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 that they cannot articulate. What does the customer mean in asking for a “powerful” lawn mower or a “peaceful” hotel? 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.[12] 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). 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, iPhone, and iPad to name just a few. All companies strive to build a brand image with strong, favorable, and unique brand associations.

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, and the Internet. Firms also 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.

Paid, Owned, and Earned Media

We can group communication options for interacting with customers into three categories.[13] *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.[14]

Impressions and Engagement

Marketers now think of three "screens" or means to reach consumers: TV, Internet, and mobile. *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, which 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.

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, called the *customer value triad*. Value perceptions increase with quality and service but decrease with price.

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 longer channel stretching from raw materials to components to finished products carried to final buyers. The supply chain for coffee may start with farmers who plant, tend, and pick the coffee beans and sell their harvest. After farmers sell their harvest to wholesalers or perhaps a Fair Trade cooperative, the beans are prepared and then transported to the developed world for sale through wholesale or 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.

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, from a firm in Japan or Korea, or from a mini-mill. Alternatively, it can buy aluminum parts from Alcoa to reduce the car's weight or engineered plastics 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, manufacturer 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 environment. Marketers must pay close attention to the trends and developments in these and adjust their marketing strategies as needed.

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. 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."[15] Massive amounts of information and data about almost everything are now available to consumers and marketers. In fact, the technology research firm Gartner predicts that by 2017, chief marketing officers will spend more time on information technology than chief information officers.

The old credo "information is power" is giving way to the new idea that "sharing information is power."[16] Even traditional marketing activities are profoundly affected by technology. As just one example, drug maker Roche decided to issue iPads to its entire sales team to improve sales force effectiveness. Now sales personnel can do real-time data entry, improving the quality of the data entered while freeing up time for other tasks.[17]