Marketing concept and its importance in business - M 2.4

GLOSSARY

Competitors (in Business: Rival)

A competitor is a person, business, team, or organization that competes against you or your company. If somebody is trying to beat you in a race, that person is your competitor.

In business, we call a close a competitor a rival. In other words, rivals are the same size and make similar products.

If two companies are leaders in their field, we refer to them as arch rivals. Beverage giants Coca-Cola and PepsiCo make virtually identical products and have a very similar market share. Coca-Cola and Pepsico are arch rivals.

According to Competitors App, which helps marketing professionals monitor their rivals' marketing moves, a competitor is:

"A company which rivals another. Two companies that operate in the same industry, make similar products, and target the same consumers, are competitors."

https://marketbusinessnews.com/financial-glossary/competitor-definition-meaning/

Environmental Analysis

Environmental Analysis is a process of identifying the relevant factors that have a direct or indirect impact on the effective and efficient functioning of the business. In other words, Environmental analysis is a strategic tool. It is a process to identify all the external and internal elements, which can affect the organisation's performance.

The analysis entails assessing the level of threat or opportunity the factors might present. These evaluations are later translated into the decision- making process. The analysis helps align strategies with the firm's environment.

https://businessmantalk.com/environmental-analysis/

Market Actors

The elements that play a role in the marketing process can be divided into three groups: customers, distributors, and facilitators. In addition to interacting with one another, these groups must interact within a business environment that is affected by a variety of forces, including governmental, economic, and social influences.

https://www.britannica.com/topic/marketing/The-marketing-actors

Marketing

Marketing 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.

https://www.ama.org/the-definition-of-marketing-what-is-marketing/

Marketing Terminology

Target Market: Clearly identified group of consumers with needs that business wants to satisfy.

Market Research: The gathering of information that businesses can use to determine what kinds of goods or services to produce.

Advertising: Paid promotion used to promote products and services as well as to generate ideas and educate the public.

4 P's of Marketing: A combination of marketing elements designed to meet the needs of a target market. The four elements are product, place, price, and promotion. The 4 P's of Marketing are also known as the Marketing Mix.

Product: Anything offered to the target market to satisfy needs including physical products and services.

Place: The locations where products are sold and the ways they are made available to customers.

Price: What customers pay and the method of payment

Promotion: The methods and information communicated to customers to encourage purchases and increase their satisfaction.

Consumer Motivations: Forces that cause consumers to act including the desire to fulfil their needs and wants.

Rational Motives: A reason for consumers to buy a product/service based on facts or logic.

Emotional Motives: A reason for consumers to buy a product/service based on feelings or attitudes.

Patronage Motives: A reason for consumers to buy a product/service based on a desire to be loyal and a feeling of comfort with that product/service.

https://www.uen.org/lessonplan

Segmentation – Targeting – Positioning

The STP marketing model (Segmentation, Targeting, Positioning) is a familiar strategic approach in modern marketing. It is one of the most commonly applied marketing models in practice, with marketing leaders crediting it for efficient, streamlined communications practice.

STP marketing focuses on commercial effectiveness, selecting the most valuable segments for a business and then developing a marketing mix and product positioning strategy for each segment.

https://www.smartinsights.com/digital-marketing-strategy/customer-segmentation-targeting/segmentation-targeting-and-positioning/

S.W.O.T. Analysis

SWOT (strengths, weaknesses, opportunities, and threats) analysis is a framework used to evaluate a company's competitive position and to develop strategic planning. SWOT analysis assesses internal and external factors, as well as current and future potential.

A SWOT analysis is designed to facilitate a realistic, fact-based, data-driven look at the strengths and weaknesses of an organisation, initiatives, or within its industry. The organisation needs to keep the analysis accurate by avoiding preconceived beliefs or grey areas and instead focusing on real-life contexts. Companies should use it as a guide and not necessarily as a prescription.

https://www.investopedia.com/terms/s/swot.asp

Concept of market

A market is defined as the sum total of all the buyers and sellers in the area or region under consideration. The area may be the earth, or countries, regions, states, or cities.

The value, cost and price of items traded are as per forces of supply and demand in a market. The market may be a physical entity, or may be virtual. It may be local or global, perfect and imperfect.

Description: What are the different types of markets?

A market can be called the 'available market' - that of all the people in the area. Within the available market, there is the 'market minimum'- or the market size, which will buy goods without any marketing effort. This is the lowest sale that a company could get without any action on its part. In today's world, this level is sinking ever lower.

There is also the 'market potential', which is the maximum market size that will buy goods when subjected to the greatest marketing action that a company can do. Beyond this market potential, the costs outweigh the gains. The market potential is therefore the upper limit for a marketplace and sales

Market actors, competitors

The elements that play a role in the marketing process can be divided into three groups: customers, distributors, and facilitators. In addition to interacting with one another, these groups must interact within a business environment that is affected by a variety of forces, including governmental, economic, and social influences.

In order to understand customers, certain questions must be an-swered: Who constitutes the market segment? What do they buy and why? And how, when, and where do they buy? Thus, a re-motely situated wholesale store may use discounted prices to lure customers away from the more conveniently located shops. Customers can be divided into two categories: 1) consumer cus-tomers, who purchase goods and services for use by themselves and by those with whom they live, 2) business customers, who purchase goods and services for use by the organisation for which they work. Four major types of factors influence con-sumer buying behaviour: cultural, social, personal, and psycho-logical.

Many producers do not sell products or services directly to consumers and instead use marketing intermediaries, such as middlemen (wholesalers, retailers, agents, and brokers) and dis-tributors. Distributor is a company or person that makes wholesale purchases from the producers of finished products to be-come available for people to buy. It is quite a large company having its own warehouses and establishing active contractual relations with manufacturers.

As marketing functions require significant expertise , it is often both efficient and effective for an organisation to use the assistance of independent market-ing facilitators. These are organisations and consultants whose sole or primary responsibility is to handle marketing functions. There are four major types of marketing facilitators: advertising agencies, market research firms, transportation firms, and warehousing firms.

Marketing in Business

What is marketing? Definition and meaning

Marketing is a business term that experts have defined in dozens of different ways. In fact, even at company level people may perceive the term differently. Basically, it is a management process through which products and services move from concept to the customer. It includes identification of a product, determining demand, deciding on its price, and selecting distribution channels.

The American Marketing Association's definition is:

"Marketing 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."[1]

Kotler's marketing definition is:

"Marketing looks at consumer needs and the company's ability to satisfy them; these factors guide the company's mission and objectives."[2]

Marketing VS Sales

Fundamentally, sales and marketing are trying to achieve the same thing. In other words, they are trying to get more customers and revenues. However, they look at things slightly differently. Put simply; marketing focuses on the market, while sales focus on the product. Sales also focuses on how to persuade consumers to like it and buy it. Some sales managers disagree with the image above, insisting that sales do continue after the sale of the product.

---

[1] https://marketbusinessnews.com/financial-glossary/marketing-definition-meaning/

[2] https://blog.oxfordcollegeofmarketing.com/2018/11/21/strategic-marketing-tactical-marketing-definitions-differences/

Business-to-business marketing

This involves targeting other businesses. We also call it business-to-business or B2B marketing. It involves supplying other companies with products or services.

Physical products that companies sell to other businesses are 'industrial goods.' Industrial goods may include raw materials for companies that make plastics, and yarn for use in the textile trade. It also includes aircraft for airlines and the military.

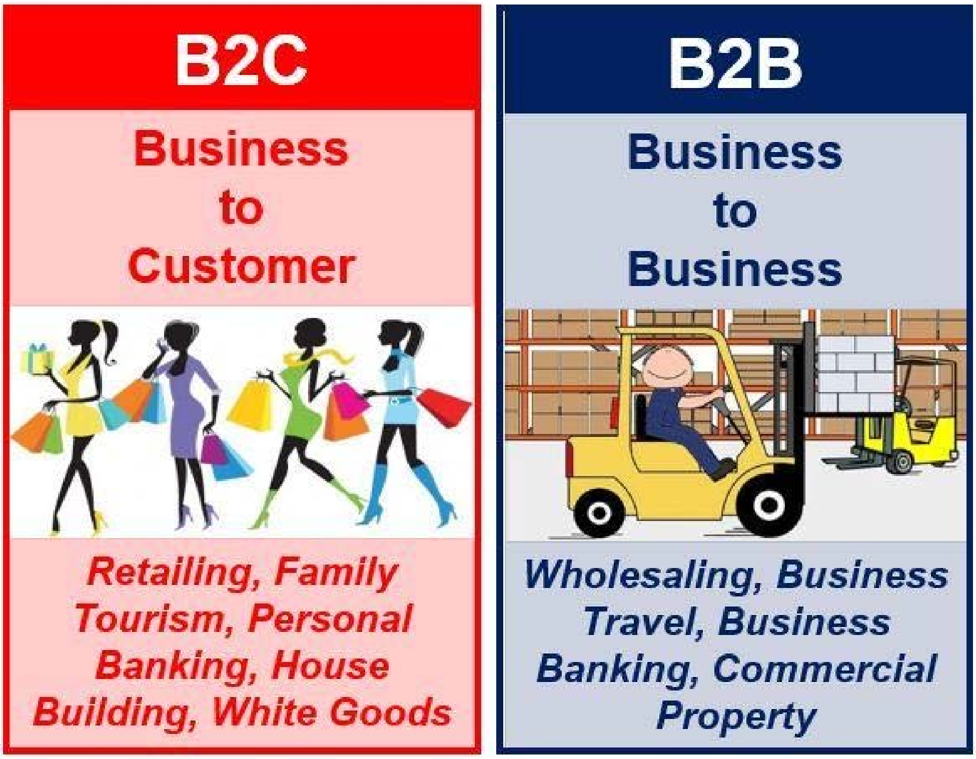
In fact, the term 'industrial goods' refers to anything a company or organisation needs and buys.

B2B services may include legal advice, management consultancy, tax consultancy, or training provision. IT services and the provision of temporary staff are also examples of B2B services. IT stands for Information Technology.

Marketing directly to consumers

We also call it B2C. The term refers to targeting the individual people who purchase products and use services. Specifically, people who bought for their own consumption.

This may include FMCGs (fast-moving consumer goods) such as food, beverages, and toiletries, or durable goods. For example, cars, televisions, refrigerators and other white goods are durable goods. 'White goods' are major appliances that traditionally have had a white enamel surface.



https://marketbusinessnews.com/financial-glossary/marketing-definition-meaning/

SWOT, ENVIRONMENTAL ANALYSIS

The first step of the project consists in the environmental analysis that is constituted by two main parts. The first one is the analysis of the external environment, namely the market you want to move into, made using the PESTEL model and the PORTER's model to analyse the rivalry. The second part covers the internal analysis made using the SWOT analysis model to know the current company's situation in the market you are working in (or you want to move in).

It's important to start with the environmental analysis to know the market you are moving into, the main competitors and to understand if there are good possibilities for the new business (or new product) and how to implement the marketing strategies.

Those three models were chosen because they are detailed enough and well-structured to obtain a good environmental analysis as result and to create a good marketing plan based on them[3].

PESTEL Analysis

A **PESTEL analysis** helps an organisation identify the external forces that could impact their market and analyse how they could directly impact their business. It's important when undertaking such an analysis that the factors affecting the organisation are not just identified but are also assessed – for example, what impact might they have on the organisation? [4]

FACTORS	**EXPLANATION**	
POLITICAL	These determine the extent to which government and government policy may impact on an organisation or a specific industry. This would include political policy and stability as well as trade, fiscal and taxation policies too.	
ECONOMIC	These factors impact on the economy and its performance, which in turn directly impacts on the organisation and its profitability. Factors include interest rates, employment or unemployment rates, raw material costs and foreign exchange rates.	
SOCIAL	These factors focus on the social environment and identify emerging trends. This helps a marketer to further understand their customers' needs and wants. Factors include changing family demographics, education levels, cultural trends, attitude changes and changes in lifestyles.	
TECHNOLOGICAL	These factors consider the rate of technological innovation and development that could affect a market or industry. Factors could include changes in digital or mobile technology, automation, research and development. There is often a tendency to focus on developments only in digital technology, but consideration must also be given to new methods of distribution, manufacturing and also logistics.	
ENVIRONMENTAL	These factors relate to the influence of the surrounding environment and the impact of ecological aspects. With the rise in importance of CSR (Corporate Sustainability Responsibility), this element is becoming more important. Factors include climate, recycling procedures, carbon footprint, waste disposal and sustainability	

[3] (Ref: Giorgia Pochettino, Oxford Brookes University, 2018)

[4] https://blog.oxfordcollegeofmarketing.com/2016/06/30/pestel-analysis/

LEGAL	An organisation must understand what is legal and allowed within the territories they operate in. They also must be aware of any change in legislation and the impact this may have on business operations. Factors include employment legislation, consumer law, health and safety, international as well as trade regulation and restrictions. Political factors do cross over with legal factors; however, the key difference is that political factors are led by government policy, whereas legal factors must be complied with.	

The outcomes of a PESTEL analysis can then be used to populate the opportunities and threats in a SWOT analysis.

SWOT ANALYSIS

SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. It is a tool commonly used by businesses when planning in the future to highlight both internal and external factors affecting the business. The Strengths and Weaknesses are Internal, whilst Opportunities and Threats are External[5].

STRENGTH Strengths can be identified by asking what advantages the organisation has and what its unique selling proposition (USP) is. It is important to consider what other people in your market see as your strengths i.e., a brand name, patient, or a workforce with a particular skillset.	**WEAKNESSES** Weaknesses would include what your organisation could do to improve, what you should avoid (be it due to brand name/reputation, resource etc.) and what factors ultimately lose your organisation sales.
When identifying strengths and weaknesses, it's important to compare your organisation to its competitors. Some of your proposed strengths could be a necessity in your organisation's market and therefore not actually a strength.	
OPPORTUNITIES In this section, you need to identify what good opportunities are open to your business – some of these will come via the organisation's strengths. You may find that through the PESTEL analysis you identify some interesting trends.	**THREATS** What are the threats facing your business right now, and what are your competitors doing?

Customer Analysis: STP PROCESS[6]

Segmentation: Make Sense of The Market

The first step is to make sense of the different needs within the market with segmentation. This is simply dividing the market up into clearly identifiable and distinct groups with similar needs.

You need a variable to create the groups which result in segments that have distinct needs, which all require a different marketing approach.

There are different variables for consumer markets and organisational markets. You might group consumers by variables such as who they are (demographics), where they are (geographics), their attitudes and aspirations (psychographics), or how they purchase (behaviouristic).

[5] https://blog.oxfordcollegeofmarketing.com/2016/05/26/undertaking-a-swot-analysis/

[6] https://blog.oxfordcollegeofmarketing.com/2020/06/24/finding-the-right-customers-with-stp-model/

Organisations can also be grouped by demographics (such as company age and location) as well as other variables such as the current business situation (situational), how the company buys (purchasing approach), who buys on their behalf (personal characteristics of buying centre) and how they operate (operating variables).

Targeting – Decide On the Best Customers To Serve

The next stage in the STP model is targeting. Now the market is split into segments of similar customers, the second step is to decide on the best segment(s) to serve and tailor our offering to which is targeting. So which customers do we choose?

To help us decide, we must consider the needs of each, which we are best equipped to serve and which represent the biggest opportunity for us in terms of sales, profitability or awareness.

By developing an understanding of the different segments and their needs, as well as understanding our own resources to serve them, we can decide which segment(s) are most attractive.

There are four approaches to targeting:

- Undifferentiated: We choose the entire market for a particular product as the target market and use the same marketing mix for all customers.
- Differentiated: We direct marketing efforts towards two or more marketing segments and create a different marketing mix for each.
- Concentrated/Niche: We direct marketing efforts towards a single market segment through ONE marketing mix.
- Customised: We target each customer individually.

Positioning – stand out from competitors

The target market is now clear – we understand their needs. Now we must ensure these customers can find us by making it clear the value that we can offer to them and how we are different from competitors.

Positioning is the space that we want to occupy in the minds of the customer, relative to our competitors. In order to create this position, we need to be clear on how we will compete, based on an understanding of what our target customers want, so that our positioning is appealing to them.

We tailor our marketing activities to support this position – so for example, if we are competing on superior quality, our marketing mix should reflect this offering with a premium product at higher prices, available in an exclusive place and promotion focusing on personal selling and advertising rather than sales promotion such as discounting.

Perceptual map

Perceptual maps (also known as product positioning maps) have been used by marketers for years to better understand a market landscape and know how customers view your products versus the competition. It is a visual expression of consumers' perception and preference for a certain series of products or brands. It is especially used in the positioning of products, product series, and brands, and also used to describe the relative position of enterprises and competitors. Firms use perceptual maps to help them develop a market positioning strategy for their product or service.

https://online.visual-paradigm.com/cn/knowledge/strategic-analysis/what-is-perceptual-map/

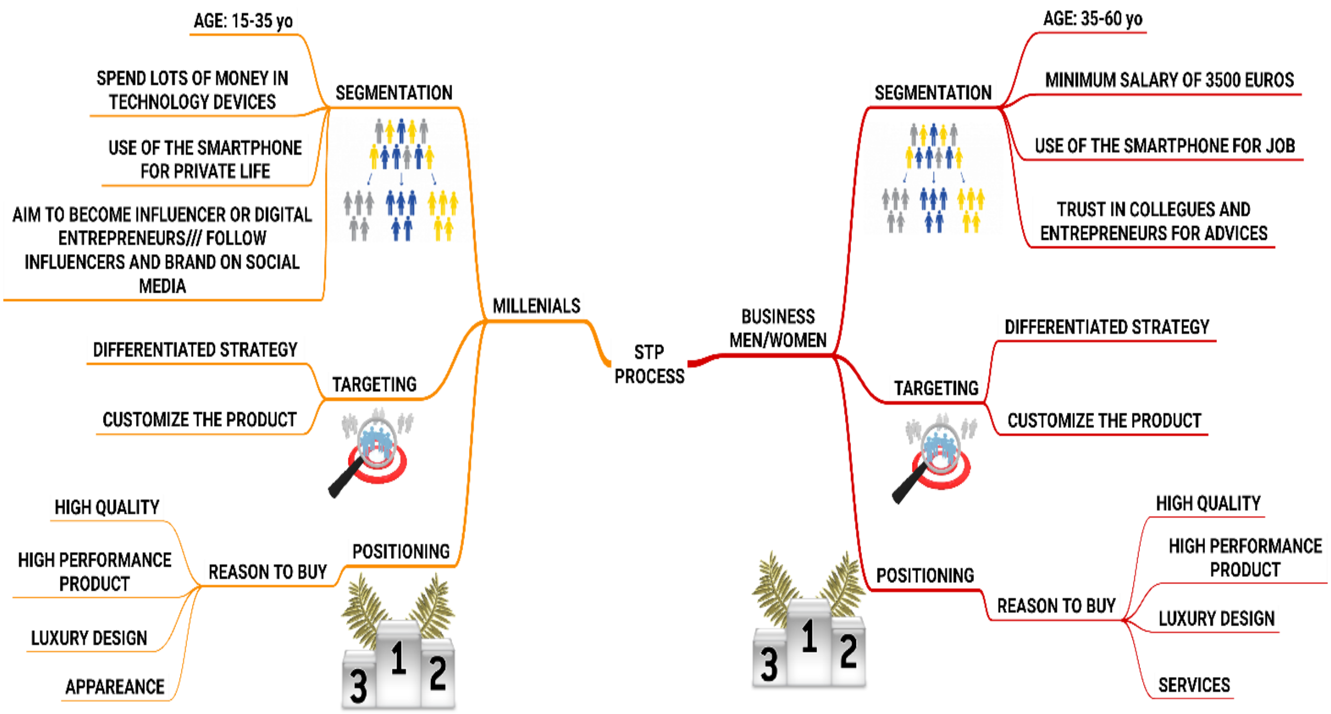
Resume: STP Process[7]

The STP model can help determine the Marketing Strategy:

- Segments – determine the basis for segmentation and criteria for identifying viable segments
- Targeting – choose the segments to focus on
- Positioning – develop the marketing mix (7Ps) for each selected segment and the product positioning you wish to attain (ensuring it's in line with the mission statement).

Example of STP process for luxury mobile phones brand

[7] (https://blog.oxfordcollegeofmarketing.com/2018/11/21/strategic-marketing-tactical-marketing-definitions-differences/)



(Ref: Giorgia Pochettino, Oxford Brookes University, 2018)

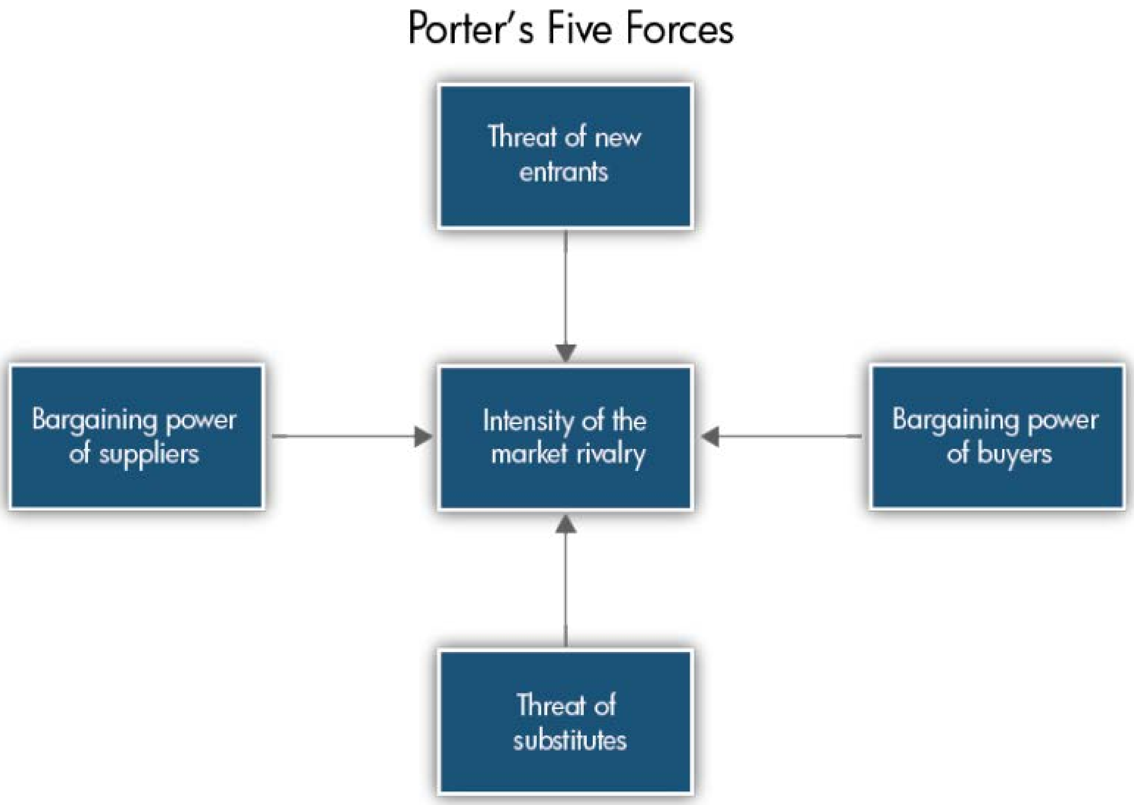
Competitors Analysis: Porter analysis [8]

Porter's Five Forces

This model was developed in 1979 by Michael Porter of the Harvard Business School as a simple way of assessing and evaluating the competitive strength and position of a company. The basic idea is to identify where power currently lies within the ecosystem, and to determine if new ideas, products, and services may be profitable. For players already in that market, it provides a framework for looking ahead to determine if they want to stay in the market and what they must do to continue to compete successfully.

---

[8] (Business Analysis Reference Manual – TwentyEighty Strategy Execution May 2021 All rights reserved)



Ref.:(Business Analysis Reference Manual – TwentyEighty Strategy Execution May 2021 All rights reserved)

Bargaining Power of Suppliers

How easy is it for suppliers to drive up prices? Consider the following factors:

- Supplier location and concentration
- Differentiation in supplier products and services
- Buyer volumes
- Customer relationships
- Importance of volume to the supplier
- The threat of substitute products or services

Bargaining Power of Buyers

How easy is it for buyers to drive prices down? If there are few buyers, they may control the market. If there are more buyers, each buyer has little influence.

- Buyer concentration
- Buyer volumes
- Switching costs for the buyer
- Capital requirements
- The impact of quality performance

Threat of New Entrants

New entrants may enter the market if the market is highly profitable, which will lower profitability. However, they may not be able to sustain themselves without sufficient capital.

- Patents and economies of scale
- Innovation
- Location and geographical distribution
- Proprietary product differences
- Brand identify
- Switching costs for the buyer
- Access to distribution
- Government policy
- Possible retaliation

Threat of Substitutes

Where close substitutes exist, there is a greater likelihood that buyers may switch.

- A shift in consumer preferences
- Fashion and trends
- Relative price performance of substitutes
- Switching costs for the buyer
- Buyer propensity to substitute
- Government policy

Intensity of Rivalry

An industry with little rivalry may be easier to penetrate for a new entrant.

- The number and size of firms
- Capabilities of those participants
- Industry growth
- Fixed- and variable-cost bases
- Brand identity
- Product and service differentiation
- Industry capacity
- Switching costs
- Corporate stakes