

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

Chapters 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.

Refer to figure 1.1 in textbook.

‘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/good/service/idea and the organisation that sells the product.

Organisations need to conduct their marketing in such a way as to promote mutual benefit, not just for the users of their products, but also for partners in the supply chain.

- Marketing brings benefits to the society, such as employment and the creation of wealth.

Corporate social responsibility- is a commitment to behave in an ethical and responsible manner, to minimise the negative impacts and maximise the positive impacts.

- The most recent advancement in marketing is the idea of service-dominant logic. SDL represents a move away from a goods-dominant mentality. SDL focuses on intangible resources, the co-creation of value, and relationships.

Service dominant logic embraces concepts of value-in-use and the co-creation of value, rather than the value-in-exchange and embedded-value concepts that were categorised in more traditional marketing.

The marketing approach to business

Marketing is an approach to business that puts the customer, client, partner and society at the heart of all business decisions.

Marketing is used by;

- Small and large multinational businesses
- Profit and not-for-profit businesses
- Business selling goods and those selling services.
- Private and public organisations, including governments.

The marketing process

A process that involves understanding the market to create, communicate and deliver an offering for exchange. It is an ongoing cycle.

Four components;

- Understand
- Create
- Communicate
- Deliver

Delivery is also concerned with quality and satisfaction.

The exchange of value

The aim of marketing is to develop mutually beneficial exchanges.

Exchange- the mutually beneficial transfer of offerings of value between the buyer and seller.

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 (e.g. quality, price).

Value is a core marketing concept.

Value- a customer's overall assessment of the utility of an offering based on perceptions of what is received and what is given. Viewed as a ratio between quality and price. Value refers to the 'total offering', reputation to features, etc.

The market

A market is a group of customers with different (heterogeneous) needs and wants. It covers varying groups of customers from geographic markets to demographic markets, to name a few.

Markets can also cover different types of customers.

Successful marketers are those who view their products in terms of meeting customer needs and wants.

Four groups that marketers can market to; customers, clients, partners and society.

- Customers- those that purchase goods and services for their own or other people's use.

While, Consumers are people who use the good or service.

- Clients are 'customers' of the products of not-for-profit organisations.
- Partners are all organisations or individuals who are involved in the activities and processes for creating, communicating and delivering offerings of exchange.
- Society is a body of individuals living as members of a community

Ethics, corporate social responsibility and sustainable marketing

Ethics- a set of moral principles that guide attitudes and behaviour. Doing what is 'right'.

Responsible businesses often implement a code of ethics or code of conduct that help govern their actions and guide the decisions of those who work in the business.

Law

In addition to ethics, the way individuals and organisations conduct themselves in society is governed by law. Most law is derived from ethics, but it is quite possible to act unethically within the law.

Corporate social responsibility

CSR- the obligation of businesses to act in the interests of the societies that sustain them.

This responsibility affects all aspects of business and involves all of its stakeholders;

- Owners
- Employees
- Customers (and clients)
- Partners
- Government

Stakeholders- individuals, organisations and other groups that have a rightful interest in the activities of a business.

A business that acts in disregard for its society can expect a customer backlash and the imposition of rules to force it to comply with society's expectations.

Triple bottom line

A popular way of thinking about good corporate citizenship is the Triple bottom line, which is comprised of social, environmental and economic (profit considerations).

Good corporate citizenship involves looking after the environment and employees.

- Social;
 - CSR initiatives
 - Fair trading
 - Support local suppliers
- Environmental;
 - Reduce the 'footprint' that negatively impacts the environment
 - Lower pollutants and emissions
 - Reduce energy wastage
 - Recycle
- Economic;
 - Ensure future economic development of company
 - Create sustainable financial bottom line
 - Save money by reducing energy use

Sustainability

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

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

In practice, it is simply about looking at your products and/or services, assessing how your products and/or services impact the environment, and then taking steps to minimise those impacts.

Greenwashing- The dissemination (act of spreading something) of questionable or potentially misleading information by an organisation in relation to its products, in order for the organisation and its products to be perceived as environmentally friendly. This can also include misleading

customers about the environmental benefits of a product through misleading advertising and unsubstantiated claims.

The marketing mix

Marketing mix- a set of variables that a marketer can exercise control over in creating an offering for exchange.

To frame their thinking, marketers often choose to target certain types of customers.

Markets are heterogeneous- all made up of many different people with many different needs and wants.

Target market- a group of customers with similar needs and wants.

Traditionally known as the 4 P's;

➤ Product

A product is anything offered to a market. A good, service or idea.

Brand- a collection of symbols such as a name, logo, slogan and design intended to create an image in the customer's minds.

Bundle of attributes- the features and functions of a product that benefit the customer.

➤ Price

Price is the amount of money a business demands in exchange for its offerings. Has to weigh up price and quality.

➤ Promotion

Describes the marketing activities that make potential customers, partners and society aware of and attracted to the business's offerings.

Products may be already established, new, modified or a form of information or education.

Examples; advertising, loyalty programs, product trials.

➤ Place (distribution)

Distribution (place) refers to the means of making the offering available to the customer at the right time and place.

- Logistics; part of marketing concerned with supply and transport
- Supply chain; the parties involved in providing all the raw materials and services that go into the getting a product into the market.

3 more P's;

- People; employees and other customers
- Process; the systems used to create, communicate, deliver and exchange an offering
- Physical evidence; tangible cues that can be used as a means to evaluate service quality prior to purchase.

Why study marketing?

- Improves business performance; firms with a market orientation perform better than those without.
- Higher quality of life; marketing has helped to drive economic growth.
- Contribute to a better world; marketing seeks to understand what customers want, in order to deliver a solution that meets their needs and wants.
- Be a better customer
- A rewarding career.

Chapter 2.

The marketing environment

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 factors and forces within the marketing environment can be classified as belonging to the internal environment, the micro environment, and the macro environment.

Environmental analysis- a process that involves breaking the marketing environment into smaller parts in order to gain a better understanding of it.

The internal environment

Refers to the organisation itself and the factors that are directly controllable by the organisation.

The parts of the organisation, the people and the processes, used to create, communicate, deliver and exchange offerings that have value. The organisation can directly control its internal environment.

Strengths and weaknesses are internal factors that positively and negatively affect the organisation's ability to compete in the marketplace.

Typically marketers seek to minimise weaknesses and maximise strengths.

The internal environment of any organisation is affected by the personal and political natures of the people who make it up.

Internal marketing- is a cultural framework and a process to achieve strategic alignment between front-line employees and marketing. In other words, 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 efficiently.

It is practised in three main ways;

- Internal communications
- Internal market research
- Provide training to employees to reach the company's goals.

The external environment

The people and processes that are outside the organisation and cannot be directly controlled. Marketers can only seek to influence external environment.

Outsourcing: Transferring an internal function to an external provider.

Opportunities and threats: External factors that positively and negatively affect the organisation's ability to successfully serve the market.

Micro environment

The micro-environment consists of customers, clients, partners and competitors.

Definition- 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. However the organisation can exert some influence.

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
- identify changes in customer preferences
- be willing and able to respond to changes
- anticipate how needs and wants might change
- be able to influence customer preferences.

Partners

Marketers need to understand their partners, how each partner's processes work and how their partnerships benefit each party.

Partners include:

- logistics firms — involved with distributing products- storage and transport
- financiers — banking, loans, insurance, and electronic payment infrastructure
- advertising agencies
- retailers – business from which customers buy goods and services
- wholesalers –between the producer and the retailer- storage and distribution
- suppliers- provide the resources that the organisation needs to make the products. Crucial business partner and must be monitored for continuity of supply and price.

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. They do this through casual and formal analysis.

Types of competition; page 53 in the textbook.

The macro environment

The macro environment encompasses the factors outside the industry that influence the survival of the company; these factors are not directly controllable by the organisation.

It can be at any geographic level; local, state, country or regional.

In some cases it is possible for marketers to influence macro-environmental factors. However, these factors will always remain beyond a marketer's control.

The macro-environmental framework has been called the PESTEL framework.

Macro-environmental factors include:

- political forces (P)
- economic forces (E)
- sociocultural forces (S)
- technological forces (T)
- environmental forces (E)
- legal forces (L)

Refer to figure 2.3 in textbook.

Political forces- The influence of politics on marketing decisions.

Politics is directly relevant to the marketing organisation through:

- lobbying for favourable treatment at the hands of the government
- lobbying for favourable regulation
- the very large market that the government and its bureaucracy comprise
- 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.

Economic forces include income, prices, the level of savings, the level of debt and the availability of credit.

Currency fluctuations, for example, affect the prices of exports and imports.

Out of the control of the organisation, example, Global Financial Crisis.

Sociocultural forces- The social and cultural factors that affect people's attitudes, beliefs, behaviours, preferences, customs and lifestyles.

Demographics describes statistics about a population: age, gender, race, ethnicity, educational attainment, marital status, parental status and so on. These characteristics influence the society as a whole and the individuals within it.

The natural environment is an example of a sociocultural theme that has emerged recently.

Technological forces

Technology allows a better way of doing things.

Technology changes the expectations and behaviours of customers and clients and can have huge effects on how suppliers work.

Environmental forces- the environmental factors that affect individuals, companies and societies.

Natural disasters, weather and climate change.

Growing ecological awareness and social changes influence how firms will operate.

Legal forces

Laws- Legislation enacted by elected officials.

Regulations- Rules made under authority delegated by legislation.

Laws and regulations govern what marketing organisations can and cannot legally do. They spell out their obligations to consumers, partners, suppliers, government authorities and society as a whole.

They are intimately tied to politics.

Laws and regulations fall into the following categories: privacy, fair trading, consumer safety, prices, contract terms and intellectual property

Situational analysis and market planning

Before marketers can create an offering for exchange they must understand their current position or situation.

Situational analysis- an analysis that involves identifying the key factors that will be used as a basis for the development of marketing strategy. Involves assessing the current situation, in order to clearly state where the company is now.

Marketing planning- an ongoing process that combines organisational objectives and situation analysis to formulate and maintain a marketing plan that moves the organisation from where it currently is, to where it wants to be.

Figure 2.4 in textbook, illustrates it.

Key factors that should be evaluated in a thorough situation analysis;

- company analysis; the firm's goals and objectives, service quality, positioning, operations and resources etc
- market analysis; size, growth, customer segments, customer needs, buyer behaviour
- environmental analysis; political, economic, social
- competitive analysis; major competitors, market share, their goals and objectives, marketplace behaviour.

The marketing plan

1. Executive summary
2. Introduction
3. Situation analysis
4. Objectives – SMART
5. Target market
6. Marketing mix strategy (7 P's- Product, price, promotion, distribution (place), process, people, physical evidence.
7. Budget
8. Implementation
9. Evaluation
10. Conclusion/future recommendations

Explained in detail, figure 2.6, in textbook.

Marketing metrics

Measures that are used to assess marketing performance. The Australian marketing institute offers a framework to guide marketers' choice of metrics.

The frameworks underlying principles are that metrics should be linked to strategy and should include, as a minimum, four elements;

- Return on marketing investment
- Customer satisfaction
- Market share in targeted segments
- Brand equity

Swot analysis - Analysis that identifies the internal strengths and weaknesses and the external opportunities and threats in relation to an organisation.

Strengths: Those attributes of the organisation that help it achieve its objectives.

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 factors, directly controllable by the organisation.
- Threats and opportunities are beyond the organisation's direct control.