



Welcome. This is part one of our small series here on marketing this week. This one's entitled What is Marketing.

AMA Definition of Marketing

Marketing is the activity, set of instructions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners and society at large.

Source: American Marketing Association (AMA)

We can start with a definition of marketing. The AMA, the American Marketing Association, has a definition. It says that marketing is the activity, a set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. Wow, what a definition. I figure they had to have at least 30 or 40 people on the committee to put something like that together. Seriously, it's not a bad definition, but I think we can do better.

Marketing Definition

mar·ket·ing *noun* \ˈmär-kə-tīŋ\

1. **a:** the act or process of selling or purchasing in a market
b: the process or technique of promoting, selling, and distributing a product or service
2. an aggregate of functions involved in moving goods from producer to consumer

Source: <https://www.merriam-webster.com/dictionary/marketing>

So Merriam-Webster in their online dictionary has this. The first one, A and B, A, depending how you take it, it probably means the act of going to the grocery store, or a market, as they call it in some parts of the country, or maybe going to a bazaar somewhere and shopping.

But B, 1B, the process or technique of promoting, selling, and distributing a product or service. That's pretty much dead-on, especially if you take it along with the second definition, an aggregate of functions involved in moving goods from producer to consumer. Because, as we'll see, a part of marketing is really all about moving the goods or getting the services to wherever the consumer needs them.

Yet Another Definition

mar·ket·ing *noun* \ˈmär-kə-tīŋ\

The management process through which goods and services move from concept to the customer. It includes the coordination of four elements called the 4 P's of marketing:

1. identification, selection and development of a **product**,
2. determination of its **price**,
3. selection of a distribution channel to reach the customer's **place**, and
4. development and implementation of a **promotional** strategy.

Source: <http://www.businessdictionary.com/definition/marketing.html>

So there is another definition, this time from the businessdictionary.com. And by the way, businessdictionary.com is a great source for business terms if you're ever scratching your head over one.

For marketing, they start out by calling it the management process. That's a very good start. So the management process through which goods and services move from concept-- so notice there, including even the design of the product, which is a big part of marketing-- from concept to the customer. It includes the coordination of four elements called the four P's of marketing. Bingo. The four P's-- big concept, very important that you understand and remember the four P's of marketing.

Now the four P's happen to be product, price, place, and promotion. And you can see in the definition here in Business Dictionary they explain each one of them. We're going to go through those in a moment, though.

A Simpler Definition

Marketing is identifying customers' needs
and finding ways to fulfill those needs.

Before we do that, though, let's take one look at a simpler definition. So if you don't want to remember all that stuff-- which you should. But if you don't, you can always fall back on this one-- marketing is identifying customers' needs and finding ways to fulfill those needs. That's what it's all about. Now there's a lot more to it than that, but that is a good top line.

The Four P's Defined

- **Product** – What a consumer buys. Could be tangible good, a service or an idea.
- **Price** – What firm charges for the product.
- **Promotion** – Methods used to induce customers to buy. Includes advertising, PR, direct sales, social media, etc.
- **Place** – Distribution: How product gets from source to customer.



Now, as promised, let's talk about the definition of these four P's-- so product, price, promotion, place.

So in terms of product, that's what a consumer buys. It's what the company is selling. Now it could be a tangible good-- could be a can of green beans, it could be a car, could be a computer, could be all kinds of things.

But it could also be a service. When you go to the doctor's office and have a doctor's visit, that's a service. That's their product. If you go to a hotel, your stay overnight, the product is the stay and all the related services and little things that come with it. So could be tangible, could be a service, and in fact, it could even be an idea.

Now, price, that's what you charge-- the firm charges-- for the product. But it's also what consumers are willing to pay. So there's two ways of looking at price. But it's whatever gets paid when there's an exchange of money-- or barter, in some cases-- for a product.

Promotion-- and this is what most people think about when they think marketing, they think of promotion. So methods used to induce customers to buy, true.

It includes advertising, PR, the two things most people think of. But it also includes things like direct sales. That could be the sales rep who goes to the purchasing department at a company and is selling anything from nuts and bolts, to computers, to copy machines, to janitorial supplies. Or it could be the door-to-door salesperson-- not too many of those people left-- that go-- that call on consumers.

More likely, in consumer marketing, you're going to run into direct sales in a retail environment. The salesperson at a car lot, the people behind the cosmetics counter in a department store, the people in orange aprons running around Home Depot and helping customers, those are all direct sales.

Then we've got social media. And there's a few other minor things. But all of these things are promotion.

And then place-- this one requires a little bit of explanation. Now you have to understand marketers are marketers. So they know that four P's is a pretty cool thing. People remember it.

The problem is place isn't really the greatest term. What we really mean here is distribution, how product gets from source-- from the source-- the factory, or mine, or wherever-- to the customer. And it's the types of people that handle it along the way and all that. We'll talk about that a little later.

So when you hear place, think distribution. And the reason we use place, of course, like I say, marketers being marketers, we know that the four P's is just a heck of a lot cooler than the three P's and the D. Enough said.

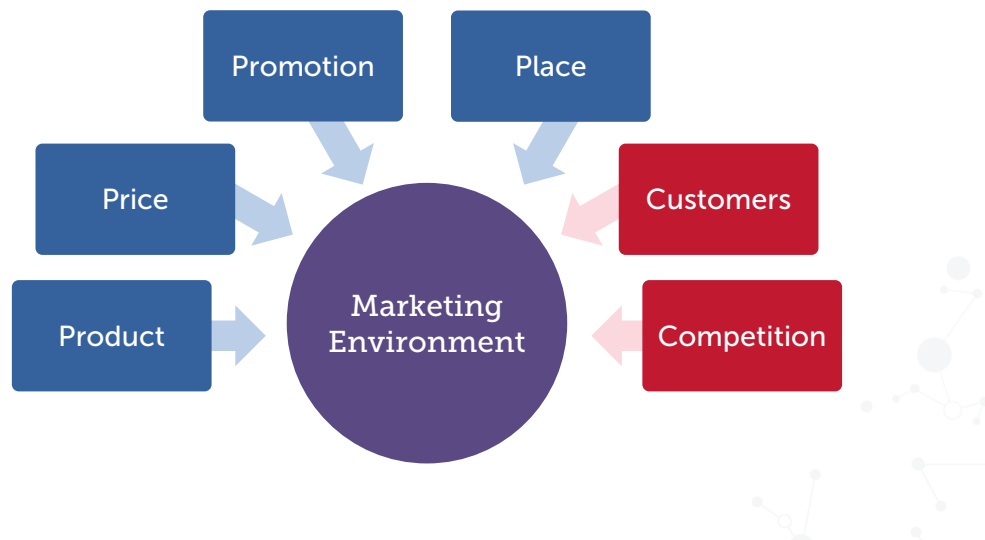
Four P's = Marketing Mix



You're also going to hear this term called the marketing mix. Well, it turns out you already know what the marketing mix is. It's the four P's. They're the same thing-- two names for exactly the same thing. So marketing mix, four P's-- they're both product, price, promotion, place.

Now there is a little bit of a problem here. We're missing a couple of elements. And you may have been thinking about it or may have guessed it already, but there's a couple of elements turns out there was no way to put a P on them, so we couldn't make it the six P's. And we probably wouldn't want to anyway because they're-- they differ a little bit than these four things.

Four P's + Two C's = Marketing Environment



So what I'm talking about are the two C's, customers and competition. So we've got the four P's plus the two C's, which is also known as the marketing environment. So it's the marketing mix, plus customers, plus competition-- that's the marketing environment.

And the reason customers and competition are a little different is they're external. The product, the price, the promotion, the place, those are all things that companies can control, and specify, and all that sort of stuff. You can't necessarily control customers, and you certainly can't control competition.

But they're out there, they're in the environment. We need to take those things into account when we make marketing decisions. So four P's plus two C's, marketing environment.

Marketing Environment

SWOT



When we talk about the market environment, quite often what happens is we fall back into a management tool called SWOT, SWOT analysis-- strengths, weaknesses, opportunities, threats.

In this case, where we're talking about the marketing environment, it's mostly external stuff that we're talking about. So we're going to be talking about opportunities and threats. But there are certainly internal things, strengths and weaknesses, that can come into play in marketing as well.

External Environment

- Managers must understand external environment in order to develop marketing plans
- For SWOT analysis, external environment is source of **Opportunities** and **Threats**
(Strengths and Weaknesses are Internal)

SWOT



But like I say, we're talking mostly externals, so this external environment. And managers just have to understand that these customers, and the competition, and all that are out there. They're external, we can't necessarily control them. So they usually present us with opportunities or with threats.

So an opportunity might be if a competitor has discontinued a product line. Maybe there's an opening for us.

Or a threat might be that two of our competitors just merged and they're going to be very large and maybe can control the market. So that might be a new threat. Or a threat might be that there's changing customer tastes. People are moving away from something that would favor our product. And if they do that, then that's threatening to us. So opportunities and threats are the things to worry about here.

Competitive Advantage

- Unique characteristic(s) of company or products
- Characteristics perceived as significantly better than competition by target market(s)
- Causes customers to choose the firm and its products over competitors
- **Three types of competitive advantage:**
 - Cost
 - Differentiation
 - Niche

Sustainable?

And last thing we're going to talk about in this part is competitive advantage. It's a management concept. But it's really a management and marketing concept.

So competitive advantage is a unique characteristic of your company or your products-- or a product, for that matter-- that other companies and products don't have or don't have it precisely at the quality level that you do maybe. So they are characteristics that are perceived as slightly better than your competition by whoever your target markets are, whoever the customers are you're trying to sell to. So what it does is it causes customers to choose your firm and/or your products over the competitors.

So if you think about in the automotive business there are certain car makers that are known for higher quality. There's surveys and consumers can see that kind of stuff. There may be a competitive advantage if you have a strong brand name-- maybe a designer clothing, or designer jewelry, or something like that. It could be as simple as the Starbucks reputation in coffee versus just regular old coffee. There is a competitive advantage there.

Now there's three categories these competitive advantages fall into. Cost-- so if you're a low-cost producer and you can charge lower prices than your competition and still make money, then you have a competitive advantage there. Question is is it sustainable? Because cost is something that your competition can also quite often address and maybe cut their costs and then come down to your price.

Differentiation-- that's where you convince consumers that there are differences between your product and your competitors' products, and also that it's a difference that is to their benefit. So that falls into the designer clothing labels we were talking about, the fact that Starbucks coffee for some people tastes better than McDonald's coffee, and all that sort of stuff. Whereas, by the way, notice that competitive advantage McDonald's has in coffee with their McCafe is price over Starbucks and other higher-end coffee shops.

And then the third thing here is niche. So you might be specialized in an area that doesn't have a whole lot of competition. Not a lot of volume either, but you happen to fit people that are doing-- need to-- have a particular need. So could be a special as in the medical field, a doctor that specializes in a certain disease, or conditions, or whatever. It could be somebody who repairs grandfather clocks, that sort of thing. So if you've got a niche that you can dominate, you can build a pretty good business there with that competitive advantage.

All right. At this point we'll stop, let you take a break, and do whatever you need to do before we move on to part two.