

Work the Big Seven

Marketing Functions

Name That Function

A

So What

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.

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, pricing, promotion, marketing-information management, channel management, and selling.



Objectives

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

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**

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.

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?
- Why do they want them?
- Where are they located?
- When will they buy?
- What products do they want?
- What do they think of the products once they have bought them?



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_Düsseldorf.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=nc4NtiUB5lo>.

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?



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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?

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?



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

James Woodson/Photodisc/Thinkstock

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.

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

Top Guns

The seven marketing functions are the basis of successful marketing. Indeed, each function has a major role to play in carrying out a business's **marketing plan** and attracting the target customer to the business. Let's take a closer look at the importance of each of the marketing functions.

Market planning. None of the other functions of marketing could exist without market planning. Think about it: how could you decide what products to sell, what information you need to sell them successfully, how to promote them, where and how to sell them, or how much they should cost without a plan? Planning helps marketers to be successful without wasting time and money on the wrong initiatives.

For example, if a new clothing store performs a SWOT analysis and identifies market segments before deciding where to open, it will be more likely to reach success because its decisions will be informed by research and company goals. The details will be determined ahead of time, saving time and money. Without market planning, it would be difficult for companies to be profitable. Finally, market planning helps ensure that a certain marketing campaign is in line with the organizational mission and objectives.



▲ A SWOT analysis is a helpful tool that leads to smarter, better informed marketing decisions.



To learn more about the importance of market planning, watch the video “How to Create a Marketing Plan” from Entrepreneur: <https://www.youtube.com/watch?v=zIPC06xrp1A>.

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 to be successful. This function includes making product decisions that determine whether or not a company will reach sales goals and become profitable.

Without product/service management, companies would not have an organized, logical way to create and market new products to the right target market. There would be no cohesion in product lines. The wrong product might be introduced to the wrong people at the wrong time, which damages the organization financially.

Product/Service management also ensures that the company has met the appropriate standards and offers warranties and guarantees. This helps organizations avoid legal trouble and attract customers. For example, a 90-day satisfaction guarantee will increase the likelihood of purchase as opposed to a company that would not reimburse unsatisfied customers.

In addition, the product/service management function helps businesses determine the type of image they want customers to have of the business and its products. Once businesses decide on an image, also known as a **brand**, they use the other marketing functions to support that image. For example, if a business wants a “luxury” image like that of BMW, the pricing function will establish the appropriate price for products and the promotion function will develop appropriate advertising. Brands with a consistent image tend to be more successful, memorable, and established. However, before making any product/service management decisions, businesses need information. They rely on the marketing-information management function to provide the necessary data.

A brand is made up of all the combined impressions and experiences associated with a particular company, good, or service.

Marketing-information management. Rather than making guesses, businesses make decisions based on the data gathered, processed, reported, and maintained by the marketing-information management function. After gathering data, marketing-information management transforms these data into more understandable marketing information, distributes this information to company decision-makers, and stores the information for future use. The overall goal is to obtain and maintain information that will help forecast, or predict, what will happen that might affect the business in the future.

For example, Richa works for a cosmetics company. She thinks that there is a market for a new moisturizing face wash, but how can she determine for sure that customers will buy it, or who those customers are and how to reach them? That's where marketing-information management comes in. Imagine trying to answer these difficult questions without the ability to gather research and make informed decisions. Being able to accurately understand and predict the impact of marketing activities not only saves time and money, but it also allows companies to reach success in attracting their target markets.



◀ Focus groups can help marketers gather important information about products, customers, and more.

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.

Pricing. When you are shopping, one of the first things you probably consider is price. Price is just as important to the people who set it as it is to those who pay it! The pricing function 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. Getting the correct balance is important: There is a fine line between the right price and the wrong price.

For example, a clothing manufacturer makes T-shirts for \$3 and sells them for \$15 to make a \$12 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 some customers will no longer want to buy at the higher price. If you lower the price too much, though, you will not generate as much profit, which will impact your entire operation.

The pricing function also helps businesses decide if they need to adjust prices because of changes in the market. Marketers often research 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.

Channel management. What good is a great price if products are not available? That is why the channel management function is so important. This function gets products from producers to customers so they are available when and where customers want to buy. Efficient channel management allows businesses to have their products in the right place at the right time. If this doesn't happen, products cannot be sold. If you go to a restaurant known for its fantastic sushi only to learn that it does not have any fresh fish available, for example, the restaurant will most likely lose your business.

In addition to selecting channels of distribution for its products, the channel management function is also responsible for determining channel responsibilities and managing channel members. Channel management determines which channel members are responsible (and best-suited) for shipping, promoting, and selling the product to customers. At the same time, it must also ensure that each channel of distribution flows smoothly from the producer to the customer. After all, the business can't make a profit if customers don't have access to the products that they want and need.

Promotion. Products are available at the right price, but how do customers know about the products? The answer is the promotion function, which has a lot to do with creating 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 customers to take advantage of the savings. There is a reason that companies spend millions of dollars on television commercials and Internet advertisements: Promotions can be extremely effective in attracting a wide audience, boosting sales, and getting the word out about products.

◀ Have you ever gone to a store or restaurant because you received a coupon in the mail?

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.



To see examples of innovative and successful promotional efforts, check out Meg Cabrera's article "10 of The Most Effective Ad Campaigns in 2016": <https://www.searchenginejournal.com/top-10-most-effective-ad-campaigns-in-2016/159004/>.

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 through preparation and a detailed, well-planned selling process.

All businesses have something to sell, and everyone benefits from selling. Making a sale is the ultimate goal of all marketing functions. 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 customers' hands, and make a profit. Customers benefit from selling by getting help with their buying decisions, receiving support after the sale, and learning about new products that can positively impact their lives. Selling also benefits society by creating employment, encouraging economic growth, maintaining the **private enterprise system** through competition, and raising the **standard of living**.

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

TOTAL RECALL

1. What could happen if a business does not engage in market planning?
2. Describe the importance of the product/service management function.
3. Explain what might happen if businesses neglect the marketing-information management function.
4. Why is pricing an important marketing function?
5. Why is channel management important for successful marketing?
6. Explain the importance of the marketing function of promotion.
7. How does the selling function benefit businesses, customers, and society?

Make It Pay!

What was the last product that you purchased? Think for a minute about why you made the purchase. How did each of the marketing functions affect your decision?

Ask yourself questions such as:

- Why did you want the product?
- Did the product's brand impact your actions?
- Did the product's price influence you?
- Where did you purchase the product?
- How did you hear about the product?
- Who helped you to make your purchase?

Finally, after answering these questions, consider the following: How did the different marketing functions work together as a team to encourage you to make your purchase?