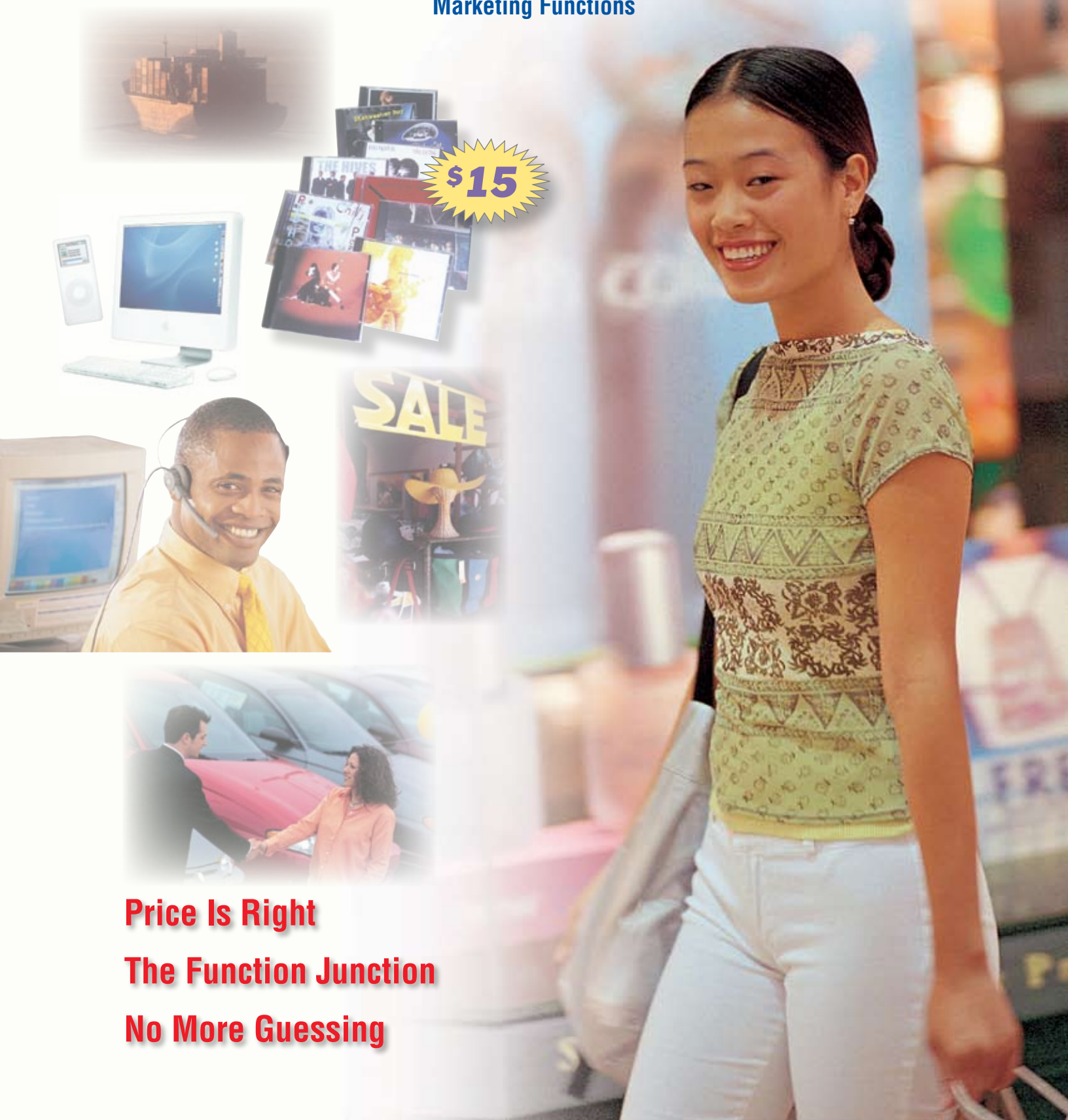


**LAP** Leadership, Attitude, Performance ...making learning pay!

Marketing LAP 1 Performance Indicator: MK:002

# Work the Big Six

Marketing Functions



**Price Is Right**

**The Function Junction**

**No More Guessing**



# So What?



The marketing functions are like the parts of a game. You need to understand all of the parts to have a chance to win the game. For example, imagine the game is Monopoly. You need to know how to roll the dice, buy the right properties, collect rent, get out of jail, and pass Go. If you leave out any of the parts, your opponents probably will end up with all of the money, and you will lose.



The same is true of the marketing functions. You need to understand all of the functions and how they work together. You can't forget to advertise even if you have a great product. You can't forget to have a sufficient supply of those great products in stock for an upcoming sale. You can't forget to keep up with the latest trends and find out what customers really want. You can't forget to set prices that are competitive and attract customers. If you forget any of these functions, your marketing effort won't be as effective, and your competitors will have an advantage. The result might be the same as the Monopoly game—you will lose.

## Name That Function

Why do you buy certain products? Is it because they are in style and popular? Is it because you need them and they are on sale? Or, do you just want them and are willing to pay the price? How do you know about these products? How do you know where to shop for them? What you buy is often the result of marketing by the businesses that make and sell these products. Without marketing, you might not buy the latest MP3 player or the newest video game because you didn't know about them.



So, what is marketing? 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 organizational objectives. The marketing objective of most businesses is to attract you, the target customer, to the business. To achieve this objective, businesses coordinate the six marketing functions, which are interrelated activities that must work together to get goods and services from producers to consumers. The six marketing functions are product/service management, marketing-information management, pricing, distribution, promotion, and selling.

-  Explain the marketing functions.
-  Discuss the importance of each marketing function.



These marketing functions involve the activities that focus on understanding customers and making available the products they want. All of the marketing functions need to work together to make this happen. If any one function is not doing its job, the other functions are affected. For example, if a business offers products that customers don't want, salespeople will not be able to sell, no matter how hard they work. If a business offers the right products but prices them too high, customers will not buy. If products are not in stock when customers want to buy, the business will lose sales to competitors. Can you think of any other examples?

To understand how the marketing functions work together, first let's take a look at each function and the types of activities involved.



**Product/Service management.** This marketing function is very important because it involves obtaining, developing, maintaining, and improving a product or service mix in response to market opportunities. The product/service management function plans, directs, and controls all phases of a product's life cycle from beginning to end. This includes generating ideas for new products, improving or updating existing products, and removing products from the market. During this process, product/service management tries to answer questions such as:

- What product meets our customers' wants and needs?
- What new products should be developed?
- Is the product packaged appropriately?
- Does the product meet the standards of other products in the product line?
- What is the image of the business or the product?

**Marketing-information management.** Businesses need information to make good marketing decisions. That's the function of marketing-information management, which involves gathering, accessing, synthesizing, evaluating, and disseminating information. For the information to be of value, these activities should take place on an ongoing, regular basis. Then, the information must be given to the people who need it. Accurate marketing information can help businesses answer questions such as:

- Who are our customers?
- Where are they located?
- What products do they want?
- Why do they want them?
- When will they buy?

**Pricing.** The pricing function involves determining and adjusting prices to maximize return and meet customers' perceptions of value. This often involves deciding how much to charge for products so customers will want to buy and businesses will make a profit. For example, should a video game be priced at \$25, \$50, \$100, or more? To answer that question, businesses try to maximize sales by setting the price so that they and their customers get the most value.

Deciding on a product's price is not always easy. Businesses must consider many factors. Some of these factors encourage the business to set high prices. For example, a hot, new computer game that is in short supply might be priced high because the demand is great. On the other hand, some factors encourage businesses to set low prices. These factors might include the prices that competitors are charging, or that the demand for a product is decreasing. Businesses regularly monitor these factors to adjust prices when necessary.

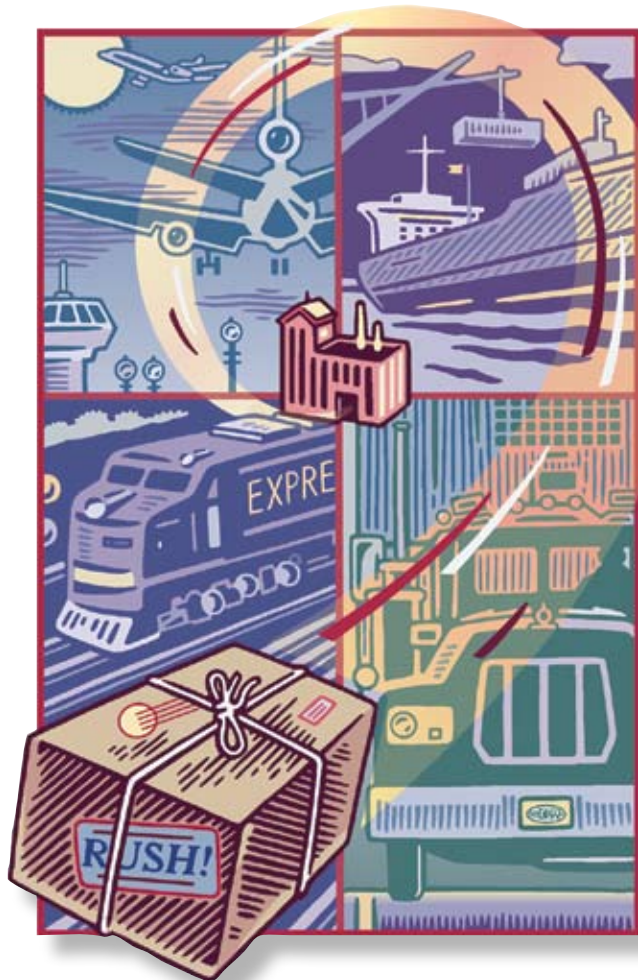
**Distribution.** This marketing function is responsible for moving, storing, locating, and/or transferring ownership of goods and services. The main goal is to move products from the producer to the consumer. To do this, businesses





consider how they will transport, receive, and store products. Effective distribution is often the key to a business's success because it puts products in the customers' hands. This function helps businesses answer questions such as:

- How will products be transported?
- Should the products be distributed through a retailer?
- When should the products be available?
- Where will they be stored until needed?
- How will the products be tracked?
- At what point should more products be ordered?
- How many products are in inventory?



**Promotion.** The purpose of the promotion function is to communicate information about goods, services, images, and/or ideas to achieve a desired outcome. Promotion informs, persuades, or reminds customers about a business and/or its products.



Businesses use a variety of methods to communicate with customers. These may include:

- Advertising—Television, radio, newspaper, magazine, directory, and online ads; direct mail; out-of-home such as billboards and transit ads
- Publicity—News releases, press conferences, personal appearances by celebrities, special events, and feature articles
- Sales promotion—Store displays, samples, contests, coupons, trade shows, product demonstrations, and novelty items

Can you think of other examples of promotional techniques?

**Selling.** The selling function involves determining client needs and wants and responding through planned, personalized communication that influences purchase decisions and enhances future business opportunities. This is the function of actually providing customers with the products they want. It includes selling to you, the retail customer, as well as to businesses.

Selling may take place on a personal level between a salesperson and a customer in a store. In that situation, selling often involves helping customers decide what they want and need, answering questions, and building long-term relationships. The salesperson's goal is to make customers happy so they will return, while making money for the business.



Today, selling also takes place on a nonpersonal level such as through the use of a computer. Businesses that sell online still need to help customers make decisions, provide useful information, and encourage them to remain customers. The marketing function of selling helps businesses do this.

### Summary

The six marketing functions are product/service management, marketing-information management, pricing, distribution, promotion, and selling. The functions must work together to get products from producers to consumers.

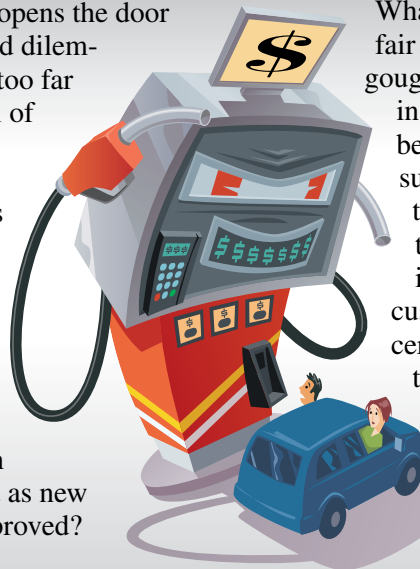


1. What are marketing functions?
2. Why must the marketing functions work together?
3. Give an example to show how marketing functions are interrelated.
4. Describe the purpose of each of the following six marketing functions:
  - a. Product/Service management
  - b. Marketing-information management
  - c. Pricing
  - d. Distribution
  - e. Promotion
  - f. Selling

## The Gray Zone

The very nature of marketing opens the door to various ethical problems and dilemmas. The possibility of going too far always exists because the goal of marketing usually is to attract customers. Therefore, it is sometimes easy for businesses to accidentally cross the line and stretch the truth or make unrealistic promises.

How is a business to know what is ethical? Do you know? For example, what is the difference between promoting an existing product as new or advertising it as simply improved?



What is the difference between setting a fair price to earn a reasonable profit and gouging customers because the product is in great demand? What is the difference between advertising a sale with a large supply of products on hand and limiting the sale items to encourage customers to buy more expensive items? What is the difference between telling a customer that a product must be used a certain way to be effective and saying that the product works in all situations?

The possibilities go on and on. If you were the business owner, which way would you go?

# Top Guns



The marketing functions are the basis of successful marketing. Each function has a major role to play in carrying out a business's marketing plan. Let's take a closer look at the importance of each function.

**Product/Service management.** This is the function that involves deciding on the products that a business will produce or offer. It is important because a business must offer the products that customers want and need in order to be successful. Some of the activities in this function include coming up with ideas for new products, making adjustments to existing products to extend their life, and phasing out products that are no longer popular and profitable. In retail, product/service management also involves deciding which products to carry to attract the target customer.

The product/service management function also helps businesses determine the type of image they want customers to have of the business and its products. Once businesses decide on an image, they use the other marketing functions to support that image. For example, if a business wants an exclusive image, the pricing function will establish the appropriate price for products and the promotion function will develop appropriate advertising. However, before making product/service management decisions, businesses need information. They rely on the marketing-information management function to provide the necessary data.



## ROLEX

**Marketing-information management.** Rather than making guesses, businesses make decisions based on the information gathered through the marketing-information management function. To gather accurate information, businesses often conduct research to find out as much as possible about customers. This might include sending out questionnaires, taking surveys, observing customers, or hiring a marketing research company.



The goal is to obtain information that will help forecast, or predict, what will be happening that might affect the business in the future.

In addition, marketing-information management helps businesses to find out if customers are satisfied with their products. Without this information, businesses could only guess at what to produce or what changes to make. They might produce too much or not enough to meet demand. They might not know what their competitors are selling or why customers are not buying. Businesses might lose money because they are not keeping up with the times or selling the right products. Therefore, it's easy to understand why this function is so important.



An example of the marketing-information management function in action is the use of electronic scanners at checkout stands to track what customers are buying.

**Pricing.** The pricing function is important because it affects how well a product will sell and how much profit the business will make. To be successful, businesses need to set prices that customers are willing to pay. These prices also need to cover costs and include sufficient profit. However, there is a fine line between the right price and the wrong price. For example, a CD manufacturer makes CDs for \$5 and sells them for \$15 to make a \$10 gross profit. To make a larger profit, the manufacturer might simply increase the price, right? Wrong. As the price of an item increases, the demand for it usually decreases. If the manufacturer increases the price too much, it might lose money because customers no longer want to buy at that price.



The pricing function also helps businesses decide if they need to adjust prices because of changes in the market. Businesses often research prices and analyze the prices of their competitors. This helps them to decide if they should lower prices because of competition, or raise prices because demand is increasing.

**Distribution.** What good is a great price if products are not available? That is why the distribution function is so important. This function gets products from producers to consumers so they are on hand when consumers want to buy. Efficient distribution allows businesses to have adequate supplies of products in the right place at the right time. If this doesn't happen, products cannot be sold.

The distribution function includes selecting methods of transporting products. Some methods are less expensive than others so making the right decision helps to control expenses. Also, products often need to be stored in warehouses and their location



Today, the distribution function includes electronic methods of getting products from the producer to the consumer. Think of downloading music from the Internet.

tracked so they can be distributed at any time. Furthermore, the distribution function helps businesses decide how much product to keep in inventory. Businesses do not want to tie up a lot of capital in inventory if that is not necessary.

**Promotion.** Products are available at the right price, but how do consumers know about the products? The answer is the promotion function, which has a lot to do with creating demand or increasing demand. Promotions inform customers about new products, improved products, new uses for existing products, and special values on products. For example, a magazine ad for a new computer attracts attention, generates interest, and draws customers to a business. A direct-mail piece that includes a discount coupon encourages consumers to take advantage of the savings.



The promotion function also helps to create an image or impression of a business. For example, a business might want to change its image to attract a different or expanded target market. Coordinated advertising and public relations will get the message across. Effective promotions can do a lot to guarantee a business's success.

**Selling.** If all of the other marketing functions are effective, selling should be easy, right? Not necessarily. The other functions pave the way for successful selling, but the selling function itself is very important because it involves contact with customers. If customers are not satisfied with the sales experience, they often will not buy even if they need the product and the price is right. Therefore, businesses work to meet customers' needs and sell them the most appropriate product.

All businesses have something to sell, and everyone benefits from selling. The selling function benefits businesses, customers, and society in general. Effective selling helps businesses to create a desire for their products, get their products into the hands of consumers, and make a profit. Consumers benefit from selling by getting help with their buying decisions and learning about new products. Selling also benefits society by creating employment, encouraging economic growth, maintaining the free enterprise system through competition, and raising the standard of living.

Businesses that effectively carry out the six marketing functions are successful. They are the ones that earn a profit, prosper, and build long-term relationships with satisfied customers.



Business employees are usually the ones who carry out the selling function because they have the most contact with customers.

### Summary

Each marketing function is important. If any function is not performed well, the other functions will not be as effective. When each function is well planned and effectively completed, the result should be satisfied customers and a profitable business.



1. Describe some of the activities that are part of the product/service management function.
2. Explain what might happen if businesses neglect the marketing-information management function.
3. Why is pricing an important marketing function?
4. Why is distribution important for successful marketing?
5. Explain the importance of the marketing function of promotion.
6. How does the selling function benefit businesses, customers, and society?

## Make It Pay!



The marketing functions are extremely important in business, but they also have an important impact on you, the consumer. The next time you buy a product, whether it's a \$12 DVD or a \$100 pair of athletic shoes, think about why you are making the purchase. You might be surprised at the results.



Consider each of the marketing functions and how it affected your decision. For the product/service management function, determine if the product is new or an updated

version. For the marketing-information management function, ask yourself why you want the product. What about the price? Is the product on sale, or would you pay any price? For the distribution function, think about where the product is available. Is it for sale at a nearby business, and is there a wide variety to choose from? How is the business promoting the product? Are there ads on the radio and TV? Have you heard about the product from all of your friends? Finally, consider the selling function. Did a salesperson help you, or did you access a web site? Was that a good experience?

Now, you should be able to figure out how the marketing functions worked together to encourage you to buy the product. You also might want to consider if one or two functions had more influence on you than others. Maybe you will find that you bought the \$100 athletic shoes because they are new on the market, all of your friends have them, and the neighborhood store sells them in all colors and sizes.