Introduction to Management

Marketing

University of Cassino and Southern Lazio
Prof. Ylenia Cavacece
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What is Marketing?

The term "marketing" comes from the verb "to market", which means placing a product on the market.

The marketing function includes the set of activities that a company must undertake in order to launch and maintain a product or service on the market, making a profit from this operation.

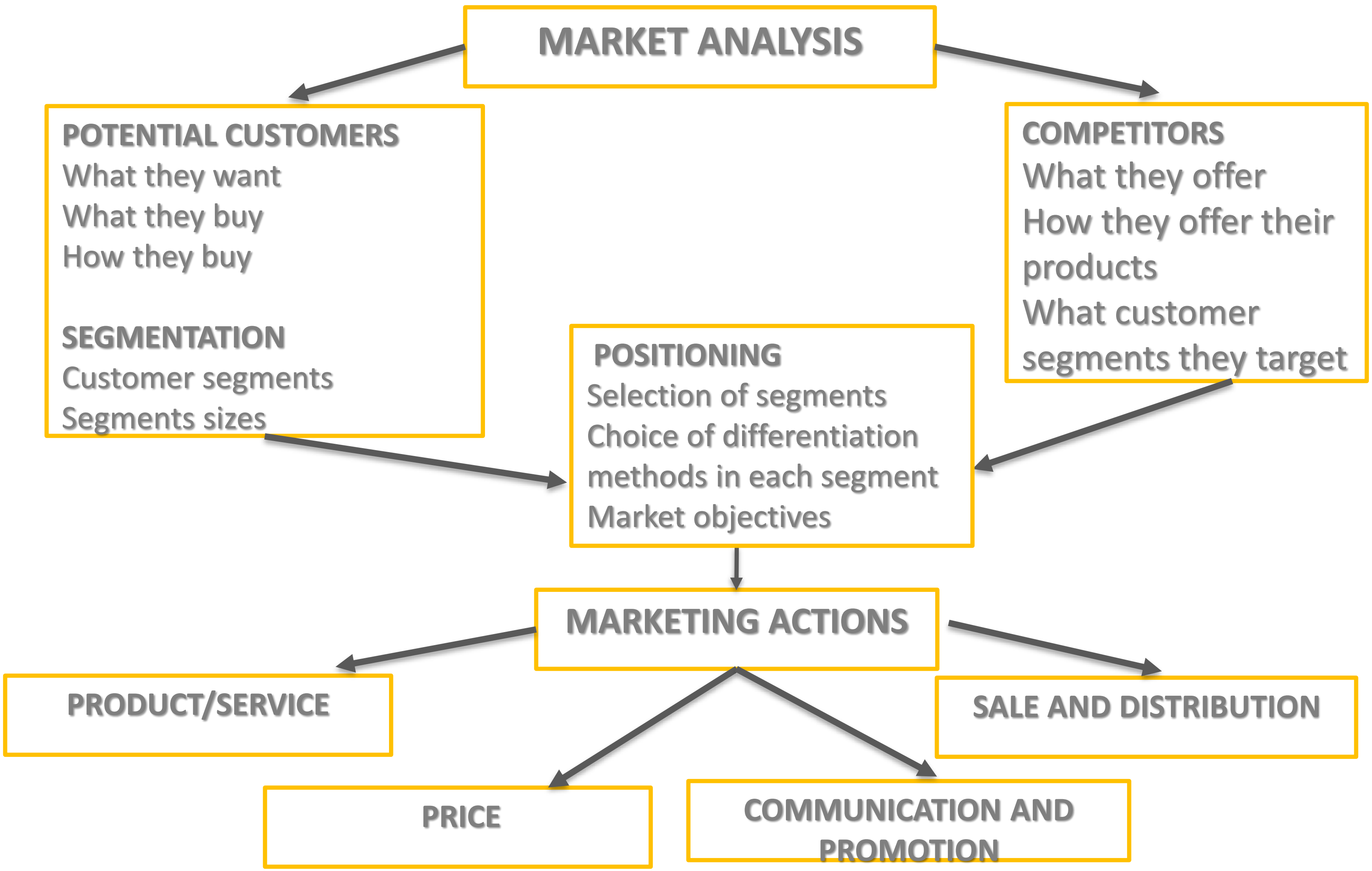
Any product to be sold must meet the real needs of a group of consumers, have an acceptable price, be available in distribution circuits adapted to the buying habits of the target customers, be supported by communication and sales activities aimed at making it known to consumers and enhancing its distinctive qualities.

The Marketing function

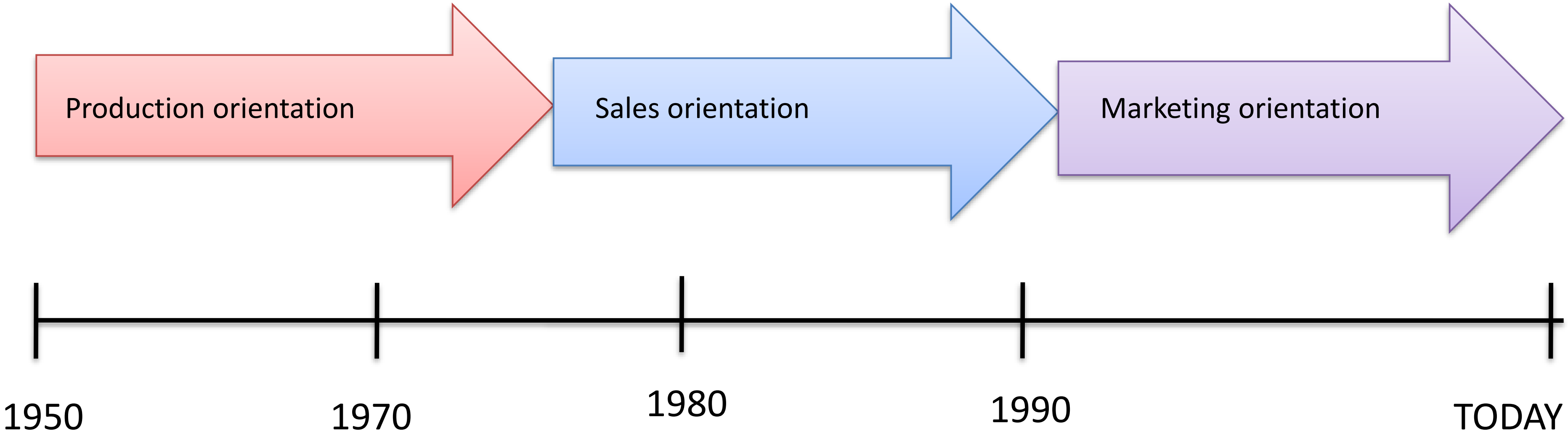
The MARKETING function of a company:

- Examines market opportunities by gathering information on demand, consumers, competitors and market;
- Defines the segment of the market in which to concentrate resources;
- Studies the products required by the market;
- Sets competitive prices;
- Makes products available through distribution;
- Builds and maintains a communication channel with potential customers to inform them about the existence of the products and services and to convince consumers to buy them.

The Marketing function



Marketing evolution



Production orientation

The immediate post-second world war period.
It currently exists in some developing countries.

It is an organizational mode prevailing in an economic environment characterized by a scarcity of offer, as the production capacities are insufficient for the needs of the market. The demand is therefore greater than the offer.
Business efforts are all concentrated on production activities.
Marketing has a limited role: strategic marketing develops spontaneously, since needs are known; operational marketing is reduced to increasing the production capacity.

Sales orientation

Seventies, eighties. Consumer goods manufacturing companies in western economies.

The offer is growing and it becomes greater than the demand. The material organization of the exchange of the companies is scarce. In addition, new forms of distribution appear and there is a physical and psychological distancing between producers and consumers for the geographical enlargement of the markets. Companies that have invested only in production capacity cannot control the access to the final demand.

The main objective is to succeed in selling and operational marketing plays a fundamental role. Personal sales, advertising and distribution control are developed. companies adopt a series of improper sales practices obtaining an increase in sales in the short term but a long-term loss of customers

Marketing orientation

Nineties to the present.

Many markets are entering maturity, there is a progressive saturation of needs, an acceleration and generalization of technological progress and a growing internationalization of the markets.
Many companies realize that efficient production and widespread distribution no longer guarantee the sold of the products. They understand that it is important to understand first which products are desired by customers and then produce them.
Strategic marketing grows in importance. Its role is to identify market segments capable of producing growth, identifying unsatisfied needs, developing solutions to meet these needs.

Marketing dimensions

Marketing has two main dimensions:

Analysis dimension (market knowledge) $\longrightarrow$ strategic marketing

Action dimension (market conquest) $\longrightarrow$ operational marketing

Strategic Marketing

In strategic marketing there are two different approaches:

a) Strategic response;
b) Strategic offer creation.

a) Strategic marketing through a market survey identifies an unsatisfied or poorly satisfied need. This identification is transmitted to the R&D function, which will try to give an adequate answer to this expressed need. Operational marketing will then promote the new solution in the identified target segment.
This is an innovation driven by the market (market-pull).

Strategic Marketing

b) The R&D function discovers a new product or process capable of satisfying a latent need, that is, not expressed by the demand. Strategic marketing will have the task of verifying the existence of a potential market and assessing its size and characteristics. The role of operational marketing is more complex because it will have to create the market for a product that is not explicitly requested and whose adoption may involve changes in consumption habits. These are company-pushed innovations. They are often breakthrough innovations, which stimulate the economic growth of industrialized countries.

Strategic Marketing

Analysis of needs
Definition of the reference market

↓

Segmentation of the reference market
Macro and micro - segmentation

↓

Analysis of attractiveness
Potential market, life cycle

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Competitiveness analysis
Defensible competitive advantage

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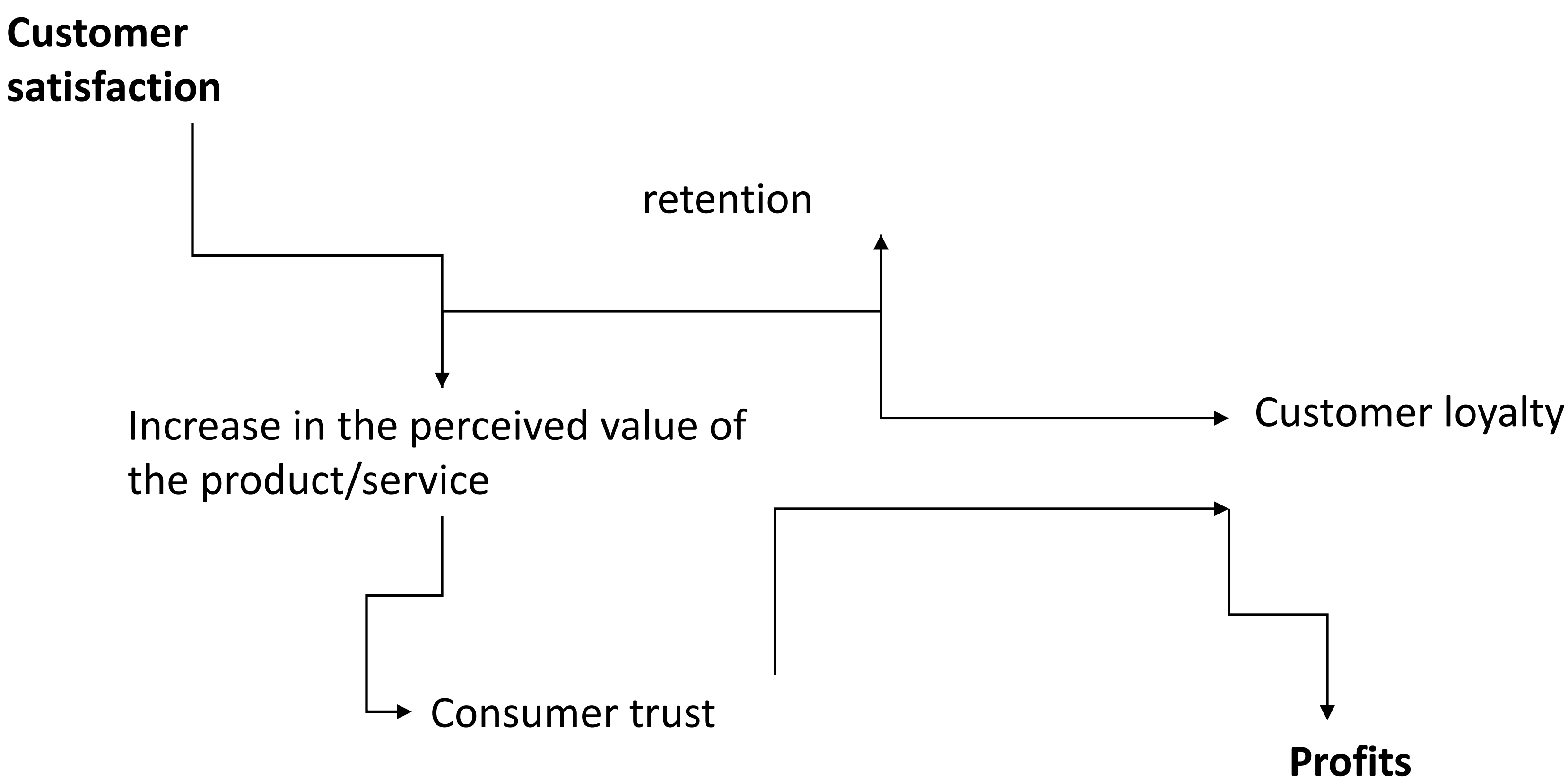
Choice of a strategy

Strategic marketing
Analysis needs

The objective of marketing is the satisfaction of customer needs

Why satisfaction?



Strategic marketing
Analysis of needs

Strategic marketing considers needs as problems that affect potential customers, who seek solutions in this regard through the purchase of products or services.
The desire to satisfy certain needs is the main determinant of consumers' purchasing choices.

It is possible to predict the behavior of an individual starting from the knowledge of his/her needs.

Need is a requirement of nature or social life.
We can distinguish between:

- Innate, natural and generic needs, determined by the nature of the human being;

- Acquired, cultural and social needs, determined by the society.

Strategic marketing
Analysis of needs

ABBOT

Abbott distinguishes the generic need from the derived need, which is the particular technological response (the good) given to the generic need.

EXAMPLE:
GENERAL NEED: INDIVIDUAL TRANSPORTATION
DERIVED NEED: THE CAR

Saturation does not exist for the generic need but only for the derived one, due to the increase in consumption of that good which tends to diminish its marginal utility.
The generic need, on the other hand, becomes non-saturable due to technological progress, which evolves towards higher levels with the introduction into the market of improved products, and therefore, new derived needs.

Strategic marketing
Analysis needs

MASLOW

Maslow defines a hierarchy of needs, dividing them into five categories grouped in order of priority. Only after satisfying a need of a lower order people can pass to the satisfaction of higher-order needs.

Strategic marketing
Analysis of needs

The marketing analyzes the purchasing behavior, that is the set of activities that precede, accompany and follow the purchasing decisions and during which the individual actively intervenes in order to make choices with full knowledge of the facts and not randomly.

The reasons for the purchase are divided into three categories:

1. Rational reasons (price-quality ratio)
2. Emotional motivations (related to the sphere of feelings and deriving from factors of taste, aesthetics, etc.)
3. Motivation of patronage (trust in the producer or distributor).

Strategic Marketing
Market segmentation

Because of the heterogeneity of consumer behaviors, each market can be divided into several segments, each including a particular category of buyers.

The process of segmentation consists in identifying the individual characteristics or factors that constitute different layers of the market and in choosing, among these, those better defining the classes of buyers, to which the company has an interest in turning .

Strategic Marketing
Market segmentation

The most frequently used parameters to perform segmentation are:

- **Demographic parameters** (age, sex, race, nationality, size of the family, etc.)
- **Socio-economic parameters** (income, profession, level of education, etc.)
- **Locational parameters** (urban, suburban and rural population)
- **Psychographic parameters** (personality, decision-making autonomy, preference for innovation, etc.)
- **Behavioral parameters** (disposition to purchase, degree of loyalty, desired benefits, etc.)

Strategic Marketing
Attractiveness analysis of segments

Once the segments have been identified, marketing managers proceed with an analysis of their attractiveness:

- in quantitative terms, by identifying the potential market (the theoretical sum of all possible buyers within a given territory);
- in qualitative terms, through the assessment of its accessibility and its organization;
- in dynamic terms, through the definition of its life cycle and its economic duration.

Strategic Marketing
Competitiveness analysis of segments

After analyzing the attractiveness of segments, marketing managers analyze the company's competitiveness within these segments.

It is a matter of analyzing the competitors and defining whether, and to what extent, the company can have a competitive advantage within that segment thanks to distinctive qualities that differentiate it from its rivals or thanks to greater productivity that gives it cost advantages.

Companies can identify competitors by sector, that is, by framing their activity within a sector such as oil, pharmaceutical or beverage; or by market, therefore taking into consideration companies that try to satisfy the same needs of the customer or establish relationships with the same group of customers.

Strategic Marketing
Competitiveness analysis

In general, the concept of competition in terms of the market widens the horizons of the company and reveals a greater number of actual or potential competitors.

After identifying the competitors, the marketing management answers several questions: what are the objectives of the competitors? What is the strategy of each competitor? What are the strengths and weaknesses of the various competitors? How will they react to possible actions of the company?

Once these analyzes have been carried out, it is possible to define the company's mission, objectives and develop a strategy.

Strategic Marketing
Competitiveness analysis

Defining a competitive strategy means defining a strategy that gives the company or its products a value higher than that of its competitors. This value is called competitive advantage that should be durable and defensible.
There is no single strategy valid for all companies.

- ✓ Cost leadership, with which the company tries to reduce production and distribution costs as much as possible. The low costs allow it to charge lower prices than its competitors and gain a high market share.
- ✓ Differentiation, with which the company focuses on creating a better product than competitors and a highly differentiated marketing program that make it a leader in a particular market segment.
- ✓ Specialization, with which the company converges its in satisfying few segments instead of satisfying the entire market.

Operational marketing

Product

Placement

Price

Promotion

Marketing program

Operational Marketing

It is placed in the short - medium term.
The essential function of operational marketing is to create turnover, that is, to sell while minimizing sales costs.
This objective is pursued through the marketing mix levers known as the 4 Ps:

1. PRODUCT
2. PLACEMENT
3. PRICE
4. PROMOTION

In recent years, traditional levers have been extended with the introduction of a fifth P:

5. PRODUCT OFFERING

or the set of value attributes and additional services to the product (guarantees, repairs, customer services) that allow greater customer satisfaction.

Product policies

The set of decisions necessary to create a product that is attractive and able to meet the needs of the target audience are:

- **AMPLITUDE OF THE OFFER.**
- **DIFFERENTIATION OF ASSORTMENTS.**
- **INNOVATIVITY OF PRODUCTIONS.**
- **VISIBILITY OF THE PRODUCTS.**

Price policies

THREE BOTTOM ORIENTATIONS:

I. COSTS: the final price is determined by adding a percentage as profit margin (MARK UP) to the production costs of the good.
sale price = production cost + mark up (as a percentage of the cost)

II. COMPETITION: the price is established in line with current market prices (GOING RATE PRICING).

III. CUSTOMERS: The final price is established on the basis of the value perceived by the customers (DIFFERENTIATED POLICIES).

The determination of the selling price almost never results from a single factor; the three basic guidelines are present in every price decision to a greater or lesser extent.

Placement policies

The set of decisions about how the company intends to place products on the market.

Taking into account the purchasing behavior of the target customers, the type of asset to be sold and the strategy chosen by the company, marketing managers proceed to:

- Identify conditionings and constraints
- Evaluate and choose the channel length
- Define the type of intermediary for each channel stage
- Define the intensity of the distribution (intensive, selective or exclusive)
- Evaluate and choose the type of sales organization

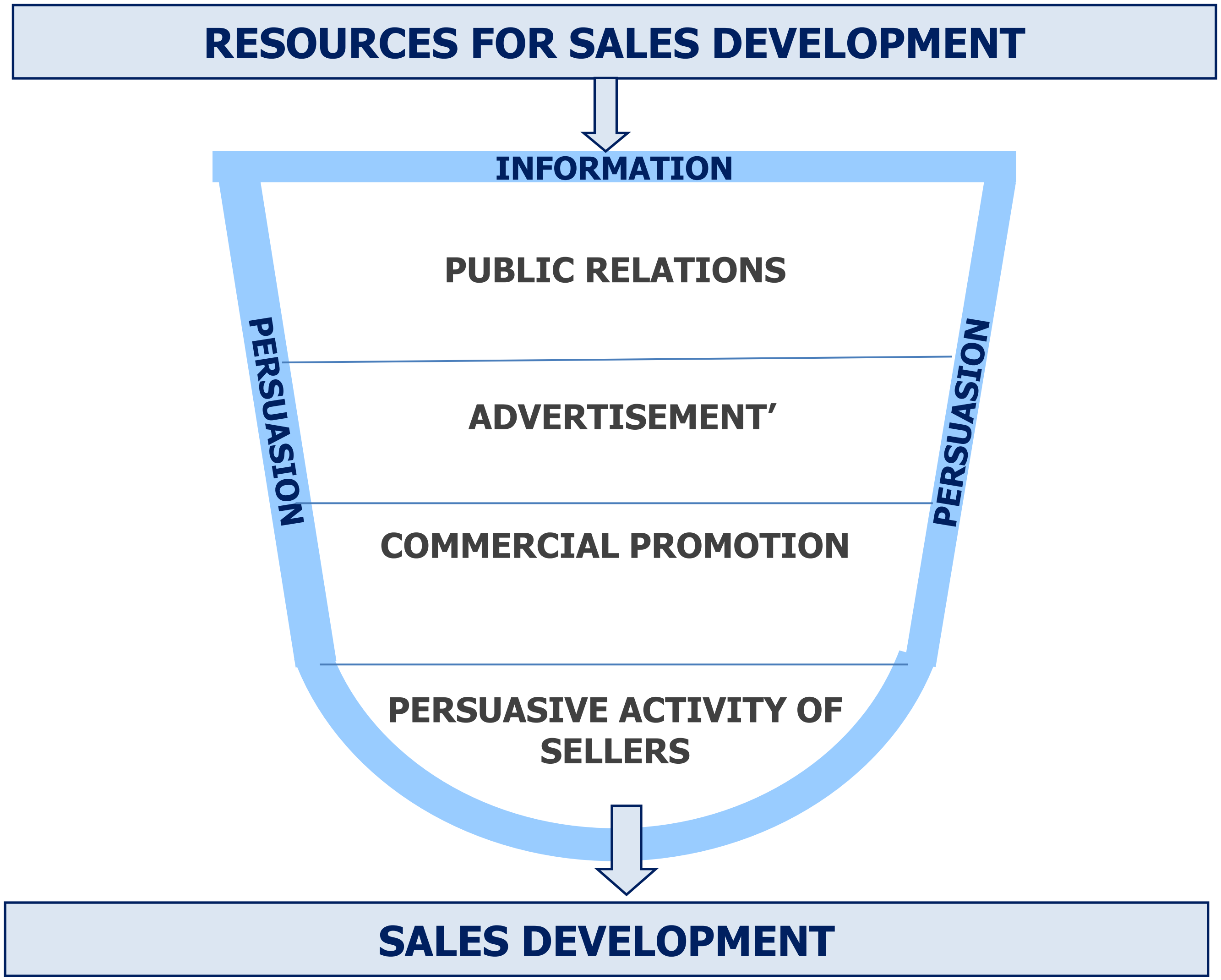
Promotion policies

The set of activities aimed at promoting, publicizing and making known to the market a company or its specific products or services.

A communication plan includes the following decisions

- What are the objectives to be sought
- How much to invest
- What message to send
- What means of communication to use
- How to measure results

Promotional funnel



Advantages and disadvantages of the main means of communication (1)

NEWSPAPERS

ADVANTAGES
- Flexible and timely
- Intensive coverage of local markets
- Widespread acceptance and use
- High credibility of the printed paper

DISADVANTAGES
- Short term
- Hurried reading
- Poor casual audience

TELEVISION

ADVANTAGES
- Combination of images, sounds, movement
- Call for the senses
- Extensive mass audience coverage
- Attention psychology

DISADVANTAGES
- No environmental selectivity
- Fleeting impressions
- Short term
- Very expensive

RADIO

ADVANTAGES
Mass use
Audience selectivity
Low cost per unit of time
Geographical flexibility

DISADVANTAGES
Only audio presentation of the products
Less attention than TV
Chaotic purchase
Short term

Advantages and disadvantages of the main means of communication (2)

DIRECT MAIL

ADVANTAGES
- Audience selectivity
- Flexibility
- No competition
- Customization

DISADVANTAGES
- Relatively high cost
- Consumers often don't pay much attention to advertisements and trash them

JOURNALS

ADVANTAGES
- High geographic and demographic selectivity
- Attention psychology
- Quality of reproductions
- Occasional audience

DISADVANTAGES
- Long notice periods
- Partial waste of material
- Location not guaranteed

OUTDOOR ADVERTISING

ADVANTAGES
- Flexible
- Relative absence of competing advertising
- Repeated exposure
- Relatively inexpensive

DISADVANTAGES
- Limitations on creativity
- Many distractions for the observer
- Possible public opposition
- No selectivity of the audience

Customer Relationship Marketing- Customer Lifetime Value

FINAL OBJECTIVE OF RELATIONAL MARKETING IS THE IMPROVEMENT OF LONG-TERM PROFITABILITY AND THE MAXIMIZATION OF CUSTOMER LIFETIME VALUE

THE CUSTOMER LIFETIME VALUE DEFINES THE VALUE THAT A CUSTOMER CAN GENERATE FOR A CERTAIN BUSINESS IN THE LONG TERM

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AVERAGE TRANSACTION VALUE × **ANNUAL FREQUENCY OF PURCHASE** × **CUSTOMER EXPECTED LIFE CYCLE**