

A86012 Management and Principles of Accounting (2019/2020)

Session 5
Marketing

Paul G. Smith B.A., F.C.A

SESSION OBJECTIVES & OVERVIEW

Course Overview

| | |
|--------------------------|---|
| 1. What is business | 15. Accounting: glossary, vocabulary, terms |
| 2. Types of business | 16. Introduction to financial accounting |
| 3. Management | 17. Accounting for business transactions |
| 4. Review session 1 | 18. Recording transactions, journal and ledger |
| 5. Marketing | 19. Recording owner's contributions & financing |
| 6. Marketing strategy | 20. Review session 1 |
| 7. Review session 2 | 21. Recording long-lived assets and investments |
| 8. Operations | 22. Recording purchases |
| 9. Finance | 23. Recording sales and employee compensation |
| 10. Financial management | 24. Review session 2 |
| 11. Review session 3 | 25. Adjusting and closing entries |
| 12. Human resources | 26. Adjusting and closing entries ...continued |
| 13. Review session 4 | 27. Cases and exercises |
| 14. Exam | 28. Exam |

PGS

SG

PT

Session Objectives

*At the end of this session students will be able to define **marketing**, articulate the **functions of marketing** and explain the **marketing concept**. Students will understand how to develop a **marketing strategy** and the concepts of **segmentation and positioning**. They will also be able to describe the **marketing mix** and appreciate the need for and importance of **market research** and understand **buying behaviours**.*

Overview Session 5 - Marketing

- The nature of marketing – the functions of marketing, creating value, the marketing concept
- Developing a marketing strategy – target market, marketing mix
- Marketing research and information systems
- Buying behaviour - Psychological variables, social variables
- The marketing environment
- The marketing plan

Session 5 Overview

| | Mins |
|---|------|
| Session objectives and outline | 5 |
| Recap of key points from session 4 – Review session – Business, Organizational Options, Management and Governance | 15 |
| Marketing: The nature of marketing, the exchange process, functions of marketing, the marketing concept | 20 |
| Marketing strategy: Developing a marketing strategy, Target markets, segmentation and positioning | 35 |
| The marketing mix: Product, price, distribution and promotion | 30 |
| Market research and buying behaviours. Market research, information systems, buying behaviours, the marketing environment, marketing plan | 15 |
| Required reading and research – Session 5 | 5 |
| <ul style="list-style-type: none"> • Reading Business Chapter 11 • Research assignment 4: Europe’s top companies – target markets • Research Assignment 5: Marketing Plan Outline for you chosen start-up business | |
| Overview of session 6 – Marketing strategy, the marketing mix, digital marketing and social media, customer satisfaction, the power of brands. | 5 |
| Summary and validation | 5 |

RECAP OF SESSION 4 – REVIEW SESSION

Recap Session 4

- Business and Business Models
- Sustainability and Corporate Social Responsibility
- Business Plan Outline
- Organization, Management & Governance
- Purpose, Vision, Values, Mission and Strategy
- Active Review Cards Chapters 1 -7

THE NATURE OF MARKETING

Marketing Myopia

*A short-sighted and inward looking approach to marketing that **focuses on the needs of the company** instead of defining the company and its products in terms of the **customers' needs and wants**. It results in the failure to see and adjust to the rapid changes in their markets.*

*The concept of marketing myopia was discussed in an article (titled "Marketing Myopia," in July-August 1960 issue of the Harvard Business Review) by Harvard Business School emeritus professor of marketing, Theodore C. Levitt (1925-2006), who suggests that companies get trapped in this situation because they omit to ask the vital question, **"What business are we in?"***

Read more: <http://www.businessdictionary.com/definition/marketing-myopia.html>

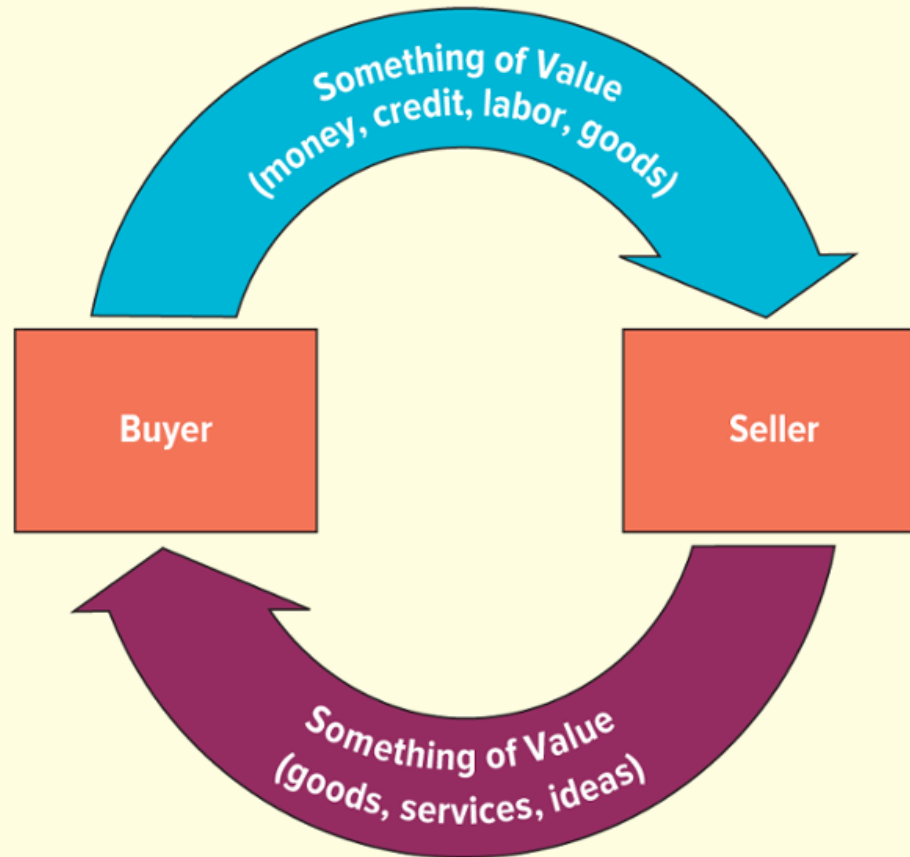
Marketing

- Creates value by allowing individuals and organizations to obtain what they need and want
- Other functional areas (operations, finance, and management) must be coordinated with marketing decisions
- Marketing is not . . .
 - Manipulating consumers to get them to buy products they do not want
 - Just selling and advertising

The Exchange Relationship

- **Exchange** is giving up one thing in return for something else
- Each participant must be willing to give up “something of value” to receive the “something” held by the other
- Tangible product may not be as important as image or benefits associated with product
 - Capability gained from use
 - Image evoked
 - Brand name

Figure 11-1 The Exchange Process: Giving Up One Thing in Return for Another



Functions of Marketing

- Buying
- Selling
- Transporting
- Storing
- Grading
- Financing
- Marketing research
- Risk taking

Creating Value with Marketing

- **Value** is subjective
- Customer Value = Customer Benefits – Customer Costs
 - Benefits: anything buyer receives in exchange
 - Costs: anything buyer gives up to obtain product's benefits
 - Monetary costs
 - Time and effort expended to procure product

Digital Communication with Customers

Companies find that communicating with customers through digital media sites can enhance customer relationships and create value for their brands.



The Marketing Concept

- Business must find out what consumers desire, develop good, service, or idea, and then get product to customer
- Business must continually alter, adapt, and develop products to keep pace with changing consumer needs and wants

The Marketing Concept continued

- Determining customer need is difficult because no one fully understands what motivates people to buy things
- Although customer satisfaction is goal, business must also achieve own objectives
- To implement, need good information about what consumers want, adopt consumer orientation, and coordinate efforts throughout organization
 - Avoids products customers do not want or need
- All customer-contact employees sell ideas, benefits, philosophies, and experiences—not just goods and services

Meeting Consumer Wants

Mattel has begun to release Barbie dolls that come in different sizes. This comes after years of criticism that Barbie's figure was unrealistic and could be damaging to young girls who want to emulate the dolls. Mattel is embracing the marketing concept by providing features that consumers want into their products.



Evolution of the Marketing Concept

- Marketing has become more important as markets have become more competitive
- Production orientation
 - Nineteenth century
 - Manufacturing efficiency
- Sales orientation
 - Early twentieth century
 - Supply exceeds demand
 - Need to “sell” products grew

Evolution of the Marketing Concept continued

- **Market orientation**

- Gather information about customer needs and build long-term relationships with customers
- Today some people still inaccurately equate marketing with sales orientation
- Began in 1950s and continues today
- New technologies helping firms improve communication and learn what customers want

Evolution of the Marketing Concept continued

- **Market orientation** continued
 - Trying to assess what customers want is further complicated by rate at which trends, fashions, and tastes change
 - More efficient and less expensive to retain existing customers

DEVELOPING A MARKETING STRATEGY

Marketing Strategy

- Has two major components:
 - Selecting target market
 - Developing appropriate marketing mix

Selecting a Target Market

- **Market**
 - Have a need, purchasing power, and desire and authority to spend money
- **Target market**
 - Company focuses marketing efforts

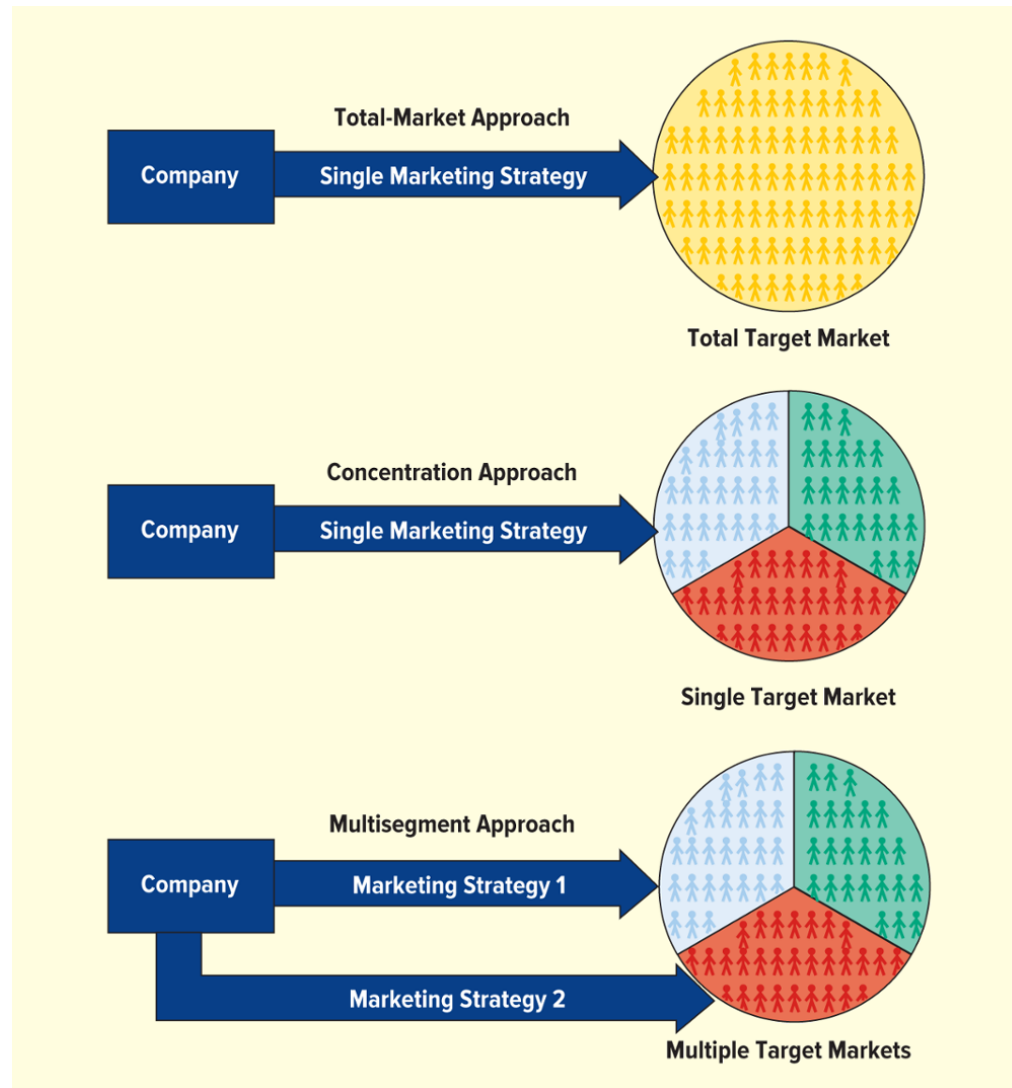
Selecting a Target Market continued

- Business-to-business (B2B) markets
 - Businesses buy products to resell, use in operations, or use in making other products
- Business-to-consumer (B2C) markets
 - End consumer

Selecting a Target Market continued

- **Total-market approach**
 - Firm tries to appeal to everyone
- **Market segmentation**
 - Firm divides total market into groups
- **Market segment**
 - Share one or more characteristics and thus have relatively similar needs and desires
 - Women are largest market segment with 51 percent of U.S. population
 - Marketers focusing on the growing Hispanic population

Figure 11-2 Target Market Strategies



Selecting a Target Market continued

- Market segmentation approaches
 - **Concentration approach**
 - Allows firm to specialize
 - Porsche directs all marketing efforts toward high-income individuals who want to own high-performance vehicles
 - **Multisegment approach**
 - Includes different advertising messages for different segments
 - Raleigh bicycles has designed separate marketing strategies for racers, tourers, commuters, and children

Selecting a Target Market continued

- Market segmentation approaches continued
 - Niche marketing
 - Narrow market segment focus when efforts are on one small, well-defined group that has unique, specific set of needs
 - Usually very small compared to total market

Selecting a Target Market continued

- Market segmentation approaches continued
 - Successful approach to market segmentation:
 1. Consumers' needs for product must be heterogeneous
 2. Segments must be identifiable and divisible
 3. Total market must be divided to allow comparison of estimated sales potential, cost, and profits of segments
 4. At least one segment must have enough profit potential to justify developing and maintaining special marketing strategy
 5. Firm must be able to reach chosen market segment

Selecting a Target Market continued

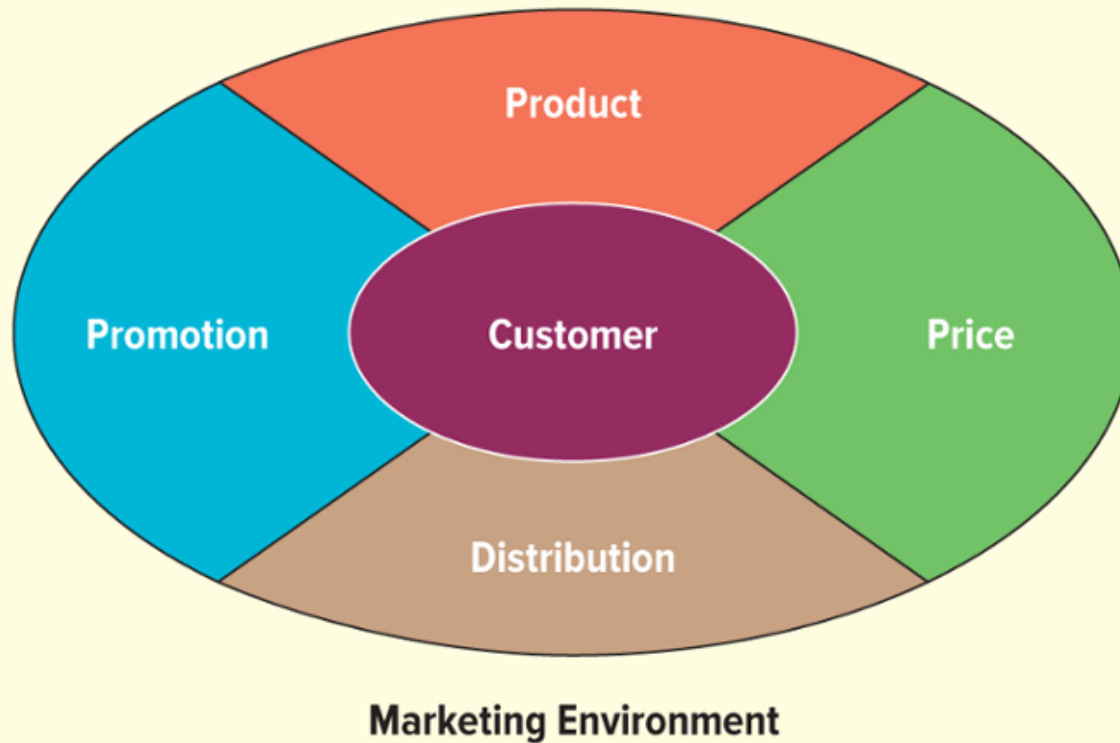
- Bases for segmenting markets
 - Demographic
 - Geographic
 - Psychographic
 - Behavioristic

THE MARKETING MIX

Developing a Marketing Mix

- **Marketing mix**
 - Product, price, promotion, and distribution
 - Buyer or target market is central focus of all marketing activities

Figure 11-3 The Marketing Mix: Product, Price, Promotion, and Distribution

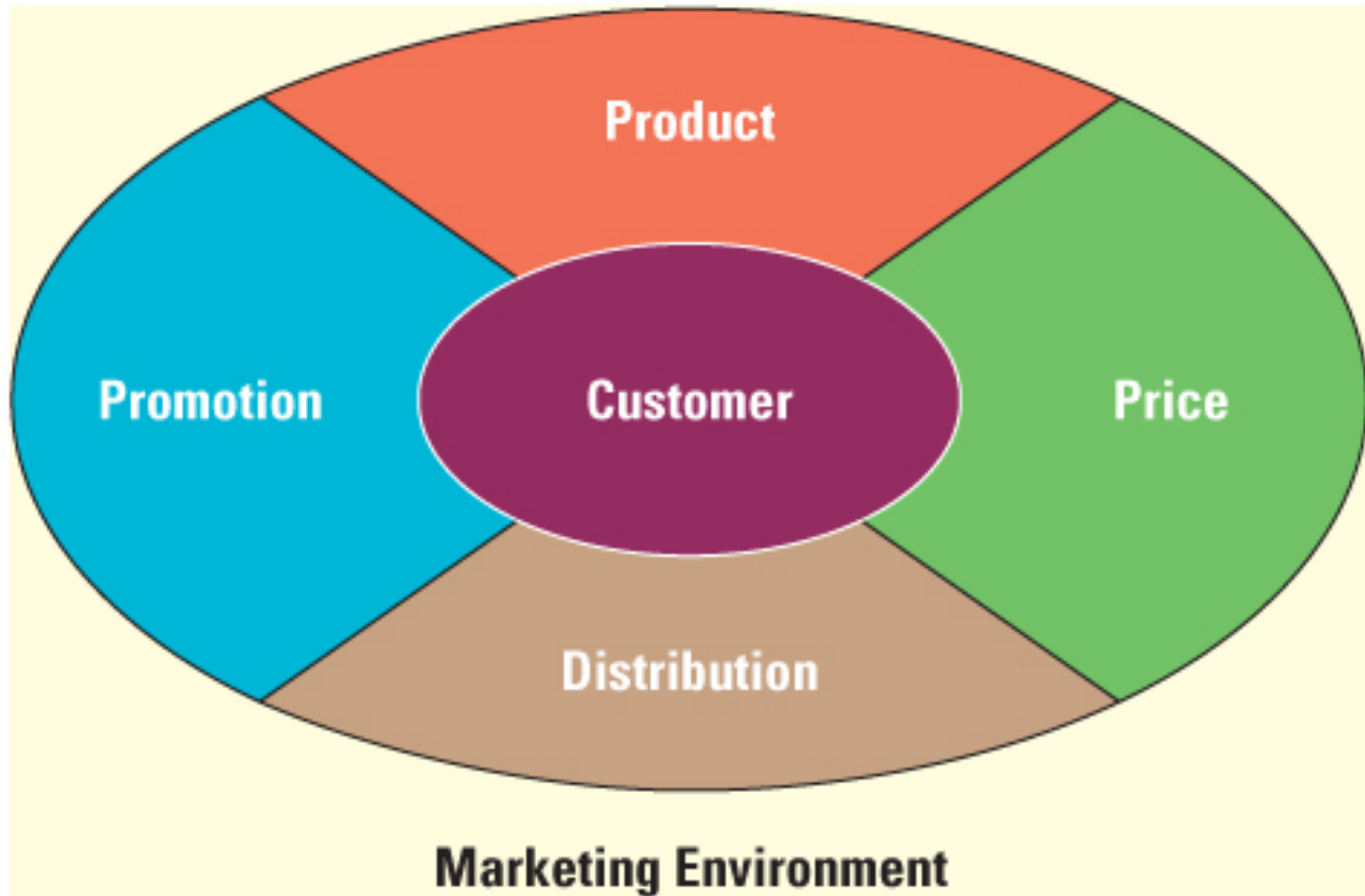


Developing a Marketing Mix

Marketing Mix

- The four marketing activities—product, price, promotion, and distribution—that the firm can control to achieve specific goals within a dynamic marketing environment
- The buyer or the target market is the central focus of all marketing activities

The Marketing Mix: Product, Price, Distribution, and Promotion



Developing a Marketing Mix continued

- Product
 - Good—physical entity you can touch (car, computer, or kitten)
 - Service—application of human and mechanical efforts to provide intangible benefits (air travel, dry cleaning, or haircuts)
 - Idea—concept, philosophy, image, or issue (attorney advice or political parties)
 - Includes emotional, psychological, and physical characteristics

Developing a Marketing Mix continued

- **Price**

- Buyer usually exchanges purchasing power—income, credit, wealth—for satisfaction of utility
- Key because relates directly to generation of revenue and profits
- Can be changed quickly to stimulate demand or respond to competitors' actions

Developing a Marketing Mix continued

- **Distribution**

- Sometimes referred to as “place” because it helps to remember marketing mix as “4 Ps”
 - Product, price, place, and promotion
- Intermediaries—usually wholesalers and retailers—perform many activities required to move products efficiently
 - Transporting, warehousing, materials handling, inventory control, packaging, and communication

Developing a Marketing Mix continued

- **Promotion**

- Includes advertising, personal selling, publicity, and sales promotion
- Digital advertising on websites and social media sites are growing

MARKETING RESEARCH AND INFORMATION SYSTEMS

Marketing Research

- Systematic and objective
- May include data on age, income, ethnicity, and educational level of target market and how frequently they purchase the product
- Vital because marketing concept cannot be implemented without information about customers

Boom or Bust: Don't Overlook This Generation

Baby Boomers

- Born between 1946 and 1964
- Represent half of consumer spending
- Only 10 percent of marketing dollars targeted to them
- Tend to be influenced by websites, ads, and salespeople

Retailers Targeting Baby Boomers

- CVS lowered shelves and used softer lighting
- Diamond Foods made snack nuts easier to open

Marketing Information Systems

- Framework for accessing information about customers from sources both inside and outside organization
 - Inside organization: information on prices, sales, and expenses
 - Outside organization: public and private reports, census statistics, digital media sources, etc.

Primary Data

- Observed, recorded, or collected directly
- Mystery shoppers, surveys, and focus groups
- Passive observation of consumer behavior and open-ended questions techniques

Secondary Data

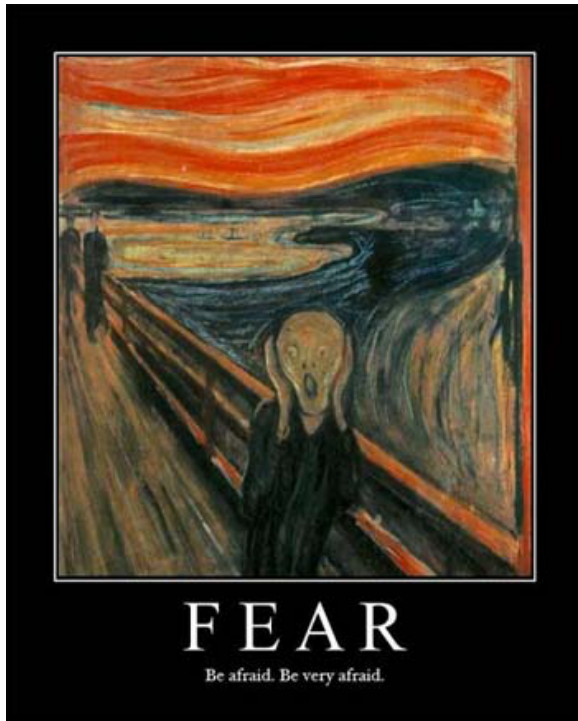
- Compiled inside or outside organization
- Data from U.S. Census Bureau and other government agencies, databases created by marketing research firms, and internal reports

Online Marketing Research

- New information technologies are changing how businesses learn about consumers and market products
 - Digital media and social networking sites
 - Online surveys
 - Marketing analytics
- Virtual testing combines sight, sound, and animation to improve testing of products and their features

BUYING BEHAVIOUR

Why do people buy



dayala0045c fotosearch.com ©

Buying Behavior

- Analyzed because firm's marketing strategy should be guided by understanding of buyers
- Both psychological and social variables are important

Psychological Variables of Buying Behavior

- **Perception**
 - Select, organize, and interpret
- **Motivation**
 - Inner drive
- **Learning**
 - Changes in behavior
- **Attitude**
 - Knowledge and positive or negative feelings
- **Personality**
 - Organization of traits, attitudes, or habits

Social Variables of Buying Behavior

- **Social roles**
 - Set of expectations for individuals
- **Reference groups**
 - Groups with whom buyers identify
- **Social classes**
 - Ranking into higher or lower positions
- **Culture**
 - Integrated, accepted pattern of behavior

Whey Better Than Other Bars: The Protein Bar

Protein Bar

- Chicago-based casual dining restaurant
- Healthy foods high in protein
 - Burritos, salads, breakfast items, raw juices, side dishes
- Has grown to 18 locations
- Customers seem to be highly loyal
- Plans to introduce Thrive360 Eatery, with foods that are more culinary-driven and a wider menu selection

Understanding Buying Behavior

- Tools and techniques for analyzing consumers are not exact
- Trying to understand consumers is the best way to satisfy them
- For example, Marriott International's Innovation Lab tests new hotel designs
 - Wi-Fi, lighting, and soundproofing desirable
 - Less unpacking of suitcases means smaller closets

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SELLING VS BUYING

4 Theories of Selling

Seller oriented

- 1. AIDAS theory of personal selling
- 2. “Right set of circumstances” theory of selling

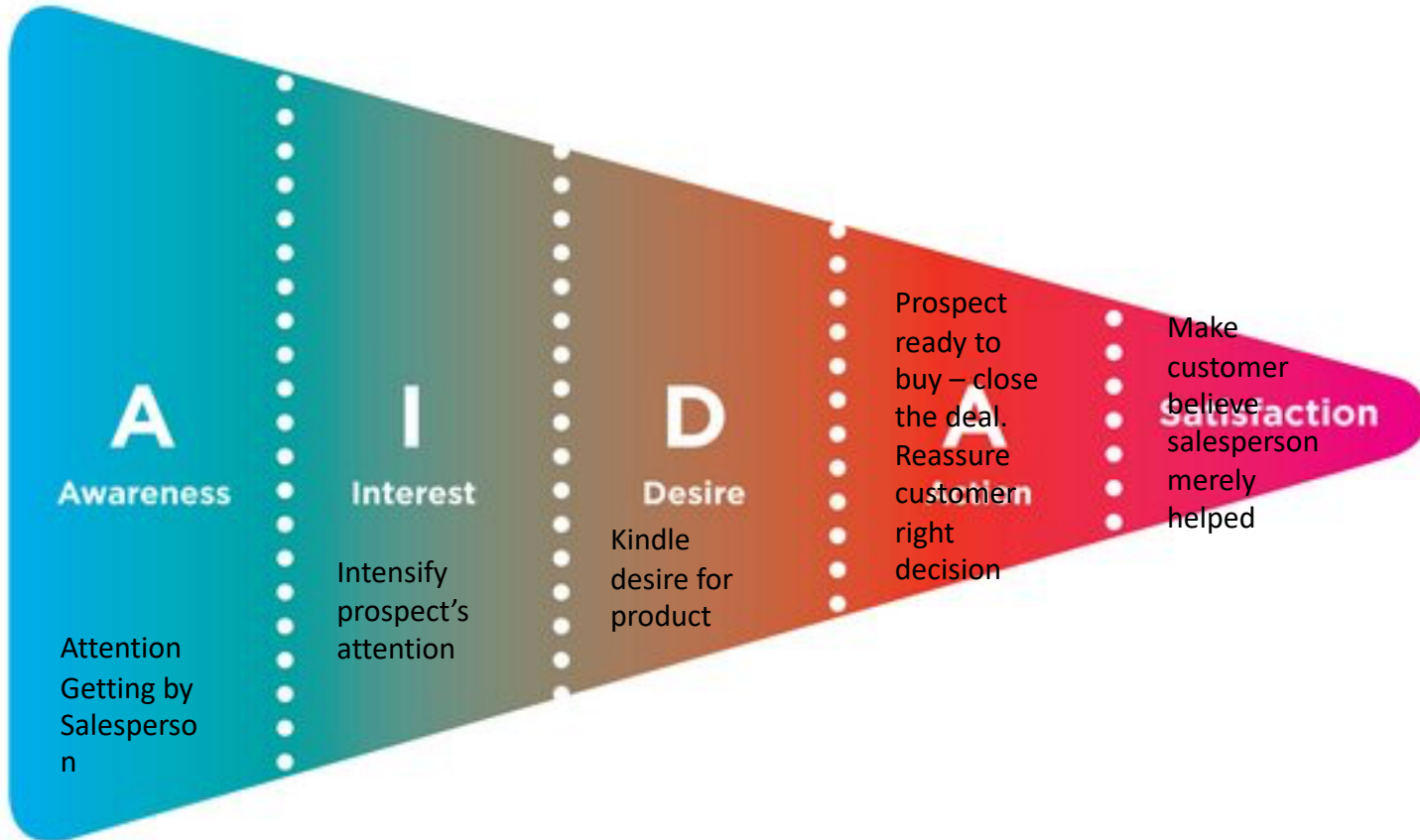
Buyer oriented

- 3. “Buying Formula” theory of selling

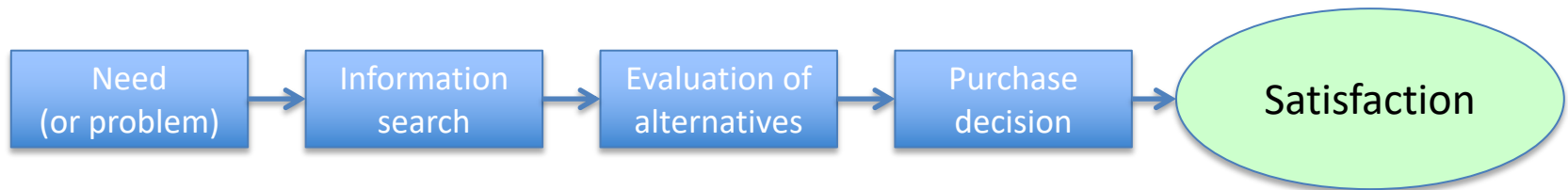
Emphasizes the buyer’s decision process but recognizes sales person’s influence

- 4. “Behavioural Equation” Theory

AIDAS theory of selling



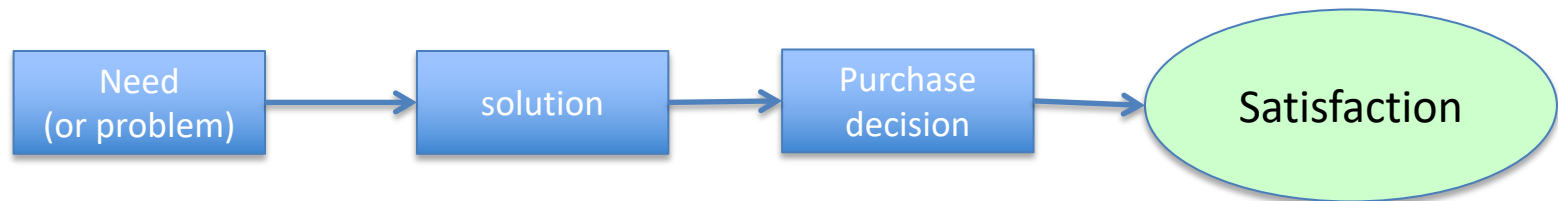
Buying Formula



1. Why should I buy? (need)
2. What should I buy? (product or service)
3. Where should I buy ?(source/alternatives)
4. What is a fair price? (value to me)
5. When should I buy? (time)

Buying Formula

Theory based on the fact that there is a need or a problem for which a solution must be found which would lead to a purchase decision as shown.

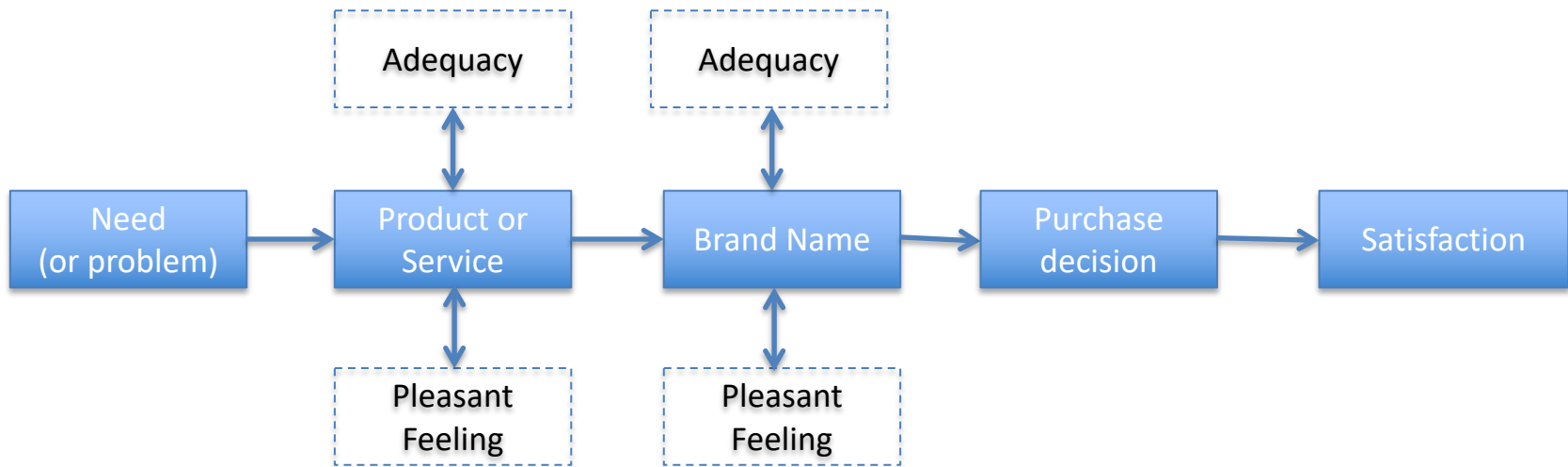


In buying, “the solution” involves two parts.....

Buying Formula

In buying, “the solution” involves two parts:

- 1. Product or service or both*
- 2. The Brandname, manufacturer or the salesperson of the particular brand name*



The product or service (Brand name) must be considered adequate to satisfy the need and the buyer must experience a pleasant feeling or anticipated satisfaction. This ensures the purchase.

THE MARKETING ENVIRONMENT

External Forces

- Directly or indirectly influence the development of marketing strategies
- Includes:
 - Political, legal, and regulatory forces
 - Social forces
 - Competitive and economic forces
 - Technological forces
- Marketing requires creativity and consumer focus because environmental forces can change quickly and dramatically

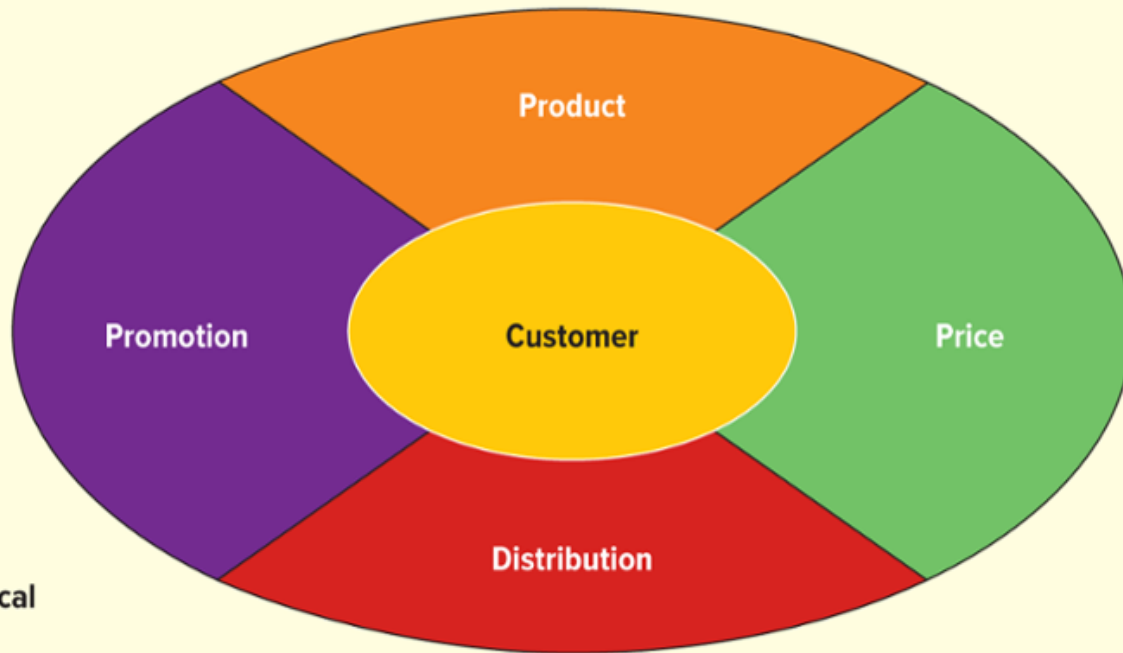
Environmental Concerns

- Climate change, global warming, and impact of carbon emissions are causing businesses to rethink marketing strategies
- Governments have stricter laws on greenhouse gas emissions
 - By 2025 vehicles must be able to reach 54.5 miles per gallon
 - General Motors and others are investigating ways to make cars more fuel-efficient without significantly raising price

Figure 11-4 The Marketing Mix and the Marketing Environment

**Political,
Legal, and
Regulatory
Forces**

**Social
Forces**



Marketing Environment

**Competitive
and Economic
Forces**

**Technological
Forces**

[Jump to long description in appendix](#)

Importance of Marketing to Business and Society

Marketing is necessary to reaching consumers, establishing relationships, and creating revenue

Marketing is essential in communicating value of products and services

Nonprofits, government institutions, and even people must market themselves to spread awareness and achieve desired outcomes

All organizations must reach target markets, communicate offerings, and establish high-quality services

THE MARKETING PLAN

The Marketing Plan

1. Executive summary
2. Target customers
3. Unique selling proposition (USP)
4. Pricing & Positioning strategy
5. Distribution plan
6. Your offers
7. Marketing materials
8. Promotions strategy
9. On-line marketing strategy
10. Conversion strategy
11. Joint ventures and partnerships
12. Referral strategy
13. Strategy for increasing transaction prices
14. Retention strategy
15. Financial projections

REQUIRED READING AND RESEARCH ASSIGNMENT

Required Reading and research assignments

- Reading
 - M Business
 - Chapter 11 Customer-Driven Marketing
- Exercises
 - M Business
 - Test Bank Questions Chapter 11
- Research Assignments
 - Research assignment 4
 - Marketing focus in Europe's Top companies – Target markets
 - Research assignment 5
 - Marketing Plan outline for your chosen start-up business

Research Assignment

- Research assignment 4
 - For your chosen company identify what its target markets are.
- Research assignment 5
 - Prepare an outline marketing plan for your chosen start-up business

SESSION SUMMARY AND VALIDATION, OVERVIEW SESSION 5

Session Summary

- The nature of marketing – the functions of marketing, creating value, the marketing concept
- Developing a marketing strategy – target market, marketing mix
- Marketing research and information systems
- Buying behaviour - Psychological variables, social variables
- The marketing environment
- The marketing plan

Overview of Session 6

- Marketing Strategy
 - The marketing mix
 - Product strategy
 - Pricing strategy
 - Distribution strategy
 - Promotion strategy
 - Digital marketing and social media

Session Validation

- What is marketing? What is it not?
- What are the functions of marketing?
- What is the marketing concept?
- What are the elements of a marketing strategy?
- What are the 4 elements of the marketing mix?
- Describe the two types of market research
- Why do people buy and what is their buying process?
- What impact does the environment have on marketing?