

Defining Marketing for the 21st Century

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Learning issues for Chapter One:

- ❑ Why is marketing important?
- ❑ What is the scope of marketing?
- ❑ What are some fundamental marketing concepts?
- ❑ How has marketing management changed?
- ❑ What are the tasks necessary for successful marketing management?

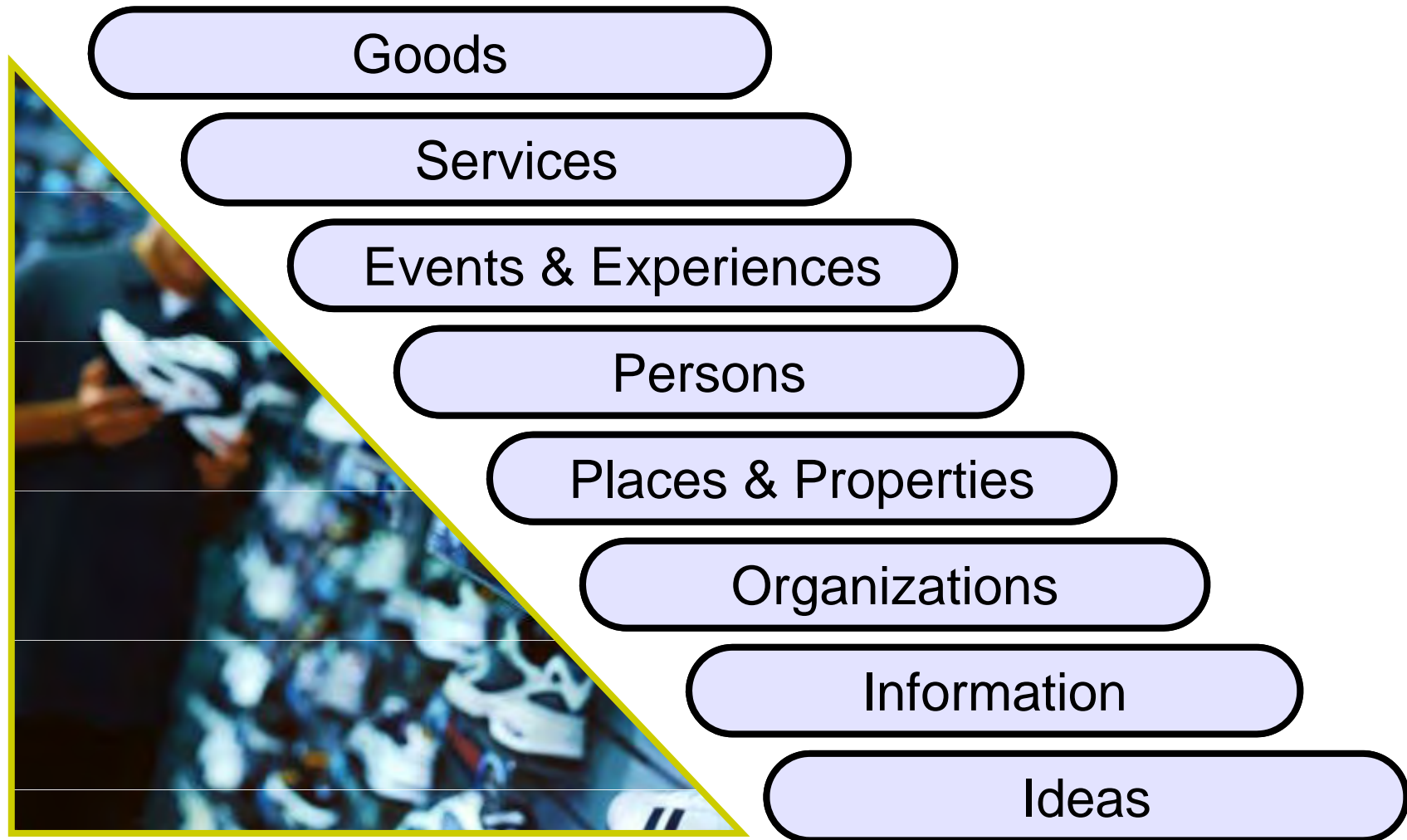
What is Marketing?

- The American Marketing Association:
“Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders” .
- Essentially:
 - Marketing deals with identifying and meeting human and social needs. It is essentially about “meeting needs profitably.”

What is Marketing Management?

Marketing management is the
art and science
of choosing target markets
and getting, keeping, and growing
customers through
creating, delivering, and communicating
superior customer value.

What is Marketed?



Ten entities of marketing:

Marketing people are involved in marketing ten types of entities: goods, services, events, experiences, persons, places, properties, organizations, information, and ideas.

A) Goods

Physical goods constitute the bulk of production and marketing efforts.

B) Services

A growing portion of business activities are focused on the production of services. The U.S. economy today consists of a 70–30 services to goods mix.

C) Events

Marketers promote time-based events such as trade shows, artistic performances, and the Olympics.

D) Experiences

By orchestrating several services and goods, a firm can create and market experiences such as Walt Disney World's Magic Kingdom.

E) Persons

Celebrity marketing is a major business.

Ten entities (cont' d)

D) Places

Cities, states, regions, and whole nations compete actively to attract tourists, factories, and new residents.

E) Properties

Are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds).

H) Organizations

Actively work to build a strong, favorable, and unique image in the minds of their target publics.

I) Information

Can be produced and marketed as a product. Schools, universities, and others produce information and then market it.

J) Ideas

Every market offering includes a basic idea. Products and services are platforms for delivering some idea or benefit.

Marketing of Places



The Singapore Zoo offers varied experiences. During a school break, it organized recycling activities for children to experience what it takes to save the rainforest.



Outdoor ad from Tourism Thailand promoting the amazing wonders that Thailand offers.

The Eight Demand States

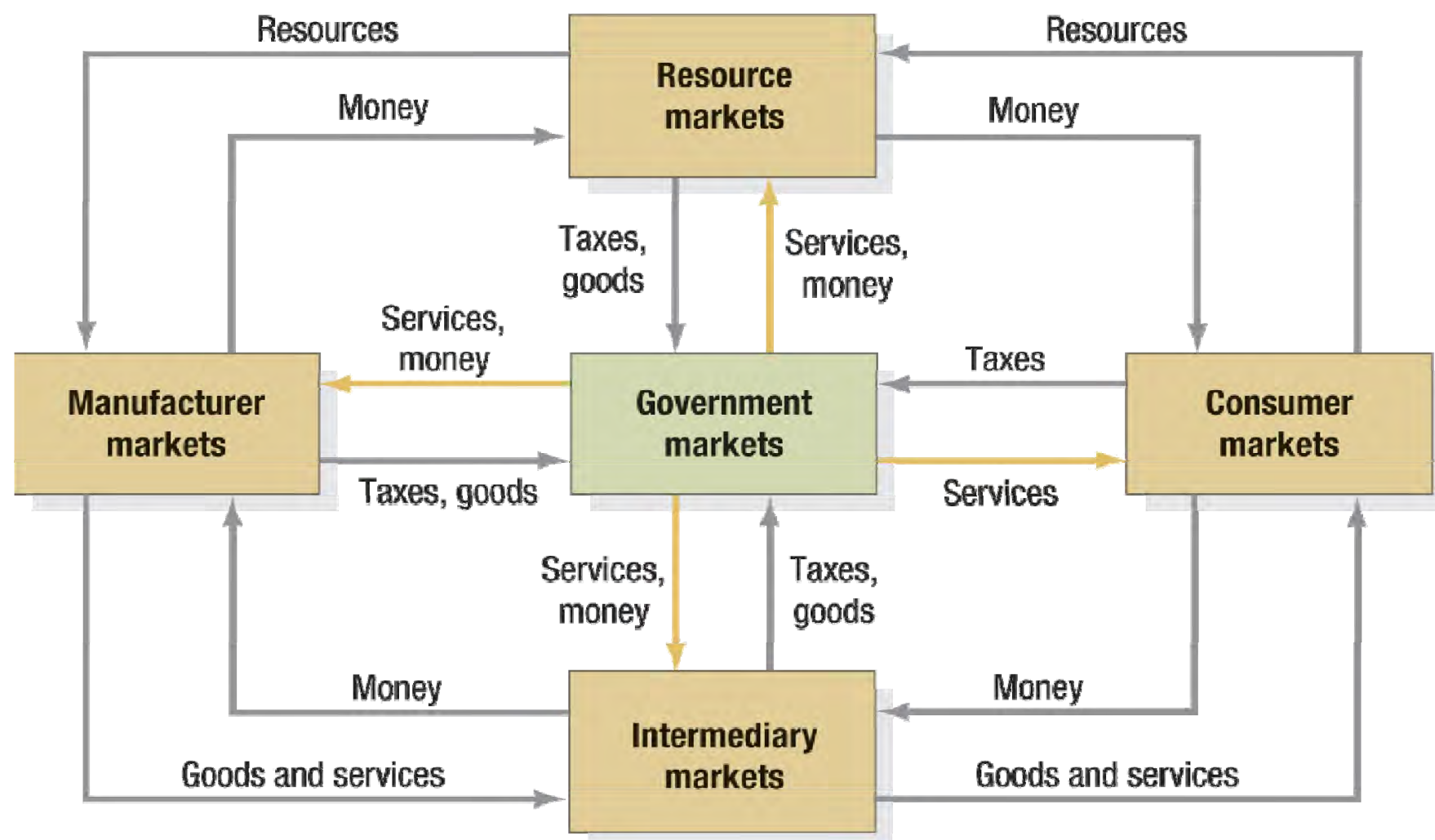
1. *Negative demand* — Consumers dislike the product and may even pay a price to avoid it.
2. *Non-existent demand* — Consumers may be unaware or uninterested in the product.
3. *Latent demand* — Consumers may share a strong need that cannot be satisfied by an existing product.
4. *Declining demand* — Consumers begin to buy the product less frequently or not at all.
5. *Irregular demand* — Consumer purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis.
6. *Full demand* — Consumers are adequately buying all products put into the marketplace.
7. *Overfull demand* — More consumers would like to buy the product than can be satisfied.
8. *Unwholesome demand* — Consumers may be attracted to products that have undesirable social consequences.

Question: **What** can marketers do to influence demand through each of the situations described above? Give examples to illustrate your points.

The concept of a 'market'

- ❑ Economists describe a market as a collection of buyers and sellers who transact over a particular product or product class.
- ❑ Marketers use the term “market” to cover various groups of customers. The five basic markets are:
 - A) Resource Markets
 - B) Government Markets
 - C) Manufacturer Markets
 - D) Intermediary Markets
 - E) Consumer Markets

Figure 1.1 Structure of Flows in a Modern Exchange Economy



The flows in a market system

- Sellers and buyers are connected by flows:
 - Seller sends goods, services, and communications to the market.
 - In return they receive money and information.
 - There is an exchange of money for goods and services.
 - There is an exchange of information.

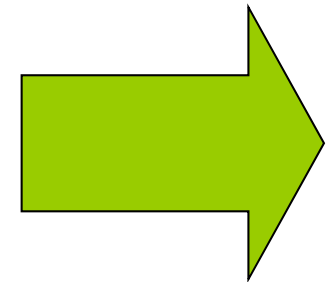
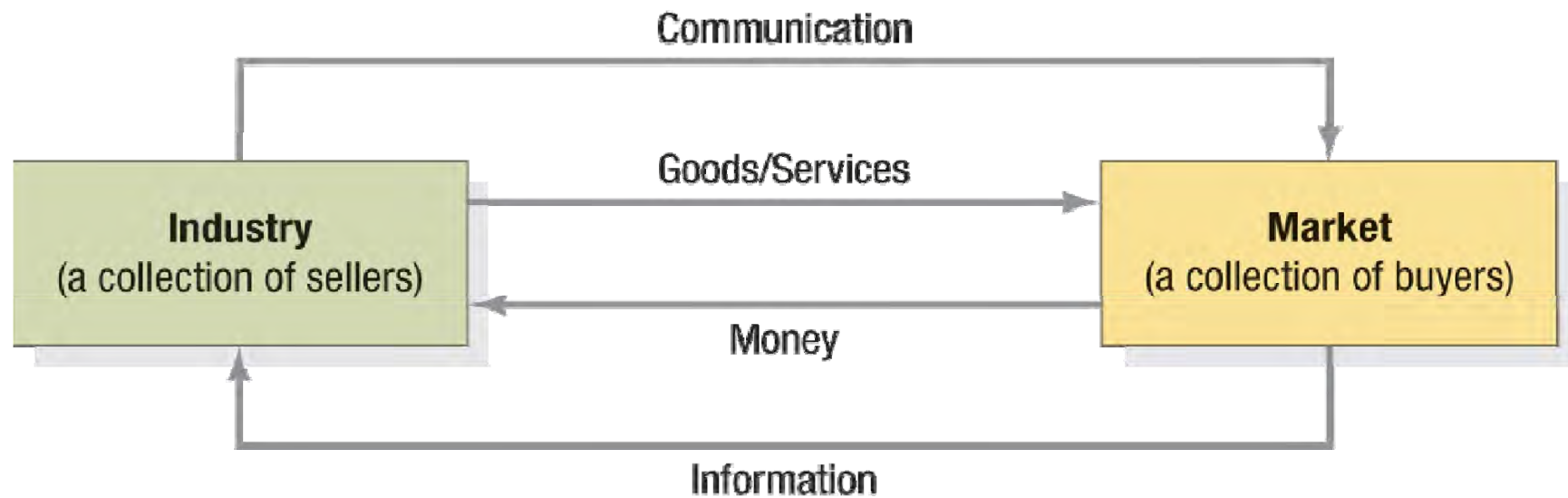


Figure 1.2 : A Simple Marketing System



Key customer markets

A) Consumer Markets

Consumer goods and services such as soft drinks and cosmetics, spend a great deal of time trying to establish a superior brand image.

B) Business Markets

Companies selling business goods and services often face well-trained and well-informed professional buyers who are skilled in evaluating competitive offerings.

C) Global Markets

Companies face challenges and decisions regarding which countries to enter, how to enter the country, how to adapt their products/services to the country, and how to price their products.

D) Nonprofit and Governmental Markets

Companies selling to these markets have to price carefully because these organizations have limited purchasing power.

Global markets

McDonald's—With China's informal out-of-home eating industry estimated to be worth over \$135 billion, McDonald's is pouncing on this opportunity by opening over 1,000 outlets. It is relying on a combination of the traditional and the new to capture a large slice of the market. It has a \$2 million innovation center in Hong Kong dedicated to coming up with suitable products. Alongside the Big Mac and fries, Chinese diners can choose from green pea pies, rice burgers, and a mint-flavored soda called Blue Haven. It also offers a chicken-and-mushroom pie in the shape of a pinwheel because according to Chinese folklore, the pinwheel is supposed to bestow good luck. When the company opened its first drive-through outlet in Guangzhou, it realized that this concept is foreign to the Chinese. Customers would drive up, collect their food, and then park their cars before entering the restaurant to eat their meal. Yet, with the anticipated boom in the Chinese auto market, McDonald's will be opening more car-friendly outlets. It has an agreement with Sinopec, the state-owned oil company, to give it first refusal on locating its outlets at any of Sinopec's 30,000 fuel stations across China.⁹



With an over \$135 billion out-of-home dining industry, McDonald's is entering China in a big way with innovative food items for the Chinese tastebuds. These include rice burgers and a chicken-and-mushroom pie in the shape of a pinwheel, a lucky symbol for the Chinese.

Marketplaces, Marketspaces, and Metamarkets

- ❑ The marketplace is physical,
- ❑ The marketspace is digital,
- ❑ The metamarket is a cluster of complementary products and services that are closely related in the consumer's mind but spread across a diverse set of industries.



Marketing in Practice

- ❑ How Is marketing done?
- ❑ Increasingly marketing is not done only by the marketing department. To create strong marketing organizations, marketers must think like executives on **other departments** and other departments must think like marketers.
- ❑ Marketing planning process consists of analyzing marketing opportunities, selecting target markets, designing marketing strategies, developing marketing programs, and managing the marketing effort.

Functions of CMOs (chief marketing officers)

- ❑ Strengthening the brands
- ❑ Measuring marketing effectiveness
- ❑ Driving new product development based on customer needs
- ❑ Gathering meaningful customer insights
- ❑ Utilizing new marketing technology

Question: Do you think that the responsibility for marketing lie entirely in the hands of the CMO? What about smaller organizations that have limited or no marketing specializations? How will marketing be managed then?

Figure 1.3 Improving CMO Success

- 1. Make the mission and responsibilities clear.** Be certain that the case for having a CMO is strong and the mission is well understood by leaders in the organization, particularly the CEO, the board, and line management. Without a clear need (real or perceived), the role will be rejected by the organization.
- 2. Fit the role to the marketing culture and structure.** Avoid having a CMO in a marketing-led company that has many individual brands rather than a single corporate umbrella—unless the person appointed to the position is a well-connected insider.
- 3. Choose a CMO who is compatible with the CEO.** Beware of the CEO who wants to hire a CMO but doesn't want to relinquish any marketing control. Find a CEO who recognizes his or her responsibility to be the cheerleader for marketing and the brand, but realizes the need to be guided and coached by a marketing specialist.
- 4. Remember that showpeople don't succeed.** The CMO should work hard to ensure the CEO is successful at being the principal cheerleader for the brand.
- 5. Match the personality with the CMO type.** Be certain that the chief marketer has the right skills and personality for whichever of the three CMO models he or she might fill (VP of Marketing Services, Classic CMO, or "Super" CMO). There is little tolerance for on-the-job training.
- 6. Make line managers marketing heroes.** By stretching their marketing budgets, CMOs can improve a division's marketing productivity and help business unit leaders increase their top-line revenues.
- 7. Infiltrate the line organization.** Have the CMO support the placement of marketing professionals from the corporate marketing department into divisional marketing roles. Provide input from the CMO into the annual reviews of line marketers.
- 8. Require right-brain and left-brain skills.** The most successful CMO will have strong creative and technical marketing expertise, be politically savvy, and have the interpersonal skills to be a great leader and manager.

Figure 1.3 Improving CMO Success

Core Marketing Concepts

- ❑ Needs, wants, and demands
- ❑ Target markets, positioning, segmentation
- ❑ Offerings and brands
- ❑ Value and satisfaction
- ❑ Marketing channels
- ❑ Supply chain
- ❑ Competition
- ❑ Marketing environment

I want it, I need it...

Five Types of Needs

- ❑ Stated needs
- ❑ Real needs
- ❑ Unstated needs
- ❑ Delight needs
- ❑ Secret needs



Core Marketing Concepts

- A. Identify and profile distinct groups of buyers who might prefer or require varying products and services mixes by examining:
 - Demographic information
 - Psychographic information
 - Behavioral information
- B. Target market: which segments do we focus on?
- C. Market offering – what do we offer? What proposition should we make to customers?
- D. Offering and Brands
 - Value proposition: a set of benefits they offer to customers to satisfy their needs
 - Brand: is an offering from a known source

An example of Positioning



Positioning: "The First SUV with Anti-Rollover Technology."
A Volvo ad focuses on the company's central benefit, safety.

Core Marketing Concepts

E. Value and Satisfaction

- Successful if it delivers value and satisfaction to the target buyer
- Value is a central marketing concept
- Satisfaction reflects a person's judgment of a product's perceived performance

F. Marketing Channels:

- Communication channels: different media used in promotions and marketing communications
- Distribution channels: intermediaries
- Service channels: banks, logistics firms

Core Marketing Concepts

G. Supply chain:

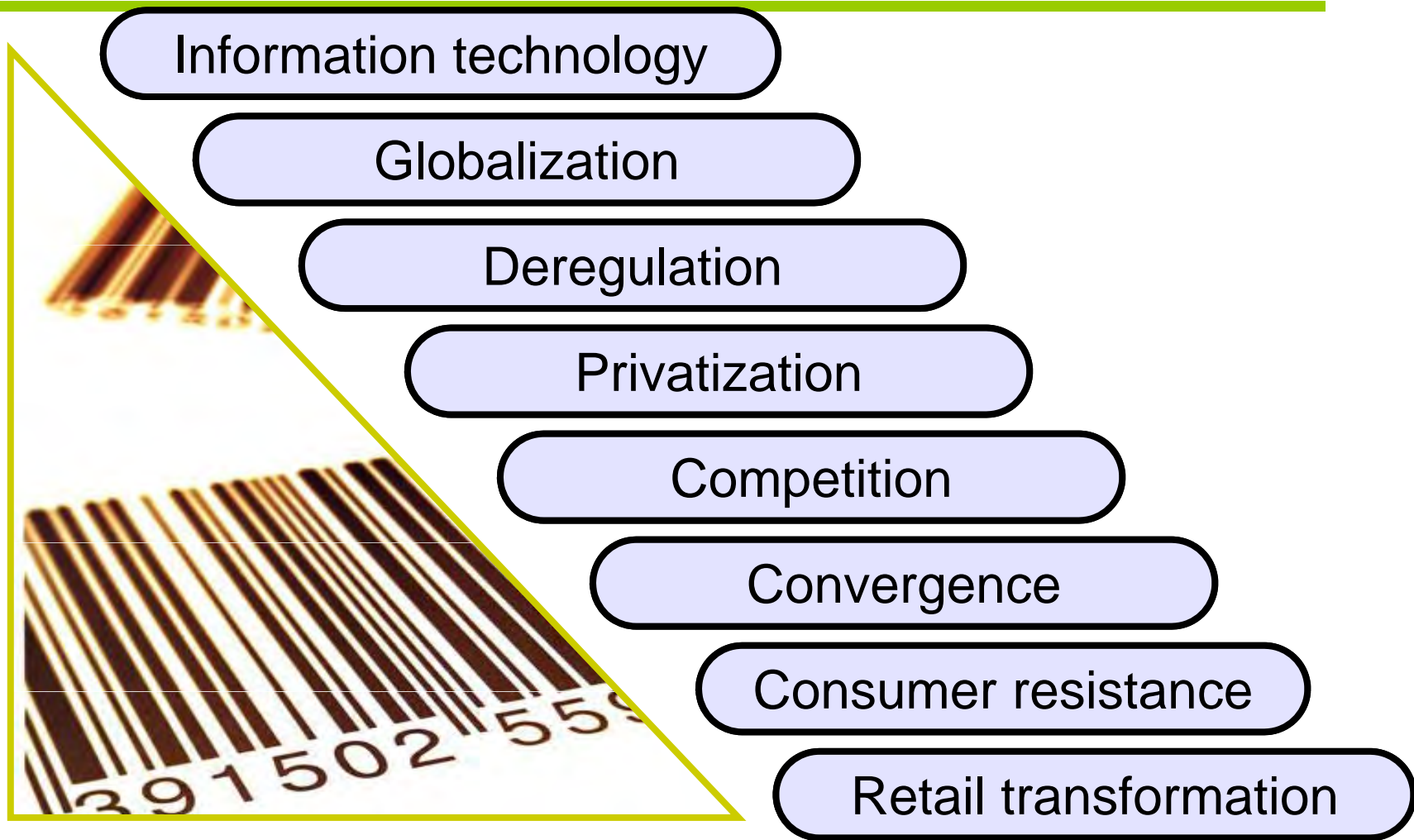
- The supply chain is a longer channel stretching from raw materials to components to final products that are carried to final buyers.

H. Competition and the Marketing Environment:

- Marketing doesn't take place in a vacuum; there are many uncontrollable forces and stakeholders that will impact on the marketing firm
- Types of environmental factors: Competition, demographic, social-cultural, political-legal and technological



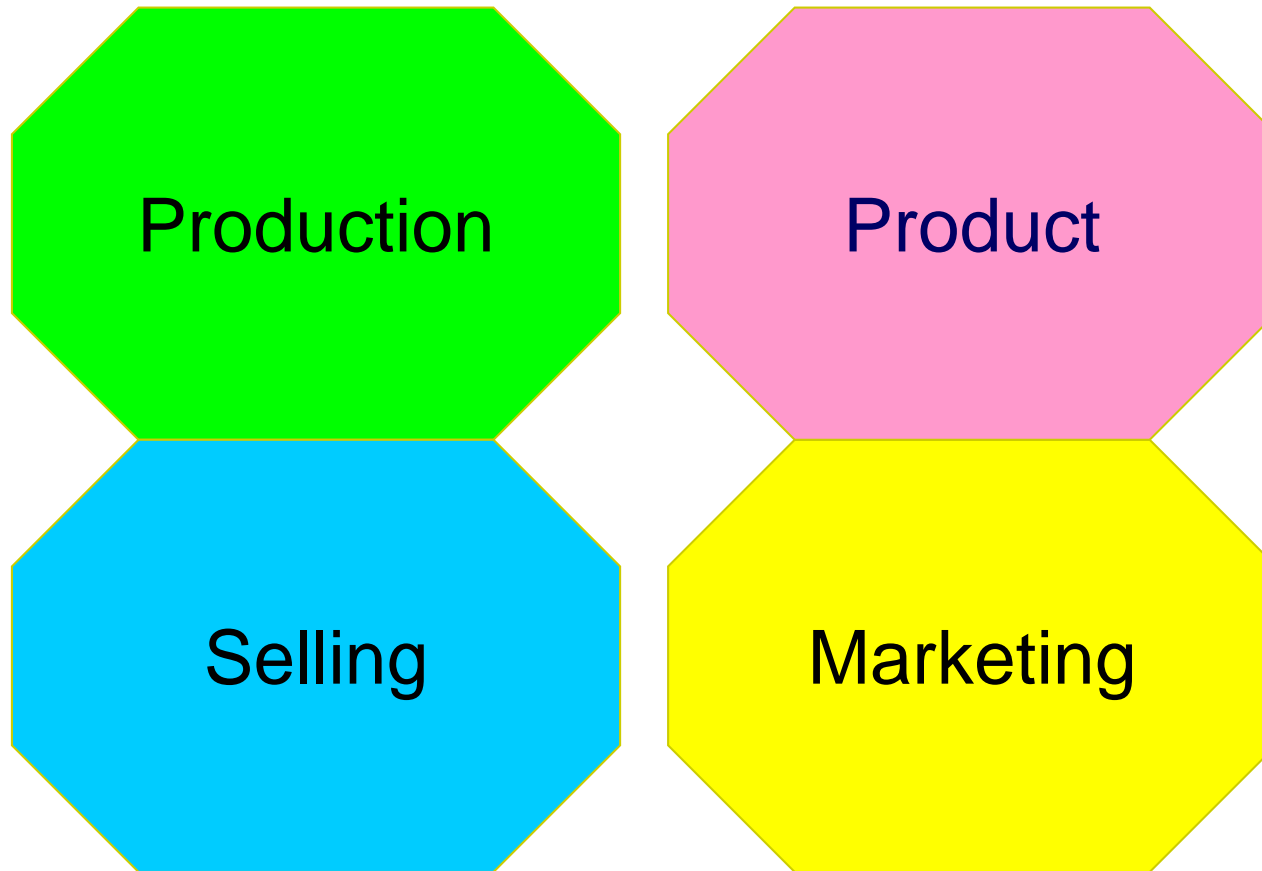
The marketplace isn't what it used to be...



New Consumer Capabilities

- ❑ A substantial increase in buying power
- ❑ A greater variety of available goods and services
- ❑ A great amount of information about practically anything
- ❑ Greater ease in interacting and placing and receiving orders
- ❑ An ability to compare notes on products and services
- ❑ An amplified voice to influence public opinion

Company Orientations



Company Orientations

□ Production Concept

- The production concept holds that consumers will prefer products that are widely available and inexpensive.

□ Product Concept

- The product concept holds that consumers will favor those products that offer the most quality, performance, or innovative features.

□ Selling Concept

- The selling concept holds that consumers and businesses, will ordinarily not buy enough of the organization' s products, therefore, the organization must undertake aggressive selling and promotion effort.

The Marketing Concept

- **The marketing concept** holds that the key to achieving organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating superior customer value to its chosen target markets.
 - Reactive market orientation—understanding and meeting consumers’ expressed needs.
 - Proactive marketing orientation—researching or imagining latent consumers’ needs through a “probe-and-learn” process.
 - Companies that practice both reactive and proactive marketing orientation are implementing a total market orientation.

Holistic Marketing Concept

- Holistic marketing can be seen as the development, design, and implementation of marketing programs, processes, and activities that recognizes the breath and interdependencies of their efforts.
- Holistic marketing recognizes that “everything matters” with marketing—the consumer, employees, other companies, competition, as well as society as a whole.
 - Holistic marketing
 - Internal marketing
 - Socially responsible marketing
 - Integrated marketing
 - Relationship marketing

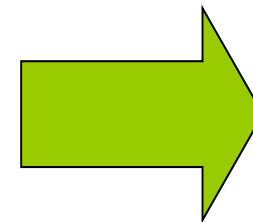
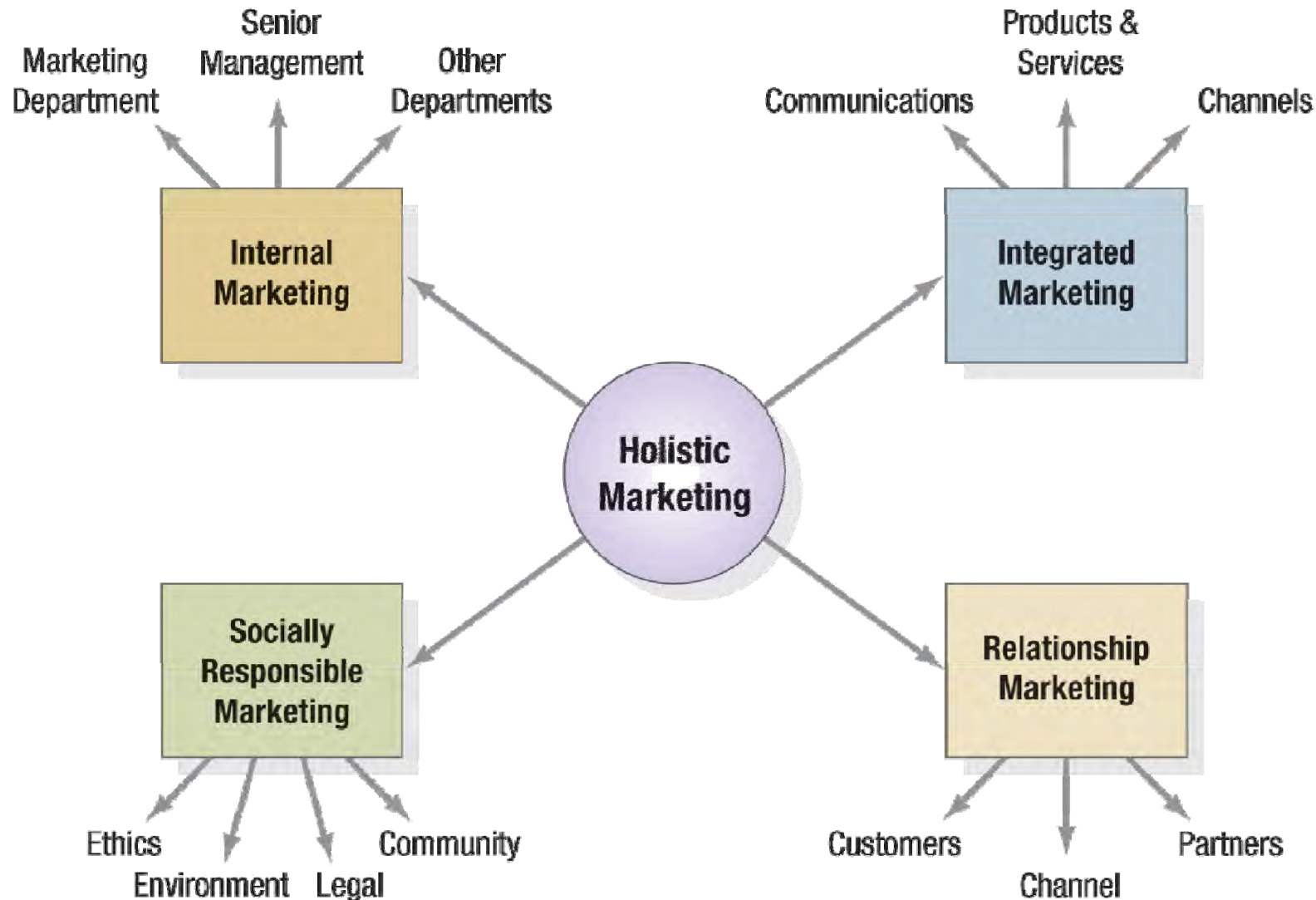


Figure 1.4 Holistic Marketing Dimensions



The Ten Deadly Sins of Marketing

1. The company is not sufficiently market-focused and customer-driven.
2. The company does not fully understand its target customers.
3. The company needs to better define and monitor its competitors.
4. The company has not properly managed its relationships with its stakeholders.
5. The company is not good at finding new opportunities.
6. The company's marketing plans and planning process are deficient.
7. The company's product and service policies need tightening.
8. The company's brand-building and communications skills are weak.
9. The company is not well-organized to carry on effective and efficient marketing.
10. The company has not made maximum use of technology.

The Ten Commandments of Marketing

1. The company segments the market, chooses the best segments, and develops a strong position in each chosen segment.
2. The company maps its customers' needs, perceptions, preferences, and behavior and motivates its stakeholders to obsess about serving and satisfying the customers.
3. The company knows its major competitors and their strengths and weaknesses.
4. The company builds partners out of its stakeholders and generously rewards them.
5. The company develops systems for identifying opportunities, ranking them, and choosing the best ones.
6. The company manages a marketing planning system that leads to insightful long-term and short-term plans.
7. The company exercises strong control over its product and service mix.
8. The company builds strong brands by using the most cost-effective communication and promotion tools.
9. The company builds marketing leadership and a team spirit among its various departments.
10. The company constantly adds technology that gives it a competitive advantage in the marketplace.

Source: Adapted from Philip Kotler, *Ten Deadly Marketing Sins*, (Hoboken, NJ: John Wiley, 2004).

Relationship Marketing

- ❑ Relationship marketing has the aim of building mutually satisfying long-term relationships with key parties—customers, suppliers, distributors, and other marketing partners. Relationship marketing builds strong economic, technical, and social ties among the parties.



Relationship Marketing



- Marketing must not only do customer relationship management (CRM) but also partnership relationship management (PRM).

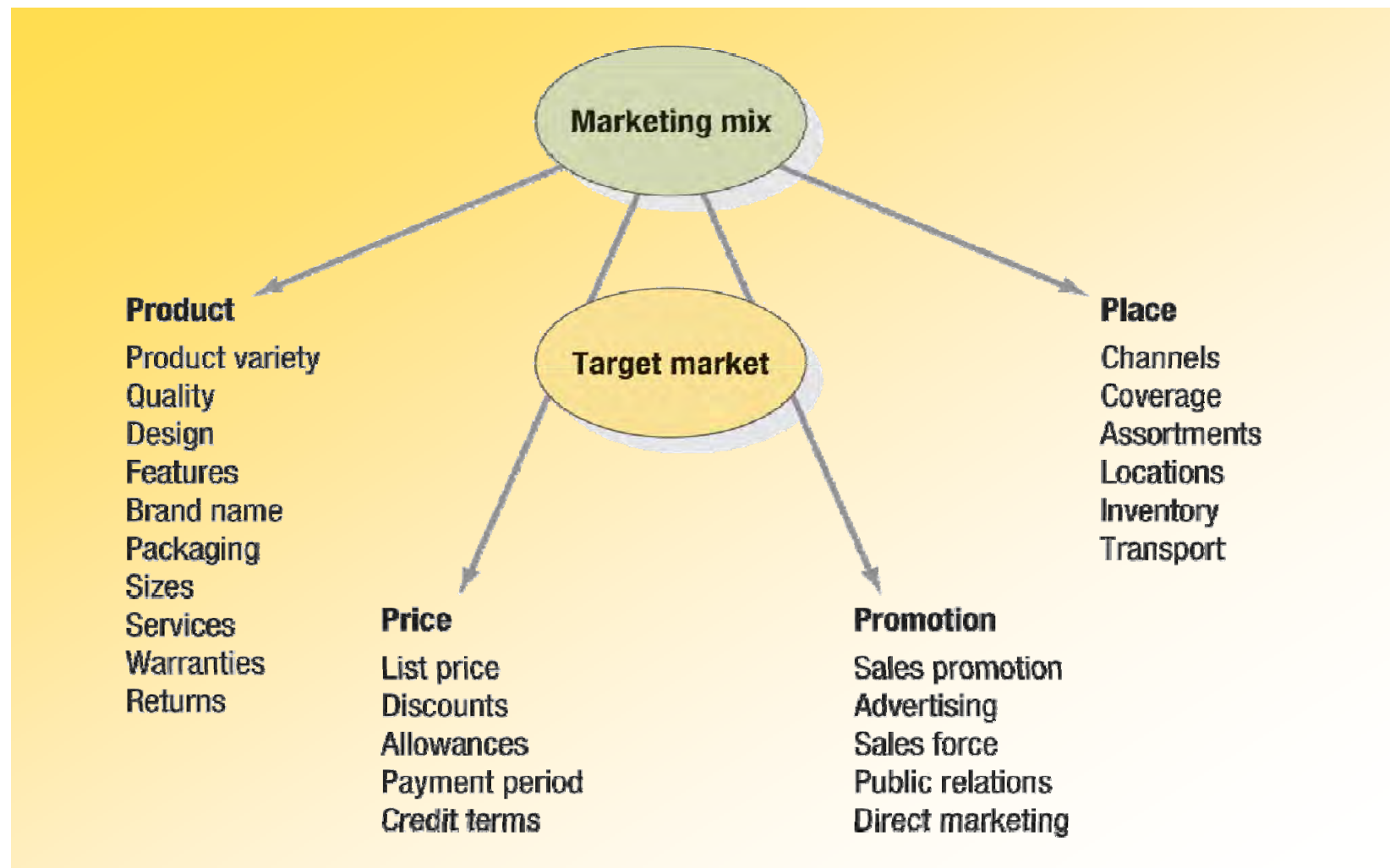
Four key constituents for marketing are:

- Customers.
- Employees.
- Marketing partners (channel partners).
- Members of the financial community.
- The ultimate outcome of relationship marketing is the building of a unique company asset called a marketing network

- Gives the history of marketing by Nike, who is the top athletic apparel and footwear manufacturer in the world, with 2007 corporate revenues of \$16 billion.
- A marketing network consists of the company and its supporting stakeholders (customers, suppliers, distributors, retailers, ad agencies, university scientists, and others) with whom it has built mutually profitable business relationships.



Figure 1.5 The Four P's



Integrated Marketing

- The marketer's task is to devise marketing activities and assemble fully integrated marketing programs to create, communicate, and deliver value for consumers.
- The Four Ps of Marketing: Product, Price, Place and Promotion
- SIVA
 - Solution
 - Information
 - Value
 - Access
- Two key themes of integrated marketing are:
 - **Many different marketing activities communicate and deliver value**
 - **When coordinated, marketing activities maximize their joint efforts.**



Marketing Mix Strategy

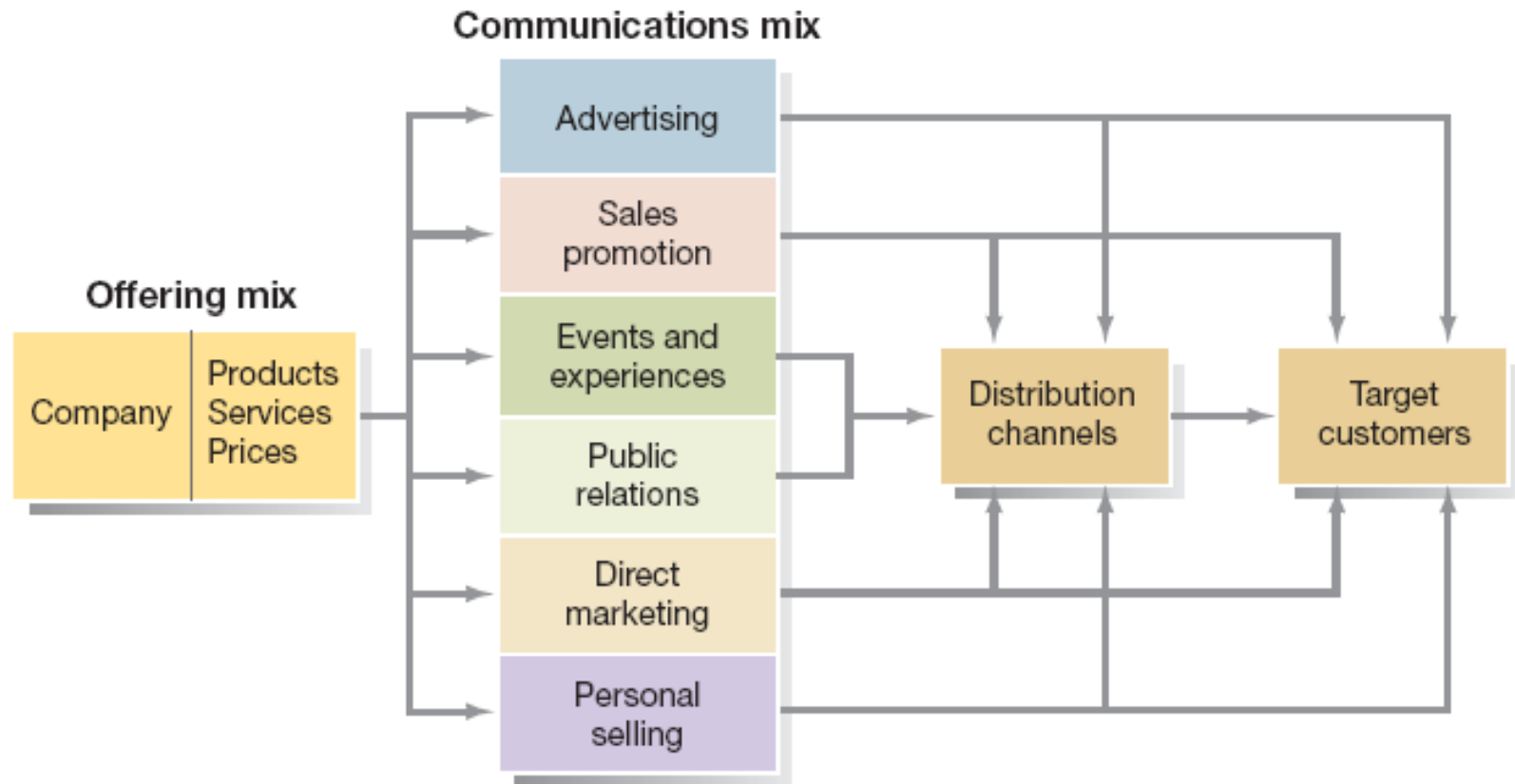


Figure 1.6 Influencing Marketing-Mix Strategy

Table 1.1 Assessing which Company Departments are Customer-Minded

R&D

- They spend time meeting customers and listening to their problems.
- They welcome the involvement of marketing, manufacturing, and other departments to each new project.
- They benchmark competitors' products and seek "best of class" solutions.
- They solicit customer reactions and suggestions as the project progresses.
- They continuously improve and refine the product on the basis of market feedback.

Purchasing

- They proactively search for the best suppliers.
- They build long-term relationships with fewer but more reliable, high-quality suppliers.
- They don't compromise quality for price savings.

Manufacturing

- They invite customers to visit and tour their plants.
- They visit customer plants.
- They willingly work overtime to meet promised delivery schedules.
- They continuously search for ways to produce goods faster and/or at lower cost.
- They continuously improve product quality, aiming for zero defects.
- They meet customer requirements for "customization" where possible.

Marketing

- They study customer needs and wants in well-defined market segments.
- They allocate marketing effort in relation to the long-run profit potential of the targeted segments.
- They develop winning offers for each target segment.
- They measure company image and customer satisfaction on a continuous basis.

- They continuously gather and evaluate ideas for new products, product improvements, and services.
- They urge all company departments and employees to be customer-centered.

Sales

- They have specialized knowledge of the customer's industry.
- They strive to give the customer "the best solution."
- They make only promises that they can keep.
- They feedback customers' needs and ideas to those in charge of product development.
- They serve the same customers for a long period of time.

Logistics

- They set a high standard for service delivery time and meet this standard consistently.
- They operate a knowledgeable and friendly customer service department that can answer questions, handle complaints, and resolve problems in a satisfactory and timely manner.

Accounting

- They prepare periodic "profitability" reports by product, market segment, geographic areas (regions, sales territories), order sizes, channels, and individual customers.
- They prepare invoices tailored to customer needs and answer customer queries courteously and quickly.

Finance

- They understand and support marketing expenditures (e.g., image advertising) that produce long-term customer preference and loyalty.
- They tailor the financial package to the customer's financial requirements.
- They make quick decisions on customer creditworthiness.

Public Relations

- They send out favorable news about the company and "damage control" unfavorable news.
- They act as an internal customer and public advocate for better company policies and practices.

Source: Philip Kotler, *Kotler on Marketing*, (New York, NY: The Free Press, 1999), pp. 21–22.

Internal Marketing

- Holistic marketing incorporates internal marketing, ensuring that **everyone** in the organization embraces appropriate marketing principles.
- Internal marketing must take place on two levels:
 - At one level, the various marketing functions (sales force, advertising, customer services, product management, and marketing research) must work together.
 - Secondly, marketing must be embraced by the other departments—they must “think customer.” Marketing is **not a department so much as a company orientation.**



An example of a coordination problem that requires effective internal marketing

The marketing vice president of a major Asian airline wants to increase the airline's traffic share. His strategy is to build up customer satisfaction through providing better food, cleaner cabins, better-trained cabin crews, and lower fares; yet he has no authority in these matters. The catering department chooses food that keeps food costs down; the maintenance department uses cleaning services that keep down cleaning costs; the human resources department hires people without regard to whether they are naturally friendly; the finance department sets the fares. Because these departments generally take a cost or production point of view, the vice president of marketing is stymied in creating an integrated marketing mix.

Question: What would you do if you were the VP of marketing in this airline? How would internal marketing be of help? Show specific examples

Performance Marketing

Holistic marketing incorporates performance marketing and understanding the returns to the business from marketing activities.

- ❑ Financial Accountability
- ❑ Social Responsibility Marketing

Social Initiatives

- ❑ Corporate social marketing
- ❑ Cause marketing
- ❑ Corporate philanthropy
- ❑ Corporate community involvement
- ❑ Socially responsible business practices

Social Responsibility Marketing

- ❑ Holistic marketing incorporates social responsibility marketing and understanding broader concerns, and the ethical, **environmental, legal, and social context** of marketing activities and programs.
- ❑ Societal marketing concept: the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfaction more effectively and efficiently than competitors.



Table 1.2 Corporate Social Initiatives by McDonald's in Asia

Type	Description	Example
Corporate social marketing	Supporting behavior change campaigns	McDonald's sponsorship of Clean Community Days in China through which it encourages participation in tree planting and recycling programs.
Cause marketing	Promoting social issues through efforts such as sponsorships, licensing agreements, and advertising	McDonald's use of funds raised during World Children's Day to sponsor dictionaries for needy children in China. In Japan, McDonald's sponsors an annual All-Japan Rubber Baseball Tournament. Rubber baseball is an original Japanese product, created to provide a safe way for children to play baseball.
Cause-related marketing	Donating a percentage of revenues to a specific cause based on the revenue occurring during the announced period of support	During the relief efforts for the 2004 Asian tsunami, McDonald's India saw employees donating a day's pay, while McDonald's Singapore committed a portion of sales from popular menu items, and employees from McDonald's Hong Kong volunteered for UNICEF.
Corporate philanthropy	Making gifts of money, goods or time to help non-profit organizations, groups, or individuals	McDonald's Singapore donated part of the proceeds made on World Children's Day to support children with HIV/AIDS.
Corporate community involvement	Providing in-kind or volunteer services in the community	In Mumbai, McDonald's was involved in restoring a designated "heritage structure" in a historically and commercially important part of the city.
Socially responsible business practices	Adapting and conducting business practices that protect the environment, and human and animal rights	McDonald's Japan leads in energy efficiency programs. It has tracked its energy use for the past 14 years and has developed metrics to monitor carbon dioxide emissions. To date, it has reduced its gas emissions by 14.6 percent or 23 metric tons per restaurant.

Source: Philip Kotler and Nancy Lee. *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*, (Hoboken, NJ: John Wiley, December 2004); <www.mcdonalds.com/corp/values.html>.

Marketing Management Tasks

- ❑ Develop market strategies and plans
- ❑ Capture marketing insights
- ❑ Connect with customers
- ❑ Build strong brands
- ❑ Shape market offerings
- ❑ Deliver value
- ❑ Communicate value
- ❑ Create long-term growth

Example of marketing management challenge task

Emperor, Inc. operates in several industries, including chemicals, cameras, and film. The company is organized into Strategic Business Units (SBUs). Corporate management is considering what to do with its Oriental camera division. At present, Oriental produces a range of 35 mm and digital cameras. The market for cameras is intensely competitive. Although Emperor has a sizable market share and is producing much revenue for the company, the 35 mm market itself is growing very slowly and its market share is slipping. In the faster-growing digital camera segment, Emperor is facing strong competition and has been slow to gain sales. Emperor's corporate management wants Oriental's marketing group to produce a strong turnaround plan for the division. Marketing management has to come up with a convincing marketing plan, sell corporate management on the plan, and then implement and control it.

(text page 28)

Marketing Management Tasks - text chapter referenced

- Developing marketing strategies and plans (Chapter 2).
- Capturing Marketing Insights (Chapters 3, and 4).
- Connecting with Customers (Chapters 5, 6, 7)
- Building strong brands (Chapters 9, 10, and 11).
- Shaping the market offerings (Chapters 12 and 13).
- Delivering value (Chapters 15 and 16).
- Communicating value (Chapters 17, 18, and 19).
- Creating Long-Term Growth (Chapters 20, 21, and 22).

MARKETING MEMO

MARKETERS' FREQUENTLY ASKED QUESTIONS

1. How can we spot and choose the right market segment(s)?
2. How can we differentiate our offerings?
3. How should we respond to customers who buy on price?
4. How can we compete against lower-cost, lower-price competitors?
5. How far can we go in customizing our offering for each customer?
6. How can we grow our business?
7. How can we build stronger brands?
8. How can we reduce the cost of customer acquisition?
9. How can we keep our customers loyal for longer?
10. How can we tell which customers are more important?
11. How can we measure the payback from advertising, sales promotion, and public relations?
12. How can we improve sales force productivity?
13. How can we establish multiple channels and yet manage channel conflict?
14. How can we get the other company departments to be more customer-oriented?

An important checklist for effective marketing management and building a customer – A driven marketing organization

Summary of learning issues

- ❑ Understand why marketing is important
- ❑ Understand what is the scope of marketing
- ❑ Understand some of the fundamental marketing concepts
- ❑ Understand how marketing management has changed
- ❑ Understand what are the necessary tasks for successful marketing management