

High Performance Eng 9 **Overview of Marketing**

Definition: Marketing is the performance of business' activities that direct the flow of goods and services from producer to consumer or user in order to satisfy customers and accomplish the company's objectives¹. Marketing embodies the strategic planning and realization of an enterprise's goals and sales targets. It is accomplished by meeting the needs of the marketplace through the development, market pricing, promotion and distribution of good and services from creation through consumption.

Marketing Orientation vs. Production Orientation

Marketing Strategy or Marketing Concept which is the modern mode of selling thought seeks to identify the segment of the market that has a requirement for the product or service in question. This opposes merely producing the item and assuming the customer will come to you. Marketing strategy still assumes a willingness on the part of the consumer to pay for the goods if properly priced and positioned. The word "market" refers to those individuals or organizations who are ready willing and able to purchase the product.

1. Selection of **Target Markets (TM)**

- a. The TM is a description of the consumer and her/his motives: in other words, what will please the customer. What do they want or need and are willing to pay for. How can we determine what the customer really wants?

- b. Intermediate markets

2. Development of **Marketing Mix**. The marketing mix is **under the control of the organization**. The company is

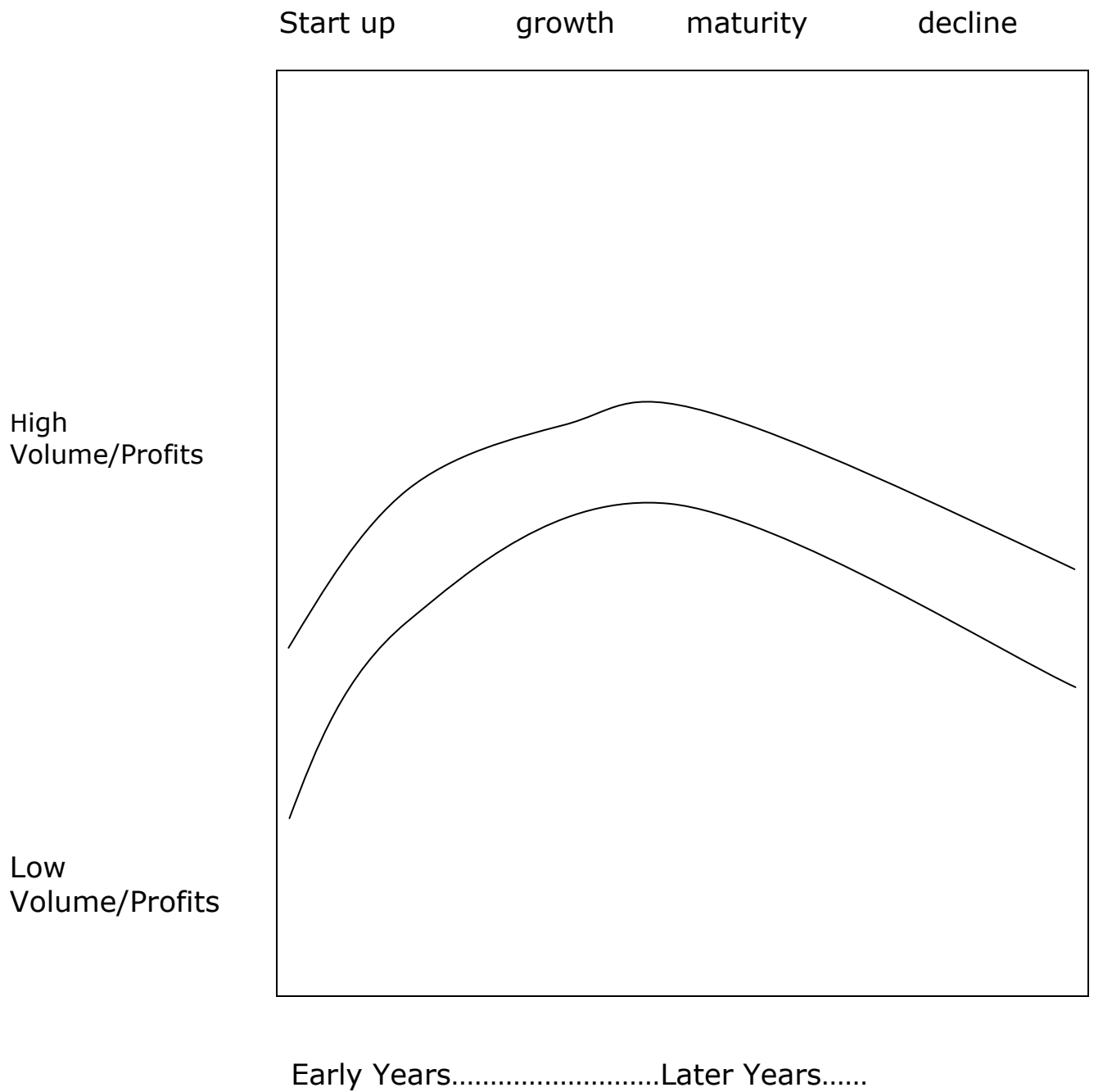
¹ Ref: Peter F. Drucker, Managing for Results Harper and Row, New York, - 1964, especially pp. 93-110.

able to adjust its allocation to the different components at its will. How it puts them together is determined by their marketing strategy. Usually this depends on the analysis of the **Consumer** and the **Environment** which are their **research tools** aimed at measuring market potential in dollars and specifying the target market. Those items which are part of the **marketing mix** are called the **four "p's."** **Product, Price, Promotion and Planning or Physical Distribution.**

3. **Market Segmentation:** this is the process supported by market research of breaking up the market into smaller segments or submarkets which are grouped by similar characteristics such as consumer product needs, buying patterns, or future desires, etc. Markets are segmented because they are too large and varied. In marketing terms they are too heterogeneous.
4. **Market Segments** refers to the actual consumer or customer of those goods within the segmented group. Obviously they have similar characteristics. In marketing terms this is referred to as **homogeneity** or being **homogeneous.**
5. **Target segment or market** refers to the actual representative customer that the company has composed its mix for. A company seeks a similar reaction or response to its products within the segment. The process of segmentation is usually performed by choosing **variables** as the basis for the analysis of the group. The variables are chosen that will be able to be measured in the long run, can be reached through a company's **channels** and can end up in segmenting a large enough market for profitability. After the groups are separated, then they are **profiled** according to certain general characteristics such as age, income, geographic region as well as patterns of behavior. These are known as **demographics.** Sometimes it is necessary to utilize more than a **single variable.** When using more than one variable the analysis is called a **Multi-variable segmentation.** It is necessary to analyze the interrelationships between common characteristics. They are then analyzed as to their suitability for the product in mind and the options a company has for creating its mix. Thus the Market is **targeted** or as it is referred to

market targeting. Just as there can be more than one variable, there can be more than one segment as the subject of the marketing. This is referred to as **multiple segmentation strategy** as opposed to a single segment or concentrated strategy. When a company chooses, for financial or other reasons to blanket a total market, this is referred to as **mass marketing** or **undifferentiated marketing**.

The Product Life Cycle Chart



The Marketing Mix Components

A. Product: Packaging, branding, consumer products versus industrial products

B. Physical Distribution channels; retailing (scrambled merchandising), wholesaling (buffer, delivery, credit, information transportation, storage

C. Promotion:

Objectives are to inform, persuade, remind personal selling, mass selling (advertising), sales promotion adoption curve

D. Price:

Profit-oriented objectives vs. sales-oriented objectives, status-quo objectives Price determination: cost oriented demand oriented.

Marketing Budget: Different Methods of approachⁱ

AFFORDABLE METHOD: A manager speaks to one's controller and sees how much cash there will be. Problem with this approach: it misses sales improvement as a result of marketing investment. It's tough on long range planning too.

PERCENTAGE OF SALES METHOD: this is a straightforward multiplication of sales by a percentage used by one's competitors (this is somewhat circular in that what they do, you do and then they match you, etc.) such as in Dansk. Positives are that it is easy and there is a relationship to profit per unit, many others use same method and thus its more stable. The negative is that it is Circular. Sales are the determiner of promotion rather as a result of promotion. Necessary to look at product life cycle, market needs etc. Missing market opportunities, which discourages promoting in down times, past based.

COMPETITIVE-PARITY METHOD: This is where one seeks to meet the competition's budget.

OBJECTIVE AND TASK METHOD: which seeks to independently match the budget with the funding required achieving the goal. Question for new firms is what they can afford. Reebok spent as much as they had. Where to spend

DISTRIBUTION OF BUDGET

DECIDING ON PROMOTION MIX: choices

- Advertising
- Public relations and publicity
- Personal selling
- Direct marketing

STRATEGIES: based on

- Type of product
- Push or pull strategy
- Readiness of customers to buy

DIFFERENT TOOLS WORK BETTER AT DIFFERENT STAGES

- Products stage in life cycle
- Company's market rank- better results from advt. Versus promotion

ⁱ Based on Philip Kotler Marketing Management 1997 Prentice Hall