



Marketing Information Systems: part 1

Course code: PV250

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Lecture 1

- ∞ Definitions, functions, requirements for the marketing information systems (MKIS).
- ∞ The careers and users of marketing information,
- ∞ The user' requirements for the information content, inputs, retrieval and presentation.
- ∞ marketing decision making environment, complexity of rules and variables involved

Tools & software (demo): CESIM simulation solutions for multi-stage market modelling games
Lab work training: assignment for CESIM team simulation sessions

Marketing as a domain area

Many definitions of marketing- different accents (AMA- American marketing association)

Marketing is a social process by which individuals and groups obtain what they **need** and **want** through creating and exchanging **products** and **value** with others (Kotler, Turner, 1985)

Keywords:

Needs, wants, demands

Products

Values and satisfaction

Exchange and transactions

Markets

Needs, wants, demands

Need is a state of felt deprivation of some basic satisfaction

- E.g. food, clothing –things of survival. These needs are not created by society or marketers, they exist n human biology

Wants are desires for specific satisfiers of deeper needs.

- They are different is various societies: a person needs food and wants oyster, needs clothing and wants a Chanel outfit, needs esteem and wants fancy necklace. Wants are continuously reshaped by social forces and communities (families, schools, church, etc.) Marketing can create wants for the customers



Needs, wants, demands

Demands are wants for specific products that are backed up by an ability and willingness to obtain them by exchange.

Wants become **demands** when backed up by purchasing power.

Companies have to measure not only how many people want their product but how many would **actually** be willing and able to buy it.

Needs, wants, demands

These distinctions answer frequent critics for marketing “marketers create needs” or “marketers get people to buy things they don’t want”.

Marketers do not create needs- they preexist marketers. E.g. marketers do not create need for social status.

Along with other influential forces marketers influence wants. They suggest to consumers or try to point out how particular product would satisfy need (e.g. BMW car or Parker pen for satisfying need for social status)

Marketers try to influence demand by making product attractive, affordable, available. The demand is highly affected by competition: the want of the customer can be created by one firm and converted to the satisfied demand by the other (e.g. due to discount)

Products

Broad understanding of product : anything that can be offered to someone to satisfy a need or want.

Product as a physical object serves as a vehicle for getting service (e.g. car for riding it).

Services are carried by other vehicles such as persons, places, activities, organizations, ideas. Product covers all vehicles that are capable of delivering satisfaction of a want or need

Tangible and intangible products. Intangible products cover information and knowledge (which is often not documented) and patents, technologies, brands (which can have certificates and can be sold-obtained (exchanged in the market)

Other terms for product: offer, satisfier, resource.

Values and satisfaction

How do consumers choose among the products that might satisfy a given need ?

E.g. how can we travel ? By foot, roller skates, bicycle, car, plane or cruise ship.

The list makes a choice set.

According it we make a product set

The goal set which we want to satisfy in need for traveling, e.g. speed, cost, ease. Each product has difference capacity to satisfy goals.

What is the ideal product ?

Product space is the rating of products by customer perception how far is is from ideal. Value (or utility) is greater if product is nearer to ideal

Exchange and transactions

Marketing exists when people decide to satisfy needs and wants in way we call exchange.

Four ways of exchange:

Self production (e.g. relieve hunger by fishing) - no marketing, as there is no interaction

Coercion (e.g. wrest food from other) – no benefit is offered to other party

Begging (e.g. approach other)- no tangible to offer, except gratitude

Exchange (offer resource in exchange for good: money, another good, service)- marketing arises from this approach

However even in the situations where there is no marketing, the marketing specialists can introduce it (e.g. computer games created for defeating enemies or robbing resources fulfil the needs of customer to experience situation of coercion

Exchange and transactions

Exchange is the defining concept underlying marketing- the act of obtaining desired product from someone offering something in return

Terms for exchange: leave them both better or not worse, that's why exchange is a value creating process

Exchange has to be seen as a process not event (two parties finding each other, negotiating, moving towards agreement)

If the agreement is reached, transaction occurs.

Markets

Economist view: market is the place where buyers and sellers gather

Marketers view: market consists of all potential customers sharing a particular need or want, able for exchange to satisfy it.

Market are seen as buyers (their groupings), the sellers-as industry. They are connected with flows:

- Communication

- Products (goods/services)

- Money

- Information

Summary of marketing concepts

Marketing means human activity that takes place in relation to markets.

Marketer seeks for resource from someone and willing to offer something of value in exchange.

Marketer is seeking response from other party, and can take a role of seller or buyer.

Marketing management

It is the analysis, planning, implementation and control of programs

designed to create, build, and maintain beneficial exchanges and relationships with target markets

for the purpose of achieving organizational objectives

The organization forms the idea of a desired level of transactions with the target market. It has a task of influencing the level, timing, composition of demand according to goals.

States of demand to cope: negative absent, latent, falling, irregular, full, overfull, unwholesome demand

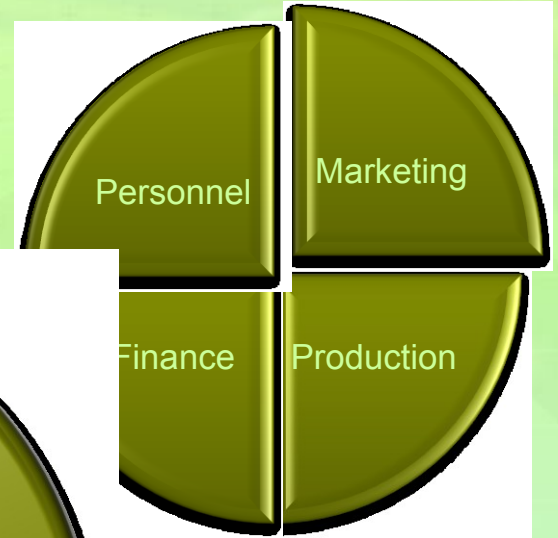
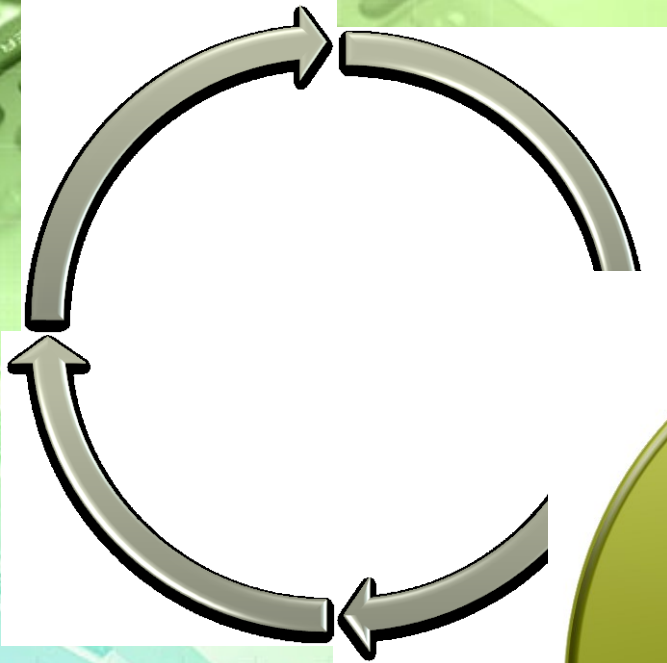
Marketing management

Marketing orientation	Focus	Means	Ends
Production concept	Mass production lowering costs and price	High production efficiency and wide distribution coverage	Sell what is produced. Leads to impersonality of consumer
Product concept	Consumer favors only products that offer most quality, performance and features	Make good products and improve them over time	Sell what producers "love" cause marketing "myopia" losing sight what customer wants
Selling concept	Product	Selling and promotion	Profits through sales volume
Marketing concept	Meet customer needs	Integrated marketing	Profits through customer satisfaction.
Societal marketing concept	Determine customer needs	Deliver needs fulfillment better than competitors	Preserve and ensure long-run society welfare

Marketing's role in a company

- Equal function or primary four: marketing, production, finance, personnel
- More important function
- Central major function
- Customer –central function for controlling 4 primary functions
- Customer as controlling, marketing and integrative function in the center

Marketing's role in a company



Marketing theories

Most prevailing theory is 4P (McCarthy, 1968)-
marketing mix (customer, markets, etc. missing here).

Extensions of the 4P theory:

Kotler (megamarketing) 4+2P

Booms&Bitner (Service marketing) 4+3P

Baumgartner (1991) – 15P

The mix concept was initially developed by Neil Burden (1964) derived from Culliton (1948) : marketing is a mix of ingredients (12 elements +4 forces) (Product planning, pricing, branding, channels of distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, fact finding and analysis) + (behavior of : consumers buying, trades' (ret.wh), competitors and their position, governmental

and search for suitable set of ingredients for each transaction with customer.

4P – marketing mix component system is too brief for its real implementation.

Its real content covers various problem areas:



Marketing theories- summary

4Ps McCarthy (1960)	5Ps Judd (1987)	6Ps Kotler (1984)	7Ps Booms and Bitner (1981)	15Ps Baumgartner (1991)
Product	Product	Product	Product	Product/service
Price	Price	Price	Price	Price
Promotion	Promotion	Promotion	Promotion	Promotion
Place	Place	Place	Place	Place
	People	Political power	Participants	People
		Public opinion formation	Physical evidence	Politics
			Process	Public relations
				Probe
				Partition
				Prioritize
				Position
				Profit
				Plan
				Performance
				Positive implementations

Source: Gummesson (1994)

Development of marketing theories: from mix to relationships

Relationship marketing theory (Gronroos 1996, Gummesson, 1999 and USA “school”).

Christopher, Payne, Ballantyne (1991) Six markets

Kotler (1992) Ten players

Morgan, Hunt (1994) Ten partnerships

Gummesson 30R :classical relationships (3), special (14), mega (6), nano (7)

Relationship history of communication with customer leads to future activities including transactions.

Relationship processes can be considered as tangible, as they use resources and can be measured by quantitative indicators. They have life cycle. (Gronroos, 1996).

4P marketing is implemented by special department, and in RM all employees are considered as “*part-time marketers*” (Gummesson, 1999)

Marketing and management processes (functions)

5 Key Functions of Management

- ∞ Plan
- ∞ Organise
- ∞ Make decisions (Command)
- ∞ Co-ordinate
- ∞ Control

If the specialist does not perform any of these functions, he cannot be considered as manager.

Marketing work and careers

- Sales manager
- Sale representative
- Advertising and promotion manager
- Marketing researcher
- Customer service manager
- Product manager
- Market manager
- Marketing vice-president

Extensive career specifications exist in enterprises

Marketing work and careers (e.g. certification)

Identify information and research requirements for business and marketing decisions.

Manage the acquisition of information and the Marketing Information System (MkIS).

Contribute information and ideas for business and marketing decisions.

Create a competitive operational marketing plan appropriate to the organization's context.

Integrate appropriate marketing mix tools and manage them to achieve the effective implementation of plans

Marketing work and careers (e.g.certification)

Define and use appropriate measures to evaluate the effectiveness of marketing plans and activities.

Create an effective communications plan for a specific campaign.

Manage marketing communications activities.

Develop and manage support to customers and members of marketing channels.

Plan a marketing project.

Manage a team for marketing project or tasks.

Make recommendations for changes and innovations to the marketing process for value enhancement

Marketing skills in SimBrand (Cesim)

The business simulation game covers marketing skills:

- ∞ product life cycle management,
- ∞ segmentation,
- ∞ positioning,
- ∞ distribution channel investments,
- ∞ advertising budget allocation,
- ∞ after sales services,
- ∞ pricing,
- ∞ sales forecasting,
- ∞ marketing research, competitor analysis,
- ∞ research and development,
- ∞ and financial indicators.

Marketing skills overview



Communication barrier between Market (M) and Enterprise (E)

- **How M evaluates E ?**

If the E fits to M demands, M participants are aware of and are interested to buy E products, acquire shares, make career here. The goal is to balance supply and demand, which also ensures growth of E resources.

- **How M reacts to E efforts ?**

M serves all customers and all competitors. M reacts in full complexity of existing relationships/hidden rules. M learns from E and creates new effects

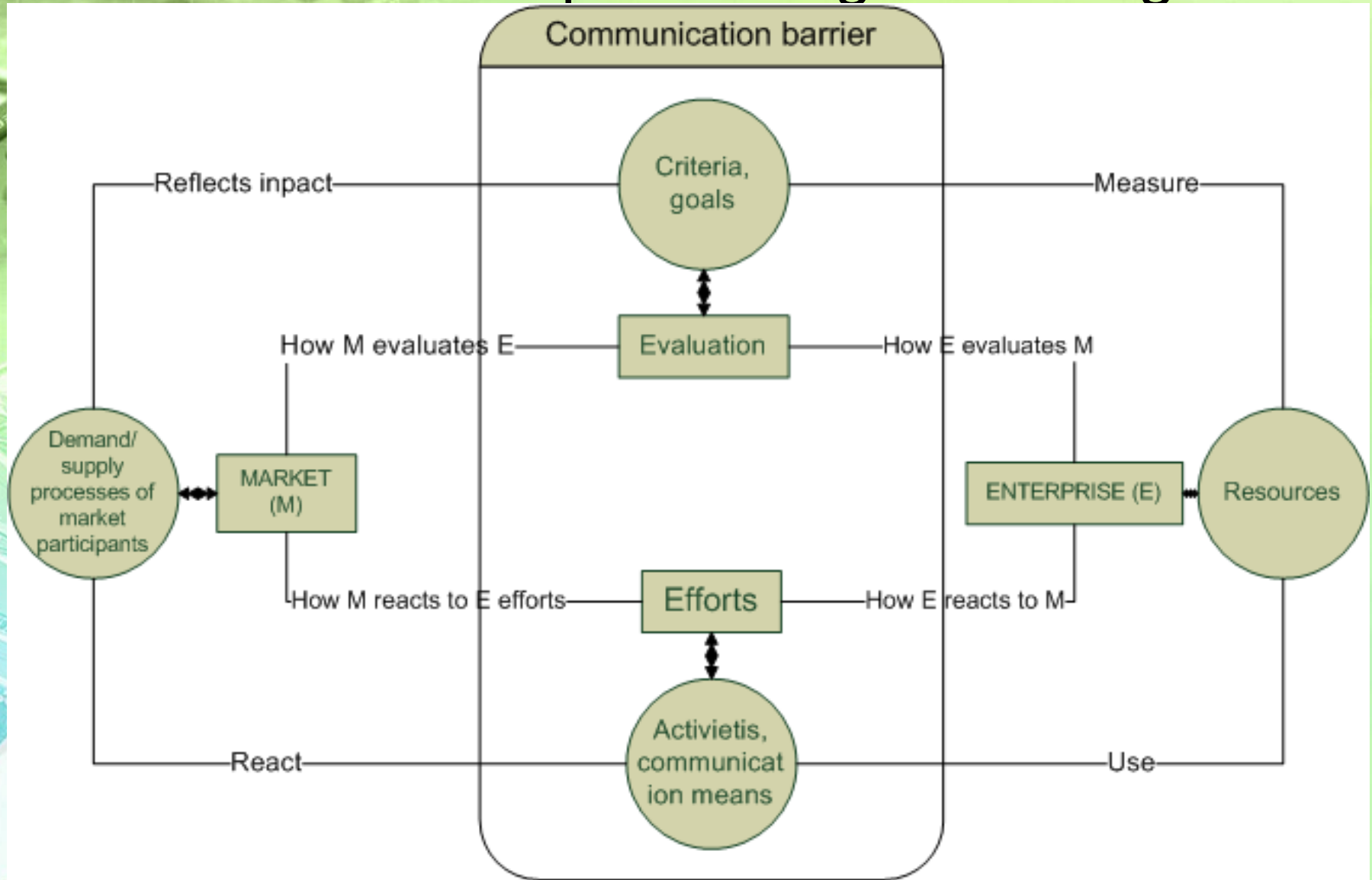
- **How E evaluates M ?**

If E acknowledges suitability of M for its activities, E makes efforts and supports them by its resources to make customers informed and interested for desired period of activity. E needs appropriate **indicators**.

- **How E reacts to M ?**

E tries to guess which type of effort makes biggest impact to M. E can affect only part of rules of M and has only partial info for revealing them. That makes communication barrier. E needs to influence **indicators**

“Battlefield” for performing marketing tasks



MkIS as information equivalent of marketing management of the enterprise

Management information systems have to reflect reality. By looking at the system we should be aware of structure and dynamics of processes of the entire scope of marketing.

E.g. accounting system of the enterprise consists of chart of accounts interrelated by double entry principle.

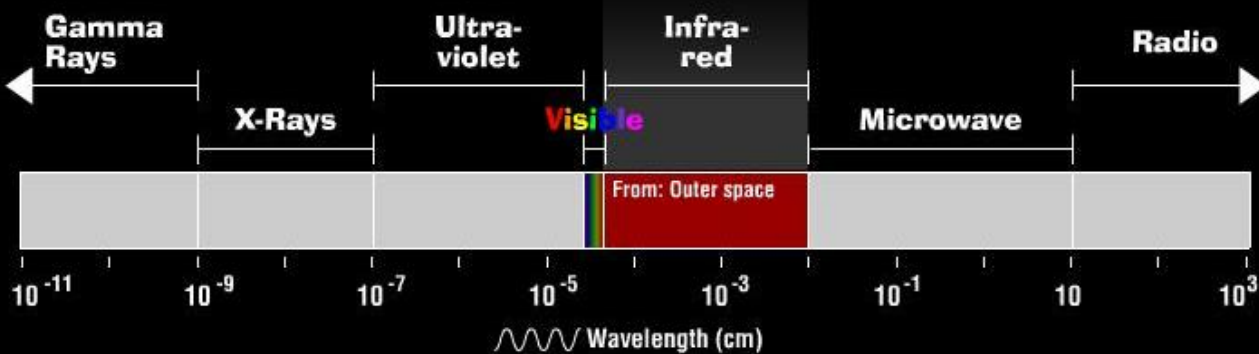
What are the components of marketing system, can we consider their entirety as information equivalent of marketing?



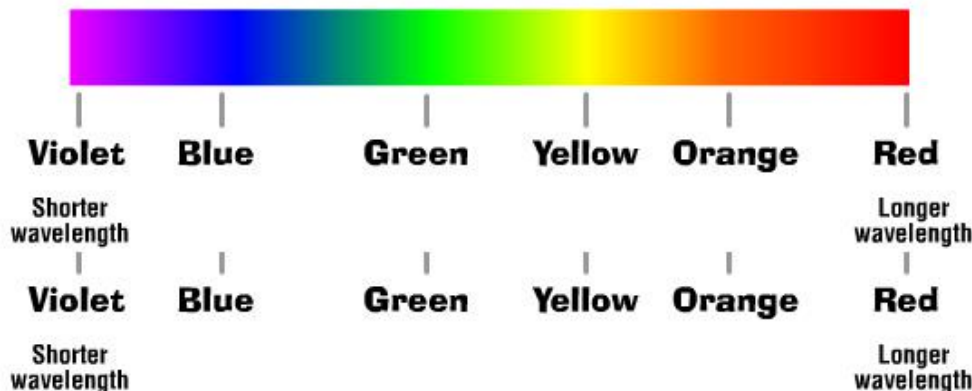
MkIS and marketing of the enterprise. What entirety we understand as system ?

The Electromagnetic Spectrum

Click the spectrum to discover its parts.



The Visible Spectrum



Can we see more than any naked eye, or we are wearing pink-lense glasses for observing real market and our own enterprise?



Definitions of MkIS

MIS may be defined as a set of procedures and methods for the regular, planned collection, analysis, and presentation of information for use in making marketing decisions (Cox & Good, 1967)

MkIS comprises all computer and non-computer systems, which assist the marketing function to operate effectively. MkIS include many systems, which are not generally thought of in marketing terms, e.g. general ledger or production-planning systems. (O'Connor & Galvin 1997)

Marketing information systems are people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers (Armstrong & Kotler, 2007)

.. there are many more authors and definitions..

Requirements for MkIS by definitions

Requirements for MIS creation

MIS quality	Requirement to MIS quality: description and author
MIS goal	<ul style="list-style-type: none">▪ Gather , sort, distribute, analyse, evaluate pertinent, timely and accurate information (Cox and Good, 1968; McCarthy <i>et.al.</i>, 1985; Marshall and LaMotte, 1992; Kelley, 1965)▪ Information for making effective decisions to improve planning, implementation and control (Kotler, 2001)
MIS structure	<ul style="list-style-type: none">▪ Set of procedures and methods(Cox and Good, 1968)▪ Combination of procedures, human and computerised resources (Kotler, 1985; Kelley, 1965; O'Connor and Galvin, 1999)▪ Formal system for creating organized information flow (Lucey, 1991, Marshall and LaMotte,1992)▪ Structure is freely composed of functional subsystems (Uhl, 1974)
Sources of information processed by MIS	<ul style="list-style-type: none">▪ External, internal, research information (McCarthy <i>et.al.</i>, 1989; Kotler, 2001)▪ Planning, control, research information (Smith <i>et al.</i>, 1968)

MkIS definition summary

The essence of a modern MkIS is

- ∞ people, who take part in the processes of marketing management
- ∞ by using the most recent achievements of IT.
- ∞ these processes are based on the flow of information,
- ∞ which enables to solve encountered problems
- ∞ and generate adequate marketing decisions.

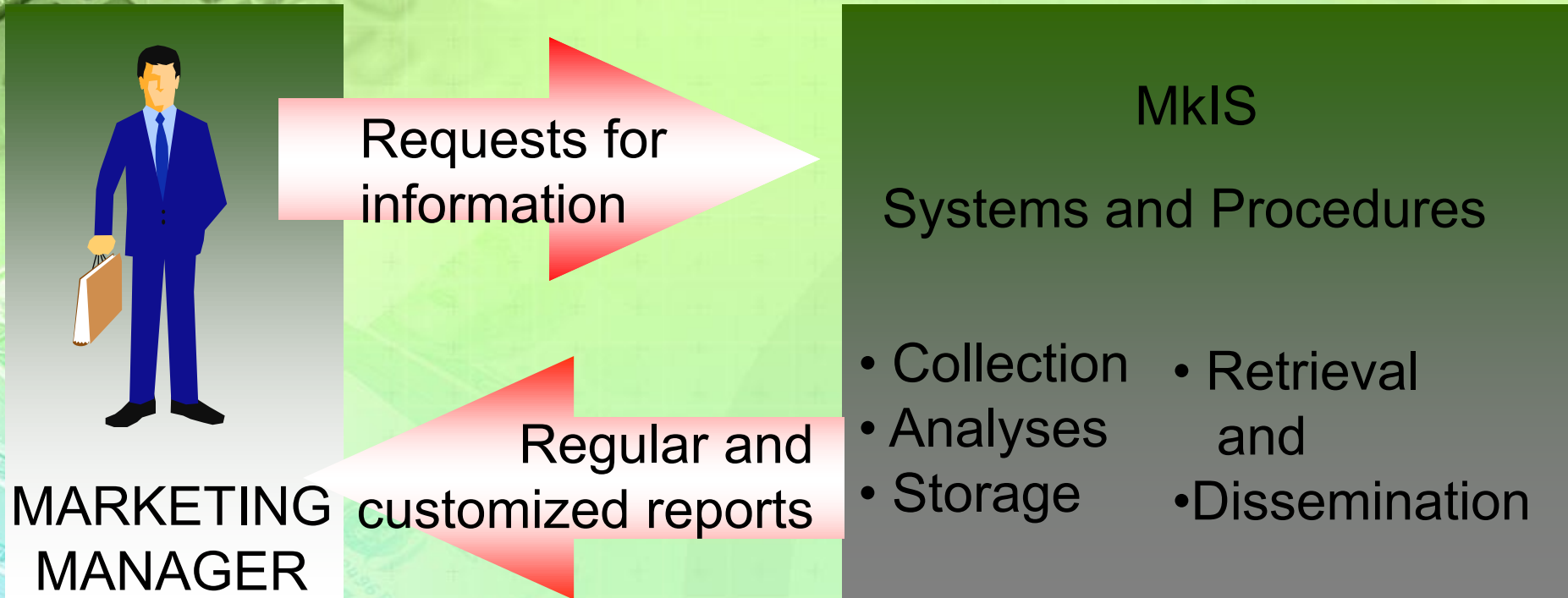
MkIS definition summary

- ∞ MkIS definitions echo the management information system, no specific marketing-related features are presented.
- ∞ The marketing manager is mentioned in the definitions without distinguishing between various types of activities, marketing tasks or hierarchical level.
- ∞ MkIS is not defined as a general type of system (I-O-F), rather it is composed of computerized and non-computerized elements assisting marketing management processes.
- ∞ The MkiS structure is not stable, due to changing needs in each stage of marketing processes, availability of information technologies and data, risk, uncertainty.

MkIS definition summary

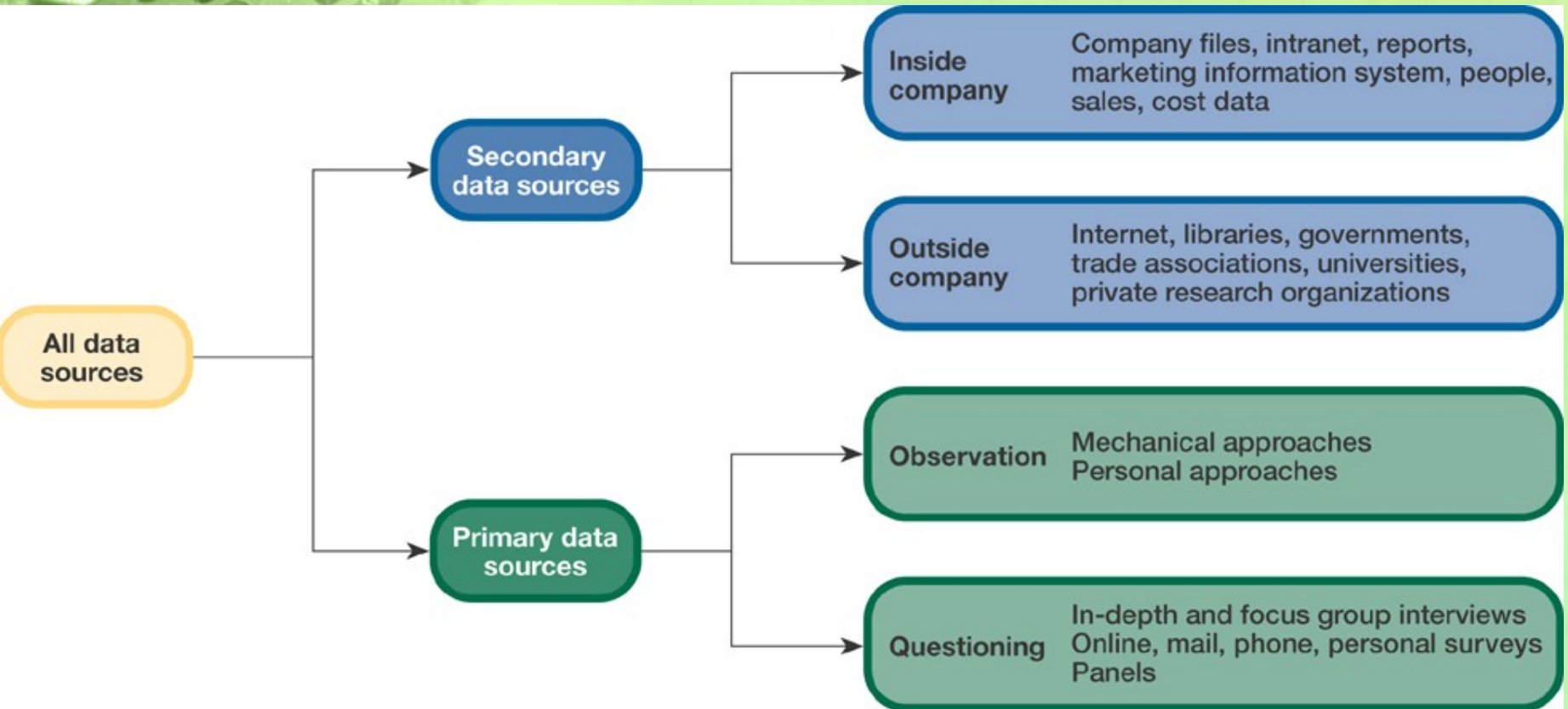
- ∞ The managers become part of group which plans information needs and implementation of MkIS. That makes MkIS unique in each enterprise.
- ∞ The qualification of managers is related to information quality. Improvement of information quality characteristics should go in tune with increasing skills.
- ∞ The changing environment for marketing decisions requires flexibility of inclusion required information sources.
- ∞ It means that the process of creating MkIS can become ongoing, its structure composed in a flexible way from various subsystems, and corresponds to subjective needs of the managers.

The user interaction with the Marketing Information System (MkIS)



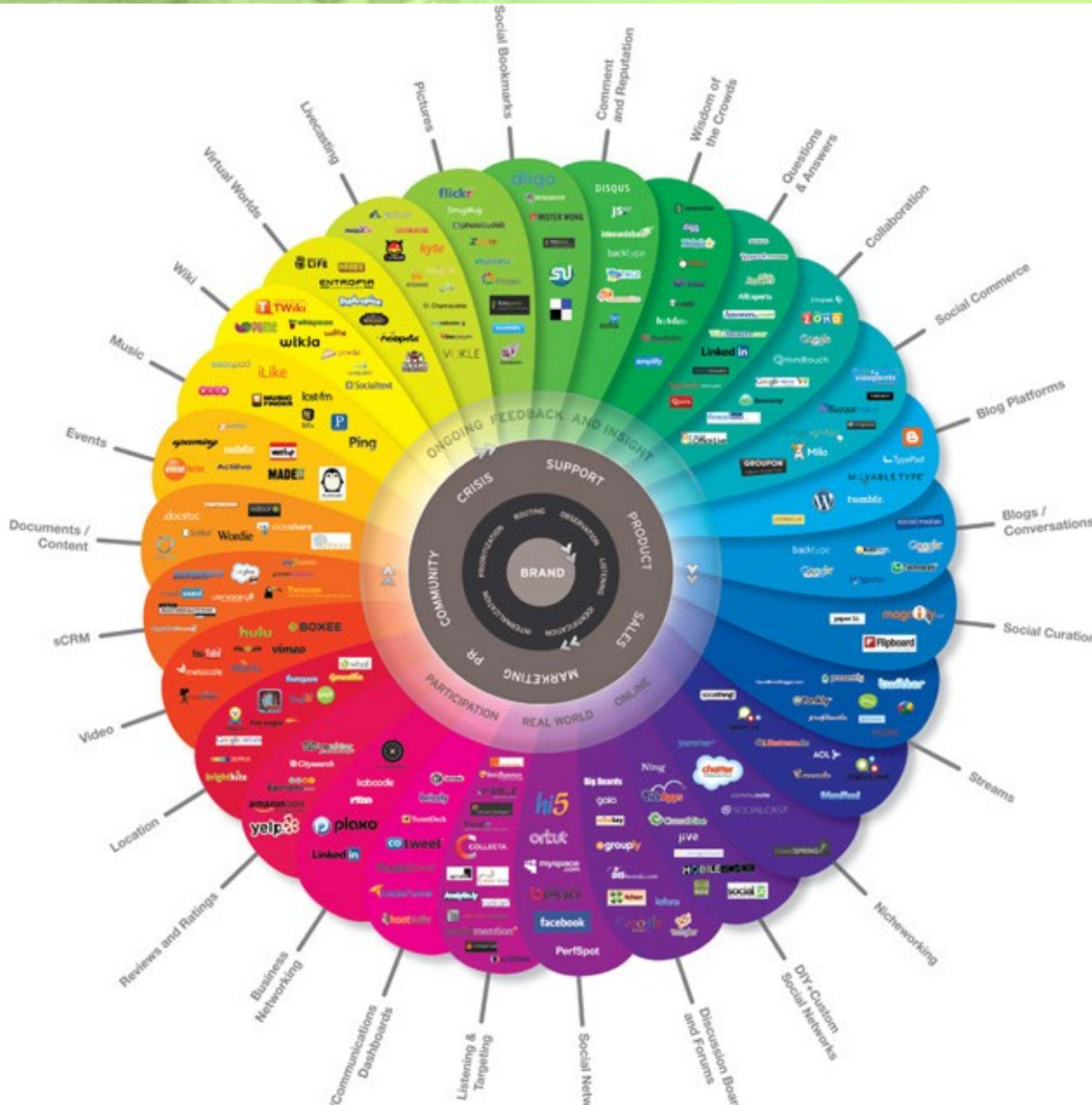
The features of marketing Information System (MkIS)

Types of information needs (classical)



Third source - knowledge of marketing manager, his experience, intelligence and derived wisdom from ability to merge information

... and many more types of information sources



Where do we get information?

Who prepares it to marketing managers ?

What is the format of knowledge?

Influence of marketing theories to MkIS

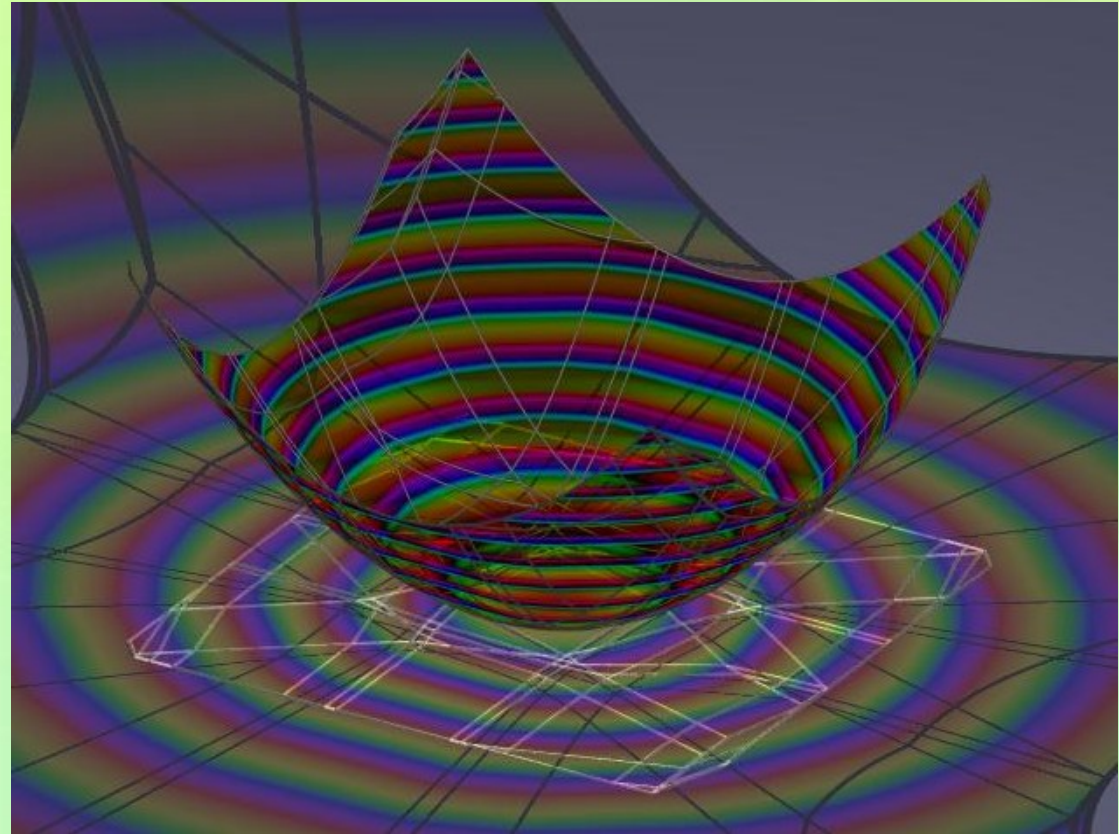
Marketing is planned according to the 4P, it is implemented by performing different specialized tasks (market analysis, advertising, sales, customer service, etc.), it is controlled by applying historical financial indicators, although all marketing activities aim to bring changes in future.

Relationship marketing suggests describing marketing of the enterprise by its set of relationships and their dynamics.

Therefore in contrary to “4P” , the RM can serve as basis for information equivalent of the enterprise, as it creates, develops, quits R; plans, controls, organizes, makes decisions on R. R-becomes object for creating its info equivalent.

MkIS and marketing of the enterprise. What entirety makes the model of MkIS system ?

- ∞ Structure of the model
- ∞ Dynamics of the processes
- ∞ Information describing the processes
- ∞ Evaluation of the performance (measures)
- ∞ Different levels of MkIS representation suggest of its multidimensional origin



Importance of MkIS concept and model as adequate information equivalent of marketing



How the customer explained it



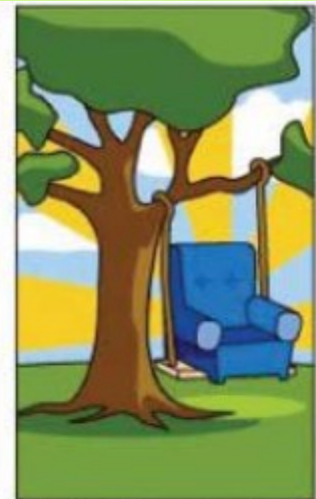
How the Project Leader understood it



How the Analyst designed it



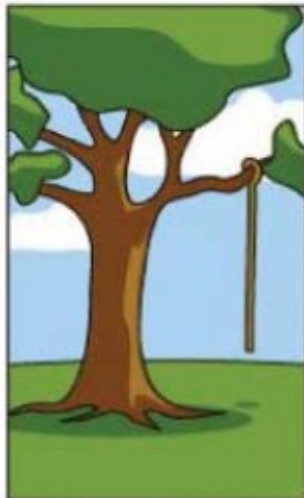
How the Programmer wrote it



How the Business Consultant described it



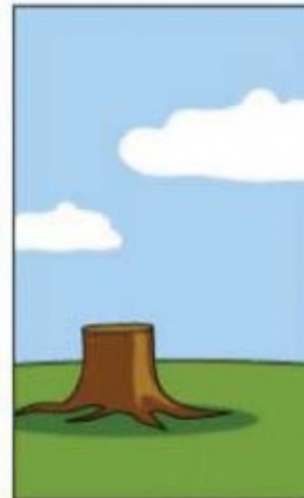
How the project was documented



What operations installed



How the customer was billed



How it was supported

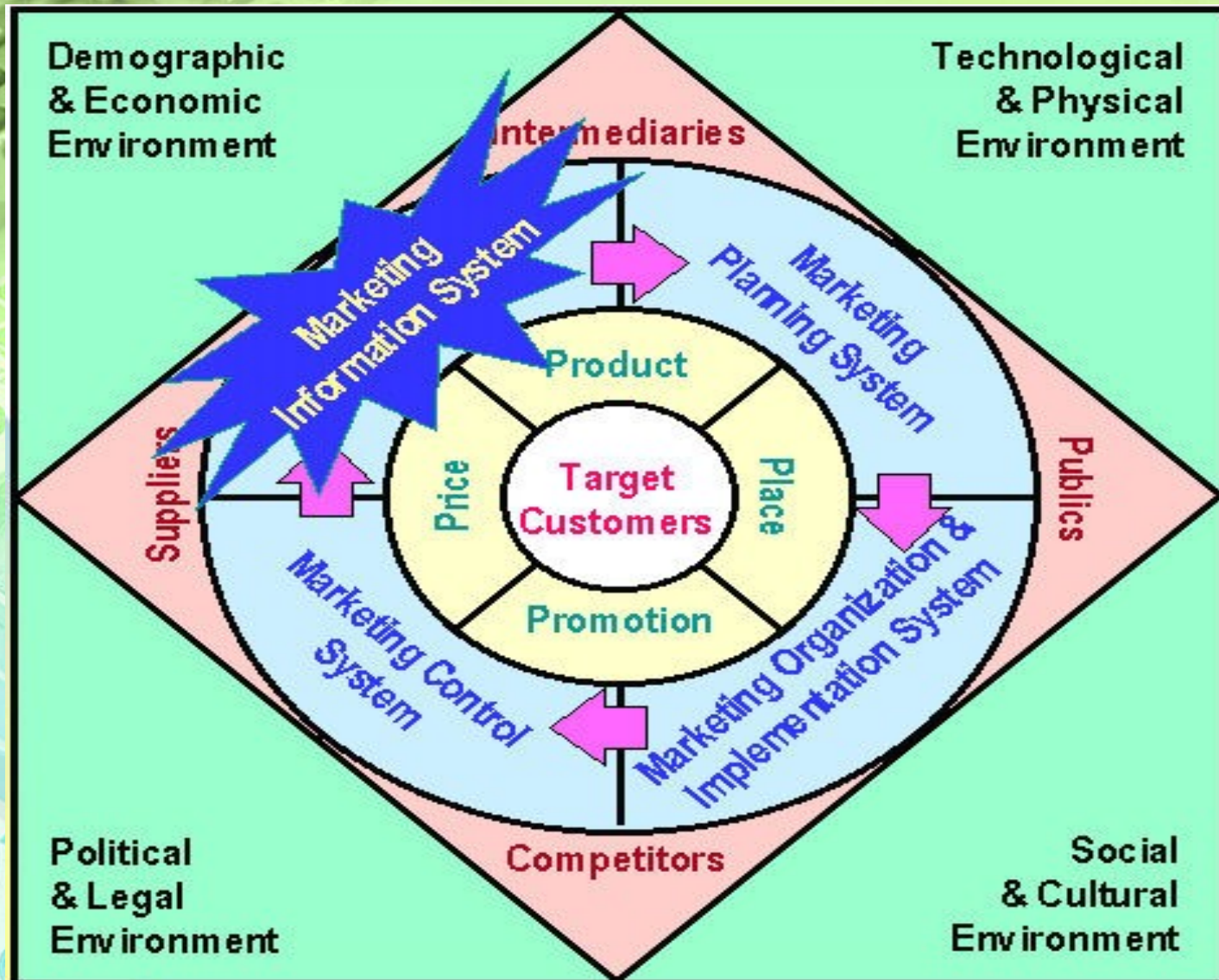


What the customer really needed

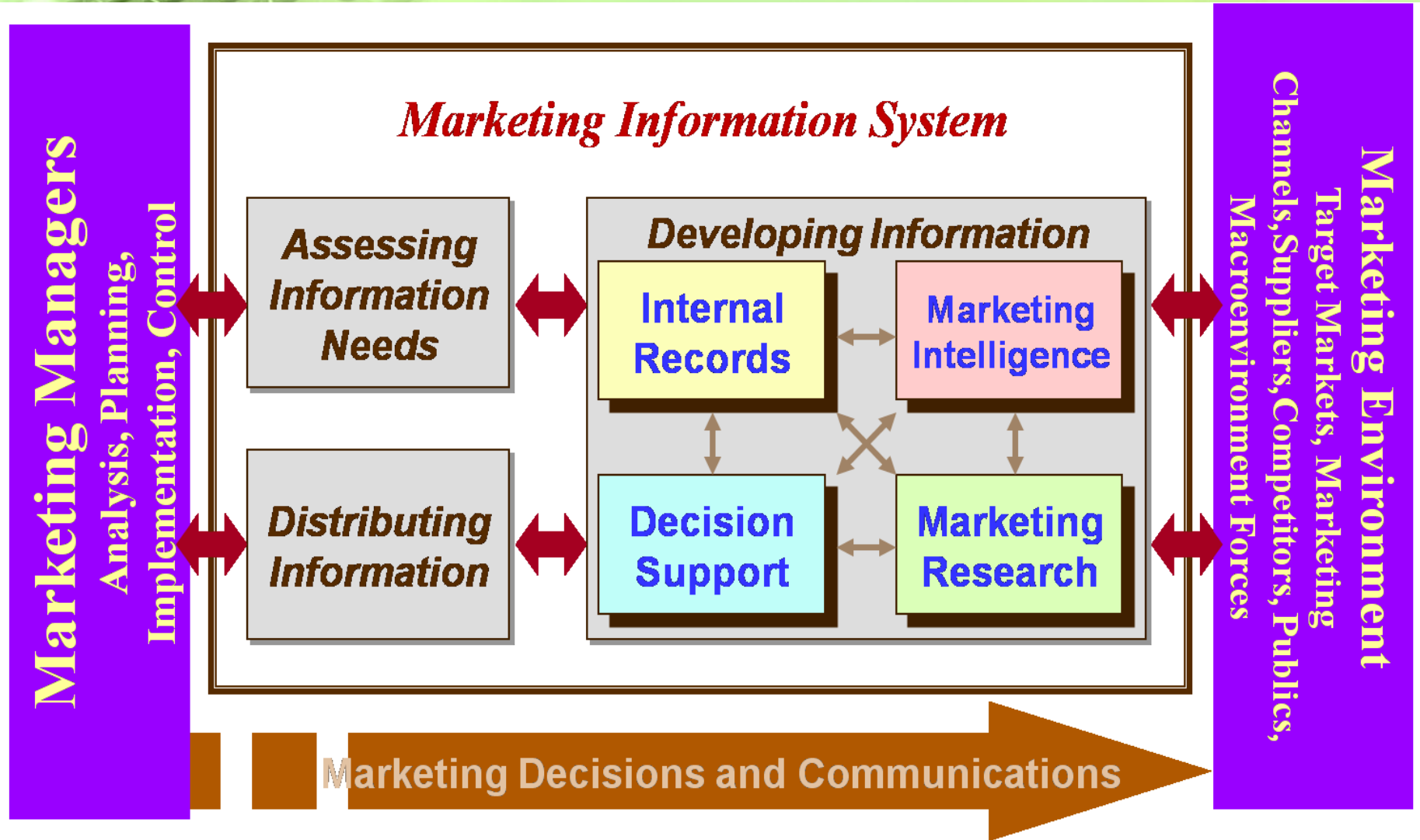
Structure of MkIS model

- ∞ Many authors present their own MkIS model
- ∞ What is the system model in general? What parts does it consist of?
- ∞ What dimensions can be observed in marketing system?
- ∞ Evaluated from system theory perspective, the suggested models can be considered as illustrative structures.
- ∞ Model should reflect structure and dynamics of the system, ensuring possibility to transfer conceptual model to the IS architectural model and implementation by IT.

The MkIS place in marketing (Kotler)



The MkIS model (subsystems)



The MkIS model (McCarthy)



MKIS (Brandaid model)

An MKIS (Brandaid model) is made up of input and output subsystems connected by a database

The Input Subsystems are:

- Transaction processing system

- The marketing research subsystem

- The marketing intelligence subsystem

Each output subsystem provides information about four critical elements in the marketing mix:

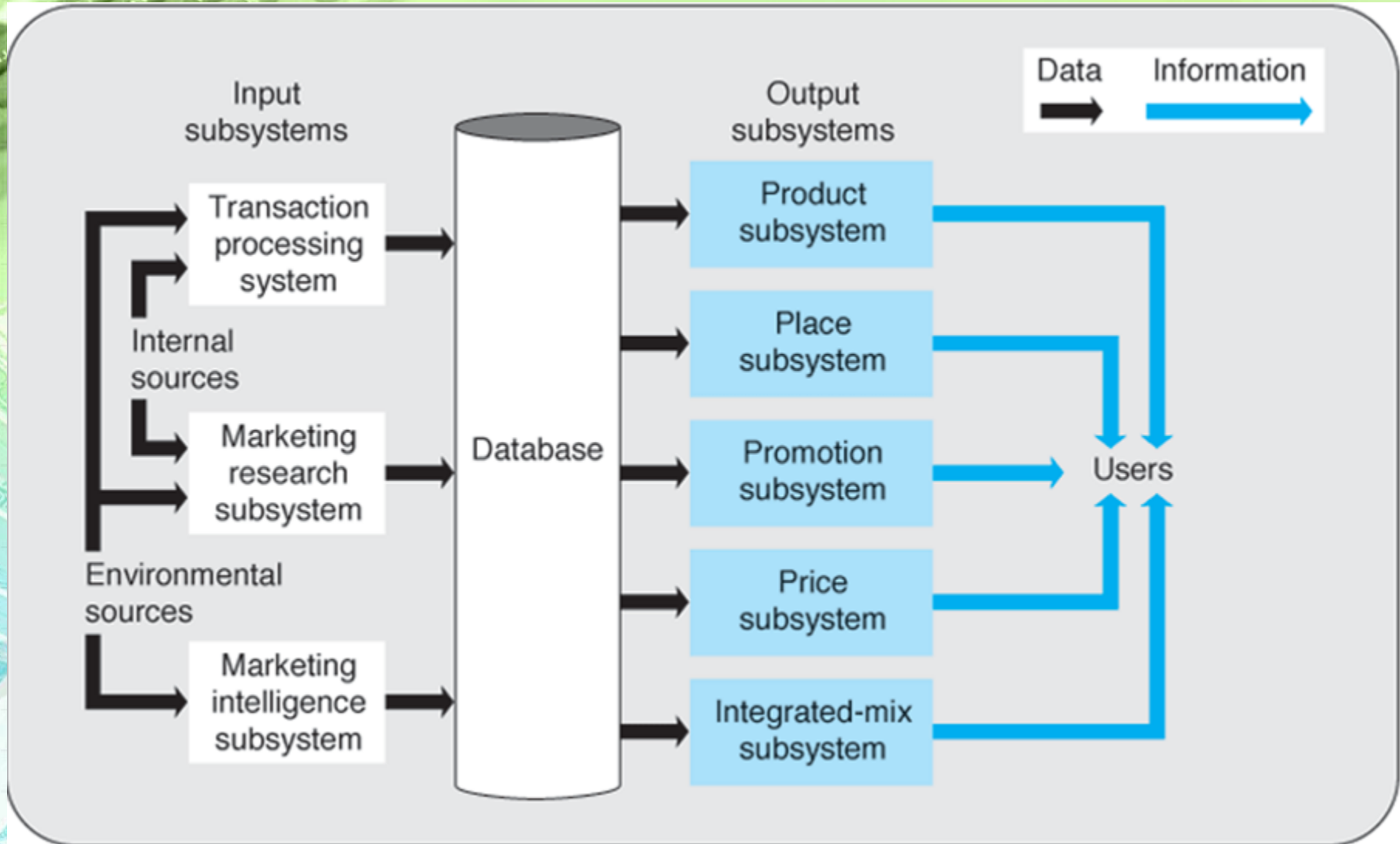
- The product subsystem

- The place subsystem

- The promotion subsystem

- The price subsystem

The MkIS Brandaid model (4P)



MkIS category of functional goal	Author, source
<ul style="list-style-type: none"> MkIS for collecting information and marketing research, intelligence, environment scanning 	Kelley, 1965; Kotler, 2001
<ul style="list-style-type: none"> Computer support for marketing information processing, modeling 	Kotler, 1985; Proctor, 1991
<ul style="list-style-type: none"> Creating marketing information resources for competitive advantage 	O'Brien, 1990
<ul style="list-style-type: none"> MkIS information support to marketing functions: sales management, advertising, customer management, etc. 	Moriarty and Swartz, 1989
<ul style="list-style-type: none"> Information support to marketing management processes, such as planning, decision-making and control. 	Lucey, 1991
<ul style="list-style-type: none"> MkIS for needs of marketing management hierarchical levels 	Lucey, 1991; O'Brien, 1990
<ul style="list-style-type: none"> MkIS supporting specialized functions: data processing, reporting, expert systems, decision support systems 	Sprague and Carlson, 1995
<ul style="list-style-type: none"> MkIS specialized for business area of enterprise 	Integrated IS provided by firms: Forpost, Nasdaq, Smart Amadeus, Gabriel, Sabre, Sirena, BABS,
<ul style="list-style-type: none"> MkIS as inseparable part of IT-enabled marketing functions: database marketing, customer relationship marketing, etc. 	Integrated IS provided by firms: Oracle, Baan, Peoplesoft, Microstrategy, SAS, SAP

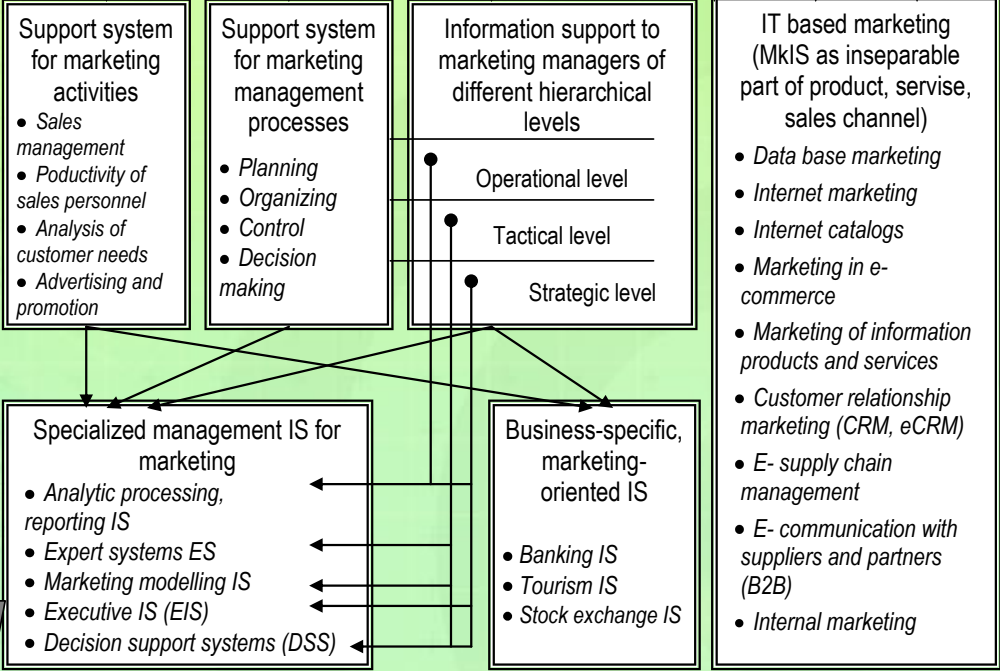
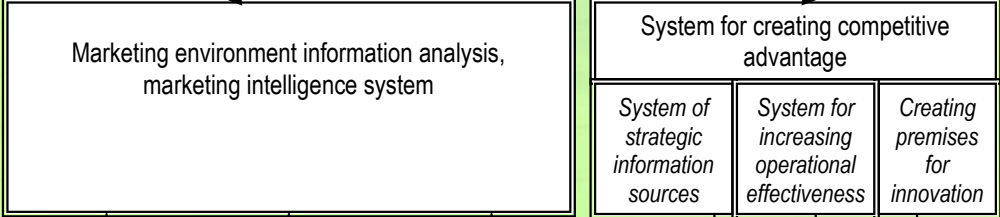
Influence factors to MkIS creation

Factor	Description
Specialization for the business area	Specialization means that MkIS is created for fulfillment and analysis of the operations of specific business: service, retailing, banking, travel agency or stock exchange. Specialization is aimed to fully adjust systems to particular set of marketing activities, related to sales management, customer service, or daily operations of marketing personnel of applied business area.
Integration of information sources of various origin	The information for marketing management is combined from sources originating in the departments of the enterprise and in its external environment. It can be intentionally collected while conducting market research as well. The important source of information is the experience and knowledge of marketing manager, as their work usually involves complex decision- making activities and require both comprehensive analysis of changing environments and a synthesis of useful information (Mintzberg, 1994a, 1994b).

Influence factors to MkIS creation

Factor	Description
Computerization of MkIS	<p>The selection of possibilities for serving information needs of marketing managers is increasing with the development of information technologies. In most enterprises the computerization tools of various functionality coexist simultaneously. Surveys reveal that the most widely used computer-based systems in marketing are general IT tools such as spreadsheets, graphic packages, word processing, electronic mail, relational database systems and statistic packages. The advanced IT used for marketing are: data warehousing, OLAP, data mining, fuzzy logics, which enable to process complicated inquiries, search for patterns in data, and handle imprecise decision rules.</p>
Integration of MkIS subsystems and functions	<p>The axis of integration of MkIS subsystems and functions indicates MkIS scope, which can vary from the tools, serving separate functions of marketing activities, to the integrated view of marketing management activities. The integrated systems include planning, decision-making or control subsystems. The functional tools include customer relationship management, e-procurement operations along supply chain, e-communication with customers and partners via internet and extranets.</p>

Functional scope of marketing information systems



MkIS classification

SPECIALIZATION for the business area

COMPUTERIZATION

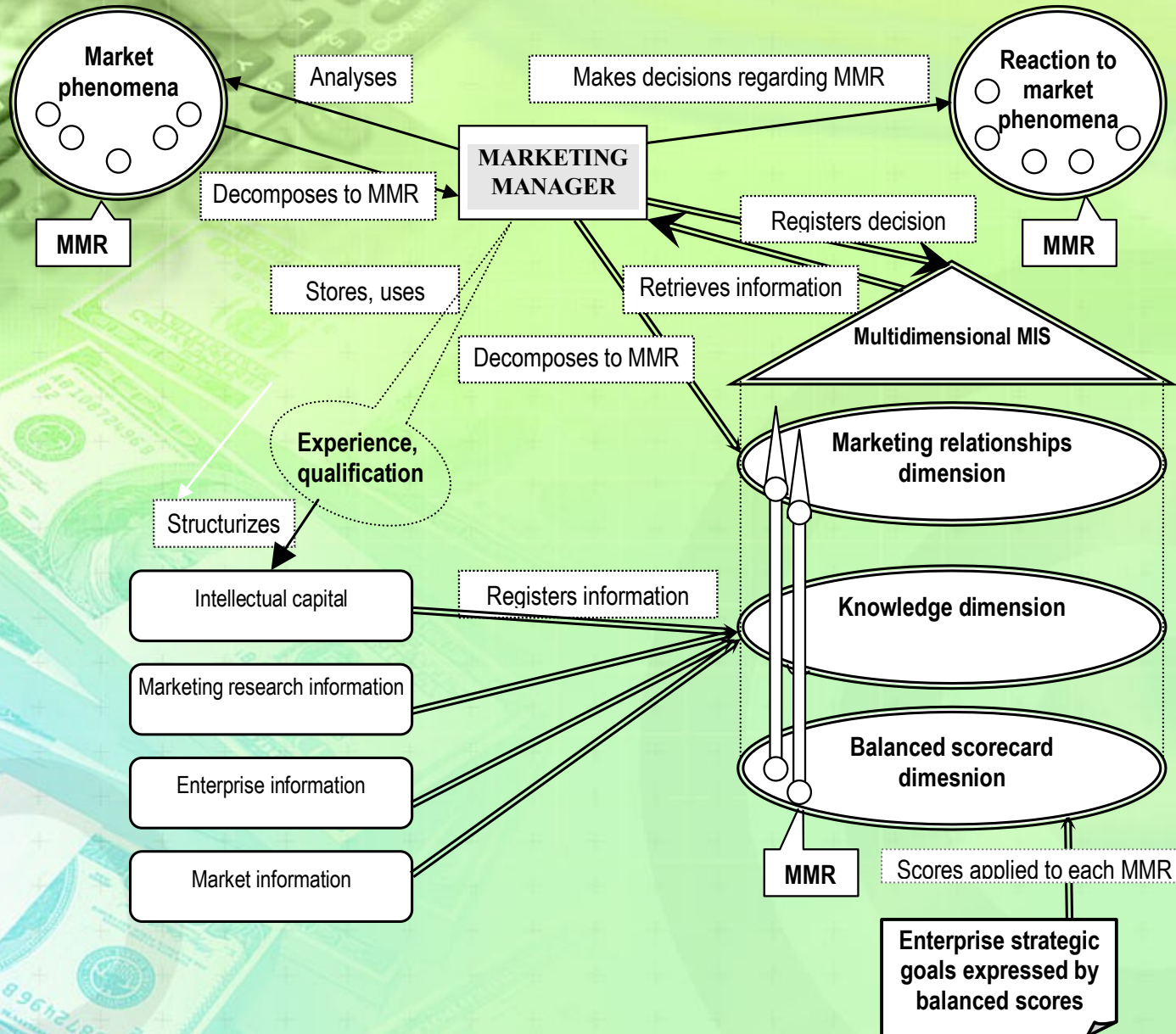
INTEGRATION of information sources of various origin

INTEGRATION of subsystems and functions

The MkIS model evaluation

- The analysed MkIS can be applied for one or two levels of analysis and only for partial presentation of situation and dynamics.
- The most advanced systems from the multidimensional point of view are the CRM systems, created for enterprise relationships, directed to customers. They present possibility to map relationships, connected with related information created in various functional modules of integrated system (MS Axapta, Microstrategy, SAP).
- The software for control (e.g. balanced scorecard) is created in several integrated systems (Axapta, SAP), These parts exist separately and cannot express the marketing processes, situation and development in enterprise, but present possibility for their conceptual integration in a MkIS
- The new theoretical developments of relationship marketing, knowledge management, balanced scorecard have major influence for MkIS creation principles. Their integrated use enables the information processing in three levels- logical, informational and goals- and can serve as basis for multidimensional MkIS structure

Decision-making process in MkIS



What do you look for in the enterprise if you analyse MkIS ? – there's no standard model

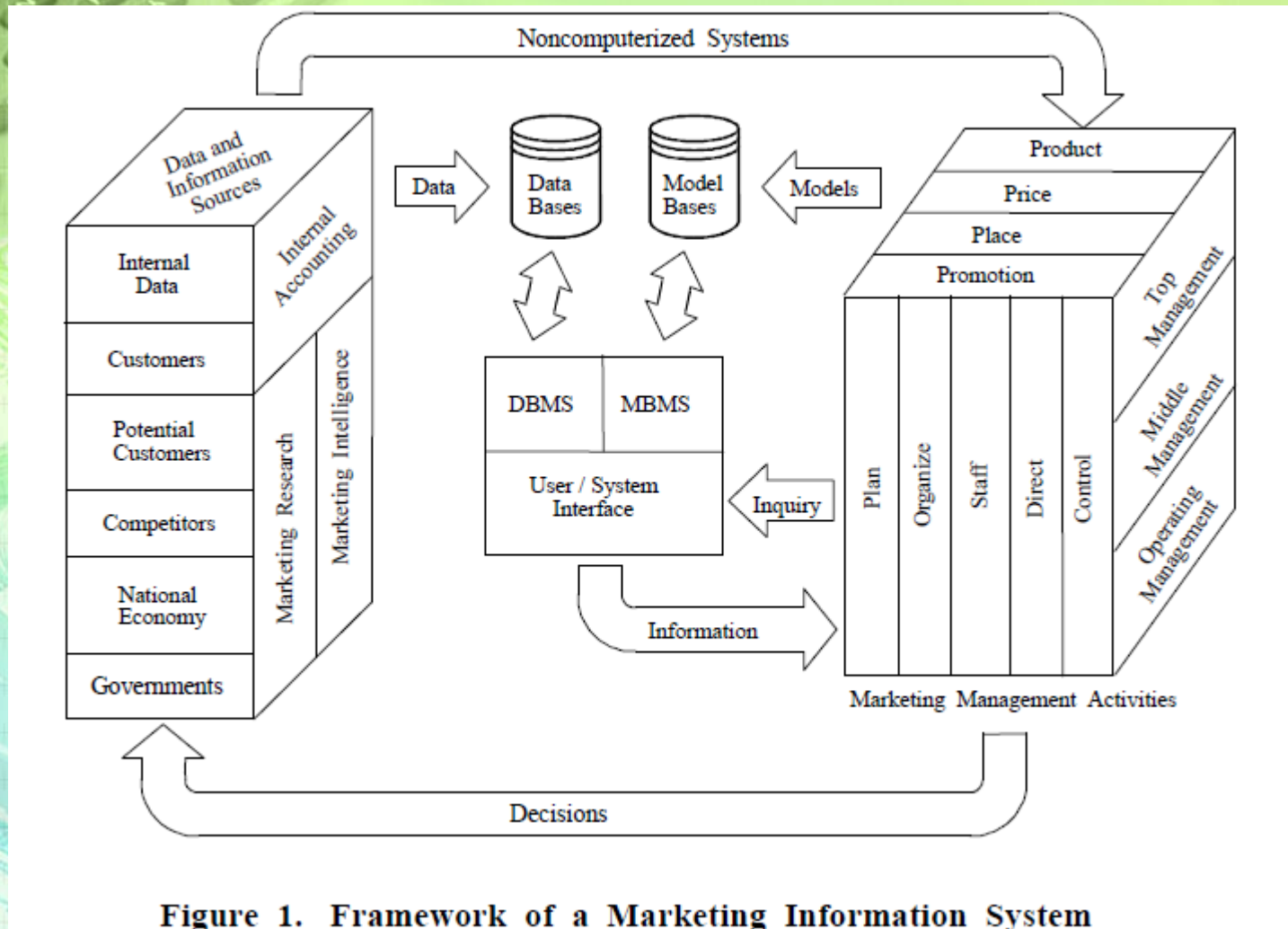


Figure 1. Framework of a Marketing Information System

- Eldon Y. Li Marketing Information Systems in the Top U.S. Companies: A Longitudinal Analysis. *Information & Management*, 28(1), 1995, 13-31

IT approach : Business intelligence and analytics tools : no standard model too

- Visualization empowerment
- Creating variables and indicators from available data
- Making analytics for extracting knowledge about their interrelationships and rule
- (Examples)

Interrelationship of MIS, MkIS and IT concepts

Marketing IS concepts	Management IS creation concepts (O'Brien, 1990)	IT concepts (O'Brien, 1990), Zikmund et al 2003)
1 Integration of functional modules	Management operations processing	Transactional processing
2 Project and campaign	Creating strategic advantage ERP (enterprise resource planning) CRM	Analytic applications, EAI (enterprise application integration), CRM
3 Value chain system		
4 Competitive system		
5 End-user „ad hoc“ support		
6 Support for marketing management processes	Decision making support (DSS) Expert systems (ES) Executive information systems (EIS) Business intelligence systems (BI)	data warehouses, data mining, OLAP (online analytical processing)
7 Marketing intelligence system		
8 Multidimensional MkIS		

Interrelationship of MIS, MkIS and IT concepts

Different concepts can be identified by analysis of functionality and structure of the existing MkIS models. However they all are based on combining different information processing methods implemented in MkIS functional subsystems and cannot serve the multidimensional origin of information processing of marketing managers

The MIS and IT concepts for MkIS implementation describe different perspectives of the same system.

Literature

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CESIM business modelling games (www.cesim.com)

Sugar CRM Implementation <http://www.optimuscrm.com/index.php?lang=en>

Statsoft: the creators of Statistica <http://www.statsoft.com>

Viscovery Somine <http://www.viscovery.net/>

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