
Topic 1 ► Marketing in the New Era

LEARNING OUTCOMES

By the end of this topic, you should be able to:

1. Identify the marketing mix elements of 4Ps and 7Ps and the scope of marketing management;
2. Discuss the concept of marketing management;
3. Explain the four major concepts of the world trade development philosophy;
4. Describe the elements and scope of marketing management; and
5. Assess the challenges of marketing management.

► INTRODUCTION

The role of marketing in enhancing the competitiveness and continuity of an organisation in the market has been realised by many organisations. In order for an organisation to form an efficient marketing management process, it not only needs to understand the concept of marketing but also the concept's development, elements and scope.

In this topic, we will discuss marketing knowledge from the aspect of marketing concept, marketing management and marketing management process.

1.1 BUSINESS DYNAMICS

Human experiences in the past era have proven that every second, an organisation will face new challenges. The attributes or intensity of the challenges are becoming more complex and varied. The greatest and hardest challenge that shapes the new era is that the world is becoming smaller and time is moving faster. The development of technology has made users more sensitive to information. The number of informed human beings increases day by day.

The rise of sophisticated technology has caused competitors to use new strategies and tactics in business. Therefore, marketers have been forced to also use the latest business strategies and tactics brought about by technological advancement. For example, besides airing commercials through the mass media, marketers also need to create websites and interact readily with consumers through online communication. For instance, Nestlé (Malaysia) Limited practises online communication marketing through its website at www.nestle.com.my. Similarly, Proton Berhad has its own website at www.proton.com.my and TV3 has its website at www.tv3.com.my.

The formation of a marketing strategy which is marketing-oriented requires an organisation to understand and embrace the marketing concept. This will enable the organisation to apply marketing-oriented organisational management processes. The discussion in the next part of this topic will help you to obtain a better grasp of the concept of marketing management.



SELF-CHECK 1.1

What do you understand about the field of marketing management?

1.2 MARKETING MANAGEMENT

Marketing management is a combination of two major disciplines, which are management and marketing.

Management is a process of planning, organising, leading and controlling the efforts of organisation members and of using all other organisational resources to achieve stated organisational goals. (Stoner et al., 1995).

Most business experts accept the definition of marketing provided by the American Marketing Association (AMA). AMA defined marketing as follows:

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large (AMA, 2007).

In essence, the concept of marketing management has four important elements:

- (a) Needs;
- (b) Wants;
- (c) Offer; and
- (d) Transaction.



ACTIVITY 1.1

How do you relate profit, which is the most important factor to ensure that an organisation remains in the market, to market orientation?

1.2.1 Needs

The most basic concept in marketing is human needs (Kotler & Armstrong, 2005). A need is a situation or a feeling of inadequacy which is felt by an individual that needs to be fulfilled. For example, the basic needs of human beings are food, shelter and safety.

1.2.2 Wants

While needs refer to the most basic necessities, wants refer to a higher level of needs. For example, a man who is hungry needs to eat food but wants to eat rice, *laksa* or bread. Wants are needs translated into the form of products or services.

Humans have unlimited wants but limited resources. As a result, they have to choose products or services that offer the most value for their money.

1.2.3 Offer

Offer refers to marketing mix, which reflects a marketer's strategies and tactics to influence a transaction. Marketing mix includes **product**, **pricing**, **distribution (place)** and **promotion**, better known as **4Ps**. Refer to Figure 1.1.



Figure 1.1: Marketing mix

After identifying the needs and wants of consumers, marketers have to provide offers that are able to fulfil both needs and wants. Marketers have to:

- Provide goods which suit customers' needs and wants;
- Provide goods at a price that customers are willing to pay;
- Distribute goods in locations that can be easily accessed by customers;
- Customers must be aware of the goods' existence and feel that by buying and using these, their needs and wants can be fulfilled.

(a) **Product**

Products are marketers' offers to be seen, tested and used for personal purpose, household, reproduction or resale. Products are divided into two main categories – tangible and intangible. Tangible products are known as goods while intangible products are called services.

(b) **Pricing**

Pricing refers to final price management which has been adopted by a marketer. Pricing decisions are usually influenced by three main factors – costs, consumers and competitors.

(c) **Distribution (Place)**

Products that are ready and matched with the price scale need to be channelled to the market through a distribution channel to facilitate the acquisition of the products by consumers. There are two important decisions regarding the distribution channel, namely, on the type and management of the distribution.

(d) **Promotion**

Promotion is the element in the marketing mix that is used to inform, persuade and remind consumers about the existence of a product. The methods of promotion are advertisement, sale promotion, personal sale, public relations and publicity, or better known as promotion mix, have to be managed to ensure overall success to persuade the consumer.

While managing every element in the marketing mix, marketers must manage each element in balance. Marketers should not assume that attention should be given to only one element, for example, stressing only on product strategy and tactic management while ignoring all other elements. This is called marketing myopia. The concept of marketing myopia will be discussed later in this topic. In order to create an offer that is able to fulfil the needs and wants of consumers, marketers must manage all the elements of the marketing mix equally.

1.2.4 Business Transaction

Business transaction refers to the process of exchanging offers between marketers and consumers. In the concept of marketing, business transaction is the process of exchanging offers that is able to maximise consumer satisfaction or fulfil the objectives of an organisational consumer. All the steps in the marketing management process should focus on maximising and fulfilling consumers' objectives. The question is, how can such transaction be created by marketers? The discussion on the development of marketing philosophy should be able to answer this question.

**EXERCISE 1.1**

1. Marketers' offer is actually or better known as 4Ps. What is meant by the term "marketing mix"?
2. How much do the concepts of needs and wants differ (based on the marketing perspective)?
3. Differentiate between marketing mix and promotion mix.
4. Which element of the marketing mix is the most important and can be managed separately by marketers? Give your opinion.

1.3**DEVELOPMENT OF CONCEPT OF MARKETING**

The concept of marketing is not a philosophy or business concept that was the first to be practised by organisations around the world. The development of business world philosophy can be categorised into four major concepts:

- (a) Production;
- (b) Product;
- (c) Sale; and
- (d) Marketing.

All four concepts exist to fulfil environmental demands or current needs and are the results of the failure of business concepts practised earlier. Although in terms of history, the development of world business philosophy can be classified according to period of years, and even though the decade of practising those business philosophies have long gone, there are still some organisations which still practise the concepts according to the trends or the history of the business world.

1.3.1 Production

World business philosophy started when the world, more specifically Western countries, underwent the Industrial Revolution at the end of the 18th century. Since the world business is shaped by the growth of industries, most business organisations practise the concept of production.

The concept presumes consumers tend to acquire low-priced products which are easily obtained anywhere. Therefore, marketers focus on mass production at lower cost. Mass production allows producers to enjoy the economy of scale (higher number of products being produced means lower cost per unit). Besides enjoying a relatively lower production cost, mass production allows producers to offer their products at more locations closer to consumers.

1.3.2 Product

After the involvement of many nations in World War I and the recession of the world economy in the 1920s, marketers were unable to market their products because of abrupt decline in consumers' buying power. As a result, marketers had to bear huge losses as they were unable to market as many products as before. Hence, the idea to come up with high quality and attractive products emerged.

This idea seemed practical as marketers assumed that even though a product was expensive, consumers would still buy it because of its characteristics and quality. This business philosophy is known as the concept of product. However, after the world again went into recession in the 1930s, the concept also took a fall.

1.3.3 Sale

The decline of the concept of product forced marketers to come up with a new concept which assumes that if left alone, consumers will not buy any marketed products. Therefore, consumers have to be influenced to buy, through aggressive marketing activities, namely, promotion and sales. This philosophy is known as the concept of sale. However, this concept also took a fall when World War II took place in the 1940s.

1.3.4 Marketing

In the three concepts mentioned previously, business orientations begin with marketers' assumption of consumers (focused on the producer). Through the fourth concept, all the business processes begin with consumers (focused on consumers). This business philosophy is known as the concept of marketing. This concept is very different from the earlier business concepts. Figure 1.2 explains the differences between this concept and the other three concepts.

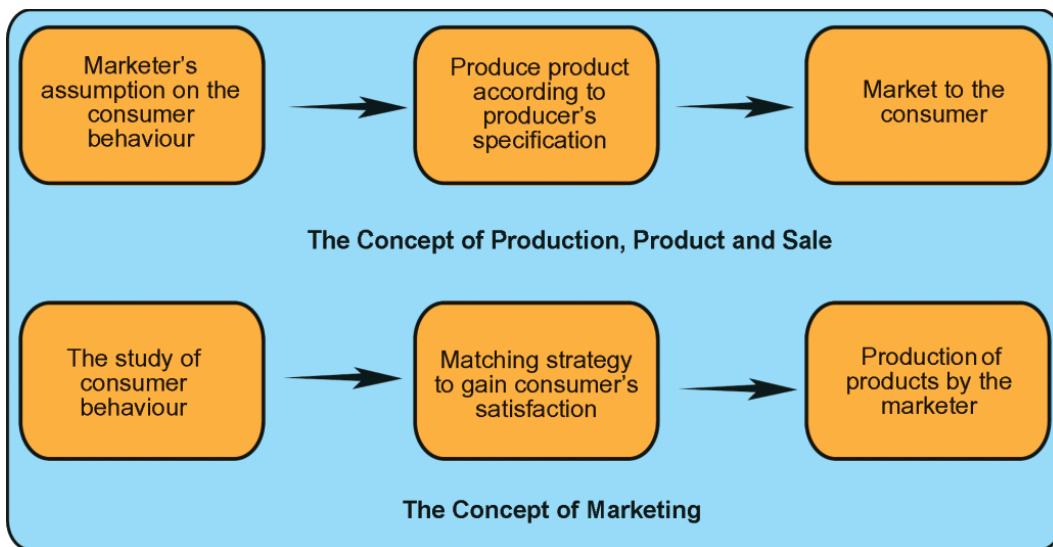


Figure 1.2: Difference between the concept of marketing and the concepts of production, product and sale

Based on Figure 1.2, marketers who hold on to the concept of marketing have to get to know the consumers first, particularly their needs and wants. Every strategy of the marketer must focus on the maximisation of consumer satisfaction.

The success of this concept made it popular among many organisations until today. The concept of marketing not only stays firm in world development but continues to undergo positive changes in line with changes in the world such as green marketing, societal marketing, relationship marketing and borderless marketing.

Even though the marketing concept has been proven to be the only competitive business philosophy, there are still some marketers who practise the concepts of production, product and sale even though they are no longer popular. These are marketers who are narrow-minded, focus only on short-term profits or still enjoy the monopolisation of certain markets.

Marketers who only pay attention to one element out of the four elements in marketing mix, particularly products, are said to have marketing myopia.

Marketing myopia refers to the practice of the wrong business orientation or strategies by marketers. Usually, marketers with marketing myopia overly focus on product strategies alone. Marketers with marketing myopia will usually face failure as a result of ignoring consumer satisfaction in designing their marketing strategies. There should be integrated marketing strategies which encompass all the marketing mix elements in a harmonious balance.

1.4 ELEMENTS AND SCOPE OF MARKETING MANAGEMENT

The elements and scope of marketing management are elaborated through the marketing management processes. These processes are illustrated in Figure 1.3.

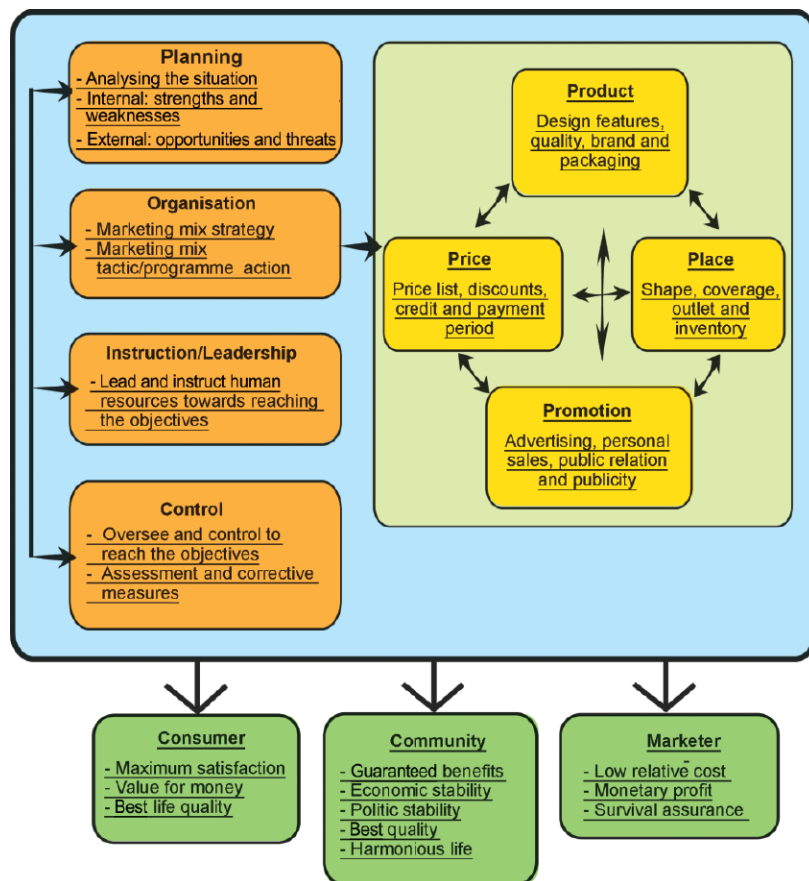


Figure 1.3: Marketing management processes

Source: Adapted by Bagozzi, et al (1998)



ACTIVITY 1.2

Based on Figure 1.3, briefly explain how a marketing manager can handle the processes of marketing management.

Marketing management processes begin with effort by marketers to reconstruct all their resources and suit them to the abilities, challenges and opportunities faced by their organisation. Marketers may be able to understand the environment they face with a thorough environmental analysis.

Marketing environment is divided into two: internal and external environment. After identifying the abilities and external environmental factors, marketers have to organise strategies and tactics through their efforts to design the product, price, distribution and promotion, tactic and strategies.

After planning and organising the marketing mix strategies, marketers have to carry out each strategy and tactic. This requires a marketer to lead (instruct) all human and non-human resources to reach his goals and objectives. While the processes are being carried out, the marketer has to make sure that each strategy and tactic that has been planned is carried out efficiently and effectively. This requires the marketer to come up with a mechanism to control, oversee and evaluate the whole process.

The success of the marketer in creating an efficient and effective marketing management process will benefit his organisation by increasing financial profit, reducing production (operation) cost and enabling the organisation to be sustainable in the market. It will also benefit consumers and the community.

1.4.1 Elements of Marketing Mix

Marketing mix, or better known as 4Ps, refers to the main strategy elements that need to be designed and managed by marketers to come up with a value exchange process that will maximise consumer satisfaction. Products, price, place and promotion are the four elements that build the marketing mix.

However, for services marketing, the marketing mix for business organisations is known as 7Ps. This is because service marketers also need to support the services marketing process by having:

- (a) Physical evidence such as a trademark, direction or interior design;
- (b) Human management (persons) who are the staff and consumers; and
- (c) A service delivery process.



EXERCISE 1.2

1. The essence of business philosophy based on marketing started from _____.
2. The marketing concept of _____ emphasises the long-term relationship which benefits marketers and consumers.
3. What is the main reason marketers who practise other concepts besides the concept of marketing fail in their business?
4. What does marketing myopia mean? How does it affect the ability of marketers to be sustainable in the market of the new era?
5. How do you use the definition of marketing by the American Marketing Association to explain the marketing process as illustrated in Figure 1.3?
6. How does the marketing process influence the tastes of consumers and the prosperity of the community?

1.5

CHALLENGES OF MARKETING MANAGEMENT

The market is normally dynamic and has various life cycles; at times it prospers, stagnates and even deteriorates. Every change that it goes through usually will make the market more mature or raise the environmental quality. Therefore, marketers must be ready to face challenges and market dynamics.

SUMMARY

- The new era of marketing promises new challenges that need to be embraced by every organisation.
- A strategic and effective marketing management needs to be enforced to ensure dynamic business management.

KEY TERMS

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Business

Dynamics

Marketing

Marketing mix

Needs

Offer

Production

Product

Pricing

Sale

Transaction

Wants