



Chapter 1 summary

Marketing management (Lebanese International University)



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Chapter 1 Defining Marketing for the New Realities

The Value of Marketing

Financial success often depends on marketing ability. Successful marketing builds demand for products and services, which, in turn, creates jobs. Marketing builds strong brands and a loyal customer base, intangible assets that contribute heavily to the value of a firm.

i- The Scope of Marketing

What Is Marketing?

Marketing is about identifying and meeting human and social needs. One of the shortest good definitions of marketing is “meeting needs profitably.”

The American Marketing Association definition: Marketing is 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. Coping with these exchange processes calls for a considerable amount of work and skill.

Marketing management:

Takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties. **Marketing management:** is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.

Social definition of marketing: shows the role marketing plays in society. Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.

What Is Marketed?

Goods and Services (airlines, hotels, car rental firms, bankers, lawyers)

Events: Marketers promote time-based events, artistic performances, World Cup

Experiences: By orchestrating several services and goods

Persons: Artists, musicians, CEOs, physicians, high-profile lawyers and financiers,

Places: Cities, states, regions, and whole nations compete to attract tourists,

Properties: real estate or financial property (stocks and bonds).

Organizations: Museums, performing arts organizations, corporations

Information: what, schools, and universities produce, info supplied by organizations like Reuters

Ideas: Every market offering includes a basic idea. Products and services are platforms for delivering some idea or benefit. Social marketers promote such ideas.

Who Markets?

Marketers and Prospects: A **marketer** is someone who seeks a response (attention, a purchase, a vote, a donation) from another party, called the **prospect**.

Marketers are skilled at stimulating demand for their products. **Eight demand states:**

1. **Negative demand** Consumers dislike the product and may even pay to avoid it.

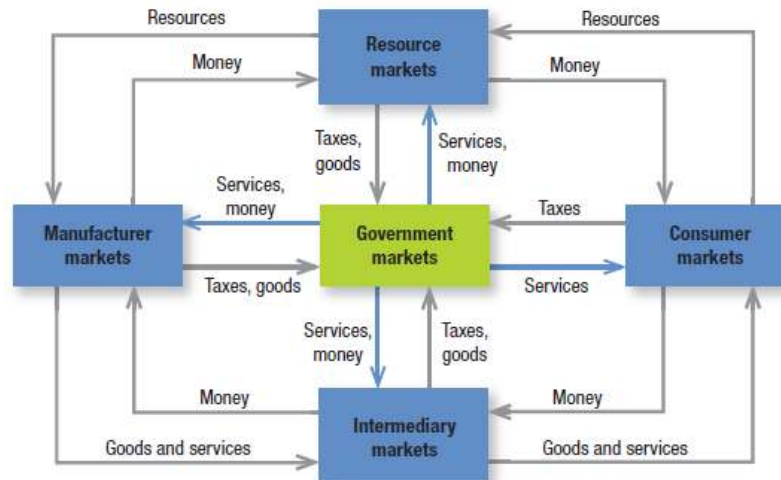
2. **Nonexistent demand** Consumers may be unaware of or uninterested

3. **Latent demand** a need that cannot be satisfied by an existing product.

4. **Declining demand** Consumers begin to buy the product less frequently or not at all.

5. **Irregular demand** purchases vary on a seasonal, monthly, weekly, daily basis.
6. **Full demand** buying all products put into the marketplace.
7. **Overfull demand** More consumers would like to buy the product than can be satisfied.
8. **Unwholesome demand** attracted to products that have undesirable social consequences

Structure of Flows in a Modern exchange economy



Economists describe a **market** as a collection of buyers and sellers who transact over a particular product or product class. Manufacturers go to resource markets (raw material, labor, money), buy resources and turn them into goods and services, and sell finished products to intermediaries, who sell them to consumers. Consumers sell their labor and receive money with which they pay for goods and services. The government collects tax revenues to buy goods from resource, manufacturer, and intermediary markets and uses these goods and services to provide public services.

Key Customer Markets:

Consumer Markets Companies selling mass consumer goods and services (juices, cosmetics, shoes) and establish a strong brand image by developing a superior product or service, ensuring its availability

Business Markets Companies selling business goods and services often face well-informed professional buyers skilled at evaluating competitive offerings.

Global Markets Companies in the global marketplace navigate cultural, language, legal, and political differences while deciding which countries to enter, how to enter each (as exporter, licensor, joint venture partner, contract manufacturer, or solo manufacturer), how to adapt product and service features to each country, how to set prices, and how to communicate in different cultures.

Nonprofit and Governmental Markets Companies selling to nonprofit organizations with limited purchasing power such as charitable organizations, and government agencies need to price carefully. Much government purchasing requires bids; buyers often focus on practical solutions and favor the lowest bid.

Core Marketing Concepts

i- Needs, Wants, and Demands

Needs: the basic human requirements (air, food, water, clothing, and shelter). Humans also have strong needs for recreation, education, and entertainment.

Wants: needs become wants when directed to specific objects that might satisfy the need. Our wants are shaped by our society.

Demands: wants for specific products backed by an ability to pay. Marketers do not create needs: Needs pre-exist marketers. Marketers might promote the idea that a product satisfies a person's need for social status. They do not, however, create the need for social status.

We can distinguish five types of needs:

1. Stated needs (The customer wants an inexpensive car.)
2. Real needs (The customer wants a car whose operating cost, not initial price, is low.)
3. Unstated needs (The customer expects good service from the dealer.)
4. Delight needs (The customer would like the dealer to include an onboard GPS)
5. Secret needs (The customer wants friends to see him or her as a savvy consumer.)

ii- Target Markets, Positioning, and segmentation

Target markets: Marketers identify distinct segments of buyers by identifying demographic, psychographic, and behavioral differences between them. They then decide which segment(s) present the greatest opportunities.

Positioning: For each target markets, the firm develops a market **offering** that it positions in target buyers' minds as delivering some key benefit(s).

iii- offerings and Brands

Value proposition: a set of benefits that satisfy needs. The intangible value proposition is made physical by an offering, which can be a combination of products, services, information, and experiences.

A brand is an offering from a known source. A brand name carries many different kinds of associations in people's minds that make up its image.

iv- Marketing channels

Communication channels: deliver and receive messages from target buyers and include newspapers, magazines, radio, TV, mail, telephone, billboards, posters, fliers and the Internet. Beyond these, firms communicate through the look of their retail stores and Web sites.

Dialogue channels: e-mail, blogs, SMS, and URLs to familiar monologue channels such as ads.

Distribution channels: help display, sell, or deliver the physical product or service(s) to the buyer or user. These channels may be direct via the Internet, mail, or phone or indirect with distributors, wholesalers, retailers, and agents as intermediaries.

Service channels that include warehouses, transportation companies, banks, and insurance companies.

v- Paid, owned, and earned Media

We can group communication options with consumers into three categories:

Paid media: TV, magazine and display ads, sponsorships, and all that allow marketers to show their ad or brand for a fee.

Owned media: communication channels marketers actually own, like a company or brand brochure, Web site, blog, Facebook page, or Twitter account.

Earned media: are streams in which consumers, the press, or other outsiders voluntarily communicate something about the brand via viral marketing methods.

vi- Impressions and engagement

Impressions: occur when consumers view a communication, are a useful metric for tracking the scope of a communication's reach that can also be compared across all communication types. The downside is that impressions don't provide any insight into the results of viewing the communication.

Engagement: the extent of a customer's attention and active involvement with a communication. It reflects a much more active response than an impression and is more likely to create value for the firm. Some online measures of engagements are likes, tweets, comments and sharing.

vii- Value and satisfaction

The buyer chooses the offerings he or she perceives to deliver the most **value**, the sum of the tangible and intangible benefits and costs. Value is primarily a combination of quality, service, and price (QSP), called the **customer value triad**.

Satisfaction: a person's judgment of a product's perceived performance in relationship to expectations. If performance falls short of expectations, the customer is disappointed. If it matches expectations, the customer is satisfied. If it exceeds them, the customer is delighted.

viii- Supply chain

Supply chain: is a channel stretching from raw materials to components to finished products carried to final buyers. Each company in the chain captures only a certain percentage of the total value generated by the supply chain's value delivery system. When a company acquires competitors or expands upstream or downstream, its aim is to capture a higher percentage of supply chain value. Problems with a supply chain can be damaging or even fatal for a business.

ix- Competition

Competition includes all the actual and potential rival offerings and substitutes a buyer might consider.

x- Marketing environment

The marketing environment consists of the task environment and the broad environment. The **task environment** includes the actors engaged in producing, distributing, and promoting the offering. These are the company, suppliers, distributors, dealers, and target customers. In the **supplier group** are material suppliers and service suppliers, such as marketing research agencies, advertising agencies, banking and insurance companies, transportation companies, and telecommunications companies. **Distributors and dealers** include agents, brokers, manufacturer representatives, and others who facilitate finding and selling to customers.

The broad environment consists of six components: demographic environment, economic environment, social-cultural environment, natural environment, technological environment, and political-legal environment. Marketers must pay close attention to the trends and developments in these and adjust their marketing strategies as needed.

The New Marketing Realities

1) Technology

Massive amounts of information and data about almost everything are now available to consumers and marketers. Sharing information is power.

2) Globalization

The world has become a smaller place. New transportation, shipping, and communication technologies have made it easier for us to know the rest of the world, to travel, to buy and sell anywhere. Globalization has made countries increasingly multicultural. Globalization changes innovation and product development as companies take ideas and lessons from one country and apply them to another.

3) Social Responsibility

Poverty, pollution, water shortages, climate change, wars, and wealth concentration demand our attention. The private sector is taking some responsibility for improving living conditions, and firms all over the world have elevated the role of corporate social responsibility.

A Dramatically Changed Marketplace

i- New consumer capabilities

Expanded information, communication, and mobility enable customers to make better choices and share their preferences and opinions with others around the world

- Can use the internet as a powerful information and purchasing aid
- Can search, communicate, and purchase on the move
- Can tap into social media to share opinions and express loyalty
- Consumers can actively interact with companies.
- Consumers can reject marketing they find inappropriate.

ii- New company capabilities

At the same time, globalization, social responsibility, and technology have also generated a new set of capabilities to help companies cope and respond.

- Can use the internet as a powerful information and sales channel, including for individually differentiated goods
- Can collect fuller and richer information about markets, customers, prospects, and competitors (fresh marketing research by using the Internet)
- Can reach customers quickly and efficiently via social media and mobile marketing, sending targeted ads, coupons, and information
- Can improve purchasing, recruiting, training, and internal and external communications
- Can improve cost efficiency (by using the Internet to compare sellers' prices and purchase materials. Companies can improve logistics and operations to reap substantial cost savings while improving accuracy and service quality. Small businesses can especially unleash the power of the Internet.)

iii- Changing channels

One of the reasons consumers have more choices is that channels of distribution have changed as a result of retail transformation and disintermediation.

Retail transformation: Store-based retailers face competition (catalog houses, newspaper, TV ads; home shopping TV; and e-commerce. In response, entrepreneurial retailers are building entertainment into their stores (coffee bars, demonstrations), *marketing an "experience" rather than a product assortment*.

Disintermediation. Early dot-coms (Amazon.com) successfully created disintermediation in the delivery of products and services by intervening in the traditional flow of goods. In response, traditional companies engaged in *reinter mediation* and became "*brick-and-click*" retailers, adding online services to their offerings.

iv- Heightened competition

- **Private labels:** Brand manufacturers are further buffeted by powerful retailers that market their own store brands, increasingly indistinguishable from any other type of brand.
- **Mega-brands:** Strong brands become mega-brands by extending into related product categories, including new opportunities at the intersection of two or more industries.
- **Deregulation:** deregulating industries to create greater competition and growth opportunities. In the US, laws restricting financial services, telecom, and electric utilities have all been loosened in for greater competition.
- **Privatization:** Converting public companies to private ownership and management to increase their efficiency. Ex: telecommunications industry

Marketing in Practice

- Marketing Balance

Companies must always move forward, innovating products and services, staying in touch with customer needs, and seeking new advantages rather than relying on past strengths. Moving forward especially means incorporating the Internet and digital efforts into marketing plans. Marketers must balance increased spending on search advertising and social media.

- Marketing accountability

Marketers are increasingly asked to justify their investments in financial and profitability terms, as well as in terms of building the brand and growing the customer base. Organizations recognize that much of their market value comes from *intangible assets* (brands, customer base, employees, distributor and supplier relations, intellectual capital). They are thus applying more metrics - brand equity, customer lifetime value, return on marketing investment (ROMI) - to measure their marketing and business performance.

- Marketing In the organization

Increasingly, marketing is not done only by the marketing department; every employee has an impact on the customer. Marketers now must properly manage all possible touch points: store layouts, package designs, product functions, employee training, and shipping and logistics. To create a strong marketing organization, marketers must think like executives in other departments. *Interdepartmental teamwork* that includes marketers is needed to manage key processes like production innovation, new-business development, customer acquisition and retention, and order fulfillment.

Company Orientation toward the Marketplace

- the Production concept

Consumers prefer products that are widely available and inexpensive. Managers of production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution.

- the Product concept

It proposes that consumers favor products offering the most quality, performance, or innovative features. “bettermousetrap”: when managers believe that a better product will by itself lead people to keep buying. But a new or improved product will not necessarily be successful unless it’s priced, distributed, advertised, and sold properly.

- the Selling concept

Consumers and businesses, if left alone, won’t buy enough of the organization’s products. It is practiced most aggressively with unsought goods —goods buyers don’t normally think of buying ex: insurance —and when firms with overcapacity aim to sell what they make, rather than make what the market wants.

- the Marketing concept

It emerged a customer-centered, sense-and-respond philosophy. The job is to find not the right customers for your products, but the right products for your customers. The key to achieving organizational goals is being more effective than competitors in creating, delivering, and communicating superior customer value to your target markets.

- the holistic Marketing concept

Holistic marketing recognizes and reconciles the scope and complexities of marketing activities. The four broad components characterizing holistic marketing:



- **Relationship marketing:** aims to build mutually satisfying long-term relationships with key constituents in order to earn and retain their business.

Four key constituents for relationship marketing are customers, employees, marketing partners (channels, suppliers, distributors, dealers, agencies), and members of the financial community (shareholders, investors, analysts). To develop strong relationships with these constituents and stakeholder it requires understanding their capabilities and resources, needs, goals, and desires.

- **Integrated Marketing:** occurs when the marketer devises marketing activities and assembles marketing programs to create, communicate, and deliver value for consumers.

(1) many different marketing activities can create, communicate, and deliver value and (2) marketers should design and implement any one marketing activity with all other activities in mind.

- **Internal Marketing:** it is the task of hiring, training, and motivating able employees who want to serve customers well. Smart marketers recognize that marketing activities within the company can be as important as those directed outside. Marketing succeeds only when all departments work together to achieve customer goals.

Internal marketing requires vertical alignment with senior management and horizontal alignment with other departments so everyone understands, appreciates, and supports the marketing effort.

- **Performance marketing:** it requires understanding the **financial** and **nonfinancial** returns to business and society from marketing activities and programs. Top marketers are increasingly going beyond sales revenue to examine the marketing scorecard and interpret what is happening to market share, customer loss rate, customer satisfaction, product quality. They are also considering the legal, ethical, **social**, and **environmental** effects of marketing activities and programs.

The Four P Components of the Marketing Mix



The evolution of Marketing Management

People reflects internal marketing and the fact that employees are critical to marketing success. Marketers should view consumers as people to understand their lives and not just as shoppers.

Processes reflects all the creativity, discipline, and structure brought to marketing management. Marketers must avoid ad hoc planning and decision making.

Programs reflects all the firm's consumer-directed activities. It encompasses the old four Ps as well as a range of other marketing activities that might not fit into the old view of marketing. Regardless of whether they are traditional or nontraditional, these activities must be integrated such that their whole is greater than the sum of their parts and they accomplish multiple objectives for the firm.

Performance as in holistic marketing, to capture the range of possible outcome measures that have financial and nonfinancial implications (profitability as well as brand and customer equity) and implications beyond the company itself (social responsibility, legal, ethical, and the environment).

