

Marketing

(Relevant to AAT Examination Paper 2: Business Communication and Organization and Management)

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The American Marketing Association (AMA) states that marketing¹ is "... the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large...".

Communication is the most fundamental aspect of marketing. Companies need to know what products consumers want and how much they will pay for them whilst consumers need to know the value for money they receive from a new product.

The following five activities are designed to provide these key pieces of information to both companies and customers:

1. Marketing
2. Advertising
3. Selling
4. Marketing metrics
5. Marketing research

1. Marketing

Marketing is the development of the strategies that enable a company to sell its products (and services) by building product awareness. To achieve this aim marketing is separated into four main components: product, place, price and promotion. These are commonly referred to as the four Ps of marketing. These four Ps are also called the marketing mix, the marketing plan or the marketing campaign. The challenge in developing a marketing mix is to combine all the elements from the four Ps into a way of reaching and selling to customers in a cost effective way.

Products are those things that a company sells to its customers. Products range from everyday goods people need to live, like rice and vegetables, to luxuries like a car. Having the right product for your customers (your target market) requires knowing the customers' needs and wants. Companies use market research surveys as one way of understanding what their customers want.

Surprisingly it is not always easy to define the product exactly. A high-priced restaurant is a good example as some people might go there for the food, others for the atmosphere, whilst others because of the excellent service. High profile customers such as Canto-pop singers might go to a restaurant because they know they can get free publicity by being seen in the best restaurant in Hong Kong! Hence, it is extremely important for a company to ensure that it understands the products it is selling.

Place refers to how a product gets to the customer. The place can refer to a number of elements including the location where a product is purchased, the distribution channel used to move the product into a place where the customer can buy it, or the sales channel.

¹ <http://www.marketingpower.com/AboutAMA/Pages/DefinitionofMarketing.aspx>

The choice of an appropriate sales channel to sell a product is also a key to the successful marketing of a product. Sales channels include the selection of a geographic region, an industry (retail versus commercial sales), or the market segment (such as teenagers, adults, or families). Using the restaurant example from above, the physical location of the restaurant is where the customer must go to purchase the restaurant's products.

Whilst a product's selling **price** appears self-explanatory it is often difficult to determine in practise as it is impacted by both market competition and economic conditions. For instance, in 2007 the global economy was very buoyant, creating a high demand for commodities. As an example, the price of crude oil jumped to US\$150 per barrel. In late 2008 the financial crisis dampened global demand for those same commodities and product prices fell dramatically (e.g. the price of crude oil fell to US\$40 per barrel).

Achieving the correct price for a product helps to create a successful marketing campaign. For customers, price is a key factor in their purchasing decision as they use price to measure how a company's expertise, insight and past-experience can help the customer.

Too high a product price may result in no sales being made. Price a product too low and a company can lose money with every sale. Hence, it is important to price attractively so that the product will appeal to customers, they'll feel good about their purchase and the company can generate a profit.

Promotion refers to all the marketing methods that are used to let customers know about the company's product. Promotion includes most of the things you think of when marketing is mentioned, such as advertising and sales. There are a wide variety of tools to promote a product such as leaflets drops, direct mail to customers, advertising, sales brochures, contests, rebates and giveaways.

The purposes of promotion are:

- To create awareness of the product amongst potential customers
- To demonstrate the product's values and benefits to customers
- To create a desire amongst potential customers to purchase that product
- To let customers know that your company has that product
- To let customers know that they can buy the product from your company

Promotion is used both to remind existing customers of a company and its products as well as attracting new customers. The aim of marketers is to develop promotions which appeal to each customer based on the reasons a customer is attracted to a product, such as price, convenience, quality, brand or uniqueness.

Additional focus areas for the marketing mix

Whilst the four Ps of marketing are the major building blocks of a marketing plan, recent marketing theories also focus on a number of additional areas to help a company to develop its market.

People play a big part in building both business and marketing relationships. Companies need to ensure not only that their business objectives are aligned with their customers' needs but also that the behaviour of their employees meets their customers' expectations. By getting to know their customers better, the company has a better chance of finding out what products the customers want.

Every business has many **processes**. Developing, implementing and refining business processes are keys to business success. Business processes need to be reviewed on a regular basis as the operations and size of the business change, and customer preferences change.

Companies need to ensure that the **physical evidence** of their marketing mix which customers actually see and feel also contributes to the perceived quality of the products. In other words, if a company's products are considered a global brand leader (such as Louis Vuitton) then its marketing campaigns must also be aligned with its global brand image and the quality associated with its products.

2. Advertising

Advertising is the way that a company communicates its message to its customers. Advertising can be broken down into four key processes, which are based on the AIDA model.

The AIDA model is based on producing a favourable response from a customer. The assumptions are that the salesperson must:

- Gain the **attention** of the customer; otherwise if the customer does not know that the company or the product exists, so they cannot do business with the company
- Foster **interest** in the product either by building on an existing interest that the customer has or creating an interest
- Stimulate a **desire** to purchase the product because the customer believes that the company can meet the customer's needs
- Encourage **action** to complete the purchase

3. Selling or sales

Selling is a company's business process that puts the company in the best position to provide its products to the customer. Companies use a range of techniques to engage the purchaser, and these techniques are called sales promotions. Sales promotions may include discounting, coupons, guarantees, free gifts, competitions, vouchers, demonstrations, bonus commissions and sponsorship.

These sales techniques can be classified into two broad groups: a pull promotion or a push promotion.

A pull promotion addresses the customer directly with a view to getting them to demand the product (or pull) from the distribution chain. Advertising is one form of pull promotion. For instance the movie trailers seen on television are a good example of a pull promotion.

Some key pull promotion activities include:

- Advertising in magazines, newspaper, restaurant guides, web guides
- Advertising in tourist magazines
- Distributing leaflets to surrounding business and residential areas
- Street advertising

A push promotion relies on each link in the distribution chain (e.g. a wholesaler or retailer) to push out products to the customer. Sales promotions such as price reductions and point of sale displays are typical examples of the push technique.

Some key push promotion activities include:

- Working with travel agencies, hotels, businesses to direct customers to a company's products
- Paying agents a commission to bring in sales
- Paying a salesman to sell the company's products

4. Marketing metrics

Marketing metrics are very important as they are designed to measure the performance of a marketing campaign. Metrics are developed so that the success of a marketing plan can be determined over time. Both expenses and revenues must be measured so that the costs of implementing a marketing plan can be measured against the increase in sales. Clearly, the aim of every business is to increase its sales as much as possible whilst spending as little as possible on its marketing plan.

5. Marketing research

Marketing research is the information that links a company's products or services with its customers. The AMA has defined marketing research¹ as "... the function that links the consumer, customer, and public to the marketer through information--information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications..."