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Marketing Fundamentals

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Introduction

Marketing is a core functionality of any organisation, since it seeks to meet customers' demands by bridging the gap between their needs and the services that are offered. It is responsible for the creation of value for the consumer. This is done through the deployment of marketing strategies and practices. This assignment examines the role of marketing in creating this value. A variety of internal and external shareholders are considered while determining the impact of the organisation's marketing strategy. This is also examined in this assignment.

Sainsbury PLC is a company founded by John James Sainsbury in 1869, with its headquarters in London. It operates in the area of retail, through offline and online channels of distribution. It has various models of stores and supermarkets, varying in size and range of offerings for products including food, groceries, fashion, energy and banking services. For the financial year ending 2020, the company employed 116,400 employees, and reported an annual revenue of £227 million (Sainsbury.co.uk, 2020). The key people are Lord Sainsbury, who is the Life President, while Martin Scicluna is the Chairman, and Simon Roberts, the CEO. The company's shares are listed on the London Stock Exchange.

The role of marketing in creating value for customers

Segmenting the customers:

The marketing strategy of a company can be geared towards consumer satisfaction, growth and diversification, or return on investment. Practices are incorporated with an aim to serving the marketing strategy of the company, which is defined as the marketing logic adopted by the company to pursue its goals. However, the marketing function is primarily oriented towards creating value for customers (Kotler and Armstrong, 2018). It does this through the strategies of Segmentation-Targeting-Positioning and Relationship Marketing which are covered under this method. The strategy of segmentation-targeting-positioning is used to guide the marketing function towards the identification of which consumers it aims to serve. This is generally considered an initial step in the marketing strategy of an organisation. the company thus conducts a three-step process, beginning with market segmentation, whereby a company divides the market for its products into divisions. These divisional units may be made demographically, psychologically, or on the basis of territories. The divisions that the company segments its market into is divided on the basis of suitable segmenting solutions. These analyse a range of data using analytical models, and often have to construct their own segmentation of the market, rather than rely on natural divisions occurring in the set (Dolnicar and Grün, 2017). This has to be done bearing in mind the targeting and positioning.

Sainsbury's employs the method of demographic segmentation and geographic segmentation in order to divide its potential customer base. In doing so, it employs the logic that certain cultural differences exist across geographic borders for retail customers. Hence, by acknowledging the heterogeneous cultural orientations across geographic boundaries, the organisation can benefit from more customer satisfaction. This satisfaction arises out of loyalty amongst customers due to their positioning as a mid-range grocery provider, due to relatable positioning strategy adopted by them (Kanakaratne, *et al.*, 2020). This geographic segmentation is further supplemented by the targeting of customers across strata of different income levels. This gives the organisation an undifferentiated approach to marketing which provides services that appeal to people with various income levels.

The **advantage** of this method is that it allows for the brand to retain a wider customer base, regardless of psychographic orientation. Thus, in respect to the segregation, it helps in understanding the needs as well as demands of the customers. Therefore, this helps in creation of better loyalty towards the esteemed organisation. Furthermore, it provides the necessary assistance to initiate integration of profit for the prior mentioned company. The **disadvantage** of this method lies in the fact that the company functions with a significantly narrow geographic scope of activities. In doing so, the organisation may cede space to its competitors who have an expansive scope of operations, internationally. To compete in the retail sector, it is often needed to expand simultaneously into many markets (Mohr and Batsakis, 2018).

Satisfying the customers' needs:

Through the identification of customers' requirements, an organisation can create value for the customers. The reason for the customer to accessing the market is to fulfil a need for themselves. Making the customer feel that their need is fulfilled requires an identification of their needs, in the first instance. This can be done through engaging with them via feedback surveys. However, there is a scope for utilising more aggressive marketing tactics by analysing the customer's preferences in a digital scenario. Hence, a wide-ranging ambit of customers will require their own differentiated marketing practice, depending on which kind of individual purchases the product offered. The creation of a brand is proved to be beneficial for the organisation, since the engagement with a brand which has value is reported to increase consumer's satisfaction (Wahyuningtyas, *et al.*, 2017). Thus, it plays role in creation of permanent customers along with addressing the needs in formulative manner.

Sainsbury's, for instance, collects data on its customers trends and buying preferences prevalent in the market. It does this through an indigenously developed primary data collection method, which it publishes information from. This survey into prevalent lifestyle trends and purchasing preferences is called the "Living Well Index" (about.sainsburys.co.uk, 2021). It incorporates themes such as community and relationship connections, fiscal capacity, personal lifestyle choices, health and environment. This paves the ground for targeted measures aimed at increasing the standard of living of its customers. The organisation also incorporates feedback from its customers using this index as a metric for the changes it needs to implement.

Further, the incorporation of feedback is done at a systemic level by Sainsbury's by operating a dedicated channel via telephonic customer care services to provide for the same (help.sainsburys.co.uk, 2021). The **advantage** of the marketing function emphasising the role of insights in its value creation, is that it allows the organisation to deliver a more efficient and targeted strategy. The **disadvantage** of this role being emphasised is that it may lead to exclusion of potential customers who are not covered in the marketing insights and feedback mechanisms.

Retaining customers:

Marketing plays a role in ensuring that customers keep returning, and advocating for the company's products. Although acquisition is considered more valuable due to its measurability, research indicates a model for valuing consumer retention as well. This includes primarily the metric of Customer Lifetime Value, which assesses the rate of profit derived from a customer's association with the organisation. Thus, a firm which is able to create more opportunities for their association, functions better on this metric. However, some firms value acquisition more than retention, which conveys a desire to expand to the existing customers. With an increasing role of technology in marketing the products, the focus shifts towards an analysis of a stream of transactions, rather than a single one. Customer service plays an essential role in retention, wherein the metrics of response time and quantity of customers responded to are relevant ([forbes.com](https://www.forbes.com), 2021). In respect to the consumer retention it plays a major role in maintenance of profitability of the company along with inclusion of sales as well as brand image on a global aspect.

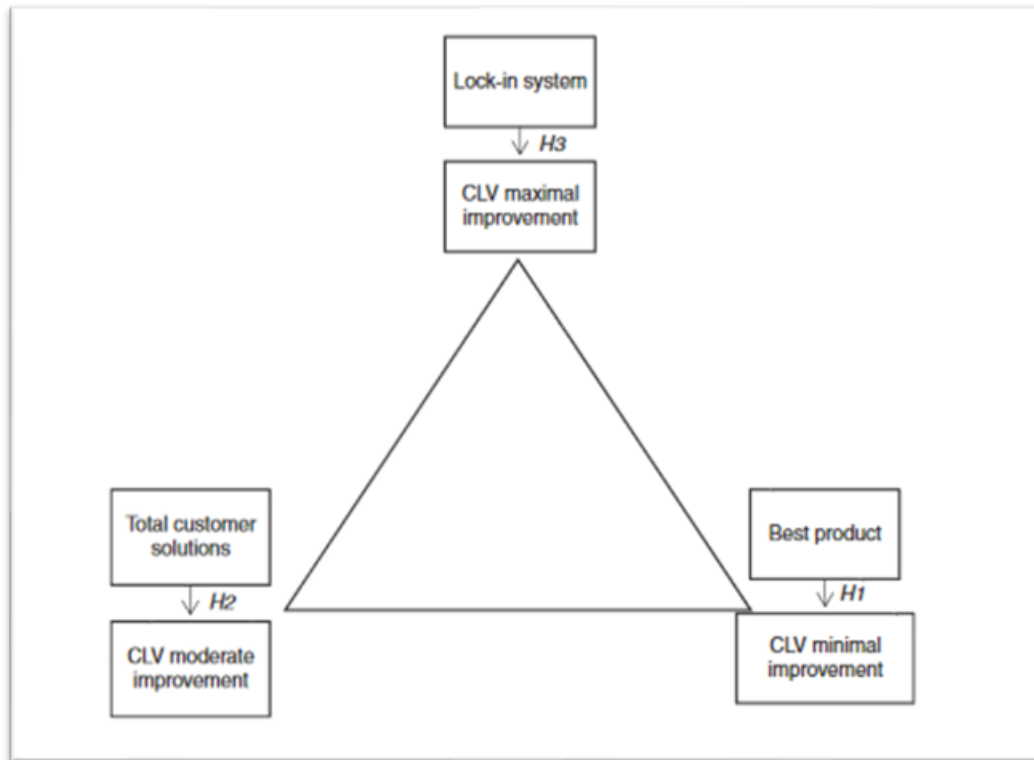


Figure 1: Relationship between business strategy and Consumer Lifetime Value (Source : Hajipour and Esfahani, 2019)

In the aforementioned graph, the varied impacts on Consumer Lifetime Value is illustrated, as was calculated mathematically. A focus on the product offers minimal improvement, whereas the customer derives the most value if they are locked in to the offerings of the organisation. The retailing industry in general, and the supermarket industry in particular is driven by the demand for services which is essential in character. Thus, the consumers are retained because they are locked-in to the product that they buy from Sainsbury's. This was apparent during the time of the COVID-19 pandemic, where consumers were more willing to shop at essential retail such as that provided by the organisation, rather than non-essential retail (Cronin and Evans, 2020).

Providing information about the product:

Building customer awareness is necessary for increasing the viability of the firm's products. This makes it easier for the brand to communicate the corporate social responsibility initiatives taken by the company. Building on the good initiatives taken by the firm is essential to fully harnessing the potential for creation of value that exists in these activities. In highly fluctuating industries, where the price and product vary from time to time, the provision of information helps build consensus for the company's choices. This is apparent in the fashion-retail industry, but is also prevalent on industries that essential services such as the retail industry. Hence, the marketing function has the role of popularising certain aspects of the product and brand itself. This can include newer technological methods adopted by Sainsbury's, such as the piloting of till-free shopping, which allows customers to purchase products without checking out with the help of a cashier.

Stakeholder engagement and their impact on the marketing activities of an organisation

Stakeholder engagement has a large impact on the marketing activities of an organisation. The first step in this process is identifying the stakeholders that the organisation values the most. The stakeholders identified by the organisation's management are the ones whose impact will be useful to analyse. For Sainsbury's, these stakeholders range from Media, Investors, Regulators, and most importantly, the consumers. The organisation must begin by identifying the internal stakeholders as well. These stakeholders for the chosen organisation will include the staff at various locations and the trade unions

Recently, there is an expansion of the concept of stakeholder, within the theory of "stakeholder capitalism". This new model implies a shift away from the older model of "shareholder capitalism", which primarily valued the investors in a company. This newer model prioritises the socio-economic and political divides amongst the people, and seeks to place responsibility on the corporation to fix this societal gap (hbr.org, 2020). Hence, organisations such as Sainsbury's can begin by acknowledging the role that they play in effectively bridging the societal gaps. It has transparently stated its commitment towards tackling environmental and social issues (about.sainsburys.co.uk, 2021). The impact of stakeholder engagement is extremely prominent in the marketing of the organisation's corporate social responsibility initiatives. Hence, the role that they play in invigorating their community's participation is significant due to the direct impact of the same. The relevant community base for them is very large. Donations to local hospitals, investments in sustainable business practices such as the emphasis on achieving Net Zero carbon emissions. This emphasis is conveyed through the marketing activities of Sainsbury's by maintaining a steady flow of information in this regard. It is able to achieve this through offline information as well as webpages dedicated to tracking the activities of the organisation in this regard. Hence, the concept of pull marketing is applied to attract conscientious consumers to the business while at the same time committing towards targets that help the business adapt in the long-term (about.sainsburys.co.uk, 2021).

The press community has increased relevance, due to an emphasis on Public Relations Management. The management of media through the management of public relations helps the company to communicate its values and actions more efficiently. In the current dynamism prevalent in the modern business environment, communicating the organisation's stance can reap various benefits for the organisation. Hence, Sainsbury's has displayed an organisational initiative in dealing with the COVID-19 pandemic. It has developed an action plan comprising various initiatives over the timeline of the pandemic, such as the adherence to social distancing measures and maintaining a steady supply of food at its outlets. It has also radically altered its distribution infrastructure by making operational improvements in the fields of digital distribution. Hence, it has increased the home delivery slots available at its retail outlets, and also offers a takeaway service, for which the order can be placed online (about.sainsburys.co.uk, 2021).

External stakeholders such have an immense role to play in assessing the success of the marketing strategy of any organisation. The strategies of organisations in involving social media communication as a method of increasing the business's reach is important to understand. The utilisation of digital tools to reach a broader audience is of note. These tools allow the constant correlation between a stakeholder and the organisation. Internal stakeholders can exploit the data made available by such tools. Additionally, the permeance of the digital tools' interactivity and customer experiences make them viable for associating with external stakeholders.

Internal stakeholders also have to be accounted for by the organisation, and in this respect the concept of "internal marketing" comes into play (Park and Tran, 2018). Thus, stakeholders such as employees, managerial level staff and shareholders can be integrated as recipients of the marketing function of an organisation. Employees can seek to benefit from aspects such as "employer branding" which affect their job satisfaction and productivity levels. Thus, initiatives such as those implemented to benefit the diversity and inclusivity of an organisation can reveal the organisation's commitment towards ensuring equality amongst employees. This helps employees feel more motivated towards working since they can envision a longer-term association with the organisation. Sainsbury, in accordance with the aforementioned principle of maintaining engagement of internal stakeholders, communicates its organisational commitment towards diversity through policies.

Additionally, it practices inclusivity through the “You Can” scheme which offers employment to those who face barriers to employment. This includes disabled persons, people who have been unemployed in the past for a long-term, and former offenders (about.sainsburys.co.uk, 2017).

Further, in an industry such as retail, there is a presence of groups of stakeholders that seek to further the interests of internal stakeholders. This includes trade unions, which seek to put pressure on the organisation to conform with the norms of fair treatment to workers. Sainsbury’s discharges their obligations towards such organisations by maintaining a dialogue with such stakeholders. The marketing function has to meet these obligations by ensuring a transparency of communication about the practices followed by the organisation. Hence, in times of need, the organisation publicly announced the awarding of bonuses to its employees (theguardian.com, 2021). This is necessary for the organisation to engage in as a marketing activity since it is able to uphold its reputation as a fair employer through this method.

Conclusion

Marketing plays a vital role in a large retail company with an international presence such as Sainsbury's. This function fulfils the creation of customer value by identification of the market through segmentation, where it keeps an undifferentiated segmentation strategy. The marketing function further fulfils the role of satisfaction of customers' needs and retention. The data to analyse the role of Marketing in shaping the metric of Customer Life Cycle was studied. It was made apparent that in a business which has customers locking-in to the services due to their essential character, the correlation between consumer retention and business strategy is high. While studying the stakeholder engagement's impact on the marketing function, it was observed that a broad orientation towards stakeholder capitalism is necessary. In the absence of communicating its decisions for internal stakeholders, there is an occurrence of dissent. The threat of alternatives and consumer dissatisfaction from impression management, makes the acknowledgement of the role of external and internal stakeholders imperative for the success of the marketing function.

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