

Introduction to marketing

CHAPTER QUESTIONS

1. Why is marketing important?
2. What is the scope of marketing?
3. What forces are defining the new European marketing realities?
4. What does a holistic marketing philosophy include?
5. What tasks are necessary for successful marketing management?

CHAPTER SUMMARY

1. Marketing is an organisational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the customer, the organisation and its stakeholders. Marketing management is the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value.
2. Marketers are skilled at managing demand. They must also understand, and try to satisfy, customer needs.
3. Marketing should include a total company effort. It needs to understand and manage every aspect of the customer experience.
4. Today's marketplace is fundamentally different as a result of major societal forces that have resulted in many new consumer and company capabilities. In particular, technology, globalisation and social responsibility have created new opportunities and challenges and significantly changed marketing management.
5. There are five competing concepts under which organisations can choose to conduct their business: the production concept, the product concept, the selling concept, the marketing concept and the holistic marketing concept. The first three are of limited use today.
6. The holistic marketing concept is based on the development, design and implementation of marketing programmes, processes and activities that recognise their breadth and interdependencies. Holistic marketing recognises that everything matters in marketing and that a broad, integrated perspective is often necessary. Four components of holistic marketing are relationship marketing, integrated marketing, internal marketing and performance marketing.

7. The set of tasks necessary for successful marketing management includes developing marketing strategies and plans; capturing marketing insights; connecting with customers; choosing target marketing and positioning; building strong brands; creating, delivering, communicating and creating value and creating long-term growth.

DETAILED CHAPTER OUTLINE

The opening vignette shows how IKEA in their marketing philosophy handle many of the aspects covered in the book.

1. The value of marketing

The current business environment challenges companies to deliver value and profits in the face of an unforgiving economic environment, unprecedented changes in business, growing globalisation and continuing digital technology advancement. Marketing is playing a key role in addressing those challenges.

Finance, operations, accounting and other business functions are all dependent on sufficient demand for products and services from customers who are prepared to pay for them so that companies can make a profit.

Marketing's value extends to society as a whole. It has helped introduce new or enhanced products. Marketing has helped to introduce and gain acceptance of new products that have eased or enriched people's lives.

A. Making marketing central

CEOs recognise that marketing builds strong brands and a loyal customer base, intangible assets that contribute to the value of the firm.

2. The scope of marketing

To become a marketer, it is necessary to understand what marketing is, how it works, who does it and what is marketed.

A. What is marketing?

Marketing is about identifying and meeting human and social needs. One of the shortest definitions of marketing is 'meeting customer needs profitably'. Essentially, marketing is a revenue-generating function of a business, and the ultimate test of marketing success is a profit level that allows a company to be successful. Marketing can also be viewed as an activity, set of institutions and processes that have value for customers, clients, partners and society at large.

Marketing management is the art and science of choosing target markets, and getting, keeping and growing customers through creating, delivering and communicating superior customer value.

It is possible to distinguish between a social and a managerial definition of marketing. A social definition sees marketing as a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others. A good example of a managerial definition was voiced by Peter Drucker who saw the aim of marketing was to know and understand the customer so well that the product or service fits him or her and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.

B. Marketing during challenging economic times

Markets change and economies pass through cycles of boom and bust. Each cycle creates challenges for marketers. Marketing managers need to rethink and reorient their activity to deliver customer satisfaction in competitive markets. Strange as it may seem, marketing can be a winner in a crisis (see Marketing in practice box, Marketing a winner in a crisis).

C. Marketing's role in creating demand

Marketers need to be skilled at stimulating and managing the level, timing and composition of demand to meet business objectives. Demand is the willingness and ability of buyers to purchase different quantities of product or service offerings at different prices during a specific time period.

Marketers must identify the underlying cause(s) of the demand level and determine an action plan. Demand is linked to needs and wants. *Needs* are the basic human requirements such as food, water, clothing and shelter. Needs become *wants* when directed to specific offerings that are expected to satisfy the need and backed by an ability to pay.

Five types of needs can be distinguished:

1. Stated needs (the customer wants an inexpensive car).
2. Real needs (the customer wants a car whose operating cost is low).
3. Unstated needs (the customer expects good service from the dealer).
4. Delight needs (the customer would like the dealer to include a navigation system).
5. Secret needs (the customer wants friends to see them as a street-wise consumer).

Responding only to the stated need may short change the customer.

3. The new European marketing realities

The marketplace is dramatically different from even ten years ago, with new marketing behaviours, opportunities and challenges emerging. This book focuses on three transformative forces: technology, globalisation and social responsibility.

A. Technology

The pace of change brought about by innovation and digital technologies has revolutionised the way organisations interact with their publics. The range of technologies within the marketing realm includes internets, databases, kiosks, mobile smartphones, wearable devices and robotics. Marketing professionals need to become familiar with the extent and use advantages of digital tools and use them to interact with their customers.

B. Globalisation

The development of world trade networks and the trend towards the integration of the world's major economies, coupled with technical developments in transportation and communications made it easier for companies and consumers to trade across frontiers and continents. As a result there are more global companies than at any other time in history.

C. Social responsibility

Environmental issues such as climate change and water shortages as well as social concerns regarding poverty, pollution and the distribution of wealth demand attention. As marketing impacts society as a whole, marketing professionals must consider the ethical, legal, social and environmental implications of their activities.

Kotler *et al.* state that successful marketing is distinguished by its human or emotional element and has moved beyond the product-centric and customer-centric models. They state that the new model ('Marketing 3.0') integrates three central trends of (1) increased participation and collaborative marketing, (2) globalisation and (3) the rise of the creative society.

D. A dramatically changed marketplace

The three forces of technology, globalisation and social responsibility have massively changed the marketplace and have empowered both companies and consumers with new opportunities. Across Europe, the adoption of the internet in 2014 was around 70 per cent and several countries have more mobile phones than people. The marketplace is also being transformed by changes in channel structure and increased competition.

New capabilities enable consumers to:

1. use the internet as a powerful information and purchasing aid;
2. search, communicate and purchase on the move;
3. tap into social media to share opinions and express loyalty;
4. actively interact with companies; and
5. reject marketing they find inappropriate.

New capabilities enable companies to:

1. use the internet as a powerful information and sales channel, including for individually differentiated goods;
2. collect fuller and richer information about markets, customers, prospects and competitors;
3. reach customers quickly and efficiently via social media and mobile marketing sending targeted advertisements, coupons and information;
4. improve purchasing, recruiting, training, and internal and external communications; and
5. improve cost efficiency.

E. Changing channels

Channels of distribution, particularly in retail, have been transformed in five ways:

1. The growth of own brands.
2. Retail internationalisation.
3. The fragmentation of the retail market in Europe.
4. Internet retailing and the blurring of digital and real stores.
5. Proliferation of stores.

Heightened competition

While globalisation has created intense competition among domestic and foreign brands, the rise of the mega-brands and a trend towards deregulation and privatisation has also heightened competition.

Marketing balance

Companies need to strike the right balance between innovating to secure new advantages and relying on past strengths.

Marketing accountability

Marketing professionals will be increasingly held accountable and expected to justify their investment in financial and profitability terms in addition to building their brands and customer base.

Marketing in the organisation

Companies will need to acknowledge that marketing is an organisation-wide activity. Marketing professionals must manage customer touch points such as store layouts, package designs, product functions, employee training, shipping and logistics.

4. Exploring the range of business philosophies

The changed market place requires a new philosophy to guide a company's marketing activity (see Amazon – creating the best customer experience we can in the Marketing in action box). Over the years, marketing philosophies have evolved in nine ways as listed below.

A. The production philosophy

This holds that consumers prefer products that are widely available and inexpensive. Management of production-oriented businesses concentrate on high production efficiency, low costs and mass distribution.

B. The product philosophy

This proposes that consumers favour products that offer the best quality performance or innovative features.

C. The selling philosophy

This holds that consumers and businesses will fail to buy enough of a company's products and so need to be persuaded. It is practised most aggressively by companies supplying unsought goods such as life insurance and by firms with excess capacity supplying what suits their production and product interests rather than making the right offerings for their customers.

D. The marketing philosophy

This emerged in the mid-1950s as a customer-centred, sense-and-respond philosophy. The purpose of business is not to find the right customers for a company's products but the right products for their customers.

E. The holistic marketing philosophy

This is based on the development, design and implementation of marketing programmes, processes and activities that recognise their breadth and interdependencies (see Figure 1.4). It has four broad components:

1. Relationship marketing
2. Integrated marketing

3. Internal marketing
4. Performance marketing.

Relationship marketing

This stresses the importance of developing deep lasting relationships with people and organisations that directly or indirectly affect the success of a firm's marketing activities (see Figure 1.5). It has four key constituents:

1. Customers
2. Employees
3. Marketing partners (channels, suppliers, distributors, dealers, agencies)
4. Members of the financial community (shareholders, investors, analysts).

The main aim is to build a unique company asset termed 'a marketing network'.

Integrated marketing

This occurs when marketing professionals devise marketing activities and develop programmes to create, communicate and deliver value for consumers so that 'the whole is greater than the sum of its parts'.

The two key themes are:

1. different marketing activities can create, communicate and deliver value and
2. marketers should design and implement any one activity with all the other activities in the programme in mind.

F. Internal marketing

This is an element of holistic marketing and is the task of hiring, training and motivating able employees in all departments who want to serve customers well. Marketing succeeds only when departments work together to achieve customer goals (see Table 1.3).

Internal marketing requires vertical alignment with senior management and horizontal alignment with all departments to ensure that all appreciate and support the marketing activities.

Performance marketing

This requires an understanding of the financial and non-financial returns to business and society from all marketing operations. Increasingly, it includes monitoring the marketing scorecard, what is happening in the market, customer loss rates, customer satisfaction scores, product/service quality and other relevant metrics.

The 4Ps to the 7Ps

McCarthy has been credited as the first to classify the marketing-mix tools in his 4P model of product, price, place and promotion. These were later expanded by the addition of a further three extra Ps (people, process and physical evidence) to accommodate the rising importance of the service industries. Many now regard this expanded marketing mix as being too simplistic to adequately cover the complex buyers' markets of today.

5. Overview of marketing management

Figure 1.7 provides an overview of the textbook and of marketing management. See Marketers' frequently asked questions in, Marketing in practice box.

APPLICATIONS

Marketing debate

Should the marketing budget be increased during a recession or economic downturn?

During a recession, the immediate desire of many companies is often to simply cut costs. The marketing department can be selected for this cut – and in some cases, is the first area cut. One could argue that the marketing spend is the one spend or investment in a company which should be maintained or even increased during a recession or economic downturn.

Take a position: Marketing spend should be maintained or increased during a recession or economic downturn *versus* Marketing spend should be cut along with all the other spending in the organisation.

Marketing discussion

Consider the key forces driving the new marketing realities. How are they likely to change in the future? What other major trends or forces might affect marketing?