

1

Understanding the Marketing Process



In the business jungle there is a clearing.
It is known as the market place.



Here those with
goods chase
those with money,
and those with
money chase
those with
goods...



...until they catch each other.

Unfortunately, it doesn't always work like this.

Sometimes those with the goods search in vain for those with the money, and vice versa. Some magic is needed to bring them together.

We call this magic

MARKETING



What is this marketing magic?

Is it selling, perhaps?



Selling with a college education?

Or is it just another name for advertising?

We must go to the very heart of the business jungle to find the answer...

We must go to the McDonald shrine of marketing and ask for the special words - THE DEFINITION



'It is a management process for understanding markets, for quantifying the value required by the different customer groups in these markets, for communicating this to everyone in the organization and for measuring the effectiveness of the actual value delivered.'

OR



Finding out what the customer wants...



...and providing it. Simple enough.



All we have to do is find out what he or she wants...

and deliver.



This is the essence of the marketing process.



But we must not forget the jungle all around -
THE BUSINESS ENVIRONMENT



Competition lurks behind every tree...



...and the technological advantages enjoyed by some competitors might prove conclusive in the fight for survival.

Non-drip mud means that the job can be done faster...



...And unskilled people can use it without getting in a mess.



Which means that it can be sold in supermarketplaces instead of the old specialist trading posts. Distribution is profoundly affected.

Then, after the competition and the technology we come to the raw material - the trees and the mud from which the goods are made.

There's the labour force needed to keep the business going...





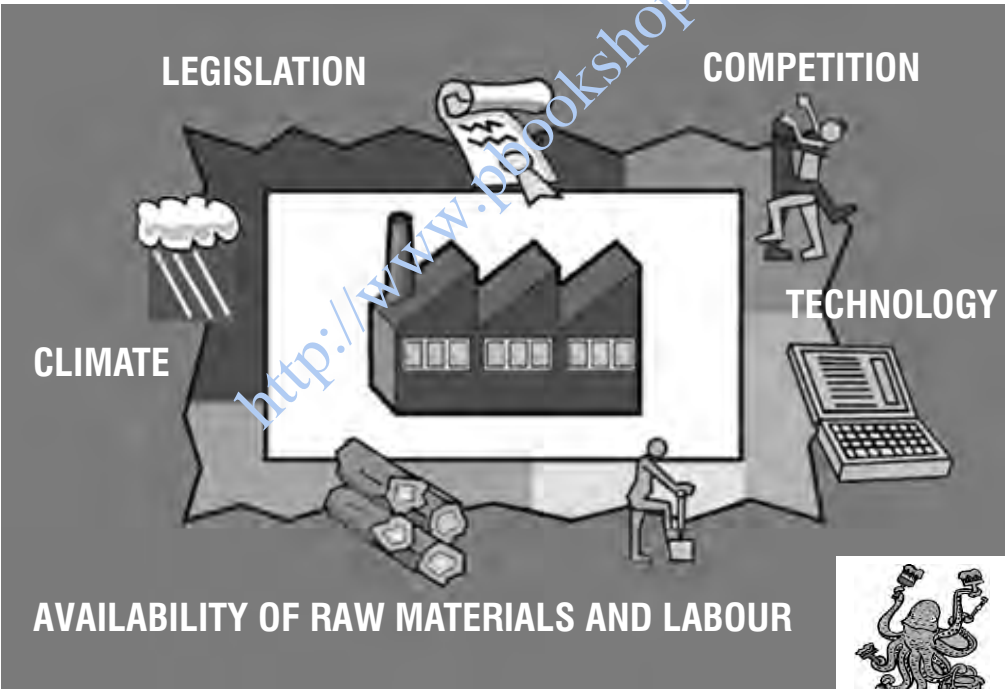
...and the prevailing financial climate, which affects everybody.



Also, there's government legislation which could either help or hinder the individual business.

All these are outside factors over which the business has no control. They make up the BUSINESS ENVIRONMENT.

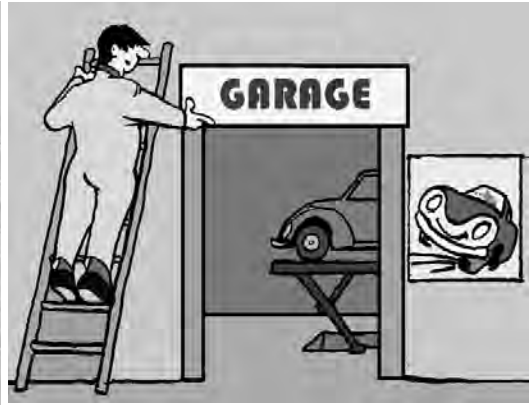
They make the environment dynamic - ever-changing.



But what about those things over which the business does have some control? For instance, what strong points does each business have? Each has its own unique set of skills and limitations...

...so, with luck, we do what we're best at.

When traditional markets decline, it's necessary to change...



, ...which some people find difficult or impossible. They become less competitive,

whereas those who can match their capabilities to customers' needs become more competitive.

You must change your skills - or move to where your old skills are still needed.



**Your business is one thing
over which you have some control.**

Another area where you have some control is here:



There is a myth about these mysterious beings...



which is that their needs can be manipulated by powerful business interests.



The failure rate of all new products launched explodes that one. To succeed, a company must first understand the customer's needs.

The needs remain **CONSTANT** - the ways of satisfying them **CHANGE**

For instance, people have always needed home entertainment - which sold pianos in times gone by.

TV is simply a new way of satisfying an old need.



All customers have different ways of satisfying their needs, and when they have a choice they will choose the product or service which they perceive as offering the greatest benefits at the price.



In the end the customer has the final say.



Because of this basic fact a firm's commercial performance can be measured only in terms of

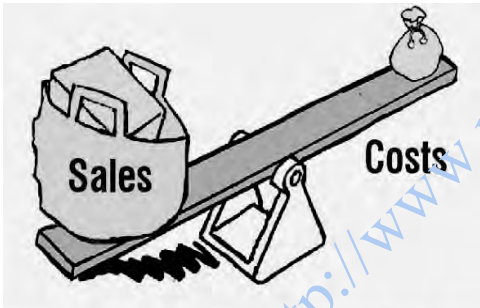


...and cheapness is no criterion either, since if no-one wants his work no-one will be prepared to spend anything on it. So...

In purely *commercial* terms, it's no good an artist producing ten pictures a day if he doesn't sell any...

**You have to produce what the customer wants.
This is true of all commercial operations.**

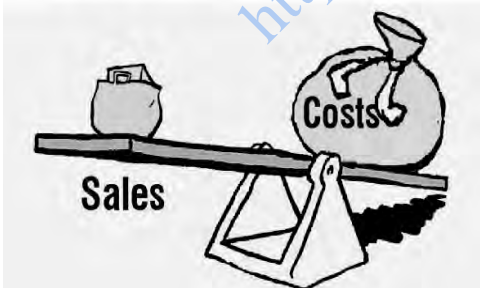
There must be enough sales - customers - to tip the balance or the company will go broke.



Increased production - increased efficiency - would only mean more goods on the shelves, not more sales. So the answer lies in the market place.



But what IS the market place? Is it your customer, surrounded by competitive products and services?



The market place is not one market, but many, all of them different.

e.g.

The Airline Market



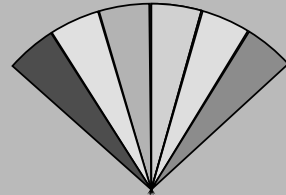
LOW PRICE



HIGH PRICE

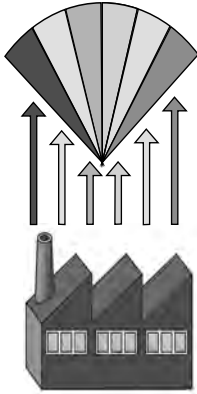


Each market is divided into



Market segments

The company's capabilities must match different segments of customers' needs.



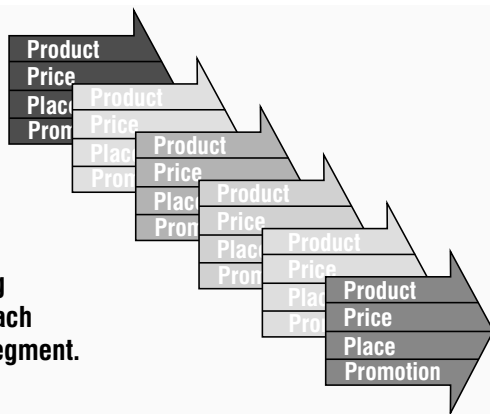
PRODUCT PLACE
PRICE PROMOTION

Each of these matching processes is composed of four elements - **Product, Price, Place** and **Promotion**. Sometimes people and processes are included in 'product', particularly in service companies.

We call the combination of these ingredients the **marketing mix**.

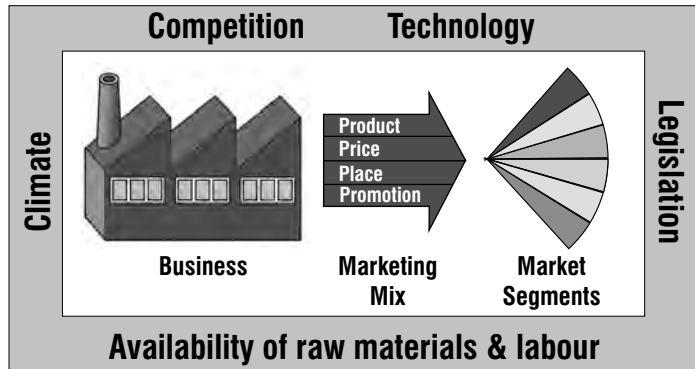
To meet the customer's needs we must develop **products** to satisfy them, charge the right **price**, get the goods to the right **place** (making sure the product is available when needed) and we must make the existence of the product known through **promotion**.

There must be a **special marketing mix** for each market segment.



The components of every marketing plan

The capabilities of the individual business.
 The marketing mix.
 The various customer groups comprising the market segments.
 The ever-changing business environment.



Summary of Chapter 1

The focal point of all activities in any organization should be the needs of its customers. This is known as a marketing orientation: a matching between the organization's human, financial and physical resources and customer needs. This matching takes place against the background of a dynamic environment, which includes socio-economic uncertainties, legal and political constraints, technological and institutional change, and direct and indirect competition.

This matching is often undertaken for an organization by a formalized marketing department. The senior marketing executive and his/her team has responsibility for producing marketing plans which spell out what the **product** should be, the **price**, the **place** and manner in which it is to be made available, and the way in which it is to be **promoted**. In so doing, marketing is concerned not only with the separate effects of the four 'p's but also their interactive effects, often referred to as the **marketing mix**.



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