

3

The Marketing Concept

Have you ever been a dissatisfied customer? What did you do about it? Based on your experience, why is customer satisfaction important?

Marketing Terms

utility
marketing concept
customer satisfaction
marketing functions
channel management
marketing-information management (MIM)
market planning
pricing
product/service management
promotion
selling

There are millions of businesses. Many of them offer similar products. These businesses compete with each other for customers. The businesses that get the most customers are usually the most successful. What helps a business get more customers? Businesses usually get more customers when they learn about their customers and make their products useful to those customers. In business, usefulness is called **utility**. Utility can take many forms. For example, a bank staying open on the weekend is a form of utility. Offering products in a convenient location such as a corner store is another example of utility.

Learning Goals

- explain the three elements of the marketing concept
- describe the benefits of the marketing concept to business and customers
- identify the seven functions of marketing
- give an example of each marketing function and describe how it supports the marketing concept

The Marketing Concept

When a business focuses on the customer, the business is said to be following the marketing concept. The **marketing concept** is an approach to business that says that the way to make a profit is to focus on customer satisfaction. There are three elements to the marketing concept:

- **Customer Satisfaction.** For businesses that follow the marketing concept, satisfying customers is a major goal. **Customer satisfaction** is the positive feeling a customer gets when the product purchased meets or exceeds the customer's expectations. How does a business satisfy customers? One way is to add more utility to products. Another way is to provide exceptional customer service, 3-1.
- **Total Company Approach.** As you learned in Chapter 2, marketing is the function of business that focuses on the customer. The marketing concept is a natural part of the marketing function.



3-1

Customer satisfaction is a major focus of the marketing concept.

However, the marketing concept is not just for the marketing function of business. The marketing concept says that all four functions of business must work together to satisfy customer needs and wants. Employees in production, finance, management, and marketing must work together as a team. Together they focus on earning profit by satisfying customer needs and wants.

Companies that follow the marketing concept realize that every employee can have an effect on the customer, 3-2. Every person who interacts with a customer influences the customer's opinion of the company and its products. These



3-2

Employees who are not in sales or marketing can have an impact on the customer.

companies make sure that each employee gets training in satisfying customers.

- **Profit.** The marketing concept says that the best way to make a profit is by satisfying customers. However, if a business were to do everything that customers want, the costs might be very high. A business might lose money trying to meet every customer want. The marketing concept says that profit is also important. Often a business cannot afford to do everything to meet customer needs. The marketing concept says that a business should balance satisfying customers with making a profit.

The marketing concept benefits customers by focusing the business on meeting their needs. The marketing concept benefits the business by building a strong base of satisfied customers who buy again and again, which results in increased profits.



Connect...

Have you ever been a satisfied customer? Describe what the business did to make you a satisfied customer.

The Functions of Marketing

The role of marketing is to help the whole company focus on customers. The **marketing function** specializes in learning about customer needs and wants. By sharing information about customers with production, finance, and management, the marketing function helps the business focus on customer satisfaction.

Marketing itself consists of hundreds of activities. Marketing activities can be organized in many different ways. This textbook organizes marketing activities

around the customer (market) and the Four Ps: product, price, place, and promotion.

Another way to organize the activities of marketing is into seven functions. In this scheme, there are seven functions of marketing. In a small company, all these functions might be performed by one or two people. In a large corporation, each function might have its own department. The marketing functions are the activities that marketers perform to carry out marketing mix decisions and add utility to products. The seven functions are as follows:

- **Channel Management.** The **channel-management** function handles activities involved in getting products from producers to customers, 3-3. Activities include transporting goods, storing goods, finding sources for products, making sure products get where they are needed on time, and transferring ownership of products.
- **Marketing-Information Management.** **Marketing-information management (MIM)** is also called marketing research. MIM gathers, analyzes, and distributes information about markets, competition,

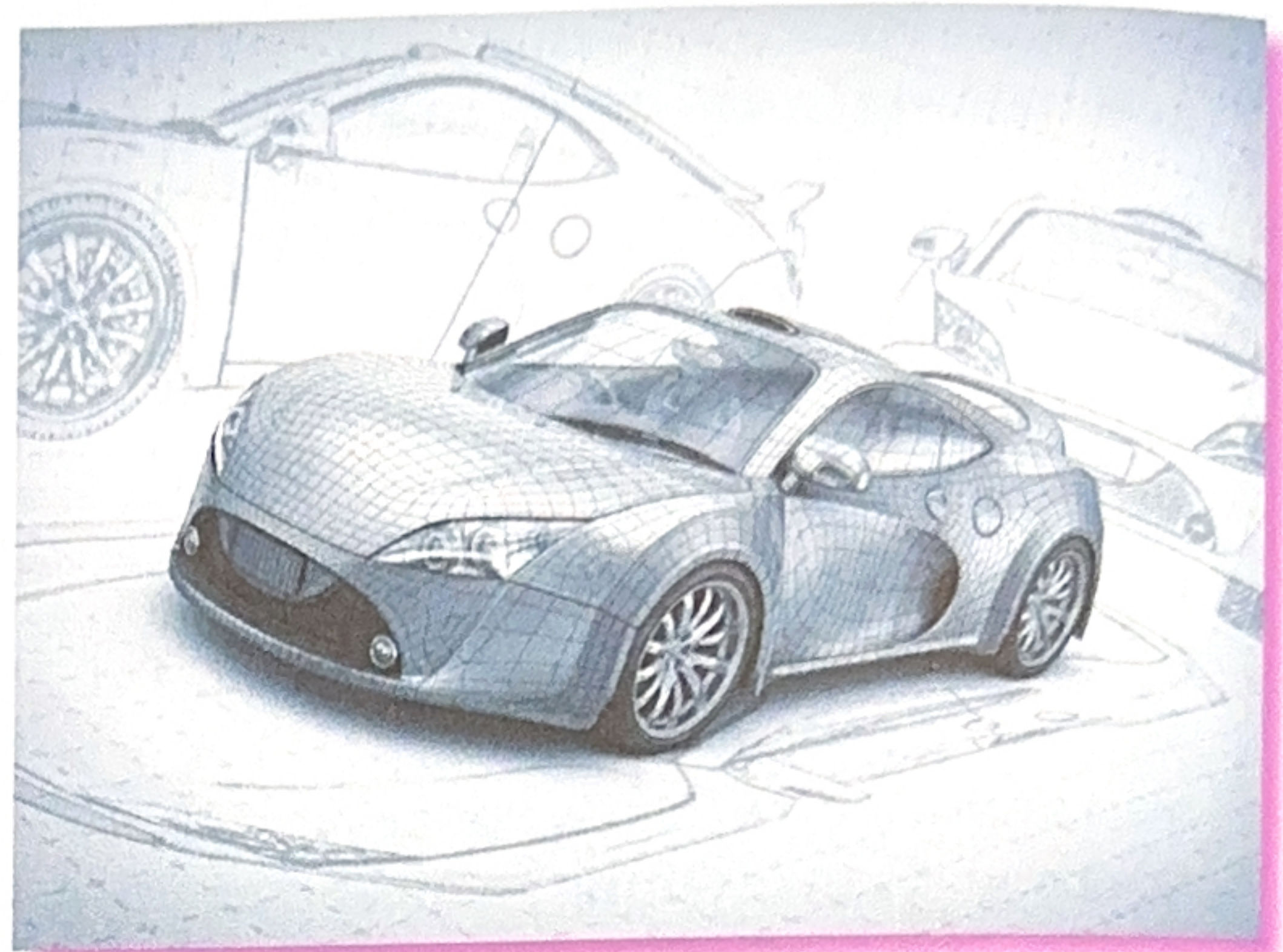


3-3

The channel-management function includes transporting goods and making sure products get where needed on time.

and customers. MIM is one of the main ways that a business learns what customers want. MIM activities might include developing surveys, analyzing the results of surveys, and meeting with customers. You will learn more about marketing research in Chapter 7.

- **Market Planning.** The **market planning** function is used to determine and target marketing strategies to selected audiences. Activities in market planning include identifying the target market, segmenting the market, determining marketing strategies based on the target market, conducting market analyses, and developing a marketing plan. You will learn more about market planning in Chapter 5.
- **Pricing.** The **pricing** function handles all activities involved in setting prices for products. Activities include using financial information to determine price, setting prices to cover costs and include reasonable profit, and adjusting prices when conditions change. Pricing also researches and analyzes the prices that competitors are charging. You will learn more about pricing in Chapter 12.
- **Product/Service Management.** The **product/service management** function specializes in developing products. Examples include developing a new product and improving an old product, 3-4. In retail, product management includes deciding which products to carry in a store. You will learn more about product/service management in Chapter 10.
- **Promotion.** **Promotion** refers to the nonpersonal communication with customers that is designed to influence them to purchase products. This is the type of communication in which the same message is conveyed to



3-4

The product/service management function includes developing new products and improving old products.

all customers. Types of nonpersonal promotion include advertising, public relations, sales promotion, and publicity. You will learn more about promotion in Chapter 15.

- **Selling.** The **selling** function consists of personal communications with customers. Activities include helping customers in a store, making sales presentations, answering questions on the phone, and demonstrating how a complex product works. A sales associate questions customers to learn what they want. The associate then matches customers wants to the appropriate product. You will learn more about selling in Chapter 16.



Connect...

Think about the place where you work, a local store, or another business. Who performs each of the seven marketing functions?

The Functions and the Marketing Concept

The functions of marketing all support the marketing concept. Each function of marketing helps a business focus on satisfying customers' needs and wants while making a profit. The market planning function of marketing helps a business to market products to the right customers in the right place at the right time. When market planning, a business should conduct a SWOT analysis and analyze other factors to ensure that customers get the right products.

The marketing-information management function is one of the main ways that a business learns what customers want, so that the business can follow the marketing concept, 3-5. Those who work



3-5

The marketing-information management function supports the marketing concept by providing information about what customers want.

in marketing-information management often share the information they learn with other departments so that the whole company can gain a better understanding of its customers.

Channel management can contribute to the marketing concept by developing channel management plans that make products available at convenient locations. Channel management often works with the marketing-information management, product/service management, and promotion functions of marketing. Channel management must also work closely with the production function of business.

In a sense, the whole purpose of the product/service management function is to satisfy customers. This function contributes to the marketing concept by developing products that meet their needs and wants.

Pricing supports the marketing concept by considering what customers are able and willing to pay. The pricing function often works with the marketing-information management, product/service management, and promotion functions of marketing.

The promotion and selling functions contribute to the marketing concept by developing presentations and advertising that focus on satisfying customer needs and wants. For example, products can be presented as solutions to customer problems. The selling function is often the group of employees who have the most contact with customers. As a result, these employees often know best what customers want. Therefore, strong communication between the selling function and the product/service function, as well as the promotion function, is critical to satisfying customers.