

ACSC 371 TOPIC 6 : INTRODUCTION TO MARKETING

Definition of Marketing

The Chartered Institute of Marketing's (CIM) definition - 'Marketing is the management process which identifies, anticipates and supplies customer requirements efficiently and profitably'

The American Marketing Association's (AMA) definition- 'Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders'

Philip Kotler's definition- 'Marketing is a social process by which individual groups obtain what they need and want through creating and exchanging products and values with others'

Based on the above definitions, it can be stated that marketing concept is a process that seeks to grow organization's profits by understanding consumers' wants, and providing products/services to suit their specific needs.

Marketing entails:

- Understanding customer needs/wants
- Developing product/service to satisfy the need/want
- Promoting the product/service to customers
- Keeping on improving the product/service/ according to the customer needs

Marketing involves managing profitable customer relationships

- Attracting new customers
- Retaining and growing current customers

'Marketing is NOT synonymous with Sales or advertising'

Functions of marketing

- The primary role of marketing is to create customer value
- The aim of marketing is to make selling effective
- To know and understand the customer so well that the product or service made meets customer needs/expectations
 - Identify who the customers are, or will be in future
 - Identify customer needs and wants
 - Make products/services which satisfy their needs
 - Ensure that customers know about the products
 - Ensure the product/service is accessible
 - Ensure the firm makes a profit by charging a price that customers have the ability and willingness to pay
 - Ensure that a firm's products reach the customers in the form, place and time that they are satisfied with

Scope of Marketing – What do we market?

Marketers are involved in marketing of different of entities:

- ☐ Goods
- ☐ Services
- ☐ Events
- ☐ Experiences
- ☐ Personalities
- ☐ Place
- ☐ Organizations
- ☐ Properties
- ☐ Information
- ☐ Ideas and concepts

Core Marketing Concepts

Needs

- Needs are the basic human requirements. People need food, air , clothing and shelter
- A human need is a state of deprivation of some basic satisfaction.
- These needs are not created by society or marketers. They exist in the very nature human life and must be met to ensure survival
- Needs includes:
 - Physical needs: Food, clothing, shelter, safety.
 - Social needs: Belonging, affection.
 - Individual needs: Learning, knowledge, self-expression,
 - recreation /entertainment

5 types of needs in Marketing:-

- Stated needs-are those that customers can readily articulate when asked such as need for food, a car, clothing
- Unstated needs-remain unspoken because customers have less immediate awareness
- Real needs-What customers expects and willing to seek at all cost –whether stated or unstated (Customer wants a phone that has photography / videographer capability)
- Delight needs- customer interested in products /services that exceed/surpass expectations and thus creating a positive emotional reaction e.g free home/office delivery for shopping)
- Secret needs- a need that the customer does not want to disclose

Wants

- Wants are specific satisfiers of needs- these are good to have but not absolutely a must

- Human wants are continually shaped and reshaped by social forces and institutions, churches, schools, families and business corporations.
- Wants are translation of a need as per consumer's experience and
- socialization
- Needs become wants when they are directed to specific objects that might satisfy the need
- A person may therefore be in need of food but may want Pizza,
- **Demands**
- Translation of a want as per consumer's willingness and ability to buy
- Demands are wants for specific products that are backed by buying power (willingness and ability to buy)
- Many people may want a Mercedes, however only a few are able to buy one
- $\text{Wants} + \text{Buying Power} = \text{Demand}$
- Marketers need to learn and understand their customers' needs, wants and demands|

Value and Satisfaction

- Value and Satisfaction is the difference between the benefits that the customer gains from owning or using a product and the costs of obtaining the product
- Customer value is the estimate of a product's overall capacity to meet needs
- Satisfaction is the fulfillment of needs and occurs when the buyer perceives that a product has more value compared to the cost paid for it.
- More value with less cost results into more satisfaction.

- Customer satisfaction depends on the product's perceived performance in delivering value relative to a buyer's expectations.
- Satisfaction is based on a comparison of performance and expectations
- $\text{Performance} < \text{Expectations} = \text{Dissatisfaction}$
- $\text{Performance} = \text{Expectations} = \text{Satisfaction}$
- $\text{Performance} > \text{Expectations} = \text{Delight}$

Exchange, Transactions and Relationships

- Marketing emerges when people decide to satisfy needs and wants through exchange
- Exchange is the act of obtaining a desired product from someone while offering something in return.
- Exchange must be seen as a process rather than as an event.
- Two parties are engaged in exchange if they are negotiating—
- trying to arrive at mutually agreeable terms
- Exchange is a value-creating process because it leaves both parties better

Conditions for exchange to take place

- There has to be at least 2 parties to the exchange
- Each party has something that might be of value to the other party
- Each party is capable of communication and delivery
- Each party is free to accept or reject the offer.
- Each party believes it is appropriate or desirable to deal with the other party.
- Exchange, Transactions and Relationships
- A transaction is a trade of values between two or more parties.

- Transactions are marketing's unit of measurement. Most transactions involve money, a response and action.
- Marketing consists of actions taken to build and maintain desirable exchange relationships with target audience involving a product, service, idea or other aspects
- Profit making organizations engage in exchange of benefits for money and other resources
- Non- profit organizations (NGOs) on the other hand engage in marketing activities to satisfy the various interests of the stakeholders in exchange for donations, allegiance and other benefits
- The goal of marketers is to build solid relationships with customers and retaining them by delivering superior value.

Relationship marketing aims at building long-term mutually satisfying relations with key parties, customers, suppliers, distributors—in order to earn and retain their long-term preference and business.

- Network is the ultimate outcome of relationship marketing.
- A marketing network consists of the company and its supporting stakeholders (customers, employees, suppliers, distributors) with whom it has built mutually profitable business relationships.

Markets

- The concept of exchange leads to the concept of a market
- A market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want.
- Economists use the term to refer to a collection of buyers and sellers who transact over a particular product or product class

- Marketers perceive buyers as constituting a market and sellers constituting an industry

Key Customer Markets

- Consumer Markets
- Global Markets
- Business Markets
- Nonprofit/ Government Markets
- Marketer- is one who seeks one or more prospects (buyers) to engage in an exchange.
- Prospect is someone whom the marketer identifies as potentially willing and able to engage in an exchange
- Marketing is about choosing target markets and building profitable relationships with these markets.
- In order to do so, marketing managers must design strategies that will build such relationships
- However the design of these strategies is heavily dependent on the philosophy held by top managers about marketing activities, customers, the organization and society.

○ Marketing concept

- The Marketing concept holds that “the key to achieving organizational goals lies in determining the needs and wants of the target market and delivering the desired satisfaction more effectively and efficiently than competitors”.
- It assumes that customers will only buy if they are satisfied with the products and if products suit their needs/wants.

Pillars of the marketing concept;

1. Market focus

- Company must define the boundaries of its market
- Know those customers that are members of their market. This can be done through a process known as segmentation.

2. Customer Focus

- Company should determine the needs and wants of the customers from the customers' point of view but not the company's.
- Customers' needs must be identified and satisfied as this results into customer loyalty which is a source of Company goodwill.

3. Integrated or coordinated marketing

- Departments work together, achieve the consumers' expectations through integrated marketing

4. Profitability

- Ultimate purpose of the marketing concept is to help organizations achieve their objectives; should aim for profits through customer satisfaction.

5. Competition

- The concept recognizes the existence of competition.
- However a Company should offer superior customer value.
- It should serve customers better than competitors

Benefits of Marketing Orientation

- Customer satisfaction
- Companies develop products that match the needs of customers and customers experience more value and satisfaction thereby increasing the likelihood of repeat purchases and brand loyalty

- All company functions are aligned to strategic vision of meeting customers' needs
- Effective Marketing Enables alignment of marketing activities and communication messages to customers and market needs which results into companies generating more business
- Stronger strategic relationships improves relationship between the organization and the customer which results into shared values, strategies development
- Long-Term Profitability- Consistently understanding and delivering what the marketplace wants leads to long-term profitability.
- Companies can turn onetime buyers into repeat customers, with an ultimate goal of developing many loyal customers
- Loyal customers buy more frequently and in larger volumes. They are also less susceptible to competition and more willing to pay higher prices.
- Increased Client retention
- Customers receive faster responses to their needs which makes it much difficult for competition to gain company's customers' attention

Challenges / Barriers in developing marketing orientation

- Lack of committed leadership and vision
- Lack of customer knowledge
- Lack of marketing knowledge (skills and experience in development of marketing orientation strategies)
- Lack of alignment between marketing and other functions
- Preference for a production or sales focus

- Lack of effective customer service
- Perceived high cost of market orientation (research, product development and targeting)

Societal Marketing

- Holds that “an organization's task is to determine the needs and wants of target markets and to deliver the desired satisfaction more effectively and efficiently than competitors in a way that preserves or enhance the consumers’ and society’s well-being”.
- It emphasizes on satisfying the needs and wants of the target market while seeking to protect consumers’ and society’s long-term interests and well-being
- It seeks to balance human welfare, company profits and consumer satisfaction.
- This concept highly depends upon the fair, just and socially beneficial marketing practices
- The marketer is not only concerned with satisfying consumer needs but also with the long term welfare of society at large
- Argues that there is a divergence between individual and societal needs and that the marketer should, in trying to satisfy individual needs and wants, consider the societal consequences of his activities
- The societal marketing concept calls upon marketers to build -Social and ethical considerations into their marketing practices
- They must balance the conflict between company profits and consumer welfare and environment
- Companies provide consumers with what they want, they have an obligation to ensure that the products do not harm their consumers.