

Module 4

“Marketing”



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Introduction

The fourth educational unit refers to «Marketing», this learning unit will describe the environmental factors that affect a SME’s marketing as well as those internal to the firm.



Purpose

This educational module provides all the essential information regarding marketing that is required for a business. As we know, marketing process is a significant part of a firm’s daily activities and should not be underestimated. In addition, in this module, trainees will learn and understand the factors that construct a marketing strategy/ mix, the different methods and forms of marketing and so on. Marketing plays a vital role for any business, for this reason has to be taken into account seriously by the entrepreneurs.



Learning Outcomes

➤ In terms of knowledge:

After finishing the module, the participants will know

- *basic marketing principles and concepts*
- *different marketing methods and forms*
- *the marketing mix*
- *the environmental marketing factors*
- *how to design a strategic marketing and communication plan*

➤ In terms of skills

After finishing the module, the participants will understand

- *the different forms of marketing*
- *environmental factors of marketing*
- *the strategic planning of marketing*



➤ In terms of competences

After finishing the module, the participants will be able to

- *select marketing forms*
- *evaluate the factors in the business environment*
- *define the strategic planning and marketing form*

Keywords

- ❖ Marketing
- ❖ Marketing mix
- ❖ Marketing methods
- ❖ Planning
- ❖ B2C
- ❖ B2B
- ❖ Segmentation
- ❖ Marketing strategy





4.1. What is marketing?

Marketing should be a philosophy that cuts through your entire organization, including all of your firm's functions. The marketing process should make up a significant part of your firm's daily actions and should not be a one-time attempt at advancing your business. The basic idea is that a firm's long-term success and profitability is based on long term and profitable customer relationships. Marketing should be:

- ✓ continuous
- ✓ long-term
- ✓ **complete** personalized and targeted
- ✓ realistic
- ✓ focused
- ✓ methodological
- ✓ organized
- ✓ profitable
- ✓ every day and **repeated**
- ✓ **having a lot of details** seeking excellence

Today firms are increasingly shifting from mass marketing to more targeted relationship marketing. Relationship marketing is based on relationships, networks and interaction. The customer-seller relationship is mutually dependent and, at the same time, based on mutual co-operation.

The following video could help you to obtain an even more holistic view about what exactly is marketing.



4.2. Forms of marketing



“Marketing methods a) for the people, b) for the organization, c) for the sector. Therefore, the basis for distinguishing between the individuals and groups are the different properties and uses of the product”. *Marketing can also be divided into internal, external and interactive marketing based on the partners involved.*

Markets refer to the group of people that, whether as individuals or organizations, need certain product and that have the ability, willingness and authority as well as the economic means to buy the product.

4.2.1. Business-to-Consumer marketing

Business-to-consumer marketing is marketing that targets the individual person, the consumer. Business-to-consumer marketing means targeting the individual consumer's demand. Thus, personal or household items are emphasized. The decision to purchase is not necessarily made by one person alone but can be affected by family members or other stakeholders that are important for the consumer.



The products that are sold in business-to-consumer markets are called consumer goods. Consumer goods can be divided into tangible and intangible goods. Tangible goods can be either non-durable or durable. Intangible goods are services as well as rights and benefits. Services can, again, be divided into personalized and unspecific or generic services. Many goods are in fact a combination of a tangible and intangible good.

4.2.2. Business-to-Business marketing

In business-to-business markets, purchases are always made at some organization's cost. These organizations are public sector organizations, firms and corporations. Business-to-business markets are characterized by a limited number of customers, a complex purchasing process, **a huge supply** and high importance of the purchase price and a more direct link between the manufacturer and **the final user**.

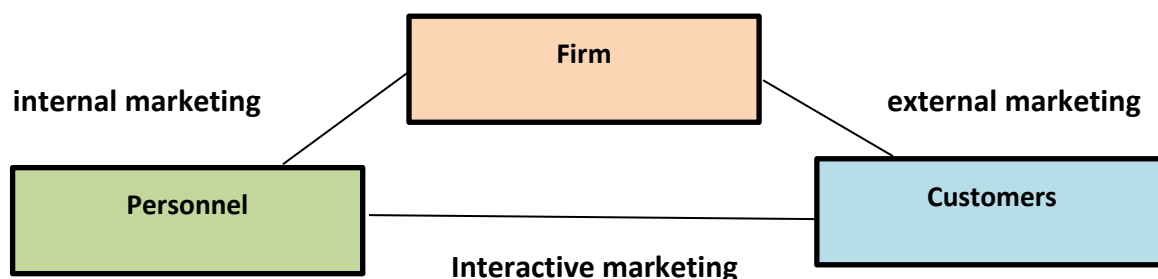


The purchasing decision is a rational process and the people responsible for it are not always easy to identify. The goods or services purchased by an organization are either meant to be resold, to be refined into other products or for bought for the organization's own everyday use. These products and services may be the same or similar ones as those demanded by consumers.



4.2.3. Marketing based on stakeholder relationships

Marketing can be described depending on the type of stakeholder relationship. The following categorizes different types of marketing based on the interaction between the firm, its personnel and the customers into internal, external and interactive marketing.



✓ External marketing

Methods by which to compete in external marketing involve the product, price, marketing message or promotion and place or availability. The goal is that the firm's product or service is known, **preferred** as well as purchased by the customers.

✓ Internal marketing !!!!! Summaryyy

Internal marketing targets the firm's own personnel. Its objective is to "sell" the organization and the organization's products to the firm's employees and to create incentives to think and act according to the firm's marketing model. Internal marketing also ensures that the employees are motivated to provide customer oriented service. Achieving employee commitment as well as a sense of community spirit or togetherness are some of the results of successful internal marketing

External and internal marketing should support one another as it is important to form a comprehensive and **united** vision of the firm's marketing objectives.

✓ Interactive marketing

The firm's employee customer service skills are in high demand in when it comes to interactive marketing. This type of marketing is based on the interaction between the firm's employees and the customer.

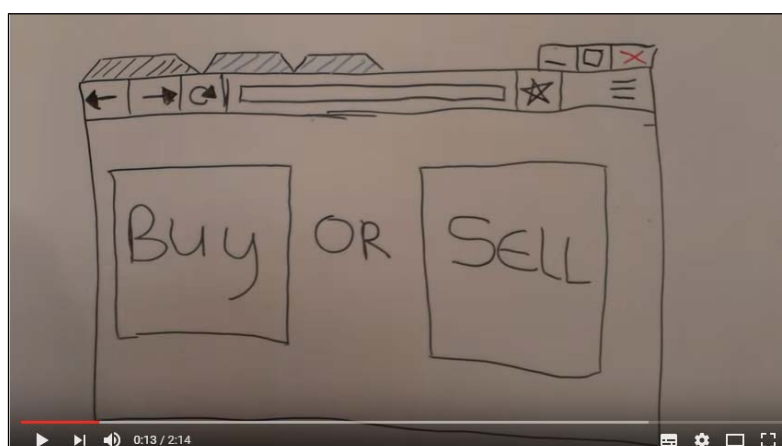
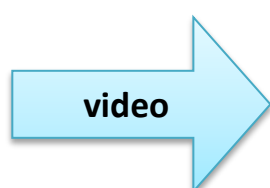
The employees involved in interactive marketing include the personnel in sales and customer service. Sales and customer service involve two-way interaction with the customer. **The main aim of customer service is to fulfil the promise of external marketing.**



4.3. Differences between B2B and B2C

Business-to-Business marketing	Business-to-Consumer marketing
Based on relationships with business buyers	Products more important than relationship
Often small and focused market	Usually larger markets
More complex & longer buying process	Single step buying process; often short
More experienced costumers	Less sophisticated buyers
The main goal is to turn the possibilities into buying customers	Emotional thoughts affect buying behaviour
Educational element to promotion	Brands are very important

The following video could help you to obtain an even more holistic view about the differences between Business-to-Business and Business-to-Consumer marketing.





4.4. Environmental factors of marketing

This century is the era of the environment, welfare, internationality and increasing competition. Almost everything is sold and almost anyone is involved in marketing. The goal of marketing is to create customers and to emphasize interaction.

4.4.1. Marketing in many markets

The role of stakeholders is increasingly important as the firm competes with other organizations in many different markets. These markets include financial markets, the market for employees, raw material markets, supplier markets and to some effect, the market for public policy. Networking with other organizations will help keep the firm informed about the newest trends and provide access to many different sources of information.

4.4.2. Prevalent trends in society

Changes and trends within society affect marketing in both its content and execution, just as they affect other parts of business. The following are a few noteworthy trends:

1. changes in the economy and business life
2. the rise in standards of living and education
3. political changes, societal pressures and challenges in markets
4. the aging of the population
5. the development of legislation and technology
6. the development of competition and internationalization
7. the importance of the ecology
8. the increasing importance of ethical issues
9. fashions and trends, changes in values

By keeping current with these trends, an entrepreneur can foresee the changes that are coming. In the best-case scenario, the firm can translate this foresight into innovations and provide products that best serve the customer's needs.



4.5. The strategic planning of marketing

“Through the strategic planning of marketing a firm aims to makes its resources, objectives, skills and its operational environment compatible. The objective is to change the firm’s operations and products so that economic and growth goals are met”.

4.5.1. The objectives of marketing

The objectives of marketing can be divided into different levels.

- ❖ Specific goals such as specific total sales and become the company with the largest sales in the specific sector of the industry
- ❖ The average goals are specific to a certain action such as the goals of advertising

The marketing framework includes objectives such as **the profitability of advertising** and **the budget** limits for marketing.

One of the most important objectives of marketing **is to attain a competitive advantage** compared to other firms in the market. This competitive advantage consists of the superiority of a firm’s offering in the eyes of the target customer. This offering must be economically **feasible and reliable**.

Competitive advantage may be sought out in the following areas:

Focus on the market area and target group	(Where and who?)
Product solutions	(What?)
Channel options and distribution	(How and which way?)
Pricing solutions	(What price?)
Marketing communication solutions	(How is the product supported?)



Figure. Marketing Objectives



Example of Coca-Cola





4.5.2. Forming a marketing strategy

It is useful to gather information about marketing, customers and operational environment before preparing a marketing plan. A systematic evaluation of the marketing strategy is important not only for start-up firms but for all firms in the process of selecting their marketing measures.

When preparing a marketing strategy, a firm must first map out the firm's current state. This includes an evaluation of what is being produced, for who and how. An analysis of the operational environment (**economic, technological, political and legal, environmental, demographic and social/cultural analysis**) is also necessary. After this, the firm must define the concrete objectives for the firm's marketing that includes sales, the **limit**, market share and the profitability of the marketing measures. When the objectives are clear, the firm must come up with the methods by which to attain those goals.

The parts of a marketing strategy that must also be included are

- the segmentation of customers,
- the selection of a target segment and
- positioning in line with the organization's strategy.

Through segmentation, the firm forms groups based on specific customer characteristics. After this, a chosen target segment is chosen amongst the different groups. Next, the positioning of the product is determined in relation to competing products. When a target segment is chosen and the positioning is selected, the measures by which the marketing is to be implemented are determined.

4.5.2.1. Data collection and marketing

"The creation of a marketing strategy is closely linked to the collection of information and monitoring the firm's operations in different areas".

In order to guide the marketing strategy and to aid the management's decision making it is important to conduct a marketing study.



The focus of a marketing study

1. Operational environment:

- population
- structure of the population
- purchasing power
- opinions

2. Brands:

- target segment
- position of the brand
- image
- marketing communication

3. Customers:

- customer relationships
- customer and employee satisfaction
- other stakeholders

4. Markets:

- total market
- market share
- development estimates

Starting point analysis as the base for the marketing plan

- ❖ The simple marketing study
- ❖ **The main stages of a marketing study**
- ❖ Supporting marketing strategy planning

The main stages of a marketing study

The main stages of a marketing study are the definition of the research problem, the design of the research, the collection of the data and the reporting of the results.

1. **Defining the research problem** is an important part of the planning process.

2. The research designs how the information the firm needs to solve its problem is obtained.

3. **Data collection** – there are numerous methods of data collection. Field research, the purpose of which is to generate new information can be further divided into **quantitative and qualitative methodologies**. **Practical methods which can include survey and interview research aiming at providing answers to questions such as how much, how often or how important a certain thing / product / service is. Theoretical methods (such as a qualitative desk research), on the other hand, help to understand customer's behavior and thoughts.**

4. **After the data collection**, the material is checked and coded and possibly categorised based on selected factors.



Supporting marketing strategy planning with analysis

- ✓ Market-analysis or market study
- ✓ Analysis of the environment
- ✓ Competitor analysis

4.5.2.2. Segmentation

“The segmentation of a market means dividing and categorizing the total market into distinct, smaller and similar groups”. The basic idea behind segmentation is to divide the market according to customer groups from which the firm selects its target segment. The careful selection of the target segment will lead to the best profitability. The target segment should be manageable with the firm’s resources. A firm should not try to market its products to all possible customers.



Basis for segmentation		
Geographic location, place of residence	Demographics: age, gender, economic situation, profession, size of the family or stage in life	Customer profile: lifestyle, personality, social class, values



A consumer's behaviour can also lead to segmentation:

✓ purchase and use of the product
✓ the need (the main reason for the purchase)
✓ the user status (e.g. an experimenter or a regular buyer)
✓ the rate of consumption
✓ brand loyalty
✓ readiness to buy
✓ price sensitivity
✓ attitudes
✓ importance of the purchase

The fundamentals of segmentation apply to business-to-business marketing as well as consumer marketing, however demographic factors may play an even more important role.

4.5.3. Positioning

“Positioning is an important strategic decision. Positioning is done by placing a product into a systematically selected market segment amongst competing products”. Positioning is based on a product's competitiveness relative to the other products on the market.



Check the stages in positioning below.



Examples of positioning

Health: Benecol-margarine

Value for money: Stockmann

Competition: Pepsi Cola vs. Coca-Cola

A firm has three basic choices when selecting a positioning strategy

The first option is to strengthen the firm's position in the consumer's mind. This is done by emphasizing the firm's products with respect to other products.

The second model calls for a firm to find an unoccupied position in the market that enough customers value and identify with. The goal is to find a gap in the market that the firm can fill with a new product.



The third choice is to undermine established positions. This means that the firm finds faults with the competitor's offering. However, this is generally not the best option for positioning strategy.

4.5.4. Implementation

After a firm forms a marketing strategy, segments the market and positions its offering it must put the marketing into practice. This begins by preparing **the variables (price, promotion, product, place)** consisting of the use of different marketing practices. The factors that affect a firm's marketing mix are the firm's current state, the business objectives, the firm's resources, the business mission and environmental factors.

4.5.4.1. Creating a firm's image

The goal behind the marketing mix should be to create a deliberate **external image**. The firm's image is the picture and understanding that the consumer's carry in their minds. This guides the firm's stakeholders to make their decisions regarding the firm. These stakeholders include customers, financiers, deciders and members of the community. The firm's image conveys expectations and influences the expectations of the stakeholders. **The costumer's view about the company is based on the promises the company made and the things it actually does in real life..**

4.5.4.2. Budgeting marketing

The budget of the firm's marketing effort must also be decided upon when preparing the marketing strategy. One method to determine the budget is mechanistic, or the firm simply decides what percentage of turnover is to be used for marketing. Another method is to benchmark the marketing effort with the firm's competition. This means that the firm would invest as much into marketing as its competitors.



Summary

This educational module provides all the essential information regarding marketing that is required for a business. It can be said that marketing should be a philosophy, provides all the necessary guidelines that are required for a business, setting goals that will help a company to obtain competitive advantage within the market. The implementation of a marketing strategy is also significant. As we know, marketing process is an important part of a firm's daily activities and should not be underestimated. Today firms are forced to shift from a mass marketing to more targeted relationship marketing.

As we saw, marketing can be divided into internal, external and interactive marketing based on the stakeholders involved. All these parts are important to be taken into account.

To sum up, through the strategic planning of marketing, a firm aims to make its resources, objectives, skills and its operational environment compatible. The objective is to change the firm's operations and products so that economic and growth goals are met. Entrepreneurs have to keep in mind that marketing plays a vital role for any business.



Learning activities

TASK 1

After reading the training material, please read the sentences below and circle the right answer

One of the basis for segmentation is

- a. Geographic location
- b. Budget
- c. Sales
- d. External marketing

Business-to-consumer marketing

- a. targets to the individual person, the consumer
- b. targets to groups
- c. targets to enhance the brand
- d. targets to economics

Marketing can be categorised based on

- a. Persons
- b. Community
- c. the segment, the consumer or the organization
- d. products

Positioning

- a. Is not an important strategic decision.
- b. is done by placing a product into a systematically selected market segment amongst competing products
- c. isn't based on a product's competitiveness

One of the stages in positioning is

- a. Brand loyalty
- b. Analysis of the environment
- c. Make sales
- d. Select the target segment to focus on



TASK 2

After reading the module, please fill each category with the right items

The focus of a marketing study	
<p>1. Operational environment:</p> <ul style="list-style-type: none">• _____• _____• _____• _____	<p>3. Customers:</p> <ul style="list-style-type: none">• _____• _____• _____ <p>4. Markets:</p> <ul style="list-style-type: none">• _____• _____• _____
<p>2. Brands:</p> <ul style="list-style-type: none">• _____• _____• _____• _____	

TASK 3

Match the items from the right column with the right category of marketing from the left column according to what you read at the training module.

a. Business-to-Business marketing	1. Based on relationships with business buyers 2. Often small and focused market 3. More complex & longer buying process 4. Products more important than relationship 5. Usually larger markets
b. Business-to-Consumer marketing	6. Single step buying process; often short 7. Based on relationships with business buyers 8. Often small and focused market 9. Products more important than relationship 10. Usually larger markets