***SCOPE OF MARKETING FOR NEW REALITIES***

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**C H A P T E R**

**LEARNING OBJECTIVES**

In this chapter, we will address the following questions:

1. Why is marketing important?
2. What is the scope of marketing?
3. What are some core marketing concepts?
4. What forces are defining the new marketing realities?
5. What are the tasks necessary for successful marketing management?

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**EXECUTIVE SUMMARY**

Marketing is the activity, set of institutions, and processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. Marketing management is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value. Marketers can market goods, services, events, experiences, persons, places, properties, organizations, information, and ideas in four different marketplaces: consumer, business, global, and nonprofit.</para></listitem>

Today’s marketplace is fundamentally different than in the past, resulting in many new consumer and company capabilities. Technology, globalization, and social responsibility are creating new opportunities and challenges and significantly changing the management or marketing. Organizations can conduct business under the production concept, the product concept, the selling concept, the marketing concept, or the holistic marketing concept. The holistic marketing concept (including relationship marketing, integrated marketing, internal marketing, and performance marketing) is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. Successful marketing management includes developing marketing strategies and plans, capturing marketing insights, connecting with customers, building strong brands, creating, delivering, and communicating value, and managing the marketing organization within the global economy.

**OPENING THOUGHT**

It is important to focus on how and why the traditional view of marketing has changed, and to introduce the various ways of measuring performance, since they will reappear throughout the text. Marketing applies to a variety of different areas and is increasingly involving many levels of the organization. Students who are not marketing majors may have some difficulty accepting the encompassing role that marketing has on the other functional disciplines within a firm. For those students who have never been exposed to marketing and its components, the instructor’s challenge is to educate the students about the world of marketing.

**ASSIGNMENTS**

In small groups, ask the students to review the annual report from Unilever. How do the missions discussed in the opening vignette translate into their current business practices? How are its marketing investments and initiatives affecting its profitability? What conclusions can you draw from Unilever’s progress?

Students can choose a firm of their preference, interview key marketing management members and ask the firm how they are reacting to the changes in marketing management for the new realities.

Have the students read Adi Narayan’s “Marketers Aim New Ads at Video iPod Users,” *BloombergBusinessWeek* April 17, 2014 (<http://www.businessweek.com/articles/2014-04-17/indias-mobile-marketers-try-phone-calls-to-reach-rural-consumers>) and Suzanne Vranica and Christopher S. Stewart’s “Mobile Advertising Begins to Take Off: Spending More Than Doubled in the First Half,” *Wall Street Journal,* October 9, 2013 and comment on how effective they believe cell phone advertisements will be in the future.

Have the students reflect upon their favorite product and/or service. Then have the students collect marketing examples from each of these companies. This information should be in the form of examples of printed advertising, copies of television commercials, Internet advertising, or radio commercials. During class, have the students share what they have collected with others. Questions to ask during the class discussion should focus on why this particular example of advertising elicits a response from you. What do you like/dislike about this marketing message? Does everyone in the class like/dislike this advertising?

**DETAILED CHAPTER OUTLINE**

Opening Vignette: Unilever is responding to the digital revolution and other major changes in the business environment with a new marketing model that establishes social, economic, and product missions for each brand. Examples of initiatives include halving its ecological footprint while doubling revenues and drawing 70–75% of business from developing and emerging markets by 2020. Marketing is both an art and a science, and results from careful planning and execution using state-of-the art tools and techniques.

1. The Value of Marketing
   1. Marketing ability helps create sufficient demand for products and services, which is essential for a firm’s financial success, creates jobs and provides resources for firms to engage is socially responsible activities.
   2. Marketers that fail to carefully monitor their customers and competitors, continuously improve their value offerings and marketing strategies, or satisfy their employees, stockholders, suppliers, and channel partners in the process are more vulnerable to competitive entry.
2. The Scope of Marketing
   1. What Is Marketing?
      1. Marketing is about identifying and meeting human and social needs; “Meeting needs profitably.”
      2. American Marketing Association definition: Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large
      3. Marketing management is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.
   2. What Is Marketed?
      1. Goods: physical goods include food products, cars, refrigerators, televisions, machines, and other mainstays of a modern economy.
      2. Services: represent approximately 2/3 of the U.S. economy, including airlines, hotels, maintenance and repair people, and accountants, bankers, doctors, and management consultants.
      3. Events: include time-based events, global and local events.
      4. Experiences: marketers orchestrate several services and goods to create, stage, and market experiences.
      5. Persons: include artists, musicians, CEOs, physicians, high-profile lawyers and financiers, and other professionals often get help from marketers, and each person has been advised to become a “brand.”
      6. Places: include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies.
      7. Properties: intangible rights of ownership to either real property (real estate) or financial property (stocks and bonds).
      8. Organizations: include museums, performing arts organizations, corporations, and nonprofits that use marketing to boost their public images and compete for audiences and funds.
      9. Information: what books, schools, and universities produce, market, and distribute at a price to parents, students, and communities.
      10. Ideas: every market offering includes a basic idea. Products and services are platforms for delivering some idea or benefit.
   3. Who Markets?
      1. A marketer is someone who seeks a response—attention, a purchase, a vote, a donation—from another party, called the prospect.
      2. Marketers manage all possible touch points where a customer interacts with the company.
   4. What Is a Market?
      1. A market is a collection of buyers and sellers who transact over a particular product or product class (such as the housing market or the grain market).
      2. Buyers and sellers are connected by four flows that include goods and services, communication, money exchange, and information exchange.
3. Core Marketing Concepts
   1. Needs, Wants, and Demands
      1. Needs = basic human requirements
      2. Wants = when needs are directed to specific objects that might satisfy the need
      3. Demands = wants for specific products backed by an ability to pay
      4. Marketers do not create needs: Needs pre-exist marketers.
      5. Five types of needs:
         1. Stated needs
         2. Real needs
         3. Unstated needs
         4. Delight needs
         5. Secret needs
   2. Target Markets, Positioning, and Segmentation
      1. For each target market, the firm develops a market offering that it positions in target buyers’ minds as delivering some key benefit(s).
   3. Offerings and Brands
      1. A value proposition is a set of benefits that satisfy a consumer’s needs.
      2. The intangible value proposition is made physical by an offering, which can be a combination of products, services, information, and experiences.
      3. A brand is an offering from a known source. All companies strive to build a brand image with as many strong, favorable, and unique brand associations as possible.
   4. Marketing Channels
      1. Communication channels deliver and receive messages from target buyers.
      2. Distribution channels help display, sell, or deliver the physical product or service(s) to the buyer or user.
      3. Service channels include warehouses, transportation companies, banks, and insurance companies.
   5. Paid, Owned, and Earned Media
      1. *Paid media* allow marketers to show their ad or brand for a fee.
      2. *Owned media* are communication channels marketers actually own, like a company or brand brochure, Web site, blog, Facebook page, or Twitter account.
      3. *Earned media* are streams in which consumers, the press, or other outsiders voluntarily communicate something about the brand via word of mouth, buzz, or viral marketing methods.
   6. Impressions and Engagement
      1. Marketers now think of three “screens” or means to reach consumers: TV, Internet, and mobile.
      2. *Impressions* occur when consumers view a communication.
      3. *Engagement* is the extent of a customer’s attention and active involvement with a communication.
   7. Value and Satisfaction
      1. Value is primarily a combination of quality, service, and price, called the <emphasis>*customer value triad*</emphasis>. Value perceptions increase with quality and service but decrease with price.
      2. *Satisfaction*</emphasis> reflects a person’s judgment of a product’s perceived performance in relationship to expectations.
   8. Supply Chain
      1. The supply chain is a channel stretching from raw materials to components to finished products carried to final buyers.
      2. Each company in the chain captures only a certain percentage of the total value generated by the supply chain’s value delivery system.
      3. When a company acquires competitors or expands upstream or downstream, its aim is to capture a higher percentage of supply chain value.
   9. Competition
      1. Competition <para>includes all the actual and potential rival offerings and substitutes a buyer might consider.
   10. Marketing Environment
       1. Task environment includes the actors engaged in producing, distributing, and promoting the offering.
       2. Broad environment consists of six components: demographic environment, economic environment, social-cultural environment, natural environment, technological environment, and political-legal environment.
4. The New Marketing Realities
   1. Technology
      1. Widespread technology adoption has created new opportunities, promotes shared information and customer relationship management.
   2. Globalization
      1. Transportation, shipping, and communication technologies have made it easier for us to know the rest of the world, to travel, to buy and sell anywhere, and has made countries increasingly multicultural.
   3. Social Responsibility
      1. The private sector is taking some responsibility for improving living conditions, and firms all over the world have elevated the role of corporate social responsibility.
   4. A Dramatically Changed Marketplace
      1. Technology, globalization, and social responsibility have changed the marketplace.
      2. New capabilities in the changed marketplace include:
         1. Consumers can use the Internet as a powerful information and purchasing aid.
         2. Consumers can search, communicate, and purchase on the move.
         3. Consumers can tap into social media to share opinions and express loyalty.
         4. Consumers can actively interact with companies.
         5. Consumers can reject marketing they find inappropriate.
         6. Companies can use the Internet as a powerful information and sales channel, including for individually differentiated goods.
         7. Companies can collect fuller and richer information about markets, customers, prospects, and competitors.
         8. Companies can reach customers quickly and efficiently via social media and mobile marketing, sending targeted ads, coupons, and information.
         9. Companies can improve purchasing, recruiting, training, and internal and external communications.
         10. Companies can improve cost efficiency.
      3. Retail transformation: increased competition from a variety of formats has yielded more entertaining retail experiences.
      4. Disintermediation: delivery of products and services by intervening in the traditional flow of goods.
      5. Reintermediation: traditional companies are adding online services to their offerings.
      6. Heightened global competition, rise of private labels and mega-brands.
      7. Marketers are increasingly asked to justify their investments in financial and profitability terms, as well as in terms of building the brand and growing the customer base.
5. Company Orientation Toward the Marketplace
   1. The Production Concept
      1. Suggests consumers prefer products that are widely available and inexpensive, so management aims for high production efficiency, low costs, and mass distribution.
   2. The Product Concept
      1. Proposes consumers favor products offering the most quality, performance, or innovative features, so management may commit the “better-mousetrap” fallacy, believing a better product will by itself lead people to beat a path to their door.
   3. The Selling Concept
      1. Consumers and businesses, if left alone, won’t buy enough of the organization’s products. It is practiced most aggressively with unsought goods—goods buyers don’t normally think of buying such as insurance and cemetery plots—and when firms with overcapacity aim to sell what they make, rather than make what the market wants.
   4. The Marketing Concept
      1. Find the right products for your customers. <para>The marketing concept holds that the key to achieving organizational goals is being more effective than competitors in creating, delivering, and communicating superior customer value to your target markets.
   5. The Holistic Marketing Concept
      1. Based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies.
      2. Relationship Marketing
         1. Aims to build mutually satisfying long-term relationships with key constituents in order to earn and retain their business.
         2. Four key constituents for relationship marketing are customers, employees, marketing partners (channels, suppliers, distributors, dealers, agencies), and members of the financial community (shareholders, investors, analysts).
         3. The ultimate outcome of relationship marketing is a unique company asset called a marketing network consisting of the company and its supporting stakeholders—customers, employees, suppliers, distributors, retailers, and others—with whom it has built mutually profitable business relationships.
      3. Integrated Marketing
         1. Many different marketing activities can create, communicate, and deliver value.
         2. Marketers should design and implement any one marketing activity with all other activities in mind.
         3. The company must develop an integrated channel strategy.
         4. The company must integrate communications to they reinforce and complement each other.
      4. Internal Marketing
         1. Hiring, training, and motivating able employees who want to serve customers well.
         2. Marketing succeeds only when all departments work together to achieve customer goals.
      5. Performance Marketing
         1. Requires understanding the financial and nonfinancial returns to business and society from marketing activities and programs.
6. Updating The Four Ps
   1. The original four Ps: product, price, place and promotion
   2. Modern marketing realities suggest a more representative set that encompasses modern marketing realities: people, processes, programs and performance.
      1. People: reflects internal marketing and the fact that employees and understanding consumers’ whole lives are critical to marketing success.
      2. Processes: reflects all the creativity, discipline, and structure brought to marketing management.
      3. Programs: reflects all the firm’s consumer-directed activities.
      4. Performance: captures the range of possible outcome measures that have financial and nonfinancial implications (profitability as well as brand and customer equity) and implications beyond the company itself (social responsibility, legal, ethical, and community related).
7. Marketing Management Tasks
   1. Developing and implementing marketing strategies and plans: identify potential long-run opportunities, given its market experience and core competencies.
   2. Capturing marketing insights.
   3. Connecting with customers.
   4. Building strong brands.
   5. Creating value: Differentiate the service of product (the tangible offering to the market, which includes the product quality, design, features, and packaging) to gain a competitive advantage.
   6. Delivering value.
   7. Communicating value.
   8. Managing the marketing organization.