

Structure of flows in a modern exchange economy marketing essay



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Finance, operations, accounting, and other business functions will not really matter if there is not sufficient demand for products and services so the company can make a profit

marketing managers must make major decisions such as what features to design into a new product, what prices to offer customers, where to sell products, and how much to spend on advertising or sales

the companies at greatest risk are those that fail to monitor their customers and competitors and to continuously improve their value offerings

The Scope of Marketing

What is marketing?

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 stake holders

social definition – marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others

managerial definition – the art of selling; the aim of marketing is to make selling superfluous – to know and understand the customer so well that the product or service fits him and sell itself

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

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Exchange and transaction

exchange – the process of obtaining a desired product from someone by offering something in return

five conditions:

at least two parties

each party has something that might be of value to the other party

each party is capable of communication and delivery

each party is free to accept or reject the exchange offer

each party believes it is desirable to deal with the other party

whether exchange takes place depends on whether the two parties can agree on terms that will leave them both better off than before

exchange is a value-creating process because it leaves both parties better off

transaction – a trade of values between two or more parties

a transaction involves several dimensions: at least two things of value, agreed-upon conditions, a time of agreement, and a place of agreement

transfer – A gives X to B but does not receive anything tangible in return

to make successful exchanges, marketers analyze what each party expects from the transaction

What is marketed?

goods – physical goods

services

events – marketers promote time-based events, such as major trade shows, global sporting events like Olympics

experiences – by orchestrating several services and goods, a firm can create, stage, and market experiences, e. g., Walt Disney World's Magic Kingdom represents experiential marketing: customers visit a fairy kingdom, a pirate ship, or a haunted house

persons – celebrity marketing by agent, personal manager, public relations agency

places – cities, states, regions, and whole nations compete actively to attract tourists, factories, company headquarters, and new residents; place marketers include economic development specialists, real estate agents, etc

properties – intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds)

organizations – organizations actively work to build a strong, favorable, and unique image in the minds of their target publics

information – schools and universities, encyclopedias

ideas – basic idea

Who markets?

Marketers and prospects

marketer is someone who seeks a response from another party, called the prospect

marketers are responsible for demand management

eight demand states:

negative demand – consumers dislike the product and may even pay a price to avoid it

nonexistent demand – consumers may be unaware or uninterested in the product

latent demand – consumers may share a strong need that cannot be satisfied by an existing product

declining demand – consumers begin to buy the product less frequently or not at all

irregular demand – consumer purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis

full demand – consumers are adequately buying all products put into the marketplace

overfull demand – more consumers would like to buy the product than can be satisfied

unwholesome demand – consumers may be attracted to products that have undesirable social consequences

in each case, marketers must identify the underlying cause(s) of the demand state and then determine a plan for action to shift the demand to more desired state

Markets

economists describe a market as a collection of buyers and sellers who transact over a particular product or product class

five basic markets and their connecting flows shown in Figure 1. 1

Figure 1. 1 Structure of flows in a modern exchange economy

marketers use the term market to cover various grouping of customers; they view the sellers as constituting the industry and the buyers as constituting the market

they talk about need markets (the diet-seeking market), product markets (the shoe market), demographic markets (the youth market), and geographic markets (the French market)

Figure 1. 2 shows the relationship between the industry and the market

Figure 1. 2 A simple marketing system

Key customer markets

consumer markets – companies selling mass consumer goods and services such as soft drinks; much of a brand's strength depends on developing a superior product and packaging, ensuring its availability, and backing it with engaging communications and reliable service

business markets – business marketers must demonstrate how their products will help business buyers achieve higher revenue or lower costs

global markets – marketers must decide which countries to enter; how to enter each country; how to adapt their product and service features to each country; how to price their products in different countries; how to adapt their communications to fit different cultures

nonprofit and governmental markets – nonprofit organizations have limited purchasing power; and government purchasing calls for bids

Marketplaces, marketspaces, and metamarkets

marketplace is physical, as when you shop in a store

marketspace is digital, as when you shop on the internet

metamarket is to describe a cluster of complementary products and services that are closely related in the minds of consumers but are spread across a diverse set of industries; e. g., automobile metamarket consists of automobile manufacturers, new car and used car dealers, insurance companies, spare parts dealers, etc

Company Orientations toward the marketplace

The production concept

oldest concept in business

it holds that consumers will prefer products that are widely available and inexpensive

managers concentrate on achieving high production efficiency, low costs, and mass distribution

make sense in developing countries such as China

The product concept

holds that consumers will favor those products that offer the most quality, performance, or innovative features

focus on making superior products and improving them over time

The selling concept

holds that consumers and businesses will ordinarily not buy enough of the organization's products

the organization must undertake an aggressive selling and promotion effort

the purpose of marketing is to sell more stuff to more people more often for more money in order to make more profit

to sell what they make rather than make what the market wants – hard selling

common in unsought goods, goods that buyers do not think of buying, such as insurance

The marketing concept

a customer-centered, “sense-and-respond” philosophy

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

total market orientation

reactive market orientation – understanding and meeting customers’ expressed needs

proactive marketing orientation – focus on customers’ latent needs

The holistic marketing concept

concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognizes their breadth and interdependencies

Figure 1.3 Holistic marketing dimensions

Relationship marketing

aim of building mutually satisfying long-term (economic, technical, and social) relationships with key parties – customers, suppliers, distributors, and other marketing partners – in order to earn and retain their business

relationship marketing involves cultivating the right kind of relationships with the right constituent groups

four key constituents for marketing are customers, employees, marketing partners (suppliers, dealers), and members of the financial community (shareholders, analyst)

the ultimate outcome is the building of a unique company asset called marketing network – consists of the company and its supporting stakeholders (customers, employees, suppliers, retailers, university scientists, and others) with whom it has built mutually profitable business relationships

build an effective network of relationships with key stakeholders, and profits will follow

Integrated marketing

marketer's task is to devise marketing activities and assemble fully integrated marketing programs to create, communicate, and deliver value for consumers in terms of marketing mix – four Ps (product, price, place and promotion)

Figure 1. 4 Four P components of marketing mix

Figure 1. 5 shows the company preparing an offering mix of products, services, and prices, and utilizing a communications mix of advertising, sales promotion, events and experiences, public relations, direct marketing, and personal selling to reach the trade channels and the target customers

Figure 1. 5 Marketing-mix strategy

the four Ps represent the sellers' view of marketing tools available for influencing buyers

from a buyer's point of view, each marketing tool is designed to deliver a customer benefit – four Cs

Four Ps Four Cs

Product Customer solution

Price Customer cost

Place Convenience

Promotion Communication

winning companies will be those that can meet customer needs economically and conveniently and with effective communication

two key themes of integrated marketing: (1) many different marketing activities are employed to communicate and deliver value and (2) all marketing activities are coordinated to maximize their joint effects

Internal marketing

ensuring that everyone in organization embraces appropriate marketing principles

internal marketing is the task of hiring, training, and motivating able employees who want to serve customers well

at one level, the various marketing functions – sales force, advertising, customer, product management, marketing research – must work together and be coordinated from the customer's point of view

at another level, marketing must be embraced by the other departments; they must also “ think customer”

Social responsibility marketing

incorporates social responsibility marketing and understanding broader concerns and the ethical, environmental, legal, and social context of marketing activities and programs

also requires that marketers carefully consider the role they are playing and could play in terms of social welfare

societal marketing concept holds that the organization's task is to determining the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being

the societal marketing concept calls upon marketers to build social and ethical considerations into their marketing practices; they must balance and juggle the often conflicting criteria of company profits, consumer want satisfaction, and public interest

Table 1. 2 Corporate social initiatives

cause-related marketing – activity by which a company with an image, product, or service to market builds a relationship or partnership with a “cause”, or a number of “cause”, for mutual benefit

companies see cause-related marketing as an opportunity to enhance their corporate reputation, raise brand awareness, increase customer loyalty, build sales, and increase press coverage

they believe that customers will increasingly look for signs of good corporate citizenship that go beyond supplying rational and emotional benefits

Fundamental Marketing Concepts and Tasks**Core concepts**

Needs, wants and demands

needs are the basic human requirements, such as foods

these needs become wants when they are directed to specific objects that might satisfy the need, e. g., an American needs food but want a hamburger

demands are wants for specific products backed by an ability to pay

companies must measure not only how many people want their product but also how many would actually be willing and able to buy it

marketers do not create needs: needs preexist marketers; marketers influence wants

marketers might promote the idea that a Mercedes would satisfy a person's need for social status; but they do not create the need for social status

five types of needs:

stated needs – the customer wants an inexpensive car

real needs – the customer wants a car whose operating cost is low

unstated needs – the customer expects good service from the dealer

delight needs – the customer would like the dealer to include an onboard navigation system

secret needs – the customer wants to be seen by friends as a savvy consumer

simply giving customers what they want isn't enough any more – to gain an edge companies must help customers learn what they want

Target market, positioning, and segmentation

marketers start by dividing up the market into segments

they identify and profile distinct groups of buyers who might prefer or require varying product and services mixes by examining demographic, psychographic, and behavioral differences among buyers

the marketers then decide which segments present the greatest opportunity – target markets

for each chosen target market, the firm develops a market offering; the offering is positioned in the minds of the target buyers as delivering some central benefit(s)

Offerings and brands

companies address needs by putting forth a value proposition, a set of benefits they offer to customer to satisfy their needs

the intangible value proposition is made physical by an offering, which can be a combination of products, services, information, and experiences

a brand is an offering from a known source

a brand name such as McDonald's carries many associations in the minds of people: hamburgers, fun, children, fast food, convenience, and golden arches; these associations make up the brand image

all companies strive to build brand strength – a strong, favorable, and unique brand image

Value and satisfaction

the offering will be successful if it delivers value and satisfaction to the target buyer; the buyer chooses between different offerings on the basis of which is perceived to deliver the most value

value reflects the perceived tangible and intangible benefits and costs to customers

value can be seen as a combination of quality, service, and price, called the “customer value triad”

value increases with quality and service and decreases with price

marketing can be seen as the identification, creation, communication, delivery, and monitoring of customer value

satisfaction reflects a person’s comparative judgments resulting from a product’s perceived performance in relation to his expectations

performance < expectations, dissatisfied

performance = expectations, satisfied

performance > expectations, highly satisfied

Marketing channels

communication channels deliver and receive messages from target buyers, and include newspaper, radio, TV, e-mail, toll-free numbers, etc

marketer uses distribution channels (wholesalers, retailers, agents, etc) to display, sell, or deliver the physical product to the buyer or user

the marketer also uses service channels (warehouses, transportation companies, banks, etc) to carry out transactions with potential buyers

Supply chain

describes a longer channel stretching from raw materials to components to final products that are carried to final buyers

Competition

includes all the actual and potential rival offerings and substitutes that a buyer might consider

Market environment

the marketing environment consists of the task and broad environment

task environment – immediate actors involved in producing, distributing, and promoting the offering; the main actors are the company, suppliers, distributors, dealers, and the target customers

broad environment – demographic environment, economic environment, physical environment, technological environment, political-legal environment, and social-cultural environment; these contain forces that can have a major impact on the actors in the task environment

Marketing planning

consists of analyzing marketing opportunities; selecting target markets; designing marketing strategies; developing marketing programs; and managing the marketing effort

Figure 1. 6 presents a grand summary of marketing process and the forces shaping the company's marketing strategy

Figure 1. 6 Factors influencing company marketing strategy

Marketing management tasks

marketing management has to come up with a convincing marketing plan, sell corporate management on the plan, and then implement and control it

Developing marketing strategies and plans

identify potential long-run opportunities given market experience and core competencies (chapter 2)

must develop concrete marketing plans that specify the marketing strategy and tactics going forward

Capturing marketing insights

monitor and analyze both microenvironment (suppliers, customers, and competitors) and macroenvironment (demographic, economic, social-cultural forces etc) (chapter 3)

to transform marketing strategy into marketing programs, marketing managers must make basic decisions on marketing expenditures, marketing activities, and marketing allocation (chapter 4)

Connecting with customers

consider how to best create value for its chosen target markets and develop strong, profitable, long-term relationships with customers (chapter 5)

needs to understand consumer markets (chapter 6)

also consider the business markets (chapter 7)

modern marketing practice calls for dividing the market into major market segments, evaluating each segment, and targeting those market segments that the company can best serve (chapter 8)

Building strong brands

understand the strengths and weaknesses of the brand with customers (chapter 9)

develop positioning strategy (chapter 10)

pay attention to competitors (chapter 11)

Shaping market offering

at the heart of marketing program is the product – the firm's tangible offering to the market, which includes the product quality, design, features, and packaging (chapter 12)

providing various services, such as leasing, delivery, repair, and training (chapter 13)

a critical marketing decision relates to price, including, retail prices, discounts, allowances, and credit terms (chapter 14)

Delivering value

choosing the appropriate distribution channels to the target market (chapter 15)

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identify, recruit, and link various marketing facilitators (retailers, wholesalers) to supply products efficiently to the target market (chapter 16)

Communicating value

marketing communications activities are the means by which firms attempt to inform, persuade, and remind consumers about the brands they sell

companies has to develop an integrated marketing communication program that maximizes the individual and collective contribution of all communication activities (chapter 17)

marketers has to set up mass communication programs consisting of advertising, sales promotion, events, and public relations (chapter 18)

it also has to set up more personal communications in the form of direct and interactive marketing and must also hire, train, and motivate salespeople (chapter 19)