

## Chapter 1

**Marketing** is a social and managerial process by which companies create value for customers and build strong customer relationships to capture value from customers in return.

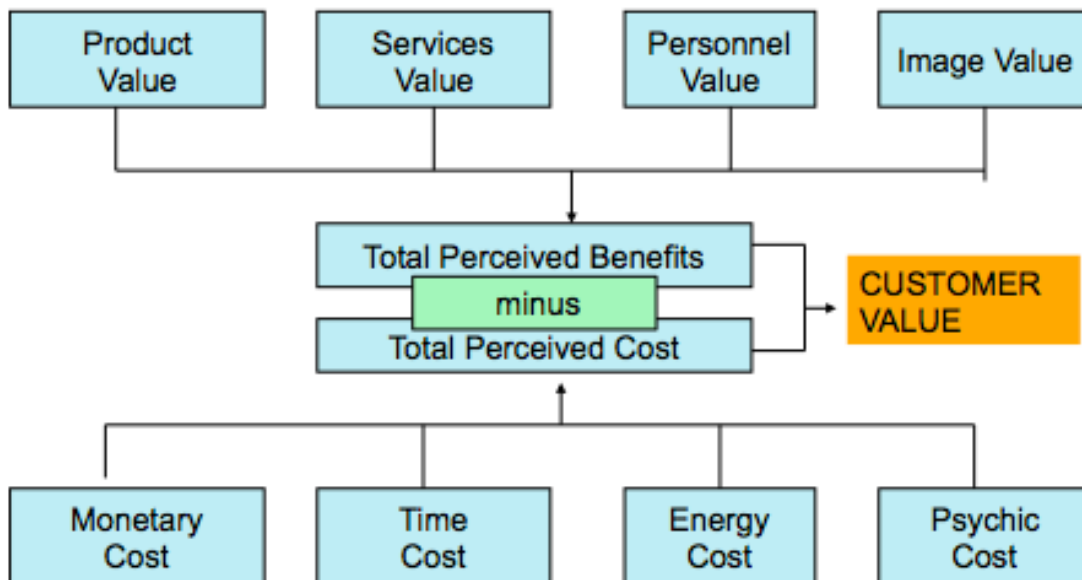
- **Process** is a series of actions and operations that gradually generate changes toward a particular value.



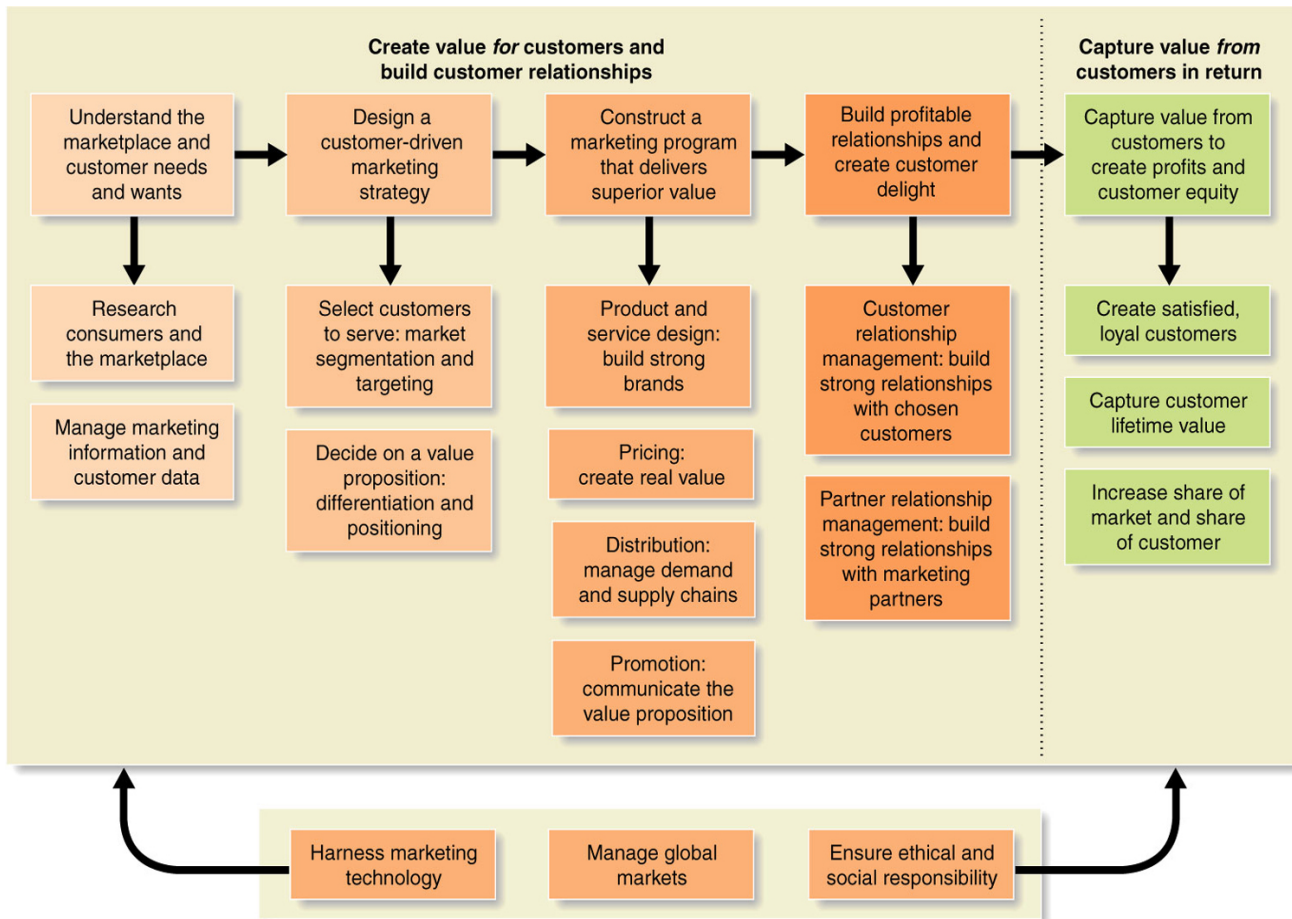
**Figure 1.1** A simple model of the marketing process

- Different people may value different items
- You create something that is of value to the customer, it may be a product of service
- **Customer value** is the difference between the perceived benefits versus the perceived costs of an exchange

## Factors Affecting Customer Value



## Marketing Process: 1) Understand the Market



**Market Offerings** some combination of products, services, information, or experiences offered to a market to satisfy a need or want.

**Human Needs** are states of felt deprivation, they include basic physical needs for food, clothing, warmth and safety; social needs for belonging; and individual needs for knowledge and self-expression

**Wants** are the form human needs to take as they are shaped by culture and individual personality.

**Demands** are human wants that are backed by buying power and willingness to buy.

### Maslow's Hierarchy of Needs

1. Physiological needs; hunger and thirst
2. Safety needs; security and protection
3. Social needs; sense of belonging and love
4. Esteem needs; self esteem, recognition and status
5. Self-actualization needs; self-development and realization

## Consumer Satisfaction

Level of Satisfaction = Perceived Level of Performance – Expected Level of Performance

- Level of satisfaction depends on how much the perceived performance of the product differs from the expected performance.
- Marketers will set the right level of expectations.
- If they set expectations too low, they may satisfy those who buy but fail to attract enough buyers.
- If they set the expectations too high, buyers will be disappointed.

Marketing Management wants to design strategies that will build profitable relationships with target consumers. There are five alternative concepts under which organizations design and carry out their marketing strategies:

1. **Production concept** is the idea that consumers will favor products that are available and highly affordable and that the organization should therefore focus on improving production and distribution efficiency.
2. **Product concept** is the idea that consumers will favor products that offer the most in quality, performance, and innovative features and that the organization should therefore devote its energy to making continuous product improvements.
3. **Selling concept** is the idea that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort.
4. **Marketing concept** is a philosophy that holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do.
5. **Societal marketing concept** is the idea that a company's marketing decisions should consider consumers' wants, the company's requirements, consumers' long-run interests and society's long-run interest.

## Selecting Customers to Serve

- **Market segmentation** refers to dividing the markets into segments of customers.
- **Targeting** refers to which segments to go after.
- **Demarketing** is marketing to reduce demand temporarily or permanently; the aim is not to destroy demand but to reduce or shift it.

**The marketing mix** is the set of tools (four Ps) the firm uses to implement its marketing strategy. It includes product, price, promotion and place.

**An integrated marketing program** is a comprehensive plan that communicates and delivers the intended value to chosen customers.

**Customer relationship management (CRM)** is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.

- **Basic Relationship** (low margin customers)
- **Partnership** (internal, external & supply chains) (highly profitable customers)
- Different degrees of relationships are possible in the above range
- What level of relationship is pursued by a company is a strategic choice
- Different types of customers may require different degrees of relationships

**Customer-perceived value** is the customer's evaluation of the difference between all benefits and all costs of a marketing offer relative to those of competing offers.

**Customer satisfaction** is the extent to which a product's perceived performance matches a buyer's expectations.

**Customer-managed relationships** are marketing relationships in which customers, empowered by today's new digital technologies, interact with companies and with each other to shape their relationships with brands.

**Partner relationship management** is working closely with partners in other company departments and outside the company to jointly bring more value to customers.

- **Supply chain:** a channel that stretches from raw materials to components to final products to final buyers
- **Strategic partners**
- **Strategic alliances**

**Customer lifetime value** is the value of the entire stream of purchases that the customer would make over a lifetime of patronage.

**Share of customer** is the portion of the customers purchasing that a company gets in its product categories.

**Customer equity** is the total combined customer lifetime values of all the company's current and potential customers.

### **The New Marketing Landscape (Challenges)**

1. **The Digital Age:** advances in computers, telecommunications, information and transportation. Customer research and tracking, new advertising tools, 24/7 marketing through the internet
2. **Rapid Globalization:** geographical and cultural distances have shrunk. Greater market coverage, more options for purchasing and manufacturing, increased competition from foreign competitors.
3. **Ethics and Social Responsibility:** marketers need to take great responsibility for the impact of their actions.
4. **Not-for-Profit Marketing:** many non-profit organizations are realizing the importance of strategic marketing (ex: colleges, hospitals and churches).

## Chapter 2

**Key assumption in this chapter:** we have a company that operates in multiple markets with different products.

**Strategic planning** is the process of developing and maintaining a strategic fit between the organizations goals and capabilities and its changing marketing opportunities.

- Strategic planning sets the stage for the rest of the planning in the firm.
- Take advantage of opportunities and avoid any threats.



The mission statement is the organizations **purpose**, what it wants to accomplish in the larger environment.

- Market-oriented mission statement defines the business **in terms of satisfying basic customer needs**.
- A clear mission statement acts as an **invisible hand** that guides people in the organization.
- A mission statement should:
  - Not be myopic in product terms
  - Meaningful and specific
  - Motivating
  - Emphasize the company's strengths
  - Contain specific workable guidelines
  - Not to be stated as making sales or profits

The company needs to turn its mission into detailed supporting objectives for each level of management.

**The Business Portfolio** is the collection of businesses and products that make up the company.

- First, the company must analyze its current business portfolio and determine which businesses should receive more, less, or no investment.
- Second, it must shape the future portfolio by developing strategies for growth and downsizing.

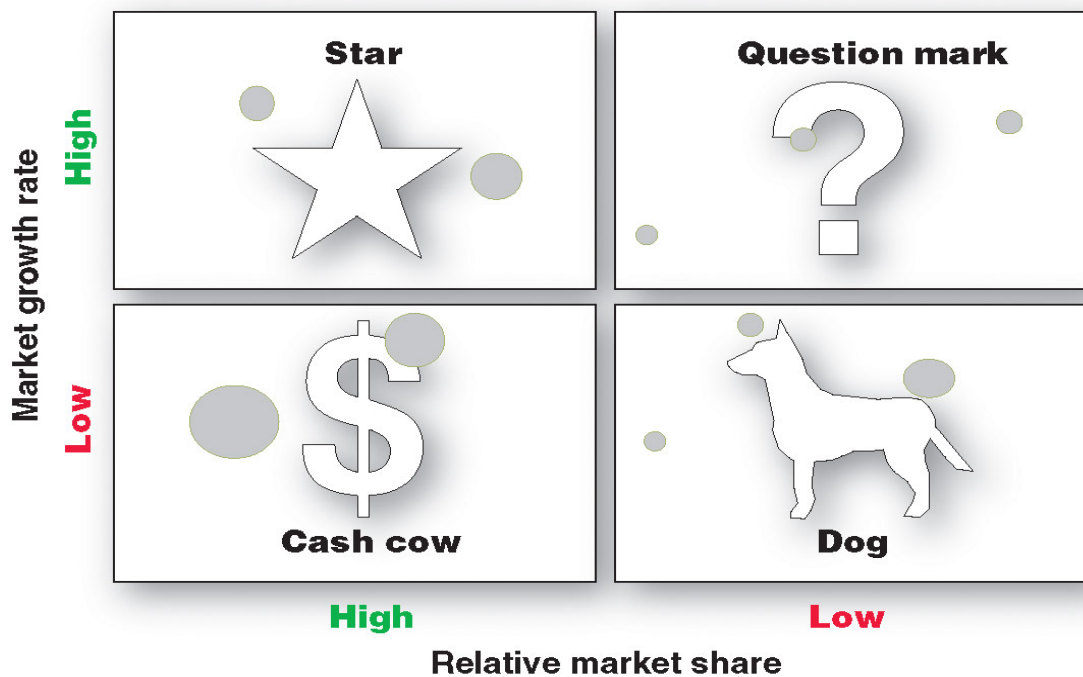
**Portfolio analysis** is a major activity in strategic planning whereby management evaluates the products and businesses that make up the company.

- One of the objectives is to assign strategic roles to each of the SBU's in the portfolio.

### Analyzing the Current Business Portfolio

- First, identify the strategic business units of your portfolio
- **Strategic business unit (SBU)** is a unit of the company that has a separate mission and objectives that can be planned independently from other SBUs. An SBU can be a:
  - Company division
  - Product line within a division
  - Single product or brand

### Companywide Strategic Planning



**Stars** are high-growth, high-share businesses or products requiring heavy investment to finance rapid growth. They will eventually turn into cash cows.

**Cash cows** are low-growth, high-share businesses or products that are established and successful SBUs requiring less investment to maintain market share. They defend market share, they are not growing but they are powerful.

**Question marks** are low-share business units in high-growth markets requiring a lot of cash to hold their share.

**Dogs** are low-growth, low-share businesses and products that may generate enough cash to maintain themselves but do not promise to be large sources of cash.

<ul style="list-style-type: none"> <li>• <b>Build</b> (the Stars) <ul style="list-style-type: none"> <li>– Increase market share</li> <li>– Works well for question marks</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Harvest</b> (The Question marks) <ul style="list-style-type: none"> <li>– Increases short-term cash flow</li> <li>– Good for weak cash cows, question marks and dogs</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• <b>Hold</b> (the Cash Cows) <ul style="list-style-type: none"> <li>– Preserve market share</li> <li>– Defend vigorously</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Divest</b> (the Dogs, weak question marks)), also called <b>downsizing</b>. <ul style="list-style-type: none"> <li>– Sell or liquidate</li> </ul> </li> </ul>

### Developing Strategies for Growth and Downsizing by using Product/Market Expansion Grid

**Product/Market expansion grid** is a portfolio-planning tool for identifying company growth opportunities through market penetration, market development, product development or diversification.

	Existing products	New products
Existing markets	Market penetration	Product development
New markets	Market development	Diversification

1. **Market Penetration** is company growth by increasing sales of current products to current market segments without changing the product.
2. **Product Development** is company growth by offering modified or new products to current market segments.
3. **Market Development** is company growth by identifying and developing new market segments for current company products.
4. **Diversification** is company growth through starting up or acquiring businesses outside the company's current product markets.

## The role of Marketing in strategic planning:

- Strategic plan defines the mission and overall objectives for each firm within a multi-firm company.
- Given the objectives for the firm as communicated top-down and the strategic role that is assigned for each SBU, marketing department defines its own strategy and marketing mix to carry the strategic role that is assigned.
- Companies must develop not only strategies for growing business portfolios but also strategies for downsizing them.

**Marketing Mix** is the set of controllable tactical marketing tools, the 4 P's that the firm blends to produce the response it wants in the target market.

- The mix consists of everything the firm can do to influence the demand for its product.
- An effective marketing program blends each marketing mix element into an integrated marketing program designed to achieve the company's marketing objectives by delivering value to customers.

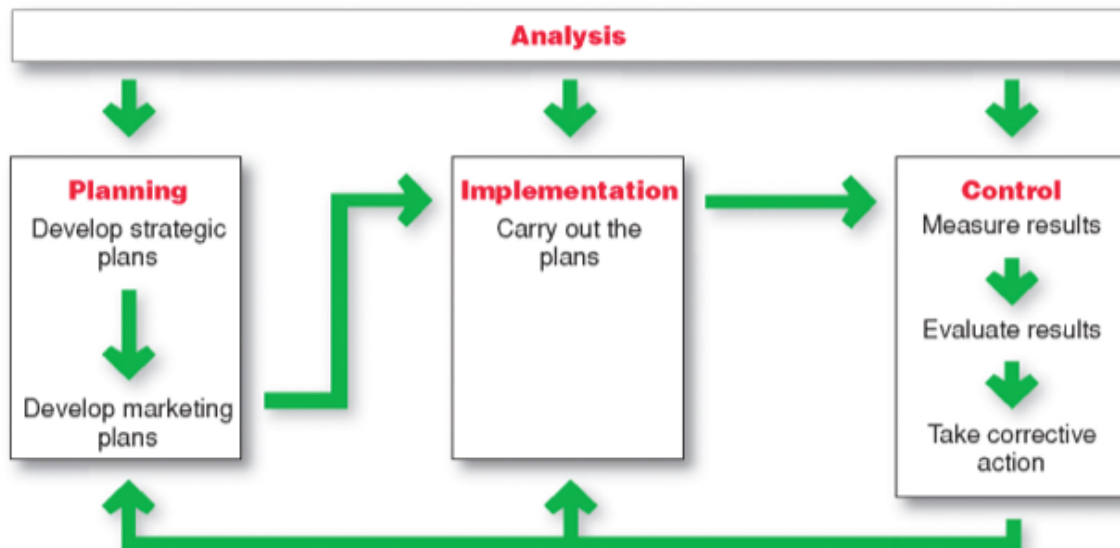
**Product** means the goods-and-services combination the company offers to the target market.

**Price** is the amount of money customers must pay in order to obtain a product or service.

**Place** includes company activities that make the product available to target consumers.

**Promotion** means activities that communicate the merits of the product and persuade target customers to buy it.

## Managing the Marketing Effort



**Marketing implementation** is turning marketing strategies and plans into marketing actions to accomplish strategic marketing objectives.

**Marketing control** is measuring and evaluating the results of marketing strategies and plans and taking corrective action to ensure that the objectives are achieved.

**Return on marketing investment (marketing ROI)** the net return from a marketing investment divided by the costs of the marketing investment.

## Chapter 3

A company's **marketing environment** consists of the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers.

- Micro/Macro environment are the **external factors** that we incorporate into our SWOT analysis.
- They create **opportunities and threats** for a company.

**Microenvironment** consists of the actors close to the company that affect its ability to serve its customers – the company, suppliers, marketing intermediaries, customer markets, competitors and publics. They usually have **direct ties** to the company and **operate in the industry** that the firms operate. They may directly affect the firm's performance.

Marketing success requires building relationships with other company departments, which make up the company's value network. Actors in the microenvironment are in direct contact with the company:

- **Suppliers:** they provide the resources needed by the company to produce its good and services.
- **Marketing intermediaries:** firms that help the company promote, sell and distribute its products to final buyers. They are resellers, physical distribution firms, marketing services agencies, and financial intermediaries.
  - Costco is a marketing intermediary wholesaler because they purchase the items from a supplier and then sell the items in their warehouse to consumers.
- **Competitors:** when examining competitors, we should focus our attention on how many competitors there are, what their roles have been (**leader, challenger, follower, niche player**) in the industry, what the major thrust of their strategy is, what they focus on, whether they are the cost leader, how do they differentiate their products and services, their current financial situation, their relative sizes and their financial performance.
- **Various publics:** any group that has an actual or potential interest in or impact on an organization's ability to achieve its objectives. Example; financial publics, media publics, government publics, local publics, etc.
- **Customers:** the aim of the entire value delivery network is to serve target customers and create strong relationships with them.

**Macroenvironment** consist of the larger societal forces that affect (**many** industries) microenvironment – demographic, economic, natural, technological, political, and cultural forces.

**Situation Analysis – SWOT Analysis: Opportunities and Threats are created by Macro factors**



- Match the company's strengths with the attractive opportunities in the environment.
- Eliminate or overcome the weaknesses of the firm and avoid the threats.
- This concept is very important in Business Strategy

**Six Major forces in the company's Macroenvironment:**

- Demographic forces
- Economic forces
- Natural forces
- Technological forces
- Political forces
- Cultural forces

**Demographic Forces**

- **Demography** is the study of human populations in terms of size, density, location, age, gender, race, occupation and other statistics.
- Demographic environment is important because it involves people and people make up markets.
- Canada's population is estimated to be 34.3 million
- The single most important demographic trend in Canada is the changing age structure of the population – the Canadian population is getting older.
  - Median age is 40.6
  - 15% of Canadians are aged over 65

These demographic trends affect of demand for various products and services. They can be very different depending on which generation you target. Marketers need to form more precise age-specific segments within each group. More important, defining people by their birth date may be less affection than segmenting them by lifestyle, life stage, or the common values they seek in products they buy.

Why study generations? They are at different life stages, they have different needs, and different life experiences and they also have different behavior.

The three largest age groups are: the baby boomers, generation x and generation y:

- **Baby boomers:** the 9.8 million Canadians born during the baby boom following World War II and lasting until the mid-1960's.
  - Born between 1947 and 1966: 9.8 million
  - Average of 4 children per Canadian household.
  - Worldwide phenomenon
  - Represent 30% of the population, make up 40% of the workforce and earn more than 50% of all personal income.
  - Many mini-segments exist within the boomer group.
  - Entering peak earning years as they mature.
  - Baby boomers refuse to age they remain active and many companies solely target this segmentation.
  
- **Generation X:** the 7 million Canadians born between 1967 and 1976 in the “birth dearth” following the baby boom.
  - Born between 1967 and 1976: 7 million “MTV Generation”
  - Highly educated (70% women educated + dual income families)
  - High parental divorce
  - First generation of one parent kid
  - They seek success, less materialistic, they prize experience not acquisition
  - Maintain a cautious economic outlook (research before purchase)
  - Respond to socially responsible companies
  - Family comes first
  - Lag behind on retirement savings
  - Becoming one of the primary target segments.
  
- **Generation Y:** the 10.4 million children of the Canadian baby boomers, born between 1977 and 2000 (also called millennials)
  - Children of baby boomers
  - Represent approximately 20% of the population
  - Comfortable with technology, “plugged-in-generation”
  - Includes: tweens (11-12), teens (13-19), young adults (20's)
  - Technology is a way of life.

## Changes In the Canadian Household

- The nuclear family has led to the “crowded nest” with boomerang kids, and extended families
- Delayed marriages
- Boomerang kids, they come back after moving out
- Common-law arrangements
- Fewer children
- High divorce rate
- Single-parent families
- More dual-income families
- Increasing number of stay at home dads
- Increasing number of working women: 48% of work force
  - The significant number of women in the workforce has spawned the child daycare business and increased the consumption of career-oriented women’s clothing, financial services, and convenience foods and services.

## Education and Ethnic Diversity

- Canadians not as willing to relocate to another province
- Canadian cities are often surrounded by large suburban areas
- Better educated people, increase in post-secondary education
  - This will increase the demand for quality products, books, travel, computers and Internet services.
- Increasing diversity
- Canada is more of a cultural mosaic than the melting pot of the US
  - Ethnic markets are not easily targeted and served
- Diversity includes **more than just ethnicity**: gay/lesbian population, different religions and races, consumers with disabilities, etc.

## Cultural Environment

- It consists of **institutions and other forces** that affect a society’s **basic values**, perceptions and behaviors.
- Cultural values shape more specific attitudes and behaviors found in everyday life.
  - **Core beliefs and values**: more persistent than secondary values. Passed on from parents to children and are reinforced by schools, churches, society, nature and the universe.
  - **Secondary beliefs and values**: more open to change. Includes people’s views of themselves, others, organizations, society, nature and the universe.

### **Some Core Canadian Values and Beliefs:**

- Cultural diversity (not assimilation)
- Respect for human rights
- Gender equality
- Democracy
- Stability of government
- The rule of law
- Sustainable environment
- Social support for under privileged
- Universal healthcare

### **Shifts in Secondary Cultural Values**

- Cocooning in the digital age: enjoying home
- People's view of organizations, corporations, and government agencies: sharp decrease in trust and loyalty towards corporations, organizations, government agencies, politicians, and financial institutions over the last decades.
- Increase in volunteerism and valuing those who volunteer (especially among generation y)
- Move away from formal to casual dress and casual behavior.
- Belief that nature is finite and vulnerable
- Increasing love of nature, demand for organic and eco friendly products.

Marketers want to predict cultural shifts to spot new opportunities or threats.

### **Natural Environment**

- Natural resources that are needed as inputs by marketers or that are affected by marketing activities.
- Trends:
  - Shortages of raw materials; making products that require scarce resources face large cost increases.
  - Increased pollution; green movement commencement
  - Increase in government intervention
  - Focus on environmentally sustainable strategies

### **Political Environment**

- Consist of laws, government agencies and pressure groups that influence or limit various organizations and individuals in a given society.

### **Technological Environment**

- Most dramatic force in changing product markets
- Creates new products and opportunities

## **Economic Power**

- Factors that affect consumer buying power and spending patterns.
- Types of economy will influence resources (**recession vs. economic boom periods**, macro economic crisis (such as increasing **consumer debt** and recent crisis in the financial markets), interest rates, employment, income level, and income distribution.
- Changes in income
- **Value marketing** involves ways to offer financially cautious buyers greater **value – the right combination of quality and service at a fair price.**
- Ernst Engel – Engel’s Law, as income rises:
  - The percentage spent on food declines
  - The percentage spent on housing remains constant
  - The percentage spent on savings increases

## Chapter 6

### Consumer Markets and Consumer Behavior

- Major **types of buying decision behavior** and the stages in the buyer decision process.
- **Adoption and diffusion process** for new products.

**Consumer buying behavior** is the buying behavior of final consumers – individuals and households that buy goods and services for personal consumption.

**Consumer market** all of the individuals and households that buy or acquire goods and services for personal consumption.

**The Buyer Decisions Process:** information search: sources of information

- Personal sources – family and friends
- Commercial sources – advertising, Internet
- Public sources – mass media, consumer organizations
- **Experiential sources** – handling the product, visually examining the product, using the product

**The Buyer Decision Process:** post-purchase decision

- The satisfaction or dissatisfaction that the consumer feels about the purchase
- As we discussed before, satisfaction involves a relationship between:
  - Consumer's expectations
  - Product's perceived performance
- The larger the gap between expectation and performance, the greater the consumer's dissatisfaction
- **Cognitive dissonance** is the discomfort caused by a post-purchase conflict caused by "I wish I had known that" kind of discovery.

### Types of Buying Decision Process

- **Degree of consumer involvement** (Low - High) (How important is the purchase and the product to the consumer?)
  - High involvement products are expensive, risky, purchased less frequently, and highly self-expressive.
- **Degree of perceived differences across available alternatives** (Few - Significant) (How different are the alternatives to the consumer? Can the consumer tell?)
  - Consider wine versus digital camera.

Four Types of Buying Behaviour and Related Marketing Strategies  
 COMM 224 – DR. K. Büyükkurt (See pages 201-203 of your text)

	High Involvement	Low Involvement
Significant Differences Between Brands	<p><b>COMPLEX DECISION MAKING</b>  <b>Example:</b> Purchase of a HDTV            Consumer has much to learn about these products that are <b>expensive, risky, purchased infrequently, and sometimes self-expressive</b>. Buyer will pass through a learning process developing <b>beliefs and attitudes</b> about the products, then making a purchase decision. Marketers need to <b>help buyers learn about product-class attributes</b> and their relative importance and what the company's brand offer in terms of those important attributes. Marketers need to <b>differentiate</b> their brand. They must motivate <b>store sales people</b> to influence final brand choice.</p>	<p><b>VARIETY SEEKING BUYING BEHAVIOR</b>  <b>Example:</b> Cookies            Because of perceived brand differences, consumers do <b>more brand switching</b> for these products. Also, consumers may simply try something new because of <b>boredom with the previous purchase looking for variety that is different and exciting</b>. <b>Market leader</b> with encourage habitual buying by dominating shelf space, and running frequent ads. <b>Challenger</b> will encourage variety seeking by offering lower prices, special deals, coupons, free samples, advertising, and introducing new tastes, package designs, and other kinds of varieties of the product (such as new product form).</p>
Few Differences Between Brands or Consumer Can Not Tell the Differences	<p><b>DISSONANCE-REDUCING BUYING BEHAVIOUR</b>  <b>Example:</b> Purchase of carpeting, furniture            Highly expensive, infrequent, or risky purchase but consumers cannot tell the differences between brands. Buyers shop around to learn about brands but brand comparison is not easy. After purchase, they <b>may experience post-purchase dissonance (after sale discomfort)</b> when they notice certain disadvantages of the purchased brand or hear favorable points about brands not purchased. To counter dissonance, marketers should provide <b>after-sale communication</b> that presents evidence and support the consumer's choice. Also, <b>return guarantees</b> help reduce potential dissonance.</p>	<p><b>HABITUAL BUYING:</b>  <b>Example:</b> Salt, pencil, batteries            Consumers keep on reaching for the same brand in the store out of <b>habit rather than brand loyalty</b>. The product is typically <b>low cost, not risky, and frequently purchased</b>. Consumer decision making does not involve extensive information search and evaluation of alternatives. Brand beliefs and attitudes are formed through <b>passive learning</b> followed by product purchase. <b>Ad repetition</b> is needed to build brand familiarity. Typically, <b>jingles, visual symbols, and imagery</b> are important because they can be remembered and associated with the brand. Ad campaigns involve high repetition of short duration ads. <b>TV</b> and videos are more effective than other media.</p>

Consumers undertake **complex buying behavior** when they are highly involved in a purchase and perceive significant differences among brands.

**Adoption Process** is the mental process through which an individual passes from first learning about an innovation to final regular use (adoption). Stages a consumer experiences:

- **Awareness:** the consumer becomes aware of the new product but lacks information about it.
- **Interest:** the consumer seeks information about the new product.
- **Evaluation:** the consumer considers whether trying the new product makes sense.
- **Trial:** the consumer tries the new product on a small scale to improve his or her estimate of its value.
- **Adoption:** the consumer decides to make full and regular use of the new product.

This model is important in designing the new communication/promotion programs for new product/services introductions.

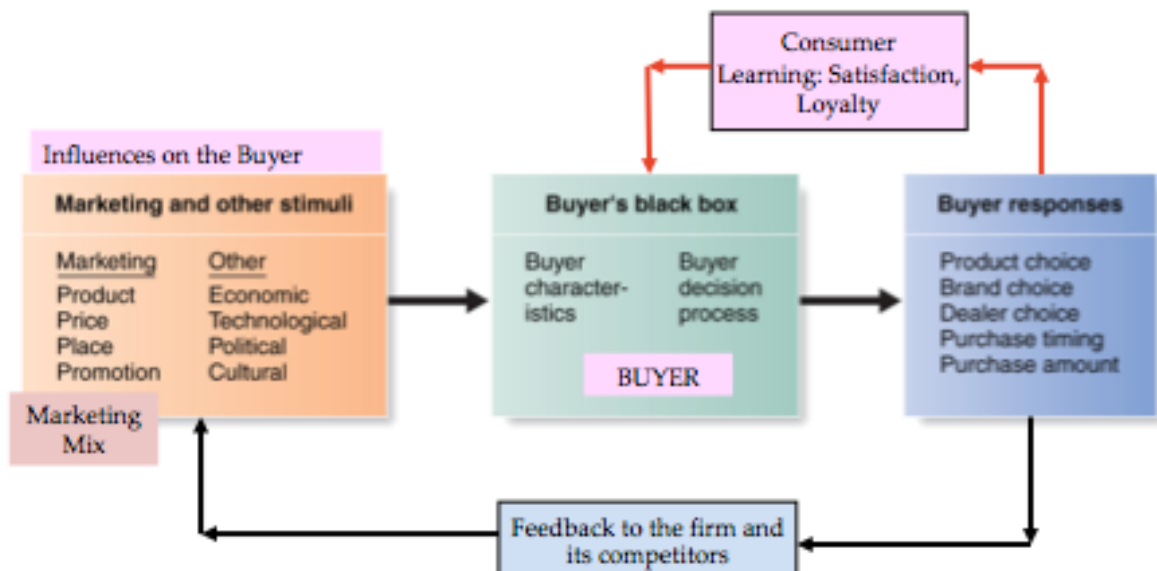
## Not All Potential Buyers Purchase A New Product At The Same Time

- People differ greatly in their readiness to try new products. For each new product/service there are “consumption pioneers” (innovators) and early adopters
  - **Innovators** they try some new ideas at some risk.
  - **Early Adopters** are guided by respect – they are opinion leaders in their communities and adopt new ideas early but carefully.
  - **Early Majority** is deliberate – although they rarely are leaders, they adopt new ideas before the average person.
  - **Late Majority** is skeptical – they adopt an innovation only after majorities of people have tried it.
  - **Laggards** are tradition bound – they are suspicious of changes and adopt the innovation only when it has become something of tradition itself.

## Influence of Product Characteristics on Rate of Adoption

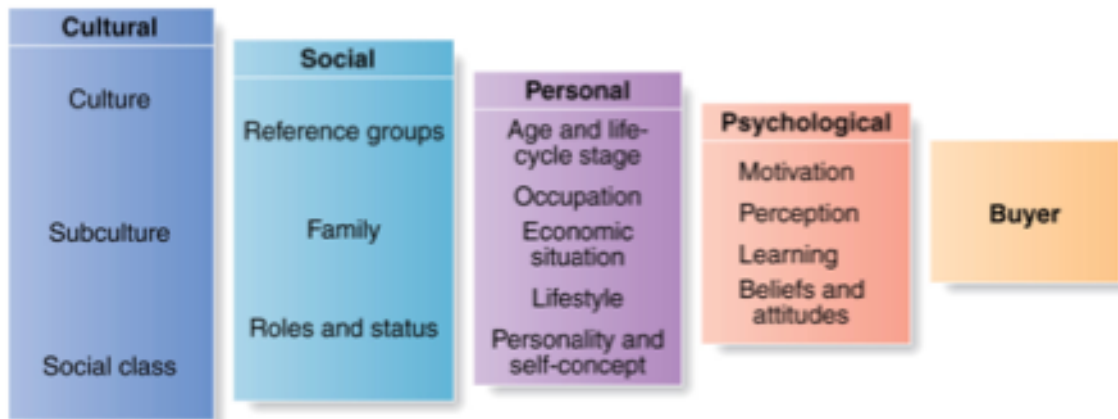
*Which products do buyers adopt rather quickly?*

- **Relative advantage**, the degree to which the innovation appears superior to existing products.
  - Cellular phone vs. Smart Phone
- **Compatibility**, the degree to which the innovation fits the values and experiences of potential consumers.
  - Were cell phones compatible with how we communicated before they were invented?
- **Complexity**, the degree to which the innovation is difficult to understand or use.
  - Was it difficult to learn how to load apps to your smart phone?
- **Divisibility**, the degree to which the innovation may be tried on a limited basis.
  - Were you able to try an iPhone before buying it?
- **Communicability**, the degree to which the results of using the innovation can be observed or described by others.
  - Did you see people enjoying the benefits from an iPhone before you bought one?



Innovations that have clear relative advantage, compatible with consumers' values and habits, less complex, divisible (and can be tried), and easy to communicate generally have a high rate of adoption (fast diffusion).

## Factors Influencing Consumer Behavior



**Culture** is the **learned values, perceptions, wants, and behavior** from family and other important institutions of the society (such as educational institutions, religion, etc.)

- Marketers try to identify cultural shifts
- Example: cultural shift toward greater concern for health and fitness services

Value # 1: A **balance** between individualism and concern for human good.

Value # 2: Attitudes of acceptance and **tolerance of diversity and pluralism, multiculturalism**

Value # 3: A distinct version of quality of life (having a **secure safety net for all** through pensions, health care, protection from unemployment).

Value # 4: A culture of **peace**

**Subcultures**, a group of people with shared value system based on common life experiences and situations.

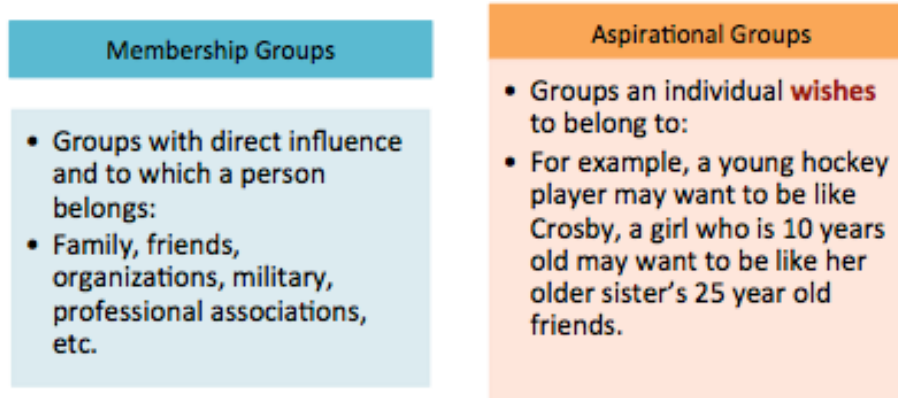
- **Regional subcultures** (Atlantic provinces, Quebec, Central Canada, the Prairies, BC, northern territories).
- **Founding Nations:** Aboriginals (1.17 million (3.7 %) including Metis and Inuit). People reporting English as their mother tongue (57 %), and French as their mother tongue (22 %).
- **Ethnic Consumers:**
  - 200,000 immigrants every year. Chinese make up 3.7% of population.
  - 70 % of visible minority was born outside Canada!
- **Blacks:** Canadians who identify themselves as black in the 2006 census make up the third largest visible minority in Canada.
- **Multilingual Society:** 20 % of Canadians report that they speak a mother tongue other than French or English. Advertising and other marketing communications are being delivered in different languages.

**Social Class**, relatively permanent and ordered divisions in a society whose members share similar values, interests and behaviors.

- Social classes show distinct product and brand preferences.

Many small groups (called **reference groups**) affect a person's behavior.

- Teens are strongly influenced by groups when purchasing fashion items.



**Opinion Leader**, a person within a reference group whom, because of special skills, knowledge, personality or other characteristics exerts social influence on others.

**Online Social Networks** are online social communities – blogs, social networking websites, and even virtual worlds – where people socialize or exchange information and opinions.

#### **Word-of-mouth (WOM) influence and buzz marketing**

- **Opinion leaders** are people within a reference group who exert social influence on others
- **Also called *influentials* or *leading adopters***
- Marketers identify them to use as brand ambassadors so that they will put in a positive WOM for the marketer's brand.
- Influentials convince people of new ideas on social networks: Oprah

**Family** is the most important consumer-buying organization in society

- Wives/women influence 65% of car purchases, 91% of home purchases and 92% of vacation purchases.
- IKEA babysits kids while parents shop

**Age and life-cycle stage:** exercise: How do age and life-cycle stage affect the purchase of passenger cars?

**Importance of Trigger events during life** (such as having a baby, buying a house, etc.), change our life cycle stage and our life style. Therefore, they affect our consumption behavior.

## Some Facts About Canadian Families

- 70 percent of women hold jobs outside the home.
- Men now account for about 40 percent of all food shopping dollars.
- Canadian children influence \$ 20 Billion in household spending each year.
- Canadian children have memorized 300 – 400 brand names by the age of 10 (particularly car and cellphone brand names).

## Personal Factors

- **Occupation** affects the goods and services bought by consumers
- **Economic** situations includes trends in:
  - Personal income
  - Savings and consumer debt
  - Interest rates
- **Lifestyle** is a person's pattern of living as expressed in his or her psychographics
- Measures a consumer's **AIOs** (activities, interests, opinions) to capture information about a person's pattern of acting and interacting in the environment
  - **A: Activities** (work, hobbies, shopping, sports, social events)
  - **I: Interests** (food, fashion, family, recreation, etc.)
  - **O: Opinions** (about themselves, business, social issues, products, global issues such as climate change, etc.)
- **Psychographic segmentation** utilizes life styles as a major segmentation variable

**Personality** is the unique psychological characteristics that distinguish a person or group.

- Consumers are likely to choose brands with personalities that match their own and improve their self-concept (self-esteem).

**Motive** is a need that is sufficiently pressing to direct the person to seek satisfaction of the need.

**Perception** is the process by which people **select, organize, and interpret information** to form a meaningful picture of the world from three perceptual processes:

1. **Selective attention** is the tendency for people to screen out most of the information to which they are exposed
2. **Selective distortion** is the tendency for people to interpret information in a way that will support what they already believe
3. **Selective retention** is the tendency to remember information that supports one's attitudes and beliefs.

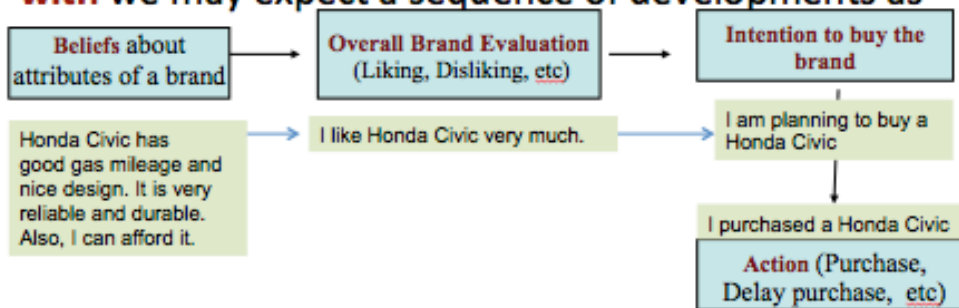
## Beliefs about brand attributes

- These are characteristics a consumer ascribes to a brand.
  - "Molson Dry has no bad aftertaste".
  - "Customer service at TD bank is superb."
- Beliefs may be **positive or negative or neutral**
- Various beliefs that a person holds **may be contradictory** or some of them may be **inaccurate**

### Overall Brand Evaluation (How much one likes or dislikes brand.

- Usually expressed as a 5 or 7 point rating that ranges from “poor” to “excellent, or “prefer the least” to “prefer the most”.
- “The smart phone that I **prefer the most** is iPhone.”
- “I think the exterior design of Acura SUV is **the best** among the various SUV’s on the market.”
- “I **really like** 5 Gum”.
  - The more a consumer likes a brand the more he is likely to buy it.

For those products that the consumer is **highly involved** with we may expect a sequence of developments as



### The Buyer Decision Process

**Need recognition**, the first stage of the buyer decision process in which the consumer recognizes a problem or need.

**Information search**, the stage of the buyer decision process in which the consumer is aroused to search for more information; the consumer may simply have heightened attentions or may go into an active information search.

**Alternative evaluation**, the stage of the buyer decision process in which the consumer uses information to evaluate alternative brands in the choice set.

**Purchase decision**, the buyer's decision about which brand to purchase.

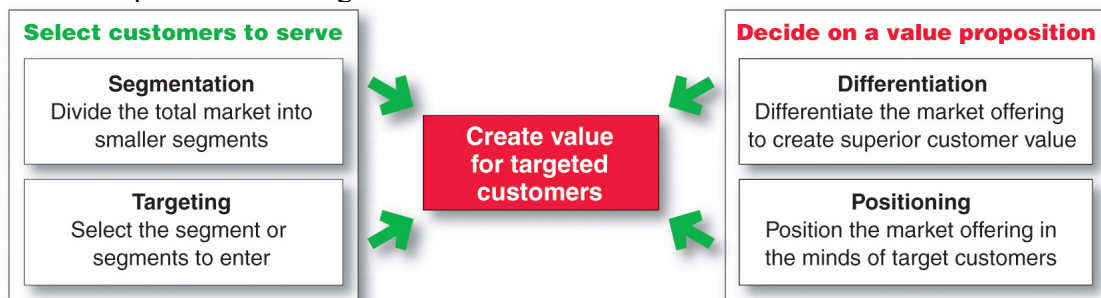
**Post purchase behavior**, the stage of the buyer decision process in which consumers take further action after purchase based on their satisfaction or dissatisfaction with a purchase.

**Cognitive dissonance** is buyer discomfort caused by post purchase conflict.

## Chapter 8

### Customer-Driven Marketing Strategy: Creating Value for Target Customers

- Define the major steps in **designing a customer-driven marketing strategy: STDP**
- List and discuss the **major bases (variables) for segmenting** consumer markets
- Explain how companies identify attractive market segments and **choose a market-targeting strategy**
- Discuss how companies **differentiate and position** their products for maximum competitive advantage



We start with (1) **Segmentation** followed by (2) **Targeting** followed by (3) **Differentiation** and then (4) **Positioning**.

Note the order, does it make sense to position the product that you are marketing as the most “rugged and durable” one in the world if you do not know which target market you are going to serve?

**Market Segmentation** involves dividing a market into smaller segments of buyers with distinct needs, characteristics, or behaviors that may require separate marketing strategies or mixes.

**Market Targeting** involves the process of evaluating each market segment’s attractiveness and selecting one or more segments to enter.

**Differentiation** involves differentiating the market offering to create superior customer value.

**Positioning** involves arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.

## Table 8.1

**Geographic Segmentation** divides a market into different geographical units, such as nations, regions, provinces, countries, cities or even neighborhoods.

- Walmart operates virtually everywhere but has developed special formats tailored to specific types of geographic locations.

**Demographic Segmentation** divides the market into segments based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation and nationality

- Most popular bases for segmenting customer groups

**Age and Life-Cycle Segmentation** divides a market into different age and life cycle groups.

- **Gender Segmentation** divides a market into different segments based on gender.
- **Income Segmentation** divides a market into different income segments.

**Psychographic Segmentation** divides buyers into different segments based on social class, lifestyle, or personality characteristics. People in the same demographic group can have very different psychographic characteristics.

- Zipcar rents cars by the hour or the day, but it doesn't see itself as a car rental company. Instead it sees itself as enhancing its customers' urban lifestyles while helping people make greener choices.
- Royal Caribbean cruises appeals to high-energy couples and families by providing hundreds of activities, such as rock climbing and ice-skating.

**Behavioral Segmentation** divides a market into segments based on consumer knowledge, attitudes, uses or responses to a product.

- **Occasion Segmentation** divides the market into segments according to occasions when buyers get the idea to buy, actually make their purchase or use the purchased item.
  - Some holidays, such as Mother's Day and Father's Day, were originally promoted partly to increase the sale of candy, flowers, cards and other gifts.
- **Benefit Segmentation** divides the market into segments according to the different benefits that consumers seek from the product.
  - Champion athletic wear segments its markets according to benefits that different consumers seek from their active wear.
- **User Status**, markets can be segmented into nonusers, ex-users, potential users, first-time users, and regular users of a product.
- **Usage Rate**, markets can also be segmented into light, medium, and heavy product users
- **Loyalty Status**, a market can also be segmented by a consumers loyalty to the brand.

**Multiple Segmentation** is used to identify smaller, better-defined target groups.

- **Geodemographic Segmentation** is an example of multivariable segmentation that divides groups into consumer lifestyle patterns

**Segmenting International Markets** we look at:

- Geographic location
- Economic factors
- Political-legal factors; type/stability of government, monetary regulations, amount of bureaucracy, etc.
- Cultural factors; language, religion, values, attitudes, customs, habits.

**Intermarket (cross-market) segmentation** divides consumers into groups with similar needs and buying behaviors even though they are located in different countries

- Example: tweens whose parents earn \$100,000 or more per year and live in metropolitan areas with population more than 1 million in different countries.

**Requirements for Effective Segmentation**

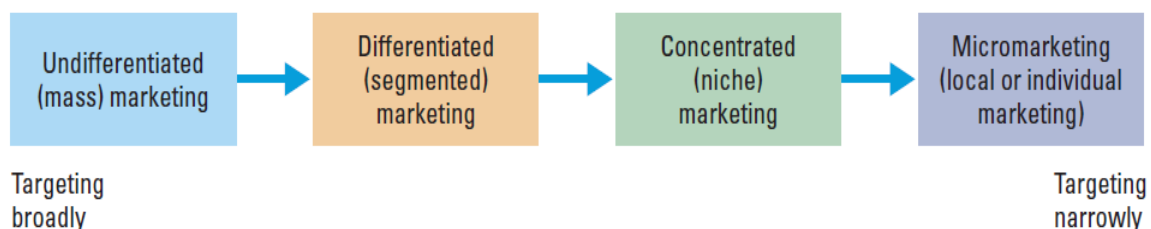
- Measurable: The size, purchasing power, and profiles of the segments can be measured.
- Accessible: The market segments can be effectively reached and served.
- Substantial: The market segments are large or profitable enough to serve.
- Differentiable: The segments are conceptually distinguishable and respond differently to different marketing mix elements and programs.
- Actionable: Effective programs can be designed for attracting and serving the segments.

**Targeting**

1. Evaluate the **relative attractiveness** of various segments.
  - a. Which segment(s) provide(s) more opportunities and matches my strengths.
  - b. Examine: segment size, segment growth rate, degree of competition in each segment, our experience and know-how, access to distribution channels in each segment.
2. **Select** the segment(s) (that is, **targets**) to be served
  - a. You may want to target more than one segment.

**Target Market**, a set of buyers who share common needs or characteristics that the company decides to serve.

### Target Market Strategies



**Undifferentiated (mass) Marketing**, a market-coverage strategy in which a firm decides to ignore market segment differences and target the whole market with one offer (targeting broadly).

- Focuses on what is common rather than what is different
- Difficulties arises in developing a product or brand that will satisfy all customers

**Differentiated Marketing**, a market-coverage strategy in which a firm decides to target several market segments and designs separate offers for each.

- Toyota Corporation produces several different brands of cars – from Scion to Toyota to Lexus – each targeting its own segments of car buyers.
- Increases revenue but not necessarily profit.

**Concentrated Marketing (or Niche Marketing)**, a market coverage strategy in which a firm goes after a large share of one or few smaller segments or niches.

- Whole Foods thrives by catering to affluent customers who Wal-Mart can't serve well, offering organic, natural and gourmet foods.
- The firm achieves a strong market position because of its greater knowledge of consumer needs.
- It can market more affectively by fine-tuning its products, prices and programs to the needs of carefully defined segments.

**Micro Marketing**, tailoring products and marketing programs to the needs and wants of specific individuals and local customer segments; it includes local marketing and individual marketing.

- **Local Marketing** involves tailoring brands and promotions to the needs and wants of local customer segments – cities, neighborhoods, and even specific stores.
- **Individual Marketing**, tailoring products and marketing programs to the needs and preferences of individual customers; also called one-to-one marketing, mass customization, and markets-of-one marketing.

### **Choosing Target Marketing Strategy**

Considerations include:

- **Company Resources** (use concentrated marketing if resources of the company are scarce).
- The degree of **product variability** (differentiated marketing is more suitable for products that can be varied in design, package, etc.)
- **Product's life-cycle stage** (Undifferentiated marketing when the product is first introduced, and differentiated marketing during the maturity stage).
- **Market Variability** (Use undifferentiated marketing if the consumers are very similar in terms of their needs and wants, their behavior and characteristics).
- **Competitors' Marketing Strategies** (If competitors use differentiated marketing, you should not use undifferentiated marketing).

### **Socially Responsible Target Marketing**

- Concern for vulnerable segments
- Concern for customers with specific needs
- Children
  - Alcohol
  - Cigarettes
  - Internet abuse

**Market Positioning** involves all marketing activities that are designed to occupy clear, distinctive and desirable place relative to competing products in the minds of the target consumers

- Position your product **in comparison to competing** products
- Position your product to **differentiate it** from competing products.

**Product Position**, the way the product is defined by consumers on important attributes – the place the product occupies in consumers’ minds relative to competing products.

- Summary perceptions and **image** regarding a brands **unique benefit** as it differentiates the brand from others.
- In planning their differentiation and positioning strategies, marketers often prepare **perceptual positioning maps** that show consumer perceptions of their brands versus competing products.

The differentiation and positioning task consists of three steps: identifying a set of differentiating competitive advantages on which to build a position, choosing the right competitive advantages and selecting an overall positioning strategy. The company must then effectively communicate and deliver the chosen position to the market.

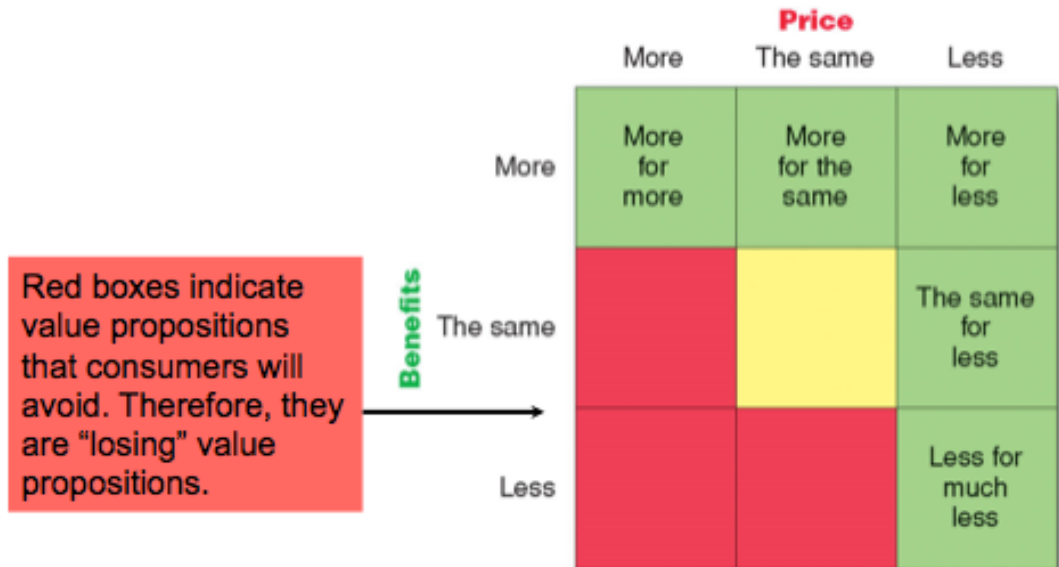
### **Choosing a Differentiation and Positioning Strategy**

- **Product differentiation:** differentiated on features, performance, or style and design.
- **Service differentiation:** differentiated on speedy, convenient or careful delivery.
- **Channel differentiation:** differentiation through the way they design their channel’s coverage, expertise and performance.
- **People differentiation:** hiring and training people better.
- **Image differentiation:** perceived difference based on a strong, distinctive image conveying the product’s distinctive benefits and positioning.

**Value Proposition:** the full positioning of a brand – the full mix of benefits on which it is positioned. It is what the company promises to the consumer.

- **More for more:** providing the most upscale product or service and charging a higher price to cover the higher costs, ex: Rolex.
- **More for the same:** companies can attack a competitor more for more positioning by introducing a brand offering comparable quality at a lower price. Example: Toyota introduced Lexus with a “more for the same” value proposition versus Mercedes and BMW.
- **The same for less:** good deals on products and services, ex: Walmart.

- **Less for much less:** a market almost always exists for products that offer less and therefore cost less, ex: dollar store.
- **More for less:** when Home Depot opened it had arguably the best product selection, the best service, and the lowest prices compared to competitors.



### Positioning Statement

- A statement that summarizes company or brand positioning
- For **(target segment and need)** (our brand) offers **(point of difference)**

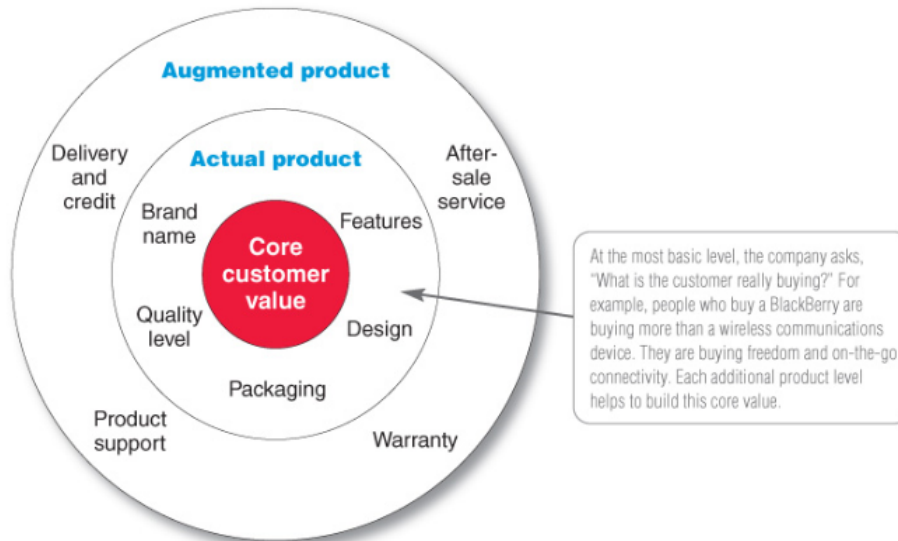
## Chapter 9

**Product** is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need.

**Service** is an activity, benefit or satisfaction offered for sale that is essentially intangible and does not result in the ownership of anything.

**Product designers need to think about products and services at three levels:**

- **Core product:**
  - Problem solving **services or benefits that consumers purchase the product for**
  - “We want to produce holes, but we buy drills and bits.”
  - “In the factory we make cosmetics, in the store we sell hope.”
- **Actual product**
- **Augmented product:** additional services and benefits



- Basic idea: **products are made up of attributes** -- a product modification involves changes in one or more of these **attributes**.
- There are three **types of attributes**:
  - **Features: physical characteristics** (weight, length, colour, etc), ingredients, materials used in producing the product, added services, components, performance, price, esthetic characteristics (design), “buttons”, etc.
  - **Functions:** How product works, the functions it performs for the consumer
  - **Benefits:** Benefits of using the product to the consumer. Benefits can be direct or indirect. Examples: convenience, user friendliness, saving time, healthiness, wholesomeness, fun, exciting, effectiveness, economy, luxury, etc.
- **A feature permits a function, which provides a benefit.**

**Consumer Product** is a product or service bought by final consumers for personal consumption.

- Consumer products include convenience products, shopping products, specialty products and unsought products.

**Business Product** is a product bought by individuals and organizations for further processing or for use in conducting a business.

**Convenience Product** is a consumer product or service that customers usually buy frequently, immediately, and with minimal comparison and buying effort.

- Many frequently purchased “variety seeking” and “habitual buying” products are in this group.

**Shopping Product** is a consumer product or service that the customer, in the process of selecting and purchasing, usually compares on such attributes as suitability, quality, price and style.

- Many complex decision making products are in this group.

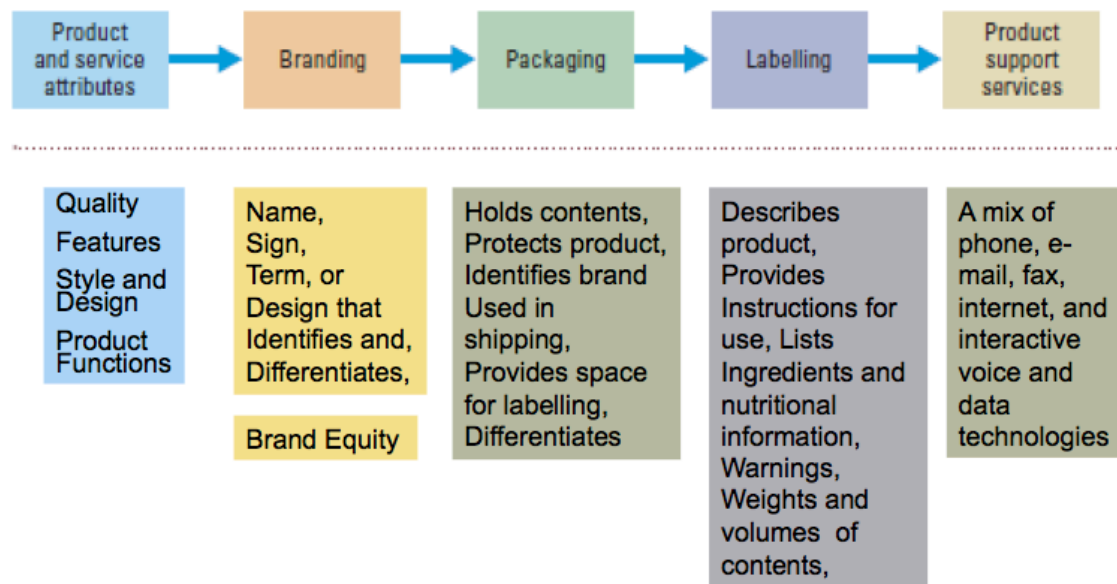
**Specialty Product** is a consumer product or service with unique characteristics or brand identification for which a significant group of buyers is willing to make special purchase effort.

- Strong brand preference, low price sensitivity.

**Unsought Product** is a consumer product that the consumer either does not know about or knows about but does not normally consider buying.

Marketing Considerations	Type of Consumer Product			
	Convenience	Shopping	Specialty	Unsought
Customer buying behaviour	Frequent purchase, little planning, little comparison or shopping effort, low customer involvement	Less frequent purchase, much planning and shopping effort, comparison of brands on price, quality, style	Strong brand preference and loyalty, special purchase effort, little comparison of brands, low price sensitivity	Little product awareness or knowledge (or, if aware, little or even negative interest)
Price	Low price	Higher price	High price	Varies
Distribution	Widespread distribution, convenient locations	Selective distribution in fewer outlets	Exclusive distribution in only one or a few outlets per market area	Varies
Promotion	Mass promotion by the producer	Advertising and personal selling by both producer and resellers	More carefully targeted promotion by both producer and resellers	Aggressive advertising and personal selling by producer and resellers
Examples	Toothpaste, magazines, laundry detergent	Major appliances, televisions, furniture, clothing	Luxury goods, such as Rolex watches or fine crystal	Life insurance, blood donations

## Individual Product and Service Decisions



**Product line** is a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets or fall within given price ranges.

- They can be derivatives of a basic platform in terms of sizes, types, colors, qualities, prices, or only a few product attributes (such as fragrance, taste, etc.).

**Line stretching:** adding products that are **higher** and / or **lower** priced than the existing line (stretching up and / or down).

- “**Luxury**” vs. **economy**” versions of the product.
- “**Economy**” versions are sometimes called “**flankers**” or “**fighting**” brands.
- **Line filling:** adding more items **within** the present price range
- **Product Mix**
  - Also known as **product assortment (especially in distribution channels)**
  - Consists of all the product lines and items that a particular seller offers for sale

**Brand** is a name, term, sign, symbol, or design, or combination of these, that identifies the products or services of one seller or group of sellers and differentiates them from those of competitors.

**Brand Equity** is the differential effects that knowing the brand name has on customer response to the product and its marketing.

### **Brand Sponsorship (Who owns the brand name?)**

- **Manufacturer's (national) brands:** Example: BMW, Crest, Olay, Dove, etc.
- **Private (store) brands** ("President's Choice")
  - Dominance of manufacturer's brands have been challenged by private label branding used by retailers
  - **Issues:** slotting fees, increased profitability of private label for retailers, and control of shelf space

### **Building Strong Brands**

#### **Licensing:**

- Using names or symbols **created by other companies**, names of celebrities, characters from popular movies and books (Calvin Klein, Sesame Street, Disney, Batman, Lord of the Rings, etc.).
- Provides instant and proven brand name.
- Used mainly in apparels and accessories, children's clothing, toys, school supplies, linens, dolls, lunch boxes, cereals, etc.

#### **Co-branding:**

- Using two or more established brand names on the same product

Examples:

- Michael Jordan – Nike (Air Jordan)
- Dell and Intel
- Apple and Nike (Sports Kit)