

# 1. Introducing marketing

## Learning objectives

As you read the chapter, you should develop an understanding of the following key marketing concepts:

- the important role marketing can play in the success of an organization
- organizations that correctly employ marketing have several common characteristics
- the various kinds of marketing
- the strategic workings of marketing components

## Elvis—alive and well

It is Elvis week in Memphis, Tennessee in the United States and all over town they have banners: "20 years/Still Rocking." Is it just us, or is it weird to wax so upbeat about the twentieth anniversary of a death? You cannot help but feel that the world's got the Elvis Presley it wanted: a changeless, ageless object of contemplation and veneration. Elvis Week culminates in an event called *Elvis-The Concert 2000* in which the man himself, resurrected by video technology, will sing with his living ex-band mates and the Memphis Symphony Orchestra. Who would not secretly prefer this fail-safe digitized spectacle to a weary 62-year-old grinding out "If I Can Dream" one more time?

Twenty years ago, no one close to Elvis could have imagined that his fans would spend over USD 250 million annually on Elvis dolls, plates, key chains, towels, and wigs—to name just a few items. Two years after Elvis's death, his estate was worth less on paper than it owed in taxes. Then, in 1979, Priscilla Presley, Elvis's ex-wife, was named an executor of the estate for her daughter. The family's crown jewels—Elvis's recordings—had been sold off years earlier and Priscilla had just one chance to save the legacy. She gambled that Elvis's name, image, and likeness were worth something. She turned his home into a roadside attraction to finance a legal war, fighting for control of all that was Elvis.

Priscilla concluded that there was only one way to save Graceland: sell tickets to the hundreds of gawkers who daily pressed their faces against Elvis's gates. Meanwhile, why not sell some gewgaws to the fans that were already buying cheesy trinkets at the strip mall across the street? Buoyed by an initial investment of USD 560,000, Graceland's doors were opened to the public in 1982. It took 38 days to recoup their investment; 350,000 visitors walked through the house the first year. "I felt I was betraying Elvis", says Priscilla, recalling her decision to enter the amusement business. "Graceland was his pride and joy. But it came down to the reality that I had to open it up for my daughter's future."

Today 750,000 people visit Graceland each year—52 per cent of them under 35, which suggests this is a business with a future. The mansion has upgraded its public facilities many times over the years, but there still are no vending machines on the grounds and the lawns have never been turned into a parking lot. The original 24 acres (97,125 meters) have been expanded into an 80-acre (323,749-meter) compound and Priscilla intends to add a hotel to the complex. There are also plans for a casino in Las Vegas—perhaps with an Elvis wedding chapel and an

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international chain of Hard Rock Cafe-style restaurants called Elvis Presley's Memphis. Finally, a staff of 10 lawyers is employed full-time by Elvis Presley Enterprises simply to protect Elvis's image from interlopers<sup>1</sup>.



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### Introduction

The success of Elvis Presley Enterprises was a result of the insights and courage of Priscilla Presley. Despite her lack of formal training in marketing, she exhibited a creative approach toward doing business that will become more and more necessary as the twenty-first century continues. Innovative thinking has become a prerequisite for success in today's global environment, which is saturated with near clone products being sold by millions of comparable competitors. The status quo will no longer suffice. The need for constant change paired with clear strategies is now essential.

Marketing constitutes just one of the functions available to every business. Along with research, production, finance, accounting, and a myriad of other functions, marketing contributes to the ability of a business to succeed. In many businesses, marketing may be deemed of highest importance; in others, it may be relegated to a lesser role. The very existence of business depends upon successful products and services, which in turn rely on successful marketing. For this reason, every business person will benefit from even basic marketing knowledge. Moreover, marketing principles have been effectively applied to several nonbusiness institutions for more than 30 years. Bankers, physicians, accounting firms, investment analysts, politicians, churches, architectural firms, universities, and the United Way have all come to appreciate the benefits of marketing.

<sup>1</sup> Sources: Corie Brown, "Look Who's Taking Care of Business," *Newsweek*, August 18, 1997, p. 62. Karen Schoemer, "Burning Love," *Newsweek*, August 18, 1997, pp. 58–61. G. Brown, "More Early Elvis Unearthed," *The Denver Post*, August 15, 1997, p. 9F. Greg Hassell, "King of Trees Rises From Graceland," *Houston Chronicle*, Dec. 8, 1999, p. 11. Duncan Hughes, "Elvis is Back From the Dead Financially," *Sunday Business*, August 15, 1999, p. 23.

A word of warning: there is a long-standing myth that marketing is easy. After going through this book you may conclude that marketing is interesting, fun, challenging—even vague—but it is not easy. Whether you like numbers or hate numbers, like people or hate people, like doing the same thing every day or like constant change there are opportunities for you in marketing.

## **Marketing: definition and justification**

### **Defining marketing**

Noted Harvard Professor of Business, Theodore Levitt, states that the purpose of all business is to "find and keep customers". Furthermore, the only way you can achieve this objective is to create a competitive advantage. That is, you must convince buyers (potential customers) that what you have to offer them comes closest to meeting their particular need or want at that point in time. Hopefully, you will be able to provide this advantage consistently, so that eventually the customer will no longer consider other alternatives and will purchase your product out of habit. This loyal behavior is exhibited by people in the US who drive only Fords, brush their teeth only with Crest, buy only Dell computers, and have their plumbing fixed only by "Samson Plumbing—On Call 24 hours, 7 days a week". Creating this blind commitment, without consideration of alternatives, to a particular brand, store, person, or idea is the dream of all businesses. It is unlikely to occur, however, without the support of an effective marketing program. In fact, the specific role of marketing is *to provide assistance in identifying, satisfying, and retaining customers.*

While the general tasks of marketing are somewhat straightforward, attaching an acceptable definition to the concept has been difficult. A textbook writer once noted, "Marketing is not easy to define. No one has yet been able to formulate a clear, concise definition that finds universal acceptance". Yet a definition of some sort is necessary if we are to layout the boundaries of what is properly to be considered "marketing". How do marketing activities differ from non-marketing activities? What activities should one refer to as marketing activities? What institutions should one refer to as marketing institutions?

Marketing is advertising to advertising agencies, events to event marketers, knocking on doors to salespeople, direct mail to direct mailers. In other words, to a person with a hammer, everything looks like a nail. In reality, marketing is a way of thinking about business, rather than a bundle of techniques. It is much more than just selling stuff and collecting money. It is the connection between people and products, customers and companies. Like organic tissue, this kind of connection or relationship is always growing or dying. It can never be in a steady state. Like tissue paper, this kind of connection is fragile. Customer relationships, even long-standing ones, are contingent on the last thing that happened.

Tracing the evolution of the various definitions of marketing proposed during the last 30 years reveals two trends: (1) expansion of the application of marketing to non-profit and non-business institutions; e.g. charities, education, or health care; and (2) expansion of the responsibilities of marketing beyond the personal survival of the individual firm, to include the betterment of society as a whole. These two factors are reflected in the official American Marketing Association definition published in 1988.

*"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 (customer) and organizational objectives."*

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While this definition can help us better comprehend the parameters of marketing, it does not provide a full picture. Definitions of marketing cannot flesh out specific transactions and other relationships among these elements. The following propositions are offered to supplement this definition and better position marketing within the firm:

The overall directive for any organization is the mission statement or some equivalent statement of organizational goals. It reflects the inherent business philosophy of the organization.

- Every organization has a set of functional areas (e.g. accounting, production, finance, data processing, marketing) in which tasks that are necessary for the success of the organization are performed. These functional areas must be managed if they are to achieve maximum performance.
- Every functional area is guided by a philosophy (derived from the mission statement or company goals) that governs its approach toward its ultimate set of tasks.
- Marketing differs from the other functional areas in that its primary concern is with exchanges that take place in markets, outside the organization (called a *transaction*).
- Marketing is most successful when the philosophy, tasks, and manner of implementing available technology are coordinated and complementary.

Perhaps an example will clarify these propositions: L.L. Bean is an extremely successful mail order company. The organization bases much of its success on its longstanding and straightforward mission statement: "Customer Satisfaction: An L.L. Bean Tradition" (Proposition 1). The philosophy permeates every level of the organization and is reflected in high quality products, fair pricing, convenience, a 100 per cent satisfaction policy and, above all, dedication to customer service (Proposition 2). This philosophy has necessitated a very high standard of production, efficient billing systems, extensive and responsive communication networks, computerization, innovative cost controls, and so forth. Moreover, it has meant that all of these functional areas have to be in constant communication, must be totally coordinated, and must exhibit a level of harmony and mutual respect that creates a positive environment in order to reach shared goals (Proposition 3). The L.L. Bean marketing philosophy is in close harmony with its mission statement. Everything the marketing department does must reinforce and make real the abstract concept of "consumer satisfaction" (Proposition 4). The price-product-quality relationship must be fair. The product must advertise in media that reflects this high quality. Consequently, L.L. Bean advertises through its direct-mail catalogue and through print ads in prestigious magazines (e.g. *National Geographic*). It also has one of the most highly regarded websites (AD 1). Product selection and design are based upon extensive research indicating the preferences of their customers. Since product delivery and possible product return is critical, marketing must be absolutely sure that both these tasks are performed in accordance with customers' wishes (Proposition 5). While one might argue that the marketing function must be the most important function at L.L. Bean, this is not the case. L.L. Bean is just as likely to lose a customer because of incorrect billing (an accounting function) or a flawed hunting boot (a product function) as it is from a misleading ad (a marketing function).



AD 1: The website for L.L. Bean represents the newest form of marketing communication.

Admittedly, marketing is often a critical part of a firm's success. Nevertheless, the importance of marketing must be kept in perspective. For many large manufacturers such as Proctor & Gamble, Microsoft, Toyota, and Sanyo, marketing represents a major expenditure, and these businesses depend on the effectiveness of their marketing effort. Conversely, for regulated industries (such as utilities, social services, or medical care or small businesses providing a one-of-a-kind product) marketing may be little more than a few informative brochures. There are literally thousands of examples of businesses—many quite small that have neither the resources nor the inclination to support an elaborate marketing organization and strategy. These businesses rely less on research than on common sense. In all these cases, the marketing program is worth the costs only if it fits the organization and facilitates its ability to reach its goals.

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### Newsline: Picture your mission

Artist Linda Armantrout, owner of Armantrout Graphic Design and Illustration, works with businesses to help them picture their goals literally—through a "pictorial mission statement".

As opposed to the typical written mission statement that is handed down to employees from management, Armantrout creates a bright watercolor picture of the statement, after receiving input from both employees and managers. The final result is usually a collage of sorts that depicts what is important to the staff and the business—such as clients, products, services, and ethics.

The mission statement picture that Armantrout designs is framed and hung at the company to remind employees of their goals. The pictorial statements also can be put on coffee mugs, jackets, and desktop posters, or turned into screen savers.

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One of Armantrout's clients, BancOne Leasing Corporation, came up with a colorful image of a globe surrounded by images representing its clients and services. Drawings of airplanes and buses represent what the company leases and the globe represents its national presence. <sup>2</sup>

### Justification for study

This task of determining the appropriateness of marketing for a particular business or institution serves as a major justification for learning about marketing. Although marketing has clearly come of age during the decades of the 1970s, 1980s, and 1990s, there is still a great deal of misunderstanding about the meaning and usefulness of marketing. For most of the global public, marketing is still equated with advertising and personal selling. While marketing is both of those, it is also much more.

The business community can attribute a partial explanation for this general lack of understanding about marketing to the uneven acceptance and adoption of marketing. Some businesses still exist in the dark ages when marketing was defined as "the sales department will sell whatever the plant produces". Others have advanced a bit further, in that they have a marketing officer and engage in market research, product development, promotion and have a long list of marketing activities. More and more businesses firmly believe that the aim of marketing is to make selling superfluous, meaning that the marketer knows and understands the customer so well that the product or service is already what is wanted and sells itself. This does not mean that marketers ignore the engineering and production of the product or the importance of profits. It does suggest, however, that attention to customers—who they are and who they are going to be—is seen to be in the best long-term interest of the company. As a student interested in business, it is beneficial for you to have an accurate and complete comprehension of the role marketing can and should play in today's business world.

There are also several secondary reasons to study marketing. One we have already alluded to in our discussion on definitions: The application of marketing to more nonprofit and nonbusiness institutions is growing. Churches, museums, the United Way, the US Armed Forces, politicians, and others are hiring individuals with marketing expertise. This has opened up thousands of new job opportunities for those with a working knowledge of marketing.

Even if you are not getting a degree in marketing, knowing about marketing will pay off in a variety of careers. Consider the following individuals:

- Paul Moore, an engineer specializing in earth moving equipment, constantly works with product development and sales personnel in order to create superior products.
- Christy Wood, a certified public accountant (CPA), is a top tax specialist who spends much of her time maintaining customer relationships, and at least three days a month seeking new customers.
- Steve Jacobson, a systems analyst and expert programmer, understands that his skills must be used to find the right combination of hardware and software for every one of his customers.
- Doris Kelly, a personnel manager, must be skilled at finding, hiring, and training individuals to facilitate her organization's marketing efforts.

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<sup>2</sup> Sources: Katie Ford. "Picture Your Goals In Color," *The Denver Business Journal*, March 17–18, 1999, pp. 33A, 35A. Shirleen Holt, "Mission Possible," *Business Week*, August 16, 1999, p. F–12. Teri Lammers, "The Effective and Indispensable Mission Statement," *Inc.*, August. 1999, p. 75.

- Craig Roberts, an ex-Microsoft engineer, has recently started a dot-com company and is in the process of raising capital.

There are two final factors that justify the study of marketing for nearly every citizen. First of all, we are all consumers and active participants in the marketing network. Understanding the rudiments of marketing will make us better consumers, which in turn will force businesses to do their jobs better. Second, marketing has an impact on society as a whole. Concepts such as trade deficit, embargo, devaluation of a foreign currency, price fixing, deceptive advertising, and product safety take on a whole new meaning when we view them in a marketing context. This knowledge should make you a more enlightened citizen who understands what such social and political issues mean to you and to our society.

Marketing capsules (like the one below) summarize the information throughout this text.

### Characteristics of a marketing organization

As noted earlier, the application of marketing in a particular organization varies tremendously, ranging from common-sense marketing to marketing departments with thousands of staff members and multimillion-dollar budgets. Yet both may have a great deal in common in respect to how they view the activity called marketing. We refer to these common characteristics as the *Cs of Marketing*. They are your clues that a business understands marketing.

#### Capsule 1: Review

1. The purpose of marketing is to help find and keep customers by creating a competitive advantage.
2. Marketing, one of several functions operating in an organization, is directed by the mission statement of the organization and provides certain tools to reach objectives.
3. The value of marketing must be kept in perspective: it must contribute to the growth of the firm.
4. The primary reasons for studying marketing are:
  - a. It is important to assess the role marketing should play in the firm.
  - b. Marketing offers growing career opportunities.
  - c. Marketing enhances our chances of becoming more effective consumers and citizens.

### Consumer content

What makes the existence of any organization possible is that there are a significant number of people who need the product or service offered by that organization. As soon as that group becomes too small, or the need no longer exists, or some other organization can satisfy that need better, the organization will be eliminated. That is the way of a free economy. Thus, a politician does not get re-elected, an inner-city church closes its doors, the money needed to cure AIDS is not allocated, and the Colorado's Vail Ski Resort in the US files for bankruptcy.

In the case of business organizations, and marketing organizations in particular, the people with the needs are called *consumers* or *customers*. In marketing, the act of obtaining a desired object from someone by offering something of value in return is called the exchange process. Moreover, the exchange between the person with the need (who gives money or some other personal resource) and the organization selling this need-satisfying thing (a product, service, or idea) is inherently economic, and is called a *transaction*. There tends to be some negotiation between the parties. Individuals on both sides attempt to maximize rewards and minimize costs in their transactions so as to obtain the most profitable outcomes. Ideally, all parties achieve a satisfactory level of reward.

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In each transaction, there is an underlying philosophy in respect to how the parties perceive the exchange. Sometimes deception and lying permeate the exchange. Other exchanges may be characterized as equitable, where each party receives about the same as the other—the customer's need is satisfied and the business makes a reasonable profit. With the emergence of the Internet and e-commerce during the 1990s, the nature of the exchange for many businesses and customers has changed dramatically. Today's consumers have access to far more and far better information. They also have many more choices. Businesses must provide a similar level of information and must deal with new competitors that are quicker, smarter, and open 24 hours a day.

An organization that employs marketing correctly knows that keeping customers informed is easier if they keep in constant contact with the customer. This does not necessarily mean that they write and call regularly, although it could. Rather, it more likely means that a marketing organization knows a great deal about the characteristics, values, interests, and behaviors of its customers, and monitors how these factors change over time. Although the process is not an exact science, there is sufficient evidence that marketers who do this well tend to succeed.

When this attempt to know as much about the consumer as possible is coupled with a decision to base all marketing on this information, it is said that the organization is *consumer-oriented* or has adopted the *marketing concept*. It means working back from the customers' needs, rather than forward from the factory's capabilities.

Both historically and currently, many businesses do not follow the marketing concept. Companies such as Texas Instruments and Otis Elevator followed what has been labeled a *production orientation*, where the focus is on technology, innovation, and low production costs. Such companies assume that a technically superior or less expensive product sells itself. There are also companies, such as Amway, where sales and marketing are essentially the same thing. This *sales orientation* assumes that a good salesperson has the capability to sell anything. Often, this focus on the selling process may ignore the consumer or view the consumer as someone to be manipulated. Insightful businesses acknowledge the importance of production and sales, but realize that a three-step process is most effective: (1) continuously collect information about customers' needs and competitors' capabilities; (2) share the information across departments; and (3) use the information to create a competitive advantage by increasing value for customers. This is true marketing.

### *Company capabilities*

All marketing organizations try to objectively compare their existing capabilities with their ability to meet the consumer's needs now and in the future. Moreover, when deficiencies are found, a good marketing organization must be willing to make changes as quickly as possible. When Toyota realized that their products were not connecting with consumers aged 35 and younger, it decided to take direct action. In 1999, it gathered eight people in their 20s and 30s from around the company into a new, ethnically diverse marketing group called "genesis". Their first assignment was to launch three cars meant to pull in younger buyers: the entry-level ECHO subcompact, a sporty new two-door Celica, and the MR2 Spyder, a racy convertible roadster.

Although assessing company capabilities often begins in the marketing area, all the business functions must be assessed. Do we have the technical know-how to produce a competitive product? Do we have the plant capacity? Do we have the necessary capital? Do we have good top management? A "no" to any of these questions may stymie the marketing effort. Conversely, a strong advantage in cost control or dynamic leadership may provide the company with a competitive marketing advantage that has little to do with marketing, but everything to do with the business succeeding.



## Communication

Few doubt that the secret of success in any relationship is communication. This is especially true in a marketing relationship, where the attitude of both parties is frequently skeptical, the nature of the contact is hardly intimate, and the message delivery system tends to be impersonal and imprecise. It is because of these factors that communication plays such an important role in a marketing organization.

Marketers know that consumers are constantly picking up cues put out by the organization, or about the organization, that they use to form attitudes and beliefs about the organization. Many of these message-laden cues are controlled by the organization, including factors such as product design, product quality, price, packaging, outlet selection, advertising, and the availability of coupons. In this case, marketers follow basic communication principles that are discussed throughout this book. Most notably, there is a constant attempt to make sure that all of these elements deliver a consistent message, and that this message is understood and interpreted in the same way by the various consumers.

On the other hand, there are many message-laden cues that are not under the control of the marketer, yet may be more powerful in the minds of consumers, and that must be anticipated and dealt with by the marketers. A recent report that United Airlines had the worst customer satisfaction scores created a downturn in both United's stock and customer reservations. Although there are many sources delivering such information, the three most prominent are employees, competitors, and the media.

Employees, from the president on down, are all considered representatives of the organization for which they work. Consumers often assume that the behavior, language, or dress of an employee is an accurate reflection of the entire organization. Making employees—and possibly even former employees—positive ambassadors of the organization has become so important that a new term has emerged—*internal marketing*.

Competitors say a great deal about one another, some truths, some boldface lies. A marketing organization must be cognizant of this possibility and be prepared to respond. The automobile industry has used *comparison messaging* for over thirty years. Coke and Pepsi have been attacking and counter-attacking for about the same length of time. Negative political messages appear to be very effective, even though few politicians admit to the strategy.

Finally, the media (editors and reporters working for newspapers, TV and radio stations, and magazines) looms as one of the greatest communication hurdles faced by marketers. In a large marketing organization, the responsibility of communicating with the media is assigned to a public relations staff. Public relations people write press release stories about their organization that they hope the media will use. If the press releases are not used, the marketer attempts to ensure that whatever the media says about the organization is accurate and as complementary as possible. For smaller companies, dealing with the media becomes everyone's responsibility. Many businesses now face a new media, the Internet: chat rooms, websites, and propaganda campaigns intended to destroy a business have become commonplace. Companies that are willing to focus on communication as a means of doing business engage in relationship marketing—a type of marketing that builds long-standing positive relationships with customers and other important stakeholder groups. Relationship marketing identifies "high value" customers and prospects and bonds them to the brand through personal attention.

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### *Competition*

We have already mentioned the importance that competition plays in a marketing organization. At a minimum, marketing companies must thoroughly understand their competitors' strengths and weaknesses. This means more than making sweeping generalizations about the competitors. It means basing intelligent marketing decisions on facts about how competitors operate and determining how best to respond. Often the identification of competitors is fairly straightforward. It is the supermarket on the next block, or the three other companies that manufacture replacement windshields. There are instances, however, when the identification of a competitor is not clear. Marketing expert Theodore Levitt coined the term "marketing myopia" several years ago to describe companies that mis-identify their competition.<sup>3</sup> Levitt argued, for example, that the mistake made by the passenger train industry was to restrict their competition to other railroads instead of all mass transit transportation alternatives, including automobiles, airlines, and buses. Today we see the same mistake being made by companies in the entertainment industry (movie theaters, restaurants, and resorts), who assume that their only competition is like-titled organizations.

Since practically no marketer operates as a monopoly, most of the strategy issues considered by a marketer relate to competition. Visualize a marketing strategy as a huge chess game where one player is constantly making his or her moves contingent on what the other player does. Some US partners, like Coke and Pepsi, McDonald's and Burger King, and Ford and General Motors, have been playing the game so long that a stalemate is often the result. In fact, the relative market share owned by Coke and Pepsi has not changed by more than a percentage or two despite the billions of dollars spent by each on marketing.

The desire of companies to accurately gauge competitors has led to the growing popularity of a separate discipline—*competitive intelligence*. This field involves gathering as much information about competitors through any means possible, usually short of breaking the law. More is said about this process in the integrated marketing box that follows.

### *Cross-functional contact*

One of the first mistakes an organization might make is to allow the various functional areas to become proprietary. Whenever a marketing department considers itself most important to the success of the organization and self-sufficient without need for accounting, manufacturing, or human resources, it ceases to be a reliable marketing group. True marketers know that they cannot be any better than their weakest link. Lack of understanding and trust between marketing and manufacturing, for instance, could mean that a product sold by marketing is not delivered when promised or with the right features. Marketers should consider their peers in engineering, who might not be able to produce an ambitious product requested by marketing at the cost desired. Likewise, human resources might not be able to locate the individual "with ten years of experience in package goods marketing" requested by the marketing manager.

The point is that marketing is far more likely to be successful if its staff relate intelligently and honestly with members of the other functional areas. In some organizations, the walls of parochialism have been standing so long that tearing them down is almost impossible. Nevertheless, creating inter-departmental connections is critical.

With downsizing and other cost-cutting activities prevalent during the 1990s, the need for inter-related and harmonious business functions has become even more important. In the field of marketing, the term *integrated marketing* has been coined, suggesting that individuals working in traditional marketing departments are no longer

specialists, but must become knowledgeable about all the elements of the business that currently or potentially have an impact on the success of marketing. At the corporate level, all managers should share a corporate vision, and there should be an organizational structure that makes it possible for departments or divisions to share information and participate in joint planning.

This approach represents the direction in which many companies are moving, including US giants like Kraft and Disney. To be truly integrated, though, every decision at each level of the business should support decisions made at all the other levels. To illustrate, let us say that the corporate goal is to maximize profit. A marketing plan objective to increase sales by marketing new products matches the goal.

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## Integrated marketing

### **Spying to stay competitive**

Most corporate detectives avoid terms like spying and espionage, preferring the more dignified label "competitive intelligence", but whatever they call it, snooping on business rivals has become an entrenched sub-industry.

Nearly every large US company has an intelligence office of some kind. Some, like Motorola, Inc., have units sprinkled in almost all of their outposts around the world. Their assignment is to monitor rivals, sniff out mergers or new technologies that might affect the bottom line, even to keep tabs on morale at client companies. A veteran of the Central Intelligence Agency formed Motorola's intelligence unit, viewed as a model in the business, in 1982.

Corporate intelligence relies on a slew of tools—some sophisticated, many quite basic. On the simpler end of the spectrum, business sleuths do everything from prowling trade show floors to combing through rivals' web sites and patent office filings. They keep their ears open in airports and aboard flights. Sometimes they go further. They take photographs of competitive factories, and, increasingly, they rely on new data-mining software that permits them to scan the Internet at high speeds for snippets about their rivals. <sup>3</sup>

### *Community contact*

Most marketers are curious; they enjoy observing and noting what's happening in their community. Although the word "community" usually denotes a city, town, or neighborhood, we use the word here in a much broader sense. "Community" refers to the environment in which the marketer operates. For Esther and Jim Williams, who operate an A&W drive-in in Mattoon, Illinois in the US, community is quite small. For Verizon Communication, community encompasses practically the entire world, extending even to outer space.

Regardless of the scope of the marketer's community, maintaining contact with it is essential. Contact could mean reading the local newspaper and listening to the local gossip. Or it could mean subscribing to information releases of several marketing research firms that monitor world events 24 hours a day, every day. Either might do the job, although the differences in financial costs would be great. In the chapter "Marketing research: an aid to

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3 Sources: Neil King, Jr. and Jess Bravin, "Call It Mission Impossible Inc.—Corporate Spying Firms Thrive," *The Wall Street Journal*, Monday, July 3, 2000, pp. B1, B4; Norm Brodsky, "The First Step," *Inc.*, August, 2000, pp. 37–38; "Spy Practice," *Sunday Times (London)*, July 23, 2000, p. 89; "Competitive Intelligence is Not Corporate Espionage," *Financial News*, June 30, 2000, p. A6.

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decision making” we discuss some of the more important trends in the world community. Esther and Jim would find this discussion interesting, but not very useful.

Ultimately, to be considered a responsible citizen in the environments in which a company operates, marketers have the ongoing task of engaging in only pro-societal activities and conducting business in an ethical manner. There are many marketing companies that donate millions of dollars or land to communities, clean lakes and rivers, revamp deteriorating neighborhoods, give free products to the needy, manage recycling activities, and so forth. There is no doubt that the need for marketing to continue such activities will increase.

### **The role of marketing in the firm: a basis for classification**

Marketing is an individualized and highly creative process. Despite the availability of high-powered computers and sophisticated software capable of analyzing massive amounts of data, marketing is still more of an art rather than a science. Each business must customize its marketing efforts in response to its environment and the exchange process. Consequently, no two marketing strategies are exactly the same.

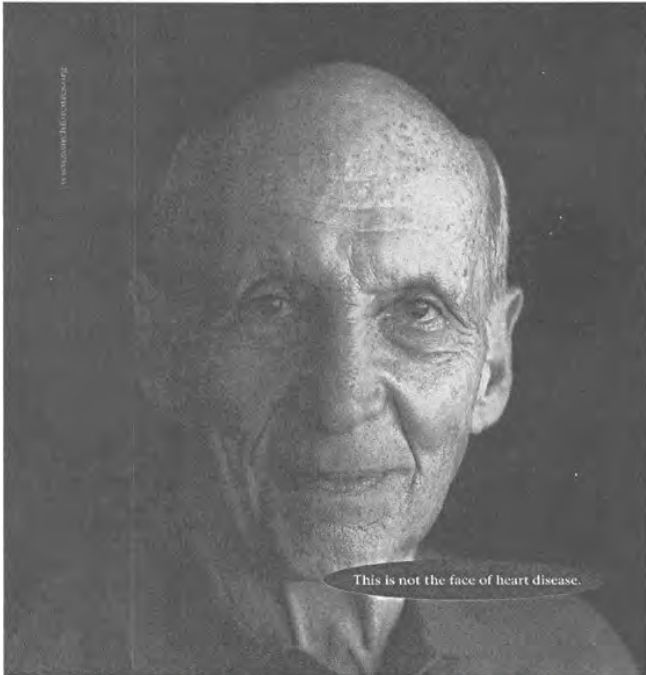
This requirement of marketing to play slightly different roles, depending upon some set of situational criteria, has in turn provided us with a division of marketing into a number of different categories. This is not to imply, however, that there are not general marketing principles that work in most businesses—there are. There is a right and wrong way to design a package. There are certain advertising strategies that tend to work more often than others. Rather, we are saying that because of certain factors, a business's approach toward marketing and the ensuing strategy will require some modification from the basic plan.

Shown in Table 1 are the most common types of marketing categories. Since these various types of marketing will be discussed throughout this text, a brief introduction is provided at this point.

### ***Macromarketing versus micromarketing***

The division of marketing into macromarketing and micromarketing is a fairly recent one. Initially, the division was a result of the controversy concerning the responsibility of marketing. Should marketing be limited to the success of the individual firm, or should marketing consider the economic welfare of a whole society? Accepting the later, or "macro", point of view dramatically changes the way marketing is carried out. In this light, every marketing decision must be evaluated with regard to how it might positively or negatively affect each person and institution operating in that society. In 1982, Bunt and Burnett surveyed the academic community in order to define more precisely the distinction between macro- and micromarketing.<sup>4</sup> Their findings suggest that the separation depends upon "what is being studied", "whether it is being viewed from the perspective of society or the firm", and "who receives the consequences of the activity". Examples of macromarketing activities are studying the marketing systems of different nations, the consequences on society of certain marketing actions, and the impact of certain technologies on the marketing transaction.

The use of scanners in supermarkets and automatic teller machines in banking illustrates the last example. Micromarketing examples include determining how Nikon Steel should segment its market, recommending how Denver Colorado's National Jewish Hospital in the US should price their products, and evaluating the success of the US "Just Say No" anti-drug campaign.



It's the face of Charles Dublin—choir singer, moviegoer, and retired TV director. Four years ago, Charles had "a funny feeling in his chest". When Charles heard the words "heart disease" from his doctor, he feared losing his independence and his ability to enjoy life fully. But, thanks to effective medicines, today he's enjoying an active retirement. And, with his new healthier lifestyle, Charles is also doing his part to keep his heart in shape. Heart disease is the leading cause of death among Americans. But in the last 30 years, modern

medicines have helped reduce the number of deaths by half. New medicines are also helping to keep more patients out of the hospital by controlling high-risk conditions that lead to heart disease, such as high blood pressure and high cholesterol. Pharmaceutical company researchers are working hard to discover breakthroughs that will help make many illnesses and diseases a thing of the past and bring more patient new hope for a better tomorrow. So, more people like Charles can get on with living and go on with the show.

**America's Pharmaceutical Companies**  
Leading the way in search for cures

AD 2: The pharmaceutical industry tries to maintain contact with consumers.

### *Service marketing versus goods marketing*

The distinction between services and goods products is not always clear-cut. In general, service products tend to be intangible, are often consumed as they are produced, are difficult to standardize because they require human labor, and may require the customer to participate in the creation of the service product.

Goods products tend to be just the opposite in terms of these criteria. Consequently, marketers of service products usually employ a marketing strategy quite different from that of goods marketers. For example, a local family physician creates tangibility by providing an environment: waiting room examination rooms, diplomas on the walls, that convinces patients that they are receiving good health care. Conversely, coffee producers create intangibility in order to appear different from competitors. This is done through colorful packaging and advertisements showing people who are successful because they start each day with a cup or two or ten of Starbucks coffee.

1. Introducing marketing



AD 3: Hot dogs are goods products and, as such, are marketed differently.

Table 1: Kinds of marketing

Classification	Example	Factors
Macromarketing	The devaluation of the yen	Emphasis of study
Micromarketing	A pricing strategy for Wal-Mart	Perspective, receiver of consequences
Goods Marketing	Nabisco International	Tangibility, standardization, storage, production, involvement
Service marketing	Chase Manhattan Bank	
For-profit marketing	Otis Elevator	Concerns for profits
Nonprofit marketing	New York Museum of Art	Tax status

Mass marketing	Sony	Nature of contact information, process for purchasing and delivery
Direct marketing	Time Magazine	
Internet marketing	<a href="http://trip.com">trip.com</a>	
Local marketing	Imperial Garden Restaurant	Proximity of customers, geographic area, extent of distribution, network, marketing, variation commitment to country
Regional marketing	Olympia Brewery	
National marketing	American Red Cross	
International marketing	Ford Motor Company	
Global marketing	Qwest	
Consumer goods marketing	Kraft Foods	Nature of consumer
Business-to-business marketing	IBM	Product function

### *For-profit marketing versus nonprofit marketing*

As the terms connote, the difference between for-profit and nonprofit marketing is in their primary objective. For-profit marketers measure success in terms of profitability and their ability to pay dividends or pay back loans. Continued existence is contingent upon level of profits.

Nonprofit institutions exist to benefit a society, regardless of whether profits are achieved. Because of the implicit objectives assigned to non-profits, they are subject to an entirely different additional set of laws, notably tax laws. While they are allowed to generate profits, they must use these monies in specific way in order to maintain their non-profit status. There are several other factors that require adjustments to be made in the marketing strategies for nonprofits.

### *Mass marketing, direct marketing, and Internet marketing*

Mass marketing is distinguished from direct marketing in terms of the distance between the manufacturer and the ultimate user of the product. Mass marketing is characterized as having wide separation and indirect communication. A mass marketer, such as Nike, has very little direct contact with its customers and must distribute its product through various retail outlets alongside its competitors. Communication is impersonal, as evidenced by its national television and print advertising campaigns, couponing, and point-of-purchase displays. The success of mass marketing is contingent on the probability that within the huge audience exposed to the marketing strategy there exist sufficient potential customers interested in the product to make the strategy worthwhile.

## 1. Introducing marketing

Direct marketing establishes a somewhat personal relationship with the customer by first allowing the customer to purchase the product directly from the manufacturer and then communicating with the customer on a first-name basis. This type of marketing is experiencing tremendous growth. Apparently, marketers have tired of the waste associated with mass marketing and customers want more personal attention. Also, modern mechanisms for collecting and processing accurate mailing lists have greatly increased the effectiveness of direct marketing. Catalogue companies (Spiegel, J.C. Penney), telecommunications companies (Sprint), and direct mail companies (Publishers Clearing House) are example of direct marketers. A modified type of direct marketing is represented by companies that allow ordering of product by calling a toll-free number or mailing in an order card as part of an advertisement.

Although, officially, Internet marketing is a type of direct marketing, it has evolved so quickly and demanded the attention of so many companies that a separate section here is warranted. Essentially, Internet technology (which changes by the moment) has created a new way of doing business. In the Internet age, the way consumers evaluate and follow through on their purchase decisions has changed significantly. "Call now!" is no longer an effective pitch. Consumers have control over how, when, and where they shop on the Internet. The Internet has all but eliminated the urgency of satisfying the need when the opportunity is presented. Internet marketing will be discussed in detail in a later chapter.



AD 4: An example of Internet marketing.

### *Local, regional, national, international, and global marketers*

As one would expect, the size and location of a company's market varies greatly. Local marketers are concerned with customers that tend to be clustered tightly around the marketer. The marketer is able to learn a great deal about the customer and make necessary changes quickly. Naturally, the total potential market is limited. There is also the possibility that a new competitor or environmental factor will put a local marketer out of business.



Regional marketers cover a larger geographic area that may necessitate multiple production plants and a more complex distribution network. While regional marketers tend to serve adjoining cities, parts of states, or entire states, dramatic differences in demand may still exist, requiring extensive adjustments in marketing strategy.

National marketers distribute their product throughout a country. This may involve multiple manufacturing plants, a distribution system including warehouses and privately owned delivery vehicles, and different versions of the marketing "mix" or overall strategy. This type of marketing offers tremendous profit potential, but also exposes the marketer to new, aggressive competitors.

International marketers operate in more than one country. As will become clear later in this book, massive adjustments are normally made in the marketing mix in various countries. Legal and cultural differences alone can greatly affect a strategy's outcome. As the US market becomes more and more saturated with US-made products, the continued expansion into foreign markets appears inevitable.

Global marketing differs from international marketing in some very definite ways. Whereas international marketing means a company sells its goods or services in another country, it does not necessarily mean that the company has made any further commitments. Usually the product is still manufactured in the home country, sold by their people, and the profits are taken back to that country. In the case of Honda Motors, for example, it means building manufacturing plants in the US, hiring local employees, using local distribution systems and advertising agencies, and reinvesting a large percentage of the profits back into the US

### *Consumer goods marketing and business-to-business (industrial) marketing*

Consumer goods marketers sell to individuals who consume the finished product. Business-to-business marketers sell to other businesses or institutions that consume the product in turn as part of operating the business, or use the product in the assembly of the final product they sell to consumers. Business-to-business marketers engage in more personal selling rather than mass advertising and are willing to make extensive adjustments in factors such as the selling price, product features, terms of delivery, and so forth.

For the consumer goods marketer, the various marketing components are relatively fixed. In addition, consumer goods marketers might employ emotional appeals and are faced with the constant battle of getting their product into retail outlets.

### *Strategic components of marketing*

A necessary and useful starting point for the study of marketing is consideration of the management process. The management of marketing serves as the framework for the process of marketing. Marketing management also serves as a central link between marketing and the societal level and everyday consumption by the general public. Although there are many variations of the marketing process, the one shown in Exhibit 1 will be employed in this book. Our process begins with corporate-level considerations, which dictate the direction the entire organization will take. The three corporate-level considerations listed here (mission, objectives, and strategy) are more precisely basic management topics, but are addressed in passing in the following sections.

### *Functional-level considerations*

If a marketing firm is to adopt the customer-centered orientation discussed earlier, it must also extend this philosophy to the other functions/institutions with which it must interact. These functions, and the institutions that perform the functions can be categorized as non-marketing institutions and marketing institutions.

## 1. Introducing marketing

*Nonmarketing institutions* can exist within the organization or outside the organization. The former include accounting, financial planning, human resources, engineering, manufacturing, research and development, and so on. Marketing must be familiar with the capabilities of each of these functions and plan accordingly. Establishing and maintaining rapport with leaders in these other functional areas is a challenge for every marketer. Non-marketing institutions outside the firm facilitated the marketing process by providing expertise in areas not directly related to marketing. Examples include financial institutions that lend marketers necessary funds; regulatory institutions that pass laws to allow marketers to perform an activity; and the press, which tells the public about the activities of the marketer.

### *The marketing plan*

To a great extent, the same sequence of activities performed at the corporate level is repeated at the marketing level. The primary difference is that the marketing plan is directly influenced by the corporate plan as well as the role of the other functions within the organization. Consequently, the marketing plan must always involve monitoring and reacting to changes in the corporate plan.

Apart from this need to be flexible to accommodate the corporate plan, the marketing plan follows a fairly standardized sequence. The marketing plan begins with a mission. A mission reflects the general values of the organization. What does it stand for? How does it define integrity? How does it view the people it serves? Every organization has an explicit or implicit mission. The corporate mission might contain words such as "quality", "global", "profitability", and "sacrifice". The marketing-level mission should extend the corporate mission by translating the latter into a marketing context. For example, a corporate mission that focuses on technology might be accompanied by a production-oriented marketing mission. A corporation that stresses stockholders/dividends may result in a sales-orientation in marketing. A corporate mission that concentrates on value or quality reflects a consumer oriented marketing mission. Once the mission is established, the situation analysis follows.

#### Capsule 2: Review

The characteristics of a marketing organization include:

1. maintenance of contact with consumers
2. objective comparison of existing capabilities with ability to meet present and future consumer needs
3. maintenance of a consistent message from all marketing elements to all consumer groups
4. thorough understanding of strengths and weaknesses of competitors
5. understanding of the capabilities of other non—marketing marketing functions
6. attempts at familiarity with the community

The types of marketing:

1. macromarketing and micromarketing
2. service marketing and goods marketing
3. for-profit marketing and nonprofit marketing
4. mass marketing, direct marketing, and internet marketing
5. local, regional, national, and international marketing
6. consumer goods marketing and business-to-business marketing

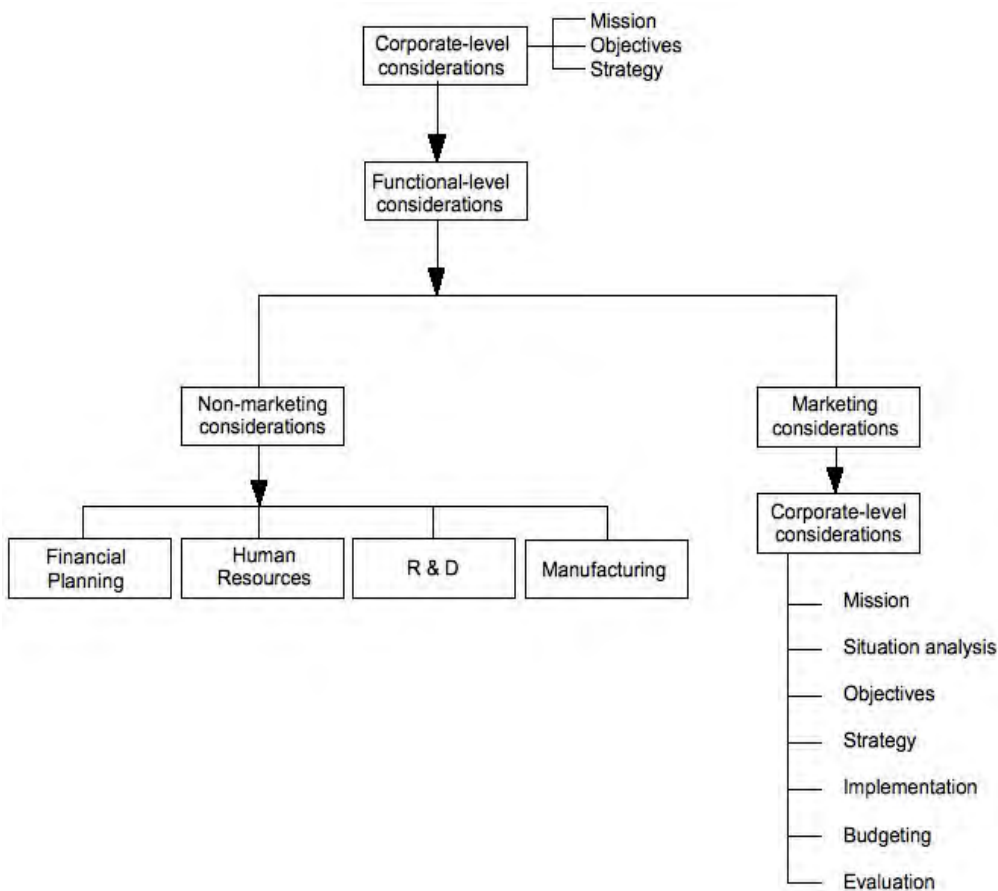


Exhibit 1: The marketing process.

A marketing plan's *situation analysis* identifies factors, behaviors, and trends that have a direct bearing on the marketing plan. Much of this information is usually collected simultaneously with the corporate information. However, collecting information about potential and actual customers tends to be the concern of marketers. This is an ongoing activity and represents a great deal of the marketer's time and money. (The understanding and approaching the market chapter describes the process of marketing research.)

The situation analysis helps produce a relevant set of marketing objectives. At the corporate level, typical objectives include profitability, cost savings, growth, market share improvement, risk containment, reputation, and so on. All these corporate objectives can imply specific marketing objectives. "Introducing a certain number of new products usually" may lead marketers to profitability, increased market share, and movement into new markets. Desire to increase profit margins might dictate level of product innovation, quality of materials, and price charged.

### *The marketing mix*

Once the objectives are established, the marketer must decide how to achieve these objectives. This produces a set of general strategies that must be refined into actionable and achievable activities. The *marketing mix*—product, price, promotion, and distribution—represents the way in which an organization's broad marketing strategies are translated into marketing programs for action.

**Product.** Products (and services)—the primary marketing mix element that satisfied customer wants and needs—provide the main link between the organization and its customers. Marketing organizations must be ready to alter

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products as dictated by changes in competitive strategies or changes in other elements of the organization's environment. Many organizations have a vast array of products in their mix. Ideally, each of the products is profitable. This is often not the case, so some tough decisions must be made concerning the length of time an unsuccessful product is kept on the market.

**Distribution.** The organization's distribution system moves the product to the final consumer. Because there are many alternatives when selecting a distribution channel, marketing management must have a clear understanding of the types of distributors, of the trends influencing those distributors, and of how those distributors are perceived by customers.

**Communication (Promotion).** The product's benefits must be communicated to the distributors and to the final customers. Therefore, the marketing organization must provide marketing information that is received favorably by distributors and final customers. Marketing organizations, through promotion, provide information by way of advertising, sales promotions, salespeople, public relations, and packaging.

**Price.** Finally, marketers must price their products in such a way that customers believe they are receiving fair value. Price is the primary means by which customers judge the attractiveness of a product or service. Moreover, price is a reflection of all the activities of an organization. Finally, price is a competitive tool, in that it is used as a basis for comparison of product and perceived value across different organizations.

Decisions about the marketing mix variables are interrelated. Each of the marketing mix variables must be coordinated with the other elements of the marketing program. Consider, for a moment, a situation in which a firm has two product alternatives (deluxe and economy), two price alternatives (USD 6 and USD 3), two promotion alternatives (advertising and couponing), and two distribution alternatives (department stores and specialty stores). Taken together, the firm has a total of 16 possible marketing mix combinations. Naturally, some of these appear to be in conflict, such as the "deluxe" product/low price combination. Nevertheless, the organization must consider many of the possible alternative marketing programs. The problem is magnified by the existence of competitors. The organization must find the right combination of product, price, promotion, and distribution so that it can gain a differential advantage over its competitors. (All the marketing mix elements will be discussed in more detail in later chapters of this book.)

Nintendo Co., Ltd. (NTDOY) provides a good example of a multinational organization that has effectively implemented their marketing strategy. As a pioneer in the interactive entertainment industry, Nintendo has succeeded in branding their productions as social icons. The company produces innovative products, redefines traditional markets within the industry, and connects with its customers as a social experience.<sup>4</sup>

Even a well-designed marketing program that has been through a thorough evaluation of alternatives will fail if its implementation is poor. *Implementation* involves such things as determining where to promote the product, getting the product to the ultimate consumer, putting a price on the product, and setting a commission rate for the salespeople. Once a decision is made, a marketing manager must decide how to best implement the terms of the plan.

Scandinavian Airlines (SAS) provides a good example of an organization that has successfully implemented their marketing strategy. SAS had good on-time performance, a good safety record, and many services designed to make flying easier for its customers. However, these were not enough to improve SAS revenue. Other things had to be done to attract business-class customers. The approach taken by SAS was largely symbolic in nature. They put

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4 Burnett's update for 2009 publication.

everyone who bought a full-price ticket in "Euroclass", entitling them to use a special boarding card, an executive waiting lounge, designer steel cutlery, and a small napkin clip that could be taken as a collector's item. These and other values were provided at no extra cost to the customer. The approach was very successful; business class passengers flocked to SAS, since they appreciated the perceived increase in value for the price of a ticket.

### *The budget*

Marketing mix components must be evaluated as part of an overall marketing strategy. Therefore, the organization must establish a marketing budget based on the required marketing effort to influence consumers. The marketing budget represents a plan to allocate expenditures to each of the components of the marketing mix. For example, the firm must establish an advertising budget as part of the marketing budget and allocate expenditures to various types of advertising media—television, newspapers, magazines. A sales promotion budget should also be determined, allocating money for coupons, product samples, and trade promotions. Similarly, budgets are required for personal selling, distribution, and product development.

How much should be spent? Consider the following example. A common question that marketers frequently ask is: "Are we spending enough (or too much) to promote the sale of our products?" A reasonable answer would revolve around another consideration: "What do we want to accomplish? What are our goals?" The discussion should next turn to the methods for achievement of goals and the removal of obstacles to these goals. This step is often skipped or avoided.

Usually, when the question is asked, "Are we spending enough?" an automatic answer is given, in terms of what others spend. Knowing what others in the same industry spend can be important to an organization whose performance lags behind the competition or to an organization that suspects that its expenditures are higher than they need to be. But generally, knowing what others spend leads to an unproductive "keeping-up-with-the-Joneses" attitude. It also assumes that the others know what they are doing.

### *Evaluating results*

No marketing program is planned and implemented perfectly. Marketing managers will tell you that they experience many surprises during the course of their activities. In an effort to ensure that performance goes according to plans, marketing managers establish controls that allow marketers to evaluate results and identify needs for modifications in marketing strategies and programs. Surprises occur, but marketing managers who have established sound control procedures can react to surprises quickly and effectively.

Marketing control involves a number of decisions. One decision is what function to monitor. Some organizations monitor their entire marketing program, while others choose to monitor only a part of it, such as their sales force or their advertising program. A second set of decisions concerns the establishment of standards for performance; e.g. market share, profitability, or sales. A third set of decisions concerns how to collect information for making comparisons between actual performance and standards. Finally, to the extent that discrepancies exist between actual and planned performance, adjustments in the marketing program or the strategic plan must be made.

Once a plan is put into action, a marketing manager must still gather information related to the effectiveness with which the plan was implemented. Information on sales, profits, reactions of consumers, and reactions of competitors must be collected and analyzed so that a marketing manager can identify new problems and opportunities.

## 1. Introducing marketing

### Keys to marketing success

A prime guideline for marketing success is to realize that establishing customer satisfaction should be the company's number-one priority. The only people who really know what customers want are the customers themselves. A company that realizes this will develop a marketing mentality that facilitates information gathering and maintains effective communication with the primary reason for the company's existence: the customer.

A second guideline is to establish a company image that clearly reflects the values and aspirations of the company to employees, customers, intermediaries, and the general public. Philips Petroleum has done this for years with their advertising campaign that focuses on how their company benefits society.

Third, while marketing requires work that is clearly distinct from other business activities, it should be central to the entire organization. Marketing is the aspect of the business that customers see. If they see something they do not like, they look elsewhere.

Fourth, the business should develop a unique strategy that is consistent with the circumstances that it faces. The marketer must adapt basic marketing principles to the unique product being sold. This means that what General Foods does may not work for General Telephone & Electronics Corporation (GTE) because one is inherently a goods product and the other a service product. Neither will work for the US State of Kentucky's Parks and Recreation Department, because that is a public, nonprofit organization. In other words, imitating what other organizations do without fully understanding one's own situation is a dangerous strategy.

Finally, technological progress dictates how marketing will be performed in the future. Because of computer technology inventiveness, both consumers and businesses are better informed. Knowledge is the most important competitive advantage. The world is one market, and information is changing at light-speed.

#### Capsule 3: Review

1. The components of marketing management are as follows:
  - (a) corporate—level considerations include the organization's mission and objectives
  - (b) functional—level considerations include non—marketing institutions and marketing institutions.
  - (c) marketing—level considerations include the mission, the situation analysis, objectives, strategy, implementation, budget, and evaluation
  - (d) the marketing mix includes the primary tools available to the marketer: product, distribution, promotion, and price
2. The keys to marketing success are:
  - (e) satisfy the customer
  - (f) establish a clear company image
  - (g) make marketing central to the organization
  - (h) be proactive
  - (i) develop a strategy consistent with the situation

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## The Wall Street Journal

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[wsj.com](https://www.wsj.com)

### **In practice**

Marketing plays a critical role in the success of business organizations: it helps them create a competitive advantage. By continuously collecting information about customers' needs and competitors' capabilities and by sharing this information across departments, business organizations can create a competitive advantage by increasing value for customers.

Individuals working in marketing departments must be knowledgeable about all the elements of the business that impact the success of marketing efforts. Marketing objectives are directed by an organization's mission statement, and marketers use a set of strategies to achieve these objectives.

Implementation is critical to a marketing plan's success; therefore, the marketing budget allocates expenditures for each of the components of the marketing mix. Marketing success depends on several factors, the most important of which is establishing customer satisfaction as the number one priority.

### **Take a tour**

The Front Section of the Interactive Journal ([wsj.com](https://www.wsj.com)) is similar to the front page of the newspaper version of The Wall Street Journal. The left column displays the menu selection, with the five major sections listed at the top. These five sections are:

1. Front Section
2. Marketplace
3. Money & Investing
4. Tech Center
5. Personal Journal

The menu remains on the page as you navigate through the site, allowing you to return to the Front Section at any time.

Articles related to marketing are typically found in the **Marketplace section**. Click on **Marketplace** now to view today's articles. Just below the main menu on the left side, a smaller menu titled **In this Section** appears, listing main header topics in Marketplace. One of the topics is Marketing/Media. Visit this section now to read today's articles.

The chapter, "Introducing marketing", provides an overview of the importance and functions of marketing in business organizations. Marketing takes many forms, and evolves with new technologies. Marketing on the Internet, also known as e-commerce marketing, provides challenges and opportunities for marketers. Visit Volkswagen's website, [www.vw.com](https://www.vw.com) to see how the company has extended its marketing efforts from television and print to its website.

### **Deliverable**

## 1. Introducing marketing

Search the Interactive Journal for articles about e-commerce marketing. Under **Journal Atlas**, click on **Search** to conduct a search using key words like e-commerce, Internet, and marketing. Use the **Business Index** feature to search for articles on specific companies. Search the **Business Index** now to find articles on Volkswagen.

### Questions

- Some marketers believe the Internet will become the most effective avenue for marketing products to consumers. Do you agree or disagree?
- Recently, the effectiveness of online marketing efforts has been questioned. What can marketers do to measure the success of online marketing?
- What advantages does receiving the Wall Street Journal online provide for users? Specifically, marketers?

### Summary

This introductory chapter described marketing as one of the major strategic tools available to the business organization. It began with a basic definition and expanded to a set of propositions of marketing. Simply, marketing is based on the mission statement of the organization; is dependent on the effective management of other functional areas; contains a functional area guided by its own philosophy; is the functional area that is concerned with market exchanges; and is likely to be successful when the philosophy, tasks, and manner of implementing available technology are coordinated and complimentary.

The chapter also discussed several characteristics shared by organizations that correctly implement marketing. Referred to as the Cs of marketing, they include consumer contact, company capabilities, communication, cross-functional contact, and community contact. Companies share these characteristics; the following factors divide marketing into specific types: macromarketing and micromarketing; services and goods marketing; for-profit and nonprofit marketing; mass and direct marketing; local, regional, national, and international marketing; and consumer goods and business-to-business marketing.

The chapter concluded with a discussion of the four levels of strategic management with considerations applicable to marketing: corporate functional, marketing, and marketing mix.

### Key terms

**Marketing** The process of planning and executing the conception, pricing, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.

**Consumer/customers** Individuals who have needs/wants that can be satisfied by the marketer's product or service.

**Transaction** An exchange between the person with the need and the organization selling the need-satisfying thing, inherently economic-based.

**Internal marketing** Attempting to ensure that all employees are positive ambassadors of the organization.

**Competitive advantage** Convince buyers (potential customers) that what you have to offer them comes closest to meeting their particular want or need at that point in time.

**Marketing concept** Understanding the consumer and working from the customer back rather than factory forward.



## Questions

- How would you have defined marketing before you read this chapter? How does that definition differ from the definition provided?
- Can you think of another organization that demonstrates the propositions of marketing as well as L.L. Bean? Provide a similar discussion using that organization.
- What are the factors to consider in maintaining consumer contact? Community contact?
- Why is it so important to understand your competition? Company functions?
- Contrast macro- and micromarketing. Contrast services and goods marketing.
- Demonstrate how the corporate mission can directly influence marketing.
- What is the difference between the internal and external environment? Provide five examples of each.<sup>2</sup>
- What is a competitive advantage? How does marketing contribute to the creation of a competitive advantage?
- Discuss the reasons for studying marketing.
- Give examples of how marketing communication differs from personal communication.

## Project

Survey 10 nonbusiness students and ask them to provide a definition of marketing. Analyze these answers with respect to how they differ and why people differed in their understanding of this topic. Write a five page report explaining.

## Case application

### *The hog is alive and well*

After making a remarkable comeback in the 1980s, motorcycle manufacturer Harley-Davidson had two-year-long waiting lists all over the country. But the success placed the company in a familiar quandary. Should Harley expand and risk a market downturn or should it stay the course, content with its good position in the industry?

“To invest or not to invest, that was the question”, notes Frank Cimermancic, Harley's Director of Business Planning. “Dealers were begging us to build more motorcycles. But you have to understand our history. One of the things that caused past problems was lack of quality, and that was the result of a too-rigid expansion. We did not want to relive that situation.”

In 1989, the reputation of Harley-Davidson was excellent. Harley shipped 30,000 motorcycles in 1985; just four years later it shipped 44,000. Harley's market share in the heavyweight bike category went from 27 per cent to 57 per cent during the same time period. It was regularly turning a profit—USD 53 million in 1989.

At the same time, however, the market for heavyweight bikes was shrinking. Harley-Davidson needed to know whether its growth could continue. “We were doing fine, but look at the market”, said Cimermancic. “Maybe, we thought, we could reverse these trends and become an industry leader, something we had not been for years.”

A new kind of customer seemed to hold the key to market growth. White-collar motorcycle enthusiasts, or “Rubbies” (rich urban bikers), started to shore up Harley sales in the mid-1980s, adding to the company's

## 1. Introducing marketing

success and image. But whether these people were reliable, long-term customers was another question. Harley also needed to know if it should market its product differently to different audiences. A core clientèle of traditional "bikers" had kept Harley afloat during its leanest years, and they could not be alienated.

From their research, Harley identified seven core customer types: the Adventure-Loving Traditionalist, the Sensitive Pragmatist, the Stylish Status-Seeker, the Laid-Back Camper, the Classy Capitalist, the Cool-Headed Loner, and the Cocky Misfit. All of them appreciated Harley-Davidson for the same reasons: independence, freedom, and power constituted the universal Harley appeal. Also, owners were very loyal. Loyalty meant the company could build and sell more motorcycles without having to overextend itself. In 1990, Harley expanded to build 62,800 bikes; in 2000, it built more than 180,000. Based on research and the still-expanding waiting lists, Harley expects its phenomenal growth to continue. In addition, Harley is expanding its product line. In early 2000, the company introduced a USD 4,400 bike called the Blast, aimed at first-time riders and women.<sup>5</sup>

### Questions

- Identify the ways in which Harley-Davidson exhibits the propositions discussed in this chapter.
- Would you consider Harley to be a marketing organization? Why or why not?

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