

CHAPTER

2

Marketing Simplified – At a Glance

CUSTOMER ORIENTATION

A market or customer-focused organization determines what its potential customers desire, and then builds the product or service to suit the desire. Marketing theory and practice is justified in thinking that customers use a product or service because they have a need, or because it provides a perceived benefit.

Three major factors of marketing are prospecting for new customers, adding new customers and then retention and expansion of relationships with existing customers. Once a marketer has converted the prospective buyer into a customer, process of management of marketing takes over. The process for management motivates the marketer to build a relationship, nurturing the linkage and adding on to the list of benefits that sold the buyer in the first place, and improving the product/service continuously to protect the business from competitive thrusts.

For a marketing plan to be successful, the wants and desires of the customers and prospects must be taken into account. Trying to convince a market segment to buy something they don't want is extremely risky, expensive and seldom successful. Marketers depend on marketing research, both formal and informal, to determine what consumers want and what they are willing to pay for it. Marketers hope that this process will give them a Sustainable Competitive Advantage. Marketing management is the practical application of this process.

Marketing Functions

The activities of the marketing function are headed by a Vice President or Director of Marketing. A growing number of organizations, especially large US companies, have a Chief Marketing Officer position, reporting to the Chief Executive Officer. In India there are Marketing Managers and VP Marketing depending on the size of the company.

Promotion: This includes advertising, sales promotion, publicity, public relations and personal selling, and refers to the various methods of promoting the product, brand, or company.

Placement or distribution refers to how the product gets to the customer; for example, point of sale placement or retailing. This fourth P has also sometimes been called place, referring to the channel by which a product or services is sold, online or retail, which geographic region or industry, to which segment – young adults, families, business people.

These four Ps are often referred to as the marketing mix, which marketers use to develop a marketing plan. The four Ps model is most useful when marketing low value consumer products. Industrial products, services, high value consumer products require adjustments to this model. Services marketing must account for the unique nature of services. Industrial or B2B marketing must account for the long term contractual agreements that are typical in supply chain transactions. Relationship marketing attempts to do this by looking at marketing from a long term relationship perspective rather than individual transactions.

Services Marketing

In addition to the standard four Ps Product, Pricing, Promotion and Place, Service Marketing calls upon an extra three Ps, totaling seven and known together as the extended marketing mix. These are given below:

People/Staff: Persons coming into contact with customers have an impact on overall customer satisfaction or delight. People are part of a supporting service to a product or involved in a total service, and are particularly important because, in the customer's eyes, they are the service providing company and generally inseparable from the total service. Therefore, they must be appropriately trained, motivated and the right type of person with requisite skills and attitude. It is the people like the sales persons, the service providers who literally personify the company in customer's mind and any wrong behaviour or even frivolous misadventure can lead to "marketing catastrophe" with total loss of the customer and his recommendations to other customers.

Process: The process of providing the service and the behaviour of service providers can be crucial to customer satisfaction and lead to repurchases of the product.

Physical delivery: Unlike a product, a service is intangible and cannot be experienced before it is delivered. This, therefore, means that potential customers could have imaginary risks when deciding whether to use a service. To reduce the feeling of risk and improving the chance for success, it is often vital to offer potential customers the chance to see what a service would be like. This is done by providing physical evidence, such as case studies, testimonials or demonstrations.

Marketing Around Modified 4Ps

The original 4Ps concept idea was developed to help marketers manage the four most important aspects of marketing. With the Internet and the Web, marketers need to adopt a broader perspective on these elements. The new 4Ps are Personalisation, Participation, Peer-to-Peer and Predictive Modeling.

Personalization: Customization of products and services through the use of the Internet. Early examples include Dell on-line and Amazon.com, but this concept is further extended with emerging social media and advanced algorithms. Emerging technologies will continue to push this idea forward.

Participation: This helps customer to participate in what the brand should stand for; what should be the product directions and even which advertisements to run. This concept is laying the foundation for disruptive change through democratisation of information.

Peer-to-Peer: This refers to customer networks and communities where advocacy happens. The historical problem with marketing is that it is “interruptive” in nature, trying to impose a brand on the customer. This is most apparent in TV advertising. These passive customer bases will ultimately be replaced by the active customer communities. Brand establishment happens within those conversations. P2P is now being referred to as Social Computing and will likely to be the most disruptive/ expressive force in the future of marketing.

Predictive modeling: This refers to predictive plan base, such as neural network, that are being successfully applied in marketing problems.

Product can be identified as given below:

- Number of product lines in a range
- Number of product items in a product line

Product design is based on the following:

- Design and development of product ideas
- Selection of and sifting through product ideas
- Design and testing of product concept
- Analysis of profitability of product concept
- Design and testing of physical product

Packaging and trademarks need to be carefully adopted as given below:

- Designed for target market
- Pleasing to the eye
- Suitable to product
- In line with retailers’ requirements, shelf space and ease of display
- Promotes brand image of the product and the company
- Distinguishable from competitors’ products
- Strong, convenient, well-designed
- Makes significant difference in service and supply of product

Packaging Plans

- Specialty packaging as per the elegance and the character of the product
- Packaging for double-use, after the product has been taken out of the package like cans for sugar
- Combination packaging two or more products packaged in the same container

- Kaleidoscopic packaging, packaging changes continually to reflect a series or particular theme
- Cost effective packaging for immediate consumption, to be thrown away after use
- Packaging for resale, packed, into appropriate quantities, for the retailer or wholesaler

Trademark and its Importance

- Differentiates one company's goods from those of another
- Works as advertisement for quality
- Protects both consumers and manufacturers
- Used in displays and advertising campaigns
- Used to market new products

A good trademark can do the following for the product:

- Confirms products' advantages
- In simple language, easily identifiable with the product
- Easily pronounced and remembered
- Distinct from names of other products
- Easily added to an existing range
- Easily registered for legal protection

Price

Price refers to the amount of money exchanged for a product. This value is determined by utility to the consumer in terms of money and/or sacrifice that he is prepared to give for it. Price can be considered as a function of competitive pricing, cost to make the product, brand equity and its place in the PLC.

Objectives of correct pricing include the following:

- Definite sales volume
- Achieve profit
- Larger market share
- Maintain market share
- Fight competition
- Advantages of mass production
- Satisfactory return on capital

Price-plans are determined by the following:

- Production and distribution costs are the first areas to be considered
- Substitute goods available help in determining the appropriate price
- Normal trade practices gives an idea of trade discounts that help build the price
- Fixed prices – sometimes the government decides the pricing formulas
- Reaction of distributors must be taken into account as they are fully aware of what price the market can bear
- Reaction of consumers must be taken into consideration as it helps in fighting price competition

- Grant credit to retailers
- Able to sell for the manufacturers
- Give advice to manufacturers
- Break down products into smaller quantities
- Bypassing wholesalers
- Limited storage facilities
- Retailers' preferences
- Wholesaler cannot promote products successfully
- Development of wholesalers' own brands
- Desire for closer market contact
- Position of power
- Cost of wholesalers' services
- Price stabilisation
- Need for rapid distribution

Bypassing Wholesalers Ways

- Sales offices or branches
- Mail orders
- Direct sales to retailers
- Travelling agents
- Direct Orders

Agents Operations

- Commission agents work for anyone who needs their services. They do not acquire ownership of goods but receive commission.
- Selling agents act on an extended contractual basis, selling all the products of the manufacturer. They have full authority regarding price and terms of sale.
- Buying agents buy goods on behalf of producers and retailers. They have an expert knowledge of the purchasing function.
- Brokers specialize in the sale of one specific product. They receive a brokerage.
- Factory representatives represent more than one manufacturer. They operate within a specific area and sell related lines of goods but have limited authority regarding price and sales terms.

Marketing Communications

Marketing communications segregates the strategies involved with marketing messages into categories based on the goals of each message. There are distinct stages in making strangers to customers that govern the communication medium that should be used.

Advertising Defined

- Paid form of public presentation and expressive promotion of ideas
- Aimed at masses, preferably from the target market segment

- Manufacturer may determine what goes into the advertisement
- Pervasive and impersonal medium

Successful advertising helps in the following ways:

- Task of the salesman made easier
- Forces manufacturer to live up to conveyed image
- Protects and warns customers against false claims and inferior products
- Enables manufacturer to mass-produce product
- Continuous reminder
- Uninterrupted production
- Increases goodwill
- Raises standards of living or perceptions thereof
- Prices decrease with increased popularity
- Educates manufacturer and wholesaler about competitors' offerings as well as shortcomings in their own.

Objectives of Advertising

- Maintain demand for well-known goods
- Introduce new and unknown goods
- Increase demand for well-known goods

Requirements of a Good Advertisement

- Attract attention, be eye catching
- Create awareness
- Stimulate interest
- Create a desire
- Bring about action

Steps in an Advertising Campaign

- Market research
- Setting out aims
- Creativity
- Budgeting
- Choice of media
- Choice of actors
- Design and wording
- Coordination
- Test results

Personal Sales

Oral presentation given by a salesman who approaches individuals or a group of potential customers:

Information: Does the customer know about the solution, and if so how, who from, do they know enough to let them make a buying decision?

Value: Does the customer know the value of the transaction, what it will cost, what are the benefits, what might they have to sacrifice, what will be their reward?

Access: Where can the customer find the solution? How easily/locally/remotely can they buy it and take delivery?

Product Focus

In a product innovation approach, the company pursues product innovation, then tries to develop a market for the product. Product innovation drives the process and marketing research is conducted primarily to ensure that a profitable market segment exists for the innovation. The rationale is that customers may not know what options will be available to them in the future so we should not expect them to tell us what they will buy in the future. However, marketers can aggressively over-pursue product innovation and try to overcapitalize on a niche. When pursuing a product innovation approach, marketers must ensure that they have a varied and multi-tiered approach to product innovation. It is claimed that if Thomas Edison depended on marketing research he would have produced larger candles rather than inventing light bulbs. Many firms, such as research and development focused companies, successfully focus on product innovation (such as Nintendo who constantly change the way video games are played). Many purists doubt whether this is really a form of marketing orientation at all, because of the ex post status of consumer research. Some even question whether it is marketing.

An emerging area of study and practice concerns internal marketing, or how employees are trained and managed to deliver the brand in a way that positively impacts the acquisition and retention of customers (employer branding).

Diffusion of innovations research explores how and why people adopt new products, services and ideas.

A relatively new form of marketing uses the Internet and is called internet marketing or more generally e-marketing, affiliate marketing, desktop advertising or online marketing. It typically tries to perfect the segmentation strategy used in traditional marketing. It targets its audience more precisely, and is sometimes called personalized marketing or one-to-one marketing.

With consumers' eroding attention span and willingness to give time to advertising messages, marketers are turning to forms of permission marketing such as, branded content, custom media and reality marketing.

The use of "follow the leader" behavior in marketing.

The basic idea is that people will buy more of products that are seen to be popular, and several feedback mechanisms to get product popularity information to consumers are mentioned, including smart-card technology and the use of Radio Frequency Identification Tag Technology.

Marketing on the Mat

Some aspects of marketing, especially promotion, are the subject of criticism. It is

especially problematic in classical economic theory, which is based on the assumption that supply and demand are independent. However, product promotion is an attempt coming from the supply side to influence demand. In this way producer market power is attained as measured by profits that would not be realized under a free market. Then the argument follows that non-free markets are imperfect and lead to production and consumption of suboptimal amounts of the product.

Critics acknowledge that marketing has legitimate uses in connecting goods and services to the consumers who want them. Critics also point out that marketing techniques have been used to achieve morally dubious ends by businesses, governments and criminals. Critics see a systemic social evil inherent in marketing. Marketing is accused of creating ruthless exploitation of both consumers and workers by treating people as commodities whose purpose is to consume.

Most marketers believe that marketing techniques themselves are amoral. While it is ethically neutral, it can be used for negative purposes, such as selling unhealthy food to obese people.

Core marketing elements such as segmentation, targeting and positioning are still relevant in the modern world. However, they are complex topics that need a high level of effort, intelligent thinking as well as resources to be implemented successfully. A definitive statement cannot be made whether the conventional marketing concept is applicable in today's environment. Its relevance is very much situational and depends on many factors such as the product, the segment, time, location, political and economic conditions and the inner workings of a company.

There can be a positive statement about marketing, that marketing is full of deployment of personal charm and has enjoyed more than its fair share of conquests and the increasing academic attention that is being devoted to marketing and consumption-related phenomena by non-business disciplines such as sociology, anthropology and history; far from being the second-hand rose of the scholarship, marketing is now something of a "art of grace" leader.

On the other hand, one can decry marketing by saying that marketing has to decide whether to expose its intellectual irrelevance. This apparent love-hate relationship is proof in itself that even a skeptic finds it difficult to deny the contribution that marketing has made and can make to customer satisfaction and economic value. It has contributed to both customers' and suppliers' quality of life by selecting profitable customer satisfaction as its sole objective. The marketing concept, together with other business disciplines, helped the UK to make the transition from a 19th-century manufacturing economy to a modern model of success in the service industry, creating an economic growth period never seen before in the United Kingdom marketing has helped create value through customised products, no-questions-asked refund policies, comfortable cars, environmental attention, shopkeepers' smile, and guaranteed delivery dates. Even some government departments address the public not as 'the Queen's subjects' or 'the applicants' any more but as 'customers.' Of course all of the above is done for economic or political gain, for better or worse. Despite all this achievement, to dismiss marketing as a failure is unfair.