

MARKETING FUNDAMENTAL CONCEPTS

Bibliography:

Kotler, Keller, Brady, Goodman and Hansen
(2012), *Marketing Management*, 14ed, Part 1

What Is Marketing?

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- The process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return
- Goals
 - ▣ Attract new customers by promising superior value
 - ▣ Keep and grow current customers by delivering satisfaction

Marketing concept

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- Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

(American Marketing Association 2013)



Marketing management

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- **Marketing management** is the art and science of choosing target markets and getting, keeping and increasing customers through creating, managing, communicating and delivering **superior customer value**
 - ▣ What customers will we serve?
 - ▣ How can we best serve these customers?

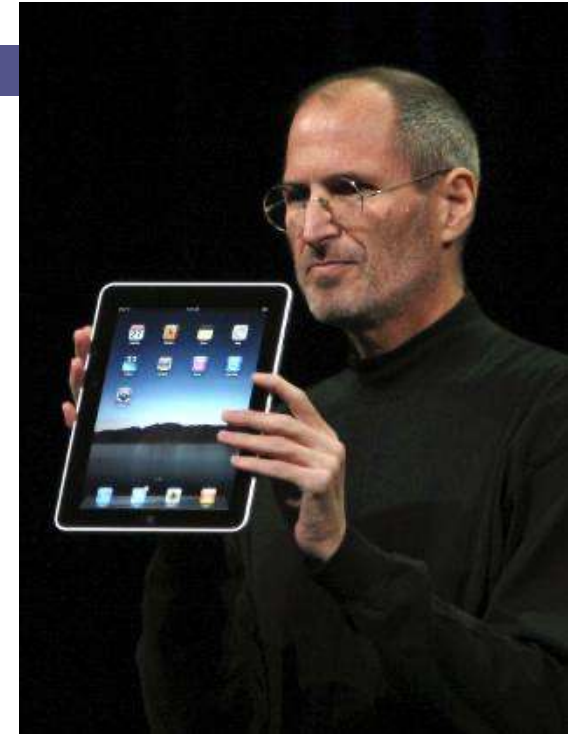


Marketing

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- The aim of marketing is to know and understand the customer so well that the product or service fits him/her and **sells itself**. Ideally, marketing should result in a customer who is ready to buy. All that should be needed is to make the product or service available.

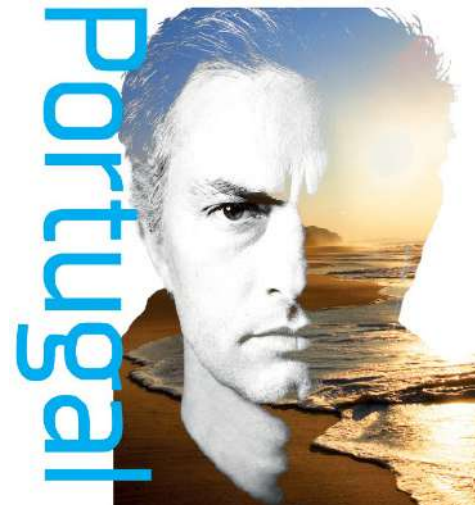
(Peter Drucker)



Marketing of ...

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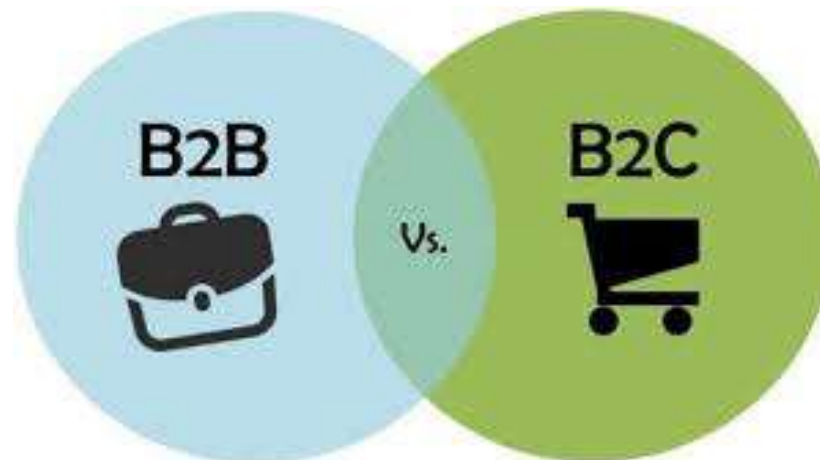
- ☐ **Goods**
- ☐ **Services**
- ☐ **Product service systems (PSS)**
- ☐ **Experiences**
- ☐ **Events**
- ☐ **People**
- ☐ **Places**
- ☐ **Organizations**
- ☐ **Ideas**



Markets

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- Groups of customers who buy products or services.
 - ▣ Consumer markets – consumer purchases usually made by individuals or decision making units.
 - ▣ Business markets – purchases made by other companies or networks of companies. Purchase decisions are professional.



Designing a Customer-Driven Marketing Strategy

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- Designing a winning marketing strategy requires answers to the following questions:
 - ▣ What customers will we serve?
 - What's our target market?
 - ▣ How can we serve these customers best?
 - What's our value proposition?

Selecting Customers to Serve

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- Market segmentation - Dividing the market into segments of customers
- Target marketing - Selecting one or more segments to cultivate



Choosing a Value Proposition

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- **Value proposition:**
The set of benefits or values a company promises to deliver to consumers to satisfy their needs.
- Value propositions *differentiate* one brand from another.



The **Smart car** is positioned as compact, yet comfortable; agile, yet economical; and safe, yet ecological.

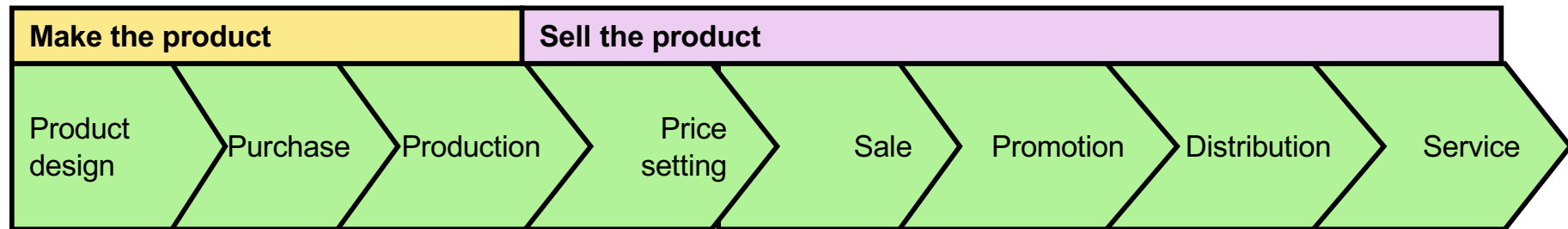


YouTube “provides a place for people to connect, inform, and inspire others across the globe.”

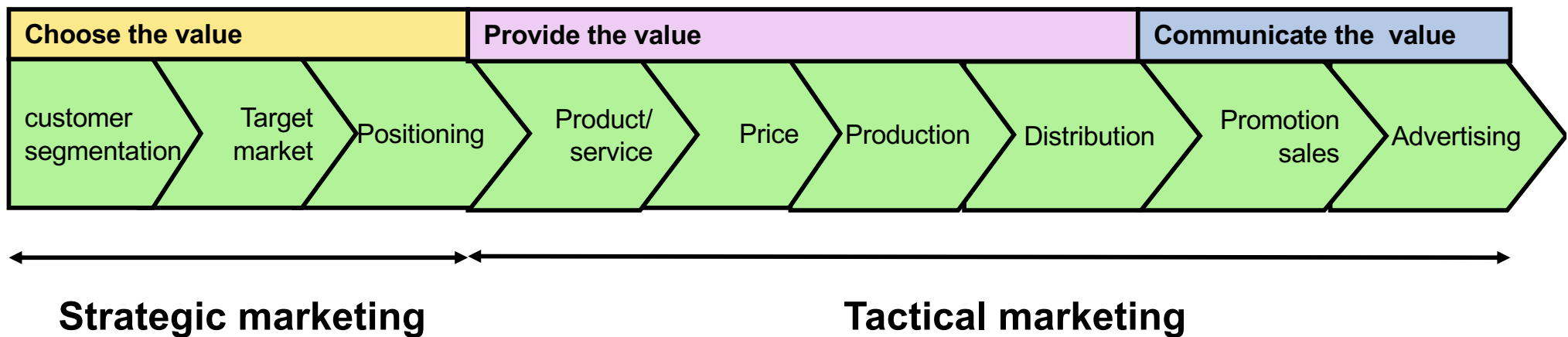
Strategic and tactical marketing

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Traditional physical process sequence



Value creation and delivery chain



Lanning & Michaels 1988

Strategic marketing

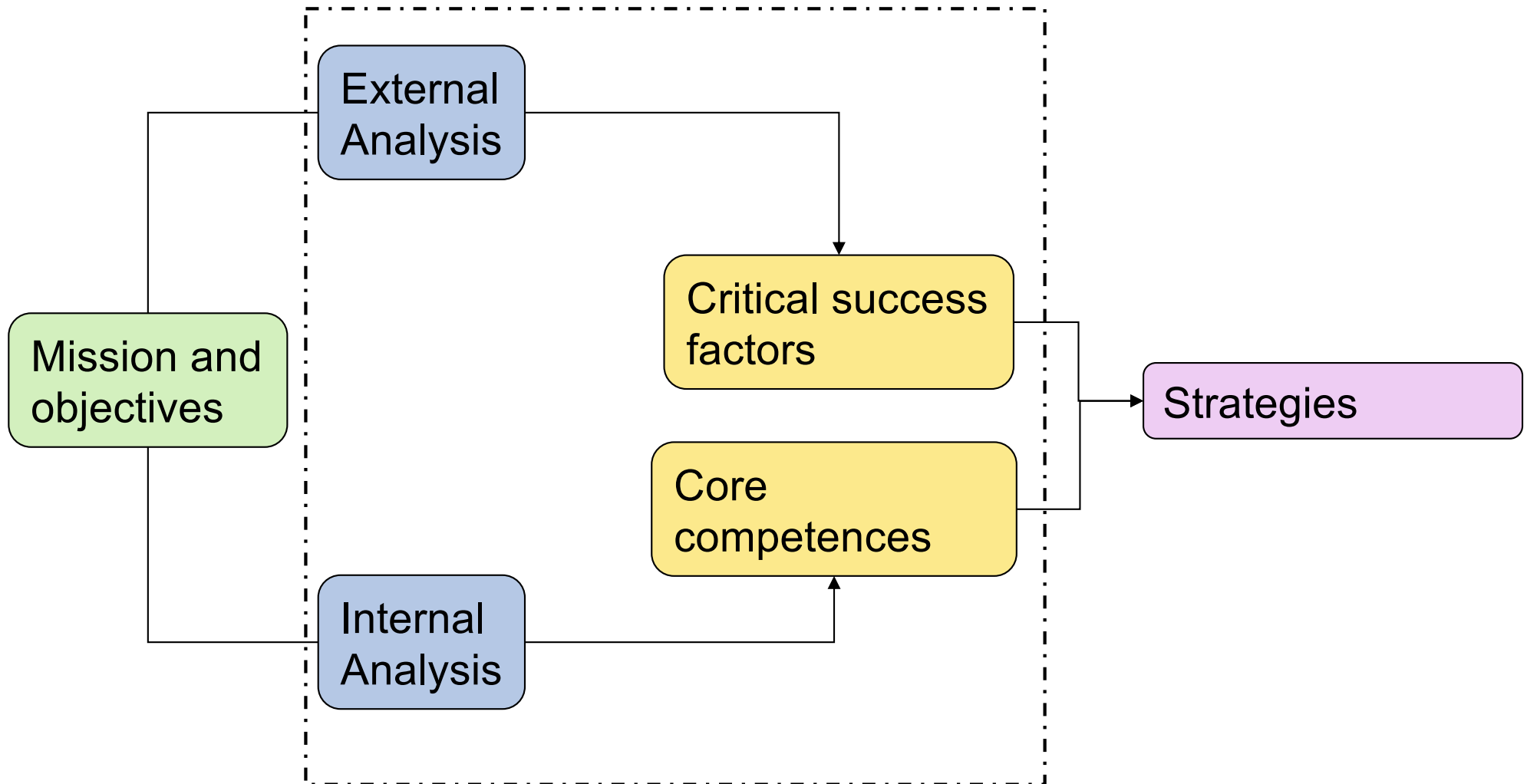
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- Mission and objectives
- Market analysis
- Analysis of internal competences
- Market segmentation and targeting
- Positioning the value offering
- SWOT analysis

Business level strategy

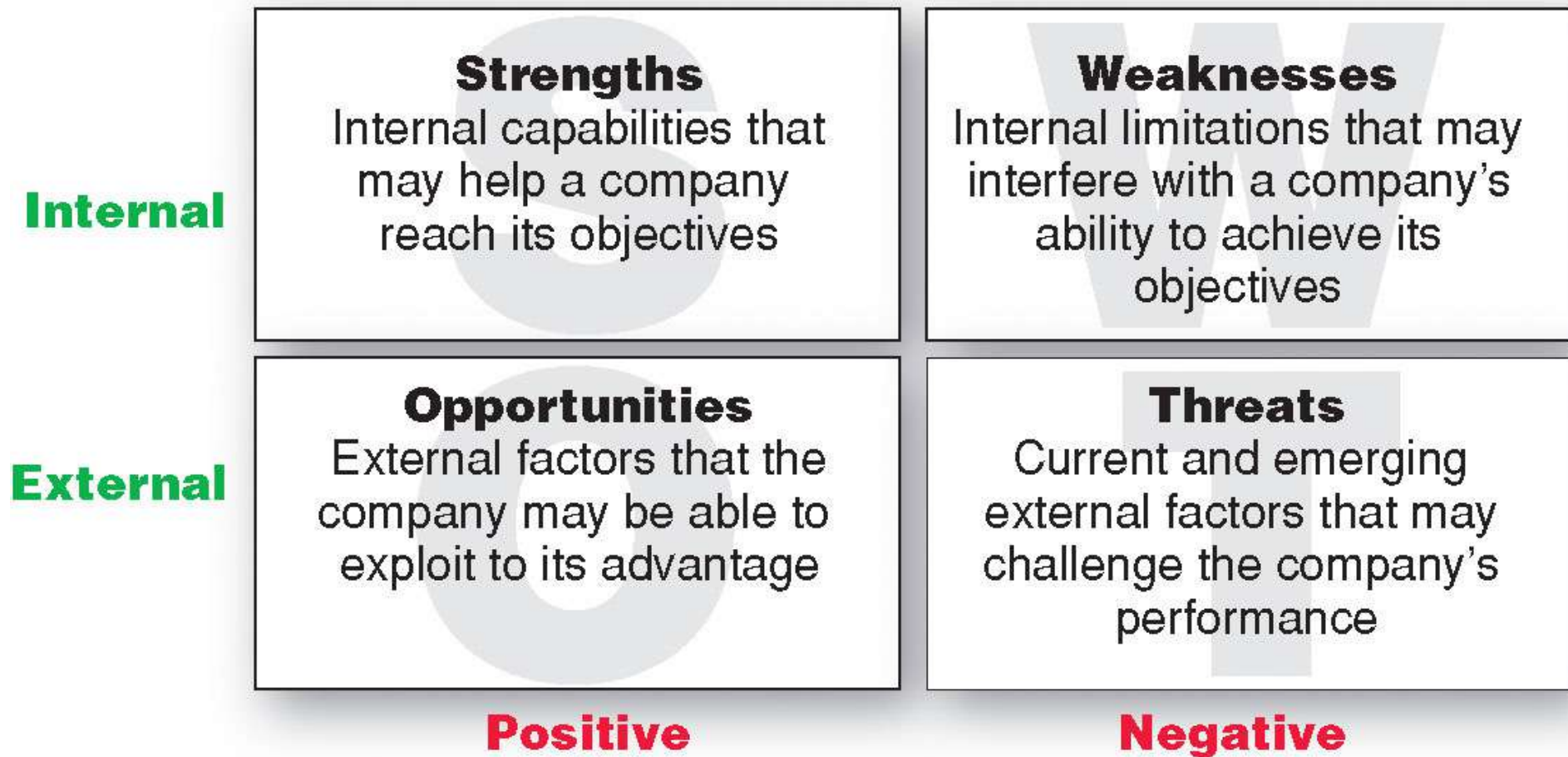
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SWOT



SWOT Analysis

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SWOT Analysis

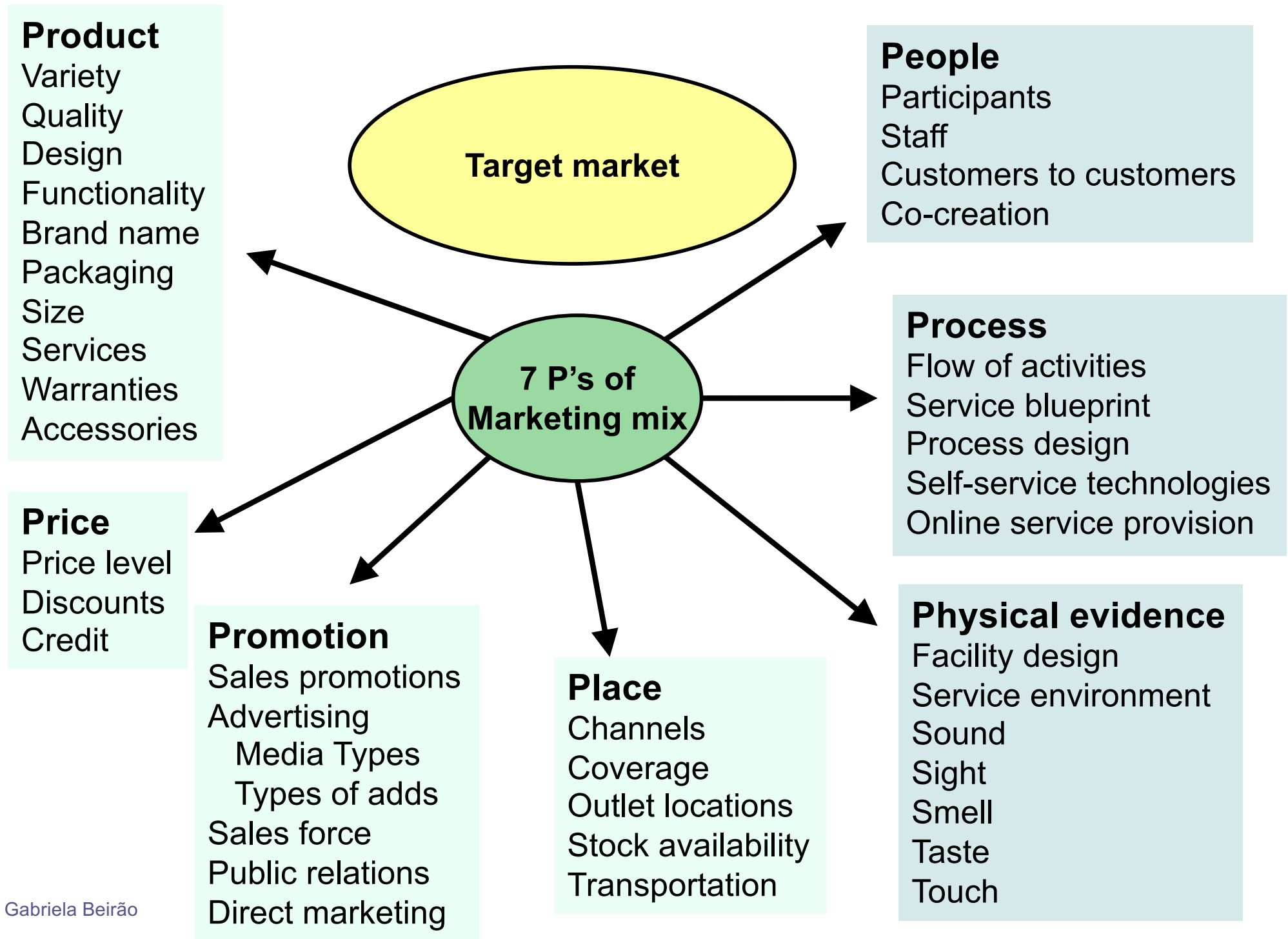
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	Opportunities (external, positive)	Threats (external, negative)
Strengths (internal, positive)	Strength-Opportunity strategies Which of the company's strengths can be used to maximize the opportunities you identified?	Strength-Threats strategies How can you use the company's strengths to minimize the threats you identified?
Weaknesses (internal, negative)	Weakness-Opportunity strategies What action(s) can you take to minimize the company's weaknesses using the opportunities you identified?	Weakness-Threats strategies How can you minimize the company's weaknesses to avoid the threats you identified?

Marketing Program – Marketing MIX

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Product

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- Which solutions (products, services, pss) will be offered by the company, and which will be the product development strategy.
- How does the product/solution is positioned in the face of competitors.



Products, Services and Experiences

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Don't just sell a product. Sell an experience!

**“A product is not a product unless it sells.
Otherwise it is merely a museum piece.”**

Price

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- Price is an important decision that should support the company strategy and its positioning
- Pricing strategy is highly dynamic, with price levels adjusted over time according to factors like customer segment, time and place of delivery, level of demand, and available capacity.

- ▣ **Penetration strategy:** price is used as a strategy to increase sales
- ▣ **Price is not used as a marketing tool** and is the same as competitors. Other elements of the marketing mix make the difference.
- ▣ **Premium price:** The price is purposefully high to convey the quality and distinctiveness of the product.

Promotion

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- Integrated communication plan which attempts to inform, persuade and remind consumers about the firm's services and brands.
 - ▣ Advertising
 - ▣ Sales promotion
 - ▣ Sales force
 - ▣ Public relations
 - ▣ Direct marketing



Place / Distribution

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- Sales and distribution includes all activities that involve an interaction with the end customer, wholesalers and retailers.
- Distribution may involve:
 - ▣ Individual messages
 - ▣ Pre and post-sale services (information, service recovery).
 - ▣ Coordination of product and service delivery.



People / Participants

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- Several participants collaborate and interact in the service provision process:
 - ▣ Customers as value co-creators
 - ▣ Service workers
 - ▣ Other customers
- Customers play a crucial role in service value co-creation.
 - ▣ Ex: Disney experience, hair-dresser, health-club...
- All actors may may strongly influence customer perceptions of service quality and satisfaction.

Process

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- Process through which the service is co-created and delivered to the customer
 - ▣ The service delivery process should be carefully designed, to enable a satisfying experience for the customer.
- In service provision, the customer is inside the “factory”, actively participating in value co-creation: therefore the process should be carefully designed.
- How firm does things may be as important as what it does
- Demand and capacity need to be balanced

Physical evidence

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- Design the physical environment where the service is provided and provide tangible evidence of service performances
- Create and maintain physical appearance:
 - ▣ Buildings/landscaping
 - ▣ Interior design/furnishings
 - ▣ Vehicles/equipment
 - ▣ Staff grooming/ dress code
 - ▣ Sounds and smells
 - ▣ Visible credentials and diplomas
 - ▣ Tangible evidence of online services – the site
- The physical evidence provides clues for that customers use to evaluate the service. These clues are more important when the service is highly intangible.

Services

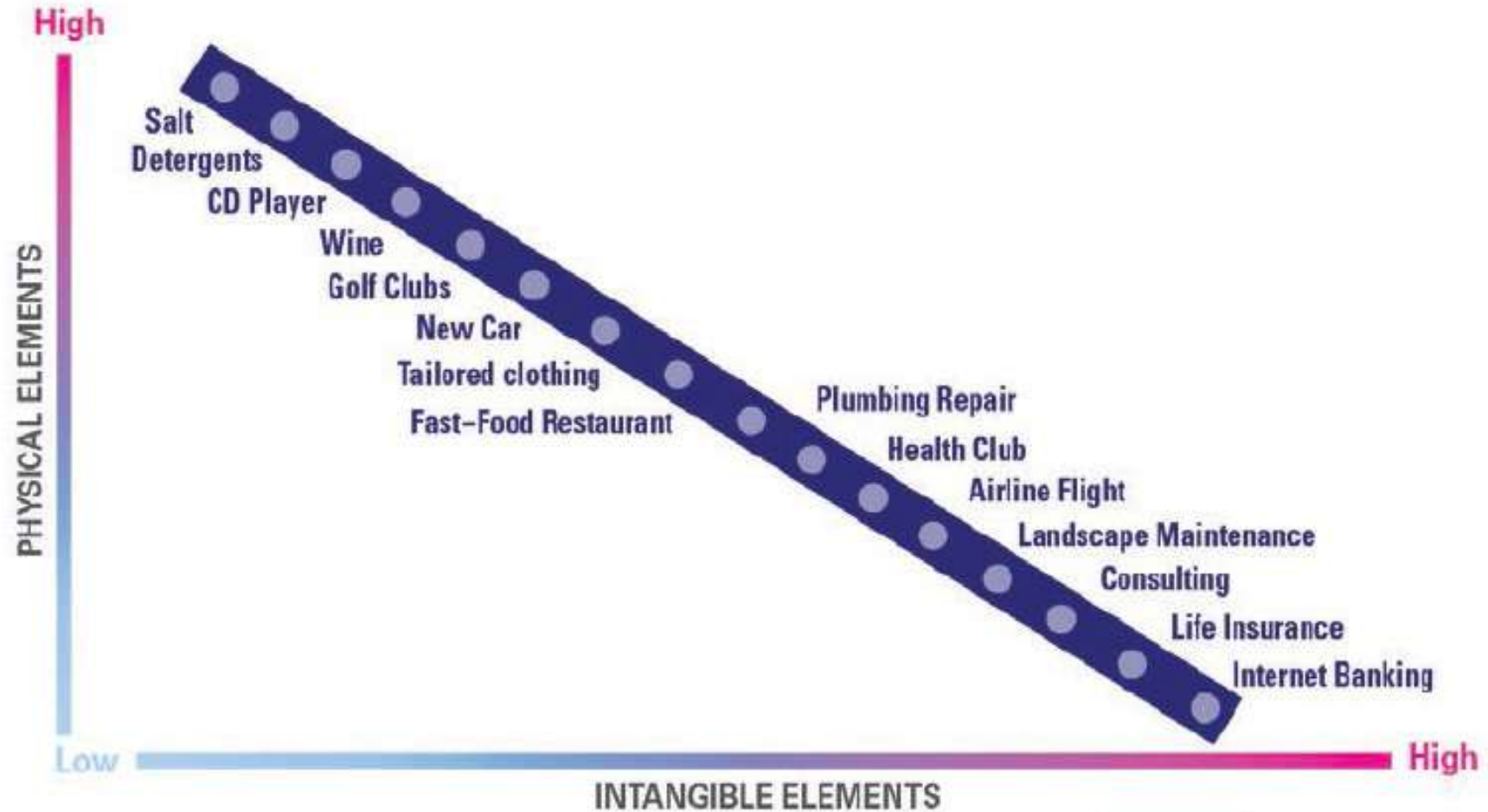
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- **Services** are deeds, processes, and performances.
(Zeithaml & Bitner, 1996)
- Services are **economic activities** offered by one party to another
 - ▣ “A service can not be dropped on your foot, stored in a box, or lost in a drawer.”



Tangible dominant to Intangible dominant

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Source

Adapted from Lynn Shostack

Distinctive characteristics of services (IHIP)

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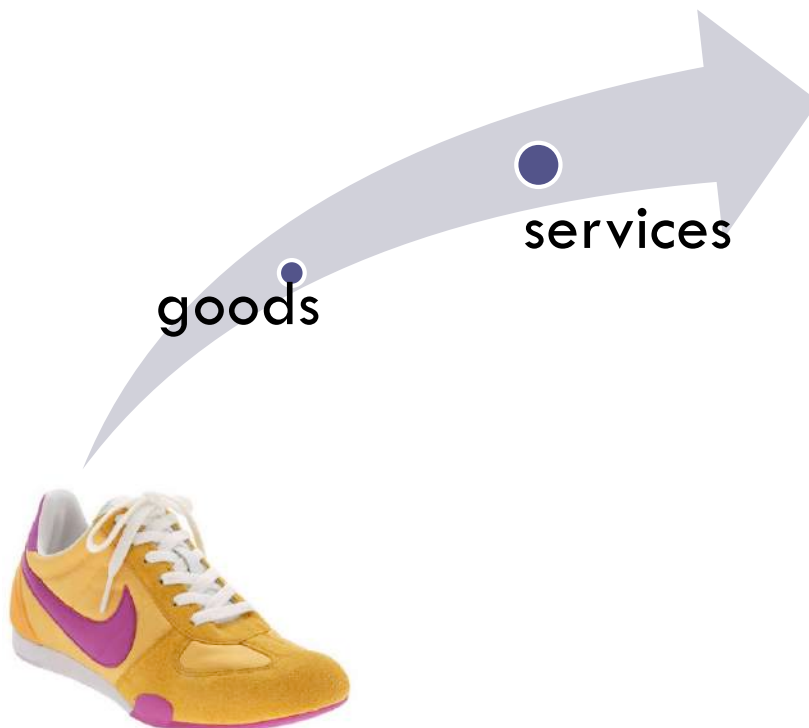
- Intangibility
- Heterogeneity
- Inseparability of production and consumption
- Perishability



Intangibility

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- Customer is unable to experience the “product” prior to purchase



Implications of *Intangibility*

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- ❑ Services are ideas and concepts → no physical existence
- ❑ Services cannot be inventoried
- ❑ Services cannot be easily patented
- ❑ The intangibility nature of services raises challenges for consumers in evaluating the service before consumption.
- ❑ The design of the physical evidence is crucial for a good service experience.



Heterogeneity

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- Difficulty in establishing consistency in quality
 - ▣ across providers or within providers
 - ▣ across time
 - ▣ across delivery



Implications of *Heterogeneity*

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- Services result from the interaction people and other people, or people and the service environment.
- Service delivery and customer satisfaction depend on employee and customer actions.
- Service quality depends on many uncontrollable factors.
- There is no sure knowledge that the service delivered matches what was planned and promoted.
- This interactive nature of service experience makes it more difficult to standardize services.

Inseparability of production and consumption

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- Production & consumption happen at the same place and cannot be separated



Implications of *Simultaneous Production and Consumption*

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- Services are consumed as they are produced:
 - ▣ Goods are produced, sold, and then consumed
 - ▣ Services are often sold, produced and consumed at same time
- Customers may need to be involved in service provision.
- Inventory cannot be used as a buffer to deal with demand fluctuations.
- Imbalances between production capacity and demand result in customers waiting.
- Eliminates the opportunity for quality-control intervention.

Customer participation in the service delivery process

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- Frequently, the customer participates in and affect the process, being an important co-creator of the service.
- Service provision requires a high degree of interaction between the customer and the provider.
- The customer comes to the “service factory”.
- The service experience may be influenced by other customers.



Perishability

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- Services (often) cannot be stored for future consumption



Implications of *Perishability*

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- Services cannot be saved, stored, returned or resold.
- It is difficult to synchronize supply and demand with services.
- The full utilization of service capacity becomes a management challenge.
- Some demand management strategies:
 - ▣ Differentiated prices, ex: price incentives
 - ▣ Reservations or appointments
 - ▣ Part-time workers
- Some service firms are able to inventory part of their service process
 - ▣ McDonald's can store hamburgers for a limited period

Implications of *Perishability*

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- Difficulty to synchronize supply and demand



The distinctiveness of Services Marketing

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How would you

- **advertise** a service that no one can see
- **price** a service that has no cost of goods sold
- **inventory** a service that cannot be stored
- **mass-produce** a service that needs to be performed by an individual (lawyer, dentist)



Services have specificities that require a different management and marketing approach.

The Service Encounter

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- Is the “**moment of truth**”
- Occurs **any time the customer interacts with the firm**
- Can potentially be critical in determining customer satisfaction and loyalty
- Types of encounters:
 - ▣ remote encounters, phone encounters, face-to-face encounters
- Is an opportunity to:
 - ▣ build trust
 - ▣ reinforce quality
 - ▣ build brand identity
 - ▣ increase loyalty



Types of Encounters

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□ Marketing Channels

- Email, Postal, Phone, Facebook, Blogs, etc.

□ Order Fulfilment

- Delivery, Payment, Returns, etc.)

□ Research Channels

- Website, Store, Consumer Forums, Customer Services, etc.)



Service Experience

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- The service experience results from all moments of contact (service encounters) between the customer and the firm.
- All service elements must be carefully designed to enhance the overall service experience, across all points of contact.



Distinctions between High-Contact and Low-Contact Services

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□ High-Contact Services

- ▣ Customers visit service facility and remain throughout service delivery
- ▣ Active contact between customers and service personnel
- ▣ Includes most people-processing services

□ Low-Contact Services

- ▣ Little or no physical contact
- ▣ Contact usually at arm's length through electronic or physical distribution channels
- ▣ Facilitated by new technologies

Customer as a co-creator of value

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- Value is co-created through customer interactions with the service
- Customer can play an active role in creating the service.
 - ▣ Self-service
 - ▣ Customers as innovators
 - ▣ Online community support service
 - Example: Microsoft online community

Services marketing trends

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- **Value is always co-created** – value is not embedded in products, but is co-created through usage.
- **Servitization** – Manufacturing firms are either adding services to or integrating services in their core products
- Increasingly, companies offer **product service systems**.