



# 1

## Marketing in Today's Business Milieu



## Chapter Questions

- Why is marketing important?
- What is the scope of marketing?
- What are some fundamental marketing concepts?
- How has marketing management changed?
- What are the tasks necessary for successful marketing management?



## What is Marketing?

**Marketing** is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

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## What is Marketing Management?

**Marketing management** is the *art and science* of choosing target markets and getting, keeping, and growing customers through creating, delivering, and Communicating superior customer value.

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## For an exchange to occur.....

- There are at least two parties.
- Each party has something that might be of value to the other party.
- Each party is capable of communication and delivery.
- Each party is free to reject the exchange offer.
- Each party believes it is appropriate or desirable to deal with the other party.

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## What is Marketed?

- *Goods*: physical goods
- *Services*: hotels, car rentals, etc
- *Experiences* include a trip to Disney World, Fantasy baseball camp, a cruise.
- *Events* can include trade shows, the Olympics, Super Bowl, etc.
- *Persons*: through celebrity marketing
- *Places*: cities, states, regions, even whole nations
- *Properties* include real estate as well as stocks and bonds.
- *Organizations* use marketing to connect with their target market.
- *Information* is marketed by universities, textbook publishers, newspapers, etc.
- *Ideas* include “Friends don’t let friends drive drunk”

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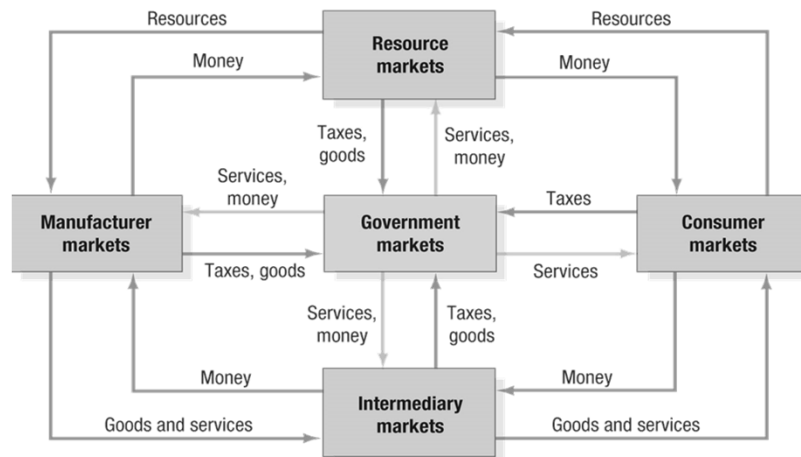
# Key Customer Markets

- Consumer markets consist of individuals and households that buy goods and services for personal consumption.
- Business markets buy goods and services for further processing or for use in their production process.
- Global markets consist of these buyers in other countries, including consumers, producers, resellers, and governments.
- Nonprofit/Government markets are made up of government agencies that buy goods and services to produce public services or transfer the goods and services to others who need them.



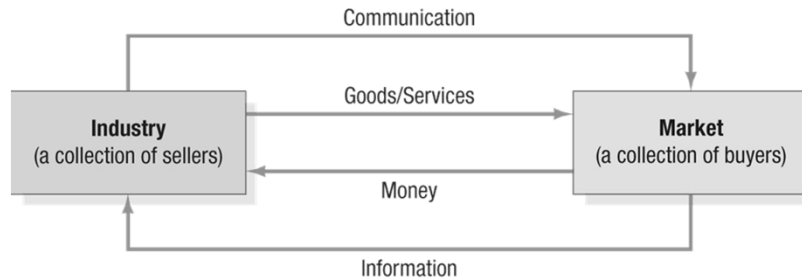
**Fig 1.1 Structure of Flows in a Modern Exchange Economy**

- Economist describe a **market** as a collection of buyers and sellers who transact over a particular product or product class.
- There are five basic markets – Manufacturer, resource (financial, labor, raw materials), intermediary (wholesalers, resellers, etc), consumer, and government.





**Figure 1.2 A Simple Marketing System**



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## Demand States

- **Negative** – consumer's dislike a product and may pay to avoid, such as with dental work
- **Nonexistent** – consumers are unaware of or uninterested in the product or service
- **Latent** – There is no product on the market that can satisfy consumer needs
- **Declining** – Consumers purchase a product less and less frequently, or not at all. For example, the sale of albums (vinyl and CD's) are declining significantly.
- **Irregular** – A products demand varies by time, such as on a seasonal basis.
- **Full** – Consumers are buying all the products that enter into the market.
- **Overfull** – There are more buyers than product available.
- **Unwholesome** – Consumers are attracted to products that have undesirable social consequences, such as cigarettes or gambling.

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## Core Marketing Concepts

- **Needs, wants, and demands**
  - Needs: States of felt deprivation
    - Example: Need food
  - Wants: The form human needs take as shaped by culture and individual personality
    - Example: Want a Big Mac
  - Demands: Wants which are backed by buying power
- **Target markets, positioning, segmentation**
  - Target Market: Consists of a set of buyers who share common needs or characteristics that the company decides to serve.
  - Market Positioning: Arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.
  - Market Segmentation: Dividing a market into smaller groups of buyers with distinct needs, characteristics, or behavior who might require separate products or marketing mixes.

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## Core Marketing Concepts (cont'd)

- **Offerings and brands**
  - Offerings: Some combination of products, services, information or experiences offered to a market to satisfy a need or want. The offer may include services, activities, people, places, information or ideas.
  - Brands: A brand is a name, term, sign, symbol, or design, or a combination of these intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. Branding, also helps the seller to segment markets. For example, Kellogg's can offer Frosties, Special K, All Bran, and many other cereal brands, not just one general product for all consumers.
- **Value and satisfaction**
  - Value: Customers form expectations about the value and satisfaction that various marketing offers will deliver and buy accordingly.
  - Satisfaction: Satisfied customers will buy again and tell others about their good experiences.

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## Core Marketing Concepts (cont'd)

- **Marketing channels**
  - Set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user.
- **Supply chain**
  - Consists of 'upstream' (the set of firms that supply the raw materials, components, parts, information, finances and expertise needed to create a product) and 'downstream' (the marketing or distribution channels, such as wholesalers and retailers that look forward toward the customer) partners.
- **Competition**
  - Consists of the current and potential competitors
- **Marketing environment**
  - The actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers.

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## I want it, I need it...

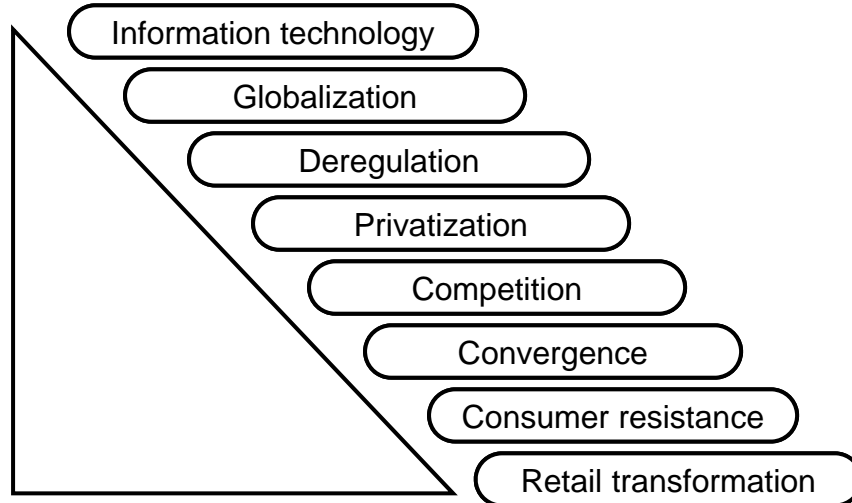
- We can distinguish five types of needs:
- 1. **Stated** needs (The customer wants an inexpensive car.)
- 2. **Real** needs (The customer wants a car whose operating cost, not initial price, is low.)
- 3. **Unstated** needs (The customer expects good service from the dealer.)
- 4. **Delight** needs (The customer would like the dealer to include an onboard GPS navigation system.)
- 5. **Secret** needs (The customer wants friends to see him or her as a savvy consumer.)

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## The marketplace isn't what it used to be...



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## New Consumer Capabilities

- A substantial increase in buying power
- A greater variety of available goods and services
- A great amount of information about practically anything
- Greater ease in interacting and placing and receiving orders
- An ability to compare notes on products and services
- An amplified voice to influence public opinion

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# Company Orientations

- The five distinct marketing concepts are: Production, Product, Selling, Marketing, and Holistic. These philosophies have evolved over time and began with the production concept. The evolution of a new marketing concept does not mean that all companies are changing. Many companies continue to operate under the production concept.
- Under a **production** philosophy the company will seek to mass produce products and to distribute them on a wide scale. The belief is that consumers prefer products that are widely available and inexpensive.
- The **product** concept proposes that consumers prefer products that have higher quality, performance, or are more innovative. Often, managers focus too much on the product (a better mousetrap) but this does not always equal success.
- The **selling** concept argues that members of a market will not purchase enough product on their own so companies use the “hard-sell” to increase demand. Typically used with unsought goods such as insurance or cemetery plots, or when companies face overcapacity.
- The **marketing** concept first emerged in the 1950’s and focuses more on the customer with a “sense-and-respond” attitude. Companies that have embraced the marketing concept have been shown to achieve superior performance than competitors.
- The **holistic** concept takes a philosophy that everything matters in marketing. Figure 1 (next slide) outlines the Holistic Marketing Concept.

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## Fig: 1 Holistic Marketing Dimensions

The **holistic** marketing concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies.

Holistic marketing acknowledges that everything matters in marketing—and that a broad, integrated perspective is often necessary. Figure 1 provides a schematic overview of four broad components characterizing holistic marketing: relationship marketing, integrated marketing, internal marketing, and performance marketing.



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## Relationship Marketing

- Relationship marketing seeks to build mutually beneficial, long-term relationship with key constituents in order to earn and retain their business. The four key constituents are: customers, employees, partners, and member of the financial community.
- Attracting a new customer can cost five times as much as retaining existing customers so building long-term relationships makes financial sense for the company.
- Marketing networks consist of the company and its supporting stakeholders who have built a mutually profitable business relationship.

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## Integrated, Internal & Performance Marketing

- **Integrated** marketing holds that all activities undertaken by the company should create, communicate, and deliver value. Further, all new activities should take into consideration all other marketing activities.
- **Internal** marketing is the task of hiring, training, and motivating able employees to serve customers well. You can't promise excellent service if you can't deliver excellent service.
- **Performance** marketing requires understanding the *financial* and *nonfinancial* returns to business and society from marketing activities and programs. Top marketers are increasingly going beyond sales revenue to examine the marketing scorecard and interpret what is happening to market share, customer loss rate, customer satisfaction, product quality, and other measures. They are also considering the legal, ethical, social, and environmental effects of marketing activities and programs.
  - ❖ **Social Initiatives**
    - Corporate social marketing
    - Cause marketing
    - Corporate philanthropy
    - Corporate community involvement
    - Socially responsible business practices 20

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## Marketing Mix and the Customer

- ❖ The **marketing mix** refers to the set of controllable tactical marketing tools – product, price, place, and promotion – that the firm blends to produce the response it wants in the target market. These controllable and tactical marketing tools known as the 4P's
- ❖ **Four Ps**
  - **Product** means the goods and services combination the company offers to the target market.
  - **Place** includes company activities that made the product available to target consumers.
  - **Promotion** means activities that communicate the merits of the product and persuade target customers to buy it.
  - **Price** is the amount of money customers have to pay to obtain the product.
- ❖ **Four Cs**
  - Customer solution
  - Customer cost
  - Convenience
  - Communication

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## Figure 2: The Four P's

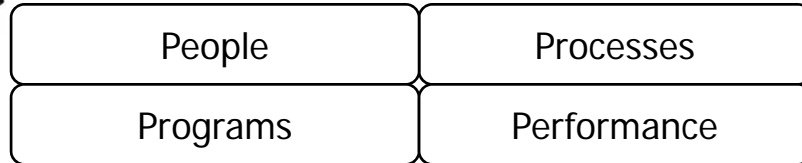


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## The New Four Ps



- If we update them to reflect the holistic marketing concept, we arrive at a more representative set that encompasses modern marketing realities: people, processes, programs, and performance.
- **People** reflects, in part, internal marketing and the fact that employees are critical to marketing success.
- **Processes** reflects all the creativity, discipline, and structure brought to marketing management.
- **Programs** reflects all the firm's consumer-directed activities. It encompasses the old four Ps as well as a range of other marketing activities that might not fit as neatly into the old view of marketing.
- We define **performance** as in holistic marketing, to capture the range of possible outcome measures that have financial and nonfinancial implications (profitability as well as brand and customer equity), and implications beyond the company itself (social responsibility, legal, ethical, and community related).

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## Marketing Management Tasks

- Develop market strategies and plans
- Capture marketing insights
- Connect with customers
- Build strong brands
- Shape market offerings
- Deliver value
- Communicate value
- Create long-term growth

### ❖ **Review Question**

1. Define marketing management and list and define the key customer markets.
2. We can distinguish among five types of customer needs. List and provide an example of each of those customer needs.

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