

Week 1: What is Marketing?

What is Marketing?

- "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" - Australian Marketing Association
- "The process of maximising returns to stakeholders by developing **exchanges** with valued customers and creating **an advantage for them**" - Textbook

Marketing to Facilitate Exchange

- **Exchange:** the transfer of products in return for something of **value**
- Four conditions that must exist for an exchange:
 - At least 2 parties must participate and each must possess something of value
 - Exchange should provide benefit to both parties
 - Each party must have confidence in the promise of the 'something of value' held by the other
 - The parties must meet expectations

Marketing is about creating value

- Difference between the benefits the customer gains from having access to or owning and using a product and the costs of obtaining it.

Exchange between Buyer and Seller



Understanding the Marketing Mix

- Strategic variables **controlled by a company** to satisfy the need of their customers (The four Ps)
 - **Product**
 - **Price**
 - **Place**
 - **Promotion**
- It is about making the right **product** available in the right **place**, **promoted** at the right customers at the right **price** acceptable to customers

Marketing Mix Variables

- Traditional marketing mix
- **Product**: anything that can be offered to customers that might satisfy their needs or wants (goods and services or ideas [e.g. cancer council encouraging people to use sunscreen])
- **Price**: value exchanged for products in a marketing transaction
- **Place**: the activities that make products available to customers when and where they want to access or purchase them
- **Promotion**: communication to build and maintain relationships by informing and persuading customers.

These variables all influence each other and determine the fate of the product and the company.

The Marketing Concept and Market Orientation

- A managerial philosophy which suggests that an organisation should try to provide products that satisfy customers' needs through a coordinated set of activities that also allows the organisation to achieve its goals
- Customer satisfaction is the major focus of the marketing concept
- Satisfaction of **both** customers' objectives and company's objectives.
- **Multiple orientations**
 - **Production orientation** (about production and distribution efficiency, used for high demand manufactured products) -->
 - **Sales orientation** (focuses mainly on existing products, and they're trying to sell these products through heavy promotion, profits earned through sales volume) -->
 - **Marketing orientation** (try to sell a product that meets customer needs and demands, try to sell product through integrated marketing activities, profits through customer satisfaction)

Market orientation/concept

- The operationalisation of the marketing concept
- An organisation-wide commitment to researching and responding to customer needs
 - Involves generation of market intelligence in relation to current and future customer needs, competitors and collaborations
 - Involves inter-functional coordination of market intelligence across business functions
 - Requires an organisation to be more responsive to such market intelligence.

Relationship Marketing

- Establishing long-term, mutually satisfying buyer-seller relationship.
- E.g. loyalty cards

Customer relationship management (CRM)

- Using information about customers to create marketing strategies that develop and sustain desirable customer relationships
- E.g. flybuys collects a lot of information of the things that you purchase, so they offer personalised and customised coupons/offers for customers.

Customer Value

- A customer's subjective assessment of benefits relative to costs in determining the worth of a product.

The Role of Marketing in Society

Marketing...

- Consumes large proportion of buyer's dollars
- Is used for non-profits
- Is important to Business and the Economy
- Fuels that global economy
- Enhances consumer awareness
- Connects people through technology
- Promotes welfare of consumers and society
- Creates career prospects

Ethics in Marketing and Digital Marketing

Current Issues

- **Ethics**
 - Judgement about what is right or wrong
 - Moral standards of behaviour expected by a society
- **Codes of conduct**
 - Formalised rules and standards that describe what the company expects of its employees
- Ethics is one dimension of social responsibility
 - Being socially responsible relates to doing what is economically sound, legal, ethical and socially conscious
 - Overall aim to improve society's welfare.

Digital Marketing

- Use of **digital media** including the internet and mobile interactive channels to develop communication and exchanges with customers
- Social networks, media sharing websites, virtual websites, mobile devices, applications, wearable technology
 - The main distinguishing feature is **interactivity** that allows customers to express their needs and wants directly to the firm in response to its marketing communications
 - Ethical and legal issues including privacy concerns, online fraud, and intellectual property

Summary

- Marketing involves a range of activities aiming to create valuable offerings that can satisfy customers and at the same time maximise returns for stakeholders. Hence, it is not merely about advertising and selling as largely perceived by people in general.
- Marketers should understand key marketing terms including exchange, value, relationship marketing, marketing concept, and marketing mix to appreciate core concepts of marketing
- Marketing has significant roles for companies (profit and non-profit), customers, and society at large.
- Marketers are expected to behave ethically and socially responsible ways
- As digital marketing permeates in many aspects of marketing, marketers need to utilise it properly to obtain its maximum benefits

Key terms

customer relationship management (CRM)

customers

exchanges

expanded marketing mix

green marketing

market orientation

marketing

marketing concept

marketing environment

marketing management

marketing mix

people

product

relationship marketing

stakeholders

target market

value

Week 2: The Marketing Environment

Learning Objectives

- Explain the broad concept of the marketing environment
- Discuss the elements of the marketing environment
- Understand the global marketing environment
- Explain the importance of these elements and how they can affect marketing decisions

What is the Marketing Environment?

- **External** forces that **directly or indirectly** influence a firm's acquisition of inputs and creation of outputs
- Monitoring the marketing environment is critical. Why?
 - It can change rapidly
 - It is unpredictable (e.g. GFC)
 - It can offer opportunities (as well as threats) (e.g. introduction of 4G)
- Firms should carefully think whether to take reactive or proactive approach to the marketing environment. But, whenever possible, taking **proactive** steps is mostly preferred.

How can we monitor this marketing environment?

- **Environmental Scanning**
 - The process of collecting information about forces in the marketing environment through observation of secondary resources.
- **Environmental analysis**
 - The process of assessing and interpreting the information gathered through environmental scanning
- Understanding the current state of the marketing environment and recognising threats and opportunities arising from changes help to assess the performance of their current marketing efforts and develop future marketing strategies.

External Forces in the Marketing Environment

- Competitive
- Socio-cultural
- Political
- Legal & Regulatory
- Technological
- Economic

Competitive Forces

- **Indirect vs Direct competitors**
- Direct competitors, e.g. Virgin blue and Jetstar, both budget airlines
- Indirect competitors, e.g. Jetstar and firefly (bus company), both can transport you interstate.
- **Direct competitors:** other firms that market products that are similar to or can be substituted for a firm's product in the same target market segment
 - **Brand competitors:** companies who sell products with similar features, benefits and price. Only difference is brand name. They'll look at their brand image for their final choice.

- Product competitors
- Generic competitors
- Total budget competitors.
- Understanding competitors is critical.

TABLE 2.1 SELECTED CHARACTERISTICS OF COMPETITIVE STRUCTURES

Type of structure	Number of competitors	Ease of entry into market	Product	Example
Monopoly	One	Many barriers	Almost no substitutes	Water utilities
Oligopoly	Few	Some barriers	Homogeneous or differentiated (with real or perceived differences)	Toyota Motors (cars)
Monopolistic competition	Many	Few barriers	Product differentiation, with many substitutes	Wrangler, Levi Strauss (jeans)
Pure competition	Unlimited	No barriers	Homogeneous products	Vegetable/fruit farm (cauliflower/bananas)

Economic Forces

- Buying power
 - Resources that can be traded in an exchange
 - Disposable income vs. discretionary income
- Willingness to spend
 - An inclination to buy because of expected satisfaction from a product, influenced by the ability to buy numerous psychological and social forces.
- General economic conditions
 - Business cycle: four stages of economic fluctuations – prosperity, recession, depression and recovery.
 - E.g. interest rate fluctuation --> less people buying homes, less people putting money in banks and more people investing money in property or other places.

Political, Legal, and Regulatory Forces

- Political, legal, and regulatory forces are closely related
- Political forces potentially influence marketing decisions
- Laws, government agencies, and pressure groups that influence and limit various organisations and individuals in a given society.
 - Legislation regulating business
 - To protect both organisations and consumers
 - Ethics and socially responsible actions
 - Social codes and rules of professional ethics that are placed to protect consumers and the environment.

Technological forces

- Forces that affect new technologies, creating new product and market opportunities
- The most dramatic forces affecting today's marketing strategies
- Technology advancement could have either positive or negative impacts on society.
 - Consider positive and negative implications of mobile phones.
 - E.g. Digital cameras came out, and Kodak didn't respond to the change quick enough, and became bankrupt.
 - BPA was a big issue, but later found a small amount of BPA is harmless. But a lot of companies proactively adjusted their marketing strategies, by introducing BPA free products.

Sociocultural Forces

- The influences in society and its cultures that change people's attitudes, beliefs, norms, customs and lifestyles
 - Changes in demographic characteristics such as age, gender, race, ethnicity, education
- Critical because these factors strongly affect how people think and how they consume.
- E.g. Aflac insurance only selling to older people, due to aging population.
- More organic products, due to high demand.

Globalisation

- Business globalisation is now increasing at an exponential rate
 - Globalisation is the process by which firms operate on a global basis, that is, organising their structure, capabilities, resources and people in such a way to address the world as one market.
- Global competition is intensifying in most industries
 - Foreign firms are expanding aggressively into new international markets
 - Home markets are no longer as rich in opportunity
- So, marketers nowadays are also affected in some way by global environments that create both opportunities and threats for them.

Major decisions in globalisation

- Looking at the global marketing environment
- Deciding whether to go international
- Deciding which market(s) to enter
- Deciding how to enter the market(s)
- Deciding on the global marketing program
- Deciding on the global marketing organisation.

The global marketing environment

Need to understand trends in the global environment

- Competitive
- Political/legal/regulatory
- Economic
- Social/cultural (e.g. not many people in India eat beef, not many in Malaysia/Indonesia eat pork.)
- Technological (some countries more advanced than others)

Deciding whether to go international

- Not all companies need to globalise to survive
 - Small local businesses may choose to serve their local market
- However, companies operating in global industries may not have a choice

- Think about the risks and ability to operate globally
- Understand the underlying motivations to go global

Deciding which markets to enter

- Ensure that the international marketing objectives are aligned with organisation's overall objectives.
 - What volume of foreign sales?
 - How many countries?
 - Types of countries?
- High-level strategic decisions:
 - Incremental or simultaneous entry?
 - Concentrated or diversified?

Deciding how to enter the market

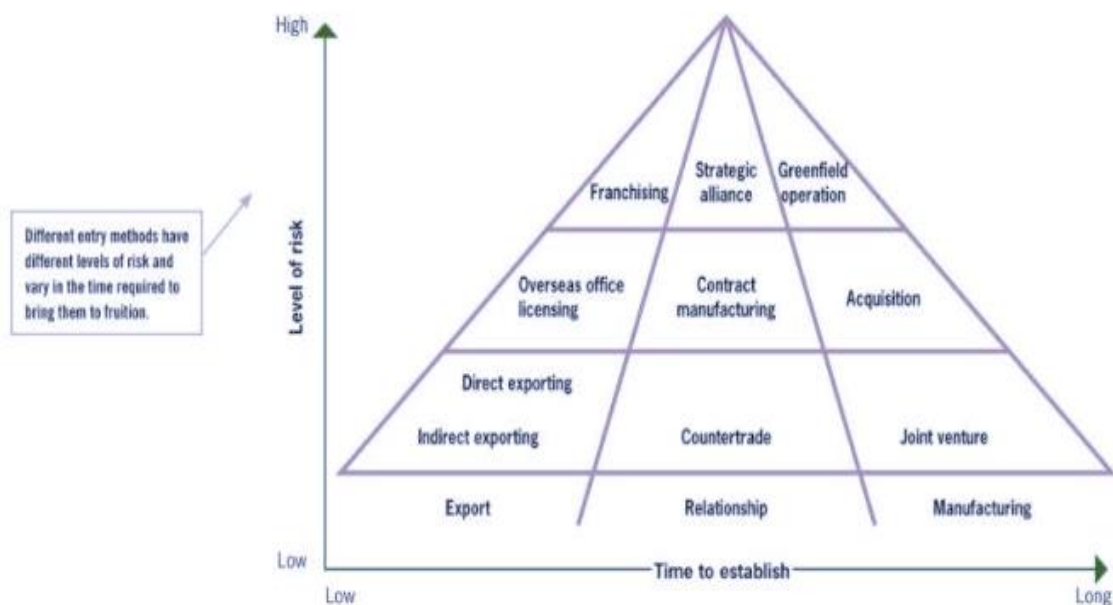


FIGURE 18.3 Methods of entering foreign markets

Source: Peter Moore, 'Deciding how to enter the market' (unpublished materials, 2009).

Deciding on the global marketing program

- Global strategy
 - The world as a single market
- Multinational strategy
 - The world as a portfolio of national opportunities
- "Glocal" strategy
 - Standardises some core elements, and localises other elements
 - E.g. McDonalds selling burgers, but varying the types of burgers in different countries (i.e. Teriyaki burger in Japan, Chinese New Year burger in Malaysia.)

Marketing mix decisions

- Product and promotion
- How much should a company standardise or adapt its products and marketing across global markets?



FIGURE 18.4 Five international product and promotion strategies

- **Price**
 - Uniform price vs different pricing strategies?
 - Prices can be higher or lower in their home markets
- **Place**
 - Must take a whole-channel view – taking into account all the necessary links in distributing the seller's products to final buyers
 - Seller's headquarters, channels between nations, channel within nations

Deciding on the global marketing organisation

- **Export organisation**
 - Simply shipping out goods
- **International division**
 - One or more functions responsible for offshore activities: marketing, finance, personnel, etc.
- **Global organisation**
 - Thinking as global marketers – planning for worldwide manufacturing facilities, marketing policies, financial flows, logistics systems.

Summary

- 6 forces that affect how a firm offers values to its customers
 - Competitive
 - Socio-cultural
 - Political
 - Legal and regulatory
 - Economic
 - Technological
- Firms should also consider global developments that may influence these external forces
- Firms need to understand the impact these forces have on them
- Firms have to properly respond to such dynamic changes to survive

- Marketers should aware of environmental forces that can positively or negatively affect their ability to serve their customers
- Marketers should understand that changes in these environmental forces can affect their marketing decisions
- Marketers operating in a global market should consider global developments that may influence these environmental forces
- Marketers should react to the changes in the marketing environment
- Understanding the marketing environment, the company operates in will assist marketers in developing effective marketing strategies

Key terms:

willingness to spend

business cycle

buying power

centralised organisation

codes of conduct

competition

competitive advantage

core competency

corporate strategy

decentralised organisation

discretionary income

disposable income

environmental analysis

environmental scanning

external customers

generic competitors

internal customers

internal marketing

market

market opportunity

market share

market-growth/market-share matrix

marketing control process

marketing goal
marketing implementation
marketing objective
marketing plan
marketing planning
marketing strategy
mission statement
monopolistic competition
monopoly
oligopoly
performance standard
product competitors
sociocultural forces
strategic planning
strategic windows
sustainable competitive advantage
SWOT analysis
technology
total budget competitors
willingness to spend