

Work the Big Seven

Marketing Functions

Objectives

- A** Explain the marketing functions.
- B** Discuss the importance of each marketing function.



1375 King Avenue, P.O. Box 12279, Columbus, Ohio 43212-0279

Ph: (614) 486-6708 Fax: (614) 486-1819

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Your school probably offers a number of different student activities. Many of those activities, including football, volleyball, debate club, student council, band, and choir, have something significant in common: They are team activities. Each team or group depends on every one of its members to work—and work together—to be successful.

For instance, the football team isn't likely to win its game if its players don't perform their assigned duties as center, quarterback, linebacker, etc. Likewise, the band isn't likely to sound good if the trumpet section is missing, the flutes are off key, or the saxophones aren't even playing the right song. Each member should be playing the right piece of music—and playing it well—for the band to make beautiful music together.

The same is true in marketing. Marketing consists of several different functions, and each has a specific role to play. Technically, each of the marketing functions could be done on its own, but to be truly effective, these functions must work together as a team.



Name That Function

Why do you buy certain products? Is it because they are popular? Because they are priced right? Or is it because you just *have* to have them, no matter what? What you buy is often the result of marketing by the businesses that make and sell these products. Without marketing, you might not download the latest app or purchase the newest video game. Without marketing, you wouldn't know where to buy them or how much they cost. In fact, without marketing, you might not even know about these products at all!

So what is marketing? **Marketing** is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. For most businesses, the ultimate goal of marketing is to attract the target customer to the business.

To achieve this goal, businesses coordinate the seven **marketing functions**, which are interrelated activities that must work together to get goods and services from producers to customers. The seven marketing functions are market planning, product/service management, marketing-information management, pricing, channel management, promotion, and selling.



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These marketing functions focus on understanding customers and making the products they want available to them. All of the marketing functions need to work together to make this happen. If 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 the prices are too high, customers will not buy. If products are not available where customers shop, 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.



Market planning. The first step of any activity is to make a plan, and marketing is no exception. The marketing planning function aims to create strategies to attract the target customer to a business. Marketing planning includes determining activities, goals, objectives, and procedures necessary to carry out those strategies. Marketing planning involves tasks such as:

- Understanding and selecting **target markets**
- Setting marketing goals
- Creating a marketing **budget**
- Forecasting sales
- Performing a **situation analysis, SWOT analysis, market analysis, and competitive analysis**

◀ *Finding your target market is one of the most important aspects of market planning.*

Product/Service management. This marketing function 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 **quality assurance** standards of other products in the product line?
- Where does the product fit in the **product/service mix**?
- What is the image of the business or the product?
- What image do we want the business or product to have?



▲ *Marketers guide products and services from creation to decline, making decisions throughout the cycle.*

THE GRAY ZONE

Marketers have a responsibility to set prices that satisfy both the customers and their bottom line. However, when a company is one of the only competitors in its market and sells a product that people need, it can set the price as high as it wants—even if it's not the ideal price for customers. A recent example is Mylan, a pharmaceutical company that makes the EpiPen, an injection used to fight serious allergic reactions. Historically, Mylan has had about 90% of the market share for this drug, so competitive pricing has not been a concern. In fact, over the past several years, the company has raised the price of EpiPens substantially, increasing the price by over \$500 in just seven years. Many people who need this medication to survive can no longer afford to pay for it. Mylan has defended the price hikes, blaming the complicated health care system. The company has argued that its price increases are fair and justified due to the expenses associated with the product.

What do you think? Does a company have the right to increase prices as much as it wants when it does not have competition? Or should companies consider the customer when setting prices? Should pricing strategies differ when the product affects people's health?

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?
- What do they think of the products once they have bought them?



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https://upload.wikimedia.org/wikipedia/commons/4/40/HDR_image_Chevy_Silverado_April_2010.jpg



https://upload.wikimedia.org/wikipedia/commons/e/eb/Cadillac_ATS_2.0_Turbo_AWD_Premium_-_Frontansicht_16_Oktober_2015_Duesseldorf.jpg

▲ *Pricing contributes to brand image. Car companies, for example, price luxury cars and pickup trucks differently to reach different target markets.*

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 concert ticket 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 toy 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 decreasing demand for a product. Businesses regularly monitor these factors to adjust prices when necessary.



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To learn more about pricing, check out the video "How to set a price" from Pinnacle Financial Partners: <https://www.youtube.com/watch?v=nc4NtiUB5Io>.

Channel management. This marketing function is responsible for identifying, selecting, monitoring, and evaluating sales channels, also known as **channels of distribution**. Each channel of distribution is a path or route that takes goods and services from the **producer** to the **ultimate consumer** or **industrial user**. These paths or routes aren't physical, however. Instead, they refer to businesses or people who perform a variety of activities to enable products to be in the right places at the right times. Effective channel management is often a key to a business's success because it puts products in the customers' hands. This function helps businesses answer questions such as:

- Who will offer the products?
- Where will the products be offered?
- Which channel members are responsible for promoting the products?
- How well are channel members performing?



▲ *Think about all of the steps involved in getting a product (such as a computer) from production to the ultimate consumer!*



The video "Apparel Retail: Channel Management" from APT Analytics explains the importance of channel management in the retail world with real-life examples: <https://www.youtube.com/watch?v=bAX04tOPLKQ>.



◀ *Store displays and discounts are both forms of promotion. The goal is to draw customers into stores so they will make a purchase.*

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, and online ads; direct mail; product placement; out-of-home such as billboards and transit ads; and company websites
- **Publicity**—News releases, press conferences, personal appearances by celebrities, special events, feature articles, and social media marketing
- **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. It actually provides customers with the products they want. It includes selling to retail customers as well as to businesses and governments.

Selling may take place on a personal level—face-to-face—between a salesperson and a customer. 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.



Selling also takes place on a non-personal level such as through the use of a computer or over the phone. Companies use technology such as video conferencing or instant messaging to connect with prospective and current customers. 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.

◀ *Salespeople guide customers to finding and using the right products.*

Summary

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

TOTAL RECALL

1. What is the general purpose of the marketing functions?
2. What are the seven marketing functions?
3. Why must the seven marketing functions work together?
4. Describe the purpose of each of the following seven marketing functions:
 - a. Market planning
 - b. Product/Service management
 - c. Marketing-information management
 - d. Pricing
 - e. Channel management
 - f. Promotion
 - g. Selling