

1.2: Marketing and the Marketing Process

Learning Objectives

By the end of this section, you will be able to:

- Define and describe marketing.
- Describe the benefits of marketing to the organization, its interested parties, and society.
- Explain the marketing process.

Marketing Defined

When you ask a group of people, “What’s marketing?” most people will answer “advertising” or “selling.” Both functions are indeed part of marketing, but marketing is much more than that. The American Marketing Association (AMA) defines marketing as “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” (American Marketing Association, n.d.). That’s kind of a mouthful, so let’s see if we can simplify it a bit.

At its most basic level, marketing comprises every process involved in moving a product or service from the organization to the consumer. It includes discerning the needs of customers, developing products or services to meet those needs, identifying who is likely to purchase the products or services, promoting them, and moving them through the appropriate distribution channels to reach those customers. Marketing, quite simply, is about understanding what your customers want and using that understanding to drive the business.

Marketing can also be defined as the set of activities involved in identifying and anticipating customer needs and then attempting to satisfy those needs profitably (Chartered Institute of Marketing, 2009). But what does that really mean? Let’s break down that definition:

- **Identifying customer needs.** This is typically where marketing research comes in. Marketing research methods will be covered in a later chapter, but market research helps a company develop a detailed picture of its customers, including a clear understanding of their wants and needs.
- **Anticipating customer needs.** After analyzing the data collected, marketers can predict how products might be changed, adapted, or updated.
- **Satisfying customer needs.** If marketers have done their homework correctly and understand their customers’ needs clearly, consumers will be pleased with their product purchase and more likely to make additional purchases.
- **Profitably.** Profitability is a relatively simple term: it’s when a company’s revenue is greater than its expenses. In terms of marketing, the road to profitability means adding value to a product so that the price customers pay is greater than the cost of making the product (Tutor2u, 2021).

Marketing in Practice: Reconciling Segmentation and Diversity

We live in a multicultural world where **diversity, equity, inclusion, and belonging** (DEIB) is no longer the “right” thing to do; rather, it’s imperative. This is particularly true in marketing because, as the consumer population diversifies, brands must authentically reflect a wide range of backgrounds and life experiences to connect effectively with consumers. Therefore, marketers must increasingly respect individual preferences, celebrate differences, and promote customization of products and services to meet customers’ needs, wants, and preferences.

At the same time, to profitably produce and sell a viable product or service, marketers must identify potential customer groups and types with certain characteristics in common—i.e., market segmentation. Segmentation requires assigning individuals to predefined categories with predictable behaviors based on standardized assumptions.

How does segmentation differ from stereotyping? How can segmentation support diversity?

Read the following articles to explore these nuances further:

- Chron: “[Difference Between Stereotyping & Market Segmentation](#)”
- Retail Dive: “[Segmentation is dead!](#)”

Keep these questions in mind as you explore this book, where you will learn more about market segmentation, targeting, and positioning before exploring the considerations of marketing in a diverse Marketplace.

How Marketing Benefits the Organization, Its Interested Parties, and Society

Before we go on, let's consider all the people and groups an organization must consider and serve. Interested parties are those persons or entities that have an interest in a company's success or failure. These parties can be categorized into two types: internal and external (Figure 1.2). You may see these people and groups referred to as “stakeholders” in business writing and other media.

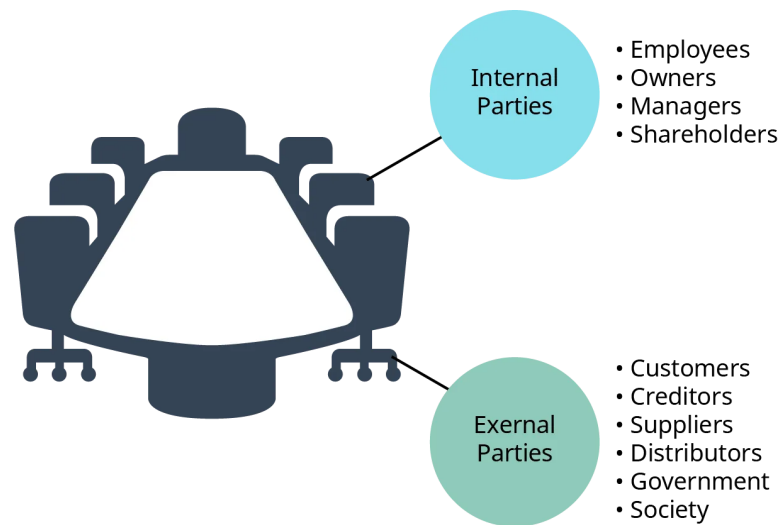


Figure 1.2 Types of Interested Parties (CC BY 4.0; Rice University & OpenStax)

Internal interested parties are entities that reside within the organization and that affect—or are affected by—the company's actions. These entities include employees, owners, managers, and investors (shareholders). When we think about marketing, marketers often tend to look outward. They build strategies to engage customers and show them what the company has to offer.

You might think that marketing would be primarily directed toward those outside the company, like customers, but marketing is also directed toward internal groups. Internal marketing involves promoting the objectives, products, and services of a company to its internal constituents—particularly employees (Martyn Bassett Associates, Inc., 2021).

Think about a recent interaction you have had with a business employee. It could be the server who took your order at lunch or the sales associate at a big box store who showed you the features of the new laptop you were looking to purchase. Which interactions left you with a positive experience? Chances are that your evaluation of the experience is based on your interaction with the server or sales associate. That's a function and benefit of good internal marketing: employees who are motivated and empowered to deliver a satisfying customer experience.

External interested parties include those outside the company, such as customers, creditors, suppliers, distributors, and society. External groups don't have a direct say in the company's decision-making process. However, they are vital to the company's success because companies can only succeed with the support of others.

How does marketing benefit external parties? First, consider what marketing does for consumers. It draws out their needs, creates new demand, locates untapped opportunities, and determines the possibilities of selling new products. Second, marketing creates form, time, place, and possession utilities for the company's goods and services. Utility refers to a product's usefulness to customers so that they are convinced enough to make a purchase. In other words, when you hear “utility” in marketing, think “usefulness to customers.”

Marketing creates several different types of utility:

- **Form utility.** Form utility refers to how well an organization can increase the value of its product in the customer's eyes by making changes and altering its physical appearance (Bhasin, 2020). For example, when you want a donut or a pastry, you don't want to buy the ingredients to make it; you want a donut in its final form so you can eat it. That's where the bakery and form utility come into play. The bakery combines flour, sugar, eggs, and other ingredients to make the cakes, donuts, and pastries you purchase.

- **Time utility.** Marketing creates time utility when it makes products and services available to customers so that they can buy them when it is most convenient. Consider how many stores are open evenings, weekends, or even 24/7 to make it convenient for customers to shop there!
- **Place utility.** Marketing creates place utility when it makes goods or services physically available, convenient, and accessible to customers. Consider the ease a company like Uber Eats adds to your life when you're craving tacos in the middle of the night and you don't feel like getting dressed and driving to go get them. You can have your food delivered to you!
- **Possession utility.** Marketers facilitate possession utility by ensuring that a product is relatively easy to acquire. For example, many automobile manufacturers offer low (or sometimes no) interest rates on car loans to make it easy for you to walk out the door with a new set of car keys. Possession utility also encompasses the pride or satisfaction you get from owning a new product, such as a great-fitting pair of running shoes or a smartphone with all the features you've been wanting.

Marketing's primary benefit to society is that it drives the consumer economy. Marketing leads to increased sales and revenue for a business, which enables it to expand operations and create more internal and external jobs for partners such as suppliers. Marketing also contributes tax revenue to local, state, and federal governments, ultimately leading to overall economic growth.

The Marketing Process Defined

The marketing process refers to the series of steps that assist businesses in planning, analyzing, implementing, and adjusting their marketing strategy. Do an internet search for "steps in the marketing process," and you'll immediately see that some websites outline a 10-step process, whereas others propose a four-step or six-step process. For our purposes, we're going to use a five-step process.

Steps in the Marketing Process

The five-step process (see Figure 1.3) involves understanding the marketplace and customers, developing a marketing strategy, delivering value, growing customer relations, and capturing value from customers (iEduNote, 2020).

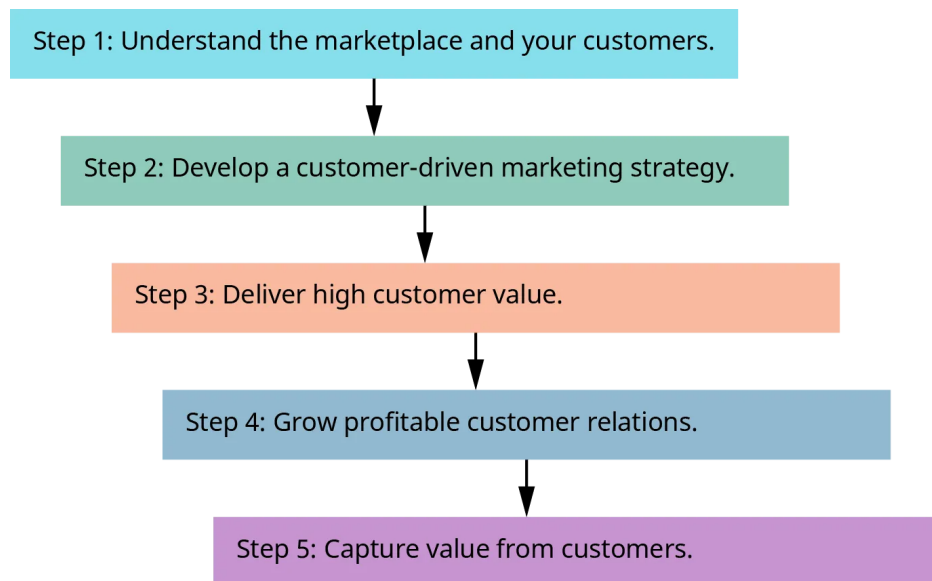


Figure 1.3 Steps in the Marketing Process (CC BY 4.0; Rice University & OpenStax)

Step 1: Understand Both the Marketplace and Customers

Before you can start the marketing process, you must have a good idea of what your marketplace looks like. This means answering some basic questions about your customers, like who they are, their income and purchasing power, and how much they're likely to spend (particularly on your products or services). If you decide to sell at lower prices to attain higher unit sales volume, your marketing strategy would look very different than if you decided to sell fewer products at a higher price.

Another way to approach this is to create separate brands and compete in both arenas. Consider Volkswagen. You might think immediately of the VW Beetle or the Jetta, but the company's brand portfolio extends beyond VW passenger cars and SUVs. It's also the parent company for Audi, Bentley, Lamborghini, Porsche, and others, and these vehicles sell at very different price points from those of VW passenger cars (Lindsay Volkswagen of Dulles, 2021).

Step 2: Develop a Customer-Driven Marketing Strategy

Marketing strategy refers to a business's overall “game plan” to focus its limited resources to reach prospective customers and turn them into paying customers, hopefully for the long run.

It's said that there are two basic types of marketing strategy: a product-driven, “build-it-and-they-will-come” strategy and a customer-driven strategy, in which you analyze prospective consumers and then—and only then—create something they want or need. We're going to focus on the latter strategy. What happens in a customer-driven marketing strategy is that the company shifts the focus from the product or service itself to its users. Customers' needs are the central focus and the point of beginning, not an afterthought. Your primary goal in a customer-driven marketing strategy is to determine what users want and/or need and then satisfy those users. Instead of being product-centric, it's about being customer-centric and developing a mutually beneficial relationship with customers (Khlystova, 2019).

In a nutshell, it's about establishing a connection and a relationship. It's about understanding who your customers are, what their needs and wants are, and how you can best meet those needs and wants. It's about knowing your target market better than your competitors and creating a strong value proposition for those users—a promise of value that communicates the benefits of your company's products or services. In short, it's what makes your product or service desirable to potential customers, helps them understand why they should buy it, how your company's product or service differs from those of its competitors, and how your offerings are superior to similar offerings from your competitors (CFI Team, n.d.)

Step 3: Deliver High Customer Value

Customers have myriad buying options and alternatives today. Given that, how can a company attract and—even more importantly—retain its customers? The answer is relatively simple: you give them value for their money. By definition, customer value is the ratio between the perceived benefits and costs incurred by the customer in acquiring your products or services.

The mathematical formula is simple:

$$\text{Value} = \frac{\text{Benefits}}{\text{Price}}$$
$$(v = B/P)$$

But “value” from the customer's perspective is a complex term because we're really considering four different value types:

- Functional value: what the product “does” for the customer in terms of solving a particular want or need
- Monetary value: what the product actually costs relative to its perceived worth
- Social value: how much owning the product allows the customer to connect with others
- Psychological value: how much that product allows the customer to “feel better” (Boedecker, 2020)

Value is increased by boosting the benefits (in the form of product, place, or promotion) or minimizing the price.

Step 4: Grow Profitable Customer Relations

The bottom line is that profitable customer relationships are the “secret sauce” of any business. This step in the marketing process is where marketers acquire, keep, and grow customer relationships. Successful marketers know that acquiring customers is one of the hardest (not to mention one of the most expensive) elements of marketing. However, when you know clearly who those potential customers are, you can more effectively determine how to reach them, thus maximizing your marketing dollars.

It isn't enough to have a one-and-done sale. You want repeat buyers, so marketers must remind customers about the company's products and/or services and how those products and services have met their needs and improved their lives so they make repeat purchases. Marketers must consider how to reach customers about their offerings and make it easy and convenient for those customers to make continued purchases.

When customers have a positive relationship with a company or its products or services, they're more likely to become repeat buyers. Satisfied customers are also more likely to be interested in buying additional products or services from your company, and they tend to recommend products to others, further reducing the company's costs of getting new customers (Traynor, 2019).

Step 5: Capture Customer Value in the Form of Profits

The goal of successful customer relationship management (CRM) is creating high customer equity—the potential profits a company earns from its current and potential customers. It's a relatively simple concept: increasing customer loyalty results in higher customer equity.

Increasing customer equity is the goal of marketers because it's a bellwether for financial success. Think about it in simple terms: the higher a company's customer equity, the more profit the company generates, and the more valuable that company (and its products or services) becomes on the market (SendPulse, n.d.).

Careers In Marketing: Marketing Jobs

In every chapter of this book, you'll find this Careers in Marketing section. It's meant to outline various jobs so you can be well informed about all the things marketers do. These sections will outline various job roles, what you do day-to-day, qualifications needed, and sometimes even salary information.

If you've decided you want a job in marketing, it's important to know what kinds of jobs exist and what's expected in each role. Google and YouTube searches will bring you all kinds of information. You should check out the insights from people in these roles and maybe even connect with them to ask them questions. Please do your homework and determine what you like to do with your day, what you're good at, and how to build a network to find the right job for you.

Here are a handful of resources to get your thinking started:

- HubSpot: "[How to Start Your Marketing Career When You Know Nothing About Marketing](#)"
- Setup: "[The Marketing Career Path: From Entry-Level to Chief Marketing Officer](#)"
- Coursera: "[Your Guide to Landing an Entry-Level Marketing Job](#)"
- Skillshare: "[12 Entry-Level Marketing Jobs You Can Pursue Right Now](#)"
- Indeed: "[Entry Level Marketing Salary in the United States](#)"

Whatever job role you choose, marketing is a creative, interesting, and, at times, exciting role where you can make a real impact on people's lives. Enjoy!

Knowledge Check

It's time to check your knowledge of the concepts presented in this section. Refer to the Answer Key at the end of the book for feedback.

1.

Coca-Cola's mission is to refresh the world. To that end, it has ensured that you can buy a Coke product at numerous location (vending machines, convenience stores, restaurant fountains, stadiums, etc.). What type of utility has marketing created through this process?

- a. Form utility
- b. Time utility
- c. Place utility
- d. Possession utility

2.

Which of the following provides the most complete definition of marketing?

- a. Marketing creates value.
- b. Marketing comprises every process involved in moving a product or service from your organization to the consumer.
- c. Marketing includes distribution decisions.
- d. Marketing is about building relationships.

3.

Which of the following is not an external interested party?

- a. Employees

- b. Customers
- c. Suppliers
- d. Society

4.

The total potential profits a company earns from its current and potential customers is known as _____.

- a. customer equity
- b. the value proposition
- c. customer value
- d. the marketing process

5.

At which step in the marketing process would the lifetime values to a company's customers be considered?

- a. Developing a customer-driven marketing strategy
- b. Delivering high customer value
- c. Growing profitable customer relations
- d. Capturing value from customers

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