

Marketing Management

Chapter 1 : Defining Marketing for the New Realities

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.

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.
- Successful marketing builds demand for products and services. Thus, financial success often depends on marketing ability.

The Value of Marketing

Marketing Decision Making

- Marketing builds strong brands and a loyal customer base, intangible assets that contribute heavily to the value of a firm, they now have a chief marketing officer (CMO).

Winning Marketing

- Skillful marketing is a never-ending pursuit, but some businesses are adapting and thriving in these changing times

The Scope of Marketing

What Is Marketing?

What Is Marketed?

Who Markets?



What Is Marketing?

- **Marketing** is about identifying and meeting human and social needs.
- 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
- **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.



What Is Marketed?

Marketers market 10 main types of entities. Let's take a quick look at these categories.

-
- **Goods:** Physical goods constitute the bulk of most countries' production and marketing efforts.
 - **Services:** As economies advance, a growing proportion of their activities focuses on the production of services. Services include the work of hotels, car rental firms, software programmers, management consultants etc.
 - **Events:** Marketers promote time-based events, such as major trade shows, artistic performances, and company anniversaries.

- **Experiences:** By orchestrating several services and goods, a firm can create, stage, and market experiences.
- **Persons:** Artists, musicians, CEOs, physicians, high-profile lawyers and financiers, and other professionals often get help from marketers
- **Places:** Place marketers include economic development specialists, real estate agents, commercial banks, 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).
- **Organizations:** Museums, performing arts organizations, corporations, and nonprofits all use marketing to boost their public images and compete for audiences and funds.

- **Information:** Firms make business decisions using information supplied by organizations. Thomson Reuters: “We combine industry expertise with innovative technology to deliver critical information to leading decision makers.
- **Ideas:** Every market offering includes a basic idea. Products and services are platforms for delivering some idea or benefit. Charles Revson of Revlon once observed: “In the factory we make cosmetics; in the drugstore we sell hope.”



Who Markets?

Marketers and Prospects: A **marketer** is someone who seeks a **response**—attention, a purchase, a vote, a donation—from another party, called the **prospect**.

Marketers must identify the **cause(s)** of the demand state and determine a plan of action to shift demand to a more desired state. **Eight demand states** are possible:

- **Negative demand**—Consumers **dislike the product** and may even pay to avoid it.
- **Nonexistent demand**—Consumers may be **unaware of or uninterested** in the product.
- **Latent demand**—Consumers may **share a strong need that cannot be satisfied** by an existing product.
- **Declining demand**—Consumers begin to **buy the product less frequently or not at all**.

Irregular demand—Consumer purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis.

Full demand—Consumers are adequately buying all products put into the marketplace.

Overfull demand—More consumers would like to buy the product than can be satisfied.

Unwholesome demand—Consumers may be attracted to products that have undesirable social consequences

What is Market?

- A “market” was a physical place where collection of buyers and sellers who transact over a particular product or product class.

Key Customer Markets

Consumer Markets Companies selling mass consumer goods and services such as juices, cosmetics, athletic shoes, and air travel establish a strong brand image by developing a superior product or service

Business Markets Companies selling business goods and services often face well-informed professional buyers skilled at evaluating competitive offerings.

Nonprofit and Governmental Markets Companies selling to nonprofit organizations with limited purchasing power such as charitable organizations, and government agencies need to price carefully

Core Marketing Concepts

- Needs, Wants, and Demands
- Target Markets, Positioning, and Segmentation
- Offerings and Brands
- Marketing Channels
- Paid, Owned, and Earned Media
- Impressions and Engagement
- Value and Satisfaction
- Supply Chain
- Competition Marketing Environment



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.
- Needs become **wants** when directed to specific objects that might satisfy the need. Our wants are shaped by our society, A person in Afghanistan needs food but may want rice, lamb, and carrots.
- **Demands** are wants for specific products backed by an ability to pay.
Many people want a Mercedes; only a few can buy one.





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.)

2

Target Markets, Positioning, and Segmentation

- **Segmentation** comprises identifying the market to be segmented; identification, selection, and application of bases to be used in that segmentation; and development of profiles.
- **Targeting Market** is the process of identifying the most attractive segments from the segmentation stage, usually the ones most profitable for the business.
- **Positioning** is the final process, and is the more business-orientated stage, where the business must assess its competitive advantage and position itself in the consumer's minds to be the more attractive option in these categories.

3

Offerings and Brands

- The **intangible value proposition**(a set of benefits that satisfy those needs) 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.
- All companies strive to build a **brand image** with as many strong, favorable, and unique brand associations as possible

4

Marketing Channels

The marketer uses **three kinds** of marketing channels to reach a target market.

- i. **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.**

Marketing Channels

- ii. 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.
- iii. Service channels:** To carry out transactions with potential buyers, the marketer also uses service channels that include warehouses, transportation companies, banks, and insurance companies

5

Paid, Owned, and Earned Media

-
- **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

6

Impressions & engagement

- **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.
- **Engagement** is the extent of a customer's attention and active involvement with a communication. Engagement can extend to personal experiences that augment or transform a firm's products and services.
 - 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.
- 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.

| Fig. 1.3 |

The Supply Chain for Coffee





Competition marketing & environment

Competition

Competition includes all the actual and potential rival offerings and substitutes a buyer might consider.

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.

The broad environment consists of six components:

Demographic Environment,
Economic Environment,
Social-Cultural Environment,
Natural Environment,
Technological Environment,
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

Technology

Globalization

Social Responsibility





Technology

- The pace of change and the scale of technological achievement can be **staggering**. With the rapid rise of 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.
- Technology research specialists Gartner predicts that by 2017, CMOs will **spend more time on information technology (IT)** than chief information officers (CIOs).

2

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
 - Globalization has made countries increasingly multicultural
 - Globalization changes innovation and product development as companies take ideas and lessons from one country and apply them to another



Social Responsibility

- 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.



cont
↙

A Dramatically Changed Marketplace

These three forces—technology, globalization, and social responsibility—have dramatically changed the marketplace, bringing consumers and companies new capabilities.

New Consumer Capabilities

- Social media is an explosive worldwide phenomenon.
- Empowerment is not just about technology, though. Consumers are willing to move to another brand if they think they are not being treated right or do not like what they are seeing.
- Expanded information, communication, and mobility enable customers to make better choices and share their preferences and opinions with others around the world.

New Consumer Capabilities

- ✓ Can use the Internet as a powerful information and purchasing aid
- ✓ Can search, communicate, and purchase on the move
- ✓ Can tap into social media to share opinions and express loyalty
- ✓ Can actively interact with companies
- ✓ Can reject marketing they find inappropriate

New Company Capabilities

- ✓ Can use the Internet as a powerful information and sales channel, including for individually differentiated goods
- ✓ Can collect fuller and richer information about markets, customers, prospects, and competitors
- ✓ Can reach customers quickly and efficiently via social media and mobile marketing, sending targeted ads, coupons, and information
- ✓ Can improve purchasing, recruiting, training, and internal and external communications
- ✓ Can improve cost efficiency

Changing Channels

One of the reasons consumers have more choices is that channels of distribution have changed as a result of retail transformation and disintermediation.

Retail Transformation: Entrepreneurial retailers are building entertainment into their stores with coffee bars, demonstrations, and performances, marketing an “experience” rather than a product assortment.

Disintermediation: Traditional companies engaged in reintermediation and became “brick-and-click” retailers, adding online services to their offerings. Some with plentiful resources and established brand names became stronger contenders than pure-click firms.

Heightened Competition

Private labels: Brand manufacturers are further buffeted by powerful retailers that market their own store brands, increasingly indistinguishable from any other type of brand.

- **Mega-brands:** Many strong brands have become mega-brands and extended into related product categories, including new opportunities at the intersection of two or more industries.

Deregulation: Many countries have deregulated industries to create greater competition and growth opportunities.

Privatization: Many countries have converted public companies to private ownership and management to increase their efficiency



Marketing in Practice

Marketing Balance

Marketing Accountability

Marketing Balance

- Marketers must balance increased spending on search advertising, social media, e-mails, and text messages with appropriate spending on traditional marketing communications.
- when accountability has become a top priority and returns on investment are expected from every marketing activity. The ideal is retaining winning practices from the past while adding fresh approaches that reflect the new marketing realities

Marketing Accountability

- Marketers are increasingly asked to justify their investments in financial and profitability terms, as well as in terms of building the brand and growing the customer base. Organizations recognize that much of their market value comes from intangible assets.
- Thus, to understand and measure their marketing and business performance and a broader variety of financial measures to assess the direct and indirect value their marketing efforts create.

Marketing in the Organization

- Marketing is not done only by the marketing department; every employee has an impact on the customer. Marketers now must properly manage all possible touch points: store layouts, package designs, product functions, employee training, and shipping and logistics.



Company Orientation toward the Marketplace

The Production Concept

The Product Concept

The Selling Concept

The Marketing Concept





The Production Concept

- The production concept is one of the oldest concepts in business. It holds that consumers prefer products that are widely available and inexpensive. Managers of production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution.

The Product Concept

- The product concept proposes that consumers favor products offering the most quality, performance, or innovative features.
- As many start-ups have learned the hard way, a new or improved product will not necessarily be successful unless it's priced, distributed, advertised, and sold properly

The Selling Concept

- The selling concept holds that consumers and businesses, if left alone, won't buy enough of the organization's products
- It is practiced most aggressively with unsought goods—goods buyers don't normally think of buying such as insurance and cemetery plots.
- when firms with overcapacity aim to sell what they make, rather than make what the market wants. Marketing based on hard selling is risky.

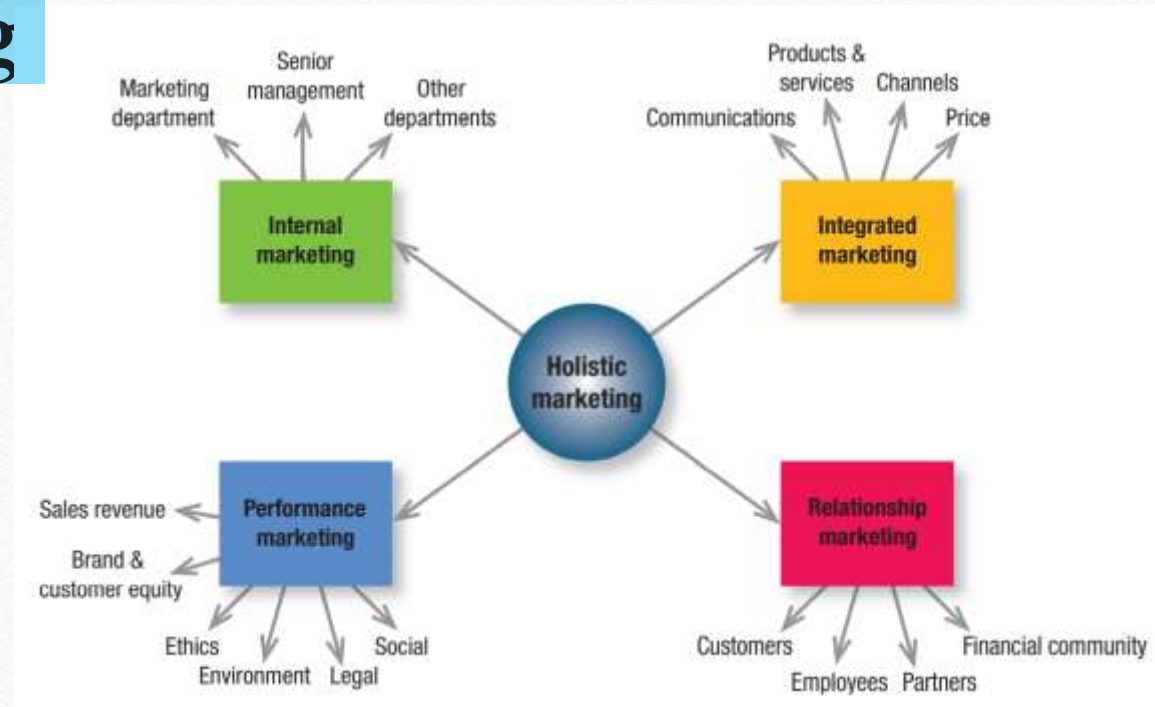
The Marketing Concept

- The marketing concept emerged as a customer-centered, sense-and-respond philosophy. The job is to find not the right customers for your products, but the right products for your customers.
- The marketing concept holds that the key to achieving organizational goals is being more effective than competitors in creating, delivering, and communicating superior customer value to your target markets.



The Holistic Marketing Concept

- Relationship Marketing
- Integrated Marketing
- Internal Marketing
- Performance Marketing



The Holistic Marketing Concept

- The holistic marketing concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. Holistic marketing acknowledges that everything matters in marketing.

Relationship Marketing

- A key goal of marketing is to develop deep, enduring relationships with people and organizations that directly or indirectly affect the success of the firm's marketing activities.
- Relationship marketing aims to build mutually satisfying long-term relationships with key constituents in order to earn and retain their business.
- Four key constituents for relationship marketing are customers, employees, marketing partners and members of the financial community
- Marketers must create prosperity among all these constituents and balance the returns to all key stakeholders.

Integrated Marketing

- Integrated marketing occurs when the marketer devises marketing activities and assembles marketing programs to create, communicate, and deliver value for consumers such that “the whole is greater than the sum of its parts.”
- Marketing succeeds only when all departments work together to achieve customer goals |

Performance Marketing

- Performance marketing requires understanding the financial and nonfinancial returns to business and society from marketing activities and programs.
- Top marketers are increasingly going beyond sales revenue to examine the marketing scorecard and interpret what is happening to market share, customer loss rate, customer satisfaction, product quality, and other measures



Understanding the 4 As of Marketing

Acceptability: Acceptability is the extent to which a firm's total product offering exceeds customer expectations. The authors assert that Acceptability is the dominant component in the framework and that design, in turn, is at the root of acceptability.

Affordability: Affordability is the extent to which customers in the target market are able and willing to pay the product's price. It has two dimensions: economic (ability to pay) and psychological (willingness to pay).

Accessibility: Accessibility, the extent to which customers are able to readily acquire the product, has two dimensions: availability and convenience.

Awareness: Awareness is the extent to which customers are informed regarding the product's characteristics, persuaded to try it, and reminded to repurchase.

The Four Ps

Marketing-mix tools of four broad kinds, which he called the four Ps of marketing: product, price, place, and promotion



Updating the Four Ps



Updating the 4 Ps of Marketing

- **People** reflects, **internal marketing** and the fact that marketing will only be as good as the people inside the organization. It also **reflects the fact that marketers must view consumers as people to understand their lives more broadly, and not just as shoppers.**
- **Processes** reflects all the **creativity, discipline, and structure brought to marketing management.** Marketers must avoid ad hoc planning and decision making and ensure that state-of-the-art marketing ideas and concepts play an appropriate role in all they do.

Updating the 4 Ps of Marketing

-
- **Programs** reflects all the firm's consumer-directed activities. It encompasses the old four Ps as well as a range of other marketing activities that might not fit as neatly into the old view of marketing.
 - **Performance** as in holistic marketing, to capture the range of possible outcome measures that have financial and nonfinancial implications (profitability as well as brand and customer equity) and implications beyond the company itself (social responsibility, legal, ethical, and the environment).