Lesson 1

ANALYSING THE MARKET

Aim
To improve your ability to analyse a market and understand what prompts people to choose one product or service over another.

Although you may not realise it, marketing and analysing the market are not a new concepts to you. Over the years you have probably been involved in some type of marketing activity. For example

- Helping to organize a stall at a local fete
- Setting up a raffle for a local sports team/playgroup etc.
- Persuading your parents to lend you some money to buy a video game player
- Checking to see the price of a computer and different stores and outlets

Although, all these activities are different, they all have one thing in common: they involve a number of marketing activities. Some people might think that marketing is just a fancy name for selling, but there a whole lot more to marketing than just selling.

Advertising allows a company to tell the benefits of a product to a potential customer. Advertising can be in a newspaper or magazine, on radio or TV, a billboard, internet or a variety of other means. Advertising is generally paid for, as opposed to publicity, which is usually free. Promotion is just a bit different. It is a method of increasing sales of merchandise through advertising; any activity designed to enhance sales. Analysing the market to make sure that these two facets come across is necessary for the business.

Actually, the current view of marketing is such that it does not even have to involve the selling of a product. For example, it can involve non-profit organisations wanting to inform and change people's behaviour. (eg. The Victorian Police campaign for drink driving and Speed Kills).

There are many definitions used to describe marketing. One of the most commonly accepted definitions today, comes from 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 exchanges that satisfy individual and organisational objectives".

In other words, it is a total system of interacting activities designed to plan, price, promote and distribute products to present and potential customers.

This definition tells us that marketing and analysing that market:
1. Involves a wide range of activities
2. Is directed at a wide range of both ideas and products
3. Stresses the importance of satisfying exchanges, that is, something in return
4. Not limited to the activities of just businesses

At the core of these activities is the most important question all businesses should continually ask – "What do customers want to buy – now and in the future?" as well as "What are they buying now?".

This is what marketing is all about – finding out what customers want and then trying to satisfy those needs.

Selling is just getting rid of existing stock, whereas marketing takes a much broader view. Successful marketing involves bringing the buyer and selling together to make a sale.

The Role of Marketing

Marketing today places a strong emphasis on viewing the business through the customer's eyes or customer-oriented marketing. A market-focused business will want to create products that customers want to buy. The business needs to see itself as a customer-satisfying process rather than a production process. It also needs to be aware of what is happening in the market and market trends.

In developing a new product, to achieve financial goals and make a profit, the product would need to generate sales and this would require the development of a business plan.

To achieve the goal of profit, the business plan and specifically the market plan should be the focus of all short-term planning for three reasons:

1. The marketing plan outlines the strategies to be used to bring the buyer and seller together. The business needs to be able to identify:
- where the market is
- who will buy the product
- why they will buy the product

2. The core of marketing is satisfying existing customer wants – or analysing the market - which should lead to repeat sales.

3. Marketing is the revenue-generating activity of any business. Nothing is achieved until a sale is made.

A business, therefore, must determine what the customer wants, how the market is selling now, and develop a product and marketing plan to satisfy these wants.

In marketing, data will be collected and analysed on markets, consumers and customers. This information would then be used to guide business decisions as to which products should be produced and the best methods to do this.

So whichever approach to marketing is adopted, whether it is production, product, sales or marketing orientated, the fact is marketing will still deal with customers more than any other section of a business. This means that marketing will acquire a greater understanding of the needs of potential and existing customers, which will have an important role in decision making across the whole business.

Internal marketing audits will raise awareness within the business of any strengths and weaknesses. Whilst marketing techniques such as SWOT (Strengths, weaknesses, opportunities and threats) analyses will be used to make the business look outside its own environment and identify opportunities and threats in the external environment. In today's market it is also important to note and look at the internal structure of the business as well.

The role of marketing also requires that plans are made, targets set and reviews of performance against the targets made regularly. Basically, the role of marketing is to influence everything that a business does, so it ensures it meets the needs and wants of customers in a way that is profitable to the business. The strength of the influence of the marketing department will depend on the individuals involved and the marketing approach used by the business. The marketing section and department also need to analyse the data and information to make sure that the business is heading in the right direction.

Approaches to Marketing

The focus of business today is to develop a marketing plan that emphasises customer satisfaction. However, the idea of the marketing concept only evolved in the early 1960's. Prior to this, there were two different approaches to marketing: *production* and *sales.*

The Production Approach: 1820sto 1910s

The burst of industrial growth during the Industrial Revolution, saw demand for products exceed the production capabilities of many businesses. Up until World War 1, business concentrated their efforts on the production of goods and services. Businesses normally were able to sell all their output.

Marketing consisted simply of taking orders and delivering the products. Business was *production-oriented.*

The Sales Approach: 1920s to 1960s

After World War I, production became more efficient and productivity increased. Slowly the output of businesses started to catch up with demand. High quality, mass-produced products came on to the market and competition between businesses increased. No longer could a business rely on selling all that it produced.

Because customers' basic needs were satisfied, businesses had to develop a new marketing approach – one that was *sales-oriented.* Businesses increased their advertising, making use of newly developed electronic communications systems, such as radio and film. Businesses were now faced with the challenge of persuading customers to buy a specific brand. Sales representatives were hired and trained, and marketing departments took a more dominant role in the business organisation.

The Marketing Approach: Stage One – 1960s to 1980s

During the 1950s, businesses realised that simply spending more money on advertising did not always result in increased sales. People's incomes were improving and were demanding a much wider range of products to satisfy their wants. Business men and women finally began to realise that they were not just solely producers or sellers, but were in fact in the business to satisfy customers' wants. The strategy was to discover what customers appeared to need or want before producing the product. This shift in focus to a *customer-oriented* approach brought about significant changes to marketing, especially the need to undertake market research and develop a marketing concept.

A marketing concept is a business philosophy which states that all sections of the business are involved in satisfying a customer's needs and wants while achieving the business's goals. The business should direct all of its policies, plans and operations to achieving customer satisfaction. Therefore, the marketing plan needs to become integrated into all aspects of the business. It is also important to analyse the marketing plan and market that both can work in an integrative way.

The marketing concept in marketing analysis is based on four principles. It must be:

- customer oriented
- supported by integrated marketing strategies as well as promotions
- aimed at satisfying customers
- integrated into the business plan so as to achieve the business's goals.

The Marketing Approach: Stage Two – 1980s to Present

Changing economic and social conditions over the last three decades as well as the internet have made modifications and changes to the marketing approach. With the growing public concern over environmental pollution and resource depletion, came a shift in the emphasis of marketing plans. Marketing executives now realise that their organisations have a social responsibility. External pressures from customers and environmental organisations, as well as political forces, are presently influencing the marketing plans of many businesses. One major change has been the increase in demand for ecologically sustainable products.

To disregard the 'quality of life' issues when developing a marketing plan could lead to a customer backlash. Businesses need to stay in tune with the changing political, economic and social scene and modify their marketing plans accordingly. They also have to cater to a much more global vision. There markets may be not only be local or national, but they may be international and in which case the analysis needs to be global as well.

THE GOALS OF MARKETING

It is of little value for a business to plan and implement a marketing strategy without first deciding what its goals are. Every marketing plan must have a goal – something the business wishes to achieve. These goals also should be constantly re-evaluated and checked as the business continues to run to make sure that the goals are attainable and in line with the vision.

From the ‘marketing’ definition, we can determine that there is one major goal for most businesses: to increase the sales and profit while attempting to satisfy customers’ needs and wants.
Such a goal could be stated in very general terms – ‘to increase our market share’ or ‘to increase our profits’. However, these statements are too generalised. When deciding on market goals, it is better to be more specific. eg., the business wants to increase its market share by 5 percent.

To be able to achieve such goals, there are a number of minor goals that the marketing plan will need to achieve. They are as follows:

- Encourage brand loyalty which will lead to repeat sales
- Emphasise the unique characteristics of the product – *product differentiation* – that cause customers to purchase your product(s) rather than the competitors’ product(s).
- Develop a positive image of the product among customers.
- Recognise any adverse customer reactions and respond accordingly.
- Package, price and distribute the product.
- Undertake promotional strategies to support the product.
- Increase customer satisfaction through the provision of after-sales service.

WHAT MAKES PEOPLE BUY

HINT: If you can get people to think: "I would be stupid if I didn't buy this".- your chances of selling increase greatly.

HINT: If you can create a feeling of personal contact your chances of a sale increase greatly. Some salesmen for instance might achieve this by looking a person direct in the eye and touching them lightly on the arm or shoulder when making a point.

Attitude

Attitude toward a product or service can be a complex thing. Attitude can be not only positive or negative; but the strength of feeling can also vary. In addition, a consumer may have a positive attitude toward some aspects of a product or service and negative attitudes toward some aspects of the same product or service.

When a person says they like a well-known product (eg. Coca-cola), the answer is either yes they like it or no they don’t. This type of answer tells us very little about the consumer’s psychology. For a better understanding of the consumer, you need to ask a different question (or series of questions), that will determine both quantitative and qualitative aspects of their attitude toward a product.
(eg. How necessary is coca cola to them? How often do they purchase it? How does it rank in importance relative to other drinks they purchase? …etc).

Defining Attitudes

Attitude is a term which has been defined in many different ways by psychologists. From amongst these many definitions, a common definition might be:

“A stable, long lasting, learned predisposition to respond to a particular thing in a predictable way”

The concept of attitude has the following three aspects or components:

A/ Cognitive (belief)

- concerned with what you think about a product or service.
- concerned with opinions such as it’s physical attributes (eg. whether you think it is quality, inexpensive, big, small, etc).

B/ Affective (feeling)

- concerned about less tangible attitudes such as emotional responses (eg. is it appealing or unappealing; does it stir emotions such as loyalty, love or patriotism, etc).

C/ Conative (action)
- concerned with the consumers likely behaviour (eg. are they likely to buy it, are they likely to use it, etc).

How Are Attitudes Formed
Many animals (eg a lion) may have 90% of their brain development complete at birth; whereas humans have only around 10% at birth. As a result, an animal tends to be more predictable than a human is; and a human's behaviour tends to be almost completely dependent upon the influences it has as it grows and develops. This is particularly relevant to "attitude". People are not born with attitudes: they develop attitudes as they develop. There is therefore, opportunity for a marketer to influence the development of attitudes, and in doing so, influence the tendency to of potential customers to buy.

The main influences on attitude development are:
- Family

Family influence is very strong in most situations, about most things: including consumer attitudes. People even tend to purchase the same brands as those their parents purchased as they grew up.
- Peers

Friends, work colleagues or other groups of people who you see and interact with on a daily basis will influence consumer attitudes. Peer influence is particularly strong amongst adolescents. Opinion leaders within a peer group can have a strong affect upon others within that group.
- Direct Experience

Personal experience can over ride the affect which other people have upon our attitudes.

Changing Attitudes
Three possible ways of changing attitude are:

1. Exposure
Seeing a brand name or a product repeatedly; may be sufficient to raise enough interest for a consumer to purchase and try that product.

2. Persuasion
This involves presenting reasons why a consumer should buy and try.

3. Cognitive Dissonance
This theory says "because people have a powerful drive to be consistent, when they hold two conflicting opinions they need to find a way to resolve the resulting tension". Eg. A person believes a product they have used for years is very good; but then as a result of persuasive advertising, believes a new and competing product is equally good. In this situation they have equal reason to use both: but they only need one. In such a situation, they need to find a reason to choose one rather than the other.

Practical Applications to Marketing
There are various ways of approaching this
- Strengthen an existing attitude

Market leaders are generally more interested in strengthening consumer attitudes rather than changing attitudes or developing new attitudes. (eg. Coca-Cola will want people to think more highly about Coca-Cola rather than differently about coca-cola)
- Develop a change in attitude

Products that have a less significant place in the market may focus more on developing a new or different attitude.
- Increase Involvement

Get people to feel more involved. eg. Raise awareness of environmental benefits so consumers consider an additional issue when making a decision about the product.
- Focus on changing several different attitudes toward a product

Don't just change one aspect of consumer attitude: try to change several aspects…and think about engineering an appropriate mix of attitudes.

Message Evaluation & Selection
Consider messages in terms of:

- Desirability
- Exclusiveness
- Believability

The strength of a message depends upon the strength of these three factors. If any one factor is weak, then the message looses strength. The message must always say something desirable & interesting about the product or service; it must be exclusive or distinctive to the particular product or service being sold, and it must be both believable & provable.

Message Execution
The impact of a message depends upon not only what is said, but also how it is said. You must decide on the style, tone, words & format factors that put the message across in the most effective way.
For example, the following different styles can be followed....

- Slice of Life -product shown to be used by people in their normal day to day life.
- Lifestyle -emphasizes how the product fits into a particular lifestyle.
- Fantasy -creates a fantasy about/around the product (eg: A frog eats cough lollies & turns into a prince)
- Mood or Image -Builds a mood around a product such as beauty, love or serenity.
- Musical -showing characters singing a song or jingle
- Personality symbol -associates product with a character (eg: Ronald McDonald, Mr Sheen etc)
- Technical Expertise -shows technical expertise behind product or service being provided.
- Scientific Evidence -presenting statistical, survey or scientific evidence to support product.
- Testimonial -highly credible persons endorsing the product.

The tone of the advertisement or sales pitch can be varied from the serious advert which avoids humor (so as not distract from the message), to the humorous advert which attempts to convey the message indirectly and through subtle approaches.

WHAT WORDS SELL
Certain words are known to trigger or catch a person's attention, and are widely used in advertising for just this reason.
Such words include:
"you", "your", "how", "new", "who", "free", "money", "now", "people", "want" and "why"

Personalise
By using the word "you" or derivatives of that word (eg: your, you'll, you've) a brochure, advertisement or a discussion by a salesperson can be personalised; and made more acceptable to the potential customer.

Deciding to Buy
It is also important to encourage customers to make the decision to buy. Decisions are not 100% predictable. We can only predict possible decisions, then attempt to understand the things that may influence a person to select one of these possibilities, rather than another.
If we can understand those influences, we may be able to strengthen exposure to selected influences, and weaken exposure to others, in order to affect a desirable consumer outcome.
(ie. Once we understand the things that cause a person to buy one thing rather than another; we can create situations where that influence becomes increasingly prominent).

Most decisions we make are not fully conscious decisions. The process of day to day living involves making a continuous parade of decisions (eg. whether to eat the vegetables or the meat first; whether to drink water or coffee, what to wear, etc). It is rare that we actually stop and think, "I've got to make a decision"; and after that, systematically and consciously consider the pros and cons of the alternatives. This may happen occasionally for big decisions (eg. Changing job, getting married, buying a house, having a child etc). Even big decisions though are, for many people, made without a conscious process of evaluation.

Some types of people will stop and evaluate a greater number of decisions. It may be in their personality to do this. This type of person is in the minority though.
There can certainly be a degree of consciousness to many people's decision making: but if we stopped and undertook a comprehensive evaluation each time we purchased a different item, there simply would be not enough time.

Rational Decisions

People believe they make rational decisions about what they buy.
When asked, most people will say that they make objective, non-prejudiced choices, based upon sound logic. They believe that they have weighed up the economic and other characteristics of the product or service, and made a good choice based upon serious informed consideration of the options.
In reality, some decisions are made this way, but most are not.
Most decisions are based upon "incomplete information", most decisions are not fully conscious.

Heuristic Procedures

A heuristic procedure is a method by which we solve a problem: a pattern or way of coming to a decision that sits in our brain and is applied (perhaps automatically, perhaps with some degree of consciousness), when the need arises.
A heuristic procedure might be thought of as a "rule of thumb" or a "standard approach" to dealing with a particular type of situation.

There are three types of heuristics methods:

- Representative Heuristic
  We choose one characteristic to represent something; and then make decisions based upon that one representative characteristic. The classic representative heuristic application is to make purchasing decisions based upon price.
  With raised environmental awareness in modern society, there is a group of consumers who will base decisions upon a product branded as environmentally friendly.
  Purchasing based upon "brand names" is another example of a representative heuristic.

- Attitude Heuristic
  A person's attitude toward something can form the basis of purchasing decisions.
  A person who likes the colour purple may tend to purchase the product in purple packaging (if no other more influential heuristics are in play). A person who is extra health conscious may tend to make purchasing decisions based upon what they perceive as being supportive of their state of health.

- Availability Heuristic
  A decision can be based upon the prominence of a product. If it is seen more on TV, and in shop displays, it is perceived to be a better choice.
  When information is more readily available, and the product is discussed more often both in the media, and between consumers; it is perceived to be a better choice.

Comparing the different types of heuristics:

Representative	Attitude	Availability
An easy to see characteristic (eg. Price) provides a very fast way of distinguishing between products to reach a decision.	Products or services that are "attractive" in appearance, or any other respect, are more readily purchased than unattractive ones.	Information and Discussion is more obvious or frequent. It is easy to decide to purchase something we have greater awareness of.

The Decision Making Process

Various models have been developed to help us understand the decision making process which a consumer goes through each time they make a purchase. The following is one such model, which is widely accepted by psychologists.

Stage 1. Recognising a Problem
Stage 2. Seeking Information
Stage 3. Evaluating alternatives
Stage 4. Purchase Processes
Stage 5. Post Purchase Processes

Stage 1 *Recognising a Problem*

A consumer perceives a need, consider that need significantly important to act upon, and have an ability to act. If a consumer feels they need a new car, but can make do with the old one: the problem is not sufficiently significant to move to stage 2. If the consumer perceives a need for a new car, but is financially incapable of buying one; then again, the situation will not go any further.

There are various reasons why the problem may attain greater significance:

- A change in the situation (eg. Finances change, needs change, wants change)
- A depletion in stock (eg. Petrol strike resulting in lower supply of petrol) can cause a decision to purchase.
- Dissatisfaction with stock can arise when we perceive that there may be a change in a product (and we prefer the old one –or the old price); and as a result, we decide to purchase sooner rather than later.
- Marketing Influences such as advertising, packaging or other promotional activities can influence problem recognition. New products or inventions, for example, may not be perceived as important at all, if it were not for marketing efforts.
- The purchase of one product can stimulate a perception that other products are needed. *"Add on products"* may include:
    - Fertilizer purchased to use with a plant you just bought
    - DVD's to use on a new DVD player
    - Knee pads to use with a new skateboard

Once the problem is identified, the decision making process has begun.

Stage 2 *Seeking Information*

Information must be gathered to base a decision upon. That information may be gathered either internally (from past experience and knowledge) or externally.

The internal search for information may be either undirected (ie. information which was not specific to this particular problem); or directed (ie. information we deliberately retrieved because it is specific to this problem).

An external search is fully directed, involving seeking information specific to the need of solving this problem.

People seek information in order to reduce their perceived risk in buying.

The following are examples of opinions that a marketer might seek to promote in order to reduce perceived risk:

- All brands are essentially the same
- Local suppliers give better service
- Heavier advertised products are better
- Products used by larger numbers of people are better
- Older organisations are more sound and provide better service

Stage 3 *Evaluating alternatives*
Evaluation involves:

- Determining Criteria upon which to base evaluation (eg. Price, quality, longevity, ongoing costs, etc)
- Determine the Options: The options may vary depending on the consumer. For one consumer, everything outside a particular price range might not even be included on this list.
- Assess the Options
- Select a Decision Making Rule

The culmination of this process: is deciding what criteria are most important, and upon what basis the final decision will be made.

Stage 4 *Purchase Processes*
Once a decision has been made of what to buy; it must then be decided how to buy it
(eg. Now or later; on credit or cash; with or without any extras)
Purchasing may be either in-store or at-home.
These are two very different psychological experiences
Both are undertaken in order to acquire things which are seen to be needed; however this is only one of many reasons for shopping.

In Store Shopping may be undertaken for many reasons, including:

- To visit different environments (beyond the home or workplace)
- To obtain information about what is available
- For entertainment or recreation
- To socialize (interact with friends or even strangers)
- To obtain sensory stimulation (different smells, sights, sounds etc)
- To raise one's sense of worth (because you are contributing toward the needs of your household; being treated as important by sales staff)
- To provide physical exercise
- To exercise cognitive skills (eg. Searching, finding, bargaining etc). Choosing a Shop

Choosing a Shop
People choose to go into in shop rather than another on the basis of four main things:

1. Location
2. Layout
3. Merchandising
4. Service

Purchasing at Home
This can involve such things as:

- Buying mail order through magazine or newspaper ads; or mail order catalogues
- Door to door selling
- Party Plans (eg. Amway)
- Telecommunications (eg. Interactive TV shopping channels; videocassettes, on line Internet shopping)

Stage 5 *Post Purchase Processes*
After purchasing, there is always a process of evaluating what has been done; and deciding whether the purchase was satisfactory or not.

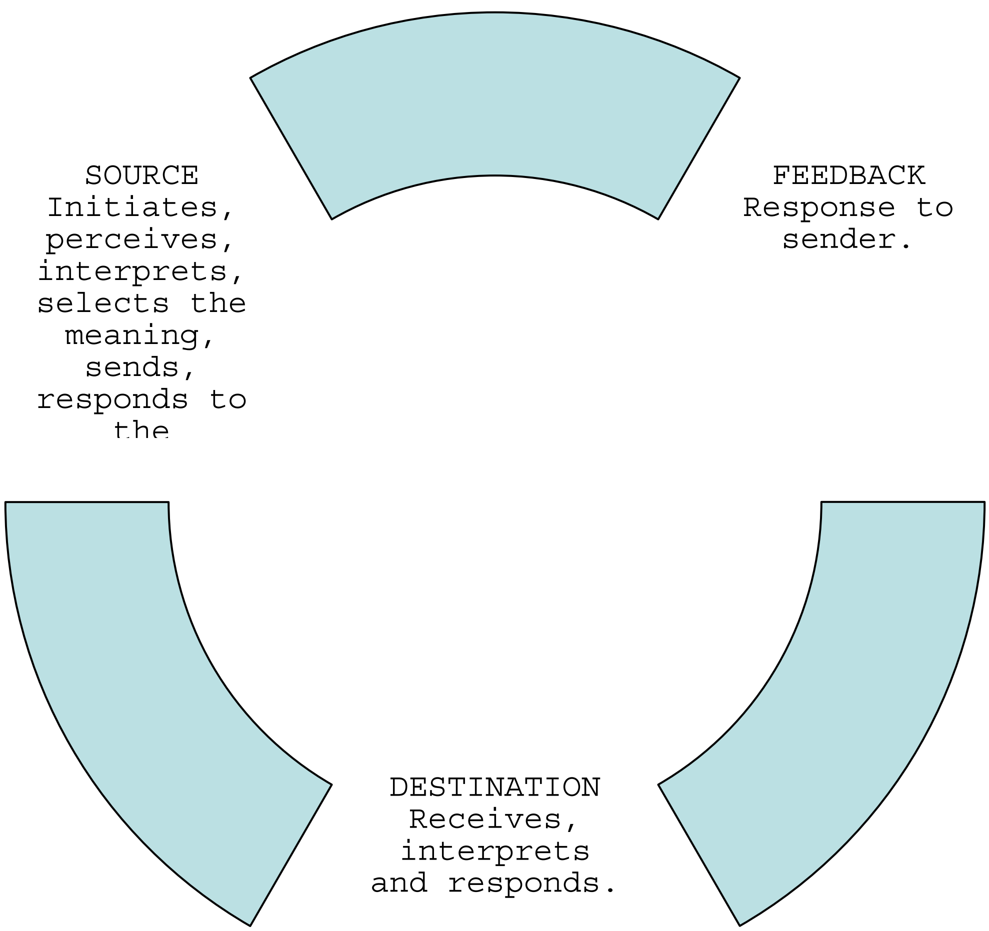
WHAT IS COMMUNICATION?
Communication is an essential part of analyzing any market or promoting any business.
Consider the following two definitions of communication:
"The process by which information is passed between individuals or organizations, by means of previously agreed symbols"
-from Communications in Business by Peter Little (Longman 1974)

"Communication is the process of detecting, assigning and organizing meanings and values. It frequently involves an attempt to transfer such meanings and values to other people in ways which will develop response and affect behaviour. It is thus, very often a relating and interacting process."
-from Handbook of Communication Skills by Tolmie and Tolmie (Prent.Hall)

There are some basic things we can say about communication:

- It never occurs in a vacuum - There needs to be both someone who gives the message and someone who receives the message.
- The giver and the receiver deal with personal perceptions - They may perceive or interpret the same thing (this is effective communication); or...
- They may perceive or interpret the message to be other than what was intended (this is ineffective communication).
- Items of communication never have fully developed meanings - there are an infinite number of ways something can be communicated - the meaning will change (or develop) as a message is explained more fully utilizing more of the ways it can be communicated.
- Good communication involves interaction...It is not just "A" telling "B" ...it should also involve "B" responding, then "A replying to the response. (ie: There should be Feedback).

The following diagram explains the basic pathways involved in communication:



Responses made by the receiver which are not known to or perceived by the sender.

TYPES OF COMMUNICATION
Communication works through the roles people or organizations play.

Communication can occur from...
1. INDIVIDUAL TO INDIVIDUAL
2. GROUP TO GROUP
3. GROUP TO INDIVIDUAL
4. INDIVIDUAL TO GROUP

Groups and individuals can have different perceptions of each other; which might be accurate or inaccurate perceptions.

An ORGANIZATION is a system of roles...groups and individuals interacting with other groups.

COMMUNICATION can be verbal or non-verbal.
VERBAL communication involves the use of words: spoken or written.
NON VERBAL communication involves other signals or messages -pictures, music, body language (The way the body moves or is held).

Many communication experts assign greater importance to non-verbal communication in ordinary conversation, than what they assign to verbal communication. Albert Mehrabian suggests in his book "Communication Without Words" that the following formula is accurate for the effect of messages in normal conversation:
Impact: 7% verbal (ie: What you say)
38% vocal (ie: How you say it)
55% facial (ie: The way you move your eyes, raise the eyebrows, smile or frown etc).

Many Different Methods are Available for Communicating
Though it is possible to communicate with only one of the following methods, it is more normal to use a combination of two or more.

- Speaking (in person)
- Speaking (over radio/TV etc)
- Video, TV, Film
- Writing (personal letters, memos, notes etc)
- Writing (Computers)
- Writing (impersonal -through print media books, magazines, newspapers etc)
- Writing (reports, documents etc)
- Pictures (drawings, paintings, photos, graphs, diagrams etc).
- Body language
- Voice (tone & rhythm etc)

There are of course other methods.... can you think of any?

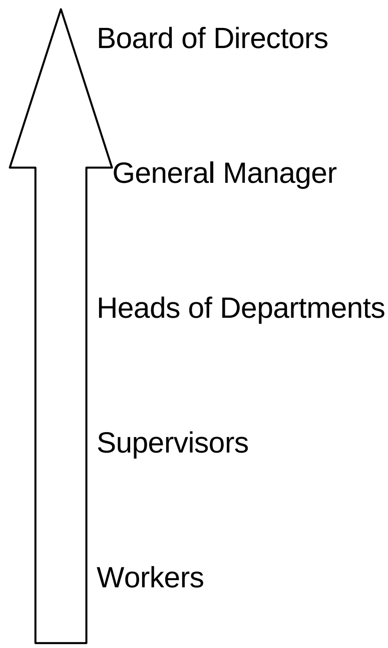
Any communication needs to go through the following stages:

- Think clearly (about what message you want to get across).
- Decide on what methods you will employ (to best get the message across).
- Arrange the message logically (Analyze it... break it into several parts).
- Express it clearly.
- Use appropriate language and other methods concisely and effectively.

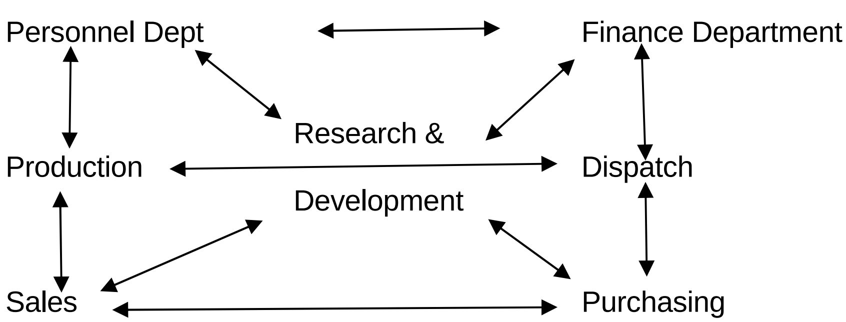
Communication Channels
Communication channels are complex.

Examples
A radio announcer is communicating to his panel operator who is controlling the technical aspects of the broadcast (timing, volume, tone, background music etc). At the same time the announcer is communicating with his listeners (which are largely an unknown quantity: he needs to try to foresee their reaction and respond even though he cannot know for sure what they are thinking). A company maintains communication channels between individuals within each department, and communication between groups, which are actual departments. The personnel department maintains a communication channel between the department (a group) and each employee (individual) throughout the whole company.

VERTICAL INTERNAL COMMUNICATION IN A BUSINESS



HORIZONTAL INTERNAL COMMUNICATION



IT IS IMPORTANT IN ANY ORGANIZATION TO **DEFINE** THE ROLES
- of both INDIVIDUALS
- and GROUPS

If responsibilities are clearly defined/delineated, communication becomes much easier and more effective.

VISUAL COMMUNICATION -CHARTS, GRAPHS ETC

There are many ways of communicating information through charts, graphs, tables and diagrams.
A variety of these are presented at the rear of this booklet. Look at them and compare how well each conveys its message.

Consider clarity and conciseness of information.

Consider the detail as well.

NOTE: Tables, charts and graphs can say it all on one page where words might take many pages to say the same thing.
Tables, charts and graphs etc can often get a message across very quickly by creating a visual impression.
Example: A bar chart of Australia's population age breakdown can tell you at a glance just how the numbers are spread from young to old. The written word may take half a page to bring you to the same point you are at after a split second looking at the bar chart.

MANAGING THE MARKETING PROCESS

Every business should develop a marketing plan. Market planning may be carried out either formally or informally. Whether this is a simple, inexpensive process or a more complex undertaking, depends on the tasks to be done, the problems to be overcome and the expertise of the staff.

The business environment is constantly changing and becoming more complex. New markets are opening up while others are closing. Customers' tastes and preferences change over time, and their expectations are increasing. Due to globalisation – the process by which the world's economies are becoming more closely linked – competition within the marketplace has never been so fierce. These factors make a marketing plan an essential item for all businesses to operated effectively.

A business should draw together all the market research available and use it to develop a strategic marketing plan. Strategic marketing planning is a process of developing and implementing marketing strategies to achieve market objectives, which in turn helps to realise the business's goals. With this strategic marketing plan, objectives can be identified and strategies or actions plans can be developed to achieve them. Such a plan usually consists of five steps.

Step One: Organising the Marketing Planning Process

The starting point of any marketing plan is an assessment of the business's present position. To do this, market research is used to gather all the available information concerning the market environment. The data are then analysed by marketers.

1. Reviewing the business's situation: This is best achieved by conducting a situational analysis which investigates the marketing opportunities and potential problems. Situational analysis attempts to answer two broad questions
   - where is the business now?
   - where will the business be in the future?

The situation analysis also examines the existing marketing plan. It outlines where the business has been, how it has been performing and what difficulties it may face in the future. This information helps to evaluate the effectiveness of the present marketing plan.

2. Establishing marketing objectives: Businesses need to outline precisely what it they wish to achieve. These expectations become the business's objectives. Clear objectives are essential for any marketing plan to be effective. A marketing objective is a statement of what is to be achieved through the marketing activities. Determining these objectives is the most important step in the marketing planning process.

3. Developing strategies to achieve objectives: Marketing strategies are actions undertaken to achieve the business's marketing objectives. The four main strategies a business can pursue are:

- increase market share
- expand into new geographical areas
- sell more products to more customers
- establish a competitive price.

Step Two: Analysing Market Opportunities

All businesses operate in a dynamic environment, being influenced by a number of external forces that are largely beyond the control of the business. Changes in the external environment can dramatically alter the course of a business. For this reason, the business must constantly monitor these changes, looking for any opportunities to exploit and any threats to avoid.

Internal forces operate from inside the business and are largely within the control of the business. These internal forces are unique to each business and, by analysing them, management can assess the strengths and weaknesses of the business.

To develop a clear understanding of both the external and internal environments, a SWOT (strengths, weaknesses, opportunities and threats) analysis should be conducted and the marketing plan modified to reflect this information.

Step Three: Selecting Target Markets

The total market is normally too large and fragmented to be a viable target for a business's marketing efforts. Therefore, a business will select a target market**,** a group of customers with similar characteristics who currently, or who may in the future, purchase the product. There are two broad approaches that can be adopted when selecting a target market: the total market approach or the market segmentation approach.

Total Market Approach

This approach applies when a business defines the total market for a particular product as its target market. The business develops a single marketing mix and directs it at the entire market for the product. This means there is one type of product with little or no variation, one promotional program aimed at everyone, one price, and one distribution system used to reach all the customers.

Basic food items are marketed using the total market approach.

A total market approach is useful only in a limited number of situations because, for most products, customers have different needs. When buyers' needs vary, the market segmentation approach should be used.

Market Segmentation Approach

A business that is marketing diamond rings would not direct its marketing efforts towards every person in the entire jewellery market. Some people might want only earrings. Others might want a watch. Instead, the business would direct its efforts towards a particular part, or 'segment', of the total market for jewellery. Market segmentation occurs when the total market is subdivided into groups of people who share one or more common characteristics.

Marketers use four main variables when segmenting the total market. These are:

- demographic – age, gender, ethnicity, income, occupation, education level, religion, family size and social class.
- geographic – urban, suburban, rural, region, climate, landform
- product-related – regular user, first-time user, brand loyalty, price sensitivity, end use
- psychographic – personality, motives, lifestyles

Step Four: Developing the Market Mix
The marketing mix is the combinations of the four elements of marketing, the four Ps, that make up the marketing strategy. They are:

- product, including brand name, packaging, positioning and warranties.
- price, including list price, discounts, credit terms, and payment period
- promotion, including advertising, sales promotion and publicity
- place, including location of markets, warehousing, distribution, transport and inventory

Once the four Ps have been established, the business must then determine the emphasis it will place on each of the variables. This will largely be determined by where the product is positioned or its stage in the product life cycle. For example, a product that is being marketed with an image of exclusivity and prestige will require a marketing mix totally different from a no-frills, generic item. A different marketing mix will also be required for a product in its introductory stage than when it reaches the decline stage.

Step Five: Managing the Market Effort
The marketing plan will not operate effectively unless it is well managed. Marketing management is the process of monitoring and modifying the marketing plan.

Monitoring involves comparing actual performance with predetermined performance standards. By using performance standards, such as market share analysis and profitability by product or territory, management can assess the effectiveness of the marketing plan. If the plan is found to be failing, then modifications can be made. Modifications may be minor, such as a small change in price, or they could mean a major shift involving the development of a completely new marketing strategy.

MARKET RESEARCH

Successful marketing depends upon knowing: The people/groups you are marketing to, what they want, how they are likely to react to your product, what they will spend money on etc.

When the market place is understood, you can then follow the steps below to achieve successful marketing:
1. Set realistic marketing goals
2. Provide structures for reaching those goals
3. Assess the results of marketing efforts and modify your approaches accordingly.

Market research involves all those activities which help management reach marketing decisions. Market research attempts to make unknown things known; and in most instances, largely succeeds.

Steps Involved in Market Research

- Define the problem. - What information is required? (eg: How can I increase sales by 10%.or should I change the way I distribute my product?)
- Conduct an investigation. Examine past records which relate to the problem. Speak with people in the know, who might help with this problem. Try to find any relevant information which has been published (eg: In trade magazines, bureau of statistics etc).
- If more information is required, you may decide to survey the customers (or potential customers).
- Note - this involves significantly more cost.
- If the problem is still beyond you, you may employ a professional market research firm to handle it.

Types of Marketing Research

- Market Research
  Determining needs & wants of prospective customers, assessing the potential of specific market areas, studying the competition etc.

- Product Research
  Looking into new product development, testing prices to determine if they are too high or low etc.

- Promotions Research
  Checking effectiveness of displays or advertising, comparing cost-effectiveness of different publications by looking at advertising costs, types & numbers of readers etc.

- Sales Research
  Evaluating sales techniques of staff, looking at cost of selling, analysis of sales territory/distribution, etc.

- Company Research
  Determining industry trends, determining the companies "image" in the market place, studying employee morale or location of facilities.

WAYS OF GATHERING DATA

There are two categories of information which might be researched:

- Primary Information - this is information not readily available and requires a real effort to discover.
- Secondary Information - this involves data which is readily available, but might require some investigation to bring them together.

Primary Data

There are two main ways of gathering this data:

- Survey Method – asking people
- Observation Method – watching people.
- Experimental method – used less often.

Survey Method

- Relatively inexpensive & adaptable to a wide variety of situations.
- Questions are asked through personal interviews, mail questionnaires, telephone interviews etc.
- Mail & telephone surveys are less expensive.
- Telephone surveys produce quickest results.
- Personal interview is most accurate.

Observation Methods

- Involves observing reactions when something is presented to people.
- Cameras or tape recorders can be used to record reactions
- Can make observations of customers at point of sale.
- Can make observations of public when exposed to demonstrations
- Main disadvantage is observations may not be accurate.

Experimental Method

- Involves setting up a deliberate experiment (eg: The same item is temporarily sold at different prices in different outlets, to determine what price achieves the best combination of quantity turnover and profit margin).

Secondary Data

- Always keep in mind:
- reliability of your source
- possibility of bias
- information can be dated
- how applicable information is to a specific problem (it may have originally been gathered for some other reason)

Sources might include:

- Company records
- Government statistics
- Trade Associations, institutes etc.
- Libraries
- Research organizations (semi government)
- Trade/Industry publications
- Encyclopaedias

What Do You Need To Research

In any business, success is determined by a combination of many factors. Market research considers different things in different situations, however, the following are commonly researched factors:

- Progressive or backward
- Helpful & courteous to customers....or not.
- Service is quick & efficient....or not
- Good or poor after sales service
- Poorly or well advertised/promoted.
- Inexpensive or expensive

MANAGING THE MARKETING PLAN

Marketing management is the process of planning, organising, leading (implementing) and controlling the marketing strategies.

- Planning helps a business define and achieve its marketing objectives.
- Organising the marketing activities means setting up the structure of the marketing department which details the responsibility of the marketing personnel as well as who will perform specific tasks.
- Leading (implementing) is the process of putting the marketing strategies into action. Personnel must be coordinated and the marketing plan integrated with other departments within the business. Action plans for staff to undertake are also developed.
- Controlling means establishing desired levels of performance, comparing forecasts with actual sales revenue and costs and taking remedial action if the objectives are not being met.

A business should regularly analyse and monitor its marketing strategies. The management of the marketing plan can be divided into two main functions: monitoring and modifying.

Monitoring and Controlling the Marketing Plan

Monitoring involves the comparison of planned performance against actual performance. To achieve this, the marketer needs to constantly ask two questions regarding the marketing plan:

- What does the business want the marketing plan to achieve; that is, what are the objectives?
- Are these objectives being achieved?

These questions should be asked at every stage while the marketing plan is being developed
Such monitoring involves two distinct steps:

1. establishing, forecast performance standards
2. comparing actual with forecast performance

The first step in the monitoring process requires the marketer to outline what is to be accomplished, that is, a performance standard. A performance standard is a forecast level of performance against which actual performance can be compared.

The second step is to compare actual performance against the forecast performance. This can be done by using budgets, sales statistics and cost analysis figures.

Sales and the Market
A sales analysis uses sales data to evaluate a business's current performance and the effectiveness of a marketing strategy.

Sales figures can be broken down into
- product lines
- sales person
- sales territory
- market segment
- time period
- sales method
- company division

The use of computerised sales has made the collection, storage, retrieval and analysis of sales data much easier. Computerised sales reports can be prepared showing:
- daily, weekly, monthly, quarterly and yearly sales reports
- product line sales
- credit as opposed to cash sales analysis
- sales reports for individual sales representatives
- company division sales report
- or a combination of any of the above.

Market Share Analysis/ratios
A business needs to be able to evaluate its marketing strategies compared to those of its competitors. This can achieved by undertaking a market share analysis. This analysis will reveal whether changes in total sales resulted from changes in marketing strategies, or were the result of external influences. Like sales analysis, market share analysis can be broken down into territories, sales representatives and products.

Marketing Cost Analysis
Marketing cost analysis is a method in which the marketer breaks down the total marketing costs into specific marketing activities – such as advertising, transportation, administration etc. By comparing the costs of specific marketing activities with the results achieved, a marketer can assess the effectiveness of each activity. A marketing cost analysis can be achieved by studying the marketing costs contained in the business's Profit and Loss Statement.

Modifications to the Marketing Plan
On completion of the sales market share and profitability analysis has been worked out, the marketer will be in a position to determine whether the objectives of the marketing plan are being met. Based on this information, modifications to the marketing plan can be made.

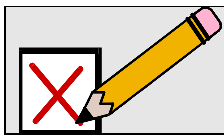
Because the business environment is constantly changing, the marketing mix will need to be modified constantly. These changes could be in the form of:
- product modifications
- price modifications
- promotion modifications
- place modifications

In order to maintain an effective product mix, businesses from time to time may have to eliminate some product lines. This is called product deletion. If a business wishes to maintain long-term growth, it needs to continually introduce new products.

Allocation of Human Resources
Staff will be required for:

- market research
- market planning
- market administration
- market analysis
- sales representatives
- transport and delivery
- warehousing

The skills, attitudes, personalities and abilities of all marketing staff will contribute to the success or failure of the marketing plan. Selecting the right employees, in the right numbers and at the right time can be crucial to the business. Staff numbers will be modified in response to the development of the marketing plan.

	**SELF ASSESSMENT** Perform the self assessment test titled 'Self Assessment Test 1.1' If you answer incorrectly, review the notes and try the test again.

SET TASK
Go shopping (Your routine weekly shopping if you like). Take notice of how different sales staff communicate with you. Note the techniques they use (verbal & non verbal), and how effective they are. Note the type of impression they seem to be creating. When you come home, write down notes on your observations.

	**ASSIGNMENT** Download and do the assignment called 'Lesson 1 Assignment'.