

Chapter 1 – What is Marketing?

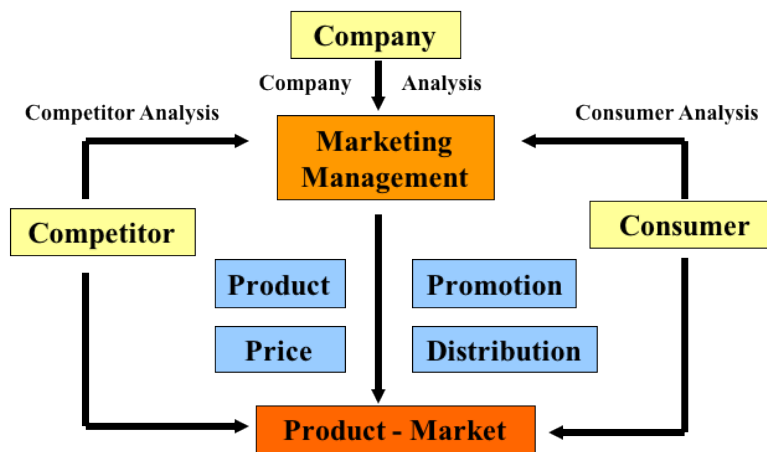
Marketing: The process of building profitable customer relationships by creating value for customers and capturing value in return. Managing profitable consumer relationships.

- Companies must deliver value to consumers
- Companies must maintain good relationships with their clients/ build customer loyalty
- Customer acquisition + Customer retention = Customer relationship
- Companies seek to manage profitable customer relationships

Interesting Facts:

- 50% of total production costs are associated to marketing
- 25% - 33% of the work force hold marketing positions

Framework for Marketing Management:



The Marketing Process:



Figure 1.1 A simple model of the marketing process

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Step 1 – Understanding the Marketplace

a) Needs: states of felt deprivation, something that is not created by marketers

- Instinct (hungry, cold)
- Physical and social needs (shoes, clothes, food, love)

Wants: needs shaped by society, culture and individual personality, something that is created by marketers

- Computer (particularly seeking for a mac)
- Shoes (seeking converse)

***** Marketing minds the gap between wants and needs*****

Demands: human wants that are backed by buying power

- I have money to buy a bracelet (NOT a need)

b) Marketing offer: Combination of products, services, information or experiences that satisfy a need or want. Should focus on providing a solution

Marketing Myopia: the mistake of paying more attention to the specific products a company offers than to the benefits and experiences produced - focusing on product benefits/advantages rather than consumer needs/experience

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

Customer's perceived value

Customer satisfaction: product's perceived performance matches a buyer's expectations

Satisfied customers will tell others about their good experience

d) Exchange: (core of marketing) The act of obtaining a desired object from someone by offering something in return. One exchange is not the goal, relationships with several exchanges are the goal

e) Market: Set of actual and potential buyers of a product. Marketers seek buyers that are profitable

Step 2 – Designing a Customer-Driven Marketing Strategy

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

What customers will we serve?

- Market segmentation and target marketing
- Marketers select customers that can be served profitably

How can we serve these customers best?

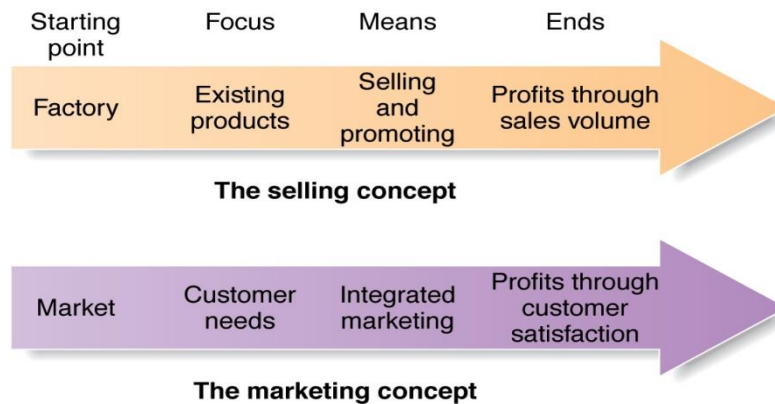
- By defining a value proposition that will differentiate and position the brand in the marketplace
- Set of benefits/values a company promises to deliver to consumers in order to satisfy their need

Production concept is the idea that consumers will favor products that are available or highly affordable. Focus on improving production and distribution efficiency

Product concept is the idea that consumers will favor products that offer the most quality, performance, and features. Focus on continuous product improvement

Selling concept is the idea that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort. Focus on hard selling

Marketing concept is the idea that achieving organizational goals depends on knowing the needs and wants of the target markets and delivering the desired satisfactions better than competitors do.



Societal marketing long-term interests, and society's long-run interests. Focus on consumer's wants/long term interests, society's long run interests and the company's requirements.

Step 3 – Preparing a Marketing Plan and Program

Build customer relationships by transforming the marketing strategy into action

Includes Marketing Mix: set of tools the firm uses to implement its marketing strategy - Place, Promotion, Product, Price.

Step 4 – Building Customer Relationships

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

- Customer's perceived value: evaluation between benefits and cost
- Customer satisfaction: product's perceived performance matches a buyer's expectations

Customer Relationship Levels and Tools:

- Basic relationships: many low margins customers.
- Full partnerships: Few customers and high margins.
- Frequency marketing program: rewards for customers who buy frequently or large amounts.
- Club marketing program: Special benefits, member communities (Costco)

Selective relationship management: weed out losing customers and seek profitable ones.

Customer-Managed Relationships: marketing relationships in which customers empowered by today's new digital technologies interact with companies and with each other to shape their relationship with brands.

- Online social networks
- Inviting consumers to shape brand messages and ads.

Consumer-Generated Marketing: brand exchanges created by consumers themselves – both invited and uninvited – through which consumers are playing an increasing role in shaping their own brand experience and those of other consumers.

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

- Cross functional teams: sales marketing people, operations specialists, financial analysis, etc...
- Marketing partners outside the firm: Distributors, retailers, Suppliers, channel partners, competitors. Supply chain: channel that stretches from raw materials to components to final products to final buyers.

Step 5 – Capturing Value from Customers

Creating Customer Loyalty and Retention

- Customer delight leads to emotional relationships and loyalty
- Customer lifetime value shows true worth of a customer

Growing Share of Customer

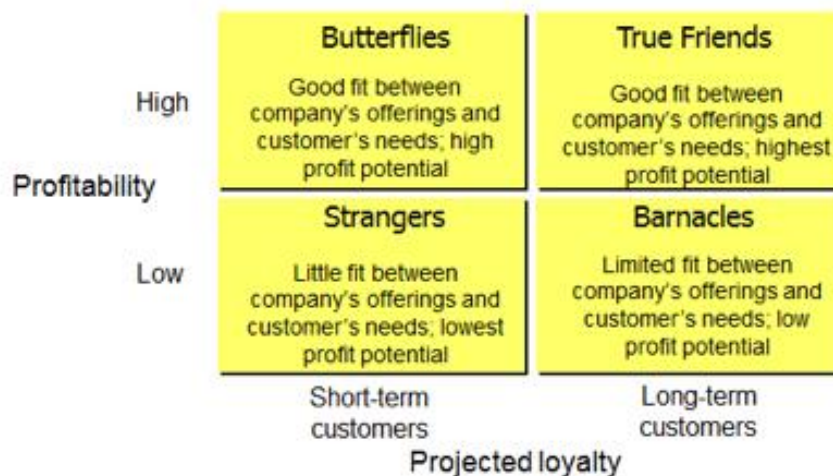
- The portion of the customer’s purchasing that a company gets in its product categories.
- Achieved through offering greater variety, cross-sell and up-sell strategies

Building Customer Equity

- The combined customer lifetime values of all current and potential customers
- Measures a firm’s performance, but in a manner that looks to the future
- Choosing the “best” customers is key

Customer Equity vs. Market share

- Market share: Measurement of past/current performance
- Customer equity: Measurement of future performance

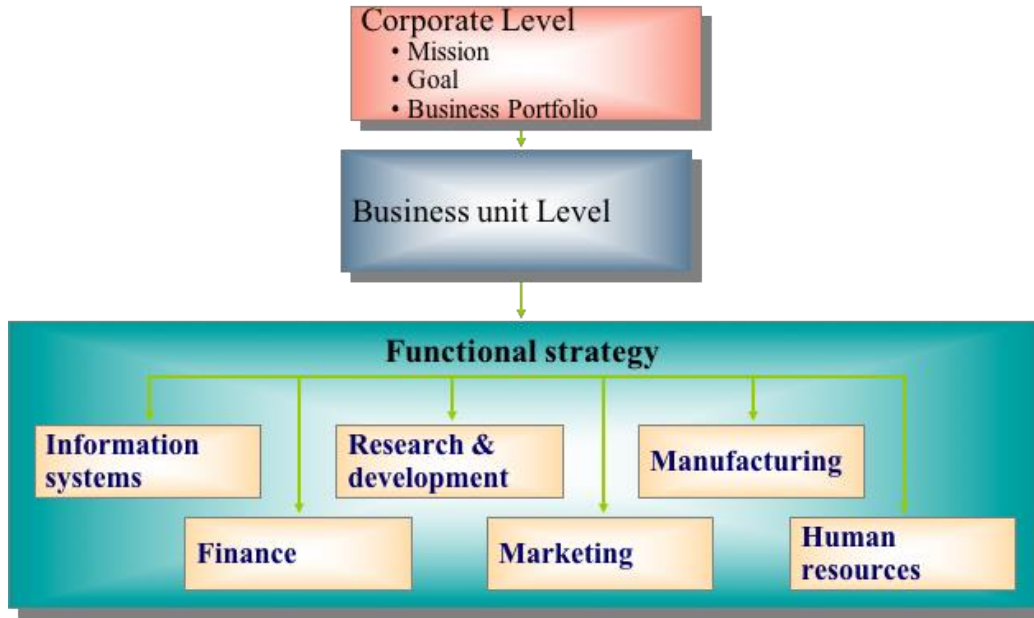


Chapter 2 – Marketing Strategy

Strategic Planning:

- An overall company strategy for long-run growth and profitability
- developing/maintaining a strategic fit between
 - organizational goals and capabilities, and
 - changing marketing opportunities (ex: recessions = opportunity for dollar store)

Three Levels of Strategy in an Organization:



Business Unit – Example: Apple

- Phones
- Accessories
- Computers

Strategic Planning Process

Step 1 – Mission Statement

Mission statement: a statement of the organization's purpose.

What it wants to accomplish in the larger environment

The mission statement must avoid being too narrow or too broad. A good mission statement should be:

- Market oriented, not product oriented (because products/trends are changing)
- Realistic
- Specific
- Motivating

Step 2 – Setting Company Objectives and Goals

The mission is turned into detailed business and marketing objectives

Marketing strategies and programs must develop to support marketing objectives

Type of goals:

- Profit
- Revenue
- Market share
- Quality
- Customer satisfaction

Step 3 – Designing the Business Portfolio

A business portfolio is the collection of businesses and products that make up the company. Business portfolio planning involves two steps:

1. Analyzing its current business portfolio
 - I. Business portfolio is broken down into strategic business units
 - II. Each unit has its own mission and objectives
 - III. These units are used as the building blocks for portfolio analysis

BCG Matrix – Boston Consulting Group Analysis for Business Units:

Figure 2.2 The BCG Growth-Share Matrix.



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QUESTION MARK:

Features:

- Products with a low share of a high growth market.
- Requires lots of cash to maintain market share.
- Mgmt. must decide if continued investment is justified.

Strategies:

- Build: increase market share by cash injections to make a star out of the question mark
- Divest: sell the business and divest which would generate cash for other investments

STAR:

Features:

- High share of high growth market, but may not generate enough cash to support their own demanding needs.

Strategies:

- Build: increase market share through cash injections

CASH COW:

Features:

- Dominant share of slow-growth "mature" market
- Generates large amounts of cash
- Able to be used for company overhead and new investment

Strategies:

- Hold (maintain market share): watch the moves of competitors and continue to build the strength of the brand
- Harvest: make no new investments in business in order to reduce costs and generate further cash flow

DOG:

Features:

- Products with a low share of a low growth market.
- Do not hold promise of becoming winners

Strategies:

- Harvest: reduce investment and pull whatever cash you can out of product even if it results in losing share
- Divest: sell off the business
- Examples: Pontiac, Saturn (traditional automotive industry)

2. Shaping the future portfolio by developing strategies for growth and down sizing

Product Market Expansion Grid: A portfolio-planning tool for identifying company growth opportunities

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

- **Market penetration** is a growth strategy, **increasing sales to current market segments without changing the product. Tim Horton plans to expand its current markets (Quebec).**
- **Market development** is a growth strategy that identifies and develops **new market segments for current products. Tim Horton is the US**
- **Product development** is a growth strategy that offers **new or modified products to existing market segments. Tim Horton's new bagels**
- **Diversification** is a growth strategy through starting up or acquiring businesses outside the company's current products and markets. **Tim Horton sportswear.**
- **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.

Marketing Strategy and Marketing Mix

Marketing Strategy

- The marketing logic by which the business unit hopes to achieve its marketing objectives

Marketing Mix

- The company designs a mix made up of factors under its control

Customer-Centered Marketing Strategy: Analysis Model

1. Market Segmentation

Dividing a market into groups with distinct needs who might require (respond to) different marketing mixes. Market segment is a group of consumers who respond in similar ways to marketing efforts. Bases for segmentation

2. Target Marketing

Evaluating the attractiveness of each market segment. Selection of segments with greatest long-term profitability. Deciding which segment(s) to enter. A company can choose one or several segments to target

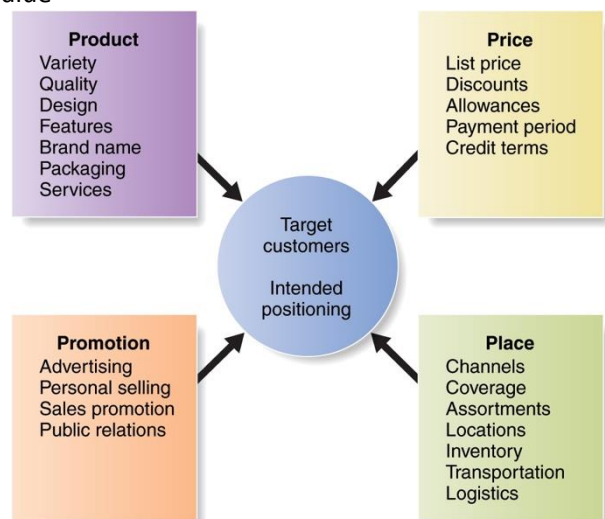
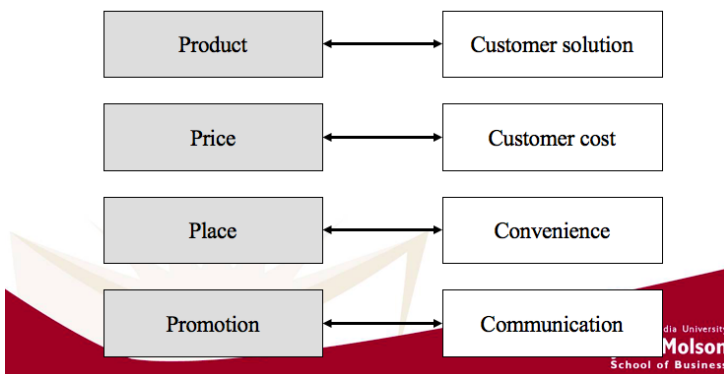
3. Market Positioning

The place the product occupies in the consumer's mind. Products are positioned relative to competing products. Marketers look for clear, distinctive and desirable places in positioning. Differentiation by offering and delivering greater value

Developing the Marketing Mix:

The marketing mix includes controllable and tactical marketing tools known as the 4Ps

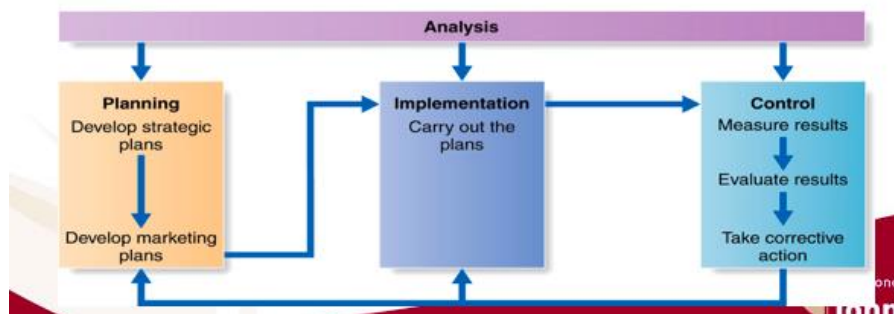
- The 4 P's takes the seller's view of market, not the buyer's.



Managing Marketing Effort

4 Marketing managing functions:

- Marketing analysis: internal & external factors (SWOT)
- Marketing planning: deciding on marketing strategies to attain objectives
- Implementation: turning plans into actions
- Control: evaluating results (optional control, strategic control)



Return on Marketing (ROI): $\frac{\text{Net return from a marketing investment}}{\text{Cost of Investment}}$

Chapter 4 – The Marketing Environment and SWOT Analysis

Marketing Environment:

The actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers

- Microenvironment:
 - Includes the actors close to the company
- Macroenvironment:
 - Involves larger societal forces

The Microenvironment: MISC PCC



The Company:

Marketing must consider other parts of the organization, including finance, R&D, purchasing, operations and accounting. Marketing decisions must relate to broader company goals and strategies.

Supplies:

Marketing must watch supply availability and pricing.

Effective partnership relationship management with suppliers is essential.

Marketing Intermediaries:

Help to promote, sell and distribute goods to final buyers. Include resellers, physical distribution firms, marketing services agencies and financial intermediaries. Companies must work with their intermediaries as partners rather than simply as channels through which they sell their products.

Customers:

The five types of customer markets:

- Consumer
- Business
- Reseller
- Government
- International

Competitors:

Conducting competitor analysis is critical for success of the firm.

A marketer must monitor its competitors' offerings to create strategic advantage.

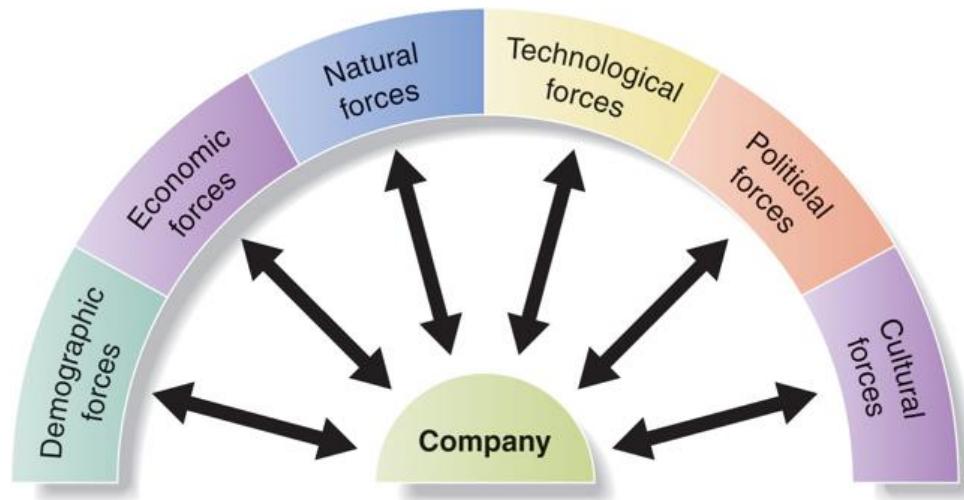
Publics:

Any group that has an actual or potential interest in or impact on an organization

Seven publics include:

- Financial
- Media
- Government
- Citizen-action
- Local
- General
- International

Macroenvironment: PET CND



Demographic environment:

The study of human populations in terms of size, density, location, age, gender, race, occupation and other statistics. Demographics are **easy to predict** therefore companies should be aware of them!!

Economic Environment:

Factors that affect consumer buying power and spending patterns. Types of economy will influence resources to work with. Changes in income. Marketers should pay attention to income distribution as well as average income (upper class, middle class, working class, and underclass). The distribution of income has created a two-tiered market: the affluent and the less affluent.

Natural Environment:

Involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities.

Trends include:

- Shortages of raw materials
- Increased pollution
- Increased government intervention
- Canadian federal law: Environmental Protection Act (1989)
- Green movement
- Focus on environmental sustainability strategies

Technological Environment:

The most dramatic force shaping our destiny. Rapidly changing force which creates many new marketing opportunities but also turns many existing products extinct. Research and development is a key element. Government agencies to regulate new product safety.

Political Environment:

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

- Legislation affecting businesses worldwide has increased
- Laws protect companies, consumers and the interests of society
- Increased emphasis on socially responsible actions

Cultural Environment:

Made up of institutions and other forces that affect a society's basic values, perceptions, preferences and behaviors. Persistence of Cultural Values. Secondary Cultural Values are more open to change

People's views of

- Themselves: identify with brands for self-expression
- Others: recent shift from "me" to "we" society
- Organizations: trend of decline in trust and loyalty to companies
- Society: patriotism on the rise
- Nature: "lifestyle of healthy and sustainability" (LOHAS) consumer segment
- Universe: including religion and spirituality

Responding to the Marketing environment: "There are three kinds of companies: those who make things happen, those who watch things happen, and those who wonder what's happened."

SWOT Analysis

Internal factors (microenvironment) identify **S**trength and **W**eakness

External factors (macroenvironment) identify **O**pportunities and **T**hreats

Together, they form the raw material of the SWOT analysis.

Chapter 5 - Competitor Analysis and Marketing Research

Customer insight:

Fresh and deep understandings of customers' needs and wants derives from marketing information

- Difficult to obtain
 - Not obvious
 - Customer's unsure of their behaviour
- Basis for customer value and relationships
- Not derived from more information but *better information* and more effective use of existing information

Competitor analysis:

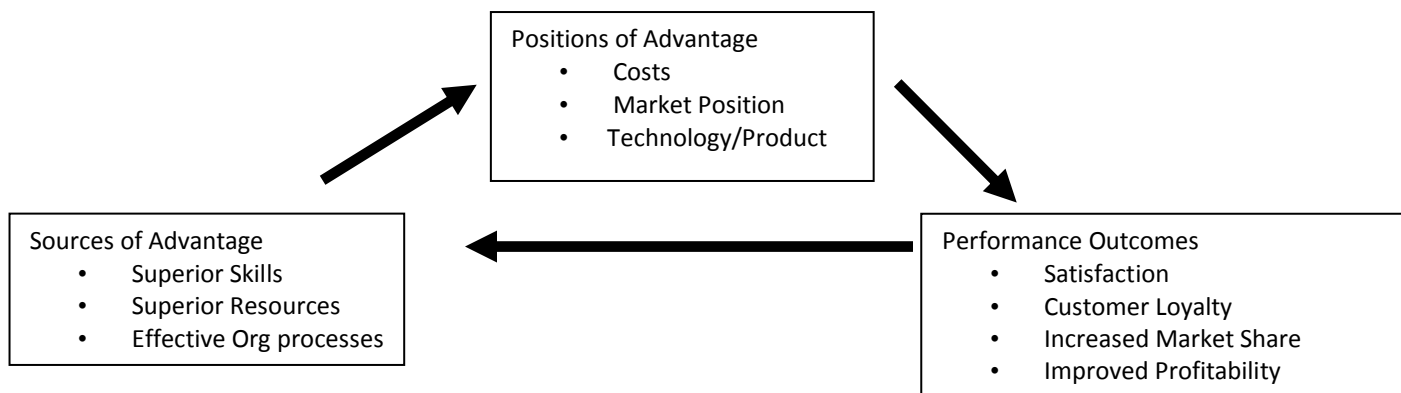
Analyze the competition by

- Identifying competitive advantage
- Identifying competitors
- Analyze competitors

Competitive (definition):

Well suited for competition; having a feature that's makes for successful competition. Having a strong desire to succeed

Framework of Competitive Advantage



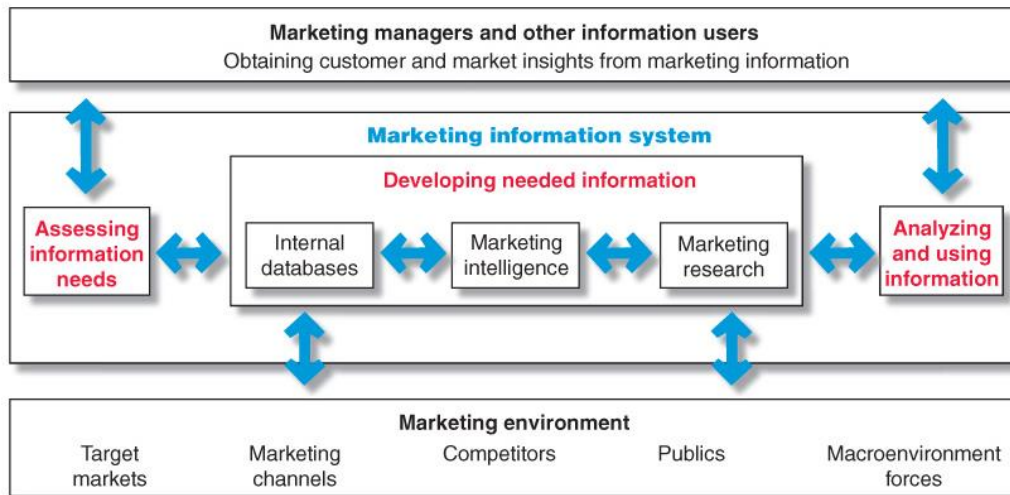
Identify Competitive Advantage:

Something that your company does especially well in comparison to your competition

- Must be something difficult for a competitor to imitate
- Types include:
 - High quality products
 - Low cost/low price
 - Superior customer service
 - Convenient distribution

** Look at your slides your teacher talks a lot about Southwest Airlines, not sure if he wants you guys to know about it*** (lecture 4 slides 9-12)

Marketing Information System



Marketing Information System & Marketing Research Process

1. Assessing information needs
2. Developing Marketing information
 - Internal databases
 - Marketing Intelligence
 - Marketing Research
3. Distributing and using information

Step 1 - Assessing information needs

Marketing Information System (MIS):

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

It must balance needs against feasibility

- Not all information can be obtained
- Obtaining, processing, sorting, and delivering information is costly

Step 2 – Developing Marketing Information

Internal Data:

Electronic collections of consumer and market information obtained from data sources within the company network

- Accounting system
- Operations/production
- Sales reporting system
- Past research studied

This form of data is cheap, quick and easy but may not be in a usable form for the decision to be made, can be incomplete or inappropriate to a particular situation

Marketing Intelligence:

The systematic collection and analysis of publicly available information about consumer, competitors and development in the marketplace. This is a proactive approach to keeping track of what is going on within the organization's marketing environment.

Many sources of competitive information exist:

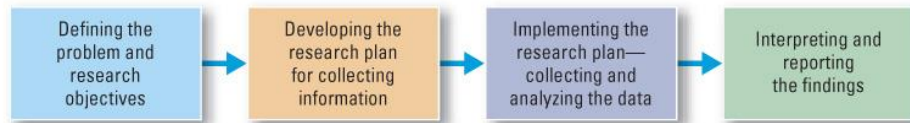
- Employees, customers, trade shows, websites, marketing communications, suppliers, resellers, professional information services, and "dumpster diving"

Marketing Research:

The systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization

- A multi-step, purpose-driven process
- Measure effectiveness of marketing actions, sales potential, try to understand consumer behavior
- Can be done by company personnel or contracted out to outside companies

The Marketing Research Process

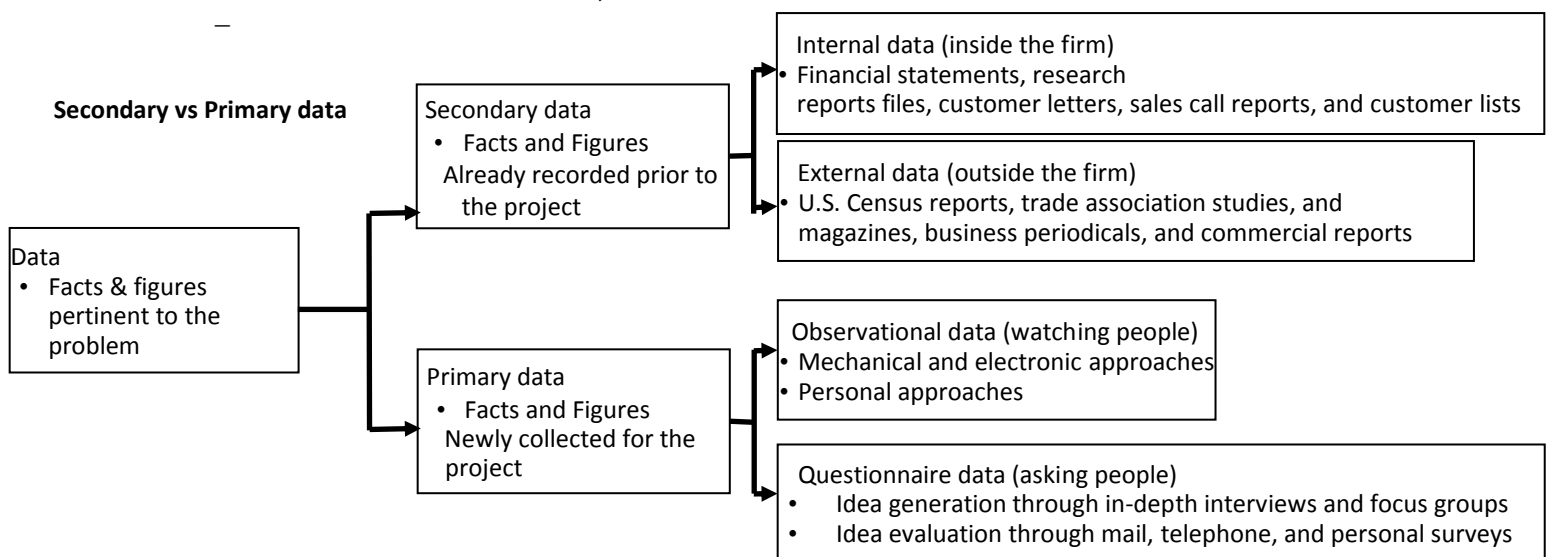


1. Defining the problem and research objectives:

- Helps to know what you are looking for
- The manager and the researcher need to work together
- These objectives guide entire process
- Exploratory, descriptive, and casual research each fulfill different objectives
- **Exploratory Research:**
 - Research conducted to gather information to help better define problems and opportunities
 - Observation and interview are commonly used for this purpose
- **Descriptive Research:**
 - Research conducted to better describe marketing problems, situations, or markets, such as demographic characteristics of markets, attitudes of consumers, and market potential for a product
 - Surveys and personal interviews are commonly used
- **Causal Research:**
 - Research to test cause and effect relationships between variables of interest
 - Experiment approach

2. Developing the research plan for collecting information

- Translating the research objective into specific information needs
- Research plan is a written document which outlines the type of problem, objectives, data needed and the usefulness of the results, includes
-



- Secondary Data: consists of information that already exists somewhere, having been collected for another purpose. Must be relevant, current, unbiased, accurate

- Primary Data: consists of information gathered for the specific purpose at hand
 - a) Research Approaches:**
 - Observation research
 - Involves gathering primary data by observing relevant people, actions and situations
 - Discover behavior but not motivations
 - Survey research
 - Most widely used method and is best for descriptive information – knowledge, attitudes, preferences and buying behavior
 - Experimental research
 - Best for gathering causal information cause and effect relationships
 - Focus Groups
 - Six to ten people with a trained moderator
 - Challenges
 - Expensive
 - Difficult to generalize from small group
 - Consumers not always open and honest
 - b) Contact Methods:**
 - Key contact methods include:
 - Mail surveys
 - Telephone surveys
 - Personal interviewing
 - Online research
 - c) Sampling Plan:**
 - Sample: subgroup of population from whom information will be collected
 - Sampling plan decisions:
 - Sample unit
 - Sample size
 - Sampling procedure (probability samples, non-probability samples)
 - d) Research Instrument:**
 - Questionnaires:
 - Include open-ended and close-ended questions
 - Phrasing and question order are key
 - Mechanical instruments:
 - Niensens people meters
 - Checkout scanners
 - Eye cameras
3. Implementing the research plan – collecting and analyzing the data
 - Data is collected by the company or an outside firm
 - The data is then processed and checked for accuracy and completeness and code for analysis
 - Finally, the data is analyzed by a variety of statistical methods
4. Interpreting and reporting of findings
 - The research interprets the finding, draws conclusions and reports to management
 - Managers and researchers must work together to interpret results for useful decision making

Step 3 – Distributing and Using Marketing Information

- Routine reporting makes information available in timely manner
- User friendly databases allow for special queries
- Intranets and extranets¹ help distribute information to company employee value-network members

¹ **Intranet** provides information to employees and other stakeholders.

Extranet provides information to key customers and suppliers.

Chapter 6 – Consumer Buyer Behavior

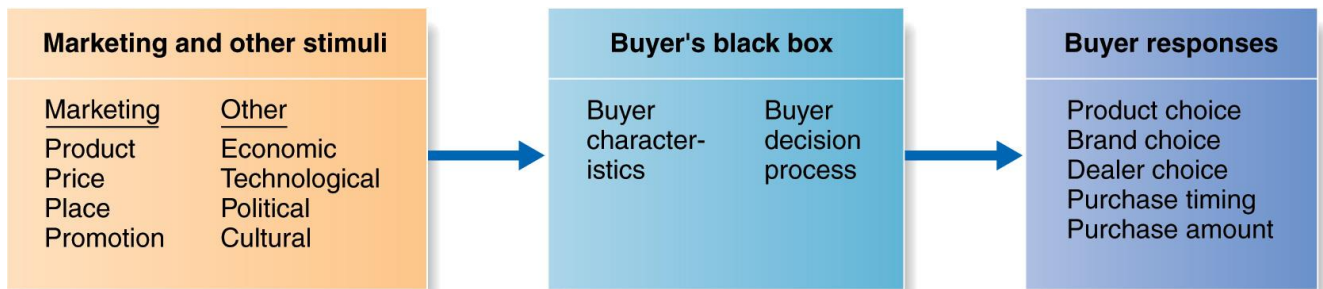
Why Study Consumer Behavior?

- Consumer buying behavior:
Buying behavior of final consumers. Purchase goods and services for personal consumption.
- Consumer market:
All individuals and households buy or acquire goods and services for consumption.
- Need both to be able to understand consumer behavior before we can (hope) to influence it

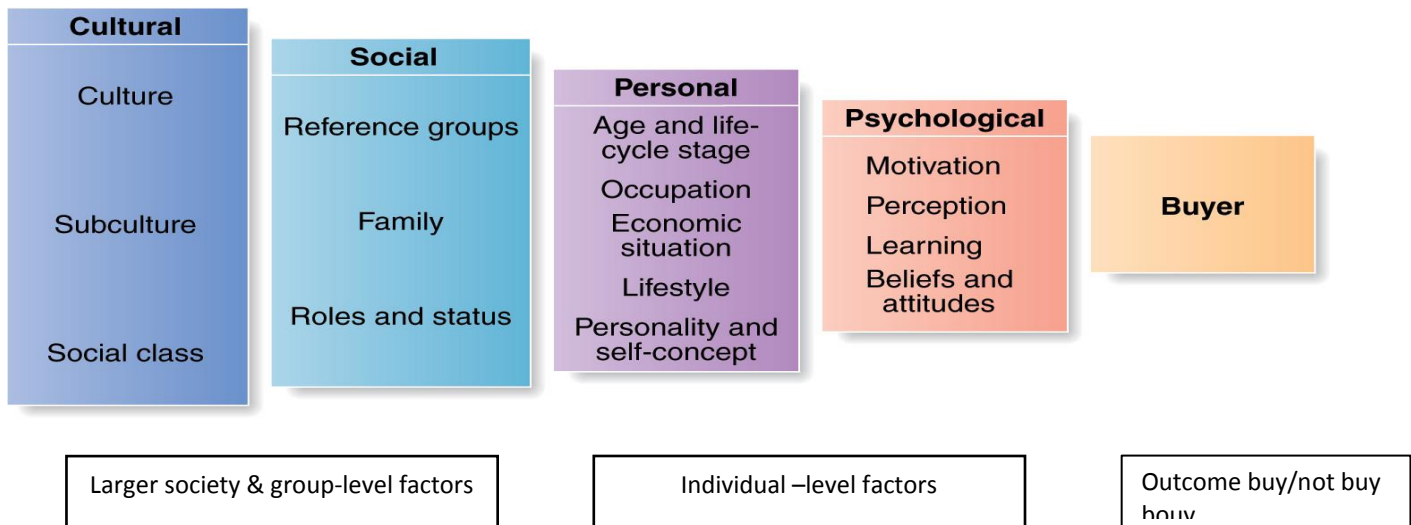
WHO	is the customer	}	
WHY	do they buy		
HOW	do they buy		
WHAT	do they buy		
WHEN	do they buy		
WHERE	do they buy		
			Price
			Product
			Placement
			Promotion

Model of Buyer Behavior:

Consumers are exposed to many stimuli including the marketing mix and other external factors
 Buyer characteristics influence how these stimuli are perceived and processed
 Buyer decision process results in behavior



Factors influencing Consumer Behaviour



Culture:

Set of basic value, perceptions, wants and behaviours learned from family and important institutions. Core values remain stable, while secondary values change slowly. Growing sense of wanting to be distinct from the US despite media spillover. Difference between cultures are important to international trade

Subculture

- Group of people with shared value systems based on common life experiences and situations

Social Classes:

Relatively permanent and ordered divisions in a society whose members share similar values, interests and behaviours measured by a combination of income, occupation, education, wealth and other variables.

- Marketers are interested because consumption behaviour tends to be consistent within a given social class

Groups

- Consumer belong to membership groups
- Compare themselves to reference groups
- May aspire to become a member of a group
- Group influence varies across products and brands; strongest when product is visible to (respected) others; symbolic nature

Opinion leader

People who interact to accomplish individual or mutual goals

- Person within a reference group
- Skills, knowledge, personality
- Who exerts influence on others

Family

- First and strongest influence on behaviour
- Roles and influences within the family have been extensively researched
- Past assumptions about gender influence are less valid today
- Children learn consumption behaviour early on

Roles and status

A person belong to many online/offline groups

- Consumers play many roles, each requiring some type of consumption behaviour
- Products can be used to show status

Personal:

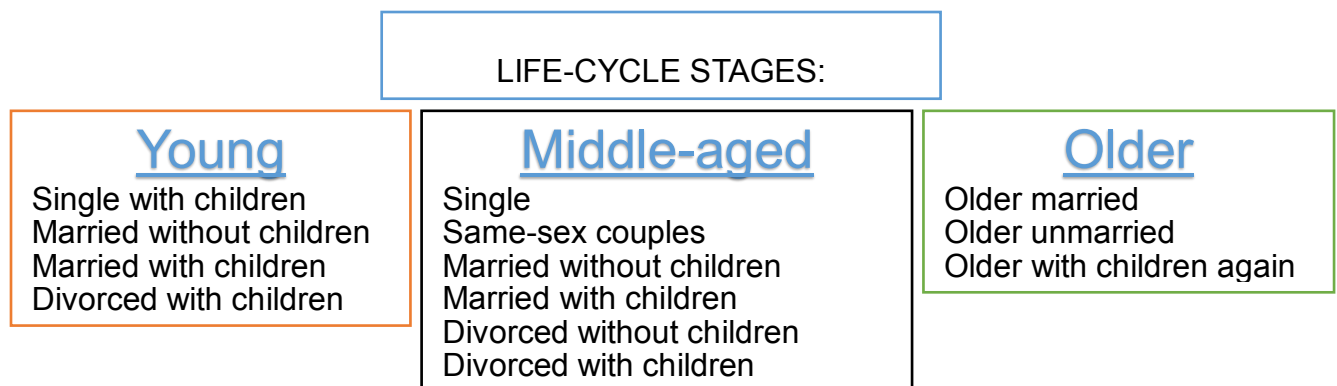
Personal factors:

Consumer needs change over their lifetime in (somewhat) predictable ways

- Age and lifecycle stage
- Occupation
- Economic situation
- Lifestyle
- Personality and self-concept

I. Family life cycle

- Combines age with material status and presence of children to classify consumers into groups



II. Occupation:

- The type of work performed may necessitate different consumption patterns, such as blue collar versus white collar
- Will also indirectly affect how much income is available

3. Economic situation

- How much income (or ability to borrow) is available for consumption

- Economic indicators such as employment, inflation, interest rates, and consumer debt levels are used to predict changes in buying power

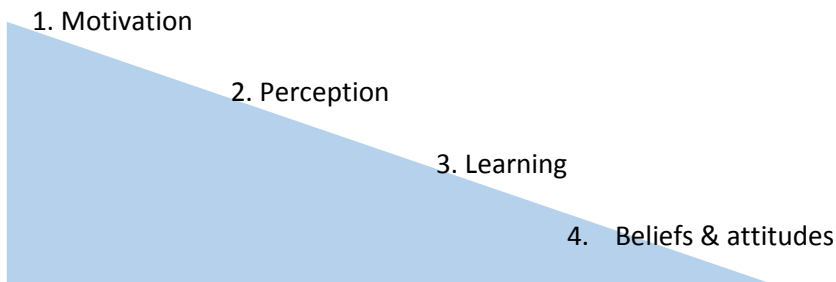
4. Lifestyle

- A person’s pattern of living as expressed by their activities, interests and opinions (AIO’s)
- Lifestyle segment

5. Personality

- Unique psychological characteristics leading to relatively consistent and lasting responses to one’s own environment
- Traits (ex. Self-confidence, autonomy, aggressiveness)
- Useful for analyzing product and brand choices

Psychological influences on buying decisions



1. Motivation:

- Humans are characterized by goal-directed behaviour
- Different needs/wants produce different behaviour
- A need that is sufficiently pressing to direct the person to satisfaction
- Freud’s work focused on hidden and unconscious urges directing our behavior
- Maslow’s hierarchy of needs focuses on how needs can be classified and ordered in terms of importance
- Individuals are motivated to satisfy needs at a particular level before moving on

2. Perception:

- The process by which people select, organize, and interpret information
- To form a meaningful picture of the world

Selective Attention	Consumer screens out most of the information to which they are exposed
Selective Distortion	Consumer interprets information in a way that will support what they already believe
Selective Retention	Consumer retains the information that supports personal attitudes and beliefs

3. Learning:

- Changes in an individual’s behaviour arising from experience
- Most learning occurs through drives, stimuli, cues, responses and reinforcement
- Consumers learn what satisfies their needs and what does not

4. Beliefs and attitudes:

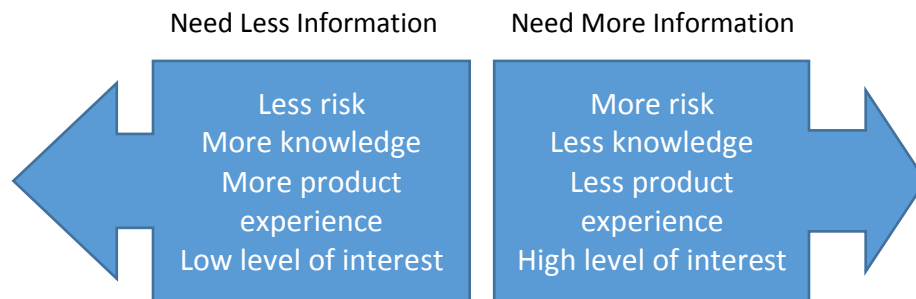
- Beliefs: a descriptive thought about something
- Attitudes: a person’s consistently favourable or unfavourable evaluations, feelings and tendencies towards something (difficult to change)

- Fishbein Reasoned Action Model: -beliefs -> attitudes -> behaviour

Buyer decision process



1. Need recognition:
 - Triggers by internal or external stimuli
 - Must reach an intensity high enough to become a drive
 - Needs are basic, wants are learned behaviours to satisfy them
2. Information search:
 - Influenced by level of involvement (interest) in the decision
 - Memory (internal) search
 - Product recall
 - Previous experience
 - Consideration set
 - External search: personal, commercial, public, experiential sources of information
 - Rode-of-mouth sources are most influential (credibility)
 - Commercial sources
 - Advertising, store displays, sales people, company websites etc



3. Evaluation of alternatives:

Depends on consumer buying situation (careful calculations vs. impulse buying)

Multi-attribute approach → attitude = attribute name X importance

 - Evaluation procedure depends on the consumer and buying situation
 - Attributes and importance weights are chosen as criteria
 - Alternatives compared against the criteria
 - Marketers can influence this stage; personal selling
4. Purchase decisions:
 - Two factors intercede between purchase intentions and the actual decision:
 - Attitudes of others
 - Unexpected situational factors
5. Post-purchase behaviour:
 - What the consumer thinks and does after purchasing and using product or service
 - Relationship between consumer expectation and perceived performance
 - Are they satisfied or dissatisfied?

Cognitive Dissonance:

Buyer discomfort caused by post-purchase conflict. Customers want to believe that they make good decisions; will look for proof and discount information to the contrary. A good reason for customer follow-up programs.



Buyer Decision Process for New Products

New products

- Good, service or idea that is perceived by customers as new

The adoption process

- Mental process through which an individual pass from first hearing about an innovation to final adoption

Five stages in the adoption process

- Awareness, interest, evaluation, trial and adoption

Buyer Decision Process for New Products – Customer Factors

Individual differences in innovativeness

- Consumers can be classified into five adopter categories, each of which behaves differently toward new products

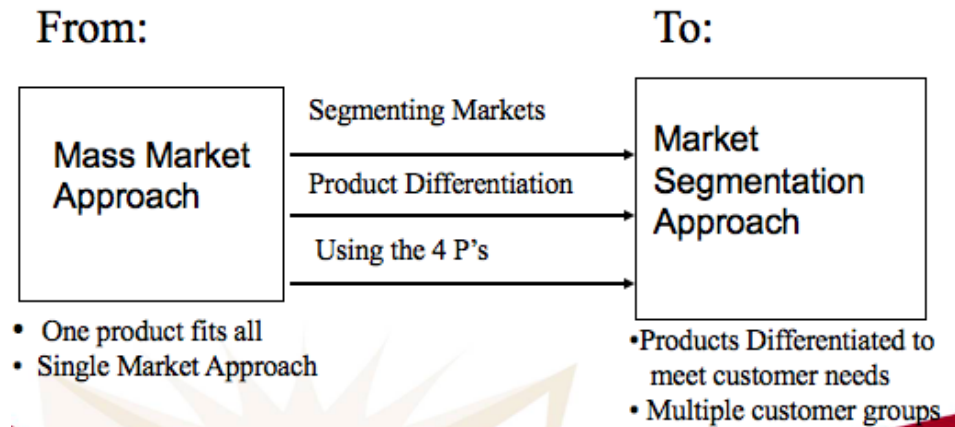
Buyer Decision Process for New Products – Product Factors

Influence of product characteristics on rate of adoption

- Relative advantage
- Complexity
- Divisibility
- Communicability

Chapter 7 – Segmentation, Targeting & Positioning

Alternative Market approach:



Why segment the market?

Efficiency: target those consumers with the greatest likelihood of buying the product, making marketing efforts more efficient.

Divide and conquer: dividing a large market into distinct smaller groups that can be reached more efficiently. Tailor the marketing mix program within each targeted segment to best match customer needs and provide superior value compared to the competitors

Opportunity: homogeneous groups of prospective buyers resulting from the segmentation process. Identify new opportunities not discovered by competitors

Steps in Marketing Segmentation, Targeting and Positioning



I. **Market segmentation:**

Dividing market into distinct groups with distinct needs, characteristics, or behaviors, who might require separate products or marketing mixes

- No single way to segment a market
- Any variables can be used as the basis for segmentation
 - One variable
 - Combination of several variables
- Bases for segmentation:
 - **Geographic:** divides the market into different geographical units; ex. region, climate, density, city vs. rural, etc.
 - **Demographic:** variables are similar to the ones from a census; ex. age, gender, family size, family cycle, income, occupation, education, race, nationality
 - **Psychographic:** dividing the market into different segments based on interests, social class, lifestyle, personality
 - **Behavioral:** dividing market into different segments based on consumer knowledge, attitudes, uses of a product or responses to a product

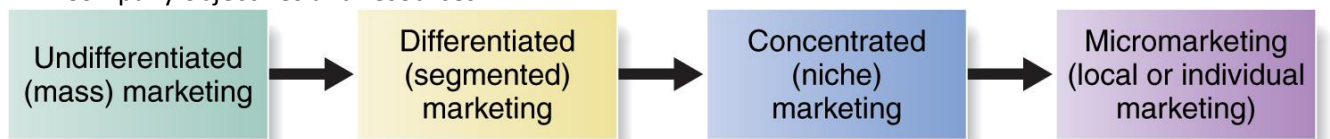
- Multiple segmentation bases:
 - Used to better identify segments (small, better defined segments)
 - Geodemographic segmentation:
 - Combining demographic with geographic
 - Ex. Income with information on regional differences
- Segments should be characterized by:
 - Homogeneous consumers within segments
 - Heterogeneous consumers across segments
- Segmenting markets effectively:
 - **Measurable:** segment size, purchasing power and profile of segment
 - **Accessible:** marketers must be able to effectively promote to and serve a market segment
 - **Substantial:** market segments must be large and profitable enough to serve
 - **Differentiable:** segments should be conceptually different and respond differently to different marketing mix elements
 - **Actionable:** can marketing programs be designed effectively to attract and serve the segments

II. Target marketing:

Consists of a set of buyers who share common needs or characteristics that the company decides to serve.

Evaluating each market:

- Segment size and growth
- Segment structural attractiveness
 - Level of competition
 - Substitute products
 - Power of buyers
 - Power of suppliers
- Company objectives and resources



Targeting broadly

Targeting narrowly

- Undifferentiated marketing (Mass): market segment differences and targeting the whole market with one offer
 - Differentiated marketing (segmented): (solution to undifferentiated marketing) targeting several market segments and designing separate offers for each
 - Concentrated marketing (niche): (solution to differentiated marketing) pursuing a large share of one or a few submarkets
 - Tailoring marketing (micromarketing): tailoring products and marketing programs to the needs/ wants of specific individuals and local customer groups. Local marketing, individual marketing (extreme of micromarketing)
- Choosing a target marketing strategy:
 - Company resources: limited resources – concentrated marketing
 - Product variability: uniform products – undifferentiated marketing; varying forms of products – differentiation or concentration
 - Product's life-cycle stage: new product – one version – undifferentiated or concentrated marketing; mature stage - differentiated
 - Market variability: from consumers needs side
 - Competitor's marketing strategy
 - Socially responsible targeting
 - Care not to target vulnerable and disadvantage consumers
 - Some segments, especially children, are at special risk
 - Spillover from adult to children markets
 - Many potential abuses on the Internet, including fraud Internet shoppers

V. Products of questionable benefit

VI. Differentiation and Positioning:

Differentiation:

What you do to the product or service to make it different from competitor offering?
Unique bundle of benefits appealing to a market segment.

Positioning:

How are the product places in the mind of the customer?

The way the product is defined by consumers on important attributes – the place the product occupies in consumer’s minds relative to competing products.

Segmenting and positioning:

Segmentation is the **firms view of the consumer**

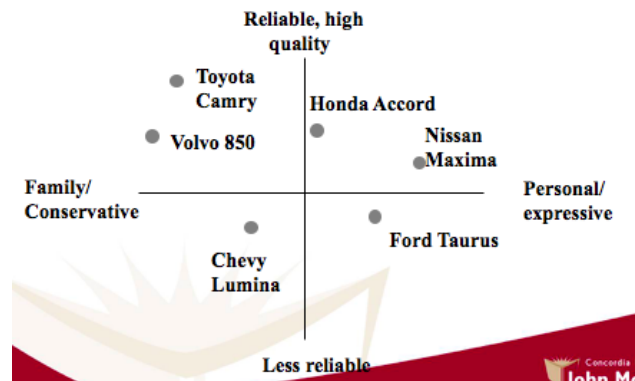
Positioning lead to the **consumer’s view of the firm** and its products

Perceptual maps:

Maps consumer perceptions of their brands versus competing products on important buying dimensions.

A key to positioning a product effectively is to understand consumers’ perceptions

- Evaluations of the important attributes for a product class
- Judgments of the existing brands with the important attributes
- Ratings of an “ideal” brands attributes



Choosing a positioning strategy:

Identifying possible competitive advantages

- Differentiations can be based on: products, services, channels, people, image

Choosing the right competitive advantages:

How many differences to promote?

- Unique selling proposition
- Several benefits

Which differences to promote? Criteria include:

- Important
- Distinctive
- Superior
- Communicable
- Pre-emptive
- Affordable
- Profitable

Selecting an overall positioning strategy:

- Value propositions represent the full mix of benefits upon which a brand is positioned
- Possible value propositions:

How do you develop a positioning statement?

A company's brand and positioning should be summed in a **positioning statement**.

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

Communicating and Delivering the chosen position

- Companies must take stronger steps to deliver and communicate the desired position to target consumers
- The marketing mix efforts must support the positioning strategy
- Positions must be monitored and adapted over time to match changes in consumer needs and competitor's strategies

Approaches to product positioning

- Head-to-head positioning: competing directly with competitors on similar attributes in the same target market (ex. Coke and Pepsi)
- Away/differentiation positioning: relate to existing mental structures in the consumer's mind, position the product against something consumers already know (usually away from the leader)

Repositioning:

Involves changing the place an offering occupies in a consumer's mind relative to competitive offerings

		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

Chapter 8 – Products, Services and Branding Strategies

Products:

Anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a need or want (tangible good)

Services:

An activity, benefit, or satisfaction offered for sale that is essentially intangible, do not result in ownership of anything

Experiences:

Represent what buying the product or service will do for the customer.

FIGURE 8.1 Three Levels of Product: Core, Actual, and Augmented

What is marketed?

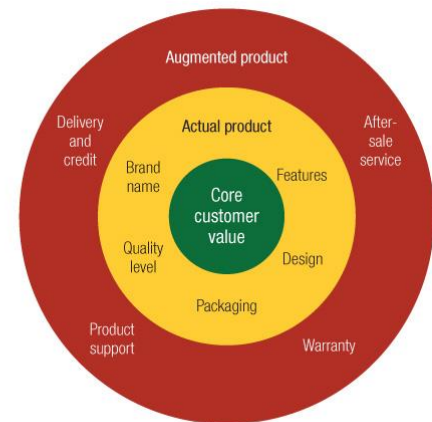
Organizations, persons, places, ideas

What are the levels of product or service?

Core customer value

Actual product

Augmented product



What are consumer products and how can we classify them?

Consumer products are products and services for personal consumption:

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1. Convenience products:

Consumer products and services that customer usually buys frequently, immediately and within minimum comparison and buying effort.

2. Shopping products:

Consumer products and services that customer compares carefully on suitability quality, price and style

3. 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 with

4. Unsought products:

Consumer products that the consumer does not know about or know about but does not normally think of buying

- Aggressive advertising and personal selling

New Product Developing

New Product:

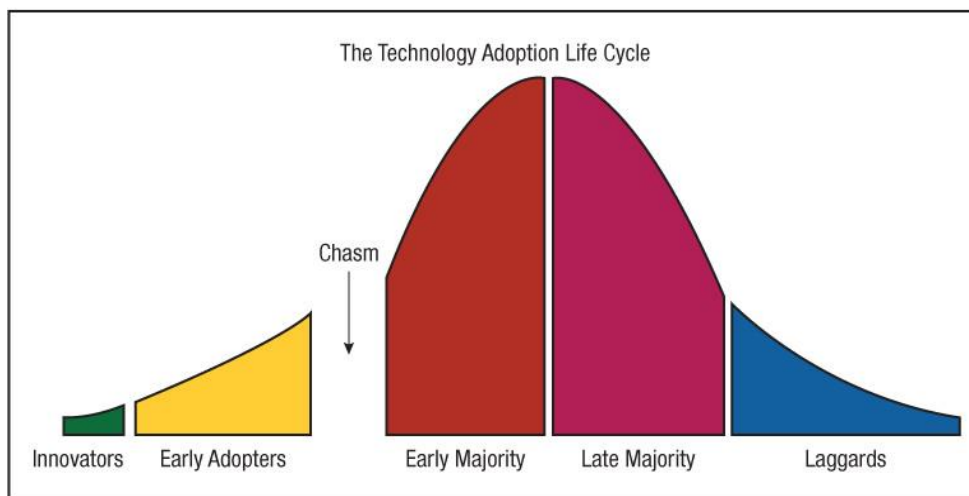
- Innovative products new to the world
- Product improvement
- Product modifications
- New brands coming up with new products

Why do some products fail?

The diffusion of innovation theory : “chasm” must be crossed for success, each group has very different beliefs and motivations

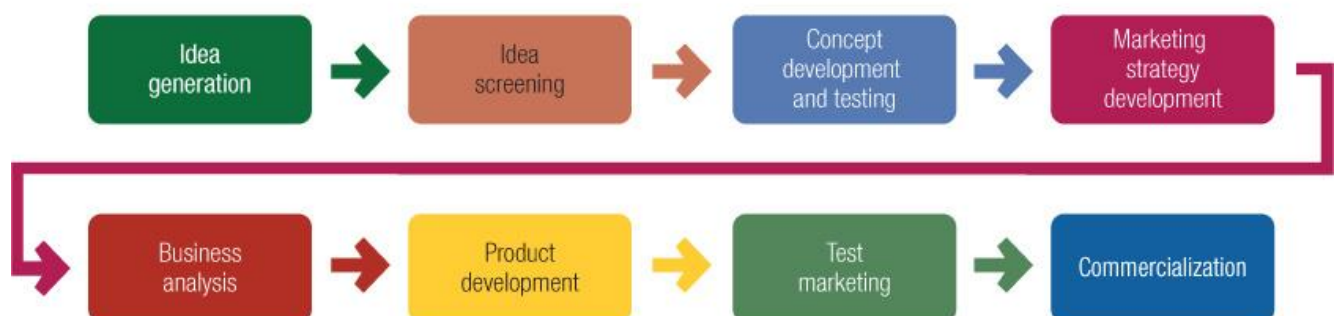
- Lack of differentiation
- Poor match between features and customer desires
- Overestimation of market size
- Incorrect positioning
- Price too high or too low
- Inadequate distribution
- Poor promotion
- Inferior product
- Bad timing

FIGURE 8.2 Developed by Geoffrey Moore, the Technology Adoption Life Cycle shows five different market segments, each separated by a gap. The “chasm,” or most significant gap, occurs between members of the early adopters and members of the early majority segments.



What is the new Product Development Process?

FIGURE 8.3 Major Stages in New-Product Development

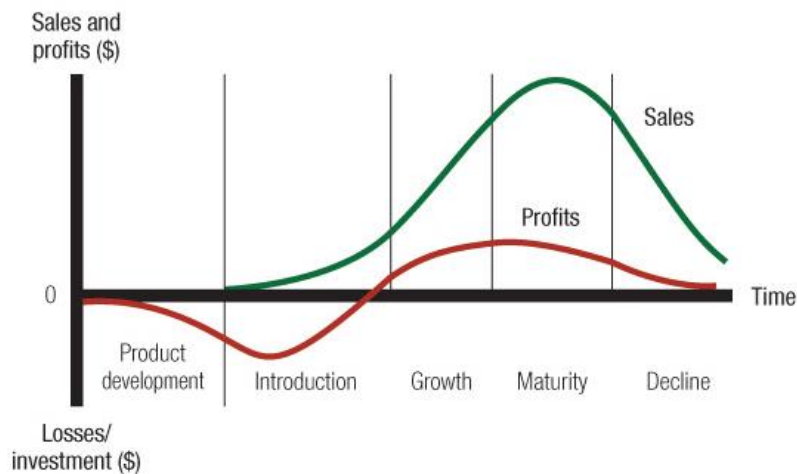


2. Idea generation: systematic search for new-product ideas

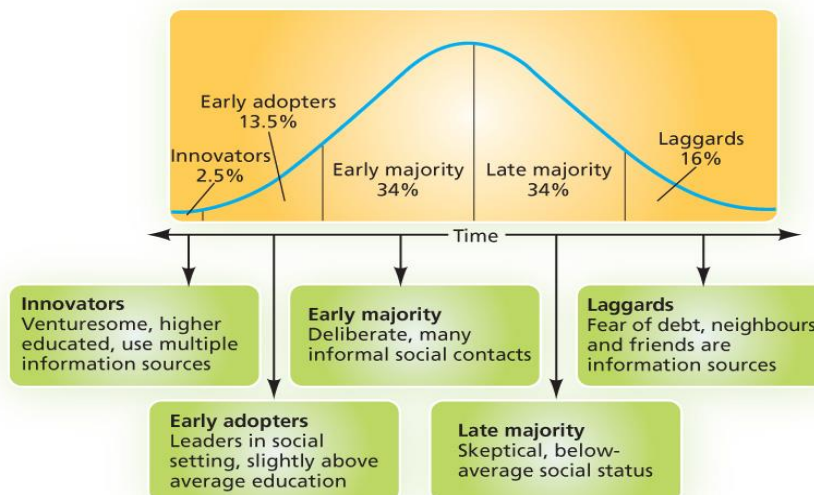
- Customers: questions, complaints, comments, new uses for products
- Crowdsourcing: inviting broad communities of people into the new-product innovation process

3. **Idea screening:** spot good ideas and drop poor ones
4. **Concept development and testing:** develop idea into product concepts
 - Description, drawing prototype
 - Tested with a group of potential customers
 - KEY: not yet in production
5. **Marketing strategy development:** designing the marketing strategy
 - How, when, where and to whom the product will be introduced?
6. **Business analysis:** analyze the new products financial attractiveness
7. **Product development:**
 - passed the business test
 - product testing
 - getting ready for the market
8. **Test marketing:** product and marketing program are introduced into realistic marketing settings
9. **Commercialization:** full scale introduction of new product

Product Life Cycle



How can we link product life cycle and consumers?



Stage 1 – introduction phase

The product is first launched into the market

- Marketing objective:
- Competition: Few
- Product: One
- Price: Skimming or penetration
- Promotion: inform, educate

- Places (distribution):
- Sales: Low
- Cost per Customer: High
- Customer: Innovators

Stage 2 – Growth Phase

Strategy it to stay here

Finding new segments and adding distribution channels

- Marketing objective: differentiation
- Competition: growing
- Product: more versions/improvements
- Price: low pricing/deals
- Promotion: stress differences
- Places (distribution):
- Sales:
- Cost per Customer:
- Profits: raising and peaking
- Customer: early adopters/early majority

Stage 3 – Maturity Phase

Last longer than other stages

- Marketing objective:
- Competition: many
- Product: full product line
- Price:
- Promotion: reminder oriented
- Places (distribution): max outlets
- Sales:
- Cost per Customer: low to average
- Profits: high
- Customer: late majority

Prevent decline in maturity stage by: modifying the target market, modify the product & modifying the marketing mix

Stage 4 – Decline Phase

Products sales decline, more options

- Marketing objective: Harvest/deletion
- Competition: Reduced
- Product: Best sellers
- Price:
- Promotion: Minimal promotions
- Places (distribution):
- Sales: Declining
- Cost per Customer: Low
- Profits: Declining
- Customer:

Alternative Product Life Cycles

FIGURE 8.5 Styles, Fashions, and Fads

