

RELEVANT TO FOUNDATION LEVEL PAPER FAB / ACCA QUALIFICATION PAPER F1

## The role of marketing

Section B2(e) of the Paper FAB *Study Guide* states that candidates should be able to describe the roles and functions of the main departments in a business organisation: research and development, purchasing, production, direct service provision, marketing, administration and finance. The next section of the *Study Guide* amplifies the requirements in relation to marketing, setting out the following learning outcomes.

Explain the role of marketing in an organisation:

- i) the definition of marketing
- ii) the marketing mix
- iii) the relationship of the marketing plan to the strategic plan.

This article provides an introduction to these important marketing concepts.

### WHAT IS MARKETING?

The definition of marketing published by the UK's Chartered Institute of Marketing is 'the management process responsible for identifying, anticipating and satisfying customer needs profitably'.

There is no doubt that marketing is a **management process**, as most successful organisations regard it as a crucial set of co-ordinated activities that must be driven from the strategic level of a business. Many organisations have an executive director with functional responsibility for marketing but, even if this is not the case, it is usually necessary for a strategic marketing plan to be put in place and implemented, consistent with the goals and objectives set out in the corporate plan.

Despite a widely held perception that marketing is synonymous with selling, the definition confirms that the scope of marketing extends far beyond selling alone. Indeed, a business strategy built on selling and without due attention to other important marketing activities can have serious shortcomings: the customer's needs may be overlooked, the organisation may sell goods and services that the customer does not need, or the customer may have needs for the organisation's products and services but may purchase the wrong ones.

The essence of marketing is captured in the words '**identifying, anticipating and satisfying**'. These imply a process through which the organisation must find out what customers want, or carry out research into what customers are likely to want in the future, and then fulfil these needs by deploying its resources in an appropriate manner. The process has to be dynamic, as needs and preferences change over time, rendering some goods and services less

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suitable for their needs, or even obsolete. There are countless examples of products that have fulfilled genuine needs in the past, sometimes for long periods of time, but have eventually been superseded by alternative choices due to changes in needs, tastes and preferences, or have become totally unnecessary for consumers. Examples include audio cassettes, Super 8 cine films and projectors, 'twin tub' washing machines and cash registers.

Successful business organisations therefore regard marketing as a **continuous process**, through which actual and perceived customer needs are constantly analysed and monitored in order to fulfil these needs to the extent that the organisation's resources and capabilities allow.

### THE MARKETING MIX

The marketing mix is a model used when considering the range of activities necessary to construct and implement a comprehensive marketing strategy. It is most commonly expressed in terms of 'the four Ps' of product, price, promotion and place. 'Place' in this context refers to all activities associated with distribution.

#### Product

This element of the marketing mix considers the technical features, benefits and limitations of the product or products offered by the business. Depending on the nature of the business, products can be physical goods or services.

The technical **features** of the product are important because they will determine whether it will meet the actual or anticipated needs of the customer. Features are expressed as technical specifications and capabilities, and sometimes the limits to which the product is subject.

**Benefits** are the utility to the customer and confirm what may be expected of the product. Benefits have an important role to play when devising promotional activities, and are therefore the crucial link between the product and promotion elements of the mix.

Some products are subject to a derived demand, so the features may be quite distinct from the benefits of the end product. For example, nobody actually wants a mortgage, as this represents a large, long-term financial commitment. The benefit lies in owning an apartment or house, and without the mortgage, of course, few people can realise this aspiration in the short term.

**Product planning** considers the position of the product within the portfolio of products offered by the organisation, and the potential contribution the product has to make to its future success. Nearly all products may be considered with reference to the **product life cycle**. This model suggests that products pass sequentially through various stages over time, with revenues

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increasing through the introduction and growth stages, then tailing off and eventually declining as shakeout, maturity and decline take place. The 'product' of professional firms is the services they offer, which are mainly intangible but may sometimes be delivered as reports and other outputs.

### Price

This refers not only to the price of the product, but to all costs related to the purchase. It may be expressed in monetary terms, a rate of interest, costs, fees, or a combination of all these elements. The price may be a one-off payment, or a series of payments over time. It may be subject to time limits (such as a special deal for a limited period). It may also be conditional on purchasing other products, or a minimum 'lock in' period, such as a mobile telephone contract with a minimum duration.

In the context of professional services, price is expressed as fees or charges.

### Promotion

Promotion refers to all activities that are intended to inform the customer and influence the purchasing decision. The range of promotional media deployed by an organisation is sometimes referred to as the **promotional mix**. This includes:

- advertising
- direct selling, such as face-to-face interactions and telephone or online sales
- public relations
- merchandising
- sponsorship.

Promotion may be highly specific to individual products or a range of products, or may enhance brand recognition in respect of the organisation's public image. In some cases, the name of the product may become synonymous with the organisation itself. For example, the ballpoint pen was once referred to routinely as a 'biro', which is both the inventor's surname (Laszlo Biro) and the name of his company. Likewise, a vacuum cleaner is still called a 'hoover' by many consumers, Hoover being the name of just one producer.

The promotional mix varies widely from organisation to organisation. Fast moving consumer goods producers rely extensively on advertising, while life assurance companies have traditionally used direct selling to a much greater extent.

**Market segmentation** can be used for both research and planning purposes. It is highly relevant when considering the promotional mix, and is also important when considering the other elements of the marketing mix. Market

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segmentation involves analysis of the market with reference to homogeneous sub-sets that share like characteristics. Commonly used segments include:

- age
- gender
- geographical location
- socio-economic groups
- psychological factors, such as risk appetite, desire to conform or be different, and so on.

Segmentation provides insights into strategic opportunities and options. For example, some companies choose a highly focused approach by **targeted marketing** aimed at very specific market segments (Club 18-30 holidays, insurance for drivers with 'clean' licences), while others apply **differentiated marketing strategies** to address several segments deploying different marketing mixes (fast moving consumer goods companies often produce low price brands and premium priced brands within their product portfolios).

As legal constraints and universally accepted professional standards have changed over time, the promotional mix used by professional firms has changed radically in recent years. In many countries, accountants, lawyers and doctors were forbidden from advertising at all, and had to rely on testimonials and personal referrals, and even when such rules were relaxed, many professionals frowned upon promotion in the conventional sense. Such attitudes are rarely encountered today.

### Place

This refers to all activities related to moving the product from the producer to the consumer. It is concerned with **distribution** through the producer's **channels to market**.

Distribution may involve physically moving the product to the consumer, or to intermediaries who take responsibility for different stages of distribution, such as agents and wholesalers. In retail industries, distribution was once only concerned with transferring goods from the point of production to the point of sale, but the logistics have now changed as more companies embrace online orders and home delivery alongside (and, in some cases, instead of) their stores.

Advancements in information and communications technology have changed the face of distribution in the last 20 years. In many countries, it has become apparent that retail shops are finding it increasingly difficult to compete with the more direct channels facilitated by e-commerce. While for the foreseeable future consumers will continue to rely on the traditional shopping experience for certain goods, such as fresh food and fashion, it is clear that certain businesses cannot expect their traditional business model to be sustainable.

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This has been borne out by the collapse of some long-established companies (such as Woolworth) and the difficulties encountered by others (such as various travel and holiday companies).

Professional firms now rely heavily on virtual channels to market, having previously been highly dependent on face-to-face interaction.

### THE EXTENDED MARKETING MIX

In addition to the four Ps, some organisations incorporate additional elements into their marketing mix. The most common of these are people, processes and physical evidence.

#### People

This component of the marketing mix is especially important:

- when goods offered are considered to be homogeneous by customers
- for services, which are intangible and therefore have to be differentiated in an effective manner.

People are the most unpredictable resource employed by an organisation, as the contribution of any individual can vary from day to day, or even during any single day. People facilitate interactions between the business and the customer, so it is important that employees add value at the point of sale and in back office roles. Some writers refer to each interaction between the customer and an individual employee as a 'moment of truth'. Each moment of truth is an opportunity to delight the customer or merely satisfy the customer, but it is also a moment when inappropriate behaviour, attitudes, mood or language can drive the customer away, possibly never to return.

When considering this part of the marketing mix, the organisation has to consider matters such as:

- the duties that should be carried out by people, and how these duties should be allocated between them
- the extent to which tasks can be automated, making the service experience more effective and efficient, but without diminishing value to the customer
- the expectations of customers when dealing with people in the organisation
- the extent to which competitive advantage can be obtained by enhancing the contribution that employees may potentially make, which can be achieved through education, training, development, incentives and other motivational stimuli.

#### Processes

Processes are vitally important when they can impact on the effectiveness of delivering benefits to the customer. Automation and the linking of processes

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have parts to play here. Successful businesses capitalise on the use of technology to undertake tasks that are performed better by machines than people, while at the same time asking their people to fulfil roles that only people do well.

Many businesses have seen a revolution in the way that customer needs are addressed by focusing on process changes. These include the systems used by airlines for booking, ticketing and moving customers through airports and on to airplanes, and the systems used by financial institutions to provide remote banking services, including current accounts and card products.

Adding value through changes in processes may be achieved by adjusting and refining existing systems (process design and redesign), or by re-engineering processes completely.

### **Physical evidence**

When considering the purchase of a good, the customer may respond to physical cues, such as whether the packaging is pleasing on the eye or whether the good itself is aesthetically attractive. In the context of the extended marketing mix, physical evidence is especially relevant to services. As stated earlier, services are intangible, so those responsible for marketing can design and implement physical cues to which the customer may respond positively.

There are many ways that this element of the mix can be used effectively, including attention to:

- the design of the building in which the service is delivered, and sometimes the environment in which the building is situated
- interior layout, decor, signage, as well as use of contemporary floor plans
- uniforms
- design of web pages and forms
- business cards
- loyalty cards.

### **THE RELATIONSHIP OF THE MARKETING PLAN TO THE STRATEGIC PLAN**

The strategic plan of an organisation is formulated in order to achieve the organisation's long-term objectives. A typical planning horizon is five years, though this may depend on the nature of the business. For example, a 'dot com' company may choose a short timescale if technological developments in its field of operation are changing fast, while an oil or minerals extraction company might plan for a much longer period of time.

The strategic plan sets objectives that will be consistent with its values and mission as envisaged by the directors. In order to realise the objectives set down in the plan, it is necessary for each functional area of the business to

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create its own plan. Therefore, there will be a production plan, a human resources plan, a financial plan, and so on.

Marketing objectives must be consistent with strategic objectives, and be drawn up alongside them. Few organisations can operate without paying attention to the environmental (PEST) factors, so one of the first stages of planning is to analyse these factors and consider them in relation to the opportunities and threats presented by external forces. The marketing plan must also take account of the internal strengths and weaknesses of the organisation. Strengths are the platform upon which competitive advantage can be built, while weaknesses signal current limitations that the organisation may or may not be able to overcome.

At this stage, many organisations carry out a **marketing audit**, which addresses three questions:

- where are we now?
- where do we want to be?
- how do we get there?

The marketing plan can then be formulated, setting specific objectives and detailed plans on how marketing resources will be applied to achieve them. For many organisations, the detailed plans may be structured around the various elements of the marketing mix.

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