

The basic marketing concept



The report also hopes to target specific business functions and show ways of using the marketing concept to improve them. It will also identify ways in which marketing can help achieve various goals within the organisation.

The Marketing Concept (alternatively known as a 'business philosophy' or 'a way of doing business') has become an effective way of improving the overall performance of many businesses in recent years. Companies have realised that in order to make profits and sustain them, they must consider the needs and wants of their customers. They must then compare these needs and wants to the product or service that they currently offer.

The concept of marketing is based upon the idea that if the customer has a need and is satisfied with the product, then ultimately sales will be good - hence profit will be good. It goes without saying that every company's aim is to maximise their profit margin, but in order to do this, some tend to focus too much on the selling aspect and not enough on the actual customer.

A Company can be orientated in different ways:

A sales orientated company will focus purely on the amount that they sell, working on the assumption that sales and sales only can make money.

Companies adopting this attitude have come under scrutiny, due to the actions of over-zealous salesmen who will stop at nothing to get a sale - you are probably familiar with the phrase "never trust a salesman". This way of doing business is no longer acceptable as it has become apparent that in order to sell something, someone must want to buy it. The old style of "conning" the customer into buying goods whether they need them or not, purely to ensure a sale, is now shunned by most industries.

A marketing orientated company is a customer orientated company. They take into account customer requirements and focus on them.

Communication between a company and their customers is essential to ensure the success of any marketing method. Market research is used to identify specific requirements of both existing and potential customers. Satisfied customers are loyal customers who will inevitably create repeat business as well as providing free word-of-mouth advertising. This would undoubtedly result in increased profits.

A production orientated company will focus purely on the production of their product. A company who cares enough about their ability to produce goods of only the highest quality possible must be admired for their dedication. However, dedication does not necessarily guarantee profit, and without profit, a company could easily fold.

Although a similar concept to the one of the production orientated company (above), the product orientated company focuses on the product itself. The aim is to make the best product possible. Research and development is usually involved in the process, ensuring that there is a substantial demand for the product. It is hoped that a company will end up with a high quality product that will sell.

The marketing mix consists of various factors that a company can mix to determine if there is a match between the needs of the customer and what the company currently offers them.

There are four main elements of the marketing mix -

Defining the characteristics of the product to meet customer requirements e. g. introducing optional features with a product that are not standard or providing an additional warranty that may not be deemed necessary in law, i. e. providing more than legally necessary with regard to the product.

An important element of the marketing mix, the price places a value on the product. It is possible for the buyer and the seller to compare this price to that of competing products. It is then possible to alter the customer's perception of the value by offering additional elements such as cash trade discounts, credit facilities and easy payment terms. From the marketing point of view, the price is the ultimate way of calculating profit.

Another word for distribution of the product. The product must be easily available to the customer in order for it to sell well. There are various channels in which a product can be distributed. For example, TJ600 would probably choose to distribute their goods by way of a supplier, but they could also introduce a direct mail order service to increase sales.

In deciding which methods to use, you must first consider who your potential customers are and where they are likely to shop for these products.

Although part of the marketing mix, promotion consists of four elements of its own called the "Promotion Mix". These are -

Advertising - paid presentations such as television advertising, newspapers and posters fliers etc

Public Relations - the launch of a new product and the ways it can be promoted to the trade and consumer press

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Personal Selling - a method of promoting sales by means of oral communication. This can be either face to face or over the telephone.

Sales Promotion - a way of enhancing consumer purchasing. This usually consists of displays, shows and exhibitions.

Market Research is used to identify not only customer requirements but to identify any marketing problems that the company may be experiencing.

Planning is extremely important when compiling the data to be used in the market research. In order for the results to be accurate, the questions asked must be relevant. This will involve discussions with marketing management and on occasion, outside consultants. Research can be used to improve any element of the product (detailed in the marketing mix).

When considering any form of market research, it is important that any external factors affecting the results are considered. These are commonly known as PEST:

Political - any new legislation that may affect the product

Economic - unemployment rates, spending power of the consumer

Social - environmental issues that may affect the product

Technological - introduction of new technology that may affect the company

Once a decision has been reached regarding the purpose and content of the research, it is necessary to determine the best way of getting a response.

There are numerous ways of conducting market research, including postal surveys, telephone surveys and face to face interviews. The best response

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rate, however, tends to be with face to face interviews (usually questionnaires), due to the fact that an immediate response is given by the interviewee.

It is vital that once data has been collected that it is carefully reviewed, in order to interpret the information given as a result of the research.

Additional research may be carried out if the data shows that there is another area that can be improved upon.

In order for a company to go forward in business, they must set objectives goals. These usually form questions relating to the business, such as:

For example, the organisational goals of TJ600 may be to:

Expand product range & distribution

These objectives are usually made at a strategic level - in this case the managing director would be responsible for setting the objectives.

It is reasonable to assume that TJ600 are aware of their position in the manufacturing business, due to the fact that they have been successful for 20 years. The goals detailed above give an idea of where the company would like to be in the future. All that is left is to figure out how to get there and it is at this point that marketing plays its role.

Outlined below are ways that marketing could help achieve the aforementioned goals:

In order to retain customer loyalty, it is important that the customer is satisfied with the product they currently buy. Market research is extremely

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useful in identifying customer needs and to establish whether or not they are completely satisfied with the product. It is at this point that elements of the marketing mix can be used to alter certain characteristics of an existing product e. g. if market research was to show that existing customers were basically satisfied with a product supplied by TJ600, but would welcome more after sales service, then management would want to look at the product element of the marketing mix. It is possible from there to ascertain whether extended warranties etc would be viable to the business with regards to cost effectiveness i. e. would additional staff be required?

Again, market research is useful to determine whether there is a market for expansion of a certain product or expansion of an existing product to another country.

Past and present success of a company cannot be taken as a guarantee for the future. Many large companies invest in regular market research to ensure that they stay one step ahead of their competitors. Although TJ600 has had continuing success in the past, it would be rather arrogant to expect the same success in the future.

Expansion is a good way of improving on something that is already popular and offering the customer more choice at the same time. In today's business world, it is inevitable that at one point someone will offer customers an improvement on their current product. Investing in market research will help to ensure that, if a product would benefit from expansion, then you will be first to do it.

Once a company has established their organisational goals and the marketing methods that they are going to use to achieve them, they must ensure that they have the co-operation of every department. Communication plays a vital part in marketing to ensure that the changes are implemented with maximum effect.

For example, using the organisational goals detailed previously for TJ600, it would not be possible to make changes to the product range by consulting only the production department. Outlined below are the roles that other business functions would play in marketing:

The finance department is usually responsible for setting annual budgets for the whole of the company and expects other departments to adhere to them. They are also responsible for setting time limits on credit facilities and these sometimes tend to be shorter than the customer would like.

Communication between the finance department and marketing could look to improve credit terms if required and may allow room for compromise if a certain department required more money. It is the responsibility of the finance department to ensure that the company makes a profit and they may not be keen to spend more money or wait longer for customers to pay. This is where communication plays an important role; if it is explained from a marketing point of view that these additional costs would result in a higher market share or increased sales, then the finance department would realise that this would lead to increased profits.

The production department is unlikely to welcome the idea of modifications or improvements to the product. They tend to work in long production runs

and like to keep things as standard as possible. Communication between marketing and the production department may help them understand the need for improvements to a certain product - it may be that improvements are necessary in order for them to stay ahead of competitors in the same market.

It is vital to the smooth running of any organisation that the right people are employed for the right jobs e. g. marketing may have highlighted the need for customised orders to be introduced, which in turn would mean that staff are required to work more flexible hours. It is the responsibility of the personnel department to ensure that the company has adequate staff to meet these requirements.