

# APIC



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## INTRODUCTION TO MARKETING

### Objectives

By the end of this module you will be able to:

- Explain the difference between consumers and customers
- Define marketing
- Explain the importance of the satisfied customer
- List the factors in the operating environment
- Give examples of questions that marketing information is designed to answer
- Explain why marketers need to understand buyer behaviour
- List 5 segmentation methods
- List and explain 3 targeting strategies
- Define product positioning
- Describe the special characteristics of service marketing
- List 7 P's of the marketing mix
- List the key stages in the planning process

## **Introduction**

Marketing! - How will it improve my Working Life?

Would you like to:

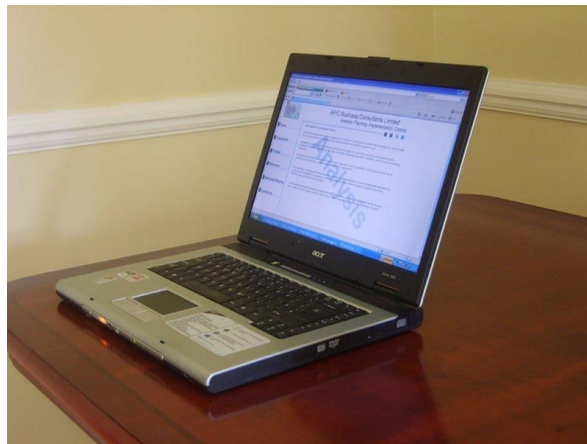
- Ensure a successful product launch?
- Help you achieve greater market penetration?
- Know what sells well and why?

This programme has been designed to achieve all of these objectives and more.

It is a practical, step by step approach to marketing issues you will face in your day to day business.

Alongside the initiatives contained in your business and personal development plans, this will enhance your opportunities to achieve profitable growth.

We hope you will enjoy this learning experience and improve your marketing skills at the same time.



## The Role of Marketing

### ***Customers Vs Consumers***

Before we start it might be useful to clarify what we mean by Customers and Consumers. These two categories can represent very different needs. The consumer is the end user of the product or service. The customer may be the end user, or may be a business supplying others (for example, Travel Agents and Insurance Brokers). This programme deals with issues relating to consumer marketing and business-to-business marketing.

### ***What is marketing?***

Marketing has been variously described as a function, a management process, a philosophy, a business activity, a concept and an approach to business.

A definition of marketing used by the Chartered Institute of Marketing is:

- 'The management process which identifies, anticipates and satisfies customer requirements efficiently and profitably'

This confirms that marketing is a management process but that the focus of this process is the 'customer' and the aim is to satisfy the customer needs.

Another definition is described below:

- 'Marketing is about building and maintaining an advantage over our competitors by using our strengths to help customers who value them and will benefit from what we supply'

Marketing isn't or shouldn't be thought of as just a management process, it should be 'the way we do business round here'. If an organisation 'thinks marketing' it can then develop a marketing culture or orientation and, ultimately become effective at marketing its goods or services.

A marketing led organisation puts the customer at the heart of its thinking and its actions. This means developing a clear understanding of who the organisation's customers are, what motivates them and how they will respond to the organisation's offers. The answers to these questions help the organisation to develop strategies that will attract and retain customers.

This process - understanding customers and developing appropriate marketing strategies - is what this programme is about.

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Marketing is not:

- Selling
- Advertising
- Public Relations
- Promotion
- Smooth-talking sales people
- Glossy, 'flashy' media coverage
- The spending of vast amounts of money

The first four activities are techniques or tools of marketing to meet the demands of a particular situation. They represent part of the marketing mix, which is explained later in the programme. Used in isolation, they are unlikely to bring success. The other elements on the list reflect the widespread misunderstandings about marketing. The spending of lots of money guarantees only one thing – worried shareholders. Making the best use of what you have already, in a planned and organised way, is the best approach.

Marketing is not something that can be added on to a company's activities as an afterthought. All too often companies have developed products or services, seen them perform poorly and then thought of hiring a marketer to 'put things right'. If the company hasn't understood the needs of the market in the first place, no amount of aggressive selling or persuasive advertising can create long term success. If the product or service doesn't do what the customers need, they will not buy from the company again and they will tell others about their bad experience.

The satisfied customer is at the heart of marketing success. The satisfied customer is likely to be a loyal customer, buying from us again and using word of mouth to recommend us to others. Many successful marketers will say that word of mouth recommendation is their most powerful tool.

### ***The Marketing Concept***

The fundamental concept of marketing is the matching of an organisation's capabilities with the needs of its customers to mutual advantage. This concept is reflected in the definition referred to earlier.

Peter Drucker, the internationally respected management guru states:

- "There is only one valid definition of business purpose - to create a customer. It is the customer who determines what a business is. What the business thinks it produces is not of first importance - especially not to the future of the business and to its success. What the customer thinks he is buying, what he considers 'value' is decisive. It determines what a business is, what it produces and whether it will prosper."

## The Marketing Environment

Our external environment sets the conditions within which we operate. We do not have a high degree of control over these external influences, but we need to understand them in order to identify the opportunities that are available to us, and the threats that we may face.

When we analyse our environment, we take into account the following factors:

- Political / legal factors
- Economic / competitive factors
- Ecological / environmental factors
- Social / cultural / demographic factors
- Technological factors

All these factors can impact on how we do business. For example economic conditions affect the organisation's ability to supply the products and services that customers want. When interest rates are high, for instance, the cost of borrowing is likely to mean that organisations cut down on investment in new plant and equipment, while individual consumers postpone acquiring items that would involve taking out a loan.

Understanding and attempting to predict changes in our environment helps us to develop appropriate marketing strategies both for the present and for the future. The environment is constantly changing - think of the pace of technological change in the last decade - so monitoring and analysing the environment is an activity we have to be constantly involved in.

We use a wide range of sources to gather this information, including information from within the organisation and more formal marketing research techniques.

### **Activity**

We mentioned above the changes in the technological environment. Can you think of examples of products, services or processes that have been successful as a result of these changes?

### **Answer**

Practically every aspect of how we operate has been affected by technological change, but here are a few examples:

Mobile phones; home and business computers; digital cameras; MP3 players, Internet shopping; on-line banking; electronic point of sale in shops.

These technological advances have not only provided opportunities to develop and market new products, but have changed the way service is provided. They have created opportunities for businesses and advantages for customers.

## Marketing Information

Essentially, good marketing involves making sound investment decisions so that what you produce can be readily sold because it is what people want to buy. Sound business judgements depend on good information. Much of this information is readily available but much of it will have to be deliberately gathered through market research. A Situation Analysis is the vehicle for collecting relevant data. Drawing on existing sources of information (e.g. your records), on general data about the local economy etc., an area marketer could develop a marketing information system on which marketing planning can be based.

This information should point the way to answering the following questions:

- Who are our customers?
- What are their needs?
- What should we offer them?
- How should we sell to them?
- How will they respond?

When the information available to us does not answer all our questions, or is general rather than specific to our operating situation, it may be necessary to conduct additional research using methods such as surveys. You may benefit from this type of research to gain a better understanding of your customers.

### **Activity**

Think about one source of information you receive or have access to. What planning activities could it help you with? Are there questions it does not answer? How could you get the additional information you need?



## Buyer Behaviour

Business success is determined by the choices customers make - who they buy from, when they buy, how often and how much. Marketers need to understand why customers make these choices and how they can influence the decisions they make.

A range of factors influences buyers. Some of these factors relate to the culture in which the buyer has been brought up and some are personal, relating to experiences and motivations unique to the buyer. Other influences may come from individuals or groups. The decision to buy a particular holiday, for example, may be made in consultation with several family members, or with a group of friends. This means the marketer has to ensure that the product appeals not only to the direct customer, but also to other people who may influence the decision to buy.

When businesses make significant purchases, several members of the organisation may be involved in the process. Different people will have different criteria. For example a financial manager may prioritise value for money whereas an operator may prioritise ease of use. Marketers need to understand the criteria of the different people involved and present appropriate benefits to each of them.

When marketers understand the influences on buyers and the process they go through in making their decisions, they can plan a marketing mix that will appeal to them. Although all aspects of the mix have a part to play, the promotional element is particularly important in influencing behaviour. Advertising and other messages can be structured appropriately when we understand how buyers think and respond. The element that is of prime importance, though, is personal selling. Salespeople need to understand buyer behaviour so that they can communicate effectively with their potential customers.

### **Activity**

Who might influence the decision to buy a chair for:

A) a household

B) an office

What might their criteria be?

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### Answer

A) Adult family members (although children influence a surprising number of major purchases). Possible influence of social group (keeping up with the Joneses!). Criteria would include practical considerations - comfort, durability etc., but appearance - design, style, colour etc. is likely to be the most important consideration.

B) The Office Manager and/or the finance Manager (or whoever is responsible for budgets) and/or the person who will use the chair. The latter is likely to be primarily concerned with comfort. The former is likely to have practical criteria such as durability, value for money and fitness for purpose. Appearance may be a factor, but business buyers are more rational than individual consumers, so aesthetics will play a less significant role in most cases.



## Market Segmentation

Selecting your target markets involves analysis of many different possible market segments. A market segment is a group of customers who can be expected to respond in similar ways to a given offer. For example, an Insurance company may develop products to attract a number of possible market segments including the following:

- 1 Printers
- 2 Corgi members
- 3 Motor trade
- 4 Classic cars

Clearly the range of services and financial requirements would be different for each segment. What is important is that you decide which to target and organise your marketing activity accordingly.

Among many different ways of segmenting markets, some commonly used ones are:

- Demographic  
(subdividing the population by age, sex, income, occupation, education, religion, socio-economic grouping, family size, etc.)
- Geographic  
(subdividing the population by location)
- Behavioural  
(purchase frequency, etc.)
- Psychographic  
(life-styles and personality)
- Geodemographic  
(combining location, demographic and life-style information. Geodemographic information is used to compile computerised mailing lists targeted at particular segments.)

Customers are not identical. They do not all share the same motivations, needs or patterns of behaviour. Because of this it is very useful to divide your markets into groups that have particular attitudes or characteristics in common. It is then possible to develop specific sales and marketing campaigns that are tailored to the needs of these different segments.

### **Activity**

Think of examples of geographic and demographic segmentation in the newspaper industry.

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Answer

Some newspapers have a national circulation, e.g. The Times, some are regional, reporting stories of local interest. The nationals have different readerships. The Sport is aimed primarily at young men. The Financial Times is aimed at business people. The Mail has targeted female readers.

You have probably given lots more examples here.



## Targeting and Positioning

If all buyers had the same needs, life would be easy for organisations. Marketing would be a matter of identifying customer needs and developing a single offer to meet them.

In most markets, however, buyers have different needs and in today's competitive marketplace, consumers are offered a great deal of choice. It stands to reason that buyers will choose products or services that most closely meet their needs.

To meet these different needs the most customer-centred solution would be to offer each customer a tailor made package. In practice, this is usually too expensive or impractical. A more practical response is to put together an offer, or marketing mix, to meet the needs of a group of customers.

Organisations need to decide which customer segments to target with their offers. Targeting strategies include:

- Mass marketing - a single offer for the whole market
- Niche marketing - an offer tailored to the needs of a particular segment
- Differentiated marketing - a number of segments are targeted, each with a tailored offer.

The criteria for deciding on a targeting strategy are explored in Module 5.

Another effect of the competition that exists in most marketplaces is the difficulty of standing out and being remembered. Organisations need to find ways of making their offer distinctive and memorable. This process is called positioning. It involves developing attributes that the target segments will value and communicating them effectively.

Examples of product positioning include "The Ultimate Driving Machine" and "The Listening Bank". Most successful brands have strong positioning strategies - if you asked a number of consumers to state one or two key attributes of leading brands, they would be likely to say the same things. Volvo, for instance, is strongly associated with safety. Sony is associated with quality and innovation.

### **Activity**

Think about the way your company is positioned. Can you identify two key attributes? Now do the same for two competitors. Try to think of companies that have adopted different positions. What are the advantages and disadvantages of the different strategies?

## Customer Service

All the strategies and techniques in this programme apply to the marketing of both products and services. However services have some characteristics which need special consideration. These are:

- - Intangibility - services do not have a physical form
  - Inseparability - services are provided with the customer present
  - Variability - each time a service is provided it is likely to be at least a little different from other times
  - Perishability - many services cannot be stored and sold at a later date
  - Lack of ownership - there is no long term asset with a service

To ensure that we are delivering a competitive service, we need to develop an understanding of how customers define value, quality and satisfaction in the services they receive. We can then analyse our own offering and identify ways of making it more attractive and competitive.

An important strategy for retaining our customers is to develop relationships with them. The amount of time and effort given to managing relationships depends on a number of factors. For example if we have a small number of customers, each of whom does, or has the potential to do, a large volume of business with us, it would be appropriate to have a highly developed relationship or a partnership. There are five levels of relationship:

- Basic
- Reactive
- Accountable
- Proactive
- Partnership

### **Activity**

Think about your product or service, and detail the characteristics which would be attractive to some customers and not to others.

## **The Marketing Mix**

The offer a company makes to a customer is made up of a number of elements. The key elements are known as the 4 P's of marketing and consist of:

### **Product (Services)**

The goods or services provided. An article that performs its intended function well. This could be a tangible product - a car, a television, or intangible - a holiday insurance cover. (We include Packaging within the consideration of Product, however, some marketers will treat Packaging as a specific and separate "P" in the Marketing Mix).

### **Price**

The most flexible element of the marketing mix. When services are price sensitive this element has one of the most dynamic influences on sales and profitability.

### **Place (Distribution)**

Place refers to all the activities involved in getting the product or service to the customer. For most products this involves making the goods or service widely and easily available to the customer. The way banks have distributed their services has expanded rapidly in recent years. Banks (generally) now have fewer branches but are accessible by phone or over the internet. .

### **Promotion**

The services need to be presented in a way that appeals to customers' own perceptions and highlights the benefits they will obtain.

In the marketing of services, particular attention is also paid to a further 3 P's:

### **People**

The experience customers have of a service is greatly affected by the people providing it. We could eat the same meal in two different restaurants, but we will enjoy the meal more in the restaurant where we are well served and made to feel welcome.

### **Processes**

Efficient processes allow staff to deliver the service more effectively and can provide benefits for customers. Information technology has provided opportunities for many innovations in processes.

### **Physical evidence**

Physical evidence refers to all tangible aspects of the service, such as premises and design.

These seven elements are combined in different ways to meet the needs of different customers. The way these elements are combined is referred to as "the marketing mix". To be effective, all the elements of the marketing mix need to

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support each other. For example luxury goods need to be sold in well appointed outlets to support their image and meet customer expectations.

The following examples show how British Midland Airlines uses different marketing mixes for different customer groups:

British Midland Airlines offers long haul flights for mainly business people with a range of facilities including a glass of champagne after your priority boarding. Extra wide seats that give you a leg space of 60 inches and recline of 160 degrees. The price is higher than for economy travel. Reservations can be made with the airline or through most travel agents.

BMI Baby was launched late 2002s and is aimed at price sensitive customers. The service is air travel, as above, but without the additional features of the business class service. The price is low. Promotion is less glossy, appearing generally in print media and stressing price benefits. Booking is direct with the airline only.

### **Activity**

Identify the marketing mixes for the following products, using the framework of the 4 P's

- 1 Levi's jeans
- 2 Skoda cars
- 3 Polo mints

### Answers

1 A quality product with classic styling. Medium price. Widely available through department stores and specialist jeans retailers. Long-running television and cinema advertising campaign used classic songs to reinforce the classic image, but with modern visuals.

2 A medium quality product at a low price. Available through dealerships in towns and cities. Advertisements stress the Volkswagen relationship to reinforce the improved quality.

3 A classic product that has remained unchanged for many years. Does not compete on price because brand loyalty is high. Widely available through small and large outlets in all locations. Not promoted prominently because brand is well established and recognition and loyalty are high.

## **Marketing Planning**

Marketing planning is the activity by which we seek to exercise some degree of control over the future of the organisation. Without a clearly laid down plan, all your marketing efforts will lack direction, co-ordination and purpose. You also lose the ability to measure the success or failure of your efforts.

A marketing plan should follow a logical structure, starting with an historical and current analysis of the organisation and its market and ending with an implementation plan that is then monitored and controlled to determine whether the plan is successful or not.

The plan must remain flexible enough to adapt to changing market conditions within the organisation and the customer base.

### ***The Mission Statement***

The mission statement is simply a statement of what an organisation is aiming to achieve through the conduct of its business. When any business has a clear understanding of its mission it has a framework for planning and decision making which is invaluable. The most common approach to determining the mission statement is to rely on the product/market scope. From your perspective this forces you to think of the customer groups and the particular set of needs that you and your business is looking to satisfy.

A mission statement should be concise and is the starting point of the marketing planning process. Objectives, strategies and tactics are more easily developed once you have defined your mission.

### ***Situation Analysis***

If you were lost at sea, your first step would be to establish your position. You may know your destination, but without knowing where you are you cannot set the course to get there. This is exactly the same with marketing. It is all very well setting targets and objectives, but if you do not know your present situation you cannot develop an appropriate strategy. The answer is to conduct a Situation Analysis.

For the Situation Analysis to be of any value it has to cover all the factors that can affect the organisation's marketing efforts.

### ***SWOT Analysis***

A SWOT (Strength, Weaknesses, Opportunities, and Threats) Analysis summarises and organises all the marketing information that has been collected into a convenient and usable format.

Strengths and Weaknesses are based on the internal analysis of the organisation and consist of those factors under the organisation's control that are important in the customers' decision making process and where the organisation is significantly strong or weak relative to the competition.

Opportunities and Threats relate to the factors that are happening in the external environment and that offer opportunities or pose threats to the organisation.

### ***Marketing Objectives***

Objectives are the guide for planning suitable strategies and tactics and are derived from the SWOT Analysis. They can also form the basis of the budgeting issues and the evaluation of performance. Objectives should assist in determining corrective action when targets are exceeded or not achieved.

Marketing objectives will be set taking into account broader corporate objectives and other strategic considerations including the following:

#### **Product Analysis**

The planning process will involve developing strategies for managing the company's current products. It is likely that different products within the ranges will be performing differently.

A method of analysing current products is to classify them according to their rate of growth and the market share they hold. This helps us to assess the balance of the product range and to develop appropriate strategies for each product.

A primary objective of this process is to ensure that we always have products within the range that are generating income. It is these products that provide revenue for young products still needing support and for new product development. They are also the products that contribute to the organisation's profits.

#### **Strategies for growth**

An organisation seeking growth can consider its options under the following headings:

Market penetration - selling more of the existing product to the existing market

Market development - increasing sales by finding new markets for the existing product

Product development - modifying the product to sell more to the existing market

Diversification - new products or services for new markets

It is critical to the success of your marketing plan that effective objectives are set. If they are poor, based on the lack of quality information or influenced by a low standard of marketing management then the whole planning process is likely to fail.

### ***Marketing Strategies***

With clear objectives and a concise list of issues arising from the SWOT analysis, the strategies should be clearer to see.

The marketing strategy focuses on defining the target markets of the organisation and developing suitable marketing mixes to meet the objectives. At local level,

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there will be limitations on the nature and extent to which the marketing mix elements can be changed from those that are imposed by the organisation itself.

It is important, therefore, to determine what level and type of support with the marketing mix (i.e. promotional support) is required from the Marketing Department, in order to meet local marketing objectives.

### ***Activity***

How many of these planning processes do you go through in planning your work at present? Make a list and identify whether you give them formal consideration, informal consideration or no consideration ... yet!



## **Marketing Programme**

The marketing programme is the detailed course of action by which the marketing strategy is to be implemented. This should be set out in a planning chart which says what will happen, when, who is responsible and how much it will cost.

## **Marketing Myths**

To finish off this section some common misconceptions and comments are shown below:

- The product should sell itself
- If only that were true! Developing a brilliant product will not, by itself, produce profits. It has to satisfy customer needs, hold its own against competition and be promoted effectively
- All you need to do is be nice to your customers
- Customer service is not a substitute for effective marketing. It plays a part in the overall marketing process, but should be integrated within a properly managed marketing programme
- Marketing is just another name for selling
- Selling is just one of many promotional activities that aim to convince the customer to make a buying decision. It is a sub-set of marketing

## **Summary**

Marketing is about being customer focussed. It involves deciding who our customers are and building up a detailed understanding of their characteristics, needs and behaviour. We can then develop a range of strategies that will be attractive, competitive and profitable, taking into account our broader operating environment and our organisational strengths.

## **Self test**

Complete the following short test without looking back at the module. Checking your answers will show you where you need to review your learning or seek further help.

1. Explain the difference between consumers and customers
2. Give the Chartered Institute of Marketing definition of marketing
3. Explain the importance of the satisfied customer
4. List the factors in the operating environment
5. Give examples of questions that marketing information is designed to answer
6. Explain why marketers need to understand buyer behaviour
7. List 5 segmentation methods
8. List and explain 3 targeting strategies
9. Define product positioning
10. Describe the special characteristics of service marketing
11. List the 7 P's of the marketing mix
12. List the key stages in the planning process



## The Answers

1. *Consumers are end users. Customers may be businesses selling to others*
2. *'The management process which identifies anticipates and satisfies customer requirements efficiently and profitably'*
3. *The satisfied customer comes back to buy again and recommends us to others*
4. *Political / legal factors*  
*Economic / competitive factors*  
*Ecological / environmental factors*  
*Social / cultural / demographic factors*  
*Technological factors*
5. *Marketing information should point the way to answering the following questions:*  
*Who are our customers?*  
*What are their needs?*  
*What should we offer them?*  
*How should we sell to them?*  
*How will they respond?*
6. *So they can try to influence their actions*
7. *Geographic, demographic, psychographic, behavioural, geodemographic*
8. *Mass marketing - a single offer for the whole market*  
*Niche marketing - an offer tailored to the needs of a particular segment*  
*Differentiated marketing - a number of segments are targeted, each with a tailored offer.*
9. *Making a product distinctive and memorable by developing attributes valued by the target market and communicating them effectively*
10. *Intangibility - services do not have a physical form*  
*Inseparability - services are provided with the customer present*  
*Variability - each time a service is provided it is likely to be at least a little different from other times*  
*Perishability - many services cannot be stored and sold at a later date*  
*Lack of ownership - there is no long term asset with a service*
11. *Product, Price, Place, Promotion, People, Processes, Physical Evidence*
12. *Mission statement, situation analysis, SWOT analysis, marketing objectives, marketing strategy, marketing programme, measurement and review*