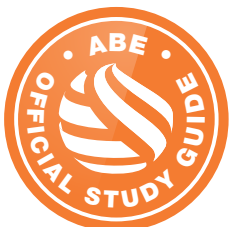


Your road to success

LEVEL 4 PRINCIPLES OF MARKETING PRACTICE



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Using your study guide

Welcome to the study guide for **Level 4 Principles of Marketing Practice**, designed to support those completing an ABE Level 4 Diploma.

The focus of this unit is on the fundamental principles of marketing. You will consider the evolution of the marketing concept, how marketing is applied in different contexts and what that means for an organisation's ongoing relationships with its customer base.

Marketing has the task of connecting a business to its customers and so the function has an increasingly vital role to play in assuring the long-term viability of the organisation. Businesses do not operate in a vacuum. Their strategies and plans must recognise the impact of the wider contemporary environment. Businesses must make efforts to stay aware of these environmental factors and consistently adapt alongside these evolving conditions. Throughout this unit, you will consider how both internal and external aspects change and the impact that these have on the business and **industry** as a whole, and what this means for effective marketing activities.

Customers are the lifeblood of an organisation. Understanding customer behaviour, and the factors that have an impact on behaviour, is vital to ensure that the organisation is able to engage effectively with their target audience.

Crucial to this is understanding the characteristics and behaviours of the target customers. During this study guide, you will explore the different buying processes and the key influences of both consumer buyers and organisational buyers. You will also examine the segmentation, targeting and positioning processes which play an important role in ensuring that marketing activities are relevant to the intended customer and consequently more likely to have the desired result for any business.

To be able to understand customers, competitors and the organisation's environments you must be able to gather a range of marketing information. You will consider the main elements of a robust marketing information system, the key types of **data** that can be used by marketers, and the methods of gathering this data.

To customers, the most visible and **tangible** marketing outputs are through the organisation's application of the marketing mix.

You will examine the key elements of the primary marketing mix (the Four Ps – product, price, place, and promotion) and the extended marketing mix most commonly associated with service organisations (the Seven Ps – the Four Ps that also include people, process and physical evidence). You will consider how an appropriate marketing mix can be developed and deployed by an organisation to suit the needs of the target market. You will also be able to apply the marketing mix in different organisational contexts.

Below is an overview of the elements of learning and related key capabilities (taken from the published syllabus).

Element of learning	Key capabilities
Element 1 – The marketing concept	<ul style="list-style-type: none"> • Ability to recognise the evolution of marketing and to appreciate its importance • Marketing functions, awareness of trends in the marketing environment
Element 2 – The marketing environment	<ul style="list-style-type: none"> • Ability to identify the elements of the organisation's marketing environments (internal and external) • Ability to analyse the influence of factors arising from changes in these environments on the organisation, its customer and its competitors • Ability to develop marketing responses to these changes • Environmental scanning and analysis, internal audits, use of analytical tools to draw conclusions
Element 3 – Customer behaviour and segmentation	<ul style="list-style-type: none"> • Ability to understand the process that customers (consumers and organisational buyers) go through when making purchase decisions • Ability to understand the influences on customer behaviour • Ability to understand how to apply segmentation, targeting and positioning in different contexts • Customer relationships, cultural awareness, methods for segmentation, targeting and positioning

Element of learning	Key capabilities
Element 4 – Marketing information	<ul style="list-style-type: none"> • Awareness of the importance of information • Working knowledge of how information is gathered and where it might be available • Identifying information needs, information gathering, analysis and interpretation of data
Element 5 – The marketing mix	<ul style="list-style-type: none"> • Ability to translate marketing information into an effective marketing mix (both 4Ps and 7Ps) • Ability to create an effective marketing mix for different types of customers • Ability to create an effective marketing mix in different organisational contexts • Application of models and tools, analysis, planning, decision-making, communication, presentation

This study guide follows the order of the syllabus. Each chapter starts by listing the syllabus learning outcome covered and the assessment criteria.

L4 descriptor

Knowledge descriptor (the holder...)	Skills descriptor (the holder can...)
<ul style="list-style-type: none"> • Has practical, theoretical or technical knowledge and understanding of a subject or field of work to address problems that are well-defined, but complex and non-routine. • Can analyse, interpret and evaluate relevant information and ideas. • Is aware of the nature of approximate scope of the area of study or work. • Has an informed awareness of different perspectives or approaches within the area of study or work. 	<ul style="list-style-type: none"> • Identify, adapt and use appropriate cognitive and practical skills to inform actions and address problems that are complex and non-routine while normally fairly well-defined. • Review the effectiveness and appropriateness of methods, actions and results.

Contained within the chapters of the study guide are a number of features which we hope will enhance your studies:



'Over to you': activities for you to complete, using the space provided.



Case studies: realistic business scenarios to reinforce and test your understanding of what you have read.



'Revision on the go': use your phone camera to capture these key pieces of learning, then save them on your phone to use as revision notes.



'Need to know': key pieces of information that are highlighted in the text.



Examples: illustrating points made in the text to show how it works in practice.

Tables, graphs and charts: to bring data to life.

Reading List: identifying resources for further study, including Emerald articles (which will be available in your online student resources).

Source/quotation information to cast further light on the subject from industry sources.

Highlighted words throughout and **glossary terms** at the end of the book.

Note

Website addresses current as at March 2017.

Chapter 1

The Marketing Concept

Introduction

Marketing is a significant part of any **business model** and must integrate successfully with other **business functions** to ensure the success of a company's objectives.

Marketing interacts with all aspects of a successful business, from market research, through product development, to awareness and sales, and even in customer service and repeat purchases after an initial sale.

To get a good fundamental understanding of marketing, we must first look at the concept of marketing in general. To start this, we must consider how we define marketing and its relationship and interaction with other areas of a successful business, as well as the most significant current trends and variables that are impacting upon the wider **marketing landscape**.

Learning outcome

On completing the chapter, you will be able to:

- 1 Explain the concept and evolution of marketing as a business function.

Assessment criteria

- 1 Explain the concept and evolution of marketing as a business function.
 - 1.1 Explain the key elements of marketing.
 - 1.2 Explain the key factors and trends in the contemporary marketing environment.

Level 4 Principles of Marketing Practice

1.1 Explain the key elements of marketing

Defining marketing

There is no single definition of marketing as it is such a broad and varied business function, encompassing many aspects of any company. It can mean to sell, trade, advertise, promote, engage, recruit, publish, buy and much much more.

As marketing can cover so many specific actions, tasks and goals, it's best to start by considering what we're talking about when we talk about 'marketing'. We'll look at some differing definitions of marketing from different consideration points to understand how marketing can be defined.

There are principle-driven definitions of marketing:

The process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.¹

There are action-driven definitions of marketing:

Marketing is the management process for identifying, anticipating and satisfying customer requirements profitably.²

There are goal-driven definitions of marketing:

The process or technique of promoting, selling, and distributing a product or service.³

¹ Kotler, P and Armstrong, G (*Principles of Marketing*, Pearson Education 2010)

² The Chartered Institute of Marketing (*A Brief Summary of Marketing and How It Works*, <https://www.cim.co.uk/files/7ps.pdf>)

³ Merriam-Webster dictionary (definition as of 2017, <https://www.merriam-webster.com/dictionary/marketing>)

 OVER TO YOU

Activity 1: Defining marketing



In your own words write some definitions of marketing. Try to think from different definition perspectives.

Here are some to get you started:

Marketing is... the action or business of promoting and selling products or services.

Marketing is... the building of a relationship between a company, a product, and a consumer.

Marketing is... the act of connecting customers to products.

Marketing is... defining a customer's problem and solving it with your product.

Marketing is... putting the right product in the right place, in front of the right people, at the right price, at the right time.

Marketing is... selling an idea, a dream, an aspiration or vision to your consumer.

Marketing is... _____

Marketing is... _____

Outside of these definitions of marketing, there is a more **transactional** view of marketing, based around the exchange of goods or services and finances. Using this definition, we are able to see the clear value that marketing brings to a business, and how it helps the business to achieve its fundamental purpose.

- 1 The customer has a problem.
- 2 The business creates a product to solve that problem.
- 3 Marketing tells the customer that this product solves their problem, encouraging them to make the exchange.

📄 CASE STUDY

The customer's problem in practice

Jessica wants to get her car washed.

Carl's Cars is a business that washes cars.

Through marketing, the business can tell the customer, Jessica, that they are available to solve her problem and to wash her car.



! NEED TO KNOW

The differing forms that marketing activities may take depends on the unique identity of each business – including the **industry** they operate in, local factors, budget, **resources**, and schedules – as well as the customers they are aiming to reach. However, the central role that marketing plays in the success of the organisation remains the same.



Marketing as an exchange process

A more complex way to look at the definition of marketing is to view it as an exchange process. An exchange process is what happens every time two parties trade goods or services.

! NEED TO KNOW

Exchange process definition: The act of offering something of value in exchange for the desired object.



An ideal exchange involves both parties receiving something of fair value that provides usefulness, or **utility**. The key role of marketing in this exchange is that it provides the clear understanding of what each party receives in the exchange.

📄 CASE STUDY

The marketing exchange process

Example 1

A man wants to order a pizza for dinner and orders from a new local pizzeria he sees on social media. He pays the correct amount of money for the pizza he orders and the pizzeria receives the money in exchange for providing it to him.



Example 2

A couple needs a venue for their wedding on a specific day, and a local hotel puts up a poster saying that they have a function room for hire. As it's available on their wedding day, the couple pays to hire the function room and the hotel receives money for the booking.

Example 3

A teacher believes there should be more road-safety signs on her street. She reads a newspaper article about a local politician who promises that he will increase the number of road signs if he is elected. On this understanding, she votes for that politician in the next election.

 **OVER TO YOU****Activity 2: The marketing exchange process**

Within your own daily experience, describe another scenario of a marketing exchange process:

Marketing is the facilitator of the exchange as it informs both parties' expectations, ensuring that any goods or services involved in the transaction meet each parties' needs.

Without marketing activities, although the business may be able to solve the customer's problem, the customer will not know that the business can solve the problem. So all businesses need to raise awareness of what they offer.

In reverse, without marketing, the customer has the means and the desire to pay for the product or service offered by the company, but the company has not reached them effectively.

The exchange process is at the heart of any successful company. It is the means by which money changes hands, allowing the company to make a profit. Marketing is at the centre of this.

Business orientations

What is a business orientation?

Whichever forms of marketing a company chooses to use or specialise in, must be in line with the company's specific priority. A company chooses to focus attention on different aspects or elements of the business depending on where it sees its strengths and its greatest chance of success.

These are referred to as *orientations*. Different businesses focus on different orientations, and this is dependent on their individual goals, resources, and strategies.

What is a marketing orientation?

A company with a marketing orientation makes satisfying the needs and desires of its target market its business focus and the central motivation to the strategy it applies throughout the organisation.

Take a photo of the following tables and familiarise yourself with the different aspects of business orientations.

A company with a marketing orientation can be further broken down into the key components that allow this focus to be respected and achieved within the business. Namely, customer orientation, **competition** orientation and inter-functional coordination.

Component of marketing orientation	Description
Customer orientation	Customer orientation focuses on the needs and desires of a customer and places meeting these at the centre of the business' focus.
Competition orientation	The competitor landscape is central to this orientation, in which companies focus on pulling together constant detailed competitor analysis to develop and promote the products and services that they offer.
Inter-functional coordination	Inter-functional coordination is when different internal departments within a company work together to achieve the overall business goals, with a particular focus on ease and speed of response to external factors including customer needs and the competitor landscape.

Table 1: The components of marketing orientation



Marketing orientation has become increasingly popular as the range of products and services available to consumers becomes more diverse, and so, in turn, does the need to appeal directly to the consumer in order to promote and sell products to break through the ever increasing number of options available.

It has also become more popular since direct communication with customers has become easier thanks to the internet and social media. At the same time, being aware of the activities of competitors and the integration of different functions and disciplines within businesses have also become significantly easier, thanks to updates in technology.

However, there are other orientations which can be the focus of a business that does not rely as heavily on the components of a traditional and rounded marketing orientation.

Orientation	Description
Production orientation	Production orientation is the belief that optimising the process of manufacturing – typically financially and technically – will lead to the success of the business by making products cheaply and widely available.
Product orientation	A business with product orientation believes that a strong product that solves the problems it sets out to, will 'sell itself'. There is a high focus on quality and form of the product.
Sales orientation	Sales orientation focuses strongly on persuading customers to buy a product through promotional activity rather than prioritising customer understanding, education and needs.

Table 2: Additional business orientations



! NEED TO KNOW

A business may have a central orientation, but this does not mean that it dismisses the others. In the case of marketing, businesses with different orientations will choose to utilise the marketing tools and options available to them in a different way. Just because a business is not marketing orientated does not mean it will not require a strong understanding of how marketing works and the implementation of a **marketing strategy** to succeed.



📄 CASE STUDY

A big company's orientation

Coca-Cola's marketing orientation:

It is constantly connected to what its customers want and analyses its competitors.

It is quick to evolve with changes in the wider environment and to integrate these into its business to meet customers' desires.

Examples:

- It introduced Coke Zero in response to customers' desires for an option that could be perceived as healthier.
- Major brand campaigns have focused on sharing with friends in response to the social nature of customer behaviour.



 OVER TO YOU

Activity 3: Getting to know business orientations

Think of three companies which you've recently come into contact with (or become aware of) and decide which orientation they might have. Give a reason why this may be for each. Try to think of companies of different sizes in different industries.

Note: there may not be a single clear answer here, but it is good practice to justify your reasoning for each.

The role of marketing in the wider business

While there is a wide range of tasks, skills, and aims covered in the marketer's toolkit, each plays its own valuable role at different times and in areas within the business.

A business with a marketing orientation will ensure that the marketing department and its functions are more integrated into the company as a whole, while companies with differing orientations than marketing may have a greater distinction between marketing functions and those of the wider company. Typically a marketing-oriented company will instill a **marketing philosophy** across all functions of the business.

Whichever orientation a company has, marketing still plays a clear role in different aspects of the wider business.

Human resources	Finance	Production	Sales	Customer service	Company reputation
Marketing tactics can be used to show off the company, attract the best talent and engage to retain employees. Happy employees can be a great advertisement for the company in many ways.	A strong marketing plan allows a business to make assumptions about the value of each customer against the cost of acquiring them, feeding into a strong business model.	Market research and competitor analysis, alongside general communication with customers, help to make a product that consumers actively desire.	The most traditional purpose and role of marketing, it is at the heart of the promotion and communication, which directly leads to sales and revenue.	Beyond the transaction, building a relationship with customers by being responsive past the point of sale is part of the ongoing process of marketing and can lead to longer-term relationships, repeat sales and recommendations.	How a company is perceived from a corporate and consumer level comes into purchase decisions on the part of consumers, so marketing tactics can influence this to ensure a positive perception that enforces all other marketing efforts.

Table 3: Examples of the way in which marketing integrates with elements of the business at large



CASE STUDY

Marketing orientations in practice

Vivian runs a medium-sized dry cleaning specialist laundry business in Singapore. It is a state-of-the-art cleaning service employing several highly-skilled staff. It's been running very successfully for a few years. Now that she is certain that the product is efficient and compelling, she wants to make the company more marketing orientated.



To do this, she looks at each element of the business and considers how she can integrate the key principles of marketing orientation and put her customers' needs and desires first moving forward.

The areas she paid special attention to included: customer orientation, competitor orientation and inter-functional coordination.



1.2 Explain the key factors and trends in the contemporary marketing environment

The marketing environment is constantly changing and success often requires being ahead of the **competition** and up-to-date with the latest trends.

As such, it's important to look at the most impactful factors that are currently shaping the **marketing environment**. We're going to look at some of the most significant trends impacting the **contemporary marketing mix**, and see the impact these have on the application of marketing know-how.

While these trends and factors may not be relevant or as advanced in every industry or territory, it's important to understand the wider context of a marketer's role and to appreciate what's shaping the industry as a whole.

! NEED TO KNOW

A key part of being a marketer is to get to know the wider marketing landscape, which may change every day. The marketing environment is constantly evolving, and a successful marketer must be always updating their skills, knowledge and understanding by keeping up-to-date with industry-wide success stories, case studies and trials. These might relate to technology, consumer personality, regulation and more. The resources referenced at the end of each chapter are a great way to keep updated.

REVISION
on the go

Key marketing factor: Consumerism

A brief history of consumerism

Consumerism is at the centre of modern marketing so it's an important concept to understand. It's also a complex and multifaceted term that has evolved alongside marketing in recent years.

The primary definition of consumerism relates to the promotion of ownership and consumption of goods on the part of the consumer – encouraging the ever-increasing act of 'consuming'.

The rise of consumerism was typically seen as a by-product of the industrial revolution and the increasing capability of industry to mass-manufacture, produce and sell goods in ways that had been previously impossible.

! NEED TO KNOW

Consumerism was further promoted by the rise of the advertising industry, particularly in the United States in the post-war years, intended to maintain the level of industrial production by using sophisticated advertising techniques to promote consumer purchasing. At the same time, this new form of advertising encouraged increased purchases and accumulation of possessions as a sign of affluence, comfort or status.

REVISION
on the go

Consumerism today

The definition of consumerism has continued to develop alongside the attitudes and capabilities of the consumer. There are now multiple types of consumerism for marketers to consider as they define their audiences and outline their objectives.

Take a photo of the following table, labelled 'Types of consumerism' for revision purposes.

	Political consumerism	Mainstream consumerism	Counter-consumerism	Anti-consumerism
Definition	Greater protection for the rights of the consumer	Corporate mass-market approach	A rebellion against the mainstream	A move away from consumerism
Driven by	A call for higher ethical standards – giving the power back to consumers by arming them with information that allows them to make the most informed purchase decisions.	The preference for the brands with the greatest presence, reach and hold on consumer purchase decisions in this day and age.	Marketing based on specific market segments with a unique perspective, leaning towards independence and small-scale production and communications, often trend-led and interested in building up a loyal fan base.	A rejection of the initial concept of purchasing and owning more and newer goods, careful to consume only what is necessary based on basic requirements rather than responding to cultural and societal trends and movements.
Traits for marketers to be aware of	Honest packaging and labelling, product warranties and guarantees, stricter and clearer safety and maintenance guidelines, increased regulation around manufacturing and other elements of service.	Strong, easily recognisable branding tied together with memorable logos and colours, designed to appeal to a wide audience and to dominate a space rather than fulfill specific needs of individual market segments.	The driver of all things hip and trendy, focused around unique or niche interests. Often made to seem custom, bespoke or one-off. Limited editions, low runs, with some kind of retro, youth-led or outwardly rebellious detail.	Anti-waste, recycling, sustainable, second-hand, sharing and renting. Based on necessity and utility rather than for desire or appearance. Emphasis on longevity, quality, and value. This is a growing trend and linked with environmental and political factors.

Table 4: Types of consumerism



 OVER TO YOU

Activity 4: Understanding consumerism

List a benefit and a challenge of each **model** of consumerism for the modern marketer. Think back to the business orientations we thought about earlier in the element.

Model	Benefits	Challenges
Political consumerism		
Mainstream consumerism		
Counter-consumerism		
Anti-consumerism		

Key marketing factor: Globalisation

Globalisation (or mondialisation as it is known in parts of the world), is the process of which the world has become more interconnected, in all areas of business and indeed the daily life of customers.

From a business perspective, this means organisations are able to grow and actively operate on a global scale, having **market presence** and influence across multiple territories and cultures. Before globalisation, a company would have aimed for national dominance with possibly some exporting activity, but now they are able to become truly **multinational**.

What does globalisation mean for a business?

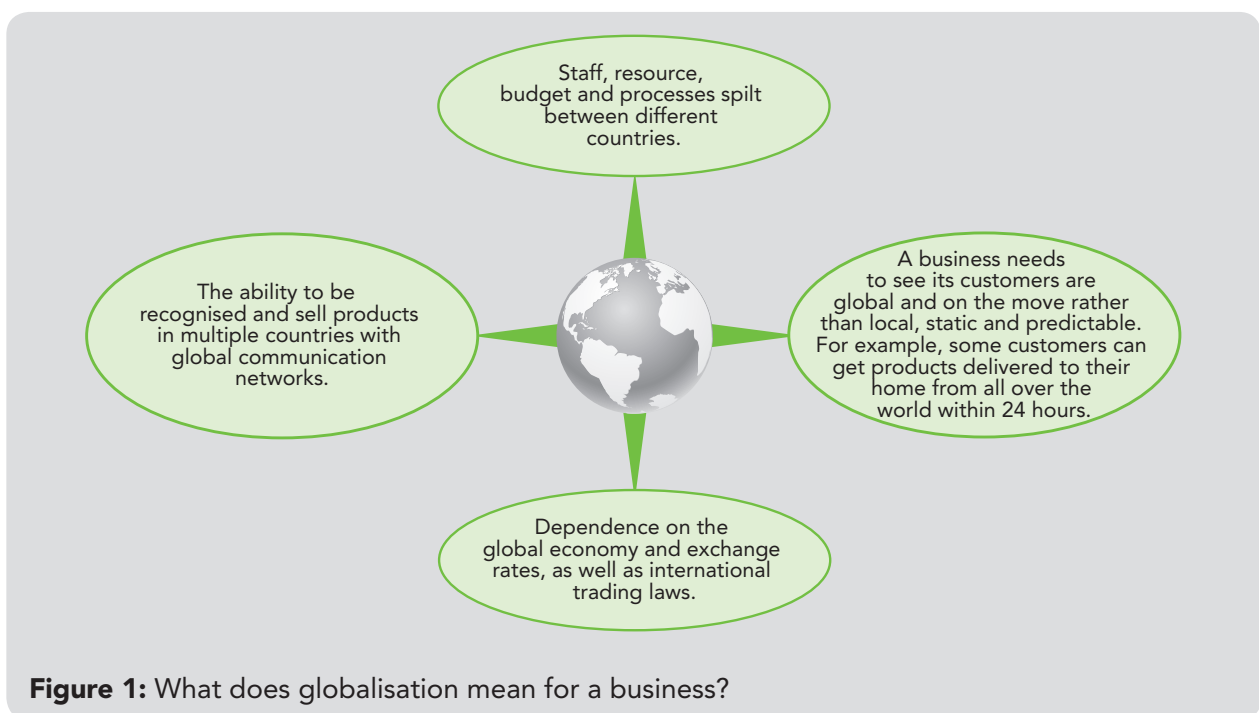
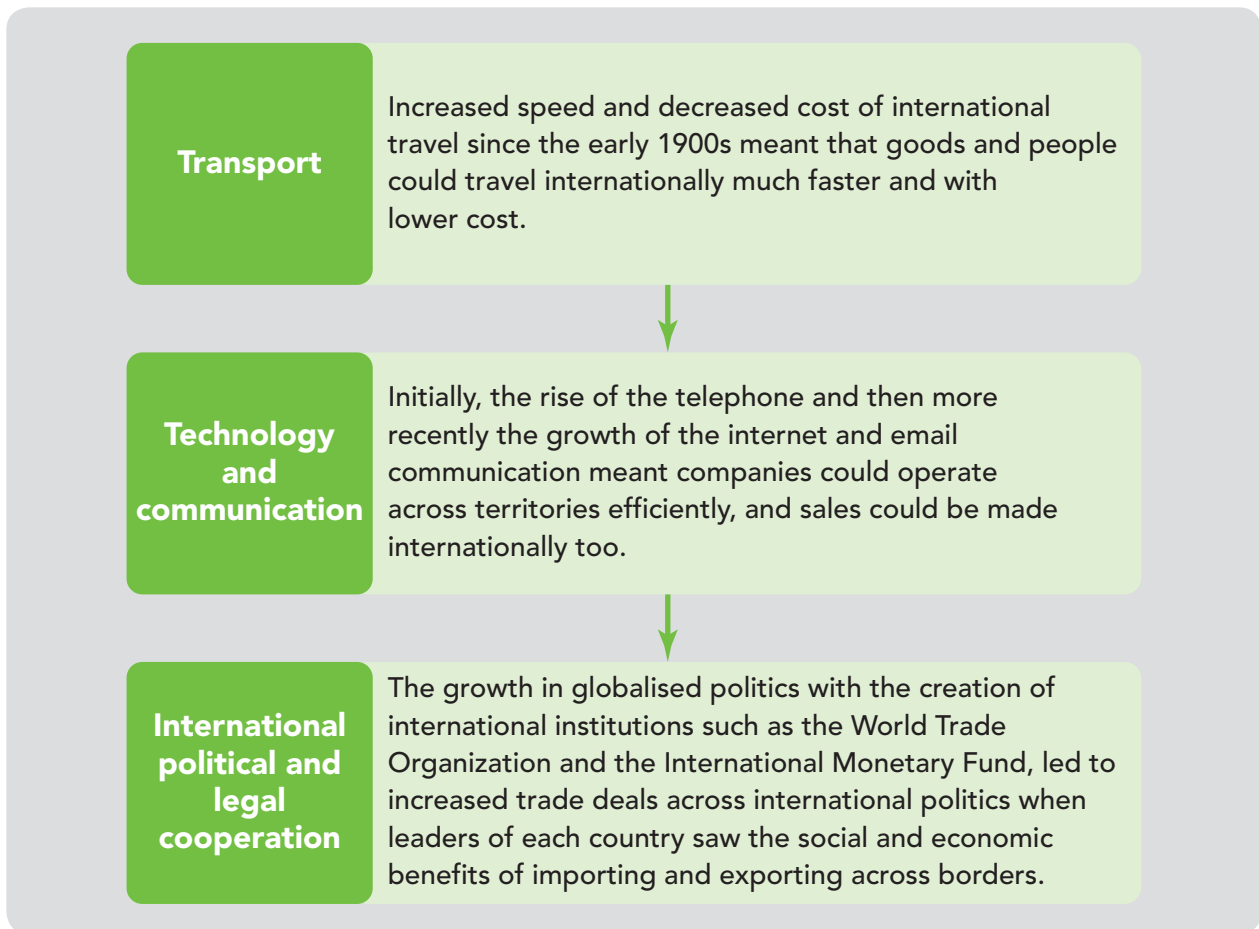


Figure 1: What does globalisation mean for a business?

Key factors that have led to globalisation



Globalisation and associated considerations for marketers

Marketing is often the mouthpiece of a company. Organisation departments such finance and product may not have to consider globalisation – except perhaps in terms of scale and logistics. However, due to globalisation, marketers must be aware of, and active in, all of the relevant territories for the business. Challenges for marketers include: differences in language, culture and politics and time zones.

Below are some of the primary challenges marketers may have to overcome due to globalisation.



OVER TO YOU

Activity 5: Responding to globalisation

Look at the following table and think how a marketer could overcome these challenges. Think of some solutions, or steps to reach solutions that a marketer could consider.

You may not be able to find a solid solution for each, but be aware of what to look out for and which processes to put in place to avoid complications and potential issues caused by each consideration.

Write your possible solutions in the space provided.

Challenge	Language differences	Cultural differences	Time differences
Consideration	An obvious primary result of a globalised workforce and customer base means a potential requirement publicise consistent marketing messages and materials in different languages or dialects.	What is socially and culturally acceptable and 'normal' varies from place to place, depending on anything from religion to politics to turns of phrase.	Being in different time zones can impact immediate messaging, particularly in the digital world, but seasonal differences and cultural or religious holidays occurring at different times throughout the year should also be taken into account for larger campaigns.
Possible solutions			

Key marketing factor: The rise of digital technologies

More and more elements of our businesses are becoming **digitised** and it can often feel overwhelming to establish just how much of the day-to-day running of a company depends on digital tools. Digital technologies are now a particularly prominent feature of the marketing landscape as they are the single biggest trend that has innovated the industry.

What does 'digital' offer that is so revolutionary for marketers?

- A cheaper way to reach your target audience than traditional advertising and marketing.
- A direct route to the customer – more control over the relationship.
- Ability to build a deeper relationship with customers.
- Faster and easier to reach consumers, get responses and test assumptions.
- More accountability for the results of marketing (i.e. sales).
- More frequent communication possible rather than campaign-by-campaign.
- Deeper integration with other parts of the business, particularly logistics.
- Less reliance on traditional intermediaries between producer and consumer, a term known as disintermediation.

Previously, marketing's role was to drive sales and customer interaction through traditional channels such as retail outlets. Modern websites, with the ability to capture leads and make sales online has brought a huge change to the marketing world in the 21st century.

Online channels and the impact for marketers

Take a photo of this table on your phone to remind yourself of the digital benefits for marketers.

Online channel	Websites	Email	Social media	Technology	Online advertising
The impact for marketers	Give the company an online identity and voice, give product information, make bookings and even sales immediately – making all marketing activity measurable and accountable, with real data that can be built on.	Have regular contact with customers and potential customers for promotion, relationship building and customer service. Email is a good way to engage warm leads, and ultimately drive sales.	Build a real brand voice, be up-to-date in real-world, real-time events, gather information about customers, stay in touch in a deeper way and provide 'always-on' customer service.	Internet accessible devices and apps have led to alternative product routes for marketers to explore. As futuristic technologies like artificial intelligence and virtual reality are innovated, marketers must keep learning!	Advertising on websites and blogs, on search engines like Google and on social networks is an incredibly trackable, speedy and relatively cheap method to reach a wide and targeted audience.

Table 5: Digital benefits for marketers

REVISION
on the go

CASE STUDY

The impact of the rise of digital

Aisha owns a chain of well-known and respected hair salons in Mumbai, India. She has grown the business consistently since the mid-1990s, with a steady stream of regular and new clients.

Typically, her marketing activities focused on advertising in local newspapers, and encouraging word-of-mouth referrals from her existing customers, as well as attracting passers-by with eye-catching window displays.



Aisha resisted having a website at first, as she was comfortable with how the business was growing without one. However, more and more customers were asking if it would be possible to make bookings online rather than having to phone or come into the salons to make bookings. Aisha decided to create a website and used an off-the-shelf template that allowed online bookings via the content management system WordPress.com.

However, soon Aisha realised that her number of new customers was lower than previous years and some of her regular customers had not visited for a while. She was also not getting any new customers from the usual newspaper adverts.

One day, Aisha was looking for a website to book tickets for a local event when she saw an advert for a new salon down the road from one of her own, offering 25% off for first-time customers.

She thought this was very clever as the salon had found her directly in a targeted way because they knew she was in the area and this was an easy way to reach a relevant audience. Before, she had thought that the internet was just too big to reach the right people when she lives in such a densely-populated area. Aisha decided to cancel her advertising with the local newspaper in favour of trying different targeted online adverts including on Google and social media.

Although she hasn't seen a huge increase in custom, she appreciates how easy it is to try new things, adapt to different seasons with offers and campaigns, and build long-term relationships with customers in order to reinforce the word-of-mouth recommendations she once depended on offline.

Key marketing factor: Corporate social responsibility

Corporate social responsibility (CSR) is the term used when organisations make a sustained effort to examine the impact their operations have on the local or global community or environment, and when they also put into place long-term, effective measures to take responsibility for their global footprint, going beyond what may be required by regulators.

The rise of CSR programmes, particularly in large multinational companies such as British Petroleum or Royal Dutch Shell, was initially intended to offset perceived negative practices. Nowadays the wider adoption of CSR programmes has forced most companies to align themselves to clear wider **social missions** outside of simply turning a profit. This has led to a necessity for 'social good' and ethical practices to be a considered factor in the marketing of organisations of all sizes.

While a company's CSR efforts tend to directly correspond with the industry and area they operate within, here are some key areas that CSR programmes tend to focus on:

- positive environmental and sustainability practices;
- philanthropic and charitable ventures aimed at working with specific social and economic groups;
- the promotion of ethical labour and trade practices;
- mentoring, volunteering and other grassroots or community-led initiatives;
- on-going partnerships with many national or global charities, through foundations or the regular sponsorship of public events and initiatives.

One way of approaching CSR is to consider the 3 Ps approach – Planet, People, and Profit – which has been adopted by many organisations.

CASE STUDY

Some of the most well-known examples of CSR in globally-recognised brands

- The Nike Foundation promotes the *Girl Effect* – the economic argument that the world would benefit if girls were given a fair chance in life.
- Ben and Jerry's has a big impact in the fair trade world including trade deals with dairy farmers in their home state of Vermont, USA.
- Microsoft Philanthropies promotes the use of technology for good, investing technology and providing grants and opportunities for those striving to make humanitarian advances.



! NEED TO KNOW

CSR is the responsibility of the company at large, but it has a direct relationship with marketing as it ties into how the company is perceived. Thanks to the rise in successful CSR initiatives, sustainability and fully-rounded ethical practices are now expected by consumers. So a company's commitment to CSR and a promotion of charitable or community-led activities are a central part of the identity of any organisation.



Key marketing factor: Marketing ethics

Marketing ethics relate to the **moral principles** that regulate the marketing industry, encouraging honesty, fairness, and responsibility in all marketing.

Ethics is an interesting subject as everyone has different opinions about what is right and wrong. For this reason, marketing ethics guidelines and regulations are now upheld by national or global overseers: **watchdogs** and institutes, depending on your geography and industry. These are frequently regulated and governed fiercely in order to ensure adherence to appropriate behaviour that puts the consumers or suppliers first.

Here are the primary areas that marketing ethics cover:

- customer databases – privacy and data protection;
- pricing ethics, including 'fixing wars' and fair pricing structures that are transparent as far as the customer is concerned;
- honest representation and product claims;
- audience selection – excluding or targeting select groups by negative criteria;
- promoting negative images and stereotypes;
- persuasion and manipulation, and preying on vulnerable customer groups;
- clearly signposted promotions;
- not causing offence with promotional and advertising messages.

OVER TO YOU

Activity 6: Navigating ethical considerations

Write a list of some ethical considerations which you think are important for marketers to consider, using the above areas as a starting point, for example:

- steering clear of negative body image portrayal;
- using terms that are offensive to a specific culture or gender;
- sharing customer contact information or purchasing habits with third parties.

READING LIST

- Chahal, H., Dangwal, R.C., Raina, S. (2016). "Marketing orientation, strategic orientation and their synergistic impact on business performance: A case of SMEs in emerging context (India)", *Journal of Research in Marketing and Entrepreneurship*, Vol. 18 Issue: 1, pp. 27–52. (This article will be available in your online student resources.)
- Ali, A.J. (2008). "Consumerism: a peril or virtue!", *International Journal of Commerce and Management*, Vol. 17 Issue: 4. (This article will be available in your online student resources.)

Throughout this chapter you've learned the essentials of the concept of marketing, including the ways that marketers can look at, describe and examine their discipline, and the historic and current trends and factors that impact the industry. Chapter 2 examines the marketing environment.

Chapter 2

The Marketing Environment

Introduction

Before any marketing activity can be carried out, a **marketing strategy** must be created. However, a marketer must be aware of all of the factors that may have an impact on the effectiveness of a strategy – incorporating internal and external factors.

In this element, we'll be looking at the most efficient ways to gather this data and produce a valuable audit that will lead to a strong marketing plan.

Learning outcome

2 Discuss the elements of an organisation's marketing environment and how it can be assessed.

Assessment criteria

2 Discuss the elements of an organisation's marketing environment and how it can be assessed.

2.1 Review an organisation's internal environment and its impact on marketing.

2.2 Discuss the elements of the micro- and macro-environments and their impact on marketing.

Level 4 Principles of Marketing Practice

How to understand the marketing environment

To gather a well-rounded view of the internal and external marketing environments, a marketer must first complete the following steps.



1 Audit

Auditing is the act of systematically gathering data on all of the relevant parts of a business that are directly and indirectly related to the marketing opportunities and challenges. An audit should be carried out periodically to ensure that any marketing plans will remain effective as factors inevitably change over time.

2 Analysis

An analysis is using a particular framework to assess and evaluate the data that has been gathered in relation to different parts of the business, in a way that is easy to understand and distribute.

NEED TO KNOW

The purpose of audits, analyses and reviews are to examine what is working and how that can be built on, and what's not working and should be changed or adapted. These should be based on genuine recordings of the situation, rather than information recorded with a predetermined outcome or solution in mind.



Conducting a SWOT analysis

What is a SWOT analysis?

SWOT is a simple model that analyses key factors in a business to create a solid foundation for a marketing plan. SWOT is the technique for organising the collection and presentation of data in a logical format that can then be used to establish priorities and make decisions, and build a comprehensive marketing strategy.

SWOT stands for:

S – Strengths

W – Weaknesses

O – Opportunities

T – Threats

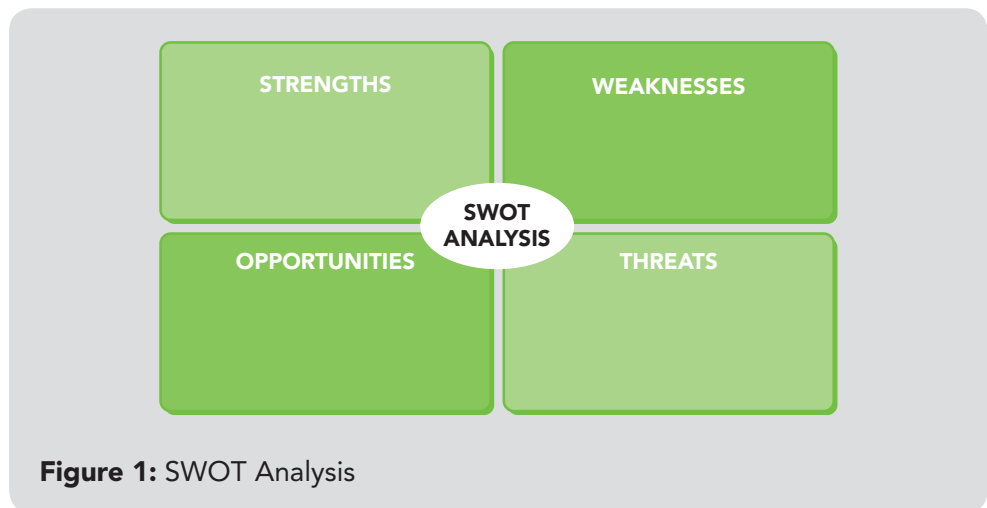


Figure 1: SWOT Analysis

Generally, the strengths and weaknesses are internal factors, and the opportunities and threats are external in nature.

Take a photo of this table on your phone to become more familiar with the SWOT analysis framework.

	Definition	Examples
Strengths	Positive internal factors within the control of the organisation, usually in the present and that set the company up for success. These factors are also known as assets.	General resource or market edge including unique services or products, skilled teams, high-level suitable equipment, technology and premises, a favourable location, adequate budget and other resources.
Weaknesses	Negative internal factors within the control of the organisation, usually in the present and that detract from the potential for success or value.	General lack of required specialist expertise or human resources, time or financial resource, including: equipment, technology, location, skills, regulatory requirements, Listed twice substandard or outdated services or products.
Opportunities	External factors that the organisation has little or no control over that are encouraging for the company and show a clear benefit and motivation for future success.	Usually relating to your product or service’s place in the market, consumer trends and behaviour, favourable timing, cheap access to materials, good relationships with suppliers and partners, general market trends and growth.
Threats	External factors that the organisation has little control over that put the business at risk and require significant consideration and that need to be overcome.	Competitors, legal changes to trade deals or regulation, supplier or partner actions including: price increases or ending agreements, economic downturns, negative press or consumer perception of the company or industry.

Table 1: SWOT in detail



For a SWOT analysis to be an effective **model** to approach any given task, the data must be assembled and collected with a clear and specific objective in mind. In this case, that objective would be to understand the internal factors that are relevant to creating a marketing plan. SWOT is a powerful and effective tool that can be used to assess a variety of situations, so it's important that the aims and remit of the assessment are clarified in advance.

The benefits of using SWOT analysis as an assessment tool.

- Stops 'status quo' thinking (where people just consider the here and now and see no likelihood of change) and encourages honest evaluation.
- Puts data into a logical format that can be understood and shared widely in an organisation.
- Ensures all bases are covered and no key areas have been missed.
- Leads to the development of strategies, particularly to combat threats and take advantages of opportunities.

2.1 Review an organisation's internal environment and its impact on marketing

The first review that must take place as part of the marketing planning process is an internal audit. This involves examining key factors that will impact both the objectives and desired outcomes of any marketing activity, as well as the elements that will come together to allow the strategy to be applied.

Take a photo of this on your phone to remind yourself of the factors impacting an organisation's internal environment

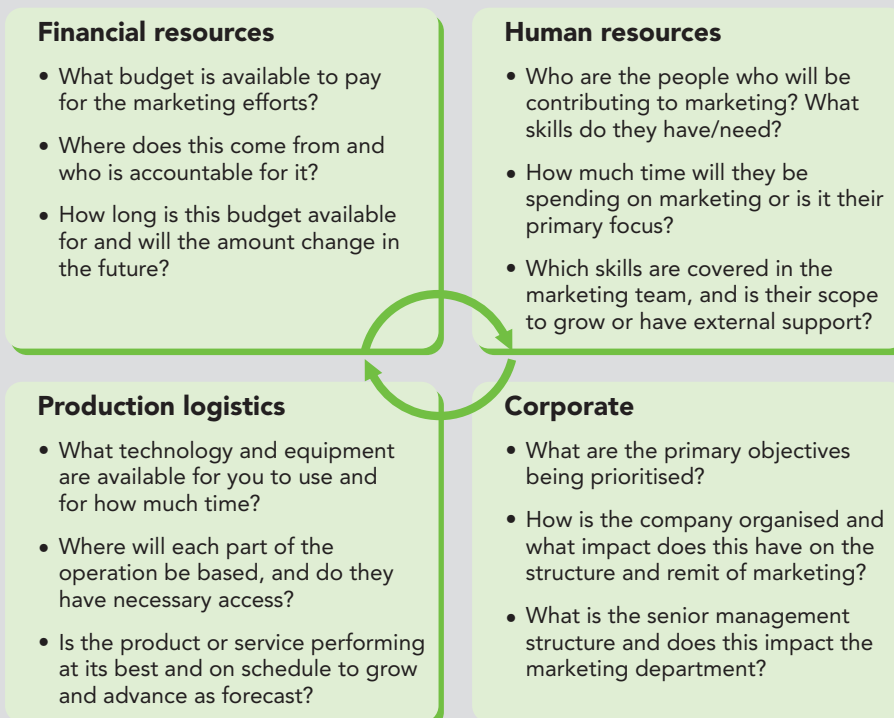


Figure 2: Key elements of an internal audit



**OVER TO YOU****Activity 1: Completing an internal audit**

How might you go about completing an internal audit?

Make a list of the people you might need to speak to in an organisation to answer these questions.

Make a list of some of the questions you might ask to gather this data.

Give some suggestions of how you might structure this data.

Assessing the impact of internal factors on marketing activities

Once all of the data has been gathered, that data must be interpreted and evaluated so that the data can inform the marketing plan moving forward. SWOT analysis as previously detailed is an effective method to evaluate this data so that it can be applied to a strategic plan.

For internal factors, compiling the gathered data into Strengths and Weaknesses is the most effective way to interpret it initially.

How does this work?

Consider all of the data gathered about internal factors in the areas of financial resources, human resources, production logistics and corporate services.

Use this data to list your strengths and weaknesses. This will vary depending on the data you have access to, and the specifics of the company and industry you're studying or working in.

CASE STUDY

Assessing internal factors

Jakob has just started working as the first ever head of marketing at a fast-growing education technology start-up that creates apps to help students complete homework assignments, revise and communicate with teachers. It's time for him to create a comprehensive marketing plan, but first he needs to take stock of all of the factors that could impact this.



He decides to use the SWOT analysis technique to get a clear view of internal factors

As he's new to the company, Jakob designs a questionnaire and books time in with other people in the business to gather data.

- With the CEO, he asks about the financial situation and corporate plans.
- With the HR manager, he talks about the hiring plan, the protocols and systems currently in place and the location and premises.
- With the head of product development, he talks about the plans for the app and how it's progressing.

Here's what he establishes:

Strengths

- There is an adequate budget for at least one year, which has come from investors and is secure.
- There is an experienced digital marketing assistant who is working full-time on marketing and has lots of insight to share.
- The marketing team sits with the product team, which is good for streamlined communications.
- The office is based in an education technology start-up hub attached to the best university in Warsaw, the capital of Poland, so they are surrounded by good opportunities.

Weaknesses

- The product team does not have enough staff, so cannot deliver updates as quickly as they have previously, and they have noticed an increase in bad reviews as a result of this.
- There is a newly-appointed director of sales who has never worked in a technology business and needs to learn some new skills to bring their knowledge up-to-date.

2.2 Discuss the elements of the micro- and macro-environments and their impact on marketing

There are two types of external marketing environments a marketer must be made aware of. These are the internal and external circumstances.

These are defined as external environments because they are factors that are outside the organisation and beyond its control. They have a huge and far-reaching impact on the potential success of any marketing plans.

Elements of an organisation's micro-environment

An organisation's micro-environment is made up of immediate, distinct external factors that have an impact on an organisation and its success. They are the industry forces surrounding a company that directly affect its ability to serve its purpose and meet its objectives.

The specifics of each of these categories depend greatly on the industry the organisation operates within and its aims, but the broad categories remain the same.

Take a photo of this table on your phone to read about micro-environments while you're revising. See if you can recognise the micro-environments of organisations you interact with on a daily basis.

Customers	Competitors	Suppliers	Third parties
The party who purchases and benefits from the goods or services provided by the organisation. This is probably the most central element of the micro-environment to consider.	Other organisations providing the same or similar goods or services, that can make those sold by the organisation obsolete or of reduced value.	Providers of required materials for an organisation to function. These can include services as well as products, particularly digital tools.	This refers to any third party intermediaries upon which an organisation depends to make sales, including distributors, agents or apps that allow organisations to reach customers.
What should an organisation look out for when assessing each micro-environment?			
<ul style="list-style-type: none"> changing tastes or needs of customers 	<ul style="list-style-type: none"> what price points it is offering 	<ul style="list-style-type: none"> the cost to purchase products and services 	<ul style="list-style-type: none"> changes in commission
<ul style="list-style-type: none"> different abilities to pay for the product or service requirement for more or different features. 	<ul style="list-style-type: none"> how it promotes its service any new features it brings in. 	<ul style="list-style-type: none"> reliance on the continuation of its business changing factors in its ability to meet demand on time and to the expected quality. 	<ul style="list-style-type: none"> changes in focus, desire or ability to sell an organisation's products or services.

Table 2: Micro-environments



 OVER TO YOU

Activity 2: Understanding the micro-environment

Consider some companies you've recently come into contact with and list the most important factors within their micro-environment in each category.

Here are some different types of company for you to consider.

	Customers	Competitors	Suppliers	Distributors
A local grocery store				
A technology company				
A professional consultant				

Assessing the impact of external factors on marketing activities

As well as being aware of the potential impact micro-environmental factors can have on an organisation, it's important to consider what this impact can mean for the organisation's success and profit.

There are several frameworks that allow companies to assess the forces at play in the micro-environment. The most widely accepted of these is Porter's Five Forces framework¹, which helps to determine an organisation's potential to be profitable based on an assessment of the micro-environment.

The five forces are:

- threat of entry
- threat of substitutes
- bargaining power of customers
- bargaining power of suppliers
- scale of rivalry

While it's important to always consider the local and industry-led differences between different organisations, Porter claims that his model is a universal one that cuts across geography, industry and other factors.

What does this mean for an organisation?

Depending on the evaluation of each of the micro-environmental factors Porter's model includes, an assessment can be made of the **scale of the rivalry** or competitiveness in that particular industry.

The scale of rivalry is how easy it is to compete within a particular industry, taking into account all of the micro-environmental factors that the model incorporates.

¹ *The Five Competitive Forces That Shape Strategy*, Michael E. Porter, *Harvard Business Review* product 12601

See Figure 3 and the table that follows it for more information.



Figure 3: Porter's Five Forces framework



Bargaining power of suppliers	Bargaining power of customers	Threat of entry	Threat of substitutes
How much power does the supplier have over the success of the organisation?	How much power does the customer base have to impact the pricing or content of the organisation's product or services?	How easy and/or likely is it for new products or services to shake-up the fundamentals of the industry?	How easy and/or likely is it for customers to switch to competitor organisations offering comparable products or services?
<ul style="list-style-type: none"> • If the supplier raises its prices, stops operating or chooses to work exclusively with a competitor, how is the organisation impacted? • Are there alternative suppliers that the organisation could turn to or is the existing one the only viable option? 	<ul style="list-style-type: none"> • Are there a low number of customers, but a high number of competitor organisations? • Is the organisation's product or service distinct, valuable and necessary or desirable enough in the eyes of the customer? 	<ul style="list-style-type: none"> • Is it likely that substitute or leap-frog products or services will make the organisation's own product or service obsolete? • Have there been any advances in production, technology or cost that make it likely the industry will undergo large-scale changes? 	<ul style="list-style-type: none"> • How many competitor products or services are there that could potentially attract existing customers or prevent new customers choosing the organisation? • Do competitors have an edge in terms of ability to undercut in price or considerably improve products?

Table 3: Porter's Five Forces framework



Benefits of Porter’s Five Forces framework

- It provides a clear analysis of the competitive situation in the market – both current and potential.
- It provides data to reinforce where attention should be focused to be most profitable.
- It is a useful snapshot of any industry at large.
- It can be applied to any industry or locality.

Elements of an organisation’s macro-environment

An organisation’s macro-environment is made up of the wider variables in local, national and global society, which the organisation has no control over, but that have an impact on the probable success and value of the organisation. These are not distinct groups that the organisation comes into contact with, as in the micro-environment, but are more thematic or conceptual.

The elements of an organisation’s macro-environment that must be evaluated and assessed are all found in the PESTLE model. The PESTLE model is a simple framework for taking these concepts and assessing the direct impact on an organisation.

! **NEED TO KNOW**

PESTLE incorporates the following factors:

- P – Political*
- E – Economic*
- S – Sociological*
- T – Technological*
- L – Legal*
- E – Environmental*

Here’s what should be included for assessment in each of the six PESTLE categories.

Take a photo of this on your phone to revise the PESTLE model.

Political	Economic	Sociological
Government both at central and local level is encouraging digital literacy, and maintaining power in a steady way.	The employment level is high and local businesses are thriving.	The use of freelancers is on the rise as opposed to businesses hiring contracted staff.
Technological	Legal	Environmental
Technology is an integral part of most businesses now, and this is only growing.	Technology companies are offering greater protection and product warranties for customers.	There is a rise in recycling of technology, meaning people keep devices for longer rather than simply upgrading.

Political	Economic	Sociological
<ul style="list-style-type: none"> Where does the organisation fit alongside local, national and international government leadership? <p>For example:</p> <ul style="list-style-type: none"> changing or steady leadership; trends in lobbying, pressure groups or think tanks; relevant conflicts or political unrest that can shape perception of the organisation. 	<ul style="list-style-type: none"> What is the current state of the economy in terms of macro-economic factors such as economic growth and employment levels? Are there any economic policies that could change and impact the organisation? <p>For example:</p> <ul style="list-style-type: none"> inflation and interest rates; increases in wages; foreign exchange rates if relevant for overseas selling; employment levels and taxes, specifically in local geographies. 	<ul style="list-style-type: none"> What cultural norms – supported by legislation and trends – help an organisation understand its customers? <p>For example:</p> <ul style="list-style-type: none"> gender, sexuality, family and domestic structures; ethical and religious expectations; media and communication norms; general cultural and lifestyle trends and movements.
Technological	Legal	Environmental
<ul style="list-style-type: none"> How are customers and businesses using technology in a way that will impact the running of the organisation? <p>For example:</p> <ul style="list-style-type: none"> technology and networks that can optimise or damage production, selling, internal infrastructure and communication; technology that can give new entrants to the market or competitors an edge, including new patents and licences; wider technological trends and densities. 	<ul style="list-style-type: none"> Will legislative changes impact the organisation's business environment? <p>For example:</p> <ul style="list-style-type: none"> relaxed or enhanced regulation in industry-specific areas; new bodies brought in to enforce existing regulation; changes in employment law; changes to consumer rights and protections. 	<ul style="list-style-type: none"> Can the physical environment impact the value or success of the organisation? <p>For example:</p> <ul style="list-style-type: none"> climate, weather, temperature and ecological movements; changing landscape or geography-specific concerns; trends in perspectives towards global issues relating to the environment.

Table 4: PESTLE in more detail



Benefits of using the PESTLE model

- It can provide a structured, wider and longer-term view of the likelihood of success of an organisation.
- It places an organisation firmly within the wider macro-environment in which it operates.
- It can be applied to any industry or locale using the same criteria.

The impact of external environments on marketing activities

Businesses do not operate in a vacuum, and as such, they need to communicate and engage with the world around them. This is the marketing function.

External environments have an impact on the running of the company as much as its marketing planning and implementation. So what do assessments such as Porter’s Five Forces model and the PESTLE analysis mean for marketers?

Assessing and understanding the dynamic in which an organisation exists means that the marketer is able to:

- prioritise the promotion and sale of the products and services with the most favourable scale of rivalry, where the chance to successfully compete is higher,
- find ways to differentiate from other players in the market and stay ahead or in line with the competition,
- discover how to build deeper and more meaningful relationships with those who hold the power outside of the company, including buyers, suppliers, and third parties.

Returning to a simple tool such as the SWOT framework, a marketer’s role is to:

- 1 Label the factors discovered through the assessments and respond to threats and opportunities in the external environment.
- 2 Address these factors by building ways to minimise threats and maximise opportunities into marketing planning and overarching strategy development.

Minimising threats	Maximising opportunities
Running educational campaigns or messaging to inform potential customers of risks.	Using messaging that promotes an organisation’s unique selling points.
Changing the focus of marketing activity if existing focus can be impacted upon by external factors.	Running campaigns around winning factors in an organisation.
Carrying out market research to see how consumer perspective is influenced by potentially threatening factors.	Developing new products, based upon the strengths of the organisation to satisfy potential new customer needs.

Table 5: Examples of how marketers can minimise threats and maximise opportunities



CASE STUDY

Using Porter's Five Forces model, PESTLE and SWOT for external environment analysis

Solomon runs an IT help desk service in Addis Ababa, Ethiopia, helping local businesses with their IT needs, solving technical bugs and getting their required equipment set up. He employs several staff members and operates from a centrally-located office in an area surrounded by his target clientele – local businesses.



Solomon started working in this industry a long time ago, but with the growth of technology he has seen some changes in the micro-environments that impact upon the success of his trading. He decided to complete an assessment of the micro-environment using Porter's Five Forces model to evaluate the potential of his company in coming years.

Here's what he found:

Bargaining power of suppliers	Bargaining power of customers	Threat of entry	Threat of substitutes
How much power do suppliers have over the success of the organisation?	How much power does the customer base have to impact upon the pricing or content of the organisation's product or services?	How easy and/or likely is it for new products or services to shake-up the fundamentals of the industry?	How easy and/or likely is it for customers to switch to other organisations offering comparable products or services?
<ul style="list-style-type: none"> The only real supplier Solomon has to worry about is the landlord who sets the price of his premises. He is on a long-term contract and doesn't expect the price to rise considerably in three years, and there are alternatives nearby. What alternatives exist for inputs such as network/software providers? 	<ul style="list-style-type: none"> Customers have a fair amount of power as Solomon's income depends on repeat business and up selling additional services. What alternatives exist for customers? How easy is it for them to switch to other competitors? 	<ul style="list-style-type: none"> As technology gets easier to use, less businesses require Solomon's services. The potential rise of Apple over Microsoft in the workplace could have an impact on the number of people using his services. Freelance IT consultants who offer an 'in-house' solution are on the rise in other locations. 	<ul style="list-style-type: none"> Solomon has been around the longest so has an edge on being able to offer deals. The only competitors able to undercut his prices are younger or newer ones, but they don't have the capacity to serve as many businesses as Solomon.
Threats		Opportunities	
<ul style="list-style-type: none"> The rise of freelancers and movement away from business solutions. People are generally more competent in technology than in the past. 		<ul style="list-style-type: none"> Ownership of premises in an area densely-populated with businesses. Professional knowledge built-up over time is still valuable in a quickly-changing environment. 	

After completing the assessment, Solomon had the following recommendations for his marketing to minimise the threats and maximise the opportunities:

- Promote his stability as a company with premises and employees over the freelancers with little legitimacy.
- Educate businesses on the importance of maintaining their existing technology to a high standard and incorporate their growing confidence in technology with the solutions he can offer.



OVER TO YOU

Activity 3: Evaluating the environment

Take a well-known global or local organisation that you’ve recently come into contact with and assess the external micro- and macro-environmental factors affecting them using Porter’s Five Forces model and a PESTLE analysis.

Bargaining power of suppliers	Bargaining power of customers	Threat of entry	Threat of substitutes

Afterwards, think about the potential threats and opportunities.

Threats	Opportunities

READING LIST

- Karagiannopoulos, G.D., Georgopoulos, N., Nikolopoulos, K. (2005). “Fathoming Porter’s five forces model in the internet era”, *info*, Vol. 7 Issue: 6, pp.66-76. (This article will be available in your online student resources.)

Throughout this chapter you’ve learned how to assess both the internal and external environments that can have an impact on a marketing plan, using strong frameworks that help gather and evaluate data in a professional way. Using these frameworks, you’re able to give a thorough assessment of the factors that can have an impact on the success of marketing, and give valuable suggestions and create informed plans of actions that will help an organisation maximise its potential in the context of a competitive market. Chapter 3 examines customer behaviour and segmentation.

Chapter 3

Customer Behaviour and Segmentation

Introduction

To have the best chance of success, and to contribute to a valuable and sustainable business model, a product or service is created with a specific customer need in mind. A marketer's role is to be aware of the steps that the customer will take to fulfill that specific need and to build a relationship with the customer that means they make a connection between their end need and the ability of the product or service to fulfill it.

In this element, we will assess both the consumer and organisational buying processes, as well as the clear distinctions we can make between different consumer and organisational markets. We'll look at what these processes and **segmentations** mean for marketers when it comes to building effective marketing plans that help organisations reach their objectives.

Learning outcome

3 Explain customer behaviour and segmentation.

Assessment criteria

3 Explain customer behaviour and segmentation.

- 3.1 Explain the consumer buying process and influences on consumer buying decisions.
- 3.2 Explain the organisational buying process and influences on organisational buying.
- 3.3 Explain segmentation, targeting and positioning.

Level 4 Principles of Marketing Practice

3.1 Explain the consumer buying process and influences on consumer buying decisions

The stages in the consumer buying process

Purchase decisions are rarely made randomly or on the spur of the moment. In fact, there is a process that each consumer takes before making a final decision and purchasing an item or service.

The consumer buying process is made up of a linear series of largely internal processes and thought patterns, although certain parts of the process are informed by interactions with the outside world including friends, **reviews**, and marketing materials. There is no specific length of time that the consumer buying purchase should take, this is unique to the consumer and their needs. It also will vary on the nature of the purchase and other factors such as cost and overall importance.

! NEED TO KNOW

For marketers, this means that there are different stages at which the consumer can be engaged, interacted with and ultimately have their final decision influenced. By having a marketing plan which reaches consumers at all of the relevant stages of making a purchase, there is a greater chance that the product or service offered by your organisation is the one that they select when it comes to making a purchase.



The stages of the consumer buying process are shown in the flow chart below.

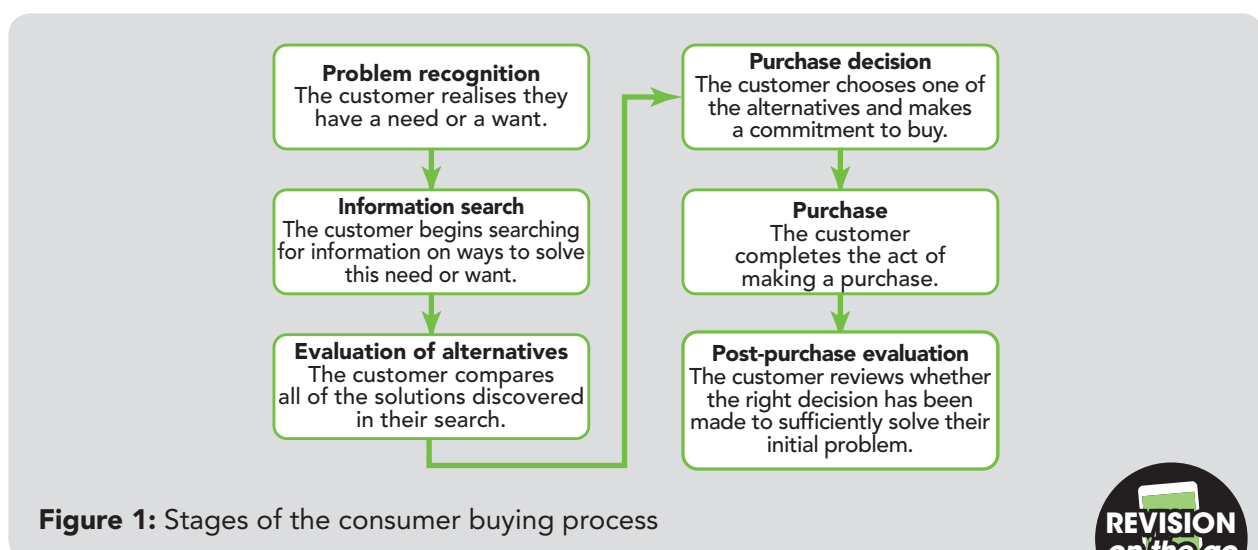


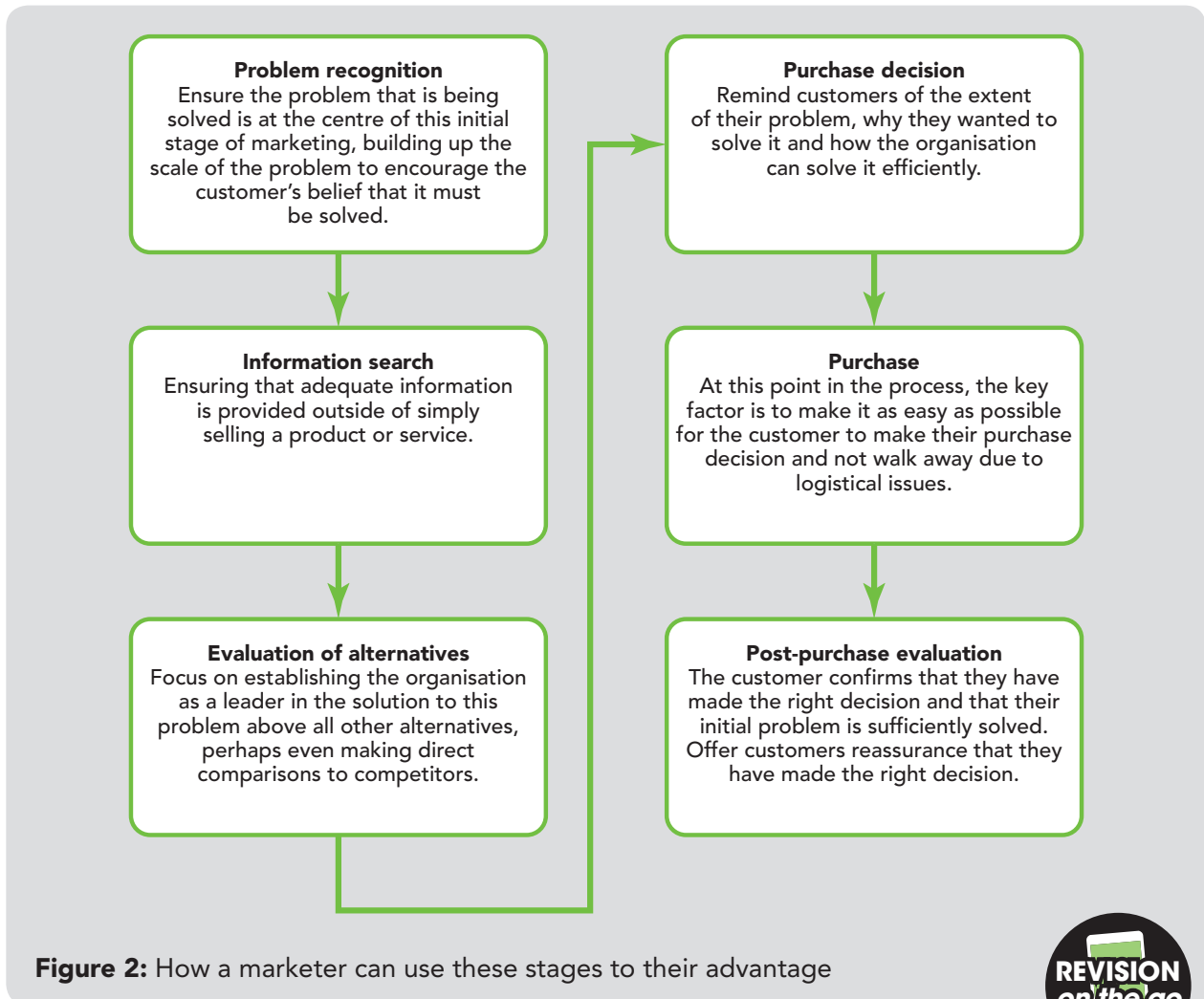
Figure 1: Stages of the consumer buying process



How can a marketer use these stages to their advantage?

By being aware of the different stages of the consumer buying process, marketers are able to tailor their marketing plan to ensure that they are connecting with potential consumers in the right way at the right time.

Taking the consumer buying process into account, a good marketing plan will include touch points at different stages of the process that are directly related to a customer's specific thoughts at each part of their purchase journey.



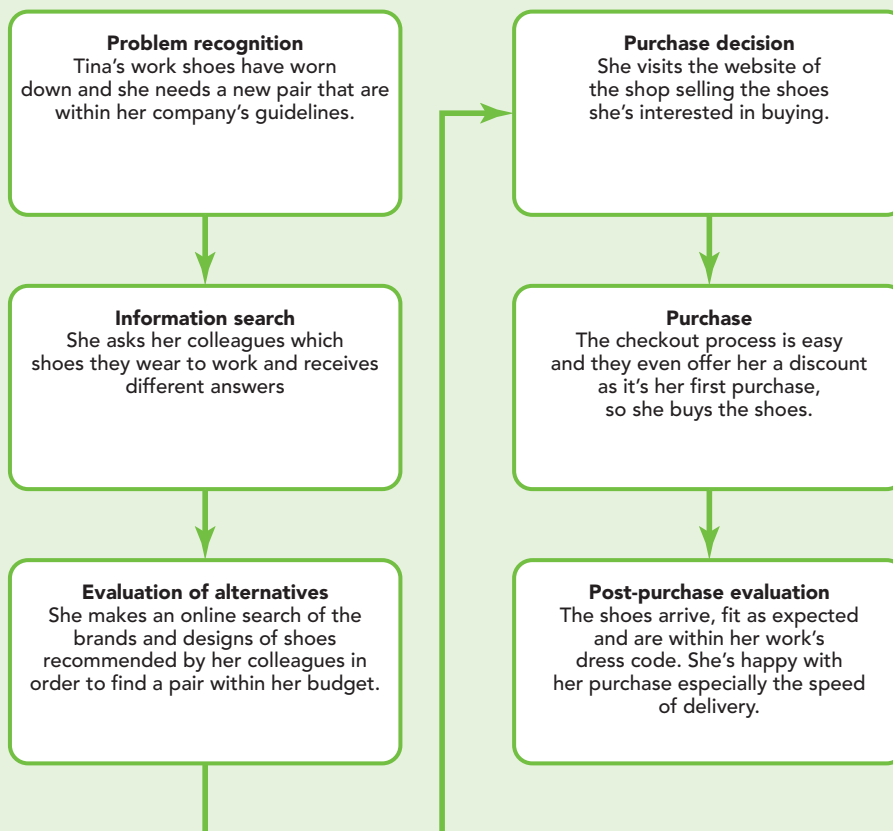
! NEED TO KNOW

By being aware of the stage a consumer is at in their purchase decision, marketers are able to make more informed decisions about what a consumer is looking for. This impacts upon the marketing activity they'll undertake at specific times, and this will ultimately lead to encouraging consumers to make a purchase decision with the organisation in mind.



CASE STUDY

Example of the consumer journey in practice



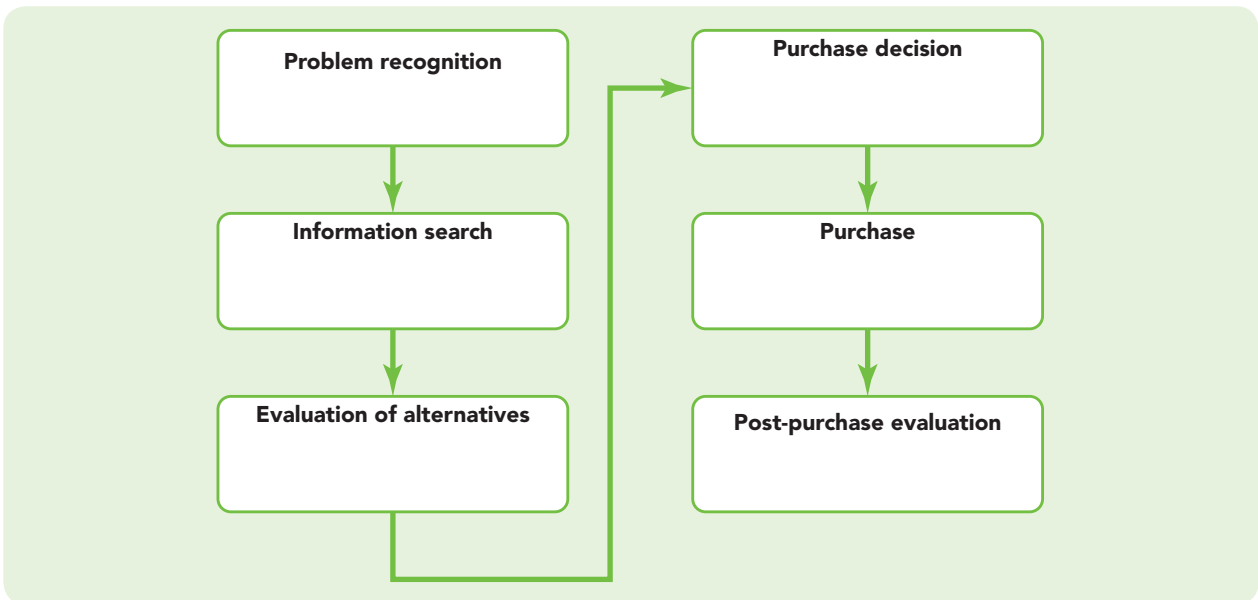
OVER TO YOU

Activity 1: Mapping consumer purchase decisions

Map a consumer purchase decision onto the same chart below.

You can use a relevant example you've come across in your own experience, or use one of the following examples:

- Ashton's computer keeps shutting down unexpectedly.
- Valeria wants to start exercising more.
- Kal needs a bike to cycle to his new job.



Factors that influence the buying decision

While there is a clear path that consumers take on the route to making a purchase, there are other factors which come into play that have an impact on if, when and why they decide to buy.

	Description	Examples
Personal factors	Characteristics that are unique to an individual based on who they are, decisions they have made and their personality.	Age, education, occupation and economic stability, lifestyle choices.
Cultural factors	Values and ideologies held by the consumer, often developed by geography, background, generational attitudes and family social standing.	Cultures, subcultures, religions, gender, role of the family.
Psychological factors	Conscious and unconscious thought processes that lead to differing perceptions.	Motivation, immediate needs, education and learning, attitudes, belief system.
Social factors	Factors relating to an individual’s perception of their place in society, usually directly correlating to the peer groups they interact with at home, at work and at play.	Friends, family, colleagues, peers and members of groups, clubs, wider social circles.

Table 1: Factors that influence the buying decision



! NEED TO KNOW

These factors aren't generally related to **transient** details, but are more ingrained within specific consumers. Although they are impacted upon by external factors, internal factors combine to create a distinct consumer personality. Marketers must understand these variables. Each factor must be addressed in a different way when it comes to encouraging consumers that exhibit these collections of unique behaviours and perspectives to make a purchase.



Take a photo of this on your phone to revise factors that may have an impact on consumer buying decisions.

📄 CASE STUDY

The factors that influence the buying decision in practice



	Example 1	Example 2
Personal factors	Jonah is a homeowner, married with two young children. He is a qualified lawyer and works in a law firm, earning a comfortable salary and chooses luxury goods and experiences as part of his lifestyle.	Anna is a student who works part-time in a coffee shop. She earns just enough money to buy some luxury items.
Cultural factors	Jonah is a practicing Christian with strong links to his church community.	Anna is creative and is part of an artistic subculture and values independence of thought and opinion.
Psychological factors	Jonah's primary motivation is to provide for his family as he believes this is the traditional role of a father.	Anna wants to enjoy her life and is particularly motivated by creativity and freedom of expression.
Social factors	Jonah's friends and family also prefer luxurious purchases, and this is particularly important to his colleagues to show that he's doing well.	Anna mainly spends time with her classmates who are all very artistic, so she prides herself on unique purchases, and doing the opposite of what her parents wish she would.

Table 2: Factors that influence the buying decision in practice



**OVER TO YOU****Activity 2: Understanding buying decisions**

Using the above examples of Jonah and Anna, pull out a key trait in each of the personal, cultural, psychological and social factors that marketers should consider.

The impact of marketing on the consumer buying decision

As we've seen, there are a huge number of factors that come into play that directly influence why, when and what a consumer will choose to buy.

A marketer is able to influence the variables to the advantage of their organisation, making it more likely that a consumer will make a purchase decision with them.

Key ways in which marketing can influence the consumer buying decision

These include:

- persuading the consumer that they have a specific need or problem that needs solving,
- educating the consumer about ways to solve their problem,
- positioning the organisation and its products as the best way to solve that problem,
- increasing the urgency to solve that problem,
- confirming the value of the solution to that problem, validating their pricing,
- suggesting that the problem serves the personal, cultural, psychological and social factors that are at play,
- building a brand that appeals to distinct consumer traits within the factors that influence their purchase decisions,
- using personal, cultural, psychological or social factors to enhance the appeal of a brand to consumers with particular inclinations in these areas.

3.2 Explain the organisational buying process and influences on organisational buying

Whereas the consumer buying process is largely based on a series of internal decisions and triggers, the organisational buying process is based more on a process with clear and distinct stages that can be observed, tracked and influenced.

Table 3, below, shows the stages of the organisational buying process, and what they mean. Just like with the consumer buying process, this process does not take any specific length of time and may vary depending on the purchasing organisation and its unique circumstances.

Recognise problem	Someone in the organisation recognises that there is a problem in the function of the organisation which affects its ability to meet its objectives and that could be solved by purchasing products or services.
Develop specification	The individual or team who have recognised the problem must present this to their company. To do so they must clearly present the problem they've found and what they think could solve it.
Search supply market	Once they have permission from the appropriate parties, representatives from the buying organisation will begin to research the supply market and consider specific solutions.
Qualify potential suppliers	Before approaching any potential suppliers, the buying organisation will do some due diligence into the claims made by the suppliers to ensure that they are trusted and able to provide the products or services to the required standards.
Solicit bids	The buying organisation will approach the selling organisations that they consider to be adequate and send them the detailed specification of their needs, giving a deadline for the selling organisations to return bespoke solutions to the problem.
Evaluate proposals	The buying organisation will evaluate all of the proposals they receive, weighing up the benefits and considerations for each in the context of their problem.
Select supplier	Based on the proposals and the completion of due diligence, the buying organisation will select the selling organisation that has the greatest likelihood of helping them reach their objectives.
Award contract	Once the appropriate sign-off procedures have been followed at the buying organisation, they will officially legally award the contract to the selling organisation.
Manage performance	The buying and selling organisation will work together to ensure that both parties are receiving what they expected from the contract.
Ongoing evaluation	After the initial delivery of the agreed products or services, the buying organisation must keep track of the overall benefits these have had for the operations of the business.

Table 3: Stages of the organisation buying process



You'll notice some parallels and crossovers between the consumer and organisational buying processes, but the distinct differences relate to the requirement of accountability in organisational purchases.

Any purchase decisions made by an organisation must be justified as adding or having the potential to add real value to the immediate or ongoing operations of the business. Significant calculations must be done to ensure accountability for the decisions made to make certain purchases.

For this reason, it's very rarely the job of a single person to make a purchase decision within an organisation. As you see in the above table (Table 3), there are multiple points that require input from different people within the organisation. These people are referred to as the Decision Making Unit (DMU).

! NEED TO KNOW

The DMU is made up of people at different levels in an organisation who are involved in the purchase decision for each individual purchase. This is not necessarily a department or team (although sometimes it's called procurement). It could change from decision to decision, although there will be some individuals who are typically present in the DMU for most or all purchase decisions within an organisation.

Here are the key players who make up any DMU. This may vary due to factors including the industry and the size of the company, and in some organisations the same individual may play multiple roles.



Initiators	The first person to recognise the problem and to start the process of reaching a solution.
Coordinators/gatekeepers	Those who ensure the correct information is shared with the different individuals or teams involved in the process.
Users	Those who will use, operate or manage the products or services being purchased.
Decision makers	Those who have the ultimate authority on how valuable the problem and solution are, and which is the right one.
Influencers	Those who are able to assert their perspective on the purchase despite not necessarily being directly related to it.
Buyers	The individual in charge of placing the order or making the purchase, and negotiating the terms and requirements with the supplier.

Table 4: Decision Making Unit members



Factors influencing organisational buying decisions

As well as this clear process to follow, there are different factors which impact upon the organisational buying process and the decisions that are ultimately made. These can be broken down into the following categories and are summarised in the table below.

Environmental factors	Political and economic conditions, competitor landscape, regulation and laws, societal and cultural environment.
Organisational factors	Structure and hierarchies, goals and objectives, policies and procedures, human and financial resource, geography and premises, technology and equipment.
Interpersonal factors	Education levels, authoritative and participatory structure, acceptability of risk and perception of failure, team management, and relationships or conflicts.

Individual factors	Factors that specifically relate to personalities, beliefs, expectations and motivations of the individuals within the DMU.
Situational factors	Deadlines and immediate or longer-term planning and requirements, time-specific factors including: offers, availability or budgets, changes in team, structure or objectives.

Table 5: Factors which impact upon the organisational buying process



There are also different situations in which an organisation needs to make a purchase, which will also influence the buying process and decisions.

New buy	Purchasing a product or service for the first time.
Straight rebuy	Regular or routine reordering of the same product or service.
Modified rebuy	Modifying certain requirements including, specifications, terms, suppliers, price.

Table 6: Organisational buying situations



OVER TO YOU

Activity 3: Understanding organisational buying

From a marketer's perspective in the selling organisation, list all of the points of contact you'd have with the buying organisation.

3.3 Explain segmentation, targeting and positioning

Now that we've established why consumers and organisations make purchase decisions and the processes they go through to make these decisions, it's time to think about these decisions from a marketer's perspective and consider what they mean for reaching customers.

- Segmentation is the process by which marketers are able to break down large groups of potential consumers into smaller groups, which are defined by shared characteristics.

- Targeting is the tactics the marketer takes to reach a specific segment.
- Positioning is how the marketer presents the organisation to appeal to a certain segment via targeting.

Methods of segmenting consumer markets

Segmentation for consumer markets is based on finding consistency around shared characteristics, meaning that a marketer is able to make specific assumptions about a group of people that will help inform how they engage with and encourage them to purchase.

Segment	Variable characteristics.
Geographic	Area, urban, rural.
Demographic	Age, gender, nationality, education level, income and occupation, life cycle, family, class, status.
Behavioural	Cultural, social and lifestyle choices, beliefs and attitudes, interests and hobbies.
Psychographic	Previous or typical purchase decisions.
Benefits sought	Based on specific purposes, requirements or sought outcomes, including for particular direct occasions or scenarios.

Table 7: Methods of segmenting consumer markets



A combination of these variables, would lead to the creation of a segment that a marketer could use to create a marketing plan to appeal to a potential customer.

Methods of segmenting industrial markets

Because industrial markets are often smaller due to products and services being more targeted to niche objectives, and because purchases are more careful and considered in industrial settings, there are typically fewer valid options for segmentation.

For this reason, the segmentations are often more functional in industrial markets than in consumer markets.

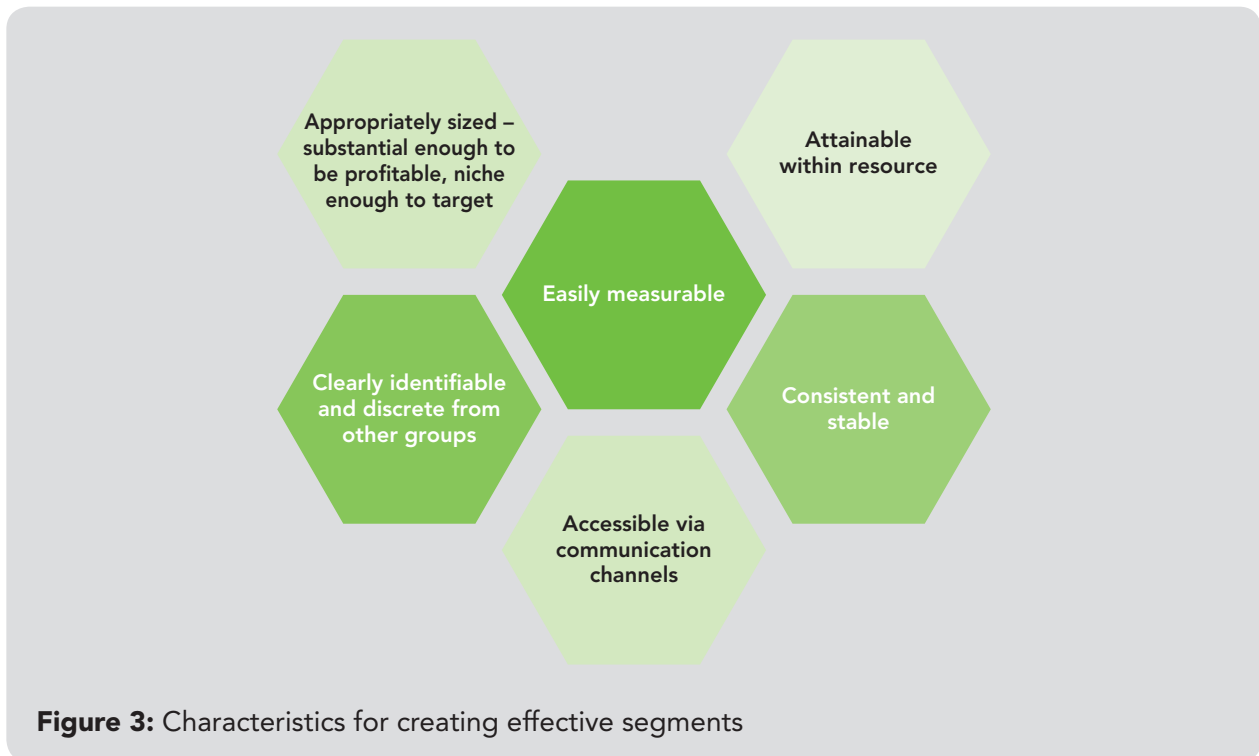
Segment	Variable characteristics.
Geography	Where a buying organisation is based.
Company size	The size of a buying organisation in terms of number of employees or turnover.
Price	Buying organisations where price is likely to be a primary deciding factor in purchase decisions.
Service level	Buying organisations where the quality and depth of service provided is likely to be a primary deciding factor in purchase decisions.

Table 8: Segments and variables



What makes a segment effective?

Based on the large numbers of variable characteristics, the potential for creating segments is seemingly endless. For this reason, marketers must stick to the following characteristics for creating effective segments.



! NEED TO KNOW

Based on these criteria, a marketer will evaluate which of the possible segments to target. It's advisable to choose multiple segments to test the outcomes of different marketing activities, and because one may be more successful than the other. The segments should be chosen based on a variety of factors including:

- likelihood of success,
- size of segment,
- ease and cost to reach through communication channels,
- stability and ability to include in longer-term plans.



📄 CASE STUDY

Choosing customer segments

Li Wan runs a recruitment consultancy specifically for professionals in the retail industry. She must market her services to different types of consumer – potential employees, business purchasers and employers looking to hire staff. It's a high-cost service that gets a great level of attention from Li Wan as she matches candidates to roles. The roles are both casual and flexible or on long-term contracts with set hours.



She decides to build multiple segments for the potential employers, and a single segment for her purchasers. For the potential employees she decided to target:

- female students under the age of 25 who value a flexible lifestyle and are fashion-orientated;
- people who have previously worked in retail over the age of 25 who are starting a family and desire a flexible lifestyle to fit around childcare.

For the employers she decided to target:

- large retail organisations with a high staff turnover, particularly focusing on those without in-house recruitment expertise.



OVER TO YOU

Activity 4: Getting to know market segments

Think of an organisation you've recently come into contact with and make a list of the potential characteristics you think would make up their market segments.

Approaches to targeting

Once a marketer has established the segments they want to target and evaluated which are the most valuable to focus on, they must choose an approach.

	Undifferentiated	Concentrated	Differentiated
Approach	Using the same promotional message across all segments.	Using different promotional messages to appeal to the specific needs and desires of a segment.	Using multiple promotional messages simultaneously that appeal to different needs and desires of multiple segments.
Benefits	Reaching a large number of people at once means more people accessing the message.	Niche targeting means you are likely to have the desired effect on the segment you are targeting.	Creates the opportunity to test different segments against each other.

	Undifferentiated	Concentrated	Differentiated
Considerations	Being too vague may mean that the message doesn't resonate with anyone.	If this segment isn't a successful choice, lots of time and money is spent trying to reach them.	Potentially requires more substantial resource.

Table 9: Three strategic approaches the marketer can take to targeting



READING LIST

- Woo, J.R., Ahn, J., Lee, J., Koo, Y. (2015). "Media channels and consumer purchasing decisions", *Industrial Management & Data Systems*, Vol. 115 Issue: 8, pp.1510–1528. (This article will be available in your online student resources.)
- Dibb, S. (1998). "Market segmentation: strategies for success", *Marketing Intelligence & Planning*, Vol. 16 Issue: 7, pp. 394–406. (This article will be available in your online student resources.)

In this chapter, you've learned how to approach the customer relationship. Starting by assessing and analysing different purchase decisions, through to considering segmentation, targeting and positioning, we should now look at how different types of data can be useful to marketers, and how they source and gather that data. Chapter 4 looks at marketing information.

Chapter 4

Marketing Information

Introduction

When marketers are making decisions that lead to effective plans, there is a certain amount of work to be done on assumptions about specific segments and customer wants or needs. However, the more significant learning and planning done as part of building a marketing plan needs to be based on real data and information.

Throughout this chapter we'll look at how different types of data can be useful to marketers, and how they source and gather that data.

Learning outcome

4 Discuss the uses and sources of marketing information.

Assessment criteria

4 Discuss the uses and sources of marketing information.

4.1 Explain the use and types of information to support marketing activities.

4.2 Explain the types and sources of marketing data and how it can be gathered.

Level 4 Principles of Marketing Practice

4.1 Explain the use and types of information to support marketing activities

Marketing data and information are used to inform all elements of a marketing plan. As we established in Chapter 1, the remit for marketing lies far outside the sales and promotion part of the company. Market research is an important function of the marketing department, and the data and information garnered are central to the function of the company as a whole.

Identifying information needs

The specific information an organisation chooses to keep track of is dependent on its objectives, industry, location and resources. Sometimes gathering and organising valuable data that informs marketing plans and feeds into business models in a trusted way can be a long process.

Here are some examples of the types of marketing information that might be monitored, gathered and utilised to inform strategy and decisions.

Consumer information	Marketing information	Business information
Demographic information relating specifically to consumer behaviour, activities and characteristics.	Monitored information about the products offered by the organisation.	Information that relates directly to the running of the business.
Age, gender, location, lifestyle, family status, income, occupation.	Product features, expectations and guarantees, usage, most successful elements, development over time, historical and real-time campaign effectiveness data.	Competitor tracking, political, economic and legal factors, financial and business objectives and schedules.

Table 1: Types of marketing information





OVER TO YOU

Activity 1: Working with data

Write a list of the different types of data sets a marketer might look to gather in the consumer information, marketing information and business information categories.

This is simply to come up with ideas about what data looks like. There is no right or wrong answer as there are so many different types of data an organisation may analyse.



NEED TO KNOW

Marketers may have specific specialisms, but the ability to organise and interpret data in a way that can lead to important strategic decisions should be something that all marketers have an understanding of. With that in mind, when it comes to looking at data and determining how much it will inform the ongoing strategy, it may be wise to allocate human or financial resource to working closely with that data to make sure it's as valuable as possible.



The marketing information system

In an always-on digital world and in one where technical processes in companies have been in place for some time, there is potentially lots of data for marketers to work with. Phrases like 'big data' and 'data-centric marketing' are used frequently to show the scale of this important factor in decision-making.

The first step to using information and data in a marketing plan is organising this data in a sensible way so that it can be accessed logically by the right people when required. A marketing information system, with effective storage and sorting capabilities is an important part of any marketing function.

To ensure that data is always at its most relevant, it is best to have processes in place to continuously track and update it. There are lots of tools available to continuously track data sets, particularly in relation to products with digital features such as through digital marketing and website campaigns.

! NEED TO KNOW

Take a photo of this table to understand more about marketing information systems.

	Summary	What is it	How does it work
Information	The input that goes into the system that will ultimately be interpreted.	Data gathered from customers, competitors, other functions within the business.	Some information is inputted manually, while others is tracked automatically.
Maintenance	Storage, technical equipment and software, procedures that are in place to ensure that inputted data is managed and organised in a way that can be accessed as required.	A combination of systems, IT and networks and clear rules and guidelines to access and manage the data appropriately – using a mix of bespoke programmes and generic software.	Initial systems are set up, then clear guidelines are put in place for how to access and manage data, with training for appropriate people – varying between organisations.
Analysis	The process of pulling different parts of the information together and evaluating it against objectives to make decisions.	Using the data kept in the system and combining it with clear boundaries and objectives to reach a useful analysis.	When updating the marketing plan or testing assumptions, a series of data points will be required to find solutions and these can be pulled and manipulated.
Output	The result of the marketing information system every time it is used.	Usually this will be presented as graphs or charts alongside a detailed report to justify the plans laid out in the marketing plan.	Dependent on the data extracted and the analysis done.

Table 2: Marketing information systems



! NEED TO KNOW

Every organisation will have a different method for organising its marketing data. Some will have fully-fledged systems created with bespoke packages, pulling in data from various sources. Others will have more manual systems comprised of Office or Google documents and data pulled at intervals and inputted by hand. What's important is that the data exists and that there are clear rules and guidelines for storing, accessing and using it.



How marketing data and information are used

Marketing data and information are used on a case-by-case basis to answer questions marketers may have about their organisation, and to test, confirm and improve on systems and processes that are in place as part of the wider marketing agenda.

Here are some examples of how marketing information and data may have a practical application.

- To inform product decisions.
- To make educated assumptions about target segments.
- To measure the effectiveness of campaigns.
- To assess which products or services are most successful and/or profitable.
- To test different methods of improving marketing plans and overall profitability of the organisation.

The marketing data in its raw form is unlikely to provide valuable insight or to influence the marketing plan in a way that will provide long-term solutions to the company's objectives. Instead, the data captured and stored in the marketing information system must be treated as the 'raw ingredients' which, when combined with the right analytical thought and direction, can create a useful foundation upon which to build a plan.

Here's a step-by-step guide to turning data into a useful output that can contribute to meaningful decisions and plans.

Take a photo of this table and learn the process for interpreting data effectively.

Guide	In practice
1 Look at the data you have available.	The data available is consumer ages and prices.
2 Come up with a theory that the data can prove or disprove.	The marketer wants to know at what age consumers are likely to spend more on the organisation's services to confirm the target segment that the organisation will prioritise in their marketing.
3 Compose a hypothesis – what is your assumption?	The marketer assumes that older consumers will spend more.
4 Test your hypothesis with an experiment.	The marketer pulls out the past three months of information on age and price.
5 Analyse the data that your experiment has given you.	The marketer compares the ages and the average amount spent.
6 Using the results, create something that is presentable to be discussed.	The marketer creates a graph that shows this data in a digestible way that's easy to share and discuss.
7 Use your learning to piece together an informed marketing plan.	The marketer's assumption was correct, and the marketing plan will now focus on targeting older consumers who are likely to spend more.

Table 3: Interpreting data



Key benefits of using data in marketing

- Takes out the guesswork – allowing marketers to have confidence in their plans.
- Allows you to create a model and create long-term plans.
- Gives a space for experimentation and testing which can pay off.

CASE STUDY

Becoming a data-driven marketer

Delphine works as a marketing officer for a parenting group, babysitting service and a large child day care centre in Mauritius. She wanted to have more of a data-driven outlook to inform her marketing plans, so decided to put together a list of the data she needed to start tracking moving forward.

She wanted to start capturing data that could help her:

- Get to know the consultancy's target segment better, including lifestyle trends and their financial status.
- Keep track of the most popular packages and services the organisation offers, including the different times and days of the week and month that specific services were most in-demand.
- Stay aware of which special deals and combination packages were leading to the newest sign-ups and sales.
- Establish what local organisations in the same space were offering as a launch incentive or package deal.
- Maintain awareness of the overall company targets and how close it is to reaching these sales figures.

To go about finding this data, Delphine did the following:

- Created a questionnaire to give to the most loyal customers, with a small incentive for completion
- Met with the sales and product teams to gain access to their booking documents to see the success of each package.
- Created a sheet to keep track of promotional discount codes to see which ones were most successful and when.
- Spent time researching competitors online and in the local press, writing down their messaging and offers.
- Met with the CEO to discuss the company's financial targets and how many sales were required to meet these.

To keep track of all of this data, Delphine used a combination of spreadsheets and other documents, all accessible in the company system. She clearly labelled each sheet, where it came from, and what people should be looking out for.

When building her quarterly and annual marketing plans, Delphine felt much more confident in using data to back up her assumptions, to inform her tests and to ensure she was using the right methods to market to her desired segment.





OVER TO YOU

Activity 2: Learning to manage data effectively

How could Delphine in the case study above make the process of using data easier in the future? Think about automation and time management.

Looking at different types of data

The types of data available to a marketer will depend on the organisation's industry, aims and objectives. Ideally, there will be existing systems in place for the marketer to assess data and inform their plans, and these will be an automatic part of the organisation's processes.

However, it's more likely that a marketer will manage the data that they are researching and capturing.

There are different types of data, and different methods of gathering this data, that a marketer should be aware of, as shown below in Table 4.

Internal data	External data
Data that the marketer gathers from within the organisation from different departments, including: sales, product, finance, HR and marketing itself.	Data the marketer gathers from outside the organisation from both published sources and as a result of special surveys.
Primary data	Secondary data
Data collected by the marketer for a specific purpose.	Data collected by someone other than the marketer possibly for a different purpose, but capable of being used by the marketer.
Qualitative data	Quantitative data
Data that is not numerical, often subjective and descriptive. It is usually based on the qualities of the subject being discussed such as attitudes towards the design of a product.	Data that is factual, can be measured and compared and is often numerical or quantifiable such as the population of a region.

Table 4: Different types of data



 OVER TO YOU

Activity 3: Understanding the value of data

Come up one advantage and one disadvantage for each type of data that a marketer could use.

	Advantage	Disadvantage
Internal data		
External data		
Primary data		
Secondary data		
Qualitative data		
Quantitative data		

4.2 Explain the types and sources of marketing data and how it can be gathered

Potential data sources

While data gathering and interpretation is an important part of building and implementing a successful marketing strategy, there will be some dependence on other sources for providing the appropriate data.

	Examples	Advantages	Disadvantages
Internal stakeholders	Sales, finance, HR, management, product and other teams within the company.	They have the organisation's best interests at heart so should be happy to take part in data-gathering exercises.	They may be biased towards particular outcomes and this may have an impact on the value of the data.

	Examples	Advantages	Disadvantages
External stakeholders	Suppliers, distributors, customers, competitors, industry-specific resources and researchers	They may have a mutual interest in ensuring that the organisation’s products provide the maximum satisfaction of their needs, without having the bias of internal stakeholders	Their priority isn’t making the organisation succeed so may not give the time or effort required to contribute to valuable data.

Table 5: Internal and external stakeholders can be used to gather data



 OVER TO YOU

Activity 4: Discovering internal and external data

List some of the data that internal and external stakeholders could contribute to that would be valuable for a marketer.

Using internal data effectively

Internal data is one of the richest sources of data available to marketers. It provides real insight into the workings of a company, the response to the products and marketing activities, all of which are vital when developing a valid marketing plan.

Setting up systems to automate the retrieval of this information can be a great start to creating any marketing information system.

Accounts	Product responses	Sales leads
Sales <ul style="list-style-type: none"> Number of products or services sold. 	Customer complaints <ul style="list-style-type: none"> What doesn’t work, could work better or isn’t valuable. 	Preferred product features <ul style="list-style-type: none"> What are potential customers most interested in or attracted to?

Accounts	Product responses	Sales leads
Expenses and costs <ul style="list-style-type: none"> The cost of production and marketing, operational costs. 	Compliments <ul style="list-style-type: none"> The most valued or appreciated parts of a product or service. 	Standout offers or packages <ul style="list-style-type: none"> The best performing depictions of the product that show demand for specific features.
Profits <ul style="list-style-type: none"> How much money the company made based on sales and costs. 	Potential features <ul style="list-style-type: none"> Customer demand for product or service evolution. 	Source of interest <ul style="list-style-type: none"> Does where customers are coming from give any insight?
Variables <ul style="list-style-type: none"> Regional or time-based factors impacting upon business outcomes. 	Discarded features <ul style="list-style-type: none"> Parts of the product or service that were not deemed valuable enough to maintain throughout the product life cycle. 	Level of interest <ul style="list-style-type: none"> How enthusiastic customers are about specific features of the product or service.

Table 6: Examples of internal data that is typically available to marketers



Methods for gathering primary data

Primary data involves the marketer directly conducting the research and connecting with those they are seeking information from.

There are a variety of methods that can be used, including face-to-face and digital tactics.

The table below shows sources of primary data with examples.

Method	Description	Example
Surveys	Using questionnaires to ask questions to customers about their experience and needs from the organisation.	A digital form emailed to customers asking them three questions about their most recent experience shopping online.
Customer focus group	A creative and interactive experience used to assess customer views usually concerned with testing new and existing parts of the organisation's products and services.	Trialing brand new flavours of ice cream with some of the most committed customers, along with different packaging options.
Interviews	Conducting face-to-face interviews with customers.	Seeking views of shoppers outside of a new outlet.

Method	Description	Example
Mystery shopping	Observing customers in the course of undertaking specific tasks at the organisation.	Following customers while they are shopping and asking why they opt for a particular product as opposed to others, and afterwards passing on how clearly the benefits and pricing were explained by staff members and in-store materials.

Table 7: Sources of primary data with examples



Methods for gathering secondary data

Secondary data requires the marketer to discover and extract the important information from existing published sources.

Method	Description	Example
Internal databases	Working with different departments to access existing and new data, particularly with regard to sales of products by customer.	Asking the sales department to share figures for sales of a specific promotional deal on a product line in a given period.
Competitor information sources	Publicly available information about competitors including marketing activities, profits, response.	Competitor annual reports and press releases.
Government sources	Information about current and future regulation, laws, trade and market statistics.	Trade data on imports and exports of motor cars in a particular period.
Social media	Competitor analysis, demographic behavioural information can be revealed by users of social media in their typical interactions.	Searching for users talking about a competitor brand name through a platform such as Twitter and creating a spreadsheet of their responses, categorised by positive, negative and neutral.
Trade and industry sources	Reports, studies and insights publicly available from relevant bodies or accessed through membership programmes. The Society of Motor Manufacturers and Traders is one such trade body in the UK.	A report showing the growth of the organic skincare market year-on-year, with relevant statistics, graphs and interviews with store owners and consumers.

Method	Description	Example
Financial statements	For competitors and historically for the organisation.	Annual reports by country, including product category breakdowns to show which range of clothes sold the best in which territory in the lead-up to summer.

Table 8: Sources of secondary data with examples

REVISION
on the go

OVER TO YOU

Activity 5: Techniques for gathering data

Write down three different examples of gathering primary data and secondary data – stating when they might be relevant or useful.

READING LIST

- Hochhauser, R. (2004). "Data strategy: a critical component of marketing success", *Handbook of Business Strategy*, Vol. 5 Issue: 1, pp. 227–232. (This article will be available in your online student resources.)

Throughout this chapter you've learned the value of gathering data, managing and organising it effectively, also how that data can be interpreted to create valuable analyses and to make qualified assumptions that form the fundamentals of a marketing plan. You've also learned about methods for gathering data from a variety of sources. Finally, Chapter 5 details the marketing mix, a combination of factors that can be controlled by a company to influence consumers to purchase its products.

Chapter 5

The Marketing Mix

Introduction

In the previous chapters, we've looked at all of the knowledge and information that must be gathered and evaluated to make sensible and valuable decisions about any marketing plan and its application. In this chapter we'll be learning how to bring all of those factors together into the marketing mix, a combination of factors that can be controlled by a company to influence consumers to purchase its products.

The marketing mix is the tools and route an organisation uses and follows to take their products out into the market and begin building relationships with consumers, promoting the products and eventually making sales. All of the learning marketers do about their environment, consumer and organisation is relevant and vital for making informed decisions that lead to a strong, sustainable and ultimately effective marketing mix.

Learning outcome

5 Explain the elements and application of the marketing mix in different contexts.

Assessment criteria

5 Explain the elements and application of the marketing mix in different contexts.

- 5.1 Explain each of the elements of the marketing mix (the 4Ps).
- 5.2 Explain the additional marketing mix elements involved in the marketing of services.
- 5.3 Discuss the main considerations when developing a marketing mix.

Level 4 Principles of Marketing Practice

What does an effective marketing mix achieve?

Putting the right product, at the right price, in the right place, in front of the right people.

5.1 Explain each of the elements of the marketing mix

The Four Ps

The marketing mix is the basis of any marketing plan. It is viewed as the foundation upon which a marketer sets out their plan for the tools and activities an organisation will use to meet their marketing objectives.

For a marketing mix to be effective, it must be based on a combination of what the marketer knows about the consumer needs and their behaviours, and what the marketer knows about the organisation and the product it is selling.

Marketers typically use the 'Four Ps' framework to inform the basis of their marketing mix.

The Four Ps is a framework that has been in use since the 1950s to create an effective marketing mix, and covers product, price, promotion and place.



Figure 1:



! NEED TO KNOW

There is no right order for using the Four Ps framework. To use this framework effectively it should be viewed as a method for bringing together all of the existing knowledge and insights a marketer has gathered, rather than viewing each object in isolation or distinct from the others. It is truly a mix, in the same way as a recipe for a cake contains separate ingredients that all work together.



We'll take each one of the Four Ps in turn and look at what a marketer must answer within each element to be able to make final decisions relating to their marketing mix.

The Four Ps – Product

The product is what is created to solve a particular problem or to fulfill a specific need for the customer. A product can be physical (tangible) goods or (intangible) services.

For a product to be represented adequately in the marketing mix, the marketer must be confident that the product they are presenting:

- solves a specific problem or need for the customer;
- is in some way unique or distinguishable from the competitors' products;
- can be produced consistently.

Product attributes

There are three levels of which a marketer must be aware of the product attributes:

Product level	Core product	Actual product	Augmented product
Definition.	The key benefit or purpose of the product.	The physical product that can be used by the customer.	Added value and non-physical elements of the product.
Attributes.	The problem being solved.	Appearance – style, branding, colour, size, functions and features, quality.	Services – customer service, guarantees, delivery and/or installation.
Example – an organisation selling lawnmowers.	The lawn gets mowed.	A sturdy yet compact red and black lawnmower with three different settings.	A three-year warranty with annual services, delivered with online support on how to get it set up and use each function effectively.

Table 1: Types of product attributes



 OVER TO YOU

Activity 1: Defining product levels

Choose a product and list the different product levels: core product, actual product and augmented products – as above with the lawnmower example.

The Four Ps – Price

Before a marketer can begin to market a product, they must set a price at which the product will be sold.

Price is a fundamental part of any marketing plan as it has the single greatest direct impact on the profitability of the company, and is a huge factor when it comes to consumer buying processes and purchase decisions.

Price also has a huge ability to influence consumers’ perception of the product – too high and it will seem like a luxury rather than a necessity; too low and it will seem like it holds little value. The price willing to be paid is a function of quality and value.

With this in mind, there are multiple pricing strategies that organisations can choose to adopt. A marketer may choose to use a combination of these, as shown below in Table 2.

Penetration pricing	Skimming pricing	Competition pricing	Psychological pricing	Value-based pricing
Start with a low price and then increase once a large customer base has been established.	Start with a high price to establish quality, then reduce the price to increase the market’s access. Usually with a novel product which will be copied quite quickly (e.g. tablets).	Base prices on competitors – to match, undercut and to gain market share, depending on the comparison they want consumers to draw.	Using psychological pricing tricks (i.e. 99cents instead of \$1 threshold) to encourage sales based on good deal mentality.	Set price based on value to a customer – how much a customer is willing to pay based on the benefits or fulfillment of needs.
Product line pricing	Premium pricing	Bundle pricing	Optional pricing	Cost-based pricing
Offering a range of products at different price points.	Having a high price to give the impression of quality or exclusivity.	Grouping products together to offer a larger discount.	Adding paid-for extras to maximise perceived value while increasing profits.	Set price based on the cost a product takes to make and promote, plus a markup to guarantee profit.

Table 2: Pricing approaches





OVER TO YOU

Activity 2: Identifying pricing strategies

Choose three of these pricing strategies and list examples you've seen of these used in practice.

For example:

Psychological pricing – selling a Smartphone for \$399 instead of \$400

Bundle pricing – buy a console and get two video games and two controllers for \$450

Factors influencing pricing decisions

When deciding which pricing approach to use, a marketer should take the following factors into account:

- Target segment, the value of the product to them and their willingness and financial ability to pay that price.
- Positioning and perceived value as a result of price, and the competitive landscape.
- The costs required to produce, sell and maintain a product and the need to make a profit in line with organisational objectives.

The Four Ps – Place

A central part of any marketing mix is how a product reaches a customer – where and using which **distribution method**.

Here are some criteria the marketer must be able to qualify to define how the product reaches the consumer.

Indirect sales	Direct sales
Selling via third parties i.e. retailers, booking websites.	Selling directly to the consumer.
Online sales	Offline sales
Using web sales directly or indirectly.	Selling in physical locations i.e. stores, markets, meetings.
Exclusive distribution	Intensive distribution
Selling in a limited number of places.	Wide availability in a variety of locations.

Table 3: Indirect and direct sales



In a modern and digital world where many distribution chains may have elements of automation, it is often a case of combining various aspects of different distribution models.

CASE STUDY

Distribution methods in practice

A company selling fitness equipment can use an indirect or direct distribution method while using only online sales, by either selling through its own website or by selling through specialist fitness websites.

By selling only through its own website, it is choosing an exclusive distribution model, but by selling through multiple fitness websites it is opting for more intensive distribution.



Factors influencing distribution decisions

- The complexity of the product/service – value added by the middlemen – technical advice and after service installation.
- The need for trial and product inspection.
- Profit reduction in payment to third party sources.
- Shipping costs.
- Storage costs.
- Perception of places the product is available to buy from that could impact upon the perception of the product.

 OVER TO YOU

Activity 3: Understanding distribution

1 Think of a product you’ve recently come into contact with. Make a list of all of the places where this product is available.

2 Repeat this process for two more products in different industries.

3 Choose one of the products you’ve looked at and write one advantage and one disadvantage of the chosen distribution methods, taking into account the factors that may influence distribution decisions.

The Four Ps – Promotion

A product could be the perfect solution to a customer’s problem, at the ideal price point and available in a convenient location, but a customer still would not choose to buy that product if all of this information was not communicated effectively.

Promotion is the element of the Four Ps that specifically relates to customer communications. Here are all of the tools and channels that a marketer has available to them to create a strong promotional communication strategy, effectively giving customers the information they need to make a purchase decision.

Take a photo of this on your phone to learn about promotional channels.

Promotional channels:

Advertising	Affiliates	Branding/packaging	Digital tools
Paying for placement of specific messages in specific media.	Word-of-mouth promotion based on recommendation by a third party.	Creating a clearly differentiated brand identity that clearly represents the product’s positioning, use and target audience.	Online services that will help to promote a product, service or message.

Advertising	Affiliates	Branding/packaging	Digital tools
Digital – Social media advertising, search engine advertising, banner adverts Traditional – TV, Radio, magazine and newspaper, out of home (e.g. billboards).	Blogger affiliates, consumer-to-consumer referral programmes.	Name, packaging design, colours, website, tone of voice.	Product or organisation website, third-party websites and auction or sales sites, tracking and measurement and analytics tools.
Direct marketing	Direct selling	Events	Partnerships
Sending marketing materials directly to individuals.	Selling made via a sales professional interacting with a consumer.	Specific occasions where consumers and organisations are brought together.	Teaming up with another individual or organisation with a relevant audience to promote to their consumers.
Digital – email campaigns Traditional – postal campaigns.	One-to-one communication usually in-store, at events or in meetings.	Exhibitions, conferences, festivals, markets.	Influencer or ambassador partnerships, multi-organisation partnerships.
Public relations	Social media	Sponsorships	Sales promotions
Building a relationship with potential consumers through the media usually in reviews and through relevant product stories and events such as new product launches detailed to journalists.	Using social networks to publish content that allows organisations to engage directly with consumers on a regular basis.	Paying money to another organisation, event or person to feature an organisation's branding as part of its activities.	Short-term price reductions or other offers designed to encourage an uptake in sales.
Traditional PR – newspapers and magazines, supplements Digital PR – websites and blogs.	Facebook, Twitter, Instagram, Snapchat, Pinterest, YouTube, WeChat, Google +.	Sports teams, sportspeople, events, influencers, local businesses, charities.	% discounts, bundles, holiday offers, coupons, flash sales, voucher codes.

Table 4: Promotional channels



! NEED TO KNOW

This is not an exhaustive list of promotional channels that marketers are able to use to communicate with consumers. New channels and tactics are appearing all of the time and it's a marketer's job to keep track of the uses and benefits of these and to assess whether or not they would be a valuable addition to the marketing mix.



Factors influencing promotional decisions

Not all organisations will choose to use all of these promotional channels and tactics as some will be more effective in specific geographies or industries. However, there are some that are fundamental to almost all products including branding and digital tools.

Here are some examples of what may impact upon a marketer's decision to use specific promotional channels:

- budget and resource;
- brand perception and image;
- target market's preferred channels;
- messaging that is appropriate for the channel.

5.2 Explain the additional marketing mix elements involved in the marketing of services

The Four Ps is a valuable method for creating a marketing mix that will form the fundamentals of selling products. However, for the marketing of services additional factors must be taken into consideration.

Defining services versus goods

Goods are **tangible** items, e.g., clothes, books, foods, toys, objects, home design objects.

Services are activities with no tangible product, provided by a person or organisation e.g professional consultancy, cleaning, gardening, medical guidance, hospitality and catering, computer programming, travel.

While goods can be owned, services are experienced and are only owned by use.

In the digital world, digital items such as apps may fall into either category and should be considered on a case-by-case basis.

Finding the marketing mix for services is often more difficult than for products as it's less easy to categorise, define and standardise as there are less clear boundaries of what is and isn't included, which isn't the case with a physical product that simply exists in its final format. There are also factors to consider including, time, results and communication levels.

The Seven Ps

The framework used for establishing the extended service marketing mix is an expanded version of the Four Ps, known as the Seven Ps. It includes all four factors within the Four Ps, with the additions of people, process and physical evidence.

The Seven Ps – People

When it comes to purchasing services, it's often said that people hire people rather than things. This makes sense because the provision of a service is a fundamentally human activity, and you must be able to trust that the human you've hired is able to complete the agreed service. People are also often the only tangible interaction a buyer will have with a service-based product until they are able to see the results.

How to incorporate people into the marketing mix

- Find people with the right skills – expert skills for the service provided, and interpersonal skills to help sell this product while at the same time giving the buyer confidence.
- Invest continuously in training to ensure that the people involved in the provision of services can represent the organisation and product to the required standard, including accreditation where available.

The Seven Ps – Process

Defining a clear, effective and efficient process can be a central part of the extended marketing mix for services. A sensible and considered process will increase trust in a potential customer and give them the confidence that the organisation is able to fulfill the service as required.

An effective process will have clear inputs and outputs, and will be interacted with by the customer at specific times, but will otherwise be running in the background. The ease of making a purchase is essential, especially in a digital environment.

How to incorporate process into the marketing mix

- Technological and automated processes that encourage customers.
- Full sales process that gives the customer the right information at the right time.
- Communication process that ensures the customer is always able to check on the status of the services they have purchased (i.e. account management).

The Seven Ps – Physical evidence

Physical evidence or physical environment is particularly important to organisations offering a service that is dependent on its premises e.g a hotel, restaurant or transport service.

In all of these scenarios, the service being offered is not the premises themselves. For the hotel it's a bed, for the restaurant it's the food and for the transport it's the journey and transport method. But the quality and physical location these services take place in will influence the customer's overall perception of the experience and the service, and therefore how they perceive the organisation. Clear signage and reminders of brand values are essential parts of creating physical evidence.

How to incorporate physical evidence into the marketing mix

- Favourable layout, ambience and cleanliness.
- Staff uniforms and behaviours.
- Thoughtful and relevant additional facilities and features.
- Appropriate branding and identity – in-keeping with the organisation's brand guidelines.

! NEED TO KNOW

For services that don't have a physical base, this is still an important factor to consider. Think about products being sold online. The online store, or organisation's website, although not the product being purchased, has an important impact on the customer's overall experience. If it's an easy-to-navigate and quick experience with dynamic design, this will have a positive impact on the customer's perception of the selling organisation.



Product life cycle

Product life cycle is the series of stages a product goes through, from its inception and introduction through to its eventual evolution or removal from distribution.

This is an example of a typical product lifecycle, although not every product goes through each of these stages. It's useful to be aware of the life cycle as it can provide some guidance on a marketer's focus when creating the marketing mix.

Development	Introduction	Growth	Maturity	Decline
Deciding to fill a space in a market.	Launching a new product.	Establishing a presence.	Steady and stable sales.	Demand and sales slow.
Focus on solving specific problem.	Focus on awareness.	Focus on sales.	Focus on staying established against competition.	Focus on price-cutting, making more relevant; often a return to development stage.

Table 5: Product life cycle



A successful marketing mix takes into account where a product is in its product life cycle, as this will have an impact on the other elements of the marketing mix needed to promote and sell the product.

New product development (NPD)

If a product reaches its decline sector of the product life cycle, developing new products will be key. The aim of NPD is to anticipate upcoming needs a consumer will have so that you can provide a solution to these at the right time.

Why might an organisation need to focus on NPD?

- technological changes that make the existing product outdated – in sales, production or concept;
- too many competitors on the market with similar products;
- legislative changes that mean the existing product is outdated;

- new consumer trends, desires and needs;
- a need to increase profits or reduce costs dramatically;
- a desire to move into a new industry, field or segment.

5.3 Discuss the main considerations when developing a marketing mix

Now that we've established what a marketer must establish to create an effective marketing mix, it's time to look at the considerations that influence the final decisions that will be integrated into the marketing plan.

The marketer must take into account the unique requirements of the organisation. These can include:

- positioning and customer segment;
- timing, human and financial resource;
- organisation-specific factors including objectives, organisation type.

Coordination of the marketing mix

To ensure that the marketing mix is applied most efficiently, the marketing plan must coordinate the different elements effectively, in a sensible schedule that is both achievable and will have the greatest chance of success.

A marketer must consider the following factors when coordinating their marketing mix:

Business objectives	Available resources	Trackability
<ul style="list-style-type: none"> • Are there targets that need to be met by a certain time? • Is there a timeline for product or feature releases that the marketer must adhere to? • Are there milestones or events that must be met at certain calendar moments? • Will competitor activity have a bearing on the timing of the implementation of the marketing mix? 	<ul style="list-style-type: none"> • Limits on the budget available to the marketer will have an impact on which elements they are able to implement at any one time. • Perhaps they will have to start with lower cost tactics and build up to those that cost more once some initial sales are made. • Are there specific skills required to implement certain parts of the marketing mix and time allotted to the marketing function? 	<ul style="list-style-type: none"> • Some elements of the marketing plan is based on assumptions, and to effectively coordinate the successful implementation of this there will need to be an element of experimentation to test these assumptions before implementing the rest of the plan. • Thus, the results of these experiments should be immediately trackable to feed into the final coordinated schedule.

Table 6: Coordination of the marketing mix



When building a schedule remember:

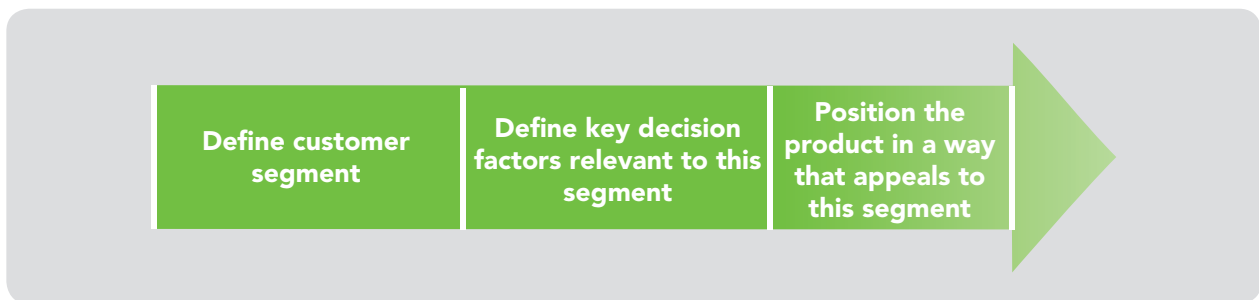
- to plan the time of all people required to meet the requirements of the marketing mix, based on how much time they have available;
- to ensure the budget will be available at the required times to fund the elements of the marketing mix;
- that the time frames match with wider business objectives i.e. financial year ends, quarters;
- have a centrally-accessible document broken down by elements and tasks that shows who is responsible for what, and when each task is due.

Tailoring the marketing mix to the chosen customer segment

In a consumer's purchase process, they assess which positioned product they are interested in buying.

This may be based on a number of factors as previously explored in the consumer buying decision, including, but not limited to, lifestyle, personal perception and income.

An effective marketing mix will cater to the positioning that the marketer has established through research that a customer segment will positively respond to.



CASE STUDY

Segmentation and positioning



The role of the marketing mix is now to work together to adequately represent and communicate this positioning to the consumer.

Positioning and the marketing mix

For a marketing mix to be effective, it must directly support the positioning of the product or service, based on the criteria that will appeal to the target consumer segment. For this reason, clear positioning should be one of the key aims that tie together the different elements of the marketing mix.

Here are all of the factors that come into play when a customer assesses and decides on where a product is positioned. The most important factor here is consistency.

Pricing	Media	Customer reviews	Messaging
Competitors.	Brand and packaging.	Product and features.	Places to purchase.

If certain elements of the marketing mix position the product in a certain way, yet other elements undermine or contradict this, the positioning will be confused and the marketing mix will not communicate the benefits of the product to the consumer.

CASE STUDY

Example of a strong positioning as a result of the marketing mix

A product designed to appeal to students seeking convenience on a budget:

- a catchy, funny name with bright packaging;
- available as part of a cost-effective bundle;
- available to purchase online with next-day delivery.

For example:

- A cookery book titled *Cooking 4 Students*
- Priced at \$9.99 including a free saucepan
- Widely available from sites including Amazon.



An example of a weak positioning as a result of the marketing mix:

A product is designed to appeal to a high-end and status-driven consumer:

- stylish packaging and logo;
- available to buy at a low or discounted price;
- only available in low-end stores.

For example:

- A four-pack of luxury drinking glasses called The Chrome Collection
- Reduced from \$50 to \$20
- Able to purchase from most supermarkets.



OVER TO YOU

Activity 4: Using the marketing mix

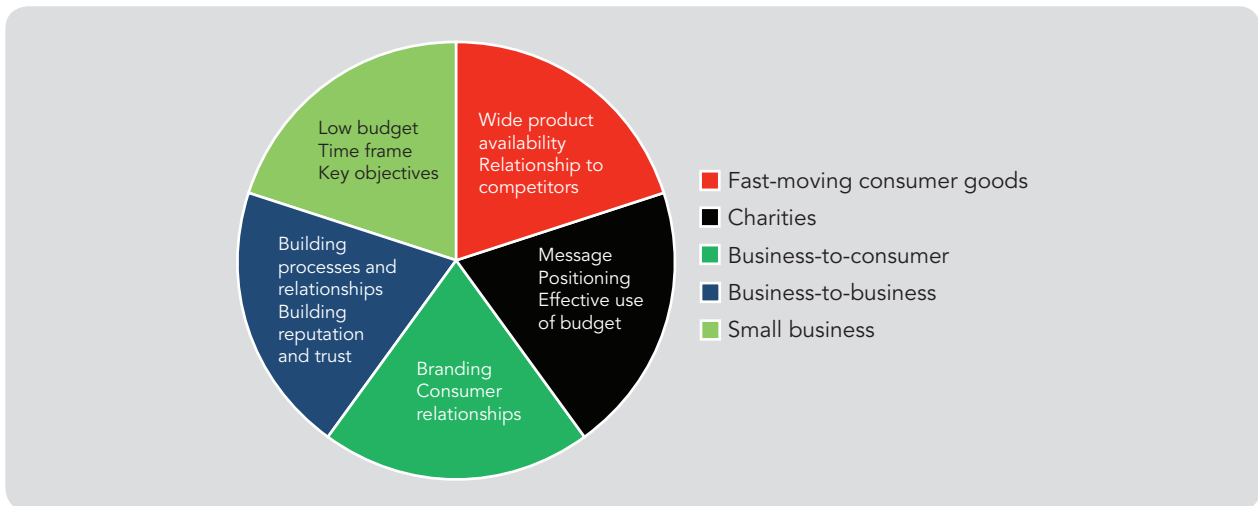
1 Imagine you are selling a product designed for young mothers with a high social standing and well-paid jobs, who are used to a luxurious lifestyle. How might you apply each element of the marketing mix? Think about the Four Ps: product, place, promotion and price.

2 Now think of a product you've come into contact with recently. Go through each element of the marketing mix and see how the company has positioned its product.

Applying the marketing mix in different contexts

As this study guide has demonstrated, marketing encompasses a broad range of disciplines and aspects. The greatest difference between marketing opportunities is often the context in which they're applied, which directly relates to the type of organisation and products.

Here are the key considerations to consider depending on which type of organisation the marketing mix you're creating needs to support.



READING LIST

Michael D'Esopo, Eric Almquist, (2007) "An approach to mastering the marketing mix", *Business Strategy Series*, Vol. 8 Issue: 2, pp.122–131. (This article will be available in your online student resources.)

After learning about the factors required to build a valuable marketing plan, in this chapter you've learned how to create a targeted marketing mix that appeals to a defined segment in the most effective way to influence their purchase decisions.

Glossary

Accountability Taking responsibility or ownership for a task or result, and the associated consequences

Always-on Continuously accessed, usually in relation to the digital tools and the fact that consumers are consistently connected via social media, the internet and email

Business function The part of an organisation responsible for carrying out specific tasks, i.e. the marketing function, the sales function

Business model The way in which an organisation plans to make a profit, describing the role of key functions within this

Competition The organisations offering rival products or services. It's the activity of trying to establish commercial gain over similar products

Competitor landscape An analysis of how a business compares to its competition and how the competition operates

Contemporary marketing mix The relevant and up-to-date formula for reaching the right customer, at the right time, with the right price

Data Facts and statistics gathered together for analysis or reference

Digitised Conversion to a digital format or focus

Distribution method Where and when the product or service will be accessible to customers

Due diligence Research and analysis of a company or organisation which is done in preparation for a business transaction

Industry A type of business, i.e. the marketing industry, the tourism industry, the music industry

Ingrained Fixed and unchanging

Market presence Being visible to customers in a specific industry or area

Marketing environment The internal and external forces that impact upon an organisation and its ability to reach customers

Marketing landscape An analysis of the internal and external opportunities and weaknesses impacting upon an organisation and its ability to reach customers

Marketing philosophy An ethos that a particular organisation stands by in their marketing strategy and goals

Marketing strategy A plan of action for an organisation to reach customers and sell them products and services, usually within a set budget and schedule

Model A system or process that can be followed

Moral principles Commonly accepted perceptions of right and wrong held by an individual, group or culture

Multinational Relevant to or relating to multiple nationalities or cultures

Psychographic The study and classification of people according to their attitudes, aspirations, and other psychological criteria, especially in market research

Resources Supply of assets relevant to the task at hand, including materials, finances and staff

Reviews Critical assessment of a product or service by customers, press or professionals, often with a rating

Segmentation A way of dividing up or grouping your customers in order to communicate with them in a more targeted way.

Social missions An objective a company aims to reach outside of its business objectives, and unrelated to turning a profit

Tangible Something physical that can be touched

Transactional Based on the exchange of goods or services and finances

Transient Short-lived or impermanent

Utility Usefulness, performing a specific function

Watchdogs An organisation which monitors other organisations, usually within a specific industry or in relation to specific regulations