

Week 2 - Introduction to Marketing

Wants and **needs** are defined differently depending on customer.

- **What is marketing?**

- Satisfying needs and wants, and **converting a want to a need (ideally)**.
- Creating value (value=what are we willing to give up).
- Exchanging
- Begins long before product is actually created
- 4P's (Product, Price, Place, Promotion) / Marketing Mix
- Relationships (connected to satisfying needs and wants & creating value)

Customer: purchases and pays for products and services

Consumer: the ultimate user of products and services

- **History**

- **Production Era** (no consumer consideration, about the product not the consumer)
- **Sales Era** (after WW II and great depression, people don't have a lot of money to buy products. The era of advertising, pushing sales)
- **Marketing Era** (there are a lot of competitors competing for consumers, they realized that consumers have different needs - start to tailor the marketing towards consumers' needs)
- **Value-Based Era** (different from textbook!!) **(important)**
 1. Maximizing value (for consumers)
 2. Long-term focus (life time value of customers)
 3. Relationships (vs. transactions)
 4. Beyond just customers (relationships with suppliers, distributors, government, communities)
 5. Evolves over time (customers needs change over time)

New customer → **Regular Purchaser** (another company can still steal them away) → **Loyal Supporter** (when given a choice, they still use your product) → **Advocate** (customer who is willing to spread the good words)

- **Steps to a Marketing Plan (p.32)**

Do not focus on memorizing it, focus on the flow.

- 1. Business Planning**

Where does the shareholders want to go?

Week 3 – Situation Analysis

2. Situation Analysis

CDSTEP + Nature

Culture, Demographics, Social issues, Technological advances, Economic situation, Political/regulatory environment

Nature is especially important for business related to travelling, manufacturing etc.

Social sometimes crosses with **culture**, can combine together to one section.

Political-Legal

: self governing body also influences the legal, not just written laws.

Eg: lumber industry, there is an independent body of wilderness that would say that they will not cut down the tree if there is a spotted owl nest in there

Situation analysis is where marketing actually starts. SWOT is not a start, it is a summary tool. SWOT analysis serves to summarize all of the key findings from the entire situation analysis process, including important information about the company's internal strengths and weaknesses (including its partnerships) and important information about external opportunities and threats in the form of consumer trends, competitions, and macro-environmental trends.

Clarification of textbook's exhibit 2.4: Expansion in China – strategy not opportunity.

Opportunity is the reason behind why that particular strategy would make sense, “what’s happening?”. **Strategy** is: “what are we going to do about it?”

Clarification of Exhibit 2.2:

While SWOT analysis is a part of Step 2, it is not performed at the beginning of Step 2 as the textbook implies on p. 33. Rather, SWOT analysis is the final activity of Step 2 and summarizes all of the key information collected about the company's current situation.

3. Develop Strategy

Identify the target and map out the strategy.

Strategy: Target market (STP-Segmentation, Targeting, Positioning) + 4 P's

- Segmentation

Market segment: a group of consumers who respond similarly to a firm's marketing efforts. Eg: segment 1 is single people, want fun collection; segment 2 business customers and families, want

luxurious side. Products offered for segment 1 is a and b, products offered for segment 1 is c and d

- Targeting

: after market segmentation, then can decide which market to pursue using a process known as **target marketing** or **targeting**

- Positioning

: involves the process of defining the marketing mix variables so that target customers have a clear understanding of what the product does/offers in comparison with competing products.

4. Implement Strategy

: through the marketing mix

5. Monitor and Control

: using marketing metrics

Step 1 and 2 : **Planning** phase; Step 3 and 4 : **Implementation** phase; Step 5 : **Control** phase

• **Strategy vs Tactic**

Tactic	Strategy
Short term	Long term
Addresses a specific goal	Affects overall direction
Example:	Example:
Marketing: sale price for boxing week	Choose target market
HR: hire intern for short-term position	Perform staff needs analysis
MIS: buy laptops for all staff	Move company to Mac platform

Helpful **Harmful**

Internal Strengths Weaknesses

External Opportunities Threats

Strategy: recommending activities for company

eg: Expansion outside of the US market; social and green marketing initiatives

Opportunity: do not mention suggestion for the company

eg: increasing demand in the US market, trend toward greater environmental awareness among target consumers.

• **Marketing Strategy/Marketing Mix** identifies:

- **Product:** product selection, includes packaging as well, cost (what colour etc.), services (returns? services? warranty?)
- **Price:** what are people able and willing to pay, the image of the product because of the price,
- **Place (Distribution):** where you want to sell it (specialty stores/retailers), the position of the product (at the back of the store etc), neighbourhoods, on-line distribution, inventory strategy (just in time etc.)
- **Promotion:** advertisement (how you're going to communicate to your consumers), special department HR, discount (can be on price as well), ambush marketing

Goal: sustainable competitive advantage

Competitive advantage: advantage over competitor that is not easily copied by others. It has to impact your target market somehow.

Four macro strategies that focus on aspects of the marketing mix to create and deliver value and to develop sustainable competitive advantage:

1. **Customer excellence** (focuses on retaining loyal customers & excellent CS)
2. **Operational excellence** (achieved through efficient operations & supply chain + human resource management)
3. **Product excellence** (having products with high perceived value and effective branding + positioning)
4. **Locational excellence** (good physical location and internet presence)

• **5Cs (Exhibit 4.1)**

Customers/Consumers, Company, Competition, Category, Channel

Relationship: Consumers - Immediate Environment (Company, Competition, Corporate Partners) - Macroenvironment (CDSTEP)

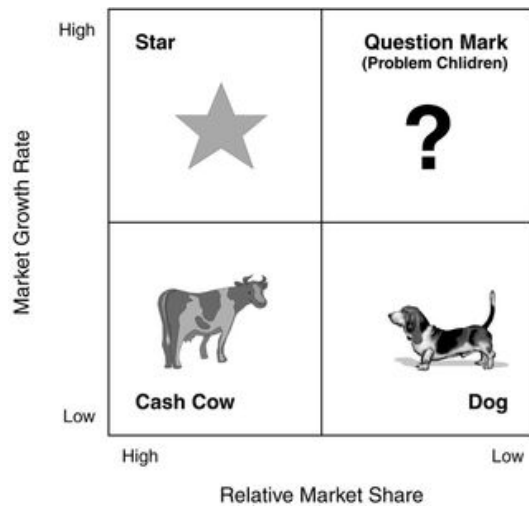
1. **Customers** (want to understand what's the motivation of buying or not buying)

2. **Immediate Environment**

- **Company**

(budget, images, adaptability, portfolio of the partners: are they expertise in some fields etc. [see Exhibit 2.7 BCG Matrix Product Portfolio Analysis](#))

BCG Matrix Product Portfolio Analysis



- **Star:** high-growth markets and have high market share. Often requires a heavy resource investment such as promotions and new production facilities to fuel rapid growth. As their market growth slows, starts will migrate from heavy users of resources to heavy generators of resources and become cash cows.
- **Cash Cows:** have already received heavy investments, they have excess resources that can be spun off to those products that need it. For example, the firm may decide to use the excess resources generated by cash cows to fund products in the question mark quadrant
- **Question Marks:** often the most managerially intensive products (require significant resources to maintain and potentially increase market share). By infusing question marks products with resources, the firm hopes to turn it into a star.
- **Dog:** may generate enough resources to sustain themselves, but not destined for “stardom”, should be phased out unless they are needed to complement/boost sales of another product.

- **Corporate partner**

Especially important when your business is outsourcing from the corporate partner.

- **Competitors:** (not in the book, important!)

- **Direct competition**

Offers the same form of product as wanted by target market.

Eg: Coke and Pepsi

- **Indirect competition**

→ Can be more critical than direct competitor

Offers the same benefit but in a different form.

Eg: indirect competitor for coca cola is orange juice (customers only want to quench their thirst)=

- **Marketplace competition**

Anything else out there that competes for consumers' income and attention (eg: only have \$2, coke may be competing with bus fare)

The most successful firms focus on their efforts on satisfying customer needs that **match their core competencies**.

Week 4 - Consumer Behaviour

- **Target Department Store**

Opportunities: external, and good. (DO NOT mention internal/company's, not counted!!)

What opportunities in the immediate and macro environments led Target to Canada?

External: all retailers in Canada gives "cheap" feeling, consumers are more thrifty in Canada, cross-border shopping is a trend

Internal: cheap price

- Marketing tries to understand what you are because you might think "you are what you eat". But actually, *you eat what you are!* (or what you hope to become)

- **What influences consumer behaviour?**

- Psychological factors
- Social factors
- Situational factors
- Marketing mix

1. Psychological factors

- **Motives**

Maslow's Hierarchy of Needs (pyramid). From bottom to top:

- Physiological (food, water, shelter)
- Safety (secure employment, health)
- Love
- Esteem (confidence, respect)

- Self-actualization (attempt to meet their intellectual, creative needs etc)

Needs: the gap between what you want and reality

Motives: what drives you

- **Attitudes**

Consists of 3 components:

- **Cognitive (think)**
- **Affective (feel)**
- **Behavioural (do)**

EXAMPLE:

Target Golden Globes 2010 ad: cognitive (prestige, exquisiteness, harmony etc.); affective (elegant, ; behavioural (call to action, there is a box saying for more information click here..etc.)

Target 2-Day Sale: behavioural (ask you to prepare for the sale, asking to line up at 12); affective (makes us laugh by gasping etc.); cognitive (facts, information – 2 days sale)

Black Eyed Peas: cognitive (information, price, only in Target); affective (music, celebrities); behavioural (ask you to buy it)

- **Perceptions**

: the meaning we apply to the stimuli we receive.

When you think about good or bad it is attitudes. Eg: if you think the neighbourhood is busy or not – perceptions, if you think a neighbourhood is good/bad (judging), that's an attitude

In marketing, perception is not an opinion, rather, perception is simply the filter through which we interpret our surroundings. It is shaped by the culture we have grown up in, because that is where we learn what meaning to apply to the stimuli we receive. Perception is also shaped by our attitudes and interests, because those influence the things we expose ourselves to in life (eg: we perceive/notice posters about sports we love because our interest opens up our senses). **Perception is usually unconscious and does not carry any judgment, attitudes do.**

- **Learning**

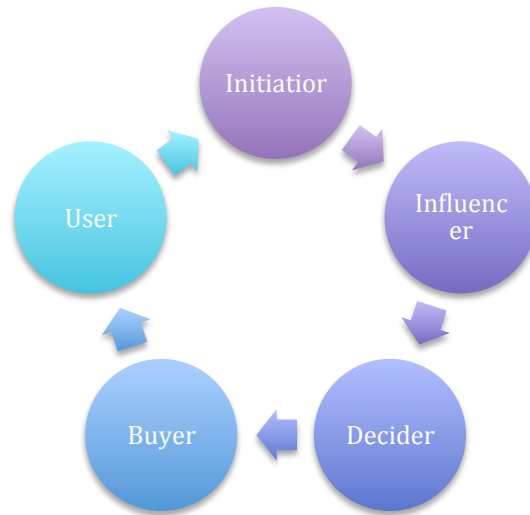
Eg: shaping – Free sample with large coupon → small coupon → full price

- **Lifestyle**

2. Social factors

- **Family**

: the most important influencing factor



Have to think about who is the buyer as well not just the user (eg: baby products)

- **Reference group**

Affect buying decisions by:

- Offering information
- Providing rewards for specific purchasing behaviours
- Enhancing a consumer's self-image

NOT IN TEXTBOOK

Social reference groups : can be conscious or unconscious

1. Direct (member)

: people in your group

2. Indirect (non-member)

: not actually belong to the group but you have aspirational (you don't belong to but you want to), dissociative (don't belong, and don't want to → avoiding any decision that will make you look like the group you don't want to be)

Social influence: opinion leaders, trend-setters, word of mouth

Look for who are the opinion leaders in your market and approach them

- **Culture**

: shared meanings, beliefs, morals, values and customs of a group of people

3. Situational factors

- **Purchase Situation**

Eg: if for yourself, may choose the best deal, however because it's for a friend's wedding gift, you will buy a good quality one.

- **Shopping Situation**

: store's environment influence decision process

- Store atmosphere
- Salespeople
- Crowding

: if there are too many people/merchandise/lines, could be overwhelmed

- In-Store Demonstration
- Promotions
- Packaging

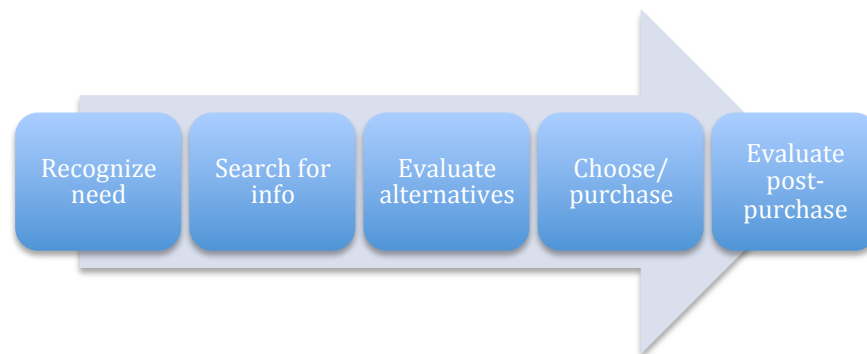
- **Temporal State**

: mood swing, eg: if just got a parking ticket, will less likely be receptive to sales people.

Beyond the control of marketer

4. Marketing mix

• **Consumer Decision Process**



- **What affects how hard or how long you're willing to search?**

- **Level of risk**

Financial, performance (mountain climber – if product fails will endanger life), social (will I be depressed for the whole day if my chocolate bar is not good?)

- **Locus of control**

Internal: you believe you control your own destiny. If do more research, I believe I will make a better decision

External: not going to do research because believe other people will decide for them

- **Perceived benefits vs. costs**

Of additional searching not the benefits or costs of the product

- **Type of product**

- Convenience: products need to be convenient to buy

- Impulse: chocolate bar in the cashier counter
- Staples: milk, coffee etc. (regularly buy)
- Emergency: shuffle when snowing

- Shopping

: the product consumer tends to do research on. Don't buy it often, so do research

- Specialty

: we have one brand in mind and that one brand only

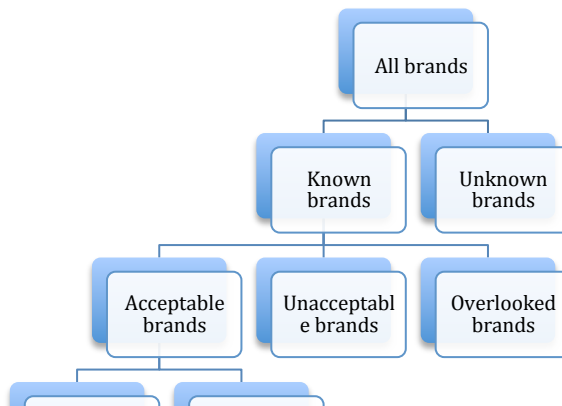
- Unsought

: don't know about it until it is in front of you (don't search for information)

- **Level of involvement**

If highly involved, more research

- **Evoked Set Model**



All brands	= universal set
Acceptable brands	= evoked set (=alternatives)
Unacceptable brands	= retrieval set (can easily brought forth from memory)

From unknown to known: distribution and promotion; packaging

Acceptable and unacceptable brands – trying to influence the evaluative criteria

Eg: master degree → all universities who offer the master degree is “all brand”, some are known some are unknown. Known → acceptable: the best, the most suitable with your budget etc, overlooked: you just forgot about it!

- **Buyer’s Remorse (Post-purchase dissonance)**

We still care about the post-purchase because of word of mouth, refund etc.

Week 5 – Market Research

Market research *reduce* our risk and *improves* decision making

- **Market research steps**

- ***Define the problem***

Know how you will use the information **before** you collect it.

IGNORE where the placement of research in textbook (exhibit 9.3). eg: survey doesn’t necessarily be under conclusive.

- **Exploratory research**

: if it’s quick etc. is exploratory

- **Conclusive Research**

- ***Research design***

Who, what, when, where, why, how

- ***Collect data***

- **Analyze data**
- **Present results**

Page 196 (important – disadvantages and advantages)

- **Primary research methods**

- Observation
- Controlled experiments
Eg: Experiment (test market): want to change one variable
Problem: hard to control a lot of variables
- Surveys and interviews
 - o Surveys

Week 6 – Segmentation, Targeting, Positioning

- **Clicker questions**

Which of the following would you recommend to your employer?

- Select key segmentation bases to enter into undifferentiated markets
- Use as few segmentation variables as possible to reduce costs
- Use multiple segmentation bases to leverage the capacities of each**
- Use a single, powerful segmentation scheme to simplify data collection and comparison

Karen has identified 4 potential market segments for her business, what is the next step?

Develop the attractiveness of each segment

Adidas Group owns Reebok, Rockport, and Greg Norman brands. What type of targeting strategy is Adidas pursuing with these different brands? **Differentiated**

Although a differentiated targeting strategy can allow a firm to obtain a bigger share of the overall market, this strategy:

- is the cheapest option
- requires the use of advanced advertising techniques

- c. rarely works
- d. is often expensive**

The marketing of services differs from the marketing of goods because services are:

- a. not profitable by themselves for most firms
- b. indivisible, distinct, customized and rationalized
- c. intangible, inseparable, variable and perishable**
- d. more difficult to develop a sustainable competitive advantage in than goods

Marco was assigned to help create a positioning strategy for his employer's products based on product attributes. He should consider:

- a. what the target market would consider the most important features**
- b. the ways the sales rep have been positioning the firm's products
- c. the characteristics that helped his firm win excellence manufacturing
- d. the features engineer thinks is the most important

To a major university, which of the following are examples of product lines within its product mix?

Its undergraduate studies, graduate studies and professional programs

- **STP sits in the middle between situation analysis and targeting**

- **Common Segmentation Bases**
 - ***Geographic***
Base: geographic
Variables: city, region, country
 - ***Demographic***
Age, gender, income, religion, ethnicity, education, occupation, family stage, marital status, household size.
Quite easy to find data (census).

Demographic base actually to get down on psychographic (how men and women perceived the world differently)

- ***Psychographic***

Self-values, self-concept, lifestyles, needs and motives, perceptions, attitudes and beliefs.

- ***Behavioural***

Benefits (eg: baking soda, can be for baking, cleaning, fridge refresher: it's all the same thing, but different packaging), usage rate, loyalty, occasion

(As you goes down to the list, it gets more practical, powerful and meaningful)

Each segmentation **base** each has may segmentation **variables**

IMPORTANT!

- **Segment Attractiveness (p. 168 – 169)**

Must concentrate on attractive segment (cannot cover all!). **Cost vs. Benefit**

Make sure that the segment are distinct from one another, if there is no meaningful differences, then don't separate!

- ***Identifiable*** (make sure there is differences!)

- ***Reachable*** (is there transportation/internet etc., do we have the ability to reach them effectively? – do we know how to communicate with them etc.)

- ***Substantial***

- ***Responsive*** (which segment would actually choose you over other competitors)

- ***Profitable*** (growth rate, size – if the profitability does not have potential to grow, may not look that attractive. Also about cost, often times about reachable, responsive and substantial)

- **Targeting Strategies**

1. ***Undifferentiated (mass)***

Before it used to be commodities (gas etc., but now even gas is not undifferentiated, BC Hydro's segmentation changes their pricing etc)

2. ***Differentiated (multi-segment)***

3. ***Concentrated***

: concentrate resources on one particular market, usually used for startup companies.
Most of the time will want to have different markets (but doesn't necessarily always move to differentiated)

However, the reason why companies might want to move from concentrated to differentiated is often because of the riskiness because you put all of the resources in one basket.

Downside of differentiated: time consuming and expensive.

4. *Micromarketing (one-to-one)*

: made to one customer (customization). Usually in services or consulting (hair cut, business consulting etc.)

- **Positioning = Target Market + Differentiation**

Must have target market in mind!!

It is important to know how we are the same/different to competitors

Positioning: how am I different than others that will help me win over the customer?

When you see changes in your customers, environment, it may be necessary to **re-position** yourself!

Differentiation: must be meaningful for your customer, otherwise it's useless

- **Positioning Statement Formula**

For your audience your product name is a category name which provides main benefit unlike primary competitor which provides competitor's main benefit

- **Positioning/Perceptual Map**

(it is based on what the market see you – perception, does not necessarily is what you want, that's why it's sometimes called perceptual map)

→ after you have done your analysis (once you're clear on target market, point of differences) to map out the key points that matter to your target market

- **What is a product?**

Anything of value that is offered to the market through an exchange. The exchange can be time, money, effort, goods etc.

People don't buy features. They buy **benefits**

- **Services (vs. Goods)**

Intangible, variable, inseparable (the services cannot be separated from the service provider), perishable

- **Product Mix**

: company's complete assortment of goods and services

Why company expand their product mix?

- Growth: revenue, market share
- Diversification of risk
- New segments
- Competitive response (positioning/repositioning)
- Competitive position (suppliers, consumers – the more products you have, the bigger the chance you can compete/enter market)
- Product lifecycle problems
- Efficiency

- **Product Line**

: group of associated items

- either considered similar
- or used together

Example: virgin radio (they have it in Vancouver, Toronto etc) – product line is “radio”

Virgin travel store, Virgin holidays, Virgin atlantic – they are Virgin Travel Line

Line extension: New product added to existing line (depth)

Brand extension: new line added to existing mix (breadth) – example, Nike only has running shoes before then adds golf line