

Unit 1

What is Marketing?

Learning Objective:

After studying this unit, you should be able to

- Explain how production and marketing create utility.
- Explain the significance of the marketing functions and identify those functions.
- Identify the three major types of marketers and the two major types of markets.
- Explain the emergence and meaning of the traditional marketing concept and how the concept is being broadened.



Marketing in Practice: Definitions

Fill each gap in the sentences below with the correct word from the box.

customers developing distribute needs place price producing
product profit promote service time want

Marketing is concerned with getting the right (1) _____ to the right (2) _____ at the right (3) _____.

Marketing is about meeting consumer (4) _____ at a (5) _____.

Marketing makes it easier for (6) _____ to do business with you.

Marketing aims to find out what people (7) _____; then (8) _____ and (9) _____ a (10) _____ or (11) _____ that will satisfy those wants; and then determining the best way to (12) _____ (13) _____ and (14) _____ the product or service.



What is Marketing?

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.

Marketing functions are the activities that create utility and facilitate the exchange process by bridging the distance, time, and possession gaps that usually separate the participants in an exchange. By bridging the gaps, marketing creates utility and facilitates the exchange process.

A **marketer** is an individual or organization that performs marketing functions to facilitate exchanges for the purpose of satisfying human wants. Both business organizations and nonprofit organizations are marketers, seeking to receive something of value as a result of an exchange.

Marketers, whether they are individuals, business organizations, or nonprofit organizations, seek to market their offerings. **A market offering** is anything of value that is presented by a marketer to potential customers. It may be a product, such as a tangible good or an intangible service or an idea, a cause, an image, a concept, a place, or a person. To simplify our discussion throughout this text, we will often use the term product to refer to a market offering, whether it is a tangible good, an intangible service, or anything else of value.

All marketers can be divided into two basic types, consumer and organizational. **Ultimate consumers** are people who acquire products for their personal or household use. All individuals are ultimate consumers, and they make up the consumer market.

Organizational buyers are entities such as business, governments, and nonprofit organizations that purchase products (1) for use in making other products, (2) to resell, or (3) to carry on the organization's operations. They do not buy for personal or household use. Wholesalers, retailers, manufacturers, governments, and all other buyers except ultimate consumers are organizational buyers.

The **marketing concept**, which emerged in the 1950s, is a philosophy of management that advocates that a business organization (1) exists to satisfy targeted customers' wants, (2) approaches decision making from a systems view of management, and (3) seeks to earn a satisfactory return on the owners' investment in the firm.

Clearly, customer-oriented organizations focus on providing product quality, creating customer satisfaction and service, and getting close to the customer.

Product Quality

The recent heavy focus on product quality in the United States is due in large part to the dedication of Japanese firms to total quality, which has enabled them to take big market shares of such U.S. industries as the auto, machine tool, and consumer electronics industries.

Customer Satisfaction and Service

The American Management Association says that 65 percent of the average company's business comes from its present satisfied customers. The Customer Service Institute estimates that it costs five times as much to acquire a new customer as it does to service an existing one. Ways to provide high-quality service include determining target customers' wants, training and motivating employees to satisfy them, and following up to gauge customers' appraisals of service quality.

Closeness to the Customer

Businesses, too, are recognizing that customer retention strategies are desirable. Customer-oriented marketers are interested in building and maintaining good relationships with their customers. Some marketers call this 'getting close to the customer'.

Goal Orientation

The marketing concept views customer orientation as the means to the end of achieving the organization's goals. By providing market offerings that satisfy its targeted customers' wants, the organization will achieve its own goals too. These goals can be expressed in many ways—for example, achieving a specified percentage increase in profitable volume of sales or in market share. For the sake of simplicity, we say that the firm seeks to earn a satisfactory rate of return on the owners' investment in the firm.



Comprehension Questions

- ① What is the definition of marketing?
- ② What made the U.S. companies to focus on product quality?
- ③ Where do customer-oriented organizations focus on?

Creating and Maintaining a Marketing Mix

Unlike the largely uncontrollable variables in the marketing environment, marketing mix variables are controllable by marketing managers. A **marketing mix** is the combination of the four controllable variables—product, place, promotion, and price (the four Ps)—that an organization creates to satisfy its target market. The organization’s market offering is the result of combining the four controllable variables in the marketing mix. Marketing managers blend these variables to create a mix that satisfies the target market.

The *product variable* is the bundle of perceived attributes that has the potential to satisfy targeted customer wants. The product can be a tangible good, an intangible service, or a combination of the two. As we saw earlier in the chapter, the product can also be an idea, a cause, an image, a concept, a place, or a person.

The *place variable* seeks to create time, place, and possession utility by having the product available where and when targeted customers will want to buy it. The objective is to distribute the right product to the right place at the right time and in the right quantity.

The primary focus of the *promotion variable* is communication between the organization and its targeted customers. Promotion activities such as advertising and personal selling seek to inform, remind, and persuade the target market about the organization and its offerings.

The *price variable* establishes the amount of money or other consideration that the seller seeks from the buyer in exchange for the product. Pricing activities also include the establishment of policies concerning trade-in allowances, discounts, and other adjustments to the basic asking price (list price) to arrive at an actual selling price for the target market.



Comprehension Questions

- ① What is a target market?
- ② Describe the elements of the marketing mix. (eps.4Ps)



Case Study: Glen Ellen Wine

Winemaking is probably the second most ancient profession. Through the ages, most winemakers have gone about their business in the same way: grow the grapes, crush the grapes, age the juice, sell the wine. But these days, it’s not a business anyone enters into lightly. You have to buy hundreds of acres in areas where the soil and the climate are just right—and usually also where land prices have been driven sky-high by other vintners. You have to buy hundreds of thousands if not millions of dollars worth of barrels and temperature-control and chemical analysis equipment. In fact, many winemakers who are considered successful invest \$2 in their winemaking operations for every \$1 in wine sales. Common wisdom has it that the only way to make lots of money owning a winery is to make sure that you’re born to parents whose parents already own one.

So how did the Benziger family of California’s Glen Ellen winery manage to earn \$12 million on sales of \$80 million in 1989 when they’d only been in business since 1980? Instead of focusing on the capital-intensive production end of the winemaking business, they concentrated on finding out what wine-drinkers wanted and getting it to them.

The Benzigers’ original idea had been to go about winemaking in the traditional way—by running a boutique winery that would make a small amount of fine wine. They made their first sauvignon blanc and

chardonnay from other vineyards' grapes because their own vines wouldn't mature for years. The wines won widely publicized contests and quickly sold out. The family decided to take a new tack and to make their prime business buying and blending other vintners' surplus wines.

Based on their previous retail experience, Bruno and Mike Benziger thought there would be a huge market for wine that was better quality than \$3-a-bottle jug wine but less expensive than \$8-a-bottle-and-up premium wine, a market ignored by other wineries. Proprietor's Reserve labels were usually kept for limited-edition premium wines, but Bruno decided to break with tradition and affix it to his new \$4-to-\$7 chardonnays. Other winemakers weren't happy, but customers were: Glen Ellen sold 42,000 cases of its first vintage. The Benzigers discovered California gold: by buying surplus wine at \$2 and \$3 per gallon, their margins were tremendous. Today, in addition to buying surplus wines, Glen Ellen buys grapes. But the Benzigers subcontract most of their winemaking to other vineyards (where they carefully supervise the process), thereby avoiding traditional capital costs.

What Glen Ellen does invest in is marketing, to the tune of about \$2.5 million every year. One liquor retailer says more than just its high quality and low price sells Glen Ellen wine: "There is more marketing expertise and support from the winery and that's critical for us. Promotional programs are backed up with more research and the proper point of purchase material."



Questions

- 1 What types of utility does Glen Ellen create?
- 2 What marketing functions does Glen Ellen perform?
- 3 What target market do you think Glen Ellen is trying to reach?
- 4 Which of its actions show that Glen Ellen has a customer orientation?



Discussion Questions

- Q1** Comment on the following statement: In order to increase manufacturing efficiency, improve product quality, and do a better job of satisfying its customers, companies that manufacture products should be headed by people whose background is in manufacturing.
- Q2** Americans import a large volume of products from abroad, but many of the same types of products are made in the United States. Does this mean that the foreign producers are more market oriented than U.S. producers? Explain.
- Q3** As part of their effort to get closer to the customer, some marketers actively solicit customer complaints. What are the relative merits of doing so?
- Q4** Is green marketing a fad? Explain.



Self-study

Key Words and Expressions

- | | | |
|---------------------|-----------------------|----------------------------|
| utility | organizational buyers | societal marketing concept |
| marketing | seller's market | green marketing |
| exchange | buyer's market | cause-related marketing |
| marketing functions | consumerism | demarketing |
| marketer | marketing concept | marketing strategy |
| social marketing | social responsibility | target market |
| ultimate consumers | marketing ethics | marketing mix |



Write Aloud. In your writing, include at least two words from above and underline them.

What kind of marketing strategies do you have in your business? Would you share a successful case of your marketing strategies that worked?

Word Building

Fill in the missing words in the table.

<i>Verb</i>	<i>Agent</i>	<i>General noun</i>
① market	marketer	
② distribute		
③		competition
④		advertising advertisement
⑤	supplier	
⑥	sponsor	
⑦ consume		
⑧ produce		
⑨	analyst	
⑩	researcher	
⑪ import		