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Part II: Marketing

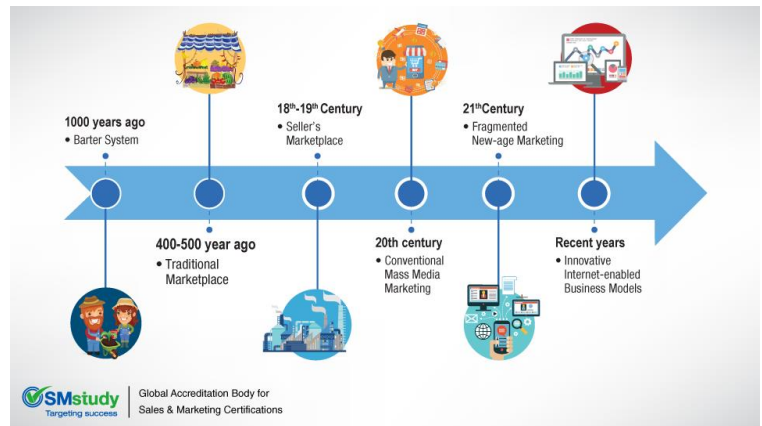
Course 1

Basic Marketing Concepts

- The evolution of modern marketing
 - Production orientation
 - Sales orientation
 - Marketing orientation
- Customer need, wish/desire and demand
- Maslow's Pyramid of Needs
- Exchange and transaction
- Consumer decision making process
- The Marketing Mix

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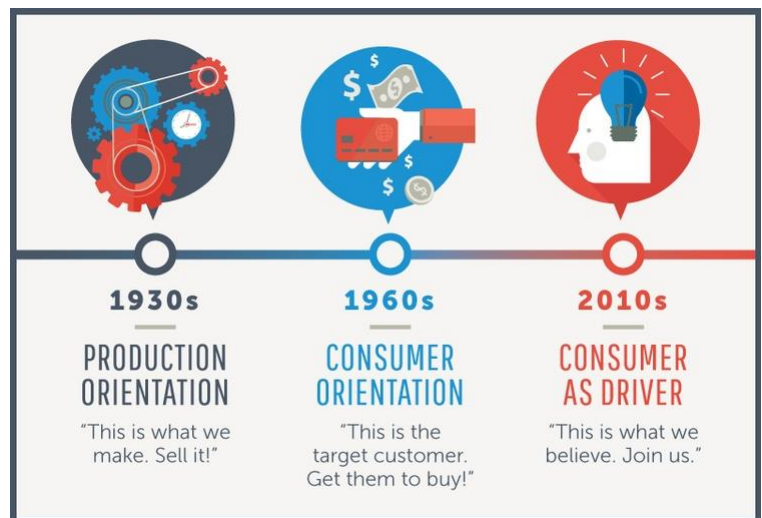
The evolution of modern marketing:



Source: <https://www.smstudy.com/article/evolution-of-sales-and-marketing-part-1>

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The evolution of modern marketing:



Source: https://www.raindropmarketing.com/wp-content/uploads/2018/02/15_rdm_blog_september_marketingspectrum-750x516.jpg

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Production orientation:

Source: <https://marketing-insider.eu/evolution-of-marketing-theory/>

Production orientation is the view that the route to corporate success lies in production efficiency, getting production costs as low as possible (usually by manufacturing in very large volume) in order to reduce costs and prices.

This orientation had its beginnings at the start of the Industrial Revolution. Up until the 19th century, almost everything was hand-made and made to measure. Clothing was produced by tailors to almost exact measurements or was made at home, houses and vehicles were produced to customer specification, and relatively few items were standardized. Producing in this way is relatively expensive, consequently prices were high for most goods and people owned correspondingly fewer things.

When machines were introduced to speed up the manufacturing process, costs dropped to perhaps one tenth of the cost of customized products, so that prices could also be cut provided enough goods could be sold. The longer the production run, the lower the costs and consequently the greater the profit: customers were prepared to accept items that were not exactly meeting their needs, since prices were a fraction of what they would have had to pay for the perfect, tailor-made article.

For manufacturers, the key to success was therefore ever more efficient (and low-cost) production, but at the cost of meeting individual customers' needs.

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Sales orientation:

Source: <https://marketing-insider.eu/evolution-of-marketing-theory/>

This concept is based on the idea that manufacturing companies can produce far more goods than the market can accept. **Sales-oriented companies** assume that people do not want to buy goods and will not do so unless they are persuaded to do so: such companies **concentrate on the needs of the seller rather than the needs of the buyer**.

Sales orientation relies on several assumptions: first, that customers do not really want to spend their money; second, that they must be persuaded by the use of hard-hitting sales techniques; third, that they will not mind being persuaded and will be happy for the salesperson to call again and persuade them some more; and fourth, that success comes through using aggressive promotional techniques.

Sales orientation is still common, especially in firms selling unsought goods such as home improvements and insurance, and often results in short-term gains. In the longer term, customers will judge the company on the quality of its products and after-sales service, and (ultimately) on value for money.

Sales orientation should not be confused with the practice of personal selling: successful salespeople do not operate on the basis of persuasion, but rather on the basis of identifying and meeting individual customers' needs.

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Marketing orientation:

Source: <https://marketing-insider.eu/evolution-of-marketing-theory/>

Marketing orientation means being driven by customer needs: this is sometimes also called customer orientation. Companies that are truly marketing oriented will always start with the customer's needs, whatever the business problem. Customers can be grouped according to their different needs, and a slightly different product offered to each group.

This type of differentiation allows the company to provide for the needs of a larger group in total, because each target segment of the market is able to satisfy its needs through purchase of one or other of the company's products.

The underlying assumption of marketing orientation is that customers want to satisfy their needs and will be willing to buy products that do so. Customer need includes a need for information about the products, advice about product usage, availability of products and so forth. Customer need therefore goes beyond the basic core benefits of the product itself.

Marketing orientation also implies that customer needs are the driving force throughout the organization. Decisions within the organization, in every department from manufacture through to delivery, need to be taken in consideration of customer needs at every stage. Quality control in the factory, accurate information given by receptionists, and courteous deliveries by drivers all play a part in delivering customer value.

Three components can be identified to determine the degree to which a company is marketing-orientated: competitor orientation, customer orientation and inter-functional co-ordination.

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Customer need, wish/desire and demand:

<https://www.themarketerstudio.com/blog/2019/1/15/customer-needs-wants-demands-amp-desires>

<http://inevitablesteps.com/marketing/needs-wants-and-demands/>

The concept of **NEED** can be explained as the feeling of deprivation that emerges inside us and our mind requires something like basic human requirements: shelter, clothe, food, water etc. In addition, needs aren't only physical. Needs can be a social thing, for example, social class, belonging to a certain society and need of self-expression.



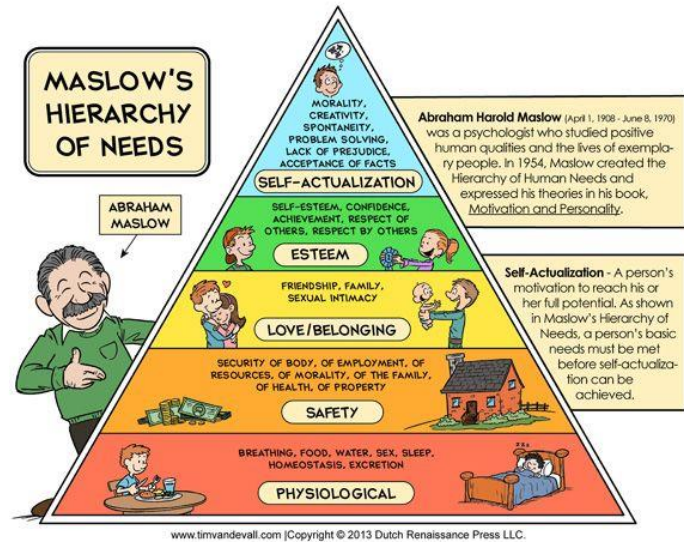
The concept of **WISH/DESIRE** can be expressed as a privileged way in which an individual can satisfy his need. (for example: water is a need for thirst, but flavored and rich in magnesium water is a wish/desire). While needs are limited in number, wishes/desires are infinite.

DEMAND is an economic concept and is fundamental for creating a good marketing plan. Demand is customer desire, willingness and ability to pay for a specific product or service, that would help fulfill their need. Any business, through its offering aims to cater to this demand.



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Maslow's Pyramid of Needs:



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Maslow's Pyramid of Needs:

Source: <https://www.simplypsychology.org/maslow.html>

1. **Physiological needs** - these are biological requirements for human survival, e.g. air, food, drink, shelter, clothing, warmth, sex, sleep etc. If these needs are not satisfied the human body cannot function optimally. Maslow considered physiological needs the most important as all the other needs become secondary until these needs are met.

2. **Safety needs** - protection from elements, security, order, law, stability, freedom from fear.

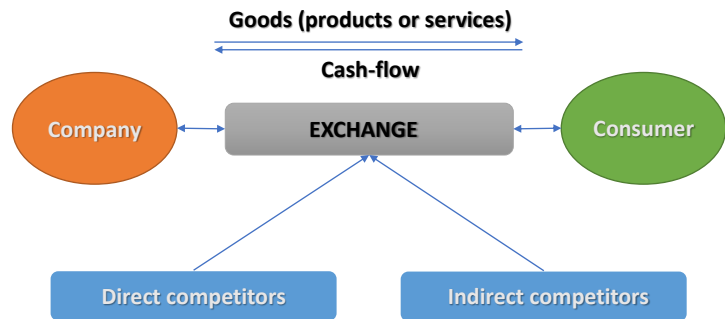
3. **Love and belongingness needs** - after physiological and safety needs have been fulfilled, the third level of human needs is social and involves feelings of belongingness. The need for interpersonal relationships motivates behavior, thus examples include friendship, intimacy, trust, and acceptance, receiving and giving affection and love. Affiliating, being part of a group (family, friends, work).

4. **Esteem needs** - which Maslow classified into two categories: (i) esteem for oneself (dignity, achievement, mastery, independence) and (ii) the desire for reputation or respect from others (e.g., status, prestige).

5. **Self-actualization needs** - realizing personal potential, self-fulfillment, seeking personal growth and peak experiences. A desire "to become everything one is capable of becoming" (Maslow, 1987).

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Exchange and transaction:



Exchange is the fourth possible option to obtain a product:

- I. **Auto-production** (do it yourself using your own resources)
- II. **Asking** (obtaining it for free from someone's surplus)
- III. **By force** (taking it by force against someone's will)
- IV. **Exchange** (offering something for bargain)

A **transaction** implies the existence of an agreement (verbal or written) and a set of mutual accepted conversion rates.

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Consumer decision making process:



OBSERVATION:

- * positive experience => shorter/quicker decision-making process
- ** negative experience => will affect product and brand image

Adaptation from: <http://www.businessstudynotes.com>

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Consumer decision making process:

<http://www.businessstudynotes.com/marketing/marketing-management/stages-consumer-decision-making-process/>

- 1) **Need Recognition:** The first step in the consumer decision making process is identifying the need. The need is the most important element which leads towards the actual buying of the product or service. Need is the trigger point of all the buying decisions.
- 2) **Searching and gathering Information:** The potential consumer after identifying his needs moves on to searching & gathering information. When it comes to choosing between alternatives humans tend to be skeptical, therefore they need all the information before spending their money. During this phase the consumer evaluates the entire positive and negatives aspects of the purchase. Due to the changing trends and online shopping sites the consumers are far more informed and are able to make better purchase decisions. Information can be collected from many different sources like prints or electronic media or from people reviews about the certain products:
 - Personal Contacts: The Consumers tend to discuss the needs and their interests in different products with friends, family, colleagues and acquaintances and make purchase decisions based upon their recommendations.
 - Commercial Information Sources: Electronic media, TV Ads, Newsletters, Sale Persons and Public displays.
 - Printed Sources: Newspapers and Magazines
 - Previous Purchase Experiences: Consumer's own personal experiences about the prior use of a product/service.

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Consumer decision making process:

<http://www.businessstudynotes.com/marketing/marketing-management/stages-consumer-decision-making-process/>

- 3) **Evaluating the Alternatives:** the Consumers begin to search out for the best deals or options available once he has identified the need and the source to satisfy that need. He evaluates different options based upon product price, product quality, product quantity, and value-added features of a product or other important factors. The consumer after need recognition and collecting useful information choose the best product available in the market based upon his taste, style, income or preference.
- 4) **Actual Purchase of the Product or the Service:** in this stage the customer decides what to buy, where to buy after going through all the above stages. After proper assessment of all the facts the consumer makes a logical decision to buy a product based upon his needs and wants. The Needs and wants are often triggered from the advertising and marketing campaigns, recommendations from personal connections or may be from both.
- 5) **Post Purchase Evaluation:** in the final stage the consumer evaluates or analysis the purchased product, usefulness of the product, satisfaction delivered from the product, value of the product with respect to the need fulfillment of the consumer. If the consumer feels that the product bought delivered the value and has met the expectation, they will become the loyal customers of the product.

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The Marketing Mix (4P):



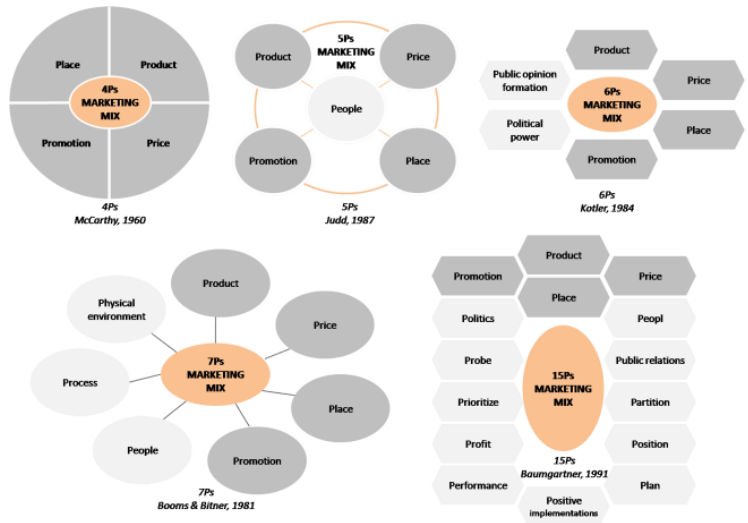
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The Marketing Mix (7P):



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The Marketing Mix (Evolution):



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The Marketing Mix (4C):

Product	VS.	Service
Tangible		Intangible
Storable		Perishable
Control quality with data		Define quality by experience
Repeatable (easy to create a standard)		Difficult to repeat (difficult o create a standard)
Low contact with customers		High contact with clients
Production and consumption are separate		Production and consumption are not separate
Change of ownership after purchase		No change of ownership after purchase

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The Marketing Mix (4C):

Thus, the 4P can be transformed in 4C...

