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The Impact of Growth Strategy On Marketing Concepts in Service Companies

Jackie Chong Cheong Sin, Radzali Hassan, Shafiz Shahrani

International Institute of Applied Science of Swiss School of Management, Switzerland

Abstract

Setting strategies for an organisation is full of complexities (which strategy or strategic process to use) and these complexities arise from the ambiguous and non-routine processes. This is so because strategy development is about the future and this future is unknown, as the paths companies follow are dynamic. Due to these complexities, managers tend to embark on knowledge gain through competencies in the management of companies. In order for future managers who have not had the organisational experience to understand how strategic management is in real company situations, a study on the types of market growth strategies and strategy development processes in service companies is done in this paper. How these strategies are implemented affects market share? This paper was done as a study in service companies. In this light, the study sets out to identify the market growth strategies implemented by these companies, their strategy development process, and how the strategies have affected their market share. As a basis for an empirical research process, a theoretical framework was compiled from existing literature on market growth strategies and strategy development processes, where the strategies were considered both at the business level and corporate level. The study showed that service companies implement acquisition, partnership/networks, and diversification at the corporate level and high pricing, differentiation at the business level as its market growth strategies. These companies develop these strategies through a planned process; meaning that strategies are intended and these strategies have a positive impact on the companies as their overall market situation has increased. This study offers some contributions for these companies on how some strategic adjustments can be made in order to improve the current market situation and some recommendations for its management in better decision making.

Keywords: Growth Strategies, Marketing Concept, Local Business, Service Companies, Customer Satisfaction.

1. Introduction

Marketing is the process of getting the right goods or services or ideas to the right people at the right place, time, and price, using the right promotion techniques, and utilising the appropriate people to provide the customer service associated with those goods, services, or ideas. This concept is referred to as the “right” principle and is the basis of all marketing strategies. We can say that marketing is finding out the needs and wants of potential buyers (whether organizations or consumers) and then providing goods and services that meet or exceed the expectations of those buyers. Marketing is about creating exchanges. An exchange takes place when two parties give something of value to each other to satisfy their respective needs or wants. In a typical exchange, a consumer trades money for a good or service. In some exchanges, nonmonetary things are exchanged, such as when a person who volunteers for the company charity receives a T-shirt in exchange for time spent [1]. One common misconception is that some people see no difference between marketing and sales. They are two different things that are both parts of a company's strategy. Sales incorporate actually selling the company's products or service to its customers, while marketing is the process of communicating the value of a product or service to customers so that the product or service sells. To encourage exchanges, marketers follow the "right" principle. If a local Avon representative doesn't have the right lipstick for a potential customer when the customer wants it, at the right price, the potential customer will not exchange money for a new lipstick from Avon. Think about the last exchange (purchase) you made [2]: What if the price had been 30 percent higher? What if the store or other source had been less accessible? Would you have bought anything? The "right" principle tells us that marketers control many factors that determine marketing success. Most successful organizations have adopted the marketing concept. The marketing concept is based on the "right" principle. The marketing concept is the use of marketing data to focus on the needs and wants of customers in order to develop marketing strategies that not only satisfy the needs of the customers but also accomplish the goals of the organization. An organization uses the marketing concept when it identifies the buyer's needs and then produces the goods, services, or ideas that will satisfy them (using the "right" principle) [3]. The marketing concept is oriented toward pleasing customers (be those customers' organizations or consumers) by offering value. Specifically, the marketing concept involves the following: Focusing on the needs and wants of the customers so the organization can distinguish its product(s) from competitors' offerings. Products can be goods, services, or ideas. Integrating all of the organization's activities, including production and promotion, to satisfy these wants and needs achieving long-term objectives for the organization by satisfying customer wants and needs legally and responsibly [4]. One important key to understanding the marketing concept is to know that using the marketing concept means the product is created after market research is used to identify the needs and wants of the customers. Products are not just created by production departments and then marketing departments are expected to identify ways to sell them based on the research. An organization that truly utilizes the marketing concept uses the data about potential customers from the very inception of the product to create the best good, service, or idea possible, as well as other marketing strategies to support it.

2. SERVICE COMPANIES

A service company is a business that generates income by providing services instead of selling physical products. A good example of a service company is a public accounting firm. They earn revenues by preparing income tax returns, performing audit and asset services, and even doing bookkeeping work, see figure 1 for more service companies' examples [5].

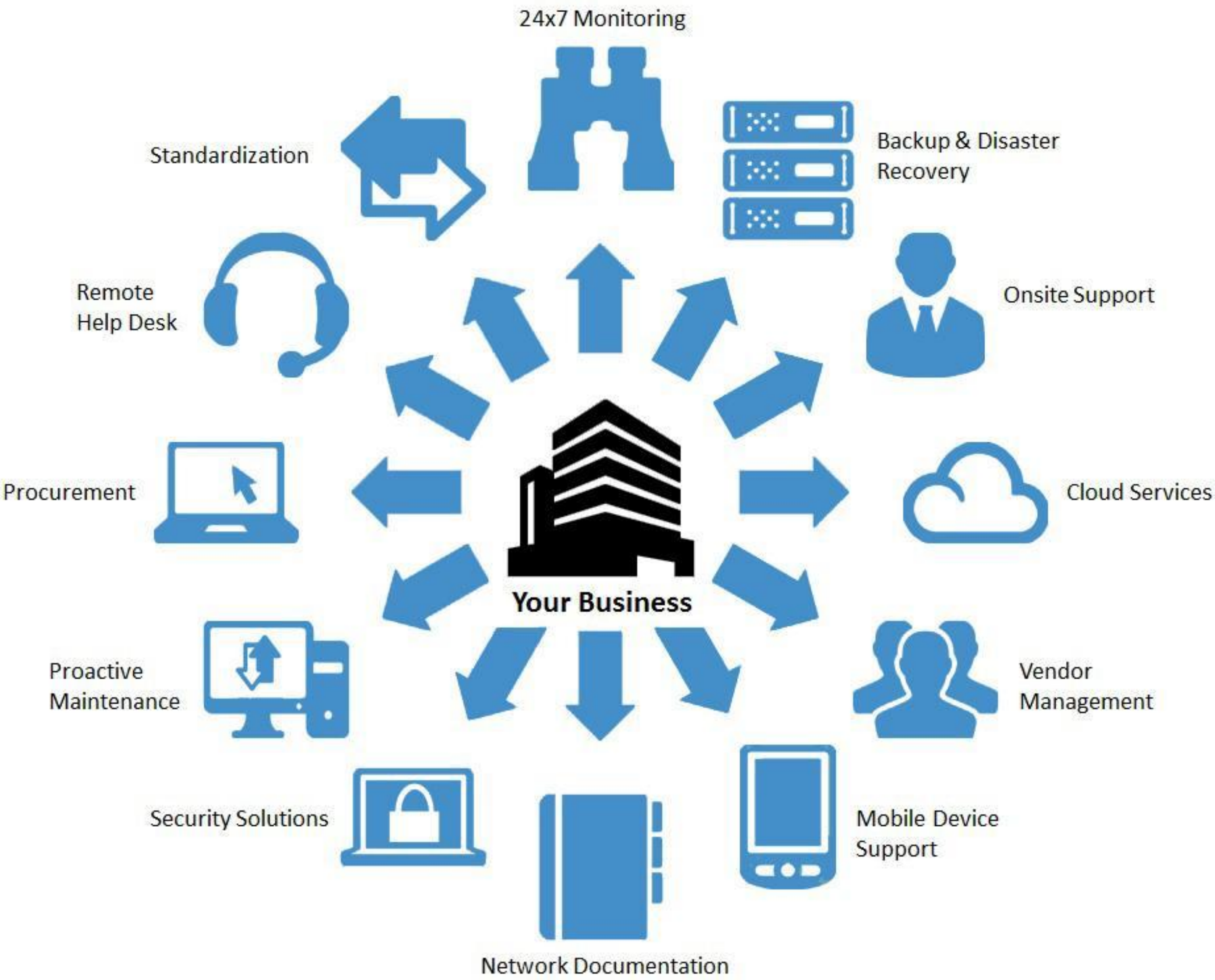

Figure 1: Service Companies' Examples

Accounting firms don't sell physical products like retailers and merchandisers. Instead, they sell their services to clients and traditionally charge by the hour. This is true with almost all professional firms. Lawyers typically have set hourly rates and charge clients based on how long it takes to perform the services [6]. In essence, these firms are really selling their time.There are many other businesses other than professional firms that are in the service industry. Take a lawn care and landscaping business for example. You pay them to come to your house and perform services. You don't get a physical product from a lawn care business.Since service companies don't actually sell products, they don't typically carry inventory on their balance sheets because they don't own any. Accounting for service companies is simpler than retailers because no inventory needs to be tracked and no cost of goods sold needs to be calculated [7]. Instead, posting a journal entry to record service revenue simply focuses on the cash received and the revenue earned. When an attorney bills a client for his or her services he records the sale with a debit to accounts receivable and a

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credit to service income [8]. Once the client pays his bill, the attorney debits cash and credits the accounts receivable account.

3. GROWTH STRATEGY

A growth strategy is a plan of action to increase a business's market share. If your company is looking to expand, a market growth strategy will enable you to chart your path to expansion, taking into account your industry, your target market, and your finances [9]. The Ansoff Matrix summarizes four high-level business growth strategies employed by companies, see figure 2 [10].

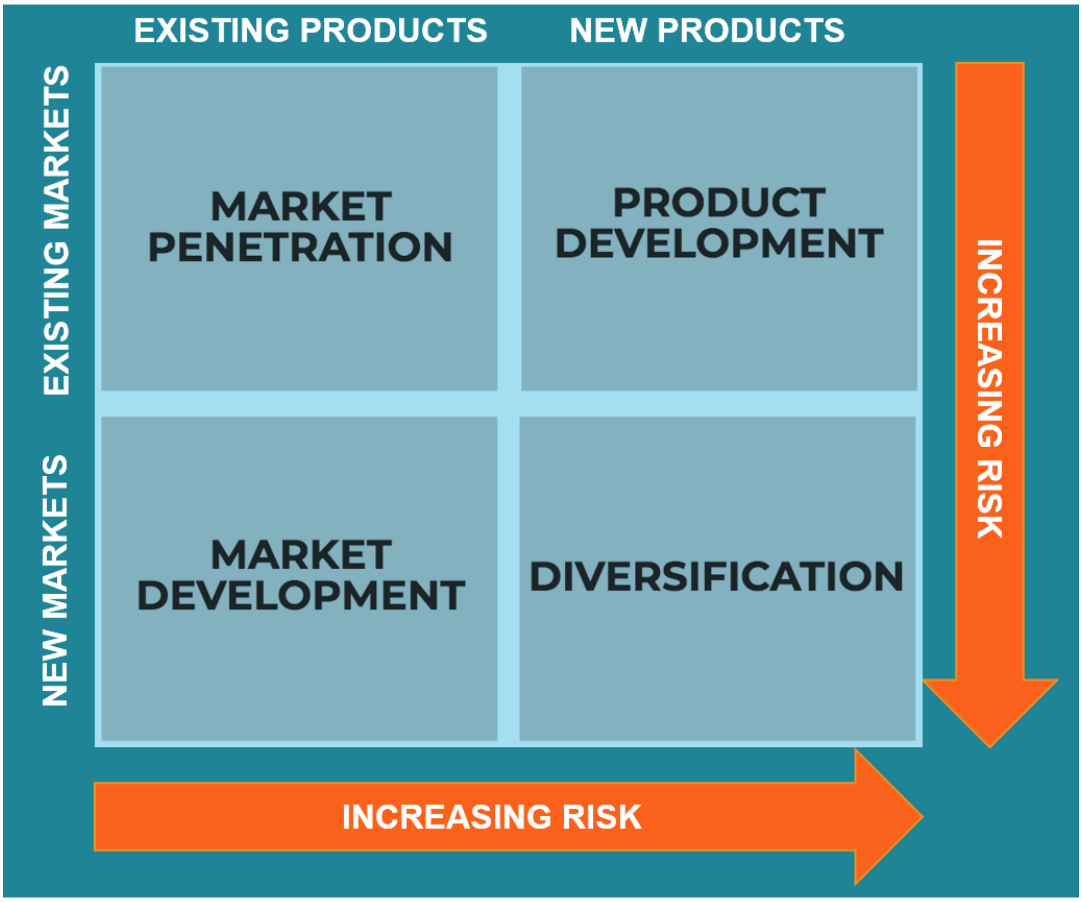

Figure 2: Ansoff Matrix

i. Market Penetration: In the Ansoff Matrix, a market penetration strategy involves increasing market share in an existing market. Common methods include lowering prices or using techniques like direct marketing to create customer awareness of your offerings.
ii. Market Development: The market development strategy is about entering a new market with existing products. A new market can refer to a different geography (for example, international expansion), a new segment of customers, or a new channel to

reach customers, such as adding an online store to complement your brick-and-mortar location.

iii. Product Development: The product development strategy involves creating new products for existing markets. This can be as simple as an ice cream shop offering a new flavour, or as complex as introducing an entirely different product line, like if the ice cream shop began selling sandwiches.

iv. Diversification: The diversification growth strategy holds the greatest risk of failure. Creating new products for new markets means the business is a trailblazer. As a result, it’s challenging to know how to succeed, although the rewards are higher if you do (see: Apple convincing us that we needed a tablet, an entirely new product category, to complement our laptops and smartphones).

Whichever growth strategy you employ; you'll likely utilise some business development principles since the goal is to develop the entire organisation.

4. MARKETING CONCEPTS

The modern touch of technological advancement, innovative thinking and attitude, and the endless desire for having lucrative products or services have radically changed the entire traditional concept of marketing. Now, marketing does not confine within the efforts of merely buying and selling; it is something more than that. Today’s marketing doesn’t have to be black magic; we don’t have to guess because of the democratisation of complex analysis and machine learning. With the magical touch of modern technology, we’re able to quickly learn what works and what doesn’t work whether we’re online, offline, or on the go. The concept of modern marketing is comprehensive and user-centric; it means discovering potential customers and creating goods or services in such a way to fulfil the needs and wants of the customers rather than simply providing them with what the seller has made. So, it is a must for the seller to read, scan or understand the consumer’s physiological facts [11]. There is a far difference between the modern and traditional concepts of marketing where an ad is created and then that is that; it is about customer experience at every touchpoint, building relationships with customers offering and providing various free and value-added services, familiarizing continuously the new digital landscapes and marketing across the multiple channels to reach different consumers. Traditional methods of marketing are still a matter of pain in Bangladesh. There are a large number of big and small business firms in Bangladesh but very few can read the consumers’ psychology from the bottom line of the inner eyes and thus, creating an unparalleled relationship between the market and the marketer. But the question is why should we adopt modern marketing concepts while traditional marketing is easy and painless to apply without any research [12]. This is because of creating employment opportunities, putting emphasis on marketing research, encouraging healthy business competition, better production quality, fulfilling consumers’ needs and wants, social media welfare, achieving enterprise objectives, and so on. Traditional forms of marketing include placing advertisements in newspapers and magazines, radio commercials, telephone sales, direct mail, and door-to-door sales also fit into this category. Although these marketing methods have been successful in the past in Bangladesh, they all have some disadvantages especially with the rapid growth of Internet usage. In Bangladesh, traditional marketing uses static text or advertising commercials to promote a product. If an ad is placed in the newspaper, it can't change until we place another ad. But, on the Internet, we can instantly update our page to let people know our products are sold out. Newspaper advertisements cost enough and we have to pay whenever we run a new campaign. Adding new products or sales pages to our website doesn't create any additional costs as we already have a person on our team who can update our product information and our ad is accessible to the entire World Wide Web [13]. In fact, it is difficult to target a specific group of customers with the traditional concept of marketing; it can only be done through specific market segmentation but not an individual and this is possible only by applying the modern concept of marketing, see Figure 1 [14].

Figure 1: Marketing Concepts

For example, an ad may target young women in our urban society. The ad may show young people interacting and present interesting copies about a new style of purse. Here, new marketing techniques can track what a viewer has looked at and suggest similar products. Marketing philosophy must be incorporated into modern marketing strategies. Building a modern marketing plan requires several components: Tech Stack, Skills, Team, Measurement and On-going education. This guide will touch on each of those. But first, we need to address something else [15]. There are six modern marketing concepts such as production concept, product concept, selling concept, marketing concept, consumer concept, and societal marketing concept that can help marketing managers be successful to achieve their business goals [16]. Production concept puts emphasis on production and assumes that consumers will always respond to products that are made available to them because of the manufacturing dominance and insignificant competition. This concept always ignores consumer interests. But, the product concept not only puts emphasis on the quantity of production but also the quality of the product as it assumes that customers will respond to products of the best quality at the most reasonable price and hence, the major task of the management is to improve the quality of the product to attract and hold customers. Due to the technological development, the competition has grown and the market has become more complex and here, the selling concept suggests that consumers will not purchase enough of the product unless the interest is gained through major selling and promotional activities. It ignores consumer interests and the company may face difficulties in the long run [17]. The modern approach of marketing is referred to as the marketing concept. The essence of the marketing concept is to fulfil the customer's demand and so, it is very important for the manufacturer to produce the product according to the consumers' needs and wants so that consumers get satisfaction and manufacturers earn profit as well. Nowadays, the consumer concept is also important for marketers and here, the companies are using the consumer concept to give attention to the individual consumer and it can be done through one-to-one marketing. The societal concept gives importance to consumer satisfaction, social welfare, and a company's profit [18]. This concept is social-oriented and so, the company must satisfy the society by performing all its social obligations like pollution control, environment protection, not harming the ecology balance, doing social welfare activities, etc. The world is changing each and every day. Due to the triumph of globalization and the technological innovation of internet usages, the life and living styles of modern people and fashion trends and desires are also changing. Therefore, to sustain in the competitive world as a marketer, there is no alternative way of adopting and materialising the modern concept of marketing.

4. SUCCESSFUL GROWTH STRATEGIES WITH MARKETING

i. Facebook

Facebook is ubiquitous today, but when it launched in 2004, it was one of several social media networks. MySpace was the dominant social media site at the time. So how did Facebook take over? The company used a market penetration growth strategy. It started by focusing on a narrow target customer base, then expanded gradually. Here's how Facebook did it [19].

- Start small: Facebook began in the Harvard dorm room of Mark Zuckerberg. Consequently, the initial customer base was Harvard students.
- Expand gradually: Once Facebook gained traction at Harvard, it gradually expanded to other colleges. This allowed the company to grow using the same success model employed at Harvard.
- Increase growth when you're ready: After Facebook spread to colleges, it opened up to non-students. Its measured expansion allowed Facebook to focus on adjusting the product to the needs of each new customer segment. As a result, it avoided the growth challenges that led to MySpace's decline.

ii. Amazon

Amazon's retail dominance began in 1995. Back then, consumers were not used to buying online. Despite that, Amazon grew to billions of dollars in annual sales. What enabled Amazon's growth? The answer is a diversification growth strategy. Amazon was among the earliest online retailers, offering the ability to buy online (a new concept at the time) in a new market: the internet. Here's the growth strategy approach Amazon took [20].

- Offer an improved customer experience: It started by providing customers a larger selection of books than was available in brick-and-mortar bookstores. Being online, Amazon did not have the limits of shelf space. Also, customers could check the site and know right away if a book was in stock. This convenience allowed Amazon to succeed over larger brick-and-mortar booksellers.
- Rinse and repeat: Amazon then used its proven model in books to expand into adjacent markets, such as DVD and electronics sales. It continued to grow its offerings, and now it has spread into groceries and even healthcare.

iii. Dollar Shave Club

When Dollar Shave Club launched its razor business in 2012, Gillette had a commanding share of about 70% of the U.S. market according to Entrepreneur magazine. In 2019, Gillette's market share had eroded to about 53% according to a CNBC report. Meanwhile, Dollar Shave Club's growth prompted Unilever to buy it for $1 billion. How did Dollar Shave Club defy a much larger competitor? It employed a market development growth strategy. The key to Dollar Shave Club's success is that it could offer a lower-priced alternative to the leader by selling direct to the consumer, which represented a new market for razors at the time [21].

- Identify a new market: Gilette sold its products to retail outlets. Dollar Shave Club used the internet to employ a direct-to-consumer model that allowed it to sell razors for as little as a dollar.
- Offer an improved customer experience: Dollar Shave Club worked with manufacturers in Asia to produce razors, eliminating any markup from a middle man. These cost savings could be passed on to consumers who flocked to its low-cost offering.

iv. Google

Google is renowned for its namesake search engine, but what fueled its growth into the company now called Alphabet is its outsized revenue. How did Google do it? It used a product development growth strategy. Google started as a business-to-consumer (B2C) company offering a search engine. But it needed a source of revenue. To achieve that revenue, it developed a new product, AdWords, targeted to businesses that had to pay to advertise [22].

- Tailor the product for the customer: Going from a B2C to a business-to-business (B2B) product required a new set of capabilities designed for its B2B audience.

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- The new product should complement existing products: Google made sure its new AdWords product fit seamlessly into the experience of its B2C product. It had to safeguard the speed of its search engine, so it offered text ads, which loaded quickly, and looked like the other search engine results. This guaranteed the consumer experience was not degraded by advertising, ensuring that consumers would continue using the search engine.

5. GROWTH STRATEGIES IN SERVICE COMPANIES

Developing a growth strategy is important, but even more so is executing on that strategy. Use the actionable steps and measure results against the forecasting model to ensure you're headed in the right direction. If not, don't hesitate to adjust. With a well-developed growth strategy in hand, you can increase your chances of successfully expanding your business [23]. Where should you start with your own growth strategy?

i. Define your goals

Most business leaders think of revenue growth. But how can you increase revenue? By acquiring additional customers? Offering new products? Charging more for existing products? Think about the goals that make sense for your business and what stage of the business life cycle the company in. If you're a new company, customer acquisition may be the key goal of your growth strategy. If you want to expand into the B2B space, you'll have to consider factors like what it takes to perform B2B sales and to market directly to businesses. When defining your goals, be sure they're measurable. To know if your plan is on track, you need a quantifiable target. For example, you may set a goal of a thousand new customers by the end of the next quarter [24].

ii. Keep timelines short

When setting your goal, it should be achievable within the next quarter or month. Why so short? Shorter timelines allow you to go through the planning process quickly. Since you're working on near-term, achievable goals, you don't have to waste time trying to figure out where you'll be a year from now, and you can continually refine your plan for successive timeframes [25].

iii. Perform market research

You need to perform research to validate the approach you're considering for your growth strategy. Otherwise, you're flying blind. Where is the industry going? What's the competitive landscape? What are customers doing today [26]? By gaining insights through research, you'll be able to better assess risks and collect data that can be used to inform the next step [27].

iv. Create a forecasting model

A model forecasts the trajectory company trying to achieve through your growth strategy. This may seem like unnecessary work (I disliked doing this for the products I built), but it serves two important purposes [28].

- First, it measures progress towards company goals. Is the company hitting the growth numbers you're targeting? The model can show this.
- Second, the model serves as a communication tool to get buy-in on the plan. For example, if you rely on a sales team to acquire customers, getting them to agree to the goals in your growth strategy model is key to increasing the chance of success. And, the feedback you'll receive is invaluable to ensuring the model's accuracy.

v. Identify actionable steps

Next, the company needs to transition from high-level goals to actionable steps. This means identifying the tactics to achieve your objectives [29]. For instance, you may need a go-to-market strategy, especially when launching a new product. If customer growth is a key objective, CRM software can help you manage your customer relationships [30]. Once the company has outlined the nuts and bolts of the company growth strategy, the company should have concrete next steps in place to begin executing it.

6. CONCLUSION

Marketing includes those business activities that are designed to satisfy consumer needs and wants through the exchange process. Marketing managers use the "right" principle of getting the right goods or services to the right people at the right place, time, and price, using the right promotional techniques. Today, many firms have adopted the marketing concept to enhance their growth strategies. The marketing concept involves identifying consumer needs and wants and then producing products (which can be goods, services, or ideas) that will satisfy them while making a profit. Relationship marketing entails forging long-term relationships with customers, which can lead to repeat sales, reduced costs, and stable relationships.

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