What is marketing?

Marketing is all around us. When you walk into a Big Bazaar outlet and move through rows of shelves gradually keeping selected products in the trolley, what is actually happening? First, as a customer you are buying products which you need. Therefore, marketing deals with satisfying needs and wants of customers. But what makes you buy a particular brand and reject a competing brand? You are selecting a brand after mentally evaluating the value that you are attaching to all those being in the choice sub-set. The one offering highest perceived value is bought. If a customer attaches value in buying decision, marketing seeks to attract customers by promising a superior value and attempts to retain them by ensuring their satisfaction. These two fold tasks are possible through relationships. So the simplest definition of marketing suggests that it is managing profitable customer relationships.

Companies realize that if they neglect customers, bottom line of balance sheets would always be red. Thus, successful companies always look after their customers. This results in healthy market shares and profits.

Marketing Defined

Some refer to advertising as marketing. Some others talk of selling as marketing. They are both a part of marketing, but like a tip of an iceberg. Marketing, today, deals with customers. It aims at *satisfying* customer *needs.* Marketers, therefore, must first ascertain customer needs and wants, then provide a solution that the customer is looking for, in terms of a product or service, and ensure the offer delivers more value than its competitors. If the solution is priced, promoted and distributed properly, customers would favour such solutions.

American Marketing Association defines Marketing as :

“Marketing is an organizational function and a set of processes for **creating, communicating** and **delivering value** to customers and for **managing customer relationships** in a way that it benefits the organization and its stakeholders.”

In delivering value, a marketer also captures value. Thus an exchange takes place **“**Marketing is the process by which companies *create value* for customers and build *strong customer relationships* to *capture value* from customers in return”

MARKETING – OVERVIEW

From a managerial point of view, marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stake holders. 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.

Marketers are skilled at managing demand: They seek to influence the level, timing, and composition of demand. Marketers are involved in marketing many types of entities: goods, services, events, experiences, persons, places, properties, organizations, information, and ideas. They also operate in four different marketplaces: consumer, business, global, and nonprofit.

Marketing is not done only by the marketing department. Marketing needs to affect every aspect of the customer experience. To create a strong marketing organization, marketers must think like executives in other departments, and executives in other departments must think more like marketers.

Today's marketplace is fundamentally different as a result of major societal forces that have resulted in many new consumer and company capabilities. These forces have created new opportunities and challenges and marketing management has changed significantly in recent years as companies seek new ways to achieve marketing excellence.

There are five competing concepts under which organizations can choose to conduct their business: the production concept, the product concept, the selling concept, the marketing concept, and the holistic marketing concept. The first three are of limited use today.

Marketing is everywhere. Formally or informally, people and organizations engage in a vast number of activities that could be called marketing. Good marketing has become an increasingly vital ingredient for business success. And marketing profoundly affects our day-to-day lives. Good marketing is no accident, but a result of careful planning and execution. It is both an "art" and a "science"—there is constant tension between the formulated side of marketing and the creative side.

THE IMPORTANCE OF MARKETING

Financial success often depends on marketing ability. Many firms have created a Chief Marketing Officer (CMO) to put marketing on an equal footing with other Chief Executives such as a CFO and CEO. Marketing is tricky and making the right decisions is not always easy. Skillful marketing is a never-ending pursuit.

THE SCOPE OF MARKETING

To prepare to be marketers, you need to understand what marketing is, how it works, what is marketed, and who does the marketing.

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

A) The American Marketing Association offers the following formal definition: “Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders”.

B) 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.

C) A social definition of marketing is that “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?

Marketing people are involved in marketing ten types of entities: goods, services, events, experiences, persons, places, properties, organizations, information, and ideas.

A) Goods

Physical goods constitute the bulk of production and marketing efforts.

B) Services

A growing portion of business activities are focused on the production of services. The U.S. economy today consists of a 70–30 services to goods mix.

C) Events

Marketers promote time-based events such as trade shows, artistic performances, and the Olympics.

D) Experiences

By orchestrating several services and goods, a firm can create and market experiences such as Walt Disney World’s Magic Kingdom.

E) Persons
Celebrity marketing is a major business.

F) Places

Cities, states, regions, and whole nations compete actively to attract tourists, factories, and new residents.

G) Properties

Are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds).

H) Organizations

Actively work to build a strong, favorable, and unique image in the minds of their target publics.

I) Information

Can be produced and marketed as a product. Schools, universities, and others produce information and then market it.

J) Ideas

Every market offering includes a basic idea. Products and services are platforms for delivering some idea or benefit.

Who Markets?

Marketers and Prospects

A marketer is someone seeking a response (attention, purchase, vote, donation, etc.) from another party called the prospect.

A) Marketers are responsible for stimulating demand for a company's product.

B) Marketing managers seek to influence the level, timing, and composition of demand to meet the organization's objectives. Eight demand states are possible:

1) Negative demand—consumers dislike the product and may even pay a price to avoid it.
2) Non-existent demand—consumers may be unaware or uninterested in the product.
3) Latent demand—consumers may share a strong 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—consumer purchases vary on a seasonal, monthly, daily, or even an hourly basis.
6) Full demand—consumers are adequately buying all product put into the marketplace.
7) Overfull demand—too many consumers would like to buy the product that can be satisfied.
8) Unwholesome demand—consumers may be attracted to products that have undesirable social consequences.

Markets

A *market* is a set of actual and potential buyers of the market offering. Such buyers have a common need which can be satisfied through exchange relationships. Managing these markets for profitable customer relationships is marketing.

Economists describe a market as a collection of buyers and sellers who transact over a particular product or product class.

Marketers use the term “market” to cover various groups of customers. The five basic markets are:

A) Resource Markets

B) Government Markets

C) Manufacturer Markets

D) Intermediary Markets

E) Consumer Markets

A) Sellers and buyers are connected by flows:

1) Seller sends goods, services, and communications to the market.
2) In return they receive money and information.
3) There is an exchange of money for goods and services.
4) There is an exchange of information.

Key Customer Markets

A) Consumer Markets

Consumer goods and services such as soft drinks and cosmetics, spend a great deal of time trying to establish a superior brand image.

B) Business Markets

Companies selling business goods and services often face well-trained and well-informed professional buyers who are skilled in evaluating competitive offerings.

C) Global Markets

Companies face challenges and decisions regarding which countries to enter, how to enter the country, how to adapt their products/services to the country, and how to price their products.

D) Nonprofit and Governmental Markets

Companies selling to these markets have to price carefully because these organizations have limited purchasing power.

Marketplaces, Marketspaces, Metamarkets

A) The marketplace is physical,

B) The marketspace is digital,

C) The metamarket is a cluster of complementary products and services that are closely related in the consumer’s mind but spread across a diverse set of industries.

Marketing in Practice

How Is marketing done? Increasingly marketing is not done only by the marketing department. To create strong marketing organizations, marketers must think like executives on other departments and other departments must think like marketers.

Marketing planning process consists of analyzing marketing opportunities, selecting target markets, designing marketing strategies, developing marketing programs, and managing the marketing effort.

There are five key functions for a CMO (chief marketing officer) in leading marketing within an organization

A) Strengthening the brands
B) Measuring marketing effectiveness
C) Driving new product development based on customer needs
D) Gathering meaningful customer insights
E) Utilizing new marketing technology

Understanding the Marketplace and Customer Needs

The five core concepts here are:

- Needs, wants and demands
- Market offerings
- Value and satisfaction
- Exchange and relationships
- Markets

Customer Needs, Wants and Demands

Needs is a state of felt deprivation. Needs is the basic concept underlying marketing. Needs can be:

- Physical—food, clothing, warmth, safety
- Social—belonging and affection
- Individual—knowledge and self-expression

Marketers aim at assessing exact needs to enable them to develop a market offering that would satisfy these needs better than its competitors. Marketers do not create these needs. Needs are basic part of human beings.

These needs get shaped by a person’s culture and an individual’s personality to become *wants.* People might have a common need for food because of hunger, but wants might vary. A south Indian might want a dosa, a north Indian a roti, a Bihari rice etc.

Wants backed by buying power or repaying power become *demand.*

Market Offerings

In order to satisfy the identified needs and wants, a marketer has to offer product, service and experiences. Apart from *products* and *services* market offering includes activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything.

If a company loses sight of its customer needs and continues to be product focused, it is said to suffer from *marketing myopia* i.e. marketing shortsightedness.

Value and Satisfaction

Customers buy value and seek satisfaction. They form expectations about the value and satisfaction that various market offerings will deliver and take buying decisions based on these expectations.

Level of customer satisfaction depends on the perceived performance and the expectations. Satisfied customers become 'repeat customers' and engage in word of mouth advertising.

If the perceived performance is below expectations, the customers are 'dis-satisfied'. Such customers easily switch over to alternate brands. Customer value and satisfaction form the foundation for developing, managing and sustaining relationships. It, therefore, makes sense for a marketer not to set either too low or too high expectations.

Exchange and Relationships

The act of obtaining a desired object from someone in exchange of something in return is an *exchange.* Exchange leads to transactions. Exchange and relationship is not restricted to just products and services. During elections we notice political candidates seeking votes. A musical group seeks audience etc.

Marketers take appropriate steps to build and maintain desirable relationship. This is with an objective to retain customers and increase business with them. Delivering customer value is the foundation to building relationships.

Target markets, Positioning and Segmentation

A) Identify and profile distinct groups of buyers who might prefer or require varying products and services mixes by examining

1) Demographic information
2) Psychographic information

3) Behavioral information

B) Target market

C) Market offering

D) Offering and Brands

1) Value proposition: a set of benefits they offer to customers to satisfy their needs

2) Brand: is an offering from a known source

E) Value and Satisfaction

1) Successful if it delivers value and satisfaction to the target buyer

2) Value is a central marketing concept

3) Satisfaction reflects a person's judgment of a product's perceived performance

F) Marketing Channels

1) Communication channels

2) Distribution channels

3) Service channels

4) Supply Chain

G) Competition

1) Marketing environment

2) Task environment

3) Broad environment:

a. Demographic

b. Environment

c. Economic

d. Physical

e. Technological

f. Political-Legal

g. Social-cultural

Understanding the environmental Forces

Marketers need to excel at building relationships with customers, others in the company, and external partners. To enable this, they must understand the major environmental forces that surround all of these relationships.

Marketing environment consists of *the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers.* Successful companies know the vital importance of watching and a adapting to the environmental changes.

The environment extremely dynamic, changing rapidly, and both consumers and marketers wonder what the future has in store for them**.** More than any one else in the company, marketers must constantly be tracking trends and opportunities. Apart from using Marketing Intelligence, they also spend more time in the market, thus having feelers on the customers and competitors. By studying the environmental changes, marketers can adapt their strategies to meet new marketplace challenges and opportunities.

The marketing environment is made up of a *microenvironment* i.e. the actors close to the company that affect its ability to serve its customers-the company suppliers markets, competitors, an publics and the *macroenvironment* i.e. the larger societal forces that affect the environment i.e. demographic, economic, natural technological, political, and cultural forces

The Company's Microenvironment

The success in building relationships with customers by creating customer value and satisfaction requires building relationships with other company departments, suppliers, marketing intermediaries, customers, competitors, and various publics, which combine to make up the company's value delivery network. Let us understand the importance of each of these:

The Company

In designing marketing plans, marketing management takes into account groups such as management, finance research and development put-chasing operations, and accounting. All these form the internal environment and the groups are interrelated.

Company's mission, objectives, broad strategies, and policy.are set up by the top management. Marketing managers make decisions within the strategies and plans made by top management. Other departments have an impact on the marketing department's actions.

The Suppliers

Suppliers are an important part of the company's overall customer value delivery system. They provide the resources needed by the company to produce its goods and services. Marketing managers must watch supply availability-supply shortages or delays, labor strikes and other events can damage customer satisfaction. Marketing managers also monitor the costs of their key inputs. Rising supply costs may force price increases that can harm the company's sales volume. Most marketers today treat their suppliers as partners in creating and delivering customer value.

Marketing Intermediaries

Intermediaries help the company to promote, sell, and distribute its products to final buyers. Resellers, physical distribution firms, services agencies, and financial intermediaries are examples.

Resellers are distribution firms that help the company find customers or make sales to them. Selecting and partnering with resellers is essential yet difficult. No longer do manufacturers have many small, independent resellers from which to choose. They now face large and growing reseller organizations such as These organizations Reliance Retail, Big Bazar, Nilgiris etc. who usually have enough power to dictate terms on manufacturers. . Marketing intermediaries also form an important component of the company's overall value delivery system. In its desire to create satisfying customer relationships, the company must partner effectively with marketing intermediaries to optimize the performance of the entire system.

Physical distribution firms help the company to stock and move goods from their points of origin to their destinations e.g. Gati

Marketing services agencies are the marketing research firms, advertising agencies, media firms, and marketing consulting firms that help the company target and promote its products to the right markets e.g. Lintas, IMRB etc

Financial intermediaries include banks, credit companies, insurance companies, and other businesses that help finance transactions or insure against the risks associated with the buying and selling of goods e.g. ICICI

Competitors

Marketers must gain strategic advantage by positioning their offerings strongly against competitors' offerings in the minds of consumers. They must monitor their competitors with a view to position their products and gain competitive advantage

Publics

Public is any group that has an actual or potential interest in or impact on an organization's ability to achieve its objectives. These could be:

- *Financial publics* influence the company's ability to obtain funds.
- *Media publics* carry news, features, and editorial opinion.
- *Government publics*. Management must take government developments into account.
- *Citizen-action publics*. A company's marketing decisions may be questioned by consumer organizations, environmental groups, etc.

- *Local publics* include neighborhood residents and community organizations.

- *General public*. The general public's image of the company affects its buying.

- *Internal publics* include workers, managers, volunteers, and the board of directors.

Customers

There are five types of customer markets. The company may target any or all of these five markets.

1. *Consumer markets:* individuals and households that buy goods and services for personal consumption.

2. *Business markets:* buy goods and services for further processing or for use in their production process.

3. *Reseller markets:* buy goods and services to resell at a profit.

4. *Government markets:* made up of government agencies that buy goods and services to produce public services.

5. *International markets:* buyers in other countries, including consumers, producers, resellers, and governments.

The Company's Macroenvironment

The company and all of the other actors operate in a larger macro-environment of forces that shape opportunities and pose threats to the company. These are:

- Demographic
- Economic
- Natural
- Technological
- Political
- Cultural

Demographic Environment

Demography is the study of human populations in terms of size, density, location. age, gender, occupation, and other statistics The demographic environment is of major interest to marketers because it involves people, and people make up markets. The world population is growing at an explosive rate. It now exceeds 6.5 billion people and will exceed 8.1 billion by the year 2030. The world's large and highly diverse population poses both opportunities and challenges. Changes in the world demographic environment have major implications for business. Marketers must keep close track of demographic trends and developments in their markets, both at home and abroad. They track changing age and family structures, geographic population shifts, educational characteristics, and population diversity.

Economic Environment

Markets require people with adequate buying power. The economic environment consists of factors that affect consumer purchasing power and spending patterns. Nations vary greatly in their levels and distribution of income. Some countries have *subsistence economies-they* consume most of their own agricultural and industrial output. These countries offer few market opportunities. At the other extreme are *industrial economies,* which constitute rich markets for many different kinds of goods. Marketers must pay close attention to major trends and consumer spending patterns both across and within their world markets.

Technological Environment

The technological environment is perhaps the most dramatic force now shaping our destiny. Technology has gioven rise to wonders as robotic surgery, miniaturized electronics, laptop computers, and the Internet. It also has released such possible destructions

as nuclear missiles, chemical weapons, and assault rifles. It has released such mixed blessings as the automobile, television, and credit cards. Marketers should be aware of these regulations when applying new technologies and developing new products.

Political Environment

The political environment consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society. Even the most liberal advocates of free-market economies agree that the system works best with at least some regulation. Well-conceived regulation can encourage competition and ensure fair markets for goods and services.

Legislation affecting business around the world has increased steadily over the years. India has many laws covering issues such as competition, fair trade practices, environmental protection, product safety, ethics in advertising, consumer privacy, packaging and labeling, pricing, and other important areas

Government regulation also *protects consumers* from unfair business practices. Some firms, if left alone, would make shoddy products, invade consumer privacy, tell lies in their advertising, and deceive consumers through their packaging and pricing. Unfair business practices have been defined and are enforced by various agencies.

Finally, it seeks to *protect the interests of society* against unrestrained business behavior. Profitable business activity does not always create a better quality of life. Regulation arises to ensure that firms take responsibility for the social costs of their production or products.

The Marketing Process

Understand the marketplace and customer needs and wants	Design a customer driven marketing strategy	Construct an integrated marketing plan	Build profitable relationships and customer delight	Capture value to create profits and customer equity

Companies work to understand the marketplace and customer, create value and build strong relationships in the first four steps. In the final step, companies get returns in terms of value from customers. This comes in form of sales, profits and sustainable customer equity.

Designing Customer Driven Marketing Strategy

What is Marketing Management?

Marketing management is defined as the art and science of choosing target markets and building profitable relationships with them.

A marketer seeks answers to two important questions. These are:

1) Which customers would be served i.e. what would be the target market?

2) How best can these customers be served i.e. what will be the offered value proposition?

Selecting Customers to Serve

In order to decide which customers to serve, the company must divide the total market into smaller portions. This is done by breaking them according to needs and on certain other variables (discussed in lesson 8). This process is called *segmentation.* Once the segments have been identified, the next step is to select one or more segments which offer marketing opportunities and which can be served better than the competitors. This is referred to as *target marketing.* Companies do not try to serve all customers, because they cannot satisfy the needs of all or cannot serve all better than their competitors.

Some marketers may seek to reduce, postpone or temporarily kill demand. This is called *demarketing.* ASI has fixed two different rates for entry tickets for the Taj Mahal. The higher rates during sunrise and sunset are aimed at demarketing. Since marketers manage customers and demand, marketing management can be said to be customer and demand management.

Choosing the Value Proposition

In order to gain a competitive advantage in the target market, company needs to differentiate its offer from those of its competitors. In its marketing offer, in order to satisfy customer needs, the company promises to deliver a set of benefits or values to its customers. This is referred to as the company's *value proposition.* Maruti provide a value proposition to its customers which reflects in low cost of acquisition and operation supported by a higher residual value for its products. Value propositions give customers to ascertain reasons for buying a particular brand. It is, therefore, seen as a differentiator.

COMPANY ORIENTATION TOWARD THE MARKETPLACE

Orientations in Marketing Management

Strategies have to be formulated with a view to build profitable relationships with targeted customers. Over a period of time, different philosophies that guide marketers have developed. Companies have to decide on its guiding philosophy depending on the level of importance it attaches to its customers. There are five concepts under which the strategies can be framed. These are : the production, product, selling, marketing and societal marketing concepts.

Production Concept

This holds that customers will favour those products that are *easily available and at affordable prices.* Management, should therefore, focus on production and distribution. Companies that operate within a highly competitive market still use this concept by producing in least cost areas and extensively distributing the products. In doing so, there are chances that the company might loose its sight from the real objective of satisfying customer needs and building relationships.

Product Concept

The product concept holds that consumers will favor products that offer the most in *quality, performance, and innovative features*. Companies following this concept undertake continuous product development and spend huge sum of money on R&D. Focusing on its own products can lead the company to marketing myopia.

Selling Concept

The selling concept holds that consumers will not buy enough of the firm's products unless it undertakes a *large-scale selling and promotion effort.* The concept is practiced by those dealing in unsought goods— i.e. goods that buyers do not normally think of buying, such as insurance or burial plots.. Those following this must be good at tracking down prospects and make the sale on basis of product benefits

The philosophy starts with the factory with the product as its focus. Profits are achieved through higher sales volume which is possible due to aggressive selling and promotion.

Societal Concept

The societal marketing concept questions whether the pure marketing concept overlooks possible conflicts between consumer *short-run wants* and consumer *long-run welfare.* Marketing offers should be based on long term interests of the society.

Marketing Concept

The marketing concept holds that achieving organisational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do. Thus, sales and profits emerge due to customer focus and value.. To achieve organizational goals the company being more effective than competitors in creating, delivering, and communicating superior customer value to its chosen target markets.

The effort is *not* to find the right customers for your product *but* to find the right products for your customers.

Customer-driven companies conduct elaborate customer research to learn about their desires, gather new product and service ideas, and test proposed product improvements.

Customer-driving marketing relates to understanding customer needs better than customers themselves do and creating products and services that meet existing and latent needs.

1) Reactive market orientation—understanding and meeting consumers' expressed needs.
2) Proactive marketing orientation—researching or imagining latent consumers' needs through a "probe-and-learn" process.

Companies that practice both reactive and proactive marketing orientation are implementing a total market orientation.

Holistic Marketing Concept

Holistic marketing can be seen as the development, design, and implementation of marketing programs, processes, and activities that recognizes the breath and interdependencies of their efforts.

Holistic marketing recognizes that "everything matters" with marketing—the consumer, employees, other companies, competition, as well as society as a whole.

Holistic marketing:

A) Internal marketing
B) Socially responsible marketing

C) Integrated marketing

D) Relationship marketing

A marketing network consists of the company and its supporting stakeholders (customers, suppliers, distributors, retailers, ad agencies, university scientists, and others) with whom it has built mutually profitable business relationships.

Integrated Marketing

A) The marketer's task is to devise marketing activities and assemble fully integrated marketing programs to create, communicate, and deliver value for consumers.

B) The 4Ps of marketing: product, price, place, and promotion.

C) SIVA

1) Solution

2) Information

3) Value

4) Access

Two key themes of integrated marketing are:

A) Many different marketing activities communicate and deliver value

B) When coordinated, marketing activities maximize their joint efforts.

Internal Marketing

A) Holistic marketing incorporates internal marketing, ensuring that everyone in the organization embraces appropriate marketing principles.

B) Internal marketing must take place on two levels:

1) At one level, the various marketing functions (sales force, advertising, customer services, product management, and marketing research) must work together.

2) Secondly, marketing must be embraced by the other departments—they must "think customer." Marketing is not a department so much as a company orientation.

Social Responsible Marketing

A) Holistic marketing incorporates social responsibility marketing and understanding broader concerns, and the ethical, environmental, legal, and social context of marketing activities and programs.

B) Societal marketing concept: the organization's task is to determine the needs, wants, and interests of target markets and to delvier the desired satisfaction more effectively and efficiently than competitors.

Marketing Management Tasks

With holistic marketing philosophy as a backdrop, we can identify a specific set of tasks that make up successful marketing management and marketing leadership

Preparing an Integrated Marketing Plan

An integrated marketing program delivers the intended value to target customers. The marketing program consists of the firm's *marketing mix*, i.e. a set of marketing tools the firm uses to implement its marketing strategy and achieve its marketing objectives.These are classified into the *four Ps* of marketing: product, price, place, and promotion.

The elements of the marketing mix tools are blended into a comprehensive *integrated marketing program* that communicates and delivers the intended value to chosen customers.

THE NEW MARKETING REALITIES

Major societal Forces affecting marketing:

A) Network information technology
B) Globalization
C) Degregulation
D) Privatization
E) Heightened Competition
F) Industry Convergence
G) Consumer Resistance
H) Retail Transformation
I) Disintermediation

New Consumer Capabilities

A) A substantial increase in buying power
B) Greater variety of goods and services
C) Great deal of information available
D) Greater ease in interacting and placing orders
E) Ability to compare notes on products and services
F) Amplified voice to influence peer and public opinion

New Company Capabilities

A) Internet

B) Research

C) Speed of internal information

D) Speed of external information “buzz’

E) Better target marketing

F) Mobile marketing

G) Differentiated goods

H) Improved purchasing, recruiting, training, and communications

MARKETING AND CUSTOMER VALUE

Marketing involves satisfying consumers’ needs and wants. The task of any business is to deliver customer value at a profit.

The Value Delivery Process

The traditional view of marketing is that the firm makes something and then sells it.

A) Will not work in economies where people face abundant choice.

B) New belief: marketing begins with the planning process.

C) Value creation and delivery consists of three parts:

   1) Choosing the value (segment the market, define target market, develop “offering”).

   2) Providing the value (product features, prices, and distribution channels).

   3) Communicating the value (sales force, advertising, and promotional tools).

Each of these “values” involves a cost component to the company.

D) Nirmalya Kumar’s 3 “Vs” approach to marketing:

   1) Define the value segment or segments.

   2) Define the value proposition.

   3) Define the value network.

F) Frederick Webster views marketing in terms of:

   1) Value defining process.

   2) Value developing processes.

   3) Value delivering processes.

The Value Chain

Michael Porter's Value Chain identifies nine strategically relevant activities that create value and costs (five primary and four support activities).

A) Primary activities:

   1) Inbound logistics (material procurement).
   2) Operations (turn into final product).
   3) Outbound logistics (shipping and warehousing).
   4) Marketing (marketing and sales).
   5) Servicing (service after the sale).

B) Support activities:

   1) Procurement.
   2) Technology development.
   3) Human resource management.
   4) Firm infrastructure.

The firm's task is to examine its costs and performance in each value-creating activity and to look for ways to improve performance.

C) Core business processes:

   1) The market sensing process (marketing intelligence).
   2) The new offering realization process (research and development).
   3) The customer acquisition process (defining target markets and consumers).
   4) The customer relationship management process (deeper understanding of consumers).
   5) The fulfillment management process (receiving, shipping, and collecting payments).

Strong companies develop superior capabilities in these core business processes. Strong companies also reengineer the workflows and build cross-functional teams responsible for each process. Many companies have partnered with suppliers and distributors to create a superior value-delivered network.

D) Value-delivery network (supply chain).

To be successful today, a firm must look for competitive advantages beyond its own operations—to its suppliers and distributors to create a superior value-delivery network (supply chain).

Core Competencies

B) Companies need resources (labor, materials, energy, etc.)

C) Key is to own or nurture the resources and competencies that make up the essence of the business—outsource if competency is cheaper and available.

D) Competitive advantage accrues to companies that possess distinctive capabilities (excellence in broader business processes).

E) Competitive advantage derives from how well the company fits its core competencies and distinctive capabilities into tightly interlocking “activity systems.”

F) A core competency has three characteristics

a. Makes a significant contribution to perceived customer benefits

b. Has applications in a wide variety of markets

c. It is difficult for competitors to imitate

G) Competitive advantage ultimately derives from how well the company “fits” its core competencies and distinctive capabilities into tightly interlocking “activity systems.”

A Holistic Marketing Orientation and Customer Value

A holistic marketing orientation can provide help in capturing customer value

B) Holistic marketing addresses three key management questions:

1) Value exploration—identify new value opportunities.

2) Value creation—create more promising new value offerings.

3) Value delivery—deliver the new value offerings more efficiently.

Developing strategy requires the understanding of the relationships and interactions among these three spaces.

Value Exploration

3 Customer’s cognitive space (reflects existing and latent needs and includes participation, stability, freedom, and change).

3 Company’s competence space (broad versus focused scope of business and depth physical versus knowledge-based capabilities).

3 The collaborator resource space (horizontal and vertical partnerships).

Value Creation

A) Marketer’s need to:

1) Identify new customer benefits from the customer’s view.

2) Utilize core competencies.

3) Select and manage business partners from its collaborative networks.

Value Delivery—What Companies Must Become?

Often requires an investment in infrastructure and capabilities.

A) Proficient at customer relationship management.

   1) Who the customers are, and respond to different customer opportunities.

B) Internal resource management.

   1) Integrate major business processes within a single family of software modules.

C) Business partnership management.

   1) Allow the company to handle complex relationships with its trading partners.

The Central Role of Strategic Planning

Successful marketing thus requires companies to have capabilities such as: understanding customer value, creating customer value, delivering customer value, capturing customer value, and sustaining customer value.

B) Calls for action in three areas:

   1) Managing a company's businesses as an investment portfolio.

   2) Assessing each business's strength by the market's growth rate and the company's position and fit in that market.

   3) Establish strategy.

C) Most large companies consist of four organizational levels:

   1) Corporate level.

   2) Division level.

   3) Business unit level.

   4) Product level.

D) The marketing plan is the central instrument for directing and coordinating the marketing effort.

   The marketing plan operates on two levels: strategic and tactical.

   1) The strategic marketing plan lays out target markets and the value proposition.

   2) The tactical marketing plan specifies the product, promotion, merchandising, pricing, sales channels, and service.

CORPORATE AND DIVISION STRATEGIC PLANNING

A) All corporate headquarters undertake four planning activities:

   1) Defining the corporate mission.

   2) Establishing strategic business units (SBUs).

3) Assign resources to each SBU.
4) Assessing growth opportunities.

Defining the Corporate Mission

A) Key questions to ask:
    1) What is our business?
    2) Who is the customer?
    3) What is of value to the customer?
    4) What will our business be?
    5) What should our business be?

Mission statements are best when guided by a “vision” that provides direction for the company.

B) Good mission statements have three major characteristics:
    1) Focused on a limited number of goals.
    2) Stresses the company’s major policies and values.
    3) Defines the major competitive spheres within which the company will operate by defining the:
        a. Industry.
        b. Products and applications.
        c. Competence.
        d. Market-segment.
        e. Vertical.
        f. Geographical.

Establishing Strategic Business Units

A) Must see their companies as a customer-satisfying process
B) A target market definition tends to focus on selling a product or service (Pepsi® and all who drink cola sodas).
C) A strategic market definition is broader and more encompassing (Pepsi redefines its strategy to everyone who has a “thirst”).
    1) A business can be defined in terms of three dimensions:
        a. Customer groups.
        b. Customer needs.
        c. Technology.

Assigning Resources to Each SBU

More recent methods used by firms to make internal investment decisions are based on shareholder value analysis, and whether the market value of a company is greater with an SBU or without it.

Assessing Growth Opportunities

A) Involves planning for new businesses.

B) Downsizing or terminating old businesses.

Intensive Growth

Corporate manager's first course of action should be a review of opportunities for improving existing businesses.

A) Market-penetration strategy (gain more market share).

B) Market-development strategy (new markets for current products).

C) Product-development strategy (new products for current markets).

D) Diversification strategy (new products for new markets).

Integrative Growth

A) Sales and profits may be increased through:

1) Backward integration.

2) Forward integration.

3) Horizontal integration.

Diversification Growth

When opportunities are found outside the present business and the company has the right mix of business strengths to be successful.

A) Several types are possible:

1) New products that have technological or marketing synergies with existing product lines.

2) New products unrelated to the current industry.

3) New businesses unrelated.

Downsizing and Divesting Older Businesses

A) Focus on businesses that provide growth opportunities.

C) Weak businesses require a disproportionate amount of managerial time/talent.

Organization and Organizational Culture

A) Organization consists of:

1) Structures.

2) Policies.

a. Corporate culture defined as "the shared experiences, stories, beliefs, and norms that characterize an organization."

b. Sometimes corporate culture develops organically and is transmitted by the CEOs personality.

Marketing Innovation

A) Innovation in marketing is critical.
   a. Five key strategies for managing change in an organization
      i. Avoid the innovation title
      ii. Use the buddy system
      iii. Set the metrics in advance
      iv. Aim for quick hits first
      v. Get date to back up your gut

BUSINESS UNIT STRATEGIC PLANNING

The Business Mission

A) Each business unit needs to define its specific mission within the broader company mission.

SWOT Analysis

A) The evaluation of a company's strengths, weaknesses, opportunities, and threats is called SWOT analysis. It involves monitoring the external and internal marketing environment.

B) Use market opportunity analysis (MOA)

C) Environmental threat unfavorable trend or development

Internal Environment (Strengths/Weaknesses) Analysis

It is one thing to find attractive opportunities and another to be able to take advantage of them. Each firm must evaluate its internal strengths and weaknesses.

A) George Stalk suggests that winning companies are those that have achieved superior in-company capabilities, not just core competencies. Stalk calls this capabilities-based competition.

Goal Formulation

Once the company has performed a SWOT analysis, it can proceed to develop specific goals for the planning period. This stage of the process is called goal formulation. Managers use the term "goals" to describe objectives that are specific with respect to magnitude and time.

A) The firm sets objectives, and then manages by objectives (MBO). For MBOs to work they must meet four criteria:

   1) They must be arranged hierarchically, from the most to least important.

2) Objectives should be stated quantitatively whenever possible.

3) Goals should be realistic.

4) Objectives must be consistent.

Identifying the Major Forces

Companies and their suppliers, marketing intermediaries, customers, competitors, and publics, all operate in an macroenvironment of forces and trends that shape opportunities and pose threats.

E) These forces represent “non-controllables” to which the company must monitor and respond. Within the rapidly changing global picture, the firm must monitor six major forces:

   1) Demographic.

   2) Economic.

   3) Social-cultural.

   4) Natural.

   5) Technological.

   6) Political-legal.

F) Marketers must pay attention to the interactions of these forces, as these will lead to new opportunities and threats.

Marketing Research

In addition to the above, marketers also need formal studies of specific situations. For example, Samsung wants to know how many and what kind of people will buy its plasma televisions. In such situations marketers need marketing research.

What is Marketing Research?

The American Marketing Association (AMA) redefined **Marketing Research** as:

"The function that links the consumer, the customer, and public to the marketer through information"

Information - To identify and define market opportunities and problems
To generate, refine, and evaluate marketing performance
To monitor marketing performance
To improve understanding of marketing as a process

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

Classification of Marketing Research

Problem-Identification Research

Research undertaken to help identify problems which are not necessarily apparent on the surface and yet exist or are likely to arise in the future. Examples: market potential, market share, image, market characteristics, sales analysis, forecasting, and trends research

Problem-Solving Research

Research undertaken to help solve specific marketing problems. Examples: segmentation, product, pricing, promotion, and distribution research

Thus Marketing research is the systematic design, collection, analysis, and reporting of data *relevant to a specific marketing situation* facing an organization. Marketing research is used in a wide variety of situations. For example, it can help marketers understand customer satisfaction and purchase behavior, assess market potential and market share or to measure the effectiveness of its marketing mix components. Large companies like Kraft, P&G have their own research departments that work with marketing managers on marketing research projects. The smaller companies usually hire the services of outside research firm like ORG-MARG, AC Nielsen etc.

Since MR is a ‘systematic design’, the process involves a series of steps. These are:

1. Defining the problem and research objectives.
2. Developing the research plan for collecting information.
3. Implementing the research plan – collecting and analyzing the data.
4. Interpreting and reporting the findings.

Defining the Problem and Research Objectives

The researcher should work closely with the Marketing managers to define the problem and agree on research objectives. What information is required is best known to the marketing manager, and how to get the desired information is known to the researcher. This is the most difficult step of the research process. Usually managers are aware of the symptoms and need to find out the problem. Once the problem has been defined carefully, the research objectives must be set

A marketing research project might have one of three types of objectives.

1. *Exploratory research* is directed towards gathering preliminary information that will help define the problem and suggest hypotheses.

2. *Descriptive research* is to describe things, such as the market potential for a product or the demographics and attitudes of consumers who buy the product.

3. *Causal research* is to test hypotheses about cause-and-effect relationships. For example, would a 10 percent decrease in the price of pizzas result in an sales increase sufficient to offset the reduced price?

Researchers often start with exploratory research and later follow with descriptive or causal research. The statement of the problem and research objectives guides the entire research process. The statement should be put in writing to be certain that the manager and the researcher agree on the purpose and expected results of the research.

Developing the Research Plan

After the research problem and objectives have been defined, researchers must determine the exact information needed, develop a plan for gathering it efficiently, and present the plan to management. Research objectives must be translated into specific information needs.

The research plan should be presented in a w*ritten proposal.* The proposal should cover the problems addressed and the research objectives, the information to be obtained, and the way the results will help management decision making. It should include research costs

To obtain the desired information, data can be obtained as secondary data, primary data, or both. *Secondary data* as information already exists somewhere, having been collected for another purpose. *Primary data* consist of information collected for the specific purpose of research.

Collecting Secondary Data

In research usually secondary data is gathered first. A good starting point is company's own internal records/data. In addition, it can also be gathered from external sources such as commercial data, commercial data services (such as A C Nielsen) or government / industry publications. Enormous data is also available through various web sites.

Secondary data has an advantage that it can be obtained more quickly and at a lower cost than primary data. Secondary sources can at times make available data an individual company cannot collect on its own i.e. the information that either is not directly available or would be too expensive to collect.

Secondary data can also present problems. The needed information may not exist because secondary data has not been collected for the specific problem.. The researcher must evaluate secondary information carefully to make certain it is suits the requirements of the research project.

Primary Data Collection

Secondary data provide a good starting point for research and can help to define research problems and objectives. In most cases, the company must also collect primary data. Researchers must take great care when collecting primary data. They need to make sure that it will be relevant, accurate, current, and unbiased. Designing a plan for primary data collection calls for a number of decisions on *research approaches, contact methods, sampling plan,* and *research instruments.*

Research Approaches

Research approaches for gathering primary data include observation, surveys, and experiments.

Observational research involves gathering primary data by observing relevant people, actions, and situations. For example, a bank would evaluate an ATM location by checking traffic patterns, neighborhood conditions, and the location of competing

ATM’s. Researchers also observe consumer behavior to glean insights they can't obtain by just asking customers questions. This kind is best suited for exploratory research.

Survey research is the most widely used method for primary data collection. The approach best suited for gathering *descriptive* information. A company that wants to know about people's knowledge, attitudes, preferences, or buying behavior can often find out by asking them directly. The major advantage of survey research is its flexibility-it can be used to obtain many different kinds of information in many different situations. However sometimes people are unable to answer survey questions because they cannot remember or have never thought about what they do and why. Else, people may be unwilling to respond to unknown interviewers or about things they consider private. At times, respondents may answer survey questions even when they do not know the answer in order to appear smarter or more informed. In some cases, the respondents may try to help the interviewer by giving pleasing answers. Finally, busy people may not take the time, or they might resent the intrusion into their privacy.

Experimental research is best suited for gathering *causal* information. Experiments involve selecting matched groups of subjects. giving them different treatments, controlling unrelated factors, and checking for differences in responses. This kind of research is suitable to establish cause and effect relationships.

Contact Methods

Information can be collected by mail, telephone, personal interview, or online. However, *mail questionnaires* are not very flexible-all respondents answer the same questions in a fixed order. Mail surveys usually take more time to complete. The response rate often very low. Finally, the researcher often has little control over the mail questionnaire sample. Even with a good mailing list, it is hard to control-who at the mailing address fills out the questionnaire.

Telephone interviewing is the one of the best methods for gathering information quickly. Iit provides greater flexibility than mail questionnaires. Response rates tend to be higher than with mail questionnaires. However, with telephone interviewing, the cost per respondent is higher than with mail questionnaires.

Personal interviewing takes two forms-individual and group interviewing. *Individual interviewing* involves talking with people in their homes or offices, on the street, or in shopping malls. Such interviewing is flexible *Group interviewing* consists of inviting six to ten people to meet with a trained moderator to talk about a product, service, or organization. Participants normally are paid a small token amount. The moderator encourages free and easy discussion, hoping that group interactions will bring out actual feelings and thoughts. At the same time, the moderator "focuses" the discussion. The researchers and marketers watch the focus' group discussions from behind one-way glass, and comments are recorded in writing or on video for later study. Today, focus group researchers can even use videoconferencing and Internet technology to connect marketers in distant locations with live focus group action. Focus group interviewing has become one of the major marketing research tools for gaining insights into consumer thoughts and feelings.

However, focus group studies present some challenges. They usually employ small samples to keep time and costs down, and it may be hard to generalize from the results. Moreover, consumers in focus groups are not always open and honest in front of other people

Sampling Plan

Marketing researchers usually draw conclusions about large groups of consumers by studying a small sample of the total consumer population. Ideally, the sample should be representative so that the researcher can make accurate estimates of the thoughts and behaviors of the larger population.

Designing the sample requires three decisions.

1. *who* is to be surveyed (what *sampling unit)?*

2. *how many* people should be surveyed (what *sample size)?*

3. *how* should the people in the sample be *chosen* (what *sampling procedure)*

Sampling can be done by the undernoted approaches:

Probability samples, is where each member of the population has a known chance of being included in the sample. When costs of probability sampling are high, marketers can consider *non probability samples,* even though their sampling error cannot be measured.

Probability sampling could be either simple random sample, stratified random sample or cluster sample. In case of non-probability sampling, samples drawn could be convenience, judgment or quota.

Research Instruments

In collecting primary data, researchers have a choice of two main research instruments-the *questionnaire* and *mechanical devices.*

The *questionnaire* is the mostly commonly used instrument, and can be administered in person, by phone, or online. It is a very flexible instrument and there are many ways to ask questions. *Closed-end questions* include all choice of answers and the respondent make choices among them. These could be like multiple-choice questions and scale questions. *Open-end questions,* on the other hand, permit respondents to answer in their own words.

Great care must be taken in the *wording* and *ordering* of questions. Researcher should use simple, direct, unbiased wording. Questions should be arranged in a logical order. The opening question should create interest if possible, and difficult or personal questions should be asked last so that respondents do not become defensive.

Researchers also use mechanical instruments such as people meters to find out who watches which programme on TV at home. In retaining, checkout scanners are used.

Implementing the Research Plan

Next the marketing research plan is put into action. This involves collecting, processing, and analyzing the information. Data collection can be carried out by internal personnel or by outside firms .This is generally the most expensive phase and the exposed to error. It is important to implement the plan correctly.

Researchers must also process and analyze the collected data to isolate important information and findings. They need to check data for accuracy and completeness and code it for analysis. The researchers then tabulate the results and compute statistical measures.

Interpreting and Reporting the Findings

The researcher must now interpret the findings, draw conclusions, and report them to management. The researcher should not try to overwhelm managers with numbers and fancy statistical techniques. Rather, he should present important findings that are useful in the major decisions faced by management.

However, interpretation should not be left only to the researchers. The marketing manager knows more about the problem and the decisions that must be made. The best research means little if the manager blindly accepts faulty interpretations from the researcher.

Analyzing Marketing Information

Information gathered in internal databases and through marketing intelligence and marketing research usually requires more analysis. And managers may need help applying the information to their marketing decisions. This help may include advanced statistical analysis to learn more about the relationships within a set of data. Such analysis allows managers to go beyond means and standard deviations in the data and to answer questions about markets, marketing activities, and outcomes.

Information analysis might also involve a collection of analytical models that will help marketers make better decisions. Each model represents some real system, process, or outcome. These models can help answer the questions of *what if* and *which is best.*

International Marketing Research

International marketing researchers follow the same steps as domestic researchers, from defining the research problem and developing a research plan to interpreting and reporting the results. However, these researchers often face more and different problems, for instance, many foreign markets, the international researcher may have a difficult time finding good secondary data.

Because of the scarcity of good secondary data, international researchers often must collect their own primary data. Here again, researchers face problems not found domestically.

Cultural differences from country to country cause additional problems for such research. Language is the most obvious obstacle. For example, questionnaires must be pre- pared in one language and then translated into the languages of each country researched. Responses then must be translated back into the original language for analysis and interpretation. This adds to research costs and increases the risks of error. Translating a questionnaire from one language to another is anything but easy.

Public Policy and Ethics in Marketing Research

Most marketing research benefits both the sponsoring company and its consumers. Companies learn more about consumers' needs, resulting in more satisfying products and services and stronger customer relationships. Yet, the misuse of marketing research can also harm or annoy consumers. Two major public policy and ethics issues in marketing research are *intrusions on consumer privacy* and the *misuse of research findings.*