CHAPTER 5

Role of marketing

OVERVIEW

5.1 Introduction
5.2 What is marketing?
5.3 Strategic role of marketing goods and services
5.4 Interdependence with other key business functions
5.5 Production, selling, marketing approaches
5.6 Types of markets

5.1 Introduction

At the beginning of the last summer holiday, two Year 12 students placed advertisements in their local paper announcing a gardening service they had just started. They also conducted a letterbox drop of selected streets within their neighbourhood and posted a message on the local community e-notice board. The students wanted to inform potential customers about their business. These two young businesspeople were involved in marketing, whether they realised it or not.

Meanwhile, Coca-Cola is introducing the biggest changes to their marketing **strategy** in its history. Coca-Cola is overhauling its global marketing and brand strategy by uniting all Coke trademark brands into one global creative campaign.

Both of these examples show that marketing is undertaken by businesses — regardless of size — with the intention of generating sales by satisfying customers' needs and wants.

BizWORD

Strategies *are the actions that a business takes to achieve specific goals.*



FIGURE 5.1 As one of the most recognisable brands in the world, Coca-Cola remains an industry leader in relation to both product sales and marketing. The key to their success is their ability to advertise an emotion or feeling, as opposed to just a product. Their advertisements make people feel a certain way; they make it seem like having their products will bring happiness and generate other positive feelings.

As consumers, we are constantly exposed to all aspects of the marketing process. For example, as you were travelling to school today you probably did not realise that you were observing many different features of marketing. You almost certainly observed many types of advertisements. Your mobile phone may have registered a message regarding a store's special offer. You perhaps noticed delivery vans transporting goods to retailers or customers. Distinctive company logos such as McDonald's 'golden arches' or Nike's 'swoosh' were possibly conspicuous. You may have even bought something. Similar to the students at the beginning of this section, you have been participating in the process of marketing whether or not you were aware of it.

Certain aspects of the marketing process are easily identifiable, and our culture has become immersed in product promotion, especially advertising (see figure 5.2).

BizFACT

The average consumer is exposed to an estimated 3000 advertising messages every day.



FIGURE 5.2 Which current advertisement has most impressed you? What product is it advertising? You can probably answer these questions easily. This is because you have been influenced by advertising. Everywhere you look businesses are using advertising to influence consumer buying behaviour.

5.1.1 Marketing fundamentals

Marketing is vital to the existence of a business. Just because someone invents a new product or improves an existing one does not guarantee customers will buy it. Without some form of marketing, customers may not even be aware of a product's existence regardless of how 'record breaking', 'new and improved' or 'revolutionary' it may be.

Statistics reveal that more than 70 per cent of new products launched on the market fail in the first year of operation, mainly as a result of poor marketing. Businesses make few sales if they do not market their products successfully, eventually ending in failure. At the same time, many products that would seem insignificant and unimportant have become best-selling 'essential' items as a result of a well-managed and professional marketing plan. Who would have ever thought that brown, sugary, fizzy water with addictive qualities would become the global product it is today.

Case study: Apple sets the benchmark in marketing

Apple's success has been a direct result of their marketing, which is why they were voted the overall winner of the CMO Survey Award for Marketing Excellence for five consecutive years. Their marketing has become a benchmark for other companies who aspire to reach similar heights of recognition, revenue and market share. So why is Apple a great marketer?

Apple's marketing strategies are not complex and are kept as simple as possible. Their advertisements don't include feature lists, price, information on where to buy their products, voice-overs or special effects. Instead, they are very straightforward, using simple language and graphics to translate their message. Apple doesn't

SNAPSHOT



'Their marketing has become a benchmark for other companies ...'

overwhelm customers with jargon, choices and options, their products are sleek and minimal and their product names are short and easy to remember. Apple studies their customers and speaks to them in their own language.

One of Apple's best marketing tactics is their ability to create mystery around new product launches. They withhold information, leak rumours and keep what they are doing under wraps, which generates even more excitement and mystique until the big unveiling. Their 'fanboys' and 'fangirls' camp out for days on end to be the first in line for their latest product. Apple has built one of the most hardcore fan bases of any brand and of any time. They created a brand personality and culture that inspires devotion among millions of customers around the world.

Apple has created this loyal following because they have been able to reach their customers at an emotional level. Their advertisements show happy people having a great time with their products rather than focusing on product details and features. They create advertisements that make their customers believe their products will make their life better, easier, more fun and cooler.

Free product placement in television shows and movies is another effective marketing strategy Apple pursues. In 2011 their products appeared in 891 television shows and in 40 per cent of movie box office hits. In 2014 they were the recipient of a Brandcameo Product Placement Award for getting more screen time in more top movies than any other brand. The obvious advantage of product placement is that it increases brand awareness and gives their brand airtime with respectable opinion leaders.

Apple engineers their products to be so unique that people view their product name to be the product itself; for example, people don't buy a tablet, they buy an iPad. Very few brands have become so ingrained in the vocabulary that they're synonymous with the products themselves. These are only some of the marketing strategies that have turned the company from near bankruptcy to an industry leader.

SNAPSHOT QUESTIONS

1. **Explain** the impact marketing has had on Apple.
2. **Evaluate** the effectiveness of three of Apple's most successful marketing strategies.

5.2 What is marketing?

BizWORD

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 organisational objectives (American Marketing Association).*

A more simplified definition is that marketing is a total system of interacting activities designed to plan, price, promote and distribute products to present and potential customers.

There are many definitions used to describe **marketing**. The most commonly accepted definition comes from the American Marketing Association: '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 organisational objectives.'

A more simplified definition is that marketing is a total system of interacting activities designed to plan, price, promote and distribute products to present and potential customers. At the heart of these activities is the most fundamental question all businesses should continually ask: 'What do customers want to buy — now and in the future?' This is the essence of marketing — finding out what the customers want then attempting to satisfy their needs.

These definitions reveal the four main features of marketing. Marketing:

- involves a wide range of activities
- is directed at a wide range of goods, services and ideas
- stresses the importance of satisfying exchanges — that is, something in return
- is not limited to the activities of businesses.

Many people when asked which word they associate with the term 'marketing' respond with 'selling'. They think that marketing is just a fancy name for selling. However, the two words have different meanings. Selling involves a set of activities that salespeople undertake to assist the customer's buying decisions. In this sense, selling is part of the marketing process, but marketing takes a much broader view and is more involved than selling. Actually, the current view of marketing is

such that it does not even have to involve the selling of a good or service — for example, not-for-profit organisations such as community activist groups and charities attempt to market certain ideas or causes.

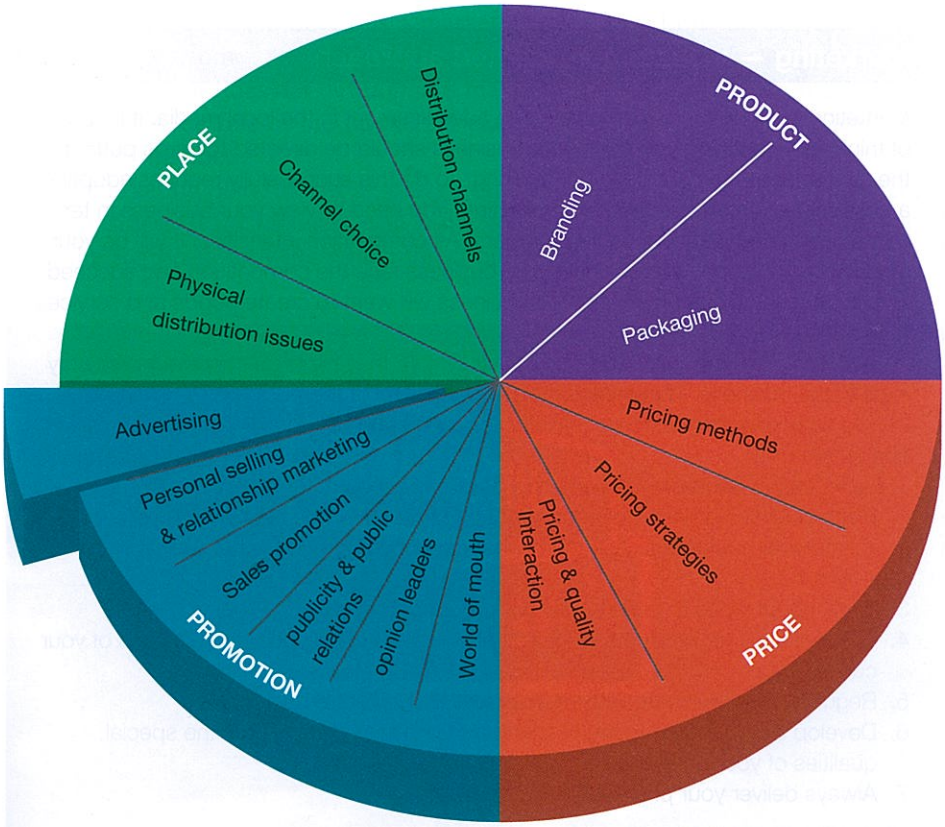


FIGURE 5.3 A good way to distinguish between advertising and marketing is to think of marketing as a pie. Inside that pie you have four slices for each of the four marketing strategies: product, price, promotion and place. Advertising is only one piece of the promotional slice in the strategy. All of these strategies must work together toward achieving the business's objectives.

Many people also mistakenly believe that marketing is the same as advertising. This is because advertising is highly visible and everywhere, which makes it easy to associate the two. The definitions reveal, however, marketing to be a far more multifaceted activity. As you will discover in chapter 8, advertising, though highly influential, is just one part of the promotion strategy, which in itself is one of a number of marketing strategies. While in the past businesses adopted a sales-oriented approach to marketing, the current marketing approach places the customer at the centre of all marketing activities. This current approach focuses on satisfying consumer's needs and wants, being socially responsible and building long-term and cost-effective relationships with customers.

5.3 Strategic role of marketing goods and services

As outlined previously, each of the key business functions has a **strategic** component. Generally, the overarching goal of business is **profit maximisation**. The strategic role of marketing therefore is to translate this goal into reality. To achieve this goal, a marketing plan must be prepared that sets out a series of actions or strategies that can be used to attain greater sales and in so doing be able to achieve this strategic goal. For example, through its sophisticated marketing plan, Coca-Cola has built on its highly recognisable brand name. In its first year, about 10 servings of Coke were sold per day. Today, Coca-Cola is sold in over 200 countries with 1.9 billion servings consumed every day. Marketing is therefore a powerful strategy available to help achieve a business's goals.

BizWORD

Strategic *refers to long-term, broad aims affecting all key business areas; that is, the strategic role of each key business function involves the managers of each function contributing to the strategic direction or strategic plan of the business.*

Profit maximisation *occurs when there is maximum difference between the total revenue coming into the business and total costs being paid out.*

Marketing today places a strong emphasis on viewing the business through the customers' eyes, that is, customer-oriented marketing. The business needs to see itself as a customer-satisfying process rather than a production process (see the following Snapshot).

SNAPSHOT



'... view your business in terms of the needs and wants of your customers.'

Marketing — a customer-oriented approach

Marketing is much more than placing an advertisement in the local media. It is a way of thinking. Everything you do in your business should be directed towards putting the customer at the centre of your thinking. To do this successfully requires adopting a customer-oriented approach to marketing. You need to view your business in terms of the needs and wants of your customers. As competition intensifies, it will be your marketing philosophy that will help your business face the competition and succeed. This is because a customer-oriented business will want to create goods and services that customers want to buy.

Customers are the lifeblood of any business, so they must be encouraged to stay loyal to the business. This means that, at every level of the business, employees should work towards customer satisfaction by establishing positive relationships with customers.

Seven tips to becoming a marketing driven business:

1. Place your customers, not your goods or services, at the centre of all you do.
2. Talk to your customers. Ask them what could be improved, what they like and dislike.
3. Think about ways to build loyalty with your customers.
4. Differentiate your products in ways that will make them special in the eyes of your customers.
5. Regularly communicate with your current and potential customers.
6. Develop a unique and recognisable brand or image that reflects the special qualities of your business.
7. Always deliver your promises.

SNAPSHOT QUESTIONS

1. **Clarify** what is meant by a customer-oriented approach to marketing.
2. 'For businesses that adopt a customer-oriented approach, the customer relationship does not end with the sale; it begins there.' **Discuss**.
3. Which of the 'seven tips' do you think is the most important? **Justify** your selection and share your answer with other class members.

Without a marketing strategy, financial disaster is inevitable. Many new inventions become commercial failures because they have not been marketed adequately. To develop customer awareness and demand, and thus form a customer base, an organised marketing campaign is necessary, starting with the development of a marketing plan.

5.3.1 The marketing plan

When new products are developed, often the business can become too product focused. If businesses want to achieve their financial goal of making a profit, their product needs to generate sales. This requires them to develop a **marketing plan** detailing the strategies they will need to put into place to sell their products.

To achieve the goal of profit maximisation, the marketing plan should be the focus of both short-term and long-term planning for three reasons:

1. The marketing plan outlines the strategies to be used to bring the buyer and seller together. The business needs to be able to identify:
   - where the market is
   - who will buy the product
   - why they will buy the product
   - how often they will buy the product.

BizWORD

*The **marketing plan** is a document that lists activities aimed at achieving particular marketing outcomes in relation to goods or services. The plan provides a template for future action aimed at reaching business goals, such as profit maximisation.*

2. The core of marketing is satisfying existing customer wants, which should lead to repeat sales.
3. Marketing is the revenue-generating activity of any business. Nothing is achieved until a sale is made.

A successful business develops a marketing plan based on careful research and design. The customer should always be the central focus of the marketing plan. Any business that does not develop and maintain a customer base soon goes out of business. It is the role of the marketing plan to make sure a customer base is created and maintained.

The marketing plan, therefore, plays a crucial strategic role in the overall success of the business. If the business plan is the 'road map', then the marketing plan contains the signposts showing which direction to take (figure 5.4).



FIGURE 5.4 The marketing plan shows which direction to take and which strategy to implement, so as to bring the buyer and seller together.

SUMMARY

- Marketing is undertaken by businesses with the intention of generating sales by satisfying customers' needs and wants.
- As consumers, we are constantly exposed to all aspects of the marketing process.
- Statistics reveal that more than 70 per cent of new products launched on the market fail in the first year of operation, mainly as a result of poor 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 organisational objectives.
- A more simplified definition is that marketing is a total system of interacting activities designed to plan, price, promote and distribute products to present and potential customers.
- Marketing is a multifaceted activity involving much more than merely selling or advertising.
- A common business goal is profit maximisation. The strategic role of marketing is to translate this goal into reality.
- Marketing today places a strong emphasis on viewing the business through the customers' eyes, or customer-oriented marketing.
- To develop customer awareness and demand, and thus form a customer base, an organised marketing campaign is necessary, starting with the development of a marketing plan.
- The marketing plan is a document that lists activities aimed at achieving particular marketing outcomes in relation to a good or service.

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Topic 1
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Strategic role of marketing
Summary screen and practice questions

- A successful business develops a marketing plan based on careful research and design.
- The customer should always be the central focus of the marketing plan.

EXERCISE 5.1 REVISION

1 **Recall** the intention of the marketing undertaken by the Year 12 students and Coca-Cola.
2 **Identify** three marketing strategies that may have influenced you to purchase a good or service.
3 **Clarify** what the main reason is for approximately 70 per cent of all new products failing shortly after their launch.
4 **Define** the term 'marketing'.
5 **State** the four main features of marketing.
6 **Distinguish** between 'selling', 'advertising' and 'marketing'.
7 **How** has the definition of marketing provided in this chapter been different to your previous understanding of the term?
8 (a) **Identify** a common financial business goal.
(b) **Explain** the role marketing plays in achieving this goal.
9 **State** the main role of the marketing plan.
10 **Recall** the correct term from the list below and complete the following sentences.

marketing	customer	strategies	satisfy
financial	maximisation	generate	wants

(a) The main emphasis in marketing today is the _____-oriented approach.
(b) This means the business wants to _____ customers' needs and _____ rather than merely produce products.
(c) To achieve the _____ goal of profit _____, a business needs to _____ sales.
(d) A _____ plan details the _____ that a business needs to put in place to sell its goods or services.

11 **Discuss** the use of scent marketing.
12 'Businesses that neglect the importance of marketing will experience diminished sales and reduced profits.' **Discuss**.

EXERCISE 5.1 EXTENSION

1 Use the library and the internet to **examine** and **create** a 300-word report on the marketing of PepsiCo. Mention similarities and differences between the marketing of PepsiCo and that of its main rival, Coca-Cola.
2 'Selling is merely getting rid of existing stock, whereas marketing takes a much broader view. Successful marketing involves bringing the buyer and seller together and making a sale.' **Assess** the accuracy of this statement.
3 **Investigate** how the role of marketing has changed over time.

on Resources

Weblink: PepsiCo
Weblink: Coca-Cola

5.4 Interdependence with other key business functions

BizWORD

Interdependence *refers to the mutual dependence that the key business functions have on one another.*

Interdependence refers to the mutual dependence that the key business functions have on one another. Marketing therefore does not occur in isolation, but relies on the other functions for its success.

During the 1950s, businesses began to slowly accept that they were not solely producers or sellers, but in the business of satisfying customers' wants. This shift in focus

to a customer-oriented approach brought about significant changes to marketing, especially the need to undertake market research and develop a marketing concept.

The **marketing concept** is a philosophy that states all sections of the business are involved in satisfying a customer's needs and wants while achieving the business's goals. The business should direct all its policies, plans and operations towards achieving customer satisfaction. The marketing plan, therefore, needs to become integrated into all aspects of the business (see figure 5.5), with marketing strategies playing a major role in all business activities.

BizWORD

*The **marketing concept** is a business philosophy that states that all sections of the business are involved in satisfying a customer's needs and wants while achieving the business's goals.*



FIGURE 5.5 At every level of the business, employees should have as their primary focus the satisfaction of the customer. This requires the integration of the marketing plan in the four key business functions — operations, finance, human resources and marketing — in order to achieve the business's main goal of profit maximisation.

To be effective, therefore, the marketing concept must be embraced by all employees of the business, not only by those involved in marketing activities.

The marketing manager cannot work in isolation and often has to work with other managers in the business to ensure the success of the marketing plan. For example, if the success of the marketing plan means having a good or service ready by a certain date, the operations plan will need to be in place to make sure that happens. If, for example, a business makes Christmas puddings, it is no good delivering the puddings after 25 December! Financial planning must also 'connect' with the marketing plan. It is important to remember that marketing costs money; and finances must be available if, for example, the business wishes to embark on an expensive advertising campaign. The marketing manager will also have to work with the human resource manager to ensure that the right staff are employed to create the good or service that is desirable to customers.

studyon

Syllabus area 2
Topic 1
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Interdependence with key business functions
Summary screen and practice questions

5.5 Production, selling, marketing approaches

The focus of businesses today is to develop a marketing plan based on the marketing concept — that is, an emphasis placed on customer satisfaction. However, marketing did not always have this as its main aim. As figure 5.6 shows, the focus of marketing strategies has changed dramatically over the years.

The idea of the marketing concept evolved in the early 1960s. Prior to this, there were two different approaches to marketing: production and sales.

BizFACT

All businesses should focus on satisfying the needs of their customers.

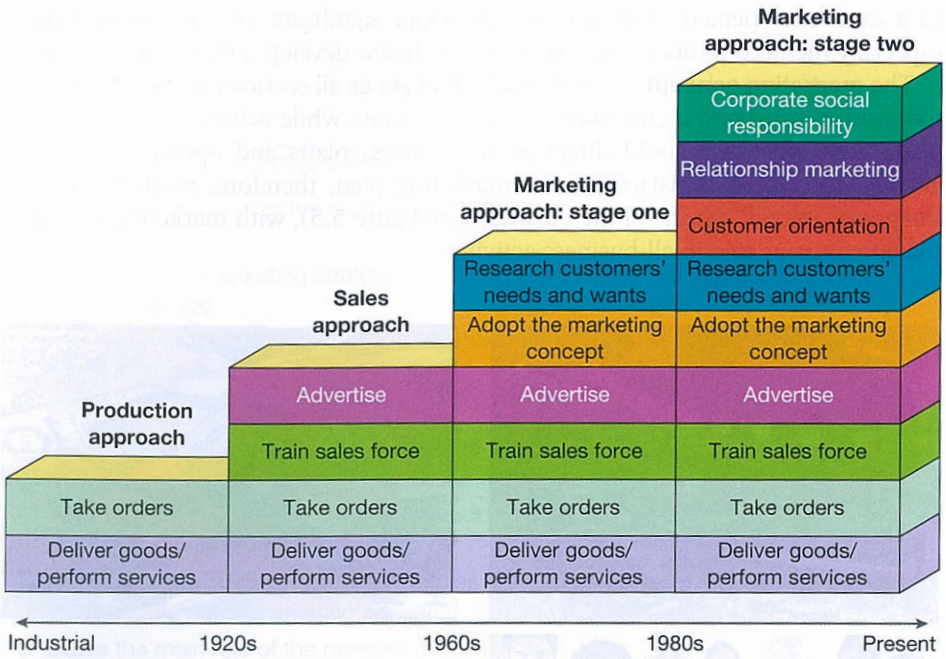


FIGURE 5.6 The evolution of marketing. Marketing has changed dramatically, evolving from the old-fashioned concept of simply producing goods and performing services and making them available for customers, to today's highly sophisticated and competitive marketing strategies, which involve aggressively seeking specific markets and customer needs to fill.

BizWORD

The **production approach** *focused businesses on the production of goods and services.*

5.5.1 The production approach — 1820s to 1920s

The **production approach** focused businesses on the production of goods and services. Consequently, until the 1920s, most businesses considered marketing simply as a spin-off of production. The attitude towards marketing is best explained by a catchphrase common during this time: 'If we make it, they will buy it'.

The Industrial Revolution created a tremendous burst of industrial output, which saw demand for goods (and some services) exceed the production capabilities of many businesses. Up until World War I, businesses concentrated their efforts on the production of goods and services (see figure 5.7). Businesses were usually able to sell all their output. Production design was based more on the demands of mass production techniques than on customer needs and wants. Business was production-oriented. Henry Ford, for example, focused on ways to produce motor vehicles more quickly and cheaply, confident that the people would buy them. Marketing consisted of simply taking orders and delivering the products.



FIGURE 5.7 The assembly line, mass production and the division of labour made it possible to produce goods (and services) more efficiently. This reinforced the belief during the production approach era: 'If we build it, they will buy it'.

5.5.2 The selling approach — 1920s to 1960s

After World War I, production became more efficient and productivity increased. Slowly the output of businesses started to catch up with demand. High-quality, mass-produced products came on to the market, and competition between businesses increased. No longer could a business rely on selling all it produced. Because customers' basic needs were satisfied, businesses had to develop a new marketing approach — one that was sales-oriented in an attempt to beat the competition and gain new customers.

The **sales approach** emphasised selling because of increased competition. To stimulate demand for their goods and services, businesses increased their spending on advertising, making use of newly developed electronic communications systems such as radio and film. Businesses faced the challenge of persuading customers to buy a specific brand. Sales representatives were hired and trained. Salespeople personally reached thousands of people and, in some instances, used high-pressure tactics to convince consumers to buy products. However, marketing still continued to play a secondary role to other functional areas such as production and finance.

Even though marketing was becoming more refined, most businesses were still neglecting the needs of the customer. Instead of researching what the customer wanted, they were producing what the company could make and getting their sales representatives to create demand. It was not until about the 1960s that businesses started to consider the customers' needs.

BizFACT

Throughout the sales approach era, the manager of the marketing department was usually given the title of sales manager.

BizWORD

The **sales approach** *emphasised selling because of increased competition.*

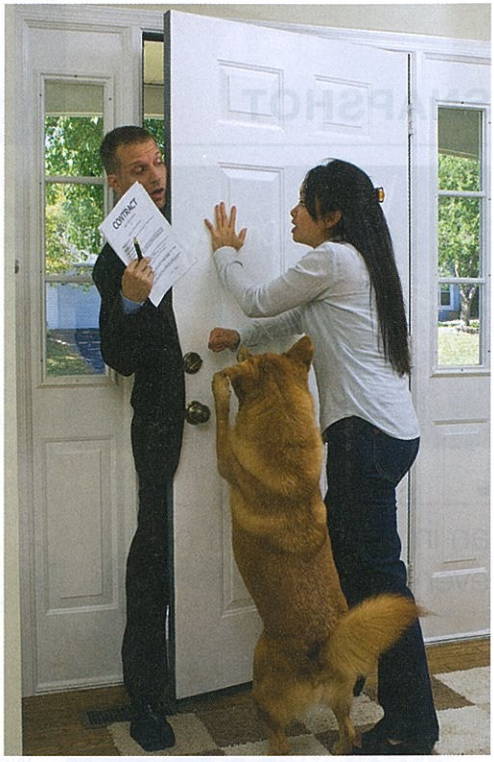


FIGURE 5.8 The use of door-to-door sales representatives became common practice for many businesses during the sales approach era. It was the equivalent of today's online marketing: the business comes to where the customer is located and makes a sales pitch.

5.5.3 The marketing approach: stage one — 1960s to 1980s

The marketing approach began with the economic boom after World War II, as businesses began to practise marketing in its current form. The method of achieving business success changed from focusing on production or pushing goods and services on customers, to placing the customer at the centre of all marketing activities. The **marketing approach** focuses on finding out what customers want — through market research — and then satisfying that need.

For the first time, most Australian families had **discretionary income**, more income than what was needed to obtain the necessities of life. They used this extra income to satisfy their needs and wants with different kinds of goods and services. For example, consumers started spending more on travel and recreation. Producers now had to learn how to satisfy wants as well as needs; something else was needed if products were to sell as well as previously. The emphasis shifted to the development of a marketing concept. As was outlined in the previous section, the marketing concept is based on four principles. It must be:

- customer-oriented
- supported by integrated marketing strategies
- aimed at satisfying customers
- integrated into the business plan so as to achieve the business's goals.

As a result, the marketing approach is characterised by the importance placed on identifying and satisfying customer needs and wants *prior* to producing the goods or services — the motivation being that the business would produce what the customer desired, and the customer would then buy the good or service. Marketing now became central to all aspects of a business, and satisfying customer needs became the responsibility of all employees, regardless of whether employees were financial controllers, operations specialists, human resource officers or sales representatives/consultants.

BizWORD

The **marketing approach** *focuses on finding out what customers want — through market research — and then satisfying that need.*

Discretionary income *refers to disposable income that is available for spending and saving after an individual has purchased the basic necessities of food, clothing and shelter.*

5.5.4 The marketing approach: stage two — 1980s to present

Changing economic and social conditions over the last three decades have seen a modification to the marketing approach.

Corporate social responsibility (CSR)

With growing public concern over environmental pollution and resource depletion came a shift in the emphasis of marketing plans. Marketing managers now realise that businesses have a corporate social responsibility (CSR). External pressure from customers and environmental organisations, as well as political forces, is presently influencing the marketing plans of many businesses. One major change has been the increase in demand for ecologically sustainable products.

SNAPSHOT



'... sustainability ... an integrated part of everything they do'

Case study: Woolworths — corporate social responsibility

In 2017, Woolworths released *Corporate Responsibility Strategy 2020* in recognition of the responsibilities they carry and the impact they have on their customers, team members, suppliers, shareholders, communities and environments. The strategy outlines 20 corporate responsibility and sustainability goals and commitments that the supermarket is committed to achieving by 2020. The overarching aims are to close the gender pay gap, encourage diversity, improve environmental sustainability and build trusting relationships with key stakeholders.

Woolworths launched its first sustainability strategy ten years ago in 2007. They feel they've been successful in achieving one of their main aims from that first strategy, which was to make sure that sustainability wasn't seen as standalone work, but as an integrated part of everything they do. Every employee is made aware that they each have a role to play in achieving these corporate responsibility commitments and in making Woolworths a great business to deal with.

As proof that they are taking their commitment to environmental sustainability seriously, in 2017 Woolworths announced that they would phase out all single-use plastic bags to shoppers over 12 months. This will have a significant impact on environmental sustainability considering they hand out more than 3.2 billion plastic bags every year to customers. This decision will also affect all retailers in the Woolworths Group including Big W, BWS and Dan Murphy's. In addition to phasing out plastic bags, Woolworths is committed to reducing plastic use in all parts of their supply chain, especially in fresh produce and fresh meat.

SNAPSHOT QUESTIONS

1. **How** have Woolworths become more socially responsible? Use information from their corporate website to help you answer.
2. **Explain** why Woolworths have made this commitment to corporate responsibility.
3. **Propose** other strategies Woolworths could implement to be more socially responsible.

on Resources

Weblink: Woolworths

BizWORD

Customer orientation *refers to the process of collecting information from customers and basing marketing decisions and practices on customers' wants and interests.*

Customer orientation

If you purchased a digital television today, there is a one in three chance it was made in South Korea and a 25 per cent chance it was made by Samsung. The secret to Samsung's phenomenal success is that it is a business with a strong **customer orientation**: collecting information from customers and basing marketing decisions and practices on customers' wants and interests (see figure 5.9).



FIGURE 5.9 Samsung adopts a customer-oriented approach to marketing. They strive to identify what their customers want, then do their best to meet their needs and requirements with the products and services they offer. Samsung excels in customer service as well as after-sales service.

For businesses that adopt a customer orientation approach, the customer relationship does not end with the sale; it begins there. Companies such as Samsung will strive continuously to not only simply meet but also exceed customer expectations. Samsung, similar to many other businesses, constantly strives towards achieving and maintaining high levels of **customer satisfaction**.

Case study: Nike — customer orientation

For many years, Nike adopted a production-oriented approach to marketing and believed the way ahead was through product innovation. While this worked for them for some time, eventually the company realised that the only way forward was to change focus from the design and manufacture of products (where Nike had always excelled) to the consumer.

In the beginning, Nike's performance-oriented product innovations led to the development of shoes and products that customers wanted to wear. However, in the mid-1980s after competition intensified, Nike realised that they could no longer just rely on selling innovative products and a new approach was needed. Therefore, instead of having the product as their main focus, they put the consumer in the spotlight and learned to be market-oriented. Since this change of approach, Nike resumed its domination of the athletic shoe industry and still maintains the highest global market share.

Nike previously believed that everything started in the lab, but they've since come to realise that everything begins with the consumer. While technology is still important, it's the consumer who needs to lead innovation. Nike therefore puts a lot of focus on finding out exactly what consumers want and then they innovate and create a product that meets their needs. They put customers at the centre of everything that they do.

In order to discover what their consumers value, Nike invests in extensive market research. They spend time in stores and watch what happens, they get reports from dealers, conduct focus groups, track responses to their ads, go to amateur sports events, spend time at gyms and tennis courts and talk to people. Their obsession with meeting consumers' needs is what has led to their success.

BizWORD

Customer satisfaction *measures how goods and services supplied by a business meet or exceed customer expectation.*

SNAPSHOT



'. . . they put the consumer in the spotlight . . .'

Their website is another place where Nike gets valuable information about how customers are using their products as well as an insight into their needs. This where consumers can upload data about their recent runs and see the history of their runs on maps. They can share this information with others as well as get tips and post information about upcoming events. Nike has given their customers a reason to want to return to their website every day and engage with the company.

SNAPSHOT QUESTIONS

1. **Outline** Nike's initial approach to marketing.
2. **State** the strategies Nike has implemented that illustrate how the company has adopted a market approach.
3. **Assess** Nike's current approach to marketing.

Relationship marketing

It is no longer sufficient for a business to just market its goods and services in the hope of attracting new customers. What is also required is a business to keep its existing customers satisfied. **Relationship marketing** is the type of marketing that does this. It places a high priority on customer retention and continual satisfaction. The core of relationship marketing is customer loyalty — so as to generate repeat sales — which can be achieved through reward programs, customer care or good after-sales service. If, for example, you purchased a mobile phone plan and the telecommunications provider gave you excellent pre- and after-sales service, and also a customer reward program, you would probably continue purchasing the service from the provider. You may even recommend the service provider to your friends.

Relationship marketing will be discussed in more detail in chapter 8.

BizWORD

Relationship marketing *is the development of long-term and cost-effective relationships with individual customers.*

studyon

Syllabus area 2
Topic 1
Concept 3

Evolution of marketing
Summary screen and practice questions

SUMMARY

- The shift to a customer-oriented approach brought about significant changes to marketing.
- The marketing concept is a philosophy that states all sections of the business are involved in satisfying a customer's needs and wants while achieving the business's goals.
- The marketing plan needs to become integrated into all aspects of the business, with marketing strategies playing a major role in all business activities.
- The production approach (1820s–1920s) focused businesses on the production of goods and services.
- Production design was based more on the demands of mass production techniques than on customer needs and wants.
- The sales approach (1920s–1960s) emphasised selling because of increased competition.
- Businesses faced the challenge of persuading customers to buy specific brands.
- The marketing approach (1960 to present) focuses on finding out what customers want — through market research — and then satisfying that need.
- The emphasis shifted to the development of a marketing concept based on four principles:
  - customer-oriented
  - supported by integrated marketing strategies
  - aimed at satisfying customers
  - integrated into the business plan so as to achieve the business's goals.

- Changing economic and social conditions over the last three decades have seen a modification to the marketing process including:
  - social responsibility: especially in regards to ecological sustainability
  - customer orientation: the process of collecting information from customers and basing marketing decisions and practices on customers' wants and interests
  - relationship marketing: the development of long-term and cost-effective relationships with individual customers.

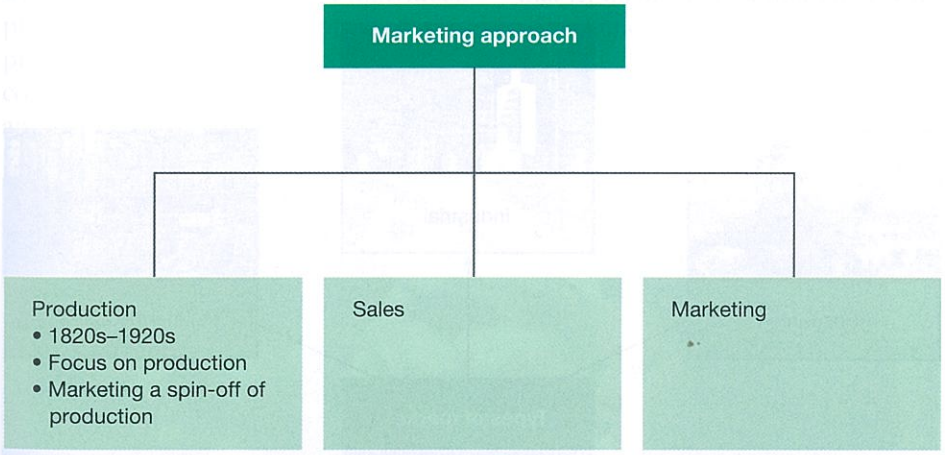
EXERCISE 5.2 REVISION

1 **Define** the term 'marketing concept'.

2 'The marketing manager cannot work in isolation and often has to work with other managers in the business to ensure the success of the marketing plan.' **Discuss**.

3 The marketing concept is a business philosophy adopted by many modern businesses. Read the following three pairs of statements and write into your notebook the statement that represents the business that has adopted the marketing concept philosophy. **Justify** your selection.
   (a) Business A: 'Perhaps we should start stocking Clear View Mineral Water again. A lot of customers are asking for it.'
   Business B: 'We will only stock Clear View Mineral Water when it decides to give us a better deal than Natural Springs.'
   (b) Business A: 'Our sales are falling. We will have to think about laying off someone.'
   Business B: 'Our sales are falling. We will have to undertake some market research to find out why.'
   (c) Business A: 'Please give generously with your donations, no matter how small. You never know when you or your children may need some help.'
   Business B: 'Please help with your donations. Our charity is short of money.'

4 **Construct** a concept map (started below) **summarising** the three marketing approaches.



5 'To disregard the "quality of life" issues when developing a marketing plan could lead to a customer backlash.' In small groups, use the brainstorm technique to **analyse** this statement. Share your group's answer with the rest of the class.

6 **Distinguish** between the terms 'customer orientation' and 'customer satisfaction'.

7 **Account** for why a business would want to adopt a customer-oriented approach to marketing.

8 **Recall** the aim of relationship marketing.

9 Conduct a class survey to establish the number of loyalty programs that class members belong to. **Discuss** their effectiveness from the customers' viewpoint. **Create** a 100-word report of the discussion.

EXERCISE 5.2 EXTENSION

1 **Determine** why the marketing concept is difficult for some businesses to implement.
2 'Marketing is not the sole responsibility of the marketing manager, but all managers.' **Assess** the accuracy of this statement using examples.
3 'Relationship marketing is only successful if the business has access to detailed information about its customers.' **Evaluate** this statement.

5.6 Types of markets

BizWORD

*A **market** is a group of individuals, organisations or both that:*
- *need or want products (goods or services)*
- *have the money (purchasing power) to purchase the product*
- *are willing to spend their money to obtain the product*
- *are socially and legally authorised to purchase the product.*

For the purposes of this topic, a **market** is defined as a group of individuals, organisations or both that:
- need or want a product (goods or service)
- have the money (purchasing power) to purchase the product
- are willing to spend their money to obtain the product
- are socially and legally authorised to purchase the product.

A group that does not have these four features is not considered to be a market.

In general use, the term 'market' usually refers to the total population, or mass market, that purchases products. Our definition is more specific and refers to individuals or groups who wish to buy *specific* products. There are many markets in an economy. Based on the characteristics of the individuals and groups that make up a specific market, it is possible to divide markets into six main types of markets: resource, industrial, intermediate, consumer, mass and niche (see figure 5.10).

Because marketing plans and strategies vary depending on the intended market, marketing managers need to understand the main characteristics of these six different types of markets.

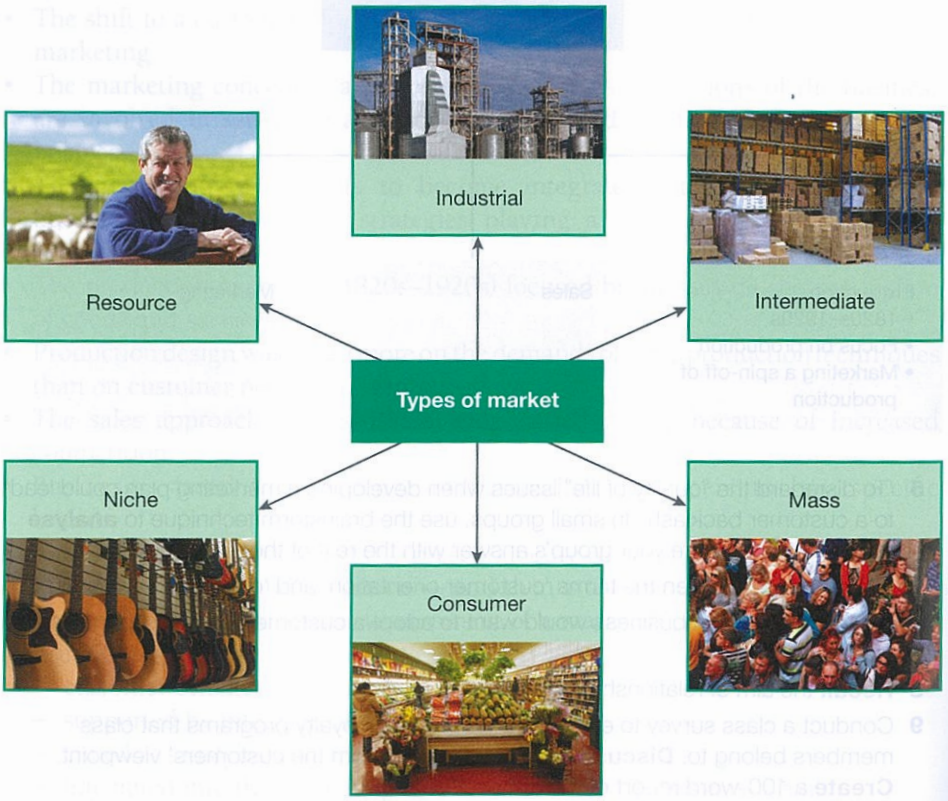


FIGURE 5.10 The six different types of markets

5.6.1 Resource market

The **resource market** consists of those individuals or groups that are engaged in all forms of primary production, including mining, agriculture, forestry and fishing. As a group, this market in Australia is made up of over 165 000 enterprises or customers and has a large purchasing power. Farmers, for example, purchase machinery, seed and fertiliser.

BizWORD

*The **resource market** consists of those individuals or groups that are engaged in all forms of primary production, including mining, agriculture, forestry and fishing.*

5.6.2 Industrial market

In Australia, there are more than 932 000 businesses in the industrial market; these businesses are either secondary or tertiary. An **industrial market** includes industries and businesses that purchase products to use in the production of other products or in their daily operations. Tip Top Bakery, for example, buys flour to make bread, and Sony buys plastics and metals to produce televisions.

BizWORD

*The **industrial market** includes industries and businesses that purchase products to use in the production of other products or in their daily operations.*

5.6.3 Intermediate market

The **intermediate market** consists of wholesalers and retailers who purchase finished products and sell them again to make a profit. The vast majority of goods sold to consumer markets are first sold to an intermediate market. Resellers are an intermediate market.

In Australia, the total intermediate market is made up of approximately over 187 000 retailers and over 61 000 wholesaling intermediaries. Subway, for example, is a retailer that buys goods to make into sandwiches and salads for sale to consumers.

BizWORD

*An **intermediate market** consists of wholesalers and retailers who purchase finished products and resell them to make a profit.*

5.6.4 Consumer market

Consumer markets are the markets with which we are most familiar. Each time we go shopping at the local supermarket, we are part of the consumer market. **Consumer markets** consist of individuals — that is, members of a household who plan to use or consume the products they buy. Consumers do not intend to use the products to make other goods and services. Each of us is part of numerous consumer markets for products such as housing, clothing, food, entertainment, appliances, music recordings, cars and personal services.

BizWORD

Consumer markets *consist of individuals — that is, members of a household who plan to use or consume the products they buy.*



FIGURE 5.11 According to various studies, Australian consumers tend to have high consumption habits. European trends are popular and Australian consumers are 'early adopters', that is, they readily purchase new technologies. Australians are increasingly concerned with their health and the environment. Therefore, there has been an increased demand for fresh and organic foods, environmental investment and products linked to energy-saving technology.

Marketing managers examine closely the behaviour of consumers so they can better understand what motivates an individual to purchase a particular product. They also try to influence consumer buying behaviour by developing a mix of marketing strategies.

5.6.5 Mass market

BizWORD

In **mass markets**, *the seller mass-produces, mass-distributes and mass-promotes one product to all buyers.*

Fifty years ago, marketing managers commonly spoke about the 'mass market'. In other words, there was a large demand for a standard product. In **mass markets**, the seller mass-produces, mass-distributes and mass-promotes one product to all buyers. The business does not target its products to a specific group of buyers. The assumption is that all customers in the market have similar needs and wants.

The Model T Ford was the first motor vehicle to be mass-produced and sold to the mass market. When the Model T Ford was first released onto the American market in 1908, production could not keep up with demand. Henry Ford changed the production methods so that the assembly process was cut from 12.5 hours to 93 minutes. Henry Ford's 'famous' marketing slogan was that the customer could have the car in any colour he or she wished, 'as long as it was black'. This meant customers' wishes were not considered. A business could adopt this attitude in the early periods of industrialisation because consumers' wants could not be fulfilled; most items that were produced could easily be sold. (The production approach philosophy was dominant at this time.)

Very few products today are marketed to the mass market. Basic food items, electricity and water are three current examples. Due to greater choice, higher personal incomes and customers seeking more individualised products, the mass market has been replaced by segmented or niche markets.



FIGURE 5.12 The main benefits of serving the mass market are the scope and cost efficiency of doing business on such a large scale. Advertising messages broadcast over mass media give a business the ability to achieve economies of scale and appeal to a very large audience in a single showing. However, the advantages of mass marketing can only be achieved if the product in question is a commodity or is beneficial to people across a wide range of demographics.

5.6.6 Niche market

BizWORD

A **niche market**, *also known as a concentrated or micro market, is a narrowly selected target market segment.*

At the other end of the spectrum to the mass market is a **niche market**, also known as a concentrated or micro market. The mass market is divided into smaller market segments consisting of buyers who have specific needs or lifestyles. This smaller group of consumers becomes the 'target' market, towards which marketing managers 'aim' their marketing efforts. For example, in any newsagent you will see row upon row of magazines, each appealing to a specific niche market — male, female, young, old, high income, low income, urban, rural, outdoor lifestyle, indoor lifestyle and so on (see figure 5.13). Market segmentation is discussed in more detail in chapter 7.



FIGURE 5.13 Niche magazines target highly specialised interests. They target extremely narrow audiences and appeal to the specific values of limited segments of people. For example, Meredith publishes a wide range of specialist publications that cater to women. While they publish more popular magazines such as *Better Homes & Gardens* and *Fitness*, they also publish special interest titles such as *Beautiful Kitchens & Baths, Do It Yourself, Country Gardens, Quilting and Diabetic Living.*

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SUMMARY

- A market is a group of individuals, organisations or both that:
  - need or want a product
  - have the money to purchase the product
  - are willing to spend their money to obtain the product
  - are socially and legally authorised to purchase the product.
- Marketing plans and strategies vary depending on the intended market.
- Marketing managers need to understand the main characteristics of these six different types of markets.
- There are six main types of markets.
  - Resource market: agricultural businesses
  - Industrial: secondary and tertiary businesses

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Syllabus area 2 | Topic 1 | Concept 4

Types of markets
Summary screen and practice questions

- Intermediate: wholesalers and retailers
- Consumer: individuals and households
- Mass: vast numbers of individuals
- Niche: small target market

EXERCISE 5.3 REVISION

1 **Define** the term 'market'.

2 **How** does this definition of market differ from the general use of the term?

3 **Identify** the six different types of markets.

4 **Distinguish** between the resource and industrial markets.

5 **Why** is Subway considered to be part of the intermediary market?

6 **Recall** the correct word to complete the following sentences. The words can be found by reading the '5.6.4 Consumer market' section.
(a) Each time we go shopping at the local _____, we are part of the _____ market.
(b) Consumer markets consist of _____ – that is, _____ of a household who plan to use or _____ the products they buy.
(c) Marketing managers examine closely the _____ of consumers so they can better understand what _____ an individual to purchase a particular product.
(d) Marketing managers also try to _____ consumer buying _____ by developing a mix of marketing _____.

7 **Demonstrate** the difference between the mass market and a niche market.

8 Indicate, using an 'M' or 'N', whether the following products are sold in a mass or niche market. **Justify** your selection.
(a) Rolls Royce cars
(b) Mount Franklin water
(c) *BRW* magazine
(d) Fruit and vegetables
(e) BP petrol
(f) Billabong wetsuits
(g) PlayStation games
(h) Sunbeam shearing combs

EXERCISE 5.3 EXTENSION

1 'Regarding purchasing power, organisational buyers such as businesses and government departments are generally considered to be more rational than ultimate consumers.' **Propose** reasons why this is so. **Compare** your answers with other members of the class.

2 **Compare** and **contrast** the main features of a mass market and a niche market.

3 **Determine** whether a furniture manufacturer would need a different marketing strategy for a large retail chain such as Myer than for a single furniture store owned and operated by one person. **Justify** your answer.

on Resources

Digital doc: Chapter summary (doc-24807)

Interactivity: Chapter crossword (int-7157)

Interactivity: Multiple choice quiz (int-7158)

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Sit HSC exam