

MARKETING MENTOR
A PRIMER FOR INTRODUCTORY MARKETING
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CHAPTER 2
MARKETING MANAGEMENT ESSENTIALS

Topics:

- A. Major Tasks of Marketing Management
- B. Overview of Marketing Strategy Planning

A. MAJOR TASKS OF MARKETING MANAGEMENT

Concepts:

- 1. Tasks of marketing management
- 2. Demand states

(1) Tasks of Marketing Management

The process of marketing management involves those activities related to trying to control the

- Level
- Timing, and
- Character

of demand (Kotler, 1973).

Level of demand: The level of demand refers to how much demand exists for the marketer's market offering (i.e., how many units of the product or service are requested by consumers within a given time period).

Timing of demand: The timing of demand focuses on when demand for a marketer's market offering takes place. Timing can refer to the time of day, the day of the week, the week of the month, the month of the year, or the actual year.

Character of demand: The character of demand refers to the nature of the demand. From the point of view of a particular party, is the demand for the product or service considered to be good or bad?

(2) Demand States

There are eight demand states that a marketer can face (Kotler, 1973):

1. Negative demand (level)
2. No demand (level)
3. Latent demand (level)
4. Full demand (timing and level)
5. Overfull demand (level)
6. Faltering demand (level)
7. Irregular demand (timing)
8. Unwholesome demand (character)

The primary area of concern of each demand state is identified in parentheses.

Negative demand: When the potential market for a product has a *negative attitude* toward the product, tries to avoid the product, and, in fact, might even pay a price to avoid the product. In this case, there is a supply of the product, but the level of demand is less than the supply.

Classic examples of negative demand include going to the dentist, going to the doctor, bus travel, air travel, and train travel. A lower-priced product that a consumer has tried but dislikes also falls into this category, as does the negative attitude toward meat products by vegetarians, whether it be for personal or religious values.

People are afraid to go to the dentist because of the potential pain they experience. The price one pays for not going to the dentist is continued toothache and/or rotting teeth. Similarly, people are afraid to go to the doctor for fear of finding out that they have a particular disease (e.g., cancer). The price they pay is that they will become seriously ill and perhaps even die.

In the past, non-smokers disliked traveling by bus because they would have to breathe second-hand smoke created by the smokers on board for an extended period of time. The cramped space and slow speed of bus travel also were negative factors. Non-smoking and express bus services are designed to overcome at least some of the negative factors of bus travel. The price one pays for not traveling by bus is that of being required to pay a higher price to travel by train or plane.

For those who are afraid to fly (fear of crashing), the price that is paid is being forced to use one of the slower modes of ground transportation (e.g., bus, train). High speed trains, at least to some extent, can overcome some of the speed disadvantage.

Products that consumers tried but dislike may have to be appropriately redesigned to get consumers to try the products again. However, it may be impossible to persuade a vegetarian to try a meat product, particularly if the belief is strongly held or is based on a value. In the latter case, it would be best for the marketer to seek other markets.

No demand: When the potential market for a product does not seek the product This may be due to that fact that the consumer is not aware of the existence of the product (i.e., unfamiliar product) or the consumer is aware of the product, but the product has no value in of it self or is of no value in that particular market (i.e., familiar product). In this case, there is a supply of the product, but there is no demand for the product. This demand state is better than negative

demand since the consumer has not formed a negative attitude toward the product.

If lack of awareness is the problem, then all the marketer needs to do is to advertise the product. Television ads in North America for Slim Witman records made consumers aware of this singer, which, in turn, resulted in an increase in sales. [Who would have guessed that a Shin Witman record would save the world from the Martians in the movie *Mars Attacks*.

If the product is of no value in of itself, then associate the product with something that is of value. Recycling garbage (e.g., plastic and metal containers) can be linked to the importance of cleaning up the environment Donating old newspapers to the Boy Scouts instead of throwing them out in the garbage can be linked to the importance of helping this organization to raise money.

If the product is of value, but not in a particular market, maybe the environment can be changed so that the product does acquire value in that market. Building a skating rink in Saudi Arabia gives value to skates and hockey equipment in that market. Building indoor baseball and golf facilities in areas were there is snow in the winter gives value to the products associated with these activities. Using snow-creating machines in ski areas which lack snow at a particular time gives value to such facilities and all of the associated activities.

Latent demand: When there is demand for a particular product, but the product does not yet exist (i.e., no supply). This is the best demand state that a marketer can face, since a guaranteed market exists, if only the marketer could create the required product. Creating a cancer-curing drug, a safe cigarette, or good television shows would ensure market success for the marketer. This demand state reveals the importance of having a marketing orientation.

Full demand: When the level and tuning of demand is equal to the level and timing of supply. This is the ultimate planning goal for the marketer. Once this point is achieved, the marketer only needs to monitor the market to make sure things don't change. When a change in the market does occur, the marketer needs to adapt appropriately to the changing market There is no question that such change will eventually occur.

Overfull demand: When the level of demand is greater than the level of supply. In this case, the marketer is facing more demand than expected. The market introduction of soft cookies by Duncan Mines, Cabbage Patch dolls by Coleco, and the introduction of Budweiser Beer to the Canadian market are past examples of products which faced overfull demand More recent examples of this demand state are the *Tickle Me Elmo* doll and the Nintendo 64 games. Duncan Hines, Budweiser, and Nintendo ran ads to inform the market that more of the product was on the way.

In each of the above examples, the marketer wanted to eventually meet the level of market demand. Communicating with the consumer was the most effective means by which to temper the level of demand until more of the product was available.

In some cases, the marketer cannot or does not want to meet the higher level of demand. Vacations spots that promote a peaceful and quiet environment would fall into this category. A

restaurant or night club or a highway system that cannot be expanded, or the owner does not want to expand, face the same problem. Higher prices, the imposition of a toll, or the setting of a minimum cover charge are effective means by which to reduce the level of demand.

An interesting concept that relates to the overfull demand state is *demarketing*. *Demarketing* refers to the efforts of the marketer to reduce the demand for a product (i.e., to *unsell* the product).

There are two forms of demarketing:

- General demarketing
- Selective demarketing

General demarketing focuses on the overall demand for a product - all consumers are taken into consideration. The examples provided above are of this nature.

Selective demarketing focuses on particular types of consumers -not on overall demand, per se. In this case, efforts are made to discourage particular types of consumers from wanting the product. Restaurants that set minimum purchase requirements want to discourage small purchases during busy times (e.g., lunch hour). Universities set application fees to discourage marginal students from applying to many schools. Dress codes are used in upscale restaurants to discourage the run-of-the-mill consumer. Airlines and Via Rail do not discount first class tickets to discourage the same type of customer.

Demarketing efforts can be designed to reduce demand on a temporary basis (e.g., when there is a temporary shortage of a product) or on a permanent basis (e.g., discourage price-sensitive customer from first class on airlines).

Faltering demand: When the level of demand is less than it was and will continue to fall unless the marketer takes steps to either halt or reverse the trend, if possible. All marketers eventually are going to have to deal with this demand state. The passenger rail systems in Canada and the U.S. are classic examples for faltering demand. By becoming more marketing oriented and by replacing outdated rolling stock (trains), both systems have been able to reverse the downward performance trend.

A decline in demand may be due to the actions of the marketer, the competition, or due to a changing consumer or environment. Better dental habits and products, fewer children, and fluorinated water have all contributed to the existence of fewer cavities, and hence, the demand for dentists. By focusing more on cosmetic dentistry, dentists have been able to increase the demand for their services.

Irregular demand: When the level and timing of demand is not equal to the level and timing of supply. There are a number of situations in which supply and demand are out of synch. Mass transit systems (city bus, subway, streetcar) are designed to have adequate capacity for about 20 hours per week (between 7:00-9:00 a.m. and 4:00-6:00 p.m. from Monday to Friday). During the other times of day and week, less capacity is required.

Airlines and intercity rail systems are busier during certain days of the week versus the weekend. Niagara Falls hotels and motels face high demand during the summer months and low demand during the winter months, but Florida hotels and motels face just the opposite demand levels. Similarly, business-oriented hotels are busier during the weekdays than on the weekends. Movie theaters are busier during the weekends than during the week.

The most effective means by which to deal with is to use the price variable. Prices for hotels and motels and air and rail tickets are higher during the peak periods and lower during the off-peak periods. Movie theaters have lower prices during Tuesdays and during matinees. The intent of reducing prices is to increase demand during the lower demand periods in order to better utilize the available resources.

There are some cases, however, where the consumer cannot alter his or her plans to take advantage of the lower prices. Commuters going to and from work must follow a particular time schedule. They cannot take advantage of off-peak prices. Furthermore, raising prices during peak times to discourage demand (or to pay for the transit system) may lead the consumer to revert to private transport, if the prices get too high.

In each of the above examples, the problem was to try to get demand to meet the level of available supply. There are also situations where there is demand for the product, but the demand is not available. There is demand for produce (i.e., fruits and vegetables) throughout the year, but local supplies are seasonal. To correct this demand-supply problem, the required items are imported.

Unwholesome demand: When any demand for a particular product is considered to be unacceptable from the point of view of a particular party. There are three general situations which reflect this demand state:

- Demand for an older version of a company's product
- Demand for a competitor's product
- Demand for a third party's product

Even though a company may develop a new, improved version of a product, demand may still exist for an older version of the product (e.g., WordPerfect 5.1 vs. 7.0; Window's 3.1 vs. Windows 95). From the company's point of view, any demand for the older, old-dated version is considered to be unwholesome since the company would prefer to devote all resources to the new version. Demand for a competitor's product is also considered to be unwholesome, because it takes sales away from the other company. Examples include: Coke vs. Pepsi, McDonald's vs. Burger King; Ford vs. Chrysler; and Delta Airlines vs. United Airlines.

Sometimes, a party other than the producer or consumer considers any demand for a product to be unwholesome. Anti-smoking group members (the 3rd party), being neither smoker nor producer, consider any demand for cigarettes to be unwholesome. In the 1950s, demand for Rock & Roll music was considered to be unwholesome by many people.

OVERVIEW OF MARKETING STRATEGY PLANNING

Concepts:

1. Marketing concept
2. Marketing strategy
3. Marketing Planning process
4. General marketing strategy approaches

(1) Marketing Concept

The marketing concept can be considered the foundation concept for the field of marketing. The marketing concept consists of three basic components:

1. A consumer orientation
2. An integrated company effort
3. Profit

Consumer orientation: All marketing planning starts with the consumer. A marketing oriented firm produces what the consumer wants, not what the company wants. Achieving customer satisfaction is of the utmost importance.

Integrated company effort: All units within the organization are focused on satisfying the consumer, even if the unit is not the marketing unit. When computer stores sell consumers store or extended warranties, post-sale service must be handled in an efficient and positive manner or else the consumer may take his or her future purchases to a competitor who will provide such service. For this reason, any store personnel who comes into contact with a customer who has a problem with a past purchase must be consumer oriented.

Profit: Since private firms must earn a profit, at least in the long run, to survive, such a firm will only seek to satisfy the consumer as long as a profit can be made. Products are removed from the market when they are no longer profitable to the firm, even if they satisfy part of the market. For example, television programs that are critically acclaimed but have small viewer markets are canceled because they cannot attract sufficient advertising dollars.

If the organization does not have a profit mandate (e.g., police department), then the appropriate mandate becomes relevant (e.g., efficient and effective public service). For example, emergency 911 services are not designed to make a profit, but the system must be able to handle all emergency calls quickly and effectively, particularly under high stress situations. There are many stories about callers who were not able to get through or were treated inappropriately by the emergency operator.

(2) Marketing Strategy

A marketing strategy comprises two basic components:

1. A target market
2. A marketing mix

Target market: The target market represents the group of consumers to which a firm wants to sell or the group of constituents who's needs an organization wants to satisfy. The target market is selected before the marketing mix is designed. Furthermore, the target market is considered to be the *uncontrollable* component of a marketing strategy (i.e., the marketer cannot force a consumer to purchase his product).

Marketing efforts are designed to attract a particular group of individual's to a firm's market offering. Thus, by definition, a firm's market offering should not attract those who are not considered to be part of the firm's target market. For example, Secret anti-perspirant is designed for females and Right Guard anti-perspirant is designed for males. Similarly, Crest toothpaste is designed for those who are primarily concerned about tooth decay but Pearl Drops toothpaste is designed for those who are primarily concerned about having whiter teeth.

When seeking a target market, a marketer first divides all consumers into *segments*, with each segment being unique in its own way (e.g., based on age, sex, income, hair color, shoe size). The marketer then decides which segment (or segments) to satisfy. The selected segment becomes the marketer's target market. The *process of segmentation* thus precedes the selection of a target market Those individuals not in the marketer's target market are expected to reject the particular market offering.

Marketing mix: The marketing mix consists of the following four components:

- Product
- Price
- Place (distribution)
- Promotion

These four *controllable* components of a marketing strategy are also referred to as the *4 P 's* (McCarthy, Shapiro, & Paroled, 1986). These components are considered to be controllable because the marketer, in most cases, decides the nature of each. For a marketing oriented firm, the four components of the marketing mix are designed after, and only after, the target market has been selected.

Product: The *tangible* and *intangible* aspects related to the physical product or service being offered to the market. Tangible aspects are concrete in nature; intangible aspects do not possess a concrete dimension.

Tangible aspects of a product refer to the physical entity itself (e.g., cigarettes, coffee, chocolate bar), its physical characteristics (e.g., color, size, quality, flavor), and the associated packaging. *Intangible* aspects refer to the psychological (e.g., brand image) and sociological (e.g., reference group relevance) meanings of the product and any nonphysical characteristic of the *extended product*(e.g., warranties, repair service).

Services (e.g., dental work, legal work, air travel, insurance, funeral service) are by definition *intangible* in nature. There may, however, be *tangible* aspects associated with the delivery of the service (e.g., the airline ticket, the airline food, the insurance policy and its holder, the visitor book from a funeral).

Price: The financial value associated with a product. The price needs to be set for the actual product and any characteristic of the extended product, whether physical or nonphysical in nature (e.g., warranties, repair service, delivery, credit).

Place (Distribution): Those aspects related to the movement of the product from the manufacturer to the final consumer. These activities lead to the provision of *place utility* — having the product available *where* the consumer wants it - and *time utility* - having the product available when the consumer wants it. The distribution of a product involves its movement from the manufacturer to the consumer via the *channels of distribution* (use of wholesalers, retailers, etc.) and requires planning in the *physical distribution* areas of transportation, inventory, and warehousing. Place utility is accomplished via transportation. Time utility is accomplished by having the product in inventory (i.e., storage).

Promotion: Those activities related to the *communication* about aspects of the firm's market offering to the final consumer (i.e., the target market), to members of the channel, or to the general public. The four primary categories of promotion are:

- Advertising
- Sales Promotion
- Personal Selling
- Publicity

Advertising: Nonpersonal mass selling promotional effort paid for by the firm to communicate its message using print or broadcast media (e.g., newspapers, television, radio) to a mass audience. Generally done on a regular basis (e.g., weekly newspaper ad by a supermarket).

Sales promotion: Nonpersonal and nonregular promotional effort paid for by the firm for a particular purpose using methods other than advertising, personal selling, or publicity. Includes contests, sweepstakes, premiums, displays, push money, trading stamps, etc. The movie characters (e.g., 101 Dalmatians) and the toys offered by McDonald's in the Happy Meals are specific examples. A free calendar offered by a local dry cleaner is another. A supermarket offering a different dish from a place setting at cost on a weekly basis is an example of a self-liquidating premium. The latter effort is designed to get the consumer to shop at the store every week so as to collect the set.

Personal selling: Personal interaction between a sales representative of the company and a potential customer designed to communicate the firm's message. An insurance salesperson trying to sell you life insurance is an example. Al Bundy, from *Married With Children*, trying to sell a customer shoes is another.

Publicity: A non-paid form of communication about the firm. The communication may originate

with the firm via press releases (e.g., a new product introduction) or by sources external to the firm. The publicity may be positive or negative in nature. ValuJet, TWA, Denny's Restaurants, Mattel (Cabbage Patch SnackTime Kid dolls), Irwin Toys (Berry Luvin' Baby Smurf doll), and AVIS car rental are some of the unfortunate recipients of negative media publicity. Positive movie and computer software reviews on television or in newspapers or magazines are examples of positive publicity.

(3) Marketing Planning Process

The sequential components of the marketing planning process are as follows:

- Company resources
- External environment
- Corporate mission
- Business goals
- Marketing objectives
- Marketing tactics
- Consumer/Citizen

The marketing planning process is illustrated in Figure 2.1.

[See Role of Marketing SlideShow for Figure: Figure 2.1. Marketing Planning Process]

Company resources: Company resources include the personnel and their skills, the financial assets, and other corporate assets (e.g., patents, buildings, equipment). The company determines what it has available before seeking market opportunities.

External Environment: The acronym **CERTS** identifies the major factors in the environment that need to be examined by the firm as it seeks market opportunities. **CERTS** stands for:

- Competition
- Economic environment
- Regulatory environment
- Technological environment
- Social environment

Competition. Other firms which will compete with the marketer. Consider the size and strength (financial and customer loyalty) of the competition.

Economic: What is the state of the economy? Consider factors such as inflation, recession, employment levels, currency exchange rates, consumer debt, etc. Is the infrastructure of the market suitable to the type of business endeavor being considered (e.g., roads, media, businesses, schools).

Regulatory: What laws exist (federal, state, provincial, municipal) which are relevant to the type of business activity being considered? For example, are the municipal zoning laws allow for a

particular type of business in a given area? What is the political climate like?

Technological: Is the level of technology in the area of consideration suitable to the business endeavour being considered? For example, if plans include advertising on the Internet, does the marketer's potential market have access to computers and the Internet? Similarly, if plans include advertising on cable television, are such facilities available?

Social: What is the nature of the culture, values, beliefs, life styles, demographics, political system, etc. of the potential market and others in the immediate environment? How do these aspects of the environment relate to the planned marketing activity?

Corporate mission: A corporate mission is a general statement identifying the purpose of the firm. For example, the mission of the Northern Ontario Transportation Commission is to service the transportation needs of the residents of northern Ontario. To accomplish this, the NOTC operates bus, rail, ferry, and air service in the defined geographic area.

The corporate mission directs the firm in terms of its activities and plan. One of the admonitions about developing a corporate mission is not to make it too specific. In the past, railroads defined their missions in terms of being in the railway business; they did not consider themselves to be in the broader transportation business. As a result, changing technology led a significant loss of market share to such firms to more efficient forms of transportation (e.g., air, truck).

The term *marketing myopia* is used to identify the nature of those firms that define a narrow corporate mission. In the past, railroads were *myopic* (i.e., had a narrowly-defined corporate mission).

Business goals: Business goals evolve from the corporate mission. Business goals are *qualitative* statements pertaining to what the firm wants to accomplish. Examples include:

- survival
- increasing or maintaining sales or market share
- increasing or maintaining profits
- developing a particular corporate or brand image

No quantitative value is identified at this point in the planning process.

Marketing objectives: Marketing objectives evolve from the business goals. Marketing objectives are *quantitative* statements pertaining to what the firm wants to accomplish within a specified time frame. The following examples of marketing objectives relate to the four business goals identified above:

- achieve a breakeven performance level for each month
- increase unit sales by 1 5% within the next year
- increase profit by \$200,000 during the 3rd quarter
- by the end of the coming year, achieve an average score of at least
- 4 out of 5 on an attitude scale measuring whether consumers

- perceive the firm as being an environmentally-friendly enterprise

Marketing strategy: A marketing strategy comprises a *target market* and a *marketing mix*. The target market is the group of consumers which the marketer seeks to satisfy with its market offering. It is the uncontrollable component of the marketing strategy. The marketing mix, the controllable component of the marketing strategy, consists of the 4 P's: product, price, place, and promotion. All components of the marketing mix must be consistent with one another and consistent with the needs of the target market.

Strategic decisions for the marketing mix are at the more general policy level. For example, a marketer may set a policy to price below the competition or to establish exclusive distribution. At this point, the marketer does not decide on the actual price to charge or who the specific retailer will be who will have the exclusive distribution rights.

Most firms have more than one marketing strategy [e.g., North-west Airlines serves multiple target markets with a variety of market offerings (e.g., different classes of service, types of aircraft, prices, and food service)]. All of a firm's marketing strategies for a given time period combined identify the firm's *marketing program*. It is the marketing program that is designed to achieve the marketing objectives.

Marketing tactics: The marketing tactics can be set once the marketing strategy is established. Marketing tactics are all the minute and specific details of a marketing strategy. Examples of tactics for each of the components of the marketing mix are as follows:

- Product - color, size, flavor
- Price - actual selling price, discount levels
- Place-selection of specific retailers and wholesalers who will carry the product
- Promotion - specific characters in ads, magazines that will carry ads, television shows on which to advertise

At this point, the product is ready to be introduced to the market.

Consumer/Citizen: Once the product is introduced to the market, the consumer (i.e., the target market) has the opportunity to respond to the marketer's offering - i.e., to buy or not to buy. However, since the product is generally designed for specific group of consumers, there are many non-users (i.e., citizens) in the marketplace who will also have the opportunity to respond to the market offering (e.g., anti-smokers for cigarettes, MADD members for alcoholic beverages).

Since any market response occurs within the environment, Figure 2.1 shows a feedback path from the *Consumer/Citizen* to the *External Environment*. This feedback can be used by the marketer to revise the marketing planning process, if required.

(4) General Marketing Strategy Approaches

There are two basic strategy approaches a marketer can use when entering the marketplace:

- Market segmentation
- Marketing mix differentiation

Market segmentation: A target marketer divides (i.e., segments) the market on the basis of some characteristic of the market (e.g., age, sex, income, benefit sought) and selects a target market from among the different segments for which a marketing mix will be developed. Crest toothpaste is designed for those consumers who are concerned about preventing tooth decay. Pearl Drops toothpaste is designed for those who are concerned about having white teeth.

Marketing mix differentiation: Other marketers may also go after the same segment as another marketer. Crest toothpaste and Colgate toothpaste are designed for the same segment. In this case, both marketers need to use marketing *mix differentiation* (i.e., to make their marketing mix appear different from the competition) in order to attract the identified segment. This can be accomplished by having different prices, distribution, and/or promotion. Coke versus Pepsi and McDonald's versus Burger King are other examples of firms that use market segmentation and marketing mix differentiation.

Some firms use marketing mix differentiation without using market segmentation. These firms are referred to as *mass marketers*; they try to sell to everyone in the market. Mass marketers do not believe that there are any important differences across consumers to warrant segmenting the market or they choose to ignore such differences.

Quite often when new innovations are introduced to the market, only one version of the product is introduced for the mass market. Only afterwards is market segmentation used, particularly if competitors enter the market to satisfy a particular market niche. The first spreadsheet program, the first computers, the first hand-held hair dryers, the first calculators, the first VCRs are just some examples where segmentation was not critical at the beginning of the life cycle of each of these product categories. In each case, consumers were more interested in the availability of the new product category itself than seeking to maximize the satisfaction of relevant needs.

The relationships involving the concepts of market segmentation, marketing mix differentiation, target marketer, and mass marketer are illustrated in Figure

[See Role of Marketing SlideShow for Figure: Figure 2.2. General Marketing Strategy Approaches]

Chapter 2 References

Kotler, Philip. (1973). The Major Tasks of Marketing Management. *Journal of Marketing*, 3 (October), 42-49.