# Fundamentals of marketing reading material flashcard

Customer needs are discovered and the organization’s processes are orchestrated to serve those needs truthfully. A company practicing the marketing concept achieves corporate goals by meeting its customer needs better than its competitors. In a marketing oriented company all activities are focused upon providing customer satisfaction. The company understands that the achievement of customer satisfaction is dependent on integrating company-wide efforts. The belief that customer needs are central to the operation of the company runs through production, finance, research and other departments.

Decisions are taken in these departments keeping in consideration the impacts that the decisions will have on the customers. The role of marketing is to champion the cause of the customer and to orient the whole organization towards serving customer needs. The management must believe that corporate goals can be achieved only through satisfied customers. Every employee in an organization is a marketer Marketing is not the sole prerogative and responsibility of the marketing department in an organization. Each department, in fact every employee of an organization, primarily performs the function of a marketer.

His main Job is to convey a consistent image of his organization, whether it is to the internal stakeholders (employees, shareholders), or to the external stakeholders (customers, public). The company should realize that every interaction of any of these stakeholders with any employee of an organization is decisive for the ultimate fate of the organization. Internal communication Marketers need to communicate formally and informally with people in other departments in their organization more often. For most companies the marketing department is the first and the main source of knowledge about the customer.

But when marketers try to share their insights with other departments, the information often ends up being ignored or misunderstood. The problem lies with how often and in what manner the marketing department communicates with other functions in the organization. Marketers who interact with their non-marketing colleagues fewer than ten times a week tend to have their work undervalued by people in other departments. The spoken or written – means that the marketer has not been in communication enough to learn what information is needed by others in the company, or how and when it should be presented.

Marketing managers who have infrequent contacts with their non-marketing colleagues do not develop the kind of understanding they need in order to provide the right information at the right time and in the right format. But the increased value associated with boosting the frequency of communication begins to level off at about 25 times a week. Therefore marketing managers should strive to communicate between 10 and 25 times. In fact, marketing managers who communicate with their non-marketing colleagues more than 40 times a week also run the risk of having their work undervalued by other departments.

Non-marketing managers often receive a flood of information like daily sales reports by product and market. They cannot review all this data or think about it. A deluge of communication confuses and eventually alienates the receiver. 6 All types of communications like individual and group meetings, phone calls, faxes, mails, voice mails, memos and even a chat in cafeteria are counted. But the mix between and formal and informal communication matters. A 50-50 mix of formal and informal communications is optimal for getting the marketers’ message across.

Formal communications are useful because they are verifiable, and in situations here two departments have different styles, a formal procedure for communication can reduce conflict. Informal communication allows people to exchange critical information unlikely to be found in a real report, such as the “ real” reason why a customer defected. They can also help clarify and give meaning to what is said in more formal communications. And they give the opportunity to people to ask “ dumb” questions which they otherwise would not.

The spontaneous nature of informal communications also does not give participants the time to develop politically motivated opinions. 1. 2. Marketing Concept versus Production Concept A competing philosophy is production orientation. This is an inward looking orientation. Management becomes cost focused. They try to attain economies of scale by producing a limited range of products in ways that minimize production costs. The objective is cost reduction for its own sake. In production orientation, business is defined in terms of products that the company is making.

The management does not define business in terms of serving particular needs of customers. Production Capabilities Manufacture Product Aggressive sales effort Customers PRODUCTION ORIENTATION Customer Needs Potential Market Opportunities Marketing Products and Services Customers FIGURE 1.

2 MARKETING ORIENTATION The business mission is focused on current production capabilities. For instance, film companies defining their business in terms of the product produced, which means that they would be slow to respond when consumers shift the way they spend leisure time, the demand for watching cinema would decline.

The purpose of the firm is to manufacture products and aggressively sell them to customers. When customers need change, production oriented companies are not able to sense them and they antique to produce products and services which no longer serve the needs of the customers. But even when they are able to sense such changes in customer needs, they are so convinced about the superiority of their offerings, that they refuse to make a departure. Marketing oriented companies instead focus on customer needs.

Products and services are Just considered as means to serve the needs of the customers. Change and adaptation are endemic in marketing oriented companies. Changing needs present potential market opportunities which the company strives to serve with new products and services. Within the boundaries of distinctive competencies, market driven companies seek to adapt their product and service offerings to the demands of current and latent markets. They get close to their customers so that they understand their needs and problems.

Selling concept There is also an implicit contradiction between marketing and selling. Marketing involves gauging a customer’s requirements and designing a product or service to serve that 7 requirement. Once the company has designed and made a product according to product or the service sells itself. But when a product or service is not designed and dad according to a customer's exact requirements, a customer has to be persuaded to believe that the product or the service meets his requirements. This is selling. Selling is largely a wasteful activity.

It consumes a lot of organizational resources, as the company forces the product on the customer. And if a company manages to sell a customer a product or service that does not really serve his requirements, the customer is anguished and becomes suspicious of the company. Such a customer ' bad-mouths' the company. A company truly practicing marketing concept will not need to sell his product. Marketing makes selling redundant. Product concept Some companies become centered on constantly improving the product. Such companies prescribe to the philosophy of the product concept.

Continuous attempts are made to improve the product and its quality, as it is believed that customers would always prefer to buy the product that is superior. This often results in a myopic focus on the product, without any attention on the other ways in which customers can fulfill their needs. This is called marketing myopia. The company is so focused on improving the product that it loses sight of the fact that the product is merely a way of fulfilling customer needs. In other words, the customer does not buy a product, he buys an offering that fulfills his needs.

For instance, a customer watches television to fulfill his need for entertainment. He may consider watching movie in a theatre, a book or a music system as other ways of fulfilling his need for entertainment. The company, however, stays focused only improving the television. In India, several no-frills airline companies have started offering their services at low prices, that are comparable to the ticket prices of air-conditioned coaches of the Railways. Customers have started witching over to airlines as a preferred mode of travel, due to lesser time involved at little or no additional cost to them.

Whether he travels by rail or by air, the customer is basically fulfilling his need for reaching a destination. Marketing myopia is dangerous, because it does not allow the company to explore other more effective and efficient ways of serving the customer need that its product is serving. It is often foxed by companies who devise better ways of serving the same customer need. Since customers do not have any attachment to the product, they desert the company ND adopt the new way of serving his need. The myopic company is left alone, clinging to his product. 1. 2. Limitations of the Marketing Concept Marketing concept as an ideology Critics recognize the importance of customer orientation but ask why after decades of trying has the concept not been fully implemented. They argue that there are other valid considerations that companies must take into account when making decisions (for instance, economies of scale) apart from giving customers exactly what they want. There has to be a compromise between the satisfaction of customers and achievement of other company acquirement. Marketing and society: The societal concept The marketing concept focuses on individual market transactions.

Since individuals heavily weigh their personal benefits while discounting the societal impact of their purchases, adoption of marketing concept will result in production of goods which do not adequately means to achieving a company's profit objectives and does not guarantee protection of customer welfare. Marketing orientation does not guarantee welfare of the customer but it does ensure profits for the firm. 8 Marketing as a constraint to innovation Marketing research discourages major innovations. Relying on customers to guide development of new products has severe limitations.

This is because customers have difficulty articulating needs beyond the realm of their own experiences. This suggests that the ideas gained from marketing research will be modest compared to those coming from the scientific discoveries of R laboratories. Particularly for discontinuous innovations, the role of product development ought to be far more proactive. Technological innovation is the process that realizes market demands which were previously unknown. Effective utilization ND exploitation of technology in developing new products is at least as important as market need analysis.

But this criticism is not actually directed towards the marketing concept itself but towards an overconfidence on customers as a source of new product ideas. Companies must not rely solely on the customer for new product ideas. New product development should be based on sound interface between perceived customer needs and technological research. Successful innovations are mostly based on good understanding of user needs and technologies available to meet those needs. 1. 2. 4 Marketing Orientation Market driven companies display customer concern throughout the business.

All departments recognize the importance of the customer for the success of the business. In internally focused businesses, the convenience of the company comes first. If what the customer wants is inconvenient to produce, excuses are made to avoid giving it to the customers. Market driven businesses know how their products are being evaluated against competition by customers. They understand the choice criteria that customers are using to evaluate their offerings and ensure that their marketing mix matches those criteria better than competition.

Internally driven companies assume that certain criteria, perhaps price and performance, are uppermost in all customers' minds. They fail to understand the real concerns of customers. They refuse to believe that different customers can have different concerns. Businesses that are driven by the market, base their segmentation analysis on customer differences that have implications for marketing strategy. Businesses that are focused internally segment by product (large bulldozers versus small bulldozers) and are vulnerable when customer requirements change, primarily because they never understood customer requirements in the first place.

Market driven businesses recognize that expenditure on marketing research is an base their strategies on the knowledge of customers which is gleaned through market research activities. Market research drives the strategies and operations of market driven companies. Internally driven businesses see marketing research as a non-productive activity and prefer to rely on anecdotes and received wisdom. Market driven business welcome organizational changes that are bound to occur as an organization moves to maintain strategic fit between varying customer requirements and its strategies.

Internally oriented companies cherish status quo and resist change. Market driven businesses try to understand competitors' objectives and strategies, and anticipate competitive actions. They make strategies to counter moves of competitors and when they initiate actions they always feature in competitors' probable reactions to them. Internally driven companies are content to underplay the competition. They live with the illusion that competitors cannot harm them ever. Marketing spend is regarded as an investment that has long term consequences in market driven businesses. Such companies invest in understanding customers.

They invest in building brands based on their understanding of the customers. Internally driven companies view Self-Instructional Material 9 marketing expenditure as superfluous that never appears to produce benefits, but the company has to incur them to be on par with competitors. They believe that customers will buy their products because they are superior solutions to their needs. They will not check if their assumptions about customers having particular needs are actually felt by the customers themselves, and whether their products and services are actually useful to them.

Reality dawns on them only when their business starts faltering. In market oriented companies those employees who take risks and are innovative in serving customers in more effective ways are rewarded. Such companies understand the fact that most new products fail, and there is a reluctance to punish those people who risk their career championing a new product idea. Internally oriented business reward time serving, and ability to not make mistakes. They reward people who help in quelling disturbing news from the market about customers and competitors. This results in risk avoidance and continuance of status u.

Market driven companies search for latent markets – markets that no other company has exploited. Their people, systems, and processes are flexible enough to sense such markets and design appropriate products and services for them. Internally driven businesses are happy to stick to their existing products and markets. They are not close enough to customers to be able to identify their latent needs, and their people, systems, and processes are designed to serve only crudely expressed needs. Intensive competition means that companies need to be alert to the dynamics of customer needs and competitor moves.

Market driven companies Marketing oriented companies strive for competitive advantage. They seek to serve customers better than competition. Internally oriented companies are happy to produce me-too copies of offerings already in the market. Impact of marketers’ commitments Commitments by marketers impact the company and the customers both. For the company it indicates the promise of delivery of its offering, while for the customer, it shapes expectations. Commitments must consider the short term and long term impacts on both the concerned stakeholders.

Despite differences in their arsenal attributes, behaviors and styles, successful marketers excel in making, honoring and remaking commitments to customers. Marketing commitments take many forms from installing special machines to serve customer requirements, delivering an item at a particular time, positioning the product, to public statements. These commitments exert both an immediate and enduring influence on the company. A commitment to deliver an item sooner than it is normally done, exerts pressure on the production system of the company.

When a company positions its offering, it implicitly chooses one market over another. When a company selects a target market, it is willing to forego important segments that may emerge in the future. When a marketer makes a commitment, it affects two distinct constituents: customers and the company of the marketer. The marketer has to anticipate the consequences of his commitments for both his constituents both in the short term and long term. In a market where buying criteria are still being established, it may be fatal to position the company's offering very narrowly.

Selecting a celebrity to spearhead the marketing campaign of the company has consequences both for the short term and long term. The idea is that commitments made by marketers binds the company in some particular way for some time in future. Marketers should be able to think through these consequences. But when marketers find out that their commitments are holding the company back, they should replace the old commitments with fresh ones. Customers understand that commitments implicitly have some conditions attached to them and when conditions change dramatically, an old commitment should be replaced by a more rejuvenating one.

Commitments 10 Self-Instructional Material should not bind the company in a manner that compromises its very survival. It is not as if the company is going back on its commitment, it is Just that an antiquated commitment is being replaced by fresh one which is reflecting current realities. 1. 2. 5

Profile of Marketing Oriented Organizations Shared values and beliefs are necessary prerequisites for successful marketing orientation. Every employee in every department believes that business goals can be achieved only through heightened awareness of customer needs and a tireless zeal to serve those needs.

Customer orientation cannot be drilled in employees overnight. Fables have to be created and circulated, extolling customer care. Top executives operating decisions and their own behavior. People should feel proud and good about themselves that they go out of their way to serve customers. This can be a problem for long established companies that did not put the customer first. Such companies have to be patient. They should not expect their employees to change overnight from ignoring customers to serving them. The second dimension is skills in understanding and responding to customers.

Getting and keeping close to customers is important. Every employee, especially the top management should spend as much time as possible with customers. Normally frontline employees, like salesperson, are in touch with customers. They are in the best position to decide what is best for customers. A company can empower front-line staff to take appropriate decisions in favor of customers. But even when frontline employees are empowered, the best they can do is to serve customers better on a case-to-case basis.

But most customer problems are related to company practices and systems. Frontline employees do send feedback but they are diluted by the time they reach decision makers. Moreover these employees cannot effectively transfer the anguish and frustrations that customers express over company's products, policies and practices. When decision makers stay in frequent contact with customers, they are able to experience the frustrations and anguish of customers first-hand. They can quickly take decisions to amend matters. Market intelligence is important to an understanding of customers.

Market orientation demands organization-wide market intelligence activities pertaining to current and future customer needs. The facts collected by market intelligence should be disseminated across departments. And there should be organization-wide responsiveness to such facts, especially if they are disturbing. Intelligence gathering includes not only customer needs and preferences, but also an analysis and interpretation of facts that influence these needs and preferences. Information gathering is not the exclusive responsibility of the marketing department.

Individuals and departments throughout the organization, such as R engineers at scientific conferences, should gather information informally. Information about customers can be disseminated throughout the company by formal and informal means. One company developed and circulated a newsletter to facilitate the spread of information. Another company's manager disseminates information by story telling. She told stories about customers, their needs, personalities and even their families. The idea is to have everyone from secretaries, engineers, production personnel to the chief executive to get to know customers.

Responsiveness means the need to select target markets, design and offer products that cater to current and anticipated needs of the target markets, and producing, pricing, distributing and promoting those products in a way that customers value. There is a desire to serve customer needs better than competition. The reality of the marketplace should be aligned with assets and distinctive competencies of the company. When looking to enter new markets, companies should be aware of their inherent strengths and weaknesses and requirements of the new market. 1 Organizational structure must reflect marketing strategy. As markets change, marketing strategy changes, and the structure and systems may require modifications to implement strategy. It will be futile to implement a new strategy reflecting greater customer concern with the old organizational structure. The vested interests of the old structure will thwart the initiative. Implementation of the arresting strategy requires clear communication so that it is not undermined by those who deal with the customer first hand (for instance, price concession given by sales person for a premium product).

It is important that the frontline employees buy into the new concept. But such commitment can neither be built by force nor by inducements. Heightened awareness to customer needs and pride in serving them can be generated in employees only gradually by letting them observe and know about other employees doing it. 1. 2. 6 Marketing Orientation and Business Performance Marketing orientation is based upon three measures: Customer orientation, impetigo orientation and the degree of inter-functional coordination.

Businesses with the highest marketing orientation have the highest profitability and those with the lowest marketing orientation have the second highest profitability. Business may achieve some success through a low cost strategy though not the profit levels of high market orientation businesses. In non-commodity businesses, relationship between marketing orientation and business performance is linear, with the business displaying the highest level of marketing orientation achieving the highest levels of reparability and those with the lowest scores on marketing orientation having lowest profitability.

There are four distinct groups of companies with different degrees of customer orientation: In the first group, marketing is a function with the prime responsibility for identifying and meeting customer needs. Marketing is a guiding philosophy for the whole organization. It is not confined to the marketing department nor is it merely a support for sales efforts. In the second group, marketers believe that marketing is about identifying and meeting customer needs but they also live that marketing is restricted to what the marketing department does.