Midterm Exam

Hagen Ziemer

California International Business University

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CIBU 729: Marketing Management

Thomas Matula, Ph.D.

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1. The role of marketing in organizations

1.1 The general role of marketing and its position within organizations

Economist Schiller (2009) state that unlimited human needs and wants face scarce resources in the global economy. Organizations combine resources, consisting of land, labor, capital, and technology; to suit human needs and wants. (following Woehe, 2005, p. 1) The key role of marketing is to identify customer needs and wants, and convert these, according to the type of business it operates in, into a product or service, which satisfies the customer best. The role of marketing managers is thereby to "…decide what features to design into a new product, what prices to offer customers, where to sell products and how much to spend on advertising, sales, or the internet." (Kotler and Keller, 2009, p. 5) Companies cannot survive without cash-inflows, which are gained by marketing. Therefore, marketing needs to be positioned in a top line position, i.e. Chief Marketing Officers (CMO), that have equal power with the 'Chief –level' executives. (following Kotler and Keller, 2009, p.4)

1.2 Transactional Marketing versus Relationship Marketing

Literature differentiates between two major Marketing concepts, the Transactional Marketing (TM) concept and the Relationship Marketing (RM) concept. TM is also known as traditional marketing and is still used throughout most organizations. The relationship approach is more complex and seeks different approaches than TM. The major difference between both is the interdependence to other organizations, where TM seeks to be independent from other organization and RM to be interrelated with other organizations. (Hollensen 2003, p. 10)

According to Hollensen (2003, p. 9) the American Marketing Association (AMA) defines Marketing as follows:

“Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.”

This definition describes both, what the transactional marketing concept consist of (conception, pricing, promotion, and distribution of ideas, goods and services) and a catalog of activities for marketers to execute, which includes planning and execution of these four elements in order to satisfy individual and organizational objectives. Additionally, Hollensen (2003, p. 9) states transactional marketing beliefs, that independence of choice throughout the value chain create a more efficient system. Therefore, to distance organizations from each other is believed to be essential for marketing efficiency. Further, TM marketing programs push customers to buy, apart from them being first-time or an existing customer. (Hollensen, 2003, p.9)

The TM approach had been criticized by many academics, such as Ilan Gordon (1998). Gordon (1998, p. 9) was one of the developers of RM and defined it as follows:

“Relationship marketing is the ongoing process of identifying and creating new value with individual customers and then sharing the benefits from this over a lifetime of association. It involves the understanding, focusing and management of ongoing collaboration between suppliers and selected customers for mutual value creation and sharing through interdependence and organizational alignment. “

In contradiction to TM “RM attempts to involve and integrate customers, suppliers, and other infrastructural partners into a firm`s developmental and marketing activities.” (Hollensen, 2003, p. 11)

Having two major concepts of marketing, its role depends on the approach used. The scope and the role of marketing depends on the type of organization and its products as well. Pharmaceutical organizations, which invent indispensable medicine, might not worry too much about its packaging. Small, non-profit organizations may consider marketing to be too expensive for their limited purposes, their mission, e.g. a local tennis club. As already stated before, marketing is crucial in challenging and competitive environments for companies to survive.

2. Marketing Mix

The marketing mix is part of the marketing program. The classic marketing mix consists of the so called 4Ps of marketing. The 4Ps stand for Product, Price, Promotion and Place, and are displayed and sub-categorized in figure one. (following Kotler and Keller, 2009, p. 23)

Product	Price
product variety, quality, design, sizes features, brand name, packaging, services, returns, warranties	list price, discounts, allowances payment period, credit terms
Place	**Promotion**
channels, coverage, assortments, locations, inventory, transport marketing	sales promotion, advertising, sales force, public relations, direct

Figure 1: The classic Marketing Mix (adapted from Kotler and Keller, 2009, p. 23)

Each tool of the marketing mix "…is designed to deliver a customer benefit." (Kotler and Keller, 2009, p. 23) The subdivision of each tool shows areas, which need to be adjusted by marketers to target customers. The 4Ps are focusing on one particular target group of one particular product. Therefore, the target group needs to be identified before the product mix is being implemented. According to Hollensen (2003, p. 723) the basic questions of the marketing mix are: Where buy`s the customer? What products are needed? How can we target the customer and how much is he/she willing to pay?

The marketing mix is also used to position products in the market. Positioning is done by differentiating oneself from competitors. Marketers can set the price of their product underneath or above competitors' prices to position their product to target markets; they can choose to focus on quality or design (or both) of the product.

2.1 Strategy and competitor analysis

The 4Ps are also used for competitor analysis and intelligence to gain competitive advantage, to identify traps from the marketing mix competitors went in, introducing products. "Analysis of the marketing mix adopted by competitors can give useful clues as to the target markets at which they are aiming and the competitive advantage they are seeking to build with those targets." (Hollensen, 2003, p. 185)

2.2 Importance of the marketing mix

The elements of the 4Ps are crucial to an organizations success. If a company sells the right products at the wrong place, which means a place where they do not reach their target group, then they will fail. For instance, when they set the price too high or their target group is not aware of the product and its features. The sub elements of the 4Ps go even further. The price could appear to be right, but credit terms could fail to attract them; e.g. in the automobile industry. Therefore, the marketing mix determines all features of the product and how to market it in relation to its target group. If organizations do not focus on its target group, it will not sell products in the long-run and fail. (Woehe, 2005, 453)

2.3 Extended Marketing Mix

The classical marketing mix has been expanded by 3 Ps (People, Process, Physical evidence). Furthermore the problem based marketing considers 10Ps consisting of: Purpose, Problems, Positioning, Process, Products, Packaging, Promotion, Persuasion, Pricing and Performance (According to: Nesbitt 2006). The 7 or 10Ps, would help market products even better and increase the role of the marketing mix within the organization.

3. The Role of Marketing Research in Marketing

Marketing research is necessary to provide organizations with insights on customer attitudes and buying behavior. According to Kotler and Keller (2009, p. 90) marketing research is defined as the

"…systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company."

In regard to Hollensen (2003, p. 735) market research can be done using primary or secondary data. Primary data is collected by the marketing researcher him-self, generated by original research to answer specific current research questions. Primary data is on the one hand more specific, but one the other hand expensive absorbing time and technology gathering the information. Secondary data is information that has already been collected and the marketing researcher suits this data to the current problem. The main disadvantages of secondary data is that it is too general and most of the time un-actual, but therefore it is cheap. Referring to Kotler and Keller (2009, p. 90) many firms outsourced most of their market research department to specialized market research firms. Furthermore, they state that market research is expensive and that companies should seek other possibilities to carry this task out. They listed three relatively cheap alternatives, consisting of the engagement "in students and professors to design and carry out projects", "using the internet" and "checking out rivals". (Kotler and Keller, 2009, p. 90) The most important functions of marketing research are to identify customers' needs and wants and to check if the new product development could be a success or not. If market research is not carried out appropriately especially at **internationalization** the product is likely to fail, which makes marketing research an essential business task. (following Hollensen, 2003, p. 735)

3.1 How Market Research is applied to identify potential target markets

To identify a potential target market, marketers (could) use the six stages of the marketing research process, which is shown in figure 2. Target markets are defined as:

The part of the qualified available market the company decides to pursue.

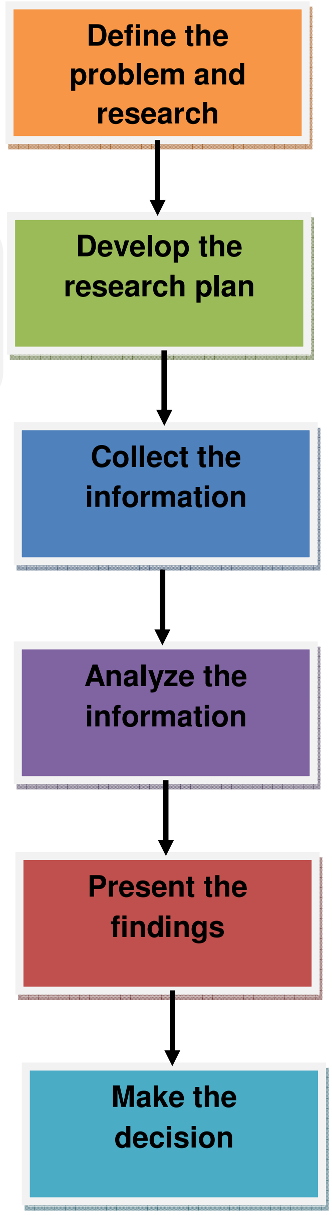

Figure 2: The Marketing Research Process (Kotler and Keller, 2009, p. 91)

The assumption is that the company has enough resources available to introduce another product to its product portfolio. The second assumption, is a sales decrease of one product, which is the apparent problem. The cash cow, regarding to the BCG-matrix, finances the New Product Development (NPD) or the adaption of the product. (following Hollensen, 2003, p. 281) The company needs to reallocate its resources in order to meet the new/changed target market. The research plan needs to be most efficient for gathering the required information, and should address customers and ask for the new/changed need or want, e.g. using questionnaires. The research plan also decides which source of information to use. (following Kotler and Keller, 2009, p. 92) The information used to seek a target market should be both, primary data and actual secondary data. The collected data then needs to be analyzed; therefore different hypothesis must be tested. (following Kotler and Keller, 2009, p. 103) The most relevant issues will be presented in the findings; Was the packaging wrong? What is wrong with the product features? Is there a totally different product required? Therein, it needs to be decided whether an investment is suitable or not. (following Kotler and Keller, 2009, p. 103) If the investment is suitable the product will be adopted, invented, or developed to new taste for the new target market.

4. What role does branding serve in positioning a product in the market place?

Brands (can) have a variety of different features inherent and not all of these features can be related to product positioning. According to Kotler and Keller (2009, p. G1) a brand is defined as:

A Name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or a group of sellers and to differentiate them from those of competitors.

Regarding to Hollensen (2003, p. 333) positioning will be done, after the segmentation process. Positioning is to target the identified customers more sharply and is defined by Hollensen (2003, p. 767) as:

The image that customers have about a product, especially in relation to the product's competitors.

Further, positioning is the development of building in the minds of customers an image, reputation, or perception of products and/or its company relative to competitors. "Positioning (or repositioning) then, is the perceived fit between a particular product and the needs of the market." (Hollensen 2003, p. 333)

Marketers use positioning matrixes to position their products, e.g. product positioning maps or brand position maps. Brand positioning maps show the position where one brand is placed among its competitors. Branding, however, is the process of brand establishment, which is to create the values above. With a positioning map everything can be positioned and therefore branded. Even product names and symbols can be put on a positioning map, e.g. level of pronunciation (dark or light sounding) and the length/size of the word or symbol. Good branding by contrast to positioning will be exercised by intensive advertisements to create additional psychological value to the product or service. (following Hollensen 2003, p. 334) This form of added value to products is called brand equity. Brand equity may also be "…reflected in the way consumers think, feel, and act with respect to the brand, as well as in prices, market share and profitability the brand commands for the firm as well." (Kotler and Keller, 2009, pp. 238-240)

The additional psychological value comes also with its differentiation to other products, which can be seen as a close relationship between branding and positioning. Figure 3 shows a possible product positioning map. The Ipod nano for example would be placed among other mp3-players in the upper left. Apple developed the brand of its Ipod with both, extensive advertisement and product positioning. The crucial point for Apple was to position it`s product far away from its competitors to add additional value to the customer, having the smallest mp3-player; even though the functional basics are one of a similar of any other mp3-player.

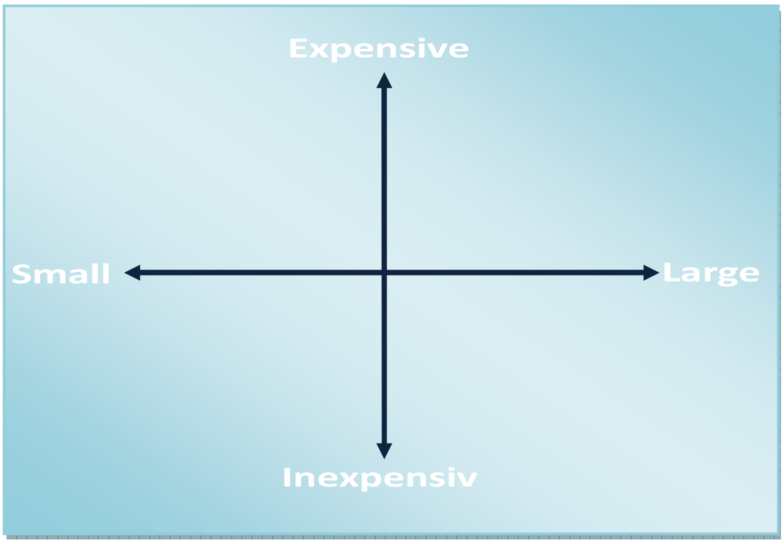

Figure 3: Positioning Map (adapted from Hollensen, 2003, p. 334)

When marketers know the direction of the branding decision it is easier for them to position the product. Building a premium brand helps management make decisions for pricing, and size of the product faster and much more efficient, depending on customer's tastes. Therefore, branding carries a major importance in positioning the products to our target group. On the other-hand, positioning may lead to re-making the branding decision. (Hollensen, 2003, p. 382)

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