MARKETING MIX POLICIES IN FMCG CASE-STUDY: THE ADVERTISING STRATEGY

ANA MARIA BOBEICĂ[*]

Abstract
This paper explores the relationships between selected marketing mix elements in the area of FMCG. It discusses the nature and sometimes negative consequences of the dominating marketing paradigm of today, marketing mix management, and furthermore discusses how modern research into, for example in the case of FMCG Companies, the marketing policies as well as customer relationship tactics shows that another approach to marketing is required. It proposes a conceptual framework in which marketing elements are related to the dimensions of brand equity and brand awareness. It also presents a case study deriving from advertising strategies of FMCG Companies showing that the change in advertising spending is related to changes in market share, changes in product plans and changes in the number of competitors modified by the number of customers, their concentration and the size of the advertising budget.

Keywords: *marketing mix, marketing theory, FMCG, advertising*

1. Introduction

This paper is a starting point in the research project I am currently involved in, at the Doctoral School of the Academy of Economic Studies, searching on Marketing Mix Strategies.

This paper is a Research Analysis made on Marketing Mix Policies updated to the 21'st Century Marketing Research. It debates on the Advertising and Promotional importance of the advertising campaigns in the Marketing Mix policy, concerning Consumer, Retail and Fast Moving Consumer Goods Companies. It emphasizes the paradigm of 4P and marketing Mix and it also proposes a new conceptual framework regarding the marketing mix strategies. The concepts presented in this paper are labeled as a "vision driven approach" for today's management.

The results presented in the paper show that high advertising spending, high price, good store image, and high distribution intensity are related to high brand equity. This makes an important point out of the fact that corporate branding and awareness are two key factors in the right implementation of Marketing Mix Strategies.

The Case-Study presented in the Final part is made on Slovakia's FMCG market based on similarities with the Romanian one.

The Research Paper is important because it clears out the previous analysis made on fast moving consumer goods market, regarding the marketing mix strategies and results, that companies do not want to be exposed to the general public. Also, the paper is a starting point for a future analysis on the Romanian FMCG Market regarding the Advertising Efficiency and Promotional Strategies.

The existent specialized literature on Marketing Mix Strategy is long and consistent, but fewer studies have been made regarding FMCG policy in general and none regarding the Romanian Market.

The literature presented in this paper is consistent and it may be consulted in the Reference part of the Research Paper.

[*] Ph.D. candidate in Marketing, Academy of Economic Studies, Bucharest (email: a_bobeica@yahoo.com).

2. Marketing mix elements in FMCG

Few topics of the commercial theory have so intensively inspired as well as divided the marketing academia as the **4Ps Marketing Mix framework**, "the Rosetta stone of marketing education" according to Lauterborn (1990). The Mix has its origins in the 60's: Neil Borden (1964) identified twelve controllable marketing elements that, properly managed, would result to a "profitable business operation". Jerome McCarthy (1964) reduced Borden's factors to a **simple four-element framework: Product, Price, Promotion and Place**. Practitioners and academics alike promptly embraced the **Mix paradigm** that soon became the prevalent and indispensable element of marketing theory and operational marketing management.

The majority of marketing practitioners consider the Mix as the toolkit of transaction marketing and archetype for operational marketing planning (Grönroos 1994). While empirical evidence on the exact role and contribution of the Mix to the success of commercial organizations is very limited, several studies confirm that the 4Ps Mix is indeed the trusted conceptual platform of practitioners dealing with tactical/operational marketing issues (Sriram and Sapienza 1991; Romano and Ratnatunga 1995; Coviello et al. 2000). [1]

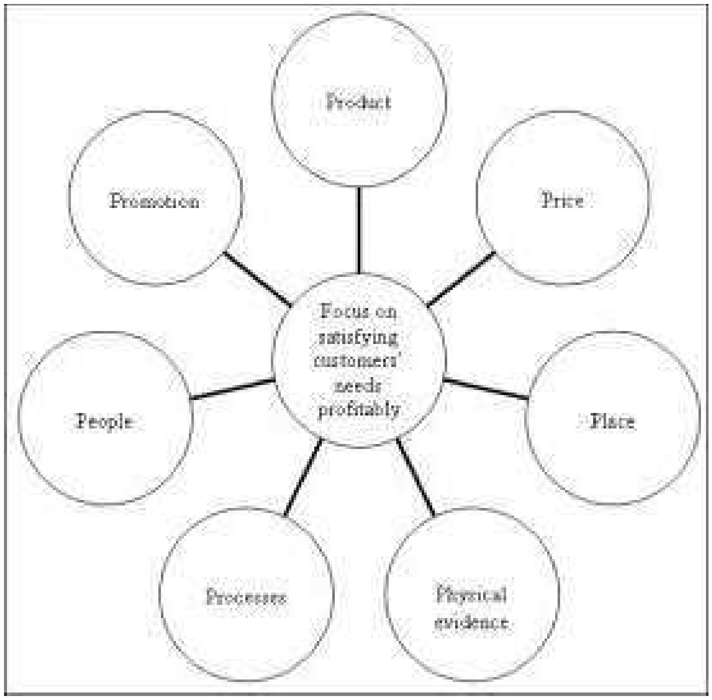
The wide acceptance of the Mix among field marketers is the result of their profound exposure to this concept during college years, since most introductory marketing manuals embrace it as "the heart of their structure" (Cowell 1984) and identify the 4Ps as the controllable parameters likely to influence the consumer buying process and decisions (Kotler 2003). An additional strong asset of the mix is the fact that it is a concept easy to memorize and apply. In the words of David Jobber (2001): "The strength of the 4Ps approach is that it represents a memorable and practical framework for marketing decision-making and has proved useful for case study analysis in business schools for many years". Enjoying large-scale endorsement, it is hardly surprising that the 4Ps became even synonymous to the very term marketing, as this was formulated by the American Marketing Association (Bennet 1995).

Next to its significance as a marketing toolkit, the Marketing Mix has played also an important role in the evolution of the marketing management science as a fundamental concept of the commercial philosophy (Rafiq and Ahmed 1995), with theoretical foundations in the optimization theory (Kotler 1967; Webster 1992). The theoretic endorsement of the Mix in its early days was underlined by the sympathy of many academics to the idea that the chances for successful marketing activities would increase if the decisions (and resource allocation) on the 4P activities were optimized; **Philip Kotler elucidated in 1967** how "mathematical programming provides an alternative framework for finding the optimal marketing mix tool that allows the optimal allocation of the marketing effort"3. **The theoretical value of the Mix** is also underlined by the widely held view that the framework constitutes one of the pillars of the influential Managerial School of Marketing along with the concepts of "Marketing Myopia", "Market Segmentation", "Product, Positioning" and "Marketing Concept" (Kotler 1967; Sheth et al. 1988).

American Marketing Association, in its most recent definition, states that "marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organizational objectives"

[1] Christian Grönroos, From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing, Management Decision, Vol. 32 No. 2, 1994, pp. 4-20

Figure 1: The 4P-7P of Marketing



Adapted from: Palmer (2004)

Corporate branding

Among the changes that businesses make as they move toward globalization is a shift in marketing emphasis **from product brands to corporate branding** (e.g. Aaker, 1996; Aaker and Joachimsthaler, 2000; Balmer, 1995, 2001a; de Chernatony, 1999; Dowling, 2001, 1993; Harris and de Chernatony, 2001; Hatch and Schultz, 2001, Ind, 1997; Kapferer, 1992; Keller, 2000a, b; Knox *et al.*, 2000; Olins, 2000; Schmitt and Simonsen, 1997)[2]. This is usually ascribed to the difficulties of maintaining credible product differentiation in the face of imitation and homogenization of products and services, and the fragmentation of traditional market segments that occurs as customers become more sophisticated and markets more complex.

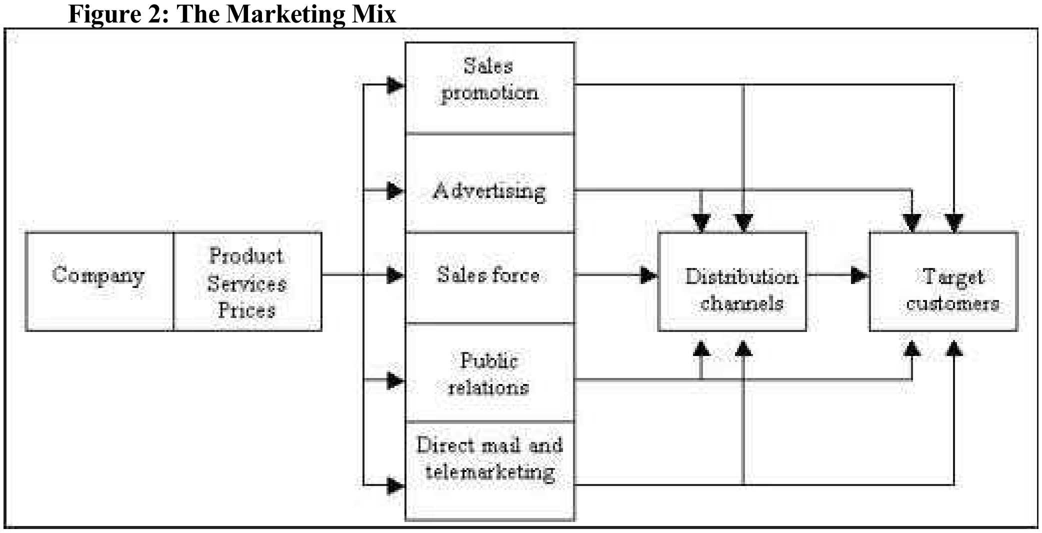
Support for the shift to corporate branding often comes from within marketing. For example, some marketing researchers have claimed that a strong corporate brand has significant impact in creating positive consume perceptions of existing products and new product extensions (e.g. Brown and Dacin, 1997; Ind, 1997). Others have addressed the special processes of creating corporate brands in the service area, **emphasizing the differences between services and fast-moving consumer goods** as foundations for corporate branding processes (McDonald *et al.*, 2001). In either case, corporate branding brings to marketing the ability to use the vision and culture of the company explicitly as part of its unique selling proposition (Ackerman, 1998; Balmer, 1995, 2001a; de Chernatony, 1999, 2001) or as suggested by Knox *et al.* (2000) and Knox and Maklan (1998), as part of its unique organizational value proposition.

[2] Mary Jo Hatch, Majken Schultz, Bringing the corporation into corporate branding, European Journal of Marketing, Vol. 37 No. 7/8, 2003, pp. 1041-1064

Parallel to this shift in the marketing area, scholars in corporate identity are moving in the direction of what Balmer and Soenen (1999) **labeled a "vision driven approach" to management.** The vision approach expands the concept of corporate identity into a much more comprehensive mix of **"mind, soul and voice".** In their review of this new approach, the authors show how identity management has been transformed from a dominating concern with visual manifestations into strategic change management (see also Balmer, 2001b). Similarly, de Chernatony (2001) argued for the importance of strategic vision to identity and branding, as a means to integrated brand building.

American corporations collectively spend hundreds of billions of dollars on **advertising and promotion**, an amount that exceeds the gross domestic product of several nations such as Singapore, Sweden and Switzerland. Even individual companies, for example, **Procter and Gamble**, spend several billion dollars on marketing activities. Consequently, the determination of the marketing budget and its allocation to several marketing activities — referred to as **"planning the marketing mix**"— is of paramount importance.

Figure 2: The Marketing Mix



Adapted from: Kotler, Ang, Leong and Tan (1999)

3. Marketing mix management – a new paradigm today

The marketing mix management paradigm has dominated marketing thought, research and practice since it was introduced **almost 40 years ago.** Today, this paradigm is beginning to lose its position. New approaches have been emerging in marketing research.

The **globalization of business** and the evolving recognition of the importance of customer retention and market economies and of **customer relationship economics**, among other trends, reinforce the change in mainstream marketing.

Relationship building and management, or what has been labeled ***relationship marketing***, is one leading new approach to marketing which eventually has entered the marketing literature. A paradigm shift is clearly under way. In services marketing, especially in Europe and Australia but to some extent also in North America, and in industrial marketing, especially in Europe, this paradigm shift has already taken place. Books published on services marketing and on industrial marketing as well as major research reports published are based on the relationship marketing paradigm.

A major shift in the perception of the fundamentals of marketing is taking place. The shift is so dramatic that it can, no doubt, be described as a paradigm shift.

Marketing researchers have been passionately convinced about the paradigmatic nature of marketing mix management and the Four P model. To challenge marketing mix management as the basic foundation for all marketing thinking has been as *heretic* as it was for Copernicus to proclaim that the earth moved.

The Marketing Strategy Continuum

The major **problem and also a negative consequence** with the marketing mix and its Four Ps has been their position as the major and in many situations as the only, acceptable marketing paradigm. **Relationship marketing** must not become such a straitjacket.

However, developing enduring customer relationships and achieving exchanges in such relationships through a relationship marketing approach is not only another addendum to marketing mix management. Rather, it is a different approach as compared to achieving exchanges in isolated transactions through the use of the Four Ps of the marketing mix. As Reichheld observes, "building a highly loyal customer base cannot be done as an add-on. It must be integral to a company's basic business strategy"[3]. Hence, it should be useful to think about possible marketing approaches or strategies along a ***marketing strategy continuum***. **Relationship marketing is placed at one end of the continuum**. Here the general focus is on building relationships with customers (and other parties as well, although only customers are discussed in this context). **At the other end of the continuum is *transaction marketing*** where the focus of marketing is on one transaction at a time. Thus marketing revolves around creating single transactions or exchanges at a time and not around building long-term relationships.

The Paradigm Shift in Marketing

From a **management point of view** the Four Ps may have been helpful at one time, at least for marketers of consumer packaged goods. The use of various means of competition became more organized. However, the Four Ps was never applicable to all markets and to all types of marketing situations. The development of alternative marketing theories demonstrates that even from a management perspective, the marketing mix and its Four Ps became a problem.

On the other hand, marketing is more and more developing in a direction where the toolbox thinking of the marketing mix fits less well. In industrial marketing, services marketing, managing distribution channels and even **consumer packaged goods marketing itself,** a shift is clearly taking place from marketing to anonymous masses of customer to developing and managing relationships with more or less well-known or at least somehow identified customers.

Marketing mix management with its four Ps is reaching the end of the road as a universal marketing approach. Some authors now use the **7P Model (see Figure 1).**

However, even if marketing mix management is dying as the dominating marketing paradigm and the Four P model needs to be replaced, this does not mean that the Ps themselves, and other concepts of the managerial approach such as market segmentation and indeed the marketing concept, would be less valuable than before. Relationships do not function by themselves.

Most certainly **relationship marketing** will develop into such a new approach to managing marketing problems, to organizing the firm for marketing, and to other areas as well.

4. Review of a Marketing Management Paradigm: The Backgrounds of the Debate

Developments on the commercial landscape and changes in consumer and organizational attitudes over the last four decades, have frequently prompted marketing thinkers to explore new theoretical approaches addressing specific marketing problems and expanding the scope of the marketing management theory. The most important landmarks of the evolution of the marketing management theory include**…"the broadening of the marketing concept during the 70's, the emphasis on the exchange transaction in the 80's, the development of the Relationship**

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[3] Reichheld, F. and Sasser, W. (1990), "Zero Defections: Quality Comes to Services", *Harvard Business Review*, Vol. **68,** 5 pp. 105-111 .

Marketing and Total Quality Management in the 90's" (Yudelson 1999) **and last but not least the emergence of Information and Communication Technologies as major actors of the 21st century Marketing**. At the same period the consumer behavior has also evolved; one of the noticeable changes has been the gradual evolution from the mass consumer markets of the 60's (Wolf 1998) towards increasingly global, segmented, customized or even personalized markets of today (Kotler et al. 2001) where innovation, customization, relationships building and networking have become issues of vital significance. The developments on the ground have prompted the development of new theoretical approaches dealing with specific rather than general marketing problems and situations.

In the course of these developments the **4Ps Marketing Mix framework** has been one of the subjects that frequently became the source of controversy and scientific debate (Dixon and Blois 1983; Rafiq and Ahmed 1992).

Surprisingly in a sense, this scientific debate has hardly been echoed in the practitioners' quarters. Unlike academics, practicing marketers have been reluctant to question, let alone dismiss the trusted paradigm (Sriram and Sapienza 1991; Grönroos 1994), presumably anticipating that the academic debate will yield some new, apparently better marketing methodologies and usable concepts.

Some of the criticism to the address of the 4Ps framew*ork* ***has its roots in the discrepancy between the philosophy behind the Marketing Mix on one hand and the fundamentals of the Management School of Marketing on the other.*** The Management School that embraced the Mix as one of its "most important conceptual breakthroughs" (Sheth et al. 1988) has given the Mix, as already mentioned, similar status with the **Marketing Concept** and the **Market Orientation principles** (Kotler 1984). Yet the very nature of the fourP's as manageable i.e. controllable factors combined with the explicit lack of market input in the model (Kotler 2003) is in sharp contrast with the Marketing Concept and Market Orientation principles implying that marketing activities should be based on identification of customer needs and wants, typical external and therefore uncontrollable factors. This paradox has been highlighted by researchers like Dixon and Blois (1983) and Grönroos (1994).

The debate has been focused on developments of consumer and organizational behavior, the increasing complexity of the environment and the growing importance of technology as marketing enabler. (Kaufman 1995; Brown and Eisenhardt 1998; Beinhocker and Kaplan 2002).

A Disciplinary Classification of the Marketing Mix Criticism

One of the criteria for classifying the attitudes of researchers towards the 4Ps Marketing Mix framework is the disciplinary origin of the arguments, but such a classification can raise always questions; the apparent difficulty of this approach is to exactly demarcate the different marketing domains, something that underlines the complexity of the marketing environment today. A "qualitative" classification offers however a good insight to research attitudes in analyzing and modeling a changing, expanding and sometimes turbulent marketing environment.

On the basis of the disciplinary approach the theoretical status quo of the Marketing Mix will be reviewed based on publications **referring to five traditional and one emerging Marketing Management sub-disciplines: Consumer Marketing, Relationship Marketing, Services marketing, Retail Marketing, Industrial Marketing and E-Commerce.** It speaks for itself that further research in other marketing sub-disciplines is needed for drawing up final conclusions and comprehensive judgment on the question of the value of the 4Ps.

Consumer's Relationships tactics

During the last few years there has been a growing interest in studying the economics of long-lasting customer relationships. Heskett introduced the concept of *market economies*, by which he means achieving results by understanding the customers instead of by concentrating on developing scale economies. **Long-term relationships** where both parties over time learn how to best interact with each other lead to decreasing *relationship costs* for the customer as well as for the supplier or service provider. The relationship cost theory which is based on literature on, for example, *quality costs* and *transaction costs* have been suggested by Grönroos. A **mutually satisfactory relationship** makes it possible for customers to avoid significant *transaction costs* involved in shifting supplier or service provider and for suppliers to avoid suffering unnecessary *quality costs*.

The Marketing Mix and the Consumer's Marketing

Significant cultural, social, demographic, political and economic influences during **the last decades of the 20th century,** combined with rapid technological advances have radically transformed the consumer's needs, nature and behavior. The new consumer has been described as existential, less responsive to traditional marketing stimuli and less sensitive to brands and marketing cues while the influence of family or other types of reference

The Marketing Mix Revisited groups on the new consumer's behavior is changing or diminishing

(Christopher 1989). More researchers share the view that the modern consumer is different: demanding, individualistic, involved, independent, better informed and more critical (Capon and Hulbert 2000; Lewis and Bridger 2000). A factor underlining the change is the increasing consumer power and sophistication due to wide availability of affordable personal computing power and easy access to online global commercial firms, networks, databases, communities or marketplaces. These developments have intensified the pressure on marketers to switch from mass marketing approaches towards methods allowing *personalization, interaction and sincere, direct dialog with the customer.* Such approaches allow marketers not only to improve communications with their target groups but also to identify the constantly changing and evolving customer needs, respond quickly to competitive movements and predict market trends early and accurately.

Table 1: Review of Consumer Marketing Theory Literature

Author(s)	Arguments	Propositions
Kotler 1984	External and uncontrollable environmental factors are very important elements of the marketing strategy Programs	The Marketing Mix should include: Customers Environmental variables Competitive variables Two additional Ps to the 4 traditional ones: Political power Public opinion formulation
Ohmae 1982	No strategic elements are to be found in the marketing mix. The marketing strategy is defined by three factors	Three Cs define and shape the marketing strategy: Customers Competition Corporation
Robins 1991	The 4Ps Marketing Mix is too much internally oriented	Four Cs expressing the external orientation of a Marketing Mix: Customers Competition Capabilities Company
Vignalli and Davies 1994	Marketing planning will contribute to the organizational success if it is closely related to strategy. The Marketing Mix is limited to internal and non-	The MIXMAP technique allows the exact mapping of marketing mix elements and variables, allowing the consistency between strategy and tactics.

	strategic issues	
Doyle 1994	While the 4Ps dominate the marketing Management activities most marketing practitioners would add two more elements in this mix in order to position their products and achieve the marketing objectives	Two more factors must be added to the 4P mix: Services Staff
Bennett 1997	Focused on internal variables therefore incomplete basis for marketing. Customers are disposed to buy products from the opposite direction to that suggested by the Marketing Mix	Five Vs are the criteria of customer disposition: Value Viability Variety Volume Virtue
Yudelson 1999	The 4Ps are not the proper basis of the 21st century marketing. The Marketing developments of the last 40 years require a new flexible Platform while the simplicity of the old model remains an attractive facto	4 new Ps based on exchange activities: Product -> Performance Price-> Penalty Place-> Process Promotion-> Perceptions
Schultz 2001	Marketplaces today are customer oriented. The 4Ps have less relevance today, they made sense the time they were invented	End-consumer controls the market Network systems should define the orientation of a new Marketing A new Marketing mix must be based on the Marketing Triad Marketer, Employee and Customer

Source: E. Constantinides, The Marketing Mix Revisited: Towards the 21st Century Marketing (2006)

Several shortcomings of the Marketing Mix have led the majority of the authors reviewed to suggest that the **4Ps framework should** not be considered as the foundation of Consumer Marketing management any longer. In the reviewed papers and books **the criticism is** focused on three main areas:

- **Internal Orientation:** a frequent objection underlying the Mix's explicit lack of customer orientation. Kotler (1984), Robins (1991), Vignali and Davies (1994) Bennett (1997) and Schultz (2001) are one way or another identifying this as the prime limitation of the Mix.

- **Lack of consumer interactivity**: Doyle (1994) and Yudelson (1999) argue that the Mix ignores the evolving nature of the consumer who demands not only higher value but also more control on the communication and transaction process. Allowing better interaction reduces the customer defection rates and increases customer trust.

- **Lack of strategic elements:** Ohmae (1982) Vignali and Davies (1994) argue that lack of strategic content is a major deficiency of the framework, making it unfit as planning instrument in an environment where external and uncontrollable factors define the firm's strategic opportunities and threats.

The majority of the reviewed authors propose alternative frameworks while those willing to accept a role for the 4Ps often propose modified versions, with new elements added to the traditional parameters.

Marketing Mix and the Retail Marketing

As recently as two decades ago most manufacturers of consumer products considered communication with the final customer as one of their essential marketing tasks. Being the dominant market party, producers would employ mass marketing campaigns aiming at increasing brand recognition, product awareness and mind share, as basic ingredients for stimulating product demand. **Retailers** and other intermediaries were considered as somewhat secondary actors in the marketing process, their responsibility confined in the functions of stocking and re-selling products (McCarthy 1978).[4]

Consolidation of the retailing sector, globalisation and private branding **has transformed the retailing landscape.** A significant power migration along the supply chain gave retailers gradually more control over the marketing processes and at the same time exposed them to increasing industry competition. Trying to build up strong market positions and competitive advantages, retailers were forced to adopt more professional and proactive commercial approaches, becoming gradually real marketers, rather than distributors and in-store merchandisers (Mulhern 1997). Supply chain management, efficiency, customer retention and customer lifetime value (Reichheld and Sasser 1990; Rosenberg and Czepiel 1992) form the cornerstone of many retailers' marketing strategies today. The consistent effort to build long-term relationships with the customer shifted the focus from the passive application of the 4Ps to "execution" *where retail formats, personnel, service and presentation are becoming the critical elements of retail marketing.* [5]

The retail marketing theory embraces **elements of both services marketing and relationship marketing, previously discussed.** E. Constantinides arguments against using the 4Ps as basis for services and relationship marketing can be easily expanded to retail marketing.

Yet retail marketing includes some additional, distinctive aspects that the Marketing Mix also fails to address: *physical evidence, shopping experience, atmosphere* (Mulhern 1997; Kotler 2003) *and personalized rather than mass contacts* (Wang et al. 2000). The idea is that the 4Ps do not present an adequate platform for planning of marketing activities in this domain. Most researchers suggest replacing the mix with new concepts or adding new elements to it. Personnel, Presentation and Retail Format are factors contributing to unique customer experience as basis of differentiation and retention.

5. Marketing mix and Brand equity

There are many relationships between selected marketing mix elements and the creation of brand equity.

There is a conceptual framework in which marketing elements are related to the dimensions of brand equity, that is, **perceived quality**, **brand loyalty, and brand associations** combined with **brand awareness**. These dimensions are then related to brand equity.

The practice results show now that frequent price promotions, such as **price deals,** are related to low brand equity, whereas **high advertising spending, high price, good store image,** and high distribution intensity are related to **high brand equity.**

Brand equity is the incremental utility or value added to a product by its brand name, such as Coke, Kodak, Levi's, and Nike (Farquhar, Han, and Ijiri 1991; Kamakura and Russell 1993; Park and Srinivasan 1994; Rangaswamy, Burke, and Oliva 1993).[6] Accordingly, research has suggested that brand equity can be estimated by subtracting the utility of physical attributes of the product from

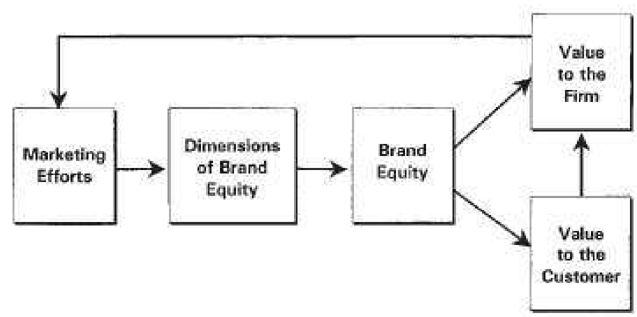
[4] McCarthy, E.J. (1978), *Basic Marketing, a Managerial Approach*, Sixth Edition, Homewood, Ill.: Richard D. Irwin, Inc.

[5] E. Constantinides, The Marketing Mix Revisited: Towards the 21st Century Marketing, *Journal of Marketing Management* 2006, 22, 407-438

[6] Wright, Robert W., Lundstrom, William J., Do government subsided programs effect perceived product quality and brand equity? Journal of Academy of Business and Economics, Date: Feb, 2007 Source Volume: 7 Source Issue: 2

the total utility of a brand. As a substantial asset to the company, brand equity increases cash flow to the business (Simon and Sullivan 1993). From a behavioral viewpoint, brand equity is critically important to make points of differentiation that lead to competitive advantages based on non price competition (Aaker 1991).

Figure 3: A Conceptual Framework of Brand Equity



Source: Boonghee Yoo, Naveen Donthu and Sungho Lee (2000)

By strengthening the dimensions of brand equity, we can generate brand equity. Understanding the brand equity phenomenon properly requires tapping the full scope of brand equity, including **awareness, perceived quality, loyalty, and associations (**Aaker 1991).

Zeithaml (1988) defines **perceived quality** as "the consumer's [subjective] judgment about a product's overall excellence or superiority". Personal product experiences, unique needs, and consumption situations may influence the consumer's subjective judgment of quality.

High perceived quality means that, through the long-term experience related to the brand, consumers recognize the differentiation and superiority of the brand. Zeithaml identifies perceived quality as a component of brand value; therefore, high perceived quality would drive a consumer to choose the brand rather than other competing brands.

Therefore, to the degree that brand quality is perceived by consumers, brand equity will increase.

Oliver (1997) defines **brand loyalty** as "a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior". Loyal consumers' show more favorable responses to a brand than non loyal or switching consumers do. Brand loyalty makes consumers purchase a brand routinely and resist switching to another brand. Hence, to the extent that consumers are loyal to the brand, brand equity will increase.

Brand awareness with strong associations forms a specific brand image. Aaker (1991) defines brand associations as "anything linked in memory to a brand" and brand image as "a set of [brand] associations, usually in some meaningful way". Brand associations are complicated and connected to one another, and consist of multiple ideas, episodes, instances, and facts that establish a solid network of brand knowledge. The associations are stronger when they are based on many experiences or exposures to communications, rather than a few (Aaker 1991). Brand associations, which result in high brand awareness, are positively related to brand equity because they can be a signal of quality and commitment and they help a buyer consider the brand at the point of purchase, which leads to a favorable behavior for the brand.

Marketing Mix Elements and Brand Equity

We investigate consumers' perceptions of **five selected strategic marketing elements**: ***price, store image, distribution intensity, advertising spending, and frequency of price promotions.*** The selected factors do not embrace all types of marketing efforts but are representative enough to demonstrate the relationships between marketing efforts and the formation of brand equity.

Price. Consumers use price as an important extrinsic cue and indicator of product quality or benefits. High priced brands are often perceived to be of higher quality and less vulnerable to competitive price cuts than low priced brands (Blattberg and Winniewski 1989; Dodds, Monroe, and Grewal 1991; Kamakura and Russell 1993; Milgrom and Roberts 1986; Olson 1977). *Therefore, price is positively related to perceived quality.* Rao and Monroe (1989)[7] show that a positive relationship between price and perceived quality has been supported through previous research. By increasing perceived quality, price is related positively to brand equity.

There is not any significant relationship between price and the other brand equity dimensions, brand loyalty and brand associations. Although price implies high quality, it does not create loyalty to the brand per se. Neither loyal nor non loyal consumers use price as an evaluative criterion of the product, and they are not influenced by price considerations (Helsen and Schmittlein 1994; Meer 1995).

Brand-loyal consumers are willing to pay the full price for their favorite brand because they are less price sensitive than brand-non loyal consumers are. Thus, changing the price level alone does not affect brand loyalty. Also there is no directional relationship between price and brand associations, because both low and high prices can be equally strongly linked to the brand in memory for the benefits that each brings to consumers. A low-priced product would give transaction utility (i.e., paying less than the consumer's internal reference price), whereas a high-priced product would give high-quality image or acquisition utility, leading to reduced consumer risk. Either a low- or high-price strategy would help consumers be equally aware of the product.

Store image. The importance of channel design and management as a marketing tool of increasing brand equity is growing (see Srivastava and Shocker 1991). In a distribution channel, retailers encounter a firm's ultimate consumers. Selecting and managing retailers is therefore a firm's major marketing task in satisfying consumers' needs. In particular, distributing through good image stores signals that a brand is of good quality. Dodds et al. (1991) find significant positive effects of store image on perceived quality. The store name is a vital extrinsic cue to perceived quality. The quality of a given brand is perceived differently depending on which retailer offers it. C**ustomer traffic** will be greater in a store with a good image than in one with a bad image. Good-image stores attract more attention, contacts, and visits from potential customers. In addition, such stores provide greater consumer satisfaction and stimulate active and positive word-of-mouth communications among consumers (Zeithaml 1988). Therefore, distributing a brand through an outlet with a good image will create more positive brand associations than distributing through an outlet with a bad image.

Store image appears to have no relationship with loyalty to a specific brand. Consumers perceive good store image when their self-concept is congruent with store image (Sirgy and Samli 1985). Thus, if the store image does not match the perceived image of the product, consumers would not be impressed enough to show loyalty to the product. In other words, only when there is consistency between product and store images will consumers be loyal to the product that is available in the store.

Distribution intensity. Distribution is intensive when products are placed in a large number of stores to cover the market. To enhance a product's image and get substantial retailer support, firms

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[7] Boonghee Yoo, Naveen Donthu and Sungho Lee, An Examination of Selected Marketing Mix Elements and Brand Equity, *Journal of the Academy of Marketing Science* 2000; 28; 195.

tend to distribute exclusively or selectively rather than intensively. It has also been argued that certain types of distribution fit certain types of products.

Consumers will be more satisfied, however, when a product is available in a greater number of stores because they will be offered the product where and when they want it (Ferris, Oliver, and de Kluyver 1989). Intensive distribution reduces the time consumers must spend searching the stores and traveling to and from the stores, provides convenience in purchasing, and makes it easier to get services related to the product. As distribution intensity increases, therefore, consumers have more time and place utility and perceive more value for the product. The increased value results mostly from the reduction of the sacrifices the consumer must make to acquire the product.

Such increased value leads to greater consumer satisfaction, perceived quality, and brand loyalty and consequently, greater brand equity. Accordingly, positive brand associations will increase along with a consumer's satisfaction with the product.

Advertising spending. Overwhelmingly, **advertising researchers found advertising is successful in generating brand equity, whereas sales promotion is unsuccessful** (Boulding, Lee, and Staelin 1994; Chay and Tellis 1991; Johnson 1984; Lindsay 1989; Maxwell 1989)[8]. Simon and Sullivan (1993)[9] find a **positive effect of advertising spending on brand equity**. Cobb-Walgren, Beal, and Donthu (1995)[10] find that the dollar amount spent on advertising has positive effects on brand equity and its dimensions.

Advertising is an important extrinsic cue signaling product quality (Milgrom and Roberts 1986)[11]. Heavy advertising spending shows that the firm is investing in the brand, which implies superior quality (Kirmani and Wright 1989)[12]. In addition, Archibald, Haulman, and Moody (1983)[13] find that advertising spending levels are good indicators of not only high quality but also good buys. Aaker and Jacobson (1994) also find a positive Yoo et al relationship between advertising and perceived quality.

Hence, advertising spending is positively related to perceived quality, which leads to higher brand equity.

Advertising plays a pivotal role in increasing brand awareness as well as creating strong brand associations.

Repetitive advertising schedules increase the probability that a brand will be included in the consideration set, which simplifies the consumer's brand choice, making it a habit to choose the brand (Hauser and Wernerfeldt 1990)[14].

Thus, a greater amount of advertising is related positively to brand awareness and associations, which leads to greater brand equity. In addition, according to an extended hierarchy of effects model, advertising is positively related to brand loyalty because it reinforces brand-related associations and attitudes toward the brand.

Promotions (e.g., short-term price reductions such as special sales, media-distributed coupons, package coupons, cents-off deals, rebates, and refunds), are believed to erode brand equity

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[8] Boonghee Yoo, Naveen Donthu and Sungho Lee, An Examination of Selected Marketing Mix Elements and Brand Equity, *Journal of the Academy of Marketing Science* 2000; 28; 195

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over time despite immediate short-term financial gain. **Sales promotion may not be a desirable way to build brand equity because it is easily copied and counteracted** (Aaker 1991) and only enhances short-term performance by encouraging sales and momentary brand switching (Gupta 1988). In the long run, sales promotion may convey a low-quality brand image. Furthermore, frequent price promotions may jeopardize brands in the long run because they cause consumer confusion based on unanticipated differences between expected and observed prices, which results in an image of unstable quality. Consumers cannot forecast correct point of- purchase prices, and forecasting errors due to the gap between expected and observed prices negatively affect brand choice decisions as well as perceived quality, which leads to a decrease in brand equity. Also, price promotion campaigns do not last long enough to establish long-term brand associations, which can be achieved by other efforts such as advertising and sales management. Relying on sales promotion and sacrificing advertising would reduce a brand association, which leads to decreasing brand equity**.**

Price promotions do not seem to be related to brand loyalty, although they are consistently found to enhance temporary brand switching (Gupta 1988). They often fail to establish a repeat purchase pattern after an initial trial.

This is because consumers are momentarily attracted to the brand by the transaction utility that the price promotions provide, and when deals end, they lose interest in the brand. Thus, change in brand loyalty after the end of deals may not occur unless the brand is perceived to be superior to and meet consumer needs better than its competing products. Similarly, on the basis of self-perception theory, Dodson, Tybout, and Sternthal (1978)[15] find that brand switching behavior ends when it is attributable to price promotions (i.e., an external cause) rather than when it is attributable to a liking for the purchased product (i.e., an internal cause). Thus, the behavior disappears when the external cause is removed, and the loyalty level does not change.

6. Case study – The Advertising strategy

Advertising is an inevitable part of marketing activities in each business operating on consumer (B2B) markets. Behavior of customers can be very strongly influenced by advertising and therefore companies should give an appropriate attention to this issue. „Advertising is the non-personal communication of information, usually paid for and usually persuasive in nature, about products (goods and services) or ideas by identified sponsors through various media (Arens, 1996)[16].“ „It is the beating heart of marketing for many organizations. Advertising is the engine that branding experts fire up whenever they want to shift awareness or attitudes (Shaw, Merrick, 2005, p. 67)[17]„

We can classify advertising forms into **six major categories: print, electronic, out-of home, direct mail, digital interactive and other** (Arens, 1996, p. 95). Advertising media include **newspaper, magazine, direct mail, radio, television, internet, inside transit, outside transit**, **outdoor** (Pride, Ferrel, 1999, p. 466). To avoid wasting the money on any activities and to know into which extend the goals (including communication goals) have been fulfilled companies should control and measure them. Control and measurement are very close interconnected. „Control is the process by which information or feedback is provided so as to keep all functions on track” (Soltani et al., 2007). Measurement is a procedure for assigning a number to an object or an event. Performance is a comparison between the outputs obtained and the set goals for outputs of a process. The most common criteria for measuring of the marketing performance are **increases in sales and market share** (Shaw, Merrick, 2005 p. 29). However we can evaluate advertising performance from two points of view: effectiveness and efficiency. Advertising effectiveness means how successful the

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advertising is in communicating the message – whether people saw it, whether they liked it etc. Necessary elements of advertising effectiveness measurement include: 1 measurement instruments, 2. benchmarks, 3. a control, 4. money and commitment, 5. a research plan, and 6. time (Bentley, 1996)[18]. Effectiveness is one of the key themes in advertising research. Advertising effectiveness can be defined as the extent to which advertising generates a certain desired communication effect (Buschken, 2007). Advertising can be evaluated before, during and after the campaign (Dibb, Simkin, Pride, Ferrel, 1997, p. 501)[19]. Evaluations performed before the campaign begins are called pre-tests. These include: concept testing, consumer juries, psychological measures, portfolio tests, readability tests, dummy advertising vehicles, theater tests and on air tests. Post-testing methods include inquiry tests, recognition tests, recall tests, day-after recall tests, test marketing, single source tracking studies and tracking print. Well known managerial expert Peter Drucker states, that effectiveness means „doing the things right“. **To measure the marketing performance we can use** also ROI (Return on Investment), ROMI (Return on Marketing Investment) or ROME (Return on Marketing Expenditure). **Specifically for advertising** we can use **ROAI (Return on Advertising Investment).** These measures refer to **efficiency**.

At the beginning of the 20th century an American businessman John Wanamaker claimed that "Half the money I spend on advertising is wasted; the trouble is, I don't know which half." These words represent a basic idea what efficiency in advertising means. Efficiency means „doing the right things". **Advertising efficiency means** the financial return on the advertising expenditure. The efficiency of advertising could be measured **dividing net profits** from the campaign by the amount of the **advertising costs** (Lawless, 2007)[20]. Measurement of advertising performance can be very useful for companies. They find out whether the **main objective of the campaign has been reached**, they find out the return on advertising investments and get data for preparing the future campaigns. According to Lawles (2007) apart from that enterprises can learn the following from the campaign assessment as well: effects on customer knowledge, effects on customer attitudes, effects on customer intentions, effects on customer behavior, effects on our brand image, financial benefits stemming from the campaign, information on the campaign itself (likeability, interestingness, popularity, etc.). It's not easy to measure for a start, but that does not mean companies should not try. Up to now, **nobody has ever invented a 100% secure advertising test,** as usually the some problems occur (see **Table 2).**

Table 2 – Problems with control and measuring of advertising performance and reasons of failing to do post- campaign testing

PROBLEMS with control and measurement of advertising performance	Abstract character of the results
	Long term effects of campaigns
	Combined influence of more effects at once
	Costs of testing
	Lack of information
	Realization problems
REASONS of failing to do post-campaign testing	Lack of time
	Lack of money
	Lack of information on advertising post-testing
	Lack of human resources

Source: Elaborated according to Lawles, 2007

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Advertising performance of the fast moving consumer goods companies in Slovakia

„Fast moving consumer goods (FMCG)" also known as consumer packaged goods, are products that have a quick turnover and relatively low cost. Though the absolute profit made on FMCG products is relatively small, they generally sell in large numbers and so the cumulative profit on such products can be large. Examples of FMCG generally include a wide range of frequently purchased consumer products such as *toiletries, soap, cosmetics, teeth cleaning products, shaving products and detergents, as well as other non-durables such as glassware, bulbs, batteries and paper products. FMCG also include pharmaceuticals, food products and drinks*"(Coulthart, 2006).

In our analysis we use a case study made in Slovakia in 2010. We used this case-study for some important reasons like:

- The Slovakian FMCG market is similar to the Romanian FMCG market
- The type of FMCG Companies present in Slovakia, are similar with "brand" names present into the Romanian Market in 2010
- The Supermarket Brands in Slovakia are likely to be found also on the Romanian market: Billa, Kaufland, Lidl, Carrefour
- Slovakia is an ex communist country, now member of the European Union

The case-study deals with the measurement of advertising activities in *Slovak fast moving consumer goods companies*. The work presents results of the primary field research concerning on these issues. **The main aim of the research** *was to find out if and to what extent fast moving consumer goods companies in Slovak Republic measure results of their advertising activities, to identify the methods they know and use and to reveal the problems that companies have with evaluation of advertising effectiveness and efficiency.* The research was quantitative in nature and a method of questioning with the e-mail form questionnaire has been selected.

The research **was quantitative** in nature. For collecting of primary data the authors used questionnaires. They distributed the questionnaires through e-mails to 390 FMCG enterprises in Slovakia. An e-mail questionnaire has been sent to the persons from marketing department as they are the best specialist from companies to answer the questions. They have chosen these companies so that we went to the supermarkets **Tesco, Billa, Kaufland, Lidl and Hypernova**.They were looking there among products for names of producers and suppliers of FMCG. They received back 32 completed questionnaires. The rate of returned completed questionnaires was only 8.2%. Some companies wrote them, that they do not fill in the questionnaire, because they assume such information as internal and too private. The authors considered that *the respond rate not to be sufficient to develop general statements about all FMCG enterprises in Slovakia, but we are sure that they can reflect certain reality.*

Conclusion of the study on the Slovakian FMCG market

48.8% of the companies *do not measure their campaigns* according to their effectiveness in comparison with 51.2% companies that conduct it. More than two thirds of companies (81.0%) assess advertising campaigns *after the campaign*. Before the campaigns only 6.3% of the companies evaluate and during the campaign 12.7% of them. This percentage is not satisfying since if they conduct the measurement before and during advertising campaigns they could reveal and avoid possible problems and mistakes before they happen.

They further examined the ways in which companies evaluate their advertising performance. They wanted to know which of them companies know and use in their practice. In this question there was not limited amount of possibilities, which companies could select.

The best known from the methods of measurement of advertising effectiveness are *consumer jurie*s (40.6% know it and 31.3% use it). The second best known method is *Tracking print/ broadcast ads,* which is known by 37.5% companies and it is used by 21.1% companies. The next well known (34.4%) and used methods (28.1% of respondents) are *Readability tests*. The Physiological measures are known by 34, 4% companies but nobody uses them. Other methods are not very known and used. They are known maximally by 28, 1% of respondents and used maximally by 15.6% of respondents. There are many methods not known and not used.

Regarding efficiency the most of the respondents (72.2%) **know the method of Return on advertising investment.** This method is used by 50% of the companies which carry out the evaluation of their advertising campaigns. The method Increase in profit is quite a lot well known and used too. 61% companies know it and 55.6% of respondents use this method of measurement of advertising efficiency.

All companies which carry out the evaluation of advertising performance execute the evaluation themselves. The reasons for it can be that small and medium sized enterprises do not have enough financial resources to pay outsourcing companies for such services or that they do not want to pay for such services to external companies.

Control and measurement of advertising is a very important activity to ensure that the money were spent but not wasted. **Advertising should be effective and efficient**. It does not mean that efficient advertising is automatically effective or vice versa. And therefore it is not enough to evaluate only effectiveness or only efficiency; both of them should be controlled and measured. From the research only **56.3% of fast moving consumer goods enterprises control and measure their advertising performance**. This share is as very small and it has been suggested changing the current state.

Some companies do not have enough financial resources for control and measurement of advertising or they do not want to spend money on this activity. The companies which do not want to spend money on such issues should change their opinions.

The study also suggested that 43.8% of companies in the research do not assessed their advertising because of lack of information.

The major conclusion of the Slovakian study was the fact that : **advertising spending is related to changes in market share, changes in product plans and changes in the number of competitors modified by the number of customers, their concentration and the size of the advertising budget. In other words: Advertising makes Sales go up.**

7. Conclusions

The main outcomes of this Research may be found in the presentation of the marketing paradigm of today Marketing Mix Strategy and the 4Ps.

From a management point of view the Four Ps may have been helpful at one time, at least for marketers of consumer packaged goods. The use of various means of competition became more organized. However, the Four Ps was never applicable to all markets and to all types of marketing situations.

Marketing mix management with its four Ps is reaching the end of the road as a universal marketing approach. Newest studies have shown the importance of the 7Ps analysis and of the *relationship marketing* at one of the pillars of a globalized market economy and the importance of brand awareness and analysis on the corporate market that impact strategies regarding FMCG industry.

Most certainly soon the *relationship marketing* will develop into such a new approach to managing marketing problems, to organizing the firm for marketing and to other areas as well.

The research results indicate that different marketing mix elements impact also the creation of brand equity with different levels of intensity, as well as that some elements of marketing mix can negatively affect the creation of brand equity.

The case-study made on Slovakian FMCG market found similarities with the Romanian FMCG market and also showed that for the FMCG companies the Advertising Strategy occupies a key position in order to reach brand effectiveness and awareness and increase general sales.

Also, related to the way of analyzing the Slovakian market Inquiry tests can be made which are really objective and not complicated method of measurement of advertising performance.

From methods of measurement of efficiency for companies is recommended the method Return on advertising investments which is not difficult and also not very time-consuming. With change of attitude of companies to control and measurement of advertising we can expect increase of economic development of the companies.

Also, this research paper can be useful background for a future market analysis on the Romanian FMCG industry, based on questionnaires, quantitative but also qualitative methods.

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