

Chapter 8: Marketing

The Role and Impact of Marketing



Marketing is all activities involved in getting goods and services from the businesses that produce them to the consumer.

Marketing has two fundamental roles: to sell what a business makes and to manage the brand. Marketing activities include

- research
- development
- sales
- distribution
- advertising
- promotion

Branding

Businesses can spend millions creating an image for products and services with a brand name, logo or trademark, and a slogan.

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Brand Name

A **brand name** is a word or group of words a business uses to distinguish its products from that of the competition. Brand names should be distinctive, stand out, and memorable.

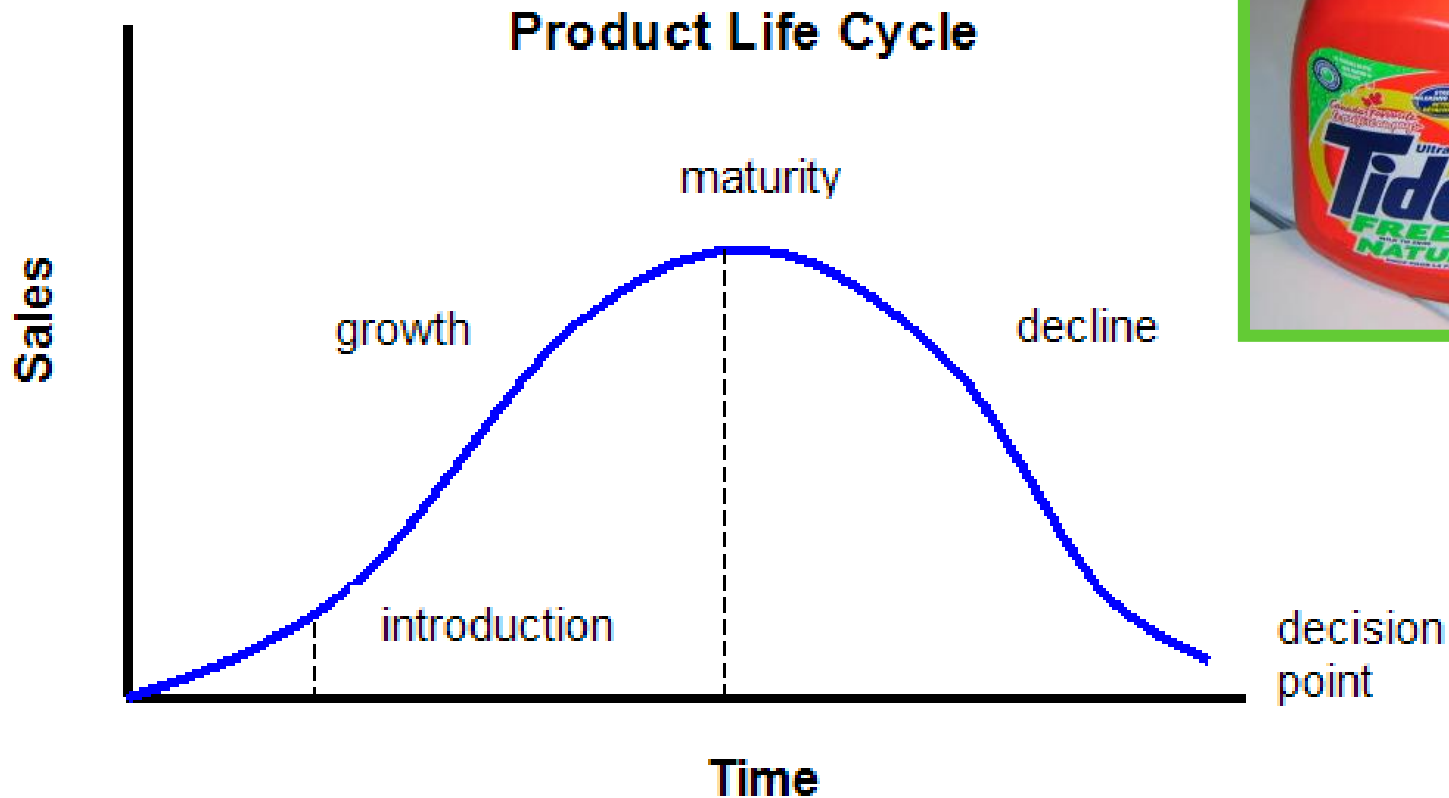
Logo or Trademark

A **logo** is a symbol that is associated with the company or product. It can take the following forms: *monogram*, *visual symbol*, or *abstract symbol*.

A **trademark** is a word, symbol, design, or a combination of all three that a business uses to distinguish its goods or services from others.

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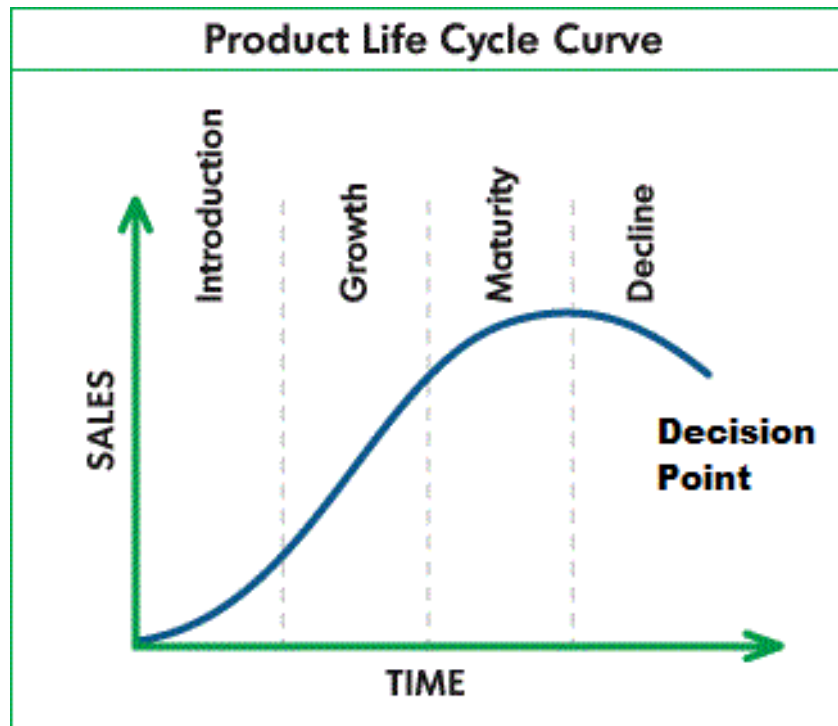


Think....

- What products can you think of that seem like they've been around forever?
- What products seem like they keep re-inventing themselves and staying popular?

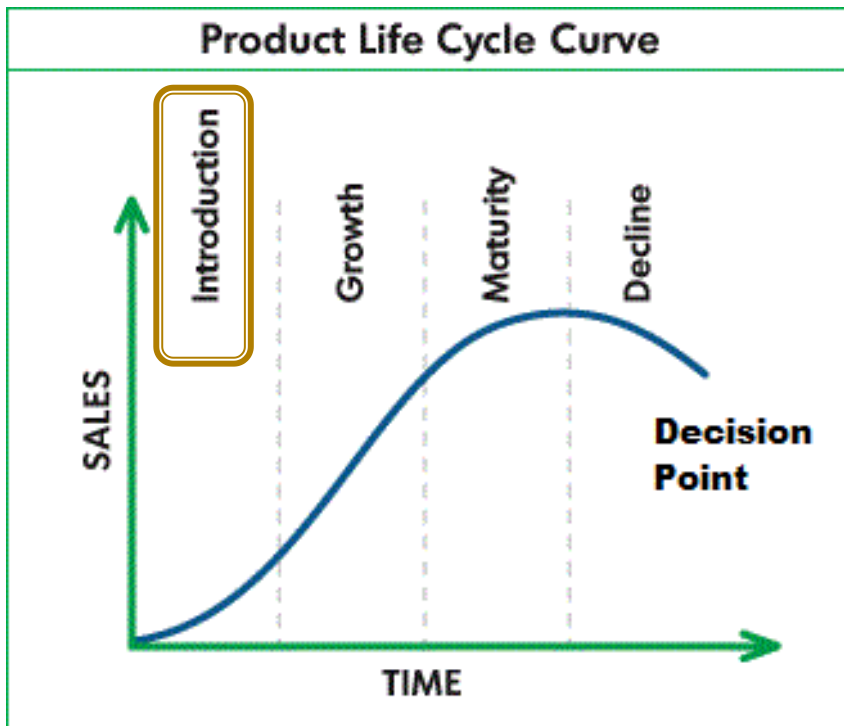
The Product Life Cycle

- Every product goes through a set of steps from birth to (maybe) death, depending on how successful it is in the marketplace.



Product Introduction

- The first step is to **launch** a product into the marketplace. Sometimes this might only begin in selected cities, but it could go bigger.



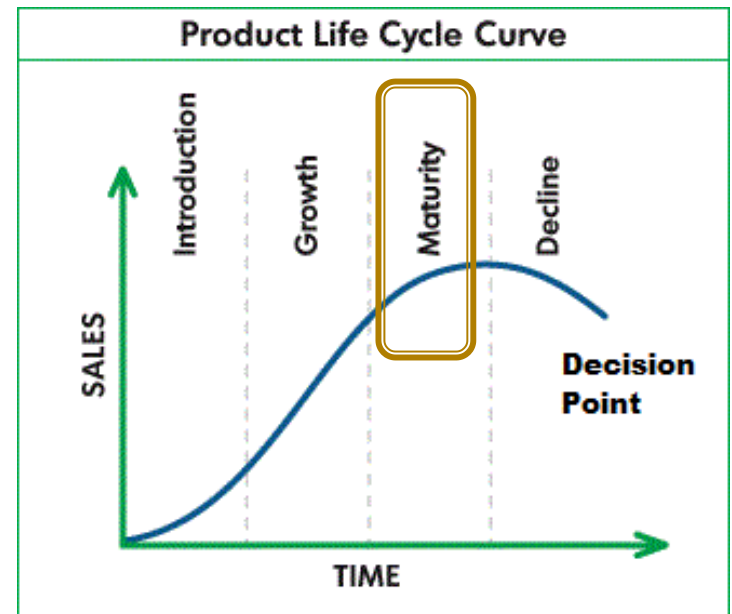
Think of an example of some product that was launched lately...how was it done through advertising? Who do you think is targeted?

Sales Growth

- In the beginning, curious customers buy the new product...**early adopters**.
- With their help, more customers join in and sales increase quickly.
- But as the competition sees this success, they try and introduce something similar with improved features or at a cheaper price.

Product Maturity

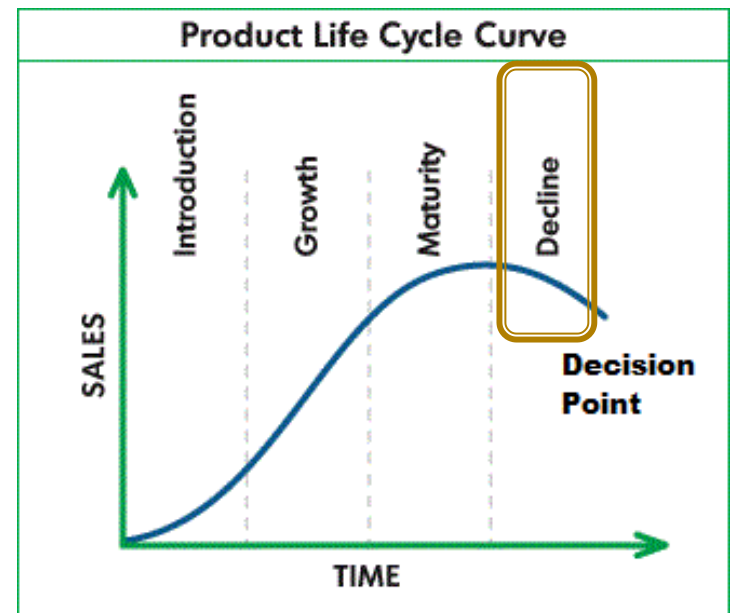
- At this point **sales are steady**...not going up or down. New customers replace those who moved on to the competition.
- **EXAMPLE:** Coca-Cola would be a brand in the maturity stage. Why?



Product Decline

- If a product can't attract new customers, sales decrease.
- This might be caused by new competition or even by the seasons (who buys pumpkins after Oct. 31?)

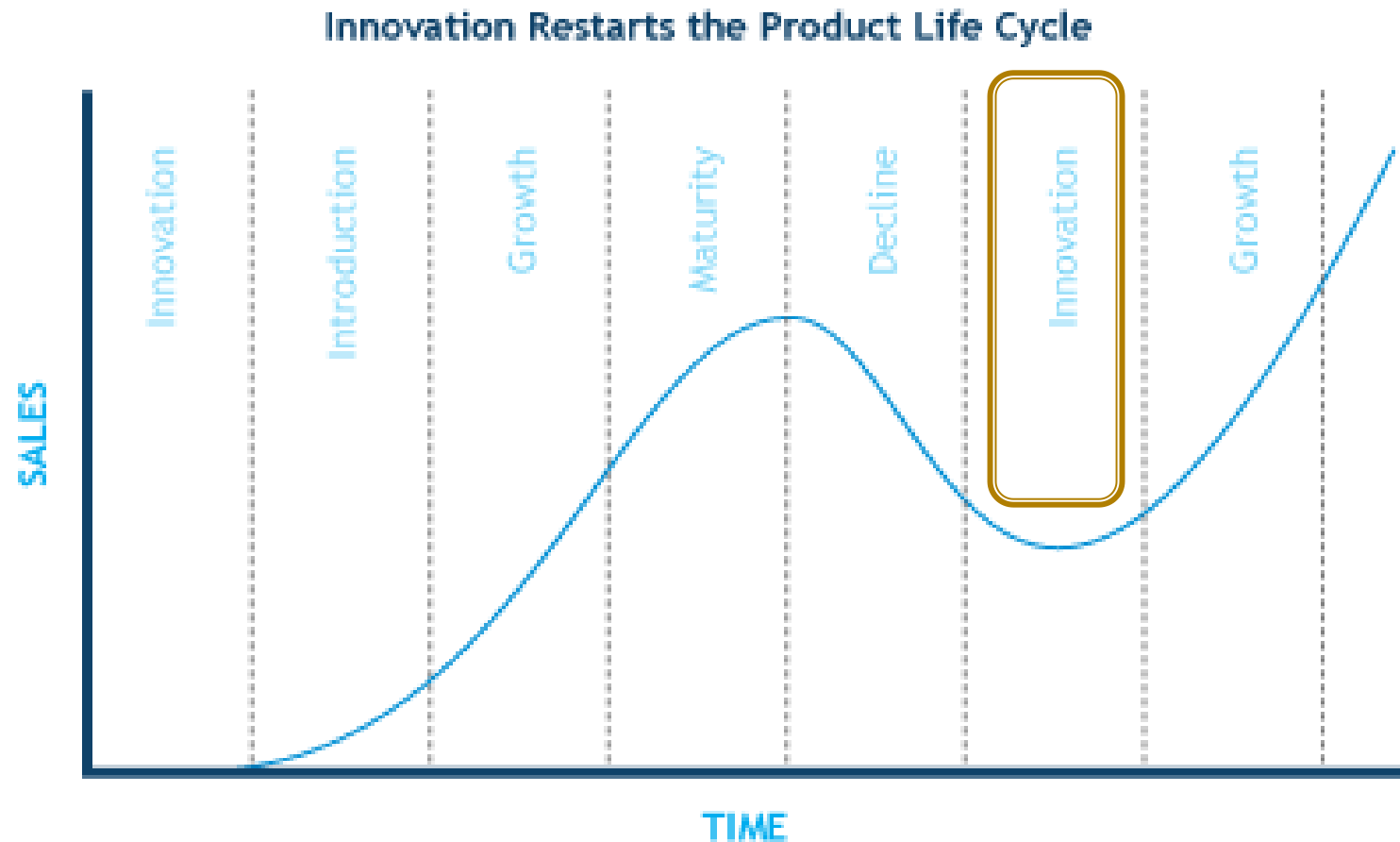
• If the decline continues, the business does research to find a solution...new advertising, dropping the price.



The Decision Point

- Here, the marketers of the product have to make important decisions about what to do next.
- Use the left-over popularity to re-create (or **innovate**) the brand in a way that makes it “new and improved” and give it new life.
- If it works, a new life cycle begins and profits go up again.

The Decision Point



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Non-traditional Product Life Cycles

Fads

A **fad** is a product that is extremely popular with a select market for a short time, usually less than a year.

Niches

A **niche** is a section of the market in which a product dominates and into which few competitors enter. Niche marketers are often left alone because of **barriers to entry**—the factors that prevent competition from being profitable in a given market.

Seasonal

Some products are popular during a specific time or season. Balancing product quantity with seasonal sales is called **inventory management**. To be left with little seasonal inventory, businesses calculate the amount of product to keep on hand.

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Marketing Concepts



Marketing can be divided into two major concepts: the product concept and the market concept. Product concept involves the **four Ps of marketing** and market concept involves the **two Cs of marketing**.

The Four Ps of Marketing

1. Product
2. Price
3. Place
4. Promotion

A good combination of all four elements, called the **marketing mix**, translates into an effective campaign.

1. Products and Services

The two reasons businesses develop product are because they can and they see a need. The development of good products and services considers *quality, design, features, and benefits*.

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Quality

Improvements made to the quality of a product attracts more customers.

Design

Every product and service has a design component. Consumers will often buy one product over another because of the way it looks.

Features

Product developers consider the features used, such as the materials, scent, size, or the taste, when constructing a new product. Service providers outline or detail what they do best.

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Benefits

Consumers buy products and services for a particular purpose. Businesses need to make consumers aware of the advantages of a product to be motivated to buy it.

The Product/Service Mix

A retail store provides services and a service business sells a product. The resulting **product/service mix** can increase sales to existing customers and attract new ones.

2. Price

Prices for products must be set with care to ensure their success. Today consumers are very price conscious and look for competitive prices at other stores or on the Internet. Businesses need to be **price sensitive** and look at their competitors' prices for the same products.

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3. Place (Channels of Distribution)

Channels of distribution are the paths of ownership that goods follow as they pass from the producer or manufacturer to the consumer. The three types of channels of distribution are direct, indirect, and specialty.

Direct Channels

Direct channels of distribution connect the consumers to the producers of the goods or services. This is also referred to as the **maker-user relationship**.

Indirect Channels

Indirect channels of distribution have one or more **intermediaries** who import products (**importers**), wholesale goods (**wholesalers**), or retail products (**retailers**).

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Specialty Channels

A **specialty channel of distribution** is an indirect way to distribute products by using vending machines, telemarketing, catalogue sales, e-commerce, and door-to-door sales. No retail store is involved.

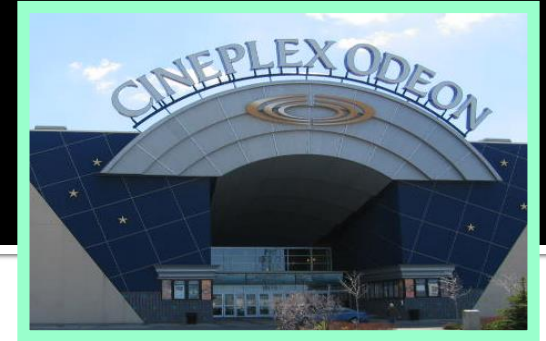
4. Promotion

Promotion is an attempt to sell a product. **Sales promotion** encourages consumers to buy products by using ***coupons, contests, premiums, samples, or special events.***



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The Two Cs of Marketing

The marketing department must consider two major external factors: the competition and the consumer.

The Competitive Market

The **competitive market** refers to the sellers of a specific product, and is often expressed in terms of the total dollars spent annually on the product. The percentage of the market that a company or brand has is called its **market share**. A **market segment** is a part of the overall market with similar characteristics.

Competition among Products

Indirect competition means products or services are not directly related to each other. Products that are similar to one another are called **direct competition**.

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The Consumer Market

In their effort to be competitive, businesses study and target the **consumer market**, the potential users of a product or service. These consumers can be identified by **demographics** and **lifestyle**.

Demographics

Demographics is the study of obvious characteristics that categorize human beings. Some examples of demographics include the following:

- age
- family lifestyle
- ethnicity and culture
- gender
- income level

Lifestyle

Lifestyle is the way people live, including their values, beliefs, and motivations.

Chapter 8: Marketing Advertising



Creating Good Advertising

Good advertisements sell products by making the consumer remember the brand name of their products or services.

The four standard rules for creating good advertising are summarized as follows:

1. **Attract attention** – develop a good headline
2. **Gain interest** – make people want to read, watch, or listen
3. **Build desire** – help the customer want your product
4. **Get action** – always ask for the sale

Types of Advertising

Advertising is the paid-for promotion of a businesses' goods and services using a variety of mass media to target a market.

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Common advertising classifications include

- **direct-to-home**
- **out-of-home**
- **radio**
- **television**
- *newspapers*
- *magazines*
- *Internet*

Comparing Types of Advertising

Advertisers use the following categories to help them select which media to use for a certain product promotion. These eight categories are

- reach
- frequency
- selectivity
- durability
- lead-time
- mechanical requirements
- clutter
- cost



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Marketing Research



Market research is the collection and analysis of information that identifies specific groups of consumers who would use a particular product or service.

Types of Marketing Research

Marketers use different types of research depending on what information is needed, how it will be collected, and what will be done with the final information after it is analyzed. The following is a list of the most common types of research used by marketers:

- **consumer research**
- **market research**
- **motivation research**
- **pricing research**
- **competitive research**
- **product research**
- **advertising research**

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Marketing Research

Marketing Research Tools

Marketing research relies on secondary and primary data.

Secondary Data

Secondary data is information collected by others. Secondary data can be collected from Web sites, databases, periodicals, indexes, and professionally prepared marketing research reports.

Primary Data

Primary data refers to current information that is collected and analyzed for a specific purpose. Methods include

- *test marketing*
- *internal information sources*
- *surveys*
- *observation*
- *focus groups*