

Marketing Philosophies/concepts

Organisations have different ideas about marketing, known as marketing philosophies, each of which is characterised by the strategy, approach and behaviour adopted by the organisation. There are 5 alternative philosophies under which organisations may conduct their marketing activities, commonly referred to as concepts:

The Production Concept
The Product Concept
The Selling Concept
The Marketing Concept
The Societal Marketing Concept

The Production Concept

Organisations adopt a production – based approach where the demand for products is high and exceeds supply or when production costs are high and need to be reduced. The marketing strategy is focused on increasing volume and efficiency of production and distribution in order to reduce costs and meet demands of the customer. The production concept has been widely used and has proven to be successful. It was used by Henry Ford in the early years of the Ford motor company is a good example. However such an approach may not be sustainable as organisations can become too pre-occupied with improving production. They may not notice that competitors enter the market and offer customers more than low cost goods.

The Product Concept

This is based on the idea that consumers will always prefer quality, high performance and special features. Organisations that adopt this philosophy put their efforts into making continuous improvements to their products. This can be a very successful strategy, eg improving designs or offering additional features of established products, can attract repeat business, and maintain brand loyalty. However, it can also backfire: companies can become obsessed with technical advances and fail to realise that customers do not want a new improved version but a different product or service altogether. For instance, in the 1980's the television rental market invested heavily in upgrading its rental tv's and continuously improving its service standards, but did not realise that its customers were being drawn away to buying their own tv's by cheaper more reliable products that were being marketed for sale.

The Selling Concept:

Organisations who follow the selling concept are those who are involved in selling goods or services that are not generally sought after. Consumers tend not to actively seek out such goods, and the organisation has to actively sell and promote on a large scale. Examples of organisations who use this approach include companies who sell low-cost household product via direct selling catalogues, double glazing companies and politicians. Much effort is spent on persuading potential customers of the benefits of the product. This can produce short-term sales results, and some customers will buy again, but there is little emphasis on establishing long-term customer loyalty. The risk is that customers are not satisfied, will not return and will tell others about their bad experience. It is however an approach that can also be used successfully when an organisation needs to get rid of over produced goods or surplus stock, and is often used in clothing retail, eg January sales.

The Marketing Concept:

Many organisations recognise that taking this approach is an effective way of achieving their organisational goals. It is about determining the needs and wants of its target market and satisfying those needs more effectively and efficiently than competitors. The approach is about gaining direct

and indirect ideas, opinion and feedback from customers and potential customers. Information is gathered about the existing company products and services, customer needs, wants, experiences and expectations. Staff at all levels are fully involved in the process and are encouraged to develop and manage relationships with customers, and to listen and respond to feedback. It is widely used. Some organisations such as Toyota have become masters of the art, and even invite visitors to their iconic AMLUX building in Japan to spend as much time as they want designing their own vehicles on computer/TV screens in the vehicle-design studio.

However, it does not mean that a company should try to give all customers everything they want. It is not about maximising customer satisfaction at the expense of profitability. Customer needs must be met, but the Company still has to make profit

The Societal Marketing Concept:

This is the most recent of the five philosophies and is based on managing the conflicting interests of company profits, consumer wants and society's interests. Marketing strategies appear to have evolved from a basis of company profit, through to the marketing concept of longer-term satisfaction of consumer wants to this concept of efficient and effective satisfaction of consumer needs in a way that shows concern for society and the environment.

Many organisations have embraced the societal marketing concept and have introduced, implemented and publicised policies which show their ethical standards with regard to environmental and social issues.

Target Market Strategies

- 1.) Single-segment - known as a concentrated strategy, it is often used by smaller companies with limited resources. One market segment is served.
- 2.) Selective specialization - known as differentiated strategy, different products/services are offered to different segments
- 3.) Product specialization - specializes in a particular product.
- 4.) Market specialization - firm specialize in a particular market segment and offers an array of different product
- 5.) Full Market coverage – the service or product is offered to the entire market and achieved via mass marketing.

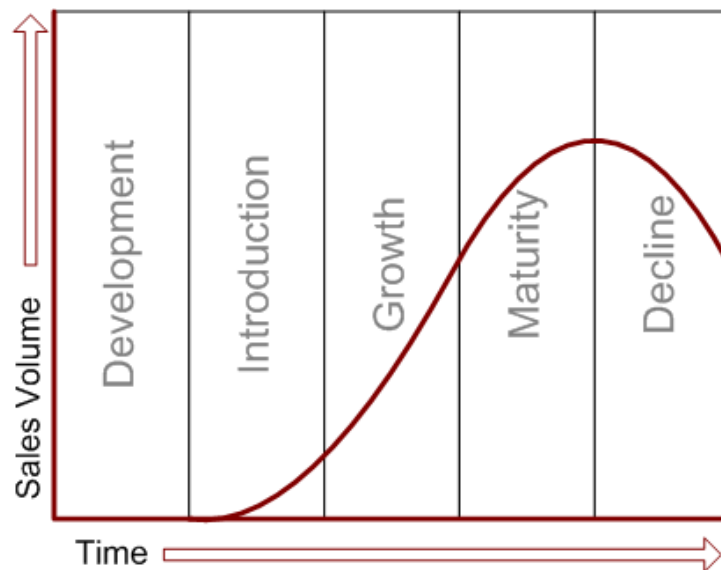
Market segmentation and marketing

Market segmentation is about analysing a broad target market and dividing it into subsets of consumers with common needs, wants, interests and common applications for the goods or services. For instance, Kelloggs make breakfast cereal, but their target market is segmented into adults who might buy products such as cornflakes, children who might favour Frosties and those who are interested in weight control who would buy Special K. Kelloggs market each of these products in different ways to these market segments.

Depending on the type of product or service it offers, an organisation may use a range of criteria to categorise the subsets of its target market, including age gender, location or income. Some organisations focus only on specific segments of the market, such as top, middle or bottom range. This enables them to match their product to their target market. For example, a Michelin starred restaurant's market segment would be top of the range and they would market themselves on the basis of top quality, specialist food, for which people would expect to pay high prices. A restaurant which is part of a national chain would target the middle range and offer middle quality, competitive prices, standardised food choices. A small high street café would aim for the bottom range market segment with cheap and cheerful, limited food choices and low prices.

(See Jim Blythe Essentials of Marketing 3rd Edition Prentice Hall chapter 3)

Product Life- Cycle



Product life cycle refers to the stages through which a product passes. Products go from development and introduction to the market, to growth, to maturity and to decline or reduction in demand. Not all products reach this final stage, some continue to grow and some rise and fall. It is crucial that organisations continually review and revise their product portfolio to ensure that their products and services are meeting the needs of the market.

Development and Introduction

In the development stage, a firm usually incurs losses rather than profit as time and money is spent on research, prototypes and production, and then advertising and launch. When the product is introduced to market, there is usually low growth rate of sales, although there have been products that have stormed the market and monopolised it quickly eg Rubiks cube.

Growth

Growth usually results from the acceptance of the innovation in the market and profit starts to flow. Sales growth can be maintained by experimentation with new ideas and innovation. At this stage a company is likely to enjoy competitive advantage.

Maturity

As the product achieves acceptance and becomes established in the market, competitors may introduce innovative models of the product. Profitability declines as competition increases. This is the stage where the company usually tries to introduce its own innovations to prolong the life of the product.

Decline

This is the stage where competition is fierce, the product is outdated, the price has fallen, and sales and profits decline – the market is often saturated, and it may no longer be feasible for the product to remain on the market.

It is not always necessary that a product should go through these stages. it depends on the type of product, its competitors, scope of the product etc.