Introduction to Marketing

WHAT IS MARKETING

1. How to communicate & advertise your product to your target market (niche market)/chose customer base.

2. Was known as a philosophy that stressed satisfying the needs & wants of consumers & building & maintaining long-term relationships with consumers and stakeholders to achieve **loyalty**. Loyalty is important as it means guaranteed income & its cheaper to maintain existing customers than to advertise to new customers.

3. Process by which organizations **add/create value** for customers in the form of goods & services and continuously satisfying these needs & wants.

4. Marketing is the delivery of customer satisfaction at a profit. **Goals= attract new customers by promising superior value & keep and grow current customers by delivering satisfaction.**

5. **Dr Phillip Kotler Definition:** *A social & managerial process whereby individuals and groups obtain what they want through creating & exchanging products & values with others.*

MARKETING PROCESS

1. Customers needs are identified **(includes potential customers).**

2. Develop product/service that will address customer needs

3. Communicate the value of the product/service to potential customers

4. Customers urged to purchase the product/service at a certain price to satisfy their needs/wants

5. Relationship with customer is initiated once a sale has been made & the customer is satisfied. **The relationship must be maintained.**

Introduction to Marketing (cont)

MARKETING MANAGEMENT PHILOSOPHIES

~production/product orientation: focus on internal capabilities, not external requirements of customers.

~sales orientation: aggressive sales techniques with an emphasis on needs of sellers not the buyer.

~marketing orientation: satisfying customer needs as efficiently & effectively as possible while meeting objectives. *(integrating organization's activities to satisfy customer needs & wants. All activities must work together. What happens in one department, affects another department.)*

Benefits that Create Value

Functional Benefits

Tangible benefits like reliability, speed, durability, size & features. Usually when purchasing *cellphone or laptops*

Emotional Benefits

A sense of achievement, joy, pleasure or excitement is experienced when purchasing the product or service.

Image Benefits

Products/services that offer value by enhancing social status & self-image. This is usually with *luxury goods*

Social Benefits

Usually come in the form of compliments when one is wearing something fashionable and trendy.

Service Benefits

Customers frequently evaluate, compare and value services such as delivery, training, maintenance and consultation when purchasing a product

Experiential Benefits

Benefits that Create Value (cont)

Sensory excitement customer feels from using the product or service

Exchange

Exchanging simply means that people give up something of value for something else they value.

Five conditions must be present for an exchange to take place

1. There must be at least **two** parties involved

2. Each party must have something of value

3. Each party must be free to **accept or reject** the exchange offer

4. Each party must be willing to deal with the other party

5. Parties must be capable of communicating with each other

SWOT Analysis

Strengths are what the business does particularly well, that sets it apart from competitors

Weaknesses are areas business needs to improve on

Opportunities are factors that benefit the business

Threats are factors that negatively affect the business

Internal Environment - Strengths & Weaknesses

External Environment - Opportunities & Threats

Advertising Strategies

Contains the marketing objectives, strategies (growth strategies), target market identification, value proposition, differential advantage & application of sub-strategies of the product, distribution, price & marketing communication.

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Advertising Strategies (cont)

Market Segmentation is the division of the broad market into identifiable segments that display similar responses towards marketing actions.

4Ps - Marketing Mix

Product - quality, design, features, brand name, packaging, labelling, service, guarantees

Place (Distribution) - different channels, transportation, outlet location, logistics, coverage, inventory

Price - list price, discounts & allowances, credit facilities, price differentials, cost & profit

Promotion (Marketing Communication) - advertising, sales promotion, direct marketing, sponsorships, salespeople, publicity, public relations, digital marketing

PESTLE Analysis

POLITICAL

Political Solidarity, changes in the government, legislation, government policies

ECONOMIC

Levels of economic growth, monetary policy & interest rates, fiscal policy, rate of inflation, currency exchange rates

SOCIAL

Demographic forces, cultural forces

TECHNOLOGICAL

Introduction of new products/improved products & services are provided, improvements in production process, improvements in the way markets are identified & services are provided

LEGAL

Protecting consumers & promoting fair competition

NATURAL ENVIRONMENT

Processes & materials used to produce products

Maslow's Hierarchy of Needs

Physiological Needs

Most basic needs necessary for survival, food, water, sex & sleep

Safety Needs

Need for safety, health, shelter & security

Social Needs

Need for belonging, love, friendship & social acceptance

Esteem Needs

Need for status, prestige, respect & social standing drive motivation for luxury goods

Self-Actualization

Need for self-fulfillment is the highest order of motivation

All these needs are motivate people's purchases of certain products and services. Individual actions are affected by a complex set of motives and even these individuals cannot identify what motivates them to purchase what they do.

The Consumer Adoption Process

Risks

Financial - money spent may be wasted if need is not met

Functional - product may not perform according to expectations

Social - product may lower consumer's standing amongst contemporaries

Physical - product may cause harm to consumer

The Five Stages in the Decision-making process

1. Awareness: consumer becomes aware of product/service but has no info on it

2. Interest: consumer becomes interested in product/service & begins finding information on it

The Consumer Adoption Process (cont)

3. Evaluation: based on information gathered, they decide whether or not to try the product/service

4. Trial: consumer decides to try product on a limited first-buy basis, in order to improve the information on the product/service based on experience

5. Adoption/Rejection: consumer either makes a full commitment to adopt the product or rejects it

Rogers' Innovation Adoption Model

Innovators - these are the more adventurous risk-taking consumers who are eager to try something new

Early Adopters - well educated, opinion-leaders in their communities. They take calculated risks & are cautious even though they buy early

Early Majority - cautious consumers who adopt product once its success has been proven

Late Majority - skeptical group who only purchase product after majority has purchased it. Usually of an older demographic

Laggards - this group dislikes change, are generally conservative & suspicious of new things. Will only adopt product once it has developed its own traditional status

The Organizational Buying Process

The buying process that organizations follow is different from that of individual consumers

1. Businesses usually purchase products/-services to fit specific business need with emphasis on economic benefits and they follow a rational decision-making process

2. The purchasing process tends to be lengthier, more technical & usually involves a team of people. Also they buy in large quantities and investment

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The Organizational Buying Process (cont)

3. Impact of product failure or supply disruption can be more severe in an organizational context & switching suppliers can be time consuming and difficult

Types of Buying

Straight/routine re-buy: regular re-orders low-risk, frequently purchased items like office supplies & consumables.

Modified re-buy: arises when there is prior experience with the product but a need exists for a review or modification

New task buying : product is purchased for the first time by organization. Because there is no prior experience, the number of people & divisions involved will be greater and much more information will need to be gathered. Amount of effort put in will be proportional to the level of risk, costs and returns and may take longer to finalize

THE PROCESS

problem recognition > general need description > product specification > supplier search > proposal solicitation > supplier selection > order-routine specification > performance review

Buying centre are those involved in the buying process

Initiators - people who recognize for the product/service and initiate the buying process

Influencers - those who have an influence, usually through skills & expertise on the outcome of the decision-making process.

Deciders - people who have formal/informal authority to decide on product specifications or the final approved suppliers

The Organizational Buying Process (cont)

Buyers - have final, *formal* authority to select suppliers, negotiate with them & conclude transactions.

Gatekeepers - exercise control over purchasing decisions or some aspect of purchasing decisions

The STP Process

Segmentation, Targeting & Positioning 'go-to-market' process is made up of 6 steps

1. Identify the segmentation variables & segment the market

2. Develop profiles of the segments

3. Evaluate the attractiveness of each segment

4. Select the target segments

5. Identify possible positioning concepts for each target segment

6. Select, develop & communicate the chosen positioning concept

Segmentation: when you divide a group of individuals within a broad mass market into smaller groups of with similar characteristics, who are expected to have similar expectations and are seeking similar benefits from a specific product

Targeting: involves a careful profiling & evaluation of each segment & then, on the basis of specified assessment criteria, deciding which segment/segments the company should target for its products

Positioning: can be described as the 'position' a product holds in the mind of the consumer, relative to the offerings of competitors

Bases of Market Segmentation

Geographic Segmentation - region, size of city, density & climate

Demographic Segmentation - age, gender, family size, income, occupation, religion, race & education

The STP Process (cont)

Psychographic Segmentation - lifestyle, personality & social class

Benefits Segmentation - specific benefits required by customers

Market-Value-Based Segmentation - performance/ social value of a product

Segment Assessment

Accessibility: is the selected target segment available to distribute to & communicate with?

Defendability: does the company's product have a distinct differential advantage over the competitor's products so that it is able to defend its chosen position within the target market?

Tangibility: is the target segment of a sufficient size to make it profitable & allow for a good return on the marketing investment?

Distinctiveness: is the target segment different enough from the other target segments to allow for the achievement of a clear product differentiate?

Product Positioning

Product Attribute: company uses a distinctive attribute on which to position its product

Product Benefit: company selects a unique product benefit

Price vs. Quality: focuses on superior quality or the best value for money/lowest price

Use/Application Positioning: method is based on usage/application

Product User: based on a consumer/end-user focus

Competitor: company positions its product offering directly against its competitor

Origin: focus on where the product comes from

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Types of Advertising

Pioneer Advertising

Used to promote new product/service

Competitive Advertising

When product enters *growth phase* in its life cycle & competitors enter the market.

Comparative Advertising

Used when 2 or more products are compared in an advertisement when the message is that one is better than the other.

Reminder Advertising

Used in the maturity stage of the product to remind consumers of the product and its availability.

Institutional Advertising

Used to promote idea or the corporation as a whole.

Marketing Communication Elements

Companies can choose one of two marketing communication mix strategies:

Push Strategy

The product is pushed through the distribution channel to final customers. Manufacturer directs its marketing activities at channel members to induce them to carry the product & to promote it to final consumers

Pull Strategy

Manufacturer directs its marketing activities at final consumers to convince them to buy the product. If the strategy is effective, consumers will demand the product from distribution channel members & they will demand it from manufacturers. *Consumer demand will therefore 'pull' the product through the channel.*

Pricing - Competition Based Methods

Price Skimming

Used when a product is brand new & unique. This involves setting the price as high as possible. This makes it easier for competitors to come in because its lucrative.

Penetration Pricing

The opposite of price skimming. Product is introduced at a low price, just enough to cover the cost of manufacturing.

Customary Pricing (hardly done in South Africa)

Products & services are priced based on tradition.

Above/Below Competitors' Prices

Usually, businesses are trying to establish price level, taking competitors' pricing into consideration

Upstream & Downstream Activities

Upstream Activities

Includes all activities performed by suppliers of raw materials, capital equipment supplies such as manufacturing equipment, component manufacturers & financing.

Downstream Activities

Include well-known intermediaries such as wholesalers & retailers that deliver the final product to the customer.

The Product Life Cycle

Introduction Stage

New product is introduced to market. Production & marketing costs are high, there is a small market, sales are limited & price is often high.

Growth Stage

The Product Life Cycle (cont)

As sales increased, this stage is characterized by a robust growth in both sales & profits. Organization benefits from economies of scale in production, resulting in increased profits & sales.

Maturity Stage

Occurs when organization is well-established and aims to maintain their market share. Competition is high and this is when improvements & modifications become necessary

Decline Stage

Market for a product starts to decrease as the market becomes saturated. Sometimes a product may go into a **renewable stage** when the organization may find a way to market it or when there is a renewed interest for the product.

Packaging

Defined as the use of containers & wrapping material, plastic decoration & labelling to protect the product to help & promote its role & make it convenient for the customer to use the product.

Functions of Packaging

- To protect and contain products so that they can be transported & stored effectively and safely.

- To promote a product by differentiating it from competing products through the use of specific materials, colours, shapes & designs.

- Storage, use & convenience of products

- Refers more to the emphasis being placed on recycling & reducing the environmental impact of packaging

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Types of Media

Television

Advantages: mass coverage, high reach, impact of sight & sound, high prestige, low cost per exposure, attention-grabbing

Disadvantages: low selectivity, short message life, high absolute cost, high production costs, clutter

Radio

Advantages: local coverage, low cost, high frequency, flexible, low production costs

Disadvantages: audio only, clutter, low attention grabbing, fleeting message

Magazines

Advantages: segmentation potential, quality reproduction, high information content, longevity

Disadvantages: long lead time for ad placement, visuals only, lack of flexibility

Newspapers

Advantages: high coverage, low cost, short lead time for placing ads, timely/current

Disadvantages: short life, clutter, low attention-grabbing capabilities, poor reproduction quality

Outdoor

Advantages: location-specific, high repetition, easily noticed

Disadvantages: short exposure time requires short ad, local restrictions

Internet & Interactive Media

Advantages: user selects information, user attention & involvement, interactive relationship, direct selling potential

Disadvantages: crowded access, technology limitations, limited reach, few valid measurement

The Services Marketing Triangle

Any services marketer who wants to be successful will have to carefully consider the various issues that are associated with services marketing.

The **SERVICES MARKETING TRIANGLE** identifies 3 key role players that are essential to the success of a service offering.

The 3 role-players are: **The Company**, **The Providers** & **The Customers/Clients**

It is essential that these three role-players interact positively to ensure that quality service is delivered.

To manage these role-players, there are three **types of marketing** carried out. These are:

External Marketing: Making Promises

Involves communication from the **company to the consumer** to offer its services & establish expectations about the service level that the client can expect from the company. Usually comes in the form of *television advertisements, magazine advertisements, personal selling, e-mails or via a website promotion*. The primary focus here is **making promises**. Businesses are under pressure to fulfil these promises.

Interactive Marketing: Keeping Promises

Occurs between **clients and the service delivery personnel.** Happens at a time when the client and the service delivery personnel come into contact & the service is performed. Every effort is made by the delivery staff to ensure that the service delivered is of the highest quality and matches/exceeds the clients' expectations.

Internal Marketing: Enabling Promises

The Services Marketing Triangle (cont)

Simply involves training the employees & giving them the necessary tools & skills to perform their jobs at the highest level, so that the client is satisfied with the service that is delivered/performed. This is to prevent the client taking their business elsewhere.

The Service Product Levels

With the service product, a certain level of service is expected and determines a client's level of satisfaction. Service Marketers need to pay attention to four service product levels.

Core Service

This is the basic service offered to the client and must be performed to deliver any form of satisfaction. This is the reason the organization is in business.

Expected Service

The minimum level of service expected by the client and must be present if any level of satisfaction is to be experienced by the client. Its expected by the client, by any provider of a similar service in a specific industry.

Desired Service

Represents client's ideal service but it is over and above expected service level. Businesses that offer this level of service look to differentiate themselves from their competitors. Client does not expect this level of service but it definitely impresses them.

Unexpected Service

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The Service Product Levels (cont)

Exceeds a client's expectations and desired level of service. Comes as a real surprise to the client and add significant value to the service, in their eyes. Strongly differentiates organization from its competitors.

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