

Lecture 1 – Introduction to Marketing; The Marketing Environment and Market Analysis

INTRODUCTION TO MARKETING (CHAPTER 1)

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.” (AMA)

Marketing must involve an exchange that benefits both the customer who buys the product (a good, service or idea) and the organisation that sells the product (a good, service or idea).

Definition of Marketing

Marketing is:		
the activity, set of institutions and processes	→	the adoption of a way of doing business that puts the market at the heart of decisions
for		
creating, communicating, delivering	→	developing of a good, service or idea that is promoted and distributed to customers in the right place at the right time
and exchanging offerings that have value	→	a mutually beneficial exchange
for		
customers	→	Individuals and organisations that benefit from the product of: <ul style="list-style-type: none">• Business;• Not-for-profit
clients	→	
partners	→	
society at large	→	
		Individuals and organisations that are part of the marketer's supply chain
		The creation of employment, wealth and society welfare

Creating, communicating, delivering and exchanging offerings that have value recognises that **marketing must involve an exchange that benefits both the customer** who buys the product and the **organisation** that sells the product.

Customers, clients, partners and society at large recognises that **organisations** need to conduct their **marketing** in such a way as to provide **mutual benefit**, not just for the users of their products, but also for **partners in the supply chain** and that **marketers** must consider their **impact on society**.

Marketers must be aware of the **impact** that **products** and services sold **have on society** – they must work towards **minimising the negative impacts**.

Businesses should exercise CSR – this is a commitment to behave in an ethical and responsible manner.

The evolution of Marketing

Trade	<ul style="list-style-type: none">• Previously people exchanged what they have for what they wanted.
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	<ul style="list-style-type: none"> Formal definitions of marketing did not exist during this time
Late 1800s/Early 1900s	<ul style="list-style-type: none"> As technology and infrastructure developed, businesses could produce greater volumes of an increasing range of products. Marketing was 'production orientated' Offerings were largely determined by what could be made and what people bought was largely determined by what was available.
1930s	<ul style="list-style-type: none"> As competition increased, companies could no longer rely on customers to want and buy everything they could make. Marketing changed to a 'sales orientation' – focused on increasing profits through advertising and one-to-one selling.
Mid to Late 1900s	<ul style="list-style-type: none"> Consumers had products to choose from a wide range that they were not able to buy them all. In a new era of increased competition, businesses realised that customers would not automatically buy any product that a business happened to devise. Marketing changed to a 'market orientation' – businesses worked to determine what potential customers wanted and then made products to suit.
The 2000s	<ul style="list-style-type: none"> Businesses are ensuring that they are socially responsible corporate citizens. Marketers have broadened the concept of market orientation – this is reflected in considering the issues such as the sustainability of the product and the benefits their product might bring. Marketing here focused on 'societal market orientation'. Companies that have this approach implement practices and policies that seek to minimise their negative impact on society/maximise positive impacts.
Where now/Where next	<ul style="list-style-type: none"> Currently the focus is on the idea of service-dominant logic – represents a move away from goods-dominant mentality. This focuses on the intangible resources and the co-creation of value.

The marketing approach to business

Marketing puts the **customer, client, partner** and **society** at the **heart of all business decisions**.

It requires **customers** to be at the **core of business thinking** – rather than asking which product should we offer; marketers adopt **best practice marketing thinking** ask which product would our **customers value** or like us to offer.

Marketing is an **ongoing process** as **customer preferences** are **continually evolving**.

- Mobile technology has opened a huge opportunity for companies to collect information and data – marketers use 'active' or 'passive' data.

The marketing process

The **marketing process** → is a process that involves **understanding the market to create, communicate and deliver an offering for exchange**.

- It is an ongoing cycle that will be undertaking multiple tasks simultaneously.
- Marketers will first need to undertake **market research** to **gain insights** into a consumer's buying behaviours – a situation assessment may be necessary as well
- The understanding phase of the marketing process involves an analysis and assessment of the marketing environment and markets
- Market research is used to understand consumer motivations, abilities and opportunities to act.

The process generally involves the following:

- Understanding
- Creating
- Communicating
- Delivering (concerns quality and satisfaction).

Marketers that consistently meet customer's satisfaction will create loyalty and therefore lead to positive word-of-mouth.

The exchange of value

The **aim of marketing** is to develop **mutually beneficial exchanges**.

An **exchange** → is the **mutually beneficial transfer of offerings of value** between **buyer** and **seller**.

For a successful **marketing exchange**, the **transaction** must satisfy:

1. Two or more parties must participate, each with something of value;
2. All parties must benefit from the transaction
3. The exchange must meet both parties' expectations e.g. quality, price.

Value → is a **customer's overall assessment** of the **utility of an offering** based on perceptions of what is received and what is given.

- A value is a comparison between what a customer gets and what a customer gives.
- Value can also be viewed as an idiosyncratic, experiential, contextual and meaning laden.

The market

A **market** → is a **group of customers** with **different needs and wants**.

- It can cover both geographic locations, different types of customers etc.
- Successful marketers are those who view their product in terms of meeting customer needs and wants.

Customers

Customers → people purchase goods and services for their own or other people's use

- Consumers → people are use the good or service.

Customers are those people who **purchase products for their own** or someone else's use, while **consumers are people who use the good or service**.

Clients

Clients → are '**customers**' of **products** of not-for-profit organisations.

- For examples, customers of Medicare, Centrelink.

Partners

Partners → organisations or individuals who are involved in the activities and processes for creating, communicating and delivering offerings for exchange.

- Customers are not a partner because they are not involved in creating, communicating or delivering offerings for exchange.

Society

- This includes the body of individuals as members of community.
- It is a highly structured system of human organisation for large-scale community living that normally furnishes protection, continuity, security and an identity for its members.
- Successful marketers demonstrate an awareness of community concern about the natural environment, responsible use of resources, sustainable practices and social equity.

Ethics, CSR and sustainable marketing

This is mainly a secondary purpose.

Companies that generally demonstrate CSR have higher profits and market capitalisation.

Ethics

Ethics → 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.

Responsible business will implement a **code of ethics/conduct** to help **govern** their **actions** and guide decisions of those who work in the business.

- Society also imposes laws to govern the conduct of individual and organisational behaviour.

Corporate social responsibility

Corporate social responsibility → is the **obligation of businesses** to act in the **interests** of the **societies** that sustain them.

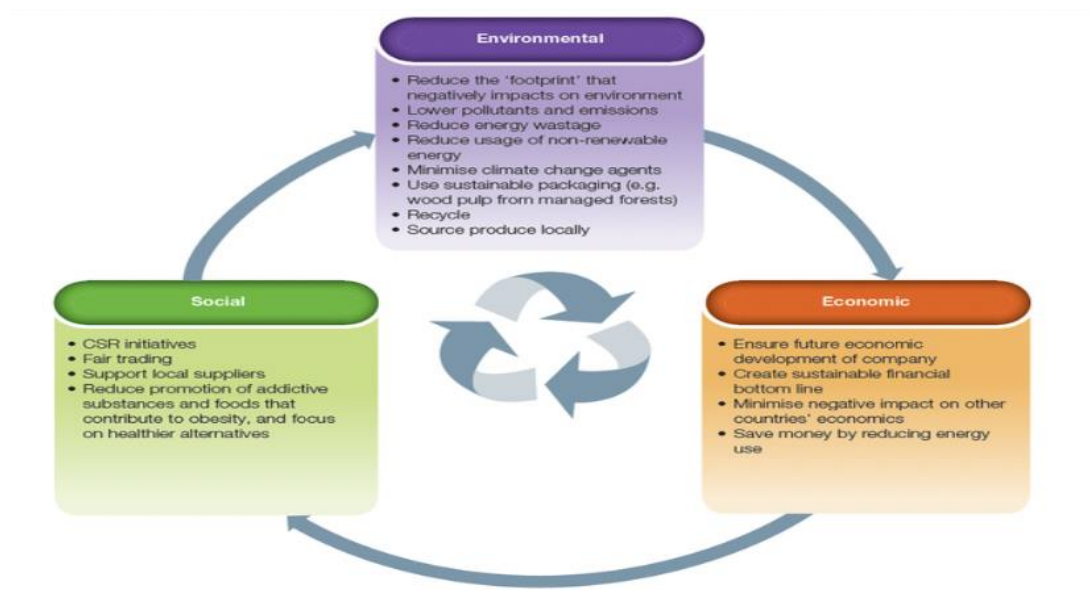
CSR involves all its **stakeholders** → individuals, organisations and other groups that have a rightful interest in the activities of the business:

- **Owners** – businesses must generate **long-term wealth** by acting **profitably** and **sustainably**;
- **Employees** – businesses provide jobs that ensure **wealth is shared among members** of society;
- **Customers** – the business attracts and retains customers by offering products of value;
- **Partners** – the business must act in such a way towards its partners that those partners can achieve their own business aims and meet CSR;
- **Government** – the business must abide by laws and regulations.

Many businesses place a great emphasis on its obligation to act ethically, lawfully and in the best interests of its stakeholders – 'good corporate citizen'.

Businesses that act with disregard to society can expect a customer backlash and the imposition of rules to force it to comply with society expectations.

Good corporate citizens will often approach the **triple bottom line**.



From an **economic perspective**, the **continual strive for greater efficiency** is based on **increasing production profits** and **standards of living**.

For future generations to live in the same style as we do today, traditional business practices and ways of thinking may need to be challenged to ensure we continue to survive the evolving market.

Sustainability

Sustainable development → development that meets the **needs of the present** without **compromising the ability of future generations** to meet their **own needs**.

Sustainable development may be achieved through:

- Reduction in consumption
- Changing purchasing
- Downsizing of the products consumed
- Reuse of materials
- Marketing of greener products.

Continued unchecked non-sustainable growth in consumption will inhibit our ability to guarantee that future generations will be able to enjoy the same lifestyles we enjoy today.

The ability of consumers to choose responsibly produced or environmentally friendly product is promising means to help persuade companies to change their production methods.

Sustainable marketing → the way and means for **combining ecological and economic elements** through **innovative products and systems**.

Sustainable marketing simply looks at products/services, assess how they impact on the environment and then taking steps to minimise those impact.