

# 1) Marketing: Creating and Capturing Customer Value

## What is Marketing?

[D] The process by which companies create value for customers and build strong consumer relationships in order to capture value from customers in return.

Satisfying consumers' needs and wants in socially responsible and ethical ways; managing profitable consumer relationships.

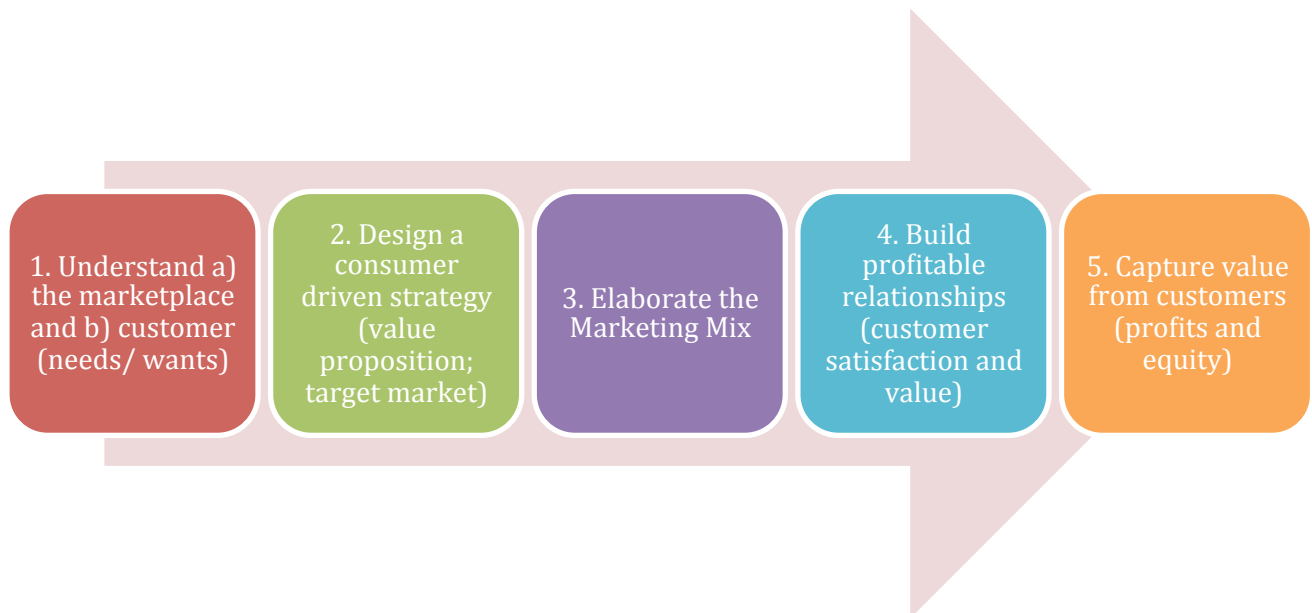
Marketing aims to **create, communicate, deliver and exchange** offerings to satisfy consumers' needs and wants

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## The Marketing Process

Marketers want to be part of your life and enrich your experiences with their brands – to help you *live* their brands.

- The first 4 steps companies work to understand consumers, create customer value, and build strong customer relationships
- Last step companies reap the rewards of creating superior customer value



### 1: Understand a) the Marketplace and b) Customer Needs/Wants

Five core concepts:

1. Markets: a set of actual and potential buyers of a product.
    - The buyers share a particular need or want that can be satisfied through exchange relationships
  
  2. Market offerings: are offered to a market to satisfy a need or want.
    - It includes products, information or experiences (vacation) and services (banking).
    - PISE - Product, Information, Services, Experiences
  
    - Not limited to physical products, include: people places, organizations, information, and ideas
  
  3. Needs, wants, and demands:
    - Needs** are states of felt deprivation and include:
      - Physical needs (foods clothes, warmth, and safety)
      - Social needs (belonging and affection)- connecting with others or being loved
      - Individual needs (for knowledge and self-expression)
  
    - Wants** are needs shaped by society, culture and individual personality.
      - Preferring tea over coffee in the morning
  
    - Demands** are human wants backed by buying power
      - I have money to buy Coke
  
  4. Value and satisfaction: consumers face a broad array of products and services that might satisfy a need. Key building blocks for developing and managing customer relationships.
    - Marketing Myopia: focusing only on existing *wants* and losing sight of underlying consumer *needs*.
  
  5. Exchanges and relationships:
    - Exchange** is the act of obtaining a desired object from someone by offering something in return. Goal = retain, how = relationships
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## 2: Designing a Customer-Driven Marketing Strategy

Customer-driven marketing usually works well when **a clear need exists**; and customers **know what they want**

What customers will we serve?

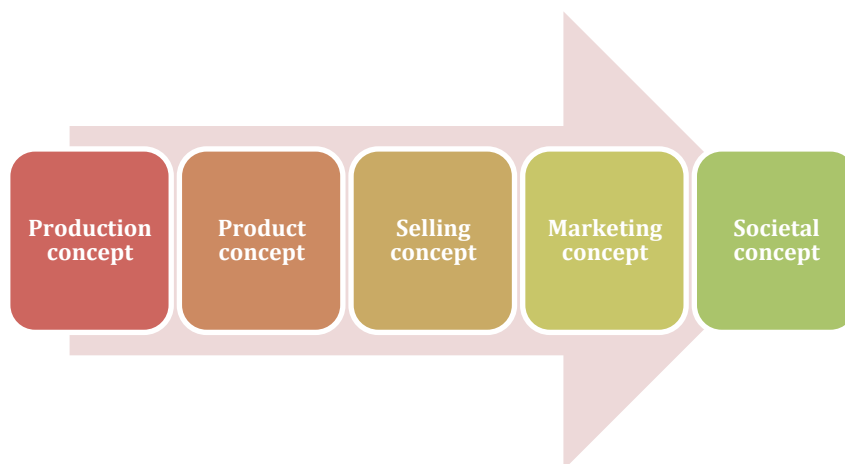
- Market segments
- Target market

How can we serve these customers best?

- Choose a customer value proposition: the set of benefits or values it promises to deliver to consumers to satisfy their needs
  - How will you differentiate and position yourself in the market place?

### Marketing Management Orientations

Marketing Management: the art and science of choosing target markets and building profitable relationships with them



Production concept:

- Focus on availability and affordability
- Management focuses on improving **production** and **distribution** efficiency
- Economies of scales and production focus

Managers' main interests: achieving high production efficiency, low costs, mass distribution.

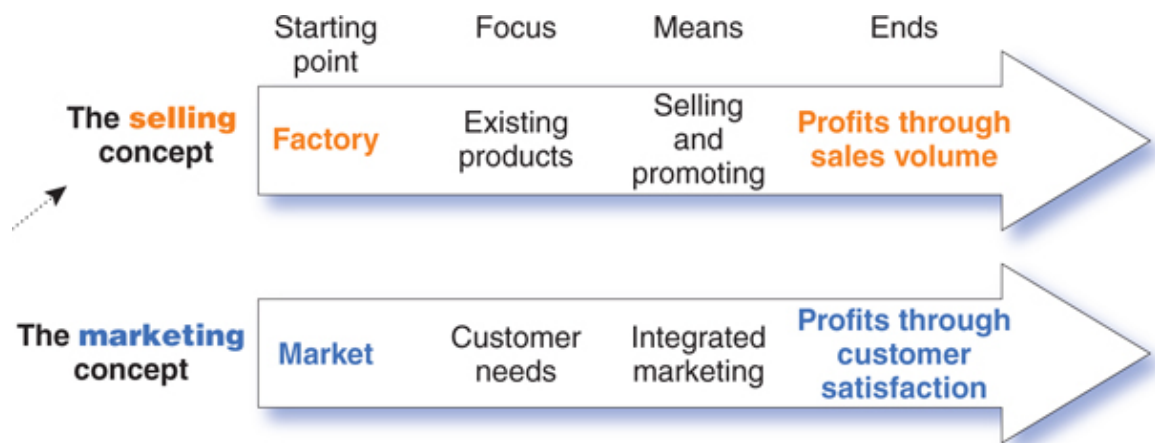
Selling concept:

- Focus on selling

- Consumers will not buy enough of the firm's products unless it undertakes a large scale selling and promotion effort
  - Focus on creating sales transactions rather than on building long-term relationships (unsought goods, such as insurance, encyclopedia).

Marketing concept:

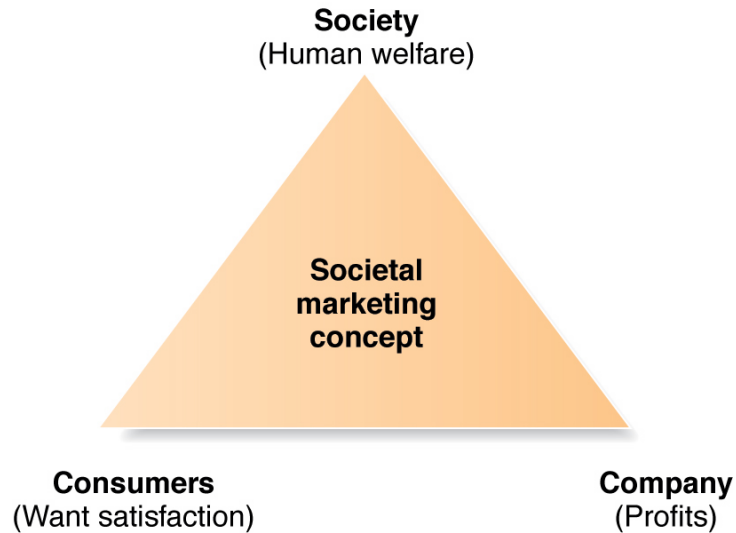
- Build profitable long term relations with customers
- Create customer value and maintain customer satisfaction
  - Outside-in perspective: need to find right product for your consumers
    - Survey and market research
    - Product testing
    - Customer data



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Societal marketing concept:

- Do marketing in a way that improves both consumers' and society's well-being = *sustainable marketing*
  - Establish a balance between consumer short-term wants and long-run welfare
  - The three areas of consideration that should be balanced in the societal marketing concept are consumer wants, society's interests, and company profits
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### 3: Preparing a Marketing Plan and Program

The Marketing Mix: set of tools (four Ps) the firm uses to implement its marketing strategy

- 4Ps = Product, Price, Promotion, and Place
- Build customer relationship by transforming the marketing strategy into action

How? Using all previous elements:

- An understanding of the market and consumer's needs and wants
  - Market segments and target market
  - Value proposition
  - Marketing Management Orientation
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### 4: Building Customer Relationships

There are two ways to sustain in a business: **building a customer base** (getting new customers) or **maintaining current customers** (customer retention)

Customer lifetime value: value/profit earned from a customer over time

Customer Relationship Management (CRM): maintaining profitable customer relationships by delivering superior customer value and satisfaction

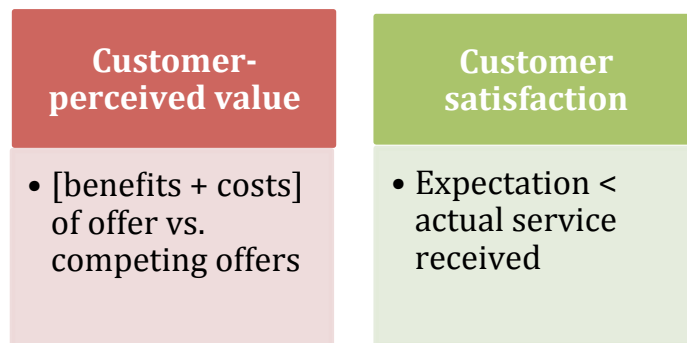
- Focuses on acquiring, keeping, and growing customer basis
- The ultimate aim of customer relationship management is to produce *customer equity*
  - > Customer equity: total combined *customer lifetime values* of all of the company's customers (measurement of future performance)

Loyal customers → higher customer equity, willing to pay higher prices

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## 5. Capturing Value from Customers

Creating loyalty and retention (keep buying from you)



Customer-perceived value: the evaluation of the difference between all the benefits and all the costs of a market offering relative to those of competing offers

Customer satisfaction: the extent to which a product's perceived performance matches a buyer's expectations (lowering prices to increase satisfaction)

## The Changing Nature of Customer Relationships

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

1

•Understand what is marketing.

2

•Identify and elaborate on the five marketing process elements.

3

•Identify and discuss the key elements of a customer-driven market strategy.

4

•Identify the five market orientations and how they differ.

## 2) Company and Marketing Strategy: Partnering to Build Customer Relationships

Organizations: Legal entity of people who share a common **mission** that motivates them to develop **offerings** that satisfy consumer needs and wants and **create value** for the organization, customer, and society.

Two types of organizations:

1) Businesses: privately owned for profit organizations

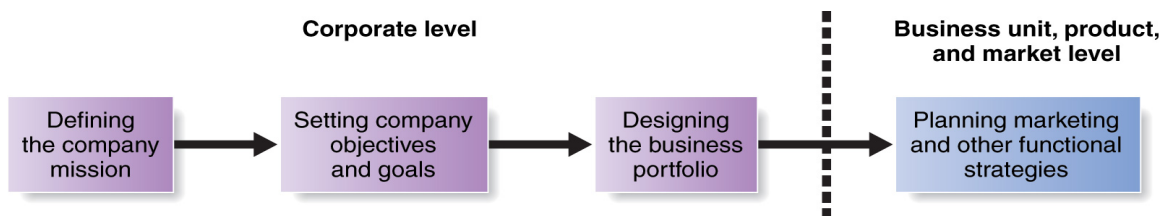
2) Non-profit organizations: non-governmental organizations (NGOs) that serve customers; do not have profit as an end-goal

### Companywide & Marketing Strategic Planning: Defining the Role of Marketing

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

- Developing an overall company strategy for long-term survival and growth.
- Strategic plan sets the basis of annual and long-range plans

### The Strategic Marketing Process



### 1. Defining the Company Mission

**Mission Statement:** a statement of the organization's purpose, what it wants to accomplish in the larger environment

Should be meaningful and specific, but motivating

Should emphasize the company's strengths and weaknesses

Gives a clear purpose and direction - keeps the organization on track

For example,

### Amazon's mission

To be earth's most customer centric company; to build a place where people can come to find and discover *anything they might want to buy online*

## **2. Setting Company Objectives and goals**

The mission is then turned into detailed supporting **objectives** for each level of management.

For example,

e.g. Amazon's mission:

to build a place where people can come to find and discover *anything they might want to buy online*

Amazon's overall objective:

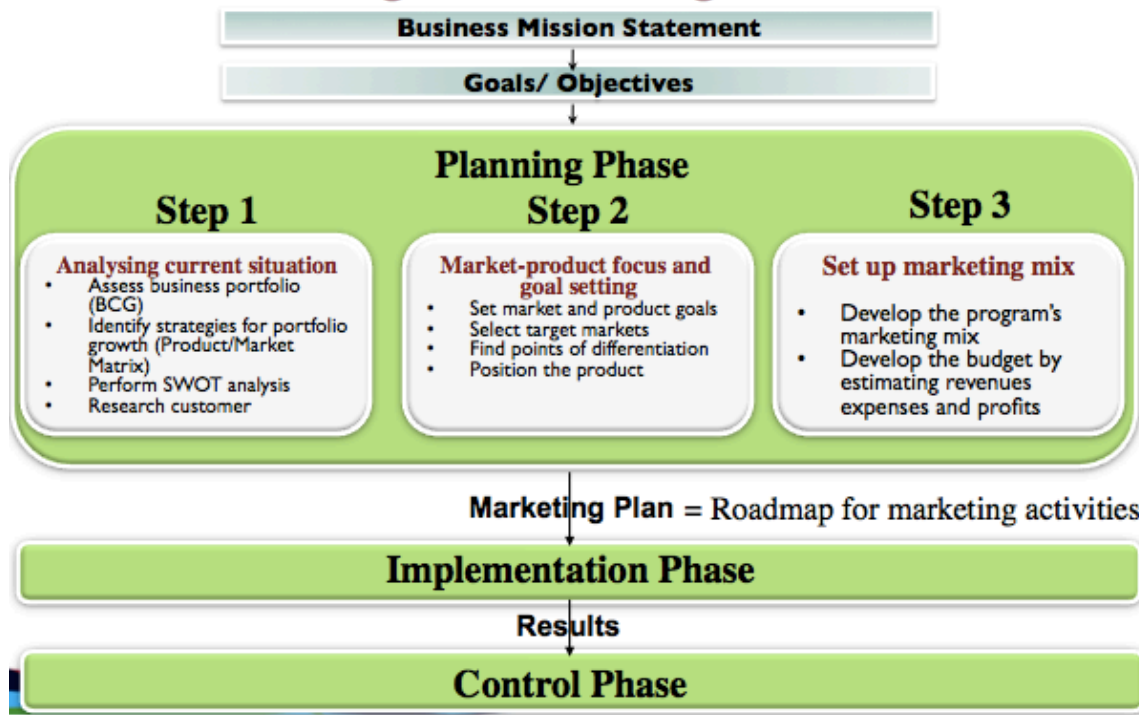
To discover products that customers might want to buy online and to make them available online in a way that the Internet buying experience is faster, easier, and more enjoyable

SMART!

- Specific – precise description
- Measurable – quantitative value
- Attainable – achievable and challenging
- Relevant – to the organization's mission
- Time-based – deadline for completion

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# The Strategic Marketing Process



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## PLANNING PHASE

### Step 1: Analyzing Current Situations

Steps:

- 1.1 Assess business portfolio (BCG)
  - 1.2 Identify strategies for portfolio growth (Product/Market Matrix)
  - 1.3 Perform SWOT analysis
- Research customer

#### 1.1. Assess the Business Portfolio (Boston Consulting Group (BCG) Matrix)

Business Portfolio: the collection of businesses and products that make up the company. Fits the company's strengths and weaknesses to opportunities in the environment. Helps you decide:

- Which SBUs to keep and which to drop
- How to allocate money

- Strategies for growth and downsizing the business portfolio
- Boston Consulting Group matrix

### **Boston Consulting Group (BCG) Matrix**

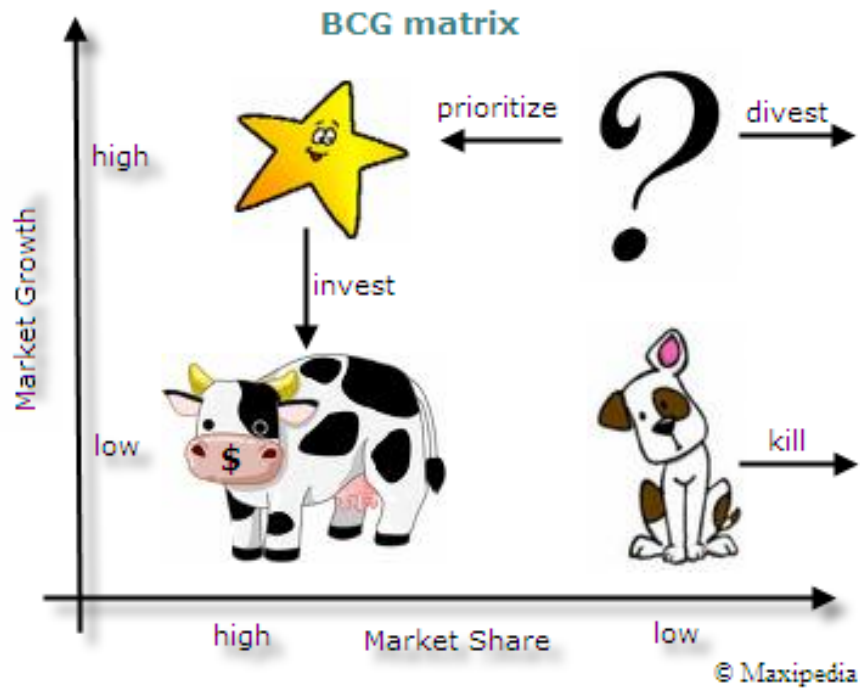
Growth-Share Matrix: a portfolio-planning method that evaluates a company's strategic business units in terms of its market growth rate and relative market share.

- Strategic Business Units (SBUs): classified as stars, cash cows, question marks, or dogs. (each SBU has a separate mission and objectives)



Each matrix element differs in terms of:

1. Place on the matrix
2. Investment required/consumer awareness
3. Options for the future



- Stars: Heavy investments for rapid growth (require lots of cash and will turn into cash-cows)
- Cash Cows: low-growth, high-share businesses or products require less investment to hold market, generate strong cash flow to pay for other SBU's)
- Question Marks: low-share business units in high-growth markets (need a lot of cash, have potential to become starts)
- Dogs: low-growth, low-share businesses and products (generate enough cash to maintain themselves but do not promise to be large courses of cash).

**Four basic strategic options for the company's future growth:**

1. Build
2. Hold
3. Harvest
4. Divest

Problems:

- Time consuming
- Define and measure SBU

- Measure market growth
- Present vs. Future

Solution:

Need to consider additional factors → product/market expansion grid

**1.2. Developing Strategies for Portfolio Growth (Product/Market Matrix)**

**Ansoff’s Product-Market Expansion Grid**

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

MARKETS	PRODUCTS	
	Current	New
Current	<p><b>Market Penetration</b></p> <ul style="list-style-type: none"> <li>• Selling more products in existing markets</li> <li>• No product change</li> </ul>	<p><b>Product Development</b></p> <ul style="list-style-type: none"> <li>• Selling new products in existing markets.</li> </ul>
New	<p><b>Market Development</b></p> <ul style="list-style-type: none"> <li>• Selling existing products in new markets</li> </ul>	<p><b>Diversification</b></p> <ul style="list-style-type: none"> <li>• Selling a new product in new markets. <ul style="list-style-type: none"> <li>• <i>Related vs. unrelated diversification</i></li> </ul> </li> </ul>

Market penetration: a strategy for company growth by increasing sales of current products to current markets segments without changing the product

Opening more outlets in a predefined region

Increase usage level/purchase quantity (e.g. Michelin)

Market development: a strategy for company growth by offering modified or new products to current company products

- International market

- Product image / distribution channel

Quiz #1: Selling the product online is reaching more people - might -- but it is not a market development because if you sell the tent online but at rockclimbers.com then you reach the same target market with the same product -- this is market penetration (more of the same to the same people). So a good answer would be selling the same tent but market it for campers (new target market) or in China (new geographical location).

Product development: a strategy for company growth by offering modified or new products to current market segments

- Add new features; Different combination of quality and price; New product introduction

Diversification: a strategy for company growth through starting up or acquiring businesses outside the company's current products and markets

- Diversification into familiar business rather than into unfamiliar business

Quiz #1: There is a need to change both the product and the target market. Hence making solar panels for home owners.

### 1.3. SWOT Analysis

- Research present and future customers
- Assess own company (e.g., competencies)
- Help identify industry trends
- Analyzes competition
- Can be done at the *organization, business unit, product line, or product level*

#### **Internal:**

1) Strengths: Internal capabilities that may help a company reach its objectives

2) Weaknesses: Internal limitations that may interfere with a company's ability to achieve its objectives

#### Production Costs

- Marketing Skills
- Employee Capabilities

- Financial Resources
- Firm's Technology
- Company/Brand Image
- Etc.

\*Build on strengths and correct weaknesses

**External:**

3) Opportunities: External factors that the company may be able to exploit to its advantage

4) Threats: current and emerging external factors that may challenge the company's performance

- Social
- Economic
- Technological
- Competitive
- Regulatory

\*Exploit opportunities and avoid a disaster-laden threats

\*Macro-environmental factors

iWatch in class example

S: Company image, reliable, financial resources

W: Style, need to charge battery, price

O: Room for improvements, able to expand to more retailers

T: Competition, android watch, luxury brands

PLANNING PHASE

**Step 2: Marketing Strategy**

Which products will be directed toward which customers?

(The *What and Who* of the strategic marketing process)

Steps:

- 2.1 Set market and product goals
- 2.2 Select target markets
- 2.3 Find points of differentiation
- 2.4 Position the product

## 2.1 Set Market and Product Goals

Set market and product goals to increase new-product success

## 2.2 Select Target Markets

- 1. People who have similar needs
- 2. People who will respond similarly to marketing actions

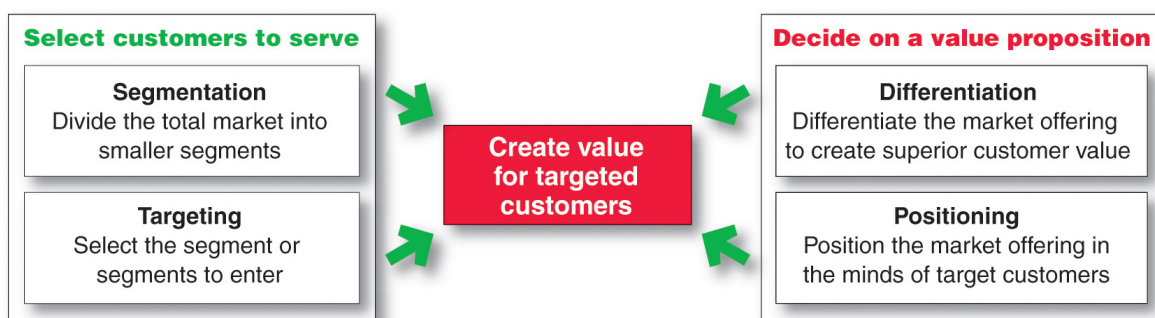
## 2.3 Find Points of Differentiation

- 1. Characteristics of a product that make it superior to competitive substitutes

## 2.4 Position the Product

How is your product different in consumer's mind?

\*Most companies are in a position to serve some segments better than others.




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## PLANNING PHASE

### Step 3: Set up the Marketing Mix

Steps:

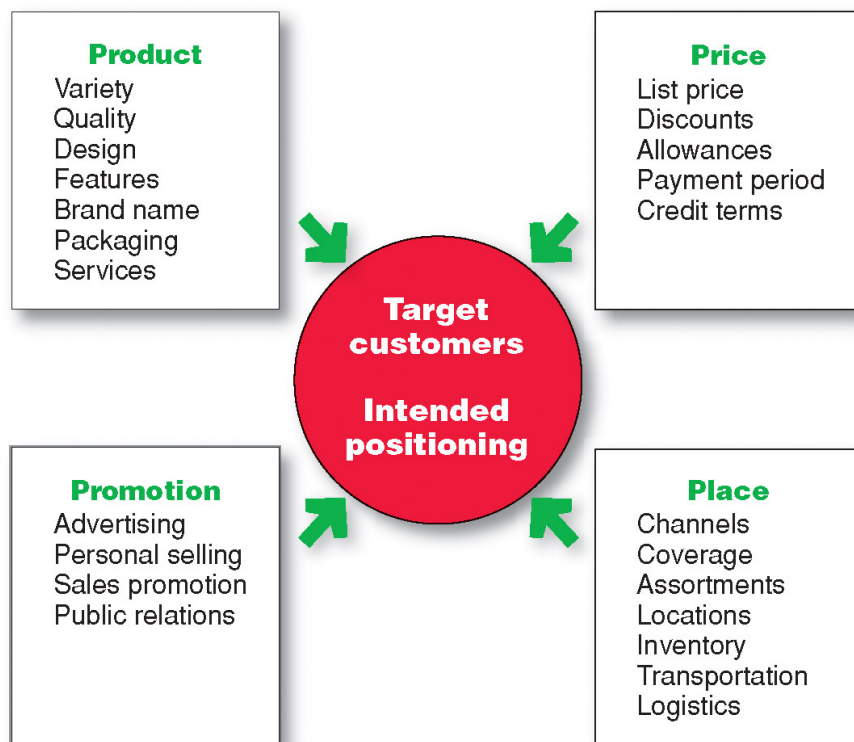
3.1 Develop the program's marketing mix

3.2 Develop the budget by estimating revenues expenses and profits

### 3.1 Develop the Program's Marketing Mix

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.

(The **How** of the strategic marketing)



Product: the goods-and-services combination the company offers to the target market

Price: the amount of money customers must pay to obtain the product

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

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## Implementation Phase and Control Phase

Implementation Phase:

- Obtain Resources
- Design Marketing Organization
- Develop Schedules
- Execute Marketing Program

Control Phase:

- Compare results with marketing plan
- Exploit positive deviations
- Act on negative deviations

1

•Describe how core values, mission, business and goals/ objectives are important to an organization

2

•Understand, apply, and perform **Business Portfolio Analysis**

3

•Understand, apply, and perform **Market-Product Analysis** (expansion grid)

4

•Understand, apply, and perform **SWOT analysis**

### 3) Analyzing the Marketing Environment

#### Environmental Scan: Micro-Environment

Micro-Environment: the actors close to the company that affect its ability to serve its customers.

- The company, competitors, suppliers, marketing intermediaries, customers, and publics

The company:

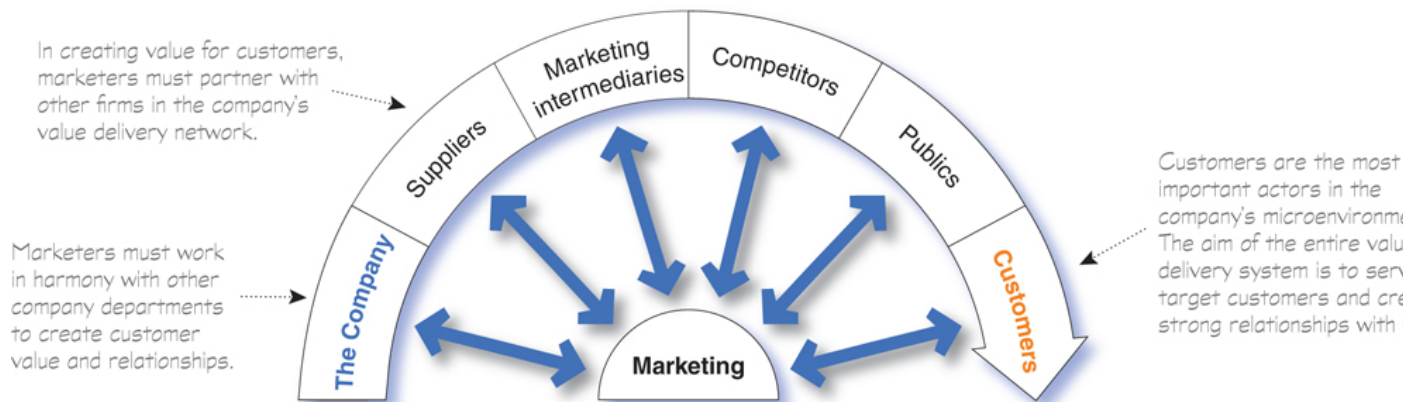
- Management, finance, research & development, purchasing, manufacturing, accounting, and human resources
- Each department will have their own objectives

Suppliers:

- Companies which provide the resources needed
- Marketing managers need to monitor supply availability, pricing, and quality

Customers:

- Consumer, business, reseller, government, and international markets



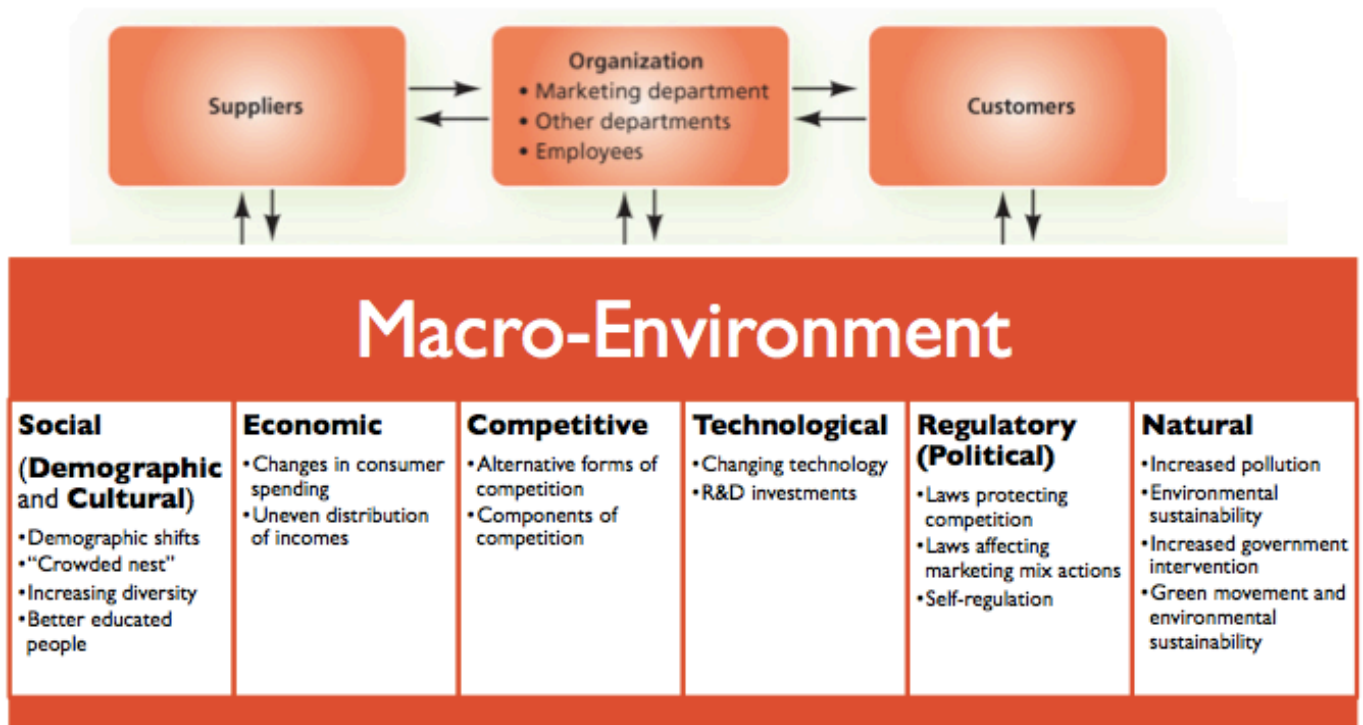
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#### Environmental Scan: Macro-Environment

Macro-Environment: larger, societal forces that affect the organization's microenvironment

- Affect management's ability to develop and maintain successful relationships with target customers → Opportunities and Threats (successful companies need to watch and adapt to changing environment)



## Environmental Scan

Social (Demography & Culture) Forces: the study of human populations.

- Aging, obesity, eco-consciousness, increasing diversity and preference for new flavours and the growing diversity of the Canadian population.
  - Trends of interest: changing age structure of the Canadian population

Economic Forces: Economic factors that affect consumer buying power and spending patterns.

- Gross income, changes in consumer's spending (recession) and income distribution.

Technological Forces: That create new technologies, creating new product and market opportunities

- Increase use of digital technology and nanotechnology, investment in R&D required.

Competitive: Alternative forms of competition

- How competitive is the environment in which the product evolves?

Regulatory (Political): laws, government agencies, and pressure groups

- Protection of Consumers and Competition

- The Competition Act
  - [D] Aimed at preventing anti-competitive practices in the market place
- Regulatory Forces
  - [D] An alternative to government control where an industry attempts to police itself.
- Consumerism
  - [D] A grassroots movement started in 1960s to increase the influence, power, and rights of consumers in dealing with institutions.

Natural environment: natural resources that are needed as inputs by marketers or that are affected by marketing activities

- Shortage of raw materials
- Increased pollution
- Increased government intervention
- Green movement and environmental sustainability

- 1 • Explain the importance of environmental scanning
- 2 • Explain the micro-environmental factors and how they affect a company.
- 3 • Describe how social, technologic, economic, competitive, and regulatory forces affect consumers and marketers.
- 4 • Understand how environmental scanning is linked with SWOT analysis.

# 5) Managing Marketing Information to Gain Customer Insights

## Marketing Information and Customer Insights

Consumer Insight: fresh and deep insights into customers needs and wants derived from marketing information

- Difficult to obtain: not obvious
- They don't need more information but *better information* and more effective use of existing information

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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
  
- A **good** MIS balances the information users would like to have against what they need and what is feasible to offer

## Components of the Marketing Information System

Marketers obtain information from the following:



Internal databases: electronic collections of consumer and market information obtained from data sources **within the company's network**

Can come from:

- Accounting dept: Financial statements (Sales, costs, and cash flows)
- Operations dept: Production schedules, shipments, and inventories
- Sales forces: reseller reactions and competitor activities

Advantages and Disadvantages

- Can be accessed more quickly and cheaply
- May be incomplete or in the wrong form
- Keeping the database current is expensive

Marketing intelligence: the systematic collection and analysis of publically available information about consumers, competitors and development in the marketplace.

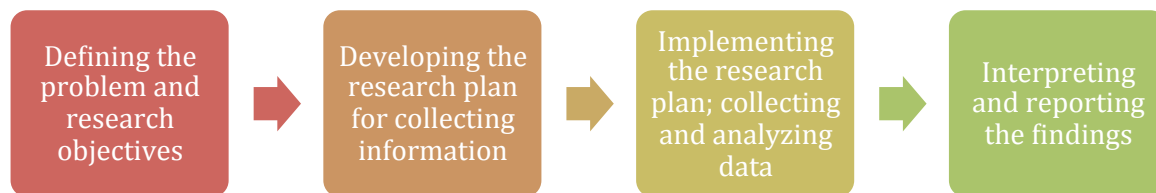
- Goal is to improve strategic decision making by understanding the consumer environment
- Sources: employees, customers, trade shows, websites, marketing communications, suppliers and resellers.

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

- Gives insight into customer motivations, purchase behaviour, and satisfaction (helps know what you are looking for (secondary data))

### **Components of the Marketing Information Systems: Marketing Research Process**



#### **Step 1: Defining the Problem and Research Objective**

This is often the hardest step in the research process.

- Manager may know that something is wrong without knowing the specific causes.
- Problems: new advertisement, price increase, etc.
  - In the case of Dove, Unilever began with a broad problem statement: “How do women themselves define beauty?”

### **Types of research designs and research objectives**

After the problem has been defined carefully, the manager and the researcher must set the research objectives:

1. Exploratory research: marketing research to gather preliminary information that will help define problems and suggest hypothesis (look at consumer, qualitative)

- Objective: discovery of ideas and insights

2. Descriptive research: marketing research to better describe marketing problems, situations, or markets (quantitative)

- Objective: determining the frequency with which something occurs or the relationship between two variables
- e.g., Potential market size, Consumer demographics and attitudes

3. Causal research: marketing research to test hypothesis about cause-and-effect relationships (does A cause B).

### **Step 2: Developing the Research Plan for Collecting Information**

Translating the research objectives into specific information needs

Outlines sources of existing data and spells out the specific research approaches, contact methods, sampling plans.

- Determine what information is needed
- Plan how to gather this information

### **Secondary Data Collection**

Secondary data: consists of information that already exists somewhere, having been collected for another purpose

- Advantages: A good starting point for research,
- Disadvantages: Researchers can rarely obtain all the data they need from secondary sources or can be out of date

Primary Data: gathered for a specific purpose or specific research project.

### **Research Approaches**

Research approaches for gathering primary data include observational, surveys and experiments:

Observational research: involves gathering primary data by observing relevant people, actions, and situations.

- Advantages and Disadvantages:
  - Good for exploratory research
  - Can obtain info that people are unwilling or unable to provide

Ethnographic research: involves sending trained observers to watch and interact with consumers in their natural environment.

Survey research: gathering primary data by asking people questions about their knowledge, attitudes, preferences, and buying behaviour

- Advantages and Disadvantages
  - Good for descriptive research and flexible
  - People may be unable or unwilling to answer.

Experimental research: best for gathering primary data by selecting matched groups of subjects, giving them different treatments, controlling other factors and checking for differences in group responses (cause-and-effect relationships).

- In fact, we are never able to perfectly prove X causes Y because, it's difficult to satisfy the conditions of causality

### **Marketing Research strengths and weaknesses of contact methods**

Information can be collected by mail, telephone, personal interview, or online.

	Mail	Telephone	Personal	Online
Flexibility	Poor	Good	Excellent	Good
Quantity of data collected	Good	Fair	Excellent	Good
Control of interviewer effects	Excellent	Fair	Poor	Fair
Control of sample	Fair	Excellent	Good	Excellent
Speed of data collection	Poor	Excellent	Good	Excellent
Response rate	Poor	Poor	Good	Good
Cost	Good	Fair	Poor	Excellent

## Contact Methods

Focus groups: personal interview that involves inviting 6 to 10 people to gather for a few hours with a trained interviewer to talk about a product, service or organization.

- Difficult to generalize from the results
- More freedom in discussion → Higher interviewer bias

Online Marketing Research: collecting primary data online through internet surveys, online focus groups, web-based experiments or tracking consumer's online behaviour.

- Advantages: low cost, speed and higher response rates
- Disadvantages: restricted internet access and not sure who is answering

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

- Who should be surveyed?
  - Decide what information is needed and who is most likely to have it
- How should they be chosen?
  - Probability sampling vs. nonprobability sampling
- How many should be surveyed?
  - Population size affects sample size

## Marketing Research: Research Instruments

### Questionnaire

Administered in person, by phone, or online

- Most common
- Flexible
- Research must be careful with wording and ordering of questions

Closed-ended questions: include all possible answers, and subjects make choices among them.

- Provide answers that are easier to interpret and tabulate
- Multiple choice or scale questions

Open-ended questions: useful when researchers are interested in what people think rather than how many people think in a certain way (own words)

- Useful in exploratory research
- 

### Step 3: Implementing the Research Plan

Researcher puts the marketing plan research into action and this involves:

**Collecting the information**

**Processing the information**

**Analyzing the information**

**Interpret findings**

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## Step 4: Interpreting and Reporting the Findings

The market researcher must now interpret the findings, draw conclusions and report to management.

**Draw conclusions**

**Report to management**

### Analyzing and Using Marketing Information

Customer Relationship Management (CRM): 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.

1

- Define the marketing information system and discuss its parts

2

- Outline the steps in the marketing research process

3

- Explain how companies analyze and use marketing information

4

- Discuss the special issues some marketing researchers face, including public policy and ethics issues

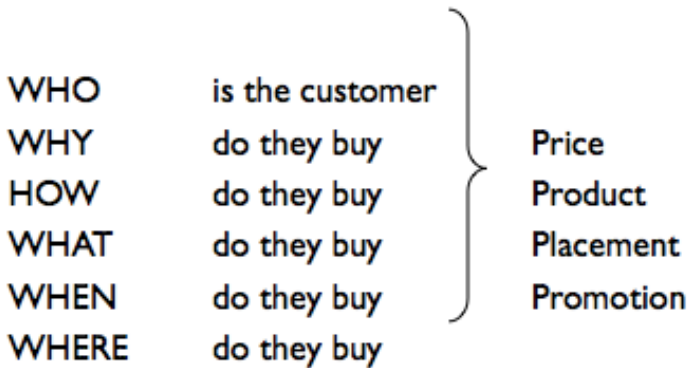
# 6) Consumer Markets and Consumer Buying Behaviour

## Understanding Consumer Behaviour

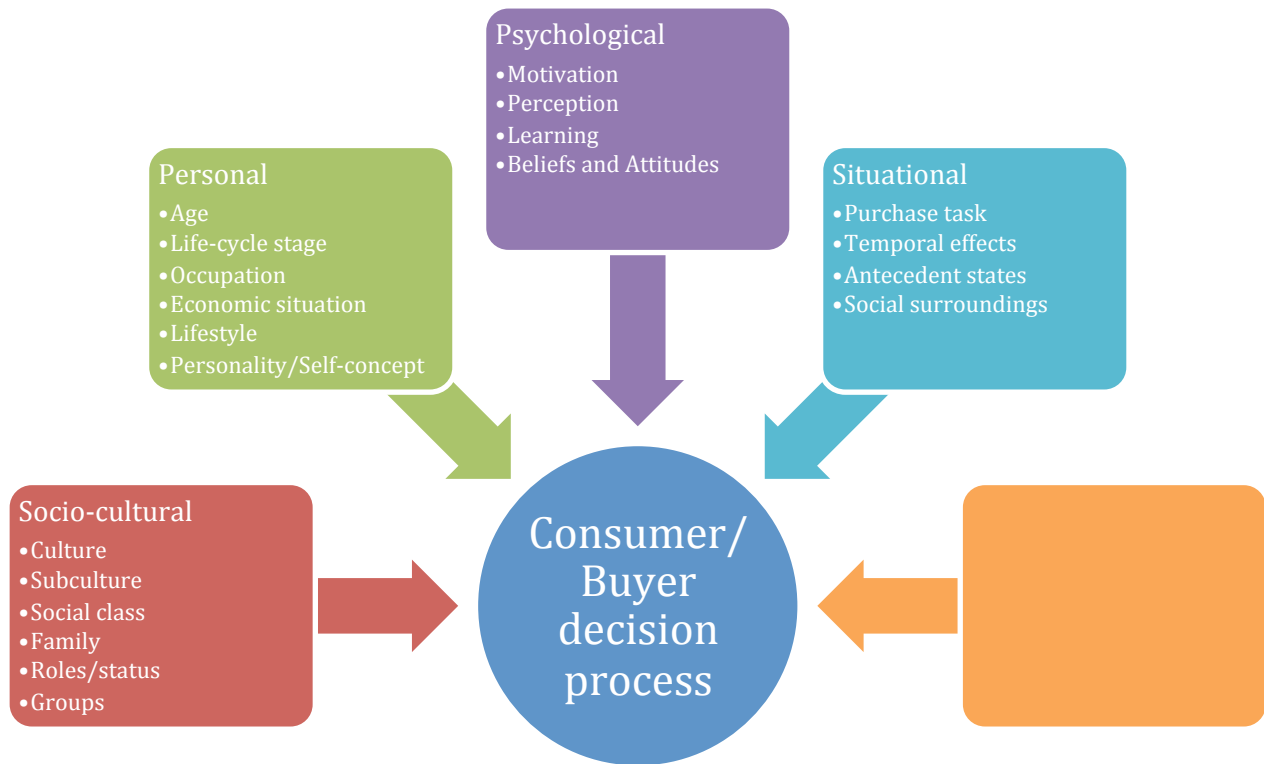
Consumer purchase behavior refers to the purchase behavior of final customers (individuals and households) that buy goods and services for personal consumption

Understanding **what** consumers do, and **why** they do it, is a vital first step towards being able to **predict** and ultimately **influence** the behavior.

## Important Consumer Behavior Questions



## Factors Affecting Consumer Behaviour



## 1) Social Factors

Culture: the set of basic values, perceptions, wants, and behaviors learned from family and other important institutions

- Cultural shift: discover new products that might be wanted. Ex: cultural shift toward greater concern about health and fitness created huge industry for exercise equipment and organic food

Subculture: groups of people within a culture with shared value systems based on common life experiences and situations.

- Ex: nationalities, religions, racial groups, and geographic regions.

Social Class: relatively permanent and ordered divisions in a society whose members share similar values, interests, and behavior

- Can be determined by a combination of occupation, income, education, and wealth

## Groups

A group is two or more people who interact to accomplish individual or mutual goals:

1) Membership groups: groups that have a direct influence and to which a person belongs

- JMSB student

2) Aspirational group: groups an individual wishes to belong to

- CEOs, doctors, MBA groups

3) Reference group: groups that serve as direct (face-to-face) or indirect points of comparison in forming a person's attitude or behavior.

\*The importance of group influence varies across products and brands depending on the visibility to others

Word-of-mouth: The personal words and recommendations of trusted friends, associates and other consumers tend to be more credible than coming from advertisements or sales people (powerful impact on consumer buying behavior)

Opinion Leader: people with a reference group who, because of special skills, knowledge, personality, or other characteristics, exerts social influence on others

- They are also called *influentials* or *leading adopters*.
  - Buzz marketing: enlisting or even creating opinion leaders to serve as “brand ambassadors” who spread the word about the company's product (when this person talks, people listen)

Online social networks: are **online communities** where people socialize or exchange information and opinions.

- blogs, social networking sites (Facebook), and virtual worlds (Second Life).

Family: Most important consumer-buying organization in society.

- Changes of women and men's role spending suggests that marketers in industries that have sold their products to only men or only women are now attracting the opposite sex.

Social roles and status: a persons position at work, role in family, friends, gender etc

- A **role** consists of the activities people are expected to perform according to those around them.

- People usually choose products appropriate to their role and status
- 

## **2) Personal Factors**

Age and Life-Cycle Stage: people change the goods and services they buy over their lifetimes

Age: tastes in food, clothes, furniture, and recreation are often age related

Life-Cycle Stage: life changing events such as marriage, having children, purchasing a home, divorce, children going to university and changes in personal income

Occupation: the type of work performed may affect the goods and services bought by consumers

- Blue collar versus white collar

Economic Situation: will also indirectly affect how much income is available, marketers watch trends in personal income, savings and interest rates

- Ex: after recession, Target offered “The Great Save” featuring low prices on a variety of products to counter the effects of the recession (youtube video shown in class of freaky old lady dancing in Target)

Lifestyle: a person’s pattern of living as expressed by their activities, interests, and opinions (AIO’s):

- **Activities**: work, hobbies, sports
- **Interests**: food, fashion, family
- **Opinions**: themselves, social issues, business

\*Lifestyle captures more than the person’s social class or personality, it profiles the person’s whole pattern of acting and interacting in the world

## **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: specific mix of human traits that may be attributed to a particular brand.

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

- Five brand personality traits: sincerity, excitement (apple), competence (CNN), sophistication (Gucci), and ruggedness (Jeep)

Self Concept: The idea is that peoples possessions contribute to and reflect their identities, “we are what we have” (also called self-image)

\* To understand consumer behavior, marketers must first understand the relationship between consumer self-concept and possessions

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### 3) Psychological Factors

Motivation

Perception

Learning

Beliefs and attitudes

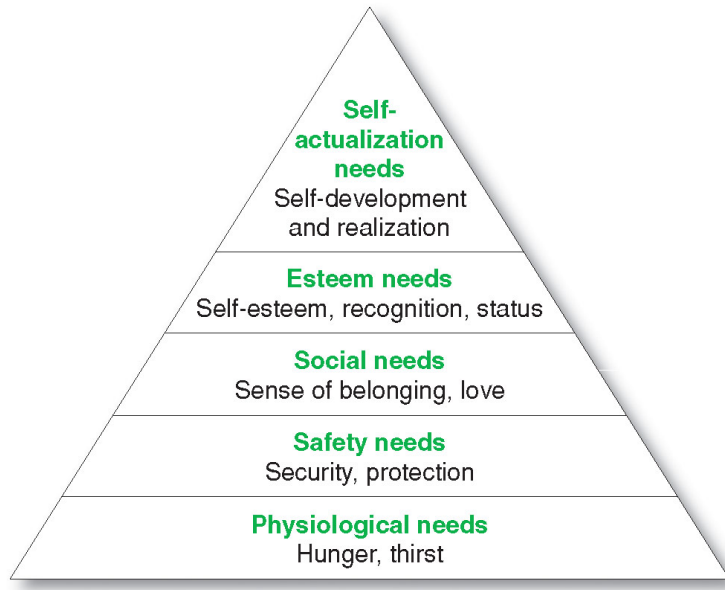
Motivation: a **motive** is a need that is sufficiently pressing to direct the person to seek satisfaction

#### **Maslow's Hierarchy of Needs**

A person tries to satisfy the most important need first. When that need is satisfied, it will stop being a motivator, and the person will then try to satisfy the next most important need.

Human motivation does not always follow this hierarchical structure

- Ex: consumers satisfy esteem needs by purchasing \$400 pair of designer jeans, while ignoring lower-order safety needs by not paying their rent



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 Exposure: the process of selecting inputs to be exposed to our awareness while ignoring others

Selective Distortion: an individual's changing or twisting of information when it is inconsistent with personal feelings or beliefs

Selective Retention: remembering information inputs that support personal feelings and beliefs and forgetting inputs that do not

Learning: is the change in an individual's behavior arising from experience and occurs through interplay of the following: drives, stimuli, cues, responses, and reinforcement

- Drive: strong internal stimulus that calls for action. A drive becomes a motive when it is directed towards a particular stimulus object

Beliefs and Attitudes:

- Belief: is a descriptive thought that a person has about something based on the following:
  - Knowledge
  - Opinion
  - Faith
- Attitudes: describe a person's relatively consistent evaluations, feelings, and tendencies toward an object or idea.
  - Attitudes are predispositions (they reside in the mind)

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#### 4) Situational Factors

Purchase task: e.g., is the purchase for you or somebody else?

Social surroundings: who else is present when the purchase is made?

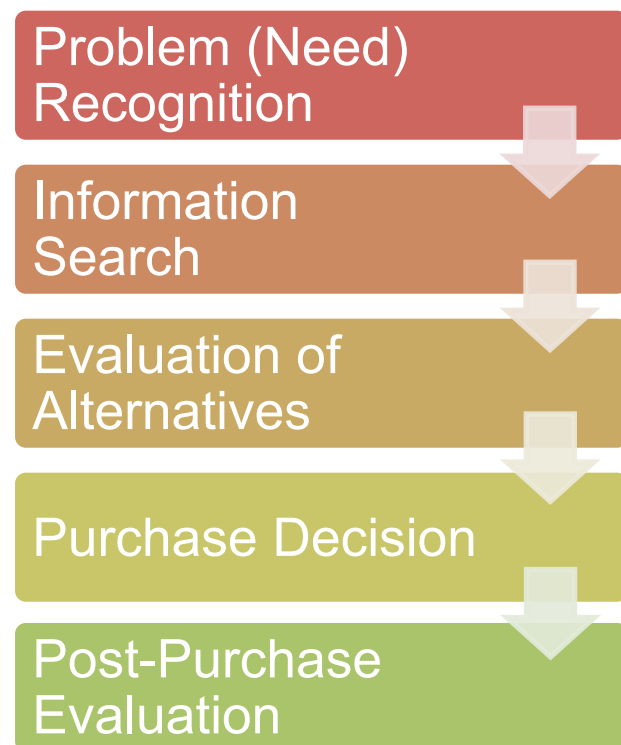
Physical surroundings: e.g., noisy and smelly atmosphere versus pleasant atmosphere

Temporal effects: e.g., when do customers usually purchase at a Dépanneur? More self control, able to focus.

Antecedent states: e.g., mood, clothes you are wearing, cash on hand. If you're stressed you eat more sweets.

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#### The Buyer Decision Process



## **Step 1: When Are Needs Recognized?**

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

- Internal or external stimuli telling that the actual situation  $\neq$  ideal situation

WHEN...

Out of stock

Replacement

Lifestyle change

A need can be triggered by internal stimuli when one of the persons normal needs— for example, hunger or thirst—rises to a level high enough to become a drive.

A need can also be triggered by external stimuli, for example an advertisement or discussion with a friend might get you thinking about buying a new car.

\* Mother son Swiffer commercial shown in class

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## **Step 2: 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 attention or may go into an active information search

### **How Do Consumers Search for Information?**

#### Internal Information Search:

- Product recall
- Previous experience
- Consideration set

External Information Search: seek information in outside environment:

- Non-Marketing Controlled Sources:

- Personal (relatives, friends, colleagues, etc.)
  - Public (consumer reports, government agencies, etc.)
  - Experience (handling, examining, using the product)
  - Marketing Controlled Sources: (advertising, store displays, company websites, etc.)
- 

### **Step 3: Evaluation of Alternatives**

The stage of the buyer decisions process in which the consumer uses information to evaluate alternative brands in the choice set

#### **How Do Consumers Evaluate Alternatives?**

Consumer's information search should yield a group of brands

- Brands that a consumer actually considers buying before making a purchase decision are known as the **evoked set** (the most preferred alternatives)
  - **AIM:** Highlight the features that are your product's strengths in the information stage.
- 

### **Step 4: Purchase Decision**

#### **What Happens When a Purchase Decision Is Made?**

The buyer's decision about which brand to purchase, form an intention and still need to act on it

Where to buy?:

- Choose your retailer in function of the return policy, terms of sales (warranty?), past experience, etc.

When to buy?:

- Is your preferred brand on sale? Is the store atmosphere (your shopping experience) nice and welcoming?

\*Marketers need to ease the purchasing process

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## Step 5: Post Purchase Evaluation

### What Happens after the Purchase?

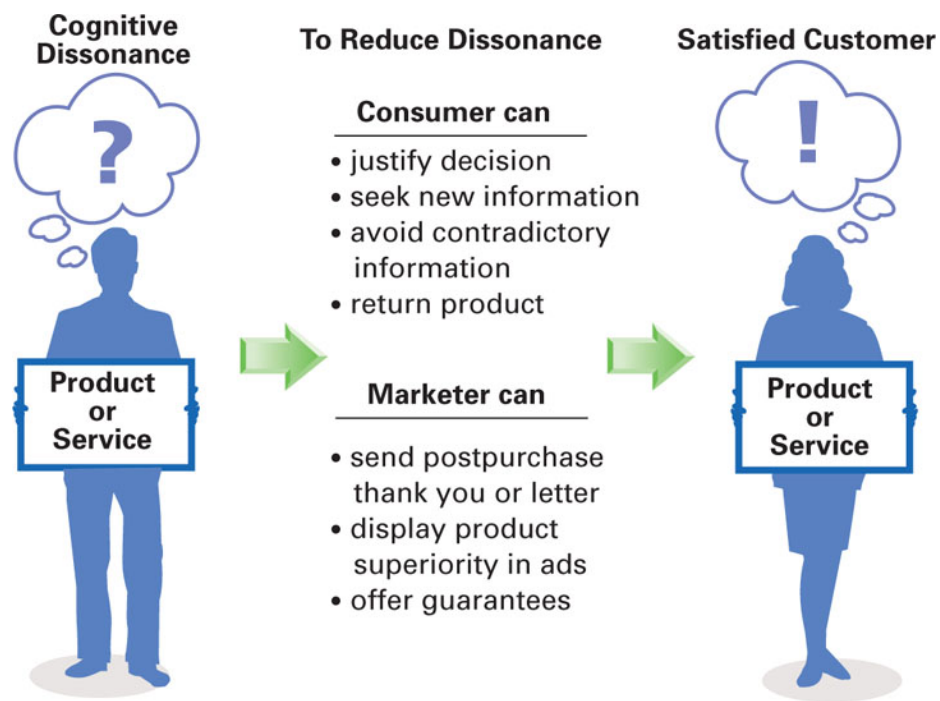
Compare the level of performance with expectations

- Dissatisfied <-> Satisfied

Cognitive Dissonance: affects major purchases; anxiety of not knowing if the right choice was made.

- Most common when: item is higher priced, consumer has several alternatives,

Marketers need to **reduce** post purchase regret



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## Types of Buying Decision Behaviour

BRAND DIFFERENCES	INVOLVEMENT WITH BUYING PROCESS	
	High	Low
Significant	<b>Complex buying behavior</b> <ul style="list-style-type: none"> <li>Product is expensive, risky, purchased infrequently, and highly self-expressive</li> </ul>	<b>Variety-seeking buying behavior</b> <ul style="list-style-type: none"> <li>Consumer tries many brands</li> </ul>
Non-significant	<b>Dissonance-reducing buying behavior</b> <ul style="list-style-type: none"> <li>An expensive, infrequent, or risky purchase + little brand differentiation</li> </ul>	<b>Habitual buying behavior</b> <ul style="list-style-type: none"> <li>Go to the store and reach for a brand</li> </ul>

Complex buying behavior: consumers are less familiar with the product (buying car)

- Three-step process: Belief → Attitudes → Decision
- Marketers need to differentiate brand's features

Dissonance-reducing buying behavior: consumers will shop around to know the alternatives and decision will be fairly quick (buying floors)

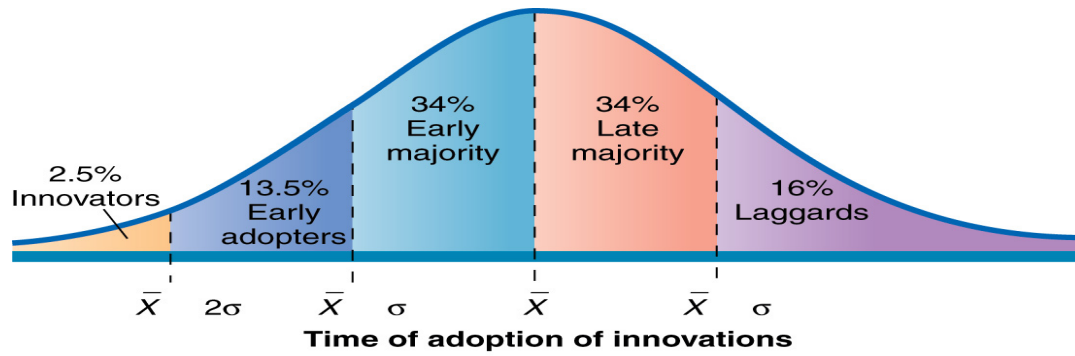
- Strategies for marketers: warranty and guarantee

Habitual buying behavior: most low-cost, frequently purchased such as hand cream and coffee

Variety-seeking buying behavior: frequent brand-switching but not because of dissatisfaction (food)

- Strategies for a market-leader are to dominate shelf-spaces, avoid out of stock conditions
- Strategies for challengers are to encourage low offer low prices, promotions: deal, coupon, free samples, and advertising

### Individual Differences in Innovativeness



1

- Know and apply the five major factors influencing the buyer decision process.

2

- Understand and explain the stages of the consumer buyer behaviour.

3

- Understand how marketers can cater to consumers at each stage of their decision process.

4

- Describe the adoption and diffusion process for new products.

## 8) Segmentation, Targeting & Positioning



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### What Is Marketing Segmentation

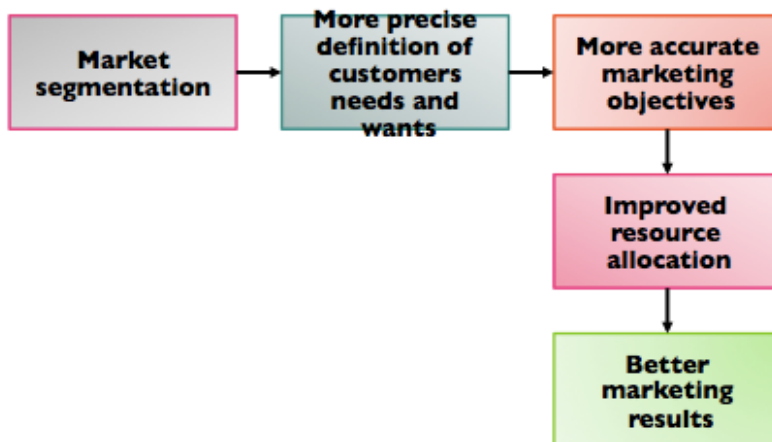
Market Segment: relatively homogeneous groups of prospective buyers resulting from the segmentation process.

Market Segmentation: process of dividing a large market into smaller 'pieces', or customer groups with similar needs and/or desires

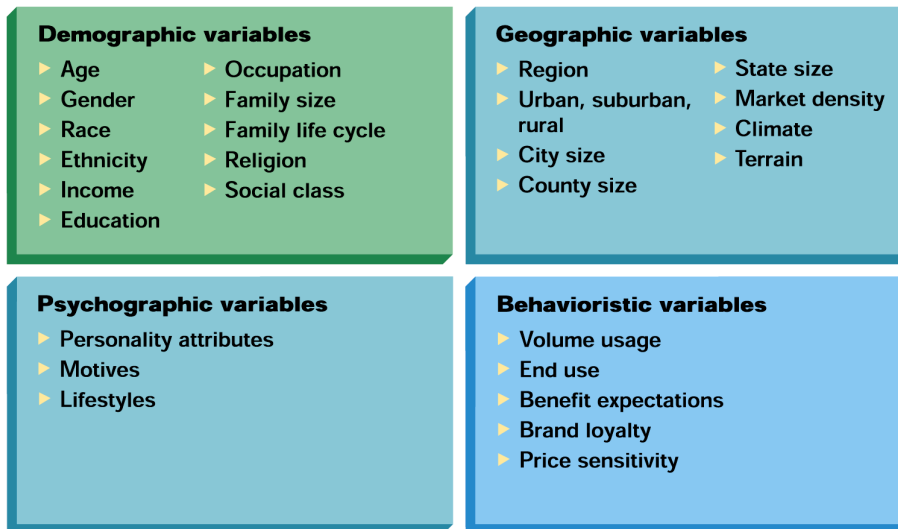
### Step 1: Segment the Market

### Why Segment Markets?

- Buyers are too numerous, too widely scattered, and too varied in their needs and buying practices.
- Each company must identify the parts of the market that it can serve best (to reach your market and everyone is different).



## \*Market Segmentation Bases (four)



1) Geographic segmentation: divides a market into different geographical units

2) Demographic segmentation:

- Age and life-cycle segmentation: dividing a market into different age and life-cycle groups

3) Psychographic segmentation: traits (saving money) and interests (lifestyle and personality)

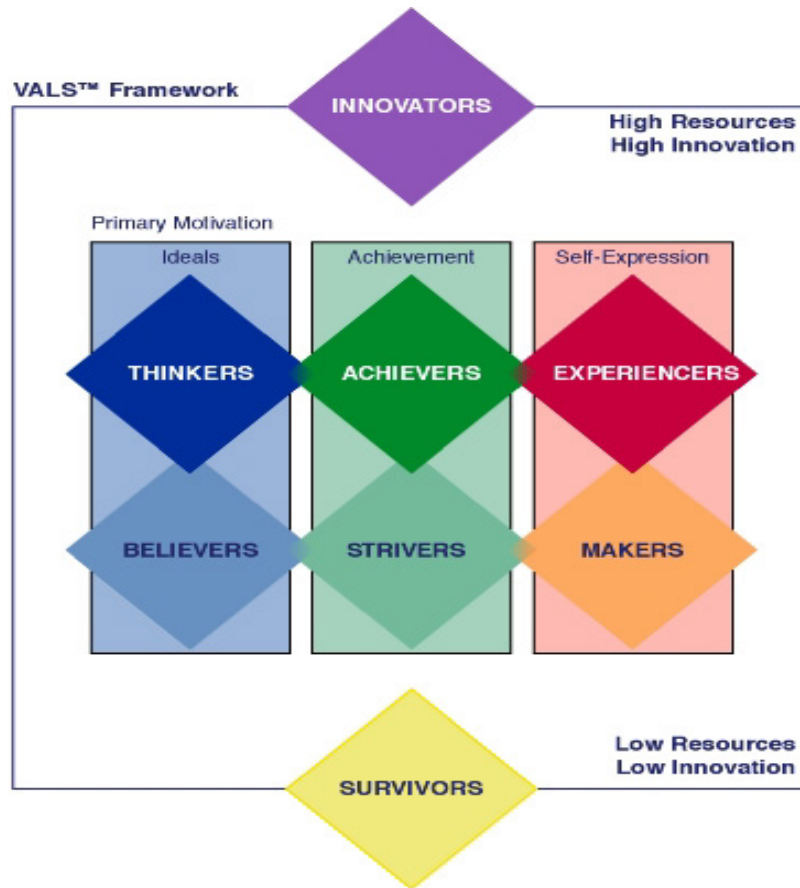
Psychographics: The science of measuring and categorizing consumer lifestyles, personality, and values.

- VALS 2 (VALues and LifeStyles): The most popular classifications based on psychographic measurements

VALS 2 questionnaire asks respondents whether they agree or disagree with the following statements such as:

“I like my life to be pretty much the same from week to week”

Based on the responses, a possible grouping of respondents is:



4) Behavioral segmentation: dividing a market into groups based on consumer knowledge, attitudes, uses, or responses to a product.

- Benefit segmentation: dividing the market into groups according to the different benefits that consumers seek from the product
- User status: want to reinforce and retain regular users, attract targeted nonusers, and reinvigorate relationships with ex-users
- Usage Rate: light, medium, and heavy potential users (80/20) rule
- Loyalty status: buyers divided into groups according to their degree of loyalty status

### Using Multiple Segmentation Bases

Multiple segmentation: is used to identify smaller, better-defined target groups.

Start with a single base and then expand to other bases

Geodemographic segmentation: is an example of multivariable segmentation that divides groups into consumer lifestyle patterns.

## Requirements for an Effective Market Segmentation

<b>1. Measurable</b>	Can we measure the market in terms of its size, purchasing power, and profiles of segments?
<b>2. Accessible</b>	Can markets be reached effectively?
<b>3. Substantial</b>	Is market large or profitable enough to serve?
<b>4. Differentiable</b>	Are segments conceptually distinguishable? Do they respond differently to different marketing mix elements and programs?
<b>5. Actionable</b>	Can programs be designed effectively to attract and serve the segments?

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## Step 2: Select Target Market

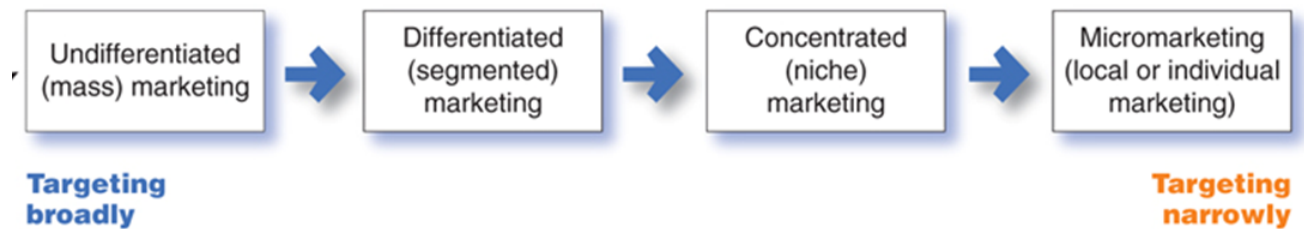
### How Do You Decide on which Target Market to Choose?

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

### Market Targeting

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

Different targeting levels:



Undifferentiated (mass) marketing: a market coverage strategy in which a firm targets the whole market with one offer.

- Firm ignores market segment differences and appeal the whole market with one offer or one strategy
- AIM: **Reach a \_\_\_\_\_ of people**
- Focuses on common needs vs. differences

Differentiated (segmented) marketing: Same product = \_\_\_\_\_ target market appeals.

- Smaller shares of larger target groups
- Goal: achieve high sales & \_\_\_\_\_
- More expensive than undifferentiated marketing

Concentrated (niche) marketing: a market coverage strategy in which a targets a large share of a small market

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

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

### **How Do You Choose Target Level?**

Depends on:

1. Company resources: limited → *concentrated marketing (niche)*
2. Product variability: uniform product → *undifferentiated marketing (mass)*
3. Product life-cycle stage: *from undifferentiated/concentrated to differentiated*
4. Market variability: same tastes → *market variability (mass)*
5. Competitors' marketing strategies:  
Differentiated → *niche*  
Undifferentiated → *mass*

*When competitors use differentiated , undifferentiated marketing can be suicidal*

*When competitors use undifferentiated, differentiated focus on the needs of buyers in specific segments*

### **What Is a Socially Responsible Target Marketing?**

- Benefits customers with specific needs
  - Concern for vulnerable segments
  - Children: alcohol, cigarettes, internet abuses
- 

### **Step 3: Differentiation and Positioning**

#### Differentiation:

- What you do \_\_\_\_\_to make it different from competitor offerings?
- Involves the actual tangible and intangible differences.

#### Positioning:

- What you do \_\_\_\_\_
- You create, using marketing strategy, a unique, definite image of the product and brand name in the customer's mind.

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

What are the competitive advantages you can build on?

What in your product is superior/unique?

The way the product is defined by consumers on important attributes, the place the product occupies in the consumers' minds relative to competing products

- Involves implanting the brand's unique benefits and differentiation in customers' minds

<b>Product differentiation</b>	Features, performance, or style and design
<b>Service differentiation</b>	Speedy, convenient or careful delivery
<b>Channel differentiation</b>	Channel's coverage, expertise, and performance
<b>People differentiation</b>	Hiring and training people better
<b>Image differentiation</b>	Strong, distinctive image conveying the product's distinctive benefits and positioning

### What Exactly about Your Product Is Unique?

Value proposition: is the full mix of benefits upon which a brand is positioned.

### Developing a Positioning Statement

Positioning Statement: summarizes the company or brand positioning:

- “To (target segment and need), (brand) is the (concept) that (point of difference).”

Example:

To **young, active soft-drink consumers** who have little time for sleep, **Red Bull** is the soft drink that gives you more **energy** than any other brand because it has 80 mg of caffeine. With Red Bull, you can **stay alert** and keep going even when you haven't been able to get a good night's sleep.

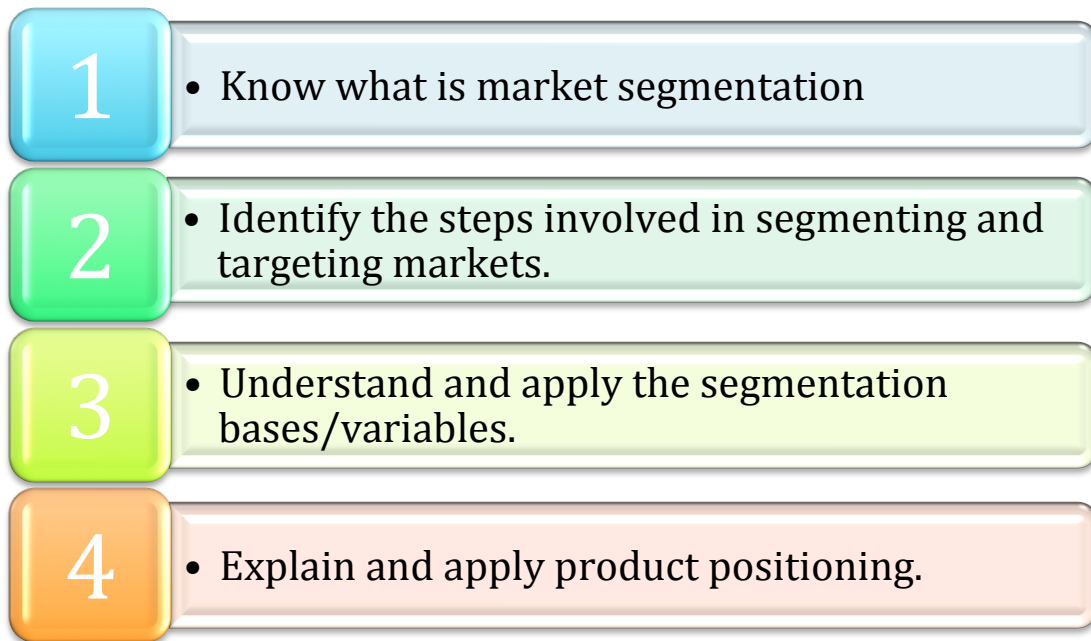
### How Do You Communicate Uniqueness of Your Product?

#### Perceptual Maps

- Powerful tools
- Display location of brands/products in the minds of consumers
- Enable managers to see how consumers perceive competing products/brands vs. their own
- Helps marketers take action

## How to Make a Perceptual Map

1. Identify the **important** attributes for a product class
2. Judge existing brands with respect to these important attributes
3. Rate an “ideal” brand’s attributes.



# 9) Product, Services & Branding Strategies

## What Are Products?

Everything, both favorable and unfavorable, received in an exchange that can satisfy a need or a want.

- **Core** of the marketing mix: if you don't have attractive product then no matter what you do on the other component of other mixes, you will not be successful
- **End audience**: consumer vs. Business products

Price, Place, and Promotion cannot be determined until a company has a product to sell (4 Ps)

- So designing a **good product** is the **key** to the success in marketing.

Products: Tangible good;

Services: Intangible; do not result in the ownership of anything

## Product Item and Product Line

Product Item: a specific version of a product

Product line: a group of closely related product items viewed as a unit because of marketing, technical, or end-use considerations

- Each product line should have similar products

## How Can We Classify Consumer Products?

Convenience Product: purchased frequently, immediately, and with a minimum comparison and buying effort.

- Most of consumer packaged goods (toothpaste, shampoo)

Shopping Product: customer compares carefully on suitability, quality, price, and style.

- Appliances, electronic devices

Specialty Product: products with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort.

- Diamond rings, luxury goods

Unsought Product: consumer does not know about or knows about but does not normally think of buying.

- life insurance, major innovations

### **Product Strategy Includes**

“Product” includes:

- Physical product
- Packaging
- Labelling
- Brand name/logo
- Customer service activities
- Warranty



### **Product Line Decisions**

Product Mix: The total group of products offered by a company

- **Width** # of product lines
- **Product Line Length** total # of **items** the company carries within a product line

- **Depth** # of **versions** within each product line
- **Consistency** (Are product closely related or not)

### What Is an Example of Product Mix? (Chart)

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## Branding and Branding Strategies

### What Is a Brand?

Name, term, symbol, design, or combination thereof that **identifies** a seller's products and **differentiates** them from competitors' products.

- Elements: spoken and non-spoken (symbol)
- Ex: Canadians
  
- Represents the consumer's **perceptions and feelings** about a product and its performance.

### What Are Trademarks?

The exclusive right (due to legal registration with Industry Canada) to use a brand or part of a brand.

- Others are prohibited from using the brand name or trade name without permission.

### The Moneybag Brand!

## Why Brand?

### Consumers:

- Helps identify products that might benefit them.
- Says something about product quality and consistency

### Sellers:

- Can build stories around the brand
- Trademark provides legal protection for unique product
- Brand name helps select markets

## What is Brand Equity?

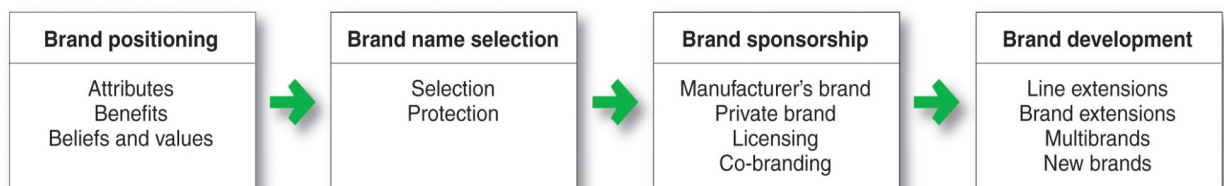
- The added value that a given brand name gives to a product beyond the functional benefits provided.
  - One measure of equity is the extent to which customers are willing to pay more for the brand.

## Why Is Brand Equity Important?

- High consumer brand awareness and loyalty
- More leverage in bargaining with resellers
- More easily launch line and brand extensions
- Defense against fierce price competition
- Basis for building strong and profitable customer relationships

**Brand valuation = total financial value of a brand**

## How Do You Build a Strong Brand?



## **Brand Positioning:**

Brand strategy decisions include:

- Product attributes
- Product benefits
- Product beliefs and values

## **Brand Name Selection:**

- Selection
- Protection

## **Brand Sponsorship Options:**

- Manufacturer's brand (or national brand): brands created by the manufacturer
- Private brand (or store brand): products sold under the brand name of a wholesaler or retailer
  - President's Choice and Loblaws
  - Cost is lower (R&D, promotion, distribution) so lower prices
- Licensing: licensing names or symbols created by other manufacturers
- Co-brand: on one product, they use multiple brands (HTC and Beats Audio)
  - GOAL: Create larger appeal

## **Brand Development:**

Line Extension: use an existing brand name extended to new sizes or flavors in the existing product category

- Advantage: Higher chances of survival
- Disadvantage: May lead to losing its specific meanings → Consumers may be confused

Brand/Category Extension: extending an existing brand name to new product categories (keeping the same brand name)

- e.g., Honda: automobile, motorcycles, snowblowers, etc.
- Advantages/disadvantages: similar to the line extensions

Multibrands: additional brands introduced in the same product category.

- Advantage: A company can establish different features and target different segments

- Disadvantage: each brand may obtain only a small market share
- Toothpaste: Crest, Fixodent

New Brands: new brand name for a new product category

- Effective when current brand names are not appropriate for new product category.
- *Matsushita: Technics, Panasonic, National, Quasar*

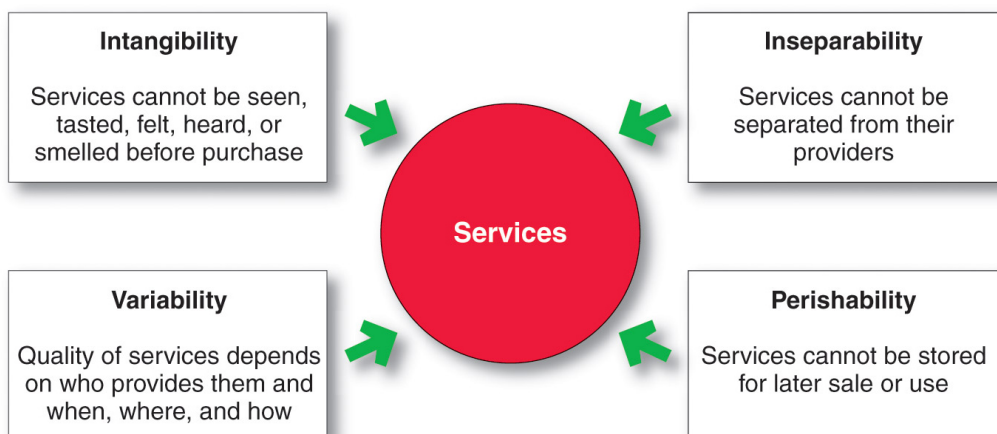
### Brand Development Strategy Matrix

		Product category	
		Existing	New
Brand name	Existing	Line extension	Brand extension
	New	Multibrands	Mixed branding

### Service Marketing

#### What Are Characteristics of Services?

- Intangible product are very different from tangible product, we have to differentiate the service product, and design a unique marketing strategy for the service product



Intangibility: from customers perspective its much more difficult to evaluate the quality of the service product

Inseparability:

- Doctors, you have to go to the hospital in order to get the service.

Variability:

- Doctor service, their quality of service will be different. (mood, time of day)

Perishability:

- If there is no patient for the doctor, the service product perishes.
- Service product, if you cannot sell it right away then it perishes

### **What Are Characteristics of Services?**

Service marketing requires:

- Internal marketing
  - Customer-contact employees and supporting service people to work as a *team*.

Interactive marketing

- Service quality depends heavily on the quality of the buyer-seller interaction during the service encounter.

