**CHAPTER 5: MARKETING**

**5.1. INTRODUCTION**

Business firms and non-profit organizations engage in marketing. Products marketed include goods as well as services, ideas, people, & places. Marketing activities are targeted at market consisting of product purchasers who may be individuals and groups that influence the success of an organization.

The American Marketing Association defines a **market** as “The aggregate demand of the potential buyers for product or a product or services “.

Philip Kotler defines “A market as an area of potential exchanges”. Thus, a market is a group of buyers and sellers interested in negotiating the terms of purchase/sale for goods or services. The negotiation work may be conducted face-to-face at a certain place or it may be done through other means of communication, such as correspondence, phone, cable, or it may be done through business middlemen, e.g., brokers and commission agents.

**5.2 Meaning and Definitions of Marketing**

1. Marketing is the effort to identify and satisfy customers’ needs and wants. It involves finding out who your customers are, what they need and want, the prices, the level of competition. It involves the knowledge and all the processes you undertake to sell your product.
2. Marketing is a social and managerial process by which an individual or group obtain what they need and want through creating, offering and exchanging of product of values with others
3. Marketing is the total business activity designed to plan, price, promote and distribute want satisfying products to target market to achieve organizational goal
4. Marketing management is the process of planning and executing, the conception, pricing, promoting and distributing of ideas, goods and services to create an exchange that satisfy individual or group objectives (American marketing Association, 2015).

The above definitions of marketing reset on the following core concepts: needs, wants and demands; products (Goods, Services and Idea), value, cost and satisfaction: exchange and transaction; Relationship and Networks; market; and marketers and prospects. Marketing answers the following questions:

* **Who are my customers?**
* **What are my customer’s needs and wants?**
* **How can I satisfy my customers’?**
* **How do I make a profit as I satisfy my customers?**

**Who are your customers?**

Your customers are the people or other businesses that want your products/ services and are willing to pay for them. They include;

* People who are buying from you now.
* People you hope will buy from you in the future.
* People who stopped buying from you but you hope to get them back.

**What are my customer’s needs and wants?**

An important point to note is that customers want to look at different products so that they can choose what they like best. Some customers want a different design and others want high quality and are willing to pay extra for that.

**How can I satisfy my customers’?**

You need to do everything to find out who your customers are and what they need and want in order to satisfy them improve your sales and make a profit. You need to find out;

* Products/services your customers want.
* Price your customers are willing to pay.
* Location of your business in-order to reach your customers (Place).
* Promotion to use to inform your customers and attract them to buy your products or services.

**5.3 Core Concepts of Marketing**

**5.3.1 Needs, Wants and Demand**

A person at any given time has a need. This need arises out of physical or psychological imbalances. Marketing starts with human needs and wants. People need food, air, water, clothing and shelter to survive. Beyond this, people have a strong desire for recreation, education and other services. Let see terms related with this as follow:

* **Need**: - Human Need is a state of deprivation of some basic satisfaction. People require food, clothing, shelter, safety and belonging and esteem.
* **Wants**: - Wants are desires for specific satisfiers of needs. Human wants are continually shaped and reshaped by social forces and institutions including churches, schools, families and business cooperation.
* **Demands**: - Demands are wants for specific products that are backed by ability and willingness to buy them. Wants become demand when supported by purchasing power. Companies must therefore measure not only how many people want their product but, more importantly how many would actually be willing and able to buy it.
* **Product**: - is anything that can be offered to satisfy a need or want. Products broadly classify as tangibility and intangibility features.
* **Value**: - is the consumer’s estimate of the products overall capacity to satisfy his or her needs.
* **Cost**: - is the amount of money that are going to be expended or already incurred to acquire a product.
* **Exchange**: - is the act of obtaining a desired product from someone by offering something in return.
* **Transaction**: - is the trade of values between two parties.
* **Market: -** consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy their need or want.

**5.4. Marketing Philosophies**

Large-scale marketing activities in the world did not take shape until the industrial revolution is the latter part of the 1800s. Clearly, marketing activities should be carried out under a well-thought out philosophy of efficient, effective and socially responsible marketing. There are five competing concepts under which organizations can choose to conduct their marketing activities: namely, **the production concepts, the product concept, the selling/sales concept, the marketing concept, the societal marketing concept and the Relationship Marketing Concept.**

1. **The Production Concept**

The production concept is one of the oldest concepts in business. The production concept holds that **consumers will favor products that are widely available and low in cost**. Managers of production-oriented organization concentrate on achieving high production efficiency and wide distribution. The assumption that consumers are primarily interested in product availability and low price holds in at least two situations. The first is where the demand for a product exceeds supply, as in many developing countries. Here consumers are more interested in obtaining the product that in its fine points, and supplies will concentrate on finding ways to increase production. The second situation is where the product’s cost is high and has to decrease to expand the market.

1. **The Product Concept**

The product concept holds that consumers will favor those products that offer the most **quality, performance or innovative features**. Managers in product oriented organization focus their energy on making superior products and improving them over time. Under the concept, mangers assume that buyers admire well-made products and can appraise product quality and performance. In such situation, customers are ready to pay high prices for product extra features. Product-oriented companies often design their products with little or no customer input. They trust that their engineers will know how to design or improve the product.

1. **The Selling Concept/Sales Concept**

The selling concept holds that consumers, if left alone, will ordinarily not buy enough of the organization product. The organization must therefore undertake an aggressive selling and promotion effort. This concept assumes that consumers typically show buying inertia or resistance and must be coaxed into buying. It also assumes that the company has made available a whole battery of effective selling and promotion tools to stimulate more buying.

The selling concept is practiced more aggressively with unsought goods, those goods that buyers normally do not think of buying, such as insurance, encyclopedia, and funeral plots. Most firms practice the selling concept when they have over capacity. Their aim is to sell what they make rather than make what the market wants. Therefore, people are surprised what they are told that the most important part of marketing is not selling; selling is only the tip of marketing iceberg.

1. **The Marketing Concept**

The marketing concept is a business philosophy that challenges the three concepts we just discussed. Its central tents crystallized in the mid-1950s.

The marketing concept holds that the key to achieving organizational goals consists of being more effective than competitors in integrating marketing activities toward determining and satisfying the needs and wants of target markets.

The marketing concept has been expressed in many colorful ways:

“Meeting needs profitably”

“Find wants and fills them”

“Love the customers, not the product etc.”

**Table 5.1 Selling and Marketing Concept Contrasted**

|  |  |  |
| --- | --- | --- |
| **Point of Difference** | **Selling** | **Marketing** |
| Starting point | Factory | Market place |
| Focus | Existing product | Customer need |
| Means | Selling and promotion | Integrated marketing |
| End | Profit through Volume | Profit through satisfaction |

1. **The Societal Marketing Concept**

The societal marketing concept holds that the organization should determine the needs, wants and interests of target markets. It should then deliver the desired satisfactions more effectively and efficiently than competitors in a way that maintains or improves the consumers and the society’s well-being. The societal marketing concept holds that the organization’s task is to determine the needs, want, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumers and the society’s wellbeing.

The societal marketing concept questions whether the pure marketing concept is adequate in an age of environmental problems, resource shortages, rapid population growth, worldwide economic problems, and neglected social services. It asks if the firm that senses, serves and satisfies individual wants is always doing what’s best for consumers and society in the long run. According to the societal marketing concept, the pure marketing concept overlooks possible conflicts between short-run consumer wants and long run consumer welfare.

**Table 5.2: Summary of the Evolution of Marketing**

|  |  |
| --- | --- |
| **Production** | * Consumers favor products that are available and highly affordable * Improve production and distribution * ‘Availability and affordability is what the customer wants’ |
| **Product** | * Consumers favor products that offer the most quality, performance and innovative features * ‘A good product will sell itself’ |
| **Sales** | * Consumers will buy products only if the company promotes/ sells these products * ‘Creative advertising and selling will overcome consumers’ resistance and convince them to buy’ |
| **Marketing** | * Focuses on needs/ wants of target markets and delivering satisfaction better than competitors * ‘The consumer is king! Find a need and fill it’ |
| **Relationship marketing** | * Focuses on needs/ wants of target markets and delivering superior value * ‘Long-term relationships with customers and other partners lead to success’ |

1. **Relationship Marketing**

Relationship marketing is the practice of building long term satisfying relations with key parties-customers, suppliers, distributors- in order to retain their long term preferences and business. The ultimate outcome of relationship marketing is the building of a unique company asset called a marketing network. In this case, customer experience rather than customer satisfaction is the most critical component in relationship marketing.

**5.5.** **Marketing Research**

Marketing research is the systematic and objective identification, collection, analysis, and dissemination of information for the purpose of assisting management in decision making related to the identification and solution of problems and opportunities in marketing. Thus, systematic planning is required at all the stages of the marketing research process. The procedures followed at each stage are methodologically sound, well documented, and, as much as possible, planned in advance. It uses the scientific method in that data are collected and analyzed to test prior thinking or hypotheses.

Marketing research is objective. It attempts to provide accurate, impartial information. Accordingly, marketing research involves the identification, collection, analysis, and dissemination of information.

**5.5.1. The role (significance) of marketing research in decision making**

There are three Functional Roles of Marketing Research. These are:

* Descriptive Function - the gathering and presentation of statements of fact.
* Diagnostic (analytical) Function - The explanation of data.
* Predictive Function - Specification of how to use the descriptive and diagnostic research to predict the result of a planned marketing decision.

**5.5.1.2 Marketing Research Components**

Marketing researchers deal with many aspects of a market including the following:

* **Market size**: this deals with the number or value of units sold to a market in a given period.
* **Market Share**: this one is about a specific corporation’s share of the market size out of the whole market of a product or products of the same purpose.
* **Market penetration**: this is a marketing strategy which is used to know when a company enters/penetrates a market with current products to get better market share by lowering the price of a product.
* **Brand equity research** – this research is conducted to know how favorably consumers view the brand.
* **Buyer decision processes research** – this part of marketing research activity is used to determine what motivates people to buy and what decision-making process they use.

**5.5.1.3 Customer Satisfaction Research**

In this type of research there are different types of research that are used to assess about customers.

* **Distribution channel audits** - to assess distributors’ and retailers’ attitudes toward a product, brand, or company.
* **Marketing effectiveness and analytics** - Building models and measuring results to determine the effectiveness of individual marketing activities.
* **Mystery Consumer or Mystery shopping** – here the researcher acts as a shopper. This is often used for quality control or for researching competitors' products.
* **Positioning research** – this research is mostly conducted to answer questions like
* How does the target market see the brand relative to competitors?
* What does the brand stand for?
* **Price elasticity testing** – here the objective of the research is to determine how sensitive customers are to price changes
* **Sales forecasting** - to determine the expected level of sales given the level of demand with respect to other factors like advertising expenditure, sales promotion etc.
* **Segmentation research** – this type of research helps to determine the demographic, psychographic, and behavioral characteristics of potential buyers.
* **Test marketing** – this is a small-scale product launch used to determine the likely acceptance of the product when it is introduced into a wider market.

**5.5.2 Marketing Intelligence**

Market intelligence is the systematic process of gathering, analyzing, supplying and applying information (both qualitative and quantitative) about the external market environment. Intelligence is evaluated information. Marketing intelligence is used to determine:

* Current and future market needs,
* Changes in the business environment that may affect the size and nature of the market in the future.
* Environment that may affect the size and nature of the market in the future.

**5.5.2.1 The Importance of Marketing Intelligence**

Marketing intelligence provides the following benefits;

* Market and customer orientation – promote external focus.
* Identification of new opportunities.
* Smart segmentation.
* Early warning of competitor moves.
* Minimizing investment risks.
* Quicker, more efficient and cost-effective information.

**5.5.2.2 Ways to Undertake Marketing Intelligence**

1. **Unfocused scanning:** Any information that may be useful is gathered without any specific purpose in mind.
2. **Semi-focused scanning:** no specific purpose**.** The manager is not in search of particular pieces of information that he/she is actively searching but does narrow the range of media that is scanned. For instance, the manager may focus more on economic and business publications, broadcasts etc. and pay less attention to political, scientific or technological media.
3. **Informal search: -** limited and unstructured attempt to obtain information for a specific purpose. For example, entering the business of importing frozen fish from a neighbouring country may make informal inquiries as to prices and demand levels of frozen and fresh fish.
4. **Formal search: -** this is a purposeful search for information in some systematic way.

Marketing intelligence is carried out by the manager him/herself rather than a professional researcher. Scope of the search in this case is likely to be narrow and far less intensive (less rigorous) than marketing research.

**5.5.3 Competitive Analysis**

Competitive analysis refers to determining the strengths and weaknesses of competitors and designing ways to take opportunities or tackle threats posed by competitors.

**5.5.3.1 Uses of Competitive Analysis**

Competitive analysis is important for businesses since it has the advantages stated as follow:

* It helps management understand its competitive advantages/ disadvantages relative to competitors.
* It generates understanding of competitors’ past, present (and most importantly) future strategies.
* It provides an informed basis to develop strategies to achieve competitive    advantage in the future (e.g. how   will competitors respond to a new product or pricing strategy?)
* It helps forecast the returns that may be made from future investments.

Competitive analysis is a method of gathering data about competitors from different sources. It should answer the following questions:

* Who are your competitors?
* What customer needs and preferences are you competing to meet?
* What are the similarities and differences between their products/services and yours?
* What are the strengths and weaknesses of each of their products and services?
* How do their prices compare to yours? How are they doing overall?
* How do you plan to compete? Offer better quality services? Lower prices? More support? Easier access to services? How are you uniquely suited to compete with them?

**5.5.3.3 Steps of Competitive Analysis**

Every business owner should have a complete understanding of the competitive landscape in the market. Competition is defined as any business that provides a similar service or product in the same market, region or industry. A strategic business owner not only knows who its competitor is but also understands the best way to position ahead of its competitor. The following provides a step-by-step process in creating your competitive analysis.

1. **Identify your competitors:** Determine both local and international competitors.Be sure to define the competitive landscape broadly. Your competitor includes anything that could draw customers away from your business.
2. **Gather information about competitors:** At this stage you need to know; what markets or market segments your competitors serve; what benefits your competitors offer; why customers buy from them; and as much as possible about their products and/or services, pricing, and promotion strategies.
3. **Gathering Information on Competitors**

To gather information about your competitor you can go either to your competitors’ company site or to the company's Web site (if any) using which you can learn about; promotion strategies by visiting their business site; prices; your competitors’ customers; vendors or suppliers, and their employees; trade shows; and publicly available information **-** from Newspapers, magazines, press releases and online publications.

1. **Analysing the Competition**

After studying the information, you have gathered about each of your competitors, ask yourself these primary questions:

* How are you going to compete with that company?
* Is there a particular segment of the market that your competitor has overlooked?
* Is there a service that customers or clients want that your competitors do not supply?

1. **Develop a pricing:** The last step in the process is to develop a pricing model that represents what you are offering the market and the value you bring to your target buyers. There are many factors that go into designing the appropriate pricing structure so you will need to do some research and evaluate what price levels your market will bear, your cost basis for the development of your product, how much you need to cover overhead and marketing costs and lastly how much profit you think is appropriate for what you are offering. Do not immediately think you have to price your products below your competition, people appreciate the value in your product and set your price accordingly.

The goal of your competitive analysis is to identify and expand upon your competitive advantage. To make your competitive analysis effective, transfer the weaknesses of your competitors into potential strengths for your business.

**5.6 The Marketing Mix and Marketing Strategies**

**5.6.1 The 4 P’s Of Marketing/The Marketing Mix**

These are marketing variables that the marketing manager can manipulate as controllable variables. They include product, pricing, place (channel) and promotion.

**1. Product:** refers to goods/services produced for sale, the product /service should relate to the needs and wants of the customers. Some important questions you need to ask yourself include:

1. What products/services do I sell?
2. Why did I decide to sell these products?
3. Do I have the products customers want?
4. Do any of my products not sell well?
5. Do I stock products that do not sell well?

* Always listen to what your customers like and don’t like. When their needs change, change your products and services to satisfy the new needs.
* Do more market research in order to provide those products or services and increase your sales.
* If your product is not selling well, think of new ideas like finding new customers.

**2. Pricing:** refers to the process of setting a price for a product/service. Your prices must be low enough to attract customers to buy and high enough to earn your business a profit.To set your price you need to:

* Know your costs.
* Know how much customers are willing to pay.
* Know your competitors price.
* Know how to make your prices more attractive

**3. Place:**  means the different ways of getting your products or services to your customers. It is also referred to as distribution. If your business is not located near your customers, you must find ways to get your products/services to where it is easy for customers to buy. You can distribute your products to your customers through:

* Selling directly to the consumers of the products.
* Retail distribution and wholesale distribution.

**4. Promotion:** Refers informing your customers of your products and services and attracting them to buy them. Promotion includes advertising, sales promotion, publicity (non-paid promotion) and personal selling. Use advertising to make customers more interested in buying your products or services. Some useful ways of advertising include signs, boards, posters, handouts, business cards, pricelists, photos and newspapers.

You can use sales promotion (short term incentives) to make customers buy more when they come to your business, you could also:

* Ensure you maintain attractive displays.
* Let customers try new products.
* Have competitions.
* Give demonstrations.
* Sell complementary products (products that go together)

**5.6.2 What Is Marketing Strategy?**

A marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage.

Marketing strategy is a method of focusing an organization's energies and resources on a course of action which can lead to increased sales and dominance of a targeted market.

A marketing strategy combines product development, promotion, distribution, pricing, relationship management and other elements; identifies the firm's marketing goals, and explains how they will be achieved, ideally within a stated timeframe. Marketing strategy determines the choice of target market segments, positioning, marketing mix, and allocation of resources. It is effective when it is an integral component of the overall firm strategy, defining how the organization will successfully engage customers, prospects, and competitors in the market arena.

1. **Pricing Strategy**

Price is the value placed on what is exchanged. Something of value is exchanged for satisfaction and utility, includes tangible (functional) and intangible (prestige) factors. It can even be barter. Price is often the only element the marketer can change quickly in response to demand shifts.

Pricing strategies are subject to incredibly complex environmental and competitive forces. A company sets no single price, but rather a pricing structure that covers different items in its line. This pricing structure changes through time as products pass through their life cycles.

To come up with this situations marketers use dynamic pricing strategies. The following   are some of pricing strategies mostly applicable in the real world scenario.

1. **Price Skimming**: this is a type of marketing strategy that firms use by charging the highest possible price that buyers who most desire the product will pay. It attracts a market segment that is more interested in quality, status, uniqueness etc. In this case, consumers’ demand must be inelastic.
2. **Penetration Pricing:** In this strategy, prices of products are reduced compared to competitors’ price for the same product to penetrate into markets and to increase sales. However, the quality of the product should not be lower as compared to other competitors’ product. It should be again noted that the cost of production should be lower to the extent that can enable the firm to get the desired profit. This is appropriate when the demand is elastic.
3. **Cost-plus pricing:** Any amount that is above unit cost may be considered.
4. **Mark-up pricing**: A certain percentage of the selling price is added to unit cost.
5. **Competition Oriented Pricing:** Considers competitor’s prices primarily; but the market type matters.
6. **Odd-even pricing**: This is Psychological pricing method based on the belief that certain prices or price ranges are more appealing to buyers. This method involves setting a price in odd numbers (just under round even numbers) such as $49.95 instead of $50.00. Although not supported by any research findings, its proponents claim that the consumers see a $49.95 price as 'just in the price range of $40’rather than in the $50.

**2. Promotion Strategies**

Promotion is the communication of the company and its products to customers. Promotional strategy is choosing a target market and formulating the most appropriate promotion mix to influence it. An organization’s promotional strategy can consist:

1. **Advertising**: It is any paid form of non-personal, one-way, mass communication about an organization, good, service, or idea by an identified sponsor.
2. **Personal selling**: This is the two-way flow of communication between a buyer and seller, often in a face to face encounter, designed to influence a person’s or group’s purchase decision.
3. **Public relations:** Public relation is a form of communication that seeks to change the perceptions of customers, shareholders, suppliers, employees and other publics about a company and its products.
4. **Sales promotion**: This promotion type involves short term incentives of value such as discounts, free samples, and prizes to be offered to arouse interest of customers in buying the good/service. Businesses may use one of the above promotional mix elements to arouse the interest of customers and make them take action by informing, persuading and reminding about the goods and services that they provide to the market.

**3. Distribution Strategies**

A successful product or service means nothing unless the benefit of such a service can be communicated clearly to the target market. For product-focused companies, establishing the most appropriate distribution strategies is a major key to success, defined as maximizing sales and profits. Unfortunately, many of these companies often fail to establish or maintain the most effective distribution strategies. Problems that researchers identified include:

* Unwillingness to establish different distribution channels for different products,
* Fear of utilizing multiple channels, especially including direct or semi-direct sales, due to concerns about erosion of distributor loyalty or inter-channel cannibalization
* Failure to periodically re-visit and update distribution strategies.
* Lack of creativity, and
* Resistance to change.

As can be noted from the above points marketing channels are the most important actors for the effective and efficient distribution of products.

Marketing Channels are individuals/organizations involved in the process of making the product available for use or consumption by consumers. Channels are used to improve exchange efficiency. It is divided into Direct and Indirect channels.

* **Direct channels:** In this type of channel, producers and end users directly interact.
* **Indirect channels:** In this type of channel intermediaries are inserted between seller and buyer. Intermediaries include Merchant Wholesalers, retailers, dealers, agents, brokers; and manufacturer’s branches and offices.

Decisions about marketing channels, which help producers deliver goods and services to their target markets, are among the most critical tasks facing management-because the channels that are chosen intimately affect all of the other marketing decisions. For example, the company’s pricing depends on whether it uses a direct channel, discount merchants, or high-quality boutiques. Also, the firm’s sales force and advertising decisions depend on how much training and motivation its dealers need.

The following factors should be considered to select the best channel under the condition of using best distribution strategy.

* ***Company Factors***: financial, human and technological capabilities of a company to do its business activities.
* ***Market Characteristics***: Geography, market density, market size, target market
* ***Product Attributes***: perishability, value and sophistication of the product
* ***Environmental Forces***: those forces that affect the business like competition, technology and culture.