

Module 1: Marketing

Lesson 1 - What is Marketing?

OVERVIEW

In this lesson, students will gain a general understanding of marketing. Students will also learn the importance of the marketing plan and a situation analysis while exploring the different forms of competition.

OBJECTIVES

1. Define marketing
2. Recognize the difference between consumer wants and needs
3. Describe the marketing concept
4. Understand what the marketing plan is and why it is important to a business
5. Identify the key components of the marketing plan
6. Successfully compose a mission statement
7. Explain the purpose of a situation or SWOT analysis
8. Differentiate between direct and indirect competition
9. Explain the concept of market share
10. Describe each function of marketing

KEY TERMS

Marketing
Need
Want
Exchange Process
Marketing Concept
Marketing Plan
Price
Distribution
Promotion
Financing
Selling
Marketing Information Management
Product Management
Marketing Plan
Mission Statement
Situation Analysis (SWOT)
Competition
Direct Competition
Indirect Competition
Market Share

This Lesson Bundle Includes:

- What is marketing? - Lesson Outline
- What is marketing? - Supplemental Presentation Slides
- Industry Application - Related Links
- Student Activity - SWOT Analysis

Lesson 1 - What is Marketing?

WHAT IS MARKETING?

Marketing is the process of developing, promoting, and distributing products, or goods and services, to satisfy the needs and wants of consumers. The term “marketing” has grown to encompass many business activities such as selling, promotion, and publicity.

Marketing is all around us. Most purchase decisions we make are influenced by marketing. Why does one sports drink brand feel like a healthier option than another? Marketing. Why is one product priced lower than another, even if it is virtually the same product? More marketing. Avocado toast? Even its popularity can be attributed to marketing.

Needs vs. Wants

A **need** is something a consumer must have and cannot live without. For example, without food, we cannot survive.

A **want** is something a consumer would like to have. You might want a Nintendo Switch or tickets to an upcoming game or show, but you can survive without them.

Exchange Process

The **exchange process** is a marketing transaction in which the buyer provides something of value to the seller in return for goods and services that meet that buyer's needs or wants.¹

The exchange process has three requirements:

1. There must be at least two parties involved.
2. Some means of communication must be present between all parties, and typically a desire must be present to engage in a partnership with the other party or parties.
3. Each party must be free to accept or decline.

The Marketing Concept

The **marketing concept** refers to the idea that a company's ability to sell its products and services depends largely on its ability to identify and fulfill customer needs and wants successfully. Without marketing, it would be challenging for a company to communicate information about its products and services in a way that could influence consumer purchase decisions.

Why is the marketing concept important to business?

1. Effective marketing leads to a business's financial success.
2. Profitability is achieved by offering a product that customers need and want at the right price.
3. A marketer's job is to identify and understand all factors that influence consumer buying decisions.

Businesses must determine which strategies will best help them to meet and fulfill the wants, demands, and needs of consumers in a way that helps to keep them ahead of the competition. These strategies are then developed in detail in the form of a **marketing plan**.

¹ Framework for Strategic Sports Marketing, Presentation Notes, Dr. Brian Turner



FUNCTIONS OF MARKETING

What Is The Purpose Of Marketing?

To answer this question, we will examine the **SEVEN** traditional functions of marketing:

1. Pricing
2. Distribution
3. Promotion
4. Financing
5. Selling
6. Marketing Information Management
7. Product Management

No one marketing function is more important than another, so it is essential for marketing professionals to have a fundamental understanding of all seven functions.

Pricing

Price is a critical component of the exchange process. In a business exchange, a seller offers a product or service, and a buyer has a want or need relating to that product or service. Price is what the buyer is willing to exchange to receive the product or service. The term “price” could also refer to things like “charges” (your bank may charge you for a particular type of transaction), “fees” (your credit card company might charge fees for purchases), or “fares” (an Uber ride might charge a fare).

Distribution

Distribution refers to the path goods and services take to get to the **end consumer**—the individual who uses the product or service. The end consumer is not necessarily the person or persons who *purchase* the product or service, but rather the person or persons who *use* the product or service.

Promotion

Promotion is any form of communication used to inform, persuade, or remind people about the availability of products or services. Promotion plays a significant role in creating and maintaining the levels of commitment and emotional involvement consumers have with a brand.

Financing

Financing is the creation of a budget and creating revenue projections to help a business reach its financial goals. The function of financing also explains why businesses often provide customers with flexible payment options to purchase their products or services.

Financing Example:

Peloton partnered with the buy now, pay later company (known as “BNPL”) Affirm to provide its customers with more flexible payment options rather than having to pay the full cost of the equipment upfront by allowing some buyers to finance the cost of the Peloton with no money down and zero interest, depending on the buyer’s credit





Selling

Selling is any form of communication with consumers to assess and fill their needs, as well as anticipate future needs. Selling occurs at all levels of the distribution process.

Marketing Information Management

Marketing information management is the process of gathering customer information and using that information to improve business decision-making. Marketing information management helps businesses measure the success of their marketing strategies, both successes, and failures. An example of marketing information management is customer loyalty cards. These cards allow retailers to track their customers' purchases and returns, and also give businesses access to additional customer information such as customer age, location, and additional demographics. Managing this information with a Marketing Information System, allows the retailer to create targeted marketing plans that help increase sales.

Product Management

Product management refers to the process of designing, developing, maintaining, improving, and acquiring products or services so that these products and services meet customer needs. Product Management tasks fall into two separate, but complementary areas: **product development** and **product marketing**. The product development team and the product marketing team must work together to maximize sales revenues, profit margins, and market share.

Product Management Examples:

Conceptualizing products: How is a new product different from existing products in the marketplace? What are its selling points?

Product Improvement: Gathering customer feedback and integrating that feedback into product design.

Addressing competitor gaps: Performing competitive analysis and determining how to improve a product or product marketing based on that analysis.



What Is A Marketing Plan?

A **marketing plan** is a written document that provides direction for the marketing activities for a specific period of time. The marketing plan is a critical planning tool for any business, regardless of industry, as it provides direction for the organization by defining goals and strategies.

Why is a marketing plan important?

- A marketing plan communicates the goals, objectives, and strategies of a company to its employees.
- A marketing plan is an essential component of a complete business plan.
- A marketing plan helps organizations obtain financing from outside investors or banks for a new venture.

With more purchasing options available to consumers than ever, it is essential for a business to build a strong marketing plan. Without strategic direction, companies will be challenged to reach consumers to sell their products and services.

Marketing plans can vary in complexity and time frame. The complexity of the marketing plan is determined by the size and type of the organization and is influenced by the organization's overall goals and objectives. The time period covered by the plan also varies with organization size and type.

For example, a startup company may only plan for two years given the risk associated with a new business with limited funding. By contrast, an established brand may create a five-to-ten-year plan to implement complex and long-term marketing strategies.

Understanding the Market

Before completing the marketing plan, organizations must understand their market. An organization must research and evaluate many factors within a market.

Market factors to evaluate:

- The product
- The consumer
- The economy
- Target markets
- Existing market distribution channels
- Buying trends
- Competitor performance

What Makes an Effective Marketing Plan?

An effective marketing plan will include the following components:

- Mission statement
- Executive summary
- SWOT analysis
- Marketing goals and objectives
- Market research/marketing strategies
- Implementation plan
- Evaluation and control



Mission Statement

A **mission statement** is a written statement that captures an organization's values and general business philosophy. It offers a brief description of the organization's purpose, answering the question of why the business exists. Many organizational marketing strategies are founded based on the mission statement content.

An organization's mission statement should address the following questions:

1. What business are we currently in?
2. Who are our customers?
3. What products and/or services do we offer?
4. How do we currently meet the needs of our customers?



ACTIVITY IDEA

As a class, create a mission statement, whether it is for a fictitious startup company or your favorite brand. See if you can find examples of mission statements for some of the world's biggest brands on the internet to help guide you.

Situation (SWOT) Analysis

The **situation analysis** (also referred to as SWOT) provides information that is helpful in matching the organization's resources and capabilities to the competitive environment in which it operates.

SWOT reviews four key factors:

- Strengths
- Weaknesses
- Opportunities
- Threats

Strengths are an organization's resources and capabilities that can be used as a basis for developing a competitive advantage, such as:

- Patents
- Strong sales history
- Established brand
- Effective distribution strategy
- Significant following on social media

Weaknesses are the business qualities that would give them a competitive disadvantage. The absence of certain strengths may be viewed as a weakness. Weaknesses could include:

- Lack of patent protection
- Weak, unrecognized, or ineffective brand name
- Poor reputation among customers
- Lack of resources
- Inadequate distribution channels



Opportunities are events that facilitate company profit and growth. Opportunities could include:

- Unfulfilled customer needs
- Arrival of new technologies
- A particular market niche that has not yet been explored
- Mergers
- Entry into new markets

Threats are events that could have a negative impact on a company. Threats could be internal, such as falling productivity, or external, such as lower-priced products offered by competitors. Examples of threats could include:

- Shifts in consumer tastes away from company products
- Emergence of new substitute products
- Government regulation





STUDENT ACTIVITY

Divide into pairs. Then, select a brand and complete a situation (SWOT) analysis for the brand using the worksheet provided by your teacher. Be prepared to present and discuss your analysis in class.

Choose from any of the following brands:



Competition

Competition refers to a rivalry between two or more businesses selling products or services to the same customers or markets. When two or more businesses sell the same goods or services, they are competing for the same consumers. Competition impacts price points, product features, and marketing strategies because businesses are fighting for an edge that will persuade consumers to choose their products or services over those of competitors.

Types of Competition

Indirect competition occurs between businesses that compete for the same share of consumers' discretionary income. Indirect competitors provide different solutions to the same target market. For example, in the world of streaming video services, there are several different competing options: Netflix, Hulu, Prime Video, etc. These streaming services all meet a specific consumer need and offer convenience and video entertainment at a similar price point, but the exact product is different. These streaming services are **indirect competitors** because they each provide a different product to meet a consumer need.

Direct competition occurs between sellers of the same products and services. Direct competitors provide the same solution to the same target market. For example, a streaming service that provides access to cable channels (like Hulu or YoutubeTV), are direct competitors to cable companies because they provide access to the SAME product. It is possible for some products and services to compete directly at times and indirectly with others. For example, Netflix and Amazon Prime are in direct competition



with one another for consumers in the streaming market but are in indirect competition with cable and satellite TV networks like ESPN for viewers.

Direct Competition Example:

In 2019, there were nearly 500 scripted television shows available in the United States, with Netflix spending at least \$12 billion on new content. In 2021, that number swelled to [559 shows](#), creating a more competitive landscape than ever with Netflix, Amazon, Hulu, Disney+, Apple TV+, Paramount +, Peacock, YouTube, and many others competing for consumer dollars in the streaming video business.

When Apple TV+ launched in 2019, the company invested millions to make a splash in the competition for streaming viewers:

- Apple invested \$15 million per episode in the production of ‘See’, a sci-fi series the company had banked on to help them make a splash when the service launched.
- To put that in perspective, the [Verge](#) reported that Game of Thrones — likely the most expensive TV show made — took eight seasons to work its way up to a \$15 million-per-episode budget.
- Similarly, Disney reportedly invested \$10-15 million per episode producing ‘The Mandalorian’ in the build-up for the launch of its new streaming service.

As the number of scripted television shows continues to grow, companies are investing more than ever in original programming to gain market share.

- According to [MSN.com](#), Amazon Studios spent an estimated \$465 million for the first season of its ‘Lord of the Rings’ television series, launching in 2022.
- According to the [Wall Street Journal](#), the budget for Netflix’s *Stranger Things 4* was \$30 million per episode or roughly \$270 million for the entire 9-episode season.

Measuring Competition

Market share is a key indicator of how well one company is performing against its competitors within the marketplace. For example, Netflix continues to dominate market share among brands competing for consumer attention in the streaming space. That market is expected to be a \$150 billion industry by 2026.²

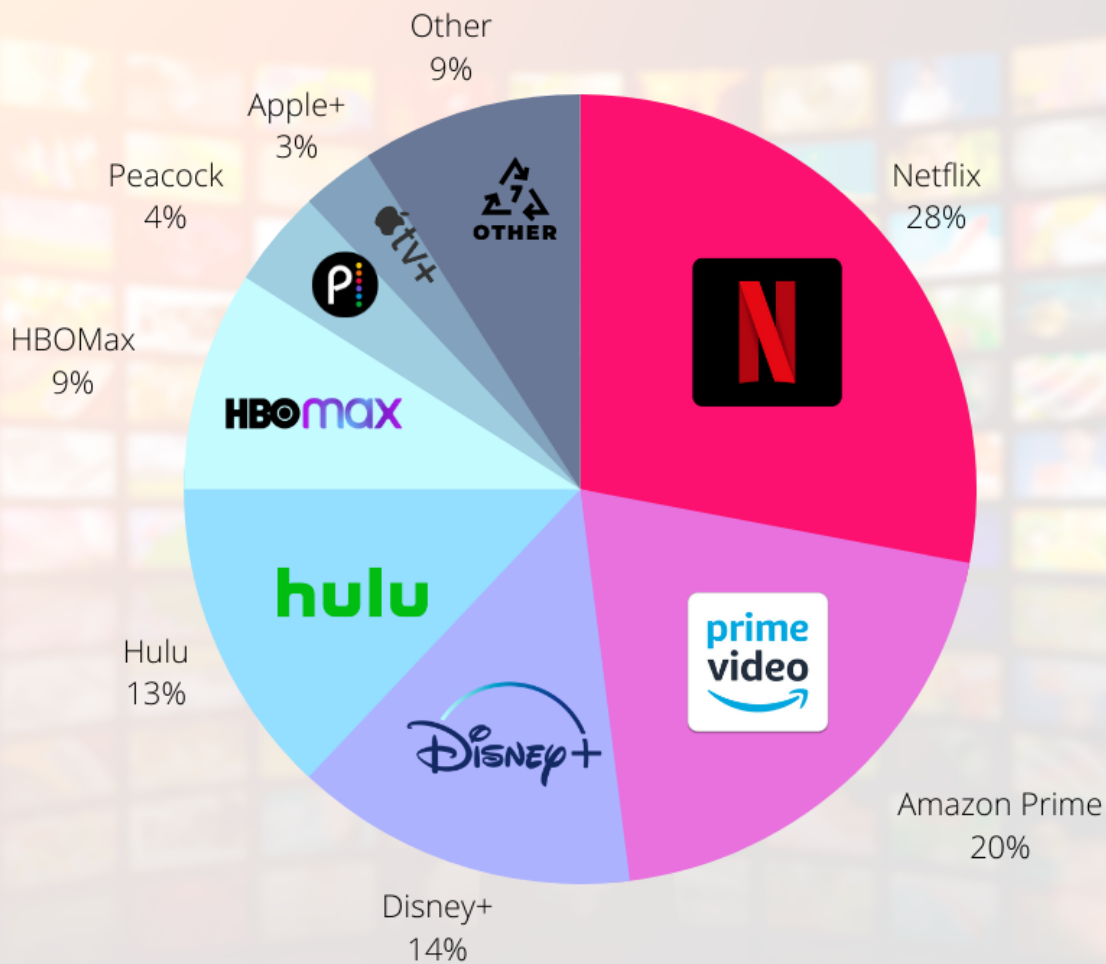
So who is currently winning the “streaming wars” in terms of market share? According to the latest figures from JustWatch, Netflix is on top in the United States with a 28% market share.³

1. Netflix (28%)
2. Amazon Prime (20%)
3. Disney+ (14%)
4. Hulu (13%)
5. HBO Max (9%)
6. Peacock (4%)
7. Apple TV+ (3%)
8. Other (9%)

² <https://www.digitaljournal.com/pr/video-streaming-market-value-to-cross-149-34-billion-by-2026-growth-with-recent-trends-demand>

³ <https://9to5mac.com/2021/07/29/apple-tv-stuck-at-3-percent-market-share/>





Leading Streaming Companies by Market Share



INDUSTRY APPLICATION

Connect your classroom with industry examples by reviewing the following news stories relating to concepts covered in this lesson:

Financing & Competition - [Apple enters the NBPL market as competition intensifies](#)

Competition - [How Coke and Pepsi's rivalry shaped marketing — and where it goes next](#)

Competition - [Why Chicken Nuggets Could Be The Next Big Competitive Category In Fast Food](#)

Competition - [Spice King McCormick Wants Total World Hot Sauce Supremacy](#)

Market Share - [Top Selling Energy Drink Brands](#)

Mission Statement - [How Airbnb found its Purpose and why it's a good one.](#)

KEY TERMS DEFINED:

Marketing: the process of developing, promoting, and distributing products, or goods and services, to satisfy the needs and wants of consumers.

Need: something a consumer must have and cannot live without.

Want: something a consumer would like to have but isn't necessary for living.

Exchange Process: a marketing transaction in which the buyer provides something of value to the seller in return for goods and services that meet that buyer's needs or wants.

Marketing Concept: the idea that a company's ability to sell its products and services depends largely on its ability to identify and fulfill customer needs and wants successfully.

Marketing Plan: a written document that provides direction for the marketing activities for a specific period of time.

Price: what the buyer is willing to exchange to receive the product or service.

Distribution: the path goods and services take to get to the end consumer—the individual who uses the product or service.

Promotion: any form of communication used to inform, persuade, or remind people about the availability of products or services.

Financing: the creation of a budget and creating revenue projections to help a business reach its financial goals.

Selling: any form of communication with consumers to assess and fill their needs, as well as anticipating future needs.

Marketing Information Management: the process of gathering customer information and using that information to improve business decision-making.

Product Management: the process of designing, developing, maintaining, improving, and acquiring products or services so that these products and services meet customer needs.

Marketing Plan: a written document that provides direction for the marketing activities for a specific period of time.

Mission Statement: a written statement that captures an organization's values and general business philosophy.

Situation Analysis (SWOT): analysis that provides helpful information for matching the organization's resources and capabilities to the competitive environment in which it operates. Includes strengths, weaknesses, opportunities and threats.

Competition: a rivalry between two or more businesses selling products or services to the same customers or markets.

Indirect Competition: occurs between businesses that compete for the same share of consumers' discretionary income, providing different solutions to the same target market.

Direct Competition: occurs between sellers of the same products and services to the same target market.

Market share: a key indicator of how well one company is performing against its competitors within the marketplace.

