five Ms – mission, message, media, money and measurement. The first step is mission: Is the ad campaign's aim to inform, persuade or remind customers? Are the ads designed to create Awareness, Interest, Desire, or Action (AIDA)? As for the message, it is shaped by earlier decisions on the brand's intended target market and value proposition. The challenge is to present the value proposition creatively. Advertising is largely a waste if the company finds nothing arresting to say or says it badly.

Companies must carefully make the money expenditure decision. If they spend too little on advertising, they may be spending too much, since the ads won't draw much attention. Companies resort to advertising spending rules such as setting the advertising budget on what they can afford, or as a percentage of past or expected sales, or as a percentage based on what competitors are spending on their advertising. But the more effective approach is to set the advertising budget on an *objectives* and *task* basis. Here the company decides how many people it wants to reach in the target market, with what frequency, and with what media qualitative impact. Then it becomes easier to calculate the budget that would deliver the desired reach, frequency and impact.

With regard to measurement, too many companies settle for measuring recall or recognition scores when they should be measuring persuasion scores, namely the amount of increase in brand preference resulting from exposure to the ad campaign. The best measure, of course, would be the sales impact of the advertising. (Kotler, 1999, 106-109; see also: Herbig, 1998, 109)

3.4.4.2 Sales Promotion

Most advertising does not deliver sales quickly. Advertising works mostly on the mind, not on behavior. It is sales promotion that works on behavior. The customer hears of a sale, an offer of two for the price of one, a gift, or a chance to win something. Now the customer acts.

Sales promotion, which comprises a wide-ranging set of incentives, has been spinning out of control. Consumer packaged goods companies which used to spend about 30 percent of their total promotional budget on *sales promotion*, now often spend 70 percent. A good percentage is spent on trade promotion, giving supermarkets and other retailers special allowances, discounts, and gifts.

Consumer promotion, the other part of sales promotion, has the effect of weakening customer brand preference and therefore brand equity. Any product that is highly sales-promoted gives the lie to the product's list price. Consumers increasingly expect to find or negotiate prices lower than the list prices. This, coupled with the growing perception that most brands are similar, leads consumers to define an acceptable set of brands, rather than an insistently preferred brand. The consumer examines what brands are on sale each week and buys the brand that falls in the acceptable set.

Companies worry that they will lose market share if they don't match their competitors' sales promotions. It takes special courage to reduce sales promotion spending and to use the funds to build better advertising, or to invest in innovation or better customer service.

This is not to say that all sales promotion is bad. For example, sales promotion is warranted when the company has a superior brand but low awareness. Then sales promotion, by stimulating trial, will cause the customer base to grow. Sales promotion is also effective when it attracts new customers who have a loyalty bent. But most sales promotion brings in switchers and deal-prone customers who are "here today, gone tomorrow". According to many observers, most sales promotions lose money for the company. (Kotler, 1999, 109-110)

3.4.4.3 Public Relations

Public relations, like sales promotion, comprises a diverse set of tools. Public relations can be quite effective, although it tends to be underutilized in the promotion of products and services. One reason is that a company's public relations is normally located in a separate department handling not only marketing public relations (MPR) but also financial PR, employee PR, government PR, and so on. So marketers have to beg for resources from the PR departments or must engage a separate PR agency.

As advertising loses some of its brand-building power, and as sales promotion has grown far beyond its optimum size, companies may recognize more potential in MPR. MPR consists of a set of tools that can be classified under the acronym of PENCILS, namely: Publications, Events, News, Community involvement activities, Identity media (i.e., stationery, business cards, corporate dress code), Lobbying activity and Social responsibility activities.

Most PR expenditures represent solid investment designed to create and deliver positive image to the target market. They are less blatantly perceived as self-serving than advertising campaigns. "While advertising is what you pay for, public relations is what you pray for." A favorable magazine story about a product is worth a lot of money spent in advertising. (Kotler, 1999, 110-111)

3.4.4.4 Direct Marketing

Today's markets are fractured into smaller collections of minimarkets. As a result, more specialized media are appearing. There is an exploding number of magazines, each designed to deliver ads and editorial material to a specific customer group. Advances in television, cable networks, and satellite transmissions are leading to an explosion in the number of available TV-channels. Not only can segments and niches be more efficiently reached, but also individuals, "segments-of-one", as a result of database marketing. Many companies possess proprietary databases containing profiles of thousands of customers and prospects. Those companies can sort the names in their databases

to collect any subset of names that may represent a marketing opportunity. (Kotler, 1999, 115; see also: Norgan, 1994, 386))

3.4.5 People

Because of the simultaneity of production and consumption in services, the firm's personnel occupy a key position in influencing customer perceptions of product quality. In fact, service quality is inseparable from the quality of the service provider. Without courteous, efficient and motivated staff, service organizations will lose customers. A survey has shown that one in six consumers have been put off making a purchase because of the way they were treated by staff. An important marketing task, then, is to set standards to improve the quality of service provided by employees and monitor their performance. The selection, training, and motivation of employees can make a huge difference in customer satisfaction. Ideally service employees should exhibit competence, a caring attitude, responsiveness, initiative, problem-solving ability, and goodwill. Excellent service companies know that positive employees attitudes will promote stronger customer loyalty. These firms recruit the best employees they can find, offer a career rather than just a job, provide solid training and support, and offer rewards for good performance. They also reinforce customer-centered attitudes at every opportunity. (Jobber, 2004, 816; Kotler, 2003, 231-237)

3.4.6 Physical Evidence

This is the environment in which the service is delivered, and any tangible goods that facilitate the performance and communication of the service. Customers look for clues to the likely quality of the service by inspecting the tangible evidence. For example, prospective customers may gaze through a restaurant window to check the appearance of the waiters, the decòr and furnishings. The ambience of a retail store is highly dependent on decòr, and color can play an important role in establishing mood because color has meaning. For example, black signifies

strength and power, whereas green suggests mildness, The interior of a jet aircraft is pastel-coloured to promote a feeling of calmness, whereas many nightclubs are brightly coloured, with flashing lights to give a sense of excitement. The layout of a service operation can be a compromise between operations' need for efficiency, and marketing's desire to serve the customer efficiently. (Jobber, 2004, 816)

3.4.7 Process

Process is the the procedures, mechanisms and flow of activities by which a service is acquired. Process decisions radically affect how a service is delivered to customers. For example, a self-service cafeteria is very different from a restaurant. Marketing managers need to know if self-service is acceptable (or indeed desirable). Queuing may provide an opportunity to create a differential advantage by reduction/elimination, or making the time spent waiting more enjoyable. Certainly waiting for service is a common experience for customers and is a strong determinant of overall satisfaction with the service and customer loyalty. Research has shown that an attractive waiting environment can prevent customers becoming irritated or bored very quickly, even though they may have to wait a long time. Both appraisal of the wait and satisfaction with the service improved when the attractiveness of the waiting environment (measured by atmosphere, cleanliness, spaciousness and climate) was rated higher. Providing a more effective service (shorter queues) may be at odds with operations as the remedy may be to employ more staff. (Jobber, 2004, 816-817)

3.5 Implementation

Implementation refers to what Thomas Bonoma (1985) once called "making strategies work". Making plans is only one part of the deal. Secondly, these plans have to be implemented into the organization and, finally, they have to be executed properly. The implementation and execution is possibly more difficult than making plans in a service organization, since a service organization depends

heavily on people (employees and participating customers), resources, (core)competences, possibilities and routines. Now, one has to actually accomplish the plans formulated behind the desk. Then, it will be seen whether the plans are built logically, e.g. whether all parts really fit together. The chosen strategy, the desired relationships (intensity and target group) and the accompanying marketing mix of the service organization should be in line with one another, at least they should not be contradictory. This sounds self-evident, but is hard to achieve. Often the employees (and customers) have to perform new activities or work in different ways than before. This may cause some degree of resistance which the organization has to cope with. (Kasper, van Helsdingen, de Vries jr., 1999, 678-679)

3.6 Control

In order to control if the implementation of the marketing strategy is done properly, the organization must control that the results are what was expected. The operation of controlling can be done on a short term basis or long term. For example, the control can be daily or every three months. The process of control will affect both the actions and their results and also the goals to be reached. If there is any deviation, the marketer will analyze the problem and solve it, then try to understand the reasons of the success and exploit them. (Brassington et al, 2000, 919-920)

Once the performance of a service organization can be measured, it becomes possible to control this performance, and to compare objectives or budgets with actual outcomes. This can be done by comparing the two or by a simple analysis of variance in which one looks for the explanation for the differences found. The necessary feedback can then be provided and corrective actions can be taken. It then becomes necessary to control the efforts efficiently and effectively by means of all kinds of organizational structures and processes. A service organization should not forget to explicitly pay attention to their personnel ,hence human resource management (HRM). (Kasper, van Helsdingen, de Vries jr., 1999, 710)

4. PURPOSE OF THE STUDY AND CONCEPTUAL FRAMEWORK

The purpose of the study is to discover how cultural differences affect marketing management. The other aspect of the study is to find out how a marketing plan is created and maintained. Finally the intention is to apply the information discovered to a case company operating in the service sector in an international environment.

The objectives of the study are:

1. Find out how multi-cultural marketing management works and create a framework
2. Design a questionnaire and conduct a study in an international company
3. On basis of results give recommendations for better practises both in general and in the case company

The idea of a conceptual framework is to present all the base elements of the theory as a process and that way work as a guideline to the empirical research.

The conceptual framework for this study consists of the two main research topics covered in the theoretical part, marketing management process and cultural differences in management. The marketing management process is pictured as an ongoing development starting from market research and going through all the way to the implementation. The other half of the framework consists of all the cultural theories covered in this thesis. The idea of the framework is to communicate how the marketing management process progresses and that the cultural issues affect all stages of that process.

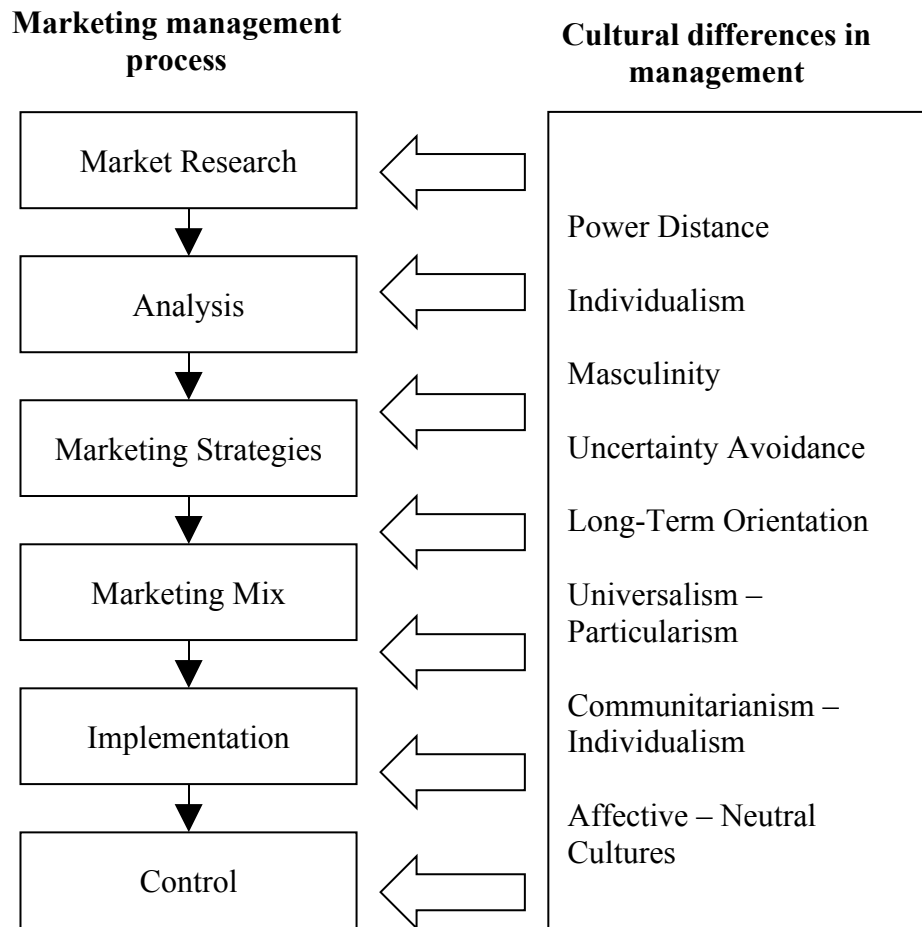


Figure 8: Conceptual Framework – Cultural Differences in Management Affecting the Marketing Management Process (adapted from Kotler, 1999, Hofstede, 2003)

5. RESEARCH METHODS

In this Bachelors thesis I have used a qualitative research method, more specifically a case study has been carried out. It consisted of interviews with a key respondent in the case company. The qualitative research method was most suitable, as it “attempts to capture data on the perceptions of local actors from the inside, through a process of deep attentiveness and empathic understanding”. “A main task is to explain the ways people in particular settings come to understand, account for, take action and otherwise manage their day-to-day situations” (Miles & Huberman, 1994, 6-7).

Qualitative data analysis should be able to show “the real life”, that is to say it should describe ordinary events, because the data is collected in “close proximity to specific situation (...) the emphasis is on a specific case, a focused and bounded phenomenon embedded in its context” (Miles et al, 1994, 10). Furthermore a qualitative research is “favouring open and relatively unstructured research designs”, it can use observations or informal conversations, which enables to concentrate on the “meaning and the function” of an action. The quantification plays a subordinate role. (Hammersley, 1990, 1-2; Bryman, 1988, 61-69)

Data Gathering

An in depth interview has been carried out, or more precisely, a questionnaire has been sent out to the interviewee and after receiving the answers, new questions have been asked in order to specify some of the answers. We can define an in-depth interview as a “conversation with a purpose”. This conversation can be formal or informal, the only thing is that it aims at obtaining “feelings, perspectives and perceptions from the participant”. (Holloway, 1997, 94; Lancaster, Reynolds, 1995, 157-158) The questionnaire that was sent was semi-structured, it enabled to give comments and opinions about defined points, which

in this case were about marketing management process and cultural differences related to it. This method was chosen because it enabled to get large amounts of information, comments and opinions on the topics.

In order to have relevant information of the case company, the interviewee had to be a key-respondent, someone with experience and understanding of the company. In this case I conducted the interviews with Mr. Joshua Green, the manager of the case company Bacchus.

The questionnaire was sent via e-mail because of practical reasons. The company being located in Spain, it was not possible to arrange a face-to-face meeting. The choice of company was made knowing that the interviewee was aware of the restrictions and agreed to this method. The interviewee has been actively involved and showed interest in the subject and for this reason we can be convinced of the reliability of the information received.

Validity and Reliability

Validity, truth, interpreted as to the extent to which account accurately represents the social phenomena to which it refers. The criteria of assessing validity includes: the impact of the researcher on the setting, the values of the researcher, and the truth status of a respondent's account. Reliability refers to the degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions. In interviews, it is very important that each respondent understands the questions in the same way and that answers can be coded without the possibility of uncertainty. Reliability can be addressed by using standardized methods to write field notes and preparing transcripts. (Silverman, 2001, 225-233)

A study is reliable among other things, when questions are clear, the appropriate respondents, times, settings are chosen, and when the quality of the data is good. (Miles et al, 1994, 278) In this study the important factor was interviewing the right person. I believe this was successful as I was able to interview the manager of

the company who is responsible for most of the company's basic operations and has in-depth information regarding these activities.

Internal validity is the "truth value", or in other words if the findings of the study make sense and if they are not modified by the researcher. It measures the respect of the study's objectives through the findings and the logic of the answers. (McDaniel, Gates, 1999, 247; Holloway, 1997, 159; Miles et al, 1994, 278) This study had the privilege of being able to get the insight of a key-person within the case-company which has given a unique view of its operations. The objectivity of the researcher is always something that may be questioned, but on my own behalf I can say that I am without motive for falsifying or distorting the results of the study and have tried to conduct it to my best ability.

When considering external validity, one must ask whether the conclusions of the study can be transferable to other concepts and have larger applications, how far can the research be generalised? (Holloway, 1997, 160; Miles et al, 1994, 279) This study was conducted using only one fairly specified company as the source, so the results may not be universally valid. This doesn't however mean that they would be false or wrong across the field, merely that they should be carefully reviewed before applying to other businesses.

6. RESEARCH RESULTS

6.1 Description of the Case Company

The target company in this study is Bacchus, a second hand bookstore and coffee shop located in Madrid, Spain. Bacchus is an international bookstore with a selection of over 2500 english-language books from all genres and a large reading area. They also offer a full selection of tea, cocktails, beer, or wine for the customer to enjoy.

Bacchus is a popular hang-out place for expatriates from all over world living and working in Madrid and it is also a hub for finding and exchanging information on accommodation, job offers and activities for Madrid's large foreign crowd. Bacchus also offer language exchanges, board games, football matches on TV and many other activities.

The managers of Bacchus have little experience on marketing or marketing management which is why in this thesis I'm trying to give them a general idea on the subject and a good foundation on which they can keep building their marketing activities.

6.2 Questionnaire Results

In this chapter I will present the results from the questionnaire that was sent to Mr. Joshua Green at Bacchus.

SWOT Analysis

<p>Strengths: Homely Friendly staff Located in a student area popular with foreigners Somewhat unusual profile in the area (English speaking bar) Popular events (free english classes, quiz, intercambios) Free WIFI offered</p>	<p>Weaknesses:</p> <ul style="list-style-type: none"> • Small size of the bar limits capacity size • Difficulty extending licence in area (protected zone) • Difficulty keeping collection of secondhand books really good (people don't sell their favourite books and buy the best ones they have) • Inability to sell food (licence)
<p>Opportunities:</p> <ul style="list-style-type: none"> • Growth of book sales • Extending book collection • Expanding product range (CDs, DVDs). 	<p>Threats:</p> <ul style="list-style-type: none"> • Potential smoking ban may affect sales • BIG starbucks has recently opened close by • WIFI may soon be available all over city

Figure 9: SWOT Analysis

Competitors

There is one existing establishment with near identical concept as Bacchus, J&J's Books and Coffee, which is their most important competitor. Other more indirect competitors include a variety of Irish bars and international secondhand bookshops which attract the foreigners. Also large chains such as Starbucks and Fnac compete with Bacchus for the coffee and book customers.

Objectives

Bacchus has a strong orientation to the future. The main objective is to gradually increase sales in both books and coffee shop –products. The basis for this growth lies in the continuous high performance and motivation of the employees and the

management. Bacchus intends to further increase the book section located in the downstairs of the premises by installing additional shelving space and acquiring a lot more books. Another ongoing process is the search for new products to be sold. A limiting factor in this search is the licence requirements set by the municipality of Madrid.

At the moment Bacchus has not set any specific numeric objectives. Also there is no special system in place for evaluation of the fulfilment of the objectives. They are currently only evaluated by the managers opinion and judgement as well as by reviewing the sales figures.

Segmentation

The customer base that frequents Bacchus consists mostly of young people. A uniting factor of the customers is the desire to speak English. For Spaniards this is often because they wish to learn and upkeep their language skills and for expatriates (mostly from the UK and the US) the desire to speak their native language and meet people with similar interests and background.

The gender spread is fairly even with some differences. Female customers seem to prefer visiting the company during the day and drinking coffee and tea as well as utilizing the Wifi possibility and male customers seem to favour the evening time more. The book customers consist mostly of Americans and Brits. If one wants to describe a stereotypical customer of Bacchus he would probably be English speaking foreigner living in Madrid aged 20-35 years.

Brand Image

The image that Bacchus wants to convey is that of friendliness and culture. This is done by welcoming the customer, new or old, to the premises and maintaining a light environment where it is easy to meet new people and simply chat in English. Bacchus aims to be a “haven” for english speakers in the profoundly Spanish city.

Marketing Mix

Product

The products of Bacchus are secondhand books in English and beverages such as tea, coffee, beer, soft drinks, liquors etc. The books turnover constantly as can be expected in a secondhand shop and they introduce new varieties of tea every month. Other than this the product range stays unchanged.

Place

The location of Bacchus is excellent. It is located right in the heart of an area popular with students. One of the biggest universities of Madrid is located within walking distance. The premises are of high quality, all installations are less than a year old and the spaces have been renovated. The only limitation is space, there is not that much possibility for expansion. However the existing space is efficient and works well.

Price

The pricing in Bacchus is based on costs, sales and profit targets. For drinks there is no pricing objective as such but for books the price is set as three times the buying price. The purchase price of the books is defined by the experience of the employees and comes from a set of characteristics like the condition of the book, age of the book and how high the demand for that book (or types of book) is.

The level of prices in Bacchus is on par with competitors. As Mr. Green said: “In my opinion I think our prices are fairly important to customers, but made less so due to the fairly unique nature of the bar. People return for the place rather than the prices.”

Promotion

Bacchus advertises monthly on MadridMas (<http://www.madridmas.com/>) which is a web based community of students in Madrid who organize events and parties for students and young people in Madrid. They also advertise on MapMagazine (<http://www.mapmagazine.com/>) which is the largest English language online magazine of Madrid. There is a variety of English language magazines in Madrid and Bacchus occasionally advertises in them, however this is not common as it is very expensive. As for sales promotions, there is a happy hour every Tuesday from 18.00-20.00 when you get two beers for the price of one. Bacchus also offers student discounts on beverages to attract the student crowd.

People

Mr. Green explains: “We base selection criteria on ability to speak english and Spanish (fluency in both required, non-Spaniards preferred to promote an international feel). Experience is not necessary but the ability to hold rapport with people is essential”

Bacchus gives the new employees a basic training on how to pour drinks, cocktails, book pricing and buying and all the basic activities of running a coffeeshop. They also have an initial training period where the new employee works together with an experienced employee for a few days (length varies based on skills and progress).

Physical Evidence

The layout of the facilities was planned on the startup phase of the company before actually opening up for customers and has proven to be efficient and practical as well as comfortable.

Process

There is no special process to the purchases. On buying books the customer chooses what he wants from the shelves and pays at the cash register, and the drinks are all ordered from the bar.

Implementation

The implementation of the marketing operations in Bacchus relies on the entire staff. In order for this to work, everyone must be kept on the loop on what the strategy and objectives are, effective communication is vital.

Control

In order to be able to control the performance of a service organization, it must have clear set objectives which can then be compared against what is actually happening. This is something that needs further development at Bacchus.

Cultural Issues

Mr. Green considers Spain to be a good business environment, with a fairly recent drive into optimising business and taking business matters seriously. People are prepared to spend and new enterprises receive some support from government. As a manager he has not come across any big culture-related problems, only had to shift the timetable to correspond with that of the more laid-back Mediterranean culture.

As a non-native person building a business in Spain is not without complications. They require you to fill a lot of forms and cards and the bureaucracy can be overwhelming. Besides that there were no problems when Bacchus was founded.

According to Mr. Green: “There is a tendency to prefer local employees and I do think there is real racism in terms of selection procedures.”

Mr Green continues: “The main difference between working in Spain and the UK is that in the UK the workplace is considered a far more serious place where socialising is done discreetly and briefly. I think the working day is a bit more sacred in the UK, with just a quick hour for lunch and you are expected to work hard and be productive throughout the day. In Spain there is a lot of chatting at eachothers desks, taking breaks for coffees all together and leaving phones unamanned, and loud and obvious socialising during the working day. You’d be told to quiet down and get on with something in the UK.”

7. SUMMARY AND RECOMMENDATIONS

The market of coffeeshops and bars in Madrid is a fast evolving sector and as a company operating in this field Bacchus must stay alert on new trends and developments that may affect them. The competition between specialists can be fierce and it is important to keep an eye on what the competitors are doing, better yet, come up with something new of your own.

Salespeople and people working in the service sector must take into consideration the cultural differences and personal habits of the customer. Being able to provide them with a special and unique atmosphere and experience is something that will guarantee their return and is something all companies should strive for.

In the theoretical section of this thesis I have first covered various cultural theories and culture in general in order to give the reader an idea of what and how cultural differences affect. Secondly I've laid out the process of creating a marketing plan which includes steps from SWOT analysis to the implementation and control of the plan.

The purpose of this study was to find how international marketing management process works. I believe I have managed to answer the first objective rather well but this study didn't quite manage to find answer to the international aspect. However, the most important task for me was to give Bacchus and more specifically Mr. Joshua Green a basis for their future marketing efforts. I hope I've succeeded in this and this document will prove helpful.

The conceptual framework has been modified and changed during the process of writing this thesis various times in order to get one that would accurately reflect the theoretical part of the study. For this reason it can be said to reflect the results rather well and I don't believe it should be altered any further.

In the course of this study I have not come across any significant problems or deficiencies in Bacchus' strategies or operations. The concept is a good one and draws a healthy amount of customers. For this reason I can't give any drastic or ground-breaking recommendations, if it's not broken don't fix it. That being said I did find a few points that deserve mentioning.

- As Mr. Green stated in the interview, Bacchus wants to increase their book selection. If their current supply channel of books (ie. private persons selling them) is not bringing in enough books, a new channel or channels should be investigated. This could mean for example buying second hand books in bulk from english speaking countries and transporting them to Madrid.
- The most efficient way of convincing new customers to visit Bacchus is probably word of mouth. For this reason Bacchus should encourage the regular customers to "work" as ambassadors and get new people to come. This could be achieved by some incentive or prize for introducing new customers.
- One large untapped customer segment are the exchange students. Even though students do visit Bacchus, it is not considered as a regular location for the students activities. To reach this crowd Bacchus could target some advertising to the school information boards, which would be both effective and cheap. Another idea would be to be in co-operation with the international departments of the universities. These departments are often the first touch to the Madrid that the new exchange students get and by having visibility in those locations (flyers, posters, etc.) many new customers could be reached.
- Because Bacchus has no set numerical objectives they may have problems assessing the success of their operations. This is why I think it would be a good idea to create some system of measuring the objectives. Also it

would be good to actually write the short- and long-term objectives down on paper so they can be checked and referred to later on.

Even though my study didn't reveal any culture –related problems I think it is still worthwhile reading the theory. The cultural issues are always there and being aware of the theories and concepts gives you an edge on understanding how and why something may occur.

Recommendations for further research for Bacchus could be finding out the new product ranges that have demand and a larger project could be actually creating a written marketing or even business plan. On a general level, further research on how cultural differences affect marketing management are needed

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APPENDIX

Questionnaire

Current situation

- Has the company previously conducted a marketing plan process?
- If yes, have you also implemented the marketing plan?
- Who do you consider to be your competitors?
- What are your company's strengths, weaknesses, opportunities and threats (SWOT)?

Objectives

- Do you have specific objectives for the future?
- If yes, what kind?
- How do you control and evaluate the meeting of the objectives?

Marketing strategies

- Has the company conducted a customer analysis?
- Who are the customers of your company? (ie. age, sex, nationality, etc.)
- Do you aim to serve some specific segment of customers?
- What kind of an image (brand image) does the company have?
- Have you tried to create a specific type of an image, what kind?

The Marketing Mix

Product

- What do you consider to be your product or products?
- How often do you change the product range?

Price

- How do you set the prices?
- Which things effect the price to the end-customer?

- Does your company have a pricing objective, if yes, what is it?
- In your opinion, how important do you believe the prices to be for your customers?

Place

- How do you consider the location of your facility to be?
- What is the quality of the facility?

Promotion

- Does your company advertise?
- If yes, where, how and how often?
- Does your company use sales promotion, what kind?
- Do you have a set budget for promotional activities, if yes, how do you calculate it?

People

- How do you select new employees?
- Do you train your employees, how?

Physical evidence

- How have you planned the style and layout of your facilities?

Process

- How does the service process work in your organization? (ie. self-service or instructed, ordering from the counter or waiting to the tables)

Cultural issues

- How do you perceive Spain to be as a business environment?
- Have you come across any cultural issues in management, if yes, what?
- Do you think it is more difficult to work in Spain as a non-native, if yes, how?

- If you have experience from working in a different country, have you noticed differences to Spain, what?