

LESSON 2.1

MARKETING STRATEGY**GOALS**

IDENTIFY the parts of a marketing strategy

DESCRIBE each of the elements of a marketing mix

**IMPLEMENT THE MARKETING CONCEPT**

The marketing concept has changed the way businesses operate. More than just a new way to complete marketing activities, it requires companies to change their approach to business planning. The marketing concept uses the needs of customers as the primary focus during the planning, production, distribution, and promotion of a product or service. That may seem simple, but the experience of many businesses shows how difficult it actually is.

Businesses fail every day because they don't understand and use the marketing concept. Any business that does not study customer needs or that is unwilling to use that information when planning and marketing products and services is taking a big risk.

ON THE SCENE

Xin Junming, an exchange student in the U.S. from China, was preparing to celebrate the Chinese New Year. The tenth night of the 15-day celebration is a time to invite friends for dinner. Junming wanted to introduce a few of his classmates to his cultural traditions. He looked in several stores for appropriate decorations representing the Year of the Horse. Even though there was a sizeable Chinese population in the town, he had no success. Whenever he would ask a clerk, he would be shown decorations used for the typical Western New Year's celebrations. Why do many businesses fail to provide products for customers with unique needs like Xin Junming?

The experiences of those businesses illustrate the difficulty of implementing the marketing concept. Most businesses spend a great deal of time and resources developing a good product or service. Yet they find that many customers do not value their product so the product fails. There are several reasons companies are frequently unsuccessful.

1. They focus too much on the product or service they are developing.
2. They believe that they know what customers will buy and so fail to study the market.
3. They do not use all of their marketing tools effectively.

DEVELOP A MARKETING STRATEGY

Most businesses use carefully prepared plans to guide their operations. A company's plan that identifies how it will use marketing to achieve its goals is called a **marketing strategy**. The marketing strategy a business uses provides the clearest indication of whether that business understands the marketing concept.

Without the marketing concept, a business will develop a product or service and then decide how to market the product. There will be little consideration of who the customers are or what their needs are until the product is ready to be sold. The business expects that most people are potential customers of the product and that with adequate marketing those customers can be convinced to buy the product.

Using the marketing concept, a very different strategy will be followed. The company believes it will be most successful if it can respond to needs of customers. It also recognizes that those needs may be different among various groups of customers. The company will begin its planning by identifying potential customers and studying the needs of those customers.

The results of that study will be used to plan the products and services the company will offer. The company will attempt to develop products and services that respond to customers' needs rather than what the company thinks should be offered. Marketing and product planning will occur at the same time, involving many people in all parts of the company. Marketing will be directed at meeting the identified needs of the customers rather than developing ways to convince people to buy something they may not need.

A TWO-STEP PROCESS

Companies that follow the marketing concept operate differently from those that do not. Businesses using the marketing concept use a two-step process to develop their marketing strategy.

Identify a Target Market The first step is to identify the market. A **market** refers to a broad group of prospective customers that a company wants to serve. For example, a market for a clothing manufacturer is people who purchase apparel for outdoor work or recreation.

A company usually will not be able to meet the needs of everyone in a market and particularly not with the same product. Therefore, a company will select one or more target markets. A **target market** is a smaller group or segment of a market in which customers have similar characteristics and needs. A target market for the clothing manufacturer is workers in hazardous

BUSINESS MATH CONNECTION

A company has a choice of serving a large market of 850,000 prospective customers or a specific target market that includes 175,000 people. If it offers the product to the larger market, it estimates 23% of the market will purchase its product and each customer will spend an average of \$38. If it offers a more specific product to the target market, it estimates 83% of the market will purchase its product and each customer will spend an average of \$56. Calculate the amount of revenue the company can expect to receive from each market. Which strategy may provide a greater profit?

SOLUTION

To find the number of customers, multiply the total market by the percent estimated to purchase the product.

Number of customers \times Average sale = Revenue

Large market: $(850,000 \times 0.23) \times \$38 = \$7,429,000$

Target market: $(175,000 \times 0.83) \times \$56 = \$8,134,000$

The target market strategy may provide a greater profit.

occupations who need protective clothing. Another target market could be people who enjoy hiking and camping and want lightweight apparel appropriate for changes in temperature and weather. Companies that follow the marketing concept conduct extensive marketing research to gather and analyze consumer information. They use this information to classify customers according to similar characteristics, needs, and purchasing behavior.

Develop a Marketing Mix The second step in a marketing strategy is to develop a marketing mix that will meet the needs of the target market and that the business can provide profitably. A **marketing mix** is the blending of four marketing elements—product, distribution, price, and promotion.

Companies that follow the marketing concept use the needs of the target market to develop a marketing mix that will satisfy those customers. A company can decide to serve more than one target market. However, because every target market has unique needs, each will require a different marketing mix. The workers in hazardous occupations will need very different types of clothing than the people involved in outdoor recreation. Not only will the clothing products differ for each group but so will the places and methods used to sell the clothing to each group of customers. Prices charged and the promotional methods and messages used will differ as well.

CHECKPOINT

What are two steps in developing a marketing strategy?

PLAN A MARKETING MIX

A business uses the marketing concept because it believes that the best decisions can be made when the needs of consumers become an important focus of the planning. By combining the planning of product, distribution, pricing, and promotion, a company has the best opportunity to develop a satisfying, competitive, and profitable mix. Businesspeople need to understand each of the mix elements and all of the choices available in order to develop a good marketing mix.

Product When the term *product* is used, you may think of the company's basic offering that is similar to what is sold by many other competitors, such as a movie, a boat, a meal at a restaurant, or an item of clothing. However, there is much more to the product. Each competitor must make decisions that will make its brand different from and better than those offered by competitors.

Parts of the product decision that can improve customer satisfaction are special features such as a unique design, construction, size, color, or operation. Accessories can be added to make the product easier to operate, more efficient, and so on.

Products can be improved with the availability of service to customers. Services can be provided before or after the sale. They can relate to the purchase, delivery, installation, use, or maintenance of the product. Guarantees and warranties should be considered a part of the product because they make customers more confident in the purchase.

Packaging is an important part of the product. A package often is needed to protect the product. It also can make the product easier to use and provide important information for the customer.

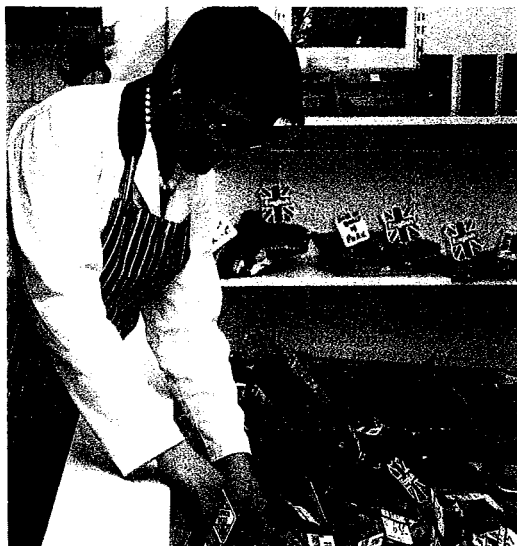
Distribution Distribution has an important impact on satisfaction. It makes the product available where and when the customer wants it. You may have purchased a product that was damaged during shipment, poorly packaged, or assembled incorrectly. That certainly caused some inconvenience and may have caused you to return the product and purchase it from another company.

Usually distribution involves several companies as products move from producer to consumer. Manufacturers must rely on wholesalers and retailers to sell their products. Retailers must locate and obtain the products their customers want. Try to trace the channel of distribution for products you purchase. Sometimes it is almost impossible to identify the companies involved in some part of the distribution process or even the company that manufactured the product. Even though many of the businesses are not obvious to the consumer, each business performs activities that are important to the success of the marketing process. Activities such as order processing, product handling, transportation, and inventory control must be completed well if customers are to be satisfied with the products they purchase.

did you KNOW?

Nearly 20,000 new products are introduced in supermarkets each year. The three categories in which the most products are introduced are health and beauty products, condiments, and candy and snacks. On average only 1 in 4 of these new products are successful.





Pricing Price is probably the most difficult marketing decision to understand and plan. Theoretically, price is determined from the interaction of supply and demand. That relationship is important in setting the best price, but it is almost impossible to set the price of a specific product in a specific business using supply and demand. Businesses must develop specific procedures to set prices that are competitive and allow the business to make a profit. Many businesses set their prices so they will be the same or slightly lower than their major competitors. That may be necessary in some situations but also can create problems.

Calculating the price to charge involves several elements. Production, marketing, and operating costs make up a great percentage of the price of most products, so the net profit available is very small. If all of the components of a price are not considered, or if prices are not calculated carefully, businesses may find that there is no profit available after expenses have been tallied.

At times, businesses may decide to offer discounts to some or all of their customers. Sales and coupons are other ways that prices can be changed. Finally, credit commonly is offered to enable customers to purchase a product even if they don't have cash available at the time they make the purchase.

In pricing products and services, marketers must try to balance the costs of the product with the customer's feelings about the value of the product. The goal is a fair price and a reasonable profit.

Promotion When planning promotion, businesspeople select from a variety of methods. The most common are advertising, personal selling, sales promotion, visual display, and publicity. The selection will be based primarily on the company's communication objectives and the audience it wants to reach. Each method varies in terms of the cost per person, number of people reached, types of messages carried, and other factors. Careful planning needs to be done to reach the specific audience with a straightforward message in a way that helps the consumer make appropriate decisions.

Promotion cannot do much to help a company that has a poor product, excessively high prices, or ineffective distribution. Companies that have otherwise made good decisions need to have an effective promotional plan to help consumers decide from among the many choices available to them.



Visit a store and select a product for analysis. Based on your study, (1) identify the target you believe the product is directed to, and (2) describe the marketing mix being used for the product. Draw pictures on a poster board or a large sheet of paper illustrating your decisions and present them in class.

CHECKPOINT

Name the four elements of the marketing mix.
