MARK1012 OVERALL NOTES

CHAPTER 1: overview of marketing

What is marketing?

- **Marketing:** the activity, set of institutions and processes for creating, capturing, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society
- Firms assess the market position and decide on their marketing strategy
- They then develop a **marketing plan** that specifies the marketing activities for a specific time
    - **Marketing plan:** a written document composing of an analysis of the current marketing situation, opportunities and threats for the firm, marketing objectives and strategy specified in terms of the 4 Ps, action programs, and projected income statements
    - Marketing plan is broken down into various components: how the product will be designed, how much it should cost, where and how it will be promoted, and how it will get to the consumer

Core aspects of marketing:

- **Marketing is about satisfying consumer needs and wants**
    - The marketplace can be divided into groups of people who are relevant to an organisation for particular reasons
    - Good marketers seek out potential customers who have an interest in the product and an ability to buy it
- **Marketing entails an exchange**
    - Marketing is about an **exchange:** trading things of value between the buyer and the seller so that each is better off as a result
    - Sellers provide goods or services, then communicate and facilitate the delivery of their offering to consumers. Buyers complete the exchange by giving money and info to the seller

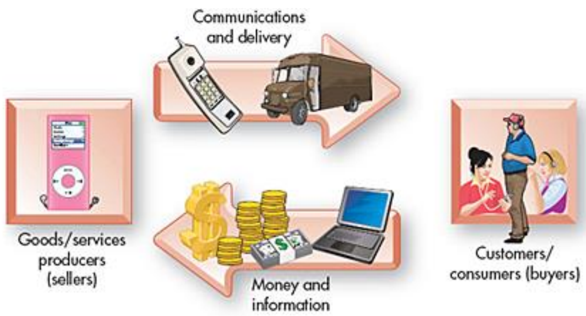

Figure 1.2 Exchange: the underpinning of seller-buyer relationships

- **Marketing requires product, price, place and promotion decisions**
    - Marketing has been divided into a set of 4 interrelated decisions and actions known as the **marketing mix (4 Ps:** the controllable set of activities that the firm uses to respond to the wants of its target markets):
    - **Product (creates value)**
        - Marketing's fundamental purpose is to create value by developing a variety of offerings (goods, services and ideas) to satisfy consumer needs
        - E.g. frozen yoghurt: the dessert is a good, the service is how it is served to you, there might be an idea driving your experience (e.g. that frozen yoghurt is healthy for you)

        - **Goods:** items you can physically touch
            - E.g. Nike shoes
        - **Services:** intangible customer benefits that are produced by people or machines and cannot be separated from the producer
            - E.g. plane tickets, getting money through an ATM
        - **Ideas:** concepts, opinions and philosophies
            - E.g. groups promoting bicycle safety go to schools and give talks to children and sponsor bike helmet poster contests – the exchange of value occurs when the children listen to the sponsors' presentation and wear helmets while cycling
    - **Price (captures value)**
        - **Price:** everything the buyer gives up – money, time, energy – in exchange for a product
        - marketers determine price by seeing how much consumers will pay to be satisfied with their purchase and the seller achieves a reasonable profit
    - **Place (delivers value)**
        - **Place:** all the activities necessary to make the product available to the right customer when that customer wants it
        - Place deals with retailing and marketing channel management **(supply chain management:** techniques firms' use to efficiently integrate their suppliers, manufacturers, stores and firms involved in the transaction into a seamless value chain in which merchandise is produced and distributed in the right quantities, to the right locations, while minimising costs and satisfying customer service)
    - **Promotion (communicates value)**
        - **Promotion:** communication by a marketer that informs, persuades and reminds potential buyers about a product to influence their decisions and elicit a response
        - Marketers promote their value to customers by emphasising the product's benefits
- **Marketing can be performed by both individuals and organisations**
    - Marketing intermediaries (e.g. retailers) accumulate merchandise from producers in large amounts and then sell it to consumers in smaller amounts
    - B2C (business-to-consumer) marketing: businesses sell to consumers
    - B2B (business-to-business) marketing: selling from one business to another
    - C2C (consumer-to-consumer) marketing: consumers sell to other consumers – e.g. eBay
    - Manufacturer -> retailer -> consumer A -> consumer B
    - Individuals can also do marketing activities themselves – e.g. when going for a job, the research you do about the firm, the resume and cover letter you submit with your application, the way you dress and talk in an interview are marketing activities
- **Marketing occurs in many settings**
- **Marketing impacts various stakeholders**
    - Marketing can impact many stakeholders (supply chain partners including wholesalers, retailers, warehouse companies, society at large)

- **Marketing helps create value**
  - Marketing has evolved into its integral business function of creating value
  - Marketing evolution: Production -> sales -> marketing -> value-based marketing
  - Production orientated era (20th C)
    - Firms were product orientated, believed a good product would sell itself
    - Manufacturers were concerned with product innovation, not with satisfying the needs of customers
  - Sales-orientated era (1920-1950)
    - Production and distribution techniques became more sophisticated, and the Great Depression and WWII caused customers to consume less and make items themselves
    - Marketers produced more than customers actually wanted so they moved to personal selling and advertising
  - Market-orientated era (after WWII)
    - Soldiers returned home, got new jobs and started families - suburban communities with cars in every garage and shopping centres formed
    - Products became plentiful so customers had many choices and were able to make purchasing decisions on the basis of factors such as quality, convenience and price
    - Manufacturers and retailers focused on what consumers wanted and needed before they designed and sold products
    - Firms discovered marketing in this period
  - Value-based marketing era (current model)
    - Moved from selling orientation to value-based orientation, where they attempt to discover and satisfy their consumers' needs and wants
    - They realised that good marketing is about value creation – giving customers greater value than what the competition offers
    - **Value:** the relationship of benefits to costs - what you get for what you give
    - Customers want goods that meet their specific needs or wants that are offered at a price that they believe represents good value
    - A creative way to provide value to customers is **value co-creation:** customers act as collaborators with a manufacturer or retailer to create the product

<u>How do marketing firms become more value driven?</u>

Firms become value driven by focusing on four activities:

1. They share information about their customers and competitors across their own organisation and even with other firms (e.g. manufacturers and transport companies that help get their product to the marketplace)
2. They strive to balance their customers' benefits and costs
3. They concentrate on building relationships with customers
4. They need to take advantage of new technologies and connect with their customers using social media