



Part 1: Understanding Marketing Management

Chapter 1

Defining Marketing for the New Realities

In this chapter, we will address the following questions:

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2. What is the scope of marketing? (Page 2)
3. What are some core marketing concepts? (Page 5)
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Marketing Management at Unilever

Under the leadership of ex-P&G marketing executive Paul Polman and marketing whiz Keith Weed, Unilever is steering in an aggressive new direction. Its “Crafting Brands for Life” model establishes social, economic, and product missions for each brand, including Dove, Ben & Jerry’s, and Knorr. One part of the mission, for instance, is sustainability—specifically, to halve its ecological footprint while doubling revenues. To improve marketing communications, it aims to strike a balance between “magic” and “logic,” doubling marketing training expenditures and emphasizing ad research. Unilever has set its sights on developing and emerging markets, hoping to draw 70 percent to 75 percent of revenues from these markets by 2020. The company has also adopted “reverse innovation” by applying marketing innovations from developing markets to recession-hit developed markets. In Spain, it now sells Surf detergent in five-wash packs. In Greece, it offers mayonnaise in small packages.¹

Good marketing is no accident. It is both an art and a science, and it results from careful planning and execution using state-of-the-art tools and techniques. In this book, we describe how skillful marketers are updating classic practices and inventing new ones to find creative,

practical solutions to new marketing realities. In the first chapter, we lay our foundation by reviewing important marketing concepts, tools, frameworks, and issues.

The Value of Marketing

Finance, operations, accounting, and other business functions won't really matter without sufficient demand for products and services so the firm can make a profit. In other words, there must be a top line for there to be a bottom line. Thus, financial success often depends on marketing ability. Marketing's value extends to society as a whole. It has helped introduce new or enhanced products that ease or enrich people's lives. Successful marketing builds demand for products and services, which, in turn, creates jobs. By contributing to the bottom line, successful marketing also allows firms to more fully engage in socially responsible activities.²

Many firms, even service and nonprofit, now have a chief marketing officer (CMO) to put marketing on a more equal footing with other C-level executives such as the chief financial officer (CFO) or chief information officer (CIO).³ In an Internet-fueled environment where consumers, competition, technology, and economic forces change rapidly and consequences quickly multiply, marketers in every organization must choose features, prices, and markets and decide how much to spend on advertising, sales, and online and mobile marketing—while under intense pressure to make every marketing dollar count.

At greatest risk are those that fail to carefully monitor their customers and competitors, continuously improve their value offerings and marketing strategies, or satisfy their employees, stockholders, suppliers, and channel partners in the process. Thus, skillful marketing is a never-ending pursuit. Despite these challenges, some businesses are adapting and thriving in these changing times.

The Scope of Marketing

To be a marketer, you need to understand what marketing is, how it works, who does it, and what is marketed.

What Is Marketing?

Marketing is about identifying and meeting human and social needs. One of the shortest good definitions of marketing is “meeting needs profitably.” When Google recognized that people needed to more effectively and efficiently access information on the Internet, it created a powerful search engine that organized and prioritized queries. When IKEA noticed that people wanted good furnishings at substantially lower prices, it created knockdown furniture. These two firms demonstrated marketing savvy and turned a private or social need into a profitable business opportunity.

The American Marketing Association offers the following formal definition: *Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.*⁴ We see **marketing management** as *the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.* Cocreation of value among consumers and with businesses and the importance of value creation and sharing have become important themes in the development of modern marketing thought.⁵

Note that selling is *not* the most important part of marketing. Peter Drucker, famed management theorist, says that “the aim of marketing is to know and understand the customer so well

that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.”⁶ When Apple launched its iPad tablet computer and when Toyota introduced its Prius hybrid automobile, these manufacturers were swamped with orders because they designed the right product, based on careful marketing homework.

What Is Marketed?

Marketers market 10 main types of entities: goods, services, events, experiences, persons, places, properties, organizations, information, and ideas.

Goods Physical goods constitute the bulk of most countries’ production and marketing efforts. Each year, U.S. companies market billions of fresh, canned, bagged, and frozen food products and other tangible items.

Services As economies advance, a growing proportion of their activities focuses on the production of services. The U.S. economy today produces a services-to-goods mix of roughly two-thirds to one-third.⁷ Services include the work of airlines, hotels, car rental firms, barbers and beauticians, maintenance and repair people, and accountants, bankers, lawyers, engineers, doctors, software programmers, and management consultants. Many market offerings mix goods and services, such as a fast-food meal.

Events Marketers promote time-based events, such as major trade shows, artistic performances, and company anniversaries. Global sporting events such as the Olympics and the World Cup are promoted aggressively to companies and fans.

Experiences By orchestrating several services and goods, a firm can create, stage, and market experiences. Walt Disney World’s Magic Kingdom lets customers visit a fairy kingdom, a pirate ship, or a haunted house. Customized experiences include a week at a baseball camp with retired baseball greats, as one example.⁸

Persons Artists, musicians, CEOs, physicians, high-profile financiers, and other professionals often get help from marketers.⁹ Management consultant Tom Peters, himself a master at self-branding, has advised each person to become a “brand.”

Places Cities, states, regions, and whole nations compete to attract tourists, residents, factories, and company headquarters.¹⁰ Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies.

Properties Properties are intangible rights of ownership to either real property (real estate) or financial property (stocks and bonds). They can be bought and sold and therefore require marketing through the efforts of real estate agents, investment companies, and banks.

Organizations Museums, performing arts organizations, corporations, and nonprofits all use marketing to boost their public images and compete for audiences and funds. Some universities have created chief marketing officer (CMO) positions to better manage their school identity and image, via everything from admission brochures and Twitter feeds to brand strategy.¹¹

Information Information is essentially what books, schools, and universities produce, market, and distribute at a price to parents, students, and communities.

Ideas Every market offering includes a basic idea. Charles Revson of Revlon once observed: “In the factory we make cosmetics; in the drugstore we sell hope.” Products and services are platforms for delivering some idea or benefit. Social marketers promote such ideas as “Friends Don’t Let Friends Drive Drunk” and “A Mind Is a Terrible Thing to Waste.”

Who Markets?

A **marketer** is someone who seeks a response—attention, a purchase, a vote, a donation—from another party, called the **prospect**. If two parties are seeking to sell something to each other, we call them both marketers.

Increasingly, marketing is *not* done only by the marketing department. Marketers now must properly manage all possible *touch points* (where a customer directly or indirectly interacts with the company), including store layouts, package designs, product functions, employee training, and shipping and logistics. To create a strong marketing organization, marketers must think like executives in other departments, and executives in other departments must think more like marketers. Interdepartmental teamwork that includes marketers is needed to manage key processes like production innovation, new-business development, customer acquisition and retention, and order fulfillment.

What Is a Market?

Traditionally, a “market” was a physical place where buyers and sellers gathered to buy and sell goods. Economists describe a *market* as a collection of buyers and sellers who transact over a particular product or product class (such as the housing market or the grain market). Marketers use the term **market** to describe customer groups. They talk about need markets (the diet-seeking market), product markets (the shoe market), demographic markets (the “millennium” youth market), geographic markets (the Chinese market), or voter markets, labor markets, and donor markets. Four key customer markets are consumer, business, global, and nonprofit.

Figure 1.1 shows how sellers and buyers are connected by four flows. Sellers send goods and services and communications such as ads and direct mail to the market; in return they receive money and information such as customer attitudes and sales data. The inner loop shows an exchange of money for goods and services; the outer loop shows an exchange of information.

FIGURE 1.1 A Simple Marketing System

