

MINTEK MAP LECTURE 1

MARKETING, THE MARKETING CONCEPT AND B2B MARKETING

- **WHO HERE IS IN MARKETING?**
- **IS MARKETING TOO IMPORTANT TO BE LEFT UP TO THE MARKETING DEPARTMENT?**
- **WHY?**

I. NATURE AND SCOPE OF MARKETING DEFINITION

1. **Marketing** is a total system of business activities designed to plan, price, promote and distribute want-satisfying products to target markets to achieve organisational objectives. (Etzel, Walker, Stanton)
2. **Marketing Management** is the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior value. (Kotler)

I. NATURE AND SCOPE OF MARKETING

- 3.** Two significant implications of these definitions:
 - a) The entire system of business activities should be customer orientated.
 - b) A marketing program should start with an idea about a want-satisfying product and not end until the customers' wants are completely satisfied which sometimes occurs after the sale.

I. NATURE AND SCOPE OF MARKETING

4. Expected Challenges Facing Marketers

- Customers are growing more sophisticated and price sensitive
- They are short of time and want more convenience
- They see growing product parity among the suppliers
- They are less manufacturer brand sensitive and are more accepting of reseller brands and generics
- They have high service expectations
- They have decreasing supplier loyalty

I. NATURE AND SCOPE OF MARKETING

5. Latest Challenges Facing Marketers

- ❑ Getting better financial measures of the impact of marketing programs
- ❑ Developing more integrated information about important customers
- ❑ Getting marketing to be the company's designer and driver of market strategy
- ❑ Facing lower cost/higher-quality competitors
- ❑ Coping with the increasing power and demands of mega-distributors

I. NATURE AND SCOPE OF MARKETING

6. Questions posed by Marketers

1. How can we spot and choose the right market segments(s) to serve?
2. How can we differentiate our offering from competitive offerings?
3. How far can we go in customising our offering for each customer?
4. What are the major ways in which we can grow our business?
5. How can we build stronger brands?

I. NATURE AND SCOPE OF MARKETING

6. Questions posed by Marketers

6. How can we reduce the cost of customer acquisition and keep them loyal for a longer period of time?
7. How can we tell which customers are more important?
8. How can we measure the payback from advertising, sales promotion and public relations?
9. How can we price and distribute our products and services correctly?

II. OBJECTIVES OF THIS “PRINCIPLES OF MARKETING” MODULE

- 1. Understand the content of and prepare an Annual Marketing Plan**

See Article: A practical guide to writing the Marketing Plan and Chapter 14 in Lamb et al

II. OBJECTIVES OF THIS “PRINCIPLES OF MARKETING” MODULE

2. Understanding how the Marketing Planning Process fits into the “**Management Process and Tasks in Marketing**”.

Marketing Planning



Implementation



Control

II. OBJECTIVES OF THIS “PRINCIPLES OF MARKETING” MODULE

3. Preparing case studies

4. Case Analysis

5. Individual Assignment

6. Syndicate assignment

7. Textbook and readings

III. EVOLUTION OF MARKETING

Marketing has evolved through various stages of development in South Africa.

A. Production- Concept

A production orientation focuses on manufacturing a product. High production efficiency , low cost, mass distribution

Is it what the customer wants?

This stage began during the late 1800's and dominated until the early 1930's.
eg. Model T Ford.

B Product concept focuses on product features and product quality, not on pricing, distribution, communication and sales eg. Engineering companies

III. EVOLUTION OF MARKETING

Marketing has evolved through various stages of development in South Africa.

B. Selling Concept

A sales orientation focuses on selling a product because of excess production capacity.

1. The concept is normally used with unsought goods eg. Insurance , Encyclopedias.
2. Eg. Insurance “hard sell”, convincing the sale of goods not needed or wanted.

III. EVOLUTION OF MARKETING

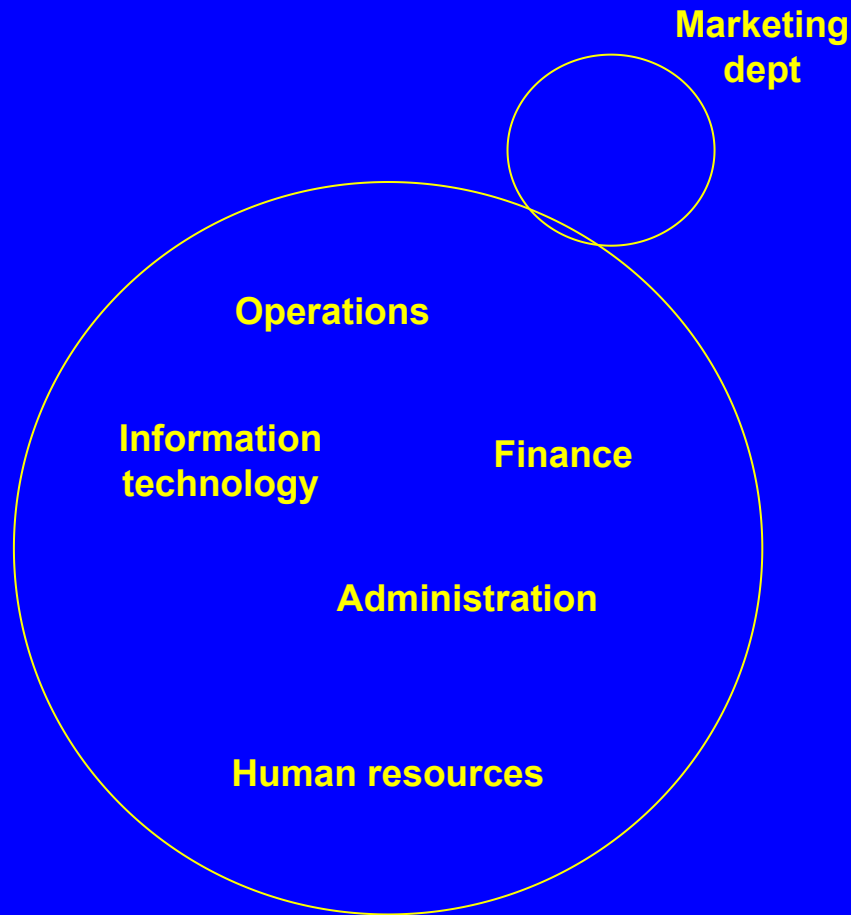
C. Marketing Department Concept (Sometimes referred to as a *Marketing Orientation*)

Marketing seen as just being another discipline.....

Is this a true solution to Marketing Management's problems?

C. EVOLUTION OF MARKETING

a).



(a) Marketing as a 'bolt-on' discipline;

b).



(b) Marketing as a management philosophy

III. EVOLUTION OF MARKETING

D. The Marketing Concept

A Business Philosophy that holds that organisational success is dependent on the needs and wants of target markets, is customer oriented and emphasises the coordination of marketing and other business activities to achieve the organisation's performance objectives

CIP + S

III. THE MARKETING CONCEPT

E. **Four fundamental beliefs:**

- a) All planning and operations should be customer-orientated.
- b) All marketing and business activities in an organisation should be coordinated and integrated.
- c) This customer-orientation and coordination of activities are essential to achieve the organisations performance objectives.
- d) The societal marketing concept:
 - market includes not only buyers of the firm's products but also other people affected by the firm's operations.

Successful examples

- | | |
|--------------------------|------------------------------|
| - Outsurance employees | - 94.7 and Cochlear implants |
| - Nedbank Affinity cards | - Discovery Health Clinic |
- e) Do the last two elements oppose or complement each other?
 - SAB "Motherless campaign"
 - Sasol
 - Coca Cola

III. EVOLUTION OF MARKETING

F. THE MARKETING CONCEPT IS UNDERPINNED BY THE ADOPTION OF A MARKET ORIENTATION (IE. THE REQUIREMENT FOR THE COMPANY TO FOCUS ON CUSTOMER NEEDS TO DRIVE IT'S STRATEGY)

III. EVOLUTION OF MARKETING

- The market orientated firm is one that successfully applies the Marketing concept.

This is based on:

- A market orientation starting with the top management
- Having organizational wide application
- Influencing all short and long term planning
- A broader range of activities **not just selling** to be successful
- An intimate understanding of customer wants

IV. THE MANAGEMENT PROCESS AND TASKS IN MARKETING

Planning

Implementation (Execution)

Organizing eg. - product development + advertising + distribution

Directing eg. - Recruitment of personnel, marketing tasks and authorities

Co-ordinating eg. – All Marketing activities + other business activities

Evaluation – Budget vs Actual performance + corrective steps

V. BUSINESS TO BUSINESS MARKETING

B2B Marketing is the marketing of goods and services to individuals and organisations for purposes other than personal consumption.

B2B products include those that are used to manufacture other products that become part of another product, that aid the normal operations of the organisation, or that are acquired for resale without any substantial change in form.

V. Looking at the Business Market

- **Huge – involves many more brands and items than the consumer market.**
- **An example – Firestone Tyres**
- **Various suppliers sell Firestone the rubber, steel, equipment needed to produce tyres.**
- **Firestone then sells the finished tyres to retailers who in turn sell to consumers.**
- **Also Firestone sells tyres as original equipment (OEM) to Toyota, BMW, Kia etc. who install them on new vehicles and as replacement tyres to companies that maintain their own fleet of company cars, trucks, buses etc.**

V.A. Nature and Scope of the Business Market

- **The business market consists of organisations that buy goods and services to:**
 - (a) Make other goods and services eg. Platinum jewellery**
 - (b) Resell to other business users or to consumers eg. Toys R Us buy consumer games to sell to kids**
 - (c) Conduct the organisation's operations. Mintek purchases computer equipment and has LAN systems in place**
- **The business market is large in both total sales volume and the number of firms. About 50% of all manufactured products, about 80% of all farm products, and virtually all minerals, forest and sea products are sold in this market.**
- **A large number of transactions have to occur in the business market for any product, consumer or business to be produced and marketed. eg. pair of shoes**

V.B. Components of the Business Market

- Traditionally business markets were referred to as “industrial markets”, causing people to think the term referred only to domestic manufacturing firms.
- In reality, there are six very large and important components in the business market
 - (a) The *agriculture market* consists of farming, food processing and other farming-related businesses. Marketers must analyse it carefully and be aware of significant trends in the market.
 - (b) The *reseller market* consists of firms that buy products from supplier organisations and resell these items to their customers eg. resident buyers for department stores
 - (c) The *government market* includes all national, provisional and local units buying for government institutions such as schools, offices, hospitals and military bases eg. Tenders.

V.B. Components of the Business Market

- (d) The *services market* includes all transportation carriers, public utilities, financial, insurance, legal and real estate firms, plus organisations that produce and sell such diverse services as rental housing, recreation, entertainment, repairs, health care, personal care and business service eg. hotels buy blankets and sheets.
- (e) The *international market*. Think of Mintek exporting know how abroad.

V.C. Characteristics of Business Market Demand

- **Four general demand characteristics help differentiate the business market:**
 - (a) Demand is derived
 - (b) Demand is inelastic
 - (c) Demand is widely fluctuating; and
 - (d) Buyers are well informed
- **Demand is derived from the demand for the consumer products in which the business item is used. This has a number of implications for marketers:**
 - (a) To estimate demand, the business market must know how its product is used eg. the demand for platinum, steel, diamonds, rubber. Toyota SA buys steel, consumers buy cars.
 - (b) The producer of a business product may engage in marketing efforts to promote the sale of its buyers' products eg. Intel Pentium chips

because

V.D. Characteristics of Business Market Demand

- Demand is inelastic so that demand for a product responds very little to changes in price.

A drop in the price of leather will not cause shoe manufacturers to buy much more leather unless it results in lower shoe prices, that in turn will increase consumer demand for shoes.

- Demand is widely fluctuating, meaning that demand for most classes of business goods fluctuates considerably more than the demand for consumer products.

If there is a decline in demand in the construction and auto industries, suppliers of steel and wood would have a fluctuating demand in the next period of their operation.

V.D. Characteristics of Business Market Demand

- **The buyers are well informed and know the relative merits of alternative sources of supply and competitive products.**
 - (a) **Buyers are well informed about what they are buying for three reasons:**
 - There are typically fewer alternatives for a business buyer to consider
 - Responsibility of purchasing agents is usually limited to a few items; must be acknowledged about a narrowly defined set of products
 - The cost of a mistake is very large
 - (b) **Because of the buyer's need for information, producers of business goods place greater emphasis on personal selling than do firms marketing consumer products.**

V.E. Other Characteristics of Business Markets

- **Purchase volume – much larger than in consumer markets eg. Generators for mines**
- **Number of Customers – B2B have fewer customers. It is a lot easier to identify prospective buyers and monitor customers needs. Each customer however is crucial**
- **Location of buyers – B2B Buyers are much more geographically concentrated. Think of mining eg Rustenburg**
- **Distribution structure – Typically shorter than in B2B – eg. Boeing**