ABSTRACT

The Extended MM has evolved to become one of the fundamental concepts underpinning marketing theory and strategy development. The ability to conceptualise and integrate the ‘8Ps of marketing’ into a coherent Extended Marketing Mix (MM) strategy demands the firm to answer a number of important questions regarding their target consumers and how the firm is placed to systematically satisfy their needs and wants over time. Whilst the majority of the literature exploring the role of the Extended MM has focused on optimising customer value propositions, there remains evidence of systematic Thana-marketing strategies in the commercial world; strategies that have the specific intent of covertly diminishing target customer value in favour of maximising a firm’s return on investment. This paper seeks to explore the Thana-Marketing Mix, which is defined here as the systematic, covert, and (initially) profitable maltreatment of target customers through the use of misleading and deceptive marketing practises. This paper proposes an alternative Thana-marketing mix to explain how firms can potentially ‘lose their focus’ on maximising customer value propositions, and/or to help firms and private citizens recognise the danger signs associated with its systematic implementation.

Keywords: Marketing Mix, Marketing Strategy, De-marketing, Thana-marketing,

1. INTRODUCTION

Since its original conceptualisation in the 1960s, empirical research has affirmed the importance of marketing strategy as a basis for firm differentiation, effective allocation of firm resources, and the optimisation of return on investment (Hamel and Prahalad, 1994; London, 2002). Marketing strategy development relies heavily on three key abilities in order for it to be effective. The first is management’s ability to fully comprehend the industry (or industries) within which their firm operates. The second relates to management’s ability to accurately define their core business, and the core businesses of their competitors, so that a meaningful basis for differentiation can be conceptualised. The third relates to the ability for managers to create effective marketing strategies that maintain their firm’s relevance to the changes in the marketing environment as they occur over time (Cullwick, 1975; Koksal and Oguz, 2007; Stapleton, Hannah and Markussen, 2003). The predominant framework for the development of marketing strategies is known as the “marketing mix” (MM), which focuses management’s attention on the set of interrelated factors that define the complex relationship their firm shares with both its customers and competitors (Constantinides, 2006). The factors are often referred to as ‘the 4, 7 or 8Ps of marketing’; but regardless of the number, the ‘Ps’ collectively serve as the basis for allocating scarce firm resource towards the ends of maximising target customer satisfaction and return on investment (Constantinides, 2006; Rafiq and Ahmed, 1995; Simkin, 2000).

As part of the marketing strategy process, firms may actually consider some customer segments to be unprofitable (or worthless), and that efforts to discourage such custom would benefit the firm both financially and reputationally (Lee, Cutler and Burns, 2007; Wall, 2007). Such marketing efforts are known as ‘de-marketing strategies’, and serve to maximise the firm’s return on investment by allocating resources away from those that attract undesirable customer segments (Curtin and Taylor, 1995; Wall, 2005). A somewhat neglected set of marketing strategies exists, however, and concerns the covert maltreatment of target customer groups for the purposes of maximising a firm’s return on investment. This paper will explore an alternative marketing mix that appears evident in firms that have been convicted for systematically and covertly maltreating their desired and profitable target customers for the aim of minimising customer satisfaction whilst maximising the return on their investment for doing so.

2. LITERATURE REVIEW

The marketing mix has evolved to become one of the fundamental concepts underpinning marketing theory and strategy development (Bennett, 1997; Constantinides, 2006; Rafiq and Ahmed, 1995;
Simkin, 2000). Its origin can arguably be traced back as far as the late 1940s, with Culliton’s (1948) description of a business executive’s role as a ‘mixer of ingredients’. It wasn’t until McCarthy’s (1964) work, however, that the marketing mix concept was formally defined as the strategic ‘combination of all of the factors at a marketing manager’s command to satisfy the [needs of the] target market’ (1964: 35). In its original formulation, McCarthy’s (1964) Marketing Mix (MM) comprised four ‘Ps’ – Product, Price, Place and Promotion – and provided a framework upon which a firm could present an internally consistent and integrated strategy for the provision of valuable products to the market. After much literary debate about the limitations of the MM in the delivery of services (see for example Lovelock, 1979; Mindack and Fine, 1981; Nickels and Jolson, 1976; Shostack, 1977) an additional three ‘Ps’ were added. The Booms and Bitner (1981) Extended MM model, as it became known, included recognition of the importance of Process, People and Physical evidence in the provision of valuable products and services to the market. More recently Zeithaml, Bitner and Gremler (2006) highlighted an eighth dimension of the Extended MM focused on the delivery of requisite Productivity and Quality throughout the entire marketing process. Whilst the scope of this paper does not allow for a specific discussion of the machinations, interrelationships and theory underpinning the Extended MM concept, Table 1 below provides a brief summary of the 8Ps currently espoused in the marketing strategy literature.

### TABLE 1: A SUMMARY OF THE EXTENDED MARKETING MIX

<table>
<thead>
<tr>
<th>Extended Marketing Mix Element</th>
<th>Marketing Function</th>
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<tbody>
<tr>
<td>Product</td>
<td>The presentation of an item that seeks to satisfy a target consumer's 'core need' or 'want' in a manner that enables them to purchase it.</td>
</tr>
<tr>
<td>Place</td>
<td>To ensure that the firm’s range of products are located in the relevant retail/wholesale outlets as expected by the firm’s target customers. Also, it ensures that the firm’s distribution channels and intermediaries are capable of representing and selling the firm’s products effectively and efficiently.</td>
</tr>
<tr>
<td>Promotion</td>
<td>To effectively communicate the core benefits and differentiated features of the firm’s product and services such that the firm’s target customers are aware of their existence, features, and location(s) for purchase.</td>
</tr>
<tr>
<td>Price</td>
<td>To recoup the total cost of production plus some predetermined level of profit. Price may also be used to position a product within a given market space.</td>
</tr>
<tr>
<td>People</td>
<td>To provide a human interface, where necessary, between the consumer and the products and services offered by the firm.</td>
</tr>
<tr>
<td>Physical Evidence</td>
<td>Strictly speaking there are no physical attributes to services. Firms, therefore, tend to rely on providing material cues such as packaging, websites, paperwork, brochures, furnishings, signage, uniforms, business cards, warranties etc. to indicate the nature of their offerings.</td>
</tr>
<tr>
<td>Process</td>
<td>To provide a structured system through which the firm and customer are able to interact and perform their roles effectively in a market transaction.</td>
</tr>
<tr>
<td>Productivity and Quality</td>
<td>To ensure that the requisite level of service is provided to the consumer with strict regard for their customers’ expectations before, during, and after the purchase event.</td>
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Being able to conceptualise and integrate the 8Ps into a coherent Extended MM strategy demands the firm to answer a number of important questions regarding their target consumers, and perhaps more importantly, about how the firm is placed to systematically satisfy their needs and wants over time (Constantinides, 2006; Simkin, 2000). In particular, Bennett (1997) suggests that the effective construction of an Extended MM requires the firm to answer the following important questions about the relationship it has with its current and potential customers:

- What are the core benefits our target customers seek in their transaction with our firm?
- Does our firm’s product/service offering provide a real and lasting solution to the customer’s needs?
To what extent does the customer have to compromise their needs and wants in their purchase of our product/service offering?

To what extent does transacting with our firm result in hidden, latent and lasting effects on the customer?

What are the potential sources of failure and/or dissatisfaction in our transactions with customers? and

What would be the customer's disposition to undertake similar purchases with our firm in the future?

Being able to research and answer to these questions accurately is the cornerstone of an effective marketing strategy. When a firm is able to effectively formulate a marketing strategy using the Extended MM, it becomes well placed to construct a viable ‘product/service value proposition’ for the consumer market and, more generally, position itself as a ‘vendor of choice’ (Bennett, 1997; Hakansson and Waluszewski, 2005). Understanding the answers to these questions also enables the firm to identify non-target customer groups, and recently there has been a recognition that firms may need to minimise their exposure to unprofitable or worthless customer groups in order to maximise their return on investment (Gordon, 2006). The practice of deliberately de-emphasising a customer segment is known as “de-marketing”, and represents any process by which a firm discourages particular customer groups from consuming specific products or services (Gordon, 2006; Wall, 2005). An example of de-marketing would be major Western banks’ efforts to minimise the number of costly face-to-face transactions they process by ‘under servicing’ this customer segment and by emphasising the relative ease and convenience of online banking or ATM services.

2.1 Beyond De-marketing: Exploring the Thana-marketing strategy

De-marketing strategies are usually formulated to maximise the value proposition a firm is able to present to their desired (i.e. most profitable) target customer segments (Gordon, 2006; Wall, 2005). By eliminating unprofitable segments, or removing its offerings from certain market positions, firms are able to focus their allocation of resources more effectively, and to establish a well defined and more easily defensible market position. Whilst the marketing strategy literature has largely focused on the positive aspects of marketing and de-marketing strategy, there appears to be a neglected area of marketing strategy that deals with the maltreatment of profitable customer segments (or ‘desired target customers) for the same end of maximising return on investment. Evidence of research into customer dissatisfaction abound in the literature, but have tended to focus on minimising or recovering from such occurrences (for example, Service Recovery Models, SERVQUAL, GAP Model etc.)(Hedrick, Beverland and Minahan, 2005; Wang and Huff, 2007). However, there is ample evidence in the court system of firms attempting to covertly and deliberately diminish their customer value propositions, not for the purposes of de-marketing as discussed above, but rather to maximise their return on investment by reneging on their commitments to the customer. This covert and deliberate marketing strategy (hereafter referred to as Thana-marketing strategy) is largely intuitive in nature (i.e. many people readily espouse their belief that business and marketing is inherently unethical) and warrants further investigation. This paper, therefore, seeks to explore the Thana-Marketing Mix, which is defined here as the systematic, covert, and (initially) profitable maltreatment of target customers through the use of misleading and deceptive marketing practises. For the purposes of this paper, it does not include ad hoc or overt instances of customer abuse, which may arise from idiosyncratic situations and/or interpersonal clashes independent of the firm's control.

3. METHOD

In order to explore the tenets of the Thana-Marketing Mix, this study undertook a content analysis of successfully prosecuted ‘unconscionable conduct’ cases in the Australian Federal and High Courts. The Australian Competition and Consumer Commission (ACCC) is the federal body charged with protecting consumers from misleading and deceptive conduct, and the transcripts from their successful prosecutions provide a rich evidentiary basis for exploring the bases for exploring Thana-Marketing. The ACCC’s official website, along with that of the Australian Federal and High Courts, provided access to the transcripts and summaries of all the ACCC’s successfully prosecuted cases since 1996. Each of the cases listed on these websites were scrutinised for evidence that the case dealt with systematic and unconscionable conduct by a firm. As such, each of the cases in this study were selected on the basis that the prosecution proved beyond reasonable doubt that the directors of each firm were personally engaged in the development and implementation of the unconscionable
conduct for which the firm was indicted. The cases that fit with this requirement, and were deemed to have transcripts and/or summaries with sufficient levels of detail to infer intent, were then downloaded and converted to Microsoft Word files. In total, 25 cases were deemed to comprise sufficient detail to be included in this research.

After their conversion to a Microsoft Word document format, the contents of each case was scrutinised, and coded to account for the type of unconscionable conduct central to the indictment. The initial round of coding served to provide a basic definition of the type of unlawful conduct for which the firm was brought to account (e.g. misleading representations, false utterance etc.). Similarly, the obiter dictum (i.e. the presiding judge's commentary on the case, and explanation of the penalty handed down) was also scrutinised for any presiding commentary on the morality of the firm's conduct. The contents of the first round codes were then further scrutinised to explore the systematic manner in which the unconscionable conduct underpinning the indictments were integrated into the firms' marketing strategy. The identification of similarities in the systematic implementation of the unconscionable conduct, and the therefore, formed the basis upon the proposed Thana-Marketing Mix is based. It is important to note that this research method did not concern itself with analysing the specifics or mere definition of the firms' illegal conduct and subsequent conviction, but rather focused on the way in which each firm sought to covertly systematise their unconscionable conduct into a deliberate 'marketing mix'. The text searching functions, interpretations of data, coding, and the verification of conclusions were facilitated by the use of the QSR NVIVO (version 7) software package in this study. In the method literature, it has been emphasised that computer software programs such as NVIVO are of significant value in qualitative analysis and any subsequent pattern matching and theory building (Kelle, 1995; Weitzman and Miles, 1995).

4. RESULTS

The first round coding yielded five categories of covert and systematic unconscionable conduct for which the firms involved were indicted. These categories were each designated the following nodes: (1) Misleading representations; (2) Misleading pricing; (3) Price-fixing; (4) Anti-competitive practices; and (5) Harassment. In terms of 'Misleading representations', firms were consistently guilty of either deemphasising the fine print terms and conditions inherent to the sale contract, or overstating the functions and features of the product or service for sale. For example:

- The services supplied by [the company] were subject to terms and conditions that were not brought to the attention of potential customers before the customer subscribed.
- [The company] misled consumers about the coverage available on its network claiming it could be accessed "anywhere you need it".
- That the [product] would be carbon-neutral over its lifetime with no evidence to support such a claim.

Second round coding of the data identified 'promise breaking', 'postponement', 'procrastination' and 'pretence' as common management conduct for covertly and deliberately exploiting their target customers. In particular, firms were observed to make promises that were vague, easy to avoid or delay the specific performance of, and assumed substance to the customer-vendor relationship that were not reasonably 'in the minds' of both parties to the sales contract. Convicted firms were also observed to use non-existent 'industry specific standards' to derail customer complaints about the timeliness of their goods and service provision.

In terms of 'Misleading pricing', firms were found guilty of claiming the right to alter the price charged to ongoing customer relationships without notice, the right to deduct additional fees from customer bank accounts without express authority, and to overstate the amount discounted in a sales promotion activity. For example:

- [The company] claimed it could, at its discretion, include a quarterly administration fee in over and above the initial set-up fees detailed in their contracts.
- [The company] could deduct their fees from the customers' credit cards without express authority to do so.
• [The company] deliberately avoided contacting the customer in a reasonable timeframe, and deliberately introduced artificial constraints on their ability to do so.

• [The company] was in the practise of using “Was $199/Now $99.50” price comparisons in their advertising without any evidence that the sale items were ever priced at the higher margin.

• [The company] promoted a 9.9 cent call rate (per 30 seconds) to mobile phones in their contracts. [The company] in fact rounded the total cost of each call made to the nearest cent, which meant that the average call charge always exceeded the 9.9 cent offering. The net benefit to [the company] of this rounding-up policy was $17 500, and this sum was refunded to their customers.

Second round coding of the data identified ‘promise breaking’, ‘pretence’ and ‘presumption’ as common management conduct for covertly and deliberately exploiting their target customers. The nature of the promise breaking extended to the misrepresentation of the contract price and the manner in which it was to operate over time. The ‘pretence’ and ‘presumption’ related to the specific contract elements and the manner in which any deliberately ill-defined term or condition was interpreted in favour of the firm in every instance. Once again, non-existent ‘industry standards’ were sighted as the guiding principle for the interpretation of ambiguous terms and conditions.

In terms of ‘Price-fixing’, firms were consistently guilty of colluding with competitors to artificially inflate the price charged to common target customer groups in order to protect the profit margins available to the available vendors in a given marketplace. For example:

• That [the surgeries] operating out of the same building agreed not to undercut the fee structure of the most expensive orthodontic provider.

• The [education agents] colluded to advise prospective students about the educational institutions in which they could enrol, and arranged the enrolment and payment of tuition for these students. The agents also colluded to maximise the commission that was payable to them for their services by removing the discounting practises from their usual services.

Second round coding of the data identified ‘promise breaking’ and ‘pretence’ as a common management conduct for covertly and deliberately exploiting their target customers. In this case, the promise breaking extended to outright deception with regard to the competitiveness of the industry and the actual competition that existed between firms.

In terms of ‘Anti-competitive practices’, firms were guilty of misusing their market power to force intermediaries to supply their goods and services exclusively else be threatened with exclusion or other supply penalties. For example:

• That [the surgery] restrict the ability of their orthodontists to supply their respective services from separate premises or to work with other orthodontists within 20 kilometres.

Second round coding of the data identified ‘protestation’, ‘persecution’ and ‘pressure’ as common management conduct for covertly and deliberately exploiting their target customers. The evidence indicated that the Thana- marketing strategies also extended to the business-to-business relationship, and not just with the end consumer. Pressure, persecution and protestation against clauses of existing contracts were commonplace in anti-competitive convictions, and in all cases, the ability for the customer to make free choice was denied by the offending firm.

In terms of ‘Harassment’, firms were consistently guilty of threatening to disconnect services that were already paid for, or to threaten the customer with referral to an agency through which their reputation and ability to conduct business elsewhere would be jeopardised. For example:

• …this included threatening to disconnect customers if they contacted [the company] to complain or query the imposition of additional administration fees.
• The company advised its customers that their details would be referred to debt collection agencies for the recovery of its non-agreed fees, which may itself involve additional charges and result in damage to the customers' credit rating.

Second round coding of the data identified 'persecution' and 'pressure' as common management conduct for covertly and deliberately exploiting their target customers. In harassment cases, the evidence suggested a reliance on financial penalties and other impositions that would severely impact the customers’ ability to conduct their affairs and protect their financial reputations.

5. DISCUSSION

<table>
<thead>
<tr>
<th>Thana-Marketing Mix Elements</th>
<th>Strategic Function</th>
</tr>
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<tbody>
<tr>
<td>Postponement</td>
<td>Any act that serves to delay or deny the supply of information/products/services to the consumer. It may also refer to a firm's attempt to deny the consumer their right to complain, cancel orders or seek compensation for damages. For example: providing illegitimate email addresses for correspondence; providing impersonal and electronically generated e-mail responses to complaints or requests; providing automated phone services that do not include complain/cancellation options or are never answered by a staff member etc.</td>
</tr>
<tr>
<td>Procrastination</td>
<td>Any act that serves to delay the firm's agreed rectification of a product or service failure. It may also extend to delaying a consumer's wish to cancel their contract/relationship with the firm. For example: demanding irrelevant personal/financial details to complete a consumer's request; the adoption of deliberately inadequate systems for service cancellations or complaint management; providing staff with no authority to complete consumer requests; automated phone services that provide 'dead-end' phone lines or 'constant busy signals'; providing illegitimate e-mail addresses for complaint and/or disconnection correspondence.</td>
</tr>
<tr>
<td>Protestation</td>
<td>Any act by the firm that denies responsibility for any wrongdoing and/or product or service failures. It may extend to the firm shifting blame for any obvious product or service failures to the consumer and their role in the transaction. For example: blaming the consumer's computer set-up or software for Internet service failures; blaming after-sales service failures on 3rd parties to the transaction.</td>
</tr>
<tr>
<td>Promise-breaking</td>
<td>Any promise by the firm to provide a product or service (or any after-sales services) with no intention to do so. For example: promised after-sales service calls that are not honoured; a guarantee that an account will be cancelled with no intention of doing so; promises to 'call back' not honoured.</td>
</tr>
<tr>
<td>Pressure</td>
<td>Any act by a firm that attempts to bully the consumer into submission. For example: harassment for 'non-payments' of disputed accounts; service staff trained in the delivery of verbal abuse; threats to report the consumer to debt-collection agencies for non-payment for disputed transactions.</td>
</tr>
<tr>
<td>Persecution</td>
<td>Any punitive act or threat by a firm that seeks to bully the consumer in to ceasing their actions or claims against it. Examples include: cancelling services, actual reporting of the consumer to credit agencies, suspending the client's services but continuing to charge their credit cards/bank accounts.</td>
</tr>
<tr>
<td>Pretence</td>
<td>Any act or omission by a firm that serves to establish a false expectation in the consumer's mind (upon which the consumer acts) concerning the delivery/operation/return of a product or service. For example: provide false or misleading information; the firm relying upon ambiguity in contract negotiations; including illegal caveats in contract negotiations.</td>
</tr>
<tr>
<td>Presumption</td>
<td>Any act by a firm that assumes facts in to a transaction not agreed to by the consumer. For example: that an agreement included a minimum term contract that the consumer must honour; that the firm may charge additional fees due to ambiguous clauses included in any fine-print.</td>
</tr>
</tbody>
</table>
The first round of coding identified five categories of covert and systematic unconscionable conduct for which firms were convicted and legally sanctioned. Further scrutiny of the contents of the first round categories was undertaken to identify the management practices that fundamentally underpinned their actions or omissions. In all, eight ‘Ps’ of a potential Thana-marketing mix were identified after the second round of data coding was completed. Table 2 on previous page provides a summary.

6. CONCLUSION

This paper set out to explore the case transcripts associated with the successful indictment and conviction of firms that covertly and deliberately set about to abuse their target customers for the sole aim of maximising their return on investment. In doing so, this paper presented an alternative perspective of the marketing mix notion, beyond that of Marketing and De-marketing to specific customer segments. This research identified a ‘hidden set’ of interrelated Ps that potentially comprise a Thana-marketing mix, a mix of management conduct and philosophy that corrupts the marketing concept and underpins society’s contempt for marketing and immoral business practices. This paper argues that understanding the nature of the Thana-marketing mix elements, and the manner in which they are manifested in marketing decisions, can aid both firms and customers alike. In terms of aiding firms, it was quite common for the convicted firms to be unaware of how the Thana-marketing mix elements had pervaded their operations and decision-making techniques, and in the end become commonplace in their strategy development. Understanding the nature of the “8Ps that dare not speak their name” will help such firms recognise the deleterious nature of such practices, and therefore be forearmed against their indoctrination into the firm’s decision-making processes. In terms of customers, the recognition of the Thana-marketing mix elements and the manner in which they are interrelated will inform better and more proactive decision-making with regard to their choice of vendor, and the questions to ask when negotiating the contract of sale.

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