Marketing Foundations

Chapter 1 – Introduction to Marketing

Marketing refers to the activity, institutions and processes of creating, communicating, delivering and exchanging goods and services that provide value for customers, clients, partners and society at large

Approaches to marketing over time

1. Trade

Throughout history, people have exchanged goods for what they have wanted. While some core marketing ideas (such as mutually beneficial exchange) have existed, there was no formal activity known as marketing

2. Production (late 1800s to early 1900s)

An approach to marketing that focused on the production of goods and services, with marketing considered an after thought. Businesses produced what could be made, and consumers purchased what was available.

This approach was changed when businesses could not sell all of the stock produced, and needed to better cater for the needs and wants of consumers

3. Sales (1930s)

Businesses attempted to increase sales and profits through advertising and personal selling. A businesses marketing strategy at this stage was considered insignificant when compared to the businesses finance and operational strategies

4. Marketing (mid to late 1900s)

An approach to marketing in which businesses attempted to identify their customers needs and wants through market research, and then produce products to satisfy these needs and wants.

5. Societal (current)

An approach to marketing in which businesses not only attempt to satisfy their customers needs and wants, but to also do this is an environmentally sustainable manner

The marketing process

The marketing process refers to a process in which a business attempts to understand the market in order to create, communicate and deliver a good or service. This is usually achieved through the use of a marketing plan

Marketing plan (SMEIDI)

A marketing plan refers to a document that outlines a businesses current position within the market, opportunities to strengthen their position, and strategies to achieve the businesses marketing objectives

The 6 elements of a marketing plan are:

1. Situational analysis

A situational analysis allows a business to identify their current position within the market. A situational analysis includes both a SWOT analysis and a product lifecycle analysis.

A SWOT analysis involves the analysis of a businesses internal strengths and weaknesses, and external opportunities and threats.

A product lifecycle analysis refers to the analysis of the stage of life of a business's products. The possible stages of life include: establishment, growth, maturity and decline.

2. Market research

Refers to the process of systematically collecting, recording and analysing information concerning a specific business problem. Market research involves the collection of both primary and secondary data.

3. Establishing marketing objectives

Refers to the process of a business setting goals to be achieved during the process of marketing. These goals should be SMART: specific, measurable, achievable, realistic, time-specific.

4. Identifying target markets

Through the process of market segmentation, a business can identify its target markets.

Market segmentation refers to when a business divides the total market into smaller groups known as segments. These segments are based on an individuals geographic, psychographic, demographic and behaviour characteristics.

A target market refers to a specific group of consumers on whose needs and wants a business focuses its marketing efforts

5. Developing marketing strategies

Marketing strategies refer to the actions taken by a business to achieve its marketing objectives. The marketing mix refers to the mix of marketing strategies used by a business

6. Implementing, monitoring and controlling

Implementation refers to the process of a business implementing their marketing strategies.

Monitoring refers to the process of comparing actual results against expected results. Through monitoring, a business is able to identify flaws and faults in their marketing plan.

If flaws are identified, corrective action must be taken to realign the businesses strategies to the marketing objectives – this is known as controlling.

Key definitions

1. A exchange – refers to the mutually beneficial transfer of offerings of value between a buyer and a seller

2. Value – refers to an individuals perceived benefit of exchanging one good or service for another

3. A market - refers to a network of buyers and sellers of a particular good or service. The buyers as a group determine the demand for the product, and the sellers as a group determine the supply of the product

4. Customers – refer to the people who purchase goods and services from a business for their own, or other people's use

5. Consumers – refer to the people who use a good or service

6. Clients – refers to a not-for-profit organization's customers

7. Partners – refers to organisations or individuals who are involved in the activities and processes of a business

8. Stakeholder – refers to anyone who has a vested interest in a business and its activities

9. Market stakeholders (primary stakeholders) – refer to those stakeholders that engage in economic transactions with a business as it carries out its operations. Ie: employees or suppliers

10. Non-market stakeholders (secondary stakeholders) – refer to those stakeholders that do not engage in economic transactions with a business as it carries out its operations. Ie: the general public, governments or the media

11. A product refers to a complex mix of intangible and tangible attributes that provide satisfaction and benefits. A product can be either a good or a service

Ethics, corporate social responsibility and sustainable marketing

Ethics

Ethics refer to a culturally determined sense of what is right and what is wrong. An individuals ethics are subjective, and are influenced by social, cultural and individual factors

Corporate Social Responsibility

Corporate social responsibility refers to the concept that a business should go above and beyond the requirements of the law to act in an ethical, environmentally sustainable, and socially responsible manner

Sustainability

Sustainability refers to the integration of social, environmental and economic demands in a manner than meets the needs of the present without compromising the ability of future generations to meet their own needs

Sustainable marketing refers to marketing in which a business promotes sustainability

The 7 P's of marketing

The marketing mix refers to seven strategies/activities that a business can use achieve specific marketing objectives

Product

Products are the goods and services that are offered by businesses with the attempt of trying to satisfying a need or want of a consumer. Product as a marketing strategy includes mainly packaging, labeling and branding

1. Packaging

Packaging involves the development of a container for a good

Packaging is important for a product as it:

- Preserves the product
- Protects the product from damage or tapering
- Attracts consumers
- Makes transportation and storage easier

2. Labeling

Labeling refers to the presentation of information on a product or its package

Some characteristics of labeling include:

- Labeling must be truthful, and must comply with legislation
- Marketers can use labels to communicate promotions, or encourage the sale of other products
- Helps the business to effectively communicate the characteristics of their product

3. Branding

Branding refers to the name, term, symbol or design that identifies a specific product and distinguishes it from its competition

Branding is beneficial for both consumers and producers:

Consumers	**Producers**
Assists consumers to identify the correct product	Gain repeat sales
Allows consumers to expect a sense of quality associated with a brand	Create a sense of brand awareness
Can reduce the perceived level of risk for consumers as a result of purchasing a certain brand	Helps encourage customer loyalty
Consumers can gain a psychological reward that comes with purchasing a prestigious or symbolic brand	Can be used as a powerful marketing tool

Price

Price refers to the amount of money that a customer is prepared to pay for a good or service. Price as a marketing strategy includes both pricing methods and pricing strategies

1. Pricing methods

A pricing method refers to a longer-term way of setting prices, and includes: cost-based pricing, market-based pricing and competition-based pricing

- Cost based – refers to when a business calculates the cost of producing a product, and then adds a "mark-up" onto that price. This determines the base price of a product

- Market-based – refers to when a business prices their products at the market price which is based on the interaction of supply and demand

- Competition-based – refers to when a business covers the costs of production, but prices its products based on its competitors prices

2. Pricing strategies

A pricing strategy refers to a short-term method of setting prices, and is used to "fine-tweak" pricing methods. Pricing strategies include: skim pricing, penetration pricing, premium pricing, psychological pricing, loss leader and price points

- Skim pricing – refers to when a business charges the highest possible price for a product during the introduction stage of the product lifecycle. This is usually done to recover the costs of R&D

- Penetration pricing – refers to when a business charges the lowest possible price for a product. This is usually done to achieve a large portion of market share relatively quickly

- Premium pricing – refers to when a business charges a premium price for their product. This is usually done to indicate a correlation between price and quality

- Psychological pricing – refers to when a business prices their products in order to psychologically make their products seem more costs effective. Ie: pricing at $9.95 instead of $10

- Loss leader – refers to when a business sells their products at below, or at their cost price. This is usually done to attract customers with the aims of selling them additional products

- Price points – refers to when a business sells its products at certain pre-determined prices. This makes it easier for customers to "trade-up" to a more expensive model, or realize cost savings

Place

Place or distribution refers to when a business makes products available to customers in the quantities desired, and deals with the channels of distribution - the ways of getting the product to the customer

There are four possible distribution methods:

1. Producer → Consumer
2. Producer → Retailer → Consumer
3. Producer → Wholesaler → Retailer → Consumer
4. Producer → Agent → Wholesaler → Retailer → Consumer