The Art and Science of Marketing

BA291

Learning Objectives

1. Define *marketing* and explain its role in society
2. Identify three trends that help define contemporary marketing
4. Define *strategic marketing planning* and identify the four basic options for pursuing new marketing opportunities
5. Identify the four steps in crafting a marketing strategy
6. Describe the four main components of the marketing mix

Marketing in a Changing World

Marketing

The process of communicating the value of a product or service to customers, for the purpose of selling the product or service

Marketing 1.0 – Product Centric

Selling the output to all who would by them

Fairly basic products, designed to serve the mass

Standardize/Scale to bring down cost of production

Marketing 2.0 – Customer Centric

Segment the market to suit "Needs and Wants"

Develop superior product for specific market

Customer is king, and better off because their need is better addressed.

Customer Relationship

- After-sales service, follow-up, information gathering
- To gain the customer’s loyalty, get referrals, grow customer base
- Good customer service makes customers very loyal to the company
- It costs 6-7 times more to acquire a customer than to retain a customer

Customer Retention vs. Customer acquisition

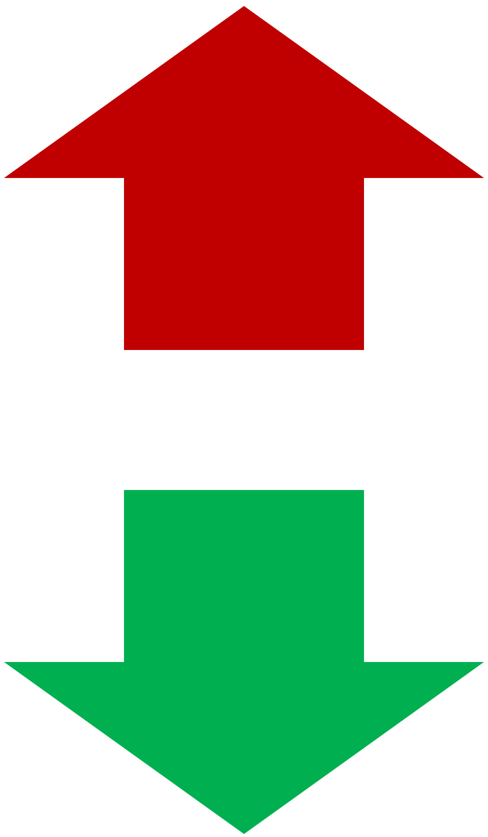
6 to 7

number of times more costly it is to acquire a new customer than retain an existing one

50%

Amount customer attrition rates could reach if left dormant over 5 years period

Customer Retention vs. Customer Acquisition Cost



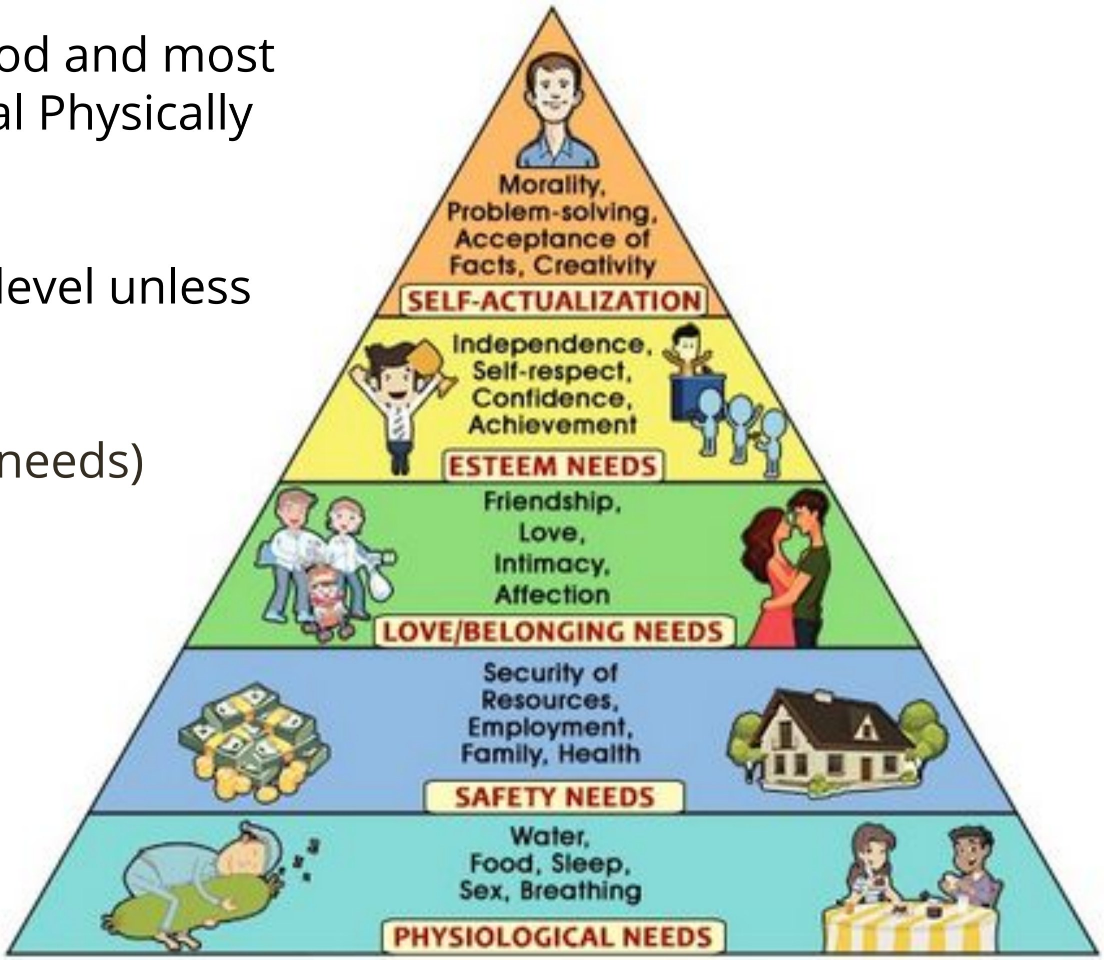
- **New customer costs**
  - ✓ Cost of advertising / promotion
  - ✓ Price sensitivity
  - ✓ Personal selling
  - ✓ Setting up new accounts
  - ✓ Time and money to explaining business to new customers
- **Profits generated from satisfied customers**
  - ✓ Reduced price sensitivity
  - ✓ Reduced switching to competitors
  - ✓ Increased referrals
  - ✓ Increased repeat purchased

Maslow’s Hierarchy of Needs

Human nature is basically good and most needs have to do with survival Physically and Psychologically

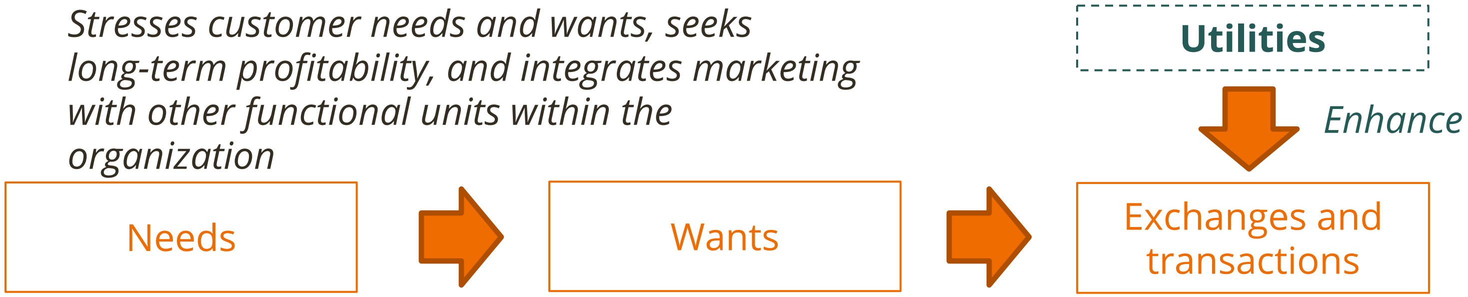
Individual cannot satisfy any level unless needs below are satisfied

1. Physiological (Survival needs)
2. Safety
3. Belonging
4. Esteem
5. Self actualization



The Role of Marketing in Society

Stresses customer needs and wants, seeks long-term profitability, and integrates marketing with other functional units within the organization



Needs

Differences between a person's actual state and his or her ideal state; they provide the basic motivation to make a purchase

Wants

Specific goods, services, experiences, or other entities that are desirable in light of a person's experiences, culture, and personality

Exchange Process

The act of obtaining a desired object or service from another party by offering something of value in return

Transaction

An exchange of value between parties

Utility

The power of a good or service to satisfy a human need. Form, time, place, and possession.

Overview of the Marketing Process

Analyze Marketing Situation
- Environmental Analysis
- Competitive Analysis
- Consumer Analysis
- Company Analysis

Assess Opportunities and Set Objectives
- Explore Opportunities
- Set targets e.g. sales targets, market share

Select Target Markets (STP)
- Market Segmentation
- Targeting
- Positioning

Formulate The Marketing Mix (4Ps)
- Product Decisions
- Pricing Decisions
- Promotion Decisions
- Distribution Decisions

Implementation & Control

Market Research
- Primary research
- Secondary research

Primary Research Techniques

Technique	Examples
Observation	Any in-person, mechanical, or electronic technique that monitors and records behavior, including website usage tracking and monitoring of blogs and social networking websites.
Surveys	Data collection efforts that measure responses from a representative subset of a larger group of people; can be conducted in person (when people with clipboards stop you in a mall, that's called a *mall intercept*), over the phone, by mail or email, or online. Designing and conducting a meaningful survey requires thorough knowledge of statistical techniques such as *sampling* to ensure valid results that truly represent the larger group. For this reason, many of the simple surveys that you see online these days do not produce statistically valid results.
Interviews and focus groups	One-on-one or group discussions that try to probe deeper into issues than a survey typically does. *Focus groups* involve a small number of people guided by a facilitator while being observed or recorded by researchers. Unlike surveys, interviews and focus groups are not designed to collect statistics that represent a larger group; their real value is in uncovering issues that might require further study.
Process data collection	Any method of collecting data during the course of other business tasks, including warranty registration cards, sales transaction records, gift and loyalty program card usage, and customer service interactions.
Experiments	Controlled scenarios in which researchers adjust one or more variables to measure the effect these changes have on customer behavior. For instance, separate groups of consumers can be exposed to different ads to see which ad is most effective. *Test marketing*, the launch of a product under real-world conditions but on a limited scale (such as in a single city), is a form of experimental research.
Ethnographic research	A branch of anthropology that studies people in their daily lives to learn about their needs, wants, and behaviors in real-life settings.
Neuromarketing studies	Research that measures brain activity while customers are viewing or interacting with products, websites, or other elements.

Analyze Marketing Situation

- Review performance of the company (financial statements)
- Evaluate industry and competition (industry reports, news, five forces analysis, product life cycle)
- Examine internal strengths and weaknesses (S and W in SWOT)
- Analyze external environment (O and T in SWOT)
- Consumer analysis

Purchase Influences

Culture

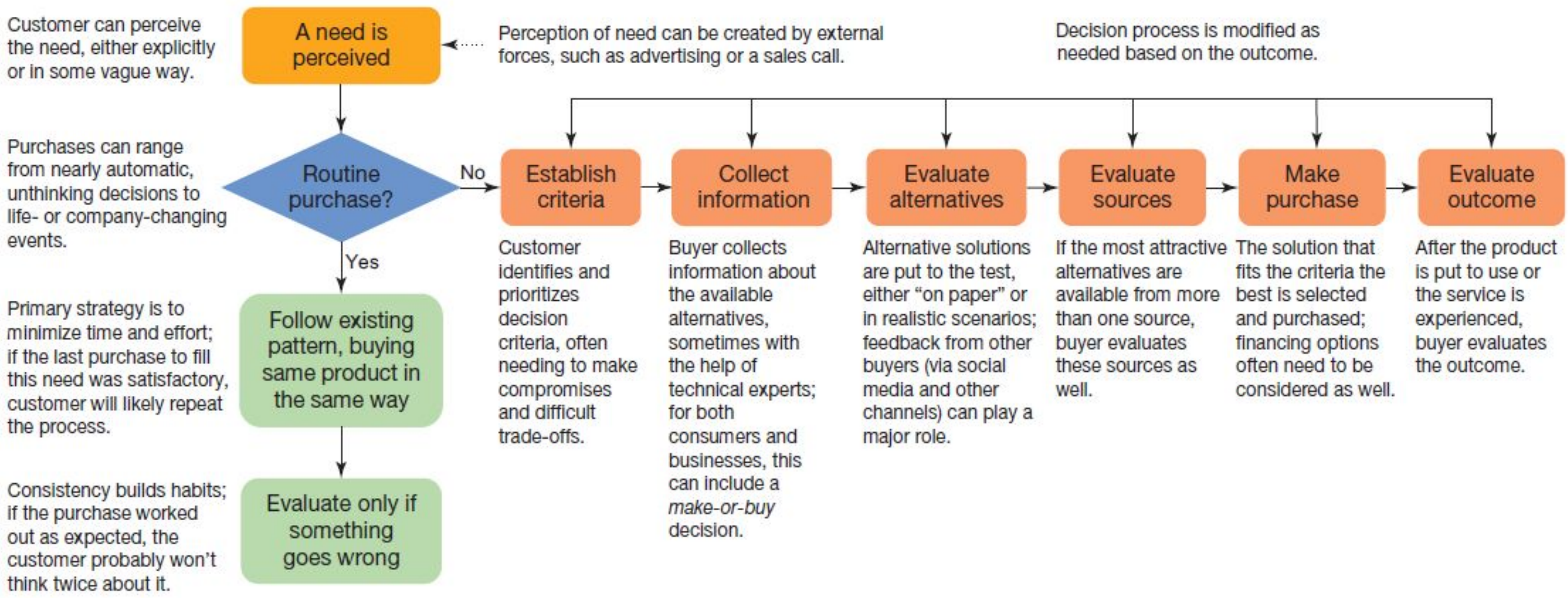
Socioeconomic level

Reference groups

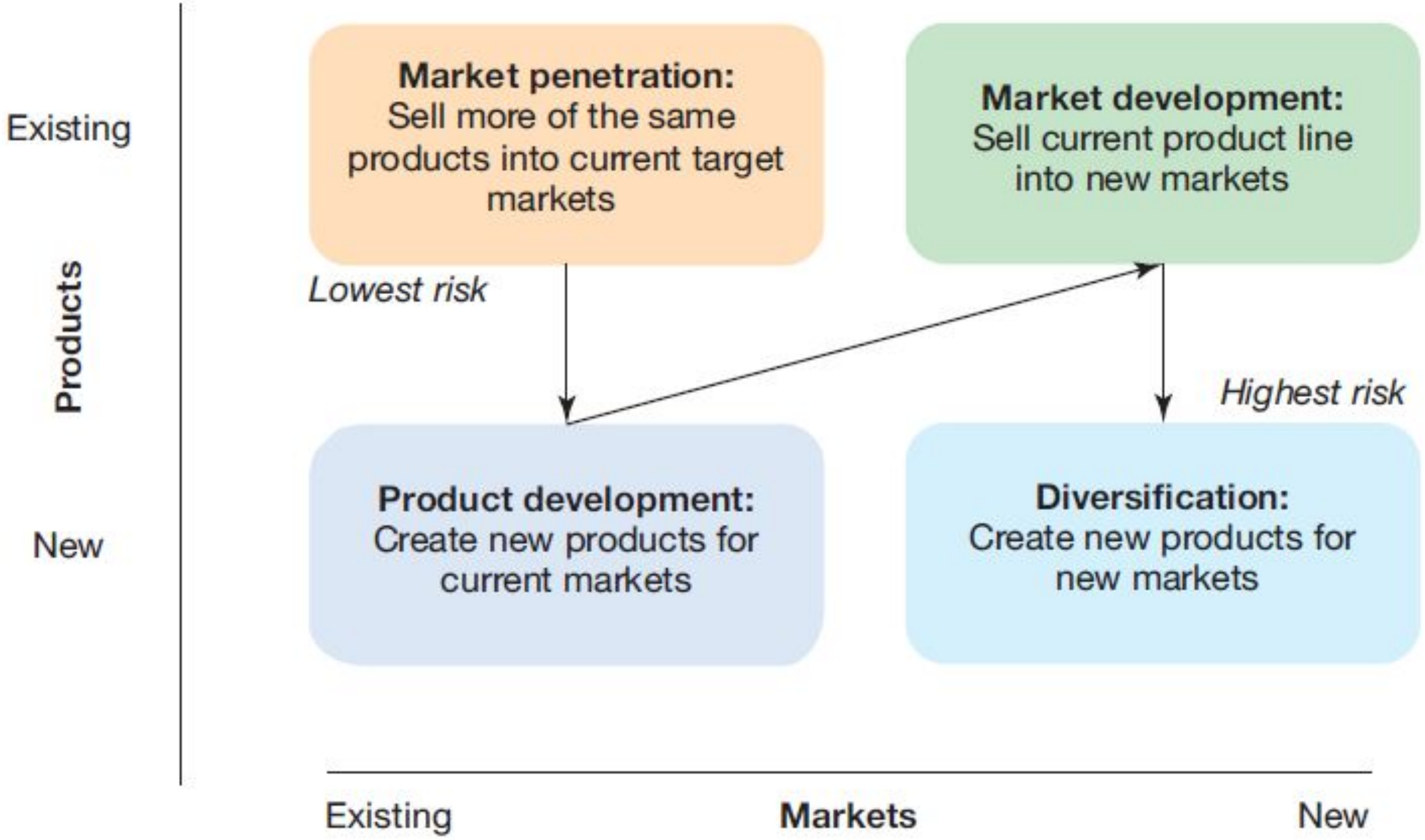
Situational factors

Self-image

Buyer Decision Making



Pursuing Market Opportunities and Set Objectives



STP Process

Using the current marketing situation and objectives as guideline to develop a **marketing strategy, “STP”**, to choose the position that company would like to establish in those markets, and then developing a *marketing mix* to help getting there.

Segmentation

The process of splitting a market into smaller groups with similar product needs or identifiable characteristics, for the purpose of selecting appropriate target markets.

- Identify segmentation bases and segment the market
- Develop profiles of the resulting segments

Targeting

Selection of a suitable market segment with the intention of heavily focusing the firm’s marketing offers and activities towards this group of related consumers.

- Evaluate the attractiveness of each segment
- Select the target segment(s)

Positioning

The target market’s perception of the product’s key benefits and features, relative to the offerings of competitive products

- Identify possible positioning concepts for each segment
- Select, develop and communicate the chosen positioning

Dividing Markets into Segments

Market

A group of customers who need or want a particular product

Market Segmentation

The division of a diverse market into smaller, relatively homogeneous groups with similar needs, wants, and purchase behaviors

- **Demographics** - the study of statistical characteristics of a population
- **Psychographics** - classification of customers on the basis of their psychological makeup, interests, and lifestyles
- **Geographic Segmentation -** categorization of customers according to their geographical location
- **Behavioral Segmentation -** categorization of customers according to their relationship with products or response to product characteristics

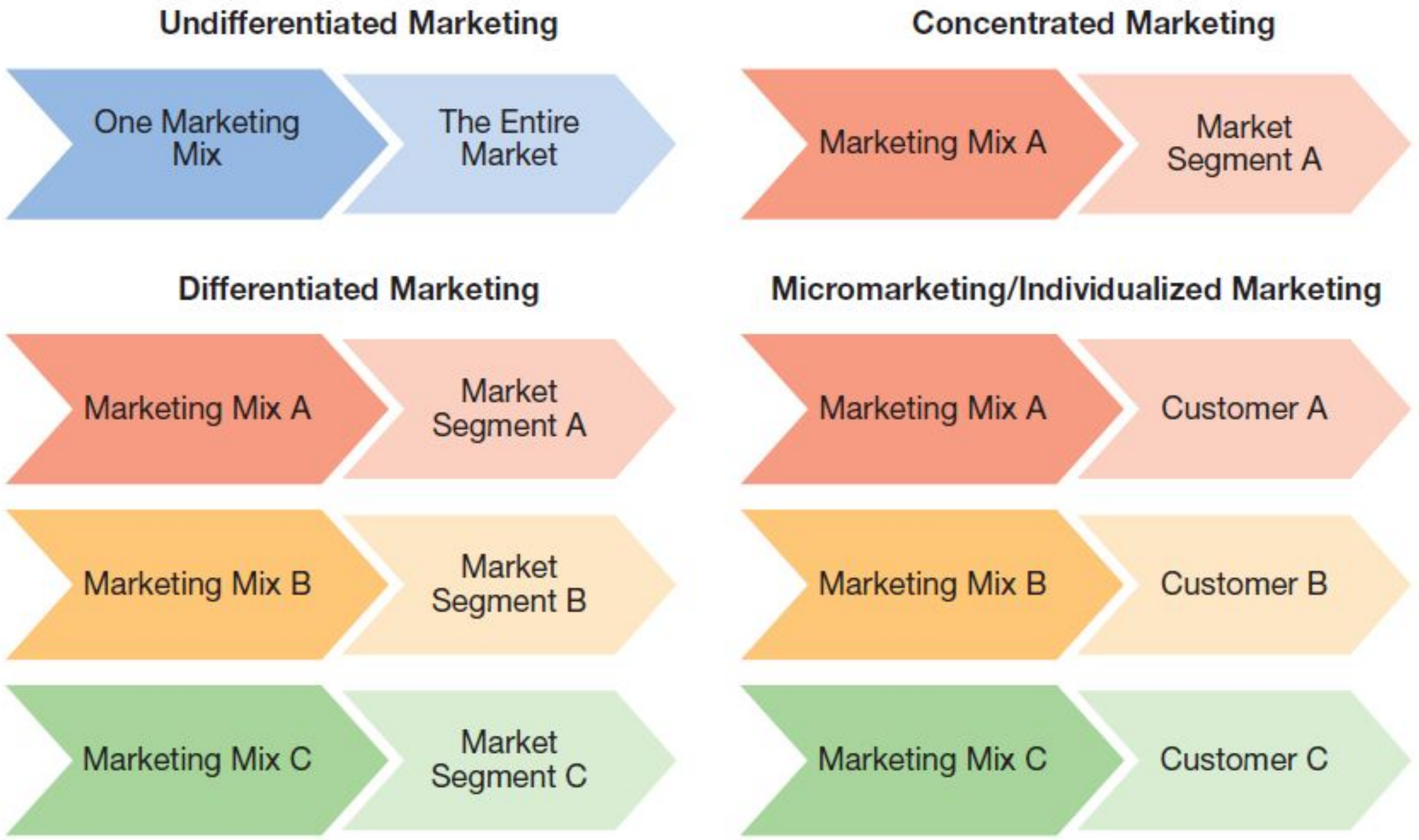
Choosing Your Target Markets

Target Markets

Specific customer groups or segments to whom a company wants to sell a particular product

Undifferentiated, differentiated, concentrated, and individualized

Market-Coverage Strategies



Undifferentiated Marketing (Mass Marketing)

Differentiated Marketing (Segmented Marketing)

Concentrated Marketing (Niche Marketing)

Micro Marketing

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Staking Out a Position in the Target Markets

Positioning

The process of designing a company's offerings, messages, and operating policies so that both the company and its products occupy distinct and desirable competitive positions in target customers' minds.

"Positioning is the centerpiece of Marketing Strategy"

Identifies the way a firm wants customers to think about their product/brand to maximize their product interest

Defines how the product will be differentiated to compete in an increasingly competitive marketplace


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The Marketing Mix

The four key elements of marketing strategy: product, price, distribution, and customer communication