



Introduction to Marketing

Customer-Driven Marketing

Good Marketing???



What Is Marketing?

- **Marketing:** An organizational function and set of processes for **creating, communicating, and delivering value** to customers and for managing customer relationships in ways that benefit the organization and its stakeholders

Marketing Strategy Process

Research Market

Segment & Choose Target Market

Understand Targeted Customer Behavior

Develop Marketing Strategy

Market Strategy

Marketing Mix



Customer Utility

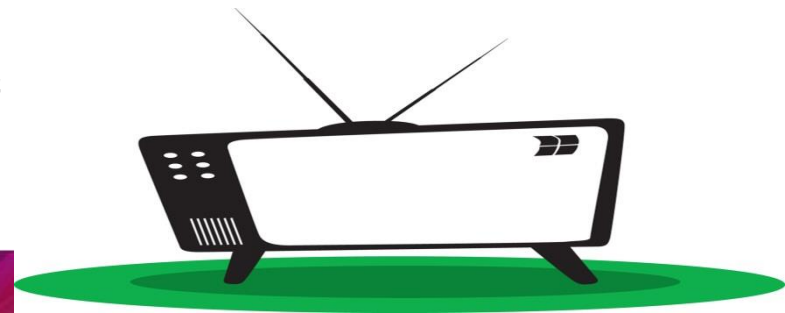
Customers must perceive value in products

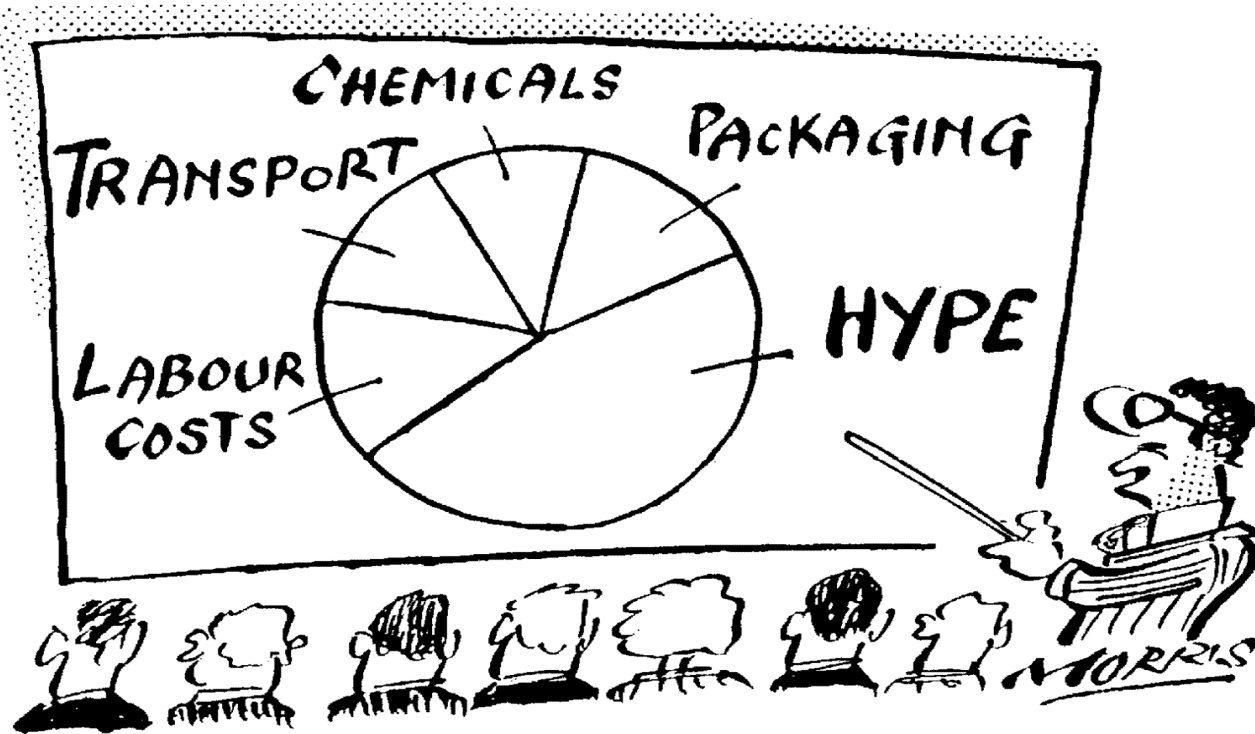


How Marketing Creates Utility (or value)

- ❑ **Utility:** The power of a good or service to satisfy a want or need. Specific examples include:
 - ❑ Create *time utility* by making a good or service available when customers want to purchase it.
 - ❑ Create *place utility* by making a product available in a location convenient for customers.
 - ❑ Create *ownership utility* through an organized transfer of goods and services from the seller to the buyer.

Value Proposition – value customer gets out of product or service based on purchasing it.





DEVELOPING A MARKETING STRATEGY

Developing a Marketing Strategy

1. Study and analyze potential target markets and choose among them.



2. Create a marketing mix to satisfy the chosen market (*product, distribution, promotion, & pricing*)

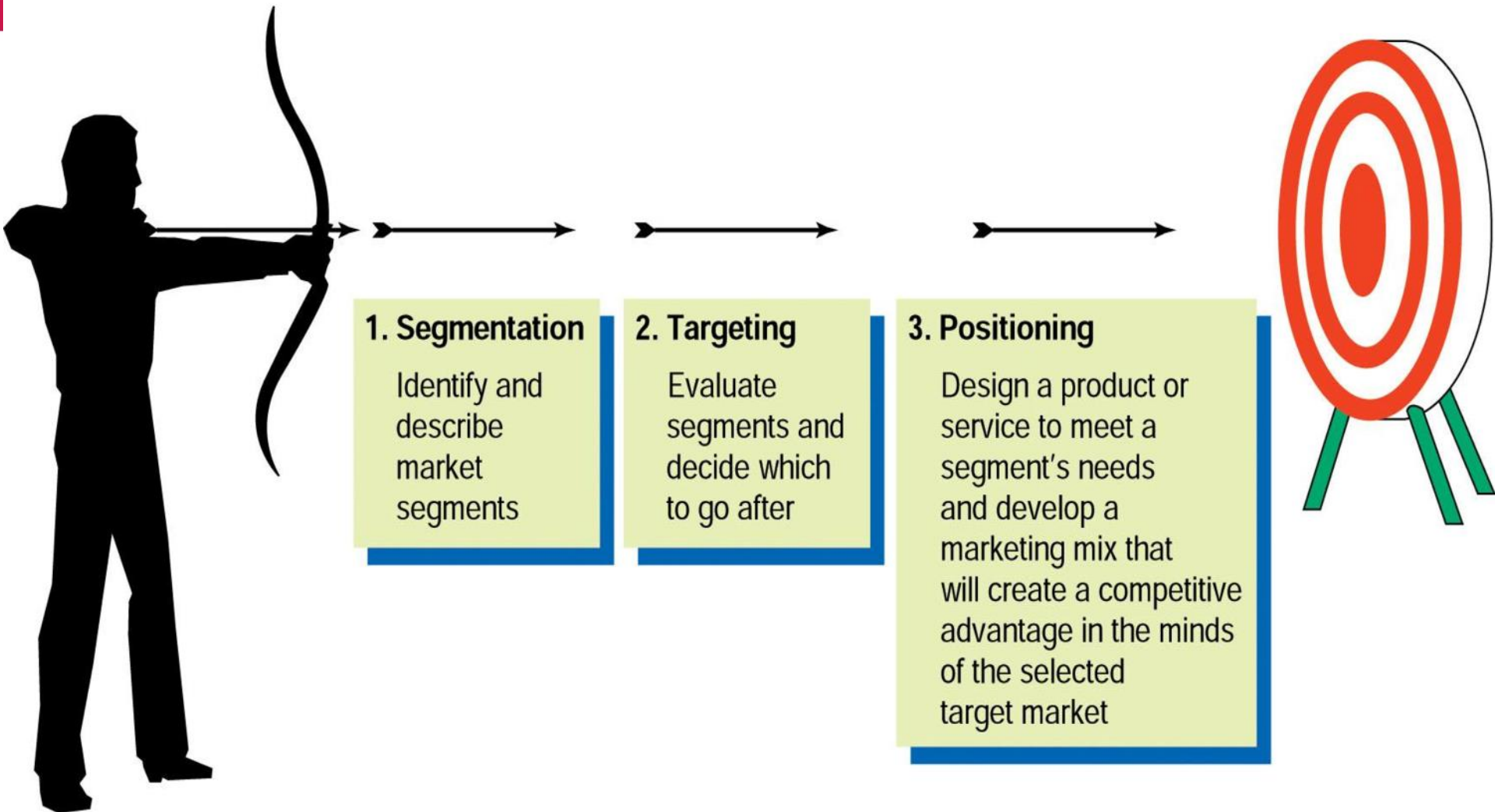
- Intro Video – marketing broccoli



SEGMENTING MARKETS

CHOOSING A TARGET MARKET

Target Marketing Process: Linking Customer Needs to Marketing Action



Types of Markets

- ❑ **Consumer (B2C) product:** A good or service that is purchased by end users
- ❑ **Business (B2B) product:** A good or service purchased to be used, either directly or indirectly, in the production of other goods for resale

Selecting a Target Market

- **Target market:** A group of people that an organization markets its goods, services, or ideas toward, using a strategy designed to satisfy this group's specific needs and preferences



Marketing Research

- ❑ **Marketing research:** The process of collecting and evaluating information to support marketing decision-making



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Types of Market Research



Marketing Research

- ❑ **Internal data** is generated within the organization; includes financial records, inventory levels, sales, profitability
- ❑ **External data** comes from outside sources; includes trade associations, advertising agencies, national marketing research firms



- ❑ **Secondary data** is previously published data.
 - ❑ Low-cost and easy to obtain.
 - ❑ Government publications provide data sources (e.g., census statistics).
- ❑ **Primary data** is collected through observation, surveys, and other forms of observational study.

Marketing Research

- ❑ **Focus groups** gathers 8 to 12 people in a room or over the Internet to discuss a specific topic.
 - ❑ Can lead to new ideas, address consumer needs, and point out flaws in existing products.
- ❑ **Business intelligence:** A field of research that uses activities and technologies for gathering, storing, and analyzing data to make better competitive decisions
- ❑ **Data mining:** The use of computer searches of customer data to detect patterns and relationships.

Market Segmentation

Goal of Market Research

- ❑ **Market segmentation:** The process of dividing a total market into several relatively similar groups
- ❑ Key criteria for picking dimension(s) for segmentation other than usefulness

CRITERION

A segment must be a measurable group.

A segment must be accessible for communication.

A segment must be large enough to offer profit potential.

EXAMPLE

Data can be collected on the dollar amount and number of purchases made by college and university students.

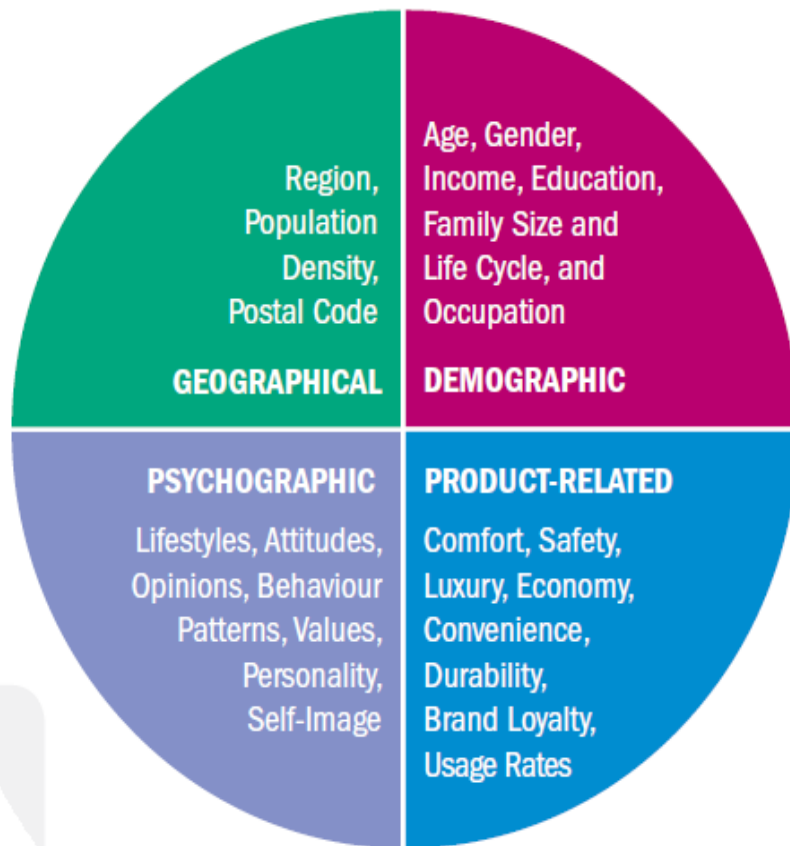
More and more seniors are now online, so many more seniors can now be reached through Internet channels.

In a small community, a store carrying only large-size shoes might not be profitable. For similar reasons, a specialty retail chain may prefer to locate in a large market.

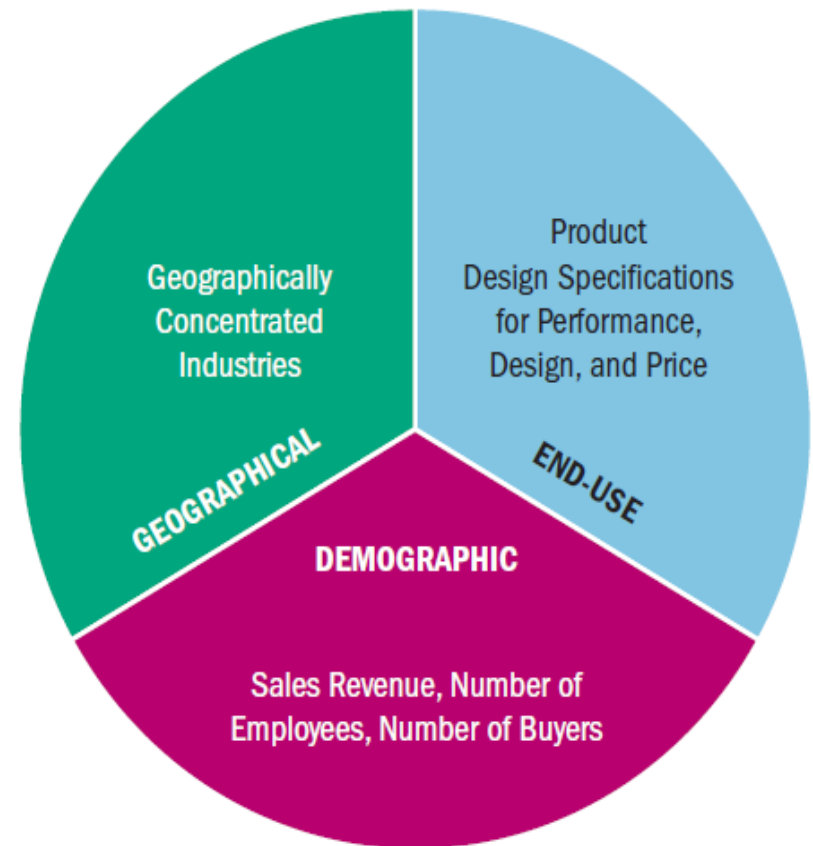
Segment Options (Banking)

	Segment 1: Convenience Driven	Segment 2: Price Driven	Segment 3: Relationship Driven
% of Market	40%	34%	26%
Important Benefit Statements	Most ATM locations Free online bill paying	Free checking – always Free online bill paying	Service is our business Your hometown bank Reach a live person 24/7 There when you need us
Behavior	Low branch visits	High likelihood to switch banks	High branch visits
Demographic Skews	Younger	Lower income	Older Highest income Skews female

How Market Segmentation Works



Consumer (B2C) Markets



Business (B2B) Markets

Segmenting Consumer Markets

- ❑ **Geographic segmentation:** Dividing an overall market into similar groups on the basis of their locations
- ❑ **Demographic segmentation:** Dividing markets on the basis of various demographic or socioeconomic characteristics, such as gender, age, income, occupation, household size, stage in family life cycle, education, or ethnic group
- ❑ **Psychographic segmentation:** Dividing consumer markets into groups with similar attitudes, values, and lifestyles
 - ❑ **AIO (attitude, interests & opinion) statements** are people's verbal descriptions of various attitudes, interests, and opinions
- ❑ **Product-related segmentation:** Dividing consumer markets into groups that are based on benefits sought by buyers, usage rates, and loyalty levels

Geographical Segmentation

What geographic regions in the US have the highest consumption of ice cream per capita?

Geographic Segmentation

Average HH Spend on Ice Cream by Zip Code

Alaska

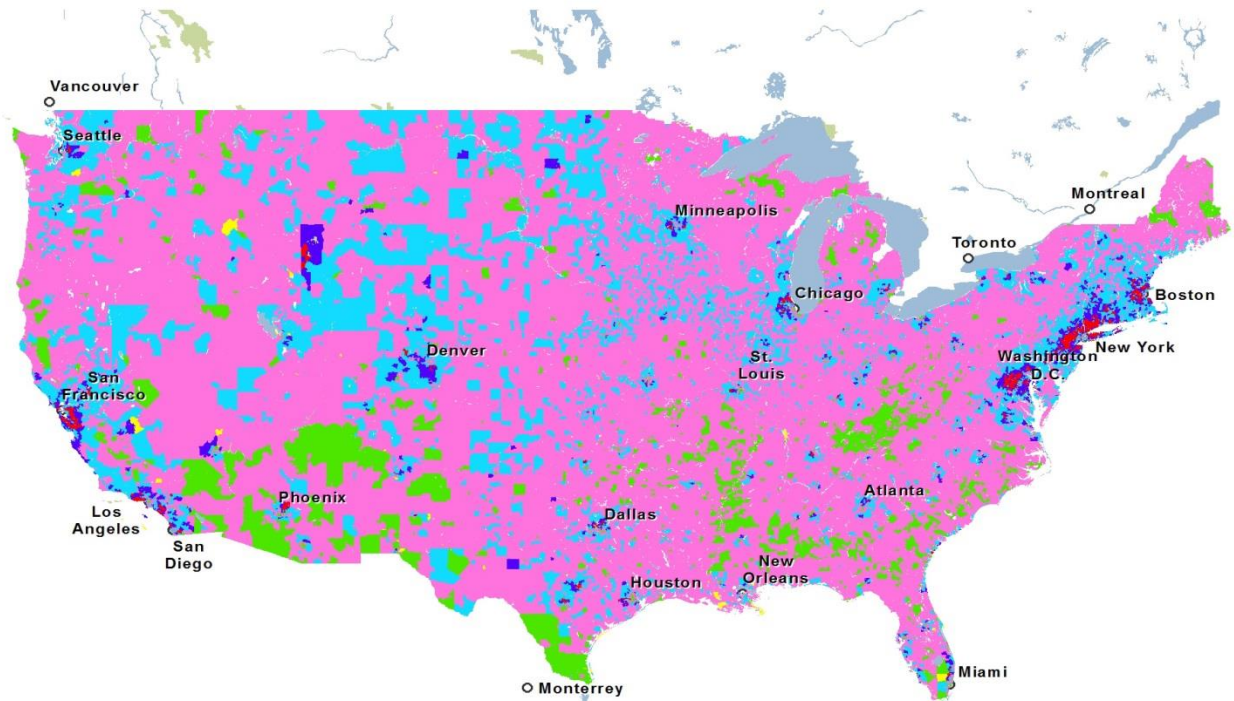


Hawaii



Average Spend

Yellow	\$0.00 - \$25.00
Green	\$25.01 - \$50.00
Pink	\$50.01 - \$75.00
Cyan	\$75.01 - \$100.00
Blue	\$100.01 - \$125.00
Red	\$125.01 - \$256.00



Regional Advertising

Bevete
Coca-Cola
Deliziosa e rinfrescante

A Roma si gusta con la pasta

SULLA TAVOLA DEGLI ITALIANI DA SEMPRE!

Coke
Diet

MAESTRO
STAY EXTRAORDINARY
MANAGER

Diet
Coke

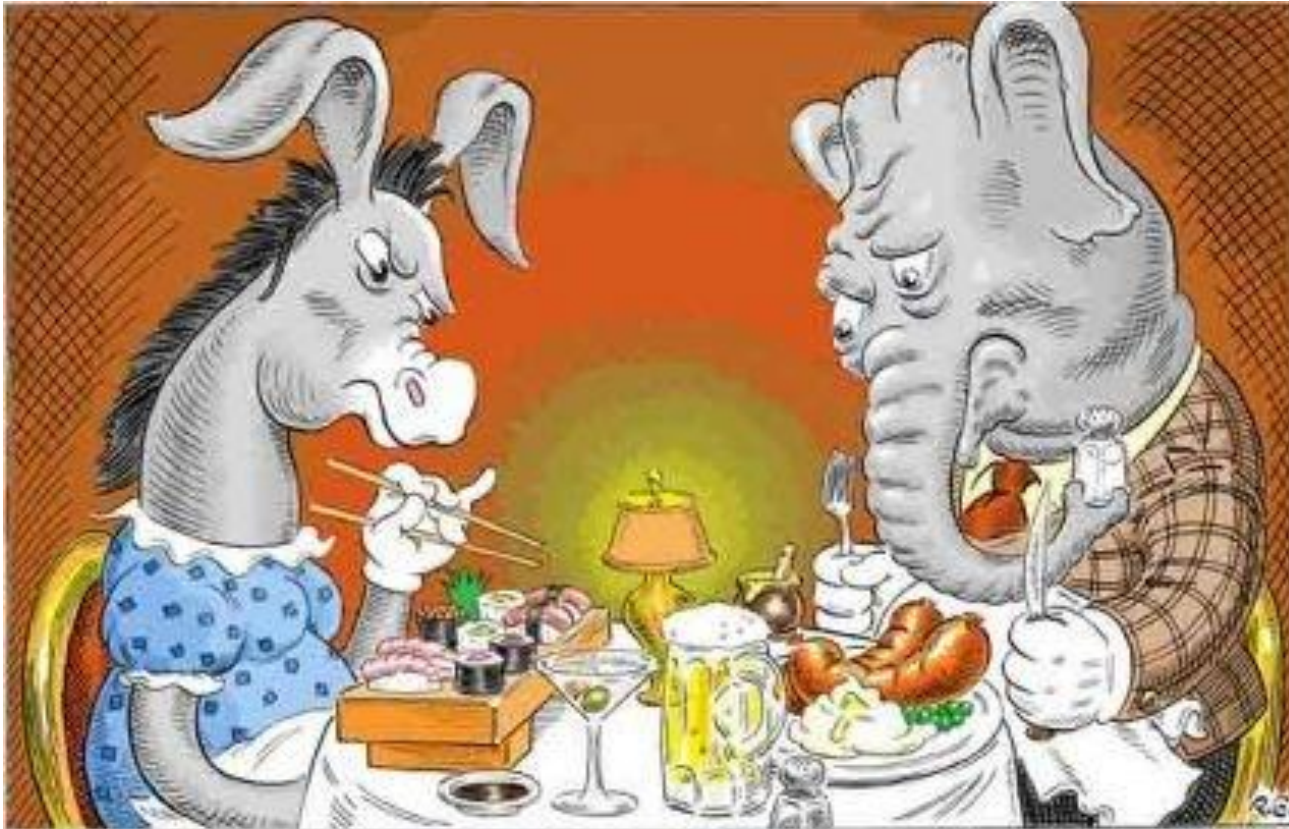


- Video – Segmentation at McDonalds.

Segmenting Business Markets

- **Geographic segmentation** targets geographically concentrated industries.
- **Demographic, or customer-based, segmentation** designs a good or service intended for a specific organizational market (e.g., healthcare institutions).
- **End-use segmentation:** A marketing strategy that focuses on the precise way a B2B purchaser will use a product

Customer Behavior

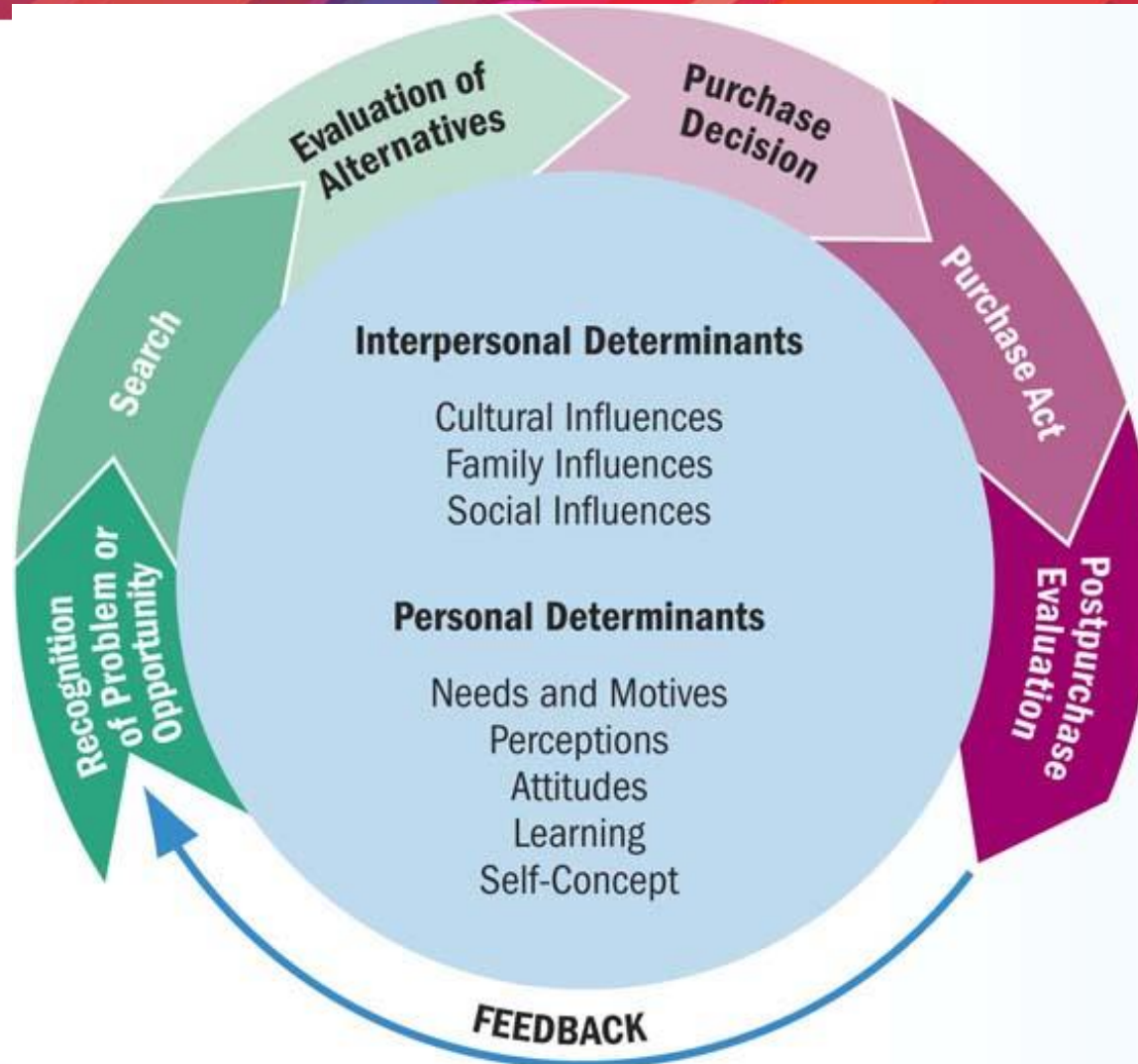


Robert Grossman

Consumer Behaviour

- ❑ **Consumer behaviour:** End consumers' activities that are directly involved in **obtaining, consuming, and disposing** of products, and the **decision processes before and after** these activities.
 - ❑ Personal factors: needs and motives, perceptions, attitudes, learned experiences, self-concept
 - ❑ Interpersonal factors: cultural, social, and family influences
 - ❑ External factors: economic events
- ❑ **Business buying behaviour** often includes a variety of influences from multiple decision makers within the organization.

Steps in the Consumer Behaviour Process





Selecting a Market Strategy

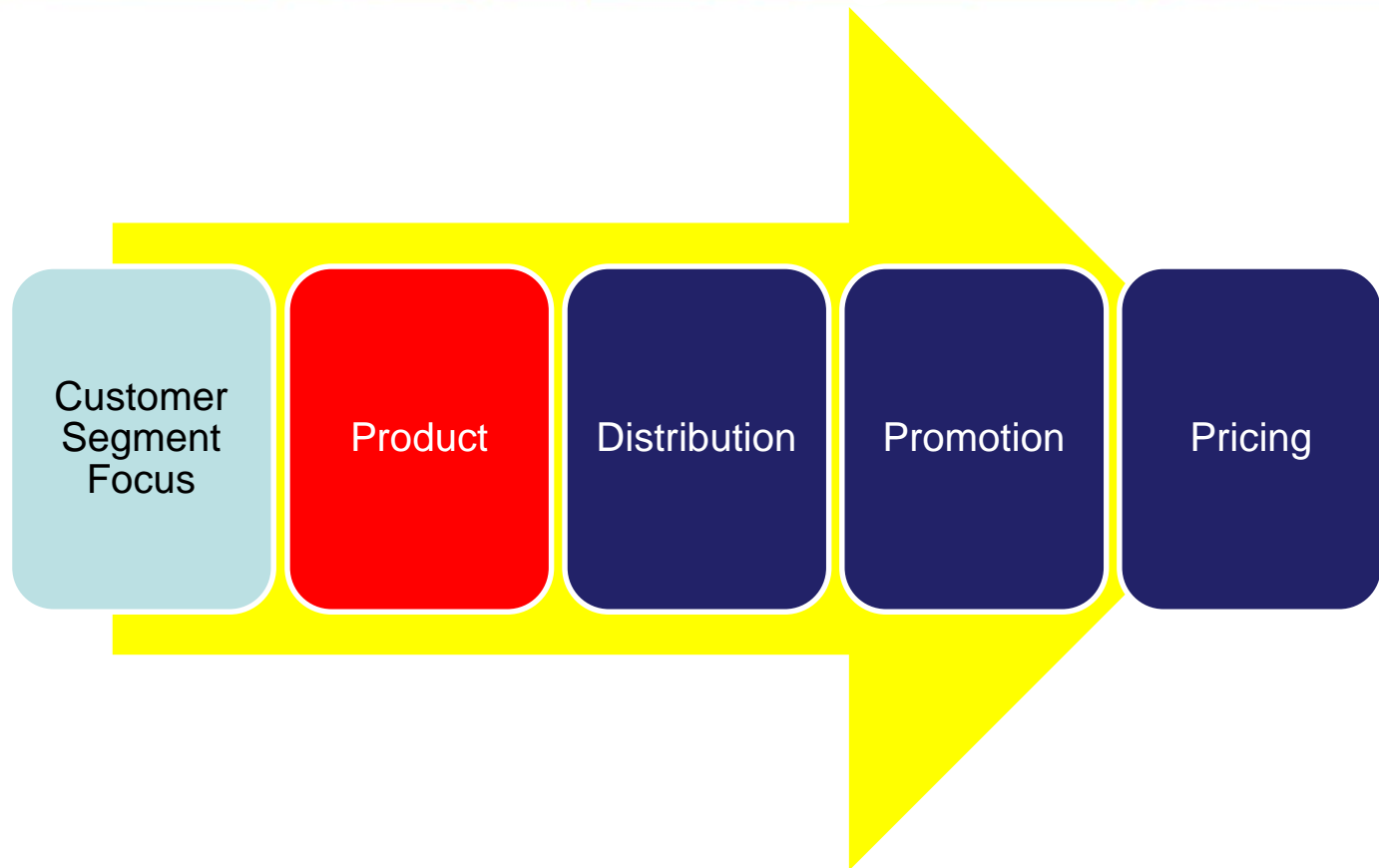
Marketing Strategy or Mix



Selecting a Marketing Strategy for a Target Market

- ❑ **Marketing mix:** A blending of the four elements of marketing strategy to fit satisfy chosen customer segment(s)
 - ❑ **Product strategy** involves the nature of the product and its package design, brand names, trademarks, and product image.
 - ❑ **Distribution (Place) strategy** ensures that customers receive their purchases in the proper quantities at the right times and locations.
 - ❑ **Promotional strategy** blends advertising, personal selling, sales promotion, and public relations to achieve its goals of informing, persuading, and influencing purchase decisions.
 - ❑ **Pricing strategy** sets profitable and justifiable prices for the firm's product offerings, sometimes subject to government scrutiny.

Marketing Mix – Promotion & Pricing



Product Strategy

- **Product:** A bundle of physical, service, and symbolic characteristics designed to satisfy consumer wants

Types of Products

- Consumer Products (B2C)
 - Convenience Product
 - Shopping Product
 - Specialty Product
- Industrial Products (B2B)
 - Capital Product
 - Expense Product
 - Inventory Product

Consumer Goods

Convenience Product

Marketing Strategy Factor	Product Characteristics
<i>Purchase Frequency</i>	Frequent
<i>Store Image</i>	Unimportant
<i>Price</i>	Low
<i>Promotion</i>	By manufacturer
<i>Distribution Channel</i>	Many wholesalers & retailers
<i>Number of outlets</i>	Many



Consumer Goods

Shopping Product

Marketing Strategy Factor	Product Characteristics
<i>Purchase Frequency</i>	Relatively infrequent
<i>Store Image</i>	Very important
<i>Price</i>	Relatively high
<i>Promotion</i>	By manufacturer & retailers
<i>Distribution Channel</i>	Relatively few wholesalers & retailers
<i>Number of outlets</i>	Few

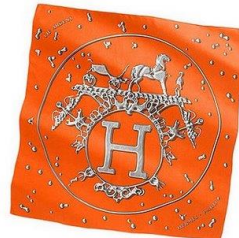


Consumer Goods Specialty Product

Marketing Strategy Factor	Product Characteristics
<i>Purchase Frequency</i>	Infrequent
<i>Store Image</i>	Important
<i>Price</i>	High
<i>Promotion</i>	By manufacturer & retailers
<i>Distribution Channel</i>	Many wholesalers & retailers
<i>Number of outlets</i>	Very small number; often 1/area



Mercedes-Benz



Hermes Scarf



Rolex Watch

Classifying Business Goods

Capital Goods

- **Installations** are major capital items such as new factories, heavy equipment and machinery, and custom-made equipment.
- **Accessory equipment** includes less expensive and shorter-lived capital items than installations, and involves fewer decision makers.

Expense Good

- **Supplies** are expense items used in a firm's daily operations that do not become part of the final product.

Inventory Good

- **Component parts and materials** become part of a final product.
- **Raw materials** are farm and natural products used in producing other final products.

Product Lines and Product Mix

- **Product line:** A group of related products that share by physical similarities or are targeted toward a similar market
- **Product mix:** The assortment of product lines and individual goods and services that a firm offers to consumers and business users



Proctor & Gamble

Product line



Novartis

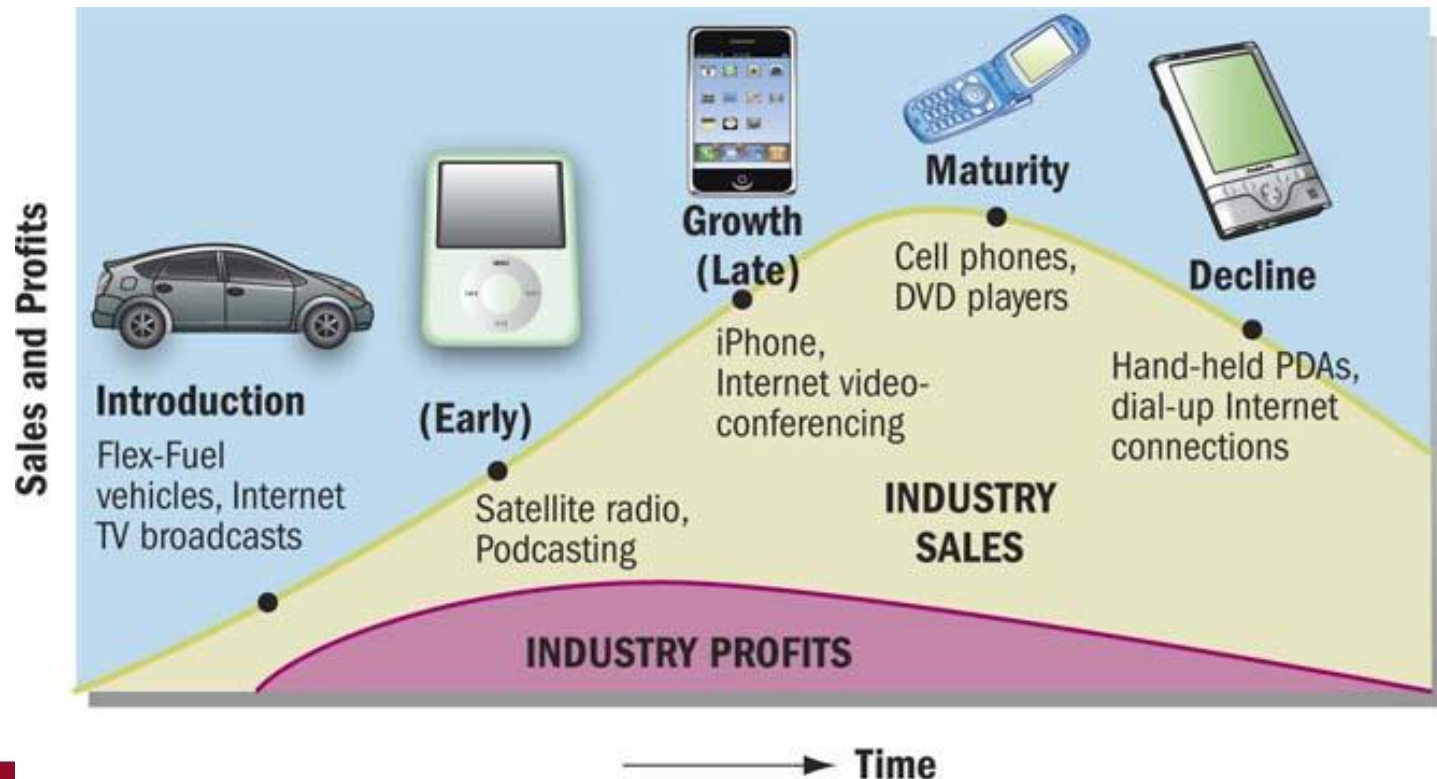
Product Mix



Procter & Gamble

Product Life Cycle

- **Product life cycle:** The four basic stages in the development of a successful product—introduction, growth, maturity, and decline



Stages of the Product Life Cycle

- In the **introduction stage**, the firm promotes demand for its new offering; informs the market about it; gives free samples to entice consumers to make a trial purchase; and explains its features, uses, and benefits.
- In the **growth stage**, sales climb quickly as new customers join early users who are repurchasing the item. The company begins to earn profits on the new product.
- In the **maturity stage**, industry sales eventually reach a saturation level at which further expansion is difficult.
- In the **decline stage**, sales fall and profits decline.

MARKETING OBJECTIVE**GAIN AWARENESS****STRESS DIFFERENTIATION****MAINTAIN BRAND LOYALTY****HARVESTING, DELETION**

Competition	Few	More	Many	Reduced
Product	One	More versions	Full product line	Best sellers
Price	Skimming or penetration	Gain market share, deal	Defend market share, profit	Stay profitable
Promotion	Inform, educate	Stress competitive differences	Reminder oriented	Minimal promotion
Place (distribution)	Limited	More outlets	Maximum outlets	Fewer outlets

Life Stage

Introduction

Growth

Maturity

Decline

Product Identification

- **Brand:** A name, term, sign, symbol, design, or some combination that identifies the products of one firm and shows how they differ from competitors' offerings
- **Brand name:** The part of the brand that is made up of words or letters that form a name
 - Used to identify a firm's products and show how they differ from the products of competitors.
- **Trademark:** A brand that has been given legal protection

Brand Categories

- A **manufacturer's (or national) brand** is offered and promoted by a manufacturer.
 - Tide, Cheerios, Windex, Fossil, Nike
- A **private (or store) brand** is not linked to the manufacturer but instead carries a wholesaler's or retailer's label.
 - Loblaw's President's Choice foods, Sears' Craftsman tools
- A **family branding strategy** uses a single brand name for several related products.
 - KitchenAid, Johnson & Johnson, Hewlett-Packard, Arm & Hammer
- An **individual branding strategy** gives each product within a line a different name.
 - Procter & Gamble products Tide, Cheer, and Dash

Brand Loyalty

1. In **brand recognition**, the consumer is aware of the brand but does not have a preference for it over other brands.
2. In **brand preference**, the consumer chooses one firm's brand over a competitor's.
3. In **brand insistence**, the consumer will seek out a preferred brand and accept no substitute for it (the ultimate degree of brand loyalty).

Brand Equity

- **Brand equity:** The added value that a respected and successful name gives to a product



Brand Equity or Value

Category	Brand	Brand value 2013 \$M	Brand contribution	Brand value % change 2013 vs 2012	Rank change
1 Technology		185,071	4	1%	0
2 Technology		113,669	3	5%	1
3 Technology		112,536	3	-3%	-1
4 Fast Food		90,256	4	-5%	0
5 Soft Drinks		78,415	5	6%	1
6 Telecoms		75,507	3	10%	2
7 Technology		69,814	3	-9%	-2
8 Tobacco		69,383	3	-6%	-1
9 Credit Card		56,060	4	46%	6
10 Telecoms		55,368	3	18%	0

Packages and Labels

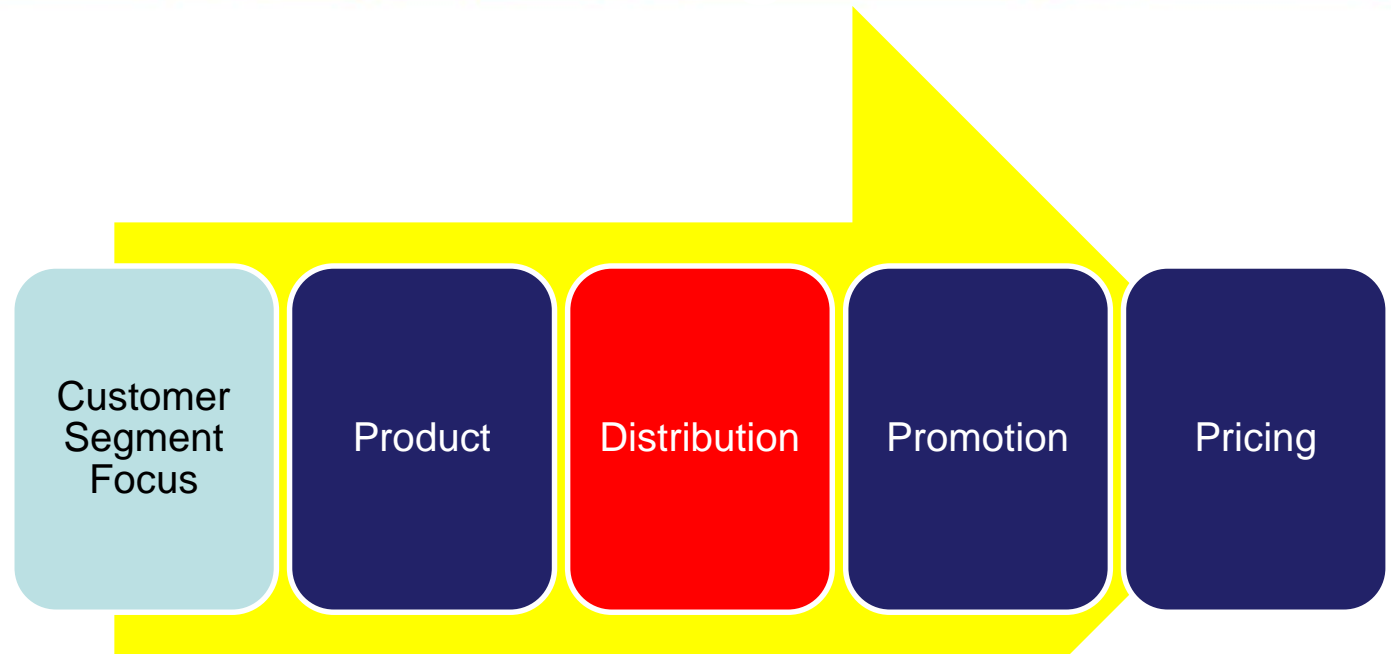
- Packaging affects the **durability, image, and convenience** of an item and is responsible for one of the biggest **costs** in many consumer products.
- Packaging is important in **product identification** and play is an important role in a firm's overall product strategy.





Distribution Strategies (Place)

Marketing Mix – Promotion & Pricing



- Product & Distribution are about providing an appropriate product to the right place.
- Promotion & Pricing are about attracting and sustaining customers.

Distribution Strategy

- **Distribution channel:** The path that products—and their legal ownership—follow from producer to consumers or business users
- **Physical distribution:** The actual movement of products from producer to consumers or business users



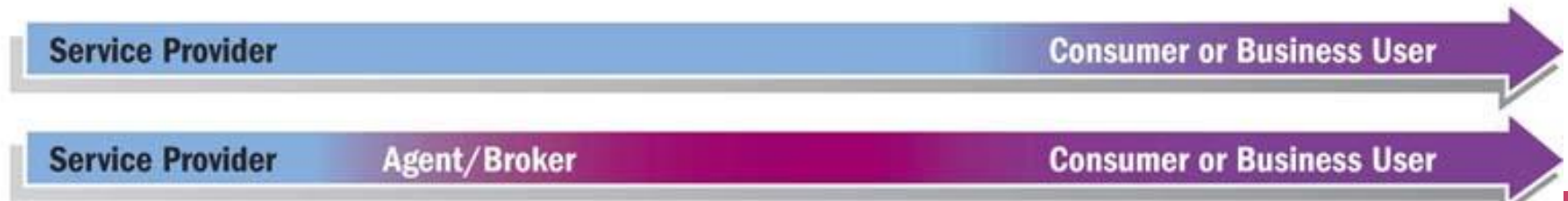
Consumer Goods



Business Goods



Services



Distribution Channels

□ **Direct distribution**

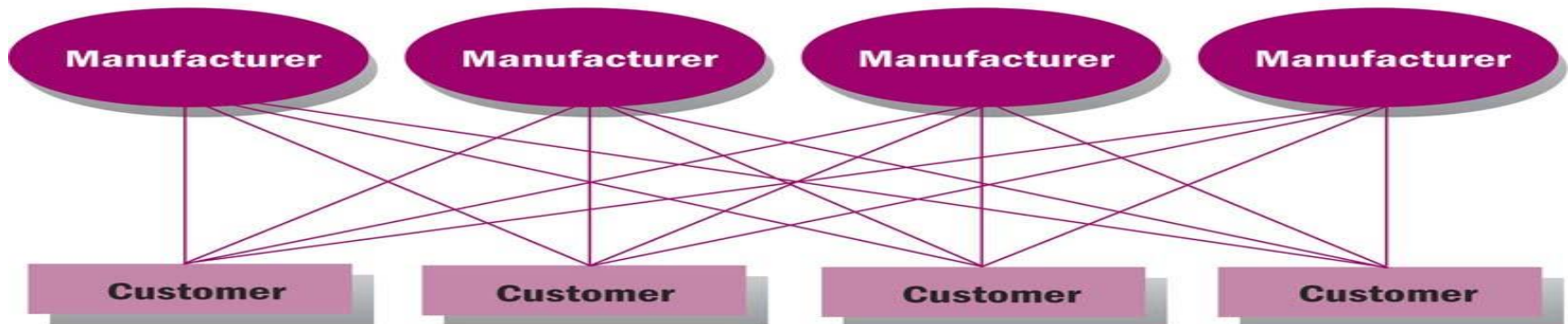
- Direct contact between producer and customer.
- Most common in B2B markets.
- Often found in the marketing of relatively expensive, complex products that may require demonstrations.
- Internet is helping companies distribute directly to consumer market.

□ **Distribution channels using marketing intermediaries**

- Producers distribute products through wholesalers and retailers.
- Inexpensive products sold to thousands of consumers in widely scattered locations.
- Lowers costs of goods to consumers by creating market utility.

Reducing Transactions through Marketing Intermediaries

16 Contacts



8 Contacts

Wholesaling

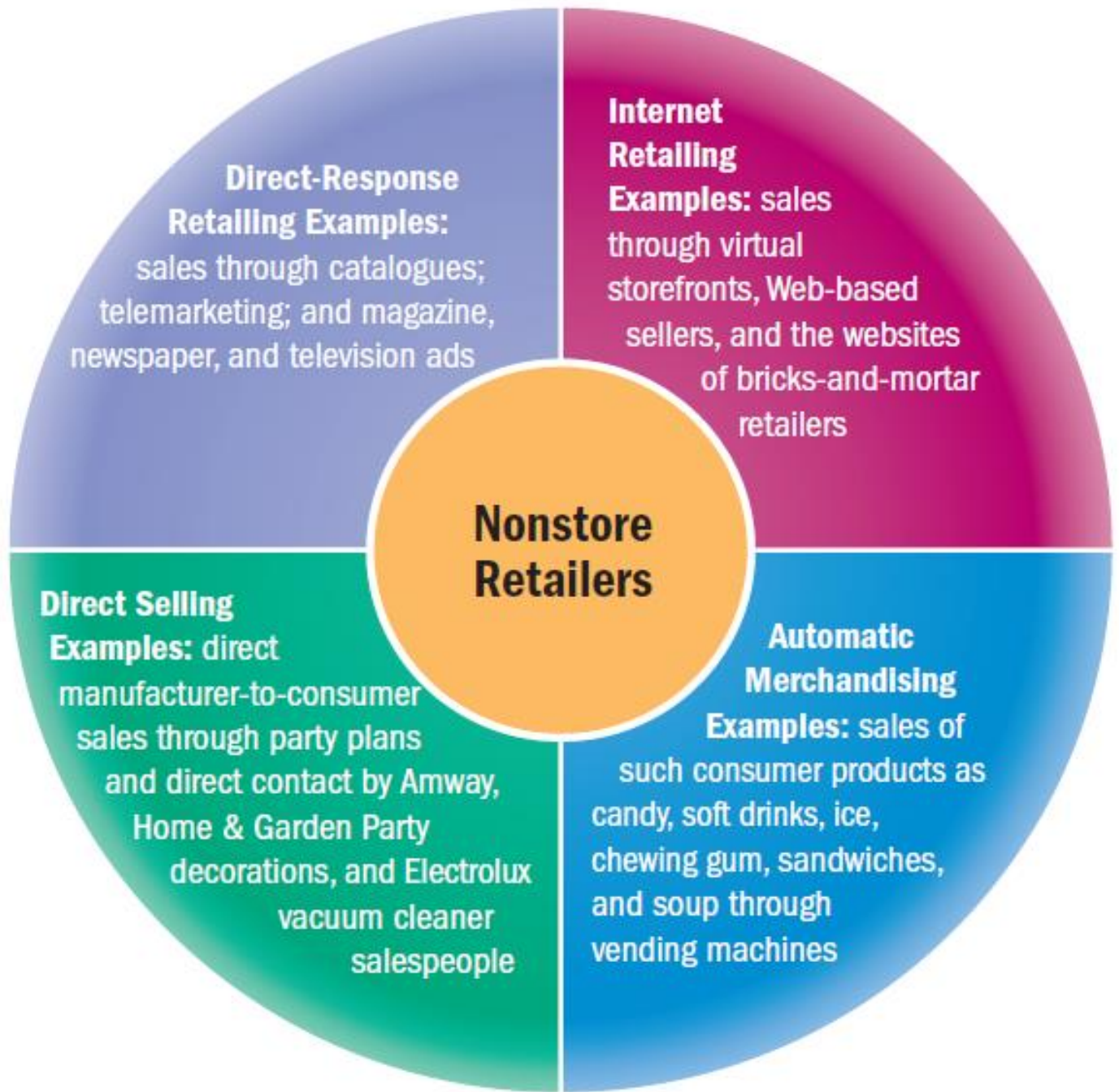
- **Wholesaler:** A distribution channel member that sells primarily to retailers, other wholesalers, or business users
- **Manufacturer-owned wholesaling intermediaries**
 - Owned by the manufacturer of the goods or products to control distribution or customer service
 - **Sales branch** stocks products and fills orders from inventories
 - **Sales office** takes orders but does not stock the product

Retailing

- **Retailers:** Distribution channel members that sells goods and services to individuals for their own use, not for resale
- Final link of the distribution channel; deal directly with customers
- Two types: store and nonstore



Non-Store Retailing



Types of Retail Stores

STORE TYPE	DESCRIPTION	EXAMPLE
Specialty store	Offers a complete selection in a narrow line of merchandise	Choices Markets, Bass Pro Shops, Golf Town, Williams-Sonoma
Convenience store	Offers staple convenience goods, easily accessible locations, extended store hours, and rapid checkouts	7-Eleven, Boni Soir, Mac's
Discount store	Offers wide selection of merchandise at low prices; off-price discounters offer designer or brand-name merchandise	Target, Walmart, Army & Navy
Warehouse club	Large, warehouse-style store selling food and general merchandise at discount prices to membership card-holders	Costco, DirectBuy
Factory outlet	Manufacturer-owned store selling seconds, production overruns, or discontinued lines	Adidas, Tommy Hilfiger, Pottery Barn, Ralph Lauren
Supermarket	Large, self-service retailer offering a wide selection of food and nonfood merchandise	Safeway, Whole Foods Market, Loblaws
Supercentre	Giant store offering food and general merchandise at discount prices	Walmart Supercentre, Super Target, Real Canadian Superstore
Department store	Offers a wide variety of merchandise selections (furniture, cosmetics, housewares, clothing) and many customer services	The Bay

How Retailers Compete

- Identifying a target market
- Selecting a product strategy
- Selecting a customer service strategy
- Selecting a pricing strategy
- Choosing a location
- Building a promotional strategy
- Creating a store atmosphere

Distribution Channel Decisions and Logistics

- What specific channel will it use?
- What will be the level of distribution intensity?
- Selecting distribution channels
 - Complex, expensive, custom-made, or perishable products move through shorter distribution channels involving few—or no—intermediaries.
 - Standardized products or items with low unit values usually pass through relatively long distribution channels.
 - Start-up companies often use direct channels because they can't persuade intermediaries to carry their products, or because they want to extend their sales reach.

Selecting Distribution Intensity

- **Intensive distribution** involves a firm's products in nearly every available outlet, and requires the cooperation of many intermediaries.
- In **selective distribution**, the manufacturer selects a limited number of retailers to distribute its product lines.
- **Exclusive distribution** limits market coverage in a specific geographical region that will enhance a product's image.

Logistics and Physical Distribution

- **Supply chain:** The complete sequence of suppliers that help to create a good or service and deliver it to business users and final consumers
- **Logistics:** The process of coordinating the flow of goods, services, and information among members of the supply chain
- **In physical distribution,** activities are aimed at efficiently moving finished goods from the production line to the consumer or business buyer.



Comparison of Transportation Modes

MODE	SPEED	DEPENDABILITY IN MEETING SCHEDULES	FREQUENCY OF SHIPMENTS	AVAILABILITY IN DIFFERENT LOCATIONS	FLEXIBILITY IN HANDLING	COST
Truck	Fast	High	High	Very extensive	Average	High
Rail	Average	Average	Low	Low	High	Average
Water	Very slow	Average	Very low	Limited	Very high	Very low
Air	Very fast	High	Average	Average	Low	Very high
Pipeline	Slow	High	High	Very limited	Very Low	Low

Customer Service

- **Customer service standards** measure the quality of service a firm provides for its customers.
- **Warranties** are a firm's promises to repair a defective product, refund money paid, or replace a product if it proves unsatisfactory.
- Internet retailers have worked to humanize their customer interactions and deal with complaints more effectively.



Choosing a Distribution

- Ask customer
- Is there a strategic fit between this channel & your marketing strategy?
- Is there is a product fit?
- Does it make financial sense?

END