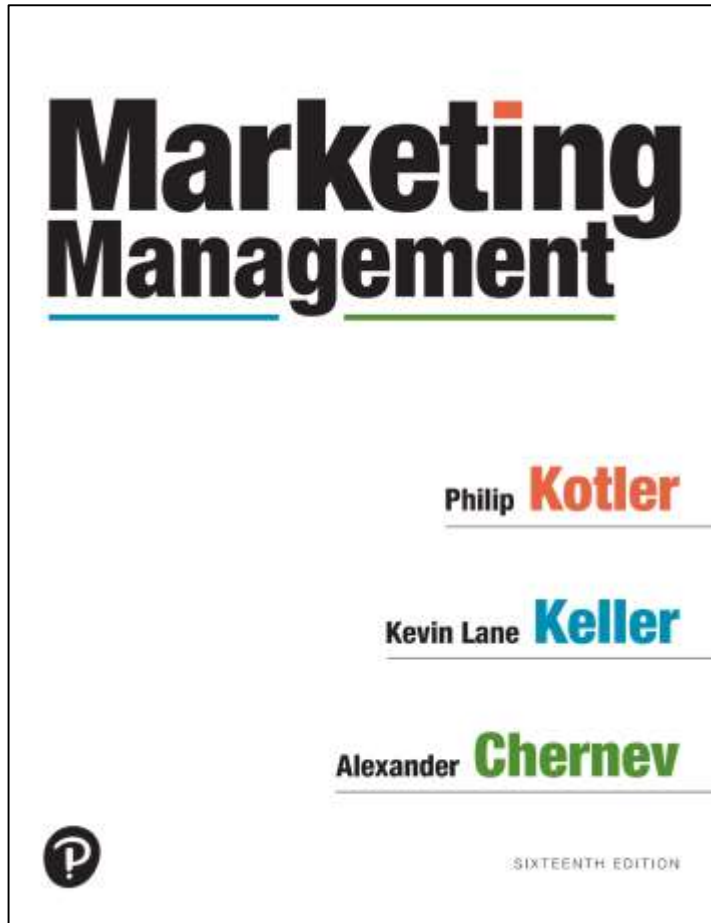


Marketing Management

Sixteenth Edition



Chapter 1

Defining Marketing for
the New Realities

Learning Objectives

- 1.1 Define the scope of marketing.
- 1.2 Describe the new marketing realities.
- 1.3 Explain the role of marketing in the organization.
- 1.4 Illustrate how to organize and manage a modern marketing department.
- 1.5 Explain how to build a customer-centric organization.

The Scope of Marketing

- **Marketing** is about identifying and meeting human and social needs
- AMA's 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

- 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? (1 of 2)

- Goods
- Services
- Events
- Experiences
- Persons



The advertisement banner for BigBasket, a Tata Enterprise, features a green header with the BigBasket logo and the text "A TATA Enterprise". Below this, the headline "Working for a sustainable tomorrow" is displayed in large, bold, black letters. Underneath the headline, a paragraph of text describes BigBasket's commitment to sustainability, mentioning its work with over 30,000 farmers and its rigorous quality checks. At the bottom of the banner, a collage of images shows farmers in a field, a person handling produce, and customers at a BigBasket store. The text "India's largest online supermarket" is written in white at the bottom of the collage.

bb bigbasket
A TATA Enterprise

Working for a sustainable tomorrow

bigbasket works closely with more than 30,000 farmers and does rigorous quality checks at every step of the 24-hour harvest cycle. It enables its stakeholders – farmers & associates – to benefit through its knowledge transfer, immediate payments policy, and higher procurement prices. By procuring from the source, bigbasket ensures that its customers get the finest products, and it backs it up with a no-questions asked return policy.

India's largest online supermarket

What is Marketed? (2 of 2)

- Places
- Properties
- Organizations
- Information
- Ideas

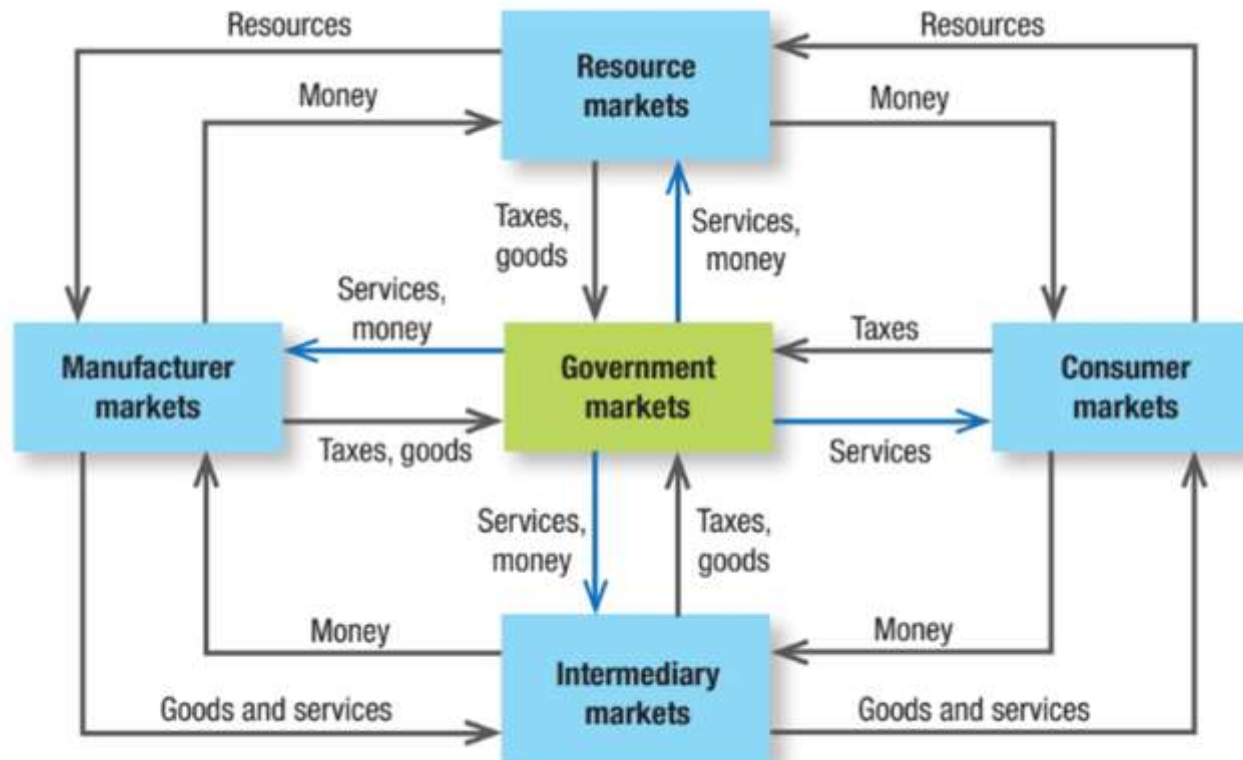
Who Markets?

- A **marketer** is someone who seeks a response—attention, a purchase, a vote, a donation—from another party

Five Basic Markets

- Resource markets
- Manufacturer markets
- Consumer markets
- Intermediary goods markets
- Government markets

Figure 1.1 Structure of Goods, Services, and Money Flows in a Modern Exchange Economy

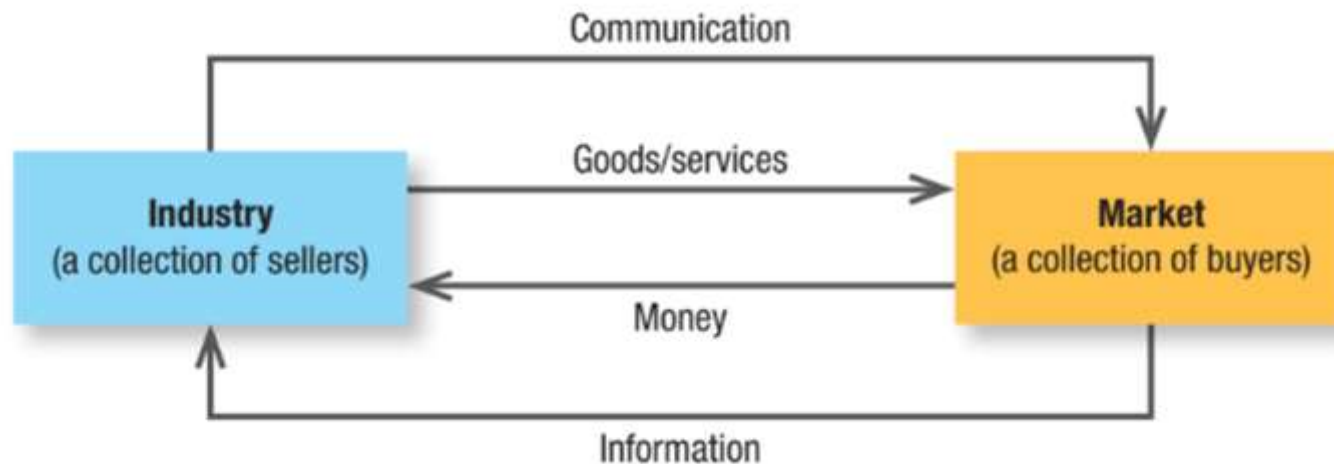


The Market Exchange

- Marketers view **industry** as a group of sellers and use the term **market** to describe customer groups



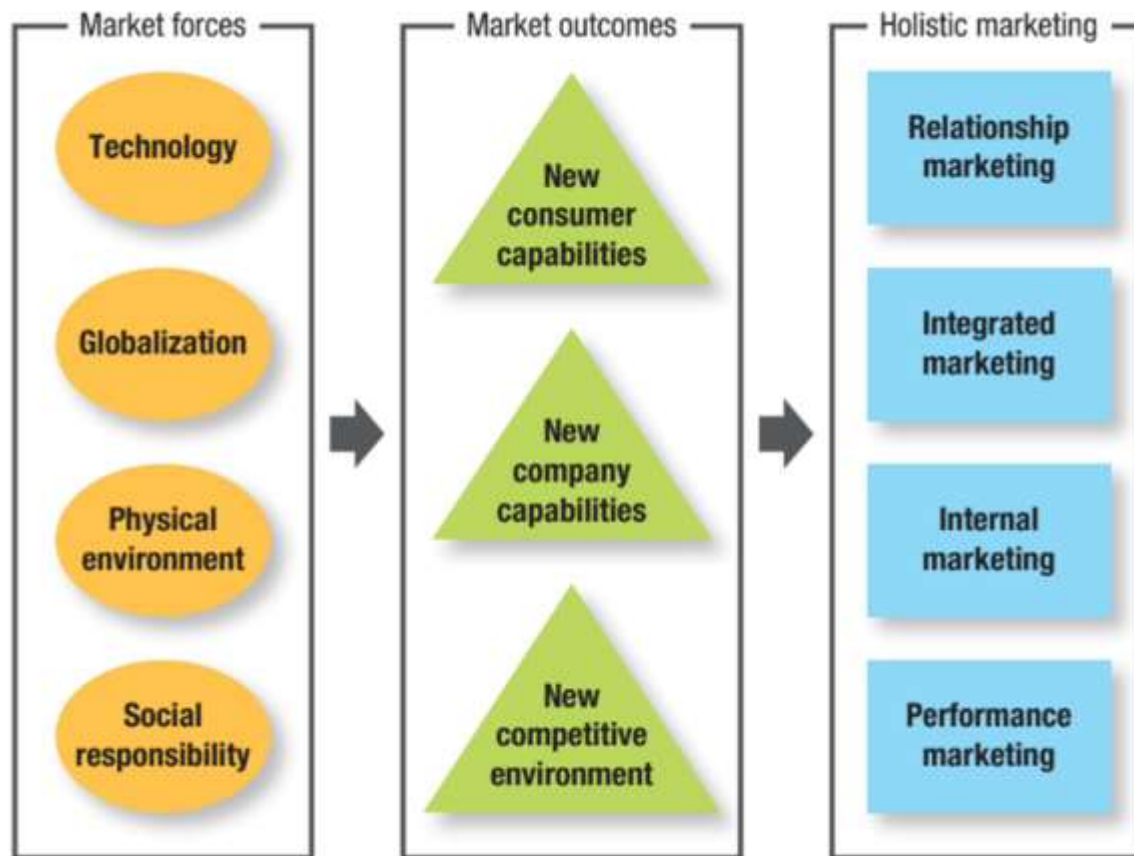
Figure 1.2 A Simple Marketing System



The New Marketing Realities

- The **market forces** that shape the relationships among the different market entities
- The **market outcomes** that stem from the interplay of these forces
- The emergence of **holistic marketing** as an essential approach to succeeding in the rapidly evolving market

Figure 1.3 The New Marketing Realities



Major Market Forces

- Technology
- Globalization
- Physical environment
- Social responsibility

A Dramatically Changed Marketplace (1 of 5)

- New consumer capabilities
 - Can use online resources 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

A Dramatically Changed Marketplace (2 of 5)

- New consumer capabilities
 - Can actively interact with companies
 - Can reject marketing they find inappropriate or annoying
 - Can extract more value from what they already own

A Dramatically Changed Marketplace (3 of 5)

- 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

A Dramatically Changed Marketplace (4 of 5)

- New company capabilities
 - Can improve purchasing, recruiting, training, and internal and external communications
 - Can improve cost efficiency

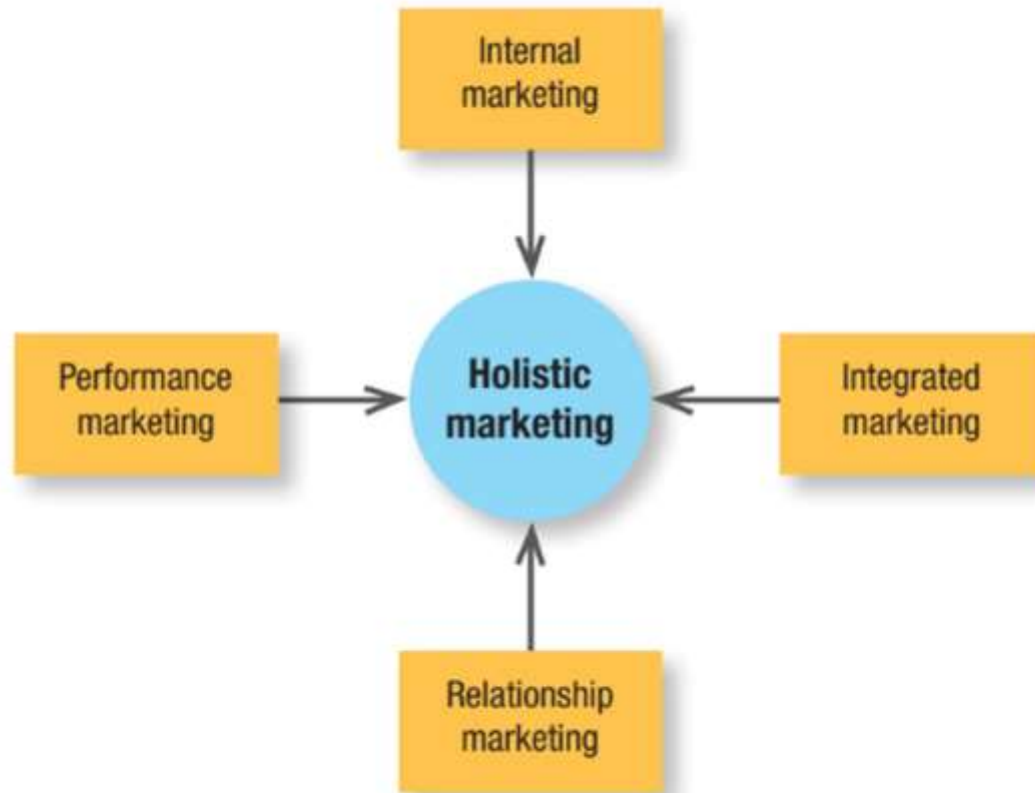
A Dramatically Changed Marketplace (5 of 5)

- New competitive environment
 - Deregulation
 - Privatization
 - Retail transformation
 - Disintermediation
 - Private labels
 - Mega-brands

What is Holistic Marketing?

- An integrated approach to managing strategy and tactics
 - Relationship marketing
 - Integrated marketing
 - Internal marketing
 - Performance marketing

Figure 1.4 The Concept of Holistic Marketing



Relationship Marketing (1 of 3)

- **Relationship marketing** aims to build mutually satisfying long-term relationships with key constituents in order to earn and retain their business

Relationship Marketing (2 of 3)

- Customers
- Employees
- Marketing partners
- Financial community



Relationship Marketing (3 of 3)

- The ultimate outcome of relationship marketing is a unique company asset called a **marketing network**, which consists of the company and its supporting stakeholders with whom it has built mutually profitable business relationships

Integrated Marketing

- Devise marketing activities and programs that create, communicate, and deliver value such that “the whole is greater than the sum of its parts.”



Internal Marketing

- The task of hiring, training, and motivating able employees who want to serve customers well

Performance Marketing

- Financial accountability
- Environmental impact
- Social impact



Defining the Role of Marketing in the Organization

- Production concept
- Product concept
- Selling concept
- Marketing concept
- Market-value concept

Table 1.1 Product-Oriented vs Market-Value-Oriented Definitions of a Business

Company	Product Definition	Market-Value Definition
Union Pacific Railroad	We run a railroad.	We move people and goods.
Xerox	We make copying equipment.	We help improve office productivity.
Hess Corporation	We sell gasoline.	We supply energy.
Paramount Pictures	We make movies.	We market entertainment.
Encyclopedia Britannica	We sell encyclopedias online.	We distribute information.
Carrier	We make air conditioners and furnaces.	We provide climate control in the home.

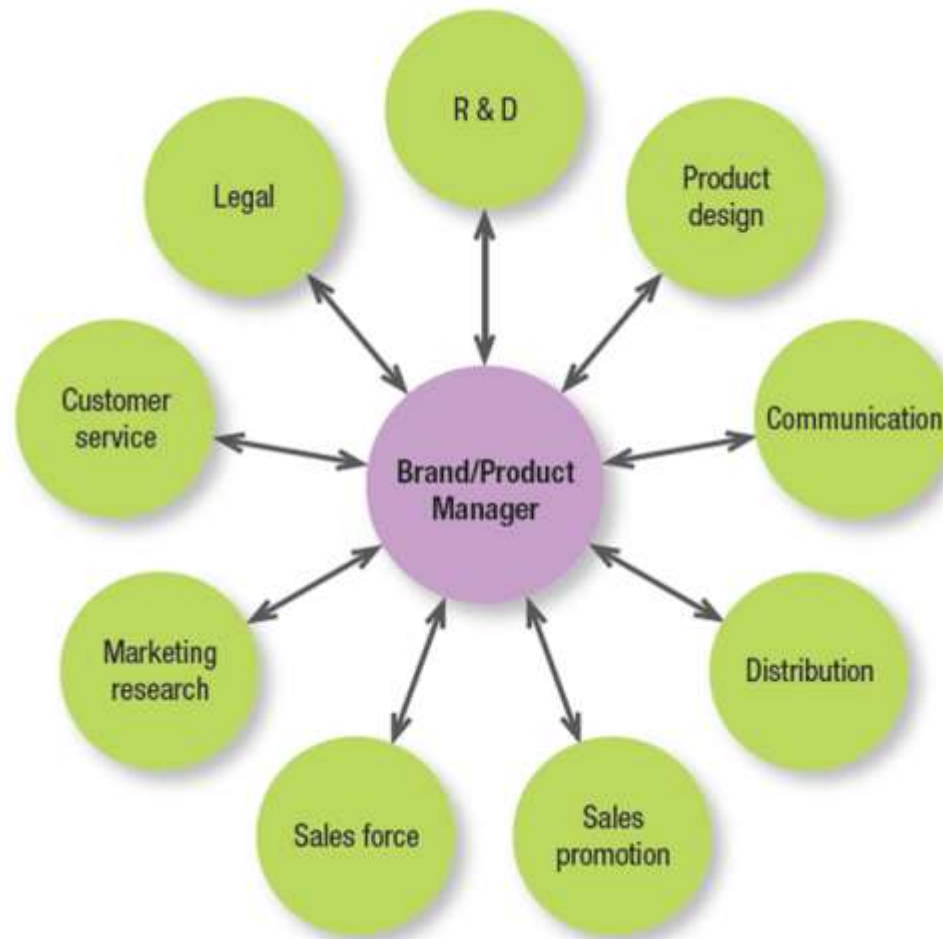
Organizing the Marketing Department

- Functional organization
- Geographic organization
- Product or brand organization
- Market organization
- Matrix organization

Figure 1.5 Functional Organization



Figure 1.6 The Product Manager's Interactions



Managing the Marketing Department

- The role of the CEO and the CMO
- Relationships with other departments

The Role of the CEO

- Convince senior management of the importance of being customer focused
- Hire strong marketing talent
- Facilitate the creation of strong in-house marketing training programs
- Appoint a chief marketing officer

The Role of the CMO

- Act as the visionary for the future of the company
- Build adaptive marketing capabilities
- Win the war for marketing talent
- Tighten the alignment with sales
- Take accountability for returns on marketing spending
- Infuse a customer perspective in business decisions affecting any customer touch point

Relationships with Other Departments

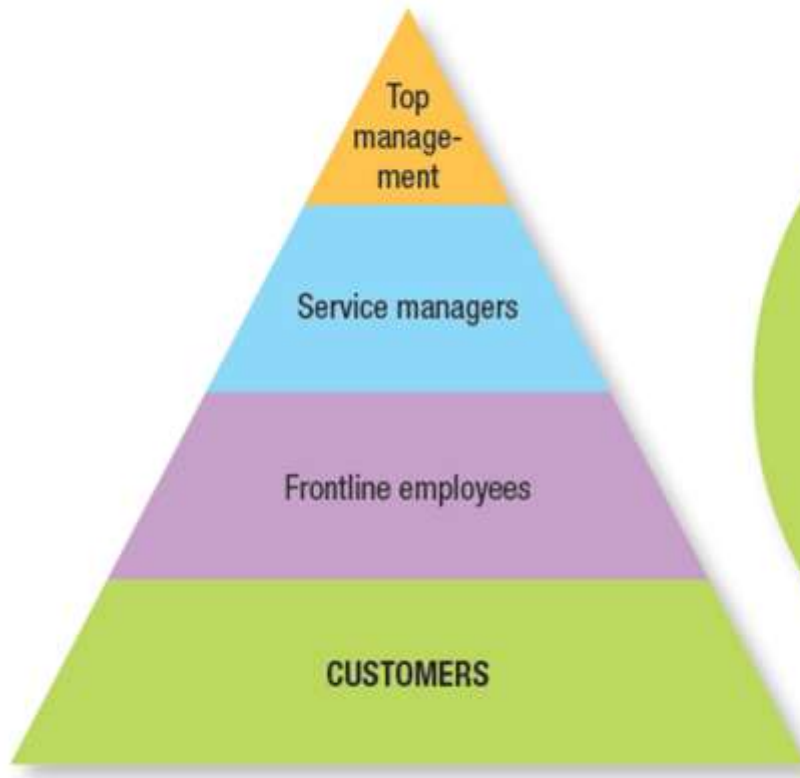
- Marketers must work closely with:
 - customer insights and data analytics teams
 - different communication agencies
 - channel partners

Building a Customer-Oriented Organization

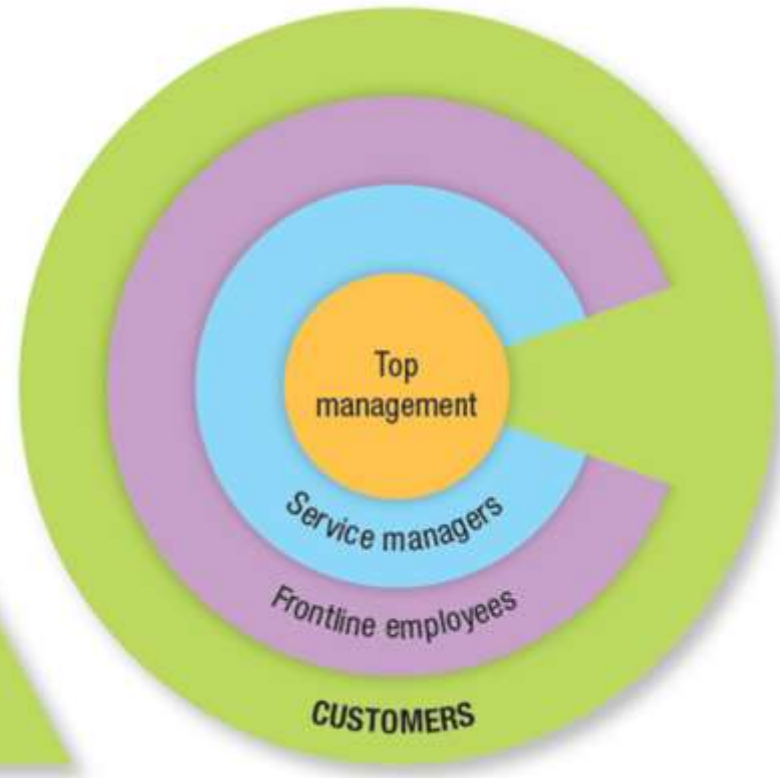
- Create long-term customer value
 - Requires managers at every level to be personally engaged in understanding, meeting, and serving customers
- Customers expect companies to **listen** and **respond** to them

Figure 1.7 Traditional Organization versus Modern Customer-Oriented Company Organization

(a) Traditional Organization Chart



(b) Modern Customer-Oriented Organization Chart



Becoming a Market-Driven Company

- Develop a company-wide passion for customers
- Organize around customer segments instead of products
- Understand customers through qualitative and quantitative research

Table 1.2 Characteristics of Customer-Centric Organizations

Low Customer-Centricity	High Customer-Centricity
Product driven	Market driven
Mass market focused	Customer focused
Process oriented	Outcome oriented
Reacting to competitors	Making competitors irrelevant
Price driven	Value driven
Hierarchical organization	Teamwork

Discussion Questions (1 of 2)

- For many Starbucks' customers, buying a favorite drink now involves a few clicks on the Starbucks app and a pick-up at the counter.
 - How is technology changing the way Starbucks interacts with its customers?
 - What benefits does this offer?
 - What challenges does it present?

Discussion Questions (2 of 2)

- Amazon's success at anticipating customer needs and fulfilling them is evidenced by its record-breaking profits.
 - How does Amazon create value for its customers?
 - What are the tradeoffs between the convenience Amazon offers and the sustainability issues its business model creates?

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