

Misconceptions of Marketing and a Review of Basic Framework and Definitions

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These Slides Highlight

- Misconceptions of Marketing
- Social Science or Professional Perspective
- Strategic Focus or Operations Focus
- The Goal of Marketing
- Definition of market, customer, segment, target market
- The 4P's of the Marketing Mix and Customer Value
- Relationship Between Customer Value and Profit
- Relationship Between Marketing Mix and Profit

Misconceptions

- 1) Marketing is Advertising
- 2) Marketing is spin, buzz and sizzle
- 3) Marketing is selling
- 4) Marketing is unethical and wasteful
- 5) only marketers do Marketing
- 6) Marketing is a cost center and costly
- 7) the goal of Marketing is to maximize customer satisfaction
- 8) the goal of Marketing is to maximize sales

Marketing is a huge field: Careers in

- Product Design and Engineering
- Brand Management
- Communication
 - Print industry, Broadcasting, Narrow Casting, Web design
- Social Engineering and Economic Development
- Politics and Campaigning
- PR Industry
- Sales and Sales Management
- Event Planning
- Research
- Supply Chain Management
- Strategic Planning
- Customer Relations and Data Base Management

Definition of Marketing (2007 AMA)

- Marketing is the activity, set of institutions, and the process for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Two Ways to Present Marketing

- **1)** As a **social science** with a focus on understanding the exchange process between buyers and sellers
- Why do buyers and sellers act the way they do?
- **2)** As a **profession** with a focus on preparing men and women to become professional marketing managers

The Focus in this Class

- Marketing is a business **Profession**
- and the Marketing Manager is a business professional with skills in the science of doing and managing market research, advertising, salesmanship, pricing, supply chain operations, retailing, merchandizing and product design.

Two Levels of Decision Making

| 1) Managerial Marketing | 2) Strategic marketing |
|---|--------------------------|
| Firm Level Marketing | Head Office Marketing |
| Micro-Marketing | Macro-Marketing |
| Strategic Business Unit (SBU) Marketing | SBU Portfolio Management |
| Small 'm' Marketing | Big 'M' Marketing |
| Brand Management | Conglomerate Marketing |
| Undergrad and CC Instruction | MBA Marketing |

Marketing Science Does **NOT** deal exclusively with the strategic long term decisions of marketing

Two Types Of Decision Sets

| 1) Managerial Marketing | 2) Strategic Marketing |
|--|---|
| Pricing of Individual Products | Pricing of Product Categories |
| Retailing Management | Supply Chain Management |
| Product Line Management | New Product Development Product/Market Elimination |
| Advertising Management | Customer Communication Strategy |
| Sales Force Management | Shareholder/Stakeholder Communication Strategy |
| Allocation of Budget to the 4 Value Mix of Individual Products | Allocation of Budget to SBU's and Individual Operations |

Marketing managers may deal with the day to day operations of managing the 4P's for a specific product class or specific brand

Two Sets Of Skills

| 1) Managerial Marketing | 2) Strategic Marketing |
|--|---|
| Marketing Performance and Operating Reports | SBU Portfolio Management |
| Operations Research | Consumer Behavior Research |
| PLC as a Decision/Operations Framework | PLC, Product Evolution, Game Theory as a Competitive Analysis |
| Market Penetration and Buyer Readiness Stages | New Product Development and Customer Adoption |
| Advertising Management and Sales Force Management | Integrated Communication Strategy |
| Market Development (new uses and users for current products) | Diversification Strategies (New Products, New Markets) |
| Allocation of Budget to the 4 Value Mix of Individual Products | Allocation of Budget to SBU's and Individual Operations |

Two Levels of Decision Making

- **1) Managerial Marketing**
- Pricing of Individual Products
- Retailing Management
- Product Line Management
- Advertising Management
- Sales Force Management
- **2) Strategic Marketing**
- Pricing of Product Categories
- Supply Chain Management
- New Product Development
- Communication Strategy
- Allocation of Budget to SBU and Individual Operations

In a world of Buyers and Sellers

- **Definition:** the Marketing Manager is a **Professional Seller**
- Who Manages Customer Demand and Profitable Revenues
- Who Makes and Retains Profitable Customers
- Who seeks to maximize his organization's goals (profits)
- by identifying the needs and wants of potential customers who have sufficient purchasing power to satisfy those needs and wants
- by designing a marketing mix to serve those customers more efficiently and effectively than his organization's competitors.

Definition: A Market is

- A group of people with homogeneous needs and wants
- With money to spend satisfying those needs and wants
- And the authority to spend it
- In **Contrast** to the Economists' definition of a market as a group of things that are bought and sold (farmers, car, house, stock market)

Definition: A Customer Orientation

- Is when sellers of an organization understand and define their business in terms of what is being bought by the customer and not in terms of what they want to sell
- Focus on the benefits and solutions sought by customers
Not The physical things that sellers build and sell

Definition: Customer Segment

- A set of potential customers with a homogeneous set of needs and wants that can be identified, measured, communicated with, and engaged in transaction.

Definition: A Target Market

- Is a targeted market segment (a homogenous set of needs and wants) and sufficient purchasing power to warrant having a specific product/service offering designed by the seller to target the set of specific needs and wants and earn the seller an adequate and sustainable profit in exchange

Definition: A Customer Centric Seller


- First chooses a Target Market and then designs a Marketing Mix which can be sold profitably to that set of customer needs and wants.
- In **Contrast** to a **Product Centric** Seller who first chooses a product to sell and then seeks customers to buy it

Definition: The Marketing Mix is

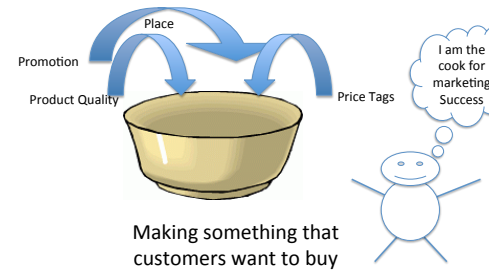
- The combination of product features, services, communication tools, channels of distribution, and pricing mechanisms that allow the customers to acquire the benefits and solutions that satisfy their needs and wants.

Definition: 4 P's of the Marketing Mix

- Are the types of design decisions a marketing manager makes in creating an offering for his target market and are grouped as
 - **Product** Features and Service Mix
 - **Promotion** and Communications Mix
 - **Place** and Time Elements of the Exchange
 - **Price** and Transaction Elements



Pillsbury's Recipe for Sales Success



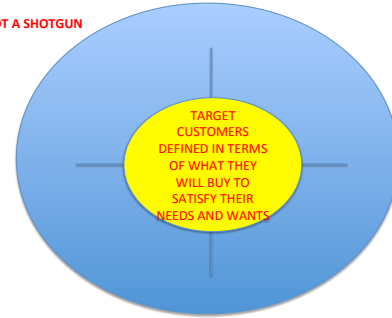
Making something that customers want to buy

The 4 P's are designed for a Targeted Market Segment

- 1) Which can be measured and identified
- 2) Which is accessible logistically
- 3) Which can be communicated with effectively
- 4) Which has sufficient purchasing power to warrant a tailored marketing mix
- What are the four characteristics of a good market segment

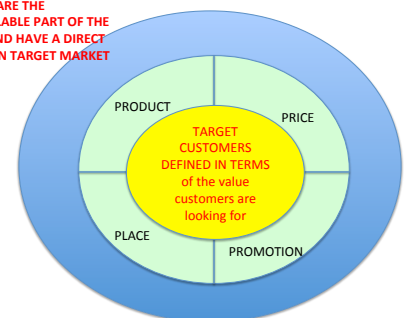
McCarthy's Classic Presentation

A RIFLE NOT A SHOTGUN




McCarthy's Classic Presentation

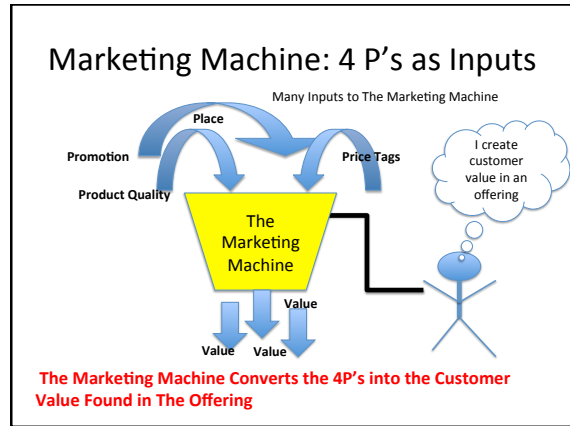
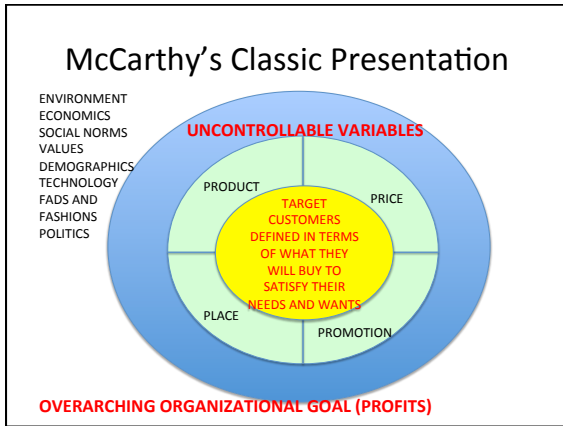
THE 4 P'S ARE THE CONTROLLABLE PART OF THE DESIGN AND HAVE A DIRECT IMPACT ON TARGET MARKET DEMAND



Marketing Mix is the Value Created for the Customer

THE 4 P'S ARE THE CONTROLLABLE PART OF THE DESIGN AND HAVE A DIRECT IMPACT ON TARGET MARKET DEMAND

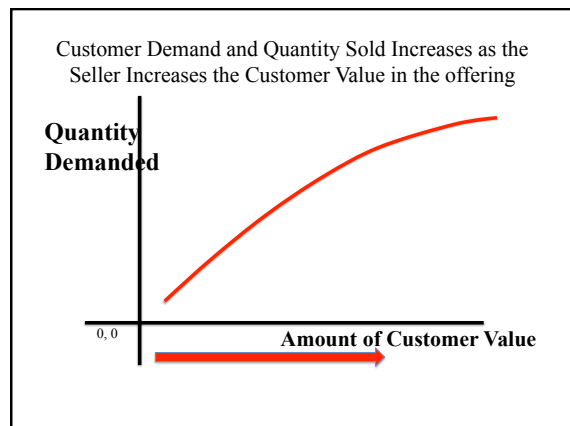




- ### In a Perfect World
- The Customer Needs and Wants would be made obvious to the seller through market research
 - By marketers who would describe the wants of customers in terms of things engineers could build, supply chain could deliver, and advertising and sales departments could communicate
 - The marketer would create an offering for the customer that had sufficient amounts of value that the customer would buy it
 - Marketing would make classic persuasive selling obsolete

- ### Marketing Managers
- use the four P's to create an offering with a level of customer value that would superior to the competitors' offerings and provide maximum profits for the sellers

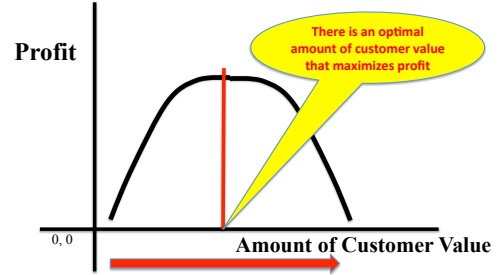
- ### The Basic Premise of Marketing
- Offerings with higher levels of customer value would be purchased over offerings with less customer value
 - More Customer Value results in more customer demand and larger quantities sold



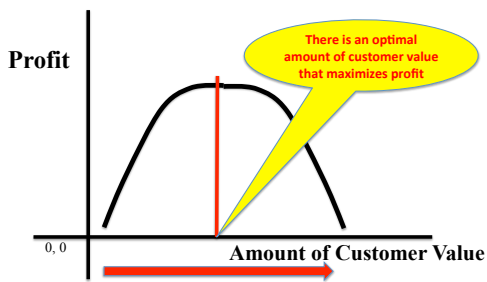
The Basic Premise of Marketing

- Providing higher amounts of customer value usually involves more expense on the seller's part
- Higher cost in creating the value in offering can be offset by increases in customer demand
- Profit for the seller has a quadratic relationship to the amount of value found in the offering

Profits Increase and then Decrease as the seller increases the Customer Value in the offering



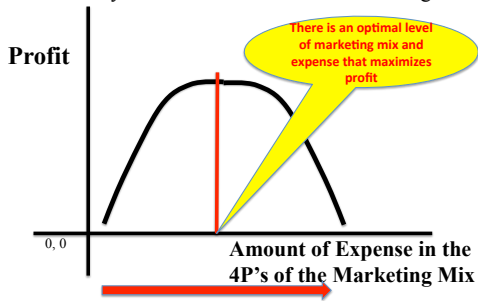
The Single Most Important Slide in Marketing



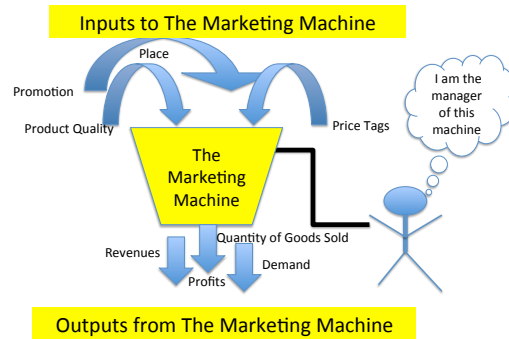
In practice it is

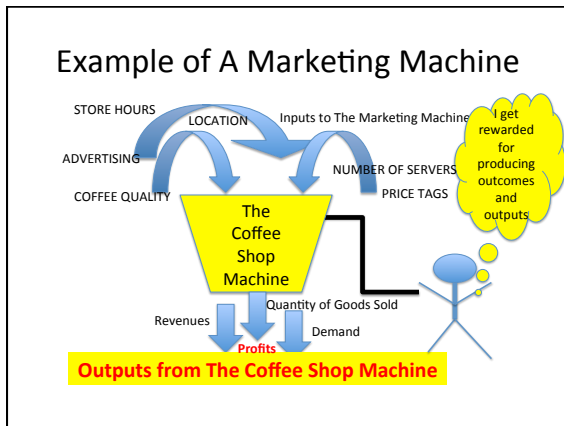
- 1) Very hard to find measure the relationship between Profit and Customer value
- 2) To rely on measuring the relationship between Profit and the Costs of the Marketing Mix

Profits increase and then decrease as the seller increases the **Marketing Expenses** involved in the creation, delivery and communication of the offering



The Concept of A Marketing Machine





Any Questions?

- Class Focus on the Profession of Marketing
- The Marketing Manager as a Professional Seller
- Basic Definitions in Marketing Management
- 4 P's of the Marketing Mix
- Customer Centric Value Creation
- Profit as an Overarching Goal
- Relationship Between Customer Value and Profit