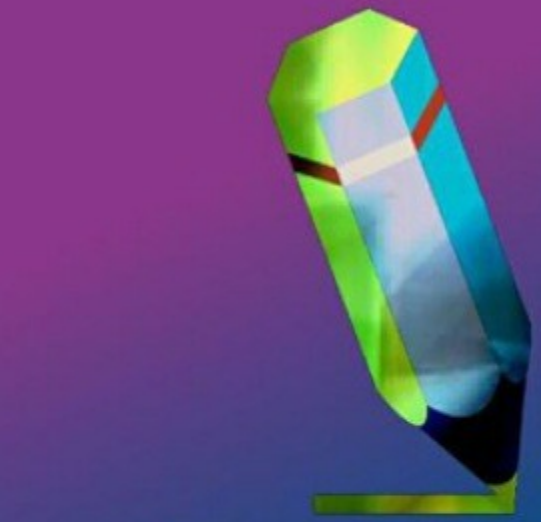


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CHAPTER 5

MARKETING

- **Business firms** and **non-profit organizations** engage in marketing.

- Products **marketed** include goods as well as **services, ideas, people, & places**.

- **Marketing activities are targeted at market** consisting of **product purchasers** who may be individuals and groups that influence the success of an organization.

- The **foundation** of marketing is **exchange.**

- In which **one party provides to another party something of value** in return for something else of value.

- In a broad sense, **marketing consists of all activities designed** to generate or facilitate an exchange **intended to satisfy human needs.**

- The concept of **market is very important in marketing.**

- The American marketing Association defines a market as **“The aggregate demand of the potential buyers for product or a product or services “.**

5.1 Meaning and Definitions of Marketing

- Marketing consists of activities designed to **generate and facilitate exchange intended to satisfy human needs or wants.**

- Marketing has been **defined in various ways**.

- **Marketing is a social and managerial process** by which an individual or group obtain what they need and want through **creating**, **offering and exchanging** of product of values with others (Philip Kotler,2012).

- **Marketing** is the total **business activity designed to plan**, **price, promote** and **distribute** want satisfying products to target market to achieve organizational goal (William J.Stanton, 1984).

- Marketing is the **creation and delivery of standard of living to society** (Paul Mazor, 2005).

- Marketing management is the process of **planning and executing**, **the conception**, **pricing, promoting and distributing of ideas**, goods and services to create an exchange that satisfy individual or group objectives (American Marketing Association, 2015).

- Marketing is the effort to **identify** and **satisfy customers' needs and wants.**

- It **involves finding out who your customers are, what they need and want, the prices, the level of competition**.

- It involves the knowledge and all the processes you undertake to sell your product.

Marketing **answers** the following questions:

- **Who** are my customers?
- **What** are my customer's needs and wants?
- **How** can I **satisfy** my customers'?
- **How** do I **make a profit** as I satisfy my customers?

5.2 Core Concepts of Marketing

5.2.1 Needs, Wants and Demand

- **A person at any given time has a need.**
- This need arises out of **physical or psychological imbalances.**
- Marketing **starts with human needs** and **wants.**

- **Need**: - Human Need is a **state of deprivation** of **some basic satisfaction**. People require food, clothing, shelter, safety and belonging and esteem.

- **Wants**: - Wants are **desires** for **specific satisfiers** of needs. Human wants are continually **shaped** and **reshaped by social forces and institutions** including churches, schools, families and business cooperation. Eg. A person **needs food** but wants spaghetti

- **Demands**: - Demands are **wants for specific products** that are **backed by ability and willingness to buy them**.

- Wants become demand when **supported by purchasing power.**

- Companies must therefore measure **not only how many people want their product** but, **more importantly how many would actually be willing and able to buy it.**

- **Product**: - is **anything that can be offered to satisfy a need or want.**
- **Products** broadly classify as **tangibility** and **intangibility** features.

- **Value**: - is the **consumer's estimate of the** products overall **capacity to satisfy his or her needs.**

- **Cost**: - is the **amount of money** that are **going to be expended** or already incurred to acquire a product.

- **Exchange**: - is the act of **obtaining a desired product from someone** by **offering something** in return.

- **Transaction**: - is the **trade of values between two parties.**

- **Market: -** consists of all the **potential customers sharing a particular need or want** who might be **willing and able to engage in exchange** to satisfy their need or want.

5.3 Importance of Marketing

- A customer purchases a product **because it provides satisfaction.**

- That **something** that makes a product **capable of satisfying want is its utility.**

- And it is through **marketing that much of a product's utility is created.**

- Then **potential buyers must be informed about the product's existence** and the benefits it offers through various forms of **promotion.**

- The **kinds of utility that marketing provides in the process** are as follows:

1. Form Utility: Form utility is **associated primarily with production**- the **physical** or **chemical changes** that make a product more valuable.

- When **timber is made into furniture**, form utility is created.

2. Place Utility: Place utility exists when a **product is readily accessible** to potential customers.

- So physically **moving the products** to a store near the customers add to its value.

3. Time Utility: Time utility means **having a product available** when you want it.

- Having a product available **when we want it is very convenient** but it means that the **retailer** must anticipate our desires and **maintain an inventory.**

4. Information Utility: Information utility is **created by informing prospective buyers** that a product exists.

- Unless you know a product exists and where you can get it, **the product has no value.**

5. Possession Utility: Possession utility is **created when a customer buys the product**-that is, **ownership** is **transferred** to the buyer.

5.4 Marketing Philosophies

- Marketing activities should be carried out **under a well-thought out philosophy** of **efficient**, **effective** and **socially responsible marketing.**

- There are **six competing concepts** under which **organizations can choose to conduct their marketing activities**: namely, the **production** concepts, the **product** concept, the **selling/sales** concept, the **marketing** concept, the **societal marketing** concept and the **relationship marketing** concept.

1. The Production Concept

- The **production** concept is **one of the oldest concepts** in business.
- The production concept **holds that consumers will favor products that are widely available and low in cost.**

- Managers of production-oriented organization concentrate on achieving **high production efficiency and wide distribution**.

2.The Product Concept

- Other businesses are **guided by the product concept.**

- The product concept holds that **consumers will favor those products that offer the most quality, performance or innovative features**.

- Managers in product oriented organization **focus their energy on making superior products and improving them** over time.

- Under the concept, **managers assume that buyers admire well-made products** and can appraise product quality and performance.

3. The Selling Concept/Sales Concept

- The selling concept **holds that consumers,** if left alone, **will ordinarily not buy enough of the organization product.**

- The **organization** must therefore **undertake an aggressive selling and promotion effort**.

- This concept assumes that **consumers typically show buying inertia or resistance and must be coaxed into buying.**

- It also **assumes that the company has made available a whole battery of effective selling and promotion** tools to **stimulate more buying.**

4. The Marketing Concept

- The marketing concept is a **business philosophy that challenges the three concepts** we just discussed.

- The marketing concept holds that **the key to achieving organizational goals consists of being more effective than competitors** in integrating marketing activities toward **determining and satisfying the needs and wants of target markets**.

- The marketing concept has been **expressed in many colorful ways:**

“Meeting needs profitably”

“Find wants and fills them”

“Love the customers, not the product etc.”

5. The Societal Marketing Concept

- The societal marketing concept holds that **the organization should determine the needs, wants and interests of target markets.**

- It should then **deliver the desired satisfactions more effectively and efficiently than competitors** in a way that maintains or improves the **consumers and the society's well-being.**

6. Relationship Marketing

- Relationship marketing is the practice of **building long term satisfying relations** with **key parties-customers**, **suppliers**, **distributors**- in order to retain their **long term preferences** and business.
- The ultimate outcome of relationship marketing is the building of a **unique company asset** called a marketing **network**.
- In this case, customer experience rather than customer satisfaction is the most critical component in relationship marketing.

5.5 Marketing Information Systems

- Every firm must **organize the flow of information to its marketing managers**.
- Companies are **studying their manager's information needs** and **designing marketing information system** to meet these needs.
- A **marketing information system** consists of **people**, **equipment** and **procedure to gather**, **sort, analyze**, **evaluate** and **distribute needed timely** and **accurate information** to **marketing decision makers**.

- The marketing managers to carry-out their analysis, planning, implementation, and control responsibilities, **they need information about development in the marketing environment.**

- The needed information is developed through **internal company records**, **marketing intelligence activities, marketing research**, and **marketing decision support analysis**.

- **5.5.1 Marketing Research**

- **Marketing research** is the **systematic and objective identification, collection, analysis, and dissemination of information** for the purpose of **assisting management in decision making** related to the identification and solution of problems and opportunities in marketing.

5.5.2 Marketing Intelligence

- Market intelligence is the **systematic process of gathering, analyzing, supplying and applying information** (both qualitative and quantitative) about the **external market environment.**

- **Intelligence is evaluated information**.

5.5.3 Competitive Analysis

- **Competitive analysis** refers to **determining the strengths and weaknesses of competitors** and designing ways to take opportunities or **tackle threats posed by competitors.**

5.6 The Marketing Mix Strategy

5.6.1 The 4 P's Of Marketing/The Marketing Mix

- These are marketing variables that the **marketing manager can manipulate as controllable variables.**

- They include product, pricing, place (channel) and promotion.

1. Product: refers to goods/services **produced for sale**, the product /service **should relate to the needs and wants** of the customers.

2. Pricing: refers to the process of setting a price for a product/service.

- Your **prices must be low enough to attract customers** to buy and **high enough to earn your business a profit.**

3. Place: means the **different ways of getting your products or services to your customers.** It is also referred to as distribution.

- If your business is not located near your customers, **you must find ways to get your products/services to where it is easy for customers to buy.**

4. Promotion: Refers **informing your customers of your products and services** and attracting them to buy them.

- Promotion includes **advertising, sales promotion, publicity** (**non-paid promotion**) and **personal selling**.

- Use **advertising to make customers more interested** in buying your products or services.

- Some **useful ways of advertising** include **signs**, **boards**, **posters**, **handouts**, **business cards**, **pricelists**, **photos** and **newspapers.**

5.6.2 What Is Marketing Strategy?

- A marketing strategy is a process that can allow an organization to **concentrate its limited resources on the greatest opportunities** to increase sales and achieve a **sustainable competitive advantage**.

- Marketing strategy is a **method of focusing an organization's energies and resources on a course of action** which can lead to increased sales and dominance of a targeted market.

- A **marketing strategy combines product development, promotion, distribution, pricing, relationship management** and other elements; identifies the firm's **marketing goals**, and explains **how they will be achieved**, ideally within a stated timeframe.

- **Marketing strategy** determines the **choice of target market segments**, **positioning**, **marketing mix**, and **allocation of resources.**

- It is effective when it is an integral component of the overall firm strategy, defining how the organization will successfully engage customers, prospects, and competitors in the market arena.

1. Pricing Strategy

- Price is the **value placed on what is exchanged**. **Something of value is exchanged** for satisfaction and utility, includes tangible (functional) and intangible (prestige) factors.
- It relates directly to total revenue
  TR = Price * Quantity

  Profit = TR – TC

  Where, TR=Total Revenue, TC=Total Cost

- To come up with this situations marketers use **dynamic pricing strategies**.
- The following are some of pricing **strategies** mostly **applicable** in the real world scenario.
- **i. Price Skimming**: this is a type of marketing strategy that **firms use by charging the highest possible price** that buyers who most desire the product will pay.
- It **attracts a market segment that is more interested in quality, status, uniqueness** etc. In this case, consumers' demand must be **inelastic.**

- **ii. Penetration Pricing:** In this strategy, **prices of products are reduced compared to competitors' price** for the same product **to penetrate** into markets and to increase sales.
- This is appropriate when the demand is **elastic.**

- **iii. Cost-plus pricing:** Any amount that is **above unit cost** may be considered.

- **iv. Mark-up pricing**: A **certain percentage of the selling price** is added to unit cost.

- **v. Competition Oriented Pricing: Considers competitors prices** primarily; but the market type matters.

- **vi. Odd-even pricing**: This is **psychological pricing** method based on the belief that certain prices or price ranges are more **appealing to buyers.**

- This method **involves setting a price in odd numbers** (just under round even numbers) such as **$49.95** instead of **$50.00**.

2. Promotion Strategies

- **Promotion** is the **communication** of the company and its products **to customers**.
- **Promotional strategy** is **choosing a target market** and **formulating the most appropriate promotion mix** to influence it.

- **i. Advertising**: It is **any paid form of non-personal, one-way**, **mass communication** about an organization, good, service, or idea **by an identified sponsor**.

- **ii. Personal selling**: This is the **two-way flow of communication** between a **buyer** and **seller,** often in a **face to face** encounter, designed to influence a person's or group's purchase decision.

- **iii. Public relations:** Public relation is **a form of communication that seeks to change the perceptions of customers**, **shareholders**, **suppliers**, **employees** and other publics about a company and its products.

- **iv. Sales promotion**: This promotion type **involves short term incentives** of value such as **discounts**, **free samples**, and **prizes** to be offered to arouse interest of customers in buying the good/service.

3. Distribution Strategies

- A successful product or service means nothing unless the benefit of such a service can be communicated clearly to the target market.

- For **product-focused** companies, **establishing the most appropriate distribution strategies** is a major **key to success**, defined as maximizing sales and profits.

- Marketing channels are **individuals/ organizations involved in the process of making the product available** for use or consumption by consumers.

- **Channels are used to improve exchange efficiency.**

- **It is divided into Direct and Indirect channels.**

- **Direct channels:** In this type of channel, **producers and end users** directly interact.

- **Indirect channels:** In this type of channel **intermediaries are inserted between seller and buyer.**

- Intermediaries include **merchant wholesalers, retailers**, **dealers**, **agents**, **brokers**; and manufacturer's branches and offices.

5.7 Selling and of Customer Service

5.7.1 The Concept of Service

- Service refers to any activity **undertaken to fulfil customer's needs.**

- It is any act or performance that **one party can offer to another** that is **essentially intangible** and does not result in the ownership of anything.

- Its production may or may not be tied to a physical product.

- Distinctive features of services include **intangibility**, **inseparability, variability**, and **perishability** as **opposed to goods**.

- The feature of **intangibility** shows that **pure services cannot be defined in terms of the physical dimensions;** or the customer **cannot see or feel** them before purchase.

- The concept of **inseparability**, on the other hand, refers that **production and consumption of services are inseparable**; the 'sale' occurs just before both.

- There are also features of **variability** and **perishability** associated in service.

- **Services are highly variable**, because **they depend on who provides them**, and when and where they are provided.

- In addition to this, services are produced and consumed **at the same point, and are totally perishable right after use**.

- Service **cannot be reproduced** as a concert object and **it can vary from one moment to the next.**

- Based on this concept, service is characterized as; **situational, difficult to measure, subjective and influenced by the service provider.**

5.7.2 The Concept of Customer

- **Customer** is a person or organization that buys a product or service either for use or for resale.

- Customers can be **internal** (e.g. member of the organization) or **external** (customers coming from outside).

5.7.3 Strategic Activities needed for Quality Customer Service Delivery

i. Establishing a **clear customer service strategy.**

ii. **Ensuring that correct people are in place**, with the **correct skills** to deliver outstanding personal service.

iii. Establishing clear **material service delivery processes.**

iv. Improving in terms of **process improvement, quality monitoring** and **recovery continuously.**

v. **Participatory Management.**

5.7.4 Customer Handling and Satisfaction

- **Customer handling** and satisfaction is a **key for successful organizations.**
- Managers and employees should work hand-in-hand to **improve their service delivery programs.**

- Existing **customers must be satisfied with the existing service.**
- Existing **customers are also means of potential customers.**