

6.2: What Marketing Is All About

Learning Objectives

1. Define marketing.
2. Explain why marketing is so important to small business.
3. Explain the marketing concept, the societal marketing concept, and the holistic marketing concept.
4. Define customer value and discuss the role of marketing and delivering it.
5. Explain market segmentation, target market, marketing mix, differentiation, positioning, marketing environment, marketing management, and marketing strategy.

Because the purpose of business is to create a customer, the business enterprise has two—and only two—basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs. Marketing is the distinguishing, unique function of the business. Jack Trout, “Peter Drucker on Marketing,” *Forbes*, July 3, 2006, accessed January 19, 2012, www.forbes.com/2006/06/30/jack-trout-on-marketing-cx_jt_0703drucker.html.

Peter Drucker

Marketing is defined by the American Marketing Association as “the activity, set of institutions, and processes for creating, communicating, and exchanging offerings that have value for customers, clients, partners, and society at large.” “AMA Definition of Marketing,” *American Marketing Association*, December 17, 2007, accessed December 1, 2011, www.marketingpower.com/Community/ARC/Pages/Additional/Definition/default.aspx. Putting this formality aside, marketing is about delivering value and benefits: creating products and services that will meet the needs and wants of customers (perhaps even delighting them) at a price they are willing to pay and in places where they are willing to buy them. Marketing is also about promotional activities such as advertising and sales that let customers know about the goods and services that are available for purchase. Successful marketing generates revenue that pays for all other company operations. Without marketing, no business can last very long. It is that important and that simple—and it applies to small business.

Marketing is applicable to goods, services, events, experiences, people, places, properties, organizations, businesses, ideas, and information. Adapted from Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 6–7.

There are several concepts that are basic to an understanding of marketing: the marketing concept, customer value, the marketing mix, segmentation, target market, the marketing environment, marketing management, and marketing strategy.

The Marketing Concept...and Beyond

The **marketing concept** has guided marketing practice since the mid-1950s. Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 19. The concept holds that the focus of all company operations should be meeting the customer’s needs and wants in ways that distinguish a company from its competition. However, company efforts should be integrated and coordinated in such a way to meet organizational objectives and achieve profitability. Perhaps not surprisingly, successful implementation of the marketing concept has been shown to lead to superior company performance. Rohit Deshpande and John U. Farley, “Measuring Market Orientation: Generalization and Synthesis,” *Journal of Market-Focused Management* 2 (1998): 213–32; Ajay K. Kohli and Bernard J. Jaworski, “Market Orientation: The Construct, Research Propositions, and Managerial Implications,” *Journal of Marketing* 54 (1990): 1–18; and John C. Narver and Stanley F. Slater, “The Effect of a Market Orientation on Business Profitability,” *Journal of Marketing* 54 (1990): 20–35—all as cited in Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 19. “The marketing concept recognizes that there is no reason why customers should buy one organization’s offerings unless it is in some way better at serving the customers’ wants and needs than those offered by competing organizations. Customers have higher expectations and more choices than ever before. This means that marketers have to listen more closely than ever before.” Charles W. Lamb, Joseph F. Hair, and Carl McDaniel, *Essentials of Marketing* (Mason, OH: South-Western, 2004), 8.

Sam Walton, the founder of Walmart, put it best when he said, “There is only one boss: the customer. And he can fire everybody in the company, from the chairman on down, simply by spending his money somewhere else.” “You Don’t Say?,” *Sales and Marketing Management*, October 1994, 111–12. Small businesses are particularly suited to abiding by the marketing concept because they are

more nimble and closer to the customer than are large companies. Changes can be made more quickly in response to customer wants and needs.

The **societal marketing concept** emerged in the 1980s and 1990s, adding to the traditional marketing concept. It assumes that a “company will have an advantage over competitors if it applies the marketing concept in a manner that maximizes society’s well-being” Dana-Nicoleta Lascu and Kenneth E. Clow, *Essentials of Marketing* (Mason, OH: Atomic Dog Publishing, 2007), 12. and requires companies to balance customer satisfaction, company profits, and the long-term welfare of society. Although the expectation of ethical and responsible behavior is implicit in the marketing concept, the societal marketing concept makes these expectations explicit.

Small business is in a very strong position in keeping with the societal marketing concept. Although small businesses do not have the financial resources to create or support large philanthropic causes, they do have the ability to help protect the environment through **green business practices** such as reducing consumption and waste, reusing what they have, and recycling everything they can. Small businesses also have a strong record of supporting local causes. They sponsor local sports teams, donate to fund-raising events with food and goods or services, and post flyers for promoting local events. The ways of contributing are virtually limitless.

Video Link 6.2.1:

Do Well While Doing Good

Small business sustainability practices.



The **holistic marketing concept** is a further iteration of the marketing concept and is thought to be more in keeping with the trends and forces that are defining the twenty-first century. Today’s marketers recognize that they must have a complete, comprehensive, and cohesive approach that goes beyond the traditional applications of the marketing concept. Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 19. A company’s “sales and revenues are inextricably tied to the quality of each of its products, services, and modes of delivery and to its image and reputation among its constituencies. [The company] markets itself through everything it does, its substance as well as its style. It is that all-encompassing package that the organization then sells.” Charles S. Mack, “Holistic Marketing,” *Association Management*, February 1, 1999, accessed January 19, 2012, www.asaecenter.org/Resources/AMMagArticleDetail.cfm?ItemNumber=880. What we see in the holistic marketing concept is the traditional marketing concept on steroids. Small businesses are natural for the holistic marketing concept because the bureaucracy of large corporations does not burden them. The size of small businesses makes it possible, perhaps imperative, to have fluid and well-integrated operations.

Customer Value

The definition of **marketing** specifically includes the notion that offerings must have value to customers, clients, partners, and society at large. This necessarily implies an understanding of what customer value is. **Customer value** is discussed at length in Chapter 2, but we can define it simply as the difference between perceived benefits and perceived costs. Such a simple definition can be misleading, however, because the creation of customer value will always be a challenge—most notably because a company must know its customers extremely well to offer them what they need and want. This is complicated because customers could be seeking **functional value** (a product or a service performs a utilitarian purpose), **social value** (a sense of relationship with other groups through images or symbols), **emotional value** (the ability to evoke an emotional or an affective response), **epistemic value**

(offering novelty or fun), or **conditional value** (derived from a particular context or a sociocultural setting, such as shared holidays)—or some combination of these types of value. (See Chapter 2 for a detailed discussion of the types of value.)

Marketing plays a key role in creating and delivering value to a customer. Customer value can be offered in a myriad of ways. In addition to superlative ice cream, for example, the local ice cream shop can offer a frequent purchase card that allows for a free ice cream cone after the purchase of fifteen ice cream products at the regular price. Your favorite website can offer free shipping for Christmas purchases and/or pay for returns. Zappos.com offers free shipping both ways for its shoes. The key is for a company to know its consumers so well that it can provide the value that will be of interest to them.

Market Segmentation

The purpose of segmenting a market is to focus the marketing and sales efforts of a business on those prospects who are most likely to purchase the company's product(s) or service(s), thereby helping the company (if done properly) earn the greatest return on those marketing and sales expenditures. Center for Business Planning, "Market Segmentation," *Business Resource Software, Inc.*, accessed December 1, 2011, www.businessplans.org/segment.html. **Market segmentation** maintains two very important things: (1) there are *relatively* homogeneous subgroups (no subgroup will ever be exactly alike) of the total population that will behave the same way in the marketplace, and (2) these subgroups will behave differently from each other. Market segmentation is particularly important for small businesses because they do not have the resources to serve large aggregate markets or maintain a wide range of different products for varied markets.

The marketplace can be segmented along a multitude of dimensions, and there are distinct differences between consumer and business markets. Some examples of those dimensions are presented in Table 6.2.1:

[LifeLock](#), a small business that offers identity theft protection services, practices customer type segmentation by separating its market into business and individual consumer segments.

Table 6.2.1: Market Segmentation

Consumer Segmentation Examples	Business Segmentation Examples
Geographic Segmentation <ul style="list-style-type: none"> Region (e.g., Northeast or Southwest) City or metro size (small, medium, or large) Density (urban, suburban, or rural) Climate (northern or southern) 	Demographic Segmentation <ul style="list-style-type: none"> The industry or industries to be served The company sizes to be served (revenue, number of employees, and number of locations)
Demographic Segmentation <ul style="list-style-type: none"> Age Family size Family life cycle (e.g., single or married without kids) Gender Income Occupation Education Religion Race/ethnicity Generation Nationality Social class 	Operating Variables <ul style="list-style-type: none"> The customer technologies to be focused on The users that should be served (heavy, light, medium, or nonusers) Whether customers needing many or few services should be served
Psychographic Segmentation <ul style="list-style-type: none"> Personality Lifestyle Behavioral occasions (regular or special occasion) Values 	Purchasing Approaches: Which to Choose? <ul style="list-style-type: none"> Highly centralized versus decentralized purchasing Engineering dominated, financially dominated, and so forth Companies with whom a strong relationship exists or the most desirable companies Companies that prefer leasing, service contracts, systems purchases, or sealed bidding Companies seeking quality, service, and price

Consumer Segmentation Examples	Business Segmentation Examples
Behavioral Segmentation <ul style="list-style-type: none"> • Benefits of the product (e.g., toothpaste with tartar control) • User status (nonuser, regular user, or first-time user) • Usage rate (light user, medium user, or heavy user) • Loyalty status (none, medium, or absolute) • Attitude toward the product (e.g., enthusiastic or hostile) 	Situational Factors: Which to Choose? <ul style="list-style-type: none"> • Companies that need quick and sudden delivery or service • Certain application of the product instead of all applications • Large or small orders or something in-between
Personal Characteristics: Which to Choose? <ul style="list-style-type: none"> • Companies with similar people and values • Risk-taking or risk-averse customers • Companies that show high loyalty to their suppliers 	Other Characteristics <ul style="list-style-type: none"> • Status in industry (technology or revenue leader) • Need for customization (specialized computer systems)

Source: Adapted from “Market Segmentation,” *Business Resource Software, Inc.*, accessed December 2, 2011, www.businessplans.org/segment.html; adapted from Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 214, 227.

Market segmentation requires some marketing research. The marketing research process is discussed in [Section 6.3](#).

Target Market

Market segmentation should always precede the selection of a **target market**. A target market is one or more segments (e.g., income or income + gender + occupation) that have been chosen as the focus for business operations. The selection of a target market is important to any small business because it enables the business to be more precise with its marketing efforts, thereby being more cost-effective. This will increase the chances for success. The idea behind a target market is that it will be the best match for a company’s products and services. This, in turn, will help maximize the efficiency and effectiveness of a company’s marketing efforts:

It is not feasible to go after all customers, because customers have different wants, needs and tastes. Some customers want to be style leaders. They will always buy certain styles and usually pay a high price for them. Other customers are bargain hunters. They try to find the lowest price. Obviously, a company would have difficulty targeting both of these market segments simultaneously with one type of product. For example, a company with premium products would not appeal to bargain shoppers...

Hypothetically, a certain new radio station may discover that their music appeals more to 34–54-year-old women who earn over \$50,000 per year. The station would then target these women in their marketing efforts. Rick Suttle, “Define Market Segmentation & Targeting,” *Chron.com*, accessed December 1, 2011, smallbusiness.chron.com/define-market-segmentation-targeting-3253.html.

Target markets can be further divided into niche markets. A **niche market** is a small, more narrowly defined market that is not being served well or at all by mainstream product or service marketers. People are looking for something specific, so target markets can present special opportunities for small businesses. They fill needs and wants that would not be of interest to larger companies. Niche products would include such things as [wigs for dogs](#), [clubs for left-handed golfers](#), [losing weight with apple cider vinegar](#), [paint that transforms any smooth surface into a high performance dry-erase writing surface](#), and [3D printers](#). These niche products are provided by small businesses. Niche ideas can come from anywhere.

Marketing Mix

Marketing mix is easily one of the most well-known marketing terms. More commonly known as “the four Ps,” the traditional marketing mix refers to the combination of product, price, promotion, and place (distribution). Each component is controlled by the company, but they are all affected by factors both internal and external to the company. Additionally, each element of the marketing mix is impacted by decisions made for the other elements. What this means is that an alteration of one element in the marketing mix will likely alter the other elements as well. They are inextricably interrelated. No matter the size of the business or organization, there will always be a marketing mix. The marketing mix is discussed in more detail in “[Marketing Strategy](#)”. A brief overview is presented here.



Figure 6.2.1: The Marketing Mix

Product

Product refers to tangible, physical products as well as to intangible services. Examples of product decisions include design and styling, sizes, variety, packaging, warranties and guarantees, ingredients, quality, safety, brand name and image, brand logo, and support services. In the case of a services business, product decisions also include the design and delivery of the service, with delivery including such things as congeniality, promptness, and efficiency. Without the product, nothing else happens. Product also includes a company's website.

Price

Price is what it will cost for someone to buy the product. Although the exchange of money is what we traditionally consider as price, time and convenience should also be considered. Examples of pricing decisions include pricing strategy selection (e.g., **channel pricing** and **customer segment pricing**), retail versus wholesale pricing, credit terms, discounts, and the means of making online payments. Channel pricing occurs when different prices are charged depending on where the customer purchases the product. A paper manufacturer may charge different prices for paper purchased by businesses, school bookstores, and local stationery stores. Customer segment pricing refers to charging different prices for different groups. A local museum may charge students and senior citizens less for admission. Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 401.

Promotion

Having the best product in the world is not worth much if people do not know about it. This is the role of *promotion*—getting the word out. Examples of promotional activities include advertising (including on the Internet), sales promotion (e.g., coupons, sweepstakes, and 2-for-1 sales), personal sales, public relations, trade shows, webinars, videos on company websites and YouTube, publicity, social media such as Facebook and Twitter, and the company website itself. **Word-of-mouth communication**, where people talk to each other about their experiences with goods and services, is the most powerful promotion of all because the people who talk about products and services do not have any commercial interest.

Place

Place is another word for distribution. The objective is to have products and services available where customers want them when they want them. Examples of decisions made for place include inventory, transportation arrangements, channel decisions (e.g., making the product available to customers in retail stores only), order processing, warehousing, and whether the product will be available on a very limited (few retailers or wholesalers) or extensive (many retailers or wholesalers) basis. A company's website is also part of the distribution domain.

Two Marketing Mixes

No matter what the business or organization, there will be a marketing mix. The business owner may not think about it in these specific terms, but it is there nonetheless. Here is an example of how the marketing mix can be configured for a local Italian restaurant (consumer market).

- **Product.** Extensive selection of pizza, hot and cold sub sandwiches, pasta and meat dinners, salads, soft drinks and wine, homemade ice cream and bakery products; the best service in town; and free delivery.
- **Price.** Moderate; the same price is charged to all customer segments.
- **Promotion.** Ads on local radio stations, websites, and local newspaper; flyers posted around town; coupons in ValPak booklets that are mailed to the local area; a sponsor of the local little league teams; ads and coupons in the high school newspaper; and a Facebook presence.
- **Place.** One restaurant is located conveniently near the center of town with plenty of off-street parking. It is open until 10:00 p.m. on weekdays and 11:30 p.m. on Fridays and Saturdays. There is a drive-through for takeout orders, and they have a special arrangement with a local parochial school to provide pizza for lunch one day per week.

Here is an example of how the marketing mix could be configured for a green cleaning services business (business market).

- **Product.** Wide range of cleaning services for businesses and organizations. Services can be weekly or biweekly, and they can be scheduled during the day, evening, weekends, or some combination thereof. Only green cleaning products and processes are used.
- **Price.** Moderate to high depending on the services requested. Some price discounting is offered for long-term contracts.
- **Promotion.** Ads on local radio stations, website with video presentation, business cards that are left in the offices of local businesses and medical offices, local newspaper advertising, Facebook and Twitter presence, trade show attendance (under consideration but very expensive), and direct mail marketing (when an offer, announcement, reminder, or other item is sent to an existing or prospective customer).
- **Place.** Services are provided at the client's business site. The cleaning staff is radio dispatched.

The Marketing Environment

The **marketing environment** includes all the factors that affect a small business. The **internal marketing environment** refers to the company: its existing products and strategies; culture; strengths and weaknesses; internal resources; capabilities with respect to marketing, manufacturing, and distribution; and relationships with stakeholders (e.g., owners, employees, intermediaries, and suppliers). This environment is controllable by management, and it will present both threats and opportunities.

The **external marketing environment** must be understood by the business if it hopes to plan intelligently for the future. This environment, not controllable by management, consists of the following components:

- **Social factors.** For example, cultural and subcultural values, attitudes, beliefs, norms, customs, and lifestyles.
- **Demographics.** For example, population growth, age, gender, ethnicity, race, education, and marital status.
- **Economic environment.** For example, income distribution, buying power and willingness to spend, economic conditions, trading blocs, and the availability of natural resources.
- **Political and legal factors.** For example, regulatory environment, regulatory agencies, and self-regulation.
- **Technology.** For example, the nature and rate of technological change.
- **Competition.** For example, existing firms, potential competitors, bargaining power of buyers and suppliers, and substitutes. Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 294–95.
- **Ethics.** For example, appropriate corporate and employee behavior.



Figure 6.2.2: The Marketing Environment

Small businesses are particularly vulnerable to changes in the external marketing environment because they do not have multiple product and service offerings and/or financial resources to insulate them. However, this vulnerability is offset to some degree by small businesses being in a strong position to make quick adjustments to their strategies if the need arises. Small businesses are also ideally suited to take advantage of opportunities in a changing external environment because they are more nimble than large corporations that can get bogged down in the lethargy and inertia of their bureaucracies.

Marketing Strategy versus Marketing Management

The difference between marketing strategy and marketing management is an important one. **Marketing strategy** involves selecting one or more target markets, deciding how to differentiate and position the product or the service, and creating and maintaining a marketing mix that will hopefully prove successful with the selected target market(s)—all within the context of marketing objectives. **Differentiation** involves a company's efforts to set its product or service apart from the competition. **Positioning** “entails placing the brand [whether store, product, or service] in the consumer's mind in relation to other competing products, based on product traits and benefits that are relevant to the consumer.” Dana-Nicoleta Lascu and Kenneth E. Clow, *Essentials of Marketing* (Mason, OH: Atomic Dog Publishing, 2007), 170. Segmentation, target market, differentiation, and positioning are discussed in greater detail in Chapter 7.

Video Link 6.2.2:

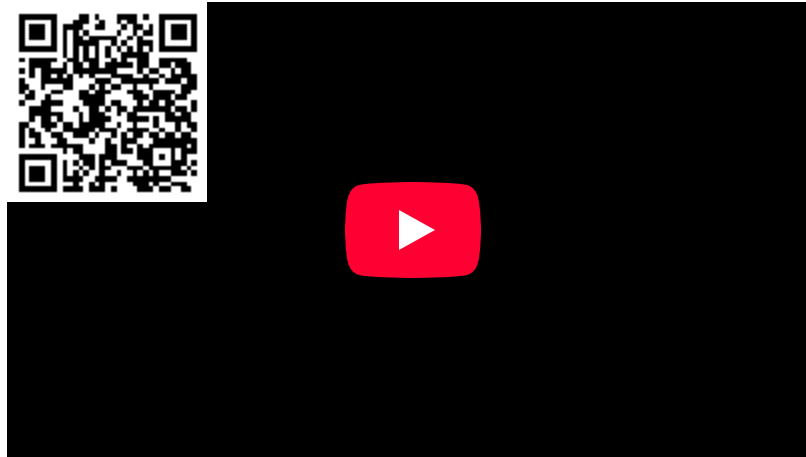
Small business makeover successes



Marketing management, by contrast, involves the day-to-day tactical decisions, resource allocations (funds and people), and carrying out of tasks that implement the marketing strategy. It is the responsibility of marketing management to focus on quality and develop the marketing plan, which is discussed in Chapter 8.

Video Clip 6.2.3:

Marketing Concepts in Two Minutes



A humorous definition of key marketing concepts.

KEY TAKEAWAYS

- Marketing is a distinguishing, unique function of a business.
- Marketing is about delivering value and benefits, creating products and services that will meet the needs and wants of customers (perhaps even delighting them) at a price they are willing to pay and in places where they are willing to buy them. It is also about promotion, getting the word out that the product or the service exists.
- The marketing concept has guided business practice since the 1950s.
- Customer value is the difference between perceived benefits and perceived costs. There are different types of customer value: functional, social, epistemic, emotional, and conditional.
- Marketing plays a key role is delivering value to the customer.
- Market segmentation, target market, niche market, marketing mix, marketing environment, marketing management, and marketing strategy are key marketing concepts.
- The marketing mix, also known as the four Ps, consists of product, price, promotion, and place.

EXERCISE

1. Select two different kinds of local small businesses. Ask the owners how they segment the market, who they target, and how they define their marketing mix. Compare the answers that you get. Do you notice any similarities?

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