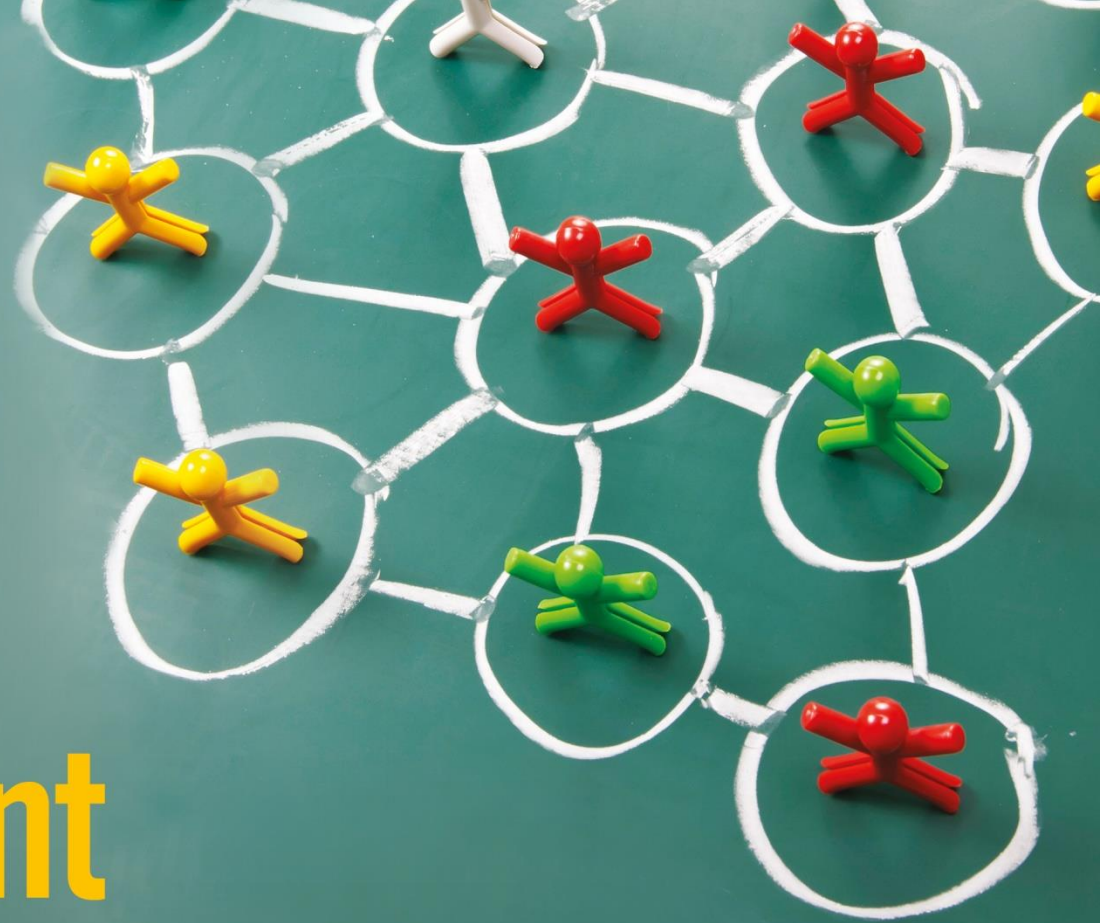


Introduction to
**Business
Management**

9TH EDITION

CHAPTER 13
MARKETING MANAGEMENT





Chapter content

- Introduction
- The evolution of marketing thought
- The marketing concept
- Defining marketing
- The components of the marketing process
- Market research
- Consumer behaviour
- Market segmentation
- Target-market selection and positioning
- The marketing instruments



Chapter content (continued)

- Product decisions
- Price decisions
- Distribution decisions
- Marketing communication decisions
- Summary




Introduction

- Marketing process is the transfer of products or services to the market
 - Market research to collect information
 - Development of market offering
- Marketing management monitors competitors, develops strategies to use opportunities and counters threats



Introduction

- Correlates resources of market with demands of market
- Management needs to know what happens in market before making decisions about production facilities, employing labour, purchasing raw materials and financing activities



The evolution of marketing thought

- Operation-oriented management
- Sales-oriented management
- Marketing-oriented management
- Consumer-oriented management
- The strategic approach to marketing
- Relationship marketing



The marketing concept

- Ethical code to which marketing task is performed
- Directs all marketing decisions about products, distribution methods, marketing communication and price determination



The marketing concept (continued)

- Four principles of the marketing concept
 - The principle of profitability
 - The principle of consumer orientation
 - The principle of social responsibility
 - The principle of organisational integration
- Merits of the marketing concept

The marketing concept

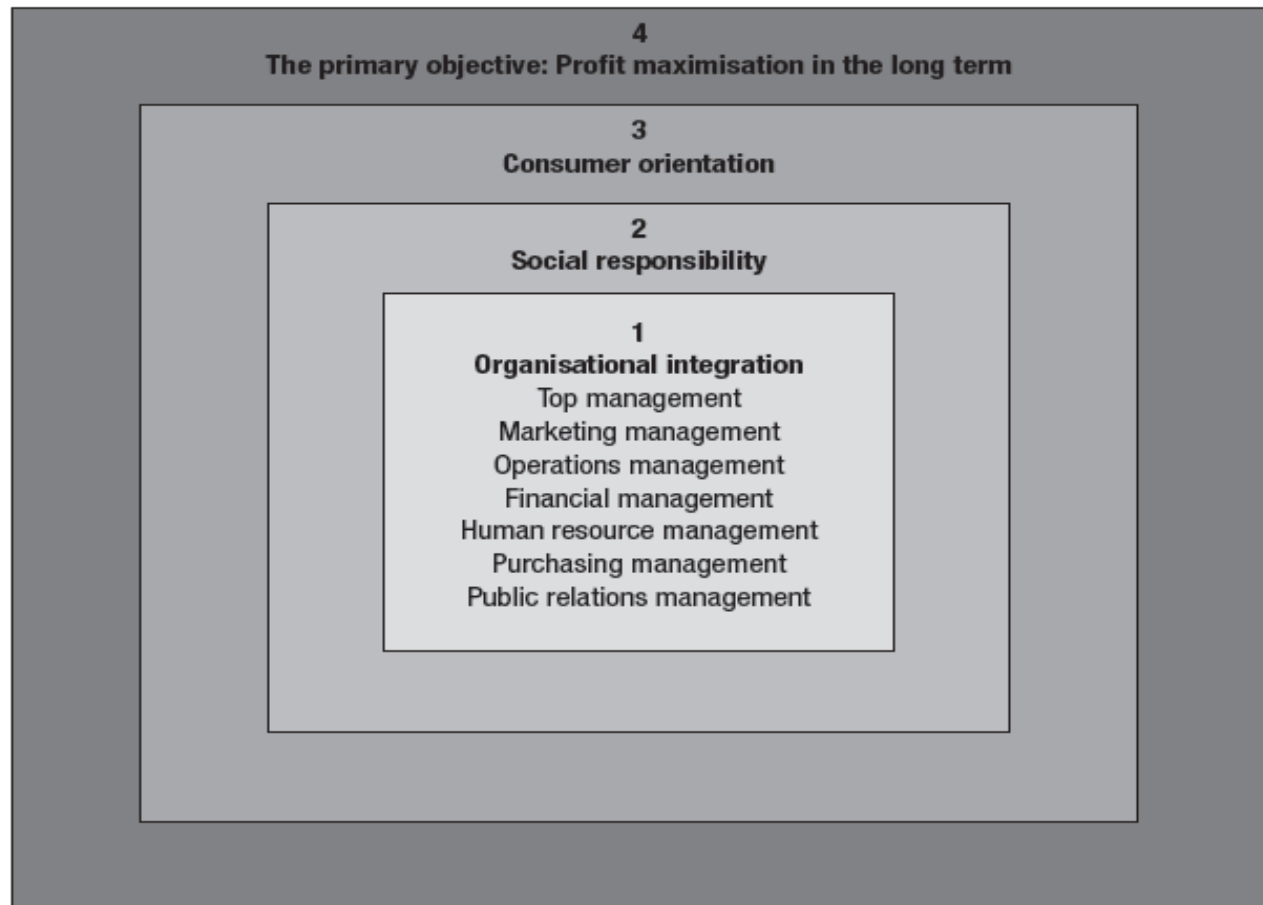


Figure 13.1: The marketing concept



Defining marketing

- Management tasks and decisions directed at successfully meeting opportunities and threats in a dynamic environment, by effectively developing and transferring a need-satisfying market offering to consumers, in such a way that the objectives of the business, the consumer and society will be achieved

The components of the marketing process

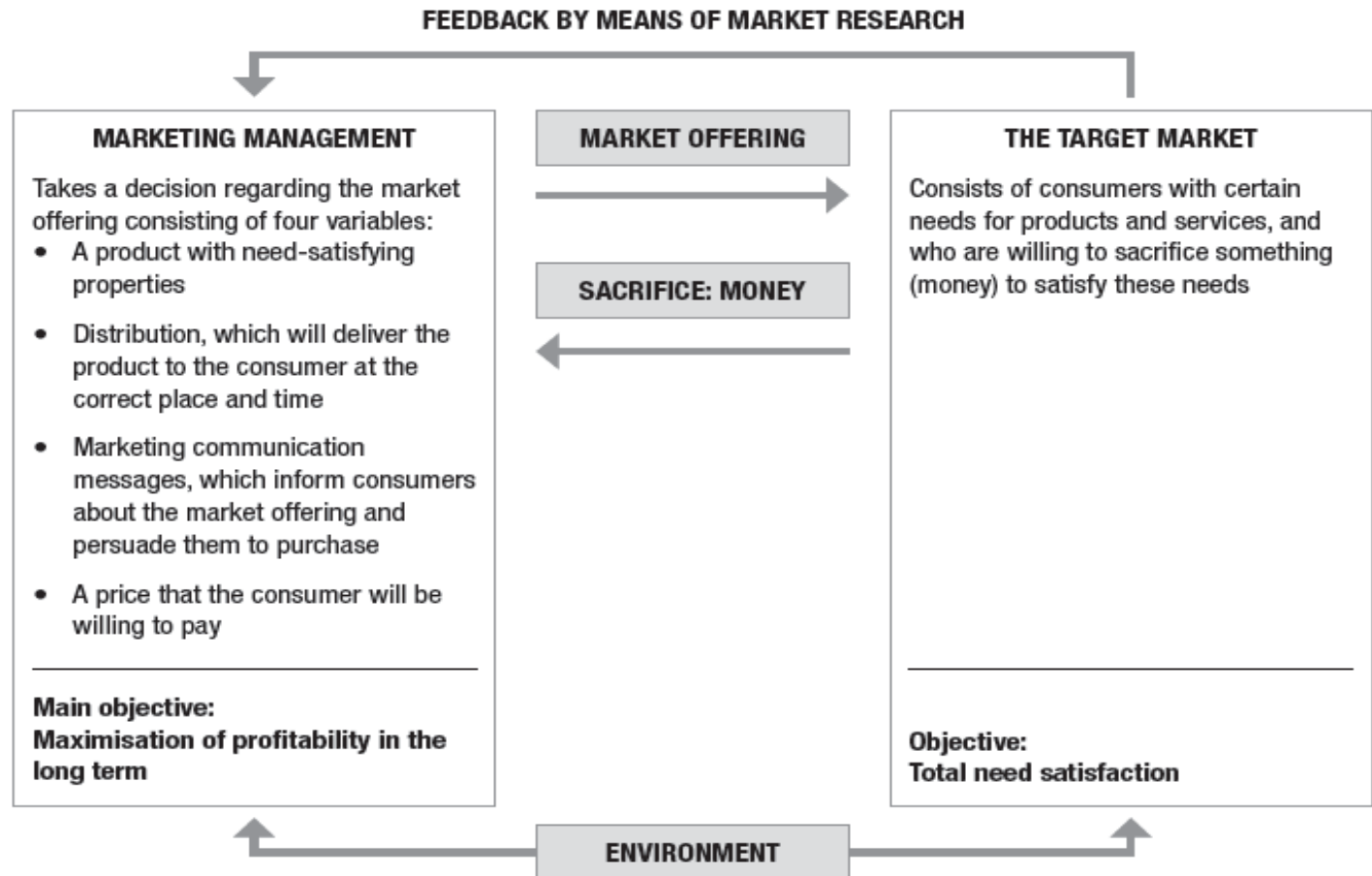


Figure: 13.2: The marketing process



Market research

- Information is needed in order to manage a business effectively
- Such information needs to:
 - Increase understanding of relevant market segments
 - Be pertinent to planning and controlling
 - Help in decision-making.

Marketing-research methodology

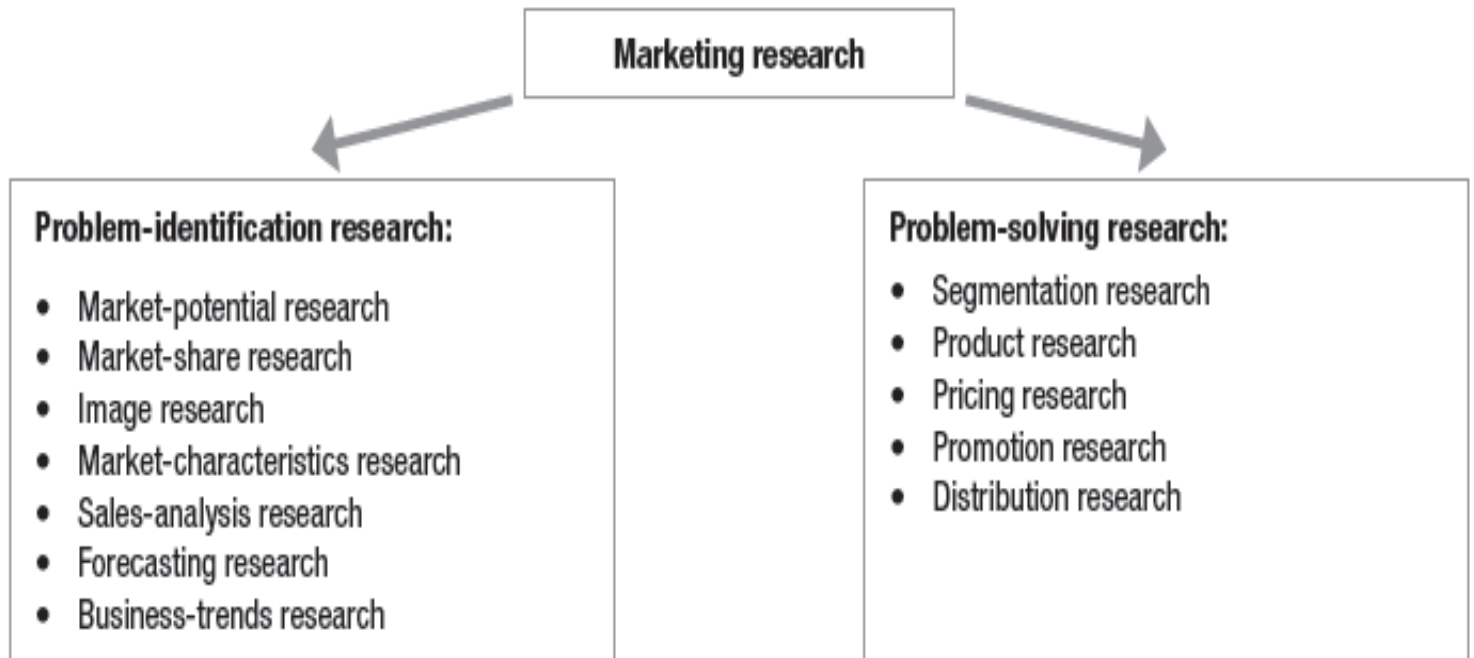


Figure 13.3: The two broad types of research in marketing research



12 Steps in conducting a survey

1. Define the research problem
2. Identify the research objectives/hypothesis
3. Investigate secondary resources
4. Compilation of a questionnaire
5. Pre-testing of the questionnaire
6. Selecting a sample to distribute the questionnaire to



12 Steps in conducting a survey (continued)

7. Training of the fieldworkers
8. Statistical analysis of data collected from questionnaires
9. Interpretation of the information
10. Research report and recommendations
11. Management evaluation
12. Implementation of management's decisions




Market forecasting

- Sales forecasting
 - Various types of forecasting can be identified
 - Difficult to make reliable sales forecasts, because no one can see into the future
- Forecasting of the profit contribution
 - Forecasting of profit contribution of a marketing opportunity is normally done for long-term periods
- All consumers are unpredictable – important to study consumer behaviour



Consumer behaviour

- Behaviour patterns of decision-making units directly involved in the purchase and use of products
- Including the decision-making processes preceding and determining these behaviour patterns
- Consumer behaviour consists of:
 - Overt acts
 - Covert processes.



Determinants of consumer behaviour

- Two main groups of factors determine consumer behaviour:
 - Individual factors (peculiar to a particular person)
 - Group factors.
- Individual decision-making is usually straightforward
- Decision-making in the group context is more complex



Individual factors

- Motivation
- Attitudes
- Perceptions
- Learning ability
- Personality traits
- Lifestyle



Group factors

- The family
- Reference groups
- Opinion leaders
- Cultural group

Determinants of consumer behaviour

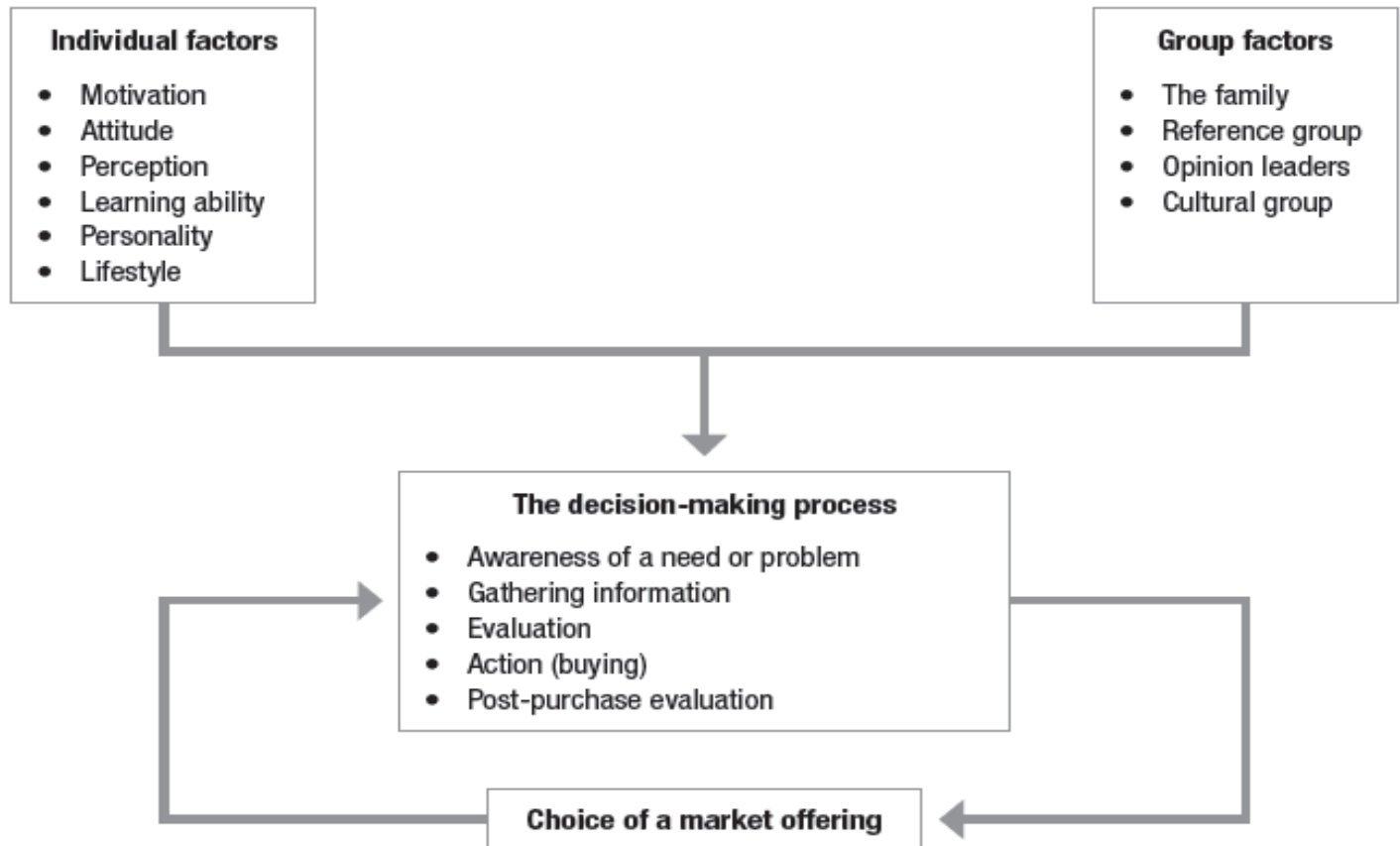


Figure 13.4: Determinants of consumer behaviour



Consumer decision-making

- Four influences in any organisational buying decision:
 - The environment
 - The organisation itself
 - The buying group
 - The individual buyer.
- The decision-making process moves through five phases



Consumer decision-making

Phase 1: Awareness of an unsatisfied need or a problem

Phase 2: Gathering of information on how best to solve the problem

Phase 3: Evaluation of the possible solutions

Phase 4: Decision on a course of action or purchase

Phase 5: Post-purchase evaluation



Market segmentation

- Total market in can be subdivided into:
 - The consumer market
 - The industrial market
 - The resale market
 - The government market.
- Steps to follow when segmenting a market:
 - Identify the needs
 - Group needs into homogenous subgroups
 - Select target markets
 - Position product within market segment.

Approaches to market segmentation

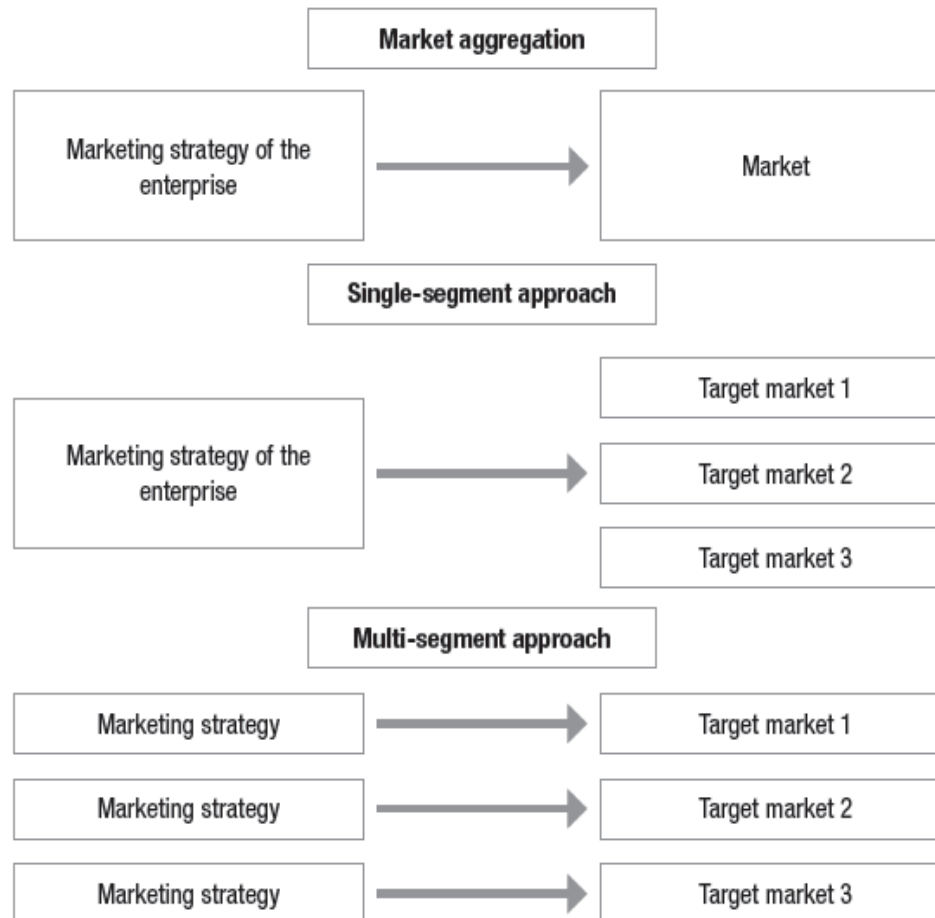


Figure 13.5: Approaches to market segmentation




Requirements for meaningful market segmentation

- For segmentation to be meaningful:
 - Segment must be identifiable and measurable
 - Segment must be substantial and sustainable
 - Segment must be reachable
 - Segment must be responsive.
- Once requirements have been met by a segment, the segment can then be selected as a target market



Criteria for market segmentation

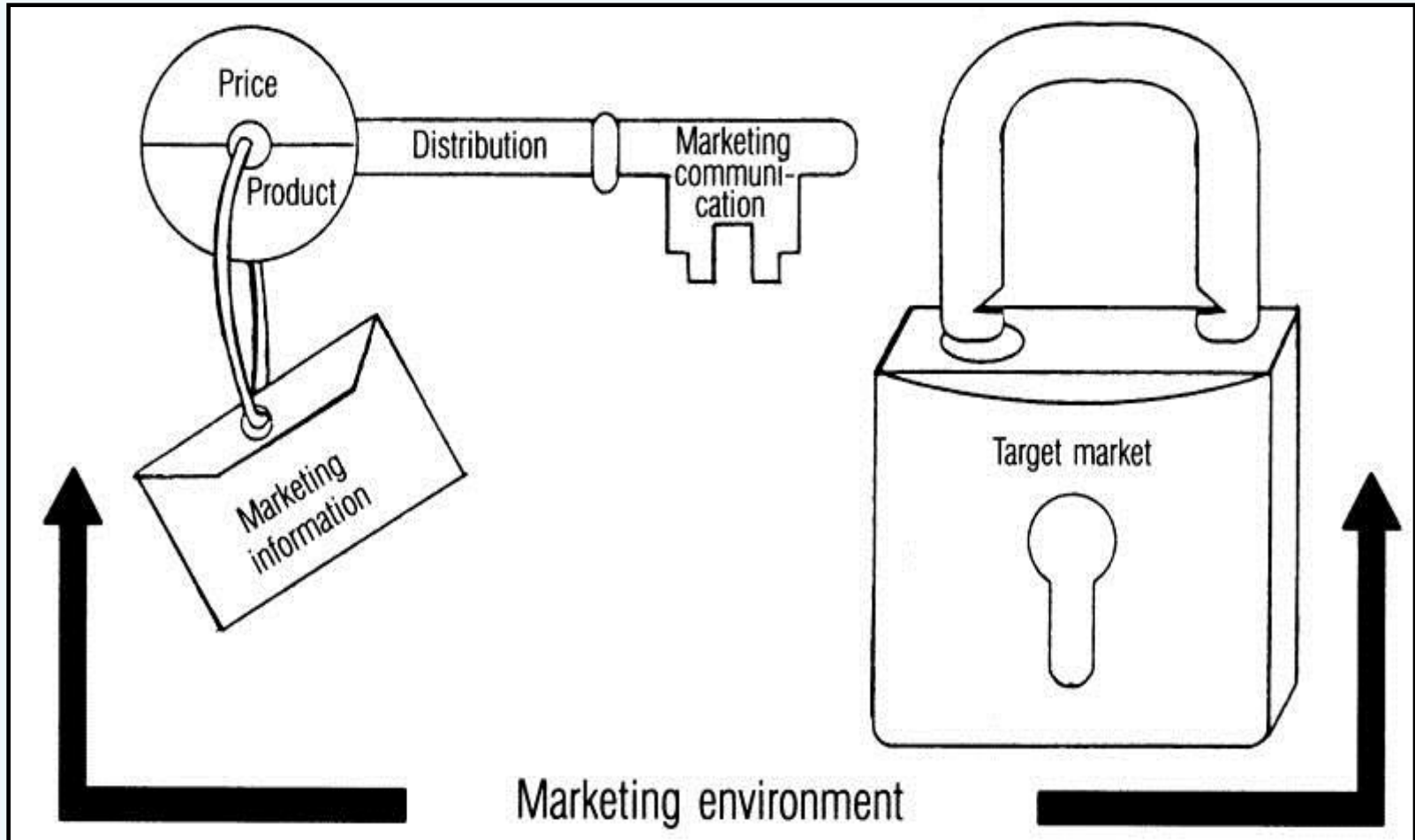
- Geographic criteria
 - Region, density, climate
- Demographic criteria
 - Age, gender, family size, income
- Psychographic criteria
 - Lifestyle, personality, social class
- Behavioural criteria
 - Purchase occasion, benefits sought, user status, loyalty status



Target-market selection and positioning

- Once segmentation has taken place, the marketer must select the segment with the most promising target market
- Abilities and expertise of the business have to be linked to the characteristics of the consumers in each segment
- The competitive situation in each market/segment must be carefully considered

The marketing instruments: the key to the market





What is a product?

- A composition of tangible and intangible need-satisfying utilities offered to consumers, so consumers can take note of them, procure them, and use them
- A consumer product consists of:
 - Core product
 - Formal product
 - Need-satisfying product
 - Product image
 - Total product



Classification of consumer products

- Consumer products are intended for immediate use by households or consumers
- Distinguish between durable and non-durable consumer products
- Consumer products can be classified according to consumer buying habits:
 - Convenience products (milk, sweets)
 - Shopping products (clothes, furniture)
 - Specialty products (expensive cameras, luxury items).



The meaning of brands

- A brand is a mark that is unique to the product items or ranges produced and marketed by a particular business and that is chosen to distinguish them from similar competing products
- Brand name is a word, a letter or a group of words (Nike or McDonald's)
- Brands offer many advantages to both the consumers and marketers



Brand loyalty

- Consumers show a loyalty to a certain brand
- Consumer moves through three phases of loyalty:
 - Brand recognition
 - Brand preference
 - Brand insistence.
- Result of building and maintaining a long-term relationship with the customer

Manufacturer, dealer or generic brands

Table 13.3: Manufacturer, dealer or generic brands

Characteristics	Manufacturer brand	Dealer brand	Generic brand
Target market	Quality-conscious buyer, brand loyal	Price conscious, loyal	Price conscious, discriminating buyer, large family, accepts lower quality
Marketing mix			
<ul style="list-style-type: none"> Product 	Well-known product, strict quality control, clearly distinguishable brands, wide product ranges	Largely the same as for the manufacturer brands, but less known, limited number of product ranges	Poorer quality, less emphasis on packaging and labelling, few product items
<ul style="list-style-type: none"> Price 	High price, controlled by manufacturer	Price controlled by retailer	Lower price, controlled by retailer
<ul style="list-style-type: none"> Distribution 	Generally available at all large retail shops	Generally only available at branches of a specific retailer	The same as for dealer brands
<ul style="list-style-type: none"> Marketing communication 	Marketing communication campaigns launched by manufacturer	Campaigns launched by relevant retailer, most favourable shelf arrangement	Sales promotion at point of sales



Packaging decisions

- Group of activities concerned with the design, manufacturing and filling of a container or wrapper with product so it can be protected, stored, transported, identified, and marketed
- Different kinds of packaging can be identified:
 - Family packaging
 - Specialty packaging
 - Reusable packaging.



Packaging decisions (continued)

- Decisions need to be made on the packaging design (type of material, the shape and size of the packaging)



Product differentiation

- Business distinguishes its product physically and/or psychologically, from essentially identical competing products, so that the product is regarded as different by consumers in a specific target market
- Different kinds of differentiation:
 - Differentiation by means of packaging and brand
 - Differentiation by advertising appeals
 - Differentiation on the basis of price
 - Differentiation on the basis of distribution outlet.



Product obsolescence

- Refers to a situation where a product may intentionally be made technically and/or psychologically obsolete in order to compel the consumer to make repeat purchases
- For example, the cellular telephone industry



Multi-product decisions

- Marketers must also make decisions about the composition of the product offering
- The product offering usually consists of a product range or a diversified variety of product items and ranges
- Multi-product items in total product offering reduce risk of failure and financial loss




New product decisions

Phase 1: Development of product ideas

Phase 2: Screening of product ideas according to financial criteria

Phase 3: Elimination of product ideas that do not appear to be viable (profitable)

Phase 4: Physical product development by the production division during which a prototype is manufactured



New product decisions (continued)

Phase 5: Development of the marketing strategy

Phase 6: Test marketing in a specific small segment of
the market

Phase 7: Introduction into the market



The nature of the product's life cycle

- Illustrates the curve of a product's sales/profits over a period of time
- Four phases can be identified:
 - Introductory phase
 - Growth phase
 - Maturity phase
 - Declining phase.

Phases in the product's life cycle

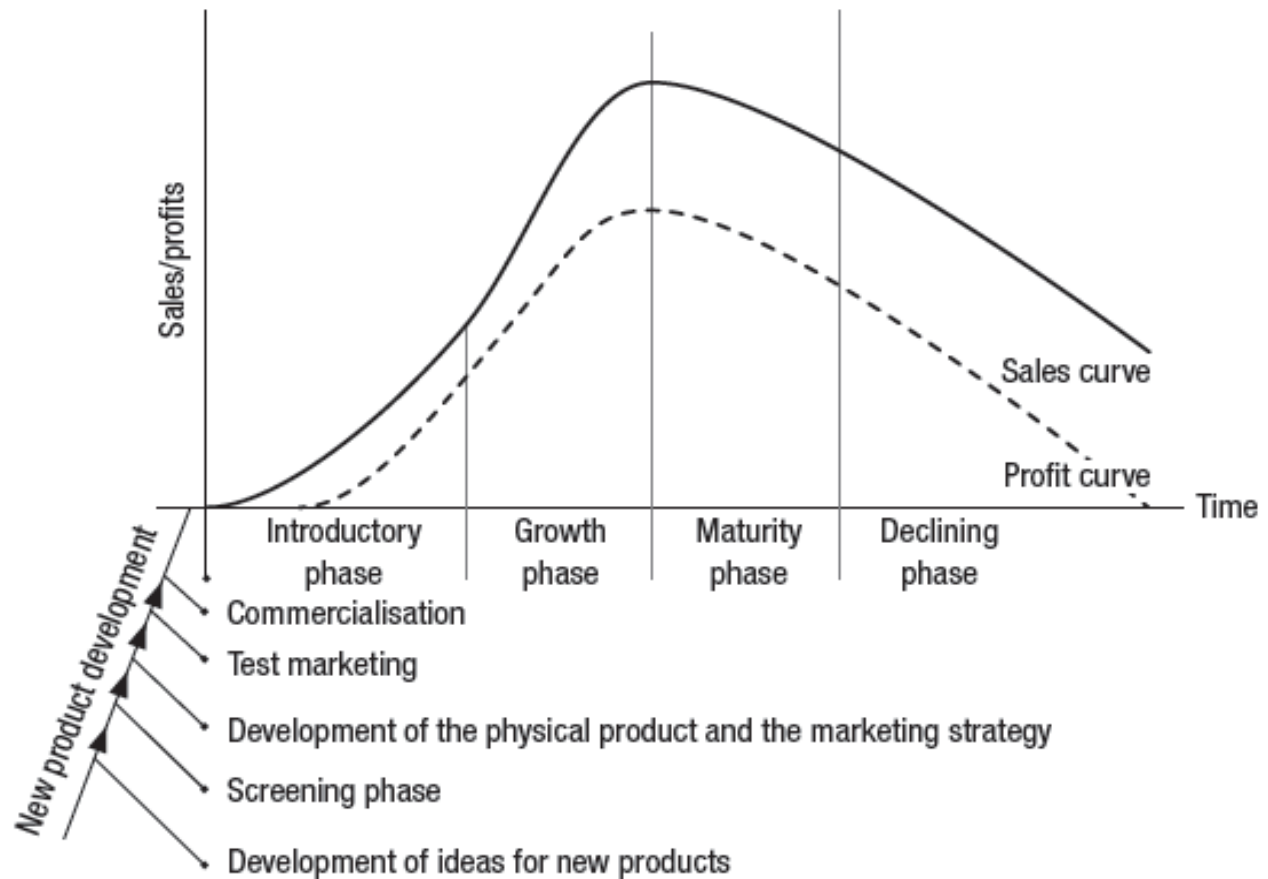



Figure 13.8: Phases in the product's life cycle



Marketing strategy during the product life cycle

- Each phase of product life cycle has specific implications for the product and the marketing of that product
- Integrated marketing strategy needs to be adapted to adjust to the changing conditions at each phase
- Important to remember that not all products have identical life cycles



The meaning of price

- Exchange value of a product or service, and is closely linked to benefit and value
- Value of a product or service is determined by its benefit to the consumer and the sacrifice required in terms of money and effort to obtain the product



The price-determination process

- Phase 1: Determination of the cost price
- Phase 2: Determination of the market price
- Phase 3: Determination of the target price
- Phase 4: Determination of the final price



Adaptations of the final price

- Skimming prices
- Market-penetration prices
- Market-price level
- Leader prices
- Odd prices
- Bait prices



Description of distribution

- Activities that have to be carried out to direct the flow of products and services from the business to the consumer in such a way as to satisfy the primary objective of the business and meet the needs of the consumer
- Entails decision-making about the type of distribution channel to be utilised and the degree of market coverage required

The choice of the distribution channel

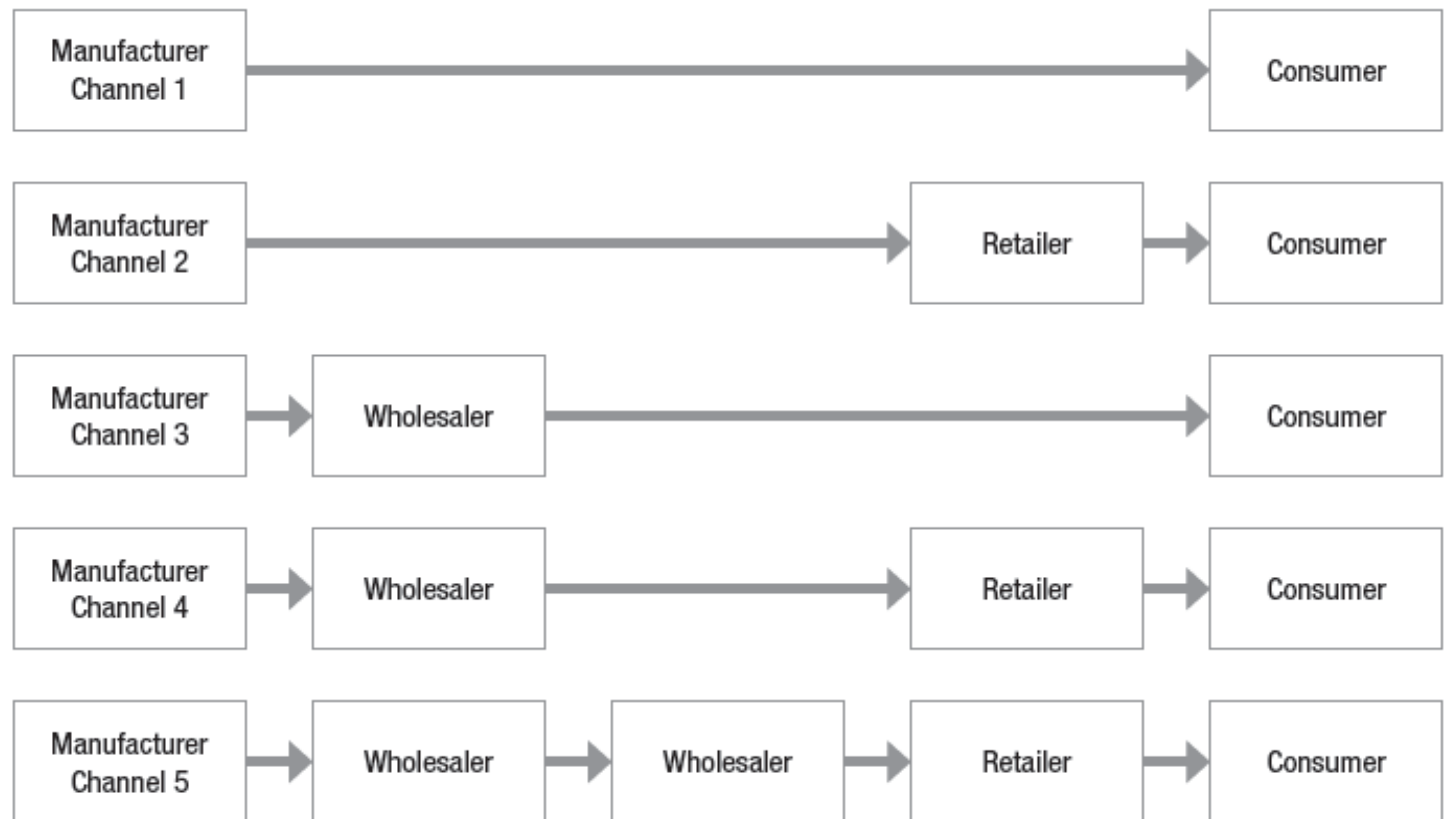


Figure 13.10: The five alternative distribution channels



Channel leadership

- Typically a business that controls or dominates the channel – a channel captain
- Channel captain is either:
 - Manufacturer or
 - Retailer.
- Strong retailers tend to be the channel captains



Market coverage

- Number of intermediaries in the channel:
 - Intensive market coverage
 - Exclusive market coverage
 - Selective market coverage.



Physical distribution

- Activities that take place to ensure the product is available to the final consumer:
 - Transportation
 - Storage
 - Inventory-holding
 - Receipt and dispatch
 - Packaging
 - Administration
 - Ordering.



Marketing communication decisions

- Marketing communication is the process of informing, persuading and reminding the consumer
- Consists of six elements:
 - Advertising
 - Personal selling
 - Direct marketing
 - Sales promotion
 - Publicity
 - Public relations.

Marketing communication decisions



Figure 13.11: Elements of marketing communication



Advertising

- Controlled and paid-for non-personal marketing communication related to a needs-satisfying product and directed by a marketer at a specific target audience
- Includes:
 - Television
 - Big screen or movie theaters
 - Radio
 - Magazines
 - Newspapers.



Personal selling

- Verbal presentation of a product, service or idea to one or more potential buyers in order to conclude a transaction
- Sales representatives are used to inform buyers about products and to persuade buyers, through face-to-face communication to buy the products



Direct marketing

- Uses advertising media to communicate information of a product or service to customers, who can then respond by purchasing the product or service via email, telephone or internet
- Focus of direct marketing is to obtain an immediate response



Sales promotion

- Marketing communication methods that are not normally classified as advertising, personal selling, direct marketing or publicity but that complement the other elements in trying to influence consumer behaviour
- Sales promotions are often short-term in nature, such as to introduce a new product to the market



Publicity

- Non-personal stimulation of the demand for a product or service of a business by making its actual current news value available to the mass media to obtain a favourable and ‘free’ media review of the business and its product
- The message to be conveyed should have a certain degree of news value for the audience



Public relations

- Entails decision-making to help an organisation's ability to listen to, appreciate and respond appropriately to those persons or groups whose mutually beneficial relationships the organisation needs to foster as it strives to achieve its mission and vision



Elements of public relations

- Deliberate activity
- Planned activity
- Sustained activity
- Communication process
- Deals with publics – both internal and external




The public-relations media

- The spoken word
- The printed media
- Sight and sound
- Special events
- The internet



Summary

- Elements of marketing process
- Market-driven organisation is consumer oriented
- Marketing is key function of organisation
- Product decisions consist of price, distribution, communication and promotion
- Marketer communicates with consumers through advertising, personal selling, direct marketing, sales promotion and publicity



Summary (continued)

- Persuade them to buy specific brand
- Marketing is a paradox – can be simple and extremely complex