

Unit 1

Marketing

Learning Outcomes

When you have worked through this unit, you will be able to:

- Demonstrate an understanding of a definition of marketing.
- Discuss the evolution of the marketing concept.
- Demonstrate an appreciation of how the marketing concept has impacted on the marketing function within commercial and other organisations.
- Understand customer orientation and how it affects the structure of organisations.
- Understand the relationship between sales and marketing.
- Demonstrate an understanding of the basic elements of market segmentation.
- Give an insight into the importance of market segmentation as a tool for categorising customers into groups.
- Highlight the importance of marketing research and its contribution to informing the decision-making process.
- Discuss the elements of the marketing mix.
- Explain the importance of effective customer care and the role of the sales person in fulfilling this function.

Introduction

In the first two sections of this unit we will be considering the evolution of marketing as a business philosophy and function. The focus will be on understanding the concepts of marketing and

customer orientation and examining how, through focusing on the customer, the ethos of long-term customer relationships can be achieved.

The final section of the unit discusses the various tools of marketing that underpin the marketing and sales process within the organisation. This section will provide you with an introduction to four major categories of marketing tools:

- Market segmentation.
- Market research.
- The marketing mix.
- Customer care.

Marketing as a Philosophy

What Marketing is – and is not

Marketing is a fairly recent phenomenon in business, which has developed since the early 1950's. Given this, it is hardly surprising that the term 'marketing' is often misunderstood. Many firms have yet to encompass the marketing philosophy, though almost all profess to do so.

Many of the ideas embodied in the marketing concept have been developed by successful sales professionals. They intuitively applied what are now thought of as marketing principles, such as:

- Selling benefits.
- Identifying potential and new customers.
- Making the purchase process easy.
- Satisfying customers.
- Developing relationships with existing customers.
- Beating the competition.
- Identifying customer needs and wants.
- Delivering exemplary customer service.

QUESTION ACTIVITY



Can you think of a few more to add to the list?

What is fairly obvious is that any definitions of marketing or of sales, are going to have many common factors and there is a clear overlap between the two professions and their functions in business.

Before trying to define marketing, let's consider what marketing is not, before considering what marketing is.

- Marketing is not persuading people to buy what they do not need or want.
- Marketing will not create markets that do not exist.
- Marketing is not just advertising or selling.
- Marketing cannot sell products consumers do not want.

These are rarely misunderstood by people in the business of Sales or Marketing; they are usually the uninformed opinions of people outside the profession, often outside business and management altogether.

KEY POINT

Most people make choices based on personal preferences not only to satisfy needs but also to achieve wants and desires.



WRITTEN ACTIVITY

Having now looked at what marketing is not, what do you think marketing is? Have a go at writing a definition below.



My definition of what marketing is:



ACTIVITY FEEDBACK

Philip Kotler is probably the world's foremost marketing guru. Since writing his first book, "Marketing Management" in 1967, marketing has been defined as a function of management with scientific rigour, models and statistical analysis. Kotler has the knack of simplifying complex issues and describing simple concepts, e.g. "Marketing is basically a matter of exchange in different contexts"; "...the art of creating genuine customer value"; and of "...fulfilling customer needs profitably".

This is further explained in Illustration 1.1 which shows a simplified marketing system.

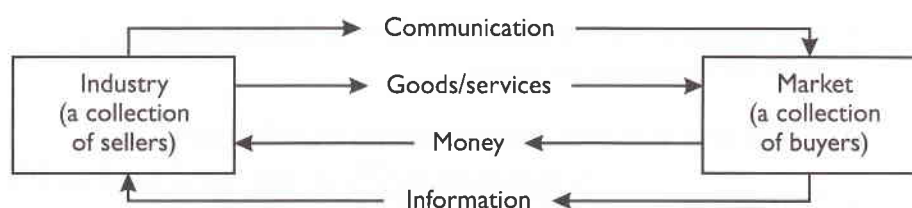


Illustration 1.1. A simple marketing system.

In this model:

- The *industry* is defined as sellers, such as you.
- The *market* relates to those who are buyers, i.e. your existing or potential customers identified by targeting specific groups of people.
- The seller sends communications about the products/services via mediums such as advertising, direct mail, etc. to the buyer.
- In return, the seller receives money and market information.

The Chartered Institute of Marketing (CIM) defines Marketing as:

'Marketing is the Management process responsible for identifying, anticipating and satisfying customer requirements profitably'.

It is clear that marketing is something we are exposed to constantly. When we buy products and services, see advertisements, participate in

market research or surf the net, we are experiencing aspects of marketing. Firms try to ensure that they have a coordinated, cost-effective approach to marketing. They identify their target markets and customers' needs and try to provide the right product at the right price and in the right place. Knowing our customers and anticipating their requirements is fundamental to effective marketing.

WRITTEN ACTIVITY

Re-read the definitions given in the text and your own definition of Marketing. Which one do you feel your current role and organisation, or an organisation you know well, fits most closely?



Describe why.

ACTIVITY FEEDBACK

In your definition, you may not have used the word 'profitably' as shown in the CIM definition. There are many organisations, in both the public and voluntary sectors which are non-profit making, such as Education or Social Services and the National Health Service (NHS), they too identify their customers and target services to satisfy wants and needs. They are increasingly market oriented and customer focused and yet they would not regard profit as one of their aims or objectives.

You may also have considered a particular company's or product's objectives where profit may be sacrificed for strategic reasons. An example of this is to increase market share or discourage new entrants into a market.



Customer Orientation

Marketing as a business philosophy sees customer satisfaction as the key to the on-going success of an organisation. The customer should be the centre of the universe and the organisation is there to ensure that the customer experiences 'customer delight'.



QUESTION ACTIVITY

Consider the following statements and how they may/may not relate to your organisation:

- A customer is the most important person in the business.
- Without the customer, there would be no business.
- Customers are not dependent upon you, you depend upon them.
- A customer is not an interruption to our work; they are the purpose of it.
- A customer is not a statistic but a living being with emotions and feelings.
- A customer comes to you because they need something; it is therefore your job to provide them with what they want and in a way expected by them.



ACTIVITY FEEDBACK

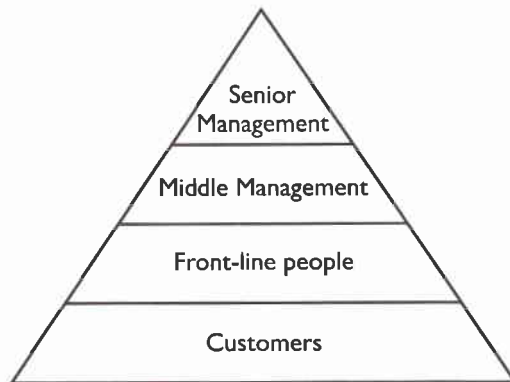
Some or all of the above may be familiar to you as typical slogans and values that a customer-focused organisation would instil as part of its mission and philosophy. It involves making the customer central to all activities and is a result of everyone in the organisation developing the same 'mindset'.

Organisations that realise and adopt the principle of being customer focused often exhibit the following types of characteristics:

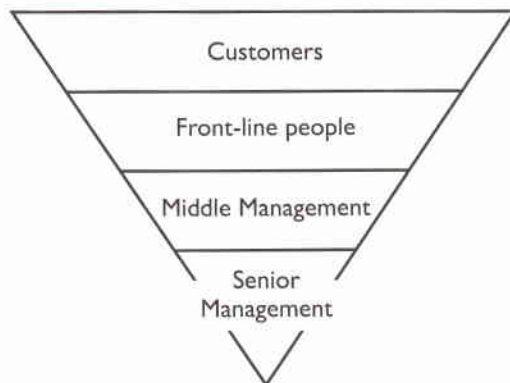
- Customers are central to all organisational activities.

- Customers are a key element in the formulation of organisational plans and strategies.
- The views and opinions of customers are fundamental in making business decisions.
- Systems and structures are all designed to be ‘customer friendly’.
- Customers find it easy to do business with you.

In terms of being customer-focused, organisations will exhibit a structure, which contradicts the traditional pyramid structure associated with many organisations. This is shown in Illustration 1.2.



a) Traditional hierarchical organisational structure



b) Modern customer orientated organisational structure

Illustration 1.2. Traditional and customer orientated organisational structures.

Acquiring new customers requires an organisation to constantly monitor its environment and to ensure that it acts upon any opportunity presented to meet the changing needs of its potential customers. In order to retain customers the organisation must minimise or avoid threats to an established customer base, either from changes in existing customer needs or from competitor activities.

Profitable customers are those who have the potential to generate revenues that will more than exceed the costs of the business. Organisations must ensure that they focus their attentions on profitable business rather than pursue any customers at any price. In today's world we, as customers, can exercise freedom of choice when we purchase products or services. No organisation, large or small, has any real chance of survival unless it delivers to the market what the customer needs and wants.



WRITTEN ACTIVITY

To understand what your customers want, you firstly need to understand what business you are in and how your business operates. As a result, for the business in which you work, answer the following questions: -

1. Describe what you do.

2. What Business are you in? Describe the market you are in, services/products you provide and the customers that you serve.

3. What are your resources: People, skills and competencies, systems and procedures, etc?

4. What are you particularly good at doing?

ACTIVITY FEEDBACK

You should have found this a useful exercise in relation to understanding how your organisation operates and ultimately it should have started you thinking about how you may meet the needs of your customers. As you progress through this unit, it is imperative that you begin to think about what your customers want and expect from you. As will be seen later, this should be based upon the principle of gathering information about what the customer wants and expects, so that you can then use that information to form the bedrock of your marketing strategy.



The Marketing Concept

The 'marketing concept' in the words of Kotler et al. (Dibb et al, 1996):

"Holds that achieving organisational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and more efficiently than competitors do."