
Chapter 1: Marketing: Creating and Capturing Customer Value

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

- ▶ Satisfying customer needs

The Marketing Process

Step 1: Understanding the Marketplace and Customer Needs

There are 5 core customer and marketplace concepts:

1. Needs, Wants, and Demands

- ▶ **Needs:** states of felt deprivation;
- ▶ **Wants:** the form human needs take as they are shaped by culture and individual personality;
- ▶ **Demands:** human wants that are backed by buying power

2. Market Offerings - Products, Services, and Experiences

- ▶ **Market Offerings:** some combination of products, services, information, or experiences offered to a market to satisfy a need or a want.
- ▶ **Marketing Myopia:** the mistake of paying more attention to the specific products a company offers than to the benefits and experiences produced by these products

3. Customer Value and Satisfaction

- 4. **Exchange:** the act of obtaining a desired object from someone by offering something in return. Exchange value to build strong relationships.
- 5. **Market:** the set of all actual and potential buyers of a product or service

Step 2: Designing a Customer-Driven Marketing Strategy

Marketing Management: the art and science of choosing target markets and building profitable relationships with them. The job of a marketing manager is to find, attract, keep, and grow target customers by creating, delivering, and communicating superior customer value

- ▶ **Selecting Customers to Serve:** company must decide whom it will serve by dividing the market into segments of customers (**Market Segmentation**) and selecting which segments it will go after (**Target Marketing**).
- ▶ **Choosing a Value Proposition:** the set of benefits or values it promises to deliver to consumers to satisfy their needs. It shows how the company differentiates and positions itself in the marketplace.
 - ★ Example: BMW “the ultimate driving machine,” Facebook “connect and share with the people in your life”

Marketing Management Orientations

There are 5 concepts under which organizations design and carry out their marketing strategies:

1. **Production Concept:** the idea that consumers will favour products that are available and highly affordable; therefore, the organization should focus on improving production and distribution efficiency. However, can lead to **marketing myopia**
2. **Product Concept:** the idea that consumers will favour products that offer the most quality, performance, and features; therefore the organization should devote its energy to making continual product improvements. May also lead to **marketing myopia**
3. **Selling Concept:** the idea that consumers will not buy enough of the firm’s products unless the firm undertakes a large-scale selling and promotion effort (customer conquest)
 - ★ usually practised on **unsought goods** (those that buyers don't normally think of buying)
 - ★ Risks: focuses on sale transaction rather than creating long-term, profitable customer relationships; selling what the company has rather than making what the market wants
4. **Marketing Concept:** a philosophy in which achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do.

★ Henry Ford “If I had asked people what they wanted, they would have said faster horses”

5. **The Societal Marketing Concept:** the idea that a company’s marketing decisions should consider consumers’ wants, the company’s requirements, consumers’ long-run interests, and society’s long-run interests.

Step 3: Preparing an Integrated Marketing Plan and Program

Major marketing mix tools - 4P’s: **Product, price, place, and promotion**

Step 4: Building Customer Relationships

- **Customer Relationship Management:** the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction
- **Customer-perceived value:** the customer’s evaluation of the difference b/w all the benefits and all the costs of a marketing offer relative to those of competing offers. A customer buys from the firm with the highest customer-perceived value
- **Customer satisfaction:** the extent to which a product’s perceived performance matches a buyer’s expectations. The higher the level of satisfaction, the greater the customer loyalty

performance < expectations = dissatisfied

performance = expectations = satisfied

performance > expectations = highly satisfied

- **Customer-engagement marketing:** making the brand a meaningful part of consumers’ conversations and lives by fostering direct and continual customer involvement in shaping brand conversations, experiences, and community. Its goal is to make the brand a meaningful part of consumers’ conversations and lives.

Example: posting coupons on FB page

- **Customer-generated marketing:** brand exchanges created by consumers themselves - both invited and uninvited - by which consumers are playing an increasing role in shaping their own brand experiences and those of other consumers. Example: Doritos super bowl ads

- **Partner-relationship management:** working closely with partners in other company departments and outside the company to jointly bring greater value to customers. Firms must link all departments in the cause of creating customer value.

Step 5: Capturing Value from Customers

Outcomes of creating customer value:

1. Creating Customer Loyalty and Retention

- **Customer lifetime value:** the value of the entire stream of purchases a customer makes over a lifetime of patronage. This is why its bad to lose a customer (if you see a dissatisfied customer leaving your store, you see \$50K leaving)

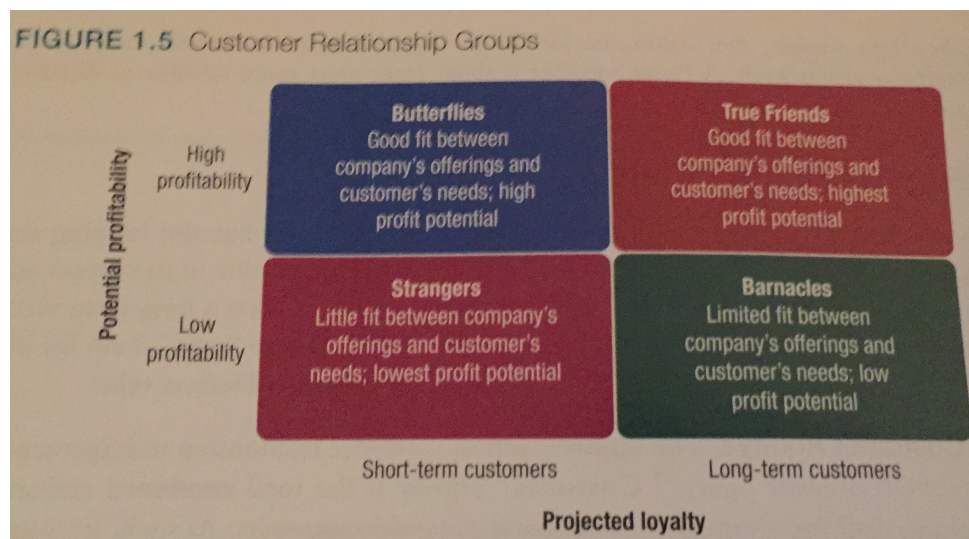
2. Growing Share of Customer

- **Share of Customer:** the portion of the customer's purchasing that a company gets in its product categories. Example, grocery store wants "share of stomach"

3. Building Customer Equity

- **Customer Equity:** the total combined customer lifetime values of all the company's customers. It is a measure of the future value of the company's customer base.

Whereas sales and market share reflect the past, customer equity suggest the future, so its a better measure of performance.



The Changing Marketing Landscape

There are 5 major developments:

1. The Digital Age: Online, Mobile, and Social Media Marketing

- Digital and social media marketing: the use of marketing tools such as websites, social media, mobile apps and ads, online video, email, and blogs, in order to engage consumers anywhere and at any time via their digital devices.
- Social Media Marketing: providing links to company's FB, Twitter, IG etc. and provides exciting opportunities to extend customer engagement and get people talking about a brand
- Mobile marketing: using apps to get promotions

2. The Changing Economic Environment: price conscious consumers, diy, coupons

3. Growth of Not-For-Profit Marketing

- universities, hospitals, museums, churches want to attract memberships, funds and support

4. Rapid Globalization

- you also want to market globally. Example Lululemon from BC is in 302 stores across many countries

5. Call for More Ethics and Social Responsibility

- some companies do the bare minimum, like follow the laws, while some make pledges such as for every item sold, 10 cents will go to Africa

Chapter 2: Company and Marketing Strategy: Partnership to Build Customer Relationships

Company-Wide Strategic Planning: Defining Marketing's Role

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

Steps in Strategic Planning



STEP 1: Defining a Market-Oriented Mission

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

- Acts as an invisible hand that guides people in the organization
- Meaningful, specific, motivating
- Market oriented (not about products, because things can change)
- Focus on customers and customer experience it seeks to create (not about \$)
- Google's mission statement isn't to be the world's best search engine; its to organize the world's information and make it universally accessible and useful

STEP 2: Setting Company Objectives and Goals

- The mission is turned into detailed supporting objectives for each level of management
- Guides the hierarchy of business and marketing objectives

STEP 3: Designing the Business Portfolio

Business Portfolio: the collection of businesses and products that make up the company.

For example, the size and scope of Rogers Communications: its a cell phone service provider, TV provider, and has many subsidies such as The Shopping Channel, Maclean's, Sportsbet etc.

FIRST, Analyze the Current Business Portfolio

Portfolio Analysis: the process by which management evaluates the products and businesses that make up the company.

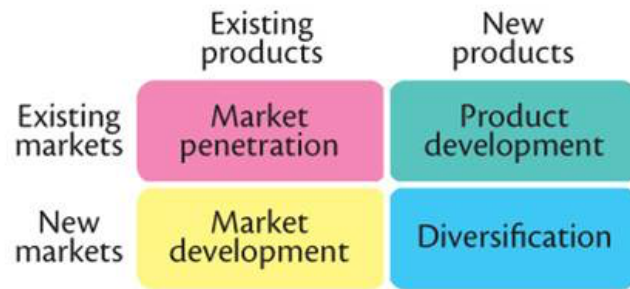
- Company will want to put strong resources into its more profitable business, and phase down or drop its weaker ones
- It must identify its key **Strategic Business Units (SBUs)**: it can be a company division, a product line within a division, or a single products/brand
- Use the **Boston Consulting Group Approach (BCG)** by using the **growth-share matrix**: a portfolio-planning method that evaluates a company's strategic business units (SBUs) in terms of its market growth rate and relative market share. SBUs are classified as stars, cash cows, question marks or dogs.
- As time passes by, SBUs change their positions (for example they can start out as ? then move on to stars and then become cash cows before becoming dogs)



- **Problems:** time-consuming, costly, difficult to define SBUs

SECOND, Develop Strategies for Growth and Downsizing

Product-market Expansion Grid: a portfolio planning tool for identifying company growth opportunities through market penetration, market development, product development, or diversification



- **Market Penetration:** a strategy for company growth by increasing sales of current products to current market segments without changing the product
- **Market Development:** a strategy for company growth by identifying and developing new market segments for current company products
- **Product Development:** a strategy for company growth by offering modified or new products to current market segments
- **Diversification:** a strategy for company growth though starting up or acquiring businesses outside the company's current products and markets

A company may also have to **downsize**. It is better to focus on promising growth opportunities instead of frittering away energy trying to salvage fading ones.

STEP 4: Planning Marketing: Partnering to Build Customer Relationships

- Each department (finance, marketing, accounting, Information Systems etc) must work together to provide customer satisfaction. For example, marketing will help a company sell its products but IT will help to provide information on which items are selling in each store.
- **Value chain:** the series of internal departments that carry out value-creating activities to design, produce, market, deliver, and support a firm's products.
- More companies today are partnering with other members of the supply chain - suppliers, distributors, and ultimately customers - to improve the performance of the customer **value delivery network**

Marketing Strategy and Marketing Mix

Marketing Strategy: the marketing logic by which the company hopes to create customer value and achieve profitable customer relationships. The company decides which customers it will serve (segmentation and targeting) and how (differentiation and positioning)

1. **Market Segmentation:** dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviours and who might require separate products or marketing programs
 - **Market segment:** a group of customers who respond in a similar way to a give set of marketing efforts (Example: Tylenol)
2. **Market Targeting:** the process of evaluating each market segment's attractiveness and selecting one or more segments to enter
3. **Market Differentiation and Positioning**
 - **Positioning:** arranging for a product to occupy a clear, distinctive, and desirable place relative o competing products in the minds of consumers
 - **Differentiation:** actually differentiating the market offering to create superior value

Marketing Mix: the set of controllable, tactical marketing tools - product, price, place and promotion - that the firm blends to produce the response it wants in the target market.

4Ps (Seller's View)	4Cs (Customer's View)
Product	Customer Solution
Price	Customer Cost
Place	Convenience
Promotion	Communication



Managing the Marketing Effort

Managing the marketing process requires 4 marketing management functions

1. Marketing **Analysis**

- **SWOT Analysis:** An overall analysis of the company's **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats



2. Marketing **Planning** (the WHAT and WHY)

- Executive Summary
- Current Marketing Situation
- Threats and Opportunities Analysis
- Objectives and Issues
- Marketing Strategy: specific strategies for target markets etc
- Action Programs
- Budgets

3. Marketing **Implementation** (the WHO, WHEN, WHERE, HOW)

- the process that turns marketing strategies and plans into marketing actions to accomplish strategic marketing objectives
- **C-SUITE:** CEO, CFO, COO (chief operating officer), CCO (chief communications officer), CTO (chief technology officer), CMO (chief marketing officer)

4. Marketing **Control**

- the process of measuring and evaluating the results of marketing strategies and plans and taking corrective action to ensure that objectives are achieved

Marketing ROI: net return from a marketing investment divided by the costs of the marketing investment

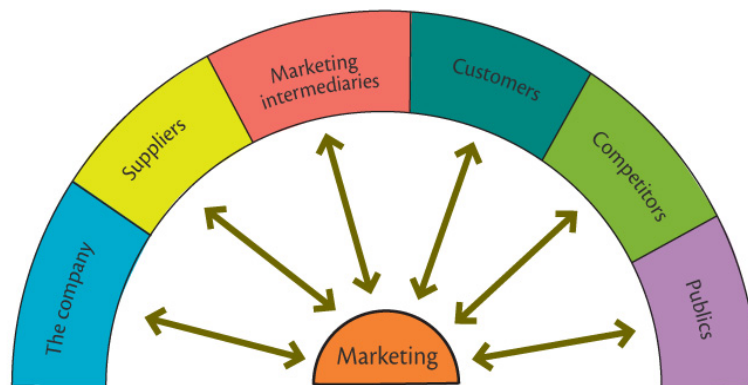
Chapter 4: Analyzing the Marketing Environment

Marketing Environment: the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers.

- In order to collect information about the marketing environment, marketers use 2 disciplined methods: (1) marketing research (2) marketing intelligence
- Marketing environment consists of a **microenvironment** and a **macroenvironment**

The Microenvironment

- ▶ The actors close to the company that affect its ability to serve its customers - the **company**, **suppliers**, **marketing intermediaries**, **customer markets**, **competitors**, and **publics** (value delivery network)



- ▶ **Company:** Top management sets company's mission, objectives, broad strategies and policies. Then, with marketing taking the lead, all departments work together to understand customer needs and create customer value.
- ▶ **Suppliers:** Marketers must watch out for supply availability and costs as well as shortages, labour strikes, natural disasters and other events that can damage customer satisfaction in the long run.
- ▶ **Marketing Intermediaries:** firms that help the company promote, sell, and distribute its goods to final buyers. They include resellers, physical distribution firms, marketing services agencies, and financial intermediaries.
 - 👤 **Resellers:** help company find customers and sell to them. Wholesalers and retailers, such as Wal-Mart, Target, Costco

- 👤 **Physical Distribution Firms:** help company stock and move goods from point A-B
- 👤 **Marketing Services Agencies:** marketing research firms, advertising agencies, media firms
- 👤 **Financial Intermediaries:** help finance transactions. Includes banks, credit card companies, insurance companies

▶ **Customers:** Most important actors in company's microenvironment!! There 5 types of customer markets (or 5 types of customers):

1. **Consumer Markets:** individuals/households that buy for personal consumption
2. **Business Markets:** buy for further processing or to use in production process
3. **Reseller Markets:** buy to resell at a profit
4. **Government Markets:** buy to produce public services or transfer goods/services to public
5. **International Markets:** buyers in other countries, including consumers, producers, reseller, governments

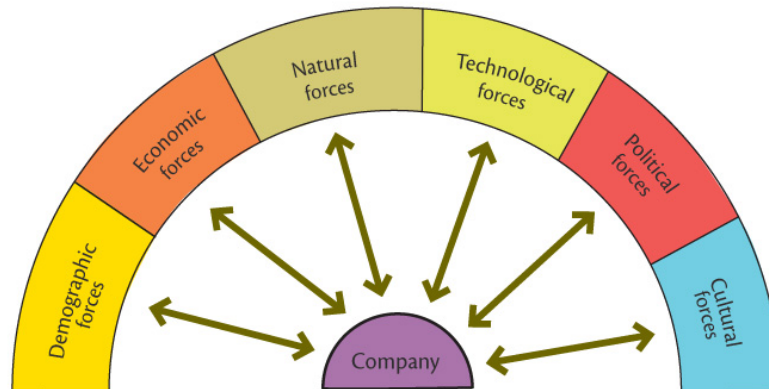
▶ **Competitors:** company must gain strategic advantage by positioning their offerings strongly against competitor's offerings. No single competitive marketing strategy is best for all companies, each firm needs its own.

▶ **Publics:** any group that has an actual or potential interest in or impact on an organization's ability to achieve its objectives. There are 7 types of publics:

1. Financial publics: influences the company's ability to obtain funds (banks, stockholders)
2. Media publics: carries news, features, editorial opinions (TV, magazine, social media)
3. Government publics: company must abide by laws such as product safety and truth in advertising
4. Citizen-action publics: marketing decisions may be questioned by environmental groups, minority groups
5. Local Publics: providing community support. Includes neighbourhood residents, community organizations
6. General public: the public's image of the company affects its buying behaviour
7. Internal publics: when employees feel good about the companies they work for, this positive attitude spills over to the external public (workers, managers, volunteers)

The Macroenvironment

- ▶ The larger societal forces that affect the microenvironment - **demographic**, **economic**, **natural**, **technological**, **political**, and **socio-cultural** forces



▶ The Demographic Environment:

- **Demography:** the study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics
- **Generational Marketing:** Defining people by their birth date is less effective than segmenting them by lifestyle, life stage or the common values they seek in products

Baby Boomers	Generation X	Millennials (Gen Y)	Generation Z
Spend carefully	Research products before they consider a purchase (also spend carefully)	Faced with higher unemployment and debt	They not only spend their own money, but they influence their parent's spending
Wealthiest generation in Canadian history	Quality > Quantity	Technology is a way of life (they were born into a world filled with technology)	"Digital is in their DNA" they are even more computable with tech than millennials
They are taking pleasure in life's adventures	Less receptive to overt marketing pitches		They prefer online shopping
Targeted by companies such as ElderTreds, 50PlusExpeditions	They value family		Marketers must be careful to respect children's privacy

- 👤 The Changing Canadian Household: There is a growing “crowded nest” syndrome (people aged 20-29 still living with parents), there are significantly more women entering the workforce
- 👤 Geographic shifts in population: interprovincial migration is driven by differences in unemployment rates and wages
- 👤 Better Educated Population: the rising # of educated people will increase the demand for quality products
- 👤 Increased diversity: people from all different nations, LGBT community

▶ The Economic Environment:

- 👤 economic factors that affect consumer purchasing power and spending patterns
- 👤 Some countries have *industrial economies* (rich markets for many different kinds of goods), *subsistence economies* (consume most of their own agricultural/industrial input and offer few market opportunities) and *developing economies* (offer outstanding market opportunities for the right kind sou products)
- 👤 Changes in consumer spending
- 👤 Changes in income distribution

▶ The Natural Environment

- 👤 Increased pollution
- 👤 Growing shortage of raw materials
- 👤 Increased government intervention
- 👤 Environmental sustainability

▶ The Technological Environment

- 👤 forces that create new technologies, creating new product and market opportunities
- 👤 increased use of digital technology and nanotechnology
- 👤 online data collection and behavioural targeting capabilities will grow dramatically
- 👤 companies that do not keep up will soon find their products outdated (Example: CDs)

▶ Political/Regulatory Environment

- 👤 The political environment consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society
- 👤 Business legislations are in place to protect businesses from each other, to protect consumers, and tho protect the interest of society
- 👤 Increased emphasis on ethics and socially responsible actions

- 👤 Cause-related marketing: companies linking themselves to worthwhile causes.
However, companies must be careful to not practice “cause-exploitative” marketing

▶ Socio-Cultural Environment

- 👤 Belief in cultural diversity (vs. assimilation), democracy, gender, universal healthcare, love of nature
- 👤 Individualistic vs. collectivistic cultures
- 👤 Culture dictates what is important
- 👤 What social trends are happening?

The marketing environment is an uncontrollable element to which companies must react and adapt.

Chapter 5: Managing Marketing Information to Gain Customer Insights

Marketing Information and Customer Insights

Customer Insights: fresh understandings of customers and the marketplace derived from marketing information that became the basis for creating customer value and relationships

Marketing Information System (MIS): people and procedures dedicated to assessing information needs, developing the needed information, and helping decision makers use the information to generate and validate actionable customer and market insights

Assessing Marketing Information Needs

- Too much info is just as harmful as too little info
- Use info that you really need

Developing Marketing Information

Marketers can obtain the needed information from **internal data**, **marketing intelligence**, and **marketing research**

Internal Data

Internal Database: electronic collections of consumer and market information obtained from data sources within the company network.

- The marketing department has information on customer characteristics, sales transactions, website visit. The accounting department has details on the record of sales, costs and cash flows.
- Careful: it may be incomplete or in the wrong form. Data also ages quickly, so the database must remain current

Competitive Marketing Intelligence

- the systematic collection and analysis of publicly available information about consumers, competitors, and developments in the marketing environment
- Goal: to improve strategic decision making by understanding consumer environment, assessing and tracking competitor's actions, and providing early warnings of opportunities and threats
- Example: Every time someone mentions Gatorade online, it will pop up on their Mission Control screens, this way they can use this information to improve strategic decision making
- Companies also need to actively monitor competitor's activities
- In order to protect themselves (from competitors), companies should also try to "vacuum up" their public information

Marketing Research

- the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization
- gives insights into customer motivations, purchase behaviour, and satisfaction
- it has 4 steps:
 1. **Defining the Problem and Research Objectives:** after defining the problem, the marketing research project might have 1 of 3 types of objectives
 - * Exploratory research: macerating research to gather preliminary information that will help define problems and suggest hypotheses.
 - * Descriptive research: marketing research to better describe marketing problems, situations, or markets, such as the marker potential for a product or the demographics and attitudes of consumers

- * Causal research: marketing research to test hypotheses about cause-and-effect relationships.

2. Developing the Research Plan

- * **Gathering Secondary data:** information that already exists somewhere, having been collected for another purpose. Includes internet search engines, and commercial online databases (ProQuest, LexisNexis). It is *less costly*, however the company must make sure that its *relevant, accurate, current, and impartial*
- * **Primary data Collection:** information collected for the specific purpose at hand

Research Approaches	Contact Methods	Sampling Plan	Research Instruments
Observation/Ethnographic	Mail	Sampling Unit	Questionnaire
Survey	Telephone	Sample Size	Mechanical Instruments
Experiment	Personal	Sampling Procedure	
	Online		

- **Ethnographic research:** a form of observational research that involves sending trained observers to watch and interact with consumers in their “natural habitat”
- Observational is best for exploratory research
- Surveys are best for descriptive research
- Experimental is best for gathering causal information
- Types of interviewing: telephone, personal, individual, focus group
- Difference between behavioural and social targeting: “Instead of just having a sportchek.ca ad running shoes pop up because you've recently searched online for running shoes (**behavioural targeting**), an add for a specific pair of running shoe stops up because a friend you're connected with via Twitter just bought those shoes from sportchek.ca last week (**social targeting**)”

TABLE 5.2 Strengths and Weaknesses of Contact Methods

	Mail	Telephone	Personal	Online
Flexibility	Poor	Good	Excellent	Good
Quantity of data that can be 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

3. Implementing the Research Plan

- * collecting the information
- * processing the information
- * analyzing the information

4. Interpreting and Reporting the Findings

- * interpret the finds and draw conclusion
- * report to management
- * must be useful in the major decisions faced by management

Analyzing and Using Marketing Information

- information gathered through internal databases, marketing intelligence, and marketing research usually require further analysis
- to analyze individual customer data, many companies have acquired or developed special software and analysis techniques called **Customer Relationship management (CRM)** that integrate, analyze, and apply the mountains of individual customer data contained in their databases

Issues Marketing Researchers Face

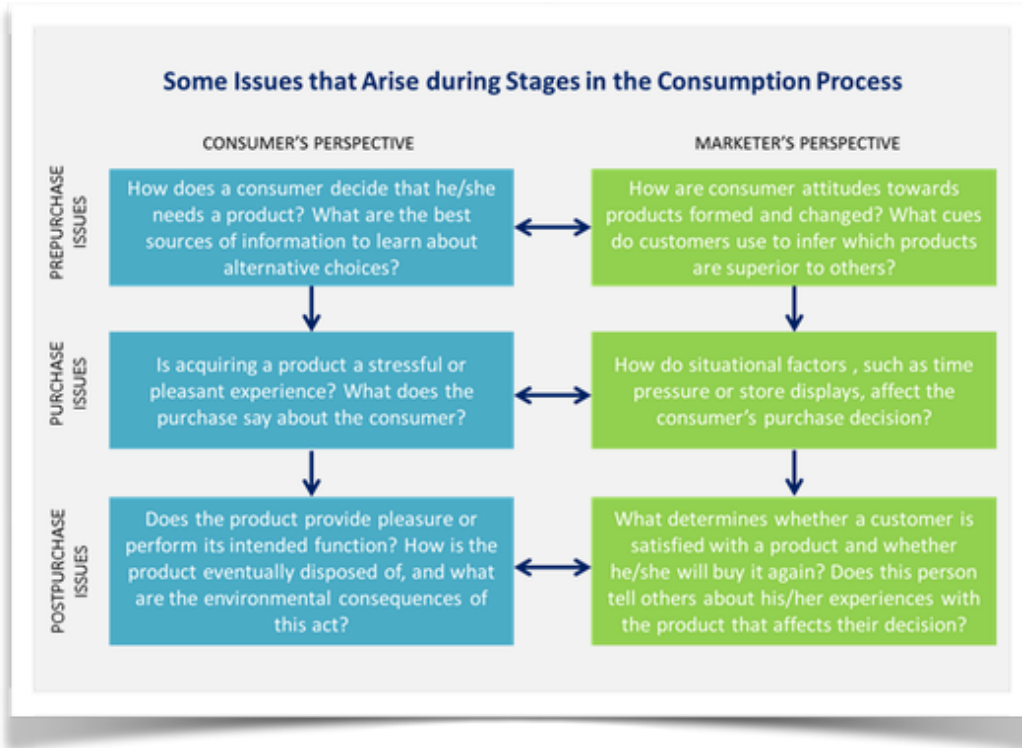
- all organizations need to act responsibly concerning major public policy and ethical issues surrounding market research
- includes issues of intrusion on consumer privacy and misuse of research findings

Chapter 6: Understanding Consumer and Business Buyer Behaviour

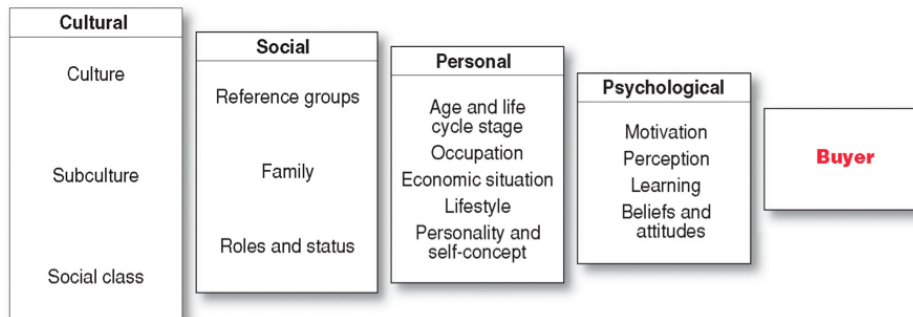
Consumer Markets and Consumer Buyer Behaviour

Consumer Buyer Behaviour: the buying behaviour of final consumers - individuals and households that buy goods and services for personal consumption. All these consumers combine to make up the **consumer market**.

Consumer Behaviour: in order to build brand loyalty and lasting relationships with their customers, marketers must be aware of a number of issues before, during, and after purchase.



Factors Influencing Consumer Behaviour



Cultural Factors

- **Culture:** the set of basic values, perceptions, wants, and behaviours learned by a member of society from family and other important institutions. Marketers are always on the lookout for *culture shifts* (example: shift toward greater concern about health)
- **Subculture:** a group of people with shared value systems based on common life experiences and situations (nationalities, religions, racial groups, geo regions)
- **Social Class:** relatively permanent and ordered divisions in a society whose members share similar value, interests, and behaviours. It isn't determined solely by income, but as a

combination of occupation, income, education, wealth and other variables. People from the same social class tend to have similar buying behaviours.

Social Factors

- **Reference groups:** serve as a direct (face-to-face interactions) or indirect points of comparison or reference in forming a person's attitudes or behaviour.
 - * **Aspirational group:** reference group to which one does not belong but wishes to belong to (example: an NHL player)
 - * **Word of Mouth (WOM):** the impact of the personal words and recommendations of trusted friends, associates, and other consumers on buying behaviour
 - * Marketers must figure out how to reach **opinion leaders:** a person within a reference group who, because of special skills, knowledge, personality, or other characteristics, exerts social influence on others. When these influencers talk, consumers listen.
 - * **Buzz Marketing:** enlisting or even creating opinion leaders to serve as "brand ambassadors" who spread the word about a company's products
 - * **Online social networks:** online social communities - blogs, social networking websites, and other online communities - where people socialize or exchange information and opinions (Word-of-Web)
- **Family**
 - * Buying roles change with evolving consumer lifestyles. Such shifting roles signal a new marketing reality.
 - * Traditionally, women would be in charge of buying food and household products so marketers would target them. However, today with more women working, men are doing a lot of the shopping.
- **Roles and Status:** a person's position in each group they belong to (family, clubs, organizations)
 - * For example, at work, a woman will wear clothes that reflect her position (professional clothing), whereas at her favourite sporting event she will wear clothes supporting her team.

Personal Factors

- **Age and Life-Cycle Stage:** Consumers experience many life-stage changes during their lifetimes. As their life stages change, so do their behaviours and purchasing preferences.

- **Occupation:** a person's occupation affects the goods and services bought. Blue-collar workers buy more rugged clothing, whereas executives buy more business suits. (Example: Moores specializes in men's suits).
- **Economic Situation:** Marketers watch trends in personal income, savings, and interest rates. For example, after the Great Recession, most companies took steps to redesign, reposition, and reprice their g/s.
- **Lifestyle:** a person's pattern of living as expressed in his or her activities, interests, and opinions.
 - * Involves measuring consumers' major **AIO** dimensions - **A**ctivities (work, hobbies, shopping, sports, social events), **I**nterests (food, fashion, family, recreation), and **O**pinions (about themselves, social issues, business, products)
 - * Consumers don't just buy products, they buy the values and lifestyles those products represent
- **Personality and Self-Concept**
 - * **Personality:** the unique psychological characteristics that distinguish a person or group.
 - * The idea is that brands also have personalities, and consumers are likely to choose brands with personalities that match their own
 - * **Brand Personality:** the specific mix of human traits that may be attributed to a particular brand. There are 5 brand personality traits:
 1. Sincerity: down-to-earth, honest, wholesome, cheerful
 2. Excitement: daring, spirited, imaginative, and up to date
 3. Competence: reliable, intelligent, and successful
 4. Sophistication: glamorous, upper class, charming
 5. Ruggedness: outdoorsy and tough
 - * For example: the Ford F150 is associated with *ruggedness*, and Apple is associated with *excitement*
 - * **Self-concept/Self-image:** the idea that people's possessions contribute to and reflect their identities "we are what we consume"

Psychological Factors

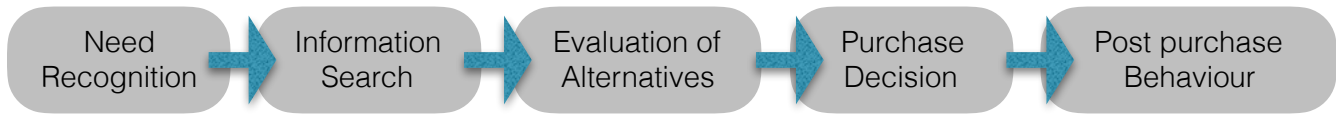
- **Motivation (drive):** a need that is sufficiently pressing to direct the person to seek satisfaction of the need.

- * Sigmund Freud has a theory that suggests that a person's buying decisions are affected by subconscious motives that even the buyer may not fully understand.
- * **Motivation research**: the qualitative research designed to probe consumers' hidden, subconscious motivations.
- * **Maslow's Hierarchy of Needs**



- **Perception**: the process by which people select, organize, and interpret information to form a meaningful picture of the world (how people interpret information)
 - * Selective attention: the tendency for people to screen out most of the information to which they are exposed - means that marketers must work especially hard to attract the consumer's attention
 - * Selective distortion: the tendency of people to interpret information in a way that will support what they already believe/retain only information that supports their beliefs
 - * Selective retention: consumers are likely to remember good points made about a brand they favour and forget good points about competing brands
 - * Some consumers are afraid of subliminal advertising which is being affected by marketing messages without even knowing it.
- **Learning**: changes in an individual's behaviour arising from experience
- **Beliefs and Attitudes**
 - * **Belief**: a descriptive thought that a person holds about something
 - * **Attitude**: a person's consistently favourable or unfavourable evaluations, feelings, and tendencies toward an object or idea. Attitudes are difficult to change, therefore marketers should try to fit its products into existing attitudes.

The Buyer Decision Process



STAGE 1: Need Recognition

- The buyer recognizes a need of problem
- *Internal stimuli*: when one of the person's needs rises to a level high enough to become a drive
- *External stimuli*: for example, as discussion with a friend might get you thinking about buying a **new car**

Most Effective!!

STAGE 2: Information Search

- Consumers can obtain information from any of several sources: **personal sources** (family, friends, neighbours, acquaintances), **commercial sources** (advertising, salespeople, packaging, displays), **public sources** (mass media, social media, online searches, peer review), and **experiential sources** (examining and using the product)
- A company must design its marketing mix to to make prospects aware of and knowledgeable about its brand

STAGE 3: Evaluation of Alternatives

- Depends on consumer and buying situation (careful calculations vs. impulse buying)
- Most buyers consider several attributes, each with different importance (example: you want to buy a car and are primarily interested in 4 attributes: price, style, operating economy, and warranty... sometimes you must choose which one is most important to you and make compromises)

STAGE 4: Purchase Decision

- Two factors can come between the purchase intention and the purchase decision:
 1. Attitudes of others: buyers take into account what others think (your significant other might want you buy the least expensive car)
 2. Unexpected situational factors: for example, the economy might take a turn for the worst

STAGE 5: Post purchase Behaviour

- Satisfied or dissatisfied?
- Almost all major purchases result in **cognitive dissonance**: buyer discomfort caused by post purchase conflict. That is, although the customer is satisfied, he/she had to make compromises and is feeling uneasy about losing those benefits.
- It is important to satisfy customers to build profitable relationships
- Encourage customers to complain, in order to know where to improve

The Buyer Decisions Process for New Products

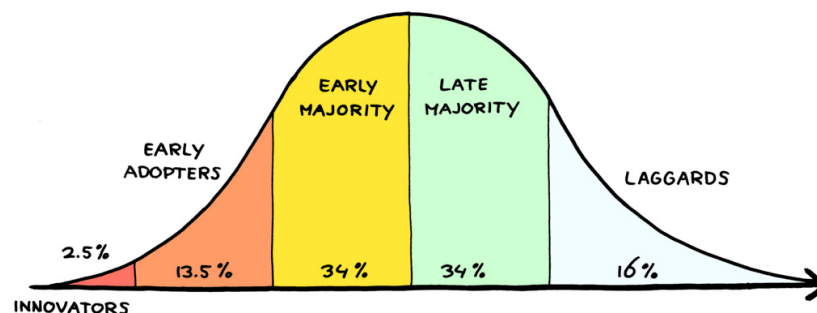
New product: a good, service, or idea that is perceived by some potential customers as new (it may have been around for a while, but the consumer has just been introduced to it)

Adoption Process: the mental process through which an individual passes from 1st hearing about an innovation to final adoption

Stages in the Adoption Process

1. **Awareness:** consumer knows existence but does not have info
2. **Interest:** consumer seeks out info about product
3. **Evaluation:** does trying the product make sense?
4. **Trial:** consumer tries the new product on small scale
5. **Adoption:** consumer decides to make full and regular use of product

Individual Differences in Innovativeness



- **Innovators:** are venturesome - they try new ideas at some risk
- **Early adopters:** they are opinion leaders in their communities and adopt new ideas early but carefully

- **Early majority/mainstream:** although they are rarely leaders, they adopt new ideas before the average person
- **Late majority/mainstream:** they adopt an innovation only after a majority of people have tried it
- **Laggards:** suspicious of changes and adopt innovations only when it has become something of a tradition itself

Five Product Characteristics Affecting Rate of Adoption

- **Relative advantage:** the degree to which the innovation appears superior or existing products
- **Compatibility:** the degree to which the innovation fits the values and experiences of potential consumers
- **Complexity:** the degree to which the innovation is difficult to understand or use
- **Divisibility:** the degree to which the innovation may be tried on a limited basis (trialability)
- **Communicability:** the degree to which the results of using the innovation can be observed or described to others

Chapter 7: Segmentation, Targeting, and Positioning

Most companies have moved away from mass marketing and toward market segmentation and targeting.

There are 4 major steps in designing a customer-driven marketing strategy

1. **Segmentation:** dividing a market into distinct groups with distinct needs, characteristics, or behaviours that might require separate marketing strategies or mixes
2. **Targeting:** the process of evaluating each market segment's attractiveness and selecting one or more segments to enter
3. **Differentiation:** actually differentiating the market offering to create superior customer value
4. **Positioning:** arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers



STEP 1: Market Segmentation

○ Segmenting Consumer Markets: using segmentation variable

- **Geographic segmentation:** dividing a market into different geographical units, such as *global regions, countries, region within a country, provinces, cities, or even neighbourhoods*
- **Demographic segmentation:** dividing the market into segments based on variables such as *age, gender, family size, life cycle, household income (HHI), occupation, education, ethnic or cultural group, and generation*
 - Age and life-cycle segmentation: dividing a market into different age and life-cycle groups (Disney cruises targets families with children)
 - Gender segmentation: dividing a market into different segments based on gender (“Bic” for women)
 - Household Income (HHI) segmentation: dividing the market into different income segments (total income for the family)
 - Ethnic or cultural group: Hyundai Quebec created a french-only advertising with a well known Quebec actor
- **Psychographic segmentation:** dividing a market into different segments based on *lifestyle, or personality characteristics*
- **Behavioural segmentation:** dividing a market into segments based on *consumer knowledge, attitudes, uses, or responses to a product*
 - Occasion segmentation: dividing the market into segments according to occasions when buyers get the idea to buy, actually make their purchase, or use the purchased item (Christmas, Halloween, Canada Day)
 - Benefits Segmentation: dividing the market into segments according to the different benefits that consumers see from the product (town bikes are for people seeking recreation, fitness, and urban utility)
 - Markets can be segmented in non-users, ex-users, potential users, first-time users, and regular users of a product
 - They can also be segmented into usage rate: light, medium, and heavy product users
 - They can also be segmented by customer loyalty
- **Using Multiple segmentation bases:** marketers rarely limit their segmentation analysis to only one or a few variables. They use multiple segmentation bases in an effort identify smaller, better-defined target groups. For example, the LGBT market is a large segment containing many sub-segments such as demographic and psychographic.

- **Segmenting Business Markets:** business buyers can be segmented geographically, demographically (industry, company size), or by benefits sought, user status, usage rate and loyalty status.
- **Segmenting International Markets:** can be segmented into *geographic locations, economic factors, political & legal factors, and cultural factors*
 - **Intermarket (cross-market) segmentation:** forming segments of consumers who have similar needs and buying behaviours even though they are located in different countries
- **Requirements for Effective Segmentation**
 - **Measurable:** are segment size, purchasing power, and segment profiles measurable?
 - **Accessible:** marketers must be able to effectively promote to and serve a market segment
 - **Substantial:** market segments must be sufficiently large to be profitable
 - **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?

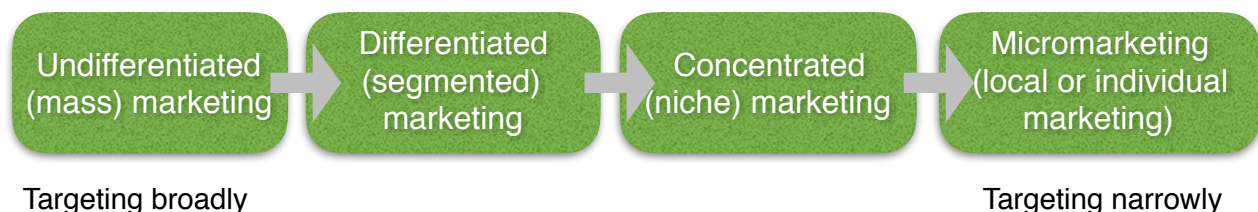
STEP 2: Market Targeting

Evaluating Market Segments

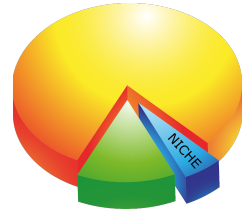
- Find right segment size and growth
- Determine long-run segment attractiveness by analyzing the 5 forces that most affect and influence a company's ability to compete in a particular area: (1) competitors (2) barriers to entry (3) substitute products (4) power of buyers and (5) power of suppliers
- Consider own objectives and resources

Selecting Target Markets

- **Target Market:** a set of buyers sharing common needs or characteristics that the company decides to serve
- Market targeting can be carried out at different levels:



- **Undifferentiated (mass) marketing:** a market-coverage strategy in which a firm decides to ignore market segment differences and go after the whole market with one offer. “All things to all people!”
- **Differentiated (segmented) marketing:** a market-coverage strategy in which a firm decides to target several market segments and designs separate offers for each. **its expensive
- **Concentrated (niche) marketing:** a market-coverage strategy in which a firm goes after a large share of one or a few segments or niches. It is more effectively and efficiently designed and there are few competitors.
- **Micromarketing:** the practice of tailoring products and marketing programs to the needs and wants of specific individuals and local customer segments - includes *local marketing* and *individual marketing*
 - Local marketing: a small group of people who live in the same city or neighbourhood or who shop at the same store
 - Individual marketing (mass customization): tailoring products and marketing programs to the needs and preferences of individual customers (Nike ID)



Factors for Choosing a Targeting Strategy

- company resources
- product variability (undifferentiated marketing is most suited for products such as fruits)
- product's life-cycle stage (if its a new product, launch only 1 version)
- market variability
- competitor's marketing strategies

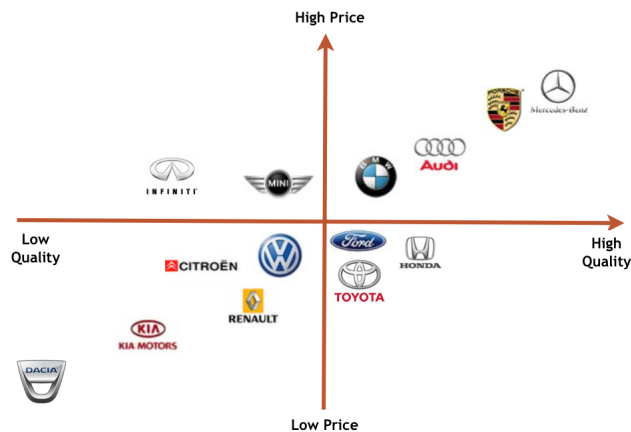
Socially Responsible Target Marketing

- target marketing can sometimes generate controversy
- take care to not target vulnerable and disadvantaged consumers (example: provocative barbie)

STEP 3 AND 4: Differentiation and Positioning

- **Product Proposition:** the way the product is defined by consumers on important attributes - the place the product occupies in consumers' minds relative to competing products
 - products are created in the factory, but brands are created in the mind
 - the less differentiated the product is, the more important positioning becomes

○ **Positioning Maps:** show consumers' perceptions of their brands vs. competing products on important buying dimensions



○ **Choosing a Differentiation and Positioning Strategy:** what are the competitive advantages you can build on? What in your product is superior/unique? (**competitive advantage:** an advantage over competitors gained by offering greater customer value, either through lower prices or by providing more benefits that justify higher prices)

- **Product differentiation:** features, performance, or style and design
- **Service differentiation:** speedy, convenient or careful delivery
- **Channel differentiation:** channel coverage, expertise, and performance
- **People differentiation:** hiring and training people better
- **Image differentiation:** strong, distinctive image conveying the product's distinctive benefits and positioning

○ **Selecting an Overall Position Strategy**

- **Value proposition:** the fun positioning of a brand - the full mix of benefits upon which it is positioned

- More for More:** involves providing the most upscale product or service and charging a higher price to cover the higher costs (Mercedes, Montblanc)
- More for the Same:** companies can attack a competitor's more-for-more positioning by introducing a brand

FIGURE 7.4 Possible Value Propositions

		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

offering comparable quality but at a lower price.

- The Same for Less: everyone likes a good deal (Wal-Mart, Payless Shoes)
- Less for Much Less: in many cases, consumers will gladly settle for less in exchange for a lower price
- More for Less: the winning proposition value. Many companies claim to do this, and in the short run some actually achieve this.

○ Developing a Positioning Statement: a statement that summarizes a company or brand positioning - it takes this form:

To (target segment and need) our (brand) is (concept) that (point of difference)

For example: To always online, socially connected Millennials, the Apple iWatch is a whole new kind of conversation that not only helps you send and receive messages, but lets you express yourself in new, fun, and more personal ways.

Chapter 8: Developing and Managing Products and Services

Product: anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need (includes flights, BMO investments); tangible, ownership

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

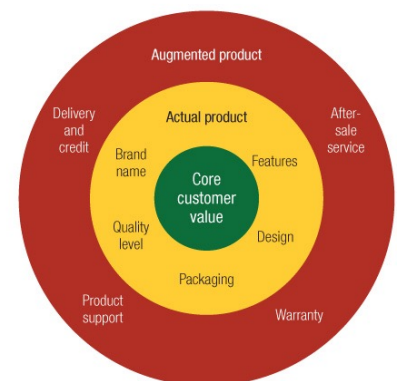
- Organizations, people, places, ideas, and experiences are also marketed

Levels of Products and Services

1. **Core customer value:** most basic and addresses the question “what is the customer really buying?”
2. **Actual Product:** the physical device with all its features and associated brand name and packaging
3. **Augmented Product:** the additional services and benefits that go with it.

Example: the core product is a smartphone, the actual product is the iPhone, and the augmented product is the iPhone PLUS a calling and data plan

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



Product and Service Classifications

Products and services fall into two broad categories: (I) consumer products (II) industrial products

I. **Consumer Products:** products purchased by consumers for their personal use.

- * **Convenience product:** a consumer product that customers usually buy frequently, immediately, and with a minimum of comparison and buying effort
- * **Shopping product:** less frequently purchased consumer products and services that shoppers compare carefully on suitability, quality, price, and style
- * **Specialty product:** a consumer product with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort
- * **Unsought product:** a consumer product that the consumer either does not know about or knows about but does not normally think of buying

II. **Industrial Products:** a product bought by individuals and organizations for further processing or for use in conducting a business

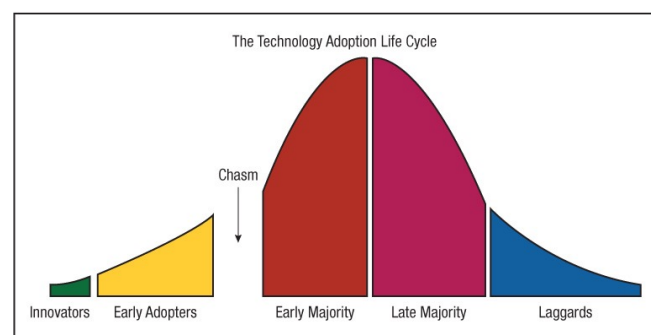
New Product Development

A **new product** is (a) an innovative product new to the world (b) product improvements (c) product developments (d) new brands coming up with a new product.

Why New Products Fail

- * 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.

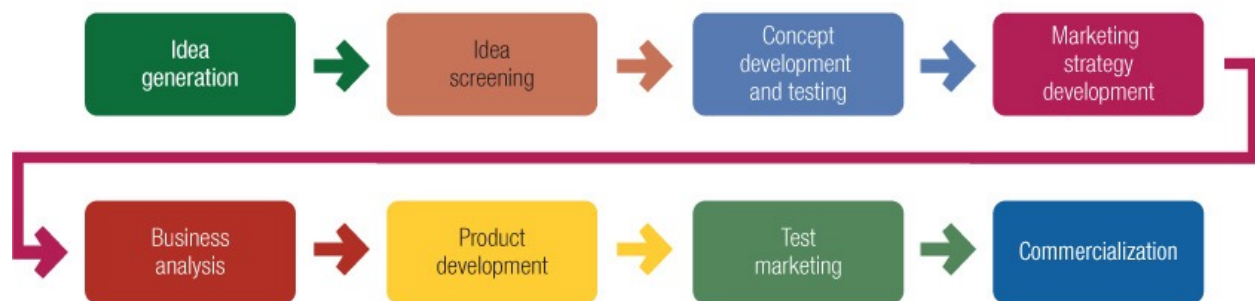


Diffusion of Innovations Theory: a social sciences theory that divides members of a social group into segments according to how likely they are to adopt a new idea. While there are always a few early adopters of any new idea, product, or technology, most people tend to wait until the idea is proven before they are willing to try it.

Technology Adoption Life Cycle: a marketing theory that proposes that when marketing a technology product, marketers must cross a chasm, or significant gap, between members of the early adopters segment and members of the early majority segment before a new product will become successful.

The New Product Development Process

FIGURE 8.3 Major Stages in New-Product Development



Copyright © 2017 Pearson Canada Inc.

Idea Generation: the systematic search for new product ideas.

- * Major sources of new-product ideas include internal/external sources such as *customers, competitors, distributors & suppliers, and others*
- * A new approach to idea generation is **crowdsourcing**: inviting broad communities of people such as customers, employees, independent scientists and researchers, and even the public at large into the new-product innovation process.

Idea Screening: screening new-product ideas to spot good ideas and drop poor ones as soon as possible

Concept Development and Testing

* **Product Concept:** a detailed version of the new product idea stated in meaningful consumer terms.

* Description, drawing, prototype, NOT YET IN PRODUCTION

* Tested with a group of potential customers

Marketing Strategy Development: designing an initial marketing strategy for a new product based on the product concept.

* How, when, where, and to whom the product will be introduced

Business Analysis: a review of the sales, costs, and profit projections for a new product to find out whether these factors satisfy the company's objectives

Product Development: developing the product concept into a physical product to ensure that the product idea can be turned into a workable market offering

Test Marketing: the stage of new-product development in which the product and marketing program are tested in realistic market settings

Commercialization: the full-scale introduction of the new product into the market