

The Marketing of Works

The Marketing of Works:

*A Textbook on General
Marketing of Goods,
Works, and Services*

By

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**Cambridge
Scholars
Publishing**



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This book first published 2021

Cambridge Scholars Publishing

Lady Stephenson Library, Newcastle upon Tyne, NE6 2PA, UK

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

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ISBN (10): 1-5275-7124-6

ISBN (13): 978-1-5275-7124-2

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PREFACE

Marketing specialists often sell their promises to consumers, rather than their goods. Selling promises is very difficult. Marketers promise to execute works for a customer or provide services to a client. However, the buyer of works or services is often cautious and distrustful. He needs proof, that is, evidence that the contractor will execute works or services at a high quality and on time.

What if the customer's object, processed or served, will be lost or damaged by the contractor? Or the executor violates the terms of the contract? Who will vouch for this contractor?

Indeed, the buyer can touch the ready-made "substantial goods" (sports car), can taste (appetizing bread), or can smell them (fragrant perfumes). He can see "non-substantial goods" on the laptop screen (computer game) or can hear them on the radio (favorite song).

If you agree with physicists, substantial goods and non-substantial goods are called material goods. These are real goods for which you can receive real money from the buyer upon delivery.

At the beginning of the last century, the marketing of products became the theory of sales and market activities. In an era that is expanding the production of goods, marketing specialists identified the products of human labor with finished goods, such as furniture, clothing, and jewelry. The marketing of goods has reached a high degree of development over the course of more than a hundred years of history.

Marketing specialists have learned to sell everything: goods that are needed by the consumer, and goods that he does not need at all. But in the second half of the last century, leading scientists and marketing practitioners drew attention to the fact that an increasing share of the gross domestic product of developed countries is made up of income from the sale of services.

It became clear that the existing marketing of goods is not suitable for selling services. The promise to provide a virtual service that is not yet available is much more difficult than offering the buyer a product on the counter, a sample at the fair, or a price-list with photos on a commodity exchange or online (Internet) store.

In the 1980s, scientists gave marketing practitioners a new concept, namely the marketing of services. The marketing of services has its own

tools and techniques that enable us to sell virtual promises almost as easily as real goods. The marketing of services complemented the marketing of goods and, as a result, the marketing of goods and services became integrated.

Time has passed, and the marketing of goods and services has safely entered the third millennium. Again, marketing practitioners face new challenges. In some European countries, scientists pay attention to the fact that a product is traditionally regarded as a set of three elements, including goods and services already mastered by marketing specialists, as well as the long-known element, “works.”

Due to the confusion in the scientific and legal definitions of the concepts of “services” and “works,” scientists and practitioners absolutely did not pay attention to the differences between them. Specialists believe that works are a special type of services that suppliers (production companies)—such as, construction companies, shipyards, cinematographic studios, and design organizations—provide to consumers. In the national classifications of works and services, one can still find following mysterious phrases: “services for executing work,” “production services,” “repair services,” and so on.

In February 2010, the author overcame this confusion in the understanding the terms “services” and “works.” It turned out that the work is a product of human labor, which changes the market value of the processed object. Service is a product that does not change the market value of the object being served. Other differences found between the works and services will be studied in this textbook.

In fact, marketing managers sell goods, services, and works. If, for the first two positions, scientists developed the marketing of goods and services, then for the third position, namely works, there was no own theory (the marketing of works). In order to give marketing specialists more specialized tools and techniques for selling works, the author proposes to study a new special conception: “the marketing of works.”

The marketing of works has become a new stage in the further development of marketing. For more than a century of marketing history, scientists from around the world have developed such basic concepts as marketing mix, market segmentation, hybrid offering, market capacity, barter marketing, product life cycle, competitiveness, channels of product promotion, and the like. These and many other terms are used in the conception of the marketing of works.

If we add a third element (that is, the marketing of works) to the existing integrated marketing of goods and services, we will get advanced marketing of goods, works, and services. It becomes clear that the

company's product specialization and marketing specialization in the market is not the same thing. The traditional name, "marketing of products and services," is more correctly replaced by the terms "marketing of products" or "marketing of goods, works, and services," which takes into account all the elements of the product.

As a result, marketing is becoming a three-dimensional concept, and we can personally see the well-known marketing vector. It turns out that traditional barter marketing must be complemented by the exchange of works and the exchange of services. We learned that there is an export and import of works. And these works include the manufacture of objects, their renewal, modernization, re-equipment, and liquidation.

In this textbook, students will find new knowledge in the marketing discipline, marketing practitioners will receive new tools and techniques for selling works, and marketing theorists will find new directions when researching and developing their own theories. So, welcome to "the marketing of works!"

ACKNOWLEDGMENTS

The author is grateful for the helpful comments on this textbook by Nadezhda Yu. Psareva, Dr. Sc. (Economics) and Professor, Head of the Department of Economics and Management at the Academy of Labor and Social Relations.

The author sincerely thanks Wesley J. Johnston, Ph.D. and CBIM Roundtable Professor of Marketing, J. Mack Robinson College of Business at the Georgia State University, for his great help in promoting the conception of the marketing of works.

The author highly appreciates the methodological support of Olena V. Panukhnyk, Dr. Sc. (Economics) and Professor, Head of the Department of Economics and Finance at the Ternopil Ivan Puluj National Technical University.

The author also thanks Olga N. Anisimova, Dr. Sc. (Economics) and Professor, Head of the Department of Information Management Systems at the Donetsk National University, for her organizational support and belief in the author's success.

The author expresses special gratitude to the editorial staff of the *Journal of Business and Industrial Marketing* for the valuable and prompt assistance provided to the author when preparing and publishing one of his basic scientific articles on the marketing of works in their journal.

CHAPTER ONE

INTRODUCTION TO THE MARKETING OF WORKS

Overview

This chapter shows the existing marketing of works and defines the concept of works. Readers will learn what they will study in this textbook and what the current trends are in marketing research. In this chapter, we will describe traditional marketing functions and highlight its social and environmental aspects. Readers will become acquainted with marketing paradigms and find out why scientists have not studied the marketing of works before. We will share an important marketing secret with you. Readers will learn what tasks they will need to solve in their future activities. The author will explain why such a scientific and practical area as the marketing of works was not known until now. Also, the author will present the theory of the marketing of works and will describe its practice using the example of two conventional firms: a construction company and a ship repair yard.

The relevance of the marketing of works

The marketing of works is one of the recently discovered types of general marketing. Therefore, we are sure that the readers of this textbook are already familiar with the basic principles of marketing as a science and as a practical activity. This circumstance enables us to avoid repeating generally accepted marketing concepts and to move on, thereby deepening the readers' knowledge. The author devotes this textbook to the description

of the features of the marketing of works which distinguish it from other types of marketing.

In 2010, the author discovered a new type of marketing: the marketing of works. This does not mean that this type of marketing did not exist before. Specialists have applied the marketing of works along with the marketing of goods and the marketing of services since the emergence of the market-driven economy. The author defined the marketing of works a hundred years after the discovery of the marketing of goods and thirty years after the discovery of the marketing of services.

The sale of works is the result of the marketing of works. At the beginning of the last century, marketing and sales often coincided. Indeed, in marketing, product sales are a very important goal. However, in order to achieve this goal, marketing specialists must study the market, understand consumer preferences, calculate market capacity, advertise their products, segment the market into groups of buyers, analyze the strengths and weaknesses of competitors, see their own opportunities and threats, ensure that their firm only manufactures products that the market needs, and perform many other specific marketing functions.

Nevertheless, actual sales are at the top of the marketing pyramid. Sales include finding a buyer; receiving goods from the warehouse; the loading, delivery, and unloading of goods; transferring the products to the buyer; receiving payments; registering accompanying documents and warranty obligations; providing an after-sales service; and so on. The listed operations are routine actions. Sales require searching, creativity, and inspiration because marketing cannot exist without them.

Why should we study works and the marketing of works? Works are not services and, moreover, works are not goods. We sell industrial goods and services using the industrial marketing of goods and services. But how can we sell “works?” We can only do this if we use the “marketing of works.” There are goods, services, and works markets. We call an activity in these markets “marketing.” Works constitute, for example, the largest part of the repair specification for any ship. Here, the marketing of works is a topic of paramount importance. “Moreover, the marketing of works is necessary in many key branches of industry, including house-building, highway repair, airplane production, and developing new technologies” (source: <https://www.emeraldinsight.com/journal/jbim/28/8>).

It is important to study the marketing of works due to the fact that many companies in each national economy execute works to order. Almost all these companies’ marketing specialists believe that they should use the marketing of goods and services to find works orders. However,

the use of non-specialized tools limits their ability to increase production and sale of works.

Actually, an activity that changes the market value of an object (such as manufacturing, renewal, modernization, re-equipment, or liquidation) requires the use of specialized marketing tools and techniques. The marketing of works provides these tools and techniques.

Marketing activities in the field of receiving works orders can give the following results:

- Create new jobs for highly qualified professionals
- Obtain production orders for technologically related companies
- Develop research in the field of marketing
- Encourage training production specialists
- Increase revenue for the national budget (and so on)

Therefore, specialists sell manufactured goods using the marketing of goods; future services through the marketing of services; and future works based on the marketing of works.

Definitions of “work”

And what is work? Work for an airport dispatcher is the coordination (in time and space) of many airplanes' arrivals, movements, and departures. Work from the viewpoint of a theoretical physicist or a supermarket loader is the movement of cargo of a certain mass over a certain distance. Work for an engineer or a production worker is the manufacture, renewal, modernization, re-equipment, and liquidation of objects.

As we can see, specialists from various professions will define the concept of “work” in different ways.

What do dictionaries say about the concept of work? *The Free Dictionary by Farlex* (source: <https://www.thefreedictionary.com>) states that “work” is, for example, physical or mental effort or activity directed toward the production or accomplishment of something; something that one is doing, making, or performing; the effort made to achieve or make something; the productive or operative activity; and the transfer of energy from one physical system to another, especially the application of a force to move a body in a certain direction.

However, the customer does not pay for work as a process because the work is sometimes not needed or not effective. The customer pays for the change in the market value of his object as a result of this work.

Therefore, the definition given in the *Merriam-Webster* dictionary (source: <https://www.merriam-webster.com>) is unsatisfactory because it defines work in the following ways: activity where one exerts strength or faculties to do or perform something; a specific task, duty, function, or assignment, which is often a part or a phase of some larger activity; sustained physical or mental effort to overcome obstacles and achieve an objective or result; and something produced or accomplished by effort, exertion, or exercise of skill.

Due to the separation of products into goods and services, marketing theorists have developed the marketing of goods and services, which is the basis for the marketing of goods, works, and services. They developed a marketing classification based on the expansion of marketing types. Thanks to their scientific creativity, marketing practitioners have mastered new marketing techniques and tools.

The marketing of works is based on the foundations that outstanding marketing theorists, academics, and practitioners have created. They include David Aaker, Tim Ambler, Olga N. Anisimova, Richard Bagozzi, Barry Berman, Ganesh D. Bhatt, Mary Jo Bitner, Bernard H. Booms, Neil H. Borden, John Cairns, Roy Church, Efthymios Constantinides, James Culliton, Zino Davidoff, Erwin Dichtl, Peter Drucker, Alexander P. Durovich, Joel R. Evans, Christian Grönroos, Stanley C. Hollander, Shelby D. Hunt, Margo Komenar, Philip Kotler, Jean-Jacques Lambin, Robert F. Lauterborn, E. Jerome McCarthy, Akio Morita, Edward L. Nash, Dave Needham, Olena V. Panukhnik, Michael E. Porter, Nadezhda Yu. Psareva, David L. Rogers, John K. Ryans, William Rudelius, Richard L. Sandhusen, John Sculley III, Paul H. Selden, Koichi Shimizu, G. Lynn Shostack, Richard S. Tedlow, and Orville C. Walker, Jr.

Nevertheless, in the scientific and regulatory literature there was no satisfactory definition of the concept of work.

What do we study in the marketing of works?

The purpose of the textbook is to study the marketing of works as a separate type of marketing and to provide theoretical knowledge using practical examples and calculations of marketing parameters. We will solve the following tasks in the textbook:

- Acquainting readers with the current state and development trends of the marketing of goods, works, and services
- Presenting the existing classification system for types of marketing

- Describing the practical basis of the marketing of works and the theoretical prerequisites for its identification
- Searching for features for the practical implementation of the marketing of works
- Developing new marketing tools specific to the marketing of works
- Demonstrating ways to improve the marketing activities of companies that execute works under contracts
- Considering practical tips that use the basic principles of the marketing of works
- Describing methods for calculating the effectiveness of marketing activities for the sale of works (and so on)

The topics that readers will study are the marketing activities of companies operating in the market of works, who fulfill customers' orders for the production of objects, as well as their renewal, modernization, re-equipment, or liquidation.

Readers will see a well-known but previously poorly represented marketing vector. We will find this vector using a three-dimensional representation of the marketing of goods, works, and services in an orthogonal coordinate system.

Based on the orientation of the marketing vector of goods, works, and services, the opportunity to use the company's marketing specialization will arise. Marketing specialization, unlike product specialization, enables marketing specialists to develop an effective marketing strategy with adequate marketing tactics, and implement a well-founded marketing policy in the goods, works, and services markets.

The author has created a new 9Ps model of the marketing mix for "works" by expanding the conceptual base of marketing and considering new marketing tools ("period of time" and "payment terms"). This model, in contrast to the well-known 4Ps model for goods and the 7Ps model for services, gives marketing specialists the ability to effectively control the firm's activity factors in a specific market of works.

New concepts for the barter marketing of works and works exchanges (unlike the existing barter marketing for the exchange of goods and services) enable marketing specialists and supply managers to increase opportunities for product exchange. These concepts make it possible to carry out time-efficient barter transactions and combine marketing and logistical functions in companies. At the same time, the company's specialists can realize the exchange of products even in conditions of low financial liquidity during macroeconomic crises.

In the textbook, readers will learn a new concept for the general marketing of goods, works, and services, which the author created by developing the marketing of goods and services. This circumstance, unlike the existing concept of marketing, expands the capabilities of multi-product firms to sell three components of a product and achieve savings when promoting goods, works, and services to the market. At the same time, marketing specialists are able to use the synergy effect to save costs due to the joint sale of three elements of the product.

Readers will learn new types of particular hybrid offerings—“works + services” and “works + goods”—as well as the general hybrid offering: “goods + works + services.” Unlike the existing hybrid offering—“goods + services”—these new hybrid offerings include works as a product that adds value. This enables marketing specialists to increase revenues generated by sales of products (goods, works, and services) and penetrate new markets.

Based on the electronic marketing of works, we will consider the use of the Internet, e-mail, social networks, mobile communications, cryptocurrencies, and so on. Also, we will show how marketing managers negotiate online and how marketing specialists develop electronic documents, as well as sign and store them. Readers will learn about the importance of paper documents in electronic document management.

The author will pay a lot of attention to the use and protection of trade secrets, and particularly consider the sufficiency of advertising. He will also highlight the features of the international marketing of works, the export and import of works, as well as the differences between export/import of works and goods.

We will examine the components of the revenue generated by selling the company’s products when executing the following works:

- Manufacturing new objects for customers
- Renewing existing objects to overcome their physical deterioration
- Modernizing objects to overcome their moral deterioration
- Re-equipping objects to overcome their structural deterioration
- Liquidating existing objects on the customer’s orders

From microeconomics, readers know that the source of payment for the manufacture, renewal, modernization, and re-equipment of fixed production assets are depreciation charges that firms accumulate to compensate for the deterioration of their production facilities.

Modern research areas in marketing

When considering new trends, scientists develop marketing theory and practice by expanding the set of exchanged products, introducing 3D printing, artificial intelligence, and nanotechnologies in the production of goods, replacing hierarchical control with cooperation and synergy in networks, and so on. The issues with regard to the economic and social effectiveness of marketing and the efficiency of measurement techniques remain the key topics of modern research in marketing theory.

The theory of industrial marketing and the concept of markets for industrial products have been further developed in recent years. The importance of strategic planning and forecasting in a continuously changing market environment has increased.

Modern scientists have been studying integrated marketing (with other activities), marketing relationships with society, environmental impact, expansion of the marketing mix, and so on. Developing concepts related to the competitiveness components of companies and their products has recently gained a new impetus. Researchers are currently paying special attention to the emergence and growth of startups, as well as the application of innovations. Scientists consider marketing communications through the prism of Internet technologies and the use of mobile communications and social networks.

In addition, marketing experts are currently focusing on the following issues in marketing theory and practice:

- The development of electronic marketing, including online blogging and the use of e-mail and social networks
- The growth of blockchain marketing, which uses decentralized databases for transactions in a network with multiple users
- The turnover of cryptocurrencies, including Bitcoin, Litecoin, Ethereum, Dash, and Ripple, which provide the main means of payment in blockchain
- The expansion and integration of marketing communications using mobile telephony, SMS/MMS, Viber/WhatsApp and corporate messengers to send advertising
- The involvement of consumers in the product suppliers' marketing activities and studying customers' behaviour
- The automation of processing large volumes of marketing information, including customer databases
- The development of branding strategies to increase consumer loyalty

- The implementation of account-based marketing into practice
- The development of a customer engagement strategy and data-driven marketing strategy

Concepts of socio-ethical marketing, interaction marketing, creative marketing, marketing of services, and so on are reviewed by the authors in articles published in leading marketing journals, including:

- *European Journal of Marketing*
- *Industrial Marketing Management*
- *Journal of the Academy of Marketing Science*
- *Journal of Business and Industrial Marketing*
- *Journal of Global Marketing*
- *Journal of Marketing*
- *Journal of Marketing Research*
- *Journal of Marketing Theory and Practice*
- *Journal of Services Marketing*
- *Marketing Intelligence and Planning*
- *Marketing Science*

Authors study the following issues in the above journals:

- Marketing ethics and their impact on the environment and society
- Developing green marketing and non-hazardous goods, works, and services
- Limiting product characteristics to a reasonable level
- Developing marketing metrics and the application of numerical methods to analyze research results
- Growing markets and achieving success with startups and newly established businesses
- Reorienting marketing from goods-dominant logic to services-dominant logic
- Developing relationships between suppliers and consumers, as well as increasing the value of customer feedback
- Studying consumer behavior and improving the mathematical models for their decision making
- Managing marketing personnel and improving their efficiency
- Developing hybrid offerings based on goods, works, and services that add value or serve sales

The range of topics studied by marketing theorists is constantly expanding.

Revision of marketing functions

The revision of the production, organizational, economic, and social aspects of marketing functions also affects marketing activities. When defining marketing, authors always point out its role in society. Theorists define marketing as a science, an educational process, and a philosophy, rather than just as a management system.

At the same time, marketing practitioners in sectors of the economy related to the execution of works have been faced with a new phenomenon, which is caused by the inconsistency of some existing methods, concepts, and models (developed in modern marketing theory) with practice. Marketing specialists' dissatisfaction forced scientists to pay more attention to the applied aspects of marketing science but, at the same time, the vision of developing the mainstream of fundamental marketing theory was partially lost.

In particular, it became clear that marketing activities in the field of works orders did not have corresponding theoretical apparatus, despite the fact that European theorists have believed for a long time that "works" provide a source of revenue. Scientists use the concepts "markets for goods," "markets for works," and "markets for services." Activity in the market is marketing. The concept of activity in the market of works was the last link in the chain of conclusions that led to an understanding of "the marketing of works."

Since the marketing of works is closely related to a company's production activities, the integration of marketing and production has expanded the functions carried out by marketing managers and specialists in the marketing of works.

Social and environmental aspects of marketing

Social, ethical, and environmental approaches are important in the marketing of works due to the negative impact on the environment of certain technological processes used in the execution of works (for example, welding, metal smelting, casting, painting, and galvanizing).

Marketing specialists should consider the need to protect the global environment when new technologies are introduced. They should take a more cautious approach when using limited natural resources, revise marketing programs for production growth (based on their customers' real solvency), and so on. Environmental constraints (when executing hazardous works) are also an important factor in terms of a company's competitiveness.

Scientific publications about the image, mission, and reputation of companies executing works contain important results for the marketing of works. In 1956, Kenneth E. Boulding proposed the concept of an “image” (source: <https://www.journals.uchicago.edu>). In order to overcome prejudice against industrial companies in the conservative part of society, marketing managers must control their firm’s image when implementing the marketing of works.

A positive corporate image is a prerequisite for achieving stable business success, because it enables the companies to increase their market power, the uniqueness of their products, and simplify access to resources. In addition, managing the company’s image provides an opportunity to survive a global recession, quickly recover from a crisis, increase customer loyalty, invite new partners, retain talented employees, and so on.

Corporate culture—as an important element of a company’s competitiveness—is a set of values, rules, customs, traditions, and business ethics that is not fixed by legislation, but which is still necessary for a company’s success. A firm accumulates a positive business reputation based on years of impeccable work and this reputation is an objective factor (unlike a subjective factor, such as image), which the firm can artificially create with the help of image-makers.

It is important to match the top managers’ personal interests with the company’s collective interests for profitable activity in the market of works. Monitoring the level of customer satisfaction is an effective tool for finding, executing, and delivering completed works orders.

Developing the marketing paradigm

In order to study the marketing of works, we will apply the concept of the marketing paradigm, which is a model that describes how scientists understand the marketing processes at a certain stage in the development of science and practice.

Types of the marketing paradigm include fragmentary marketing, marketing as a company’s function, marketing as a company’s management system, and marketing as a product exchange.

In order to become familiar with the marketing of works and the general marketing of goods, works, and services, we will progress from analyzing marketing’s constituent elements to the synthesis of an integrated marketing model.

Scientists believe that marketing must focus on satisfying customer needs with the help of a product via its creation, delivery, and consumption. A new marketing paradigm should meet the challenges of