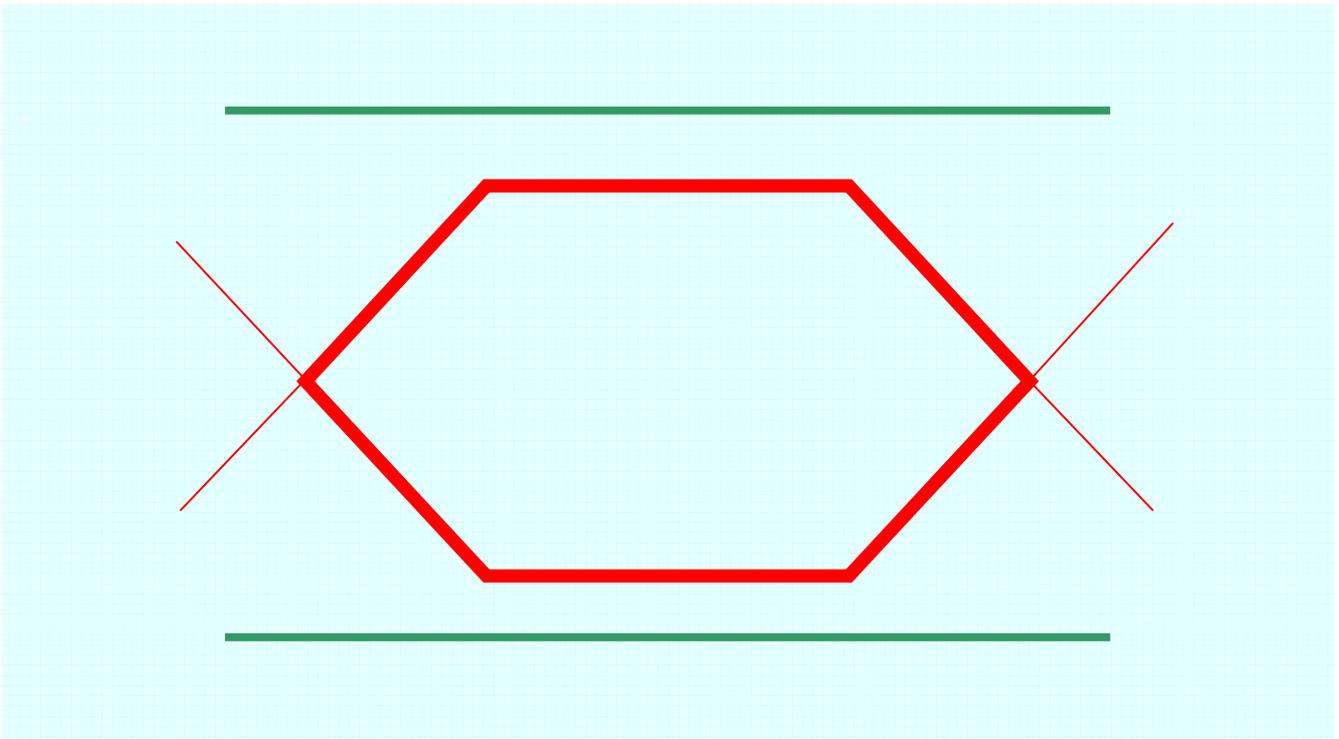


# *Ascot Associates Limited*

**2Ps + 2Is → Competitive Advantage**



**IMPROVED SUSTAINABILITY BY THE INTEGRATION OF MARKETING,  
INNOVATION AND INTEGRITY IN THE SUPPLY CHAIN**

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### ***Ascot Associates Limited***

P.O.Box 1411

Slough

Berkshire

SL2 5FS

[www.ascot-interactive.com](http://www.ascot-interactive.com)

01753 554 656

***We provide the tools to ask better questions, and the insight to deliver better business***

## IMPROVED SUSTAINABILITY BY THE INTEGRATION OF MARKETING, INNOVATION AND INTEGRITY IN THE SUPPLY CHAIN

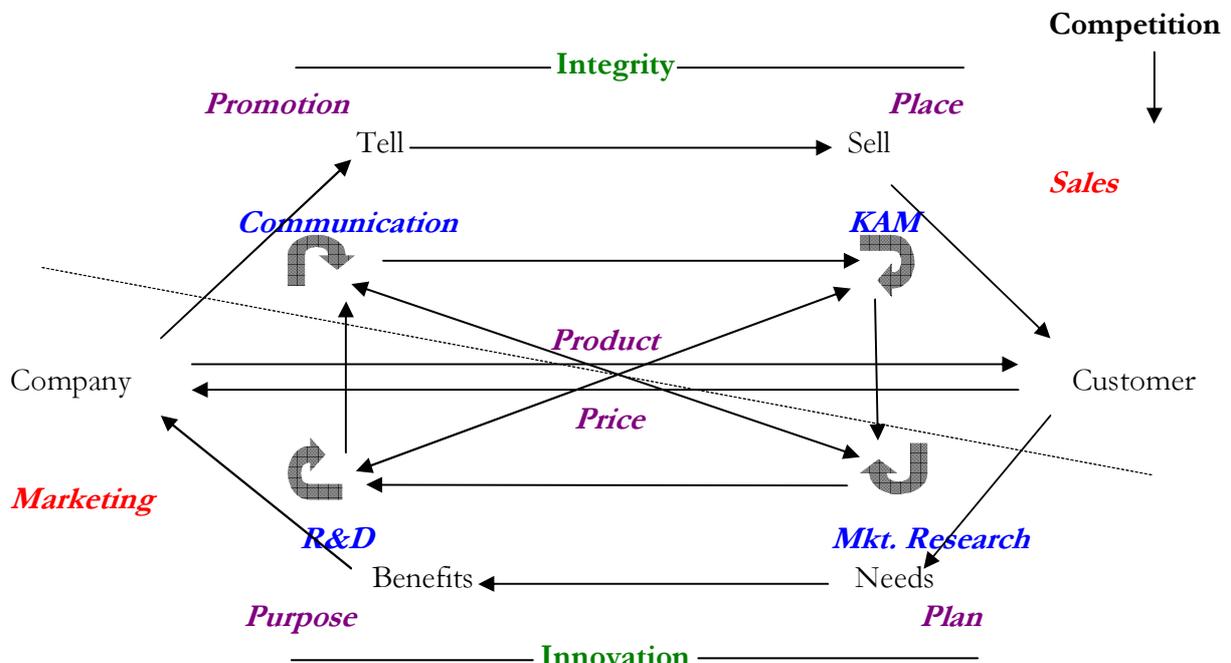
This note is written for managers and decision-makers who need to understand the dynamics of marketing and the supply chain to get maximum competitiveness for their organisations. It should also prove useful to academics in that it provides additional insight to the linkages between marketing and operations.

### 1. Summary

The marketing function, when it is properly managed, links Company to the Customer to the Customer's Customer as a mutually beneficial trading group. The key elements are:

- The clear separation of marketing [strategic] from sales [tactical] and understanding the boundaries
- The positioning of Market Research, R&D, Communication and Key Account Management [KAM] in the overall dynamic picture
- Recognising the need for two additional marketing **Ps**: **Planning** [research, trend analysis etc] and **Purpose** [identifying, creating and delivering benefits to the Customer]; to add to the other four **Ps** taught in marketing
- Positioning Integrity [principles, delivering on commitment, stakeholder commitment] and Innovation [complexity management, product development, meeting future requirements] in relation to the other elements in the model

This paper explores how to improve sustainability by correctly positioning these elements relative to each other and within the dynamic supply chain. This is shown diagrammatically below.



### One link in the supply chain

## 2. Introduction

The focus of this paper is on business to business relationships. In this format the different elements can be much more clearly defined, as can their positions, within the model. The model is then further explored as a function of the supply chain.

This discussion develops, from first principles, a dynamic model of the marketing process and is written to provide the reader with a means to better connect the different elements of marketing one with the other and how they interrelate – such that brand and product management follow a logical path within a practical framework.

The model may be used as a tool to support: planning for sustainability, a framework for project management, a process to report progress and a clarification of rôles within an organisation.

## 3. Building the basic Customer Relationship model

The starting point is the **Company** which wishes to supply a **Customer** with **goods and services** and in return be **paid**. The key is the provision of appropriate goods and services, i.e. those which meet a genuine need of the Customer.

A **need** may be defined as something for which the Customer has a strategic, long-term and company-centred focus – the Customer cannot continue to trade or manufacture without this particular element. This is in contrast to a **want**, which is short-term, tactical and usually centred on an individual [such as the buyer who is a bit over budget and will argue on price – especially towards the end of the month]. For example, a major luxury car producer demanded a price cut [a want] from a supplier of door handles, the supplier refused. As a result the entire production line was closed with a significant cost in lost production [the need] which far outweighed the potential saving [the want] from the supplier.

The Customer will buy goods or services for what they do, not for what they are, i.e. **benefits**, both tangible [delivered] and intangible [differentiate the Company from its competition]. The benefit that makes the Company special in its market is its USP<sup>1</sup>, and without this differentiation, marketing becomes a lottery with a serious risk of selling solely on price. In business to business transactions a benefit is normally something that influences: the organisation's image [sell more or at a higher price]; its variable costs [improvement to gross profit], or asset management. A well known example of an improved image is Tesco overtaking Sainsbury some years ago.

Having met specific needs by genuine benefits, these benefits have to be **communicated** to both current users [for reinforcement] and potential users [for sales support]. The choice of media is wide and well documented. What is important is that the message and tone are absolutely appropriate to the Customer. Accurately focused communications can make the budget go much further as well as increase sales.

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<sup>1</sup> Unique Sales Proposition; may also be regarded from an internal perspective as an organisation's *Distinctive Competence*.

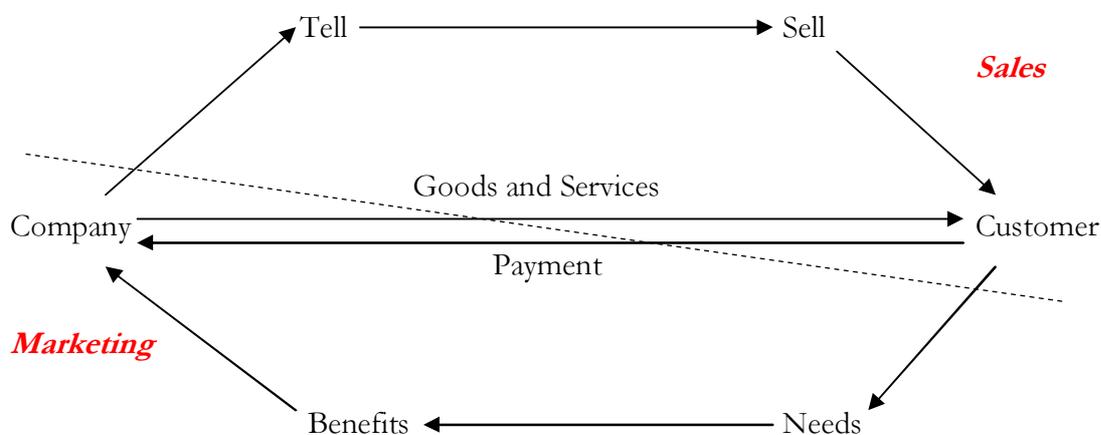
## *Sustainability from the Integration of Marketing, Integrity and Innovation in the Supply Chain*

Finally those benefits which satisfy the Customer's specific needs [not wants!] will be sold into the market place. How often has the sales person returned with the immortal words "We will only get a sale if we drop the price"?

Remember the door handles.

### 4. Picturing the Sales/Marketing relationship

The model divides very conveniently between *Company & Tell* and *Customer & Needs* where the left-hand portion is the domain of marketing [long term] and the right-hand portion the domain of sales [short-term].



'Needs' and 'tell' are interchange points where the baton is passed from one function to the other. For example, on returning from the Customer the salesperson might want a cheaper product [short-term, get that sale]. Marketing may task R&D to cheapen the product, which removes some of its functionality. The redesigned product is advertised by marketing as cheaper, yet sales fall even further because its differentiated benefit was in its functionality – now lost.

The real nature of any business transaction is that it is the functionality and appropriateness of the goods or services which will normally be considered first, and price usually second.

Appropriateness is determined by having a clear objective for the deployment of the goods or services to support the purchase of the specific product that is absolutely right for purpose. If this is lacking, purchase price will be the prime determinant and excessive expenditure will be needed later to meet emerging needs [which hadn't been thought through originally]

## **5. Making the model dynamic whilst overcoming potential misunderstanding of the sales and marketing rôles**

It is not unusual for the wrong message to be given when wants are used as substitutes for market research; being immediate and free, they are also believable, coming directly from the field by way of the sales force.

MARKET RESEARCH is the first of the dynamics to be put on to this model. Properly conducted this will clearly identify needs, discard wants and formulate worthwhile benefits.

Key to success is to clearly identify the target customer. One method is to use lifestyle with a succinct description of the prospect; for example one sector has been defined as ‘whingy and stingy’ which defines both the type of product and the required level of service.

RESEARCH AND DEVELOPMENT [R&D] translates the identified needs into deliverable benefits which can be communicated to the market as its USP, setting the organisation above competitors vying for the same customers with similar offerings.

Here, there is potential for significant internal conflict. Clear definition, sound planning and effective communication are absolutely vital – as, without a clear specification, marketing will want it yesterday, production can’t make it without tools, finance won’t invest without a result and sales are redesigning it on a daily basis.

COMMUNICATION provides the means to inform the market of the product’s benefits using a controlled mix of: customer definition, differentiated benefits, message positioning and style of language. Done well, communications will also maintain and build relationships with existing Customers through Key Account Management [KAM] – and by being two-way, will also seek and quantify refinements to existing lines as well as new market and product opportunities.

Experience shows that positioning is vital; for example when approaching senior corporate management, the Company’s communications should normally be short, to the point and have sufficient detail to support a decision; on the other hand, communications to publicans do best if they are engaging, with good narrative and are an enjoyable read.

KEY ACCOUNT MANAGEMENT provides the fourth dynamic; it is reckoned that gaining a new Customer costs four times as much as keeping an existing one, making this function critical to sustainable growth.

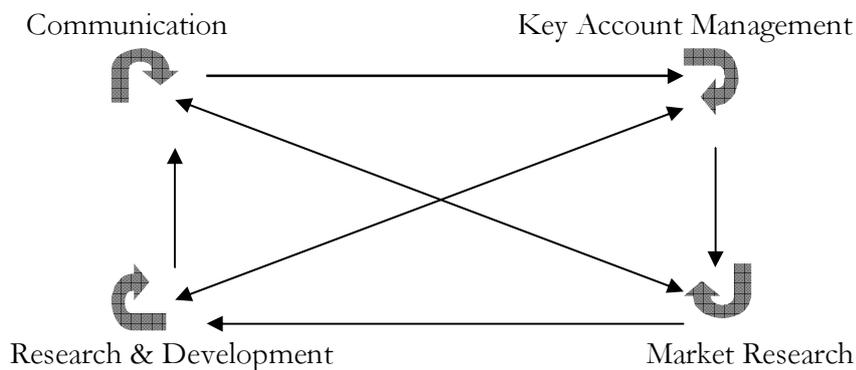
Defined as a bit like marriage, we court the prospect with flowers and promises; become a part of their life, yet after a period of time complacency sets in. For the first couple of years the competition can’t get close; but after that time, without there is due care and attention, there is a real danger of being replaced!

**6. Linking the four dynamic elements**

Exploring a little more closely, it will be seen that:

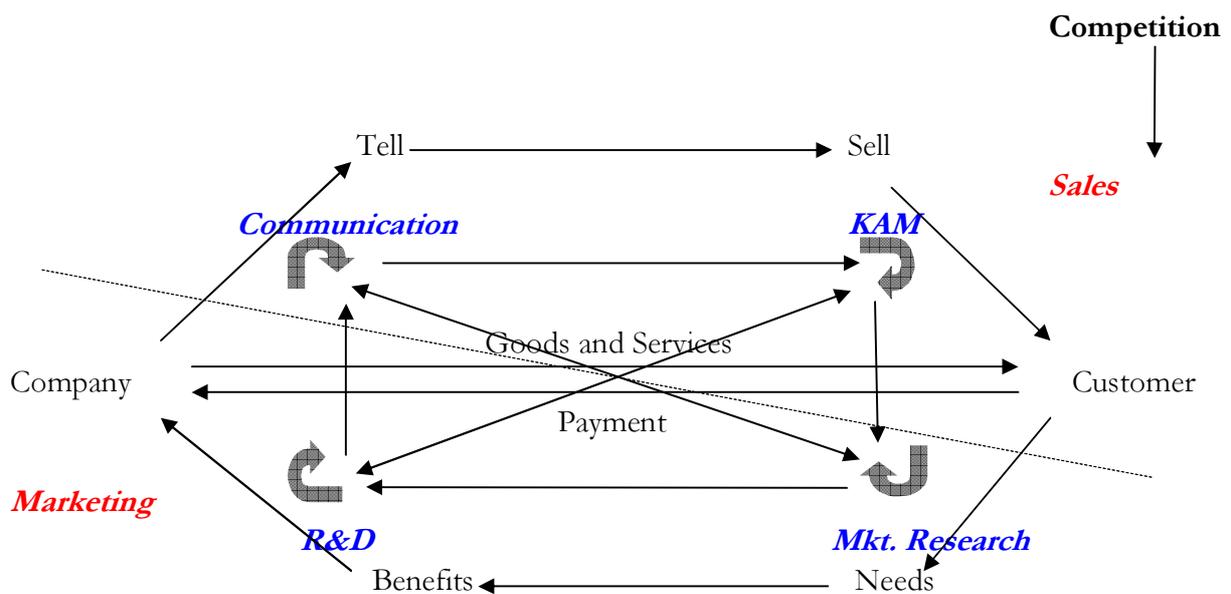
- Communication and KAM provide the basis for meaningful and targeted Market Research
- KAM and Market Research provide the sources of information to define genuine benefits for R&D to realise.
- Market Research and R&D together provide the material to communicate efficiently.
- R&D and Communication allow KAM to be managed effectively

These dynamic motivators work together i.e.



**7. A more complete picture**

The motivators may now be appropriately integrated into to the marketing model, as might competition i.e.



## 8. Marketing's four P's [and two additions]

Marketing's 4 P's are variously described as:

- Promotion
- Price
- Product
- Place

Where the following descriptions have been applied:

**Promotion** includes all the elements of advertising, sales, marketing planning, buying behaviour and a host of other [usually] customer-related issues hung together without a great deal of cohesion.

To simplify things **promotion** may be considered as the vehicle for raising desirability as well as prospect and customer awareness; the prospect to try the product and the customer to keep buying.

**Price** is what people are prepared to pay for the benefits [tangible and intangible] that the product or service delivers.

In real life **price** should be a secondary issue, and one which may be based on intangibles such as brand strength, otherwise companies such as Rolls Royce would never sell a car – we would all go to the lowest priced provider

**Product** embraces a number of variables such as: differentiation, fit with other products and reliability.

What people are really buying are the benefits the **product** confers; and, as noted under *price*, these may be tangible [reliability] or intangible [bought from a high profile/high brand outlet]

**Place** is the means of getting the Customer and product united, for example mass marketing through as many outlets as possible [including on-line] or selective marketing through a few outlets at a high price [e.g. couture]

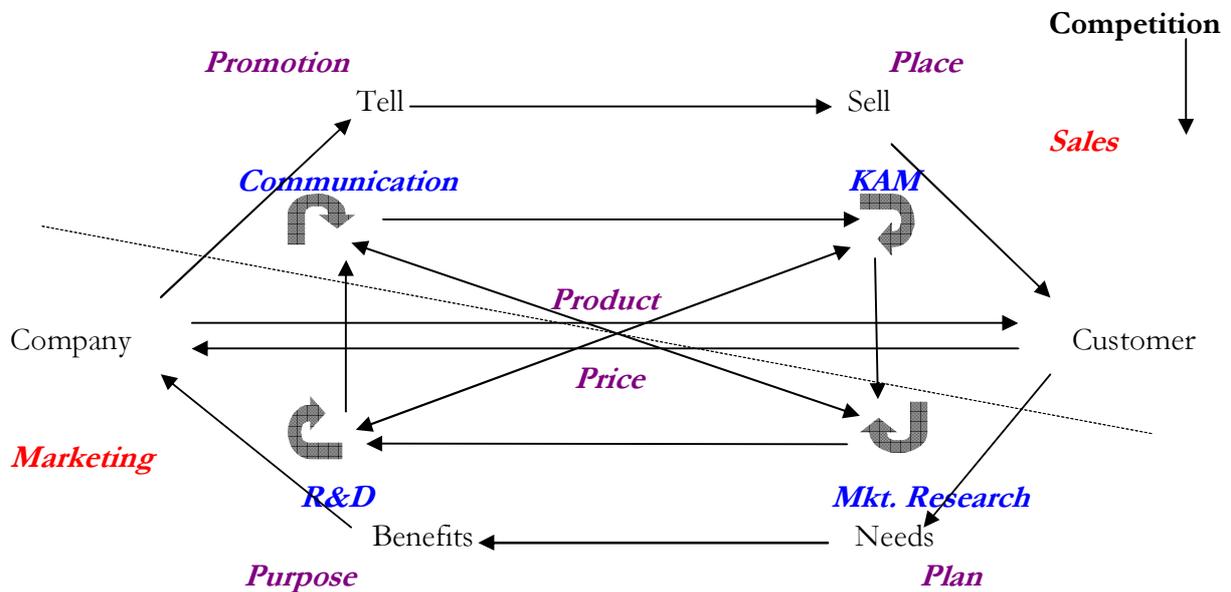
There is also the choice whether the Customer comes to the **place** as in traditional shopping, or the **place** goes to the Customer as in home or internet shopping.

This summary of the marketing elements may be logically strengthened by the addition of:

- **Planning**, which is long-term; it is normally included under *promotion* which is short-term.
- **Purpose**, which is why this product or service is being brought to market; it is normally included in either *Product* or *Price*.

## 9. Clarifying the six Ps

The six P's can now be positioned logically on the framework derived above.



## 10. The Marketing Breakthrough

By introducing **Purpose** and **Plan**, the dynamic is now complete, as the marketing elements are fully represented and logically positioned in the model to provide some real clarity

Expressed in this way, it will be seen that four of the Ps have become more important in the context of Company/Customer relations; these are:

- Plan
- Purpose
- Promotion
- Place

The other two P's:

- Price
- Product

Price and Product have become less important because **price** is often a function of brand strength [included in **promotion**] and delivery of benefits [included in **purpose**]. **Product** is the mechanism to deliver the benefits and can take a number of shapes and forms – for example a small hole can be made in a wall as easily with a nail as it can with a twist drill. The benefit is to allow electrical cable to be run out of sight

## 11. Including Integrity and Innovation

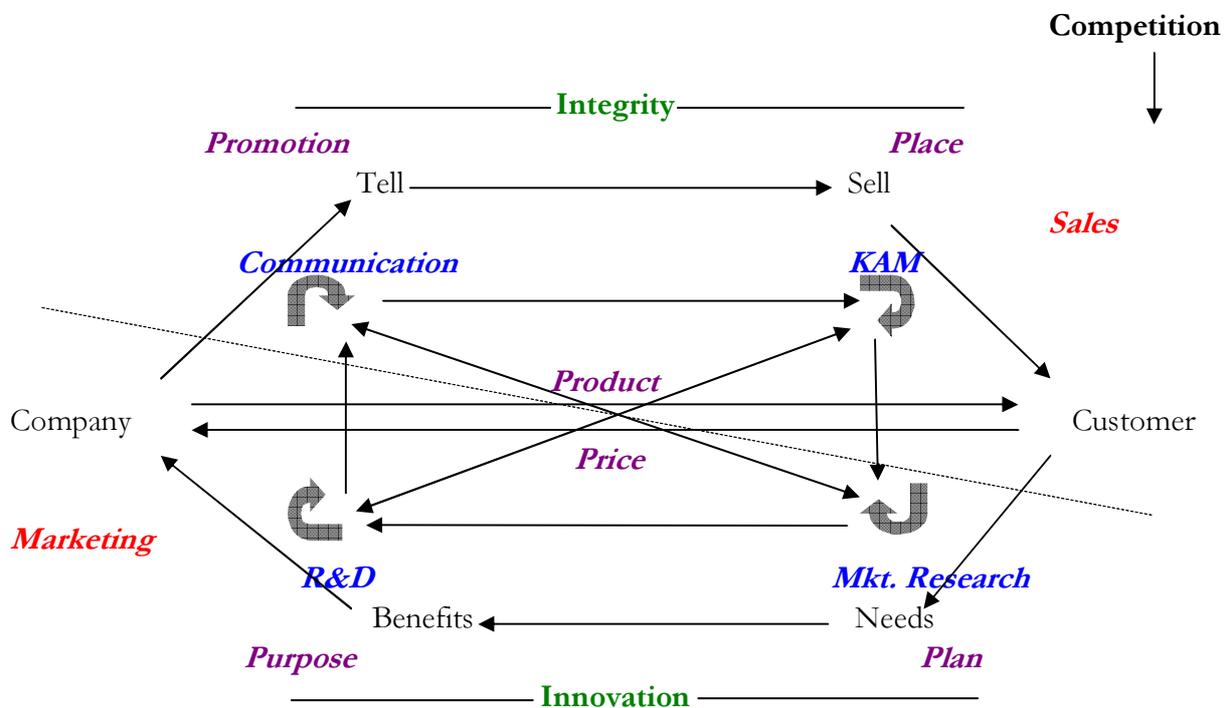
Integrity [principles, delivering on promises, stakeholder commitment] and Innovation [complexity management, product development, future needs] may now be positioned on the model in a logical manner which puts the various elements into context in a sustainable business.

Integrity is generally recognised as having a number of strands; principally:

- Working to established principles and values which remain constant and represent the business internally and externally. They define the brand and provide Customer confidence.
- Engaging with Customers to understand, and respond to, their current and emerging needs in a timely fashion
- Fulfilling the promises made to all stakeholders [not just Customers], by delivering promptly on those promises.

Innovation is about improving things for the Customer, the Customers' Customers and the Company itself. Like Integrity there are a number of strands; principally:

- Managing the complexity of the Company to derive benefits and leverage from all areas, not confined to one section or thought pattern
- Delivering New Product Development in an effective manner, calling on sufficient ideas and expertise to prepare and deliver new products competitively and cost efficiently
- Being active and effective in identifying potential future requirements amongst key Customer sectors and identifying suitable technology etc<sup>2</sup>. to deliver appropriate benefits



### One link in the supply chain

<sup>2</sup> Sometimes embodied in the STEP analysis: Sociology, Technology, Environment and Politics; several other classes may be added including, for example, Economics, Weather and Demographics to provide a handy matrix to help identify and evaluate potential opportunities and threats to the business

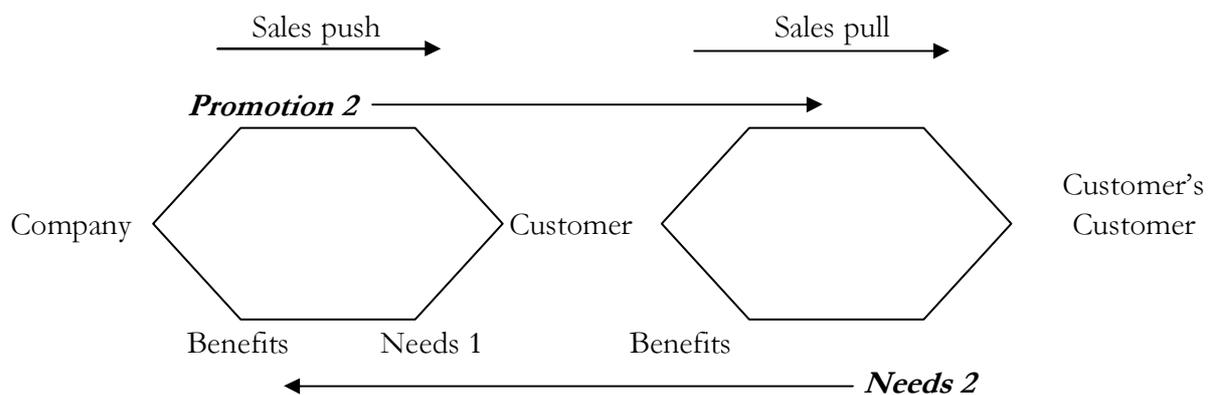
## 12. Considering the Supply Chain

The relationships described above are still only a part of the whole. They define a model which has integrity, motivators to allow it to move and a driving force to make it dynamic.

However, this model is only one set of relationships in the entire supply chain. Looking along the chain, the Customer also has a Customer who has needs and wants, requires benefits and has to know how to be able to satisfy their own strategic intent.

The relationships in the supply chain now become more understandable, as **planning** can be clearly directed to research the Customer's Customer to explore likely strategic requirements and **purpose** can readily focus on those requirements. **Promotion** can be specifically directed to developing the benefits for the Customer's Customer. The combined effect is to generate external sales pull as well as internally generated sales push to help compete better than other suppliers to the market.

So simplifying the presentation:



This phenomenon is well depicted in the confectionery industry where the child [Customer's Customer] is being seduced with how nice this bar of chocolate tastes; and the parent [Customer], who wants a quiet life, buys one. There is now scope to identify two very different needs and generate two genuine USPs for the one product!

Put into personal context, this set of relationships extends backwards as well as forwards; in that my Company seeks goods or services from my Suppliers that can be incorporated most effectively into tangible benefits to help my Customers achieve their strategic needs. To gain my attention, my suppliers need to be aware of my Customer's needs further down the supply chain.

### **13. In Conclusion**

There has been much written about marketing and its various mysteries. However, as with many disciplines the mysteries reduce, the insights grow and the applications become more straightforward as the various interrelationships are articulated in a working model.

This paper provides one such model; we're sure there are others, but one thing we do know – this one works!

### **14. Please Contact**

#### ***Ascot Associates Limited***

P. O. Box 1411

Slough

Berkshire

SL2 5FS

[www.ascot-interactive.com](http://www.ascot-interactive.com)

01753 554 656

Steve Mullins

[steve@ascot-interactive.com](mailto:steve@ascot-interactive.com)

Dir. 07974 918 229

#### ***Diagnostics:***

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## *Sustainability from the Integration of Marketing, Integrity and Innovation in the Supply Chain*

### ***Ascot Associates Limited***

Ascot Associates Limited was founded in 1988 to provide business and management consultancy, building on established strengths in marketing, innovation and business development.

We provide a range of business tools and diagnostics which map the position of the business against its strategic focus to allow management to better question accepted custom and practice by sparking '*a civilised disagreement*'.

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