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Cardiff Business School
COURSEWORK COVER SHEET 2013/2014

Section 1 (to be completed by the student)

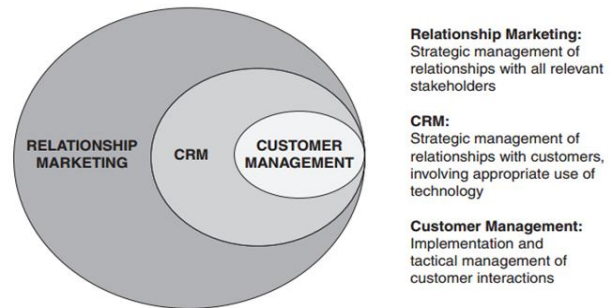
Student Name:	Thomas Dexter				
Student Number:	1315762				
Module Code:	BS2573				
Module Title:	Marketing (One Semester)				
Coursework Title:	Using real company examples throughout, discuss and analyse key emerging trends in marketing today, also explain how consumer's needs and expectations are also evolving. Conclude by suggesting detailed and innovative marketing strategies for firms to succeed and prosper.				
Submission date: (before 12 noon on...)	25/11/14	Date document last saved/printed:	25.11.2014 (Updated automatically)	Lecturer:	Dr Eleri Rosier

Section 2 (To be completed by the Lecturer)	MARK AWARDED:
COMMENTS: ---	
Number of words: 1887	

This marketing assignment will look to explore and analyse emerging marketing trends today and how consumer's needs and expectations are evolving by taking a few of these trends and looking at them more specifically within the coffee industry. It will then conclude by suggesting detailed and innovative marketing strategies for firms within this industry (and more generally) to succeed and prosper.

Emerging Trends in Marketing

According to Blythe (2005) the later part of the 1990's and now into the 21st century has seen marketing "undergoing some radical changes". The traditional method of marketing whereby thinking is concentrated on the single transaction is no longer applicable. Jobber (2010, p.3.) notes how "successful companies rely on customers returning to repurchase; the goal of marketing is long-term satisfaction". This has led to a trend in what is known as relationship marketing. Though building good relationships with your customers has been around since ancient times, the recent emergence of relationship marketing has occurred when "businesses saw the potential of implementing relationship marketing strategies through [the use of] I.T. (Payne and Frow 2013). It was not so much a "discovery, but a rediscovery". However it should be noted that this relationship marketing extends beyond just that of the customer, but also relationships built with all relevant stakeholders as seen in the fig. above. Gronroos (2004) cited in (Baron et al. 2010) states that:



The domain of strategic customer management (Payne and Frow 2013)

If marketing is to be successful, other suppliers, partners, distributors, financing institutions, the customer's customers, and sometimes even political decision makers may have to be included in the management of the relationship in the network of relationships.

However the core ideas are consistent despite the stakeholder and that is that the relationship must be a "mutually rewarding connection between the parties so that they expect to obtain benefits of it" and that "the parties have a commitment to the relationship over time and are, therefore, willing to make adaption's to their own behaviour to maintain its continuity" (Jobber 2010 p.162). In the coffee industry this has led to the implementation of different schemes such as loyalty cards. About the



Costa coffee launches its loyalty card (Thomas 2010)

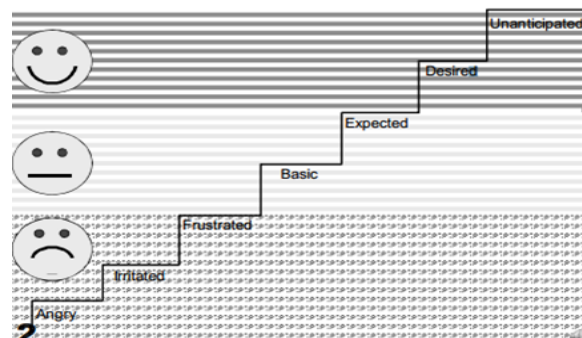
launch of the Costa Coffee loyalty card scheme Kevin Hydes, head of marketing UK at Costa Coffee, cited in Thomas (2010) said that "In a competitive market, it is vital that we show our coffee-lovers just how much we value their custom". By attempting to build this relationship with the customer, Costa Coffee is seeking to differentiate themselves from their competitors in a market where Bainbridge (2009) states "there is little differentiation among leading brands". Morgan and Hunt (1994) draw on the commitment-trust theory to state that both commitment and trust help firms to "resist attractive short term alternatives in favour of the expected long

term benefits". By creating a loyalty scheme coffee shops, such as Costa Coffee, are helping to develop this long term commitment and trust between the customer and their firm. This will hopefully create a relationship which turns "new customers into regular purchasers...to strong supporters...to active, vocal advocates of the company" (Christopher et al. 1991, cited in Baron et al. 2010, p.11). As part of Costa Coffee's relationship marketing strategy "Cardholders...receive tactical communications throughout the year, in support of Costa's overall positioning" (Thomas 2010) and this reinforces their

message that they are “consistently proud in reassuring us that we are making the best choice when we sip their coffee” (Ashmore 2013). Whilst traditional marketing uses the simple 4p’s framework, Payne and Frow (2013) suggest that this oversimplifies the situation too much and that when it comes to relationship marketing a match is needed between the external market and the internal capabilities of the firm. One such limitation on a firm is its capability to manage its relationship management operations whether technologically or financially. Keynote (2013) states that across the globe since 2008/9 there has been a “transition to hosted CRM products, which are often cheaper in the short term than in-house CRM systems”. This acts as a solution to this potential problem, but of course brings with it its own challenges. Relationship management can be seen to spread across all current marketing trends including the increase in digital marketing and corporate social responsibility.

Consumer Needs and Expectations

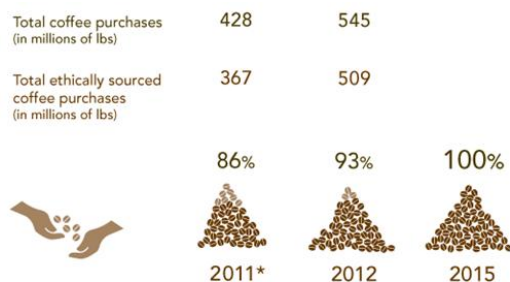
At the heart of what any consumer wants is value from their product/service. Therefore “marketing-orientated companies attempt to create customer value in order to attract and retain customers” (Jobber 2010, p.13). As trends emerge though, the needs and expectations of the consumer in order to ascertain this value changes. In any service you “try and deliver the basic expected services...and not irritate them whilst you’re doing it” (McKnight 2012). It’s dependent on “how the customer perceives the benefits of an offering and the sacrifice that is associated with its purchase” (Jobber 2010). If the perceived sacrifice is greater than the perceived benefit then the consumer is unlikely to partake in that purchase/service. For example, in the coffee industry, the consumer may determine the cost of buying a coffee as the price of the item and the time taken to get the coffee, and if the perceived benefits of taste, effect, look etc. don’t match up then the consumer won’t purchase the coffee.



Hierarchy of Value (McKnight 2012)

$$\text{Customer Value} = \text{Perceived benefits} - \text{perceived sacrifice (Jobber 2010)}$$

In the coffee industry, as in many industries, consumers are “demanding greater transparency along supply chains and are willing to pay higher prices for ethically and environmentally sourced food and drink products” (Keynote 2014). This means that the firms have to be socially responsible in their practices and mindful of the environmental impact of their company. Solomon et al. (2006, p.46) mentions how “corporate social responsibility has become increasingly prominent in companies’ provision of and stakeholders’ approaches to buying goods and services”. They “recognize the changing nature of their customer”. As customers have begun to expect this



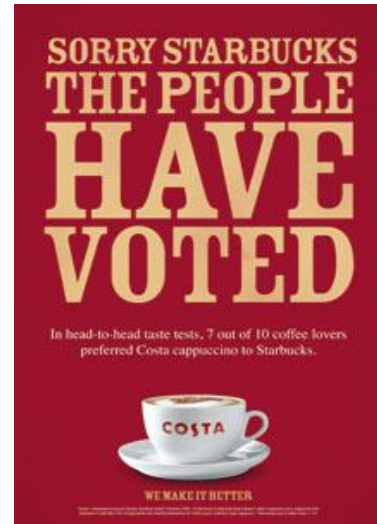
Includes green coffee purchases for all Starbucks brands.
*2011 results include C.A.F.E. Practices only.

Ethically sourced coffee beans (Starbucks Corporation 2014b)

some major coffee shops have adjusted their practices to align with expectations. For example Starbucks aim is “for all of [their] coffee to be grown under the highest standards of quality, using ethical trading and responsible growing practices” (Starbucks Corporation 2014) and Costa Coffee claims, “whenever you drink Costa coffee, you’re supporting farmers and farm workers worldwide who are working to improve their livelihoods and those of their families, while protecting the planet at the same time” (Costa Coffee 2014). If you go on either one of these companies websites then this information is easily accessible. This is what consumers want so firms are adhering to this; “consumers are demanding to

know where their products have come from” (Keynote 2014) and this doesn’t look likely to change as “it has been argued that environmental concern is gradually becoming a new universal value” (Solomon et al. 2006). Consumers are also expecting firms to be more socially responsible. Starbucks came under heavy fire in recent years for “immorally minimising [its] tax obligations” (Shearman 2012). By doing so the firm failed to meet some of its customers’ expectations on such issues and therefore caused damage to its “brand consumer-satisfaction score” (Bainbridge 2012). Starbucks isn’t the only one to have received any criticism. Whilst receiving nowhere near as high publicity, Costa Coffee has received criticism for an advert which uses “more aggressive tactics” than normal (Brownsell 2009), though it is suggested that this could be due to slow growth of the industry and an attempt to still “sustain profits and footfall”. However critics have claimed that “it serves only to weaken a sector and cheapen the brand involved”

Brownsell (2009). On the other hand Costa Coffee does do its part to be socially responsible. As well as having its own charity called The Costa Foundation which aims to “relieve poverty in coffee-growing communities” (Costa Coffee 2014b). They also sponsored Olympic medalist Ed Clancy’s team, Rapha Condor Sharp, for the Tour of Britain (Reynolds 2012) which is good publicity and promotes healthy exercise and they are committed to their corporate social responsibility plan by investing in lots of new environmentally friendly packaging for UK stores with an aim to “achieve zero waste to landfill operations by 2017” (Weston 2013) It’s down to the firm to ensure that they are always meeting or exceeding their customers expectations whether that’s in the product itself or the sales pitch or customer service. As long as they do this then the firm will do well.



A more aggressive advert? (Brownsell 2009)

Marketing Strategies

In the current market it would seem that everything is converging on a customer focused organisational structure. Relationship marketing in relation to other marketing trends needs to be the focus. Payne and Frow (2013) noted that:

A key issue in the marketing programme is the recognition that the elements of the marketing mix are largely controllable by managers within the organisation, and that the market forces in the external environment are, to a large extent, uncontrollable.

This would suggest that firms need to concentrate on what they can do as a business internally to build relationships with customers, suppliers and other stakeholders. Payne and Frow (2013) also note



Gluten free wrap (Costa 2014c)

how it was proposed by Philip Kotler that this need not mean that the traditional marketing approach needs to be replaced, “but is instead ‘repositioned’ as the toolbox for understanding and responding to all the significant players in a company’s environment” and that “if companies are to compete successfully in domestic and global markets, they must engineer stronger bonds with their stakeholders”. In order to do this the firm needs to make its value to the customer clear. Coffee shops such as Starbucks and Costa Coffee position themselves as high end expensive brands so need to make it apparent the value they can offer to the customer. One strategy these firms could go with would be to make their stores as inclusive as possible and therefore helping build more relationships. Recent years have seen a “significant growth in the number of consumers with food allergies and Intolerances...and as a result there is a greater awareness for these health issues within

the food services industry” (Keynote 2014). In order to also help with their corporate social responsibility these stores should be able to cater for people who only eat halal or can't eat wheat or nuts for example. Costa Coffee is already making some headway in this direction by offering soya milk and a gluten free brownie, but the range still isn't that high (Costa Coffee 2014c). Likewise Starbucks offers a small, but limited range of specialist items such as these. Other suggestions for strategies the firms could consider is a culture change in which all departments become more customer value orientated, this would involve widespread training and sometimes radical overhauls of peoples thinking, but only if all parts of the company are on board can relationship marketing really be utilised to its full potential. Within the coffee shop industry senior managers may benefit from spending time in stores to really appreciate their customers and what they want. Also talking to staff as they're the ones who will be picking up on what works and what does not. Although a lot has changed in the field of marketing in recent years, maintaining a focus on your customer is most likely to achieve success for the modern business. “Closer relationships in organisational markets are inevitable as changing technology, shorter product life cycles and increased foreign competition places marketing and purchasing departments in key strategic roles” (Jobber 2010).



Authors own image

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