

University of Wales Trinity Saint David

**MARKETING FUNDAMENTALS - ASSESSMENT 2
(LCBB4004)**

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Task 1A

Introduction

Marketing fundamentals are tactics used to form strategies a brand adopts for the promotion of their products and services delivered to their customers. The fundamental objective of marketing is to increase the revenue and sales by understanding the customer needs and wants. Thus, in this case marketing is a way to maintain relationships with clients and other stakeholders at a profit (Gronroos, 1997). This would be achieved by fulfillment of premises ensuring the type of product and pricing meets customer objectives. This essay would evaluate the marketing fundamentals by analysing its stages and examining the role of the marketing mix. Marketing plays an important role in creating effective value propositions for its customers. The effectiveness of marketing would be shown in the increase of profitability. In addition the research would also examine the importance of engagement of the stakeholders on the marketing activities. Therefore for effective discussion, an example of a financial company- HSBC has been undertaken.

Process and stages of marketing

Marketing plays an important role in the development and growth of the organisation. Marketing is defined as the process of identifying, anticipating and satisfaction of customer needs and wants. Therefore Marketing is seen as essential for the company in order to keep customers loyal to the business. A company should create their "target marketing" and aim to satisfy this target market. (Pride et al. 2008). Marketing is essential for companies in this competitive market. The process of marketing includes four different strategies which help the organization to

produce an effective marketing planning. The four stages of marketing are shown below:



Figure 1: Marketing strategy stages

Stage 1: This is a foundation of the marketing plan. The first stage of marketing involves examination of the internal and external factors that could affect the company. This creates an overview of the company which would outline the factors that affect the company in future. This would help the company to establish their unique marketing strategy to differentiate them from other organisations. In order to examine the external factors affecting the business the Macro environment, SWOT analysis, PESTLE, Porter's Five Forces, ANSOFF Matrix and others tool can be used. Therefore in order to assess the marketing concepts, three of the modulus are applied in relations to HSBC which is a retail banking company in the UK. Macro environment, SWOT analysis and Pestel are used to examine HSBC.

Macro environment analysis:PESTEL

1. **Political analysis:** This includes any action the government implies for the protections of customers and companies have no control over. The regulation proceed by the government implies political stability which is important for the company decision. HSBC has to ensure they follow the regulations proceed by the government in the country they operate

in. As the government introduces in order for individuals to take out a loan they need to have a credit check. This would reduce the risk HSBC takes and it would lead to reasonable letting. This is particularly important after the Financial crisis as it builds trust between the stakeholders and the company.

2. **Economic analysis:** Change in interest rates, unemployment, competitive activities and housing market. The banking industry is very competitive, HSBC needs to ensure that they have secure economic strength in the industry. HSBC needs to ensure that the interest rate they offer fits which the interest rate proposed by the Bank of England in order to attract customers.
3. **Social analysis:** Include lifestyle, trend in customer behaviour, work life balance and climate change. HSBC runs many campaigns in order to benefit the society such as HSBC rural children program.
4. **Technological analysis:** This includes new products such as online and mobile banking in order to improve the communication to be faster and easier. This impact on the way HSBC operates on a daily basis leading to many branches being close.
5. **Legal analysis:** HSBC needs to ensure they follow the legislation passed. This could be very costly and time consuming but it protects customers, it increases the level of trust customers have on the company. If they do not do that, this is likely to cause bad publicity as it happens from the mis-sold of PPI.
6. **Environmental analysis-** Include everything companies do to protect the environment. This has become a major importance for customers recently. HSBC is the first banking company to become carbon neutral by 2050.

SWOT Analysis:

<u>Strength</u> HSBC is one of the top five banks in the UK holding a high market power. ● HSBC is well recognised and in 2018 it holds 8.6% of the mortgage lender market share. ● Global companies operating in Europe, Asia and South America which spread and reduce the risk. ● Well capitalised meaning they are unlikely to borrow capital from the UK government.	<u>Weakness</u> ● Poor performance in the personal finance service sector ● Involvement in the Subprime market in the US. ● Decrease in the UK interest rate doesn't reflect the interest offered by HSBC such as they have increased the interest rate on their mortgages. ● Global operations- Some argue lack of personalisation
<u>Opportunities</u> ● HSBC has sufficient funds to purchase stronger banks such as Bank Economy in Indonesia. ● They could help competitors during economic downturn, which will help them to build reputation. ● High level of capitalisation which will help them to acquire assets at low cost. ● Expanding in different parts of the world. ● Operating online which increases their revenue.	<u>Threats</u> ● Financial losses suffered by investors during the financial crisis still impact on the level of trust they have with banks. ● After the financial crisis credit became less available to the public due to strong financial checks. ● Online operations lost face to face communications. ● High competition.

Porter's Five Forces:

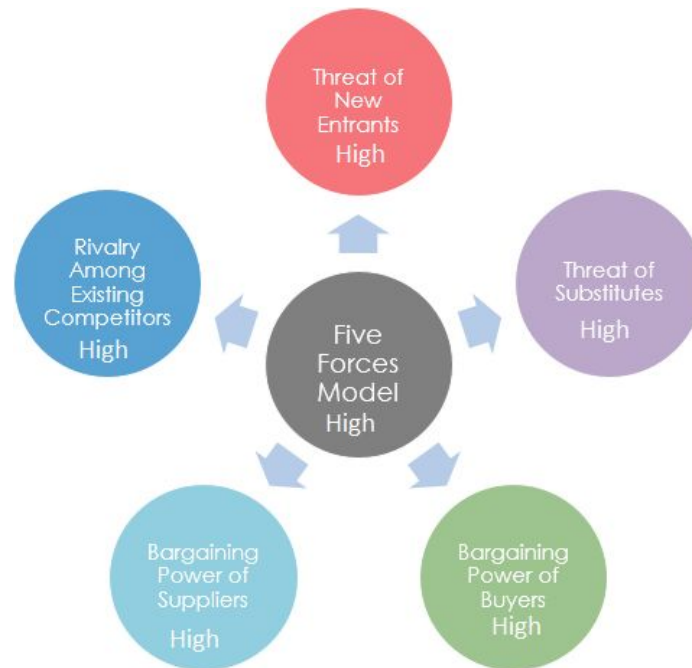


Figure 2 Porter's Five Forces

Porter's Five Forces is an effective tool used to determine the competition within the industry. HSBC, the threat of new entrants is high due to new companies entering the industry such as Tesco and Sainsbury which have a strong brand name in the country. However HSBC creates entry barriers in order to face this threat such as offering a high interest rate on savings. The customer has high power over HSBC, as they have large options of competitors. Therefore HSBC uses a strategy to maintain their customers loyalty by offering them higher interest rates for customers which stay longer with them. The power of suppliers is huge because of the size and the differentiation of material being supplied. Similarly Competitors hold high power, HSBC ensure they hold leadership positions in the industry enabling them to create entry barriers.

Stage 2: The second stage of marketing includes setting of the objectives and forming market strategy. At this stage companies need to form an objective towards how they would work and form a strategy. This includes forming a plan aiming to

achieve something over long term. But most importantly knowing their target. This is essential for forming an effective marketing plan in order to influence the customer they target.

Stage3: Marketing mix this refers to the combination of the four marketing instrument which is used to tackle the market. Those four marketing objectives are discussed below:

Product:

This refers to the goods and services offered by the organization which are crucial for the meeting of needs of customers. The company needs to effectively position the product or services offered by them in order to attract customers. A new product progresses through four different stages : introduction, growth, maturity and decline. Introduction is when the product is first introduced in the market, this is when product or sales are usually very low or do not exist, it is when a company starts to build awareness regarding the product. At this stage the pricing of a product is very important to create market share. The second stage is the growth. This is when the demand of the product is high and profits and sales are starting to increase. Also at this stage new rivals may start to enter the industry. Maturity is the third stage of product development. At this stage revenue and sales are starting to be stable. During this period sales growth is starting to reach its peak. The final stage of the product's decline is when sales as well as profit are starting to reduce.

Pricing

Price is defined as the expected or given in a payment for obtaining something. When forming a pricing strategy the company will consider the cost of the manufacturing the product but also other factors such as price competition and pricing objectives which are influence by the company mission statement. The company needs to set strategic pricing objectives, estimate demand, determine costs, examine competitors' prices, select methods for calculating price, set price level and adapt price structure. The company need to select the best pricing strategy suitable for them. Such as price skimming (high prices when introducing a product in

order to gain quick return of their investment), penetration pricing(low price when introducing the product in order to build awareness), psychological pricing(price based on emotional factors) or differential pricing(selling the same product to different customers and different prices).

Place

Place refers to the distribution strategy which makes the product available to customers to easily purchase them. The channel of distribution can be either offline or online considering the preference of the customer. This could be intensive distribution, exclusive distribution, selective distribution or dual distribution. However as online marketing develops companies should use digital marketing as it is accessible to customers in all parts of the world.

Promotion

Promotion refers to the effective communication with the customer which is crucial for developing sales and raising awareness. Advertising is an example of communication with customers. The different types of promotions are through newspapers, magazines, television, radio, etc. The company needs to select the most effective one by considering their target audience needs and wants. Promotions attract the attention of the public and attract them to purchase the product or service.

Stage 4:

Implementation by developing and effective control in order to keep track of the marketing activities. This would be easy for companies to achieve their marketing strategy and objectives.

The marketing process mentioned above acts as a guide for not only keeping the process of the brands but targeting it correctly in order to fulfill the business objectives.

Role of marketing in creating value for customers

The fundamental characteristic of marketing is to provide value for customers. Berry (1997) However others would argue that customer orientation theory does ignore other stakeholders of the company and build long term success. Webster's (1993, p. 27). On the other hand others would believe that customers orientational theory builds long term success of the company as it does not only apply customers' vision of the products, but it examines customer needs and wants at every stage of the product life cycle. As argued by Schnebelan (2017) it might not always be in the company's best interest to consider the customers needs and wants as it might not be profitable for the company. Therefore it is important to consider the company actions throughout the business value.

Value could be assessed through other ways than only through economic terms. There are different ways to measure the benefit of the value which was delivered to the customers. For example value can be measured in terms of media and the efficiency of raising awareness of a product or in terms of price if the product is at better price than the one offered from competitors. In addition the value can also be measured by intangible assets and personal gain such as if customers are feeling good when purchasing the product.

Kohli and Jaworski 1990 argue that marketing is important to flow information smoothly as it would create more personal relationships with customers. Effective marketing creates transparency as it provides knowledge to customers allowing them to form a decision whenever to purchase the product. This creates value for customers and allows them to build trust with the brand leading to strong branding name created. For example the advertisement campaign used by HSBC allows the brand to create relationships with their customers and allows them to choose if the products offered is meeting their needs. This leads to high brand power and loyalty.

Furthermore the focus on customer value allows the company to differentiate themselves in the industry. However in order to create successful marketing campaigns can be both time consuming and expensive for the company. There are two factors that need to be applied when forming a marketing strategy. The first

factor is to keep the marketing strategy simple. For example, a retail bank Lloyds has developed a simple marketing strategy which helps customers with low income and low deposit to take out a mortgage up to 95%. Their marketing strategy aims to create value for customers by helping them with their deposit which they cannot save. This differentiates them from other providers. As a result it allows them to have a higher market share in terms of mortgage services. Companies also need to consider the mission and objectives of the organisation when forming their marketing strategy.

Marketing is important for company success as it informs customers and it creates value. This impact over customer trust and it differentiates the organisation. Marketing begins with the identification of the customer objective in order to design effective products. Content marketing is one of the approaches which aims to create content and provide value to customers. Content marketing is a process of the creation and sharing of online materials which do not focus on the promotion of the brand but it creates interest on customers and it boosts sales. It builds better connections with customers as it raises awareness for the company values.

Technology has made a significant difference in addressing the customer needs better and thereby forming a successful marketing strategy. The collection of data has become much easier and this has helped the marketing communication. Information regarding customer perception of a brand can be gathered quickly and less costly with the technology help. For example HSBC gathers customers surveys online, in order to address customers problems if there are any. By gathering this important data has increased the innovation of relevant products to customers such as HSBC ISA. Also through their social media platform, HSBC connects with customers but also with other stakeholders. The technology has helped HSBC to operate easily but still to have a strong relationship with their customers. Therefore technology transformation has helped companies to offer more personalized service and products, which has reduced much of operational cost for business.

Impact of engaging stakeholder on marketing activities

R. Edward Freeman(1984) defines stakeholder as a group of individuals who can cause an effect or are affected by the achievement of company objectives. The engagement of the stakeholders are important for the company success. .An example of company stakeholders are divided into two parts internal and external stakeholders. Internal stakeholders are individuals within the company such as owners, managers, board of directors and employees. External stakeholders are the individuals who are indirectly affected by the organization such as suppliers, government, creditors, customers etc. The involvement of stakeholders in the marketing strategy is essential in order to design plans that will benefit the company. Stakeholders might be affected directly or indirectly by company marketing strategy. The engagement of stakeholders in the marketing process helps the company to fulfill its mission through a systematic process of engagement, connection, communication and exchanging value between the stakeholders.

HSBC, marketing strategy is differentiated targeting strategy and is primarily for customers and they are seen as the main stakeholder. However HSBC value each one of their stakeholders including employees and government. For example in order to ensure shareholders are involved in the company marketing process HSBC keeps the communication level with its shareholders high. Such as annual meetings are held in order to allow shareholders to participate in the marketing strategy. Another important stakeholders are customers, HSBC ensures they are able to communicate with their customers therefore they are offering 24/7 customer service where customers could provide feedback, complaints and ideas that would help in forming an effective marketing plan which would result in increase of sales. HSBC always ensures when forming their marketing plan it is always in alignment with their aims so the marketing plan would benefit the company (HSBC PLC,2020). The third important stakeholder for HSBC is employees. HSBC engages their employees in the marketing strategy by offering them employee share plans where they can engage in the company development. By offering such a theme employees are

motivated to develop a successful marketing plan. HSBC shows their stakeholders are valued.

The involvement of stakeholders are always beneficial for company success. In terms of marketing activities it is important to consider the customer needs in order to develop a plan to increase company sales. Stakeholders are useful for the marketing activities as for example employees have higher communication with customers, therefore they might understand their needs the most. In order to design a successful marketing plan it is crucial to include stakeholders such as managers, investors etc.

Conclusion

To conclude marketing is an essential part of brand awareness and expansion of profitability. Marketing involves various stages in order to identify the correct strategy and differentiate a company from competitors. Identifying a target segment is essential for developing a marketing strategy which would influence the customers. The effective marketing strategy should pursue buyers to buy a product or service. The prime objective of the marketing is to form value for the customers but this could be done by understanding the customer needs at each stage. Marketing mix includes four different tools product, price, place and promotion. Finally the involvement of stakeholders in the marketing strategy is crucial to develop a successful marketing active plan.

Task 1 B

Reflection of the tactical communication tools that generated awareness and interest for the project tactical communication tools

Communication refers to transmission of information between one group to another. An example of significantly used models in the transactional model of communication. The module is illustrated below:

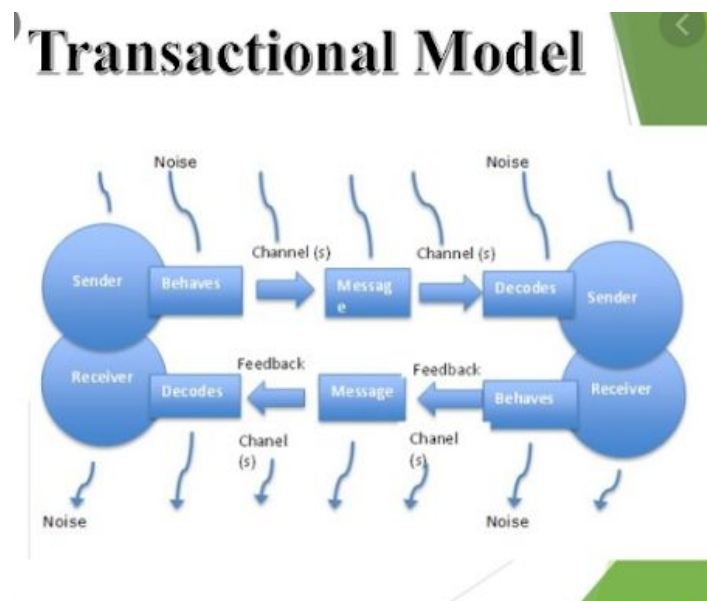


Figure 3 Transaction Model

The two basic entities of communication involved in marketing are sender and receiver. Therefore the company is the sender and the targeted customers are the receivers. But today companies are focusing on the two way communication in order to get a better understanding of their targeted customers needs. Communication is essential for collection of information. During the marketing process companies use communication tools to connect with their customers. In addition a tactical communication tool is used to monitor the success of marketing plans by collection feedback from customers.

Integrated marketing communication can be defined as the process of ensuring all forms of communication are linked together and work in harmony. There are different stages of the IMC Campaign. They are to define the audience targeted, set promotional goals, set promotional budget, design promotion mix and examine the results. There are different types of integrated communication. Digital tools such as websites, blogs, emails and social media have made the process of communication with customers easier. HSBC uses different types of communication like public relations, advertising, website and social media. In order to gain competitive advantage HSBC offer sales promotion to increase their sales. Also advertising and television boosted awareness. (HSBC PLC,2020)

Today is the era of social media, digital communication and websites which are significant tools of communication. Such as I have used their website in order to collect information about HSBC marketing concepts which generate awareness about the project. In my previous assignment I have applied communication tools to connect with the target audience. The communication tool which I used is a blog post. The blog post was an effective tool to create awareness regarding my project to the audience. I was able to explain to customers the ways in which the project will benefit them. I was also able to inform them about the overview of the project. I was able to communicate with my target audience but also there was a comment section below where customers would provide their feedback. This is the two way communication. The feedback which I receive from my audience allows me to build more ideas into my project. I was able to understand if the audience liked my project. Therefore the tactical communications tools are vital for the marketing plan to satisfy customers.

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