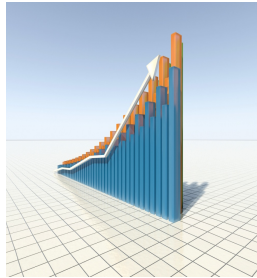




## Marketing Management

- 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.



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## Peter Drucker's view of Marketing

The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself.

- Peter Drucker



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## Seatwork

1. Pairing
2. Comment on AirAsia's "maverick" approach to marketing
3. Discuss your views on how the company communicates with consumers—visually through its website, social media, print ads, sponsorship, events etc.; by sound, or via verbal communication?

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## Designing the "right" product as a result of careful marketing



The Wii beat its competition because it satisfied customers' hearts with its realistic hands-on game playing. This spurred Xbox and PlayStation to be innovative to meet customers' higher expectations.

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## What is Marketed?



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### 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.

1. Goods—Physical goods constitute the bulk of production and marketing efforts
2. 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.
3. Events—Marketers promote time-based events such as trade shows, artistic performances, and the Olympics.

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### Ten Entities of Marketing

4. Experiences—By orchestrating several services and goods, a firm can create and market experiences such as Walt Disney World's Magic Kingdom.
5. Persons—Celebrity marketing is a major business.

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### Goods Marketing



Companies may use celebrities to endorse their products to appeal to an international audience. Japanese watchmaker, Citizen, used Taiwan-born Japanese actor, Takeshi Kaneshiro, to endorse its Eco-Drive watch. Kaneshiro is a popular actor, having acted in mega movies such as *Red Cliff*. He has a wide appeal in East Asia.

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### Ten Entities of Marketing (cont'd)

6. Places  
Cities, states, regions, and whole nations compete actively to attract tourists, factories, and new residents.
7. Properties  
Are intangible rights of ownership of either real property (real estate) or financial property (stock and bonds).

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### Ten Entities of Marketing (cont'd)

8. Organizations  
Actively work to build a strong, favorable, and unique image in the minds of the target publics
9. Information  
Can be produced and marketed as a product. Schools, universities, and others produce information and then market it.
10. Ideas  
Every market offering includes a basic idea. Products and services are platform for delivering some idea or benefit.

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### Marketing of Events: The Youth Olympics in Singapore



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## Marketing of “Experiences”



Singapore's Night Safari, the world's first wildlife night park, offers walking trails and tram rides for its visitors.

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## Marketing of Places—Asian Tourism

Place marketers include national tourism agencies, economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies.

For example, Asian tourism promotion boards market their respective countries to woo regional and international visitors. Some campaign taglines used include: “Malaysia — Truly Asia,” “Amazing Thailand,” “Hong Kong: Live It. Love It!,” “Uniquely Singapore,” Macau’s “A Heritage of Two Cultures,” and Taiwan’s “Touch Your Heart.”



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## Place Marketing: Asian Countries need to “Brand Themselves”

### MARKETING MEMO

#### THE REWARDS OF BRANDING ASIAN COUNTRIES

Regional brand management consultant Paul Temporal argues that just like companies, Asian countries must promote themselves as brands to achieve important national objectives. These include:

1. Increasing currency stability
2. Restoring international credibility and investor confidence
3. Reversing international ratings downgrades
4. Increasing international political influence
5. Increasing exports of branded goods and services
6. Increasing inbound tourism and investment
7. Stimulating stronger international partnerships
8. Enhancing nation-building (confidence, pride, harmony, ambition, resolve)
9. Reversing negative perceptions of environmental and human rights issues
10. Diffusing allegations of corruption and cronyism
11. Increasing access to global markets
12. Improving the ability to succeed against regional and global business competitors, and to defend home markets

Source: Paul Temporal, “Why Asian Countries Need Branding,” *AsiaInc*, December 2001, pp. 46–47.

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## Marketing of Ideas—Social Marketing

Social marketers are busy promoting such ideas as “Say No to Drugs,” “Exercise Daily,” and “Eat Healthy Food.”

In Asia, governments often engage in social marketing.

The Singaporean government is noted for its social marketing, including encouraging graduate women to get married and have more children.



Don't Drive Sleepy Project, an example of social marketing by the ThaiHealth Promotion Foundation.

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## 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.

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## The Eight Demand States

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.

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### Assignment

Collect marketing examples of your favorite product or services. It should be in the form of examples of printed advertising, copies of television commercials, Internet advertising, or radio commercials.

State why you like it, and why your classmates should like it also.

Submit and share to the class.

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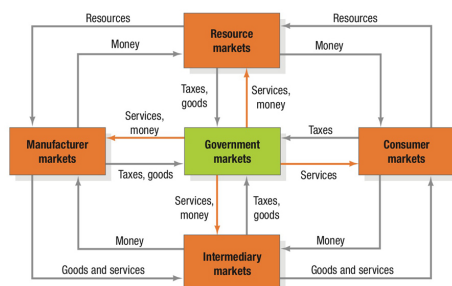
### The Concept of a 'Market'

- 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:
  - Resource Markets**
  - Government Markets**
  - Manufacturer Markets**
  - Intermediary Markets**
  - Consumer Markets**

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**Figure 1.1: Structure of Flows in a Modern Exchange Economy**



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### The Flows in a Market System

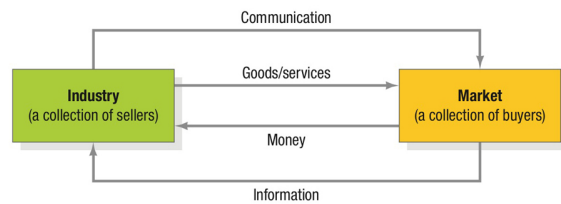
Sellers and buyers are connected by flows:

- 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.

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**Figure 1.2: A Simple Marketing System**



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### 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.

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### Key Customer Markets

#### 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.

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### Global Marketing Example: McDonald's

**McDonald's**—With the U.S. dining landscape full of fast-food outlets, McDonald's is looking to China for revenue and profits. In 2010, China alone accounted for nearly a quarter of McDonald's revenue from the Asia Pacific. China's informal out-of-home eating industry is expanding and McDonald's is pouncing on this opportunity by planning to open 2,000 outlets by 2013. How will it achieve this? It is relying on a combination of the traditional and the new to capture a large slice of the market.



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### Global Marketing Example: McDonald's

**McDonald's**—It has a \$2 million innovation center in Hong Kong dedicated to coming up with suitable products. Alongside the Big Mac fries, Chinese diners can choose from green pea pies, rice burgers, and a mint-flavored soda called Blue Haven. Its Chicken McNuggets come with chili garlic sauce. 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 was foreign to the Chinese.



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### Global Marketing Example: McDonald's

**McDonald's**—Customers would drive up, collect their food, and then park their automobiles before entering the restaurant to eat their meal. Yet, with the anticipated boom in the Chinese auto market, McDonald's is opening more automobile-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.



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### 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.

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### Core Marketing Concepts

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

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### Needs, Wants, and Demands

- Needs (basic human requirements, needs become wants when they are directed to specific objects that may satisfy the need).
- Marketers **do not** create needs, needs pre-exist marketers.
- Marketers influence wants.



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### I Want It, I Need It...

#### Five Types of Needs

1. Stated needs (the customer wants an inexpensive car)
2. Real needs (the customer wants a car whose operating cost, not its initial price, is low)
3. Unstated needs (the customer expects good service from the dealer)
4. Delight needs (the customer would like the dealer to include an onboard navigation system)
5. Secret needs (the customer wants to be seen by friends as a savvy consumer)



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### Failure to Understand Customer Needs— Best Buy in China



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### Failure to Understand Customer Needs— Best Buy in China

**Best Buy**—The world's largest consumer electronics retailer, Best Buy, entered China in 2006 when it took control of Jiangsu Five Star Appliance Company, then China's fourth-largest electronics retailer. However, in 2011, Best Buy closed all of its nine Best Buy branded stores in China to focus on expanding the more profitable domestic chain it had acquired. Why? While Chinese consumers appreciated Best Buy's reliability and the quality of its goods, they found the prices too high. Further, it was challenging for Best Buy to gain brand recognition against Five Star, which has been around for a much longer time. Thus, even though there might have been a need for quality products, wants were low because of poor brand recognition, and demand suffered because of the inability and in some cases, unwillingness, to pay a high price.

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## Influencing Consumer Perceptions



With intense competition from Apple and Samsung, Nokia has to influence consumer perceptions about what they want and that it satisfies these wants.

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## Target Markets, Positioning, and Segmentation

- 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 to we make to customers?

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## Positioning

- The offering is positioned in the minds of the target buyers as delivering some central benefit(s).
- For example, Volvo develops its cars for buyers to whom automobile safety is a major concern.
- Volvo, therefore, positions its car as the safest a customer can buy.



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

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## Offerings and Brands

- Value proposition: a set of benefits they offer to customers to satisfy their needs
- The Brand: is an offering from a known source



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## Value and Satisfaction

1. The buyer chooses the offering he or she perceives to deliver the most value, the sum of the tangible and intangible benefits and costs to her.
2. Value is a central marketing concept.
3. Customer value triad is the combination of quality, service, and prices (QSP). Value perceptions increase with quality and service but decrease with price.

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## Marketing Channels

Marketing Channels: To reach a target market, the marketer uses three kinds of marketing channels.

- Communication channels
- Distribution channels
- Service channels

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## Creating New Channels—Coffee Vending in Japan



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## Creating New Channels—Coffee Vending in Japan

**Coca-Cola**—Coca-Cola in Japan popularized the idea of canning coffee and making it available through vending machines. While Americans can enjoy a hot cup of coffee in most places, Japanese traditionally drink ocha or green tea. However, Coca-Cola found that the Japanese enjoy coffee but just cannot get it readily. Hence, in a country where vending machines are a common form of retailing, Coca-Cola's Georgia-brand canned coffee can be bought from many of the thousands of vending machines to suit Japanese lifestyle needs.

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## Supply Chain

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

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## Competition

Includes all the actual and potential rival offerings and substitutes a buyer might consider.



Apple's iPad changed the e-book reading landscape by affording readers an alternative to Amazon's Kindle and Sony's Reader.

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## Marketing Environment

Task environment: includes the actors engaged in producing, distributing, and promoting the offering.

Broad environment includes the following aspects:

- Demographic
- Environment
- Economic
- Physical
- Technological
- Political–legal
- Social–cultural

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### Major Societal Forces

- |                                   |                            |
|-----------------------------------|----------------------------|
| 1. Network information technology | 6. Industry convergence    |
| 2. Globalization                  | 7. Retail transformation   |
| 3. Deregulation                   | 8. Disintermediation       |
| 4. Privatization                  | 9. Consumer buying power   |
| 5. Heightened competition         | 10. Consumer participation |
|                                   | 11. Consumer resistance    |

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### Major Societal Forces

- 1. Network information**—The digital revolution has created an Information Age that promises to lead to more accurate levels of production, more targeted communications, and more relevant pricing.
- 2. Globalization**—Technological advances in transportation, shipping, and communications have made it easier for companies to market in other countries and easier for consumers to buy products and services from marketers in other countries. International travel continues to grow as more people work and play in other countries.

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### Major Societal Forces

- 3. Deregulation**—Many countries have deregulated industries to create greater competition and growth opportunities. Companies in the telecommunications, domestic air travel, and electrical utilities industries may face foreign competition and may enter other local markets.
- 4. Privatization**—Many countries, such as China, have converted state-owned enterprises to private ownership and management to increase their efficiency.

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### Major Societal Forces

- 5. Heightened competition**—Brand manufacturers are facing intense competition from domestic and foreign brands, which is resulting in rising promotion costs and shrinking profit margins. They are further buffeted by powerful retailers who command limited shelf space and are putting out their own store brands in competition with national brands. Many strong brands are extending into related product categories, creating megabrands with much presence and reputation.

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### Major Societal Forces

- 6. Industry convergence**—Industry boundaries are blurring at an incredible rate as companies are recognizing that new opportunities lie at the intersection of two or more industries. The computing and consumer electronics industries are converging, for example, Apple, Sony, and Samsung release a stream of entertainment devices from MP3 players to plasma televisions and camcorders.

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### Major Societal Forces

- 7. Retail transformation**—Small retailers are succumbing to the growing power of giant retailers and “category killers.” Store-based retailers are facing growing competition from catalog houses; direct-mail firms; newspaper, magazine, and television direct-to-customer ads; home-shopping television; and e-commerce on the Internet.
- 8. Disintermediation**—The amazing success of early online dot-coms such as Amazon, Yahoo!, eBay, E\*Trade, and dozens of others who created disintermediation in the delivery of products and services struck terror in the hearts of many established manufacturers and retailers.

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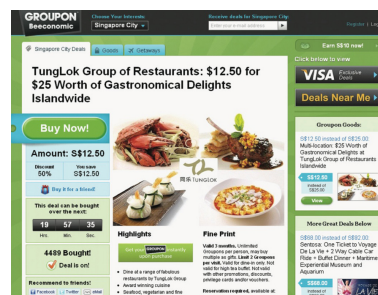
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## Major Societal Forces

- 9. Consumer buying power**—Buyers today are only a click away from comparing competitor prices and product attributes on the Internet. They can even name the price they want to pay for a hotel room, airline ticket, or mortgage, and see if there are any willing suppliers. Further, buyers can join with others to aggregate their purchases to achieve deeper volume discounts—hence the popularity of coupon sites such as Groupon.

## Example of Consumer Buying Power—Groupon



Coupon sites such as Groupon allow consumers to aggregate their purchases for deeper volume discounts, hence, increasing their buying power.

## Major Societal Forces

- 10. Consumer information**—Consumers can get a good breadth and depth of information on practically anything. They can access information online. Personal connections and user-generated content thrive on social media such as Facebook, Flickr (photos), Wikipedia (encyclopedia articles), and YouTube (videos). Social networking sites—such as TripAdvisor for ardent travelers—bring together consumers with a common interest.

## Major Societal Forces

- 11. Consumer participation**—Particularly through the Internet, consumers have found an amplified voice to influence peer and public opinion. In recognition, companies are inviting them to participate in designing and even marketing offerings to heighten their sense of connection and ownership.

One way to involve consumers is **crowdsourcing**, which is the act of outsourcing ideas through an open call to a community. Consumers can give ideas on product improvement or vote on which product design they like best.

## Consumer Participation—Crowdsourcing



DBS Bank in Singapore crowdsourced concepts for its "youth branch" with its "I-Designed-A-Bank" contest. The contest sought Generation Y's help in designing bank branches that will appeal to young people and their unique financial lifestyle. Such participation not only engages the consumers but also gives them an opportunity to showcase their talents.

## New Consumer Capabilities

- Marketers can use the Internet as a powerful information and sales channel
- Marketers can collect fuller and richer information about markets, customers, and prospects
- Marketers can tap into social media to amplify their brand message
- Marketers can facilitate and speed external communication among customers
- Marketers can send ads, coupons, samples, and information to customers who have requested them or given the company permission to send them

### New Consumer Capabilities

- F. Marketers can reach consumers on the move with mobile marketing
- G. Companies can make and sell individually differentiated goods
- H. Companies can improve purchasing, recruiting, training, and internal and external communications
- I. Companies can facilitate and speed internal communication among their employees by using the Internet as a private Intranet
- J. Companies can improve their cost efficiency by skillful use of the Internet

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### Marketing in Practice

- 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.

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### Marketing Managers Need to Stay Current

- Companies must always be moving forward with marketing programs, innovating products and services, staying in touch with customer needs, and seeking new advantages rather than relying on past strengths.
- This is especially true of incorporating the Internet into marketing plans.
- Marketers must try to balance increased spending on search advertising, social media, direct email, and text/SMS marketing efforts with appropriate spending on traditional marketing communications.

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### The New Chief Marketing Officer (CMO)

- CMOs must have strong quantitative skills but also well-honed qualitative skills.
- They must have an independent, entrepreneurial attitude but also work in close harmony with other departments such as sales.
- They must capture the "voice" and point-of-view of consumers yet have a keen bottom-line understanding of how marketing creates value within their organization.

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### Desired Innate and Learned Qualities of Senior Marketing Executives

Innate Qualities	Learned Qualities
Risk taker	Global experience
Willingness to make decisions	Multichannel expertise
Problem-solving ability	Cross-industry experience
Change agent	Digital focus
Results-oriented	Operational knowledge

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### Marketing in the Organization

- Although an effective CMO is crucial, increasingly marketing is *not* done only by the marketing department.
- Because marketing must affect every aspect of the customer experience, marketers must properly manage all possible touch points.
- Marketing must also be influential in key general management activities.

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### The Importance of Inter-Departmental Teamwork

- The late David Packard of Hewlett-Packard observed, "Marketing is far too important to leave to the marketing department."
- Companies now know that every employee has an impact on the customer and must see the customer as the source of the company's prosperity.
- Companies are beginning to emphasize interdepartmental teamwork to manage key processes.
- The emphasis is on the smooth management of core business processes such as new-product realization, customer acquisition and retention, and order fulfillment.

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### 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.

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### Production Concept



This orientation makes sense in developing countries such as China where the largest PC manufacturer, Lenovo, and domestic appliances giant, Haier, take advantage of the country's huge inexpensive labor pool to dominate the market. It is also used when a company wants to expand the market.

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### 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 your chosen target markets.
- Marketing is **NOT** selling!

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### The Marketing Concept

Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering, and finally consuming it.

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## Marketing: Right and Wrong

**MARKETING MEMO** **MARKETING RIGHT AND WRONG**

**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 & Sons, 2004, pp. 10, 143-148.

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## Holistic Marketing Concept

- The holistic marketing concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies.
- Holistic marketing acknowledges that everything matters in marketing—and that a broad, integrated perspective is often necessary.
- Holistic marketing recognizes and reconciles the scope and complexities of marketing activities.

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## Holistic Marketing Concept

- Holistic marketing embraces the following marketing practices:

- Internal marketing
- Socially responsible marketing
- Integrated marketing
- Relationship marketing

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Figure 1.3: Holistic Marketing Dimensions



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## Relationship Marketing

- A key goal of marketing is to develop deep, enduring relationships with people and organizations that directly or indirectly affect the success of the firm's marketing activities.
- Relationship marketing aims to build mutually satisfying long-term relationships with key constituents in order to earn and retain their business.

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## Relationship Marketing

- Four key constituents of relationship marketing are:
  - Customers
  - Employees
  - Marketing partners
  - And members of the financial community
- Marketers must respect the need to create prosperity among all these constituents and develop policies and strategies to balance the returns to all key stakeholders.
- To develop strong relationships with these constituents requires an understanding of their capabilities and resources, as well as their needs, goals, and desires.

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### Outcome of Relationship Marketing

- The ultimate outcome of relationship marketing is a unique company asset called a **marketing network**, consisting of the company and its supporting stakeholders.
- The operating principle is simple: build an effective network of relationships with key stakeholders and profits will follow.

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### Importance of Relationship Building in the Asian Context

- Relationships and networks take on added importance in Asian marketing.
- In East Asia, the cultivation of personal relationships and the use of *guanxi* (personal connections) in business are still evident.
- In countries like China, which have a long history of being exploited by other nations, personal relations are useful in developing trust among business partners.

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### Importance of Relationship Building in the Asian Context

- To conduct business successfully in Asia, hiring a consultant or an intermediary to foster *guanxi* may be fruitful, and selecting a joint-venture partner who has valuable connections with the local government may also prove beneficial.



In East Asia, *guanxi* or the cultivation of personal relationships is an integral part of doing business.

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### Relationship Marketing Means Targeting at Key Customer Groups

- Companies are shaping separate offers, services, and messages to *individual customers*, based on information about past transactions, demographics, psychographics, and media and distribution preferences.
- By focusing on their most profitable customers, products, and channels, these firms hope to achieve profitable growth, capturing a larger share of each customer's expenditures by building high customer loyalty.
- They estimate individual customer lifetime value and design their market offerings and prices to make a profit over the customer's lifetime.

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### Customer Retention

- Because attracting a new customer may cost five times as much as retaining an existing one, relationship marketing also emphasizes customer retention.
- Companies build customer share by offering a larger variety of goods to existing customers, training employees in cross-selling and upselling.



Marketers are using reward programs to harness customer loyalty by rewarding them handsomely for their continued patronage.

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### Partnership Relationship Management

- Marketing must skillfully conduct not only customer relationship management (CRM), but **partner relationship management (PRM)** as well.
- Companies are deepening their partnering arrangements with key suppliers and distributors, seeing them as partners in delivering value to final customers so everybody benefits.

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### Integrated Marketing

- Integrated marketing occurs when the marketer devises marketing activities and assembles marketing programs to create, communicate, and deliver value for consumers such that “the whole is greater than the sum of its parts.”
- Two key themes are:
  - Many different marketing activities can create, communicate, and deliver value
  - Marketers should design and implement any one marketing activity with all other activities in mind

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### Integrated Marketing Impacts All Aspects of Marketing

- All company communications must be integrated—integrated communication strategy means choosing communication options that reinforce and complement each other.
- The company must also develop an integrated channel strategy.
- Online marketing activities are increasingly prominent in building brands and sales.

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### Internal Marketing

- Internal marketing, an element of holistic marketing, is the task of hiring, training, and motivating, able employees who want to serve customers well.
- Marketing is no longer the responsibility of a single department—it is a company-wide undertaking that drives the company's vision, mission, and strategic planning.

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### Internal marketing requires alignment of business functions to serve the customer

<b>R&amp;D</b> <ul style="list-style-type: none"> <li>• They spend time meeting customers and listening to their problems.</li> <li>• They welcome the involvement of marketing, manufacturing, and other departments to each new project.</li> <li>• They benchmark competitors' products and seek “best of class” solutions.</li> <li>• They solicit customer reactions and suggestions as the project progresses.</li> <li>• They continuously improve and refine the product on the basis of market feedback.</li> </ul>	<b>Sales</b> <ul style="list-style-type: none"> <li>• They have specialized knowledge of the customer's industry.</li> <li>• They strive to give the customer “the best solution.”</li> <li>• They make only promises that they can keep.</li> <li>• They feedback customers' needs and ideas to those in charge of product development.</li> <li>• They serve the same customers for a long period of time.</li> </ul>
<b>Purchasing</b> <ul style="list-style-type: none"> <li>• They proactively search for the best suppliers.</li> <li>• They build long-term relationships with fewer but more reliable, high-quality suppliers.</li> <li>• They do not compromise quality for price savings.</li> </ul>	<b>Logistics</b> <ul style="list-style-type: none"> <li>• They set a high standard for service delivery time and meet this standard consistently.</li> <li>• They operate a knowledgeable and friendly customer service department that can answer questions, handle complaints, and resolve problems in a satisfactory and timely manner.</li> </ul>
<b>Manufacturing</b> <ul style="list-style-type: none"> <li>• They invite customers to visit and tour their plants.</li> <li>• They visit customer plants.</li> <li>• They willingly work overtime to meet promised delivery schedules.</li> <li>• They continuously search for ways to produce goods faster and/or at lower cost.</li> <li>• They continuously improve product quality, aiming for zero defects.</li> <li>• They meet customer requirements for “customization” where possible.</li> </ul>	<b>Accounting</b> <ul style="list-style-type: none"> <li>• They prepare periodic “profitability” reports by product, market segment, geographic areas (regions, sales territories), order sizes, channels, and individual customers.</li> <li>• They prepare invoices tailored to customer needs and answer customer queries courteously and quickly.</li> </ul>
<b>Marketing</b> <ul style="list-style-type: none"> <li>• They study customer needs and wants in well-defined market segments.</li> <li>• They allocate marketing effort in relation to the long-run profit potential of the targeted segments.</li> <li>• They develop winning offers for each target segment.</li> <li>• They measure company image and customer satisfaction on a continuous basis.</li> <li>• They continually gather and evaluate ideas for new products, product improvements, and services.</li> <li>• They urge all company departments and employees to be customer-oriented.</li> </ul>	<b>Finance</b> <ul style="list-style-type: none"> <li>• They understand and support marketing expenditures (e.g., image advertising) that produce long-term customer preference and loyalty.</li> <li>• They tailor the financial package to the customer's financial requirements.</li> <li>• They make quick decisions on customer creditworthiness.</li> </ul>
<b>Public Relations</b> <ul style="list-style-type: none"> <li>• They send out favorable news about the company and “damage control” unfavorable news.</li> <li>• They act as an internal customer and public advocates for better company policies and practices.</li> </ul>	

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

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### Two Levels of Internal Marketing

- 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 such as finance, production, logistics—they must “think customer.” Marketing is not a department so much as a company orientation.



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### 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 cleaning costs down; 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 should the management of this airline company do to overcome such coordination problems? How does Internal Marketing help in this area?

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## Performance Marketing

- Performance marketing requires understanding the financial and non-financial returns to business and society from marketing activities and programs.
- Financial accountability:** marketers are increasingly being asked to justify their spending in terms of brand building and growing the customer base.
- Social responsibility marketing:** Marketers must consider the ethical, environmental, legal, and social context of their role and activities.

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## Social Responsibility Marketing

- The **societal marketing concept** holds that the organization's task is to determine 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 society's long-term well-being.
- Sustainability** has become a major corporate concern in the face of challenging environmental forces.

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## Howard Shultz of Starbucks

"We see a fundamental change in the way consumers buy their products and services. ... Consumers now commonly engage in a cultural audit of providers. People want to know your value and ethics demonstrated by how you treat employees, the community in which you operate. The implication for marketers is to strike the balance between profitability and social consciousness and sensitivity ... It is not a program or a quarterly promotion, but rather a way of life. You have to integrate this level of social responsibility into your operation."



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## Firms such as Panasonic are building factories that are environmentally friendly



Panasonic's slogan, "The No. 1 Green Innovation Company in Electronics," speaks of its vision as an eco-innovation company offering energy-management solutions. It strives to create, store, and save energy.

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## The societal marketing concept calls upon marketers to build social and ethical considerations into their marketing practices.

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 nonprofit 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: Adapted from Philip Kotler and Nancy Lee, Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause (Hoboken, NJ: Wiley, 2008). Copyright © 2003 by Philip Kotler and Nancy Lee. Used by permission of John Wiley & Sons, Inc. www.mcdonalds.com/csr/index.html.

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## Cause-Related Marketing

- 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.

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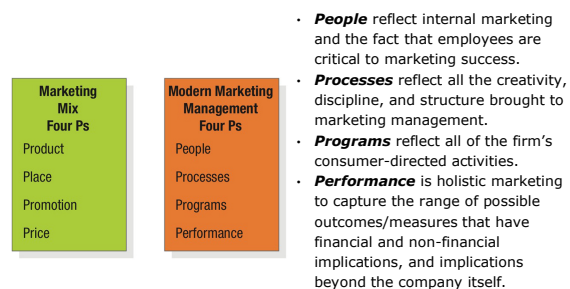
Figure 1.4: The Four P's



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Figure 1.5: The Evolution of the Marketing Mix



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### Marketing Management Tasks

1. Develop market strategies and plans
2. Capture marketing insights
3. Connect with customers
4. Build strong brands
5. Shape market offerings
6. Deliver value
7. Communicate value
8. Create long-term growth



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### Checklist of questions that marketing managers need to ask

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

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### Example of marketing management challenge tasks

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.

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### Example of marketing management challenge tasks

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.

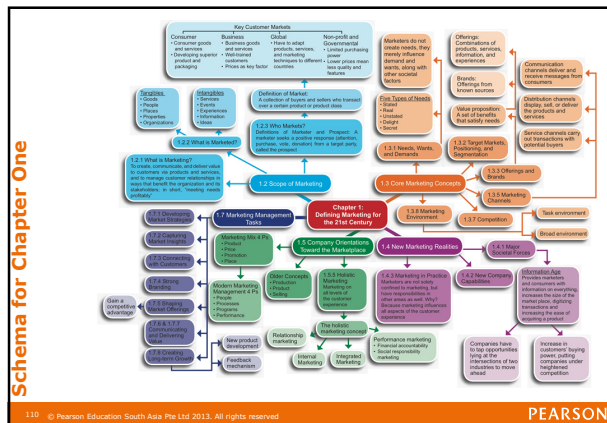
Using the eight Marketing Management Tasks, how would you respond to the requirements of Emperor, Inc.? Refer to the text.

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## The Structure of the Book

- Developing Marketing Strategies and Plans (Chapter 2).
- Capturing Marketing Insights (Chapters 3 and 4).
- Connecting with Customers (Chapters 5, 6, and 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).



Thank you

## Making Commercials

Watch advertisements on television and Youtube, and then, choose a product (real or fictional) to advertise. They would work in groups to design, stage, and produce commercials trying to produce interest in their product. As a group, you would then vote to determine which commercial was the most convincing.

You have to present your commercials like reality TV shows where the winner will be applauded by the class. Commercials had to be **persuasive**, convincing viewers that they were making the right choice.

