

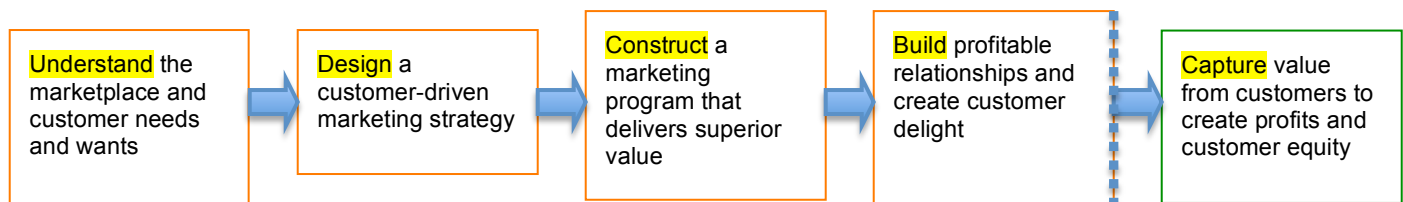
## Chapter 1- CREATING AND CAPTURING CUSTOMER VALUE

What is **marketing**?

- Managing profitable customer relationships
- Marketing goal: attract new customers and grow current customers
- 

**Demarketing**: advertising/marketing your product in a manner that would decrease consumer's demand for it.

The **5 step marketing process**(understand, design, construct, build, capture)



- **Needs**: states of felt deprivation. Can be physical (clothing, food, shelter), social (belonging, affection), individual (knowledge and self-expression)
- **Wants**: needs that are shaped by culture and individual personality. Shaped by society and marketing programs
- **Demands**: wants that are backed by buying power

**Product Attributes**: A product's **feature** permits a **function**, which provides a **benefit** that meets the customers' **needs**

- **Features** are physical characteristics (length, weight, ingredients, performance..)
- **Benefits** can be direct or indirect, meaning they can be user-friendly, luxurious, convenient, healthy, and safe...
- **Function** is simply how it works.

**Maslow's Hierarchy of Needs**: physiological → safety → social needs → esteem needs → self-actualization needs

**Marketing offering**: product, service, information and experience

- **Marketing myopia**: when sellers make the mistake of paying too much attention to the specific product and not enough to the benefits and experiences produced by these products

- **Customer satisfaction**: a comparison between what the customer expected to get and what they actual got (see class notes for satisfied, dissatisfied and delighted)
- **Marketing management**: the art and science of choosing target markets and building profitable relationships with them

## DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY



**Market segmentation** involves **dividing the market into smaller groups** with distinct needs, characteristics, or behaviours that might require separate marketing strategies or mixes.

**Targeting**: Examining the relative attractiveness of market segments and **choosing** the one(s) we want to serve.

**Differentiation** is communicating the **unique relative advantages** of a brand to target segment

**Positioning** is communicating a market offering to occupy a **clear, distinctive, and desirable place relative to competing products** in the minds of target consumers (“Shampoo for dandruff”, “Cavity fighting toothpaste”, “Long lasting battery”)

## MARKETING MANAGEMENT ORIENTATIONS

- **Production concept**: Focus on improving production and efficiency, reduce cost and price
- **Product concept**: Focuses on the product quality
- **Selling concept**: heavy promotion and selling is emphasized
- **Marketing concept**: satisfy the needs of customers all while generating profit
- **Societal marketing concept**: considers society’s long run interests and results in sustainable marketing

## INTEGRATED MARKETING PLAN (**MARKETING MIX**)

- Product
- Price
- Promotion
- Place( distribution)

- the firm creates value for its customers by setting the right **price**, providing the right **product, communicating and promoting** it in the right manner and marketing it **where** the consumer wants.

## **CUSTOMER RELATIONSHIP MANAGEMENT**

**Customer relationship management** is the process of building and maintaining profitable customer relationships by delivering both superior customer satisfaction and value.

- **Customer satisfaction** is when the perceived performance is greater than their expected performance, and customer dissatisfaction is the opposite. Things to consider: important to focus on customer satisfaction however also important to focus on generating profit and the competition.
- **Customer value** = the total perceived benefits - total perceived cost

**Factors that affect Perceived benefits: Product value, Services Value, Personnel Value, Channel Value, Image Value.**

**Factors that affect perceived cost: price, time cost, energy cost and psychic cost**

- **Customer retention**: ability for company to retain customers over time.
- **Customer acquisition**: (conversion)
- **Customer churn** (turnover/attrition)
- **Up-selling**: seller induces higher prices or add-ons to increase profits
- **Cross-selling**: inducing customers to buy related/complimentary goods
- **Share-of-wallet**: helps understand the amount of business (profit) the company is getting from that customer

**Customer-engagement marketing**: aims to make a brand a meaningful part of consumers' conversations and lives through direct and continual customer involvement in shaping brand conversations, experiences, and community.

**Goal of CRM and CEM** is to produce higher customer equity (which is the total combined lifetime values of all the company's current and potential customers)

- **Customer lifetime value**: the entire stream of purchases a customer makes from one company over a lifetime of patronage
- **Share of customer**: the share a company gets of customer's purchasing in their product categories

**Engaging customers**: through social media

Companies can classify customers according to their potential profitability and manage relationships accordingly:

- True friends: long term customers and highest profitability
- Butterflies: short term customers yet high profit potential
- Barnacles: long term customers yet low profitability
- Strangers: short term customers and very little profitability

## Chapter 2 -COMPANY & MARKETING STRATEGY:PARTNERING TO BUILD CUSTOMER RELATIONSHIPS

**CUSTOMER DRIVEN MARKETING STRATEGY (STDP)** → objective is to build profitable customer relationships through value creation.

The 4 strategies are: Market Segmentation, Targeting, Differentiation and Positioning. **These strategies guide the marketing mix.**

**1. Market Segmentation:** involves dividing the market into segments with accordance to different needs, wants and behaviours. An example would be Clinique segmenting based on gender, women and men's products for different "needs".

**2. Targeting:** when we evaluate the attractiveness of each of our segments and select which ones we would like to serve. Niche marketing is a very narrowly defined small target market such as pet insurance.

**3. Differentiation:** describe clearly how your company is different in order to provide additional customer value

**4. Positioning:** create a clear identity in the minds of your target market. (example: Td bank states its convenience and easy banking)

### MARKETING MIX:

### SWOT ANALYSIS

FIGURE 2.5 The Four Ps of the Marketing Mix



Figure 2.7 SWOT Analysis: Strengths (S), Weaknesses (W), Opportunities (O), and Threats (T)



## MARKETING PLAN

1. **Executive summary** - permits higher management to quickly grasp the major thrust of the plan and then read further in search of the information that is critical in evaluating the plan.
2. **Situation analysis** - the manager describes the major features affecting his or her operation. They comprise of strengths and weaknesses and opportunities and threats. (SWOT analysis)
3. **Objectives and goals/Issues** - the goal is to set relatively specific goals and objectives and present them to higher management. They must be seen as attainable and attractive to the higher management.
4. **Marketing strategy** - outline a marketing strategy for attaining its objectives. This is seen as the "game plan" for the business to follow. It has three major aspects: target markets, marketing mix and marketing expenditure level.
5. **Action plan** - the strategy must be turned into specific set actions for accomplishing the marketing goal.
6. **Budgets** - the goals, strategies, and planned actions allow the manager to formulate a supporting budget statement for the operation.
7. **Controls** - this is applied to monitor the plans progress after the fact.

**IMPLEMENTATION:** Plans converted to actions by assigning WHO, WHERE, WHEN, HOW

## Chapter 4- ANALYZING THE MARKETING ENVIRONMENT

**3 TYPES OF COMPANIES:** → those who **make** things happen (**Proactive**)  
→ those who **watch** things happen (**Passive, some react**)  
→ and those who **wonder** what happens

**To be in the first category, you need to predict environmental forces.**

### ENVIRONMENTAL FORCES:

#### → **Microenvironment**

are forces with direct impact to the company, which are **internal and external**

FIGURE 4.1 Actors in the Microenvironment

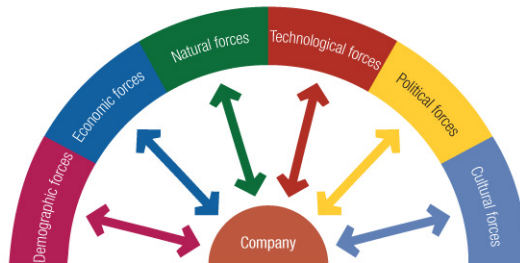


**Marketing intermediaries:** resellers, physical distribution firms and marketing service agencies  
**Publics:** Financial publics, media publics, gov't publics, citizen-action publics, legal publics and general public

## → Macroenvironment

are **external** factors that we incorporate into our SWOT analysis (opportunities and threats)

FIGURE 4.2 Major Forces in the Company's Macroenvironment



1. Demographic forces – main trends and developments in size and character of population, age, marriage etc. (gen x, y, z, baby boomers, increasing diversity, better educated white collar people, changes in households and life expectancy, aging in Canadian population and more shifts to urban areas)
2. Economic forces – main trends in income and disposable income, cost of living etc. Factors that affect spending are : 1. Changes in income 2. Changes in spending patterns and 3. Changes in consumer debt, interest rates, employment
3. Natural forces – main trends in supply and cost of natural resources and energy, pollution and environment deterioration. (shortage of raw material, pollution, gov't intervention)
4. Technological forces – main trends in development of technology, materials and products that will be impacting
5. Political forces – Regulatory trends-evolving laws influence organizations, business related gov't legislations (protect companies, protect consumers, protect interest of society) and increased emphasis on ethical behavior
6. Cultural forces
  - **Core beliefs and values** are more persistent than secondary values. They are passed on from parents to children, reinforced in church and schools, business and gov't.
  - **Secondary beliefs and values** are more open to change. Includes people's views of themselves, nature, society, organizations and the universe.

### Shifts in secondary cultural values include

- Cocooning: enjoying home.
- Sharp decrease in trust and loyalty for corporations and organizations
- Shift from formal to casual
- Increase in volunteerism

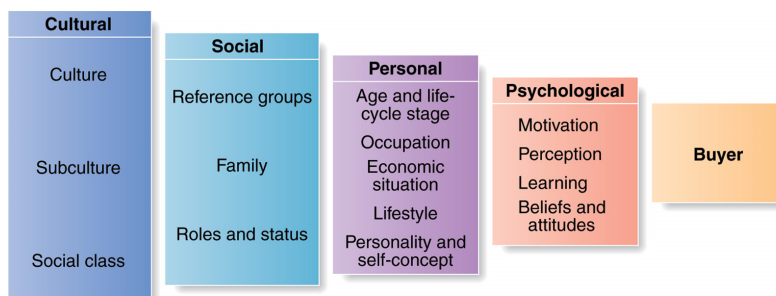
## Chapter 6- UNDERSTANDING CONSUMER AND BUSINESS BUYER BEHAVIOUR

### WHAT IS CONSUMER BUYER BEHAVIOUR?

→ refers to the buying behavior of final customers. The final customers make up the **consumer market**.

- Central question for marketers is: given all the characteristics (cultural, social and psychological) affecting consumer behavior, how do we best design our marketing efforts to reach our customers most effectively
- Focus is on the individual

### Factors Affecting Consumer Behavior



#### Cultural Factors:

- **Culture**: Most basic cause of a person's wants and behavior. They are the learned values, perceptions, wants and behavior from family and other important institutions of the society.
- **Subculture**: shared value systems within groups (regional, demographic, ethnographic, cultural marketing)
- **Social Class**: Division is based primarily on socio-economic status. (Income, occupation, education, wealth)

#### Social Factors:

- **Reference groups**: membership groups (family, friends, organization, military), aspirational groups, vary in how they influence. **Word of mouth** influence and buzz marketing
- **Family**: household "power brokers" influence buying behavior (parents, children)
- **Role and status**: role=expected activities, status=esteem given to role by society

#### Personal Factors:

- **Age and Life-Cycle Stage**: needs for different products change
- **Occupation**: job affects goods and services purchased
- **Economic Situation**: personal finances affects buying choices

- **Lifestyle**: people buy the lifestyle that products represent (patterns of living expressed by their **AIO's** which are their activities, interests and opinions)
- **Personality and Self- Concept**: consumers are more likely to choose brands with personalities that match their own and improve their self-esteem

### **Psychological Factors:**

- **Motivation**: A need requiring satisfaction(motive) Think of Maslow's hierarchy of needs
- **Perception**: process by which people **select, organize and interpret** information
  - **Selective attention** – the tendency for people to screen out most of the information to which they are exposed
  - **Selective distortion** –tendency of people to interpret information in a way that will support what they already believe
  - **Selective retention** – remember good points made about a brand they favor and forget good points about competing brands
- **Learning**: changes in behavior due to experiences. Occurs through drives, stimuli, cues, responses and reinforcement
- **Beliefs and Attitudes**: personal thoughts on subjects and evaluations thereof
  - **Belief** – descriptive thought that a person has about something
  - Marketers interested in the beliefs that people formulate about specific products and services that make up product and brand images and affect buying behavior
  - **Attitude** – describes a person's relatively consistent evaluations, feelings, and tendencies toward an object or idea
  - Company should try to fit into existing attitudes rather than trying to change them

### **THE BUYER DECISION PROCESS (5 STAGES)**

#### **1. Need Recognition**

- Buyer recognizes a problem or need
- Can be triggered by internally (ex; hungry) or externally by ads, sigh of product

#### **2. Information Search \* CONSUMER SKIPS SECOND AND THIRD STEP FOR FREQUENTLY PURCHASED ITEMS!\***

- Personal sources: family and friends
- Commercial sources: advertising, internet
- Public sources: customer reports for example
- Experiential sources: handling product, visually examining it, using it.

#### **3. Evaluation of Alternatives** comparing brands.

4. **Purchase Decision** : influenced by attitudes of others.

5. : **Post-purchase Behavior**:

- After purchasing the product the consumer will be **satisfied or dissatisfied** and will engage in post-purchase behavior of interest to the marketer
- Almost all major purchases result in **cognitive dissonance** or discomfort because every purchase involves a compromise (trade-off)

### **Buyer Decision Process For New Products :STAGES IN ADOPTION OF THE NEW PRODUCTS**

<b>Consumer Orientation</b>	<b>Consumer Action</b>
Awareness	Becomes aware, but lacks information
Interest	Seeks information about the product
Evaluation	Considers whether to try the product
Trial	Tries new product in small sample
Adoption	Decides to use product regularly

### **→ADOPTION PROCESS**

- Innovators:venturesome
- Early adopters: seeking respect
- Early mainstream adopters: deliberate
- Late mainstream adopters: skeptical
- Laggards: tradition bound

**Rate of adoption**= how fastan innovation is adopted by the target market and replaces the older product.

### **Influence of Product Characteristics on Rate of Adoption:**

- **Relative advantage**: is the innovation superior to already existing products?
- **Compatibility**: does the innovation fit the values and experiences of potential customers?
- **Complexity**: is the innovation difficult to understand or use?
- **Divisibility**: can the innovation be tried on a limited basis?
- **Communicability**: can we observe and describe to others the results of using this innovation?

**Business 2 business markets**: more dollars and items than consumer markets. It's the marketing of products to other business for use in production of their own goods, their own business, or the resale to other consumers.

### Major types of Buying Situations

- Straight rebuy: order without any modifications
- Modified rebuy
- New task: first time ordering a product
- Systems (solution) selling: order including multiple elements

**E-procurement and Online Purchasing:** can be implemented by reverse auctions, trading exchanges, company buying sites and extranet links with key suppliers.

### Types of Buying Decision Behavior

Complex Buying Behavior:

- Customers highly involved in a purchase and perceive significant differences among brands (expensive, risky, purchased infrequently)
- Marketers need to help buyers learn about product-class attributes and their relative importance

Dissonance- Reducing Buying Behavior:

- Occurs when consumers are highly involved with an expensive, risky or infrequent purchase but see little difference among brands
- After purchase customers might feel post purchase dissonance

Habitual Buying Behavior:

- Low customer involvement and little significant brand difference
- Brand familiarity – select a brand because its familiar but do not have strong attitudes towards a brand (that would be brand conviction)
- Price and sales promotions often stimulate product trial

Variety – Seeking Buying Behavior:

- Low involvement but significant perceived brand differences
- Consumers often do a lot of brand switching
- Market leaders should encourage habitual buying by dominating shelf space and running frequent reminder ads
- Challenger firms should offer lower prices, special deals, free samples and advertising that presents reasons for trying something new

## Chapter 7- SEGMENTATION, TARGETING AND POSITIONING

### Four major groups of Segmentation:

- **Geographical** segmentation: where do they live? (world region, country, region of the country, population size, and type of region)
- **Demographic** segmentation: who are they? (age, gender, family size, life cycle, household income, occupation, education, ethnic or cultural group and generation, religion and race)
- **Psychographic** segmentation: what are they interested in? what do they think?(social class, lifestyle AIO, personality)

- **Behavioral** segmentation: what do they do?(occasions for example holidays or events, benefits, user status, user rates, loyalty status, readiness stage and attitude toward product

### **SEGMENTING BUSINESS MARKETS**

→ business use additional bases of segmentation

- Operating characteristics
- Purchasing approaches
- Situational factors
- Personal characteristics

### **SEGMENTING INTERNATIONAL MARKETS**

- Geographic location
- Economic factors
- Political & legal factors
- Cultural factors

→ **Intermarket (cross-market) segmentation** divides consumers into groups with similar needs and buying behaviors even though they're located in different countries.

### **What do we need for effective segmentation? Markets need to be...**

- Measurable
- Accessible
- Substantial
- Differentiable
- Actionable

### **THE DIFFERENCE BETWEEN TARGETING AND TARGET MARKET IS THAT**

→ **TARGETING** IS evaluating the relative attractiveness of segments (are they profitable, growing? And it is selecting the segments

WHEREAS

→ **TARGET MARKETING** RELATES TO WHAT TYPE OF TARGETING TO USE (undifferentiated/differentiated/niche/micromarketing)

- **Undifferentiated (mass) marketing**: one offering for the whole market
- **Differentiated (segmented) marketing**: offer separate market offerings to several segments at the same time (more \$\$ than undifferentiated but higher sales) an example would be regular coke and coke zero
- **Concentrated (niche) marketing**: targeting a large share of one or very few segments. Less resources required than differentiated, builds expertise.
- **Micromarketing (local or individual marketing)**: tailoring products and marketing programs to suit the taste of SPECIFIC individuals and local customer groups, such as neighborhoods, towns, cities. **CUSTOMIZATION**

**The decision on which marketing to choose depends on the following:**

- **Company resources** (concentrated marketing if resources are scarce)
- Degree of product variability (differentiated is more suitable for products that can be varied in design and package)
- **Product's life-cycle** (undifferentiated when first introduced, differentiated during maturity stage)
- **Market variability** (undifferentiated if consumers are very similar in terms of needs, wants, behaviors and characteristics.
- **Competitors' marketing strategies** (if competitor is using differentiated, you should not use undifferentiated)

**Socially responsible Marketing:** social responsibility trumps profitability if the efforts are seen as irresponsible or exploitative. You need to be concerned for consumers with specific needs as well such as disabilities.

#### **DIFFERENTIATION:**

- Identify competitive advantage of your brand as points of differentiation, which means you need to understand your customers needs better than your competitors
- Describe clearly how your brand is different, unique, provide additional customer value

#### **POSITION**

- Create a CLEAR IDENTITY (IMAGE OR IMPRESSION) in the minds of your target market for your brand based on your differentiation. Choose one unique selling proposition (USP) (ex: TD is easy banking, Olay is real beauty, Tylenol is pain relief)

#### **HOW TO DIFFERENTIATE YOUR PRODUCT?**

<b>Product</b>	<b>Features, functions, benefits, style, design</b>
<b>Services</b>	<b>Expedient, convenient, cautious</b>
<b>Channels</b>	<b>Coverage, expertise, performance</b>
<b>People</b>	<b>Training, culture, morale</b>
<b>Image</b>	<b>Distinctive intangible benefits</b>

## DIFFERENTIATION AND POSITIONING

→ Value proposition is the full mix of benefits upon which a brand is positioned.  
What the company promises to the customer.

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

Ex: Rolex=more for more  
Walmart= the same for less  
WestJet: more for less

The positioning statement template is as follows:

“To **target segment and their need**, our **brand and product** is **a concept** that **state how you're different**”

ex: To **busy professionals to need to always stay in contact**, our **Samsung Note 8** is **a wireless connectivity solution** that gives you **an easier, more reliable way to stay in contact and connect with people on the go.**”