Chapter 1
Marketing’s Value to Consumers, Firms, and Society

Marketing is the performance of activities that seek to accomplish an organization’s objectives by anticipating customer or client needs and directing the flow of need satisfying goods and services from the producer to the consumer. Marketing is applicable to most all organizations—profit and nonprofit—certainly applicable to healthcare organizations. Profit is the objective of most organizations, but organizations may also have marketing objectives that relate to other things as well, such as talent, donations, membership, market share, customer satisfaction, acceptance of an idea, etc. Customers and clients may be individuals, groups of individuals, business organizations, nonprofit organizations, government agencies or even foreign governments. Every organization has customers, constituents and stakeholders of some kind.

Many of us automatically think of marketing as advertising. It does involve advertising, but marketing is much more than that. It also involves the product and/or service, the place or location that the product or service is made available, and certainly the price of the product or service. This is known as the marketing mix—promotion, product, price, place—which we commonly refer to as the “4 P’s. The marketing strategy is built around the manipulation of these four considerations in pursuit of the optimum combination to encourage and persuade customers and potential customers to purchase the product or the service. In the marketing profession, this is known as creating the exchange, where something of value is exchanged for something else of value. When that happens, we are looking for both parties to be satisfied with the exchange.

A number of things are associated with the marketing effort. Some of these things include the building of relationships, delivering a message, persuading, supporting an image, creating value, positioning and differentiating, transporting, storing, delivering and gathering information. Again, all of these are done by the manipulation of the marketing mix to, again, create the exchange. Marketing affects every aspect of our daily lives by influencing the choices that we make in this way.

Marketing and marketing strategy flows from the mission and vision of the organization, and it supports the overall corporate level business strategy commonly referred to as the business plan. However, the planning of marketing strategy begins with the understanding of customer needs, again finding that optimum marketing mix to encourage and persuade customers to purchase the product or service to satisfy their needs, and create a competitive advantage. This conflicts with the typical thinking of many managers and leaders in organizations who believe that their entire efforts begin with production (production oriented), i.e. produce the goods and/or offer the service, and the consumer will buy them. That may work for some, but also it may be a huge mistake for others, because consumer wants and needs seriously need to be understood and analyzed. Consumers may not buy the product, because they don’t want it, nor do they have a need for it, nor have they been persuaded that they do need
Sometimes, we as consumers do not recognize that we have a need for some product or service until someone invents it and makes it available, and creates a need for it in our minds. Years ago, how would anyone know that we needed a light bulb, the telephone, even electricity until need was created. People didn’t even know what these things were until it was made available and the need for these things was created in the consumers’ minds. Marketing does that. Thus, organizations are better off if they focus on marketing and transition their philosophy to a marketing orientation. Production will then fall into place.

This does not mean that marketing should take over nor control production, logistics, nor any other departmental activity within the organization. (In reality, marketing is a functional activity just as any other departmental activity is such as operations, finance or quality control is.) However, it does mean that marketing should coordinate with these other activities and have input into the direction of their activities in a total quality effort in order to deliver value to the customer. As we know, this relates to a management philosophy (total quality management) that encourages interactivity and empowerment throughout the organization in order to allow these functional activities to optimize the overall process in pursuit of organizational efficiency, effectiveness, and customer service.

It is said that ‘marketing facilitates the exchange process.’ The idea that marketing involves a flow of need-satisfying offerings from a producer to a customer implies that there is an exchange of need-satisfying offerings for someone else, such as money. It is something for something. In fact, marketing does not occur unless two or more parties are willing to exchange something for something. This fits with the aforementioned idea of the marketing orientation.

The marketing exchange is often a part of an ongoing relationship. We see this in some health care institutions. This may be a key part of the marketing strategy itself, that is, the exchange is not just a one-time event. Marketers pursue relationships with customers in order to obtain repeat sales and build loyalty toward the organization. Said another way, marketers pursue customer loyalty in order to encourage the customer to continue buying their product or service. It requires the building of relationships, trust and ethics in every aspect of their business activity. (Ethics is essential in health care. As we know, some health care institutions have been branded with a negative image due to some of the unethical activities that have been discovered. Image is everything and ethics plays a big role in the public’s image of the institution and brand.) This may involve only selling a product that satisfies the need. But needs often continue once the product or service is used up and/or delivered. Thus, marketing may also take in such things as understanding and satisfying unique and ongoing needs by optimizing the value of the product by means of such things as quality, warranties, discounts, product
improvements, follow up and service after the sale, and many other strategies to accomplish this.

There are four accepted marketing philosophies.

1. The production orientation, which is already mentioned focuses on internal capabilities of the organization, emphasizing production and production-related processes as a strength designed to satisfy the customer. It considers such things as resources, engineering, production efficiency, plant equipment, technical and operational talent, and integrated tasks. As mentioned, some organizations focus on production with the idea if they manufacture it, then customers will buy. This may work sometimes for some types of products and services, but not for most.

2. The sales orientation emphasizes sales and aggressive selling techniques such as saturation of sales people (in a market), convincing sales people, sales people that know the product, high sales quotas/goals, etc. Perhaps, all of us have seen this. The age-old question here is whether sales is truly a part of the marketing function. (In some organizations, sales and marketing are two separate functional activities.) Most people think it is.

3. The market orientation which leads to the marketing concept, wherein the ‘entire organization’ (not just the marketing department) integrates and directs all of its efforts toward the customer. The organization is oriented to and focused on satisfying the customer and delivering value, while making a profit. From this comes the marketing culture, wherein the entire organization (not just the marketing department) is marketing and customer oriented.

4. Lastly, there is the societal marketing orientation that actually expands the marketing concept to benefit societal wants and needs (beyond those of the individual). The organization not only exists to satisfy wants and needs of customers and to meet sales goals and objectives, but also to enhance the customers’ and society’s long-term welfare. A good example of this may be products that are healthy, nontoxic, and environmentally friendly in place of those that are not. This philosophy is one that health care organizations subscribe to, or should subscribe to, as they are in business to satisfy the health care wants and needs of society.

In a very real way, all of these philosophies apply to the health care industry, and should be considered carefully in the strategic marketing planning process of organizational leaders.

One more word about organizations being socially responsible and good citizens in the community. In today’s society, marketing and the marketing activity should be socially and ethically responsible meaning that all organizations (profit and nonprofit) have an ethical responsibility as it is associated with entire marketing mix, i.e. advertising truthfully, pricing fairly, providing quality service, etc. Social and ethical behavior will
have a significant impact on image and reputation, which will hopefully be a strength that can be built on in strategic marketing planning.

When we speak of marketing management a number of things come to mind for the experienced marketing professional: a lot of things, incidentally, that may not ordinarily come to mind for the untrained person. For example, normal people may think the job of the marketing manager is doing the marketing plan, and that is a vital responsibility and continuous process that must be managed by the marketing manager, indeed. But, what many may overlook is the importance of the consideration of the mission of the organization—first! It is vital that marketing people know and understand the corporate mission of the organ, because the marketing plan has to fit with, support, and be consistent with the direction of the organization. In short, the objectives associated with the mission statement provide the basis from which marketing objectives and plans are developed. Now, that means several things to me that are in line with good management practices. For example, this illustrates why a marketing leader needs to be at the corporate level planning table, i.e. VP Marketing, so he/she can be a participant in corporate policy, offer knowledge of the environment, provide input, and have a full understanding of it, to take back to the marketing people.

Another thing that comes to mind is the importance of all organizational associates having knowledge of the mission and vision of the organization, so they all have the same basic blueprint to follow, they’ll know what they are there for, and how they contribute to overall corporate success. It can also act as a motivator for people…they can see where they are now, vs. where they need to go. This is called a "tension gap."

The next thing that comes to mind when we speak of marketing management is the necessity to assess organizational resources and evaluate risks and opportunities. We call this the classic SWOT Analysis (internal strengths and weaknesses and external opportunities and threats) and it is absolutely essential to marketing planning. In fact, the SWOT analysis is a vital step in the strategic marketing planning process, which we will get to later.

Organizational resources include things like:

- production capacity,
- access to financial resources,
- technological capability,
- employee and management capability, and
- certainly marketing capability.

Risks and opportunities are more of an external look at the environment from the standpoint of knowing what’s going on in the industry, what the competition is doing, profiling the customers, things that relate to the economy, global factors, politics and regulations, technological advancements, product and service needs, etc…. The thing that I like to say about marketing management—what it is and what it does—is that it is associated with all the things that are of importance to the organization in so far as what they should do to deliver value to the customer, and achieve the objectives of the plan,
which support the objectives of the organization. And when you put it that way, then many other things come to mind, as well. Think about market research. That is something I attach considerable importance to. (We will have a discussion on it later in our class.) Where do you think all of this information for market planning comes from? Take the SWOT analysis, for instance. Marketing management has to count on market research to gather the intelligence for the SWOT, every aspect of it, which tells us what direction we need to be going. It gives us insight into customer needs and demands, industry trends (internally and externally), who our most important customers are, and the potential to create new ones, where they are, what the competition is doing, information on current performance, price, service, quality, availability and convenience, product position, if the promotional message is, or has been effective, and much more. It also relates to the internal capabilities of the organization such as capacity, processes, production efficiency, human resources, organizational efficiency, technical and administrative talent and the capabilities of management and leadership.

Now let’s look at the marketing mix (product, place, price, promotion), as we discussed above, a little closer. The product or service—so many things come to mind here. Marketing decision makers must have a broad perspective of the product, and realize that people buy products to satisfy some need. What is that need? Does the product satisfy that need? How? Where marketers see some product attributes as features, consumers may see them as benefits. Take gasoline for example. It is a product, but many consumers don’t view it that way (most of us don’t know the difference from a benefit perspective, of one brand from another). Marketers know that consumers look at gasoline as a price they pay to get their cars to take them from one place to another. Marketers also know that many products, especially consumer products, extend beyond physical or functional attributes. Hospitals are viewed in a similar way. Most people see it as a service that can offer some benefit. Therefore, most people don’t have much of a tendency to distinguish one hospital from another. They just know they have a need for one, and they will get it where ever they can.

Oftentimes, the total product concept, includes things like packaging and packaging design, labeling, symbols and trademarks, brands and brand names, i.e. designer brands, and customer service activities that add value to a product. All of these things mean something to the consumer, and they can be a huge help to differentiate the providers, which in turn, can be determinants of choice. Another significant consideration that adds to planning product strategy, is where the product is in its life cycle. For example, some providers of services are well established in the community and they are differentiated and positioned substantially from the newer facilities.

The place aspect of the marketing mix is also important to marketing managers. We think about having the product or service available, where the customer wants it, when they want it, in the size, shape or quantity they want it in, and at the price they want to pay for it. This brings in such things as channels of distribution aka marketing channels and the actual location of where the product or service can be obtained. Transportation companies, brokers, distributors, agents, and even retailers are all vital to this part of the marketing mix, and thus, they are a huge part of the strategic marketing planning
process. These intermediaries actually are partners to the provider, as they act to represent and support the strategies of the provider. Location of where the service is provided is also considered here.

*Price* is also something we’re all interested in. Serious questions have to be answered in order to arrive at a pricing strategy. Such questions relate to our product, i.e. cost of manufacturing it, cost of providing and delivering it, price of raw material, the nature of our sales strategy, etc. Also, is it sold by direct selling techniques? Do we rely on high end retailers or discount retailers? What about our customers? Is it a high value product in their mind? Are our target markets typified by discretionary income? What kind of demand does it satisfy (inelastic or elastic demand?) And don’t forget the competition! Who are they? Where are they? How intense is the competition? What is their pricing strategy? Do we need to be price competitive or by the nature of our product? What are our profit goals?

Then last consideration in the marketing mix that marketers need to think about in strategic planning is *promotion* strategy. So many things enter into this as well. Do we need to promote? What is our message? What do we want our image to be or what image are we protecting? Do we need a long, drawn out campaign, or just one to get the product off the ground, repositioned, or to pull it back to a mature level in its life cycle? Maybe we have a PR problem. What kinds of resources do we have to use in promotion strategy in terms of budget, in house expertise, and information about target markets in order to effectively reach them?

This is just a taste of what marketing management is all about, and some of the highlights of things that go into the strategic marketing management process. Before we’re done with our class, we will explore this discipline in much more depth, and hopefully, come away with a good understanding of what it takes to develop and implement a full blown marketing plan.