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1
INTRODUCTION TO MARKETING

Chapter objectives

After reading this chapter you should be able to:

- Define marketing.
- Trace the historical development of marketing.
- Identify the elements of the marketing mix.
- Understand the marketing environment.
- Understand relationship marketing.

1.1 *Marketing defined*

This chapter begins with an examination of what is meant by the term 'marketing'. Kotler and Armstrong (2008) define ***marketing*** as 'a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others'.

The definition of marketing given by the British Chartered Institute of Marketing is: 'Marketing is the management process responsible for identifying, anticipating and satisfying customers' requirements profitably.'

The American Marketing Association's definition of marketing (AMA, 1985) is: 'Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organisational objectives.'

These definitions show that:

- Marketing is a management process.
- Marketing is an activity geared towards giving customers what they want.
- Marketing identifies and anticipates customers' requirements.
- Marketing fulfils customers' requirements efficiently and profitably.
- Marketing facilitates exchange relationships.

Marketing occurs when people decide to satisfy needs and wants through exchange. *Human **needs*** are a state of felt deprivation, for example basic physical needs for food, clothing, warmth and safety. *Human **wants*** are shaped by culture and individual personality. Wants are described as objects that will satisfy needs: for example, a hungry person in the United States might want a hamburger, chips and cola. People have almost unlimited wants, but limited resources; when wants are supported by buying power, they become ***demands.***

Exchange is the core concept of marketing. ***Exchange*** is the act of obtaining a desired object from someone by offering something in return. For an exchange to take place, certain conditions must exist. For example, (*a*) two or more individuals, groups or companies must participate, (*b*) each party must possess something of value that the other party desires, (*c*) each party must be willing to give up its 'something of value' to receive the 'something of value' held by the other party and (*d*) each party must be able to communicate and deliver.

The concept of exchange leads to the concept of ***market.*** A market is the set of actual and potential buyers of a product or service. These buyers share a particular need or want that can be satisfied through exchange. The size of a market therefore depends on the number of people who show the need, have resources to engage in exchange and are willing to offer resources in exchange for what they want.

1.2 *The historical development of marketing*

The idea of marketing is a fairly recent one but has been preceded by others, which are contrasted in Table 1.1. The basic idea of marketing as an exchange process has its roots in ancient history, when people began to produce crops or surplus goods, then bartered them for other things they wanted. During the late nineteenth and early twentieth centuries, goods were sufficiently scarce and competition sufficiently underdeveloped for producers not to really need marketing; they could sell whatever they produced. This became known as the ***production era***, in which a production orientation was adopted.

The production era

The focus on production that began in the United States after the Civil War in 1865 and continued into the 1920s was fuelled by milestones such as Henry Ford's adoption of the assembly line and the more efficient work principles advanced by Frederick W. Taylor's scientific management movement. These two innovations made business managers aware that mass production resulted in steeply declining unit costs of production. In turn, the declining unit costs of production made profit possibilities look very achievable.

During this era it was thought that people would buy anything, provided it was cheap enough. The prevailing attitude among manufacturers was that getting production right was all that mattered. This was a period of mass production. For example, Henry Ford's objective was to perfect the production of the Ford Model T so that its costs could be reduced and more people could afford it. His marketing policy was: 'The customer can have any colour car he wants as long as it is black.' The production concept assumes that consumers are mostly interested in product availability at low prices; its marketing objectives are cheap, efficient production and intensive distribution. This is used when consumers are more interested in obtaining the product than they are in specific features and will buy what is available rather than wait for what they really want. Today companies use this concept in developing countries or in other situations in which the main objective is to expand the market. The rationale for mass production, however, seemed sound at the time of the production era. It was perceived that reduced production costs could lead to reduced selling prices and thus appeal to the largest segment of customers. Unfortunately, turbulent economic conditions associated with the late 1920s through the 1940s caused many companies to fail despite adopting this production-oriented philosophy of doing business. As a result, companies looked for other ways to improve the exchange process.

With increasing affluence, people are not prepared to accept standardised products, and as markets become more segmented, manufacturers realise that there are many benefits to be gained from providing specialised products.

The sales era

In the period from the mid-1920s to the early 1950s, manufacturers believed that customers needed to be persuaded to buy more of a firm's products. Companies found that they could no longer sell all the products they produced, even though prices were lowered through mass production. Firms now had to quickly sell their excess production in order to convert products into cash. This era was characterised by aggressive sales techniques, which created profit through quick turnover of high volume. The ***sales era*** was concerned with the needs of the seller, not with the needs of the buyer. During this period, personal selling and advertising were regarded as the most important promotional activities.

This approach does not consider customer satisfaction. When consumers are induced to buy products they do not want or need, they will not buy them again. They are also likely to communicate any dissatisfaction with the product through negative word of mouth that serves to dissuade potential consumers from making similar purchases. Today the selling concept is typically utilised by marketers of unsought goods (such as life insurance), by political parties 'selling' their candidates to uninterested voters and by companies that have excess inventory.

In the current competitive environment, most markets are buyer markets and sellers have to work hard for customers. People are inundated with graphic commercials, print advertisements, direct mail, telemarketing and sales calls. As a result, the public often identifies marketing with hard selling and advertising. Selling, however, is not the most important part of healthy marketing. Selling is only one part, although an essential part, of the marketing mix. As management and marketing scholar Peter Drucker states, 'There will always, one can assume, be a need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.'

The marketing era

It was not really until the 1960s–70s that marketing generally moved from emphasising aggressive selling. Whereas the selling concept focuses on the needs of the *sellers* and on existing products, the marketing concept focuses on the needs of the *buyer*. The selling concept focuses on profits through sales volume; the marketing concept focuses on profits through customer satisfaction. In the 1980s companies began to move from the policy of selling what they could make towards finding out what the customer wants and then making it. Businesspeople began to recognise that customers are intelligent enough to know what they need, can recognise value for money and will not buy from a firm if they do not get value for money. Achieving organisational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do. This is the basis of the ***marketing concept***. Customers, therefore, took their place at the centre of a company's activities. In practice the marketing concept means finding out what a particular group of customers' needs and wants are, finding out what price they would be willing to pay and fitting the company's activities to meeting those needs and wants at the right price. The motivation is to find wants and fill them, rather than to create products and sell them.

If all of the organisation's functions are focused on customer needs, the marketing concept implies that profits can be achieved by satisfying those needs. The satisfaction of customer needs can be accomplished through product changes, pricing adjustments, increased customer service and distribution changes.

Understanding the nature of customers and their needs and wants, however, is only the first step. A company needs to act on that information in order to develop and implement marketing activities that actually deliver something of value to the customer. The means by which such ideas are turned into reality is the ***marketing mix*** (see section 1.3).

Concept	Focus	Means	Ends
Production	Mass production	Low-priced products	Profits from sales of standardised products
Sales	Existing products	Selling and promoting	Profits from sales volume
Marketing	Customer needs	Integrated marketing	Profits through satisfied customers
Social	Society's long-term well-being	'Green' marketing	Profits through providing for society's welfare

Table 1.1: *The production, sales, marketing and social concepts contrasted*

The social marketing concept

Social marketing developed as a discipline in the 1970s when promoters realised that the same marketing principles that were being used to sell products to consumers could be used to sell or promote ideas, attitudes and behaviours. Social marketing seeks to influence social behaviours in order to benefit the general society. This technique is used extensively in health programmes and for such diverse topics as reducing drug abuse or heart disease and in promoting organ donation – often where the social marketing 'product' is not a physical offering.

The ***social marketing concept*** holds that a company should determine the needs, wants and demands of its customers. It should then deliver the desired satisfaction more effectively and efficiently than competitors, in a way that maintains or improves the customer's and society's well-being. The social marketing concept calls on marketers to balance three considerations in setting their marketing policies: (*1*) company profits, (*2*) customers' wants and (*3*) society's interests. This concept need not conflict with the immediate needs of the company's customers. For example, the Body Shop operates a highly successful customer-oriented business while still promising and delivering low environmental impact. The company uses only vegetable-based materials for its products and it is also against animal testing. It supports community trade, promotes self-esteem, defends human rights and promotes overall protection of the planet.

Thus, a restructured definition of the marketing concept calls on marketers to *fulfil the needs of the target audience in ways that improve society as a whole, while fulfilling the objectives of the organisation*. According to the social marketing concept, fast-food restaurants should develop foods that contain less fat and starch and more nutrients, and marketers should not advertise alcoholic beverages or cigarettes to young people or use young models or professional athletes in liquor or tobacco advertisements because celebrities often serve as role models for the young.

The societal marketing concept

Societal marketing appeared during the 1970s in an attempt to provide marketing concepts that were more in tune with social needs and to establish more ethical practices. As more emphasis was placed on social responsibility, more companies moved toward business practices that supported these values. The unethical business practices of many companies became public knowledge, often leading to activities improving the company image and increased social responsibility – resulting in societal marketing.

While some businesses view corporate social responsibility as an image enhancement tool with no tangible benefits, many organisations are increasingly concerned about managing social issues to benefit stakeholder interests. In an increasingly competitive and changing marketplace, corporate social responsibility can become a competitive advantage.

One of the major goals of societal marketing is to improve brand image in the eyes of the consumer. For companies, this is referred to as corporate societal marketing. This type of marketing has several goals, including building the image of the brand, developing more community awareness of the brand, ensuring a sense of credibility in the brand, eliciting consumer feelings toward the brand and ultimately securing a customer–brand connection. When companies adopt societal marketing, they are choosing to maintain socially responsible practices that benefit consumers and the larger community. Companies using this type of marketing are concerned not only with immediate customer satisfaction, but also with the long-term impact on the customer and society. Many examples of societal marketing can now be seen with increased environmental awareness and the marketing of 'green' products.

Relationship marketing

Relationship marketing is defined as 'the development and maintenance of successful relational exchanges through interactive ongoing, two-way connections among customers, organisations, suppliers, and other parties for mutual benefit' (Harrell, 2002). Traditional marketing techniques are usually concerned with attracting new customers and preventing existing ones from being lured away by competition. It focuses on a business's ability to make a series of single sales to a group of potential customers. The more recent theoretical concept of relationship marketing focuses on building high levels of customer commitment by offering exceptional service levels over a long timescale and generating customers' loyalty by treating them as individuals rather than small elements of large markets.

The rationale for building relationships with customers is based on the long-term financial benefits that can accrue. It is based on two economic facts: (*1*) it is more expensive to obtain a new customer than to retain an existing customer and (*2*) the longer the period of the relationship, the more profitable the relationship becomes.

Many companies have established relationship marketing programmes (sometimes called *loyalty programmes)* to encourage usage loyalty and a commitment to their company's products and services. Relationship marketing programmes have been used in a wide variety of product and service categories. Many companies call their relationship programmes a club. Airlines and major hotel chains in particular use relationship marketing techniques by awarding points to frequent customers that can be used to obtain additional goods or services from the company. Relationship marketing is helped by ***database marketing***, which involves tracking consumers' buying habits very closely and crafting products and messages tailored precisely to people's wants and needs based on this information.

With the growth of the Internet and mobile platforms, relationship marketing has continued to evolve as technology opens more collaborative and social communication channels. Relationship marketing has also migrated back into direct mail, allowing marketers to take advantage of the technological capabilities of digital printing to produce unique or personalised pieces of communication for each recipient. Marketers can personalise documents with any information contained in their databases, including images, names, addresses, demographics, purchase history and many other variables. The result is a printed piece of communication that ideally reflects the individual needs and preferences of each recipient, increasing the relevance of the communication and increasing the response rate. Relationship marketing also includes social media and application development.

Exchange marketing	Relationship marketing
Importance of single sale	Importance of customer retention
Importance of product features	Importance of customer benefits
Short timescale	Longer timescale
Less emphasis on service	Higher customer service
Quality is concern of production	Quality is concern of all
Competitive commitment	High customer commitment
Persuasive communication	Regular customer communication

Table 1.2: *Differences between traditional and relationship marketing*

Social media marketing

Social media marketing is a recent addition to the communications plans of organisations. Social media uses web-based technologies to turn communication into interactive dialogues. The growth of social media has impacted on the way in which organisations communicate with their customers. With the emergence of Web 2.0, the Internet provides a set of tools that allow people to build social and business connections and to share information.

Social media are primarily Internet-based tools for sharing and discussing information among people. Social media marketing programmes usually centre on efforts to create content that attracts attention and encourages readers to share that content with their social networks. A corporate message spreads quickly from user to user and is a powerful source of marketing because it is coming from a trusted individual, as opposed to the brand or organisation itself being the source. Social media is a relatively inexpensive platform for organisations to implement marketing campaigns and to receive direct feedback from customers and from targeted markets. Some of the most popular of these platforms include Facebook, YouTube, LinkedIn, Twitter and MySpace.

In conclusion, marketers strive to initiate exchanges and build relationships; therefore, marketing can be viewed as an activity involved in *getting* and *keeping* customers. It is the marketer's job to use the resources of the entire organisation to create, interpret, and maintain the relationship between the company and the customer.

1.3 *The traditional marketing mix ('four Ps')*

The ***marketing mix*** concept is derived from the 1950s US corporate marketing world. The marketing mix is the combination of four major tools of marketing, known as the 'four Ps': ***product***, ***price***, ***place*** and ***promotion*** (see Fig. 1.1 and Table 1.3). The four Ps represent a framework that can be used in developing strategies for marketing managers.

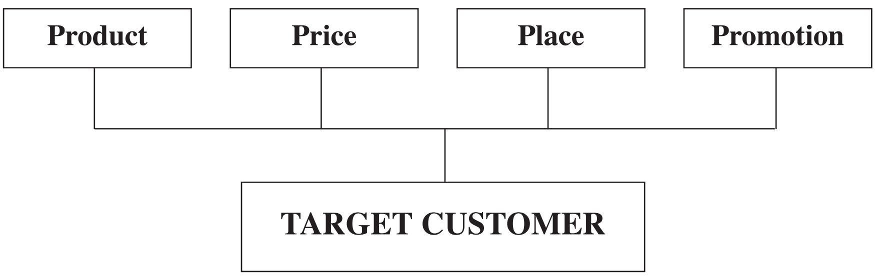

Fig. 1.1: *The elements of the marketing mix*

Faced with a wide choice of product features, prices, distribution methods and promotional messages, the marketing manager must select and combine ingredients to create a marketing mix that will achieve corporate objectives.

Product

A ***product*** is anything that can be offered to a market for attention, acquisition, use or consumption and that might satisfy a want or need. It need not be a physical thing but in marketing terms is viewed as a good, a service or an idea. A ***good*** is a physical entity that can be touched, for example a car, a camera or a bar of chocolate. A ***service*** is an activity or benefit that can be offered for sale, for example a haircut, a concert or a bus journey. An ***idea*** is a concept or a policy, for example the importance of parents reading to their children; other marketers of ideas include political parties, churches and schools.

The product the customer receives in the exchange process is the result of a number of product strategy decisions. Product strategies must take into consideration the other three elements of the marketing mix. (See Chapter 7 for further detail on products.)

Price

The amount of money given in exchange for something is its ***price***, that is, what is exchanged for the product. To a buyer, price is the value placed on what is exchanged.

Marketers must determine the best price for their products. To do so they must ascertain a product's value, or what it is worth to customers in monetary terms. Once the value of a product is established, the marketer knows what price to charge. Because customers' evaluation of a product's worth changes over time, prices are also subject to change. Price may be described in different ways for different exchanges. For example, insurance companies charge a *premium*, a solicitor charges a *fee*, a taxi driver charges a *fare* and a *toll* may be charged for the use of motorways. Although price may be expressed in a variety of ways, it is important to remember that the purpose of this concept is to quantify and express the value of the items in a market exchange in a way the consumer can understand. (See Chapter 8 for further detail on prices.)

Place (distribution)

Determining how goods reach the customer, how quickly and in what condition involves ***place***, or distribution strategy. To satisfy customers, products must be available at the right time and at a convenient place. The marketer has to decide on the structure of ***channels of distribution***, from mail-order companies that deal directly with the final customer to long and complex chains that involve goods passing between several intermediaries (wholesalers, retailers and dealers) before they reach the consumer. A marketing manager may also become involved in establishing and maintaining stock control procedures and developing and managing transport and storage systems. (See Chapter 9 for further detail on place.)

Promotion (marketing communication)

Promotion is the means by which marketers communicate with both existing and potential customers. The promotional mix is the direct way in which a company attempts to communicate with various target audiences. A company's promotional mix consists of five main elements: sales promotion, direct marketing, advertising, personal selling and public relations. Promotion can be aimed at increasing public awareness of a company and of new or existing products. (See Chapter 10 for further detail on promotion.)

Product	Price	Place	Promotion
Functionality Appearance Quality Brand Warranty Service/support Safety	List price Discounts Financing Leasing options Seasonal pricing Wholesale pricing Suggested retail price	Locations Logistics Market coverage Distribution channels Warehousing Transportation Inventory management	Advertising Personal selling Public relations Media Budget Sales force Promotional strategy

Table 1.3: *Summary of marketing mix decisions*

The extended marketing mix for services ('seven Ps')

The ***extended marketing mix*** for services is: product, price, place and promotion, plus an additional three variables or 'Ps', namely: people, physical evidence and process.

People

The majority of services depend on direct, personal interaction between customers and the company's employees. For example, in a bank, one customer is being served at the desk, other customers are being served at the same time or else are waiting in a queue and employees are providing the service (service providers). These interactions with other people in a service situation may influence a customer's perceptions and expectations of service quality. Service companies such as retailers should, therefore, concentrate on providing a good level of customer service by recruiting the right staff, investing in staff training and delegating some level of authority to the front-line staff.

Physical evidence

The design of an appropriate physical environment is essential for the delivery of a service so as to compensate for its intangible nature. Physical evidence includes uniforms, reception areas, appearance of buildings, signage, forms, furniture, equipment, brochures, lighting, landscaping, printed materials and any other visible cues. These provide tangible evidence of an organisation's service style and quality. For example, uniforms are a way of reassuring the customer of the roles and skills of the service providers.

Process

This refers to a particular method of operations or series of actions, usually involving steps that need to occur in a defined sequence. Poorly designed processes will result in customer dissatisfaction because of slow and ineffective service delivery. Services, therefore, need to be easily accessible and conveniently presented. Clear and easy procedures can help to make the service more efficient.

1.4 *The marketing environment*

The ***marketing environment*** consists of forces that directly or indirectly influence a company's ability to develop and maintain successful transactions with target customers. The marketing environment consists of a ***macro-environment*** and a ***micro-environment.*** The macro-environment consists of the larger social forces that affect all micro-environments and are generally outside the control of the company. The micro-environment consists of the forces close to the company that affect its ability to serve its customers. Table 1.4 illustrates the marketing environment.

Macro-environment	Micro-environment
• Sociocultural	• Company
• Technological	• Suppliers
• Economic	• Customers
• Political and legal	• Marketing intermediaries
• Natural	• Competitors
	• Publics

Table 1.4: *The marketing environment*

The company's macro-environment

Sociocultural environment

The ***sociocultural environment*** can be further divided into (*a*) demographics, (*b*) culture, (*c*) attitudes and (*d*) current issues. ***Demography*** is the study of human population according to size, density, location, age, gender, nationality and occupation. ***Cultural forces*** affect society's basic values, perceptions, preferences and behaviour. The sociocultural environment also looks at the way in which consumers' attitudes and opinions are formed and how they evolve. ***Current issues*** include a large increase in the number of foreign nationals living in Ireland, which has seen the introduction of a variety of speciality products and shops to cater for these needs, for example Polish food and drink. The sociocultural environment is of particular concern to marketers, as it has a direct effect on their understanding of customers and what their needs and wants are.

Technological environment

The ***technological environment*** consists of forces that create new technologies and so create new product and market opportunities. Computer technology has had a profound effect on marketing activities. For example, it helps to make warehouse management more efficient and therefore less expensive. Computer technology has aided product design, quality control, the production of advertising and other promotional material and the management and analysis of customer information.

Technology has also brought a new way of communication and new advertising tools, for example mobile phones, podcasts and virtual online worlds. Marketers can use these tools to connect with selected customers with carefully targeted messages. Customers can learn about design through e-commerce and can order and pay for products and services without leaving their homes. Then, through express delivery, they can receive their purchase within 24 hours.

Economic environment

The ***economic environment*** influences the decisions and activities of marketers and customers. When an economic outlook remains prosperous, customers are generally willing to buy. Marketers take advantage of this forecast and often expand their markets to take advantage of the increased buying power. On the other hand, if there is a period of recession, during which unemployment rises, customers' ability and willingness to buy many kinds of products decline.

The European Union is now the largest economy in the world and is the world's largest exporter and the second largest importer. Achieving greater economic integration among member states is a goal of the European Union. The single market has implications for marketers and consumers. Efficient firms can benefit from increased competitiveness, lower costs, profitability and the ability to compete globally.

Political and legal environment

The ***political and legal environment*** consists of forces controlled by laws enforced by governments and local authorities. The political and legal environment is influenced by sociocultural factors, pressure groups, the media and public opinion. Marketers need to know about the main laws protecting competition, customers and society. International marketers should also be aware of regional, national and local regulations that affect their international marketing activities.

Legislation affecting businesses around the world has increased steadily over the years. The European Commission has been active in establishing a new framework of laws covering competitive behaviour, fair trade practices, environmental protection, product standards, product liability and commercial transactions for nations of the European Union. The EU Directive on Privacy and Electronic Communications, for example, aims to crack down on e-mail spam by giving government agencies the power to prosecute firms that send unsolicited e-mails.

Natural environment

The ***natural environment*** involves natural resources that are needed as inputs by marketers or are affected by marketing activities. Ecological and geographical factors have come to the forefront of marketing strategies over the past 10 years. The increasing scarcity of raw materials, the problem of disposing of waste materials and the difficulty in finding appropriate sites for industrial complexes (particularly those with a significant environmental impact) are all factors that are seriously affecting the marketer.

All kinds of external effects of production and consumption have gradually become visible in the environment. River and sea water have become unsuitable for swimming, forests suffer from acid rain and beaches are polluted with oil. On the positive side, a number of companies participate in the application of environmental innovations to production processes. Examples of environment-friendly behaviour include buying free-range eggs, phosphate-free detergents and lead-free and water-based paints.

The natural environment work of An Taisce focuses on the conservation of Ireland's rich natural and built heritage. Aspects of Ireland's natural heritage include clean air and water; ecological communities (ecosystems), e.g. woods and wetlands; lakes and rivers; the variability among all types of living organisms (biodiversity); green spaces shared by people and wildlife; and Ireland's coastline.

The company's micro-environment

The company

In making marketing plans, marketers take other departments of ***the company*** into consideration, including the top management, finance, research and development, purchasing and manufacturing. All these interconnected groups form part of the micro-environment. Under the marketing concept, all these departments must 'think customer' and they should work together to provide superior customer value and satisfaction.

Suppliers

Suppliers are firms and individuals that provide the resources needed by the company and its competitors to produce goods and services. The marketer must monitor the availability of supplies, the price of their supply costs and their terms for supplying resources. Losing an important supplier can mean that production flow is interrupted or that a lower-quality or more expensive substitute has to be made.

Companies must decide on issues such as who should supply them with products or services, on the responsibility they take for these suppliers and on the terms and conditions they adopt. Some firms take quite an aggressive attitude towards their suppliers by trying to push down purchase prices and to delay payments. Others view the relationship more as a partnership in which they work together with suppliers, even helping each other so that both supplier and receiver can benefit.

Customers

Customers are vital for the success of a company. Marketers need to be able to find customers, to establish what they want and then communicate their messages to them. Marketers aim to deliver the right product at the right time at the right price and in the right place and to follow up to ensure that customers are satisfied.

Managers must monitor customer needs and try to anticipate how these will develop so that they can meet these requirements effectively, now and in the future. To better understand their customers, firms are increasingly trying to gather information on customers through mechanisms such as loyalty cards. By gathering data on shopping patterns and matching these to data on individual shoppers, firms can build up detailed pictures of buyers and then offer them more appropriate deals.

Marketing intermediaries

Marketing intermediaries are firms that help a company to promote, sell and distribute its goods. They include ***retailers***, ***physical distribution firms*** and ***market research firms.*** Physical distribution firms – for example, warehouse and transport firms – enable companies to stock and move goods from their point of origin to their destination. The marketer must decide on the best way to store and deliver goods, considering such factors as cost, delivery, speed and safety. (See Chapter 9 for further detail on distribution.)

Competitors

Customers will make comparisons between different products and will listen to messages from ***competitors***. The marketing manager has to both monitor what competitors are doing now and try to anticipate what they will do in the future in order to position their own products strongly against competitors' products in the minds of customers. (See Chapter 4 for further details.)

Public

Finally, some of a company's public form part of the micro-environment. A ***public*** is any group, including employees, that has actual or potential impact or interest in a company. A range of publics can include ***financial publics***, for example banks, insurance companies and shareholders. ***Local publics*** consist mainly of a company's neighbours. Local people and organisations may put pressure on the company to take local action, for example to clean up pollution or to sponsor local charities. ***Media publics*** include newspapers, magazines and radio and television stations that carry news, features and opinion.

Important terms and concepts

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Case study: Live, breathe and wear passion: Diesel

Diesel is a global clothing and lifestyle brand. With a history stretching back over 30 years, the company now employs some 2,200 people globally with a turnover of €1.3 billion in 2009 and its products are available in more than 5,000 outlets in subsidiaries across Europe, Asia and the Americas. The story begins with a young Renzo Rosso, who was passionate about his clothes but disappointed in the options available to him in his hometown of Molvena in Italy. Acting on impulse, he decided to use his passion to make the clothes he wanted to wear. Renzo was drawn to the rebellious fabric of the 1960s and to rock 'n' roll denim. It inspired him to create jeans that would allow him and others to express themselves in ways other clothing simply could not.

Proving popular, Renzo made more and more of his handcrafted creations, selling them around Italy from the back of his little van. Renzo is today the proud owner and CEO of Diesel, which suggests that his impulse and passion have paid off.

Product

The reason Diesel has grown is because it knows it is about a lot more than just selling attractive jeans. Diesel is marketed as a lifestyle so that you might like to buy those products if that lifestyle appeals to you. Renzo describes this approach as turning away from traditional marketing 'violence' towards the customer, which virtually forced them to buy rather than involving them in the lifestyle. The Diesel brand promises to entertain and to introduce customers to new, experimental experiences. Its product line expanded beyond premium jeans to include fragrances, sunglasses and even bike helmets. These products complement, convey and support the promises of passion and experience made by the Diesel brand. The marketing team at Diesel is passionate about their creations, helping them to be even more creative. As employees deliberately absorb the Diesel brand into their own lifestyles, their design and marketing creativity is more organic, spontaneous and relevant.

Price

The price of a product is so much more than a number on a tag. The price of a product is the most direct and immediate tool a business can use to convey the quality of its product at the point of sale. If done right, price reinforces the rest of the marketing process, drawing in target customers by conveying the appropriate quality.

Diesel uses a model based on premium pricing. Through the vision and passion of Renzo Rosso, the company has created a whole new approach to engaging with its customers. The price of Diesel's products needs to reflect the substance and value of that experience. A strategy such as penetration pricing used by businesses making high-volume but relatively low-margin products would be inappropriate for Diesel, as it would undermine its association with quality and thus devalue the brand and the experience.

People do not pay a premium price for Diesel jeans just because they are of premium quality; that is taken for granted. People pay a premium price because the jeans and the brand fit in with and even encourage a premium and dynamic lifestyle built 'for successful living', as Diesel phrases it.

Place

A way of describing 'place' in the marketing mix is the distribution channel. The way a business chooses to offer its products to customers has a huge impact on its success. Only around 300 of the 5,000 global outlets selling Diesel products are owned and managed by the company itself. The majority of the outlets are large department stores offering many other brands or boutiques with a specific style of their own. Marketers need to examine how they can successfully maintain the quality of a product and successfully communicate when dealing with so many different partners and distribution channels.

Diesel addresses this challenge through endeavouring to maintain a strong culture. Every employee is able to communicate the brand appropriately in their given role within the company. Therefore, the managers of Diesel-branded outlets know that their function is to act as a flagship. Employees in each of the stores all know the campaigns intimately and are very aware of the image they should put across to customers entering their stores. Retail partners, such as department stores, are a crucial link in the chain. Diesel works closely with partners to ensure they express the same level of passion when offering their products. This is done through customised and individual campaigns. These provide visitors with a unique experience which again encourages them to get involved with the Diesel lifestyle as opposed to forcing products on them.

This approach to distribution can be seen as a mix of exclusive and selective distribution over intensive distribution. Exclusive distribution involves limiting distribution to single outlets, such as Diesel flagship stores. Selective distribution involves using a small number of retail outlets and partners to maintain a high level of presentation and communication to the customer. This approach contrasts with intensive distribution, which is commonly used to distribute low-price or impulse-purchased goods, such as sweets or chocolate.

Promotion

Promotion and marketing at Diesel are quite different from the approach in many mainstream companies. At Diesel it is about engaging with the customer as opposed to selling at them: creating an enjoyable two-way dialogue as opposed to a shallow one-way effort. All elements of Diesel's promotion aim to engage the customer with the lifestyle. If customers like the lifestyle, they are more prone to like the products.

For example, the Diesel team saw music as an inseparable part of that lifestyle and realised that exploring new music and new artists was all part of trying something different and of experimenting with the unusual. Diesel:U:Music is now a global music support collaborative, giving unsigned bands a place where they can be heard and an opportunity to have their talent recognised. It's not about selling, it's about giving people something they will enjoy and interact with.

An online radio station is now connected to Diesel:U:Music. This is another example where Diesel has created something unconventional that promotes conceptions. The radio station takes a rather unusual approach of not having a traditional play list, but rather gives the choice to the resident DJ. This freedom is reflected in the unusual mix of music played on the station.

In promotion and marketing, above-the-line and below-the-line marketing are methods of reaching consumers. Above-the-line marketing is aimed at a mass audience through media such as television or radio. Below-the-line marketing takes a more individual, targeted approach using incentives to purchase via various promotions. In this case, passion again acts to blur the boundaries between the two approaches. If Diesel had to define this approach in terms of theory, they would call it 'through-the-line', i.e. a blend of the two. The passion and energy embodied by the Diesel lifestyle are communicated through a mix of above-the-line and below-the-line approaches. The balance and composition of that mix is what the Diesel team hands over to their passion and feel for the company and brand.

To understand the full marketing experience of Diesel, it is necessary to look at the emotional elements of business that are less often discussed. Diesel declares that it has built its existence around that touchy-feely passion, with every one of its 2,200 employees living the Diesel brand.

Diesel grew into a global household name for premium clothing after one man wanted to do something unusual. He stubbornly stuck to his belief in doing the unusual, creating a global company whose products are now enjoyed by millions. More importantly, this has created a lifestyle – a whole new approach to the way we see a brand. Diesel is an experience that interacts with and entertains customers with a far deeper relationship than what they get from most other brands.

Being driven by passion and the desire to do something special are combined here. Understanding theory, like the marketing mix in a company like Diesel, can be difficult if we expect the elements of price, place, product and promotion to be distinct from each other. It becomes easier if we look beyond the formal theory and realise that all of these elements are inseparably bound together by the passion of people like Renzo Rosso who have dedicated their lives to treating their work as an artistic expression of their feelings.

Source: Adapted from www.thetimes100.co.uk/case-study--live-breathe-and-wear-passion--159-414-1.php [accessed 19 March 2011].

Case study: The marketing mix in the food industry: McCain

McCain Foods was founded in 1957 in Canada by the McCain brothers. McCain Foods is now the largest chip producer in the world with a market share of almost 33 per cent and more than 20,000 employees working in 57 locations worldwide. Since 1968, McCain Great Britain has been operating from its base in North Yorkshire. McCain prides itself on the quality and convenience of its product range, and for over three decades has been making healthier versions of favourite staple foods.

The McCain brothers had a simple philosophy: 'good ethics is good business'. This lies behind the McCain 'It's All Good' brand message, as it is not just the food that is good. The philosophy also refers to the way McCain works with its suppliers and the way it builds relationships with customers. McCain believes it is important to take care of the environment, the community and its people. The company works with around 300 farmers in Britain, chosen for the quality of their potato crop. McCain factories are also located in key potato-growing areas, helping to reduce food miles.

Product

McCain Foods is one of the world's leading manufacturers of frozen potato products. While McCain is perhaps best known for producing oven chips, its product lines are much wider. In Britain, McCain products include other potato products such as wedges, home roasts, sweet potato and microwave pizza. In other countries, McCain includes frozen vegetables, ready meals and desserts. Some products, such as their oven chips, immediately captured the public imagination and continue to sell well without needing to be changed. Other products change through time or are adapted to create new variations, for example curly fries or thin and crispy fries. Changes in the range are driven by a number of different factors. Microwaveable snacks, for example, take account of changing lifestyles, where people are looking for food that does not take long to prepare. McCain has also been responsive to market needs for healthier options.

Price

A business must consider four elements when pricing its products.

1. **Business objectives:** A business may set its pricing to achieve a number of objectives, including:
   - Maximising profits.
   - Achieving a target return on investment.
   - Achieving a target sales figure.
   - Achieving a target market share.
   - Matching the competition.
2. **Costs:** In order to make a profit, a business must make sure that its products are priced above their cost. The total cost of a product includes overheads, such as research and development, and investment in equipment, people and technology as well as direct costs, such as raw materials, ingredients, wages and salaries.
3. **Competitors:** If there is no competition, a business can set whatever price it chooses. On the other hand, if there is perfect competition, then the business must accept the market price for its products. In most cases the reality is somewhere in between.
4. **Customers:** The business needs to consider what customer expectations will be. In some cases, customers may be prepared to pay more for a product that is unique or produced in an ethical and sustainable manner. This would place it as a premium brand above its competitors.

McCain uses a range of pricing strategies associated with adding value for money. ‘Extra-fill’ packs, for example, can give the customer up to 30 per cent extra free. This rewards regular buyers of a particular product. McCain may also offer its products at a special promotional price using price-marked packs to encourage people to try the product.

Place

Place describes the channels McCain uses to position its products in the marketplace. As a business-to-business (B2B) organisation, McCain does not sell directly to consumers. Instead, it places its products with wholesalers and retailers, such as major supermarket chains. McCain may then be able to influence how its products reach the consumer at the point of sale. For example, it may secure key positions for its products in stores. By paying for end-of-shelf positions for its products, customers are more likely to see and buy them.

McCain does not use its own vehicles to distribute products to its customers. Instead, delivery transportation is outsourced to other organisations. Products are delivered directly to central depots belonging to retailers for onward distribution to individual stores. Alternatively, products may go to wholesalers, who sell them on to other businesses such as restaurants. McCain takes the need for sustainability and for reducing its impact on the environment into consideration for transporting products. This typically includes using:

- Local farm product where possible to reduce food miles.
- Double-decker trucks, saving in the region of 2,000 lorry journeys a year.
- Lorries with built-in solar panels, helping to provide additional power for internal lifting mechanisms.

Promotion

The ‘It’s All Good’ ethos of McCain Foods supports its ethical stance on promotion. McCain makes a commitment not to advertise to children under 12 years old. It also ensures that the retail labelling on its products carries clear information on levels of fat, saturated fat, salt and sugar to help shoppers choose healthier options.

Above-the-line promotion is paid for and includes traditional advertising routes such as television, radio and the press. These are good for carrying marketing messages to a large audience. It is less easy, however, to measure the impact of these channels, for example if a TV advertisement has increased sales. Special displays or positioning in stores or advertising on supermarket trolleys are also examples of above-the-line promotional activity of McCain Foods.

McCain also uses below-the-line promotion, which can take many forms and is usually controlled by the particular business outlet. Typical examples include events or direct mail. McCain uses a combination of below-the-line activities, including:

- Door-to-door leaflet drops or books of vouchers which give customers discounts over a period of time. These help to attract consumers and to establish brand loyalty so that the consumer buys the product again.
- E-mail newsletter for consumers. This creates a relationship with consumers, which is unusual for a B2B organisation. It not only allows McCain to communicate directly with and to listen to consumers, it also enables the business to collect information, e.g. about their lifestyles and product choices. This information is used for feedback, research and promotions.

Finally, 'It's All Good' is a message that is embedded in all aspects of the McCain marketing mix. Not only are the products designed to look and taste good, they are produced from good-quality crops in a way that addresses people's concerns about issues such as health and knowing the origin of their food. This helps McCain to be a trusted brand.

Source: Adapted from www.thetimes100.co.uk/case-study—the marketing-mix-in-the-food-industry—101-401-1.php [accessed 19 March 2011].

Questions for review

1. What essential concepts should a definition of marketing include?
2. Explain what is meant by the description of marketing as an 'exchange process'.
3. Trace the historical development of the marketing concept.
4. Briefly explain what the 'four Ps' of the marketing mix refer to.
5. List the main elements in a company's macro-environment that can influence how the company operates.
6. What are the main elements in a company's micro-environment that can influence how the company operates?
7. 'Marketing is a process that provides needed direction for production and helps make sure that the right products are produced and find their way to consumers.' Discuss whether or not this is a good description of marketing.
8. Compare and contrast the sales concept and the marketing concept.
9. What does the term 'extended marketing mix for services' refer to?