

Contents

Unit 1	Introduction to Marketing	1
1.1	What Is Marketing?	2
1.2	Evolution of Marketing	7
Unit 2	The Marketing Environment	12
2.1	What Is Marketing Environment?	13
2.2	What Is the Company's Microenvironment?	14
2.3	Macroenvironment	16
Unit 3	Marketing Mix	23
3.1	The Product	25
3.2	Pricing	30
3.3	The Place/Distribution	31
3.4	Promotion	32
3.5	Four Cs	39
Unit 4	Consumer Buying Behavior	43
4.1	The Buyer Decision Process	44
4.2	The Buyer Decision Process for New Products	48
4.3	Model of Consumer Behavior	48
4.4	Types of Buying Decision Behavior	57
Unit 5	Market Information and Marketing Research	61
5.1	What Is Marketing Information System (MIS)?	62
5.2	The Marketing Research Process	66
5.3	Marketing Research in Small Businesses	77

Unit 6 Segmenting, Targeting and Positioning 80

6.1	Seven-step Approach to Market Segmentation	81
6.2	Different Market Segmentation Levels	82
6.3	What Are the Bases of Market Segmentation?	83
6.4	What Are Effective Segments?	87
6.5	Market Targeting	87
6.6	Positioning for Competitive Advantage	90

Unit 7 International Market Entry 95

7.1	What Is Global Marketing?	96
7.2	Global Business Involvement: Market Entry Strategies	97
7.3	Factors Considered in Global Marketing	102

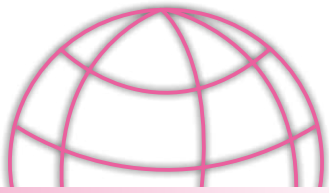
Unit 8 Service Marketing 107

8.1	Service Industry	108
8.2	Nature and Classification of Services	108
8.3	Characteristics of Services and Their Marketing Implications	109
8.4	Service Quality	110
8.5	Integrated Service Management: 8Ps	112
8.6	After-sales Service	113

Unit 9 Green Marketing 116

9.1	An Introduction to Green Marketing	117
9.2	Why Is Green Marketing Popular?	118
9.3	Some Guidelines in Environmental/Green Marketing Claims	120
9.4	Make Products Green by Design	122
9.5	Green Marketing in China	125
9.6	Conclusions	128

Unit 10	Marketing Plan, Control and Audit	131
10.1	What Is Marketing Plan?	132
10.2	Why Prepare a Marketing Plan?	132
10.3	Marketing Plan Components	132
10.4	Marketing Control	140
10.5	Marketing Audit	141
Appendix I	Syllabus	145
Appendix II	Model Report	152
Appendix III	Mini Dictionary of Marketing	164
Bibliography		185



Unit 1

Introduction to Marketing

Unit Objectives

After reading this unit, you should be able to:

- define marketing and discuss its core concepts;
- understand basic concepts of marketing;
- trace the evolution of marketing;
- understand the importance of studying marketing;
- present a real case of marketing activities.

Preview Case

What scopes belong to the marketing decision making? Marco has worked in Noah Ark Consulting Corporation after graduation from a business school. Now he intends to register a Management Consultancy Corporation of his own. Then he must make some decisions.

- What consultancy service to be provided for the customers?
- Who is his customer?
- How to set the charge rate?
- Where to place the office site?
- How to identify his target market?
- How to attract his customers?



1.1 What Is Marketing?

It is about finding out who the best customers are, what they want, how much they will pay, how to promote the product and how to sell it.

Marketing is an attitude of mind which places the customer at the very centre of a business activity, and automatically orientates a company towards its markets rather than its operations.

Marketing:

- identifies markets and tries to establish what buyers in those markets want;
- identifies what benefits and satisfactions they are seeking;
- recognizes what the competition is offering;
- helps the company to design products and services which will be attractive to buyers, and which have a sustainable competitive advantage;
- ensures that the products are known to the customers, available to them at the right time, in suitable quantities, and at an acceptable price.

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 goals.

——American Marketing Association

Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

——Philip Kotler (Father of Marketing)

Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.

——The Chartered Institute of Marketing

In understanding the definition of marketing, you must make sense of the following three aspects:

- Many people think that only large companies operating in highly developed economies use marketing, but some marketing is critical to the success of every organization, whether large or small, domestic or global.
- Creating customer value and satisfaction is at the very heart of modern marketing thinking and practice. The goal of marketing is to attract new customers by promising superior value, and to keep current customers by delivering satisfaction.
- The most successful marketing is to satisfy unmet consumer needs.

Case

After World War II, the president of IBM once went to a famous consultancy company to make an enquiry about the quantity of electronic computers all American companies, research institutions and government demand. And the answer is less than ten. Later on his son became the president of IBM and he didn't believe the forecast. He decided to produce computers and succeeded in the end.



The case shows that people don't know what a computer is and how to use it although they have the desire of relieving office working intensity and improving working efficiency. Therefore respondents didn't express their need for computers. Businesses should develop new products and use marketing activities to stimulate and lead consumers' potential needs.

Let's look at the case mentioned at the beginning of the chapter. Marco is the marketer in this case and his purpose is to benefit from the exchange with the customers. His customers are those individuals and organizations who need his consultancy service. His marketing tasks are to stimulate, create, adapt to and influence customers' needs of his consultancy service. To accomplish these tasks he must investigate and analyze the environments, market situation and consumer behavior. In turn, he must make marketing plans and design marketing strategies, e.g. design the way and content of his service, pricing, promotion, and distribution to implement his plan and achieve his marketing objectives in the end. This is Marco's whole marketing process. All marketers must understand the basic concepts involved in the marketing process.

1.1.1 Some Basic Concepts in Marketing

The following figure shows some basic concepts involved in the above discussion about "what is marketing?"



Figure 1.1 Basic concepts of marketing

Needs

A human need is a state of deprivation of some basic satisfaction. People require food, clothing, shelter, safety, belonging, and esteem. These needs are not created by society or by marketers. They exist in the very texture of human biology and the human condition.

In China, sales of color televisions and refrigerators have soared. Sports shoes are also popular with Nikes and Reeboks going at prices several times the monthly salary of an average Chinese worker. Mobile phones are also fast becoming popular. A senior executive at AT&T

China once said that China will be the largest single market in the world for telecommunications infrastructure equipment for at least the next 30 to 40 years. In the food market, Heinz has seen China sales of its infant food surge several times ahead of target. Though demand for such consumer products is rising, the Chinese are also aspiring for intangible luxuries like a car license, computer literacy, and eloquence in English.

Wants

Wants are desires for specific satisfiers of needs. An American needs food and wants a hamburger, French fries, and a coke. In another society these needs might be satisfied differently. A hungry person in Mauritius may want mangos, rice, and beans. Although people's needs are few, their wants are many. Human wants are continually shaped and reshaped by social forces and institutions, including churches, schools, families, and business corporations.

Demands

Demands are wants for specific products that are backed by an ability and willingness to buy them. Wants become demands when supported by purchasing power. Many people want a Mercedes; only a few are able and willing to buy one. Companies must therefore measure not only how many people want their product but, more importantly, how many would actually be willing and able to buy it.

These distinctions shed light on the frequent criticism that “marketers create needs” or “marketers get people to buy things they don't want.” Marketers do not create needs: needs preexist marketers. Marketers, along with other societal influence, influence wants.

Exchange

People can obtain products in one of four ways. The first way is self-production. In this case, there is no market and no marketing. The second way is coercion. Hungry people can wrest or steal from others. No benefit is offered to the others except that of not being harmed. The third way is begging. Hungry people can approach others and beg for food. They have nothing tangible to offer except gratitude. The fourth way is exchange. Hungry people can offer a resource in return for food such as money, a good, or a service. Marketing emerges when people decide to satisfy need and wants through exchange.

Exchange is the act of obtaining a desired product from someone by offering something in return. For exchange potential to exist, five conditions must be satisfied:

- There are at least two parties.
- Each party has something that might be of value to the other party.
- Each party is capable of communication and delivery.
- Each party is free to accept or reject the exchange offer.
- Each party believes it is appropriate or desirable to deal with the other party.

Transaction

Exchange is a process but not an event. If a buyer and a seller are negotiating and are moving to an agreement, it can be said that they are engaged in exchange. If the two reach an agreement after negotiating, we can say a transaction takes place. Transaction is included in exchange. Trade means the value exchange between a buyer and a seller, in which money acts

as its media. But in exchange, money is not always the necessary media, there can be barter exchange, which means trading of goods or services for other goods or services. Trade includes several factors, at least there are two things of value, the agreed-upon conditions, a time and a place of agreement. Usually there is a legal system to support and enforce compliance on the part of the transactors. Without a law of contracts, people would be in some transactions with some distrust and everyone would lose.

Market

A market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want. Traditionally, a “market” was the place where buyers and sellers gathered to exchange their goods, such as a village square. Economists use the term to refer to a collection of buyers and sellers who transact over a particular product or product class; hence the housing market, the grain market, and so on. Business people often use the term “markets” colloquially to cover various groupings of customers. They talk about need markets, product markets, demographic markets, and geographic markets.

Students' Task

Examine and select Marco's marketing tasks:

- Customer: (What kind of people or organizations will need or will probably need Marco's advice?)
- Kind of service: What kind of service should be provided? Should it focus on one dimension or on various dimensions?
- Manner of service: In what way should the service be provided?
- Site of operation: Where is the proper place of operation?
- Standard of charge: How to set the price and how to charge?
- Customer attraction: In what way to attract customers?

1.1.2 Demand States and Marketing Tasks

Negative demand

This means customers do not like some products or service in the market. For example, some customers do not take plane for fear of risks, or dare not buy clothes made of fiber, for they think the fiber contains something that will do harm to their health. The task of management is to find out why customers don't like these products, and to carry out more active sales promotion to the targeted customers by redesigning the products, lowering the prices, or to try to change the customers beliefs on the products and service, such as eliciting the low possibility of accidents in plane journeys and unharmleness of fiber clothing to health. More positive promotion can change people's beliefs and attitudes.

No demand

This means the customers in a target market have no interest in or never care for the product.

For example, people in some African countries have the custom of walking barefoot, needing no shoes. What the marketers should do is to create demands, to combine the benefit of the products with people's natural demands and interest through effective promotion.

Latent demand

This means current products or service fail to meet the strong demands of many customers. For example, there is a strong demand for harmless cigarettes and more fuel-efficient cars. The marketing task of an enterprise is to measure the latent demand in the market and develop effective products and services to satisfy the demand.

Falling demand

This means the target customers' demand for some products or services is falling. For example, in cities most families have bought electric fans and the demand for them is comparatively declining. Marketers should find out the causes of market decline and decide whether demand can be reticulated by finding new target markets, changing the product's features, or developing more effective communication. The marketing task is to reverse the declining demand through creative remarketing of the product.

Irregular demand

This means many organizations face demand that changes on a seasonal, daily, or even hourly basis, causing problems of idle or overworked capacity. For example, in mass transit, much of the equipment is idle during off-peak hours and insufficient during peak travel hours. Museums are visited on weekdays and overcrowded on weekends. Hospital operating rooms are overbooked early in the week and undercooked toward the end of the week. The marketing task, called synchromarketing (同步营销) is to find ways to change the same pattern of demand through flexible pricing, promotion, and other incentives.

Full demand

Organizations face full demand when they are pleased with their volume of business. The marketing task is to maintain the current level of demand in the face of changing consumer preferences and increasing competition. The organization must maintain or improve its quality and continually measure consumer satisfaction to make sure it is doing a good job.

Overfull demand

Some organizations face a demand level that is higher than they can or want to handle. Thus, For example, a too large population causes shortage of food, energy and communication. The marketing task, called demarketing (限制性营销), requires finding ways to reduce the demand temporarily. Selective demarketing consists of trying to reduce the demand coming from those parts of the market that are less profitable or less in need of the product. Demarketing aims not to destroy demand but only to reduce its level temporarily or permanently.

Unwholesome demand

Unwholesome products will attract organized efforts to discourage their consumption. Unselling campaigns have been conducted against cigarettes, alcohol, hard drugs, handguns, and X-rated movies. The marketing task is to get people who like something to give it up using such tools as fear messages, price hikes, and reduced availability.

1.2 Evolution of Marketing

Preview Case

My job is to sell machines. The machines themselves are technically advanced and customers are not always aware of the advantages they can receive by installing them, so I have to persuade and back up my persuasion with solid facts and figures. I have also got to know what the machines can do and how they can be best adapted to suit the needs of different customers. That means getting back to the manufacturers and telling them what the customers want. Some of them seem to think that because a machine is technically perfect the customers will be queuing up to buy it. It just does not work that way.



Students' Task

What evidence is there in the above passage to suggest that the speaker is aware of the philosophy of marketing rather than simply selling?

There are five alternative concepts under which organizations conduct their marketing activities: the production, product, selling, marketing and societal marketing concepts.

The production concept

The production concept holds that consumers will favor products that are available and highly affordable, and that management should therefore focus on improving production and distribution efficiency as well as achieving economies of scale. This concept is one of the oldest philosophies that guide sellers.

The production concept is a useful philosophy in two types of situation.

- The first occurs when the demand for product exceeds the supply. Here management should look for ways to increase production.
- The second situation occurs when the product's cost is too high and improved productivity is needed to bring it down.

Best example: Henry Ford: "You can have any color, as long as it is black." (1920's)

The product concept

The product concept holds that consumers will favor products that offer the most quality, performance and innovative features, and that an organization should thus devote energy to making continuous product improvements.

The product concept also can lead to "marketing myopia". For instance, railway management once thought that users wanted trains rather than transportation and overlooked the growing

challenge of airlines, buses, trucks and cars.

The selling concept

The selling concept holds that consumers will not buy enough of the organization's products unless it undertakes a large-scale selling and promotion effort.

The selling concept emerged as a result of:

- mass production;
- rapid world wide increase in competition;
- downturn in demand.

Most firms practise the selling concept when they have overcapacity. Their aim is to sell what they make rather than make what the market wants. Thus marketing based on hard selling carries high risks. It focuses on short-term results — creating sales transactions — rather than on building long-term, profitable relationships with customers.

The selling concept takes an inside-out perspective. It starts with the factory, focuses on the company's existing products and calls for heavy selling and promotion to obtain profitable sales. It focuses on customer conquest — getting short-term sales with little concern about who buys or why.

The marketing concept

The marketing concept holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do.

Marketing is required because customers:

- are better educated;
- more sophisticated;
- have greater discretionary spending power;
- have more choice.

The marketing concept takes an outside-in perspective. It starts with a well-defined market, focuses on customer needs, co-ordinates all the marketing activities affecting customers and makes profits by creating long-term customer relationships based on customer value and satisfaction. Under the marketing concept, companies produce what consumers want, thereby satisfying consumers and making profits.

Many successful and well-known global companies have adopted the marketing concept. IKEA, Marks & Spencer, Procter & Gamble, McDonald's, Toyota and Haier follow it faithfully.

The societal marketing concept

The societal marketing concept holds that the organization should determine the needs, wants and interests of target markets. It should then deliver the desired satisfactions more effectively and efficiently than competitors in a way that maintains or improves the consumer's and the society's well-being. The societal marketing concept is the newest of the five marketing management philosophies.

The societal marketing concept calls upon marketers to balance three considerations in setting their marketing policies: company profits, consumer wants and society's interests.

Originally, most companies based their marketing decisions largely on short-run company profit. Eventually, they began to recognize the long-run importance of satisfying consumer wants, and the marketing concept emerged. Now many companies are beginning to think of society's interests when making their marketing decisions. Increasingly, firms have to meet the expectations of society as a whole. For example, society expects businesses genuinely to uphold basic ethical and environmental standards.

Key Terms and Concepts

marketing	need
want	demand
production concept	product concept
selling concept	marketing concept
societal marketing concepts	

Questions

Spot the Orientation

Marketing-oriented vs. other possible orientations of an organization

A company can be:

- product-oriented;
- sales-oriented;
- production-oriented;
- marketing-oriented.

Using the following statements from the management of our hypothetical organizations, can you assess which of these four possible orientations for a company best fits the organization described by each statement.

Read each of the descriptions and then place a number in the circles to indicate the following:

- This company is marketing-oriented.
- This company is production-oriented.
- This company is product-oriented.
- This company is sales-oriented.

Company A ()

"We believe that our products are the most innovative on the market. Our quality is second to none and we've gone all out to develop the best design team in the business."

Company B ()

"Our sales people understand how to get the customer to sign on the dotted line. Most customers really want to purchase our product when they see it; they just need a little push to make up their mind."

Company C ()

“The customer can have any color so long as it’s black.”

Company D ()

“Customers can be very fickle sometimes. We’ve just had to change a specification because the customer wanted something else at the last minute. This also affected our production schedules and our delivery department, and everything had to be recosted. Still at least everyone pulled together on this one.”

Projects for Assignment

1. Go to KFC and order a meal. Note the questions you are asked, and observe how special orders are handled. Next go to a canteen on your college or university campus and order a meal. Note the questions you are asked here, and observe whether special orders are handled the same way as they are at KFC.
 - Did you observe any significant differences in how orders are handled?
 - Consider the differences you saw. Do you think the restaurants have different marketing management philosophies? Which is closest to the marketing concept? Is one closer to the selling or production concept?
 - What are the advantages of closely following the marketing concept? Are there any disadvantages?
2. Take a trip to a shopping mall. List four major categories of stores, such as department stores, shoe stores, bookstores, women’s clothing shops. List the competing stores in each category, walk past them and quickly observe their merchandise and style.
 - A major goal for marketing is to maximize consumer satisfaction. Discuss the extent to which the mall serves this goal.

Assessment Evidence

Write a 500-word report based on one of the above projects and make an oral presentation based on your written report.

Assessment Criteria

<p>To achieve grade A your work must show: (Distinction)</p>	<ul style="list-style-type: none"> ● A coherent understanding of the basic marketing concept mentioned in this chapter ● Critical analysis of the given issues by using marketing concepts and theories mentioned in this chapter ● Sufficient relevant evidence has been given to show extensive desk and field research have been done ● A clear presentation in oral, written, and electronic-based work ● An excellent mastery of English language in the business environment
<p>To achieve grade B your work must show: (Merit)</p>	<ul style="list-style-type: none"> ● A full description of the basic marketing concept and an analysis of their effectiveness ● In-depth analysis of the issues by using marketing theories and concepts mentioned in this chapter ● Sufficient relevant evidence has been given to show extensive desk has been done ● A fairly clear presentation in oral, written, and electronic-based work ● A good English practice
<p>To achieve grade C your work must show: (Pass)</p>	<ul style="list-style-type: none"> ● A clear description of the basic marketing concepts and theories ● Superficial analysis of the issues by using marketing theories and concepts mentioned in this chapter ● Some evidence used to underpin your viewpoints ● Your English practice must be accepted
<p>D (Failed)</p>	<ul style="list-style-type: none"> ● Incomplete understanding of the basic marketing concepts mentioned in this chapter ● Unable to present evidence to support your viewpoints ● Your English practice cannot be accepted