

CHAPTER 1 – INTRODUCTION

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 activity, set of institutions and processes = adoption of a way of doing business that puts market at the heart of decisions
 - Creating, communicating, delivering = developing a good/service/idea that is promoted and distributed to customers in the right place at the right time
 - Exchanging offerings that have value = a mutually beneficial exchange
 - Customers = individuals + organisations that benefit from the products of
 - Business and/or non-profit organisations
 - Clients, partners = ind. and org. that are part of the marketer's supply chain
 - Society at large = creation of employment, wealth and social welfare

Evolution of marketing

- Trade = ppl have exchanged what they have for what they want throughout history (mutually beneficial exchange = evident **but not** formal marketing)
- Late 1800s/early 1900s (tech + infrastructure developing)
 - Marketing = production orientation
 - Offerings determined = "what could be made" (what ppl bought determined by what's available)
- 1930s (increased competition)
 - Marketing = sales orientation – increasing profits through advertising & one-to-one selling
- Mid – late 1900s (too many products to choose from)
 - Marketing = market orientation – determining what potential customers wanted and made products to suit (successful business = market orientation + respond to needs)
- The 2000s (satisfying wants + business = socially responsible corporate citizens)
 - Market = societal market orientation = not just customers but also broader society
 - Issues considered = sustainability of products + benefits to society generally e.g. supermarkets offering packing in reusable bags
 - Seek to minimise negative impact on society and maximise positive impact
- Most recent marketing = service – dominant logic (move away from goods-dominant mentality)
 - Goods-dominant = tangible objects, embedded values and transactions
 - Service-dominant = intangible resources, co-creation of value and relationships e.g. companies with service-dominant logic = co-created product flavours, improved software, ads and marketing campaigns with their customers
- **Co-creation** = the process whereby consumer experiences are used to drive organisation improvement and change, resulting in enhanced market performance drivers for the firm (loyalty, relationships, customer word of mouth)

Marketing approach to business

- Marketing = approach to buss, that puts customer, client, partner and society at the heart of business decisions. It is used by:
 - Small buss & large multinational corps (MNC)
 - Buss selling g +s
 - For-profit and non-for-profit orgs
 - Private + public orgs (inc. govt)
- Marketing = learning process +art
 - Customer preferences care continually evolving (needs and wants change with each products purchased)
 - Marketers = must be creative + develop new ideas that are unique/special to consumers
e.g. online surveys, 'like' on FB (active collection) & GPS, Foursquare (passive collection)

The marketing process

- **Marketing process** = a process that involves understanding the market to create, communicate and deliver an offering for exchange
 - **Marketing process** = understanding, creating, communicating and delivering an offering for exchange of value
 - An ongoing cycle + marketers to take multiple tasks simultaneously
 - Involves market research to gain insights into a problem currently faced
 - Reviewing sales data to understand how company is currently performing
1. UNDERSTAND
 - Analysis + assessment of marketing environment and markets (local/international) + consumer/buss buying behaviour
 - Understanding situation faced (internal and external) = to meet needs +wants of customers
 - Market research = understand consumer motivations, abilities and opportunities to act
 2. CREATE
 - Buss = create a product that meets the wants of consumers based on market research
 - Testing and creation = to maintain/ grow sales relative to competitors (producing special product/service that may generate brand loyalty)
 3. COMMUNICATE
 - Communicate the offering to market e.g media mass ads/ point-of-sale campaigns (to change way a group of target customers think and purchase)
 4. DELIVER
 - Ensuring offering delivered + available at a time and place convenient for customers
 - Concerned with quality and satisfaction (need to ensure offering of goods/services/idea = satisfy customers)
 - Satisfaction = brand loyalty = word-of-mouth (keeping loyal customers is cheaper than new customers)

- Loyal base of customers = asset for the company

Exchange of Value

- **Exchange** = mutually beneficial transfer of offerings of value between the buyer and seller.
Successful marketing exchange:
 - Two/more parties must participate, each with something of value desired by the other party
 - All parties must benefit from the transaction
 - Must meet both parties' expectations (e.g. quality, price)
- **Value** (total offering) = a customer's overall assessment of the utility of an offering based on perceptions of what is received and what is given
 - Includes all aspects (reputation, how employees act, features of products, after sales service, quality and price)
 - Competition for certain good/service = influence how consumer perceive value
 - Evolves continually = changes with each purchase, experience and conversation each person has
e.g A bought laptop online = save \$100, B bought at store (initially happy because convenient and easy BUT perception of value changed)
- **Market** = a group of customers with heterogeneous (different) needs and wants
 - Geographical markets e.g. Malaysian market
 - Product market e.g. smartphone market
 - Demographical market e.g. seniors
- **Customers** = people who purchase g +s for their own/ other people's use
- **Consumers** = people who use the g +s
- **Clients** = 'customers' of the products of not-for-profit organisations (seeking to encourage social change) e.g customers of Centrelink = clients; viewers of anti-drugs ads = clients
- **Partners** = organisations/ ind. Who are involved in the activities and processes for creating, communicating and delivering offerings for exchange
- **Society** = body of ind. living as members of a community; highly structured system of human org for large-scale community (inc. protection, security, identity for members)
 - Marketers = need to understand the needs of society in which they operate
e.g. Toyota hybrid = response to growing concerns about environment
 - Successful marketer = awareness of community concern about natural environment, responsible use of resources, sustainable practices and social equity
 - Companies with social responsibility = higher profits and market capitalisation

Ethics, Corporate Social Responsibility and Sustainable Marketing

- Volatile economic forces = differences in organisational and cultural values, cultural diversity among customers, rapidly changing technology, environmental issues and finite resources
- Global issues = climate change, rising sea lvl, peak oil, ocean acidification, loss of biodiversity and forests, fisheries, soil and fresh water, extreme poverty and inequity

- Consumers (now) = want to know where a product from and who made it; what's behind the brand; how to safely dispose the product when used and recyclable or not
- **Ethics** = set of moral principles that guide attitudes and behaviour
 - Ethical behaviour = doing what is 'right'
 - Ethical dilemmas = truth in ads, marketing dangerous/harmful products, engaging in fair competition with rival buss
 - Responsible buss = code of ethics/conduct = help govern actions and guide the decisions of those who work in buss e.g. Australian Marketing Institute = peak body rep marketers = code of conduct to guide marketing activities
 - In Aus , buss conduct = governed by numerous laws e.g. Competition and Consumer Act
- **Corporate social responsibility** = the obligation of buss to act in the interest of societies that sustain them (overarching responsibility that affects buss + stakeholders). Include:
 - Owners = buss must generate long-term wealth by acting profitably and sustainably
 - Employees = business and not-for-profit orgs provide jobs that ensure wealth is shared among members of society, and provide employees with reasonable working conditions
 - Customers (and clients) = buss must attract and retain customers by offering products of value
 - Partners = buss must act in such a way towards its partners that those partners can achieve their own buss aims and meet their own corp. social responsibilities
 - Govt = buss must abide by laws and regulations
- **Stakeholders** = individuals, organisation and other groups that have a rightful interest in the activities of a buss
- **Good corporate citizenship** = benefits from good public relations and absence of restrictive regulations

e.g. Westpac in 2013 Oswald cyclone (banana cyclone) = campaign for customers to make deposits

 - Involvement in such activities = attract high-quality employees (sharing same belief as employers); extend philanthropic(giving) actions to make them of strategic benefits to business (benefit parts of society = buss later)
- **Triple Bottom Line** (good corporate citizenship) = comprised of social, environmental and profit considerations
 - Environmental
 - Reduce the 'footprint' that negatively impacts on environment
 - Lower pollutants and emissions
 - Reduce energy wastage
 - Reduce usage of non-renewable energy
 - Minimise climate change agents
 - Use sustainable packaging e.g. wood pulp from managed forests
 - Recycle
 - Source produce locally
 - Economic
 - Ensure future economic development of company

- Create sustainable financial bottom line
 - Minimise negative impact on other countries' economics
 - Save money by reducing energy use
- Social
 - CSR initiatives
 - Fair trading
 - Support local suppliers
 - Reduce promotion of addictive substances and foods that contribute to obesity; focus on healthier alternatives
- **Sustainable development** = development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Include strategies:
 - To reach economic(profit), social (people) and environmental (planet) goals
 - Reduction in consumption (purchasing less)
 - Changing purchasing (moving from finite energy source to renewable)
 - Downsizing products consumed (purchasing smaller homes/cars)
 - Reuse materials (recycle)
 - Marketing of green product
- Companies operating ethically and environmentally = cost-effective hit with customers
- **Sustainable marketing** = the 'way and means' for combining ecological and economic elements through innovative products and systems
 - In practice = assessing products/services impact on environment and taking steps to minimise
 - e.g. Dell reduced size of packaging by 10% (by 2012) and increased amount of recycled contents inside
- Implementation of CSR and sustainability = complex
 - Committing to ethical and responsible conduct = have to implement policies and processes that compliment/ reflect CSR
 - e.g. company declare not exploit workers but set production targets (require excessive o/t) = not meeting CSR
- Marketers = often accused by consumer rights group of greenwashing
 - **Greenwashing** = the dissemination of questionable/ potentially misleading info, by an org in relation to its products, in order for the org and its products to be perceived as environmentally friendly (should be avoided at all costs)
 - Hence, International Organisation for Standardisation (ISO) = developed standards:
 - For marketers seeking environmental claims (such as compostable, recyclable, reduced energy consumption, reusable, refillable)

The marketing mix

- **Marketing mix** = a set of variable that a marketer can exercise control over in creating an offering for exchange
 - 7 Ps framework = product, price, promotion, place, people, process, physical evidence
 - Marketers = cannot act with complete freedom in determining marketing mix. Governed by:

- Costs of implementing various marketing mix options
 - Forces at play in marketing environment
 - People in org
- **Target market** = a group of customers with similar needs and wants (allow marketers to best communicate, deliver and exchange their offerings with customers)
1. **PRODUCT** = a good, service/idea offered to the market for exchange
 - **Brand** = a collection of symbols (name, logo, slogan, design) intended to create an image in customer's mind that differentiates a product from competitors' products
 - **Bundle of attributes** = features and functions of a product that benefit the customer
E.g. iPhone = contact with friends and social media, camera but Apple brand = idea of reliable brand
 - **Need** = a day-to-day survival requirement: food, shelter, clothing
 - **Want** = desires, but not necessary for day-to-day survival
 - **Demand** = a want that a consumer has the ability to satisfy (choose among demands by finding product that offers the most value in exchange for their money)
 - **Good** = a physical (tangible) offering capable of being delivered to a customer
 - **Service** = an intangible offering that does not involve ownership
 - For exchange to occur = marketers must develop new products and modify their existing offerings to have value for customers, clients, partners and society at large.
 - Marketers = must be prepared to discontinue offerings if not mutually beneficial
 2. **PRICE** = the amount of money a business demands in exchange for its offerings
 - Pricing = complex marketing decisions that take into account:
 - Production, communication and distribution costs
 - Required profitability
 - Partners' requirements
 - Competitors' prices
 - Customers' willingness to pay
 - Marketer = need to understand relationship between price and quality to understand value from a customer's POV (what want to get and what prepared to give)
 3. **PROMOTION** = the marketing activities that makes potential customers, partners and society aware of and attracted to the business' offerings. Aim of promotions for products:
 - Already established = e.g. Fernwood = remind customers that Fernwood is female-only fitness centre
 - Modified = e.g. new variation of Coke = inform existing customers about the improvement/new variety + attract potential customer
 - New = e.g. new release movie = make customers aware of product for the first time
 - Information/education = e.g. ads designed to persuade youth not to take illegal drugs
 - Other methods of promotion = free samples, loyalty schemes, online campaigns
 4. **PLACE (DISTRIBUTION)** = the means of making the offering available to customer at the right time and place

- Marketers must ensure products = available to target market in right amount and right time + costs of making products available
 - Cost = inventory, storage, transport
 - **Logistics** = the part of marketing process concerned with supply and transport (science of distribution)
 - **Supply chain** = parties involved in providing all of the raw materials and services that go into getting a product to the market
- 5. PEOPLE**
- Marketers = must think about ppl (inc. employees + other customers)
 - Value for customers = can be affected by any person coming into contact with customers
 - Right staffs/employees = interpersonal skills, aptitude and knowledge to deliver offerings that customers value.
6. **PROCESS** = the system used to create, communicate, deliver and exchange an offering
E.g. ordering a pizza and served 3 mins later = efficient service delivery (how was achieved? through the process involved)
7. **PHYSICAL EVIDENCE** = tangible cues that can be used as a means to evaluate service quality prior to purchase
- Service (intangible) = difficult to assess quality and suitability until consumed
 - Marketers = use physical evidence to reassure potential customers about quality of product
 - Physical evidence : architectural design, furniture, décor, colours, background music, brochures, stationery

Why study Marketing?

1. Improve business performance
 - Firms with market orientation= perform better than those without
 - Better profits, sales volumes, market share, return investment
 - Better-performed buss have:
 - Conduct formal marketing planning
 - Undertake comprehensive situation analysis
 - Adopt a proactive approach to the future
 - Conduct frequent market research studies
 - Set more aggressive marketing objectives
 - Offer superior products and services at comparable or higher prices than their competitors
 - Introduce new ways of doing business
 - Innovate
 - Use a market intelligence gathering system to monitor changes in competitive and customer behaviour, technology and general trends
2. Higher Quality of Life
 - Help to drive economic growth
 - Consumer demand = key driver of eco. growth (marketers = stimulate consumer demand)

- Improves ppl's quality of life through providing better/ safer products and the promotion of consumer and social welfare
3. Contribute to a better world
- Marketers = make alternatives available for consumers to purchase (solution rather than problem)
 - **Social marketing** = a process that uses commercial marketing principles and techniques to influence target audience behaviours that will benefit society, as well as individual. Elements:
 - Behaviour-change as benchmark for designing and evaluating interventions
 - Development of attractive and motivational exchanges to encourage desired behaviours of target audience
 - Formative research to understand the characteristics and the behaviours of target audience
 - Segmentation of the target audience to guide the development of intervention elements
 - Pre-testing and monitoring these elements during implementation