



THE STRATEGIC PLANNING GROUP

Strategic Advisors to Executives Since 1992

How And Why Marketing Leads Business Success: From Human Values to Business Profits

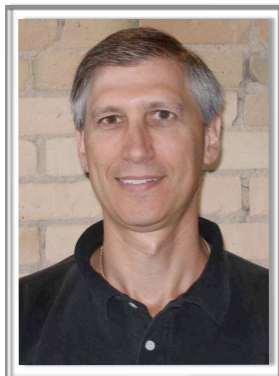
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Peter Drucker wrote that *the purpose of a business is to create and keep customers and earn a profit*, profit being the measurement of business success. While most people take this as being obvious, it is actually the conclusion of an argument based on some simple premises. I don't recall that Drucker laid out the argument, but it goes like this.

1. People Pursue Values. People have and hold values, which are the things they need, want, or desire. Values are more than mere wishes. For something to be a value, it must be desired and pursued. Value pursuit requires human action to remove a less desirable state and replace it with a more desirable state. People pursue values and act to remove a state of uneasiness to be replaced by a more desirable state.

2. People Are Consumers. When people pursue their values through trade, they are consumers.



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As consumers, people make choices and vote with their dollars. This idea of dollar voting or of consumers making choices in the marketplace among competing options is known as consumer sovereignty.

3. Entrepreneurs Seek To Satisfy Consumers. Entrepreneurs are people who take risks by seeking investment capital to acquire, organize and guide the means of production to meet the desires of consumers.

Investors expect to receive payment for the risk they take, which is created and measured in monetary profits.

4. Businesses Are Created To Win Customers And Earn A Profit. A business is a formal organization established to fulfill consumer needs and wants (values). A business succeeds to the extent that it can convince consumers that it can maximize their pursuit of value relative to

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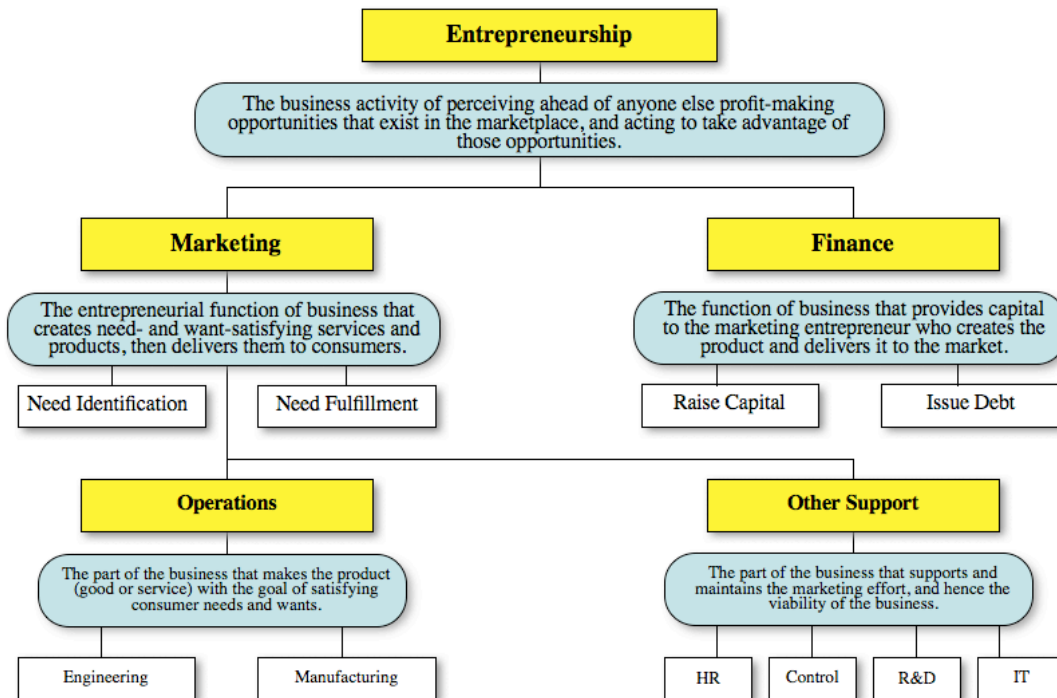
other options available, and deliver that value at the lowest possible cost. Value must be created for consumers and investors, as well as all other parties participating in the business endeavour, including employees and suppliers. A business succeeds when revenues balance with costs, including the cost of capital. The success of a business is a combination of its ability to maximize its delivery of perceived value as measured by the prices customers are willing to pay (total revenues) and minimize its costs to create that value (total expenses). The difference between revenues and expenses is profit. The greater the profit earned as a percentage of the money invested in the business (return on investment), the greater the value the business provides to its customers and its investors.

The challenge for business managers is to balance the delivery of value with the reduction in costs in a way that maximizes profits in a marketplace of ever-changing values and costs. This is the role of Marketing.

Marketing is the entrepreneurial function of business that creates need- and want-satisfying services and products, then delivers them to consumers. Marketing is the function of the business that identifies and satisfies consumer needs and wants and creates customers. It is the engine of value creation for both the consumer and the company. All other organizational functions (with the exception of finance) provide support to Marketing in the sense that they support the effort to create and keep customers and earn profits.

A CUSTOMER-FOCUSED APPROACH TO BUSINESS STRUCTURE

A Conceptual Illustration



Adapted from J. Kirkpatrick, in When Park & D.C. Smith (eds.), *Marketing Theory and Application*, Vol. 5 (Chicago, AMA, 1994), P.p., 118-125



About
Barry L. Linetsky

Barry has been a partner with The Strategic Planning Group (www.tspg-consulting.com) since 1994. He works with senior executives and their management teams to develop business strategies and strategic solutions for their unique business problems. He is an advocate of the need for a market focus to drive customer, employee, and shareholder value. Barry holds an M.B.A. from the Rotman School of Management, University of Toronto, and a M.A. in Philosophy and B.A. in Sociology from York University in Toronto. He is an Associate Member of the Global Organization Design Society. His article “Think Like An Iconoclast: The Principles of Walt Disney’s Success” was published in Rotman Magazine (Spring ’09) and “The Project Management Paradox” appeared in the Ivey Business Journal (March/April 2008). To read these and other essays on general business topics by Barry, go to <http://www.tspg-consulting.com/essays.htm>.

About
The Strategic Planning Group

The Strategic Planning Group (T.S.P.G.) is a full service consulting firm that can provide organizations with a wide range of advice, business tools and solutions. At T.S.P.G. our focus is on helping our clients solve their complex issues to realize their ultimate business potential, whether we are helping to set the overall strategy for the organization or assisting in a particular functional area. Our practical-results-oriented approach to solving business problems, combined with our personal commitment and dedication to providing great value for our clients, makes us the consultants of choice to blue-chip executives across North America.

We aspire to be more than just consultants. For us to be successful in helping you we need to understand how you operate and what challenges you are currently facing. We want to help you achieve your goals and your ultimate business potential. To accomplish this we must be trusted and objective advisors by contributing our knowledge, experience and thinking in ways that have a positive impact. We want to be *your* consultants of choice – as we are for other senior executives – for all of your strategic business needs.

How to Reach Us

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