

Assessing the Marketplace

Your first lesson consists of four assignments that cover the first four chapters. These assignments provide a useful overview of the contemporary marketing environment and all that it entails, including the importance of ethics in designing a marketing strategy.

When you complete this lesson, you'll be able to

- Define *marketing* and describe the role of marketing in organizations
- Describe how marketers create value for a product or service
- Explain why marketing is important both within and outside a firm
- Identify and describe the key elements of a marketing strategy
- Discuss the steps of establishing a marketing plan
- Define *SWOT analysis* and explain how it's used to analyze the internal and external factors that affect a marketing situation
- Describe how a firm chooses people to pursue with its marketing efforts
- Define *marketing mix* and describe how its implementation increases customer value
- Define *portfolio analysis* and explain how such an analysis is used to evaluate marketing performance
- Explain the steps firms can take to grow their businesses
- Discuss the ethical and social responsibilities of marketers and how these considerations can be integrated into a marketing strategy
- Discuss how customers, the company, competitors, and corporate partners all affect the development of a marketing strategy
- Identify the key factors of the macroenvironment and explain how each factor affects marketing decisions



ASSIGNMENT 1: OVERVIEW OF MARKETING

Read Assignment 1 in this study guide. Then, read Chapter 1, “Overview of Marketing,” on pages 2–21 in your *Marketing* textbook.

Marketing Defined

We deal with marketing at all levels and in all facets of life. We live with marketing almost every day. We market ourselves and our ideas to our peers, superiors, children, parents, and other loved ones all the time. All transactions taking place among the 282 million people in the United States and the more than 6.1 billion people in the world involve some type of marketing—that is, exchanging things of value in a way that both parties of the exchange perceive an improvement in their lives as a result.

The main function of marketing is to create value for a *product* or products—which may be goods, services, or ideas—in the eyes of customers, while providing benefits to the stakeholders in the company that produces those goods, services, or ideas. *Value* is created primarily by offering something that satisfies the wants and needs of customers and by communicating to customers that what they receive is worth more than the cost of obtaining it. To accomplish this exchange most effectively, marketers employ a variety of methods to determine potential customers who have an interest in the product being offered and the ability to purchase it.

An overall marketing strategy involves analyzing and combining four interrelated factors or decisions, known as the *marketing mix* and commonly referred to as the *four Ps*. These are

1. Product
2. Price
3. Place (or placement)
4. Promotion

The product, as mentioned earlier, can refer to goods, services, or ideas that satisfy a customer's wants or needs. *Price* includes what the customer gives up in return for the product—including money, time, and information. *Place*, or *placement*, involves all the decisions that go into delivering the product to the customer—that is, making products available when, where, and how people want to buy them. *Promotion* includes all the strategies, including advertising, that communicate the value of the product.

Note that marketing can be conducted by individuals and organizations. The various types of marketing transactions can be broken down into three basic categories. In *business-to-consumer (B2C)* marketing, a business, such as a store, sells directly to a consumer. *Business-to-business (B2B)* marketing is the process through which one company sells a product directly to another company. In recent years, Internet auction sites have spawned a new category, known as *consumer-to-consumer (C2C)* marketing, through which individuals sell products directly to other individuals.

Your textbook quotes the American Marketing Association's definition of *marketing* as "the activity, set of institutions, and processes for creating, capturing, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large." Marketing has gone through four eras of change to arrive at this contemporary definition. It has evolved from a production orientation, to a sales orientation, to a marketing orientation, to today's

relationship marketing orientation. Exhibit 1.5 on page 11 of your textbook describes the four eras of marketing and the prevailing attitudes during these eras:

- During the *production-oriented era*, the dominant attitude was that quality products would sell themselves.
- The *sales-oriented era* emphasized convincing people to buy products.
- The *market-oriented era* saw the emergence of a company-wide consumer orientation, focusing on what consumers wanted and needed before designing and producing goods and services.
- The *current, value-based era* focuses on establishing and maintaining relationships with customers based on what they perceive as a fair exchange for their money and time. Value-based strategies can involve pricing decisions, communicating the particular benefits of a product (often over a competitor's product), or *value co-creation*, in which customers participate in designing the product they purchase.

Value-Based Marketing

Almost all firms now compete for customers based on communicating the value of their products. To compete in this way, firms use three integrated strategies:

- Sharing information about customers and competitors to determine trends in customer needs and wants, and developing strategies to place those products in a timely and appropriate manner
- Balancing customers' perceptions of the benefits they receive against the cost of the product
- The most recently developed strategy—moving from a transactional-oriented approach toward building long-term relationships with customers

Relational-Orientation Marketing

Relationship marketing develops customers. New customers become regular customers, who then become loyal supporters of the company. One of the most effective relational marketing tools is *customer relationship management (CRM)*, which is an integrated set of philosophies, strategies, and systems that identify the most valued customers and develop products, services, and plans to maintain their loyalty to the firm's offerings.

Why Is Marketing Important?

For several reasons, marketing has become a critical function both within and outside particular both product- and service-oriented organizations. For example, many brands and stores are now global, operating in many countries and appealing to a wide variety of customers. An effective marketing strategy ensures that the value of a company's products is communicated appropriately and consistently across these various markets.

In addition, a coherent marketing strategy helps to ensure effective communication and coordination of goals and ideas throughout a company's entire organizational structure, which includes areas such as product design, production, logistics, and human resources. Marketing helps to promote an efficient flow of materials and processes throughout the entire *supply chain*—the companies and departments that contribute to the production and delivery of products.

For consumers, of course, marketing provides opportunities to determine the value of various products. As a prospective employee, your understanding of the principles for communicating value and designing effective strategies can increase your value as an asset to a firm.

Marketing also fulfills important ethical and societal functions, which often translate into improved customer relationships, increased employee loyalty, marketplace successes, and improved financial performance.

Finally, marketing is a critical element of *entrepreneurialism*, the spirit of innovation that drives people and companies to identify needs or wants and to risk their time, talent, and financial resources to create goods and services that address them.

Before moving on to Assignment 2, take a moment to check your progress by completing the following self-check.



Self-Check 1

At the end of each section of *Marketing*, you'll be asked to pause and check your understanding of what you've just read by completing a "Self-Check" exercise. Answering these questions will help you review what you've studied so far. Please complete *Self-Check 1* now.

- Marketing involves three of the following. Which is *not* involved in marketing?
 - Exchange
 - Satisfying customer needs and wants
 - Creating value
 - Production scheduling
- Which of the following statements represents a core principle of marketing?
 - All parties to an exchange should be satisfied.
 - Promotion is foremost, followed by pricing decisions.
 - Customers aren't considered until the product is ready for sale.
 - Distribution is controlled by customers.
- True or False?* Value-based marketing supports developing long-term customer loyalty.
- The group of firms that makes and delivers a given set of goods and services is known as a(n) _____.
- Value* reflects the relationship of _____ to _____.
- A database software system used by a company to remind salespeople when customers should be ready to reorder products is an example of
 - C2C marketing.
 - customer relationship management.
 - a transactional marketing orientation.
 - a value driven global positioning system.

Check your answers with those on page 85.

ASSIGNMENT 2: DEVELOPING MARKETING STRATEGIES AND A MARKETING PLAN

Read this entire introduction. Then, study Chapter 2, “Developing Marketing Strategies and a Marketing Plan,” on pages 22–41 in your *Marketing* textbook.

Marketing Strategy

Developed by marketers, a *marketing strategy* is an outline that describes the particular areas a firm proposes to consider to attract customers. It identifies three specific areas of concern:

1. The *target market*—that is, the group or groups of people toward whom the product is designed to appeal
2. The marketing mix
3. The foundations upon which the firm intends to build a *sustainable competitive advantage*—the proposition a firm creates to define the uniqueness of its product’s value and protect itself over time from competitors in the marketplace

A sustainable competitive advantage is defined by four major, or macro, elements, commonly referred to as areas of excellence:

1. *Customer excellence*, which focuses on developing a loyal customer base and providing outstanding customer service
2. *Operational excellence*, which focuses on strategies designed to streamline the process of producing and delivering products, effectively manage supply chain resources, develop productive relationships with suppliers, and increase workforce productivity
3. *Product excellence*, which focuses on communicating the value of the product, often through creating a clear, attractive, and targeted image of the product

4. *Locational excellence*, which focuses on choosing the best physical location—and, increasingly, developing a strong Internet presence—to place a product

Marketing Plan

A *marketing plan* is a written document that consists of analysis of the current marketing environment, competitive opportunities and challenges, goals and strategies defined by the marketing mix, and financial statements including projected income and costs. Developing a marketing plan has three stages: planning, implementation, and control.

In the *planning* phase, which is usually conducted by the highest levels of management, firms first develop a *mission statement*, which sets forth a firm's vision of how it defines itself now and how it sees itself in the future. A crucial step in the planning phase is conducting a *SWOT analysis*, which is an assessment of resources, risk, and opportunities. *SWOT* is an acronym for “strengths, weaknesses, opportunities, and threats.” This analysis is an approach that evaluates internal strengths and weaknesses and external opportunities and threats. This evaluation of the external and internal environments helps a firm evaluate the fulfillment of its stated mission.

In the second phase, *implementation*, firms determine how best to execute their vision in operational terms. The implementation phase typically has two critical steps. The first entails identifying and assessing business opportunities through a process known as *STP*—segmenting, targeting, and positioning. *Segmenting* is dividing the overall market of consumers into groups, or segments, that are likely to respond most enthusiastically to the product being offered. *Targeting* is creating profitable strategies aimed at appealing to the identified segment or segments, based on the firm's perceived ability to satisfy the wants and needs of those segments better than competitors can. *Positioning* is determining the appropriate combination of marketing mix elements to communicate the perceived value of a product or brand relative to the products or brands of competitors. This step requires something of a trade-off among the four Ps to create value.

Marketers must decide on the characteristics of the product that appeal most to its targeted consumers and offer it at an attractive price. They must then determine the promotional strategies that best communicate the value proposition. Finally, they must determine how to place their products most effectively and profitably.

In the *control* phase of developing a marketing plan, firms evaluate the financial results of their strategy and implementation decisions using systems—known as *metrics*—that measure market trends and characteristics and help to explain why the marketing goals were or weren't achieved. One of the most important metrics is known as a *portfolio analysis*, which is an evaluation of all of a company's products and business groups. A portfolio analysis determines which products and groups are most successful and which aren't achieving desired goals. This evaluation, in turn, assists firms in allocating financial resources most effectively to maximize profits while still creating customer value.

A number of large multiproduct organizations also use the concept of *strategic business units (SBUs)* to aid in market planning. The SBU concept groups the company into various operating divisions, and distinct strategies are designed for each SBU. Multiproduct firms may also use a market share/market growth matrix for evaluating their market planning. This matrix classifies the products or SBUs of the firm into four quadrants: question marks, stars, cash cows, and dogs. It's also possible to use spreadsheet analysis in conjunction with matrix analysis.

Growth Strategies

Firms utilize four basic marketing strategies to grow their businesses. The first, *market penetration*, focuses on using the current marketing mix to encourage existing customers to purchase more or to attract new customers in the target segment. Penetration strategies typically include increasing advertising and promotional events in targeted areas, and/or stepping up distribution in areas where the product is already sold.

The second, *market development*, relies on the current marketing mix to attract new market segments—for example, by expanding markets domestically or internationally. International expansion can be risky, however, because firms must take into consideration variations in government regulations, cultural tastes, supply chain operations and relationships, and language barriers.

The two remaining growth strategies are *product development* and *diversification*. A product development strategy involves offering to the target market a new product or service that extends the current lineup—for example, adding new fragrances or properties (like moisturizing) to an existing line of soaps or shampoos. A diversification strategy involves introducing a new product or service to a new segment that isn't being served by the firm's current offerings. Diversification strategies can be for the firm's current business—for example, when a women's hair product company starts making and selling hair products for men. A riskier diversification strategy involves expanding into a completely unrelated business that doesn't build on the firm's existing strengths, supply chain, or consumer base.

Before moving on to Assignment 3, take a moment to complete the following self-check.



Self-Check 2

1. Establishing a(n) _____ effectively builds a lasting wall around a firm's position against similar businesses.
2. Product excellence involves creating a perception of value through effective _____ and _____.
3. The blending of the four strategic elements to fit the needs and preferences of a specific target market is known as the _____.

(Continued)



Self-Check 2

4. A group of consumers toward whom a firm directs its marketing efforts is a(n) _____ market.
5. In a SWOT analysis, when does a problem exist?

6. Creating a(n) _____ is the first step in developing a marketing plan.
7. A company's marketing plan revolves around its
 - a. marketing strategy.
 - b. marketing budget.
 - c. appraisal of risks and opportunities.
 - d. statement of corporate objectives.
8. The strategic business unit (SBU) concept is best identified as a
 - a. planning tool that separates all tactical and operational issues for analysis.
 - b. device used primarily to separate marketing costs from production expenses.
 - c. marketing planning tool best suited to the needs of large, diversified organizations.
 - d. manageable analysis unit that tracks and controls product behavior.

Check your answers with those on page 85.

ASSIGNMENT 3: MARKETING ETHICS

Read this entire introduction. Then, study Chapter 3, "Marketing Ethics," on pages 42–59 in your textbook.

While moral or ethical issues affect all areas of a business, they're of particular concern to marketers because they're the people who interact most conspicuously with customers. Consequently, marketers sometimes face especially complex challenges of balancing the reputation of their company and/or its products against personal or corporate goals. As described in your textbook, for example, the toymaker Mattel