24108 – Marketing Foundations

UTS Autumn 2018

Table of Contents

Lecture 1 – Introduction to marketing, the marketing environment and market analysis

Readings: Elliot, Ch. 1 and 2

1.1 WHAT IS MARKETING

- **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.
- **The marketing evolution:**
    - *Trade* → People exchange what they have, for what they wanted.
    - Production orientation: As technology and infrastructure were developed and built, businesses produced greater volumes of a range of products.
    - *Sales orientation* →Focused on increasing profits through advertising and one-to-one selling.
    - *Market orientation* →Businesses worked to determine what potential customers wanted, and then made products to suit it.
    - *Societal market orientation* → View the market as not just customers, but society too.

The marketing approach to business

- Marketers need to learn what customers, clients, partners and society want
- Marketers use information to maintain their understanding
- The best marketers offer something that is unique or special to consumers
- Marketing is used by small and large businesses; businesses selling goods/services, for-profit and not-for-profit organisations, private and public organisations

The marketing process

- Involves understanding, creating, communicating and delivering an offering for exchange of value.

1.2 THE EXCHANGE OF VALUE

- To be considered a successful marketing exchange, the transaction must satisfy the following conditions:
    - Two or more parties must participate, each with something of value desired by the other party
    - All parties must benefit from the transaction
    - The exchange must meet both parties' expectations (quality, price)
- **Value:** A customer's overall assessment of the utility of an offering based on perceptions of what is received and what is given. Some marketers view this simply as a ratio between quality and price.
    - Refers to the 'total offering'
    - Value evolves continually and is unique for each individual
    - The lifetime value of the client – what does the firm offer in exchange for loyalty?

The market

- **Market:** A group of customers with heterogeneous needs and wants
    - *Customers* → Those people who purchase products for their own or someone else's use, while consumers are people who use the good or service
    - *Clients* → Refers specifically to 'customers' of not-for profit organisations
    - *Partners* → All organisations/individuals involved in the activities of the exchange process
    - *Society* → Body of individuals living as members of a community

1.3 ETHICS, CRS AND SUSTAINABLE MARKETING

Ethics

- Refers to a set of moral principles that guide attitudes and behaviour. More simply, ethical behaviour involves doing what is 'right.' It is clear then that what is ethical cannot be summarised in a simple set of rules. Rather ethics is subjective and depends on social, cultural and individual factors.
- In addition to ethics, the way individuals and organisations conduct themselves in society is governed by law.

CSR

- Businesses have an obligation to act in the interests of the societies that sustain them. This is an overarching responsibility that affects all aspects of a business's operations and involves all of its stakeholders, including:
    - Owners
    - Employees
    - Customers (and clients)
    - Partners
    - Government
- **Triple bottom line:** Measures a company's degree of social responsibility, economic value and environmental impact

Sustainability

- Sustainable development is defined as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'
- **Sustainable marketing:** Refers to the marketing profession's obligation ot change marketing processes in which the exploitation of resources, the direction of investments, the orientation of technological development and institutional change are made consistent with future and present needs.
- Simply about looking at your products/services, assessing how they impact the environment and then making steps to minimise those impacts.

1.4 THE MARKETING MIX

- The term given to a set of variables that marketer can exercise control over in creating an offering for exchange. Various frameworks for the marketing mix have evolved overtime.
- **Product:** Anything offered to the marketing → good, service or idea
  - *Bundle of attributes* →Refers to the features and functions of a product, which benefit the customer
  - *Brand* → Collection of symbols such as name, logo, slogan and design intended to create an image in the customer's mind that differentiates a product from competitors' products
- **Price:** Amount of money a business demands in exchange for its offerings.
- **Promotion:** Describes the marketing activities that make potential customers, partners and society aware of and attracted to the business's offering. The product might be:
  - Already established
  - Modified
  - New
  - Information or education
- **Distribution (place):** Refers to the means of making the offering available to the customer at the right item and place
- Also, **people, process, physical evidence**

1.5 WHY STUDY MARKETING

- **Improves business performance:** Firms with a market orientation perform better than firms without. They have better profits, sales volumes, market share and return on investment
- **Higher quality of life:** Marketing has helped to drive economic growth; marketers play a role in stimulating consumer demand
- **Contribute to a better world:** Developing social change programs to influence the behaviour of consumers to improve society
- **Be a better customer**

1.6 THE MARKETING ENVIRONMENT

- Refers to all of the internal and external forces that affect a marketer's ability to create, communicate, deliver and exchange offerings of value.

- The internal environment refers to the organisation itself and the factors that are directly controllable by the organisation.
- The micro environment comprises the forces and factors at play inside the industry in which the marketer operates
- The macro environment comprises the larger-scale societal forces that influence not only the industry in which the marketer operates, but all industries
- Micro and macro environmental forces are outside of the organisation, while they can be influences, they cannot be directly controlled.

1.7 INTERNAL ENVIRONMENT

- **Internal environment:** Refers to the parts of the organisation, the people and the processes used to create, communicate, deliver and exchange offerings that have value.
  - DIRECTLY CONTROLLABLE by the organisation
  - Strengths and weaknesses are internal factors that positively and negatively affect the organisation's ability to compete in the marketplace.
- Marketers need to understand the objectives for each part of the organisation and how the objectives are being met.
- The main parts of a typical organisation:
  - Senior management
  - Middle management

- Functional departments
- Employees
- External vendors

- **Internal marketing:** Is a cultural framework and a process to achieve strategic alignment between front-line employees and marketing → it is a collection of activities, processes, policies and procedures that treat employees as members of an internal market who need to be informed, educated, developed and motivated in order to serve clients more effectively.
- **External environment:** Concerned with things that are outside of the organisation.
  - Encompasses the people and processes that the organisation CANNOT DIRECTLY CONTROL.
  - Opportunities and threats are external factors that positively and negatively affect the organisation's current and future ability to successfully serve the market

1.8 MICRO ENVIRONMENT

- **Micro environment:** Consists of customers, clients, partners and competitors. The forces within an organisation's industry that affect its ability to serve its customers and clients – target markets, partners and competitors
- Unlike the internal environment, the micro environment is NOT DIRECTLY CONTROLLABLE by the organisation.

Customers and clients

- Marketers must understand the current and future needs and wants of their target market. They must:
  - Understand what their customers value now
  - Be able to identify any changes in customer preferences
  - Be willing and able to respond to change
  - Anticipate how needs/wants might change in the future
  - Influence customer preferences

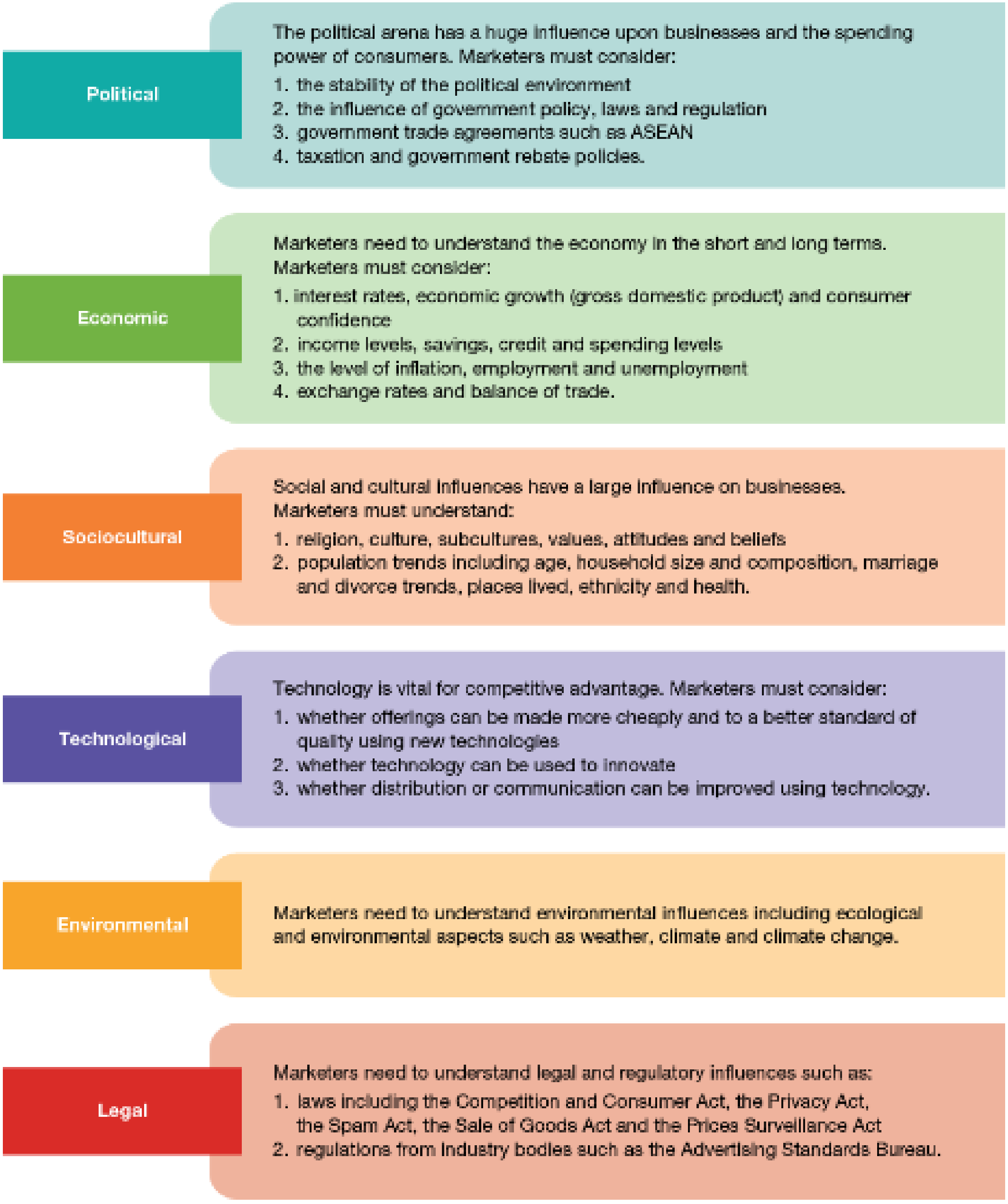
Partners

- Marketers need to understand their partner's, how each partner's processes work and how their partnerships benefit each party. Need to know/understand:
  - Missions and strategies of partners'
  - Partners' cost structure
  - How partners promote their offerings
- Marketers need to know their existing and potential suppliers' costs, availability, time frames and planned innovations to determine how they can best create value. They also need to know and manage the risks involved in their dependency on their suppliers.

Competitors

- Marketers must ensure their offerings provide their target market with greater value than their competitors' offerings
- Marketers seek to understand their competitors' marketing mix, sales volumes, sales trends, market share, staffing, sales per employee and employment trends
- Types of competition:
  - *Pure competition* → Numerous competitors offer undifferentiated products
    - Goods such as sugar, and for financial securities such as shares
  - *Monopolistic competition* → Numerous competitors offer products that are similar, prompting the competitors the strive to differentiate their product offering from others
    - Acer, DELL, Lenovo, Apple, Toshiba sell similar products but are differentiated by colour packaging, price, memory, processing speed and so on
  - *Olipology* → A small number of competitors offer similar, but somewhat differentiated products
    - The US mass media and news industry is an example
  - *Monopoly* → There is only one supplier and there are substantial, potentially insurmountable, barriers to new entrants
    - Government services, such as the provisions of roads and rail
  - *Monopsony* → The market situation where there is only one buyer
- Levels of competition
  - *Total budget competition* → Consumers have limited financial resources and therefore must make choices about which products to consume and which to forgo.
    - A uni student would like to attends a concert and tickets are $120. The concert is competing with all other possible uses of the student's $120 – fuel, rent, food, etc.
  - *Generic competition* → Consumers often have alternative ways to meet their product needs
    - Sydney buses compete with CityRail and taxis for the business of consumers needed to get from A to B
  - *Product competition* → Some products are broadly similar, but have different benefits, features and prices that distinguish them from competing products
    - Soft drinks, water, alcohol, are all beverages that people could purchase to drink
  - *Brand competition* → Some products are very similar, offering same benefits, features and price
    - NAB, CBA, ANZ all offer savings accounts with similar minimum balances, interest rates, internet banking facilities, etc.

1.9 MACRO ENVIRONMENT



Political forces

- The influence of politics on marketing decisions
- Politics is directly relevant through:
  - Lobbying for favourable treatment
  - Lobbying for favourable regulation
  - The effect of political issues on international marketing

Economic forces

- Factors that affect how much people and organisations can spend and how they choose to spend it
- Economics forces include income, prices, the level of savings, the level of debt and the availability of credit

Sociocultural forces

- The social and cultural factors that affect people's attitudes, beliefs, behaviours, preferences, customs and lifestyles
- Demographics: Statistics about a population: age, gender, race, ethnicity, educational attainment, marital status, parental status and so on

Technological forces

- Technology allows a better way of doing things
- Technology changes the expectation and behaviours of customers, clients and suppliers

Environmental forces

- Natural disasters, weather and climate change
- Growing ecological awareness and social changes influence how firms will operate

Legal forces

- Laws: Legislation enacted by elected official
- Regulations: Laws and regulations govern what marketing organisations can and cannot legally do
- Laws and regulations fall into the following categories: privacy, fair trading, consumer safety, prices, contract terms and intellectual property

1.10 SITUATION ANALYSIS AND MARKETING PLANNING

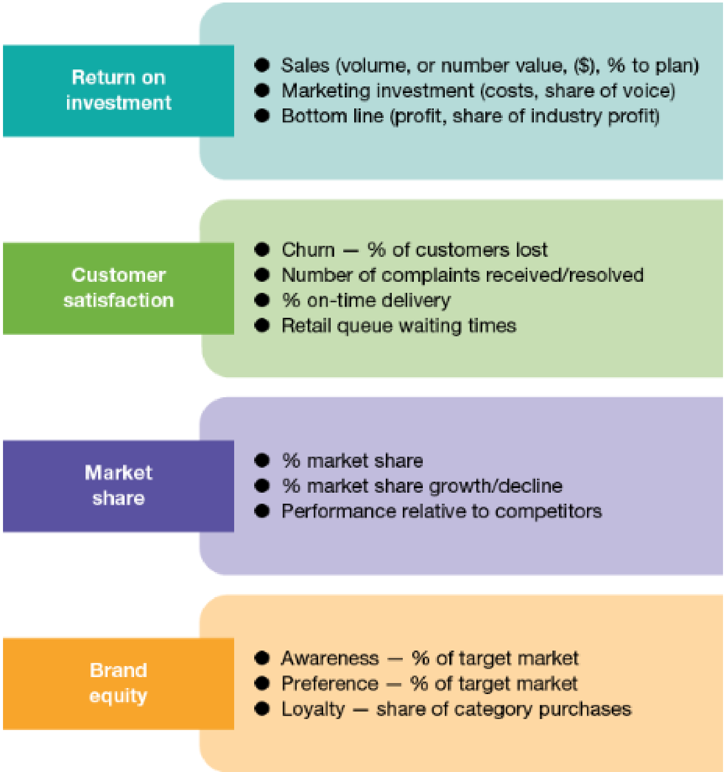
- **Situation analysis:** Identifying the key factors that will be used as a basis for the development of marketing strategy
- **Marketing planning:** An ongoing process that combines organisational objectives and situational analysis to formulate plan that moves the organisation from where it currently is to where it wants to be

SWOT

- **Strengths**: Those attributes of the organisation that help it achieve its objective
- **Weaknesses**: Attributes of the organisation that hinder it in trying to achieve its objectives
- **Opportunities**: External factors that are potentially helpful to achieving the organisation's objectives
- **Threats**: External factors that are potentially harmful to the organisation's efforts to achieve its objectives.
- Strengths and weaknesses are internal → controllable by the organisation
- Threats and opportunities → beyond organisation's direct control

Marketing metrics

- Measures that are used to assess marketing performance.



Lecture 2 – Market research

Readings: Elliot, Ch. 3

2.1 THE ROLE OF MARKET RESEARCH IN MARKETING DECISIONS

- **Market research:** A business activity that discovers information of use in making marketing decisions
  - Essential component of understanding the market
  - Should contribute to improved performance
- Market research informs many types of decisions including:
  - Market segmentation
  - Sales performance
  - Product
  - Distribution
  - Promotion
  - Pricing
  - Attitudes and behaviours
- Market research informs all aspects of the marketing process, with an organisation needing to thoroughly understand the needs and wants of its target market