

Chapter 1: Defining Marketing and the Marketing Process

What is value?

- Value is not about what you are selling but what wants the customers.
- Speaking of coffee: you're buying proximity, not coffee..

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

- Is managing profitable customer relationships: **Marketer needs to find what is the most valuable relationship**
- Its new sense is to satisfy customers needs in a socially responsible and ethical manner.

Marketing process

Stage 1: Understanding the customer and marketplace

- Understanding customer's Needs, Wants, and Demands
 - Needs: State of deprivation:. Shaped by culture and individual personality.
 - Wants: Deprivation targeted towards a specific object: can be physical, individual, social. Shaped by culture & personality . Build on my preferences. => **(Value is based on it). (Difference between Wants and Demands is if you can buy it.)**
 - Demands: Having the buying power necessary to purchase the object
- Market Offerings- Products, Services and Experiences
 - customers needs and wants are fulfilled though **Market offerings** that are some combination of products, services, information, or experiences offered to a market to satisfy a need or want.
 - What market is Starbucks in & what are other offerings?
 - It is a customer experience= A place to study.
 - Smart marketer needs to make sure the value you are providing matches what the customers want.
 - However many sellers do the **Marketing myopia mistake which is to** focus only on existing wants and losing sight of underlying consumer needs
 - The product solves a consumer's problem
- Customer value and Satisfaction
 - Satisfied customers buy again and tell others about their good experiences, while the others don't.
 - Marketers must be careful to set the right level of expectations.
- Exchanges and Relationships
 - **Exchange** is the act of obtaining a desired object from someone by offering something in return
 - When the consumer reacts in a favourable matter
 - Exchange relationship
 - Customer retention & growth of the business
- **Markets:** The set of actual and potential buyers of a product
 - Marketers search for the most profitable markets
 - "How can we reach our clients?"MarketPlace
 - Traditional view: Companies from Industry A compete only against each other and not against companies from Industry B.
 - MetaMarket :Modern view. Companies from Industry A compete against companies from Industry B as well.
- Selecting customers to serve
 - Dividing the market(market segmentation) and selecting which segment will go after.
 - **Market segmentation** refers to dividing the markets into segments of customers
 - **Target marketing** 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.
 - Why would you want to reduce demand? *Betsy doesn't want to be the cheapest: it wants to provide a shopping experience.*
 - What context can this be profitable?
- **The value proposition** is the set of benefits or values a company promises to deliver to customers to satisfy their needs.
 - What are your differentiating points
 - Convenience
 - Time-saving
 - Why would I buy this brand over another?
 - *BMW – The ultimate driving machine*
 - *Land Rover – Go beyond*

Stage 2: Designing a customer-driven strategy

- Choosing the target market and the value strategy to be used
- Understanding the evolution of marketing management orientations:

Production Concept: The assumption that customers want to purchase items that are widely available and inexpensive. Manager's main interests are to increase production efficiency, decrease costs and have mass distribution of products. This concept makes sense when the company wants to drive down the cost of the product and when the demand exceeds the supply.

Product Concept: The assumption that customers want to purchase the most innovative and top-quality product on the market. Manager's main interests are to engage in continuous improvement of their products. Managers often neglect the input of customers and do not consider their competitor's products. This could lead to marketing myopia, short sightedness of the company's purpose companies define themselves too narrowly.

Selling Concept: The assumption that if you let customers be they will not buy your products therefore managers must engage in aggressive selling and promotions. These companies do not care for customer's inputs; they simply want to sell their products. They do not care for post-purchase satisfaction or long-term value from customers.

Marketing Concept: The assumption is that companies must understand their customers in order to create, deliver and exchange value to them. Managers want to increase customer satisfaction; they want to understand their customer's needs wants and demands.

Societal Marketing Concept: Similar to the marketing concept, the assumption is the managers must understand their customer's needs but they also need to consider the wellbeing of the society.

Stage 3: Producing a marketing program and plan

- Implementing the marketing strategy, taking action. It consists in transforming marketing strategy into action
- In order to do so, the firm creates the marketing mix (4 P's): is the set of tools (four Ps) the firm uses to implement its marketing strategy. *Product (which value will have the*

product), Price (Which price it will have), Place (Where it will target consumers), Promotion (How to persuade them from the product's merits).

Stage 4: Customer relationship management

- **Customer relationship management(CRM) is the most important concept if modern marketing:** Process of building/maintaining long term relationships and profitable relationships with customers by delivering value and satisfaction
- **Customer- perceived value:** The difference between total customer value and total customer cost. The customer will always choose the product or service which he perceives to give him the highest perceived value.
- **Customer satisfaction:** The extent to which a product's perceived performance matches a buyer's expectations.

Stage 5: Capturing value from customers

- **Upselling:** Approaching existing customers and asking them if they would like to upgrade
Cross-selling: Approaching existing customers and asking them if they would like to try any of your other products.
- **Customer Equity:** Total combined customer lifetime values of all of the company's customers(Sells you did today+ the sells you're gonna do).
- **Customer lifetime values:** The amount of purchases customers will make over their lifetime within your company
- **Share of customer** is the portion of the customer's purchasing that a company gets in its product categories

First four steps focus on creating value for the customers:

- They need to construct an integrating marketing program consisting of a blend of the four marketing mix elements- the four P's- that transforms the marketing strategy into real value for customers.
- The most important step in the marketing process involves building value-laden, profitable relationships with target customers.
- The first four steps are for the customers, the final one is capturing value from customers.

The changing marketing landscape has three additional factors:

- 1- harness marketing technology
- 2- take advantage of global opportunities
- 3- ensure that they act in an ethical and socially responsible way.

Chapter 2: Partnering to build customer relationships

Strategic Planning Process: is the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities

Stage 1: Defining the mission statement

Mission Statement: is the organization's purpose, what it wants to accomplish in the larger environment.

- > Should be 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.
 - What the company hopes to accomplish in the future
 - What the company hopes to achieve overall
 - What value they want to deliver to their customers

- **Mission statement should be; specific, market oriented, motivating, and realistic +**
- Emphasize a company's strength in the marketplace.
- The benefits of a mission statement = provide guidance and direction to managers and employees. It also keeps the company on track and differentiates it from competitors.

Stage 2: Determining the company's goals and objectives

Each level of the company should have a different set of goals and objectives.

Business objectives: objectives that can be reached at every department of the firm

Business Objectives	Marketing Objectives
Build profitable customer relationships	Increase Market share
Invest in research	Create local partnerships
Improve profits	Increase promotion

Company	Product-Oriented Definition	Market-Oriented Definition
M.A.C. Cosmetics	We make cosmetics	We sell lifestyle and self-expression, tolerance of diversity and a platform to be outrageous
Amazon.ca	We sell books, videos, CD's toys, electronics, hardware and other products online	We make the internet buying experience fast, easy and enjoyable
Zellers	We run discount stores	We offer products and services that deliver superior style and value to Canadians
Disney	We run theme parks	We create fantasies – a place where dreams come true
Google	We provide the world's best online search engine	We help you organize the world's information and make it universally accessible and useful.

Business objectives:

- Increase overall revenues by 17% over search revenues a year ago
- Increase paid-click revenues by 13%
- Have employees invest 20% of their time in development of new products.

Marketing Objectives

- Increase Chrome's market share by 8%
- Integrate more deeply social in search results for greater personalization of search.

Stage 3: Designing the business portfolio and allocating resources

Business Portfolio (BCG matrix)

The business portfolio is the collection of businesses and products that make up the company: The best business portfolio is one that best fits the company's strength and weaknesses to opportunities in the environment

- It includes the company's businesses and products
- **Strategic business unit (SBU)** is a unit of the company that has a separate mission and objectives that can be planned separately from other company businesses
 - ♣ Company division
 - ♣ Product line within a division
 - ♣ Single product or brand
- It includes the key components of the business (SBU's – Strategic Business Units)
 - > Each SBU should have a different set of goals and objectives
 - > Each SBU should be independent from the core business itself

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

Allocating resources: BCG(=Boston Consulting Group Approach) matrix helps companies decide where to allocate their resources as it determines the attractive markets and the areas where SBU's are performing well.

- There are two elements, Relative Market Share and Market Growth Rate.

<p>STAR</p> <p>Revenue: ++ Required Investments: --</p> <p>Low Margins</p>	<p>QUESTION MARK (?)</p> <p>Revenue: + Required Investments: --</p> <p>Cash Trap!</p>
<p>CASH COW</p> <p>Revenue: ++ Required Investments: -</p> <p>High Margins * Money is Here * Mature Business</p>	<p>DOG</p> <p>Revenue: + Required Investments: -</p> <p>Low Margins Company's may decide to sell everything.</p>

Market= Potential buyers. **Marketshare**= your clients.

- **Star**: need major investments to finance that rapid growth + High growth, high-share products.
- **Question Mark**: low market share on a rapid growing market (Google+) + lot of cash to hold their share, let alone increase it.
- **Cash cow**= Low growth, high share. Goal= These established and successful SBUs need less investment to hold their market share
- **Dogs**= Low growth, Low share product.*Companies will use the “Selective Investment Concept” to decide where to allocate their resources+ They may generate enough cash to maintain themselves but do not promise to be large sources of cash.



Problems with Matrix approaches:

- Difficulty in defining SBUs and measuring market share and growth
 - Time consuming
 - Expensive
 - Focus on current businesses, not future planning
- Instead, companies are placing responsibility for strategic planning in the hands of cross-functional teams of divisional managers who are close to their markets.

Asnof's Product-Market Expansion Grid: A portfolio planning tool for identifying company growth opportunities through market penetration, market development, product development, or diversification.

- **Market penetration** is a growth strategy increasing sales to current market segments without changing the product

- **Market development:** is a growth strategy that identifies and develops new market segments for current products
- **Product development:** is a growth strategy that offers new or modified products to existing market segments
- **Diversification:** is a growth strategy through starting up or acquiring businesses outside the company's current products and markets.
- **Downsizing:** is the reduction of the business portfolio by eliminating products or business units that are not profitable or that no longer fit the company's overall strategy.

Developing Strategies for Growth and Downsizing



Stage 4: Partnering to build relationships:

Value chain is a series of departments that carry out value-creating activities to design, produce, market, deliver, and support a firm's products + The firm's activities depends not only on how well each department is able to perform it's work, but how well each department is able to coordinate.

Value delivery network is made up of the company, suppliers, distributors, and ultimately customers who partner with each other to improve performance of the entire system = Starbucks . + Exterior to the organization

Marketing strategy and the marketing mix:

Market segmentation is the division of a market into distinct groups of buyers who have distinct needs, characteristics, or behaviour and who might require separate products or marketing mixes.

- Can be divided into geographic, demographic, psychographic and behavioral factors.

Market segment is a group of consumers who respond in a similar way to a given set of marketing efforts

Market targeting= process of evaluating each market segment's attractiveness and selecting >1 segments to enter. **GAP = 3 brands (OLD Navy is cheap, Banana Republic for business people).**

Market positioning= the arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of the target consumer.

- Positioning= why a shopper will pay a little more for a brand.

Stage 5: Designing the Marketing Mix

-> **Marketing mix** is the set of controllable tactical marketing tools—product, price, place, and promotion—that the firm blends to produce the response it wants in the target market

4 P's	4 C's
Product	Customer Solution
Price	Customer Cost
Place	Convenience
Promotion	Communication

Managing the marketing efforts

➤ SWOT Analysis



1. Analysis (SWOT)= Macro & Micro

- Finding opportunities (external)
- Avoiding threats (external)
- Understanding strengths
- Analyzing weaknesses

2. Planning

Marketing plans include:

- Executive summary
- Analysis of current situation
- Objectives
- Targets and positioning
- Marketing mix
- Budget
- Controls

3. Implementation

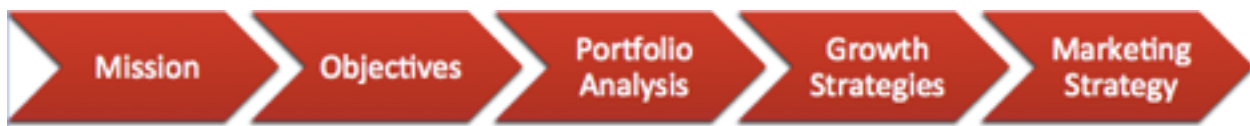
- Process that turns strategies and plans into marketing actions that accomplish strategic marketing objectives
- Good implementation is a challenge
- Marketing department organization
- It is the hard part

Implementing is the process that turns marketing plans into marketing actions to accomplish strategic marketing objectives.

- Successful implementation depends on how well the company blends its people, organizational structure, decision and reward system, and company culture into a cohesive action plan that supports its strategies.

4. Control

- Involves evaluating the results of marketing strategies and plans and taking corrective action
- Checks for differences between goals and performance
- Operating control, strategic control, marketing audit



Chapter 3: Defining Marketing and the Marketing Process

Marketing environment :includes the actors and forces outside marketing that affect marketing management’s ability to build and maintain successful relationships with customers.

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 = Small.

It’s strengths and weaknesses of the company.



1. Company: Marketing management takes into account other company groups into account

- Top management
- Finance
- R&D
- Purchasing
- Operations
- Accounting

2. Suppliers

- Provide the resources to produce goods and services
- Treated as partners to provide customer value
- Must watch supply availability and costs

3. Intermediaries: Other companies that gonna help you create value/ Firms that help the company promote, sell, and distribute its products to final buyers.

- Help the company to promote, sell and distribute its products to final buyers
 - Physical distribution firms
 - Marketing service agencies
 - Financial intermediaries
 - Resellers
- Some resellers are so big, they can dictate terms of contracts

4. Competitors: Firms must gain strategic advantage by positioning their offerings against competitors’ offerings.

5. Publics: Any group that has an actual or potential interest in or impact on an organization’s ability to achieve its objectives. They may have an impact on your decisions.

- Financial publics

- Media publics
- Government publics
- Citizen-action publics
- Local publics
- General public
- Internal publics

6. Customers= The five types of customer markets:

- Consumer: individual use for consumption= amount of money they are going to give you.
- Business: purchase for further transformation
- Reseller: purchase for resell at a profit
- Government: purchase for public service
- International: buyers in other countries

Macroenvironment : Opportunities and Threats= The larger social forces that affect the microenvironment - demographic, economic, natural, technological, political and cultural forces.

1. Demography:

- **Demography** : 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
- Demographic trends include age, family structure, geographic population shifts, educational characteristics, and population diversity
 - **Baby boomers include people born between 1946 and 1964**
 - Account for 1/3 of the population
 - Control over 50% of the wealth
 - Financial services
 - New housing/home remodelling
 - Travel & entertainment
 - Eating out
 - Health & fitness
 - **Generation X includes people born between 1965 and 1976**
 - High parental divorce rates
 - Cautious economic outlook
 - Less materialistic
 - Family comes first
 - Lag behind on retirement savings
 - **Millennials (gen Y or echo boomers) include those born between 1977 and 2000**
 - Comfortable with technology
 - Digital Natives
 - Includes
 - Tweens (ages 8–12)
 - Teens (13–19)
 - Young adults (20's)
 - Requires creative marketing approaches
- **Generational marketing** is important in segmenting people by lifestyle of life state instead of age
 - More people are:
 - Divorcing or separating
 - Choosing not to marry
 - Choosing to marry later
 - Marrying without intending to have children
 - Increased number of working women

- Stay-at-home dads
- Home offices
- 50% of pop live in 10 CMAs

2. Economic:

- **Economic environment** consists of factors that affect consumer purchasing power and spending patterns
 - Industrial economies are richer markets (= Canada)
 - Subsistence economies consume most of their own agriculture and industrial output
- Changes in income, cost of living, interest rates and savings and borrowing patterns
- 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

3. Natural:

- **Natural environment** involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities.
- Trends
 - Shortages of raw materials
 - Increased pollution
 - Increase government intervention
 - Environmentally sustainable strategies

4. Technologic:

- Most dramatic force in changing the marketplace
- Creates new products and opportunities – R&D spending is increased
- Safety of new product always a concern
- Possibility to make products cheaper, quicker & more practical

5. Political:

- **Political environment** consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society
 - Competition
 - Fair trade
 - Environmental protection
 - Product safety
 - Truth in advertising
 - Consumer privacy
 - Labeling
 - Pricing

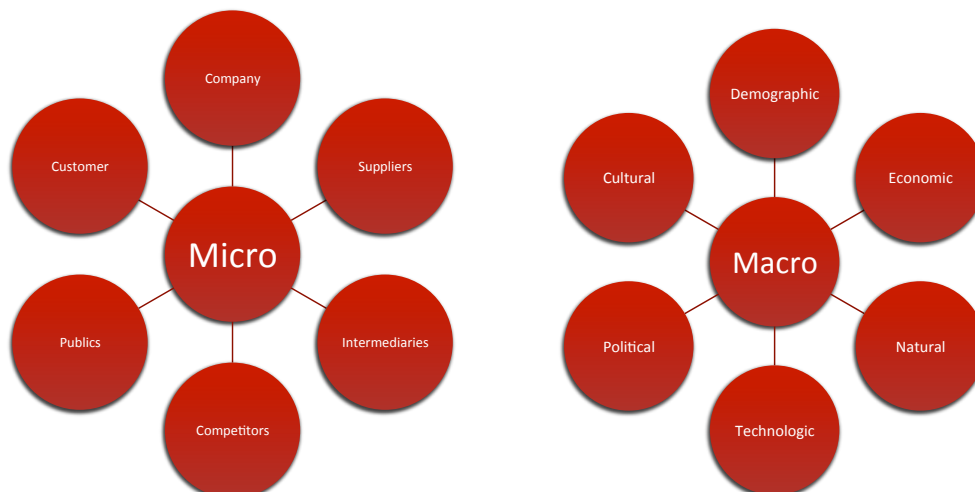
6. Political/Social:

- Legislation regulating business
 - Increased legislation
 - Changing government agency enforcement
- **Socially responsible behaviour:** Enlightened companies encourage their managers to look beyond what the regulatory system allows and simply “do the right thing.”

- **Cause-related marketing:** To exercise their social responsibility and build more positive images, many companies are now linking themselves to worthwhile causes.

7. Cultural:

- **Cultural environment** consists of institutions and other forces that affect a society's basic values, perceptions, and behaviours
- **Core beliefs and values** are persistent and are passed on from parents to children and are reinforced by schools, churches, businesses, and government
- **Secondary beliefs and values** are more open to change and include people's views of themselves, others, organization, society, nature, and the universe



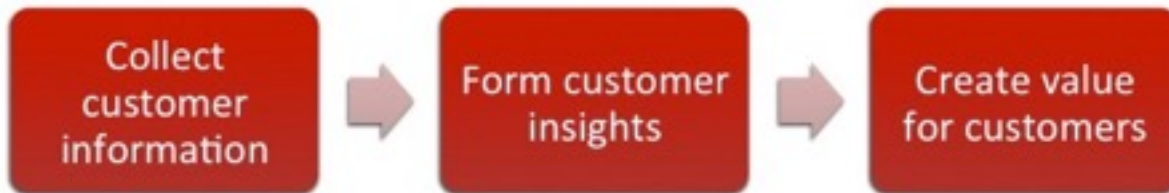
Chapter 5: Marketing information and Customer Insights

Goal of market research:

- Fresh and deep insights into customers needs and wants
- Difficult to obtain
 - Not obvious
 - Customer's unsure of their behaviour

Goals

- Not derived from more information but better information and more effective use of existing information
- Companies are forming customer insights teams
 - Include all company functional areas



- Customer controlled could be a problem
 - The idea is not to give customers everything that they want
 - It's to understand the customers to their core and give them exactly what they need.

How to get these informations?

Marketing information system (MIS) consists of people and procedures for:

- Assessing the information needs
- Developing needed information
- Helping decision makers use the information for customers

MIS provides information to the company's marketing and other managers and external partners such as suppliers, resellers, and marketing service agencies

Marketing Information can be collected from three sources:

1. Internal databases: Information collected from different sources within the company, and stored within the organization's information system:

- Accounting system
- Operations/production
- Sales reporting system
- Past research studies
- **Internal data is cheap, quick, and easy**
- May not be in a usable form for the decision to be made
- May be incomplete or inappropriate to a particular situation

2. Marketing Intelligence: Systematic collection & analysis of publicly available information about consumers, competitors & developments in the marketplace

 - Monitoring internet buzz
 - Observing customers
 - Lurking at industry trade shows
 - Monitor competitor's activities
 - **Dumpster diving**=the practice of raiding dumpsters to find discarded items that are still useful, can be recycled, and have value.
 - Marketing Databases

3. Marketing Research: systematic design, collection, analysis, and reporting of data relevant to a **specific marketing situation facing an organization**



Marketing Research Process:

Stage 1: Defining the problem and the research objectives

Problem vs. Symptoms Symptoms are based on the problem

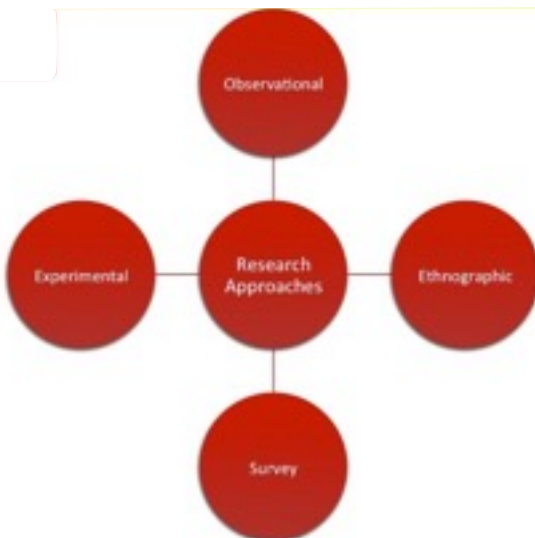
There are three research objectives/designs:

1. **Exploratory research:** gather preliminary information that will help define the problem & suggest hypothesis.
2. **Descriptive research:** Describe things, such as market potential for a product or the attitudes of customers who buy a product
3. **Causal research :** Test hypothesis about cause and effect relationships

Stage 2: Developing the research plan for collecting information

Transforming the research objectives into specific information needs. Usually in a report that must be approved..

- Outlines sources of existing data
- Spells out the specific research approaches, contact methods, sampling plans, and instruments to gather data
- **Secondary data** consists of information that already exists somewhere, having been collected for another purpose.
- **Primary data** consists of information gathered for the special research plan



- **Observational research** involves gathering primary data by observing relevant people, actions, and situations
- **Ethnographic research** involves sending trained observers to watch and interact with consumers in their natural environment
- **Survey research** is the most widely used method and is best for descriptive information—knowledge, attitudes, preferences, and buying behaviour: Flexible/People can be unable or unwilling to answer/ Gives misleading or pleasing answers/ Privacy concerns
- **Experimental research** best for gathering causal information—cause-and effect relationships



Personal interviews: Focus Groups

- Six to 10 people with a trained moderator
- Qualitative research – gaining insights
- Challenges
 - Expensive
 - Difficult to generalize from small group
 - Consumers not always open and honest

Developing Marketing Information

Online	Advantages	Disadvantages
	<ul style="list-style-type: none"> • Low cost • Speed • Higher response rates • Good for hard to reach groups 	<ul style="list-style-type: none"> • Restricted internet access • Not sure who is answering

Online marketing research	Internet surveys	Online panels
Online experiments	Click-stream data	Online focus groups

Sample: is a segment of the population elected for marketing research to represent the population as a whole

- Who is to be surveyed?
- How many people should be surveyed?
- How should the people be chosen?

Research instruments:

Probability Sample	
Simple random sample	Every member of the population has a known and equal chance of selection.
Stratified random sample	The population is divided into mutually exclusive groups, and random samples are drawn from each group.
Cluster (area) sample	The population is divided into mutually exclusive groups, and the researcher draws a sample.
Nonprobability Sample	
Convenience sample	The research selects the easiest population members.
Judgment sample	The researcher uses his or her judgment to select population members.
Quota sample	The researcher finds and interviews a prescribed number of people in each of several categories.

- Questionnaires:
 - Most common
 - Administered in person, by phone, or online
 - Flexible
 - Research must be careful with wording and ordering of questions
- Mechanical instruments
 - Automatic
 - Check out scanner, Nielsen Media Research
 - Static
 - Generates large amounts of data

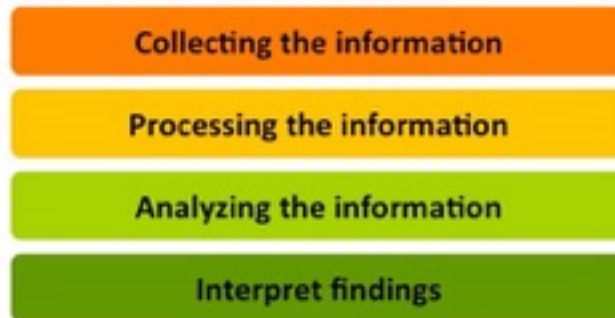
Closed-end questions include all possible answers, and subjects make choices among them

- Provide answers that are easier to interpret and tabulate

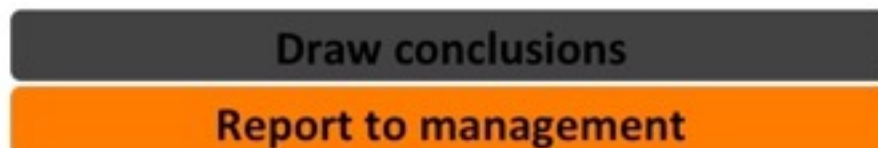
Open-end questions allow respondents to answer in their own words

- Useful in exploratory research

Stage 3: Implementing the research plan



Stage 4: Interpreting and Reporting the Findings:



Analyzing and using Marketing Information

- **CRM** consists of sophisticated software and analytical tools that integrate customer information from all sources, analyze it in depth, and apply the results to build stronger customer relationships

Distributing and Using Marketing Information

- **Information distribution** involves entering information into databases and making it available in a time-useable manner
 - Intranet provides information to employees and other stakeholders
 - Extranet provides information to key customers and suppliers

Other marketing information considerations

Marketing Research in Small Businesses and Nonprofit Organizations

- Start-ups need market research
 - Free databases online.
 - Closer to your client base
 - Visit your competition
 - Informal surveys

International Market Research

- Difficult time finding good secondary data
- Cultural differences in responding
- Limited access to internet

Public Policy and Ethics

- Customer privacy
- Misuse of research findings

Chapter 6: Consumer Decision-Making Process

Characteristics Affecting Consumer behaviour

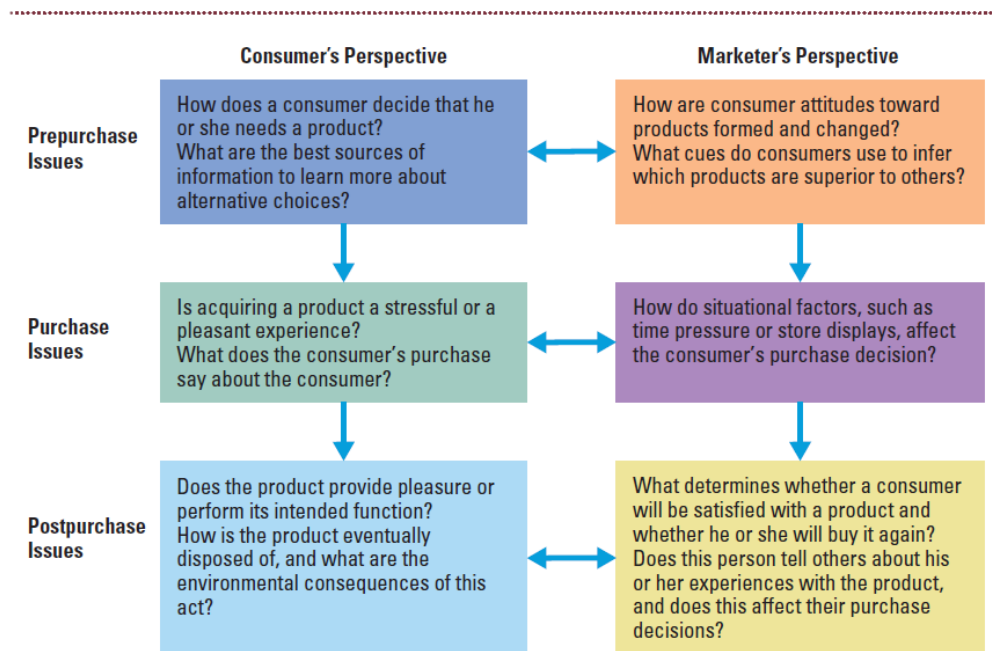
Consumer buyer behaviour refers to the buying behaviour of final consumers—individuals and households who buy goods and services for personal consumption.

- How do we best design our marketing efforts to reach our consumers?
- What have you bought recently that was over \$100? Think of the reasons you purchased this product/service?

Consumer market refers to all of the personal consumption of final consumers

- 333 million people in North America

Chapter 6 Consumer Markets and Consumer Buyer Behaviour



1. Cultural

- **Culture** is the learned values, perceptions, wants, and behaviour from family and other important institutions
 - Canadian values: freedom, beauty of natural landscape, belief in respect and equality, our safety net, our flag
- **Cultural shifts** help marketers discover new products that would be wanted
Health foods, informality
- **Social classes** are society's relatively permanent and ordered divisions whose members share similar values, interests, and behaviours

Measured by a combination of occupation, income, education, wealth, and other variables

2. Social

Social networks:

- Online Social Networks are online communities where people socialize or exchange information and opinions
 - Provide hyper-detailed data to marketers
- Include blogs, social networking sites, virtual worlds.
- Offers a two-way channel of communication



Family:

- **Family** is the most important consumer-buying organization in society
- Social roles and status are the groups, family, clubs, and organizations that a person belongs to that can define role and social status
 - Woman influence
 - 65% of all new car purchases
 - 91% of new homes purchased
 - Make 85% of all family purchases!

3. Personal

Age and Life cycle:

- Taste & buying behaviour are often age related.

Occupation:

- **Occupation** affects the goods and services bought by consumers
- Jobs

Economic:

- One's personal spending/saving patterns
- Economic outlook will influence one's patterns : Personal Income— Savings— Interest rates

Lifestyle:

Lifestyle is a person's pattern of living as expressed in his or her psychographics

- Measures a consumer's AIOs to capture information about a person's pattern of acting and interacting in the environment
 - Activities
 - Interests
 - Opinions
- Consumers don't buy products, they buy the values and lifestyles that those products represent.

Personality and self-concept

- Personality refers to the unique psychological characteristics that lead to consistent and lasting responses to the consumer's environment
- Brand personality

5 brand personalities

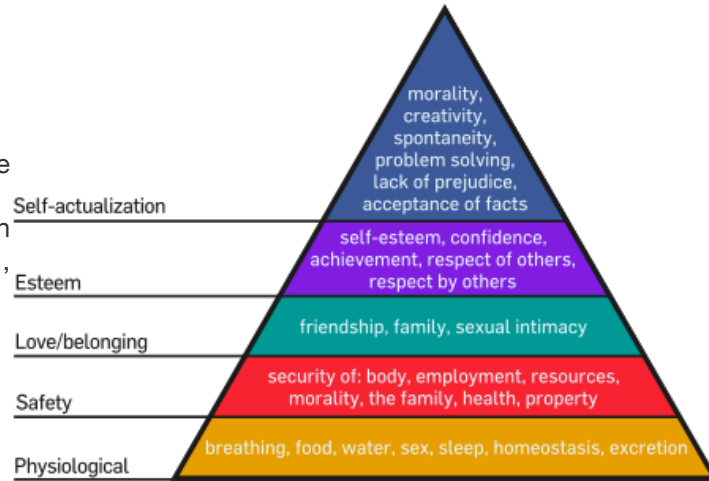


-Brands also have personalities, and that consumers are likely to choose brands with personalities that match their own

4. Psychological

Motivation:

- A **motive** is a need that is sufficiently pressing to direct the person to seek satisfaction
- **Motivation research** refers to qualitative research designed to probe consumers' hidden, subconscious motivations



Perception:

- **Perception** is the process by which people select, organize, and interpret information to form a meaningful picture of the world from three perceptual processes
 - Selective attention:
 - Tendency for people to screen out most of the information to which they are exposed
 - Selective distortion
 - Tendency for people to interpret information in a way that will support what they already believe
 - Selective retention
 - Customers are likely to remember good points made about a brand they favour and forget the good points made about a competing brand.

Learning:

- **Learning** is the change in an individual's behaviour arising from experience and occurs through interplay of:
 - Drives
 - Stimuli
 - Cues
 - Responses
 - Reinforcement

Beliefs and attitudes:

- **Belief** is a descriptive thought that a person has about something based on:
 - Knowledge / Opinion / Faith
- **Attitudes** describe a person's relatively consistent evaluations, feelings, and tendencies toward an object or idea.
 - Difficult to change

Types of Buying Decision Behaviour

High Involvement – Significant difference between brands: Complex buying behaviour

- Usually it is a risky and pricey product. Marketers need to help differentiate the brands.

Low involvement – Significant difference between brands: Variety seeking purchase decision

- Customers will switch brands a lot not because of dissatisfaction but because the product is not risky nor expensive. Marketers need to fight for shelf space. **Candies**

High involvement – Few differences between brands: Dissonance reducing buying behaviour

- Customers will tend to feel dissonance after purchasing the product. Marketers should offer warranties or guarantees.

Low involvement – Few differences between brands: Habitual buying behaviour

- Consumers buy these products passively.

Consumer Decision-Making Process

1. **Need Recognition:** Customer feels a state of deprivation
2. **Information research:** Customer searches for information regarding the state of affairs(Personal sources/ Commercial sources/ Public sources/ Experiential sources).
3. **Evaluation of alternatives:** Information research yields a set of alternative brands that must be evaluated
4. **Purchase decision:** The act by the consumer to buy the most preferred brand. The consumer has to consider where and when to purchase the product or service. Certain factors may influence this decision: Attitudes of others, unexpected situational factors.
5. **Post-purchase evaluation:**
 - **Customer satisfaction=** is a key to building profitable relationships with consumers—to keeping and growing consumers and reaping their customer lifetime value.
 - Consumer may have cognitive dissonance (did I make the right decision?) A good way to avoid this is to give customers guarantees, warranties or call them for a follow back.

➤ **Adoption process** is the mental process an individual goes through from first learning about an innovation to final regular use

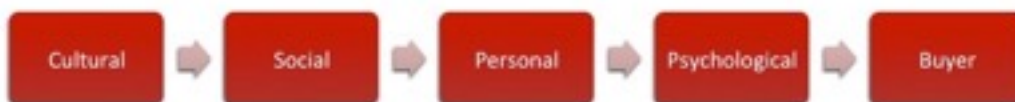


Buyer Decision Process for New Products

➤ Influence of product characteristics on rate of adoption



➤ **Factors involving consumer behavior**



➤ **Buyer decision making process**



Chapter 8: The Marketing segmentation process

I. **Market segmentation**



- **Market segmentation** involves dividing the market into smaller groups with distinct needs, characteristics, or behaviours that might require separate marketing strategies or mixes
- **Market targeting (targeting)** is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter
- **Differentiation** is actually differentiating the market offering to create superior customer value
- **Positioning** is arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers
- **Marketing goal:** Goal that can only be achieved by the marketing department



A. Segmenting consumer markets

Geographic segmentation: divides the market into different geographical units such as nations, regions, provinces, counties, cities, or neighbourhoods

Demographic segmentation: Divides the market into groups based on variables such as (Statcan)

- age,
- gender,
- family size,
- family life cycle,
- income,
- occupation,
- education,
- religion,
- race,
- generation,
- nationality
- **Age and life-cycle stage segmentation** is the process of offering different products or using different marketing approaches for different age and life-cycle groups
- **Gender segmentation** divides the market groups based on gender
- **Income segmentation** divides the market into different income groups

Psychographic segmentation:

- Divides buyers into different groups based on social class, lifestyle, or personality traits
- Measures a consumer's AIOs to capture information about a person's pattern of acting and interacting in the environment
 - Activities
 - Interests
 - Opinions

Behavioural segmentation: Divides buyers into groups based on consumer knowledge, attitudes, uses, or responses to a product

- **Occasion segmentation** divides the market into groups according to occasions when buyers get the idea to buy, actually make their purchase, or use the purchased item
- **Benefit segmentation** divides the market into groups according to the different benefits that consumers seek from the product
- **User status** segments the market into nonusers, ex-users, potential users, first-time users, and regular users of a product
- **Usage rate** divides the market into light, medium, and heavy product users
- **Loyalty status** divides the market by consumer loyalty
 - Loyalty to brands
 - Loyalty to stores
 - Loyalty to companies

Using Multiple Segmentation Bases

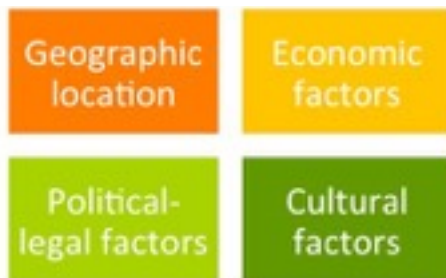
- **Multiple segmentation** is used to identify smaller, better-defined target groups
- **Geodemographic segmentation** is an example of multivariable segmentation that divides groups into consumer lifestyle patterns

Business markets can be segmented into the same variables as consumer markets as well as:

- Customer Operating Statistics
- Purchasing Approaches
- Situational Factors
- Personal Characteristics



B. Segmenting international markets



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

Requirements for effective segmentation

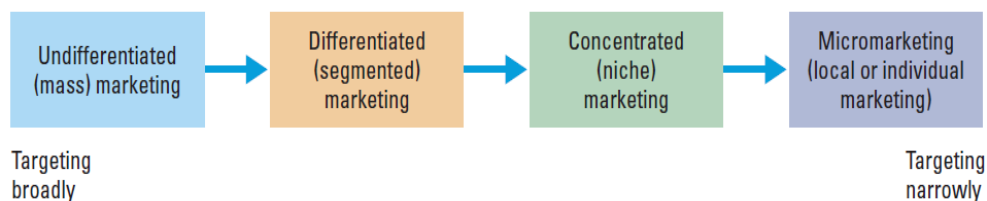
- **Measurable:** The size, purchasing power, and profiles of segments can be measured. – i.e. Left handed people
- **Accessible:** The market segments can be effectively reached and served – Are they easily reachable?
- **Substantial:** The market seems large or profitable enough to serve – i.e. Automobile for people taller than 7 feet.
- **Differentiable:** The segments are conceptually distinguishable and respond differently to different marketing mix elements and programs – married & unmarried woman & perfume
- **Actionable:** Effective programs can be designed for attracting and serving the segments

II. Targeting

Target market consists of a set of buyers who share common needs or characteristics that the company decides to serve

- Segment size and growth
- Segment structural attractiveness
- Company objectives and resources

Target marketing strategies



I. Undifferentiated (mass) marketing :

Targets the whole market with one offer

- Focuses on common needs rather than on what is different

II. Segmented market:

Targets several different market segments and designs separate offers for each

- Goal is to achieve higher sales and stronger position
- More expensive than undifferentiated marketing

III. Niche marketing :

Concentrated (niche) marketing targets a large share of one or a few segments or niches

- Limited company resources
- Knowledge of the market
- More effective and efficient

IV. Micromarketing:

Micromarketing is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and local customer groups

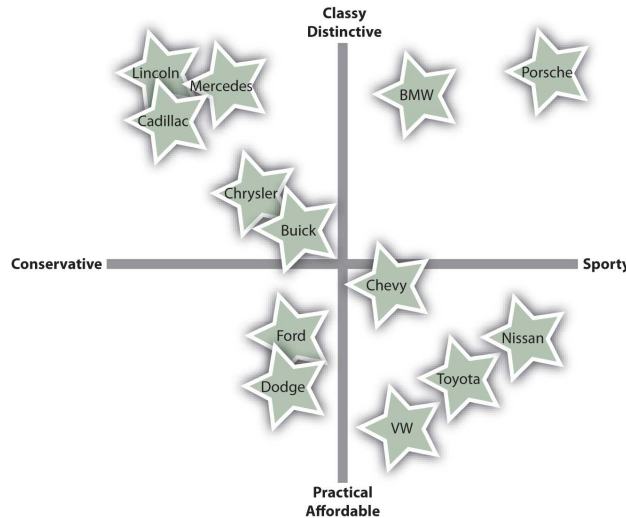
- Local marketing
 - Cities, Neighborhood or Stores
- Individual marketing
 - Customization of products

Choosing a Target market depends on:

- Company resources
- Product variability
- Product life-cycle stage
- Market variability
- Competitor's marketing strategies

IV. Positioning

- **Product position** is the way the product is defined by consumers on important attributes—the place the product occupies in consumers’ minds relative to competing products
 - Perceptions
 - Impressions
 - Feelings
- **Perceptual positioning maps** show consumers perceptions of their brands versus competing products on important buying dimensions.



- Identifying a set of differentiating competitive advantages upon which to build a position
 - Choosing the right competitive advantages
 - What is the USP?
 - Selecting an overall positioning strategy
- THEN
- Effective Product

III. Differentiation

Competitive advantage is an advantage over competitors gained by offering greater customer value, either through lower prices or by providing more benefits that justify higher prices

- Identifying a set of possible competitive advantages to build a position by providing superior value from:

- Product differentiation
- Service differentiation
- Channel differentiation
- People differentiation
- Image differentiation

- **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

Choosing the right Competitive Advantage



- The **Value Proposition** is the full mix of benefits upon which a brand is positioned

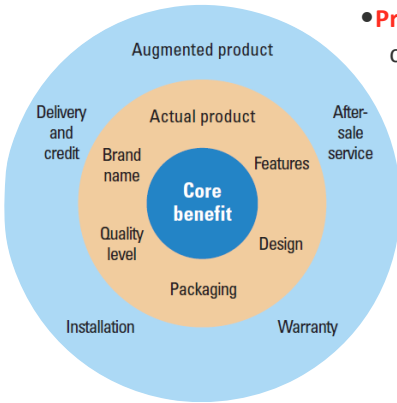
		Price		
		More	The same	Less
Benefits	More	More for more	More for the same	More for less
	The same			The same for less
	Less			Less for much less

IV. Positioning

- A **positioning statement** summarizes the company or brand positioning:
 - “To (target segment and need) our (brand) is (concept) that (point of difference).”

Chapter 9: Product, services, and Brands Building Customer Value

I. What is a Product?



- **Product** is anything that can be offered in a market for attention, acquisition, use, or consumption that might satisfy a need or want
- **Services** are any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything
- **Experiences** represent what buying the product or service will do for the customer

Actual Product= (tangible) Turn the core benefit into an actual product.

Augmented product= Things you can offer to your consumer (non tangible).

Product classification= Consumer Products / Business Products

A. **Consumer Product**= Products and services for personal consumption

- **Convenience Product**= consumer products and services that the customer usually buys frequently, immediately, and with a minimum comparison and buying effort
- **Shopping products**=consumer products and services that the customer compares carefully on suitability, quality, price, and style
- **Specialty products**=consumer products and services with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort
- **Unsought products**=consumer products that the consumer does not know about or knows about but does not normally think of 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

B. **Business Product**= are products purchased for further processing or for use in conducting a business

- Capital: **capital items**= industrial products that aid in the buyer’s production or operations
- **Material and parts**=include raw materials and manufactured materials and parts usually sold directly to industrial users.
- **Supplies and services**= include operating supplies, repair and maintenance items, and business services

II. Organizations, Persons, Places, and Ideas

- **Organization marketing** =activities undertaken to create, maintain, or change attitudes and behaviour of target consumers toward an organization
 - Corporate image advertising.
- **Person marketing** =activities undertaken to create, maintain, or change attitudes and behaviour of target consumers toward particular people
- **Place marketing** =activities undertaken to create, maintain, or change attitudes and behaviour of target consumers toward particular places
- **Social marketing** = use of commercial marketing concepts and tools in programs designed to influence individuals' behaviour to improve their well-being and that of society

III. Product and Service Decisions



A. Product attributes= the benefits of the product or service

- **Quality level** is the level of quality that supports the product's positioning
 - **Total Quality Management (TQM)** is an approach in which all the company's people are involved in constantly improving the quality of products, services, and business processes.
 - **Conformance quality** is the product's freedom from defects and consistency in delivering a targeted level of performance
- Features
 - Product features** are a competitive tool for differentiating a product from competitors' products
 - Product features are assessed based on the value to the customer versus the cost to the company
- Style and design:
 - **Style** describes the appearance of the product
 - **Design** contributes to a product's usefulness as well as to its looks
 - Starts with a deep understanding of customer needs

B. Branding:

- **Brand** is the name, term, sign, or design—or a combination of these—that identifies the maker or seller of a product or service
 - Brand say something about product quality & consistency.
 - Helps a company segment a market
 - Customers attach meanings to brands & develop brand relationships.
- **Brand equity** is the differential effect that the brand name has on customer response to the product and its marketing.

C. Packaging= involves designing and producing the container or wrapper for a product

- Traditionally, it is made to protect the product
- Must now perform sales tasks
 - Attracting attention
 - Describing product
 - Making the sale

D. Labeling

Labels identify the product or brand, describe attributes, and provide promotion

- Who made it
- Where it was made
- When it was made
- Its content
- How is it to be used
- How to use it safely

E. Product Support Services= Product support services augment actual products

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

Product line length is the number of items in the product line

- Line stretching
 - Adding higher end/lower end products to it's current lines.
- Line filling
 - Adding more items to the existing line

Product mix consists of all the products and items that a particular seller offers for sale

- Width
 - Number of product lines a company carries
- Length
 - Total number of products a company carries
- Depth
 - Total number of versions offered of each products

IV. Branding Strategy

- Brand positioning will be done according to:
 - Product attributes
 - Least desirable for marketers – easily imitable
 - Product benefits
 - Association between name and benefit
 - i.e. Nike = performance
 - i.e. Volvo = safety
 - Product beliefs and values
 - Creating emotions around the brand – brand attachment
 - Passion, surprise, & excitement around the brand

➔ When choosing a brand name



A. National Brands

- **National brands (manufacturer's brands)** are created by the manufacturer
 - When a manufacturer sells its output under its own name.

B. Store Brands

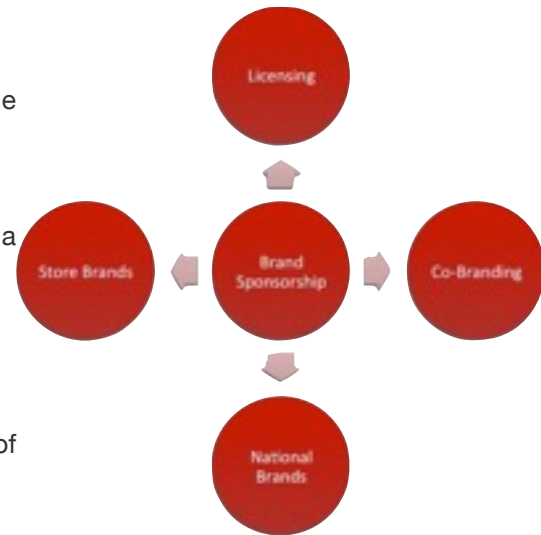
- **Store brands (private brands)** are brands created and owned by a reseller of a product or service

C. Licensing

- **Licensing** uses previously created names or symbols for a fee
 - Renting out a name to add to one's product

D. Co- Branding

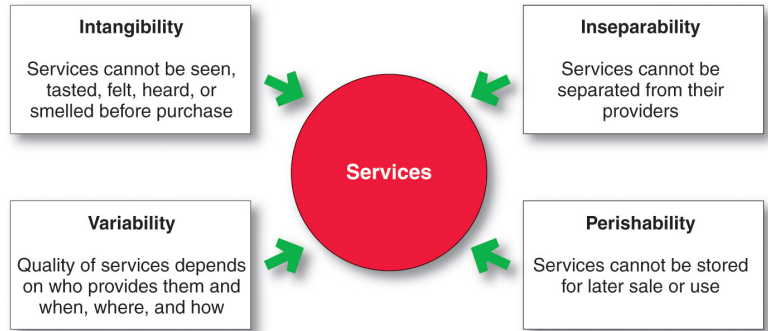
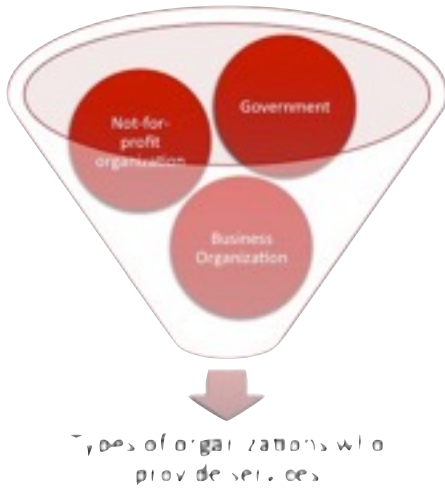
- **Co-branding** is the practice of using the established brand names of two different companies on the same product



		Product category	
		Existing	New
Brand name	Existing	Line extension	Brand extension
	New	Multibrands	New brands

- **Line extension** involves extending an existing brand name to new forms, colours, sizes, ingredients, or flavours of an existing product category
- **Brand extension** involves extending an existing brand name to new product categories
- **Multibrands** are additional brands introduced in the same product category
- **New brands** are brands created when entering a new product category for which none of the current brand names are appropriate

V. Services Marketing



In addition to traditional marketing strategies, service firms often require additional strategies



A. **Service-profit chain** links service firm profits with employee and customer satisfaction

- Internal service quality
- Satisfied and productive service employees
- Greater service value
- Satisfied and loyal customers
- Healthy service profits and growth

B. **Internal marketing** means that the service firm must orient and motivate its customer contact employees and supporting service people to work as a team to provide customer satisfaction

- Internal marketing must precede external marketing

C. **Interactive marketing** means that service quality depends heavily on the quality of the buyer-seller interaction during the service encounter

- Service differentiation
- Service quality
- Service productivity

- **Managing service differentiation** creates a competitive advantage from the offer, delivery, and image of the service
 - **Offer** can include distinctive features
 - **Delivery** can include more able and reliable customer contact people, environment, or process
 - **Image** can include symbols and branding
- **Managing service quality** provides a competitive advantage by delivering consistently higher quality than its competitors
- Service quality always varies depending on interactions between employees and customers
- Managing service productivity refers to the cost side of marketing strategies for service firms
 - Employee recruiting, hiring, and training strategies
 - Service quantity and quality strategies