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Marketing

Learning Objectives

- When you have completed this module you will be able to define the key concepts associated with Marketing and you will be able to:
- Identify the main obstacles to effective marketing
- Understand the marketing process

Learning Objectives

- Understand a range of tools and techniques for marketing
- Use these techniques to build an effective marketing process
- Explain the benefits of having an effective marketing process in the organization

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Introduction

What is Marketing?

Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products of value with others.

(Kotler, 1991)

Marketing in The Organizational Context

- Marketing can be seen as having two main components when viewed in the organizational context:
 - Analysis - of the market situation, competitors, products and customers
 - Activity - using the information gained in the analysis to activate tasks and ensure that the products have the desired impact on the overall market

Marketing in The Organization

- Marketing is an activity that best functions when it is seen as part of everyone's job and not the sole remit of the marketing department
- Marketing is not the same as Sales
- Marketing involves all aspects of the organization that can impact on the product from concept to obsolescence

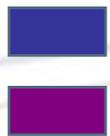
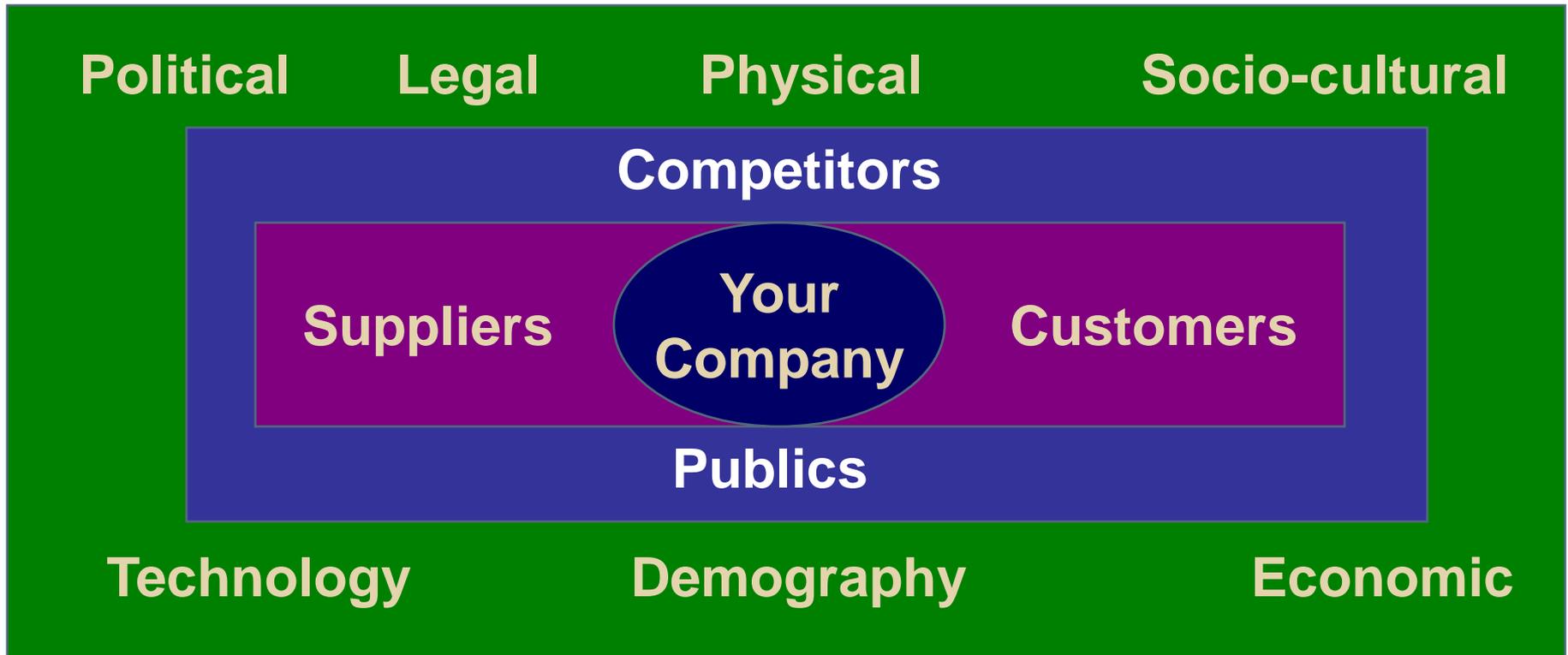
Core Concepts of Marketing

- The core concepts of marketing can be defined as
 - Needs
 - Wants / Demands
 - Products
 - Value
 - Cost
 - Satisfaction
 - Exchange / Transaction
 - Relationships
 - Markets & Marketeers

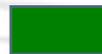
The Marketing Environment

- Where we do business is the market This is composed of and influenced by many entities such as:
 - Governments
 - Socio-cultural aspects
 - Economics
 - Competitors
 - Suppliers
 - Customers
 - Employees
 - Technology

The Marketing Environment



Microenvironment



Macroenvironment

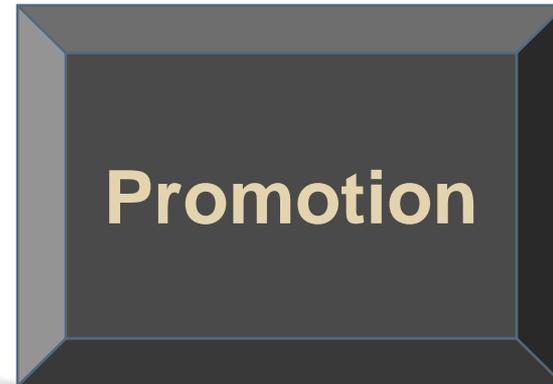
The Aims of Marketing

- The main aims of marketing are two-fold:
 - the provision of superior customer value
 - the generation of above average profits

Setting the Scene

- Marketing is designed around building answers to 4 key questions:
 - What are we offering? --- Product
 - How much are we charging for it? -- Price
 - How and where are we selling it? -- Place
 - How will people be persuaded to buy? -- Promotion

Classical 4 P Marketing



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Product

Defining the Product

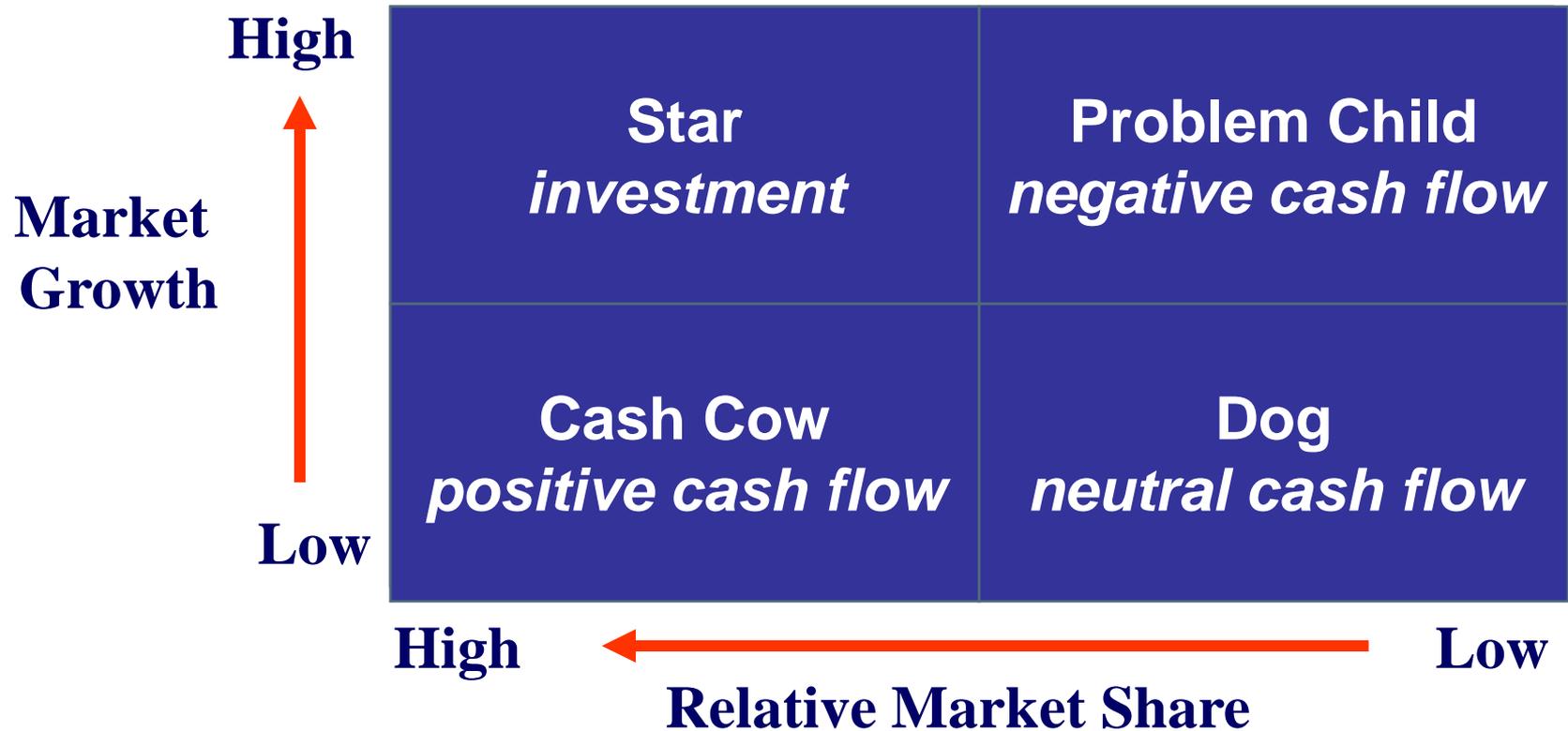
- A product is a bundle of benefits that meet a customer's needs
 - Organizations produce products
 - Customers buy products

Product Life Cycle

- Products go through a life cycle with the following stages:
 - Introduction
 - Growth
 - Maturity
 - Decline

Each stage will be defined by the level of sales and profit for the product. The time line for passing through each stage will be different for different products.

The BCG Matrix



The Boston Consulting Group Matrix

- The 'Boston Box' is essentially an analytical tool for looking at the stage of life cycle of products in an organization's portfolio
 - Dogs - are the products where there is little demand, low market share and low or zero market growth They are at the end of their life-cycle
 - Stars - these are products that have captured high market share in a fast growing market

The Boston Consulting Group Matrix

- Problem Children - these are products that are in a fast growing market but have not yet achieved high market share
- Cash cows - the organization benefits from the return on these products which enjoy a high market share in a low growth market segment They provide the cash to fund product development

New Products

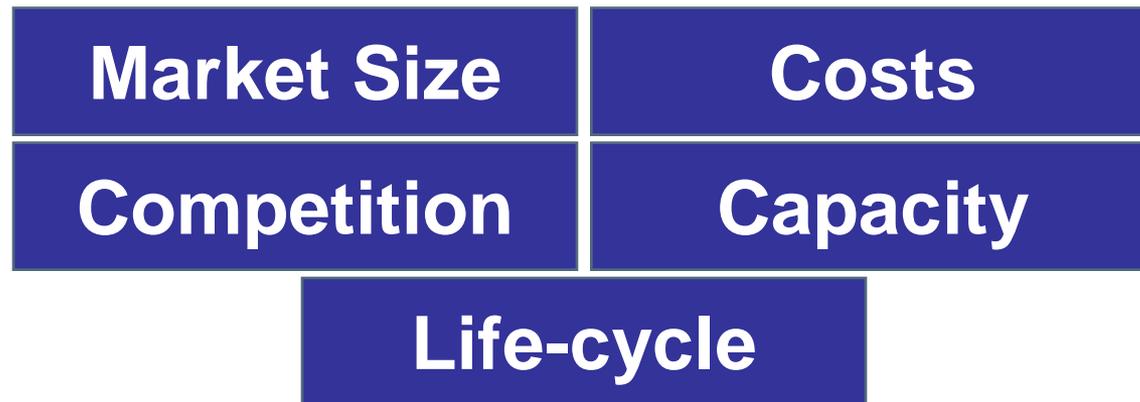
- Due to the life cycle culminating in decline of sales and profits - the organization must ensure that new products are coming on stream to maintain their competitive position
- New products may be
 - Improvements of current products
 - Additions to existing product lines
 - Brand new products

New Products

- New products may be generated through:
 - Research and development
 - Acquisitions
 - Licensing agreements
 - Innovation within the organization

Factors to Consider

- For new products there are several factors to consider before deciding to put resources into developing them:



Market Size

- Market size has an impact because it affects:
 - Potential earnings
 - Lifecycle longevity
 - Ability to sustain multiple competitors
 - Distribution
 - Support

Competition

- Competition has an impact because it affects:
 - Pricing levels
 - Market share potential
 - Sophistication of customers
 - Access to distribution networks

Costs

- Here the organization must consider the costs of:
 - Research & Development
 - Production
 - Marketing
 - Logistics
 - Sales
 - After sales support

Capacity

- Here the considerations include
 - The capacity of the market to bear another competitor
 - The capacity of the market to afford the product
 - The capacity of the organization to design, manufacture, sell and support the product

Life Cycle of the Product

- The organization must look at the life cycle to ensure:
 - Sales targets can be set appropriately
 - Recoup of costs is possible
 - Ramp up of production is possible in the short to medium term
 - Profitability is possible in the long term

Products v Solutions

- The emphasis has moved from generating products to delivering solutions for our customers
- To do this effectively we need to know
 - what our customers need
 - what our products capabilities are
 - how we can best match the customer needs with our product's capabilities

Competencies

- When looking at the product, the overall competencies of the organization must be taken into account:
 - What assets can we exploit to succeed with the product in the market?
 - What core competencies do we have?
 - What core competencies are missing and can we develop them?

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Price

Pricing

- The price is the amount of money that a customer is willing to pay for your product
- Price will usually be viewed in terms of value which is dependent on the customer's perception of the product

Price

- Price is limited by
 - Competitor product pricing
 - Target customer spending power
 - Economic conditions
 - Target customer perceptions

Setting The Price

- In marketing setting the price can be achieved through a 5 step process



Consumer Analysis

- This involves examining
 - Who exactly is the target customer?
 - Where are they?
 - How much are they willing to pay?
 - What do they value?

These questions also feed into some of the following components

Channel Analysis

- What would be the best channel to deliver the product to the customers??
- What channels are available?
- What channels could be easily established?
- How much control do competitors have on the current channels?
- What would be the most acceptable channel to the customers for the product ?

Competitor Pricing

- What is the level of competitor pricing?
- How might that change when another organization enters the market
- What level of profitability can be achieved with current costs balanced against the best price in the market?
- How accurate is the available information on pricing levels in the market?

Economic and Capacity

- Here the considerations would include:
 - Is there sufficient economic freedom to allow spending on the product?
 - Has the organization currently got sufficient capacity to build, sell and support the product in the current economic climate
 - Is the economic outlook being considered when making capacity based decisions?

Pricing Objectives

- What is the maximum price the market can bear ?
- Is there a sufficient differential between costs and price to allow a profit to be made?
- Is the price commensurate with the quality of the product?
- Is the price commensurate with the value of the product?
- Is the price (and profit) sustainable?

Profit

- Profit is linked to price because

$$\text{Price} - \text{Cost} = \text{Profit}$$

- Therefore price is linked to the cost of producing the product, so cost needs to be controlled by
 - Knowing where the costs are
 - Knowing what your customer values
 - Establishing relationships with suppliers
 - Designing and managing effective internal processes

Profit

- Profit is usually stated as a strategic objective
- Profit target levels are not usually set by marketing
- Marketing holds immense power with regard to the organization's ability to generate profit

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Place

The Place

- Where exactly are you going to sell your product?
- What is the level of sophistication in the market ?
- Which competitors are already there and what market share do they have?
- How will you service the market?
- What costs will be associated with the market?

Attractor Factors

- The following factors will make a market attractive:
 - High market growth
 - Large market size
 - Low competitive intensity
 - Acceptable potential for profitability
 - Availability of reliable channels

Channels

- Channels are what facilitate getting the product to the customer and include:
 - Retailers
 - Wholesalers
 - Distributors
 - Agents
 - Direct sales

The crucial factor is the ability to get the right product in the right quantity and quality to the customer at the right time

Customers

- Customers populate the place or market where you offer your products There is a need to know:
 - Demography
 - Economic status
 - Socio-cultural impacts
 - These will give you information on the sophistication of the market and the level of potential represented by it

Barriers to Entry

- Not all places will be accessible or attractive to an organization because of one or a combination of the following factors:

Cost of Entry

Competitive Intensity

Competence

Regulatory Control

Cost of Entry

- This would include:
 - Educating the market
 - Designing infrastructure
 - Product Modification to suit the market
 - Translation and printing of support materials

Competitive Intensity

- Number of competitors
- Market share captured by each competitor
- Competence of each competitor
- Response of competitors to new entrants
- Loyalty of competitor customer base

Competence

- Of the organization to be able to serve and support the market
- Of the channels to handle the product
- Of the customers to perceive the value of the product and understand how to use it

Regulatory Control

- Import regulations
- Tariffs
- Trade zone limitations
- Cultural or religious regulations
- Specialist regulations - pharmaceuticals / medical device products

Competitors

- For any marketing activity to be successful it is necessary to have and to use information on your competitors:
 - Who are they?
 - Where are they strong in the market?
 - How do their products compare to your products?
 - What market share do they have?
 - What price / profitability levels do they achieve?
 - What are the unique selling points that they exploit

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Promotion

Promoting the Product

- Two main actions
 - Making potential customers aware of your product and what it offers
 - Persuading potential customers to purchase your product
- Promotion is about making promises to customers.
- Remember you must then deliver the promise

The Promotional Mix

- When planning the mix of activities for a promotional campaign you need to consider:
 - Who are the targets?
 - Where are they located?
 - What is their level of knowledge?
 - What message do you want to get through?
 - How will you measure the success of the promotional activity?
 - What budget do you have to resource the promotional activity?

The Promotional Mix

- The promotional mix may be composed of a selection of the following elements
 - Advertising in the media
 - Direct mail
 - Website banners
 - Public relations activities
 - Merchandising
 - Personal selling
 - Exhibitions and Demonstrations

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Competitive Advantage

Competitive Advantage

- Competitive advantage is primarily achieved through being able to positively differentiate your product from those of the competition
- This differentiation can be in terms of
 - The actual product
 - Pricing advantages
 - Accessibility to / for the customers (place)
 - Effective promotional activity

Competitive Advantage

- The main types of competitive advantage are
 - Superior product or service
 - Global skills
 - Low cost operator
 - Innovation driven
 - Superior assets
 - Scale advantages
 - Attitude
 - Superior relationships

Competitive Advantage - Factors

**Superior Product
Or Service**

Superior Assets

**Low Cost
Operator**

Innovation

Global Skills

Scale Advantages

Attitude

**Superior
Relationships**

Risk Management

Vision

Competitive Advantage - Factors

- Superior Product
 - This holds true provided that the value of having a superior product is appreciated by the customers
 - Superior function will allow the after sales service requirements to be minimized
 - Superior products lead to a strong brand image and customer loyalty

Competitive Advantage - Factors

- Superior Assets
 - These may include
 - Traditional assets such as finance, plant and patents
 - Knowledge Assets - such as an experienced and innovative workforce

Competitive Advantage - Factors

- Low cost operator
 - The ability to use a low cost structure to generate:
 - High market share through low price (dependent upon the quality / value also)
 - High levels of profit if a high price can be charged on the market

Competitive Advantage - Factors

- Innovation
 - The ability to extend current product lines so that market share is maintained
 - The ability to generate new products that give a leader advantage
 - The ability to do things differently within the organization and thereby achieve improvements in quality and cost

Competitive Advantage - Factors

- Global Skills
 - Access to multiple markets through dedicated sales channels
 - Cultural diversity within the organization allows appropriate positioning in the markets
 - Access to raw materials and information across the globe

Competitive Advantage - Factors

- Scale Advantage
 - Ability to purchase in bulk and achieve better prices for raw materials
 - Bulk manufacture of standard items allows cost savings to be made

Competitive Advantage - Factors

- Attitude
 - Towards innovation and change
 - Towards relationships with customers, suppliers and personnel
 - Towards challenges faced in the organization
 - Towards communication

Competitive Advantage - Factors

- Superior Relationships
 - With customers
 - With suppliers
 - With personnel in the organization
 - With competitors

Competitive Advantage - Factors

- Risk Management
 - The skill to accurately assess risk
 - Contingency planning
 - Scenario formulation
 - Ability to move even when risk is apparent provided that the overall result is good

Competitive Advantage - Factors

- Vision
 - The ability to really see where the organization is going to be
 - The ability to motivate and enable others to share the vision
 - The ability to relate the day to day activities to the target of reaching the vision

Sustaining Competitive Advantage

- Main Requirements

- Availability and analysis of real information on the market
- Feedback systems from the market back to the organization
- Change adept culture in the organization
- Building customer advocates that will be loyal to your product
- Making a profit that will allow business marketing systems to function correctly

Summary

- Marketing is a key business activity
- The four main areas for marketing are
 - product
 - price
 - place
 - promotion

Summary

- Marketing must be able to exploit the assets and competencies of the organization
- Marketing has a huge impact on the ability to make a profit and maintain competitive advantage