

core marketing concepts

to understand the marketing function, we need to understand the following core set of concepts

needs, wants, and demands

needs are the basic human requirements such as for air, food, water, clothing, and shelter. humans also have strong needs for recreation, education, and entertainment. these needs become wants when directed to specific objects that might satisfy the need. a u.s. consumer needs food but may want a chicago-style “deep-dish” pizza and a craft beer. a person in afghanistan needs food but may want rice, lamb, and carrots. our wants are shaped by our society.

demands are wants for specific products backed by an ability to pay. many people want a mercedes; only a few can buy one. companies must measure not only how many people want their product, but also how many are willing and able to buy it.

these distinctions shed light on the criticism that “marketers get people to buy things they don’t want.” marketers do not create needs: needs pre-exist marketers. marketers might promote the idea that a mercedes satisfies a person’s need for social status. they do not, however, create the need for social status.

some customers have needs of which they are not fully conscious or cannot articulate. what does the customer mean in asking for a “powerful” lawn mower or a “peaceful” hotel? the marketer must probe further. 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 system.)**
- 5. secret needs (the customer wants friends to see him or her as a savvy consumer.)**

responding only to the stated need may shortchange the customer.¹⁷ consumers did not know much about

tablet computers when they were first introduced, but apple worked hard to shape consumer perceptions of them. to gain an edge, companies must help customers learn what they want.

target markets, positioning, and segmentation

not everyone likes the same cereal, restaurant, university, or movie. marketers therefore identify distinct segments of buyers by identifying demographic, psychographic, and behavioral differences between them. they then decide which segment(s) present the greatest opportunities. for each of these target markets, the firm develops a market offering that it positions in target buyers' minds as delivering some key benefit(s). volvo develops its cars for the buyer to whom safety is a major concern, positioning them as the safest a customer can buy. porsche targets buyers who seek pleasure and excitement in driving and want to make a statement about their wheels.

offerings and brands

companies address customer needs by putting forth a value proposition, a set of benefits that satisfy those needs. the intangible value proposition is made physical by an offering, which can be a combination of products, services, information, and experiences.

a brand is an offering from a known source. a brand name such as apple carries many different kinds of associations in people's minds that make up its image: creative, innovative, easy-to-use, fun, cool, ipod, iphone, and ipad to name just a few. all companies strive to build a brand image with as many strong, favorable, and unique brand associations as possible.

marketing channels

to reach a target market, the marketer uses three kinds of marketing channels. communication channels deliver and receive messages from target buyers and include newspapers, magazines, radio, television, mail, telephone, smart phone, billboards, posters, fliers, cds, audiotapes, and the internet. beyond these, firms communicate through the look of their retail stores and web sites and other media,

adding dialogue channels such as e-mail, blogs, text messages, and urls to familiar monologue channels such as ads.

distribution channels help display, sell, or deliver the physical product or service(s) to the buyer or user. these channels may be direct via the internet, mail, or mobile phone or telephone or indirect with distributors, wholesalers, retailers, and agents as intermediaries.

to carry out transactions with potential buyers, the marketer also uses service channels that include warehouses, transportation companies, banks, and insurance companies. marketers clearly face a design challenge in choosing the best mix of communication, distribution, and service channels for their offerings.

paid, owned, and earned media

the rise of digital media gives marketers a host of new ways to interact with consumers and customers. we can group communication options into three categories.¹⁸ paid media include tv, magazine and display ads, paid search, and sponsorships, all of which allow marketers to show their ad or brand for a fee. owned media are communication channels marketers actually own, like a company or brand brochure, web site, blog, facebook page, or twitter account. earned media are streams in which consumers, the press, or other outsiders voluntarily communicate something about the brand via word of mouth, buzz, or viral marketing methods. the emergence of earned media has allowed some companies, such as chipotle, to reduce paid media expenditures.¹⁹

chipotle one of the fastest-growing restaurant chains over the last decade, chipotle is committed-

to fresh food. the company supports family farms and sources sustainable ingredients from local growers who behave responsibly toward animals and the environment. it has over 1,600 stores and over 1.7 million social media fans—yet spends next to nothing on traditional paid media. instead chipotle engages customers through facebook, twitter, and other social media via its grassroots “food with integrity” digital strategy which puts the focus on what it sells and where it comes from. as cmo mark crumpacker notes, “typically, fast-food marketing is a game of trying to obscure the truth. the more people know about most fast-food companies, the less likely they’d want to be a customer.” youtube videos with country legend

willie nelson and indie rocker karen o from the yeah yeah yeahs musically made chipotle's case against processed foods and the industrialization of family farms.

impressions and engagement

marketers now think of three “screens” or means to reach consumers: tv, internet, and mobile. surprisingly, the rise of digital options did not initially depress the amount of tv viewing, in part because, as one nielsen study found, three of five consumers use two screens at once.²⁰

impressions, which occur when consumers view a communication, are a useful metric for tracking the scope or breadth of a communication's reach that can also be compared across all communication types. the downside is that impressions don't provide any insight into the results of viewing the communication.

engagement is the extent of a customer's attention and active involvement with a communication. it reflects a much more active response than a mere impression and is more likely to create value for the firm. some online measures of engagements are facebook “likes,” twitter tweets, comments on a blog or web site, and sharing of video or other content. engagement can extend to personal experiences that augment or transform a firm's products and services.

value and satisfaction

the buyer chooses the offerings he or she perceives to deliver the most value, the sum of the tangible and intangible benefits and costs. value, a central marketing concept, is primarily a combination of quality, service, and price (qsp), called the customer value triad. value perceptions increase with quality and service but decrease with price.

we can think of marketing as the identification, creation, communication, delivery, and monitoring of customer value. satisfaction reflects a person's judgment of a product's perceived performance in relationship to expectations. if performance falls short of expectations, the customer is disappointed. if it matches expectations, the customer is satisfied. if it exceeds them, the customer is delighted.

supply chain

the supply chain is a channel stretching from raw materials to components to finished products carried to final buyers. as figure 1.3 shows, the supply chain for coffee may start with ethiopian farmers who plant, tend, and pick the coffee beans and sell their harvest. if sold through a fair trade cooperative, the coffee is washed, dried, and packaged for shipment by an alternative trading organization (ato) that pays a minimum of \$1.26 a pound. the ato transports the coffee to the developed world where it can sell it directly or via retail channels. each company in the chain captures only a certain percentage of the total value generated by the supply chain's value delivery system. when a company acquires competitors or expands upstream or downstream, its aim is to capture a higher percentage of supply chain value.

problems with a supply chain can be damaging or even fatal for a business. when johnson & johnson ran into manufacturing problems with its consumer products unit (which makes tylenol and other products), it hired away from bayer ag a top executive known for her skill at fixing consumer and supply chain problems.

competition

competition includes all the actual and potential rival offerings and substitutes a buyer might consider. an automobile manufacturer can buy steel from u.s. steel in the united states, from a foreign firm in japan or korea, or from a mini-mill such as nucor at a cost savings, or it can buy aluminum parts from alcoa to reduce the car's weight or engineered plastics from saudi basic industries corporation (sabic) instead of steel. clearly, u.s. steel is more likely to be hurt by substitute products than by other integrated steel companies and would be defining its competition too narrowly if it didn't recognize this.

marketing environment

the marketing environment consists of the task environment and the broad environment. the task environment includes the actors engaged in producing, distributing, and promoting the offering. these are the company, suppliers, distributors, dealers, and target customers. in the supplier group are material suppliers and service suppliers, such as marketing research agencies, advertising agencies, banking and insurance companies, transportation companies, and telecommunications companies. distributors and dealers include agents, brokers,

manufac- turer representatives, and others who facilitate finding and selling to customers.

the broad environment consists of six components: demographic environment, economic environment, social-cultural environment, natural environment, technological environment, and political-legal environ- ment. marketers must pay close attention to the trends and developments in these and adjust their marketing strategies as needed. new opportunities are constantly emerging that await the right marketing savvy and ingenuity. consider pinterest.

pinterest

oneofthefastest-growing social mediasitesever—itssurpassed10millionmonthly unique u.s. visitors in january 2012 and doubled that just four months later—pinterest is a visual bookmarking tool that lets users collect and share images of projects or products on digital scrapbooks or “pinboards.” especially popular with women planning weddings, saving recipes, and designing kitchen upgrades, pinterest has driven more traffic to websites in a month than twitter, google+, linkedin, and youtube combined.

part of its appeal is its unique customizable grid of images. pinterest’s sweet spot is that users are often in a shopping mindset; one study showed almost 70% of online purchasers who found a product via pinterest went on to buy, compared to 40% for facebook. brands from dell and mercedes-benz to peanut butter & co. and zombie sak are integrat-

ing the site into their social media strategies. nevertheless, pinterest is still exploring how to best monetize its business venture.

the new marketing realities

the marketplace is dramatically different from even 10 years ago, with new marketing behaviors, opportunities, and challenges emerging. in this book we focus on three transformative forces: technology, globalization, and social responsibility.

technology

the pace of change and the scale of technological achievement can be staggering. the number of mobile phones in india recently exceeded 500 million, facebook’s

monthly users passed 1 billion, and more than half of african urban residents were able to access the internet monthly.

with the rapid rise of e-commerce, the mobile internet, and web penetration in emerging markets, the boston consulting group believes brand marketers must enhance their “digital balance sheets.” massive amounts of information and data about almost everything are now available to consumers and marketers. in fact, technology research specialists gartner predicts that by 2017, cmos will spend more time on information technology (it) than chief information officers (cios). aetna’s cmo and cio have already collaborated successfully for years, launching new products and services including itriage, a popular health app for the iphone. with itriage, users can research ailments, find nearby physicians, and learn about prescribed medicines.

procter & gamble (p&g) is determined to stay ahead of technology trends.

p&g p&g uses the latest web-based tools in all 80 countries where it sells products: ubiquitous high-speed networking, data visualization, and high-speed analysis of multiple information streams. in 40 locations worldwide, a massive business sphere can display real-time market share, profits, and prices by country, region, brand, and product. tide laundry detergent has a dedicated “news desk” that monitors social media chatter and joins in when relevant. when tide was used to clean up a nasty fuel spill in a nascar race, the brand ran social media ads with real news footage within 72 hours. p&g looks at a wide range of technology applications. one pilot study showed that field salespeople increased revenue 1.5 percent merely by using ipads to show store customers the layouts of different floor displays.

the old credo “information is power” is giving way to the new idea that “sharing information is power.” software giant sap’s online community numbers more than 2 million customers, partners, and others. once a year, 100 are chosen to contribute ideas to product development.

at the other end of the size spectrum, by running facebook ads offering a free cut, shampoo, and hot towel treatment to new customers in exchange for name, phone number, e-mail address, and preferred social network, the gent’s place barbershop in frisco, tx, has picked up 5,000 clients. its average marketing cost for each was \$10.13, which it quickly recoups from repeat purchases.

even traditional marketing activities are profoundly affected by technology. to improve sales force effectiveness, drug maker roche decided to issue ipads to its entire sales team. though the company had a sophisticated customer relationship management (crm) software system before, it still depended on sales reps to accurately input data in a timely fashion, which unfortunately did not always happen. with ipads, however, sales teams can do real-time data entry, improving the quality of the data entered while freeing up time for other tasks.

globalization

the world has become a smaller place. new transportation, shipping, and communication technologies have made it easier for us to know the rest of the world, to travel, to buy and sell anywhere. by 2025, annual consumption in emerging markets will total \$30 trillion and contribute more than 70 percent of global gdp growth.³¹ a staggering 56 percent of global financial services consumption is forecast to come from emerging markets by 2050, up from 18 percent in 2010.

demographic trends favor developing markets such as india, pakistan, and egypt, with populations whose median age is below 25. in terms of growth of the middle class, defined as earning more than \$3,000 per year, the philippines, china, and peru are the three fastest-growing countries.

globalization has made countries increasingly multicultural. u.s. minorities have much economic clout, and their buying power is growing faster than that of the general population. according to the university of georgia's terry college of business minority buying report, the combined buying power of u.s. racial minorities (african americans, asians, and native americans) is projected to rise from \$1.6 trillion in 2010 to \$2.1 trillion in 2015, accounting for 15 percent of the nation's total. the buying power of u.s. hispanics will rise from \$1 trillion in 2010 to \$1.5 trillion in 2015, nearly 11 percent of the nation's total. one survey found that 87 percent of companies planned to increase or maintain multicultural media budgets.

globalization changes innovation and product development as companies take ideas and lessons from one country and apply them to another. after years of little success with its premium ultrasound scanners in the chinese market, ge successfully developed a portable, ultra-low-cost version that addressed the country's unique market needs. later, it began to successfully sell the product throughout the

developed world for use in ambulances and operating rooms where existing models were too big.

social responsibility

poverty, pollution, water shortages, climate change, wars, and wealth concentration demand our attention. the private sector is taking some responsibility for improving living conditions, and firms all over the world have elevated the role of corporate social responsibility.

because marketing's effects extend to society as a whole, marketers must consider the ethical, environmental, legal, and social context of their activities.³⁵ "marketing insight: getting to marketing 3.0" describes how companies need to change to do that.

the organization's task is thus to determine the needs, wants, and interests of target markets and satisfy them more effectively and efficiently than competitors while preserving or enhancing consumers' and society's long-term well-being.