

Work the Big Six

Marketing Functions

Pricing

Promotion

**Product/Service
Management**

**Marketing-Information
Management**

Selling

**Channel
Management**

**The function
junction**

**They're all
related**

**A team
approach**



Your school probably offers a number of different athletic, musical, and academic student activities. And, many of those activities, including football, volleyball, 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.

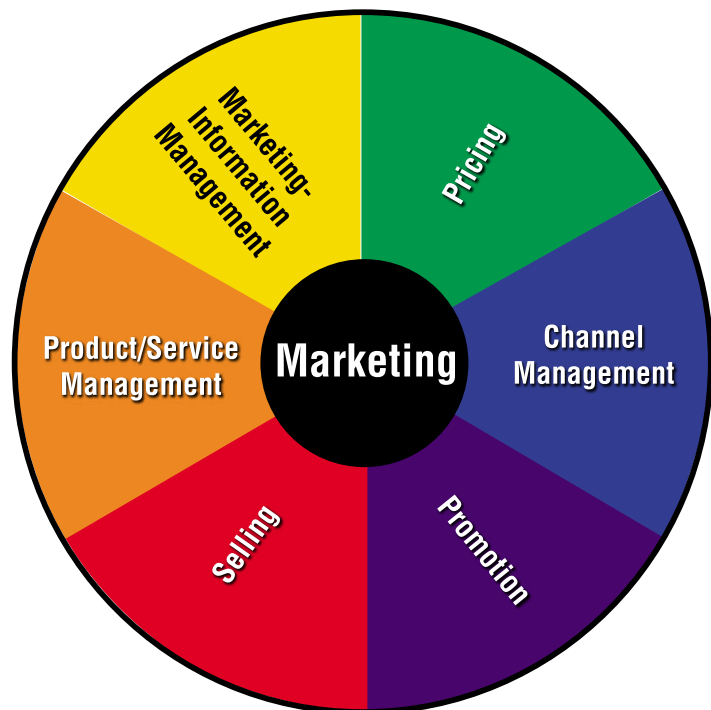
For instance, the football team isn't likely to win its game if its players don't perform their assigned duties as center, quarterback, linebacker, etc. Likewise, the band isn't likely to sound good if the trumpet section is missing, the flutes are off key, or the saxophones aren't even playing the right 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, because you 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 buy the latest MP3 player or 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. And, for most businesses, the ultimate goal of marketing is to attract you, the target customer, to the business. To achieve this goal, businesses coordinate the six marketing functions, which are interrelated activities that must work together to get goods and services from producers to customers. The six marketing functions are product/service management, marketing-information management, pricing, channel management, promotion, and selling.



These marketing functions involve activities that focus on understanding customers and making the products they want available to them. All of the six marketing functions need to work together to make this happen. If any one function is not doing its job, the other functions are affected.

Objectives

A

Explain the marketing functions.

B

Discuss the importance of each marketing function.



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 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.

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?
- What image do we want the business or product to have?



▲ The product/service management function is responsible for obtaining, developing, maintaining, and improving a product/service mix in response to market opportunities.

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



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▲ Pricing involves determining and adjusting prices to maximize return and meet customers' perceptions of value.

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.



The channel management function is responsible for identifying, selecting, monitoring, and evaluating different sales channels. These sales channels—known as channels of distribution—work to put products in the right places at the right times.



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 goods and services take 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?
- Which channel members are responsible for promoting the products?
- Where will the products be offered?
- How well are channel members performing?



- ▲ Businesses use a variety of methods to promote their products to customers. The fast food chain Arby's, for instance, uses television ads, newspaper ads, special events, coupons, and billboards to communicate with their customers.

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; and company web sites
- 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. This is the function of actually providing customers with the products they want. It includes selling to retail customers as well as to businesses and government.

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.



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, channel management, promotion, and selling. The functions must work together to get products from producers to consumers.

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TOTAL RECALL

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

THE GRAY ZONE

Green. Organic. Natural. We see these words all around us, on everything from potato chips to bed sheets. Now, even the makers of goods that have traditionally been known to be harmful to the environment are getting into the act.

Kimberly-Clark, long-time maker of disposable diapers, now sells Huggies Pure and Natural diapers. According to Kimberly-Clark, Pure and Natural diapers contain organic cotton, are hypoallergenic, and include Aloe and Vitamin E for baby's sensitive skin. And, the product's outer packaging features green leaves, green grass, and a very happy baby. Given all this, many environmentally-concerned parents use Pure and Natural diapers, seeing them as a good way to "go green."

But, are these diapers as eco-friendly as we would be led to believe? After all, no matter how "natural" these diapers are, they are still disposable diapers, which means that they will end up in landfills some day. Should Kimberly-Clark make this information clearer to consumers? Does the company have an obligation to provide their customers with the "whole truth," even if it doesn't support the diapers' Pure and Natural brand? What do you think?



Top Guns

The six 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.

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. Some of the activities in this function include developing new products, making adjustments to existing products to extend their life, and phasing out products that are no longer popular and profitable. Product/service management can also involve deciding which products to carry to attract the target customer.

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. However, before making product/service management decisions, businesses need information. They rely on the marketing-information management function to provide the necessary data.

An example of the marketing-information management function in action is a customer loyalty card, which a business can use to track what, when, and where the customer purchases.

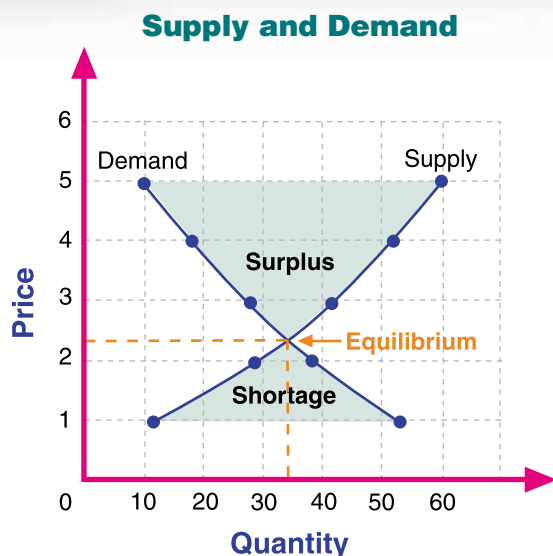


A brand is made up of all the combined impressions and experiences associated with a particular company, good, or service.

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. To gather accurate data, 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. After gathering the 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 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.

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 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 customers no longer want to buy at that price.



- ▲ As a product's price decreases, the demand for that product typically increases. But, at the same time, the supply of that product goes down. On the other hand, as the product's price increases, producers usually increase the supply, but demand for the product declines.

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.

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.



- ▲ What role does channel management play in the availability of fruits and vegetables at your local supermarket?

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 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 customers 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 customers' hands, and make a profit. Customers 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 private enterprise system through competition, and raising the standard of living.

Product/Service Management
 +
Marketing-Information Management
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Success

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.

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 channel management 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!



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:

- Did the product's brand impact your actions?
- Why did you want the product?
- 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?