

CHAPTER 1

An Overview of Strategic Marketing

I. Defining Marketing

We define *marketing* as the process of creating, distributing, promoting, and pricing goods, services, and ideas to facilitate satisfying exchange relationships with customers in a dynamic environment.

A. Marketing Focuses on Customers

1. As the purchasers of the products that organizations develop, promote, distribute, and price, *customers* are the focal point of all marketing activities.
2. The essence of marketing is to develop satisfying exchanges from which both customers and marketers benefit.
3. Organizations generally focus their marketing efforts on a specific group of customers, or *target market*.

B. Marketing Deals with Products, Distribution, Promotion, and Price

Marketing involves developing and managing a product, making the product available in the right place and at a price acceptable to buyers, and communicating information to help customers determine if the product will satisfy their needs. These activities—product, distribution, promotion,

and pricing—are known as the *marketing mix* because marketers decide what type of each element to use and in what amounts.

1. **The Product Variable**

The product variable of the marketing mix deals with researching customers' needs and wants and designing a product that satisfies them.

- a) A *product* can be a good, a service, or an idea.
 - (1) Good—a physical entity you can touch
 - (2) Service—the application of human and mechanical efforts to people or objects to provide intangible benefits to customers
 - (3) Idea—concept, philosophy, image, or issue
- b) The product variable also involves creating or modifying brand names and packaging and may include decisions regarding warranty and repair services.
- c) Product variable decisions and related activities are important because they are directly involved with creating products that meet customers' needs and wants.

2. **The Distribution Variable**

In dealing with the distribution variable, a marketing manager makes products available in the quantities desired to as many target market customers as possible, keeping total inventory, transportation, and storage costs as low as possible.

3. **The Promotion Variable**

The promotion variable relates to activities used to inform individuals or groups about an organization and its products.

- a) Promotion can be aimed at increasing public awareness of an organization and of new or existing products.
- b) Promotional activities can also educate customers about product features or urge people to take a particular stance on a political or social issue.

4. **The Price Variable**

The price variable relates to decisions and actions associated with establishing pricing objectives and policies and determining product prices. Price is a critical component of the marketing mix because customers are concerned about the value obtained in an exchange.

5. Marketing mix variables are often viewed as controllable because they can be modified; however, economic conditions, competitive structure, or government regulations may limit how much marketing managers can alter them.

C. **Marketing Builds Satisfying Exchange Relationships**

1. Individuals and organizations engage in marketing to facilitate *exchanges*—that is, the provision or transfer of goods, services, or ideas in return for something of value.

2. Four conditions must exist for an exchange to occur:
 - a) Two or more individuals, groups, or organizations must participate, and each must possess something of value desired by the other party.
 - b) The exchange should provide a benefit or satisfaction to both parties involved in the transaction.
 - c) Each party must have confidence in the promise of the “something of value” held by the other.
 - d) To build trust, the parties to the exchange must meet expectations.
3. An exchange will not necessarily take place just because these conditions exist; marketing activities can occur even without an actual transaction or sale. Figure 1.2 depicts the exchange process.
4. Marketing activities should attempt to create and maintain satisfying exchange relationships.

D. Marketing Occurs in a Dynamic Environment

1. The *marketing environment*, which includes competitive, economic, legal and regulatory, technological, and socio-cultural forces, surrounds the customer and affects the marketing mix as shown in Figure 1.1.
2. The forces of the marketing environment affect a marketer’s ability to facilitate exchanges in three ways:

- a) They affect customers' lifestyles, standards of living, and preferences and needs for products.
 - b) They help determine whether and how a marketing manager can perform certain marketing activities.
 - c) They may affect a marketing manager's decisions and actions by influencing buyers' reactions to the firm's marketing mix.
3. Marketing environment forces can fluctuate quickly and dramatically.
 4. Changes in the marketing environment produce uncertainty for marketers and at times hurt marketing efforts, but they also create opportunities.
 5. Marketing mix elements—product, distribution, promotion, and price—are factors over which an organization has control; the forces of the environment, however, are subject to far less control.

II. Understanding the Marketing Concept

According to the *marketing concept*, an organization should try to provide products that satisfy customers' needs through a coordinated set of activities that also allows the organization to achieve its goals.

A. Basic Elements of the Marketing Concept

1. Customer satisfaction is the major focus of the marketing concept.
 - a) To implement the marketing concept, an organization focuses on customer analysis, competitor analysis, and integration of the

- firm's resources to provide customer value and satisfaction, as well as long-term profits.
- b) The firm must also continue to alter, adapt, and develop products to keep pace with customers' changing desires and preferences.
2. The marketing concept is not a second definition of marketing. It is a management philosophy guiding an organization's overall activities.
 3. It is important for marketers to consider not only current buyers' needs, but also the long-term needs of society.

B. **Evolution of the Marketing Concept**

1. **The Production Orientation**

- a) During the second half of the nineteenth century, the Industrial Revolution was in full swing in the United States.
- b) As a result of new technology and new ways of using labor, products poured into the marketplace, where consumer demand for the new manufactured goods was strong.

2. **The Sales Orientation**

- a) Between the mid-1920s and the early 1950s, business-people viewed sales as the major means of increasing profits.
- b) During this era, businesspeople believed that the major marketing activities were personal selling, advertising, and distribution.

3. **The Marketing Orientation**

- a) By the early 1950s, some businesspeople recognized that they must first determine what customers want and then produce it,

rather than make products and try to persuade customers that what they need is what was produced.

- b) A *marketing orientation* requires the “organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organizationwide responsiveness to it.”
- c) Today, businesses want to satisfy customers and build meaningful, long-term buyer-seller relationships.

C. Implementing the Marketing Concept

- 1. To implement the marketing concept, a marketing-oriented organization must accept some general conditions and recognize and deal with several problems.
 - a) Management must first establish an information system to discover customers’ real needs and then use the information to create satisfying products.
 - b) To satisfy customers’ objectives as well as its own, a company must also coordinate all its activities.

III. Managing Customer Relationships

- A. Achieving the full profit potential of each customer relationship should be the fundamental goal of every marketing strategy.
 - 1. At the most basic level, profits can be obtained through relationships in the following ways:
 - a) By acquiring new customers

- b) By enhancing the profitability of existing customers
 - c) By extending the duration of customer relationships
 - 2. Implementing the marketing concept means optimizing the exchange relationship—the relationship between a company’s financial investment in customer relationships and the return generated by customers responding to that investment.
- B. The term *relationship marketing* refers to “long-term, mutually beneficial arrangements in which both the buyer and seller focus on value enhancement through the creation of more satisfying exchanges.”
- 1. Relationship marketing continually deepens the buyer’s trust in the company, and, as the customer’s confidence grows, this in turn increases the firm’s understanding of the customer’s needs.
 - 2. Eventually this interaction becomes a solid relationship that allows for cooperation and mutual dependency.
- C. *Customer relationship management (CRM)* focuses on using information about customers to create marketing strategies that develop and sustain desirable customer relationships.
- 1. By increasing customer value over time, organizations try to retain and increase long-term profitability through customer loyalty.

2. Managing customer relationships requires identifying patterns of buying behavior and using that information to focus on the most promising and profitable customers.

IV. Value-Driven Marketing

- A. To manage customer relationships, organizations must develop marketing mixes that create value for customers. We view *value* as a customer's subjective assessment of benefits relative to costs in determining the worth of a product (customer value = customer benefits – customer costs).
 1. Customer benefits include anything a buyer receives in an exchange.
 2. Customer costs include anything a buyer must give up to obtain the benefits provided by the product. Costs include the monetary price of the product as well as less obvious nonmonetary costs such as time and effort.
- B. The process people use to determine the value of a product is not highly scientific.
- C. In developing marketing activities, it is important to recognize that customers receive benefits based on their experiences.
- D. The marketing mix can be used to enhance perceptions of value.

V. Marketing Management

- A. *Marketing management* is the process of planning, organizing, implementing, and controlling marketing activities to facilitate exchanges effectively and efficiently.

1. “Effectiveness” is the degree to which an exchange helps achieve an organization’s objectives.
 2. “Efficiency” refers to minimizing the resources an organization must spend to achieve a specific level of desired exchanges.
- B. Planning is a systematic process of assessing opportunities and resources, determining marketing objectives, and developing a marketing strategy and plans for implementation and control.
- C. Organizing marketing activities involves developing the internal structure of the marketing unit.
- D. Proper implementation of marketing plans hinges on coordination of marketing activities, motivation of marketing personnel, and effective communication within the unit.
- E. The marketing control process consists of establishing performance standards, comparing actual performance with established standards, and reducing the difference between desired and actual performance.

VI. The Importance of Marketing in Our Global Economy

- A. **Marketing Costs Consume a Sizable Portion of Buyers’ Dollars**
1. About one-half of a buyer’s dollar goes to pay the costs of marketing.
 2. Because marketing expenses consume such a significant portion of our dollars, you should know how this money is used.
- B. **Marketing Is Used in Nonprofit Organizations**

1. Marketing is also important in organizations working to achieve goals other than ordinary business objectives such as profit.
2. Government agencies engage in marketing activities to fulfill their mission and goals.
3. In the private sector, nonprofit organizations also employ marketing activities to create, distribute, promote, and even price programs that benefit particular segments of society.

C. Marketing Is Important to Business and the Economy

1. Businesses must sell products to survive and grow, and marketing activities help sell their products.
2. Marketing activities help produce the profits that are essential not only to the survival of individual businesses but also to the health and ultimate survival of the global economy.

D. Marketing Fuels Our Global Economy

1. Profits from marketing products contribute to the development of new products and technologies.
2. Advances in technology, along with falling political and economic barriers and the universal desire for a higher standard of living, have made marketing across national borders commonplace while stimulating global economic growth.

(Global Marketing: Gruma Tortillas Folds up U.S. Market)

E. Marketing Knowledge Enhances Consumer Awareness

1. Studying marketing allows us to assess a product's value and flaws more effectively.
2. Understanding marketing enables us to evaluate corrective measures (such as laws, regulations, and industry guidelines) that could stop unfair, damaging, or unethical marketing practices.

F. Marketing Connects People Through Technology

1. New technology, especially technology related to computers and telecommunications, helps marketers understand and satisfy more customers than ever before.
2. The Internet has also become a vital tool for marketing to consumers and other businesses.

G. Socially Responsible Marketing Can Promote the Welfare of Customers and Society

1. The success of our economic system depends on marketers whose values promote trust and cooperative relationships in which customers are treated with respect.
2. By managing concern about the impact of marketing on society, a firm can protect the interests of the general public and the natural environment.

H. Marketing Offers Many Exciting Career Prospects

1. From 25 to 33 percent of all civilian workers in the United States perform marketing activities.
2. Whether a person earns a living through marketing activities or performs them voluntarily in nonbusiness projects, marketing knowledge and skills are valuable assets.

