



TECHNISCHE HOCHSCHULE
OSTWESTFALEN-LIPPE
UNIVERSITY OF
APPLIED SCIENCES
AND ARTS

Management Skills & Business Administration

Marketing

WiSe 2021/2022 | Prof. Dr. habil. Andreas Welling

Agenda

- **Marketing**
- **Customer Need**
- **Target Market**
- **Market Size**

Marketing

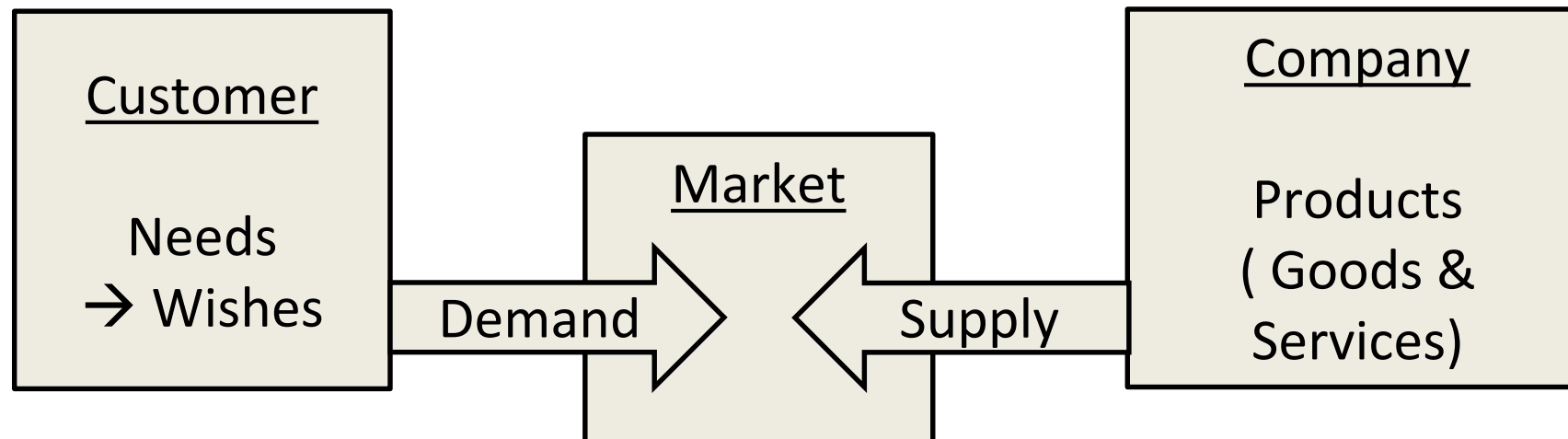


What is marketing?

- **Marketing is more than advertisement and selling**
- **Marketing is the concept of customer wish fulfillment**
- **The organizational function marketing focuses on**
 - **market research and analysis**
 - **selection and aimed use of sales policy instruments**

Market

- The place where demand and supply meet
- In Marketing often also the entirety of buyers and prospective buyers



Customer

- **Actual or potential demander on markets**
(Gabler-Economic dictionary)
- **„In sales, commerce and economics, a customer is the recipient of a good, service, product or an idea - obtained from a seller, vendor, or supplier via a financial transaction or exchange for money or some other valuable consideration. “**(wikipedia.org)
- **Customer is a private person → Business-to-Consumer-Marketing**
- **Customer is a company → Business-to-Business-Marketing**

Three attributes of the customer

- **The customer demands the product (purchase decider)**
 - **The customer receives the product (beneficiary/Consumer)**
 - **The customer pays for the product (payer)**
- In some cases (e.g. medicines/studies) not all attributes apply for the customer [patients/students]
- **In B2B-Marketing not the customer (company) but an agent makes the purchasing decision**

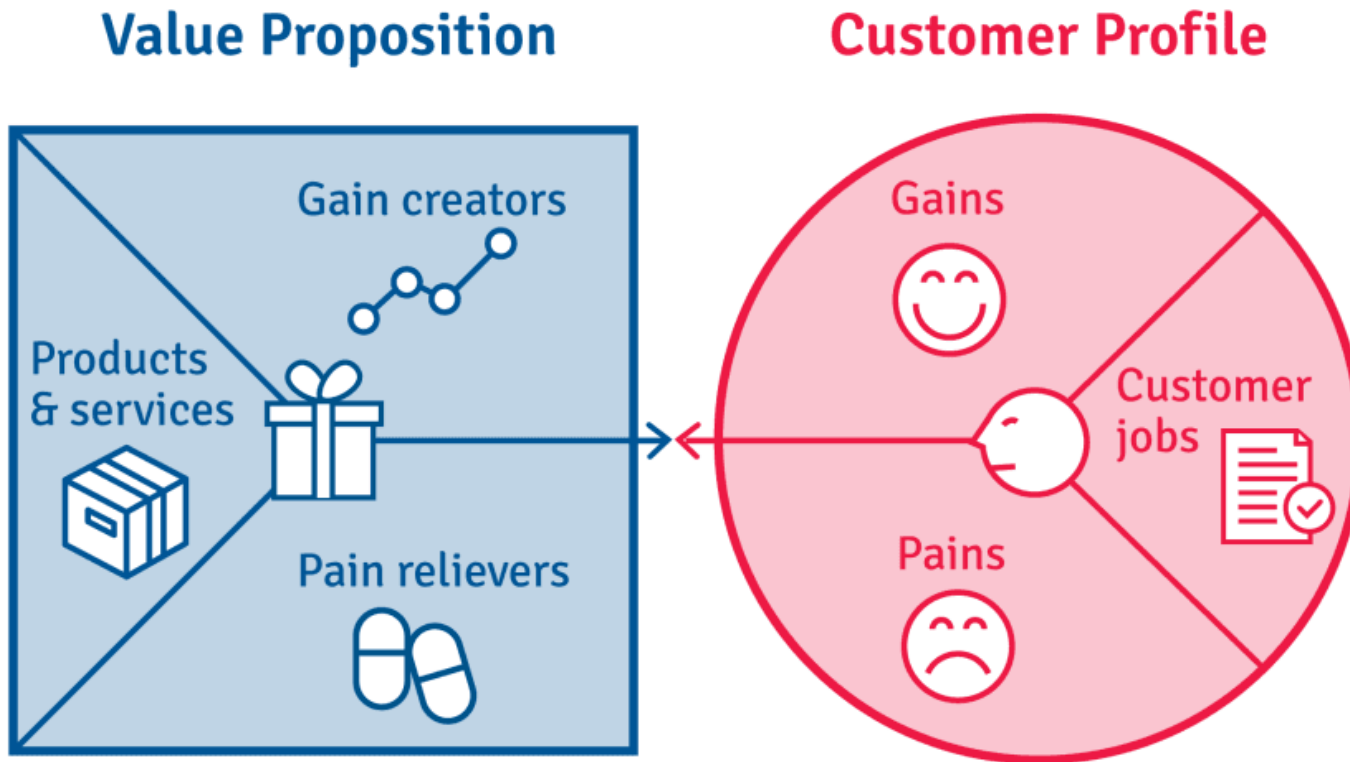
Basic concepts

- **Need: State of felt deprivation**
→ can be satisfied or deferred
- **Wish: Specific possibility to satisfy one or multiple needs**
- **Want: Wish with existing suitable purchase power**
- **Demand: Need, that is put into effect by a purchasing decision**

Customer Value

- **Customer value = Product benefit – price benefit**
- **Buyer decides to buy a specific product (e.g. car VW Polo), if it offers the highest customer value of all offerings (e.g. all small cars) and the customer value is >0.**
- **Prior to the purchase insecurity about actual benefit exists**
 → **Expected customer value is the deciding factor for purchase**

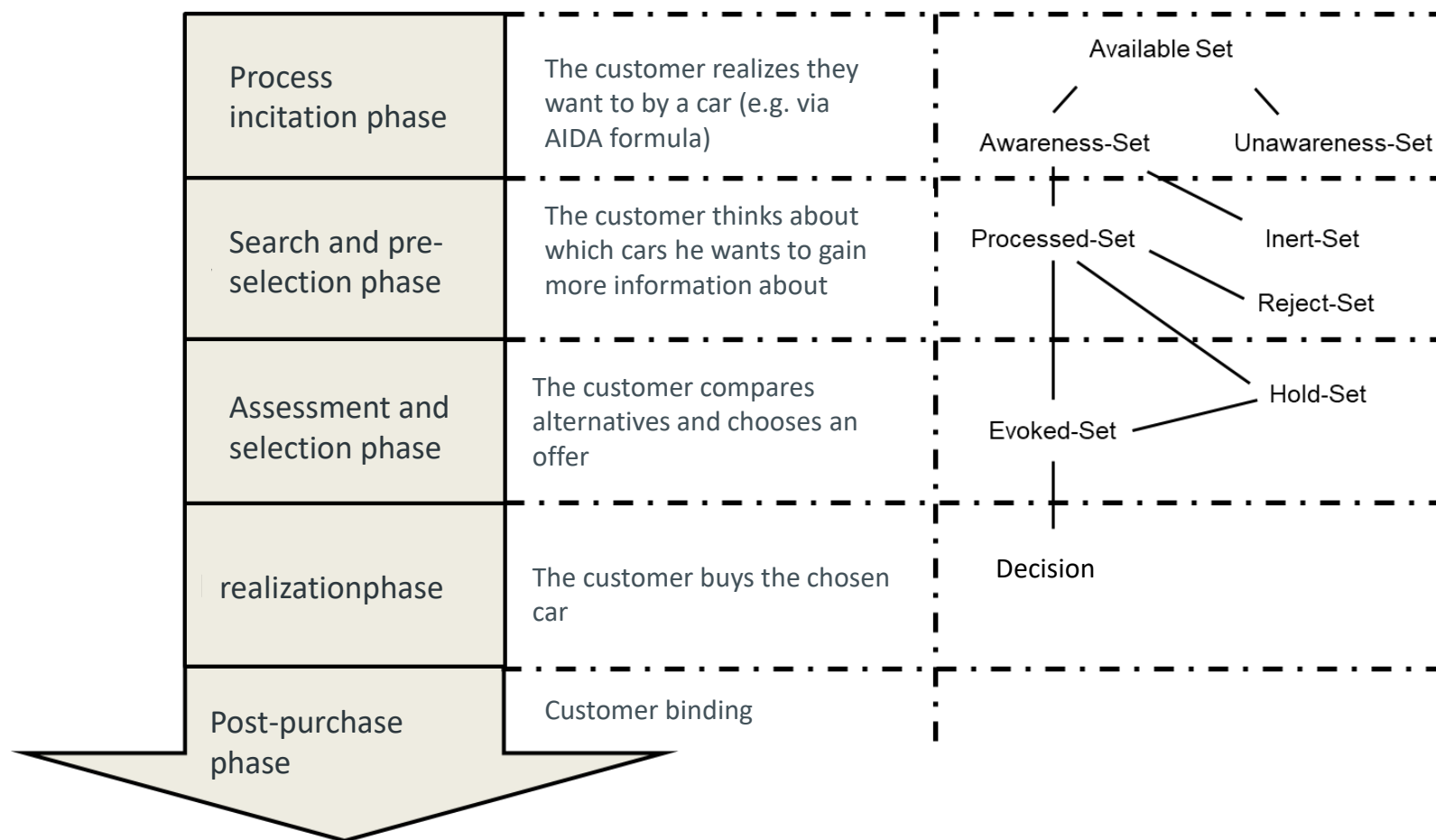
Value Proposition Canvas



Marketing Mix

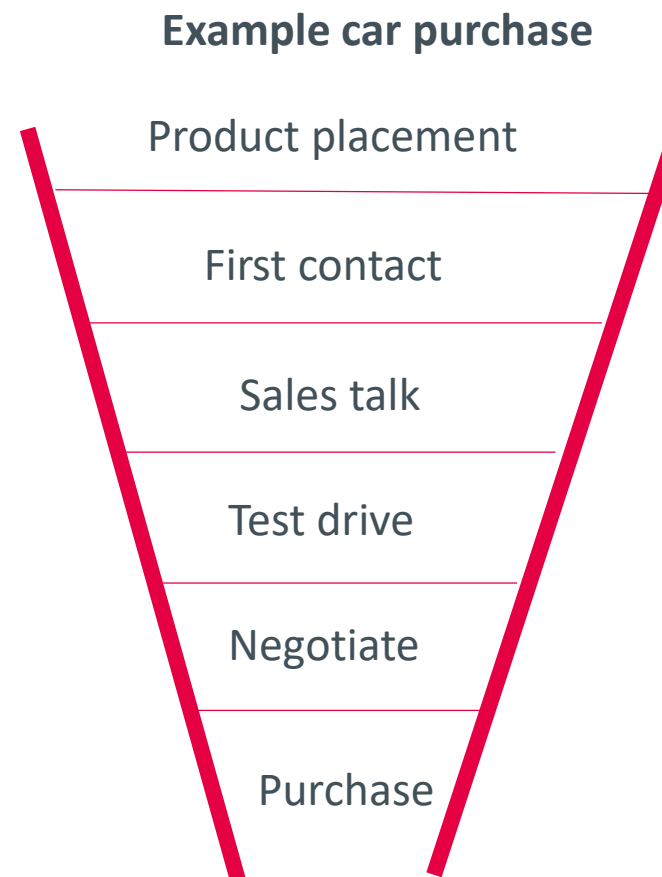


Process of purchasing decision (customer view)



Sales Funnel (Company's view)

- **Describes the levels of the sales process**
 - **On each level potential customers drop out**
 - **The conversion rate of one level describes the share of customers, that advance to the next level**
- **Starting point for sales optimization**



Customer satisfaction

- **Customer satisfaction is a customer's subjective process**
- **Customer is satisfied**
 - ⇔ **Actual experienced benefit = expected benefit**
- **Customer is not satisfied**
 - ⇔ **Actual experienced benefit < expected benefit**
- **Customer is highly satisfied/enthusiastic**
 - ⇔ **Actual experienced benefit > expected benefit**

Impact of customer satisfaction

- **Customer relations → repurchase**
- **Positive (and no negative) multiplication effect**
- **Low expenses for complaints and claims**
- **Good payment practice by customers**
- **High motivation of employees in customer service**

Customer relation

Customer connection

- Voluntary customer relation
- General customer satisfaction
- Personal customer relation
- Bonus programs
- Synergy generation
- Goodwill

Customer is partner

Customer bonding

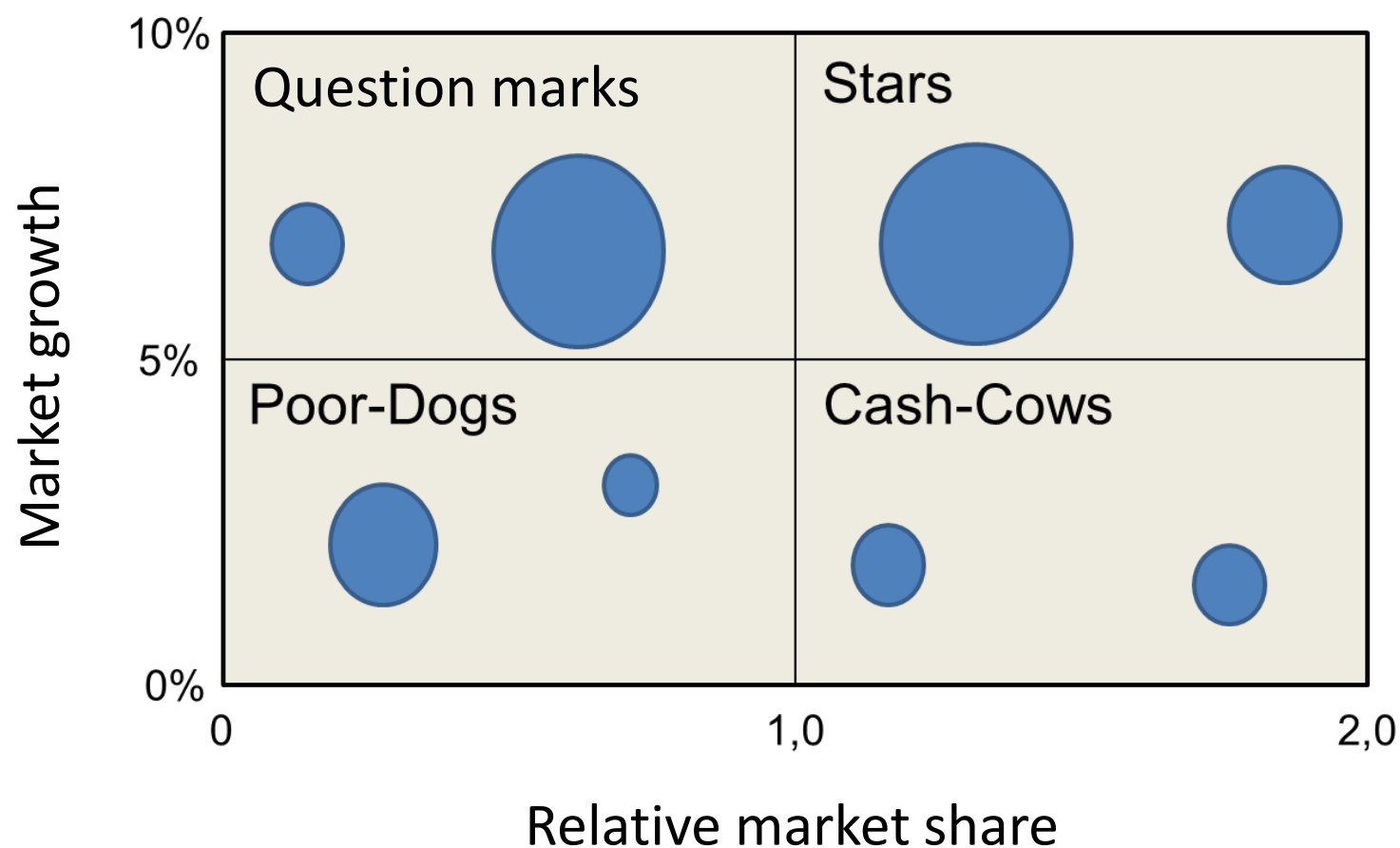
- Forced customer relation
- Long contract term
- Unvoluntary subscriptions
- High costs of change
- Technical „Island solution“
- Partly: illegal behavior

Customer is cash cow

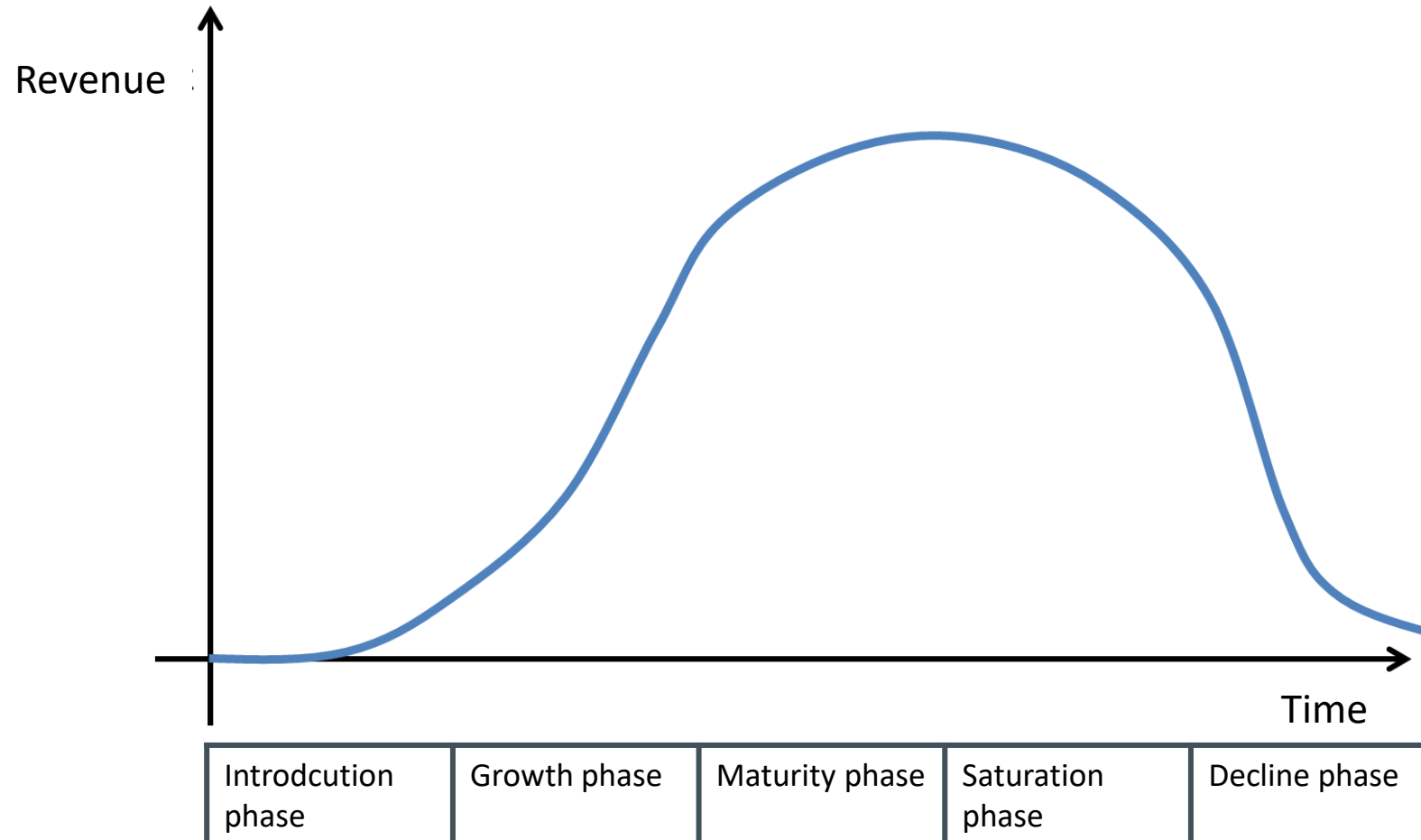
Especially legal binding

Especially technical and economic binding

BCG-Portfolio analysis

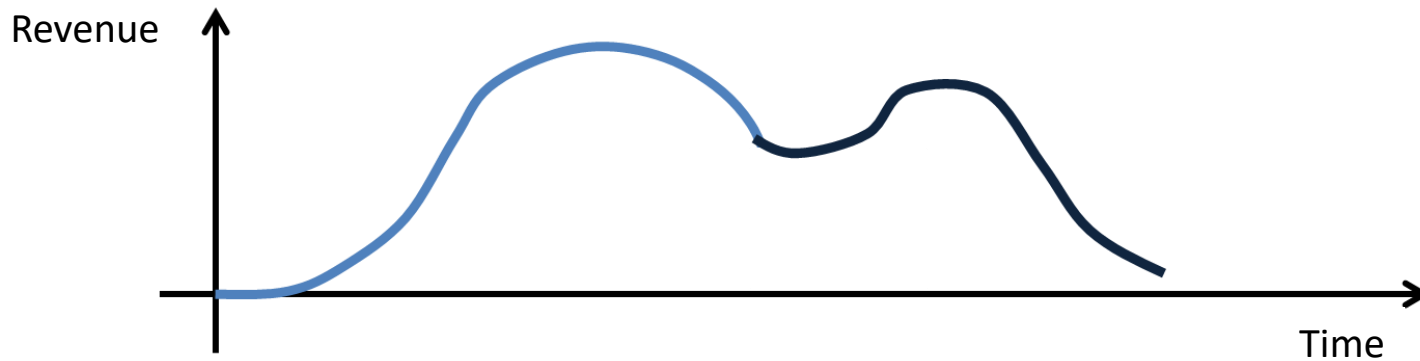


Product life cycle

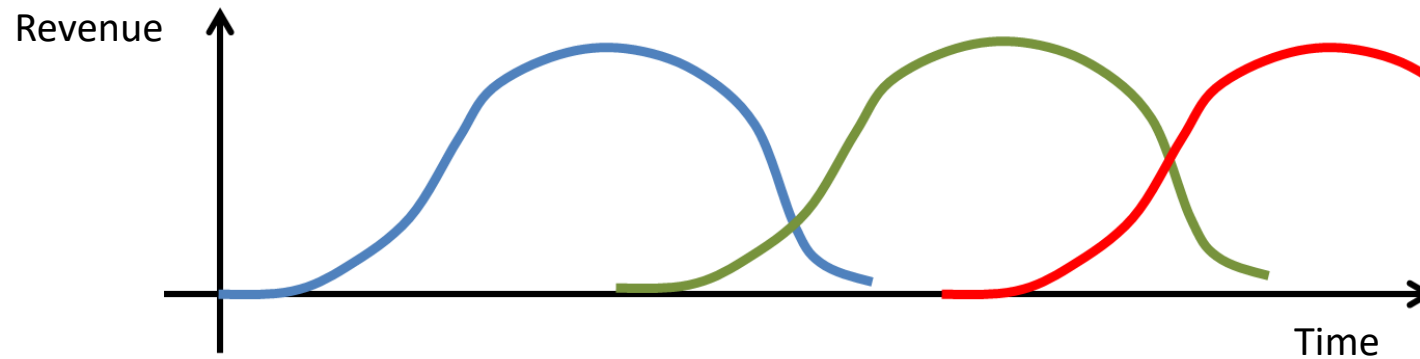


Product variation and innovation

- Product variation



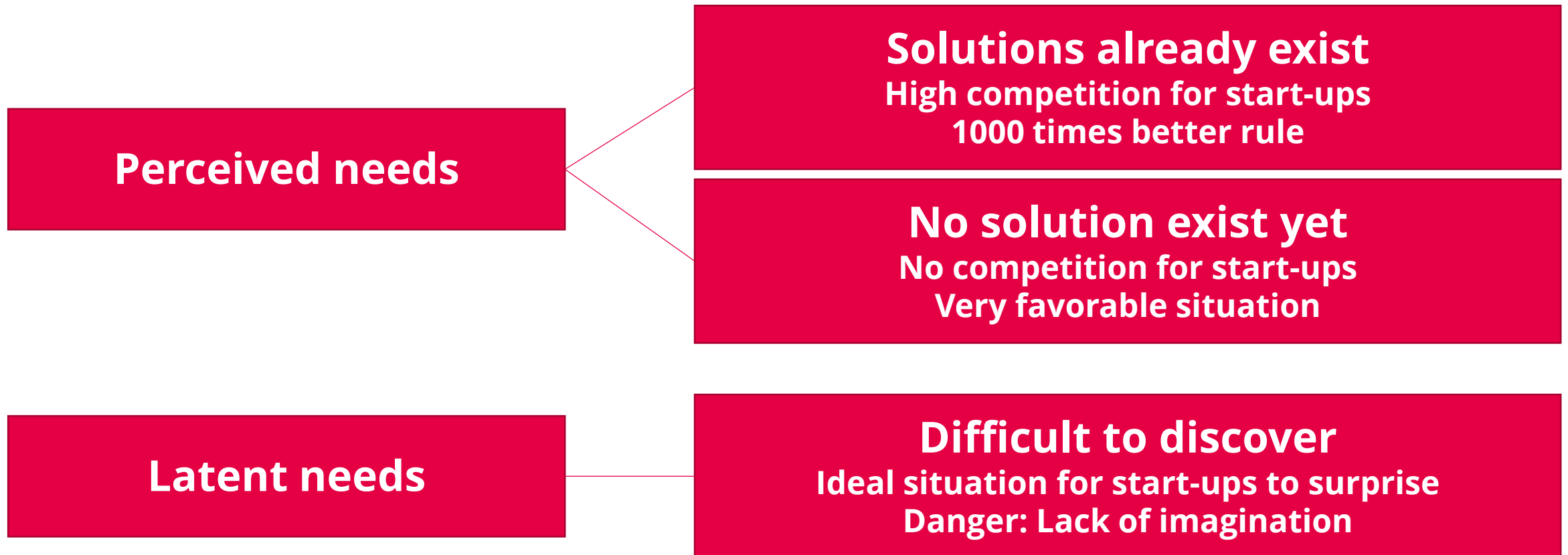
- Product innovation



Customer Need

The background features a solid red field. On the right side, there are several overlapping geometric shapes. A large, dark red, rounded rectangular shape is prominent, with a smaller, lighter red shape nested within it. To the right of these, there are grey shapes, including a large, dark grey one and a lighter grey one, creating a layered, abstract composition.

Types of needs



Valuable needs

- **Many people/organizations have the need**
- **Satisfying the need is important to the target group**
- **The target group currently has no satisfactory solution**

Is your business idea based on a valuable need?

Customer Need (The problem)

- **Products are there to satisfy customer needs**
- **Three types of customer needs**

**Job to be
done**

Gain

Pain

Job-to-be-done

- **An everyday task to be done by the customer**
- **Marketing approach: efficiency gain**
- **Examples:**
 - **Baby diapers with special absorbency**
 - **Reliable childcare through KiTa**
 - **Easier payment option through Apple Pay**
 - **Automatic invoice sorting of an accounting software.**

Gain

- **Advantage or progress desired by the customer**
- **Marketing approach: good feeling in the new state.**
- **Examples:**
 - **Cool design in clothing**
 - **The good feeling of being able to speak Spanish**
 - **The exciting experience of zip-lining**
 - **The opportunity to enter new markets.**

Pain

- **A problem that the customer wants to eliminate or alleviate**
- **Marketing approach: deliverance, redemption**
- **Examples:**
 - **Relief from headaches through aspirin**
 - **Relief from marital disputes through couples therapy**
 - **Reduction of rust hazards through underbody washing**
 - **Prevention of bounced customer invoices through factoring.**

The need onion

Finding the need behind the need

Example need onion...

Nobody needs a hammer...

...what people need is a nail in the wall.

Nobody needs a nail in the wall...

...people want to hang up a picture.

Nobody wants to hang up a picture...

...people want a cozy living place.

...

Core of the need onion...

If you go on long enough you very often reach...

... Reproduction and Self-Preservation

Maslow's pyramid of needs

Immortality

Pursuit of happiness

Reproduction and Self-Preservation

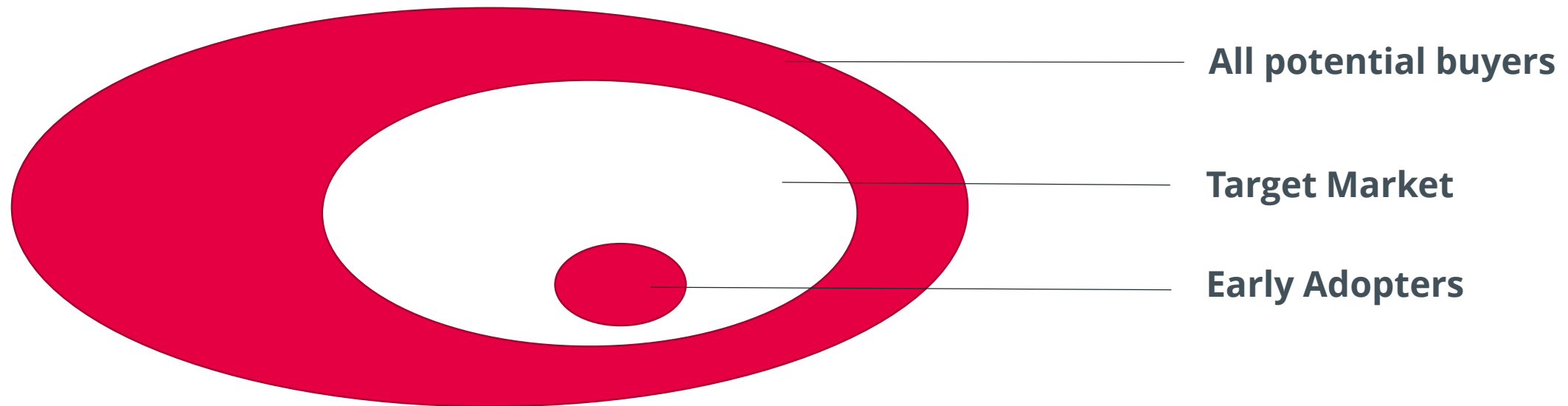


Target Market



Target Group

- **Subset of all potential buyers or users to whom the company expressly addresses**



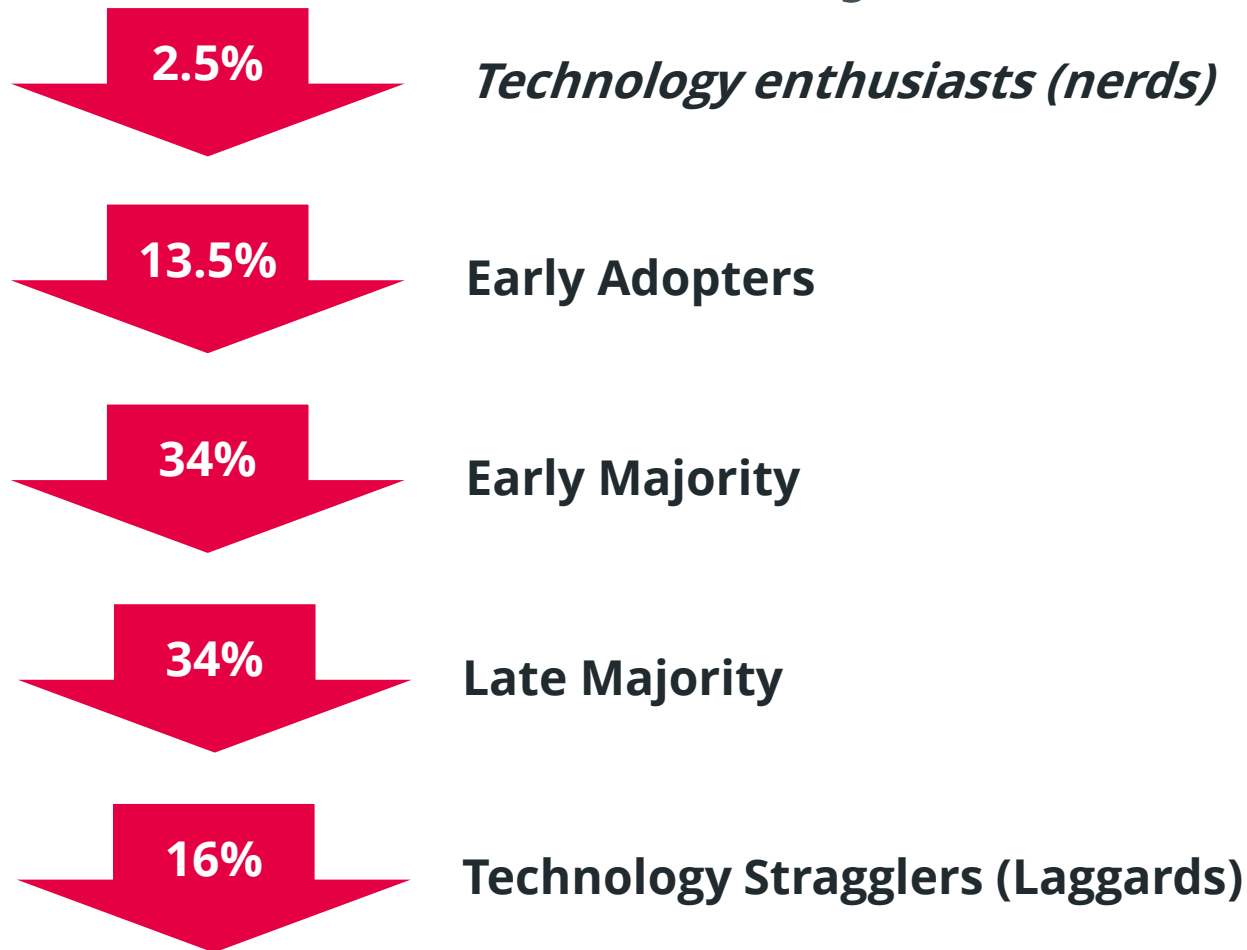
Early Adopters - Importance (I)

- **Provide proof of product-market fit**
→ Typically by purchasing the product
- **First sales → Proof of traction**
- **Excellent source of feedback → Improving the offer**

Inspire early adopters

„Early adopters must not only be satisfied with the product, **it has to inspire them!“**

Diffusion Theory of Rogers



Early Majority – The big market

- Looking for new solutions to improve everyday life / business
 - Don't want to take risks
 - Not interested in the innovation itself (unlike early adopters)
 - Ready to try a new (but already proven!) solution
 - Almost impossible to quickly win for a new solution.
- Early adopters provide the early majority with a vote of confidence

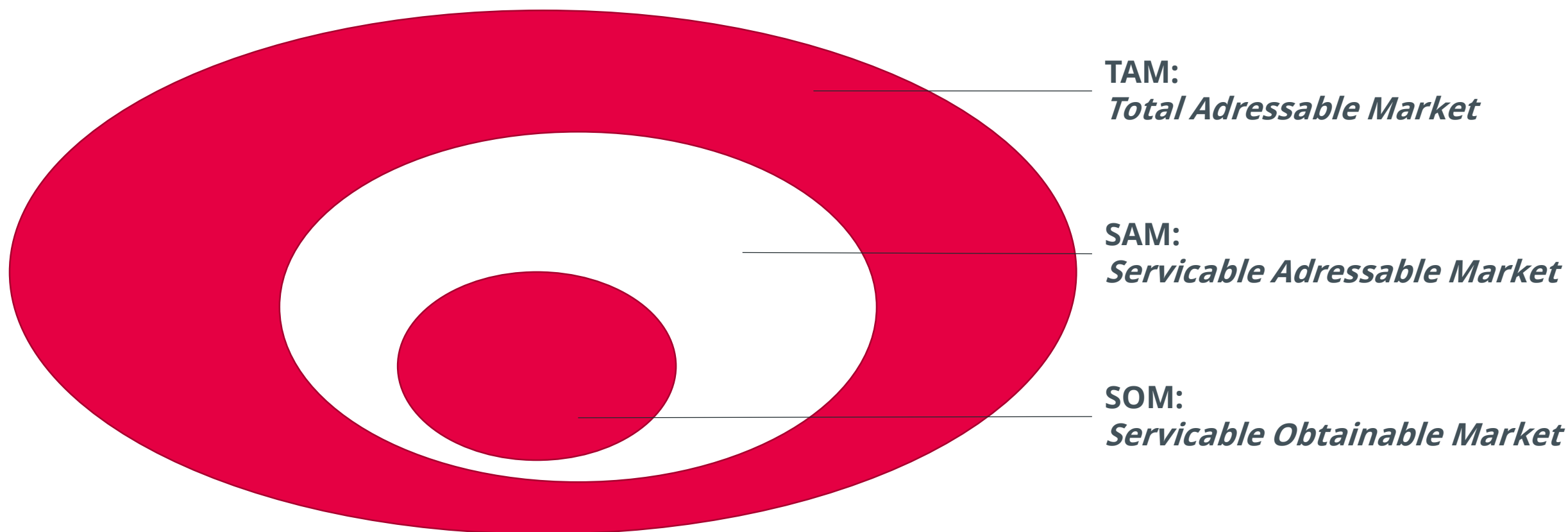
Multi-sided markets

- **Some business models have to serve several target groups**
- **Examples are Google, Uber, AirBnB or Facebook**
- **Multiple target groups mean more effort for start-ups**
 - **you have to define multiple target groups**
 - **you have to evaluate the various customer needs**
 - **you have to create an optimal offer for all target groups**

Market Size



Market size and market potential



Total Adressable Market

- **Quantity of all potential customers in the absence of any competition and the possibility to serve all of them.**
- **TAM for organic dog food:**
All dog owners worldwide
- **Quantitative evaluation:**
500 million dog owners chew for every 100 Euro/year
→ 50 billion Euro/year annually

Serviceable Adressable Market

- **Subset of the TAM to which the offer is addressed**
→ **corresponds to target group.**
- **SAM for organic dog food:**
Ecologically thinking dog owners in Europe, who are not poor
- **Quantitative SAM:**
2 million corresponding dog owners spend 500 Euro annually
→ **1 billion Euro annually**

Serviceable Obtainable Market

- **Sub-set of the SAM that can realistically be served (consideration of the planned business model).**
- **SOM for organic dog food (distribution via Fressnapf and co.):**
Ecologically thinking dog owners from Europe, who are not poor, are not regular customers and who visit pet shops
- **Quantitative SOM:**
500T dog owners spend 500 Euro per year → 250 million Euro/year.