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Introduction
This article will address the basics of modern marketing, starting with the concept of customer relationship marketing, the strategic role of marketing and the importance of the interdependence of key business functions. It will then examine the process of identifying the target market and give an outline of the seven Ps of the marketing mix. Finally, it will provide four case studies for students to consider in relation to marketing theory.

Marketing
Marketing refers to the combination of business activities designed to plan, price, promote and distribute goods and services to customers. The modern view of marketing is based on customer relationship marketing. This means that businesses are focussed on providing the goods and services that customers really want, developing relationships with customers to ensure they understand and can meet the needs of customers.

The Strategic Role of Marketing
The strategic role of marketing in a business is to achieve business success, generally defined as maximising profit. Marketing has a direct impact on sales and profits. The most successful firms will create a competitive advantage and communicate that to potential customers so that they will buy from them rather than another business, leading to profit maximisation.

Interdependence of key business functions
Marketing deals more closely with customers than any other part of the business, and so is essential in the planning and decision-making processes of any business. It is fundamental to the success of any business that marketing works interdependently with the other key business functions – operations, finance and human resources. The marketing manager of a large business cannot just focus on their own KBF; they must work with the CEO and managers of the other KBFs to implement the business plan.

Identifying the target market
Advice to the business owner: In order to ensure that customers buy from you and not your competitors, a business needs to find out who the target market is, and find out as much as possible about them.

Lush Cosmetics market themselves as an ethical business. Their ethical buying policy commits them to upholding worker’s rights and fair pay and in 2017 they made a public commitment to not cut the penalty rates of their employees. However, in July 2018 the company reported themselves to the Fair Work Ombudsman after they realised they had been underpaying their employees since 2010 due to staff payroll error. This incident has damaged the reputation of Lush and showcases the importance of careful and strategic management of all the key business functions.

A target market is a group of people with similar characteristics who are likely to want to purchase the business’ product or service.

A business owner who wants to achieve success, should be able to describe a perfect customer - for example people who are easy to sell to, who will love the product, who will be loyal and always buy from this business and not its competitors.

If a business doesn’t know the demographics and sociocultural background of their target market, they need to find out. They can do this by asking them, for example through customer surveys. They also need to find out about customers’ psychological influences - the personal information that has a strong influence on their buying behaviour.

The key characteristics used to determine the target market are:
- demographics including age, gender, income, geographic location.
• sociocultural influences such as education, occupation, family size/structure, ethnicity, religion, culture, lifestyles, values and attitudes.
• Psychological influences, referring to the personal goals and motivations within individuals.

The Marketing Mix

The marketing mix refers to the mixture of activities used by a business to deliver its marketing strategy. These days there are seven components of the marketing mix, known as the ‘Seven Ps’, which include the original ‘Four Ps’ plus three. The seven Ps are: Product, Price, Promotion and Place, plus People, Processes and Physical evidence. Successful businesses and marketing managers deliver and communicate their competitive advantage to potential customers through the marketing mix.

Product refers to the actual goods and/or services the business is selling. This includes the design, function and physical characteristics as well as brands, logos and packaging of the product. A business needs to produce and offer for sale a product that meets consumer demand and satisfies customer needs and wants. Further, it needs to provide them with other intangible benefits that will meet their psychographic needs – their goals, motivations, hopes and dreams. The business needs to develop a product that customers believe they need, or at least really want.

Price refers to the money the firm charges the customer for the product. A business owner needs to determine which price to charge – to ensure all costs and expenses are covered with a margin left over for profit. Businesses also need to consider the link between the price of the product and its perceived value, as well as the price charged by competitors. Setting a low price may attract customers from the competition, but it might also lead customers into thinking the product’s quality is low. Setting a price too high may scare off potential customers who will buy from competitors instead, unless the business can make a link between price and quality via the other parts of the marketing mix, such as product design and promotion.

Promotion involves all the methods a business uses to inform consumers about their products and persuade them to buy. It involves creating customer awareness and interest in the product and converting this into sales and even customer loyalty. Promotion is a pivotal part of developing and maintaining strong customer relationships and ensuring customer loyalty. It is about concentrating on the target market and ensuring that people will buy from the business, and even pay a higher price for their differentiated product than that charged by competitors. Focussing on customer needs, what they like and want from the business, giving them what they want! Promotion activities include advertising (e.g. TV, radio, online), personal selling (creating relationships with customers), sales promotions (e.g. half yearly sale, buy one get one free, loyalty cards), public relations (generating publicity e.g. an article in a local newspaper, a stall at a community fair) as well as e-commerce and social media (e.g. pop-up ads on Facebook; word-of-mouth strategies such as ‘Like us on Facebook’).

Place refers to the distribution of the good or service; how the product gets from the business to the customer. This depends on the type of good/service, but includes aspects such as the physical location of a store; distribution channels (e.g. producer to consumer, such as Bourke Street Bakery baking and selling bread direct to customers; producer to retailer to consumer, e.g. Sony to Bing Lee to customer; or producer to wholesaler to retailer to consumer, e.g. Tyrrells Winery to wholesaler to Bottleshop to customer); in-store or online distribution; local or global, as well as decisions about the nature of distribution:

• Intensive distribution – sell the product everywhere, e.g. Coca Cola (mass marketing).
• Exclusive distribution – sell the product through one distributor or retailer only, usually used for high end or niche products e.g. Mercedes Benz.
• Selective distribution – sell the product in a limited number of outlets, in between intensive and exclusive, e.g. only at David Jones and Myer.

The People element of the marketing mix refers to the employees of the business as well as the owner. Particularly in service industries, people are becoming increasingly important in creating and maintaining a competitive advantage. Businesses need to ensure that they attract, train and retain suitable staff, to ensure provision of excellent customer service that will have people coming back to their businesses rather than going to competitors.
Processes refer to the ways in which goods and services are provided or delivered to customers. This involves having efficient systems in place that provide a consistent standard that meets customer expectations, where customers find it easy and enjoyable to engage with the business.

Physical evidence is all about what customers see and how they view the business. It includes the physical environment and layout of the premises. To create a competitive advantage here a business needs to focus on aspects such as the aesthetics of the store or restaurant or even Facebook page or website; the ambiance created when customers step inside; the cleanliness and state of repair of fixtures and fittings.

Marketing Mix Case Studies

Melbournalia

Business: Melbournalia; Giftware shop selling gifts and souvenirs – mostly made in Melbourne
Owner: Jenny Brown
Competitive advantage: unique product – Melbourne produced, local gifts with a story attached
Target market: Melbourne locals as well as international tourists

About the Product strategy

- Melbourne store selling Melbourne made products
- Name ‘Melbournalia’ is distinctly Melbourne, (‘et alia’ = ‘all that it encompasses’)
- Each item tells a story about Melbourne or the maker of the product
- Centrepiece of the marketing strategy is story telling; getting the customer involved in the story behind the product
- Authenticity of products gives a competitive advantage – a one of a kind product bought in Melbourne, made in Melbourne
- Focus on ethically made products – making customers feel good about their purchase
- Product sizes need to be small enough to carry in luggage for travel – satisfying customer needs

Galerie Monmartre

Business: Galerie Monmartre; Retailer of oversized original advertising posters plus postcards and other smaller artworks – retail store and online
Owner: Shelly Collins
Competitive advantage: unique products at a range of price points to suit various budgets
Target market: local and global market of people interested in vintage posters and similar artworks

About the Pricing strategy

- Unique products – communicating this and linking price to quality
- Range of products at different price points; priced according to the value of the product – customers can purchase premium priced vintage posters or cheap and quirky postcards

Other elements of the marketing mix

- Promotion and advertising are done through Social Media
- Focus on customer service leading to Word of Mouth promotion
- Store layout and location on a corner in a “high traffic area” with brightly lit windows attracting interest at night time
- Website created with catalogue for people to browse; sales are done over the counter with some online sales – giving customers choice

Figure 1: Melbournalia website - Source: https://melbournalia.com.au/

Figure 2: Galerie Monmartre website images Source: https://thegalerie.com.au/
• Regularly review pricing and expenses – look for successful as well as poorly selling items (every 6 months)
• Pricing is based on:
  • Uniqueness of the item
  • Product positioning – different price points
  • Cost of the item
  • Conservation costs of the item
  • Business expenses, e.g. rent, wages, marketing

Other elements of the marketing mix
• Market research fundamental – identifying the world market for the product
• Importance of research in knowing the value of each item
• Flexibility with customer payment options e.g. credit card, debit card, cash

Ultratune Shepparton and Albury

Business: Ultratune Shepparton and Albury; Auto Mechanic Service Centre
Owner: Darren Buhagiar
Competitive advantage: Mobile app promotion strategy providing a more convenient customer experience
Target market: Regional automotive vehicle owners around Shepparton and Albury Victoria

About the Promotion strategy
• Notifications sent to customers as reminders to get their cars serviced plus weekly direct marketing
• Online bookings via the app on phone or desktop means no need for customers to call --> increased convenience for customers
• $1795 initial cost to set up the app but comparatively cost effective with less office staff required and lower ongoing costs
• Compared to old marketing system of letterbox drops – monthly promotions now cost only $69.95 versus $1200 previously
• Has led to increased frequency of customers getting cars serviced --> increased revenue --> increased profit
• Email read rates increased from 10% to 90% --> increased business --> increased revenue --> increased profit
• Effective during quiet weeks to increase business --> enables flexibility in adapting to changing market circumstances
• Reduces environmental footprint – less paper

Bella Rosa Gelateria and Espresso Bar Byron Bay

Business: Bella Rosa Gelateria and Espresso Bar Byron Bay
Owner: Joanne O’Neill
Competitive advantage: Local family owned gelato bar in popular Byron Bay with an emphasis on people and processes, crafting and selling fresh gelatos and sorbets made on the premises each day
Target market: Byron Bay locals as well as Australian and International visitors
About the Place, People, Processes and Physical evidence

- Located in the main shopping precinct in Byron Bay with high visibility and foot traffic
- Well trained, efficient and friendly staff who create positive experiences for customers so that they want to return and they tell others too (word of mouth)
- Unique people - a longstanding, family run, Byron ‘institution’ all with a story told as prospective customers approach the store
- Differentiated from nearby competitors such as global brand Baskin Robbins, this is a unique store only found in Byron Bay
- Authentic processes in on-premises crafting and serving of quality, tasty gelato to customers
- Aesthetic physical environment in the external and interior design and layout of the store which attracts customers’ attention and invites them in

Other elements of the marketing mix

- Product range includes vegan ice creams as well as gluten free ice cream cones
- Online presence using Facebook to showcase products as well as processes via photo and video posts

Conclusion

Each of the case studies in this article showcase different ways to use the marketing mix to achieve, maintain and communicate their competitive advantage to customers – this is one of the most important things a business can do. In so doing, placing the customer at the centre of everything the business does, and working with all key business functions, a business can achieve its strategic goals and ensure long term profitability and success.

Student activities

Literacy activity – vocabulary

Define these terms used throughout the article in their correct business context.

Marketing, customer relationship marketing, target market, demographics, competitive advantage, marketing mix, the four Ps, the seven Ps.

Questions

1. Explain why a business needs to focus on communicating its competitive advantage to customers in order to achieve strategic goals.
2. What advice would you give Lush Cosmetics to help maintain their reputation as an ethical brand, in the light of their underpayment of employees since 2010?
3. Discuss the importance of market research in identifying and understanding the target market.
4. Create a table of each element of the seven P marketing mix, providing a summary of key features as well as examples from the case studies in this article.
5. Create a word cloud or mind map of different types of promotional strategies.
6. Choose one of the case studies in this article. Using the information here plus your own research (e.g. of their website and Facebook page), evaluate the marketing strategies of the business.
References and further reading

customer-relationship-management-tools

Read more: http://www.businessdictionary.com/definition/
selective-distribution.html

Brian Tracy, Four Principles of Marketing Strategy: https://www.youtube.com/watch?v=hZLMv5aexto

lush-cosmetics-payroll-error-underpaid-staff-by-2m


https://www.facebook.com/bellarosasgelateria/
SELECTING THE RIGHT RECRUITS, FOSTERING THEIR GROWTH AND JOB SATISFACTION AS WELL AS ULTIMATELY SUPPORTING THE PROCESS OF THEIR SEPARATION FROM THE BUSINESS, CAN SIGNIFICANTLY AFFECT THE PRODUCTIVITY OF A BUSINESS. HUMAN RESOURCES MANAGEMENT PLAYS A KEY ROLE IN SELECTING THE BEST STRATEGIES AT EACH STAGE OF THE EMPLOYMENT CYCLE, FROM ACQUISITION, TO DEVELOPMENT, MAINTENANCE AND SEPARATION, TO HELP THE BUSINESS ACHIEVE ITS GOALS.

**Acquisition**

Selecting the right staff for the job can transform the productivity of a business. The acquisition stage deals with the recruitment of new staff.

**Job design**

This should be determined through analysing internal factors such as budget, skills and experience required as well as external factors such as economic conditions. The job should also be aligned with future needs of the business, such as predicted growth areas.

**Effective recruitment**

Effective strategies are needed to find the right fit, whether through internal recruitment such as promotions or external methods such as advertising the position on the business website. There are many ways to connect with potential employees including advertising on social media or traditional recruitment websites such as CareerOne and Seek. According to the 2017 Survey of Employers’ Recruitment Experiences, from the Department of Jobs and Small Business, 60% of job vacancies are advertised online, a method that is increasing each year. In particular, most online recruitment is via traditional job boards and recruitment sites, at 49% of all online advertising. Interestingly, social media is becoming increasingly common as a method of recruiting, with 9% of online advertising being via social media, this is up from only 2% in 2013-14.

**Millennials vs Baby Boomers, a case of investment or experience**

Increasingly there is a focus in human resources on how to attract and keep young employees, with the thought being that selecting and developing the right talent can mean significant long term gains for the firm. However, in the process, there is reduced focus on recruiting people who are older. Older employees have a lot to offer a firm, particularly in leadership roles and in experience, and research shows they tend to be more loyal to the business and more reliable than younger employees. So severe is the disparity, that a recent study by the University of South Australia found that job seekers over 50 search for almost twice as long for a position as the 15-24 year old age bracket. Surprisingly this age discrimination starts early. One study found that ‘hireability’ falls 8% each year over 35.
However there are other ways to fill a position. Referral programs can be particularly effective in matching the right person to a role, whereby employers reach out to staff and business connections and ask them for referrals (suggestions) of potential recruits. This is a form of ‘word of mouth’. Some research suggests that recruitment by referral produces the most successful recruitment outcomes. It is also a common practice, particularly for small and medium businesses, with 1 in 5 job vacancies being filled by word of mouth.

Thorough selection processes and remuneration
A well planned interview process that targets the needs of the firm, whilst also meeting legal requirements and finding someone who “fits”, is essential. This process is particularly important as the wrong person can cause significant costs for a company. A 2018 study by SmartCompany and Performia found that 275 of businesses surveyed had lost money due to a poor hiring decision. The survey found that losses to business were not only directly related to replacing the employee, but 21% stated they had also lost clients or good staff, and 17% reported other personnel issues such as bullying, as a result of poor hiring.

Development
The key to productive workers is innovation and skill development. To maximise the benefit for the business, it is in the best interests of the firm to support the growth and development of each employee.

Training
Training has obvious benefits, by helping employees become more productive at work. Whilst training can include “hard skills” such as specific technological skills, there are also benefits in training staff in “soft skills”. These skills, including effective teamwork, communication and critical thinking, have become increasingly valued by firms, as their benefits can be wide ranging. Research conducted by MIT Sloan and other universities found that for one soft skills training program, the business received a 250% return on its investment within 8 months of completion of the program, through significant boosts to productivity.

However, training alone does not ensure job satisfaction or loyalty. A recent study in Iowa found that the benefits to be gained from providing professional development can be lost if the employee does not feel that there are career advancement possibilities within the business.

Effective performance appraisal
Performance appraisal provides an opportunity to address any concerns with employee performance, and also to provide positive feedback on quality work. Traditionally, performance appraisals have been conducted in the form of annual reviews that involve a formal interview. Those who argue against this style say that opting for more frequent and less formal conversations, focused on helping the employee learn and develop professionally, are more effective. Ultimately however, the supervisor conducting the appraisal needs effective training. In one survey, 98% of managers stated that they had experienced aggression by employees after providing negative feedback.

Mentoring and coaching
Mentoring is a process whereby a manager or experienced employee imparts their knowledge and provides advice and guidance to a less experienced employee. Mentoring, through pairing experienced employees with less experienced, can improve productivity, job satisfaction and loyalty, and can have benefits for both parties involved. In particular, for the mentees, skills can be gained and the mentor can be used as a sounding board for ideas or concerns. For the mentor, benefits include improved communication and leadership skills. More broadly, the business can benefit through increased productivity from more highly skilled and satisfied employees.

Coaching is a process whereby a manager or employee trained in coaching skills uses those skills to assist employees to uncover their own knowledge and solve their own problems. As with mentoring, coaching involves listening to employees, but it also supports them in
creating their own solutions and giving constructive feedback to help them develop professionally. Recent research by the University of Wollongong has found that effective manager coaching can improve productivity, engagement and customer service. One firm in the study improved customer service by 450% over five months after introducing manager coaching.

**Maintenance**

Developing the employee is essential for helping them to reach their potential, but it is important that they are retained with the business. There are a range of key strategies to achieve this, including through effective communication, building a positive workplace culture, offering benefits and flexibility, corporate social responsibility that aligns with employees values and finally in providing a safe work environment.

**Safe workplace**

Creating a safe workplace environment is both legally required, and conducive to productive employees. An element of workplace safety that is becoming increasingly common, is workplace bullying. Recent research has shown that Australia has a growing rate of workplace bullying. It is becoming so high, that some commentators have described Australia as the workplace bullying capital of world. In fact, data from Safe Work Australia has shown Australia’s level of workplace bullying increased by 40% across the years 2011-2015.

So common is bullying in Australian workplaces, that research from the University of Wollongong found that almost half of all Australians will experience bullying at some point in their career. This has a real cost for employees and the business. These costs include damage to the wellbeing of the individual, lost productivity, reduced job satisfaction and higher rates of absenteeism. The Productivity Commission in 2010 estimated that the annual loss to Australian businesses from bullying was between $6bn and $36bn annually.

Businesses need to implement strategies to prevent and manage bullying including having a clear code of conduct on expected behaviours from employees, supporting open communication and having formal processes to manage complaints. Furthermore, managers should be trained in how to manage employees. This is particularly significant since in 62.3% of cases, the employee claims their supervisor is the perpetrator of the bullying they are experiencing. Of particular concern, research shows that one in two SMEs do not have processes in place for responding to bullying claims.

**Benefits and flexibility**

Employees have for a long time valued financial benefits provided by their employer. Increasingly, however, employees are asking for benefits that improve their work-life balance, in particular flexible working hours. What flexibility entails can be wide ranging, but can include relaxing previously strict start and finishing times with the requirement that a certain number of hours are achieved across a day or week. Flexibility produces many benefits including increased productivity, enhanced staff loyalty and employee retention. Research from the University of Melbourne, in studying flexibility in the Victorian Department of Environment, Land, Water and Planning found that they saved $31m across one year due to the widespread benefits of offering flexibility to their employees. Beyond increased job satisfaction, productivity and loyalty amongst employees, the Department also benefited from reduced absenteeism and being able to recruit from access to a wider pool of candidates thanks to flexible working hours.

**Corporate social responsibility**

Corporate social responsibility encompasses all the activities that a business participates in to ensure that they are ethical and have a positive impact on the community or environment. It’s clear that this can significantly influence consumer and investor decisions, but it also impacts on employees. Strong CSR principles can improve the workplace culture, job satisfaction and reduce employee turnover.

**David Jones stands up for marriage equality**

During the same-sex marriage debate, David Jones took a clear stance in favour of same-sex marriage. David Jones was one of 53 companies to pledge their support for marriage equality. Such a vocal response can help to develop a positive corporate culture and boost retention rates amongst staff.
Separation

An employee’s relationship with a firm can end voluntarily, such as through resignation or retirement, or involuntarily through dismissal or retrenchment. Not only can poor management of separation processes have legal ramifications, it can also damage the morale and workplace environment for remaining employees. Effective exit processes can give a firm insight into the strengths and weaknesses of the business from the employees’ perspective. This is particularly important given that the 2017 Staff Retention Report, released by the Institute of Managers and Leaders, found that the majority of reasons for employees voluntarily resigning are preventable. For example, the primary reasons indicated were seeking new challenges (79%), limited career advancement options (58%) and insufficient financial rewards (46%). Addressing such specific challenges of the firm can increase employee retention rates.

Unfair dismissal processes

In situations where an employee is dismissed and feels this has been unjustified, they can apply to challenge it through the Fair Work Commission. This begins a process that involves conciliation with the business and can result in outcomes such as reinstatement, compensation or non-financial remedies. It is essential that the business follows their legal requirements when dismissing employees including giving notice and providing balance leave entitlements, as well as in dismissing the employee for just reasons. Activity on social media is becoming an increasingly common reason for dismissal, with employees claiming that their comments about management or the company can be private even on social media. Interestingly, the Fair Work Commission has started to recognise this in certain situations where employees have taken steps to keep their comments private.

Conclusion

The long term success of a business is directly affected by its employees and this is becoming increasingly important in the contemporary business world. The most successful businesses will have a Human Resource Department that is focused on acquiring, developing and retaining talented employees, as well as skilfully managing the separation process.
14. Outline three workplace benefits that you think could improve employee retention rates.

15. Describe the impact that corporate social responsibility can have on employee job satisfaction.

16. Research an unfair dismissal case involving social media in Australia, and explain the details of the case. Do you think it was a justified outcome? Why or why not?

Resource list

Chapman, S, Gallina, R, Dhall, M and Doherty, M Business studies in action HSC Course 6e
Williamson, B “Age discrimination: Over 50s search twice as long for work than 15-24yos” available at www.abc.net.au
Spooner, K “Hiring today, for tomorrow: the risks of hiring people who ‘fit’” 9/9/2014 available at theconversation.com
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Murray, S “Why giving back is the best way forward for businesses” 2/2/2018 available at guardian.com

Knight, R “When an Employee Quits and You Didn’t See It Coming” 12/3/2015 available at hbr.org

HRD, "Why do Australian businesses keep losing staff?" 3/11/17 available at hcamag.com