MARKETING ASSIGNMENT

MASTER'S IN BUSINESS ADMINISTRATION

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BY: JOSÉ CHILENGUE

ATLANTIC INTERNATIONAL UNIVERSITY STUDENT

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Student name: José Chilengue	**ID#:** UM60607BBU69650
Degree: MASTER OF BUSINESS ADMINISTRATION	**Major:** BUSINESS ADMINISTRATION
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MARKETING

1. Introduction

This course on Marketing was intended to cover, among other topics, the concepts of marketing, marketing strategy, marketing information, product development, marketing planning, markets measurement, marketing strengths and weaknesses, with the aim to get better understanding of customers' needs and expectations and how to address in a satisfactory and profitable manner.

My main purpose in doing this course was to get a comprehensive overview of marketing and marketing principles to the practice of management, covering specific aspects on marketing research, market segmentation, product policy and development. I needed to understand the elements of a marketing mix, the marketing environments, customers and consumers, how to target markets and position products or services, and the main rules to follow when developing a new product or service that seeks to offer value for money to potential customers or buyers. Of particular interest was the need to learn the role the internet and social networking sites could play in the company's marketing management practice in today's world.

Finally, I needed to learn how to craft and implement a robust strategy to address those needs and expectations.

The assignment starts-off by defining the concept of Marketing and Marketing Strategy (Section 2) and proceeds to trying to understand market environments, customers and consumers (Section 3). Section 4 deals with marketing information, while market segmentation, targeting and product positioning are analyzed in Section 5. New product development and pricing are dealt with in Section 6 while Section 7 addresses the actual process of crafting a Marketing Plan. Due to its importance in the marketing management practices of today, I dedicated Section 8 to study the relationship between marketing and the internet.

My personal learnings, as well as the utility I foresee from the knowledge acquired in this course, are outlined and explained in Section 9 of this assignment.

2. Marketing: Concept & Strategy

2.1 What is Marketing?

Companies and businesses are primarily created to develop and offer a product or products, as well as to deliver a service or set of services to identified customers or consumers. Without customers and consumers to purchase products or services from a company, that company has literally no chance to survive in the marketplace. It is therefore in the interest of the businesses to ensure that their potential clients are aware of the products or services they may have to offer.

When purchasing a product or a service from a company, clients/customers are not seeking to please the sellers in any way, or to compensate the effort the sellers may have made to develop such a product or service. They are essentially seeking to satisfy their own needs and wants through a product that is available to them, in a location that is convenient to effect the purchase and at a price that they [the buyers] perceive as being a good value for money.

The tool through which companies can establish a bridge between them and their potential buyers, by way of which they can present their offer proposals to the market in view to attracting the interest of buyers, as well as satisfy their identified needs and wants, is the responsibility of the Marketing functions of those companies. Marketing is, therefore, "the management process responsible for identifying, anticipating and satisfying customers' requirements profitably"[1].

Marketing is not about trying to sell to customers any product or service that a company may have without caring whether that product or service is of some use or not to them. Despite advances in the study of the marketing science, still today, some businesses do believe that customers are prepared and ready to buy virtually anything that is brought to them at a relatively low price. I can think of an entrepreneur who decides to open a bakery in a rural area where there is no other bakery around. It is natural to believe, because this shop is the only source of bread in the area, that everyone will come to buy bread on the grounds that buying somewhere else will just be too expensive due to distance. The apparent cheap price is normally the only element that is taken into consideration by the entrepreneur and, normally, they fail to assess what the customers really think about the bread itself, whether they like it or not. This approach consubstantiates an understanding of marketing concept which is purely oriented to production.

[1] Randall, pp.3

Similarly, marketing is not about an attempt to develop some sort of an 'ideal' product (or service), which would be so good that any client would always want to buy. This approach to marketing is known as 'product orientation'[2]. Again, this approach is geared and focused to the development of a product's features and characteristics, but not necessarily, at satisfying a specific customer's need.

Some managers are tempted to think that marketing is merely a matter of sales capacity and, as such, they would like to believe that a naturally born salesman is capable of selling anything to anyone. This approach, known as sales orientation, entails a potential risk of getting customers to buy something just out of persuasion by words [of a salesperson], not as a result of a perception that the particular product or service they are buying is the most appropriate to satisfy a specific need. In such a context, customers may buy once or twice, but there is no guarantee that they will allow to be 'persuaded' more times if the product has proven to be below their expectations.

A more modern approach to marketing that managers tend to use now-a-days is known as 'customer orientation', which seeks to put the customer at the very center of all the company's activities, in a way that it will affect all areas of a company's business, from conception, production, all the way to the after-sales services. This approach to marketing is well summarized by the definition of marketing suggested by the American Marketing Association: "Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services, to create exchange and satisfy individual and organizational objectives"[3] in an efficient and profitable manner.

The importance of understanding marketing, as a discipline, is to help business managers, entrepreneurs [like myself], and businesses in general, to put up internal processes and plans that will effectively ensure that customers choose to purchase their products and services instead of those from the competitors, buy providing them with the products and services they are willing to purchase, at prices they will perceive as representing value for money.

[2] Blythe, pp. 2
[3] Ibid.

2.2 Marketing Strategy

Strategy can be defined in a variety of ways but, in generic terms, it is a set of decisions that a company may take to establish a *modus operandi* process that will guide the organization in terms of how to achieve the desired goals in a specified market.

With this understanding, we could say that a Marketing Strategy will be a general description of how a company intends to compete in selected markets and segments in a way that provides them profitable advantages over the competition. This description will certainly include specific tactical decisions and actions, which will be constantly fine-tuned by company managers as and when necessary, according to ever changing external circumstances.

The implementation of a company's marketing strategy is, primarily, the responsibility of the marketing function, although the entire organization has a portion of responsibility in ensuring that the company is ultimately successful in the market(s) it operates in. The marketing function is responsible for driving the 'Marketing Mix'[4], namely:

a) ***P****roduct* – a product or service designed specifically to meet customers wants and needs, according to their expectations;
b) ***P****lace* – the marketing function must ensure that the product or service is available to customers at any place that makes it convenient for them to buy;
c) ***P****romotion* – This will include all the sales promotions, communications, advertising or public relations of any sort, that will act as a vehicle to put across the company's message to target a particular group of identified customers, either to inform or to persuade them to make a purchase.
d) ***P****rice* – the final purpose of selling a product or delivering a service to customers is to deliver value. Customers must always perceive the products as representing true value for the money they are willing to spend and, therefore, the price of the product or service must be structured to reach that goal. It is important to notice that a perceived 'good price' is not, necessary, a low price, as most customers are, on many occasions, prepared to pay a relatively higher price for a product or service that suits their needs and wants, and ultimately satisfies or even exceeds their expectations.

The traditional 4 P's concept of the Marketing Mix was further improved in 1981[5] into a 7 P's framework, by including three more elements, namely:

[4] 'Marketing Mix' refers to the mix of ingredients with which marketing strategy can be developed and implemented.
[5] Blythe, pp. 9

1. ***P****eople* – it looks into the roles of and impacts from the people that are involved in delivering the offered services. Customers interact with employees and, with some of them, directly in the front-office. In these interactions, a business exchange can be enhanced or inhibited, depending on how company people portrait themselves to potential customers.
2. ***P****rocess* – This is the process through which a service is delivered to customers. The efficiency with which this delivery is performed to the satisfaction of a client is crucial for securing future purchases from the same client.
3. ***P****hysical Evidence* – This refers to the footprints always left behind by any service delivered, no matter how intangible that service may be. Those footprints are in essence the physical evidence that a particular service was effectively delivered and it gives consumers something to refer to and show to other people if required.

It is important to note that all the seven elements described above (the 7-P's of a Marketing Mix), need to be 'mixed' together as active ingredients of a company's marketing strategy, in a way that they can interact together to deliver value to customers. A Marketing Strategy is, therefore, the process through which a company intends to translate its business strategy into marketing terms and activities, in view to aligning itself with the wants and needs of the specific markets it has decided to tackle and serve.

The process of crafting a marketing strategy will require company managers to take several key steps which include, but are not limited to, performing (i) customer identification (by finding out who they are? where are they? what do they want and need? how do they want it? etc.), (ii) marketing segmentation and customer targeting, (iii) company internal organization in terms of production and delivery processes and culture, (iv) definition of how to retain existing customers, (v) how to manage company's product positioning and branding in an efficient and successful way, (vi) what industry(ies) or markets to compete in and (vii) what offerings to bring to the market.

Marketing strategy design is about making a company's business holistically unique, different and relevant to the customers and markets. The marketing strategy must clearly indicate the present and the future status of a particular business and set out clear paths for achieving that desired goal.

To be perceived as good, a company's marketing strategy must be realistic about the capabilities of its resources *versus* its goals, must be focused to serving specific market segments, must outperform all the competitors in terms of delivering real benefits to company customers and must ensure the achievement of company's (financial) goals.

3. Understanding Market Environments, Customers and Consumers

3.1 Market Environments

Every company operates within an environment that is likely to represent a threat or an opportunity to its business. It is critically important for managers, especially for marketing managers, to constantly be on the lookout for changes in the environment that may affect business activities. Environment challenges can be either **external** (those that occur outside the business context itself) or **internal** (those that occur inside the business). External environment challenges can either be **micro** (relative to the business, such as customers, suppliers, competitors, location, etc.) or **macro** (relative to factors out of company's control, such as new legislation passed by Governments, climate changes, armed conflicts, foreign exchange rates, etc.)

Therefore, business operates essentially in three major environments:

(i) Internal environment
(ii) Micro-environment
(iii) Macro-environment

It is of critical important to scan the external micro-environments in search for updated information on key issues such competitors' demographics, customers and consumers, suppliers and intermediaries for the following reasons:

- Competitors' demographics intelligence data helps businesses to understand, for instance, the types of markets they are operating in, whether a monopoly, a perfect competition, an oligopoly or a monopolistic competition, and thus devise the best strategies to succeed;
- Customers and consumers change in behavior, age, preferences, wants and needs. To be successful, a business must always be able to know, understand and satisfy its customers and consumers ever-changing needs at all times;
- Understanding suppliers and intermediaries is also important, as the capacity of a business to deliver a product or service is directly linked to the performance of their suppliers upstream or intermediaries downstream. A bad supplier may mean a bad service delivery and loss of the necessary competitive edge in the market. Similarly, intermediaries may facilitate or harm a company's business objectives, depending on how the end result is perceived by the customers/consumers.

The scan of micro-environment factors can be performed through, for instance, a SWOT Analysis[6].

Example of a SWOT Analysis chart:

Strengths	Weaknesses
• What do you do well? • What unique resources can you draw on? • What do others see as your strengths? • Etc.	• What could you improve? • Where do you have fewer resources than others? • What are other likely to see as your weaknesses? • Etc.
Opportunities	**Threats**
• What opportunities are open to you? • What trends could you take advantage of? • How could you turn your strengths into opportunities? • Etc.	• What threats could harm you? • What is your competition doing? • What threats do your weaknesses expose to you? • Etc.

On the other hand, a macro-environment scan is relevant in the sense that it portraits key factors such as political, economic, social, technological, ecological or legal factors that may affect positively or negatively a particular business. Such an analysis may be performed through the use of a PESTEL[7] framework analysis.

Example of a PESTEL Analysis chart:

Factor	Event	Impact	Timing	Proposed response
Political				
Economic				
Social				
Technological				
Environmental				
Legal				

3.2 Customers and Consumers

The study of customers and consumers behaviors is critical as it helps businesses to understand how and why customers/consumers take decisions about whether or not to purchase a certain product or service.

Specifically, this exercise seeks to answer to generic questions such as:

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[6] SWOT stands for Strengths, Weaknesses, Opportunities and Threats. A SWOT analysis is a tool developed in the late 1960's by 4 professors from Harvard Business School

[7] PESTEL stands for Political, Economic, Social, Technological, Environmental or Legal framework.

- How customers/consumers make their purchasing decision?
- Is the company dealing with professional buyers or individual consumers?
- How do customers develop their perceptual map of product alternatives?
- How does the company deal with customers complaints?

For the purpose of this exercise, we will distinguish customers from consumers in the following terms:

Customers refers to organizational buyers and consumers refers to individual retail buyers.

3.2.1 Customers

Organizational buyers' behavior is quite complex and entails complex decision-making processes managed by several individuals at the same time. Understanding the factors that influence organizational clients' buying decisions is fundamental for generating new business opportunities.

Among other factors, the following elements enter into play in formulating an organizational buying behavior, and are important to assess from a marketer's point of view:

(i) How can a product help the customer(s) achieve their strategic objectives?
(ii) Is the product essential or peripheral to them?
(iii) What is the customers' chosen target markets and segments? Why?
(iv) What is the customers' market share, sales volumes and values, profitability and share price, etc.?
(v) Who are the decision-makers in the customer company? What kind of people are they? What are their aspirations, problems or difficulties? What are they trying to achieve?
(vi) Who in the company makes what decisions? Who controls the flow of information that feeds the decision-making process?

It is important to clarify that it is through an understanding of formal organizational buyer customers behavior and the processes that lead to their buying decision making, that one can secure that the selling process is conducted properly without need to resort to *'short-cuts'* like corruption acts which, unfortunately, are frequent in many business environments, particularly in the developing countries like Mozambique, my country.

3.2.2 Consumers

Consumers buying behavior is mainly influenced by the following factors:

a) Motivation
b) Interpersonal response traits
c) Attitudes
d) Culture
e) Cognition
f) Social class
g) Group influence

Motivation – Human beings have needs to satisfy. These needs trigger and influence their motivation towards buying behavior. The needs are categorized, according to Maslow[8], in five levels, namely (i) physiological, (ii) safety (security and order protection), (iii) belonging and love, (iv) esteem and (v) self-actualization (personal fulfilment) needs. Each level determines a specific buying behavior, which tends to be more complex and refined the higher we climb up the [Maslow] pyramid.

Interpersonal response traits – The choice of a brand to buy is generally linked to an individual buyer personality and it varies from one individual to another.

Attitudes – Company marketing communication strategies are generally geared to influence consumers' attitudes towards specific product brands. However, other factors, such as normative beliefs[9], can also influence consumers behavior.

Culture – It deals with traditions, beliefs, myths, and values of a certain society.

Cognition – It is about perceptions.

Social class – Relates to behaviors linked to individual or household financial income.

Group influence – This is related to issues such as 'reference groups' (friends, workmates, and aspiration groups like heroes and idols), 'opinion leaders', and 'family' (probably the most influential group of them all.

[8] Abraham Maslow is an American psychologist who taught at Brandeis University in Boston, whose International Business School ranks high in the *Economist*'s survey of top business schools.
[9] Normative beliefs are relative to the perception according to which 'what other people important to me think is right'.

4. Marketing Information

Marketing information is important because it helps managers perform several situational assessments, take informed decisions and better control the implementation of those decisions.

The marketing environment is generally characterized by uncertainty and most of the decisions taken by marketing leaders require a substantial amount of personal judgement that needs to be back-up by reliable information.

To drive a marketing function of a business, one needs to have the right information at the right time, in the right format, available to the right people. To achieve this, a business must have an information system with tools to gather data from inside and outside of the company. Internally, the system must gather information about:

- Production (capacity, stock levels, productivity, etc.)
- Accounting (profitability, budgets & reports, forecasts)
- Sales (pipeline, deliveries, volumes & values).

Externally, the system must provide reliable information about:

- The environment
- Markets
- Competitors
- Customers & consumers
- Effects of marketing action.

4.1 Market Research Methods

Market research is the act of gathering, analyzing and presenting market information, to help managers in marketing decision-making and control". Marketing information can be acquired from two main sources:

a) *Secondary data source* – also called 'desk research', is relative to information that already exists and is available in specialized information units, government data publications, trade associations and/or commercial market research companies.
b) *Primary data source* – which is relative to new data not found in desk research. This kind of information can be gathered through experimentation, observation or through respondents.

Marketing data may be either qualitative or quantitative. Qualitative data deals with subjective information such as opinions, perceptions, views and attitudes about a certain market, whereas quantitative data deals with more specific information about quantities, frequencies, locations, etc., of buyers, suppliers, competitors, brands, etc.

Market information can be collected directly by a company's marketing team or it can be sourced via market research agencies, which are specialized entities whose core business is to provide research and provide market data on behalf of third parties at a cost.

Irrespective of the source, collected data, once compiled and analyzed must give managers a clear picture about what is happening in a specified market in terms of total market size, volumes and values, market shares, customers and consumers' buying patterns, competitors' actions and strategies, etc., enough to feed new marketing plans and to monitor possible deviations in the implementation of the adopted plans.

5. Segmentation, Targeting and Positioning

5.1 Segmentation

The main purpose of segmenting a market is to allow businesses to focus on their real capabilities and to concentrate all their resources and efforts to a single key purpose of a business which is to please a certain group of people with similar needs and wants, as opposed to attempting to please everybody at a risk of not pleasing anybody.[10]

Segmentation is based on the perception of the following assumptions:

- Not all customers/consumers are the same;
- Sub-groups of people with similar behaviors, backgrounds, values and needs can be identified;
- The sub-groups will be smaller and more homogeneous than the market as a whole;
- It is easier to satisfy a small group of similar customers than to try to satisfy large groups of dissimilar customers.

In a competitive market, the "one size fits all" rule generally does not apply and should not be part of a company strategy that aims to become a winning strategy.

[10] Fifield, pp. 76

A market can be segmented based on parameters such like (i) demographics; (ii) geo-demographics, (iii) socioeconomics, (iv) buying patterns, (v) buyers' personality, attitudes, values, religion or even aesthetics[11]; (vi) buyers' lifestyle; etc.

To be successful, a market segmentation must respect some important requirements such as measurability, accessibility, substantiality, congruency and stability. Of these requirements, three stand out as being the most important:

a) *Accessibility* – The company needs to be sure that a chosen market is reachable in some way, either to relay information about their products or services, or to actually deliver such products or services in an efficient manner.
b) *Substantiality* – marketers must ensure that the profitability of or the yields expected from chosen markets are substantial enough to aim for. Otherwise, wasting company resources aiming a worthless market would be a useless exercise.
c) *Measurability* – Marketers must make sure that they have and understand the key numbers about the members of a particular market segment chosen.

5.2 Targeting

In Marketing, targeting can be defined as a management decision, based on informed data analysis, defining which markets a particular business is prepared to aim for, based on the effective resources the business possesses, the features and benefits of its products or services, and on the characteristics of the segments identified.

The main element that can support a decision for targeting a particular market is **profitability**. However, other elements can also be considered: a company may opt to target a market not because it is necessarily and immediately profitable but because it is a market with potential in a near future, in which the company believes that it possesses competitive advantages over any other competitors, in the short run.

On deciding about which market segment to target, marketing managers need to always take into consideration two important factors, namely:

a) *The overall attractiveness of a particular segment*, which is relative to the size and the potential growth and profitability of a segment. It is important to notice that not all segments with apparent 'good size' are worth targeting. Some 'good sized' markets may turn out to be too demanding to service in terms of resources, both financial and human, or they may be too competitive.

[11] Aesthetics means the distinction, in every culture, of what is perceived as being beautiful, or good, or attractive and appealing, as opposed to unbeautiful, or bad, or non-attractive and non-appealing.

Here, I would like to share a personal experience on this aspect: In 2015, I registered a small business, a recruitment agency, which began operations early 2016. My business never had a formal marketing plan and my clients were targeted on an aleatory basis linked to perceived opportunities. At the time, every small business in Mozambique had the dream to have an opportunity to serve the oil & gas industry that was emerging, given the general perception of good size and high profitability. My small business was based in the capital of Mozambique (Maputo) and the oil & gas industry is developed mainly in Cabo Delgado province, about 2,000 Kms away. This required a two-hour flight on a Boeing 737 airplane to Pemba, the capital of Cabo Delgado, plus a nearly 400 Kms distance to be covered either by car or helicopter, to reach the client's site in Palma. It soon became clear that no matter how profitable this business could be, my small company simply did not have the necessary resources, neither human nor financial, to service a company of this magnitude in any way what-so-ever.

Had my business had a marketing plan from the onset, it would have been immediately clear which segments to target and which it was not worth even to try, like in this case.

b) *Organization's objectives and resources* – This factor is self-explanatory. The objectives and resources must match to avoid attempts to tackle potentially attractive segments but without the necessary resources or capabilities to deliver the required product or service in a competitive and profitable manner.

5.2.1 Market-targeting Approaches

Market-targeting entails the following approaches:

a) *Undifferentiated Marketing Strategy* – relative to the decision to serve a market with one single product on the belief that no substantial segment effectively exists;
b) *Differentiated Marketing Strategy* – when different products or services are developed to cater for particular needs of each segment;
c) *Concentrated Market Strategy* – related to the choice to specialize the service offering to cater for a single *niche market*.[12]
d) *Customized Marketing Strategy* – the strategy that tends to look at individual customers as segments.

[12] Niche market is a market segment that a business may choose to concentrate all its efforts and resources on.

5.3 Positioning

In Marketing, a product positioning defines the place a product occupies in a given market, as perceived by the relevant group of customers, and it is mainly based on the perceptions of those relevant groups of customers. These may, for instance, perceive the product as being:

- High-quality product;
- Reliable product;
- Cheap or expensive version product.

The following are the main factors that may determine the position of a product in a particular market, all of which will influence, one way or the other, the attitudes of potential buyers:

- *Top-of-the-range* – the perception that the product is the best;
- *Service* – the perception that the quality of the service is outstanding;
- *Value for money* – the perception that it is a product that is worth paying for;
- *Reliability* – the perception that the product can be trusted;
- *Attractiveness* – the perception that the product is more attractive than others;
- *Country of origin* – it is a fairly global perception, for instance, that a Chinese product is, somehow, a substandard product, which, in many cases, it is a distorted perception;
- *Brand name* – a bad product with a brand perceived as good may sell better than a good product with a brand perceived as bad;
- *Selectivity* – Some people buy a product with the single intent to be perceived as different and special. This perception helps to sell very expensive items.

6. New Product Development and Pricing

What is a product? A product is generally defined as 'a bundle of benefits'[13], comprising not only the physical object that a consumer buys but also few other characteristics or benefits that contribute to the consumer's perception of value for money. These characteristics or benefits may include, for instance, elements such as the packaging, the brand, the way a product is delivered and even the colors in which the product is presented.

A product has some primary characteristics that make it similar to other competing products, and a few auxiliary characteristics that make it different from the other products and unique in a market.

[13] Blythe, pp. 126

Consumers have needs and wants which are constantly changing due to several reasons. These needs and wants are generally satisfied by the specific characteristics, both primary and secondary, of each product they buy. To cater for these needs and wants, marketing specialists need to understand them well, through market research, so that they can design products that are aligned and tailored to them adequately. This is the process through which businesses take decisions about what new products to develop, what old products to adapt to new conditions, and what products to discontinue from the market.

Products can be classified as (i) consumer products – those used for personal or family purposes – or (ii) industrial products – those used for resale or as inputs to develop new products. Some examples of consumer products include convenience products, shopping products, specialty products[14], and unsought products. Some examples of industrial products may include the likes of raw materials, major equipment, accessory products, component parts, process materials, consumable supplies and industrial services.

As stated above, a product is a bundle of benefits. When buying a product, consumers are looking either for (i) core benefits such as brand name, features, capabilities, quality, design/style, or even packaging, or for (ii) augmented benefits such as after-sales support, warranty, customer service, high-quality personnel, delivery and credit.

6.1 Product Lifecycle (PLC)

On developing a new product, marketers need to pay particular attention to its life cycle, which is the time a particular product takes from its introduction into the market until it becomes obsolete. A typical product lifecycle has the following sequence: (i) development and introduction, (ii) growth phase, (iii) maturity, (iv) decline and (v) obsoleteness.

[14] Goods or services that are available only from a limited number of outlets.

The Boston Matrix is generally used to measure a product life cycle:

Market growth	High — Market share	Low
High	**STAR** Cash generated +++ Cash used - - - **0**	**QUESTION MARK** Cash generated + Cash used - - - - -
Low	**CASH COW** Cash generated +++ Cash used - **++**	**DOG** Cash generated + Cash used - **0**

Stars are products with rapid growth and a dominant market share; **Cash Cows** are former stars. They have a dominant market-share but have less growth. They are in the maturity phase; **Dogs** have low market-share and low growth as well (these are the products on which it is probable not worth spending more resources on); **Question Mark** products (also known as **'Problem Child'**) have a low market share and generally require a strong marketing campaign to uplift them or an adaptation for them to fit better in the market.

The Boston Matrix can be expanded further to include **War Horses**[15] and **Dodos**[16].

6.2 New Product Development (NPD)

New product development includes the following key steps: (i) product planning, (ii) generation of new ideas, (iii) screening and evaluation (when new ideas are tested for feasibility and marketability), (iv) technical development, (v) market appraisal, and (vi) launching. When deciding to develop a new product or service, business managers need to take into account the following considerations:

a) How does the new product fit with the company's strategy? – Strategy fitness.
b) Can the product be made economically? – Technical feasibility.
c) Will the customers like it? – Customer acceptance.
d) What competition will the product face? – Market opportunity
e) Is the product worth developing from a profitability point of view? – Financial performance.

[15] War Horses have high market-share but the market has a negative growth.
[16] Dodos have low market share in a negative growth market (products to be discontinued).

6.3. Product Pricing

Customers' buying behavior is not always rational. Consequently, the considerations over a product pricing sometimes are not rational too.

Money is always scarce; however, customers do not always buy cheap products just for the sake of being cheap. When buying, customers are looking for value for money, not necessarily for a cheap price. With that in mind, marketing decision-makers are always required to be able to decide what product price will be perceived as value for money from a buyers' point of view, and reasonably profitable from a company's point of view. To achieve this goal, companies use essentially three main methods: (i) Cost-based pricing, (ii) Customer-based pricing, or (iii) Competition-based pricing.

- **Cost-based pricing** – this method is not customer-oriented. It can be sub-divided into cost-plus pricing and mark-up[17] pricing.
- **Customer-based pricing** – This method takes into account the customers' needs and wants. It can be sub-divided into customary pricing and demand pricing.

The key element of all these methods is to seek to strike a balance between the need to offer value for money to customers on one side, and to maximize company profit on the other side.

The following are some of the main pricing strategies used by businesses:

- Product-line pricing
- Skimming pricing
- Psychological pricing
- Second-market discount

- **Competitor-based Pricing** – This method recognizes the influence of competition in the market. This method can take the form of (i) Penetration pricing or (ii) Predatory pricing.

6.3.1 Product price setting

The main steps to be followed for setting a product price include, *inter alia*, the following:

- Definition of price objectives;
- Analysis and evaluation of the target market's buying capacity and proposed price;

[17] *Mark-up* is calculated on the price the retailer pays for the product, whereas *Margin* is calculated on the price the retailer sells the product for.

- Determination of demand available;
- Evaluation of the relationships between the demand, cost and profit of the product;
- Competitors' price evaluation;
- Adoption of a pricing policy to implement;
- Development of a pricing method;
- Price setting.

7 The Marketing Plan

Marketing planning is the exercise through which an organization seeks to put together in a formal document a summary of all the organization's aims, objectives and strategies, in view to establishing how that organization intends to reach a desired stage in a marketplace.

The exercise has the ultimate goal of finding answers to three fundamental questions, namely:

1. *Where are we now?* – This leads to preliminary research and assessment of the prevailing situation the company is operating in;
2. *Where do we want to be?* – This is the actual process of crafting a marketing plan containing the aims, objectives and strategies the company intends to adopt and implement;
3. *How are we going to get there?* – This is the phase of actual implementation and control of the crafted marketing plan.

The marketing planning exercise follows a sequence of critical steps such as:

a) Definition of company's mission, aims, goals and objectives;
b) Situational analysis – Internal and external
c) SWOT and STP Analysis[18]
d) Marketing Strategies
e) Decisions about the Marketing Mix
f) Marketing budget
g) Implementation and control (outline of marketing metrics to be used in performance evaluation)[19]

[18] STP stands for **S**egment your market, **T**arget your best customers, **P**osition your offering.
[19] Gbadamosi, Bathgate and Nwankwo, pp. 310

8 Marketing vs Internet

Internet is, for sure, one of the world's most efficient ways for sharing information rapidly and widely among people. With the internet, the word-of-mouth (WOM) effect gains a truly exponential growth through social media (SM), blogs and other online instruments.

Social media is the most recent and mostly used form through which people interact and exchange information in the entire world, and can be defined as 'an interaction between two or more persons via a web application or social networking site (SNS)'. Social media accounts today for 'one in every 6 minutes of time [people] spend online'.[20]

Apart from social media, blogs are another online instrument people also use to interact with other people. Blogs are *'web-based journals powered by a self-publishing tool that enables the author(s) to regularly and easily update the content. The blogs consist of commentary along with links to other blogs or online resources*.' [21]

Online instruments like blogs can be used by bloggers to present their ideas, opinions or feelings about a subject or even about a product or a service brand, in a way that can influence the readers.

Similarly, through social media people are able to use free services online to:

- Create online profiles;
- Maintain a long list of 'friends' or 'followers' with whom they can interact and share information, ideas, opinions, as well as build relationships, networks and bonds with people all over the world without ever meeting in person.
- Traverse their friends/followers and those made by other users within the same system.

These elements clearly show the importance of social media as a means by which individuals and organizations can absorb the enormous potential for connecting the outside world to advertise their products and services free online.

This is the basis of the relation between marketing and the internet. Through the internet, marketing people have the chance to share substantial amount of data, reaching a variety of connected people, anywhere in the world. According to Shimp,

[20] Ibid., pp. 365

[21] Shimp, pp. 188

‘every minute, 60 hours of video is uploaded to YouTube, 3000 images go up on Flickr and more than 700 YouTube links are tweeted”.[22]

To be successful, almost all organizations need to develop and introduce into selected markets their products and services on a constant basis. These products need to be known and accepted by potential consumers.

Marketing communication is the means to facilitate the process of presenting to the market the actual advantages of a product or service, by explaining how that product is compatible with the consumers’ needs, wants, purchase preferences and perceptions of value. One of the ways to relay such information to the market is through the use of internet and, particularly, of social media.

8.1 Types of Social Media

Facebook is the world’s most popular social networking site, catering for about 2/3 (67%) of internet users.

Other relevant social media sites include Twitter, catering for 16% of internet users, while Pinterest, Instagram and Tumblr share among them 15%, 13% and 6%, respectively.[23]

LinkedIn is another relevant professional social networking site which had already accumulated more than 200 million users buy 2013.[24]

8.2 Impacts and Benefits of Social Media

Given the exponential growth of the number of connections to the internet and to the most popular social networking sites, it is possible to infer that the internet is one of the most powerful means of mass communication that marketers can use to reach their targeted markets.

Viral marketing is one proactive marketing approach practice used by marketers to gain attention from consumers connected to different social media platforms. It is generally performed by using virtual cheerleaders, opinion leaders and market mavens[25] to talk positively about a certain product or service.

[22] Shimp, pp. 365
[23] Ibid., pp. 377
[24] Ibid.
[25] Experts on marketplace information

9 Key Learnings from this Course

My main purpose in doing this course was to get a comprehensive overview of marketing and marketing principles to the practice of management, covering marketing information, marketing research, market segmentation, product policy and development. I needed to understand the elements of a marketing mix, the marketing environments, customers and consumers, and the main rules to follow when developing a new product or service that seeks to offer value for money to potential customers or buyers.

The main motivation was the fact that, in 2015, I registered a business of my own which entered the market to compete with other players for survival. My registered business never had a formal marketing plan or strategy, and today, after completing this course I can understand clearing how bad it was not to have had those instruments.

On Section 5.2 (Targeting) of this assignment, I shared an episode that happened to my business which would not have happened had I had the knowledge I have today about Marketing, after completing this course.

My company's client base never resulted from any sort of market research what-so-ever, was never segmented in any way, the services that we delivered never resulted from a true understanding of what customers really needed, but rather from the belief that if a service was once successful to one client it would be successful to all other clients. We were obviously wrong.

When we approached new clients in search of new businesses/contracts, our main aim was to generate income for the company, never to offer a tangible value to those particular clients. When we failed to sell a service to a potential client, we moved on to the next client with the same service, we never thought of adjusting the same product to suit the specific needs and wants of the client. In reality, we never created a chance to listen to existing and potential clients about what they expected from us.

Similarly, we never stopped to look into the marked to understand the changes that were occurring that could affect our business. Instead, we just kept hoping that the changes, if any, did not reach us. Again, we were wrong!

It is no wonder that my company is now out of business, for reasons that could have been avoided or, at least, foreseen. There were two main reasons that decisively contributed to pushing my company out of business:

1. A Government policy change that brought new requirements to operate, that most similar businesses could not cope with. If we had endeavored to understand our environment through, for instance, a PESTEL analysis or a SWOT analysis, the outcome would have been different. The reason for not being able to cope with this change was related with our weak financial capability, resulting from second reason;

2. Weak financial capability – Because my business had failed to offer proper value for money to our clients, existing and potential, due to having failed to understand their needs and wants, our revenues fell to unsustainable levels and, consequently, we failed to have enough critical mass to face the new government policy change challenges when we were required to. If we had had the time to do a marketing strategy exercise, my company would have had a proper Marketing Plan that could, hopefully, lead us to some success from a financial point of view, but we didn't.

Therefore, this course was an eye-opener and has equipped me with the main tools I need to revive my business.

10 Conclusion

The whole purpose of opening a business is to have clients interested in purchasing our products or services. To achieve this goal, businesses need to identify potential clients, try to understand their needs and wants and, to the best extent, seek to anticipate and satisfy those needs and wants in a mutually beneficial manner.

This is the role reserved for the marketing function in any organization.

To survive in an ever-changing market environment, the marketing functions and the marketing executives of organizations need to be equipped with specific tools to convert company's strategies (vision, mission, goals and objectives) into marketing plans that will help that company to win in the market.

To achieve this goal, marketing executives (of marketers) need to understand the different environments (both internal and external) they are in, and where their companies operate. They need to assess and interpret their company's internal strengths and weaknesses as well as external opportunities and threats, in order to develop the necessary marketing strategies to address specific market segments to be targeted for positioning their products and services. They need to figure out the right marketing mix (products, places, promotion approaches and best prices) that will ensure the perception of good value for money from their customers and consumers.

They will need to get a strong buy-in from their shareholders to back their plans from a financial point of view, so that they can portrait themselves and their businesses in a particularly unique way in the marketplace. Only by being unique, they can succeed in developing a competitive advantage for their products and services, in a way that can generate profit for their organizations.

This is, in my view, the ultimate goal of studying the discipline of Marketing as I just did in this assignment.

The End.

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