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## The nature of marketing

### What is marketing?

A **market** is any set of arrangements that allows buyers and sellers to exchange goods and services. It can be anything from a street market in a small town to a large market involving internationally traded goods. But what is meant by the term **MARKETING**?

Marketing is not just about selling products to customers. Before selling products, many businesses carry out a range of activities to find out consumer preferences, including market research and testing of products on consumers. Similarly, marketing and advertising are not the same. Advertising is just one of a number of promotion methods used by businesses. Other methods involve giving 'free' gifts and running competitions.

A widely accepted definition of marketing, from the Institute of Marketing, is that 'Marketing is the management process involved in identifying, anticipating and satisfying consumer requirements profitably.' Some others are shown in Table 1.

Table 1: Marketing definitions

Marketing is about supplying the right products, to the right customers, at the right price, in the right place, at the right time.

Anon

'The basic function of marketing is to attract and retain customers at a profit.'

*P. Drucker, The Practice of Management (1993)*

'Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organisational objectives.'

*American Marketing Association (1985)*

The purpose of 'Marketing is to establish, maintain and enhance long term customer relationships at a profit, so that the objectives of the parties involved are met. This is done by mutual exchange and fulfilment of promises.'

*C. Gronroos, 'Marketing redefined', Management Decision, 1990.*

### Marketing effectively

Effective marketing will have certain features

- **A process.** It does not have a start and an end, but is ongoing all the time. Businesses must be prepared to respond to changes that take place. This is shown in Figure 1. For example, a business marketing office furniture would be unwise not to take into account consumers'

reactions. If the business sold modern designs, but sales were poor, it might consider designs for offices that had a traditional look.

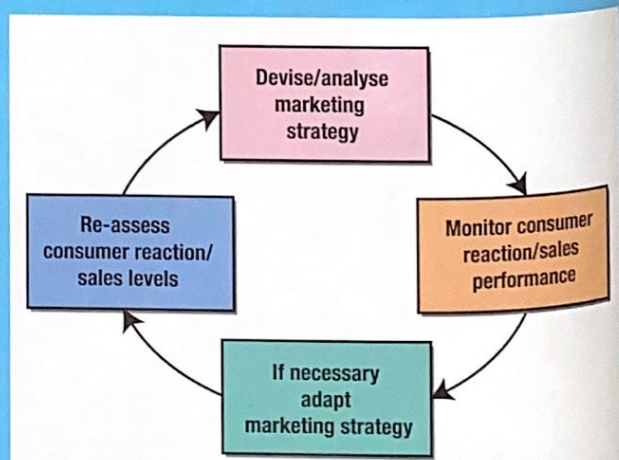
- **A business philosophy.** It is not just a series of activities, such as advertising or selling. It is more a 'way of thinking about how to satisfy consumers' needs. A business selling good quality products, cheaply, may be unsuccessful in its marketing if it has dirty, badly organised or poorly lit facilities. Retailers such as Ikea and Asda have large 'superstores' with restaurants and play areas for children. They could be said to cater for all their consumers' shopping needs.
- **Building relationships with customers.** Profitable businesses are often built upon good customer relations. This might involve dealing with customer complaints in a considered manner. Customers, as a result, are likely to develop a favourable view of the business and buy its products over a long period of time. **RELATIONSHIP MARKETING** is now used by some businesses, such as Tesco. This is an approach to marketing which stresses the importance of developing relationships with customers which last longer than the short-term.

### The purposes of marketing

There is a number of reasons why businesses carry out marketing.

**To satisfy consumers** A product has a far greater chance of being a success if it satisfies consumers' needs. Businesses which make satisfying their customers a main concern are more likely to be effective at marketing. Marketing should affect all aspects of a business. A production department, for example, would not continue making a product that did not satisfy the needs of the

Figure 1: The marketing process



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consumers at whom it was aimed.

**To identify consumer requirements** Marketing should find out what consumer needs and requirements are and make sure that products meet them. Market research is often used by businesses for this purpose. Managers, however, also place stress on having a 'feel' for the market.

**To anticipate consumer requirements** Businesses have to understand what customers want in advance. In some cases this is easy. For example, supermarkets and butchers stock up with turkeys before Christmas. In other cases it is more difficult. What colours of clothes will be fashionable this year? A chain of stores with the wrong colours might find it difficult to sell its stock. Tastes and fashions in today's markets are changing faster than ever before. Marketing must anticipate and respond to these changes. Toy manufacturers, for example, try to be aware of the next 'craze'. In addition, rapid technological change has taken place in recent years and continues to do so. Firms constantly invent, design and launch new and advanced products onto the market. One example is the electronics industry which has introduced DVD players, digital camcorders, MP3 players and high definition televisions to the market in recent years.

**To compete effectively** The number of products competing for the consumer's attention is constantly increasing. Businesses today are finding it easier to change their products and enter new markets. Also, there has been increased competition from foreign products in UK markets. This means that businesses have to work even harder to be competitive. Effective marketing should help a business to achieve this.

**To make a profit** Most businesses today regard making a profit as their main aim. Businesses must make a profit in the long run to survive. Those that do not will cease to operate. Marketing that satisfies consumers' needs profitably is therefore essential. Even when profit is not the main objective, marketing has a vital role to play. Charities, such as Oxfam, and many public sector organisations such as colleges and hospitals, adapt and change the marketing of their services to satisfy their consumers' needs.

## Consumer and business to business marketing

CONSUMER MARKETING is where a business is marketing to consumers. There are numerous examples of consumer marketing, including the marketing of the vast majority of products sold in retail outlets such as supermarkets, department stores and high street clothing stores.

BUSINESS TO BUSINESS MARKETING is where one business is engaged in marketing its products to another business. Examples of business to business marketing might include:

- an office furniture manufacturer marketing to business users;
- a car manufacturers providing company cars to a business;
- a local newspaper offering advertising space to local

## Question 1.

Levens Farm is a fruit farm in Sussex. It allows customers to 'pick your own fruit'. But increasingly it is selling to retailers, encouraged by the news that Britain is fast becoming a nation of berry lovers.

Sales of British strawberries, blackberries and raspberries broke records in 2007 and many suppliers were struggling to keep up with demand. The soft fruits, which are credited with staving off cancer, saw sales of £204 million in the UK. 'It's because people are becoming more aware of the health benefits of eating fresh fruit, especially berries,' said Laurence Ollins, the chairman of British Summer Fruits (BSF), which represents nearly all of Britain's soft fruit growers.

Strawberry sales accounted for £165 million, a 5 per cent sales increase from the previous year. In comparison, sales of blackberries shot up by 31 per cent to £4 million while raspberry sales were up 26 per cent to £35 million. Such is the demand that none of Britain's home-grown fruit is exported. And in July and August, when demand was at its highest, berries had to be imported from Europe.

Source: adapted in part from *The Independent*, 18.12.2006.

- Explain why Levens Farm is selling to (i) consumer markets and (ii) business to business markets.
- Explain how the information in the article might help Levens Farm to: (i) identify customer requirements, (ii) anticipate customer requirements; (ii) make a profit.

businesses;

- a software supplier providing software geared up to the needs of businesses.

## Product and market orientation

Some businesses are said to be relatively product orientated or market orientated.

**Product orientation** Many businesses in the past, and some today, could be described as PRODUCT ORIENTATED. This means that the business focuses on the production process and the product itself. It puts most of its efforts into developing and making products which it believes consumers want and which will sell well.

In the past, businesses producing radios and televisions could be said to have been relatively product orientated. It was their novelty and the technical 'wonder' of the product that sold them. There were few companies to compete against each other, and there was a growing domestic market. There were also few overseas competitors. The product sold itself.

Some industries today are still said to be product orientated. The machine-tool industry, which produces machines used in the production of other goods, has to produce a final product which exactly matches a technical specification. However, because of increased competition, such firms are being forced to take consumers' needs into account. The technical specification to which a machine-tool business produces might be influenced by what customers want, for example.

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Product orientated businesses thus place their emphasis on developing a technically sound product, producing that product and then selling it. Contact with the consumer comes largely at this final stage. There will always be a place for product orientation. A great deal of pure research, for example, with no regard to consumers' needs, still takes place in industry, as it does in the development of pharmaceuticals.

**Market orientation** A business that is MARKET ORIENTATED business is one which continually identifies, reviews and analyses consumers' needs. It is led by the market. A market orientated business is much more likely to be engaged in effective marketing if it is market orientated. Henry Ford was one of the first industrialists to adopt a market orientated approach. When the Ford motor company produced the Model T, it did not just design a car, produce it as cheaply as possible, and then try to sell it to the public. Instead, in advance of production, Ford identified the price at which he believed he could sell large numbers of Model Ts. His starting point was the market and the Model T became one of the first 'mass-market' products. This illustrates the market orientated approach - consumers are central to a firm's decision making. Sony is one of many modern businesses that has taken a market orientated approach. The

### Question 2.

Beverly Morgan started her home-based business, Kitz 4-U Inc. in Hamilton, Ontario, by selling first aid kits to fundraising organisations. She has also developed three other affordable 'Everything You Need In A Pinch' kits - the Bowling Kit, the Golf Kit, and the Travel Kit. The kits are also unique gifts and promotional items. Companies buy the kits to give away as a 'Thank You' to clients or as appreciation gifts to staff.

The challenges Beverly faced starting Kitz 4-U Inc. were those that every new business faces, including product development and defining the market. To produce the kits, she had to find the answers to questions such as, 'What will I put in each kit? What will the packaging look like? Where will I purchase the products I need? Who will do the graphic design? Who will make the packaging?'

To determine which products her potential customers would like to see in the kits, she carried out several market surveys, which she describes as 'very time consuming, but very important.' Once the product list was set, she had to find suppliers, which also took some searching. 'Some wouldn't sell to me, while others took a chance.'

Beverly prepared and rejected several designs before deciding on the final product. The graphic design for the packaging took the longest. Beverly almost went to print before she found the information she needed on packaging laws, which would have been an expensive lesson. Just in time, she discovered that everything was incorrect and the entire design had to be redone.

Source: adapted from <http://sbinfocanada.about.com>.

- Explain why Kitz 4-U Inc is likely to be selling to a niche market.
- Examine two problems that the business may have faced operating as a niche market.
- Discuss whether the business might grow to become a mass marketing organisation in future.

## The nature of market

Sony Bravia High Definition television is an example of a product being developed in response to the wishes of consumers.

A more market orientated business may have several advantages over one which is more product orientated.

- It can respond more quickly to changes in the market because of its use of market information.
- It will be in a stronger position to meet the challenge of new competition entering the market.
- It will be more able to anticipate market changes.
- It will be more confident that the launch of a new product will be a success.

What effect will taking a market orientated approach have on a business? It must:

- consult the consumer continuously (market research);
- design the product according to the wishes of the consumer;
- produce the product in the quantities that consumers want to buy;
- distribute the product according to the buying habits and delivery requirements of the consumer;
- set the price of the product at a level that the consumer is prepared to pay.

The business must produce the right product at the right price and in the right place, and it must let the consumer know that it is available. This is known as the **marketing mix**.

The adoption of a market orientated approach will not always guarantee success. Many well-researched products have been failures. Coloroll was a business which started in the wallpaper market and expanded into home textiles and soft furnishings. Its attempt to enter the DIY burglar alarm market, however, was a failure. The company's reputation and design skills had little value in that section of the DIY market compared with other companies, whose reputations were based on home security or electronics. Whether a business places a greater emphasis on the product or on the market will depend on a number of factors.

**The nature of the product** Where a firm operates in an industry at the edge of new innovation, such as bio-technology, pharmaceuticals or electronics, it must innovate to survive. Although a firm may try to anticipate consumer demand, research is often 'pure' research, i.e. the researcher does not have a specific end product in mind.

**Policy decisions** A business will have certain objectives. Where these are set in terms of technical quality or safety, the emphasis is likely to be on production. Where objectives are in terms of market share or turnover, the emphasis is likely to be on marketing.

**The views of those in control** An accountant or a managing director may place emphasis on factors such as cash flow and profit forecasts, a production engineer may give technical quality control and research a high priority and a marketing person may be particularly concerned with market research and consumer relations.

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Figure 2: Product vs market orientation



**The nature and size of the market** If production costs are very high, then a company is likely to be market orientated. Only by being so can a company ensure it meets consumers' needs and avoid unsold goods and possible losses.

**The degree of competition** A company faced with a lack of competition may devote resources to research with little concern about a loss of market share. Businesses in competitive markets are likely to spend more on marketing for fear of losing their share of the market.

The distinction between product and market orientation could better be seen as a spectrum, as in Figure 2. Most businesses are somewhere along the spectrum. For example, supermarkets may be more market orientated and a copper mining company more product orientated.

### Asset-based or asset-led marketing

Both market and product orientated approaches have their limitations. Many businesses have failed because they have offered a high quality product, but have not met the needs of their customers. Perhaps the product was too expensive or the business failed to persuade enough retailers to stock it. Equally, market orientated businesses might fail because they put great effort into certain aspects of marketing, but fail to get the right product to the customer.

Another approach is ASSET-LED or ASSET-BASED MARKETING. A business which is asset-led is responsive to the needs of the market. But equally it takes into account its own strengths and weaknesses when producing a good or providing a service. Its strengths, for example, might include its product, production techniques, goodwill and branding, experience and knowledge.

A tobacco company, for example, might come up with the idea of offering life insurance to smokers. It could offer lower premiums (prices) to its customers than other insurance companies which group smokers and non-smokers together. It also might have a large customer database of users who could be contacted to advertise the insurance. However, selling insurance is a very different business from manufacturing and selling cigarettes. There are likely to be few **synergies**, or links, between the different businesses. The tobacco company has great expertise in the production of cigarettes, but little in selling insurance. Simply because market research shows there is a potentially profitable business opportunity does not mean

to say that a business should take it up.

### Mass and niche marketing

In order to undertake effective marketing a business needs to consider whom it will be aiming its products at. One way of thinking about this is in terms of niche and mass marketing.

**Mass marketing** MASS MARKETING occurs when a business offers almost the same products to all consumers and promotes them in almost the same way. Examples of products that are generally mass marketed include Coca-Cola and Microsoft computer software. Mass marketing has a number of features and benefits. Products are usually sold to large number of consumers. They may also be marketed in many different countries, a process known as **global marketing**. This means that a business can manufacture large quantities and the average costs can be reduced as the business gains **economies of scale**. High sales and lower average costs can lead to high profits.

However, there can be problems. It is often expensive to set up production facilities to provide mass marketed products. Such products also face competition in parts of the market from producers who might be more effective in targeting market segments. So mass marketing does not necessarily guarantee profitable products.

**Niche marketing** NICHE MARKETING involves a business aiming or **targeting** a product at a particular, often small, segment of a market. It is the opposite of mass marketing, which

## CRITIQUE

Supporters of marketing argue that it benefits both businesses and their consumers. Businesses that market effectively make profits. Customers who buy the products of these businesses have their requirements met. But some argue that businesses don't seek to meet consumer requirements as their first objective. Instead, they are more interested in profits. They point to the way that some businesses are alleged to 'harm' their customers. Examples might be businesses that make profits by selling foods that may possibly contribute to a poor diet or to obesity.

Critics of marketing would also question the extent to which businesses respond to consumer needs as opposed to creating them. Many would argue that businesses actively work to create the need to consume more, rather than just responding to what consumers want and need. They suggest that consumer needs in general would be better met if businesses encouraged them to spend less rather than more. So while marketing may make sense for individual businesses and their relationships with individual consumers, it does not necessarily work at a wider level. One consequence of this so-called pressure on consumers is that individuals spend beyond their means. This has led to many people taking on more debt than they can manage. Another consequence is more rapid use of the world's resources and the creation of higher levels of environmental damage.