An Introduction to Marketing

Lectures in Marketing  Summer 2003
Dr. Richard Sjolander

Course Philosophy

Marketing Concepts  Marketing Practice

To develop a market-based philosophy of business

Course Objectives

- Understand basic concepts
- Recognize application of concepts
- Think creatively to apply concepts
- Improve business communication skills
What is Marketing

“Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives,” American Marketing Association.

Marketing is the Process that seeks to influence voluntary exchange transactions between a customer and a marketer. (Your text definition)

Macromarketing

• Philip Kotler carries this further in the societal definition of Marketing:
  
  • “The provision of a standard of living.”

Simple Marketing System

[Diagram of Simple Marketing System with nodes labeled Industry (a collection of sellers), Goods/services, Market (a collection of Buyers), Money, Communication, and Information.]


Marketing Management
• The managing of markets - Demand Mgmt.
• **Negative Demand**: Products we avoid.
• **No Demand**: New products.
• **Latent Demand**: Current products do not offer desired satisfactions.
• **Overfull Demand**: More demand than can be satisfied with current resource allocation.
• **Unwholesome Demand**: Societally undesired consumption.

Why do People Purchase Products
• To satisfy wants and needs.
• Because they feel better off after a transaction than before.
• We are not equally endowed with the ability to produce all products, which leads to the concept of comparative advantage in the production of goods and services.

We Consume because we have: Needs, Wants, and Demands
• **Needs**: Are states of felt deprivation. They describe basic human requirements, such as: *Thirst is a need for liquids.*
• **Wants**: Specific objects that might satisfy needs, such as: *I want a beer.*
• **Demands**: Are wants backed by purchasing power, and a willingness to buy, such as: *Give me a Heineken, please.*
Exchange

- One of 4 ways of acquiring products and the one studied in Marketing: we can Make (self-production), Buy (exchange), Beg, or Steal (coercion).
- In exchanges we trade things of value in order to achieve a higher standard of living than we could otherwise have.
- We perceive the value or satisfaction derived from the good we acquire through exchange to be \( \geq \) that which we give up in trade.

The Exchange Process

- At least two parties
- Something of value to exchange
- Ability to communicate offer
- Freedom to accept or reject offer
- Desire to deal with the other party

Discrete exchanges vs. Relational exchanges
Effective Marketers

• View making the sale as the beginning of an organization’s relationship with a customer.
• The start of the journey – rather than the end.

The Four P’s: Marketing Mix Variables

The Four Cs

Marketing Mix

Product
Customer Solution
Price
Customer Cost
Promotion
Communication
Place
Convenience

The Four Cs

Consumer preferences:

- Consumers prefer products that are widely available and inexpensive.
- Consumers favor products that offer the most quality, performance, or innovative features.
- Consumers will buy products only if the company aggressively promotes/sells these products.
- Focuses on needs/wants of target markets & delivering value better than competitors.

Company Orientations Towards the Marketplace
**Customer Delivered Value**

### (a) The selling concept

- **Starting point**: Factory
- **Focus**: Existing products
- **Means**: Selling and promotion
- **Ends**: Profits through sales volume

### (b) The marketing concept

- **Starting point**: Market
- **Focus**: Customer needs
- **Means**: Integrated marketing
- **Ends**: Profits through customer satisfaction

---

**Consumer Orientation**

- The Customer is the pivot point about which the business moves.
- And around which all activities are organized.
- The Marketing concept focuses on long-term success
- Building Customer Relationships for better satisfaction AND reduced costs.

---

**Marketing is Different**

- All business disciplines except Marketing stress conformity:
  - Accounting Standards
  - Management contracts and practices
  - Financial Institutions and Lenders
  - Operations and labor relationships, for example.
- In Marketing Conformity dooms the organization to Mediocrity and poor performance.
- You must think creatively to achieve a Competitive Advantage in the marketplace.
Evolving Views of Marketing’s Role

- Marketing as an equal function
- Marketing as a more important function
Evolving Views of Marketing’s Role

c. Marketing as the major function
d. The customer as the controlling factor

e. The customer as the controlling function and marketing as the integrative function

Characteristics of a Market Oriented Organization

- The entire organization generates, spreads, and responds to market information about current and future customers’ needs
- Everyone is a “marketer”—the responsibility for customer satisfaction is pushed down the ladder
- The importance of outperforming the competition is also recognized
The Marketing Process

Organization
Mission, Strategy, Objectives

Situation Analysis

Marketing Strategy
Target Market Strategy

Marketing Mix
Product
Distribution
Promotion
Price

Implementation, Evaluation, Control

Case Analysis: Wind Technology

- **Standard Steps in Case Analysis:**
- Begin by reading through the case.
- Then, go back and identify key facts.
- Identify the problem.
- Identify alternative solutions.
- Analyze the alternatives in terms of solving the problem.
- Make a recommendation.

Grading

<table>
<thead>
<tr>
<th>Grading</th>
<th>Midterm exam @ 0.35</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Final exam @ 0.45</td>
</tr>
<tr>
<td></td>
<td>Group assignment 1 @ 0.10</td>
</tr>
<tr>
<td></td>
<td>Group assignment 2 @ 0.10</td>
</tr>
</tbody>
</table>

See Course Outline for Grade Distributions.
Total = 100 Percent

Both tests will be indexed on 100 point scale assuming 2nd highest score = 100 %, and dividing each observed score by the 2nd highest observed score.
**Class Contract**

*Our expectations for you...*
- Enthusiastic commitment
- Active thinking
- Preparation
- Participation
- On-time attendance
- On-time Assignments

**Class Contract**

*Your expectations for us...*
- Enthusiastic commitment
- Availability
- Fair & timely grading
- Adherence to class plans
- In-depth preparation
- Flexibility

**Relationship Marketing**

A strategic focus on forging long-term partnerships with your customers.
What is Marketing

• “Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives,” American Marketing Association.
• Philip Kotler carries this further in the societal definition: “The provision of a standard of living.”

Target Markets and Segmentation

• Segmentation: The aggregation of customers into meaningful groups who might prefer or require distinct products.
• Market Segments: Identifiable groups within a market with similar wants, purchasing power, location, or buying style.
• Target Market: A market segment for which the firm designs a marketing mix.

Marketing Channels

• Products are brought to market through marketing channels: Sets of interdependent organizations involved in the process of making a product available for use or consumption.
• Three types: Communications Channels Distribution Channels Selling Channels
## Sales vs. Market Philosophies

<table>
<thead>
<tr>
<th>Sales Orientation</th>
<th>Market Orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inward on the firm</td>
<td>Outward on the market</td>
</tr>
<tr>
<td>Selling goods and services</td>
<td>Satisfying wants and needs</td>
</tr>
<tr>
<td>Everybody</td>
<td>Specific groups of people</td>
</tr>
<tr>
<td>Maximum sales volume</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>Primarily promotion</td>
<td>Integrated use of all marketing activities</td>
</tr>
</tbody>
</table>

- **Organization Focus**: Inward on the firm, Outward on the market
- **Business Mission**: Selling goods and services, Satisfying wants and needs
- **Your Customers**: Everybody, Specific groups of people
- **Profit Driver**: Maximum sales volume, Customer satisfaction
- **Marketing Tools**: Primarily promotion, Integrated use of all marketing activities

- **Sales vs. Market Philosophies**
  - **Sales Orientation**
    - Inward on the firm
    - Selling goods and services
    - Everybody
    - Maximum sales volume
    - Primarily promotion
  - **Market Orientation**
    - Outward on the market
    - Satisfying wants and needs
    - Specific groups of people
    - Customer satisfaction
    - Integrated use of all marketing activities