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**THE CHARTERED INSTITUTE OF MARKETING**

**INTRODUCTORY CERTIFICATE**

**UNIT 1**

**WHAT IS MARKETING?**

**Book 1**

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**V1.0**

# **Example lesson**



## LESSON THREE

### Understanding the role and function of marketing

On completion of this lesson, you will have achieved the following learning outcomes:	
Learning outcomes	Task to complete
<p>By the end of this session, you will understand the role and function of marketing and will be able to:</p> <ol style="list-style-type: none"><li>1. Define what marketing is and the principles of the exchange process.</li><li>2. Explain how marketing achieves customer satisfaction</li><li>3. Understand the role of marketing as a cross-functional activity within the organisation.</li><li>4. Explain the differences between internal and external marketing.</li><li>5. How marketing performs the role as an internal service provider within the organisation.</li></ol>	<p>Activities</p> <p>3.1 Exploring the exchange process</p> <p>3.2 How do you define marketing?</p> <p><b>Remember</b> to check your answers with those on the Virtual Learning Centre (the VLC).</p>

## Marketing and the exchange process

In this first lesson, our aim is to explore the role of Marketing and use your personal experience as part of this process.

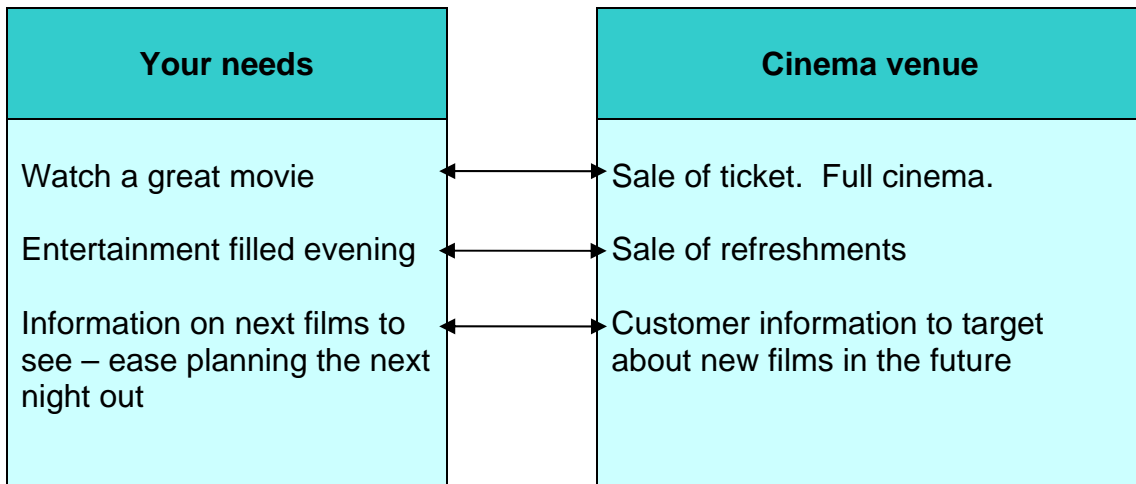
In the Streetcar case study, we introduced the concept of benefits and mutual exchange. It is in this area that we need to start to focus on as we discover how marketing works for customers and organisations. Let's now define these terms

<b>Benefit<sup>1</sup></b>	What the customer actually wants to do, the purpose for which they want the product or service.
<b>Exchange of mutual benefit</b>	The customer gets something they want (the product) and the organisation earns revenue (sales and profits).

So the challenge exists – what does the customer want and what does the organisation seek in exchange?

### Introducing the concept of exchange

Let's think about a recent purchase that you may have made. Perhaps a trip to the cinema?



The above table summarises **an exchange process**, by this we mean that there is an exchange of money for the acquisition of goods or services (cinema tickets).

The customer will not pay for something, unless they perceive a benefit to themselves. Likewise, the organisation cannot obtain payment, unless they offer something of value to the customer (the benefit sought).

From the customer's point of view, they are giving up 'hard earned' resources (money usually) in exchange for a good (product or service). Their levels of expectation will be set by the **importance of the purchase and how much they have to give in exchange (money)**. The logic is that the higher the value of the item (in £), the higher the expectations. For them, the benefits need to outweigh the sacrifice (this could be time, financial resources or energy).

This last point is important as it shows you how the exchange process can apply to charities, public sector or service companies. The 'value' might not only be financial, but something they offer instead eg counselling services (doctor, social worker), volunteer time (charity) or customer service / advice (service company)..



Understanding the exchange process helps organisations to set prices and the make-up of the product or service they offer. For example, in the case of diamonds, an organisation like De Beers<sup>2</sup>, has the power to set high prices as these are rare and precious stones - customers want the best they can afford. The diamond ring may be worn for a long time to come, be shown to friends, family, relations and therefore the purchaser will want something that looks expensive, is tasteful and of high quality. In exchange they may spend hundreds or thousands of pounds to obtain it.

From these examples, it can be seen that exchange is all about a two-way process, (known as *dyadic*, according to Baines, Fill, Page<sup>3</sup>) whereby each party participates.

However, it should be remembered that there may be a whole **supply chain**<sup>4</sup> – a series of connected, external third parties, who link together to get the 'raw' item from source to shop. Supply chains can be simple or complex, depending on the nature of the product or service eg from soup to a car.

The whole supply chain can only work effectively, however, if it is creating something that the customer wants. So the customer has a strong influence on not only what the finished good is (which they buy) but can also impact on the various suppliers who participate in the supply chain.

In recent years, **GAP** has suffered from newspaper stories reporting that their sub-contractors have employed child labour. Whilst GAP has done much to improve the conditions for workers in their clothing factories, sub-contractors can fall outside of their stringent checks. In this case, the media criticised GAP for poor practices<sup>5</sup>. The accusation was that GAP, among other retail stores, made fashionable clothes at low cost (allegedly using child labour) and then sold for higher prices on the High Street.

**Gap pulls 'child labour' clothing**

Dan Henkle, a spokesman for Gap<sup>6</sup> said: *"We have a strict prohibition on child labour, and we are taking this very seriously. This is very upsetting and we intend to investigate thoroughly"*.

**Exploring the exchange process**

Now it is your turn to identify the benefit to customer and what they seek and therefore what they are prepared to give the organisation in exchange. Remember to think carefully, what is it that each side is seeking?

**Activity 3.1** Use your judgement to define the exchange process for the following situations. Once you have completed this activity, check your answers with those at the back of the book.

**Retail shop selling fashion clothes e.g. Primark**

Customer seeks

Organisation seeks

**Charity raising funds e.g. for cancer care**

Member of the public donates because

Charitable organisation seeks

When considering the above examples, remember that both sides need to agree on what it is they are exchanging. They therefore have to *value* what each other are offering for any exchange to take place.

This concept of exchange is fundamental to marketing practice. It is the starting point. Through understanding customer needs, marketers must create something of value and then must use company resources to deliver it effectively.

### **Where do suppliers fit in with the concept of exchange?**

The role of suppliers is to offer an element of the final product or service which the customer receives. For example, lastminute.com (<http://www.lastminute.com>) relies on hotels, airlines, restaurants, beauty spas, theatres, and car hire companies, among others, to provide them with special offers they can offer to their customers.

### **Why do these suppliers let lastminute.com have such great rates?**

Lastminute.com offers a ready database of holiday options to customers who are looking for an activity at a great rate, often at short notice. The customer benefits from a great price and trip/experience and the supplier benefits from unsold tickets, or places being filled. As customers pay instantly by credit card, lastminute.com gains a commission and the service or product provider benefits from a sale they might otherwise not have achieved. Everything is conducted over the Internet so costs are low in terms of service and the sale is completed quickly and efficiently. What is fascinating about lastminute.com is that it was one of the first generation online companies, survived the dotcom boom and bust and is now a globally recognised brand.

With more than 2.5 million visitors to its website each week, lastminute.com<sup>7</sup> has become a household name in the UK and established an international presence. Established in the 1990s by Brent Hoberman and Martha Lane-Fox, the core inspiration was “a five-star lifestyle for three-star cash”<sup>7</sup>.



Hoberman established the merits of the business by *ringing up on the day he needed a hotel room* and booked the best suite at a high discount. The hotel were keen to occupy an empty room, offered a discounted rate and Hoberman benefited from this last minute availability. Now positioned as a ‘lifestyle’ website, it offers a whole host of leisure activities and support services. You can plan your two-week break with them or seek creative ideas for what to do with your free time. All at great rates and last minute availability.

This specialist travel business benefits from established contracts with key suppliers of interest to its customers. So, without hotels, theatres, car hire, spas, flights/airlines, restaurants having spare capacity, lastminute.com would struggle to have a business. In this role, lastminute.com acts as an intermediary and the travel organisations act as suppliers. Customers benefit from access to places they might never have been able to find otherwise, at great prices. Everyone benefits and this leads to repeat business for lastminute.com. and their suppliers and outstanding experiences for their customers. Take time to checkout their website at <http://lastminute.com>. But don’t get too carried away, there’s studying to be done first!

In the **Welcome** section, you were introduced to the CIM definition of marketing. One of the challenges that marketers can sometimes face is confusion over what marketing stands for. For example, it is often confused with 'promotions' which is really only the tip of the iceberg.

There are three things you need to be aware of:

1. Marketing is a **philosophy** - about the way to build a business
2. Marketing is about **customers** - building and maintaining relationships
3. Marketing is a **process** - to achieve specific tasks or objectives.

The role of marketing is therefore shaped by the type of organisation, the market it serves and most importantly, to meet customer needs.

Now, let's test your memory, **how do you define marketing?**

**ACTIVITY 3.2** (the answers for this activity, and all others, can be found in the Model Answers Book). **Take a few minutes to write down all the words that you associate with marketing.**

You will have come up with many words to describe what marketing is. Let's now explore what it means in practice.

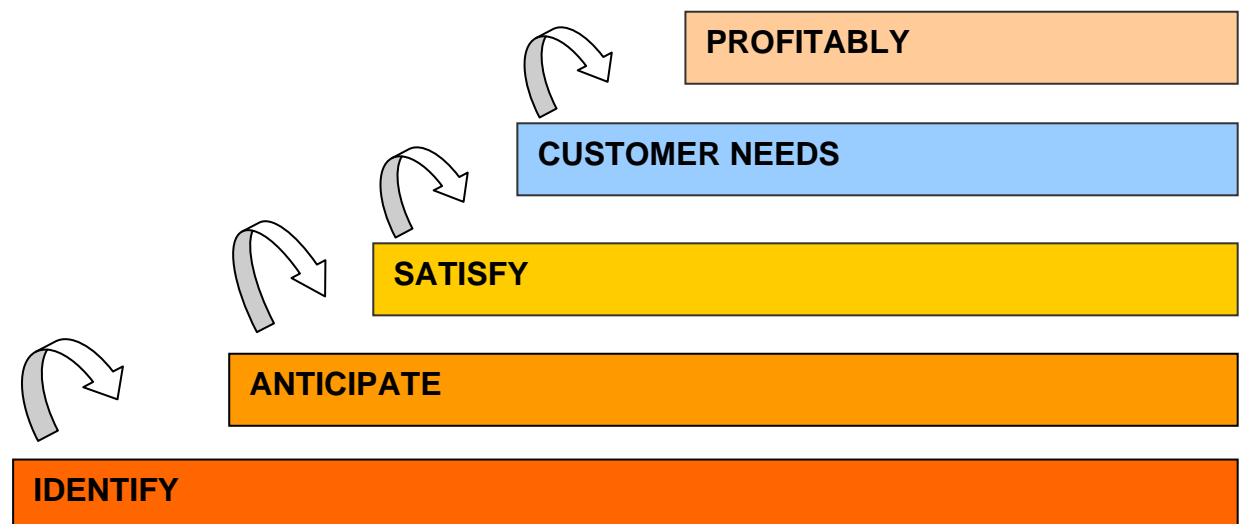
## How does the CIM define Marketing?

From the definition below we can see that marketing is an activity - **'the management process'** - that can be applied across the whole organisation so that customers are the central focus.

**Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.**

Source: The Chartered Institute of Marketing, UK

The CIM definition is very specific about the tasks to be achieved<sup>8,9</sup>:



In practice, the tasks we need to achieve for each step include:

### **To identify**

- To find out whom your customers are and get to know about them.
- This usually involves using marketing research to identify customers, who they are, where they live, what their wants and needs are.

By identifying customers, it is possible for organisations to tailor their activities and resources to specific groups of customers. After all it would be almost impossible to meet the needs of the whole UK population at more than 59 million inhabitants.

### **To anticipate**

- This calls for a *proactive* approach to understanding customer needs.
- It calls for an organisation to monitor customer needs and trends, so that suitable products or services can be developed in advance.

It implies that organisations should be innovative and outward looking and these skills will provide a competitive advantage over its competitors.

### **To satisfy**

- Once marketers understand their customers, it is possible to create products and services which match their needs in terms of quality, pricing, availability and service standards / support.

Satisfied customers are more loyal as they trust the organisation to deliver on its promises.

### **Profitably**

- For commercial organisations, this is both the goal and reward for understanding customer needs and providing goods or services which match their requirements

However, it should be remembered that not all organisations exist to make a profit (e.g. charities) and therefore marketing techniques can serve a higher purpose, for example, by encouraging donations to provide shelter, safety or treatment for those in need.

Marketing is therefore a dynamic process that needs to look both inside and outside the organisation to ensure that what it provides, is *really what customers seek*.