

MARK1012 Notes:

*Marketing* is defined as the *activity, set of institutions, and processes* for *creating, communicating, delivering, and exchanging offerings* that have *value* for *customers, clients, partners, and society*.

*Micromarketing* is the way in which an organisation directs marketing activities to benefit customers.

*Macromarketing* is the study of the flow of goods and services in a country to benefit society.

There are five aspects of *utility* in marketing:

- Place (making a product geographically accessible)
- Time (making a product available at the desired time)
- Possession (transferring ownership of products to the consumer)
- Image (the emotional or psychological value attached to a product or brand by the consumer)
- Information (informing customers of the existence of a product)

There are five steps in the marketing process:

1. Understanding the marketplace and consumer demand
2. Designing a customer-driven marketing strategy
3. Constructing an integrated marketing program
4. Building profitable customer relationships
5. Capture value from customers to create profits and customer equity

There are five *core marketing concepts* involved in understanding the marketplace:

- Needs, wants and demands
- Market offerings
- Exchange, transactions and relationships
- Value, satisfaction and quality
- Markets

*Needs* are a state of perceived deprivation of basic satisfaction, and exist naturally rather than being created by marketers or society. Needs include *physical* needs, *social* needs, and *individual* needs.

*Wants* are desires for *specific* satisfiers of needs, which are shaped by social forces. *Demands* are wants that the customer is *willing* and *able* to buy.

*Market offerings* are products (goods, services, and experiences) that can be offered to a market to *satisfy a need or want*. Market offerings can include *ideas, information, people, organisations, and places*. The *customer perceived value* of a market offering is the customer's assessment of that offering in relation to competing offerings. *Customer satisfaction* occurs when customer expectations are exceeded.

An *exchange* or *transaction* is the act of obtaining a desired object by offering something in return. A *relationship* is the likely outcome of successful transactions. By obtaining and retaining customers, marketers establish relationships with them. A *customer-driven marketing strategy* uses customer satisfaction to create profitable customer relationships.

A *market* is the set of all actual and potential buyers of a product, who share a particular need or want which they are willing to undergo exchange to satisfy.

A *product* is a market offering to satisfy a want or need. Products are often a bundle of goods and services. A *good* is a tangible product; a *service* is an intangible product. Some products are *pure tangible goods*; others are *pure services*; most fall between the two.

The *core customer value* of a product is the benefit that consumers seek from the product. The *actual product* describes the quality level, features, styling, brand name, and packaging of the product offered. The *augmented product* considers additional services and benefits offered when the product is purchased.

Products are divided into *consumer products* and *industrial products*. Consumer products are bought by final consumers for personal use or consumption, and include *durable goods* (designed to last through over a year of repeated use), *semi-durable goods* (designed to last about a year or repeated use), and *non-durable goods* (designed to be consumed within a year). Consumer products can also be classified based on purchasing behaviour. *Convenience products* are consumer products which are bought frequently, immediately, and with minimum comparison and effort. *Shopping products* are consumer products that the consumer selects based on suitability, quality, price, and style, and puts significant effort into selecting. *Specialty products* are consumer products with unique characteristics which a significant group of consumers is willing to purchase. *Unsought products* are consumer products that the consumer does not know about or does not consider buying.

Industrial products can be categorised into *materials and parts* (goods which enter the manufacturer's product completely), *capital items* (goods that do not enter the manufacturer's product completely), and *business services* (maintenance, repair, and advisory services).

Other types of marketing include:

- Organisation marketing (to change attitudes and behaviour towards an organisation)
- Person marketing (to change the attitudes and behaviour towards a person)
- Place marketing (to change attitudes and behaviour towards a place)
- Event and experience marketing (to change attitudes and behaviour towards and event or experience)
- Idea marketing (e.g. political policies, environmental and social causes)
- Social marketing (marketing in order to bring about social changes)

Individual product decisions relate to *product attributes*, *branding*, *packaging*, *labelling*, and *product support services*.

Product attributes can be categorised into *basic* or *threshold attributes* (features that customers expect in a product), *performance attributes* (features that are not expected, but are appreciated by customers) and *excitement attributes* (features that customers are not aware that they want, but enjoy when they learn about them). *Product quality* refers to characteristics of a product which allow it to satisfy customer needs. The two measures of quality are the *level* and *consistency* of quality. *Product features* are the technical characteristics of a product; *product style and design* are qualities which make the product more distinctive.

A *brand* is a name, term, sign, symbol, design, or combination of the above which identify and differentiate the products of an organisation. Brand recognition can inspire consumer loyalty and add value to products.

*Packaging* involves designing and producing the containers for products. *Labelling* is an aspect of packaging, referring to identifying the product and relevant information about it. Labels are affected by legal requirements and product promotion.

- Specialisation and division of labour (marketing channels allow specialisation of labour, making the production and selling process more efficient)
- Overcoming discrepancies (discrepancies between manufacturers and consumers of quantity, assortment, time, and space can be more easily overcome through effective logistics allowed by marketing intermediaries)
- Providing contractual efficiency (other parties in the marketing channel carrying out their own negotiations reduces the negotiation effort required by marketers without limiting output or distribution)

Marketing channel members provide the following functions:

Transactional functions:

- Contacting and promotion (finds and communicates with prospective customers)
- Negotiation (reaches agreements on price and other terms)
- Risk taking (assumes the financial risk of carrying out the channel work)

Logistical functions:

- Storing (stores the product safely for future distribution)
- Matching (manufactures products that match the needs of consumers)
- Physical distribution (transports and stores goods)

Facilitating functions:

- Researching (gathers and distributes marketing research for planning purposes)
- Financing (acquires and uses funds to cover the costs of the channel)

The *length* of a channel is the number of levels (layers of intermediaries) in the channel. Marketing channels can also be used in the service sector. Disagreements between channel members can create *vertical* (between channel members at different levels) or *horizontal* (between channel members on the same level) conflicts. Manufacturers involved in multichannel distribution may face conflicts which affect members of every channel.

*Conventional channels* (where all organisations are equal) lack leadership, causing damaging conflicts and poor performance. A *vertical marketing network* (VMN) is a distribution channel structure where one channel member owns the others (corporate VMNs), has contracts with them (contractual VMNs), or wields so much power that the others follow their instructions (administered VMNs). VMNs consist of suppliers, wholesalers, and retailers acting as a unified network.

A *horizontal marketing network* is a distribution channel structure where two or more companies at the same level join together (often a strategic alliance). A *hybrid marketing network* occurs when a single firm sets up multiple marketing channels to reach different segments.

*Disintermediation* involves removing intermediaries by dealing with customers directly, increasing direct profits for the manufacturer. *Reintermediation* involves reintroducing intermediaries between the manufacturer and consumers, often due to unsuccessful disintermediation.

*Intensity of distribution* refers to how widely available a product is. There are three types of distribution intensity often selected:

- Intensive distribution (selling a product through all responsible and suitable intermediaries, only feasible for low priced products that appeal to very large target markets)

- Trade promotions (including discounts, allowances, free goods, push money, and free specialty advertising items)
- Business promotions (used to generate business leads, stimulate purchases, reward customers, and motivate salespeople)
- Conventions and trade shows (events showing products from a number of firms selling to the industry)
- Sales contests (organised for salespeople or dealers to motivate them to increase their sales performance over a given period)

In developing the sales promotion program, four decisions must be made:

- The size of the incentive.
- Conditions for participation.
- Promotion and distribution.
- Length of the promotion.

Marketers also need to remember the ten keys to developing a sales promotion program:

- Set specific objectives.
- Know how the basic promotion techniques work.
- Use simple, attention-getting copies.
- Use contemporary, easy-to-track graphics.
- Clearly communicate the concept.
- Reinforce the brand's advertising message.
- Support the brand's positioning and image.
- Coordinate promotional efforts with other marketing plans.
- Know the media you work with.
- Involve the trade.

*Personal selling* involves utilising salespeople to sell products face-to-face with customers. Salespeople promote the product and encourage customers to buy it.

Personal selling is more important than advertising in the following situations:

- When the product has a high value.
- When the product is custom made.
- When the product is technically complex.
- When there are few customers for the product.
- When customers are geographically concentrated.

Personal selling can be divided into the following types:

- Retail selling
- Business-to-business selling
- Telemarketing

The advantages of personal selling include:

- Interactivity
- High customer attention
- Adaptability
- Customised messages
- Persuasive impact

- Societal marketing (the company should consider consumer desires, the company's requirements, and the long-run interests of society).

Products can be classified based on their degree of immediate appeal and long-run benefits:

- *Deficient* products have neither immediate appeal or long-run benefits.
- *Pleasing* products have high immediate appeal and no long-run benefits.
- *Salutary* products have no immediate appeal but high long-run benefits.
- *Desirable* products have high immediate appeal and high long-run benefits.

*Marketing ethics* refers to moral principles that guide marketing. *Corporate marketing ethics policies* are broad guidelines followed by everyone in the organisation.

There are a number of laws which regulate marketing. These include tort law, competition law, product liability, contract and consumer law, and intellectual property among others. For this reason, it is important that a company has a strong *legal compliance program*, a system designed to *identify, manage, and reduce* the risk of breaking the law. This program must be fostered by senior management and implemented through continuing education. An example of a national legal compliance program is the Australian Standard AS3806-1998, which establishes the following requirements:

- Positive commitment to compliance at a senior management level communicated to staff.
- Positive promotion of compliance by all managers.
- Continuous monitoring and improvement of all compliance procedures.
- Integrating all compliance procedures into the organisation's day-to-day operations.
- Employing adequate numbers of senior staff who can take responsibility for compliance.
- Providing ongoing education and training of staff.

While AS3806 is not legally binding, the ACCC have indicated that they will regard it as the benchmark for compliance programs. Intellectual property law is one of the most relevant areas of law to marketing. The major areas covered by intellectual property law include:

- Copyright (protecting individual ideas expressed in permanent forms from plagiarism)
- Design (protecting the overall appearance of a product based on its visual features)
- Trademarks (protecting signs capable of being represented graphically to distinguish goods and services)
- Patents (protecting the invention of a device, substance, method or process that is considered useful)
- Confidential Information (intellectual property which can only be protected through confidentiality, such as trade secrets)