

Marketing Operations Term Paper

By

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Introduction

A market-focused, or customer-focused, organization first determines what its potential customers desire, and then builds the product or service. Marketing theory and practice is justified in the belief that customers use a product/service because they have a need, or because a product/service provides a perceived benefit.

Two major factors of marketing are the recruitment of new customers (acquisition) and the retention and expansion of relationships with existing customers (base management).

Once a marketer has converted the prospective buyer, base management marketing takes over. The process for base management shifts the marketer to building a relationship, nurturing the links, enhancing the benefits that sold the buyer in the first place, and improving the product/service continuously to protect the business from competitive encroachments.

Marketing methods are informed by many of the social sciences, particularly psychology, sociology, and economics. Anthropology is also a small, but growing, influence. Market research underpins these activities. Through advertising, it is also related to many of the creative arts.

For a marketing plan to be successful, the mix of the four "Ps" must reflect the wants and desires of the consumers in the target market. Trying to convince a market segment to buy something they don't want is extremely expensive and seldom successful. Marketers depend on marketing research, both formal and informal, to determine what consumers want and what they are willing to pay for it. Marketers hope that this process will give

them a sustainable competitive advantage. Marketing management is the practical application of this process. The offer is also an important addition to the 4P's theory.

Within most organizations, the activities encompassed by the marketing function are led by a Vice President or Director of Marketing. A growing number of organizations, especially large US companies, have a Chief Marketing Officer position, reporting to the Chief Executive Officer.

The American Marketing Association (AMA) states, "Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives".

Two Levels of Marketing

Strategic Marketing attempts to determine how an organization competes against its competitors in a market place. In particular, it aims at generating a competitive advantage relative to its competitors.

Operational Marketing executes marketing functions to attract and keep customers and to maximize the value derived for them, as well as to satisfy the customer with prompt services and meeting the customer expectations. Operational Marketing includes the determination of the marketing mix.

Four Ps

Main article: marketing mix

In popular usage, "marketing" is the promotion of products, especially advertising and branding. However, in professional usage the term has a wider meaning which recognizes that marketing is customer centered. Products are often developed to meet the desires of groups of customers or even, in some cases, for specific customers. E. Jerome McCarthy divided marketing into four general sets of activities. His typology has become so universally recognized that his four activity sets, the Four Ps, have passed into the language.

The four Ps are:

Product: The product aspects of marketing deal with the specifications of the actual goods or services, and how it relates to the end-user's needs and wants. The scope of a product generally includes supporting elements such as warranties, guarantees, and support.

Pricing: This refers to the process of setting a price for a product, including discounts. The price need not be monetary - it can simply be what is exchanged for the product or services, e.g. time, energy, psychology or attention.

Promotion: This includes advertising, sales promotion, publicity, and personal selling, and refers to the various methods of promoting the product, brand, or company.

Placement or distribution refers to how the product gets to the customer; for example, point of sale placement or retailing. This fourth P has also sometimes been called Place, referring to the channel by which a product or services is sold (e.g. online vs. retail), which geographic region or industry, to which segment (young adults, families, business people), etc.

These four elements are often referred to as the marketing mix. A marketer can use these variables to craft a marketing plan. The four Ps model is most useful when marketing low value consumer products. Industrial products, services, high value consumer products require adjustments to this model. Services marketing must account for the unique nature of services. Industrial or B2B marketing must account for the long term contractual agreements that are typical in supply chain transactions. Relationship marketing attempts to do this by looking at marketing from a long term relationship perspective rather than individual transactions.

As a counter to this, Morgan, in *Riding the Waves of Change* (Jossey-Bass, 1988), adds "Perhaps the most significant criticism of the 4 Ps approach, which you should be aware of, is that it unconsciously emphasizes the inside-out view (looking from the company outwards), whereas the essence of marketing should be the outside-in approach". Even so, having made this important caveat, the 4 Ps offer a memorable and quite workable guide to the major categories of marketing activity, as well as a framework within which these can be used.

Seven Ps

As well as the standard four Ps (Product, Pricing, Promotion and Place), services marketing calls upon an extra three, totaling seven and known together as the extended marketing mix. These are:

People: Any person coming into contact with customers can have an impact on overall satisfaction. Whether as part of a supporting service to a product or involved in a total service, people are particularly important because, in the customer's eyes, they are

generally inseparable from the total service. As a result of this, they must be appropriately trained, well motivated and the right type of person. Fellow customers are also sometimes referred to under 'people', as they too can affect the customer's service experience, (e.g., at a sporting event).

Process: This is the process(es) involved in providing a service and the behaviour of people, which can be crucial to customer satisfaction.

Physical evidence: Unlike a product, a service cannot be experienced before it is delivered, which makes it intangible. This, therefore, means that potential customers could perceive greater risk when deciding whether to use a service. To reduce the feeling of risk, thus improving the chance for success, it is often vital to offer potential customers the chance to see what a service would be like. This is done by providing physical evidence, such as case studies, testimonials or demonstrations.

Web 2.0 and Marketing New 4Ps

The original 4Ps concept idea was developed to help marketers to manage the four most important aspect of marketing. With the Internet and the Web. 2.0, marketers need to adapt a new perspective on these elements that is encompassing and strategic, not narrow and tactical. Author and consultant Idris Mootee came up with the concept of “New 4Ps” model in 2001 in his book High Intensity Marketing (SA Press 2001) to supplement the traditional marketing 4Ps. They are Personalization, Participation, Peer-to-Peer and Predictive Modeling. Today,these are the directions that cutting edge marketing is advancing.

The first “P” is the simple idea of “Personalization” which now takes on a whole new meaning. The author refers to customization of products and services through the use of the Internet.

The second “P” is the concept of “Participation”, it is to allow customer to participate in what the brand should stand for; what should be the product directions and even which ads to run. This concept is laying the foundation for disruptive change that we have yet to see the full impact with the degree of democratization brought about by this idea. By enabling each of us to create and publish our own stories, the power of deciding what we read; listen and watch has spread from a handful of media companies to anyone with a camera, a connection and a computer.

The third “P” is “Peer-to-Peer” which refers to customer networks and communities where advocacy happens. The historical problem with marketing is that it is "interruptive" in nature, trying to impose their brand on the customer. This is most apparent in TV ad, which pushes out its own idea of what brand is without engaging the customers. These "passive customer base" will ultimately be replaced by the "active customer communities". Brand engagement happens within those conversations.

The last “P” is “Predictive Modeling” which refers to neural networks algorithms that are being successfully applied in marketing problems (both a regression as well as a classification problem).

Beyond the 4 Ps

Resources, Relationships, Offerings and Business Models

Marketing in the past focused mainly on basic concepts like the 4 Ps, and primarily on the psychological and sociological aspects of marketing. Competitive advantage was created by directly appealing to the needs, wants and behaviors of customers, better than the competition. Successful marketing was based on who could create the better brand or the lowest price or the most hype. Marketing in the future will be based on a more strategic approach to competitive marketing success. Marketers will consciously build and allocate resources, relationships, offerings and business models that other companies find hard to match. This does not mean the four P approach is dead, simply that it has been expanded upon.

Resources

Companies with a greater number of resources than their competitors will have an easier time competing in the marketplace. Resources include: financial (cash and cash reserves), physical (plant and equipment), human (knowledge and skill), legal (trademarks and patents), organizational (structure, competencies, policies), and informational (knowledge of consumers and competitors). Small companies usually have a harder time competing with larger corporations because of their disadvantage in resource allocation.

Relationships

Success in business, as in life, is based on the relationships you have with people. Marketers must aggressively build relationships with consumers, customers, distributors, partners and even competitors if they want to have success in today's competitive marketplace. There are four type of relationships (1)win-win (2)win-lose (3)lose-lose (4)lose-win.(customer-vendor)

Business Models

The concept of product vs. product in competitive marketing is dying. It's slowly becoming business model vs. business model. Business model innovation can make the competition's product superiority irrelevant. Business model innovation allows a marketer to change the game instead of competing on a level playing field.

Customer focus

Many companies today have a customer focus (or customer orientation). This implies that the company focuses its activities and products on consumer demands. Generally there are three ways of doing this: the customer-driven approach, the sense of identifying market changes and the product innovation approach.

In the consumer-driven approach, consumer wants are the drivers of all strategic marketing decisions. No strategy is pursued until it passes the test of consumer research. Every aspect of a market offering, including the nature of the product itself, is driven by the needs of potential consumers. The starting point is always the consumer. The rationale for this approach is that there is no point spending R&D funds developing products that people will not buy. History attests to many products that were commercial failures in spite of being technological breakthroughs.

SIVA

A formal approach to this customer-focused marketing is known as SIVA (Solution, Information, Value, Access). This system is basically the four Ps renamed and reworded

to provide a customer focus.

The SIVA Model provides a demand/customer centric version alternative to the well-known 4Ps supply side model (product, price, place, promotion) of marketing management.

Product -> Solution Promotion -> Information Price -> Value

Place ->Access

The four elements of the SIVA model are:

- Solution: How appropriate is the solution to the customers problem/need
- Information: Does the customer know about the solution, and if so how, who from, do they know enough to let them make a buying decision
- Value: Does the customer know the value of the transaction, what it will cost, what are the benefits, what might they have to sacrifice, what will be their reward?
- Access: Where can the customer find the solution. How easily/locally/remotely can they buy it and take delivery.

This model was proposed by Chekitan Dev and Don Schultz in the Marketing Management Journal of the American Marketing Association, and presented by them in Market Leader - the journal of the Marketing Society in the UK.

The model focuses heavily on the customer and how they view the transaction.

Product focus

In a product innovation approach, the company pursues product innovation, then tries to develop a market for the product. Product innovation drives the process and marketing research is conducted primarily to ensure that a profitable market segment(s) exists for the innovation. The rationale is that customers may not know what options will be available to them in the future so we should not expect them to tell us what they will buy in the future. However, marketers can aggressively over-pursue product innovation and try to overcapitalize on a niche. When pursuing a product innovation approach, marketers must ensure that they have a varied and multi-tiered approach to product innovation. It is claimed that if Thomas Edison depended on marketing research he would have produced larger candles rather than inventing light bulbs. Many firms, such as research and development focused companies, successfully focus on product innovation. Many purists doubt whether this is really a form of marketing orientation at all, because of the ex post status of consumer research. Some even question whether it is marketing.

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