



UNIT-1

Introduction to Marketing

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Explain the meaning of the term marketing and various marketing concepts
- ✓ Describe the importance of marketing to the business, consumer and society
- ✓ Discuss the concept of marketing mix.

Unit 1

Introduction to Marketing

Defining Marketing

Sales and marketing are evolving from being product-focused to more customer-focused. The shift reflects a commitment to building a relationship with your audience. With that relationship comes credibility. With credibility comes trust. With trust, when the time is right, the customer will buy. One of the rules we live by is that people buy products and services from people they trust, and you can't establish trust without establishing a relationship first.

While marketing and sales are separate activities, they are clearly related. Marketing focuses on activities that will identify the needs, products, and advertising that will catch the eye of your target market. Marketing professionals use advertising to raise awareness of the brand, while sales activities focus on serving that target market and converting prospects to paying customers.

Both marketing and sales activities keep in mind that keeping customers is generally easier than finding new customers.

Marketing activities are specifically directed toward:

- Finding out what your customers (both existing and prospective) need or want.
- Directing efforts to make sure your customers are able to get what they need or want from you.

The Best Marketing

The best marketing is not about our products or services and their features or benefits. The best marketing isn't even about our companies at all—not our unique selling points or our competitive advantages over other companies. Instead, really good marketing is about how what you offer your prospects and your customers will change their lives for the better.

The average person doesn't give a darn about our products or services, except when our products or services can help them. If you can show your potential clients and your present clients how doing business with you will make them happier, richer, wiser, or healthier, then they will be interested. But don't fall for the old myth that building a better mousetrap will bring the world to your door. There are lots of better mousetraps out there. However, if they are too expensive, or if the world doesn't hear about them, we may just continue to use the mousetraps we already have and feel comfortable with.

And while it is important that we direct our message to our target market, it is even more important to figure out what to say and how to say it so people listen and are moved to buy. We should spend enough time getting our message right, so it will persuade others to want what we are offering. Once we have it

right, we will want to repeat that message again and again, so people will hear it, remember it, and act upon it.

Glossary of Terms

Market Segment	A clearly defined subgroup of customers or potential customers with common characteristics relevant to the marketing of your product. (Example: Two couples with expendable income of \$40,000-50,000.)
Mission Statement	A short statement of the philosophy and fundamental nature of your business. It answers the questions: "What business are you in?" and, "Who do we serve?"
Objectives	Concrete, measurable, realistic targets you want to achieve. (Example: "Increase sales of highest priced widgets by 10% vs. previous year," not "Increase sales.")
Plan of Action	A clear road map for carrying out all the tactics necessary for the marketing strategies in your plan. It specifies who, when, how long, and what budget or other resources required for each tactic. It also coordinates them in chronological order where necessary.
Strategies	The general approach you will take to achieve an objective. (Example: "Increase widget sales through sales calls, direct mail campaign, and sales incentives.")
Tactics	The specific actions, decisions, and resources required to implement your strategies. (Example: "Tactics for Sales Calls. Hire full-time sales person in first two months of planning period; creative visual aid and large-size demonstration widget for sales calls; buy list of purchasing agents at companies in 20 mile radius of us.")
Targeting	Channeling marketing efforts and resources to specific market segments that have the highest payoff potential.

Standing Out from the Crowd

You may notice that a lot of companies support local charities, causes, and sports teams. Big companies do it too, of course, but for a small company this can be a significant factor in their promotions. Think of the local coffee shop, or restaurant, or auto mechanic who has pictures on their walls of all the children's sports teams they have supported over the years. They might also have pictures of children receiving ribbons and awards, playing in tournaments, or getting sponsored to go to camp.

How much do those stories say about the business when you compare it with a business that has a row of “Chamber of Commerce Member” stickers on their window or business card?

Recognizing Trends

We can anticipate trends just by analyzing what we see on television and the Internet. Media presents a range of messages each day, and people experience them via the Internet, television, and their electronic devices like smartphones, tablets, and other personal devices that are being developed even as this course is written.

Watch those messages with a marketer's eye. Look at changes in clothing styles, vehicles, and even those electronic devices. Are you watching movies at home on VHS tapes, DVD, or Blu-Ray, or streaming live from a service like Netflix, or do you prefer a movie theatre? Are these methods of movie watching fads or trends? How do we know?

Reading trade journals and publications for your field in paper format or online can give you that “edge” you need to determine whether things are fads or trends.

- Fads come and go within months.
- Trends take a decade to grow and then another decade to go away (roughly).
- Of course, there are plenty of exceptions to these rules!

Test Your Knowledge

What changes do you see in your industry?

How are these trends changing your industry?

How can you take advantage of these trends?

Elements of a Successful Marketing Message

Your USP

The USP is your unique selling position (or point), and it clearly describes what makes you different from a competitor. You need to make sure you can tell prospective customers why you are the best choice for them.

A strong and successful marketing message needs three components: it tells a compelling story, is persuasive, and explains what makes you stand out versus your competition. People don't connect to the hype that is sometimes associated with marketing. They steer clear away from obnoxious, loud messages, and are drawn to stories that are true (or seem like they could be true), and that have a strong message.

Customers are experiencing information overload much of the time, so the amount of attention that they will give you is limited, which means your messages must be focused on the customer and grab their attention.

Test Your Knowledge

What makes your company stand out from the competition?

What are you doing to successfully get your services or products to market?

Building the Relationship

When you consider how you will go about turning prospects into customers, as well as how you will retain your customers, you are really talking about building and maintaining relationships. We build these relationships by developing trust and operating with integrity.

About Rapport

Rapport has been defined as a sense of mutual understanding, respect, and friendliness. It is the presence of a co-operative relationship based on trust and honesty.

Rapport means showing someone that you understand and respect them as a human being and that you support them. This doesn't mean that you have to agree with everything that they say. It means that you can understand where they are coming from and why they believe in particular things.

It is important to understand when it is appropriate to create rapport and how deeply you want it to go. Let's say that you are a telephone customer service representative. You probably want to create a good rapport to help the customer solve their problem, but since your interaction will be short, you don't need to get to a deeply personal level. And, if you are negotiating, you might need to break rapport in order to make the best decision. As a small business, all of these elements are important.

Often, it's not so much what you say as how you say it. Let's look at some ways that you can establish and maintain rapport.

Find common ground.

Whether you are in a customer service role or a manager about to have a conversation with one of your staff, finding common ground helps to establish rapport. Some of us really struggle with small talk, but you will find that it is a helpful skill in finding common ground – something you share with the other person.

When a customer calls you and says that a product has broken and they are frustrated, simply saying, "I understand. I don't like it when things break either. It's really annoying. Let me see how I can help you," lets the person know that you get frustrated when things are broken. If you went to the same school,

both love animals, or have the same favorite restaurant, these things help to establish common ground and provide a starting place for further conversations.

Use direct language and deliver a message that is clear, calm, and direct.

Be confident in your message. This means that your tone of voice, vocabulary, and rate of speech convey your feelings. Be careful not to back down (at least not immediately) if you are discussing something that is important to you. Be considerate of other people's ideas, but don't quickly give up on yours, especially when you have it all well thought out.

Factual descriptions and relevant details are more likely to be heard.

Look at this generalization: "Joe never gets his work finished." Compare it to something specific: "Joe has not met his goals for an entire month." Which is more likely to be heard?

Use repetition respectfully to keep things on track.

Conversations can easily get off track, especially if they get emotional or if someone is trying to steer the conversation away from what you felt was important. Don't be afraid to restate your purpose during an interaction.

Body language says it all.

Be as aware of your nonverbal messages as you are about your verbal messages. Also consider other people's communication style. Are they direct or indirect? Passive or assertive? Make sure to also take into account their filters, assumptions, and beliefs. This will help you to keep your message clear.

Influence and Persuasion

The Power of Persuasion

Are you easily persuaded? If someone tries to talk you into something and is using all the powers of influence, what is your reaction?

When you are ready to buy something particular, you may find yourself more easily persuaded than at other times. However, when it comes to activities other than making purchases, we are often exposed to more subtlety. Choosing paint colors for your home or office where there is consensus required can result in more people trying to persuade you of one particular color or another. Or, perhaps you are the one who prefers to be convincing others and are presenting clear arguments to get what you would like. People who successfully persuade to make a living include salespeople, fundraisers, recruiters, and advertisers. It is helpful to consider the techniques they use in order to be successful.

While there are plenty of techniques that people employ, research conducted by Robert Cialdini over many years became the focus of his excellent book *Influence: The Psychology of Persuasion*. The factors that he associates with persuasion are discussed below.

Predictability

People respond to what they expect. If they get a coupon, they expect that they are getting a reduced price, even when the terms of the coupon don't necessarily mean that is the case. If they know that one store is usually cheaper than the other, they tend to buy without checking prices closely. This principle

also reflects the impression that high prices are associated with quality products, even though the product may not change.

Reciprocation

This principle describes how we respond by giving back one thing when we are given something else, especially a gift. This is something we see when people send thank-you notes after receiving a gift, as well as the offer of taking a new car for a test drive before you buy it. (Since the salesperson has been kind enough to arrange a ride – a gift – the purchaser may be more receptive to the car.)

Some other examples:

- If your neighbors invite you over for a meal, you return the gesture.
- If a friend invites your child to a birthday party, you return the gesture for their child when it is your child's birthday.

Consistency and Commitment

After we make a decision, our actions will support the choice we made even when we are faced with the knowledge that a better choice might have been a good idea, or when we have to wait a long time for delivery. When it comes to creating gaming systems and smartphones, manufacturers know that they can market the next release as soon as the last one is on the store shelves because their customers do not just need one gaming system or one smartphone. They want to keep up with what is new and they want to use current, leading edge products that meet their needs.

Social Evidence

Marketers work with what works. Although many people dislike the idea of a laugh track (a pre-recorded loop of people laughing that gets played in many television comedies), marketers know that the laugh track engages people in the program. Laugh tracks even help engage listeners when the jokes are bad! The canned laughter makes us laugh because it triggers a response that says, "Hey, you are supposed to find this funny!" And so we laugh.

We respond to statements that something is a "best-selling" item, even though the tag line does not tell us anything about the quality of the item. If you have ever watched a telethon for public television or a charity, you've seen the screen roll with names of everyone who donated, which is a way of saying to people, "Hey, look at what your neighbors are doing. Your name needs to be here too!"

Authority

We tend to believe people who are in positions of authority and trust, whether they actually earned that trust or not. We trust doctors, police, and firefighters. We also trust actors who are dressed as people with authority. Actors do shampoo, makeup, and beauty promotions, and people buy the products even when the claims are unproven or the products are toxic, because we want to believe that they know what they are talking about.

Liking

You already know that you will buy from or be convinced of something by people that you like. This is the likeability factor. Customers will return to shop at stores with friendly or attentive staff because they are likeable, even if the prices are a little higher than the competition if the competition provides lousy service.

Home shopping parties such as Tupperware, Pampered Chef, Epicure, and others have capitalized enormously on the likeability factor. Instead of buying from an unknown sales person, people come to the party to put up with a demonstration, flip through catalogs, look at samples, win prizes, and buy products. While the salesperson is really the one selling, party goers spend in order to support the hostess, who also happens to be their friend. The friends know that the more money that they spend, the more “free” benefits that the hostess receives in exchange for hosting the party. People at the party are well aware of this, and will also leverage reciprocity by asking this particular hostess to attend the party that they book.

Scarcity

Scarcity is a great technique to drive people’s need to have things. Commercials promote upcoming products, and manufacturers will deliberately release small quantities in order to drive up interest in the product. They will even use excuses like having design challenges, materials challenges, or something equally ambiguous. Meanwhile, customers are trying to find one of the scarce copies in order to be part of the special group that has the product.

If you collect loyalty points, you see scarcity at work when the program offers its members a “deal,” like being able to buy a highly desirable smartphone that you can only get with the program and is not available in any store. People without enough points can combine points and cash to purchase the item, but unless you are a member of the program, you will not be able to participate.

Self-Interest

Everything that we undertake includes some component of self-interest, and persuaders are very conscious of this. As a standard, people want to get (or believe they have) a good value, and even a great deal, every time they invest energy or spend money on something. Even people who volunteer for altruistic reasons often understand the virtue of reciprocity for their good deeds.

Testing and Revising

We know that small businesses do not often have a big marketing budget, so when it comes to some of these activities, you want to do them very economically. When testing and revising the potential for your ideas, there are some inexpensive, handy things you can do.

Ask people what they need.

Survey people in your target market, your community and do your research well. As much as possible, we recommend that you carefully evaluate your local environment, do small production runs, offer samplings, and really know the potential of your marketplace to buy what you have to offer.

Be careful who you ask and how much you disclose.

You don't want people to steal your ideas and launch them before you get the chance.

Be cautious about your family and close friends.

Some people want to support you wholeheartedly so they won't tell you what they honestly think if your idea seems half-baked or your ideas need more money than you have. At the same time, some families are totally unsupportive and they will try to discount absolutely everything you say.

The Marketing Cycle in Small Business

Marketing Essentials

The Marketing Cycle

Marketing uses the steps illustrated below. Your small business marketing strategy will draw from the information in the first three steps, and then become part of step four (creating a marketing plan).



Stage One: Consumer and Market Analysis

In stage one, consumer and market analysis, you are conducting research about your consumer and what they need. You have to be honest and look at their needs, which might be in direct contrast to what you think of as your ideal consumer.

Your goal is to identify groups of people (called **segments**) who have related or similar needs so that your marketing dollars can be directly pointed at them. There are several questions to ask here:

- What do they need?
- Who is buying our product? Who is using our product?
- How can I leverage segmentation?
- What is the buying process?

What do they need?

The answer to this question may seem simple to you, but we want you to take a deep look so that you get the real answer. When answering this question, you can potentially uncover a segment of the marketplace that has been overlooked or underserved until you arrived. IKEA has a tremendous market presence for furniture and home furnishings, which has led to businesses who now concentrate on recovering and upholstering IKEA's old furniture. How did the aftermarket business get started? They knew that people don't like to get rid of their IKEA furniture and were also able to capitalize on their consumers' energy for repurposing.

Who is buying and who is using our product?

Babies don't buy diapers, their parents do. Dogs don't really care what their food looks or tastes like, but their owners do. Who does most of the purchasing in the market segment you will serve? There is no point marketing an item in a men's magazine if the item is normally purchased by women and given to men; you need to market to women in their own spaces.

What is the buying process?

Grocery and corner stores place candy and chocolate bars at the cash register because so many people purchase those items on impulse. Staple items such as bread and milk are often located at the back of the store to force shoppers to walk past and view all of the other items on display.

Large items like a car or truck take more time to consider. They are a significant investment of money, and are an item that the buyer wants to have for a long period of time. As a result, people may do some research on the Internet and they will visit a car lot to see the features of the vehicle for themselves. Then, they will take it for a test drive (or two or three test drives) before they make the decision to purchase.

The buying process generally follows the steps below:



Test Your Knowledge

Write out the buying process for one of your major products.

How can I leverage segmentation?

Once you know which segment of the marketplace is interested in your products, how will you make the most of their interest in buying from you? Will you offer supplementary services or products? If you own a training business and teach people how to use computers, can you also offer them soft skills training?

In considering market segments, you need to evaluate the following:

- **Measure:** Can you gauge the size of your segment?
- **Access:** Can you reach the segment through advertising and then distribution?
- **Growth:** Is the group growing, shrinking, or maturing? Are they sizeable enough to bother with?
- **Profit:** Is the profit potential enough to make it worth going after?
- **Retention:** Are you capable of servicing and retaining these customers?
- **Defend:** Can you defend yourself and stand out from the competition?

The segment of the market that wants your product can be identified through research, so that you know exactly who you are targeting. For example, if you are selling a new organic dog food, your sample demographic could look like this:

- 35 to 60 years old
- College educated
- Full-time employment
- Childless households
- Household income is more than \$65,000 per year

There are plenty of dog food companies out there, so you've got to make sure that there enough people in the demographic to support your company and to meet your goals for profit and growth. You will have to review the idea of your market segment several times to determine the number of people within the group who have dogs, who prefer to purchase organic foods for themselves, and for those who have the disposable income to apply to your products.

Stage Two: Analyzing the Competition and Yourself

You need to take an honest look at your operation in order to create a plan that helps you to exceed the competition. We can hide all kinds of things in an analysis to make things look better than they are. Be honest with yourself to protect the integrity of your business.

Some of the questions you will want to ask include:

- What are your advantages?
- What are your core competencies (the things you do well)?
- What are your weaknesses?
- Where are your shortcomings?
- What can you do to capitalize on your strengths?
- What can you do to exploit the competitions weaknesses and shortcomings?

SWOT Analysis

We recommend that you use a SWOT analysis to address each question in the list above. SWOT stands for strengths, weaknesses, opportunities, and threats. It is a method of analyzing external factors (opportunities and threats) and internal factors (strengths and weaknesses) in a methodical way.

In addition to using SWOT analysis to answer the questions about your company, you will repeat the process to consider your competition.

Next Steps

Once you have gathered your information, there are several ideas that you can use to help lessen the impact of the competition. For example, perhaps you have eliminated barriers that the competition has not been able to minimize for themselves. If you have partnered with a great distributor and the competition is struggling to get their product out to stores, you have eliminated a barrier.

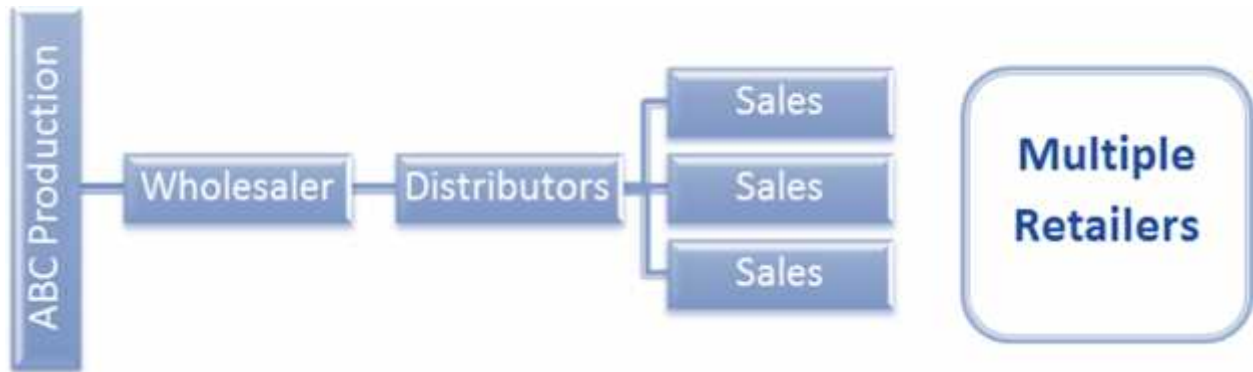
As you decide what makes your product stand out from the competition (your unique selling proposition, image, or brand), you can decide how to position your product. You also need to create a name for what you have, because names stick in people's minds. For example, when Apple Computers was ready to evolve, their product was called a Macintosh. They have moved from fruit branding to making their items personal through their "i" branding and products like the iPod, iPhone, and iPad.

Stage Three: Analyzing Distribution Channels

There are plenty of options for getting your product to your customer. Deciding which ones to use will have an impact on pricing, profit margins, servicing, and timing. There are plenty of options available, and in choosing yours you may need to consider what your goals are and how many layers of people are involved.

In a product that is typically used by an individual purchasing in a retail store, the product can go from your production facility to a wholesaler, and then to smaller distributors to be sold to a retailer. Each

step in the process has to produce a profit, just as it does when you sell a service. In a complex system, you may be surprised at how many people are involved. The flow below is common:



At each stop on the chain, the participant does something that adds value to the product (packages, labels, or advertises, for example) and earns a profit.

Test Your Knowledge

Where does your product or service start within the process?

Where does your involvement end?

Is the method that you are using the most efficient one, or are there other possibilities?

Doing Market Research

Research is one step that you cannot afford to gloss over as you set up your marketing plan; it is far too important. Luckily, we have lots of ways that we can conduct research inexpensively, with the Internet, e-mail, and phone all being tremendous tools. If you think you cannot afford to do any research, then we encourage you to read the next paragraph very carefully.

The Ten Questions

Jay Conrad Levinson, author of the “Guerrilla Marketing” series and a renowned marketing expert, has ten questions he likes to ask. When a company can answer “Yes” to all of them, he says that they can skip the market research step.

1. Will your business grow profitably on pure momentum?
2. Will your business grow without improvements?
3. Do you know everything that your competitors can possibly do to hinder your growth?
4. Are you convinced you can't lose customers or gain new ones?
5. Are you convinced that nothing can happen to cause your products/services to become obsolete?
6. Are you sure your business isn't subject to changing trends?
7. Are you sure you're the only one who'd be good in generating ideas about how to grow your business?
8. Are you clairvoyant?
9. Do you get tomorrow's stock market prices in today's newsletter?
10. Have you contracted for sale of your business that will make you millions?

The Cyclical Nature of Business

Things are changing so quickly in business as we move through economic cycles and our marketplace becomes more global. Sometimes the type of information you want about your potential customers is not readily available, and cannot be obtained simply by observing the world around you. When that happens, you may have to conduct some original market research. There are two kinds of research: primary and secondary.

Primary Research

If no existing material contains the information you are looking for, then you may have to conduct some primary research. Local universities and colleges might be looking for some real-life research projects for the benefit of their students, and so they may provide the service for you. You can also gather information through personal interviews (with customers and prospects), focus groups, and mail or e-mail surveys.

What prevents us from using research to help our marketing efforts? Often our strong opinions on what will or will not work keep us from going out and asking our customers and our potential customers what they want and need. Some of us like to think that we are in touch with the market and we already know what they want. We're encouraging you to open your mind. Start listening to your customers. You may be surprised at what you learn.

At least once a week, try to talk with your customers. They may know some things you don't know about how to make your business grow. Ask yourself these questions the next time you are considering a marketing initiative and think you don't need customer feedback.

- If I'm wrong, how much will it cost me?
- Have I asked for some input from people who have no stake in whether I succeed or fail?
- Have I asked customers and prospects what they need and want from me and my business?
- Do I really know if my customers think I am giving them what they want and need?
- What else can I provide my customers so they'll pay me more and be happier about it?

Test Your Knowledge

What are some things you are doing to listen to your customers?

Secondary Research

Secondary research involves collecting data that already exists. Information may already be available from published external sources such as:

- Statistics organizations (such as the Census Bureau)
- Tourism statistics collected by your local tourism agency

- Information compiled by industry associations
- Federal, provincial, or municipal statistics
- Directories and lists
- General publications
- Institutional publications
- Trade association newsletters and reports
- Trade journals and periodicals
- Chamber of Commerce
- Economic Development Commission
- Customers
- Competitors
- Suppliers

Test Your Knowledge

What kind of secondary research are you already doing?

What are you going to try, now that you are learning how much is available to you?

Mission Statements

Marketing includes the small, personal touches that can make your customers or potential clients feel welcome and wanted. This includes remembering their names and occasionally asking them if everything is to their satisfaction.

Mission Statement

Often, organizations spend a tremendous amount of time and energy in developing a mission statement. When there are major changes to the company, they may update those statements. The statements are hung on the wall, and sometimes even become the desktop screen on everyone's computer. Eventually, though, without reinforcement, they become mostly ignored or forgotten. They become just a part of the scenery, and people stop paying attention to them. Poor mission statements are made even worse when they are treated with apathy and indifference. A good mission statement, like our marketing efforts, should communicate our true intent to solve problems and match your capabilities to the needs of others.

Sample Mission Statements

- At Microsoft, our mission and values are to help people and businesses throughout the world realize their full potential. (<http://www.microsoft.com/about/en/us/default.aspx>)
- The Department of Peacekeeping Operations [of the United Nations] is dedicated to assisting the Member States and the Secretary-General in their efforts to maintain international peace and security. (<http://www.un.org/en/peacekeeping/about/dpko/>)
- At PBS, our mission is to create content that educates, informs, and inspires. (<http://www.pbs.org/about/corporate-information/>)

A Personal Mission Statement

Think of your personal mission statement as your own personal purpose statement. Keep this statement to one meaningful sentence. Make it generic enough to allow you to serve your purpose in many everyday situations, yet make it meaningful enough that others will understand what you are trying to achieve.

Some great statements other people have used include, "To exceed our customers' expectations," or "To help as many people as I can during my lifetime, in a way that significantly improves their lives."

Include this purpose statement on the back of your business cards.

Trade Shows

Why Attend a Trade Show?

Trade shows can be one of your prime sources of marketing if you handle them properly. You get a chance to talk with a far larger number of people than you can usually see in a year of making sales calls. Generally, decision makers attend trade shows. They stop by your booth to talk with you because they are interested, or because your booth has caught their eye.

A well thought-out display can help you create awareness for your company and your brand. As well, you get to network with potential clients and with your competitors. You can also gain new perspectives on your industry and find new ideas to explore.

However, to make a trade show truly worthwhile for you, your work begins long before the trade show begins, and doesn't stop until long after the trade show is over.

Preparing for a Trade Show

Think of what activities you can and should be doing, before, during and after a trade show.

Before the Show

During the Show

After the Show

Further Reading:

- ✓ *Introduction to Marketing, By Johan Strydo, (2005)*
- ✓ *Introduction to Marketing, By John Frain, (1999)*