

1. MARKETING

1.1 DEFINITION OF MARKETING: **Marketing** is the process of communicating the value of a product or service to customers, for the purpose of selling that product or service.

Marketing can be looked at as an organizational function and a set of processes for creating, delivering and communicating value to customers, and customer relationship management that also benefits the organization. Marketing is the science of choosing target markets through market analysis and market segmentation, as well as understanding consumer behavior. From a societal point of view, marketing is the link between a society's material requirements and its economic patterns of response and providing superior customer value. Marketing satisfies these needs and wants through exchange processes and building long term relationships.

Marketing may be defined in several ways, depending on the role of the advertised enterprise in relation to the strategic role in positioning the firm within its competitive market. The main definition is often credited to Philip Kotler, recognized as the originator of the most recent developments in the field, for the works that appeared from 1967 to 2009, with the latest work born from the last economic crisis: *Chaotics*.

History

The origins of the concept of marketing have their roots with the Italian economist Giancarlo Pallavicini in 1959. These roots are accompanied by the initial in-depth market research, constituting the first instruments of what became the modern marketing, resumed and developed at a later time by Philip Kotler. Giancarlo Pallavicini introduces, the following definitions: Marketing is defined as a social and managerial process designed to meet the needs and requirements of consumers through the processes of creating and exchanging products and values. It is the art and science of identifying, creating and delivering value to meet the needs of a target market, making a profit : delivery of satisfaction at a price.

Contemporary approaches

Recent approaches in marketing include *relationship marketing* with focus on the customer, *business marketing* or *industrial marketing* with focus on an organization or institution and *social marketing* with focus on benefits to society. New forms of marketing also use the internet and are therefore called *internet marketing* or more generally *e-marketing*, *online marketing*, "digital marketing", search engine marketing, or *desktop advertising*. It attempts to perfect the segmentation strategy used in traditional marketing. It targets its audience more

precisely, and is sometimes called personalized marketing or one-to-one marketing. Internet marketing is sometimes considered to be broad in scope, because it not only refers to marketing on the Internet, but also includes marketing done via e-mail, wireless media as well as driving audience from traditional marketing methods like radio and billboard to internet properties or landing page.

Customer orientation



Constructive criticism helps marketers adapt offerings to meet changing customer needs.

A firm in the market economy survives by producing goods that persons are willing and able to buy. Consequently, ascertaining consumer demand is vital for a firm's future viability and even existence as a going concern. Many companies today have a customer focus (or market orientation). This implies that the company focuses its activities and products on consumer demands. Generally, there are three ways of doing this: the customer-driven approach, the market change identification approach and the product innovation approach.

In the consumer-driven approach, consumer wants are the drivers of all strategic marketing decisions. No strategy is pursued until it passes the test of consumer research. Every aspect of a market offering, including the nature of the product itself, is driven by the needs of potential consumers. The starting point is always the consumer. The rationale for this approach is that there is no reason to spend R&D (research and development) funds developing products that people will not buy. History attests to many products that were commercial failures in spite of being technological breakthroughs.

A formal approach to this customer-focused marketing is known as **SIVA** (Solution, Information, Value, Access). This system is basically the four Ps renamed and reworded to provide a customer focus. The SIVA Model provides a demand/customer-centric alternative to the well-known 4Ps supply side model (product, price, placement, promotion) of marketing management.

Product → Solution

Promotion → Information

Price → Value

Place (Distribution) → Access

If any of the 4Ps were problematic or were not in the marketing factor of the business, the business could be in trouble and so other companies may appear in the surroundings of the company, so the consumer demand on its products will decrease. However, in recent years service marketing has widened the domains to be considered, contributing to the 7P's of marketing in total. The other 3P's of service marketing are: process, physical environment and people. Some consider there to be a fifth "P": positioning.

Some qualifications or caveats for customer focus exist. They do not invalidate or contradict the principle of customer focus; rather, they simply add extra dimensions of awareness and caution to it.

The work of Christensen and colleagues on disruptive technology has produced a theoretical framework that explains the failure of firms not because they were technologically inept (often quite the opposite), but because the value networks in which they profitably operated included customers who could not value a disruptive innovation at the time and capability state of its emergence and thus actively dissuaded the firms from developing it. The lessons drawn from this work include:

- Taking customer focus with a grain of salt, treating it as only a subset of one's corporate strategy rather than the sole driving factor. This means looking beyond current-state customer focus to predict what customers will be demanding some years in the future, even if they themselves discount the prediction.
- Pursuing new markets (thus new value networks) when they are still in a commercially inferior or unattractive state, simply because their potential to grow and intersect with established markets and value networks looks like a likely bet. This may involve buying stakes in the stock of smaller firms,

acquiring them outright, or incubating small, financially distinct units within one's organization to compete against them.

Other caveats of customer focus are:

- The extent to which what customers *say* they want does not match their purchasing decisions. Thus surveys of customers might claim that 70% of a restaurant's customers want healthier choices on the menu, but only 10% of them actually buy the new items once they are offered. This might be acceptable except for the extent to which those items are money-losing propositions for the business, bleeding red ink. A lesson from this type of situation is to be smarter about the true test validity of instruments like surveys. A corollary argument is that "truly understanding customers sometimes means understanding them better than they understand themselves." Thus one could argue that the principle of customer focus, or being close to the customers, is not violated here—just expanded upon.
- The extent to which customers are currently ignorant of what one might argue they *should* want—which is dicey because whether it can be acted upon affordably depends on whether or how soon the customers will learn, or be convinced, otherwise. IT hardware and software capabilities and automobile features are examples. Customers who in 1997 said that they would not place any value on internet browsing capability on a mobile phone, or 6% better fuel efficiency in their vehicle, might say something different today, because the value proposition of those opportunities has changed.

Organizational orientation

In this sense, a firm's marketing department is often seen as of prime importance within the functional level of an organization. Information from an organization's marketing department would be used to guide the actions of other departments within the firm. As an example, a marketing department could ascertain (via marketing research) that consumers desired a new type of product, or a new usage for an existing product. With this in mind, the marketing department would inform the R&D (research and development) department to create a prototype of a product or service based on the consumers' new desires.

The production department would then start to manufacture the product, while the marketing department would focus on the promotion, distribution, pricing, etc. of the product. Additionally, a firm's finance department would be consulted, with respect to securing appropriate funding for the development, production and promotion of the product. Inter-departmental conflicts may occur, should a firm

adhere to the marketing orientation. Production may oppose the installation, support and servicing of new capital stock, which may be needed to manufacture a new product. Finance may oppose the required capital expenditure, since it could undermine a healthy cash flow for the organization.

Herd behavior

Herd behavior in marketing is used to explain the dependencies of customers' mutual behavior. *The Economist* reported a recent conference in Rome on the subject of the simulation of adaptive human behavior. It shared mechanisms to increase impulse buying and get people "to buy more by playing on the herd instinct." The basic idea is that people will buy more of products that are seen to be popular, and several feedback mechanisms to get product popularity information to consumers are mentioned, including smart card technology and the use of Radio Frequency Identification Tag technology. A "swarm-moves" model was introduced by a Florida Institute of Technology researcher, which is appealing to supermarkets because it can "increase sales without the need to give people discounts." Other recent studies on the "power of social influence" include an "artificial music market in which some 19,000 people downloaded previously unknown songs" (Columbia University, New York); a Japanese chain of convenience stores which orders its products based on "sales data from department stores and research companies;" a Massachusetts company exploiting knowledge of social networking to improve sales; and online retailers such as Amazon.com who are increasingly informing customers about which products are popular with like-minded customers.

Further orientations

- An emerging area of study and practice concerns *internal marketing*, or how employees are trained and managed to deliver the brand in a way that positively impacts the acquisition and retention of customers, see also *employer branding*.
- *Diffusion of innovations* research explores how and why people adopt new products, services, and ideas.
- With consumers' eroding attention span and willingness to give time to advertising messages, marketers are turning to forms of *permission marketing* such as *branded content*, *custom media* and *reality marketing*.

Marketing research

Marketing research involves conducting research to support marketing activities, and the statistical interpretation of data into information. This information is then

used by managers to plan marketing activities, gauge the nature of a firm's marketing environment and attain information from suppliers.

Marketing researchers use statistical methods such as quantitative research, qualitative research, hypothesis tests, Chi-squared tests, linear regression, correlations, frequency distributions, Poisson, binomial distributions, etc. to interpret their findings and convert data into information. The marketing research process spans a number of stages, including the definition of a problem, development of a research plan, collection and interpretation of data and disseminating information formally in the form of a report. The task of marketing research is to provide management with relevant, accurate, reliable, valid, and current information.

A distinction should be made between marketing research and market research. Market research pertains to research in a given market. As an example, a firm may conduct research in a target market, after selecting a suitable market segment. In contrast, marketing research relates to all research conducted within marketing. Thus, market research is a subset of marketing research.

Marketing environment

Staying ahead of the consumer is an important part of a marketer's job. It is important to understand the "marketing environment" in order to comprehend the consumers concerns, motivations and to adjust the product according to the consumers needs. Marketers use the process of *marketing environmental scans*, which continually acquires information on events occurring outside the organization to identify trends, opportunities and threats to a business.

The six key elements of a marketing scan are the *demographic forces*, *socio-cultural forces*, *economic forces*, *regulatory forces*, *competitive forces*, and *technological forces*. Marketers must look at where the threats and opportunities stem from in the world around the consumer to maintain a productive and profitable business.

The **market environment** is a marketing term and refers to factors and forces that affect a firm's ability to build and maintain successful relationships with customers. Three levels of the environment are: Micro (internal) environment - forces within the company that affect its ability to serve its customers. Meso environment – the industry in which a company operates and the industry's market(s). Macro (national) environment - larger societal forces that affect the microenvironment.

Market segmentation

Market segmentation pertains to the division of a market of consumers into persons with similar needs and wants. For instance, Kellogg's cereals, Frosties are

marketed to children. Crunchy Nut Cornflakes are marketed to adults. Both goods denote two products which are marketed to two distinct groups of persons, both with similar needs, traits, and wants. In another example, Sun Microsystems can use market segmentation to classify its clients according to their promptness to adopt new products.

Market segmentation allows for a better allocation of a firm's finite resources. A firm only possesses a certain amount of resources. Accordingly, it must make choices (and incur the related costs) in servicing specific groups of consumers. In this way, the diversified tastes of contemporary Western consumers can be served better. With growing diversity in the tastes of modern consumers, firms are taking note of the benefit of servicing a multiplicity of new markets.

Market segmentation can be viewed as a key dynamic in interpreting and executing a logical perspective of Strategic Marketing Planning. The manifestation of this process is considered by many traditional thinkers to include the following; *Segmenting, Targeting* and *Positioning*.

Types of market research

Market research, as a sub-set aspect of marketing activities, can be divided into the following parts:

- Primary research (also known as field research), which involves the conduction and compilation of research for a specific purpose.
- Secondary research (also referred to as desk research), initially conducted for one purpose, but often used to support another purpose or end goal.

By these definitions, an example of primary research would be market research conducted into health foods, which is used *solely* to ascertain the needs/wants of the target market for health foods. Secondary research in this case would be research pertaining to health foods, but used by a firm wishing to develop an unrelated product.

Primary research is often expensive to prepare, collect and interpret from data to information. Nevertheless, while secondary research is relatively inexpensive, it often can become outdated and outmoded, given that it is used for a purpose other than the one for which it was intended. Primary research can also be broken down into quantitative research and qualitative research, which, as the terms suggest, pertain to numerical and non-numerical research methods and techniques, respectively. The appropriateness of each mode of research depends on whether data can be quantified (quantitative research), or whether subjective, non-numeric or abstract concepts are required to be studied (qualitative research).

There also exist additional modes of marketing research, which are:

- Exploratory research, pertaining to research that investigates an assumption.
- Descriptive research, which, as the term suggests, describes "what is".
- Predictive research, meaning research conducted to predict a future occurrence.
- Conclusive research, for the purpose of deriving a conclusion via a research process.

1.2 FUNCTION OF MARKETING

1.3 OBJECTIVES OF THE MARKETING

1.4 MICROENVIRONMENT OF MARKETING

1.5 MACROENVIRONMENT OF MARKETING