

TOPIC ONE

**Introductory
Marketing Concepts**

Activity 1: Perceptions of Marketing

Introduction

Marketing is sometimes a misunderstood profession. Therefore, at the start of this course, let's review your initial perceptions of marketing using this quick quiz.

Keep in mind that the goal of this activity is not to select a particular answer - instead, its purpose is to explore the generally held perceptions of marketing. When you have finished, compare your perceptions against those of your fellow students (or other groups).

(Note: This may be an interesting activity to look back upon at the end of your program.)

Use this scale for your answers:

- A. Definitely true
- B. Probably true
- C. Could be true or false
- D. Probably false
- E. Definitely false

Activity/Task

1. Marketing is simply another word for advertising.
2. People who are successful in marketing are really creative and outgoing - but are not that good with numbers and statistics.
3. Marketers do not usually end up as CEO's. Most CEO's either have a finance, engineering, or legal background.
4. People in marketing roles tend to have little interaction with staff from other departments (functions) within a firm.
5. The main goal of advertising is to make the product sound as attractive as possible, regardless of the realities of the product offering.
6. Some firms actively de-market to (try to discourage) low-value customers.
7. Many key marketing decisions within a firm are so important that the CEO or the executive team often undertakes them (rather than the marketing department).
8. Marketing tasks are fairly simple, particularly compared to complex and serious roles/functions like finance and engineering.

Further Discussion Questions

- A. Which of the above statement/s appeared to have the biggest range of perception across the class discussion?
- B. If so, why do you think that there is a wide array of viewpoints on some of these statements?

Activity 2: What is the Purpose of Marketing?

Introduction

This is an introductory exercise suitable for discussion in the first few weeks of your marketing course. One of the challenges that you have at the start of a marketing program is to develop a clear understanding of the role of marketing.

As you have probably gathered, the word “marketing” is obviously related to the word “market”. You should note that the word marketing is a verb, which means that marketing is an active process of “going to market”.

But what does “going to market” mean? Think about a street market where there are buyers and sellers. The sellers work together to attract large numbers of buyers, but are also in competition with each other to win sales from the buyers. The buyers are looking for a good deal and to buy products that they want to buy.

Activity/Task

Your task in this exercise is to review the following list. To what extent, do you think, that these goals reflect the purpose of marketing in a firm?

Purpose of Marketing in a Firm?	Definitely	Probably	Unsure	Probably not	Definitely not
To add value for consumers					
To meet customer needs					
To win new customers					
To retain existing customers					
To outperform its competition					
To work with competition to grow the overall market					
To maximize profits for a firm					
To build a strong brand					
To make a difference to society					
To design and offer great products					

Activity 3: What is Marketing?

Introduction

Even in the business world, the term 'marketing' conveys different meanings. For instance, there are still business managers who see marketing as just the implementers of the organization's promotion and advertising programs.

Your task in this activity is to firstly review the various views/definitions of marketing in the conversation below. Then your task is to see if you can come up with your own definition of marketing (based on some of these views and your general understanding of marketing).

Try not to use a standard textbook definition - instead see if you can construct a suitable definition of marketing in your own words.

Activity/Task

- Vicki:** To me the answer is pretty straightforward - marketing is all about working out how you can get consumers to buy more products from your firm.
- Susie:** That's fine, but how do you actually do that? I think that marketing is all about the various tasks that you undertake to get consumer to buy more, such as having special offers and developing great new products.
- Natalia:** But is it just about getting people to buy more? For instance, McDonalds could get people to buy more Big Macs if they started selling them for only \$1 - I'm not sure that they would really want to do that.
- Paul:** No they wouldn't - they would want to increase profits, not sales. That's why in their marketing they focus on their staff providing fast service. And they grow by opening more stores and making sure that their stores have lots of seating and parking, as well as having playgrounds and drive-throughs. At McDonalds, I would say that their marketing all about convenience and service with the main goal of making more money.
- Mitchell:** Sure, McDonalds do all that, but they focus on value as well. For a few dollars you can get a burger combo. So I think that a key part of marketing is having a low price.
- Vijay:** But hang on, there are firms that like to charge high prices. For example, with an expensive restaurant, having high prices is a sign of the quality of the food and their service.
- Mike:** And those types of restaurants don't even need to advertise. They gain new customers through their reputation and word-of-mouth.

- Bianca:** You know what you're talking about is having a strong brand. That's what I think marketing is all about. A good example is BMW. Their cars are a status symbol, so people are willing to pay more to own one.
- Barry:** So what you're saying is the key to marketing is lots of advertising in order to build a strong brand so consumers will pay more and buy more.
- Julie:** But isn't it more than just advertising? To build a strong brand, don't you need to start with a good product first? There's no point advertising something that people won't buy again. So I think marketing starts with a good product.
- Charlie:** But to have a good product, you first have to understand the customer and their needs. If you do that right, then you know what products they want, how much they will pay, and how to advertise. So I think the key to marketing is truly understanding the consumer and meeting their needs.

<p>Key points from the above conversation</p>	
<p>Other points that you think should be included</p>	
<p>Therefore, your definition of marketing is...</p>	

Activity 4: A “Simple” Definition of Marketing?

Introduction

There are 100's of definitions of marketing available on the internet and even different marketing textbooks use different variations of what marketing is all about.

And even in the business world, you will find that different firms and even different managers have a somewhat unique view of what marketing is all about.

Your task in this exercise is to see if you can develop your own simple definition of marketing.

Activity/Task

As you may already know, the key goals of marketing are to:

- Identify a target market,
- Develop an appropriate marketing mix,
- Gain and retain customers,
- Deliver customer satisfaction,
- Generate long-term profits, and
- Improve the competitive strengths of the organization over time.

But let's have a very simple look the above - success in marketing could be summarized as “getting and keeping customers”. This means that could we break marketing down to just three basic responsibilities:

1. Attract new customers
2. Grow our share of customers (win more of their business)
3. Retain profitable customers

In other words – **GET – BUILD – HOLD** customers. And there would then a whole array of marketing strategies and tactics that are built by the firm to deliver these goals for the firm.

Discussion Questions

1. Do you agree that the goals of marketing can be simplified down to just three words (**GET – BUILD – HOLD**)? Why, why not?
2. Other than these customer goals, does marketing have any other purpose? Please outline your thoughts.
3. How would you define marketing in simple terms for a non-business person?

Activity 5: Which Marketing Orientation/Philosophy?

Introduction

Firms tend to adopt a particular orientation/philosophy in terms of their overall approach to business.

For the following examples, match the firm to the orientation/philosophy that they most appear to follow.

Use this list for your answers:

A = Production Concept
B = Product Concept
C = Sales/Promotion Concept
D = Marketing Concept
E = Societal Marketing Concept

Activity/Task

(Record your responses at the side of each statement.)

1. "It's a old saying, but it's true – 'build a better mouse-trap and the world will beat a path to your door'. And that's exactly what we do! Our products are always being enhanced and improved upon and, quite simply, they're the best in the market."
2. "We're very focused on understanding our customers and meeting their needs. And you have to be. For example, 50 years ago our firm used to manufacture typewriters - well nobody buys them anymore. Therefore, to be successful you have to adapt and meet changing consumer needs and, fortunately, our firm is committed to that goal. And it's working, last year we achieved both record profits and record customer satisfaction scores."
3. "We're an importer of various products that are suited to direct marketing promotion. In particular, we are heavy users of late-night TV info-commercials. Our approach is simple – find fun, novelty or self-improvement products from international suppliers, import them, and them effectively promote them."
4. "In today's world, running a successful business is quite a complex challenge. It's a real balancing act to constantly provide a fair return to our shareholders, whilst meeting the ever-changing needs of the consumers. And we also do this within our requirements of working with environmentally-friendly technology and materials, as well as giving something back to the community. It's a challenge, but we enjoy it."
5. "At our firm, we are very cost-focused and we have worked hard to become a lean organisation. We believe that if we can make and distribute our products very efficiently, then we can always sell at a lower price than our competitors, which means that we will sell more and make more money."
6. The Body Shop is a large retail chain throughout many countries. As part of their business philosophy, they will only deal with 'ethical' suppliers (for instance, suppliers that have fair employment practices). It is also important to The Body Shop that they contribute to causes and that their products are environmentally friendly.

7. Some companies are very focused on innovation and technological break-throughs. And some will even disregard poor market research results (which indicate limited interest in their product concept) if they really believe in their product.

These firms understand that new technology often takes time to be adopted by consumers. (For instance, cell/mobile phones were initially only adopted by businesses, and only much later by consumers.) Therefore, they create a great product first, and then they try and create a market.

8. Large charities usually have the goal of many people as possible through their programs and various other forms of support.

However, to provide such extensive support, they usually need significant donations from individuals and businesses. Therefore, throughout the year they are likely to conduct fund-raising lunches with business people, have significant direct marketing programs in place, generate significant amounts of publicity, and even undertake advertising and use social media.

9. For many years, there has been a trend of manufacturing firms to physically produce their goods internationally, in countries where labor costs are significantly lower (such as China, India, Mexico).

This trend is now extending to basic services as well. A good example is that some firms in these countries provide 'outsourced' call-center services to large companies, such as banks and insurance companies.

These call-center firms often win their new business primarily on the basis of offering a low price. Therefore, they continually focus on containing costs and improving efficiency in order to grow their business.

10. Starbucks Coffee is an organization that gathers information regarding its service levels and how their customers perceive them. Their corporate culture is highly customer focused and they work hard to meet the changing needs of the market.

Further Discussion Questions

- A. Can you think of any other examples of firms that appear to adopt a particular marketing orientation approach?
- B. Do you think that there is a best marketing orientation in today's world? Why?

Activity 6: Which Orientation Would You Choose?

Introduction

The following is an excerpt from a manager's meeting for a newly formed firm that is planning to be a manufacturer of bicycles. Essentially, they are discussing which marketing orientation/philosophy they should adopt.

In this activity, you firstly need to identify which type of orientation/philosophy that each participant is proposing. And then your task is to nominate which orientation/philosophy that you think would be most appropriate for this firm.

Activity/Task

James: As you all know, I've been a keen cyclist for many years. And I think that there's a real opportunity for innovative state-of-the-art bikes.

There's always someone out there who wants the latest gadget. We've all seen that in the entertainment market (with PlayStation and iPhone for instance). So I think that we can easily pick up on that trend in our firm.

Julie: Sure, that's an option, but you're talking about a pretty small market. I think that we should go mass market. These days some kids own two or three bikes, or get a new one every year.

Success in that large market is simply price. If we make the bikes efficiently and sell them at a low price – then the bikes will roll off the shelves as fast as we can make them.

John: Yeah – maybe that will work. But today's world is celebrity and brand crazy. For many kids today, it's all about image and status.

So I think that we should get a high-profile celebrity to endorse our product, and then get out there and really build a strong brand. This is a real opportunity - I mean, you can list a dozen brands of cereal, but how many brands of bicycles do you know?

Jane: But do people really choose a bike based on the brand? Or do they choose a bike that really suits them and has a good range of features.

You know what I think – I think we should run some focus groups with kids, teenagers, and young adults and find out what they really want in a bike. Meeting customer needs is the key to success.

Jenny: Well, of course, we should meet customer needs! But wouldn't it be great if we could make a difference to the environment as well. You know, encourage people to cycle (not drive) whenever they can. And we could also generate a lot of free publicity by using this approach.

<p>What is the preferred philosophy/orientation for...</p>	<p>Select from:</p> <ul style="list-style-type: none"> • <i>Production Concept</i> • <i>Product Concept</i> • <i>Sales/Promotion Concept</i> • <i>Marketing Concept</i> • <i>Societal Marketing Concept</i>
<p>James?</p>	
<p>Julie?</p>	
<p>John?</p>	
<p>Jane?</p>	
<p>Jenny?</p>	
<p>Which one do you think would be the best approach?</p>	
<p>Why did you select this particular philosophy/orientation?</p>	

Activity 7: What is Customer Value?

Introduction

Providing value to consumers is a cornerstone of success in marketing. But value can mean different things to different people at different times.

In this activity, identify how each of the following consumers perceives value. For example, value = low price, value = good service, and so on.

Activity/Task

1. "I like going to McDonalds – it's such great value – sure, the food isn't that great, but gee you get a lot for your money."
2. "I'm happy to pay \$300-400 for a pair of shoes – because they last for years. I really can't understand people who buy a \$50 pair of shoes every six months."
3. "I drive a BMW. Why? Because I always want the best, that's important to me. I usually buy high quality products."
4. "I also drive a BMW, but I don't really care about the car – I just want to show my family, friends and neighbours how well I'm doing in life."
5. "I always buy my families clothes from Walmart. Look, a shirt's a shirt – why pay more that you have to!"
6. "I won't shop at Walmart stores; they are very cluttered and too busy. I prefer to shop at specialist clothing stores. They are quieter, they are much nicer to be in, and you can take your time and comfortably try on clothes."
7. "I still shop at the local food stores, rather than going to the big supermarkets. Sure, it's a bit more expensive, but the local shopkeepers are always friendly, you can have a laugh, and they even tell you how to cook the food if you're not sure about it."
8. "I switched my home loan from one of the big banks to a credit union. It's going to cost me a little bit more money, but I know that I can trust the credit union, I'm not so sure about the banks anymore."

Further Discussion Questions

- A. How do you perceive "value" in your purchases?
- B. Does your perception of value differ from your family and friends when buying similar products?
- C. What does different "value perceptions" mean for marketers (in their strategies)?

Activity 8: What is Customer Satisfaction?

Introduction

Satisfied consumers will often create a steady income stream and positive word-of-mouth. It is generally acknowledged that you cannot run a successful business in the long-term without providing customer satisfaction.

Part A: Review the following examples and try to identify to what extent each customer is satisfied (use the simple rating scale provided).

Part B: See if you can identify what is driving the customers' level of satisfaction.

Use this scale for your answers:

A = Highly satisfied/delighted
B = Quite satisfied
C = Just satisfied
D = Dissatisfied
E = Very dissatisfied

Activity/Task

1. "My friends took me to see that new Tom Cruise movie. I didn't want to go! I thought it was going to be a stupid movie, but it turned out to be not too bad."
2. "I was really excited about going to see the music concert, but the seats were right up the back and we were next to a bunch of noisy and pushy people."
3. "I couldn't believe that the hotel only charged \$100 for the night. They could easily charge a lot more for what they offer."
4. "I was so excited when I first saw the new flavor of Coke – I thought it would taste great, just like Coke and ice-cream. But when I tasted it, it was so bad that I couldn't even finish it."
5. "I hired a floor cleaning machine for the weekend. When they delivered it, we found it was too big to get through the doorway. They took it away without charge, but I was disappointed as I had previously checked with them that it would fit."
6. "I had a real problem with my bank as they kept charging a wrong fee to my account. When I went to see them they were really good about it, refunded the fee and apologized and said that it wouldn't happen again."
7. "I went to McDonalds the other day and it was a real surprise. I haven't been there in years and these days they have a good choice of food, nice coffee, and even comfortable lounge chairs to sit in."

Further Discussion Question (PART B)

What appears to be determining/driving whether or not these consumers are satisfied?

Activity 9: The Functions/Tasks of a Marketer

Introduction

Have a look at the list of business tasks outlined below.

For each task determine how likely it would be for somebody in marketing (that is, they could be anyone in marketing, junior or senior) to do this task as part of his or her role.

Use this scale for your answers:

A = **Likely** that a marketer would do the task
B = **Maybe** a marketer would do the task
C = **Unlikely** that a marketer would do the task

(Note: The tasks undertaken by marketers will vary across different industries. Therefore, simply answer using your perceptions of the functions of marketing in general.)

Activity/Task

1. Attend the weekly staff meeting and discuss recent sales results
2. Analyse the increase in the number of customer complaints
3. Check the progress of our new international store – including a review of its design and its facilities
4. Meet with an unhappy (dissatisfied) customer
5. Review the IT schedule and check the status of the new product IT tasks
6. Provide recommendations for the new staff bonus scheme to HR
7. Meet with the accountant to recommend a 10% price increase
8. Attend the new product development project team meeting
9. Redesign the application form for new customer 'sign-ups'
10. Meet with the local sporting club regarding a sponsorship deal
11. Prepare a presentation for upcoming staff training day
12. Draft a speech for the CEO

Further Discussion Question

Based on your responses to the above, what skill sets do you think you would need to be successful in the marketing profession?

Activity 10: The Role of Marketing in a Firm

Introduction

The discipline of marketing is usually embedded throughout an organization. This means that key marketing tasks/decisions can be undertaken by employees/managers outside of the formal marketing department.

This situation explains why sometimes the responsibilities of a marketing department within an organization may differ to the broad scope of marketing as outlined in most marketing textbooks.

For this activity, consider a food manufacturing company – at which “level” of employee would the following decisions be made?

Use this simple list for your answers:

A = CEO/Executive

B = Marketing Manager

C = Marketing Coordinator

D = Non-marketing Manager

NOTE: You may indicate some shared decisions (such as A/B)

Activity/Task

1. Which newspapers/magazines should we advertise in?
2. Determining the total amount of the marketing budget?
3. Which product categories (different food lines) should we offer?
4. What new products should we launch this year?
5. What training is needed for our retail sales team?
6. What campaign slogan to use for the launch of a new product?
7. What price should we charge for our products?
8. What geographic markets should we compete in?
9. What bonuses should be paid to sales staff?
10. What marketing research do we need?
11. How should we address the potential threats from new competitive product/s?
12. How can we motivate our sales team on a day-to-day basis?

Further Discussion Question

Based on your responses to the above, what additional challenges (in comparison to other functional roles) could a marketer face in their role?

Activity 11: The Role of Marketing at McDonalds

Introduction

Part A: *As you read the case below, try and identify the reasons for the success of McDonalds throughout the world. (Use both the information in the case and your own knowledge.)*

Part B: *Which of these reasons would you consider to be 'marketing decisions/activities'?*

(Note: The goal of this activity is to further understand the scope of marketing and to determine the importance of marketing in a firm's overall success).

Activity/Task

Let's face it – pretty well everyone we know has eaten at McDonalds at some time. But why is McDonalds so successful? Particularly as many people would agree that their food is just OK, but it's not great. Therefore, if it's not their core product offering driving their success, then what is?

To find out, let's go back to the beginning of their success story. It was in the 1950's when Ray Kroc, a milkshake machine salesman, got a big order from the McDonalds brothers' hamburger store. They bought six machines that had the capacity to make 48 milkshakes at one time!

Ray was fascinated to find out why a local hamburger store would want to make so many milkshakes. He found out that they had very efficient processes and systems that enabled them to make many hamburgers quickly and serve many customers.

As we now know, Ray saw significant potential in this local hamburger store and eventually worked with the McDonald's brothers to expand store numbers.

Since then, McDonalds has streamlined, fine-tuned and systemised their food production process even further. This allows them to provide great speed and consistency of product. This gives their customers the reassurance of knowing exactly what they are going to get, no matter which McDonald's store they visit.

Today, McDonalds is a major owner of real estate and has stores in thousands of key locations throughout the world. This obviously provides great convenience to customers. And to make their offering even more convenient, McDonalds have added drive-through options and extended trading hours at many of their stores.

They also provide a good range of facilities including parking, comfortable seating, playgrounds, rest-rooms, and even newspapers – all within clean and modern surroundings.

Activity 12: What's the Marketing Mix?

Introduction – for Part A

The 'marketing mix' is a convenient method for remembering the scope of marketing activities. Traditionally, students learnt about the 4P's of marketing, which is most applicable to manufacturers of physical goods. Today, students also learn about the 7P's (the marketing mix for a service firm).

From the following list of P words, identify which are the traditional 4P's and which are the three additional P's for services marketing.

Use this simple scale for your answers:

4 = Part of the traditional 4P's
7 = Part of the extended 7P's

Activity/Task - for Part A

Product	Profit	Price	Performance
Positioning	Production	People	Perception
Place	Promotion	Physical Evidence	Process

Introduction - for Part B

To illustrate how the marketing mix works together to implement the organization's marketing strategy and meet the needs of a target market, let's use an example for an up-market hotel chain, such as Hilton Hotels.

Assume that Hilton Hotels (which are usually '5-star' quality) decided that they wanted to introduce a NEW chain of BUDGET hotels (at around 2-3 star quality) in order to capture a greater share of the total hotel market.

Your task is to identify how they would need to modify their 7P's marketing mix to meet the needs of this new target market.

(Note: At this stage of your marketing course, only simple answers are required. The first P has been completed for you, as an example, over the page.)

Activity/Task- for Part B

List the 7P's Below	Marketing Mix as a 5-star hotel	Marketing Mix as a 2-3 star hotel
Product	High quality facilities Large rooms Expensive furnishings, Spacious balconies An array of high quality supporting restaurants, bars, luxury swimming pools and spas All perfectly maintained	Basic/low quality facilities Smallish rooms, Budget/limited furnishings No added facilities Acceptable maintenance of facilities

Activity 13: Working with the Marketing Mix

Introduction

Below is a simple case study to illustrate the range of potential marketing activities and the marketing mix.

Part A: *In the first instance, you need to list some possible approaches to improving profit for this business. Try to think of a range of different profit ideas.*

Part B: *Once you have generated your list, identify which of your ideas would be considered part of the marketing mix (you can use either the 4P's or 7P's).*

Part C: *Considering your responses in Part B of this activity, how important is the marketing mix in helping to generate profits?*

Activity/Task

Fat Frank's Burgers

“Frank owns three hamburger shops; his weekly sales, and profit and loss is shown in the table on the next page. Although he is making a pre-tax profit of \$1,500 per week, he still believes that there is room for profit improvement.

He has approached you, as a marketing expert, to give him some advice on how to improve his marketing in order to improve his profits. What advice will you give him?”

Please see Frank's financials on the next page...

WEEKLY FIGURES	SHOP 1	SHOP 2	SHOP 3	TOTAL
Sales of Burgers @ \$2 each	\$4,000	\$2,000	\$6,000	\$12,000
Cost of Burgers @ \$1 each	\$2,000	\$1,000	\$3,000	\$6,000
Burger Profit	\$2,000	\$1,000	\$3,000	\$6,000
Sales of Drinks @ \$1 each	\$2,000	\$1,000	\$3,000	\$6,000
Cost of Drinks @ 50c each	\$1,000	\$500	\$1,500	\$3,000
Drink Profit	\$1,000	\$500	\$1,500	\$3,000
GROSS PROFIT	\$3,000	\$1,500	\$4,500	\$9,000
Rent	\$500	\$500	\$1,000	\$2,000
Advertising	\$500	\$1,000	\$0	\$1,500
Staff	\$1,000	\$1,000	\$2,000	\$4,000
PRE-TAX PROFIT	\$1,000	(\$1,000) <i>(Loss)</i>	\$1,500	\$1,500

Possible Ideas to Increase Profits? (PART A)	Part of the Marketing Mix? Yes/No (PART B)
Therefore, the 'relationship' between a firm's marketing mix and their profitability is... (PART C)	

Activity 14: Marketing and Ethics?

Introduction

Does marketing promote consumption for its own sake? Certainly there are some people who gain some form of social status from their possessions.

But is this the fault of marketing or just a general trend of the changing environment? To assist you, listed below are some comments from a recent focus group on this issue.

Activity/Task

- A. "I really don't understand young people these days. Why do they want to tie themselves down with all that debt? It must be so stressful. In my day, you saved your money and only bought things when you could afford it. I'm proud to say that I've never borrowed money in my life."
- B. "I earn good money. I'm not even 30 and I already earn \$100,000. I've got another 30 years of ever increasing income to enjoy. That means I don't need to worry about saving – I just buy what I want, when I want."
- C. "I find that it's my kids that want all the new things. Like the latest game device, and their own computer and a whiz-bang smart phone and, of course, a wide-screen TV. I mean all their friends have them, so you don't want your kids to miss out."
- D. "I try to live a simple life, but that's becoming harder and harder. For instance, how can you live without a smart phone these days? And I've recently bought myself a computer for home just to access the internet."
- E. "I think things are quite different these days. Look at me for example – my wife and I both have good jobs and we've decided not to have kids. That's so different to my parent's generation where people usually only had one income and a family to support. We are in a much better position financially than most families and we have a much greater disposal income level."

Discussion Questions

1. Review the above statements; do you think that they are common viewpoints?
2. The statements seem to suggest that, in today's world, many consumers want to buy more products. Is this the result of marketing activities by firms or simply a change in consumer's lifestyle and expectations?
3. Do you think that marketers have the "power" to get consumers to buy products that they don't really need?