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Evolving to a Model for Dynamic Marketing Balance: a Managerial Tool for Optimizing Advertising Budgets

Abstract

The Four Ps and other related analysis and planning Marketing Mix frameworks are useful tools for describing some static marketing scenarios, but fail to describe systematically all the interactions between a firm’s value proposition and all the relevant elements involved in the dynamic process of formulating and implementing a marketing strategy, to address those of competitors. Another approach of marketing is required. The authors review most of the Marketing Mix frameworks in contrast with all the trends and changes of the last decades, and suggest a Model for Analyzing, Formulating and Implementing Marketing Propositions, with a central focus on the consumer and his/her needs and new priorities, with an impact on advertising and other managerial decisions.

Objective and Methodology

The intention of this article is proposing an integral marketing analysis and formulation model for use by academics and managers. Towards theoretical research, we will check which issues related to marketing and other strategic decisions are most important for managers.

Introduction

The first academic approaches of the modern concept of marketing appeared with the Commodity (Copeland, 1923), Functional (Weld, 1917), Geographical, Regional (Reilly, 1935) and Institutional schools (Duddy & Revzan, 1947). Later, the Organic Functionalist
school advocated by Wroe Alderson and the Systems-Oriented and Parameter theory school developed by the Copenhagen School appeared in Europe.

The idea of the marketer as a “mixer” of ingredients became present in the 1950’s (Culliton, 1948), but the concept of marketing mix—product, price, place and promotion—was introduced by Neil Borden in the 1950’s (Borden, 1964), and soon it was labeled “The Four Ps” (Mc Carthy, 1960). This concept entered the marketing textbooks of the time and became the unquestionable basic model of marketing, overpowering previous models and approaches (Constantides, 2006).

**The Problem**

The American Marketing Association (AMA) definition of Marketing (approved October 2007) is “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large” (Keefe, 2008). It is clear that the Four Ps, as a tool for describing a particular marketing scenario, is internal and static, in contrast to the AMA’s definition of Marketing. Most of the critique addressing the Four Ps do not formulate another Marketing Mix model at all, or propose frameworks that miss some of the dynamics of marketing. In the last decades, the Four Ps’ elements have become more complex and other variables have gained relevance in connection with marketing decisions.

**Forces that have driven changes in the Marketing Scenarios**

**Technological Changes**

Technology has changed the way firms do business: faster PCs, sophisticated software, efficient wireless communications and more affordable mobile equipments, allowing
customers and firms to access information and to interact with each other, changing the way firms are in contact with their customers.

**Governmental Changes**

Deregulation and privatization were a common pattern in the 1970s and early 1980s for former socialist governments. Until the 1980s, very few nations had pro-competition policies, and they were almost entirely concentrated in the developed world. In the last two decades pro-competition policies spread to the developing world (Sherer, 2000). Today, over one hundred countries have a competition law (Ho & Chan, 2003), as new rules for employee, customer, competition and environment protection.

**Globalization**

Increasing liberalization, interdependence and competition in world economies have accelerated the need for multinational corporations (MNC) to develop effective global strategies in order to achieve sustainable competitive advantage in international markets (Samiee & Roth, 1992). Marketing has played a key role in the advancement of international businesses and marketing strategy constitutes a critical component of a firm’s global strategy (Zou & Cavusgil, 1996).

With the presence of large MNCs worldwide, the process of a global product launch is now more than the firm’s ability to gain access to a particular market; it is the firm’s ability to understand key design issues for each global region to customize the total product offering in order to meet the regional needs (Bruce, Daly, & Kahn, 2007).

**The Importance of the Consumer**

**Customer Knowledge and Customer Service**
Understanding a customer’s mind and what drives him/her to buy a product or service is key to formulating a marketing strategy. A broad range of scholars have addressed the Four P’s lack of reference to the consumer, while formulating other variants in the Marketing Mix (Table 1). In 1982, Ohmae concluded that no strategic elements were found in the marketing mix, and he suggested considering also Customers, Competition and Corporation, naming them the Three Cs (Ohmae, 1982). Two years later, Kotler stated the Marketing Mix should include Customers, Environmental Variables and Competitive Variables, adding also two new Ps to the four traditional ones: Political Power and Public Opinion Formulation (Kotler, 1984). In 1990, Lauterborn stated that a successful marketing plan must be customer-centered and that the Four Ps approach should be replaced with the Four Cs approach: Customer Needs, Convenience, Cost and Communication (Lauterborn, 1990). In 1991, Robins formulated Four Cs for expressing a new external orientation of the Marketing Mix: Customers, Competitors, Capabilities and Company (Robins, 1991). In 1997, Bennet stated that the Marketing Mix should include Five Vs related to customer disposition: Value, Viability, Variety, Volume and Virtue. (Bennet, 1997). In 1999, Yudelson formulated four new Ps based on exchange activities: Product -> Performance, Price -> Penalty, Promotion -> Perceptions and Place -> Process (Yudelson, 1999). In 2001, Shultz stated that a new Marketing Mix must be based on a new Marketing Triad: Marketer, Employee and Customer (Shultz, 2001).

Along with technological innovation, improving customer service is the most important factor that CEOs worldwide consider to achieve competitive advantage, as reported at the 11th Annual CEO Survey (Price Waterhouse Coppers, 2008). The most extensively-used managerial tool worldwide is Strategic Planning, with 88%, but two customer related marketing tools follow: Customer Relationship Management (CRM), with 84%, and Customer Segmentation, with 82% (Bain & Company, 2007). Chief Marketing Officers
(CMOs) have customer knowledge, insight and conversations, as well as upgrading the efficiency & effectiveness of marketing groups as their main challenges (CMO Council, 2008). Customer retention is reported at the 2008 Global CMO Survey as an important objective in the companies’ marketing campaigns (Economist Intelligence Unit, 2008) and one of the top marketing goals that marketing executives try to achieve in connection with digital marketing tools relate to customers: consideration, direct response and retention (Mc Kinsey, 2007).

The above mentioned paragraphs stress the importance of taking into consideration the consumer and customer in any Marketing Mix approach.

**Customer Interaction, Relationship and Retention** (Table 2)

An old proverb from the Middle East says that ēris a merchant, you ´d better have a friend in every town (Grönroos, 1994). Entrepreneurs do business by building and managing relationships and the term ērelationship marketingē was first introduced by Berry in a services marketing context, as a strategy to attract, maintain and enhance customer relationships (Berry, 1983). In 1990, Rapp and Collins stated that the goals of relationship marketing are to create and maintain mutually rewarding and lasting relationships between the firm and its customers (Rapp & Collins, 1990). As a more practice-oriented approach, Copulinsky and Wolf stated that relationship-marketing is a process where the key activities are to create a database of existing and potential customers, to use differentiated and customer-specific information in dealing with them, and to evaluate the life-term value of every customer relationship and the costs of creating and maintaining them (Copulinsky & Wolf, 1990). In 1991, Christopher, Payne and Ballantine suggested that a relationship marketing approach should align marketing, customer service and quality, with a focus on customer retention, orientation on product benefit, high customer service orientation, high customer commitment and high customer contact as this approach emphasizes the notion that quality is a concern of
all (Gönroos, 1994). In 1992, Rozenberg & Czepiel formulated a separated Marketing Mix for customer retention: Product Extras, Reinforcing Promotions, Sales-force Connections, Specialized Distribution and Post-purchase Communications (Rozenberg & Czepiel, 1992). Sego stated that relationship marketing emphasizes maintaining long-term relationships in order to facilitate multiple exchanges (Sego, 1993) and Gummesson stated that the approach of the Marketing Mix should evolve to parameters related to Relationships, Networks and Interaction (Gummesson, 1994). In 1999, Goldsmith concluded that Personalization must become a basis of the marketing management theory, suggesting four more P´s for the personalized Marketing Plan: Personalization, Personnel, Physical Assets and Procedures (Goldsmith, 1999). In 2000, Patterson & Ward stated that a well-managed organization must manage valued customer relationships in order to retain and increase its customer base. They suggested four information-intensive strategies as the "new Cs" of Marketing: Communication, Customization, Collaboration and Clairvoyance (Patterson & Ward, 2000). In 2001, Healy suggested a Marketing Relationship Trilogy: Relationships, Neo-Relationship Marketing and Networks (Healy et al., 2001). Kotler stated that it’s ten times more expensive to attract a new customer than to keep one (Audits & Surveys Worldwide, 2000), suggesting to manage long-lasting customer relationships.

Today’s consumers have more options and are more informed, so their expectations are increasingly high and more difficult to fulfill; having less time. As a solution to the lacking of time, now we have time-saving products and services, bolstered by the spread of internet usage, the proliferation of home/office deliveries, grab-and-go, do-it-yourself, ready-to-cook and ready-to-drink products, express-check in, and other time-saving product and service formats. Customers have relationships with firms, seek experiences, not just limited to services but with products, and companies need to focus on customer service and personalization (Keinichingham, 2001). Customers are co-producers of services (Lovelock,
1983)) and active participants on designing products (Ladik & Locander, 2008). They are connected, participants in such a way as to influence between each other by word of mouth (Reichheld, 2003).

Each time it is more difficult for a company to succeed without heeding the voice of customers, paying close attention to their evolving habits in buying goods and services and in interacting with companies and brands (Court, 2007). Customer needs are dynamic and constantly evolving.

**The Consumer as a Person and his/her needs**

In 1982, Jones stated that labels such as “target markets,” “product,” “price,” and so on frequently dehumanize, and therefore devalue individuals who are to be cared for or helped and the values and services promoted, at the cost (or price) of immense caring, hard work, not to say frequent disappointments, on the part of the people involved (Jones, 1982). Therefore, a marketing model should consider a consumer mostly as a person, with dignity, intelligence, freedom and will.

After reviewing anthropological theories regarding human motivation and needs, Pérez López formulated the ñAnthropological Theory of Motivationñ. He concluded that there are three types of human needs (Pérez López, J.A., 1992), as follows:

**Physical Needs:** Are satisfied with the interaction of the human senses with the physical world around an individual and mean possession of goods. The satisfaction of those needs is linked to sensations of pleasure, and their dissatisfaction to sensations of pain.

**Cognitive Needs:** Refers to people’s ability to accomplish things and getting what is wanted. These needs are satisfied when an individual is able to control the reality around him or her,
being able to accomplish more things. Satisfying those needs is linked to sensations of power and in some cases, security.

**Affective Needs:** Refers to our relations with other persons, to the assurance that we are not indifferent to others, that we are cared for and loved as persons. That we are appreciated because of ourselves, not because of certain abilities or our utility. The satisfaction of these needs is linked to the sensation that somebody else is affected by what affects us and because it affects us.

There is no hierarchical order in the abovementioned needs, and are present simultaneously in every person. We could outline them in the following graph:

![Diagram of Needs](attachment:needs_diagram.png)

**Customer Value** (Table 3)

The fundamental principle of marketing is rooted on an exchange theory, explained as the transfer of something of value between two or more social actors, assuming that humans are goal-seekers, and that exchanges are carried out in order to fulfill their goals.

Value is the ultimate outcome of marketing and is recognized as an important factor in customer satisfaction (Fornell, Johnson, Anderson, Cha & Bryant, 1996; McDougall & Levesque, 2000; Patterson & Spreng, 1997). Therefore, delivering customer value is of critical importance in marketing. In order to provide customers with maximum value, thorough understanding of what builds and underlies value is essential. Current view on value construct is multi dimensional, combining hedonic or experiential side of value (Babin,
Darden & Grifin, 1994) with traditional concepts of value (Zeithamls, 1988; Gale, 2001).

Mathwick, Malhotra and Rigdon (2001) go beyond hedonic/utilitarian typology, adding an active/reactive facet of perceived value.

In 1996, Rousey & Morganosky suggested that the retail format rather than the individual elements of the Marketing Mix is the base of customer value, replacing the Four Ps with the Lauterborn’s 4 Cs: Customer Needs, Convenience, Cost (customer’s) and Communication.

Sheth, Newman and Gross (1991) regarded consumer choice as a function of multiple consumption value dimensions and that these dimensions make varying contributions in different choice situations. The Importance of customer value is linked to decision level (e.g. buy/not buy, or buy brandA/brand B), product/service (Sweeney & Soutar, 2001), and their shopping task (Mathwick, Malhotra & Rigdon, 2001).

Customer value has become a major focus among strategy researchers and practitioners as an essential element of a firm’s competitive strategy. Many firms have been interested in Customer Value Analysis (CVA), which involves a structural analysis of the antecedent factors of perceived value (i.e., perceived quality and perceived price) to assess their relative importance vis-a-vis buyers’ perceptions (De Sarbo, Jedidi & Sinha, 2001).

Marketing adopted the economics concept of value (utility) as being embedded in a product. One of the first debates in the marketing theory centered on questioning whether value was something added to goods and whether marketing contribute to value (Lusch, R. & Vargo, S., 2004). Shaw (1912) and Shaw (1994) argued that “the industry is concerned with the application of motion to matter to change its form and place.” Weld (1916) defined marketing’s role in production as the creation of the time, place and possession utilities, which is the classification found in current marketing literature.

Elements Related to Customer Value
The Product or Service

Product or Service attributes bring benefits to consumers, and since those benefits represent the essence used in advertisement and promotion, firms try to differentiate their products emphasizing some attributes which actually distinguish their products from those of their competitors. Making a product different by adding even a meaningless attribute can increase consumers' quality perception or can decrease perceived risk (Simonson & Tversky, 1992).

During the buying decision-making, it is assumed that consumers not only consider the present value of the products but also take into account their future performance associated with the product attributes into consideration (Chowdhury & Islam, 2003).

Perceived quality is defined as the consumer's judgment about a product's overall excellence or superiority (Zeithaml, 1988). A high quality perception accounts for increased the price that consumers are willing to pay for certain brands. The perceived quality of certain products and services add value to consumers' purchase evaluations.

The authors suggest a new marketing model that would package the product or service as an offer to the consumer, incorporating features, which bring specific benefits.

Design

Creative and innovative design is essential to a firm's advantage. Products that meet or exceed customers' physical or utilitarian needs and fulfill prevention goals enhance customer satisfaction (e.g., a car with antilock brakes and vehicle stability assist). Products that meet or exceed customers' hedonic wants and fulfill promotion goals enhance customer delight (e.g., a car with panoramic sunroof and six-speaker audio system).
In the 1960’s or 1970’s, the lifecycle of a product was larger than it is today. Despite the incentives to replace products, people want a well functioning and up-to-date product that meets their changing needs. This requires developing dynamic and flexible products, designed to foster variability and product attachment, preparing the customer for future repairs or upgrading (Van Nes & Cramer, 2005).

**Brand**

A traditional definition of a brand is: “The name, associated with one or more items in the product line, that is used to identify the source of character of the item(s)” (Kotler, 2003), and the American Marketing Association definition of a brand is “A name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers. The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name.” (American Marketing Association, 2008). Thus, whenever a marketer creates a new name, logo, or symbol for a new product, he or she has created a brand (Keller, 2003).

According to most definitions, branding began as an identifier.

The most important function of a brand is to build up the consumers’ trust products or services in connection to that brand name (Aaker, 1996). The most important information conveyed by a brand name is reputation (Weizsäcker, 1980). In this way, an individual’s past experience as well as the information communicated by means of marketing can be transferred to a new product with the help of an established brand name.

In 2002, Davis stated that brands, along with people, are a company’s most valuable asset, and that brand issues should drive every strategic and investment decision. According to that view, the most important strategic goals for brand strategy nowadays are increasing customer
loyalty, differentiating brands from the competition, and establishing market leadership (Davis & Dunn, 2002).

The foremost marketing goal that marketing executives try to achieve by marketing online is brand building (Mc Kinsey, 2007). According to the 2008 Global CMO Survey (Economist Intelligence Unit 2008) regarding companies’ marketing campaigns, the most important objectives are brand-building/brand-awareness and customer acquisition.

**Price**

Price policy is a very powerful marketing instrument, since it directly influences profit. Price setting mostly relates to the fixing of a net price (gross price minus diverse rebates) (Hünerberg & Hüttmann, 2003). Price sensitivity, war prices, value, lifetime customer value, as well as other variables are related to what a customer expense in time and physical effort.

The proliferation of distribution channels and the micro-segmentation of customers prompted consumer packaged goods’ (CPG) firms to create new brands and stock-keeping units (SKUs). These firms most strive to limit channel conflict, address unmet needs, and reach for underserved consumption occasions. In extreme cases, some CPG manufacturers with a number of brands and SKUs (selling through various channels at both regular and promotional prices across different geographies), have tried to manage as many as 20 million individual price points each year. In food service, where prices might change on a daily or weekly basis, each transaction may carry a unique price point, elevating the number of pricing decisions to more than 100 million. In addition to transaction volume problems, the introduction of new categories of discount, rebate, and trade allowance, combined with customer-specific trade terms negotiated by powerful retailers, have produced a more complex price management (Bright, Kiewell & Kincheloe, 2006).
An alternative approach to the Four Ps should consider the dynamics of price formulation beside variables in which a consumer “invests” while purchasing the product or service. This concept embraced the idea of non-financial consumer “costs” as time, physical effort, sensorial experiences and psychological overcharges (Lovelock, 1996).

**Formulation of a Customer Value Proposition**

As stated in precedent analysis above, an optimal customer value equation should take in consideration elements that bring Value to the Customer (Product or Service Attributes, Brand and Design) and those that consume customer’s resources (Price and Time):

\[
\text{Value Proposition (Vp)} = \frac{[\text{Product/Service Attributes (Q)}] \times [\text{Brand (B)}] \times [\text{Design (D)}]}{[\text{Price ($)}] \times [\text{Time (t)}]}
\]

\[
V_p = \frac{[Q] \times [B] \times [D]}{[$] \times [t]}
\]

**Changes in Promotion and Place**

**Promotion:**

Four decades have elapsed since the Four Ps formulation was enunciated. The Promotion variable encompasses advertising, media, promotion itself, public relations, social responsibility, lobby and word of mouth. We could refer to all those concepts as marketing communication, which can be stabilizing or destabilizing elements for specific markets. Thus, a marketer can, through communication, speed up change that has already started by employing the appropriate marketing tactics. Using aggressive promotional tactics in a turbulent market allows a marketer to take advantage of the turbulence, affecting the competition in order to increase market share, sales or profitability (Mason, 2007).
U. S. corporations collectively spend hundreds of billions of dollars in advertising and promotion, which exceeds the gross domestic product of several nations. Even individual firms, such as Coca Cola or Procter and Gamble, spend several billion dollars in marketing activities. Thus, the determination of the marketing budget and its allocation to several marketing activities referred to as planning the marketing mix is of critical importance (Naik, Raman & Winer, 2003).

Global advertising expenditure reached 486 billion dollars in 2007, growing 7% from 2006, and despite the global economic downturn, it is predicted to grow 4% in 2008 and 2009. Growth in U.S. advertising expenditure is predicted to increase of 2%. In contrast, advertising expenditure in Latin America is expected to grow by 10% in 2008, reaching 29 billion dollars (Zenith Optimedia, 2008).

Publicity deals with impressions, and how people judge others (Asch, 1946). In an alternative Marketing Mix approach, a promotion variable should be isolated from communication. Depending on whether a product or service offering is or not attractive to the consumer, the promotion could boost the success or hinder of a value proposition:

\[
V_p = \frac{Q \times B \times D}{S \times t} \times \text{Promotion (P)}
\]

**Place or Distribution**

In the last decades, cities have become densely-populated, so marketing has to tailor strategies targeting large cities, and dealing with larger retailers and distributors. New methods of
distribution have arisen to compete with traditional inter-organizational channels, which include various forms of direct marketing and electronic commerce, potentially could eliminate many channel members. To compete with alternative-channel actors, many firms have forged strategic coalitions with their distribution channel partners to produce more tightly integrated distribution channel systems that perform marketing functions more efficiently (Mehta, 2000). Since competition has intensified, many firms have already turned to their distribution channel systems as the key strategy of marketing differentiation and attaining a differential advantage (Rosenbloom, 1999).

International firms often must rely on existing distribution channels to distribute their products in foreign markets. Therefore, the number, type, competencies, costs and margins of the intermediaries involved in the process of transferring the product from the point of production to the end user have a significant effect on a firm’s cost structure. For example, if a distribution channel used in a particular foreign market involves a greater number of less competent intermediaries of channel members, a significantly higher cost will be part of the product by the time it reaches the end user (Theodosiou & Katsikeas, 2001).

Ster van der stated that the Marketing Mix for retailers is divided into two groups of factors: the Logistical Factor (Place, Physical Distribution and Personnel) and the Commercial Factor (Product, Presentation, Price and Promotion) (Ster van der, 1993). Boekema formulated the Retailing Marketing Mix: Place, Assortment, Shop Presentation, Price Policy, Personnel and Promotion (Constantinides, 2006). In 1997, Mulherm formulated a Marketing Mix for Retailing Strategy: Store Location, Store Positioning, Store Image, Physical Environment and Retail Service (Mulherm, 1997). In 2003, Kotler suggested a Retailer’s Marketing Mix, with the following elements: Target Market, Product Assortment, Product Procurement, Services and Store Atmosphere, Price, Promotion and Place (Kotler, 2003).
As with Communication, the Distribution or Placement of goods and services in the market interact with a Value Proposition to deliver something to the consumer:

![Diagram showing the interaction of Communication, Distribution, and Value Proposition]

**Important Variables Missed by the Four Ps Approach**

**Segmentation and Product Positioning**

The concept of segmentation was considered in Marketing even before the formal launching of the Marketing Mix Concept. In 1956, Smith stated that a marketer could either aim to secure a “share of a broad and generalized market” (product differentiation) or aim for "depth of market position in defined segments" (market segmentation) (Smith, 1956). He was thinking of a single-product marketer when stating that segmentation was a short-term phenomenon and that the effective use of a firm’s strategy may lead to a formal recognition of the reality of market segments (Smith, 1956). The idea of segmentation drove the imagination of marketers and it was Yankelovich in 1964 who first formulated a segmentation based on criteria other than demographic categories, selecting examples of consumer and industrial products and examining how they are affected by seven types of non-demographic segmentation (Yankelovich, 1964). In 1967, Kotler stated that a firm could decide to operate in all segments of the market, but designing separate mixes for each. He used the term "market segmentation" to refer to "the act of segmenting a market in order to understand it..."
better, rather than to describe one particular policy out of three [undifferentiated, differentiated or concentrated marketing strategy] that the company may adopt (Kotler, 1967).

Consumer behavior has evolved: the mass consumer markets from the 60’s (Wolf, 1998) have evolved towards increasingly global, segmented, customized or even personalized markets (Kotler, 2003).

In marketing theory, positioning is always related to segmentation. According to the American Marketing Association Dictionary, product positioning is "the way consumers, users, buyers and others view competitive brands or types or products. (2) For new products, product positioning means how the innovator firm decides to compare the new item to its predecessors. For the new item, the mental slates of persons in the market place are blank; this is the only chance the innovator will have to make a first impression. Later, after the introduction is over, the earlier definition of positioning will take over, as persons make their own positioning decision. (3) For both new and established products, a product’s positioning may be combined with a target segment to integrate the marketing tool decisions. (American Marketing Association, 2008). Since a product or service positioning should be fixed in a consumer’s mind, it should be considered as a value proposition itself.

Marketing Research

By the time the Four Ps were formulated, marketing research role was limited to gathering and presenting information around a specific blend of product pricing, promotion, offerings and distribution designed to reach a specific group of consumers. Marketing Research can be viewed as playing three functional roles: descriptive, diagnostic, and predictive. The descriptive function includes gathering and presenting statements of fact. The diagnostic
function deals with explaining data or actions, and the predictive function explains how the researcher uses the descriptive and diagnostic research to predict the results of a planned marketing decision (Mc Daniel & Gates, 1996).

Marketing Research has evolved. The American Marketing Association definition of Marketing Research is “the function that links the consumer, customer, and public to the marketer through information -information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications.” (American Marketing Association, 2008).

In recent years, an important role of marketing research deals with consumer knowledge. Consumers are more educated, sophisticated and cosmopolitan. Uncertainty increases and awareness of the market and consumers becomes essential. For instance, in the year 2000, Coca-Cola decided to move closer to local markets because of declining profitability. Coca-Cola’s CMO was quoted in the Financial Times (27 March 2000), stating that the firm’s big successes have come from markets where we read the consumer psyche every day and adjust the marketing model every day (De Mooij, 2003).

Using marketing research, we could know about the current segments attended on the market, each one with some value propositions from different firms.

**Competences**
For CEOs, the biggest operational challenge in a fast-growing company are finding, hiring and retaining qualified employees, and developing a strong sales and marketing strategy (Deloitte, 2004).

According to the 2008 IBM Global CEO Study, the CEOs rated market factors, people skills and technological factors as the three external forces with the greatest impact on their organizations. CEOs will devote more than one-quarter of their total annual investments to capture rising prosperity opportunities. There is a gap between how CEOs rate their ability to manage change successfully versus their expected need for it- a gap that has nearly tripled since 2006, when it was only 8% (IBM, 2008).

While formulating any marketing strategy, all the elements of our marketing model - People’s Needs, Value Proposition (Brand, Design, Product or Service Attributes, Cost, Time), Promotion, Positioning, Communication, Placing, Market Segments and Marketing Research-aide our understanding of a firm’s position. The first question to ask is “where are we now?” (Gilligan & Wilson, 2003). The next step is to decide where we want to be, and the company core competences and assets must be included (Kotler, 2003). Since core competences are the extreme capabilities that serve as a source of competitive advantage to a firm over its rivals, it should be part of a marketing model. However, even capabilities or competences are not at the “core” of competitive advantage are important for sustaining a value proposition. Examples of competences include management staff, customer knowledge, distribution, customer service, information systems and manufacturing.

Understanding a firm’s competences and contrasting them to the market, would enable management to formulate any other competences in order to change the market balance, starting a dynamic change. We call this model the “Dynamic Marketing Balance”, because this would prompt a dynamic change, and it is detailed graphically on Appendix I.
Table 1: Review of Customer Knowledge and Customer Service Theory Literature

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<tr>
<th>Author</th>
<th>Ohmae</th>
<th>Kotler</th>
<th>Lauterborn</th>
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### Table 3: Review of Customer Value Theory Literature

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Appendix I: Dynamic Marketing Balance Model

F1, F2, F3: Firm #1, Firm #2, Firm #3
Vp: Value proposition
Q: Product or Service Attributes
B: Brand
D: Design
$: Price
t: Time
P: Promotion

Vp = F1, F2, F3:
Vp: Value proposition
Q: Product or Service Attributes
B: Brand
D: Design
$: Price
t: Time
P: Promotion

Communication

Persons (who use and decide)
Needs
Physical
Affective
Cognitive

Positioning

Segment 1
Vp1, Vp2

Segment 2
Vp3

Segment 3
Vp4, Vp5

Placement

Segment 1

Segment 2

Segment 3

Vp = Q x B x D x P
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