Chapter 1- Marketing’s Value to Consumers, Firms, and Society

- Marketing- what is it all about?
  • Marketing is more than selling or advertising; it provides needed direction for production and helps make sure that the right goods and services are produced and find their ways to consumers
  • Plays a key role in creating customer satisfaction (the extent to which a firm fulfills a customer’s needs, desires, and expectations)

- Marketing is Important to You
  • In advanced economies, it costs around 50 cents of every consumer dollar
  • It will be important to your job and provides job opportunities
  • Plays a big part in economic growth and development because it encourages research and innovation; this fosters competition, which drives down prices-improved standard of living

- How Should We Define Marketing?
  • Can view it in 2 ways:
    1. Micro view- as a set of activities performed by organizations; this is the most common view
    2. Macro view- as a social process
  • Marketing- the performance of activities that seek to accomplish an organization’s objectives by anticipating customer or client needs and directing a flow of need-satisfying goods and services from producer to customer or client
  • Applies to profit and nonprofit organizations
  • It is more than just persuading customers; they aim to identify needs and meet them so well that the product “sells itself”
  • Should begin with customer needs
  • Should not take over production, accounting, or financial activities, but should provide direction for them and coordinate them
  • Focuses on facilitating exchanges; it doesn’t occur unless 2 or more parties are willing to exchange something for something else; in pure subsistence economies, there is no need for marketing, but the standard of living is usually low
  • Builds ongoing relationship with the consumer
  • The term “firm” refers to any type of organization

- Macro Marketing- a social process that directs an economy’s flow of goods and services from producers to consumers in a way that effectively matches supply and demand and accomplishes the objectives of society
  • Emphasis on the whole marketing system; aims to effectively match heterogeneous demand with heterogeneous supply to accomplish the goals of society
  • There is separation between producers and consumers in terms of:
    1. Space
    2. Time
3. Information
4. Values
5. Ownership

- There are discrepancies between producers and consumers in terms of:
  1. Quantity - most firms operate on economies of scale
  2. Assortment

- Marketing functions help narrow the gap
  1. Buying - looking for/evaluating goods and services
  2. Selling - promoting product; most visible of the functions
  3. Transporting - movement of goods from place to place
  4. Storing - holding goods until customers need them
  5. Standardization and grading - sorting products according to size and quality
  6. Financing - provides necessary cash and credit for such functions
  7. Risk taking - bearing uncertainties that are part of the marketing process
  8. Market information - collection, analysis, and distribution of all the information needed to plan, carry out, and control marketing activities

- Functions are performed by producers, consumers, marketing specialists, and intermediaries (someone who specializes in trade rather than production - such as retailers and wholesalers)
  1. Collaborators - firms that facilitate or provide one or more of the marketing functions other than buying or selling; also help smooth exchanges between producers, consumers, and intermediaries

- New specialists develop to fill market needs (ex: E-commerce)
- Not every firm must perform all of the functions at every level of their production

The Role of Marketing in Economic Systems

- To provide for the needs of their members, all societies have an economic system (the way an economy organizes to use scarce resources to produce goods and services and distribute them for consumption by various people and groups in the society)

- There are 2 basic kinds of economic systems:
  1. Command economies
     a. Government officials decide what and how much is to be produces and distributed by whom, when, to whom, and why
     b. “planned” economies
     c. becomes more difficult as economies become more complex
  2. Market-directed economy
     a. Individual decisions of the many producers and consumers make the macro-level decisions for the whole economy
     b. Price is a measure of value
     c. Greatest freedom of choice
     d. The role of government - the American economy is not completely market-directed
• The effectiveness and fairness of a particular macro-marketing system must be evaluated in terms of that society’s objectives

Marketing’s Role Has Changed A Lot Over the Years

• 5 stages in Marketing Evolution
  1. Simple Trade Era- families traded or sold their “surplus” output to local distributors, who resold the goods to other consumers or distributors
     a. Specialization permitted trade and distributors met the need
     b. Early role of marketing
     c. Didn’t change until the Industrial Revolution brought larger factories
  2. Production Era- when a company focuses on production of a few specific products perhaps because few of these specific products are available in the market
     a. Describes most companies from the IR-1920s
     b. “If we can make it, it will sell”
     c. Many nations still operate this way because of product shortages
  3. Sales Era- when a company emphasizes selling because of increased competition
     a. Continued until around 1950 for most firms in advanced economies
  4. Marketing Department Era- when all marketing activities are brought under the control of one department to improve short-run policy planning and to try to integrate the firm’s activities
  5. Marketing Company Era- a time when, in addition to short-run marketing planning, marketing people develop long-range plans and the whole company effort is guided by the marketing concept

What Does the Marketing Concept Mean?- that an organization aims all of its efforts at satisfying its customers at a profit

1. Some managers show little interest in customers’ needs; they have a production orientation (making whatever products are easy to produce and then trying to sell them); customers exist to buy the firm’s output rather than the firm existing to serve customers and/or the needs of society
2. Well managed firms have replaced this production orientation with a marketing orientation (trying to carry out the marketing concept); they try to offer customers what they need
3. This seems simple, but managers often build “fences” around their departments; the total systems effort should be guided by customer satisfaction instead of what each department wants
4. Marketing concept includes 3 basic ideas:
   • Customer satisfaction
   • A total company effort
   • Profit as an objective- survival and success require this
   • Adoption of the marketing concept is not universal because companies with little competition and industrial commodity producers are not seen as different from their competitors and do not need to strive for customer satisfaction

The Marketing Concept and Customer Value
1. A manager who adopts this concept takes the customer’s point of view- which includes consideration of potential benefits and costs
2. Customer value- the difference between the benefits a customer sees from a market offering and the cost of obtaining those benefits
   - Customers do not always think about it, but their view is still what matters
1. You can’t ignore competition- the firm with superior customer value will win/keep customers
1. The best way to improve customer value is to be the 1st to satisfy a need that others have not considered (ex: Pepsi vs. Coke and Snapple)
2. Build relationships with customer value
   - Ex: Curves fitness has built enduring relationships with it’s customers

➢ The Marketing Concept Applies in Nonprofit Organizations
   - They need resources and support to survive and achieve their objectives
   - They don’t measure profit in the same way as a firm; everyone in the organization must agree to some measure of long-run success
   - Many of these organizations are not organized for marketing- volunteers do what they feel like doing

➢ The Marketing Concept, Social Responsibility, and Marketing Ethics
   - The micro-macro dilemma: what is good for some firms and consumers may be bad for society as a whole (ex: NYC water bottles)
   - Social responsibility- a firm’s obligation to improve its positive effects on society and reduce its negative effects
   - Should all consumer needs be satisfied? - Safety concerns
   - Do all marketers act responsibly? (Ex: mortgage crisis)
     1. “Buyer beware” or stricter government regulation?
   - What if it cuts into profits?- not all consumers care about the same issues or will pay more for alternatives
   - Marketing ethics- the moral standards that guide marketing decisions and actions
     1. Both a philosophical and pragmatic concern- views vary and it is difficult to say who is “correct”; this impacts whether marketing decisions are accepted or rejected
   - To make marketing ethical standards as clear as possible, many organizations have developed written codes of ethics
   - Marketing has many critics
     4. It is the part of business most visible to the public
     4. Many people don't fully understand what it is

Chapter 2- Marketing Strategy Planning
   - Cirque du Soleil
     1. Ad efforts focus on getting people to see their 1st show- then people get hooked
2. Ticket sales of over .5 Billion dollars each year

- The Management Job in Marketing
  - Marketing management process - the process of:
    1. Planning mkt activities
    2. Directing the implementation of the plans
    3. Controlling these plans
  *study chart on pg. 32
  - these jobs are all continuous and connected, the link from control to planning is important because this feedback leads to changes in the plans
  - Managers should seek new opportunities - markets are dynamic and constantly changing (ex: Parker Brothers board games vs. video games)
  - Strategic (management) planning - the managerial process of developing and maintaining a match between an organization's resources and its market opportunities; planning strategies to guide a whole company

- What is a Marketing Strategy?
  - It specifies a target market and a related mkt mix; it is a big picture of what a firm will do in some market; has 2 parts:
    1. Target market - fairly homogenous/similar group of customers to whom a company wishes to appeal
    2. Marketing mix - the controllable variables the company puts together to satisfy this target group (usually includes 4 P's); the customer is at the center

- Selecting a Market-Oriented Strategy is Target Marketing
  - Target marketing - marketing strategy specifies target customers, unlike mass marketing; the mkt mix is tailored to fit some specific target customers (“rifle approach”)
  - Mass Marketing - the typical production-oriented approach, vaguely aims the same mkt mix at everyone; assumes everyone is a potential customer and the same (“shotgun approach”)
  - Mass marketers (large/spread out target markets) may do target mkt
  - Target mkt can mean big targets and big profits (ex: diapers for babies and adults)

- Developing Marketing Mixes for Target Markets
  - There are many mkt mix decisions; reduce all variables in the mkt mix to the “4 Ps”
    1. Product - the good/service for the target’s needs
    2. Place - reaching the target through channels of distribution (any series of firms/individuals that participate in the flow of products from producer to final user or consumer)
    3. Promotion - telling and selling the consumer through
      a. Personal selling: direct spoken communication between sellers and potential customers (ex: customer service)
      b. Mass selling: communicating with large numbers of consumers at the same time [ex: advertising (main form) and publicity]
      c. Sales promotion: additional promotion activities
4. Price- must consider competition, mkt mix cost, and potential consumer reaction to price
   • The consumer is not part of the mkt mix, they are the target of it!
   • The 4 Ps are all equally important
   • Selecting a target market and developing a mkt mix are interrelated; strategies must be evaluated against company objectives
   • Understanding target markets leads to good strategies
   • Jeff Silverman and Toddler University example
     1. He identified 4 markets:
        a. Traditionalists (pay for quality)
        b. Economy Oriented (basic shoe at low price)
        c. Fashion Conscious (style)
        d. Attentive Parents* (pay a premium for fun, fashionable, and functional)- this is who he targeted
     2. He improved the product (rubber soles stitched instead of glued, extra-wide opening, and insert to adjust width)
     3. Developed print ads and creative packaging; “shoe rides”

➢ **The Marketing Plan is a Guide to Implementation and Control**
   • Marketing plan- a written statement of marketing strategy and the time-related details for carrying out the strategy; it should spell out in detail:
     1. What mkt mix will be offered, the target market, and for how long
     2. What company resources (costs) will be needed and at what rate
     3. What results are expected
     -should also include control procedures so that problems can be identified
   • Implementation- putting mkt plans into operation; many operational decisions (short-run decisions to help implement strategies) may be needed
     1. Operational decisions must stay within the policy guidelines set during strategy planning; strategy decisions are the primary concern
   • Control- analyzing and correcting what you have done; provides the feedback that leads managers to modify their mkt strategies; maintained through the use of a variety of tools
   • Most companies implement more than one mkt strategy- and related mkt plan- at the same time; a marketing program blends all of the firms mkt plans into one “big plan”

➢ **The Marketing Program Should Build Customer Equity**
   • the mkt program should also benefit the firm by increasing customer equity (the expected earning stream/profitability of a firm’s current and prospective customers over some period of time)
   • mkt strategy planners must identify opportunities that will lead to an increase in the firm’s customer equity
     1. owners expect financial returns
2. Profit growth comes from customers - the best way to increase customer equity is to find cost-effective ways to increase earnings from current customers while bringing profitable new customers into the fold

- **The Importance of Marketing Strategy Planning**
  - The “one time” strategy decisions (decisions that decide what business the company is in and the strategies it will follow) usually determine success or failure
  - Ex: Ford has revised its strategy over the years and found innovative ways to meet consumer needs, such as their Fiesta that features SYNC for the more “connected” generation

- **What are Attractive Opportunities?**
  - Effective mkt strategy planning matches opportunities for the firm’s resources (what it can do) and its objectives (what top management wants to do)
  - Breakthrough opportunities (opportunities that help innovators develop hard to copy mkt strategies that will be profitable for a long time) are best
  - Competitive advantage (when a firm has a mkt mix that the target market sees as better than the competitor’s mix) is necessary
    1. It only works if it allows them to provide superior value and customer satisfaction
  - Avoid hit or miss mkt with a logical process

- **Marketing Strategy Planning Process Highlights Opportunities**
  - The marketing strategy planning process narrows down from broad opportunities to specific strategy
  - There are many opportunities and strategies to choose from; developing a set of specific qualitative and quantitative screening criteria helps define what business/markets the firm wants to compete in
  - Market segmentation helps pinpoint the target
  - Narrow down to a superior marketing mix through differentiation (when marketing mix is distinct from and better than what is available from a competitor)
    1. Usually based on 1 important element of the mkt mix
    2. Must fine-tune all mkt mix elements to specific needs of the target group
    3. Theme should be consistent across 4 Ps
       - ex: Audi’s 4 wheel drive system, Quattro, for people in Norway
  - S.W.O.T. analysis helps the manager focus on a strategy that takes advantage of the firm’s strengths and opportunities, while avoiding its weaknesses and threats to its success
    1. Strengths
    2. Weaknesses
    3. Opportunities
    4. Threats
      - 1&2 are internal factors that come from analyzing the company’s resources and capabilities; 3&4 emerge from analysis of the external market environment, customers, and competitors
- ex: Amelia Antonetti and SoapWorks - she didn’t have money for national TV ads so she used the radio, but she had a credible claim that big corporations couldn’t make

➢ Types of Opportunities to Pursue
- Market Penetration- trying to increase sales of a firm’s present products in its present markets (probably through a more aggressive mkt mix)
  1. Many firms try to increase this by developing closer relationships with customers so that they will be loyal (ex: frequent buyer clubs)
  2. Firms often analyze customer databases to identify “cross-selling” opportunities
- Market development- trying to increase sales by selling present products in new markets; may involve searching for new uses for a product
  1. Can advertise in different media to reach new target customers
  2. May add channels of distribution
- Product Development- offering new or improved products for present markets (Ex: Campbell’s low sodium soup)
- Diversification- moving into totally different lines of business; perhaps entirely unfamiliar products, markets, or even levels in production mkt system
  1. Involves the biggest risk because opportunities are hard to evaluate

- Usually firms find attractive opportunities fairly close to markets they already know

➢ International Opportunities Should Be Considered
- It is becoming easier and cheaper to reach international consumers
- Develop a competitive advantage at home and abroad
- Get an early start in a new market
- Find better trends in variables (ex: population growth has slowed in the U.S., so many companies are looking elsewhere)
- Weigh the risks of going abroad- they are often higher in foreign markets because firms find it difficult/costly to learn the foreign country’s culture

➢ Summary of Terms
- Target Market + Mkt Mix= Marketing Strategy
- Mkt Strategy + Time-related details and control procedures= Mkt Plan
- Mkt Plan + other Mkt Plans= A firm’s Mkt Program

Chapter 3 - Evaluating Opportunities in the Challenging Market Environment

• Ex: Amazon (founded by Jeff Bezos) strives to be the most “customer centric company”; they continuously adjust their marketing strategies to stay ahead of a fast changing market environment

➢ The Market Environment
• Should be considered in the mkt strategy planning process
• Direct market environment
  1. Customers
  2. Company
3. Competitors

- External market environment
  1. Economic environment
  2. Technological environment
  3. Political and legal environment
  4. Cultural and social environment
- The variables of the market environment cannot be altered by managers - they are uncontrollable variables.

➤ Objectives Should Set a Firm's Course

- Setting whole company objectives, within resource limits, is the responsibility of top management (but mkt managers shouldn’t be ignored)
- Setting objectives is hard, but these 3 basic ones provide guidelines:
  1. Engage in specific activities that will perform a socially and economically useful function
  2. Develop an organization to carry on the business and implement its strategies
  3. Earn enough profit to survive
     a. Firm must specify a time period so that they can cover short-term expenses (set a “target” rate of profit)
- Firms must develop their own objectives and make sure they are clear. Many do this with a mission statement (sets out the organization’s basic purpose for being)
  1. Good mission statements
     a. Focus on a few key goals
     b. Supply guidelines for determining which opportunities to pursue
  2. Not a substitute for more specific objectives that provide guidance in screening possible opportunities
- Mkt objectives should be set within the framework of larger company objectives - firms need a hierarchy of objectives (pg. 61)
- Company and mkt objectives should be realistic and achievable

➤ Company Resources May Limit Search for Opportunities

- To find its strengths or recognize weaknesses, a firm must evaluate its functional areas, as well as its present products and markets
- Such resources include:
  1. Financial strength
  2. Producing capability and flexibility
  3. Mkt strengths
     a. Familiar brands, patent protection, existing computer systems, promotion and price resources, etc.
- Collaborators can help offset weaknesses (ex: Clorox Greenworks)

➤ Analyzing Competitors and the Competitive Environment

- Competitive environment - affects the numbers and types of competitors the mkt manager must face and how they may behave
- Choose opportunities that avoid head-on competition
- 4 kinds of market (competitive) situations:
1. Pure competition
2. Oligopoly - most product markets head towards this and #1)
3. Monopolistic competition - common and challenging
4. Monopoly - rare

- Target marketers try to offer a mkt mix better suited to customers’ needs than to customers’ offerings
- In monopolistic competition, each competitor tries to get control of their target market, but competition still exists because some customers see the various alternatives as substitutes; mkt managers usually try to differentiate similar products by relying on other elements of the marketing mix (ex: gas stations)
- To find a competitive advantage, do a competitor analysis (an organized approach for evaluating strengths and weaknesses of current or potential competitors’ mkt strategies)
  1. The focus is narrowed to a set of competitive rivals (firms that will be the closest competitors); closest competitors are not always obvious ones
- Hold off competition with sustainable competitive advantage (a mkt mix that some customers see as better than competitors and can not be easily copied-usually does NOT involve price)
- Watch for competitive barriers (the conditions that make it difficult, or even impossible, for a firm to compete in a market)
  1. Ex: P&G diapers in Japan
- Actively seek info. About competitors
- Ethical issues may arise

- **The Economic Environment** (macro-economic factors, including national income, economic growth, and inflation, that affect patterns of consumer and business spending; shifts extremely rapidly!)
  - Economic conditions change rapidly (ex: U.S. housing market downturn)
  - Mkt strategies change in a recession (ex: Olive Garden’s “Never Ending Pasta Bowl”; Hyundai job loss offer)
  - Interest rates and inflation affect buying; sometimes firms have to increase pricing (ex: airline price increases due to high fuel costs)
  - The economies of the world are connected; changes in one economy quickly affect others
    1. Changes in the exchange rate shift the balance of imports and exports because as the $ becomes stronger, foreign products become cheaper

- **The Technological Environment**
  - Technology affects mkt in 2 ways:
    1. Opportunities for new products
    2. Opportunities for new processes (ways of doing things)
  - Technology transfer from one part of the world to another is rapid, but not automatic
  - Internet technologies are reshaping mkt - the WWW made the exchange of information easy
• The internet changes how consumers shop and marketers market (ex: online shopping; online pricing/sales promotion)
• Technology also poses challenges
  1. Website tracking/information release
  2. Effects on the environment (ex: Aseptic drink boxes)

» The Political Environment - affected by the attitudes/reactions of people, social critics, and governments
  • Nationalism (an emphasis on a country’s interests before anything else) can be limiting in international markets
  • Regional groupings are becoming more important (ex: the move toward the unification of Europe; free trade among NA nations-NAFTA)
  • Some dramatic changes happen fast and are hard to predict, but many important political changes evolve more gradually

» The Legal Environment (sets the basic rules for how a business can operate in society; can limit some choices, but also create new opportunities)
  • Congress has passed a series of antimonopoly laws since 1980 to encourage competition
  • Businesses and individual managers are subject to criminal and civil laws
  • Although antimonopoly laws focus on protecting competition, the wording of the laws has moved towards protecting consumers
    1. 1st consumer protection law: Pure Food and Drug Act (1906)
    2. FDA
  • Marketers should be aware of state and local laws- they vary
  • Know the laws- follow the courts and federal agencies; laws are enforced differently over time (ex: attempt to regulate Microsoft in the 1990’s sizzled out)
  • Laws and enforcement differ across countries (ex: Microsoft didn’t get off as easy in Europe)

» The Cultural and Social Environment (affects how and why people behave as they do-which affects customer buying behavior and eventually the economic, political, and legal environments)
  • Changes tend to be slow, but they have far reaching affects
  • Within any broad society, subgroups of people are affected by the cultural/social environment in different ways
    1. Increased multiculturalism has made this more important and these differences should be considered in segmenting the market
  • Ex: changing women’s roles has led to more independence and purchasing power- has created opportunities for marketing, but also complications (advertisements can be accused of stereotyping)

» Using Screening Criteria to Narrow Down to Strategies
  • After you analyze the firm’s resources (for strengths and weaknesses), the environmental trends the firm faces, and the objectives of top management, you