

MARKETING MANAGEMENT: A VITAL TOPIC

Marketing, some people will be glad to tell you, need not be very complicated or costly. Too much has been made of the marketing process, they will say. Their argument is summarized in Emerson's old adage, "if a man... make a better mousetrap... the world will beat a path to his door!" Such persons are sure that all one must do to succeed in business is to develop a good product.

The mousetrap adage may perhaps have been true when it was first expressed, but it certainly is not true today. The creation and production of a good mousetrap (or any other good product) in and of itself is not enough to assure a man's fortune. In modern, well-developed economies, the grass might well grow high on the path to the factory.

Today, the design and production of a good product is only one step. The producer must also study consumer demand. He may have to advertise his product and arrange for transportation and warehousing. And finally, he must sell it. In accomplishing these steps, he may need the aid of whole-salers and retailers. The whole process is complex, specialized and sometimes very expensive.

1.1. Modern Economies "Customer- Oriented"

In our economy of abundance, businesses must cater to their customers. Most of us can get along quite easily without the product of any particular manufacturer. We need clothing, for example, but we do not need a particular clothing manufacturer's product. The same is true of food, house furnishings, automobiles, sports equipment and most other consumer goods.

The fact that consumers do not depend on any firm's product is partly responsible for our complex marketing structure. Bread is a good example. It is normally available in bakeries, grocery stores, delicatessens and sometimes even drugstores. Since bread is bulky and perishable, several competing bakeries are usually located in or close to most cities. These bakeries handle their own distribution with their own drivers and trucks; this is a relatively expensive process since only a few loaves are delivered to each store. But as long as prices are reasonable, it is likely that there will be little competition from bakeries based in other market areas.

Sometimes, however, consumer demands can change the situation. Certain consumers may desire special products (in this case, special kinds of bread) not being supplied by existing sources. To meet such a demand, bread may be transported a much greater distance at a correspondingly greater cost.

The axiom, "The customer is always right" applies in these instances. It is, in fact, a guide to most marketing activities. It also leads, by necessity, to a complex marketing structure and to marketing problems for individual businesses.

The marketing problems in this customer-oriented economy are highlighted in the automobile market. Due in part to consumer demand for new and better (or at least different) automobiles, the automobile industry has evolved the annual model changeover. Besides causing production problems, this leads to an annual "marketing changeover."

Each year a product has to be redesigned, with the aid of consumer analysis and research. A new pricing structure and advertising campaign have to be developed. The company salesmen and the company's dealers must be retrained to sell the new product. At the same time, the sales of order products must be handled skillfully to avoid hurrying sales of the new products.

1.2. Why Study Marketing ?

We may be a bit biased, but we see marketing as one of the most important and most exciting of all the business functions. One reason for this perception was expressed by Peter Drucker more than four decades ago when he wrote that marketing is not really a separate function at all: it is the whole business seen from the point of view of its final result, that is, from the customer's viewpoint. More recently, Frederick Webster the executive director of the Marketing Science Institute reinforced this broad view of the importance and scope of marketing by wondering "is there any difference between a good manager and a good marketer?"

Perhaps the best reason for studying marketing is that modern economies are customer-oriented and therefore must be marketing-oriented.

Actually, three of the four basic utilities isolated by economists are part of the marketing job. Time, place and possession utility are definitely created by marketing and it could be argued that the creation of form utility, usually

considered a production activity, should be directed by marketing. Having goods available when and where they are wanted and then completing the sales transaction to provide possession utility, is the very essence of marketing.

Economists at one time theorized that marketing should take place almost automatically and without cost, since they assumed no value was added by it. Where there were costs, these were considered waste. The more recent view is that the provision of time and place utility does add value to a product. It was hard to deny that oranges packed in boxes at the orchard had less value to thirsty consumers than if they were available at a convenient grocery store. They, of course, had even more value if they were already squeezed and chilled in a restaurant.

Moreover, marketing is a vital regulating force in our economy. It allocates resources in the light of consumer demand. It affects the distribution and size of income. A firm's basic source of income is sales. If enough sales can-not be made to maintain a profit, the firm may go out of business or at least wage and salary levels may drop. This process can be seen at work in the soft coal, hat, leather, textile and many agricultural and mining Industries. These industries receive a relatively small share of national income because consumers are not willing to pay more for these products or service.

Marketing is a stimulus which encourages innovation. Research effort and investment money are attracted when consumers are willing to pay more for a product or service. If sales and profits justify it, the companies involved press on to further innovations and improvements. In recent years, two industries which have followed this pattern are business machines and electronics.

In general, where a well-organized market economy is operating, there are opportunities for new investment and the level of business activity and employment is high. But, when marketing activities are overlooked, the result frequently is slow growth or perhaps stagnation.

Extreme examples are "underdeveloped" countries, which have little marketing activity. According to one management expert, marketing holds the key to their development. His philosophy is stated succinctly below:

Marketing occupies a critical role on respect to the development of such "growth" areas. Indeed, marketing is the most important "multiplier" of such developments. It is in itself in every one of these areas, the least developed, the most back-ward part of the economic system. Its development, above all others, makes possible economic integration and the fullest utilization of whatever assets and productive capacity an economy already possesses. It mobilizes latent economic energy. It contributes to the greatest needs; that for the rapid development of entrepreneurs and managers and at the same time it may be the easiest area of managerial work to get going.

In summary, marketing is vital for the development of a nourishing industrial society the aspiration of most people in this world.

1.2.1. Various Approaches To Studying Marketing

There are a number of possible approaches to the study of marketing. The commodity, institutional and functional approaches are traditionally used.

The commodity approach studies the marketing of many different products. While the description and analysis can be very specific, this can be very time-consuming if all products are covered. It also tends to produce a fragmented picture.

The institutional approach undertakes to describe and analyze the various types of wholesales, retailers and other institutions which make up the marketing system. This is essentially descriptive and while necessary to some extent, does not provide insights to the student who is interested in solving business problems.

The functional approach is more theoretical. It attempts to break down the entire marketing process into a number of basic function or activities. This highly analytical approach is useful for understanding the basic marketing process and will be most helpful to us. The following eight basic functions are found in all marketing processes; buying, selling, transporting, storing, grading, financing, risk-taking and market information.

The main goal of this text will be to prepare the student for evaluating the efficiency of future marketing systems and to understand the marketing management problems of distributing products which are not yet even on the market. In other words, we will try to develop the student's ability to analyze future marketing problems and systems, not merely to analyze and describe present or past systems for him.

1.2.2. What Is A Market?

The concept of a market is sometimes confusing clearly, there are many usage's of the term in economic theory, in business, in general and in particular. A market may be defined as a place or a geographical area where buyers and sellers meet and function, goods or services are offered for sale and transfers of ownership of title occur.

A market also may be defined as an aggregate demand by potential buyers of a product or service. For example, there is a farm market for petroleum products. In economic theory a market implies a set of conditions and forces which determine prices. That is, the meeting of buyers and sellers, price determination and transfer of title are activities essential to the existence of a market. The concept of a market also implies a demand for a product or service. In fact, the terms "market" and "demand" often are used interchangeably and they also may be used jointly as "market demand".

The above definitions of a market still may not be sufficiently usable by a marketing executive in an individual firm. Consequently, in this book a market will be defined as people with needs to satisfy, the money to spend and the willingness to spend it. Thus in the market demand for any given product or service, there are three factors to consider: people with needs, their purchasing power and their buying behavior. We shall employ the dictionary definition of needs: A need is the lack of anything that is required or useful. We do not limit needs to the narrow physiological requirements of food, clothing and shelter essential for survival. The potentially limitless number of needs offers unbounded opportunities for market growth. Satisfying wants may be interpreted as the first step toward satisfying needs.

Strategic marketing management involves a seller trying to determine the following points in an effort to define the market to be targeted:

Which customer needs and wants are currently not being well satisfied by competitive product offerings.

How desired benefits and choice criteria vary across potential customers and how to identify the resulting segments by demographic variables such as age, sex, lifestyles or some other characteristics.

Which segments to target and which product offerings and marketing programs appeal most to customers in those segments. How to position the product to differentiate it from competitors' offerings and give the firm a sustainable competitive advantage.

1.2.3. Market Segmentation

Before a marketing executive attempts to analyze the market for his products, he should understand the value of the market segmentation.

Market segmentation consists of taking the total heterogeneous market for a product and dividing it into several submarkets or segments, each of which tends to be homogeneous in all significant aspects. In terms familiar to an economist, we are developing several demand schedules a separate one for each market segment where only one schedule representing the total market existed previously. Thus, instead of speaking of a market for Bermuda shorts, we now segment this market into several submarkets: those for college women, businessmen, housewives and retired people. Still further segmentation might be based on geographic location.

The total market for most types of products is too heterogeneous for marketing management to derive maximum value from an analysis of it as a whole. To speak of the market for industrial fuel oil, vitamin pills, electric razors or tractors is to ignore the fact that within the total market for each of these products there exist submarkets which differ significantly from one another. This lack of homogeneity may be traced to differences in buying or other factors. If markets are properly segmented by marketing management, the distribution, pricing, promotion and other parts of the marketing program can be effectively tailored for these segments.

In some instances, a firm may sell the same product to different markets through the use of different advertising appeals. More often, however, market segmentation is accompanied by product differentiation by developing a different product for each market segment.

1.2.4. Markets People And Money

Today the teenage market or the baby market or young married market is a growing force in the economy. These and countless similar remarks are evidence of the attention being paid to markets and to the factors of people and money which in turn, constitute these markets.

1.2.5. What Is Marketing?

We have deliberately avoided defining "marketing" until now, to allow the student to develop some tentative definitions of his own. From the historical discussion, he may have developed a definition built upon the exchange of surplus commodities which certainly would have been appropriate for that era. Or the definition might stress the exchange of goods in a production-oriented economy. Such a definition would emphasize and an exchange of those goods for other goods they were less able to produce themselves.

A more modern definition, in tune with greatly expanded productive capacity, might emphasize the adaptation of

production facilities to the market. Specifically, marketing might be defined as the response of businessmen to the need to adjust production capabilities to the requirements of consumer's demands. Adjusting production capabilities would refer to the coordination of production, accounting, finance and marketing in the light of the changing needs of consumers who are affluent enough to have varied buying choices.

To get a more active view of marketing, however, we are going to look at it from the marketing manager's standpoint.

The marketing manager is concerned with the direction of specific functions and activities (which encompass several functions). The marketing manager is concerned with specific activities and he works toward specific results.

Within this framework, we may say; 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 firm's objectives.

So the student will realize the full importance and scope of this field, let us clearly specify the meaning of this definition.

Are the activities of product development, product design, packaging, credit and collection, transportation, ware-housing and price setting included in "marketing"? There is little doubt that personal selling and advertising are marketing activities, but many business executives would limit the scope of marketing to them. They feel that marketing's job is to "get rid of" the product which has been produced and priced by the production, accounting and financial executives. We must reject this view of marketing.

When we define marketing as the performance of the activities that direct the flow of goods and services, we mean just that; direct. Marketing should begin with the customer, not the plant. Marketing and not production should determine what products are to be made (product development, design and packaging), what prices are to be charged (credit and collection and pricing policies), and where and how the products are to be advertising and sold.

This does not mean that marketing should take over the traditional production, accounting and financial activities, but merely that it will "direct" these activities. After all, the purpose of business is making sales, not making products which might be sold. A factory can make products, but it takes coordination of all the activities of the business to make sales, especially at a profit.

The marketing management of a firm is not limited to satisfying customers merely in one region or even one country. Increasingly, marketing-oriented companies are taking a broader view of potential markets. People all over the world are viewed as potential customers. This global approach requires even more planning and coordination and makes marketing even more important.

1.2.6. Marketing Functions Are Universal

In both domestic and international marketing, we find the same basic marketing functions, buying, selling, transporting, storing, grading, financing, risk-taking and market information. It will be valuable to explain these basic functions and how they serve as a foundation for our managerial approach to marketing.

The first two, buying and selling are concerned with the exchange process. The buying function is concerned with the search for and evaluation of products and services. The selling function involves promoting the product and would include the use of personal salesmen and advertising. This is the best-known function of marketing and some people feel, its only function.

The functions of transporting and storing involve the handling and movement of goods. These are the major activities of main marketing institutions, especially warehouses transportation agencies, wholesalers and some retailers.

The functions of grading, financing, risk-taking and market information assists other functions. Grading is dividing the product into the most attractive quantities and by the most useful qualities, thus aiding the storing and selling functions financing facilitates the exchange of money for goods and provides the credit necessary for storing. The risk-taking function is inherent in any business activity and is the reason that good management is so valued; one of management's jobs is to measure and control the risk. The market information function is concerned with collecting, analyzing and disseminating data which will aid in effective completion of the other functions. Without up-to-date information, the manager will probably rely on old information and it is more than possible that last year's facts may prove worse than useless this year.

No matter how simple or how complex the process is, all of the functions of marketing must be performed. A farmer, for example, may permit a wholesaler to pick up his products at the farm, haul them into town, grade them according to recognized standards, carry the financial burden until they are sold and through this period, take the risk that they can be sold. If this job is complicated, one wholesaler may not be willing to handle all of these activities and two or more wholesalers may become involved.

The important fact is that, even if the farmer were to do all of this himself, none of the functions would be bypassed. He would still have to grade the products to his own farm, store them until they were needed and transport them into town. During this time, he would have to finance his own activities and bear any risk of price fluctuations or quality deterioration. In either situation, he would watch the news-paper or listen to the radio for market information on prices, supplies and weather conditions.

Thus we see that providing these functions underlies much of the activity of marketing.

1.2.7. Marketing Is Oriented To Customers, Profits And Society

The interesting thing about marketing is that when all of the various business and marketing activities are coordinated, the whole is greater than the sum of the parts. Marketing acts as a liaison between customers and the production side of business. Through careful blending of the needs of customers with the capabilities of production, marketing management attempts to satisfy its customers.

This is not done altruistically, it should be emphasized. Generally speaking, customers are willing to pay higher prices for or buy more of, those goods, which best satisfy them. Thus efficient marketing can increase profits, which are required to attract investment and provide jobs and to pay for research to develop new or better products. Profits are not only the goal of most businesses, but they can be used as a rough measure of a firm's efficiency in satisfying customers. In this sense business and customer goals are not at odds.

There is no question that marketing is vital in modern economies. It probably will become even more important in the future. In most of this text, we will consider the view-point and techniques of marketing management, to give the student a better understanding of the marketing process.

1.2.8. Marketing Activities and Their Characteristics

The importance of marketing in a company's ongoing success can better be understood and appreciated when you consider the activities it embraces. In essence, marketing anticipates and measures the importance of needs and wants of a given group of consumers and responds with a flow of need satisfying goods and services. Accomplishing this requires the firm to:

- ⋄ Target those markets most compatible with its resources,

- ⋄ Develop products that meet the needs of the target market better than competitive products,

- ⋄ Make the products readily available.

- ⋄ Obtain feedback from the market about the success of company products and programs.

One important characteristic of marketing as a business function is its focus on customers and their needs. When properly done, such focusing enables firms to enjoy success over time by exploiting changes in the marketplace, by developing products that have demonstrable superiority over what is currently available and thus fill a strong need and by using a more integrated approach to their total operations.

1.2.9. Customer Needs and Wants

Needs are the basic forces that drive customers to take action and engage in exchanges. An unsatisfied need is a gap between a person's actual and desired states on some physical or psychological dimension. Abraham Maslow argues that consumers are motivated by a five-level need hierarchy. He believes that lower-level (psychological) needs must be satisfied before a person can try to activate higher-level needs, such as those involving self-esteem or self-actualization.

Also, consumer markets typically consist of many more and more geographically dispersed potential customers than organizational markets. Because of such differences, some marketing strategies and tactics are more appropriate and successful for consumer markets; others work better when selling to organizations.

Thus, we all have basic physical needs critical to our survival, such as food, drink, warmth, shelter and sleep. We also have social and emotional needs critical to our psychological well-being, such as security, belonging love, esteem and self-fulfillment. Those needs that motivate the consumption behavior of individuals, however, are few and basic. They are not created by marketers or other social forces; they flow from our basic biological and psychological makeup as human beings.

Organizations also must satisfy needs to assure their survival and well-being. Shaped by the organization's strategic objectives, these needs relate to the resource inputs, capital equipment, supplies and services necessary to meet those objectives.

Wants reflect a person's desires or preferences for specific ways of satisfying a basic need. Thus, a person wants particular products, brands or services to satisfy an unsatisfied need. A person is thirsty and wants a Coke. A person is tired and wants a vacation. A company needs office space and its top executives want an office at a prestigious address.

Basic needs are relatively few; but people's many wants are shaped by social influences, their past history and consumption experiences. Different people, then, may have very different wants to satisfy the same need. Everyone needs to keep warm on cold winter nights, for instance. But some people want electric blankets, while others prefer old-fashioned down comforters. These individual differences in wants to satisfy basic needs are very apparent in the consumption differences across cultures or social groups within a society. Within our own society, upper social classes and bonds. The lower classes opt for saving accounts and real estate.

This distinction between needs and wants helps put into perspective the charge that "marketers create needs" or that "marketers make people want things they don't need." Neither marketers nor any other single social force can create needs deriving from the biological and emotional imperatives of human nature. On the other hand, marketers and many other social forces influence people's wants.