

PRINCIPLES OF MARKETING / 02

IBMS /
University of Applied Sciences

Raymond Reinhardt

3R Business Development
raymond.reinhardt@3r-bdc.com
©3R

Based on Ph. Kotler's Principles of marketing / international edition, and miscellaneous designer's lecturing materials



1

MARKETING & SOCIETY

Social impact of marketing

Impact on individual consumers

■ High prices?

- **High costs of distribution:** mark-ups sometimes seem to exceed the perceived value of the services of intermediaries.
- However, intermediaries usually do work which would otherwise have to be done by manufacturers, or worse: by consumers.
- Besides, what do consumers want? More convenience, more choices, more options.



2

MARKETING & SOCIETY

Social impact of marketing

Impact on individual consumers

■ High prices?

- **High advertising and promotion costs:** much of packaging and promotion seem to add only more psychological value to the product than real functional value.
- However, consumers want more than just functional quality.
- Brand-name products usually cost more, but branding offers more confidence.



3

MARKETING & SOCIETY

Promotional expenditures 2007, 2013

Top global advertisers (millions of \$, Global Marketers Top-100, 2007):			
1: Procter & Gamble, US:	\$ 8,522	11: Honda, JAP:	\$ 1,910
2: Unilever, NL/UK:	\$ 4,537	12: Coca-Cola, US:	\$ 1,893
3: GM, US:	\$ 3,353	13: Disney, US:	\$ 1,755
4: L'Oréal, F:	\$ 3,119	14: GlaxoSmithKline, UK:	\$ 1,754
5: Toyota, JAP:	\$ 3,098	15: Nissan, JAP:	\$ 1,670
6: Ford, US:	\$ 2,869	16: Sony, JAP:	\$ 1,620
7: TimeWarner, US:	\$ 2,136	17: McDonald's, US:	\$ 1,611
8: Nestlé, SW:	\$ 2,114	18: Volkswagen, D:	\$ 1,609
9: Johnson & Johnson, US:	\$ 2,025	19: ReckittBenckiser, UK:	\$ 1,550
10: DaimlerChrysler, D:	\$ 2,003	20: PepsiCo, US:	\$ 1,530

Top global advertisers (millions of \$, Global Marketers Top-100, 2013):			
1: Procter & Gamble, US:	\$11,470	11: McDonald's Corp., USA:	\$ 2,720
2: Unilever, NL/UK:	\$ 7,910	12: Sony Corp., JAP:	\$ 2,720
3: L'Oréal, F:	\$ 5,930	13: ReckittBenckiser, UK:	\$ 2,540
4: Toyota, JAP:	\$ 3,440	14: Ford Motor Co., USA:	\$ 2,410
5: GM, USA:	\$ 3,350	15: Nissan Motor Co., JAP:	\$ 2,190
6: Volkswagen, D:	\$ 3,230	16: Samsung, JAP:	\$ 2,160
7: Nestlé, SW:	\$ 3,120	17: Johnson & Johnson, USA:	\$ 2,070
8: CocaCola, USA:	\$ 2,900	18: Microsoft, USA:	\$ 1,980
9: Mars Inc., USA:	\$ 2,860	19: Yum! Brands (KFC, etc.), USA:	\$ 1,920
10: PepsiCo, USA:	\$ 2,740	20: ComCast Corp.(NBC, etc.), USA:	\$ 1,860



4

MARKETING & SOCIETY

Social impact of marketing

Impact on individual consumers

■ High prices?

- **Excessive mark-ups:** some companies seem to mark up goods and services excessively, for example the pharmaceutical industry, cosmetics industry, etc.
- However, consumers do not always understand the cost components involved, for example R&D, purchasing costs, promotional costs, etc.



5

MARKETING & SOCIETY

Social impact of marketing

Impact on individual consumers

■ Deceptive practices?

- Sometimes companies will try to let consumers believe they will get more value than they actually do:
 - **Deceptive pricing:** falsely advertised prices or price reductions, etc.
 - **Deceptive promotion:** overstating the product's features or performance, etc.
 - **Deceptive packaging:** misleading labelling, exaggerating package contents, etc.



6

MARKETING & SOCIETY

Social impact of marketing

Impact on individual consumers

■ High pressure selling?

- Many products, such as cars, insurance, and properties, seem to be *sold, not bought*.
- Although salespeople will often try to sell hard, companies have little gain from high-pressure selling.
- Hard selling tactics may work in the short run, but inevitably will damage long-run customer relationships.

3R

7

MARKETING & SOCIETY

Unsound or unsafe products?



3R

8

MARKETING & SOCIETY

Social impact of marketing

Impact on individual consumers

■ Flimsy, unsound or unsafe products?

- Often, products are *not made well*, and services *not performed well* (lack of quality assurance?)
- In addition, some products deliver *little benefit*, such as certain medicines and nutritional / dietary food supplements
- Furthermore, certain products are plainly *unsafe* (considering the amount of recalls)

3R

9

MARKETING & SOCIETY

Social impact of marketing

Impact on individual consumers

■ Planned obsolescence (=being outdated) ?

- Some producers seem to follow a programme of **planned obsolescence**: a strategy of causing products to become obsolete before they actually need to be replaced.
- For instance: holding back important improvements, then introducing them later to make older models obsolete (spare parts for camera's, cell-phones, notebooks, etc.).
- However, consumers like style changes, and improvements have to be thoroughly tested.

32

10

MARKETING & SOCIETY

Social impact of marketing

Impact on individual consumers

■ Poor service to disadvantaged consumers?

- Companies seem to be preoccupied with high-income customers living in prosperous areas.
- As such, the urban (relatively) poor depend on smaller shops that have inferior goods not uncommonly at higher prices.

11

MARKETING & SOCIETY

Social impact of marketing

Impact on society in general

■ Creating false wants and materialism?

- The western marketing system seems to emphasize on material possessions.
- People are judged by what they *own* rather than by what they *are*.
- However, our wants and values are influenced not only by marketers, but also by family, peer groups, religion, ethnic background and education.

12

MARKETING & SOCIETY

Social impact of marketing

Impact on society in general

■ Too few social goals?

- Business seems to oversell private goods (cars) at the expense of public goods (country side transformed into roads).
- In addition, overselling private goods also results in 'social costs' (traffic congestion, pollution, accidents and injuries, etc.).
- As this issue is clearly a problem, many countries have started to impose taxes on these kinds of private goods.

13

MARKETING & SOCIETY

Social impact of marketing

Impact on society in general

■ Cultural pollution?

- Our senses are constantly being assaulted by advertising and commercial messages, etc.
- Commercials pollute people's minds with messages involving materialism, sex, power or status.
- However, in most cases consumers have the right to look away or even to turn off their radio or tv.

14

MARKETING & SOCIETY

Social impact of marketing

Impact on society in general

■ Too much political power / influence?

- Business is said to wield too much political power (oil, tobacco, financial services, etc.).
- Advertisers seem to be holding too much power over the mass media.
- However, consumers have acquired more consumer oriented legislation, forcing industries to consider the public (for example: car industry, pharmaceuticals, etc.).

15

MARKETING & SOCIETY

Impact on other businesses

Harmful impact on other companies & competition

■ Problems involved in this aspect:

- **Acquisition of competitors** usually results in reducing a healthy competition. In case of poor management this can, however, be good for society.
- **Barring new companies from entering** an industry or a certain market, for instance by patents or heavy promotion spending or through exclusive distribution.

16

MARKETING & SOCIETY

Impact on other businesses

Harmful impact on other companies & competition

■ Problems involved in this aspect: (cont'd)

- Unfair competitive marketing practices with the intention of hurting or destroying other companies. This **predatory competition** is usually achieved by dropping prices or by threatening to cut off business with suppliers or buyers. Although various laws prohibit this type of competition, it is usually nearly impossible to prove the intent (for example Microsoft's anti-trust case)

17

MARKETING & SOCIETY

Citizen and public (re-)actions

Consumerism

■ Three major consumer movements (USA)

- Early 1900's: rising prices and wrongful and miserable working conditions led to the **first major consumer movement**.
- Mid 1930's: inflation and the upturn of prices during the Great Depression resulted in the **second major consumer movement**.

18

MARKETING & SOCIETY

Citizen and public (re-)actions

Consumerism

■ Three major consumer movements (USA) (cont'd)

- 1960's: thanks to better education, consumers became more aware of the safety and danger of various products, and they became unhappy with many western institutions.

President JFK declared that consumers have the right to safety, to be informed, to be able to choose and to be heard (in court).

This consumer movement has spread internationally and has become very strong in Europe.

19

MARKETING & SOCIETY

Citizen and public (re-)actions

Consumerism

■ Traditional seller's rights include:

- the right to introduce any product in any style or size, as long as it is not dangerous or unhealthy;
- the right to charge any price for the product, as long as it is not discriminating buyers;
- the right to spend any amount to promote the product, as long as it is fair to competition.

20

MARKETING & SOCIETY

Citizen and public (re-)actions

Consumerism

■ Traditional seller's rights include: (cont'd)

- the right to use any product message, as long as it is not misleading or dishonest in content.
- the right to use any buying incentive schemes (such as discounts, gifts, etc.), as long as they are not unfair or misleading.

21

MARKETING & SOCIETY

Citizen and public (re-)actions

Consumerism

■ Traditional buyer's rights include:

- the right not to buy a product that is offered for sale;
- the right to expect the product to be safe;
- the right to expect the product to perform as claimed.

22

MARKETING & SOCIETY

Citizen and public (re-)actions

Consumerism

■ Further buyer's rights are including:

- the right to be well informed about important aspects of the product (tobacco);
- the right to be protected against questionable products and marketing practices;
- the right to influence products and marketing practices in ways that will improve the *quality of life*.

23

MARKETING & SOCIETY

Citizen and public (re-)actions

Environmentalism

■ More care needed for the environment

- **Environmentalism:** *the organised movement of concerned citizens and governmental institutions to protect and improve people's living environment.*
- First, environmental groups (such as Greenpeace) stirred up environmental awareness.
- Later on, governments started to pass laws and regulations in this aspect (pollution, etc.).

24

MARKETING & SOCIETY

Citizen and public (re-)actions

Environmentalism

- **More care needed for the environment** (cont'd)
 - Now many companies are accepting responsibility for doing no harm to the environment. As such, they are shifting from protest to prevention, and from regulation to responsibility.
 - More and more companies are adopting environmental sustainability: developing strategies that both sustain (protect) the environment and generate profits for the company (Body Shop; Dutch flower industry).

25

MARKETING & SOCIETY

Citizen and public (re-)actions

Environmentalism

- **More care needed for the environment** (cont'd)
 - Some companies have gone further by practicing *product stewardship*: minimizing not just pollution from production but all environmental impacts throughout the full product life cycle.
 - As such many companies (the car industry, for instance) are adopting *design for environment (DFE)* practices, creating products that are easier to recover, reuse or recycle

26

MARKETING & SOCIETY

Business (re-)actions



27

MARKETING & SOCIETY

Business (re-)actions

Enlightened marketing

■ **Enlightened marketing:** *the marketing philosophy that a company's marketing should support the best long-run performance of the marketing system.*

- Enlightened marketing consists of **5 principles**:
 - consumer-oriented marketing**
 - innovative marketing**
 - value marketing**
 - sense-of-mission marketing**
 - societal marketing.**

28

MARKETING & SOCIETY

Business (re-)actions

Enlightened marketing

■ **Consumer-oriented marketing**

- Consumer-oriented marketing requires a company to view and organize its marketing activities from the consumer's point of view.

29

MARKETING & SOCIETY

Business (re-)actions

Enlightened marketing

■ **Innovative marketing**

- Innovative marketing requires that a company continuously seeks real product and marketing improvements.

- The idea is that companies which fail to perceive and implement new and better ways to do things, will eventually lose customers to other companies which have found better ways.

30

MARKETING & SOCIETY

Business (re-)actions

Enlightened marketing

■ Value marketing

- Value marketing requires a company to put most of its resources into value-building marketing investments.
- This aspect of enlightened marketing calls for building long-term consumer loyalty, by improving the value that consumers receive from the company's marketing offer (for instance: Dell Computers).

31

MARKETING & SOCIETY

Business (re-)actions

Enlightened marketing

■ Sense-of-mission marketing

- Sense-of-mission marketing requires a company to define its mission in **broad social terms** rather than **narrow product terms**.
- Example: the British Co-operative Bank or the Dutch Triodos Bank, both refraining from doing business with companies that engage in 'unsavoury' business practices (such as business involving pollution or child labour).

32

MARKETING & SOCIETY

Business (re-)actions

Enlightened marketing

■ Societal marketing

- This aspect of enlightened marketing calls for companies to make marketing decisions by considering consumer's wants and long-run interests, and at the same time considering the company's requirements and society's long-run interests.

33

MARKETING & SOCIETY

Business (re-)actions

Enlightened marketing

■ Societal marketing (cont'd)

- Societal marketing often involves certain marketing dilemma's; consumers do not always make decisions that are good for them:
 - fatty food vs. health
 - smoking vs. health / environment
 - hardwood constructions vs. rainforest
 - air conditioning vs. fuel consumption.

34

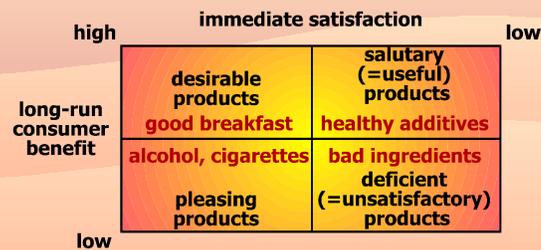
MARKETING & SOCIETY

Business (re-)actions

Enlightened marketing

■ Societal marketing (cont'd)

- Societal marketing requires designing products that are not only pleasing, but also beneficial:



35