Book 1	Book 2
Chapter 3	Chapter 1
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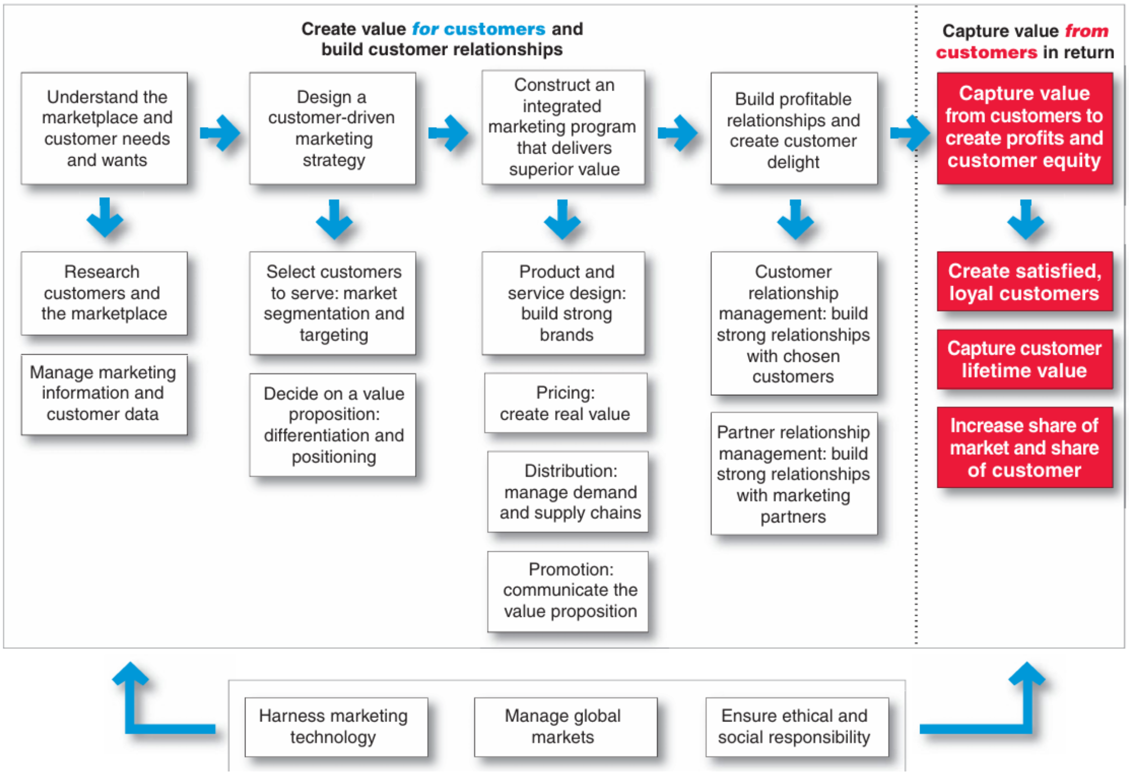
	Chapter 5
	Chapter 7



Introduction To Marketing

Chapter # 01

What is marketing

Marketing is a process:

1. **You Create Value for Customers:** You make something a customer finds useful and valuable.
2. **You Build a Strong Relationship with them:** You treat them well so they trust you.
3. **You Capture Value from Customers in Return:** In exchange for the value you gave them, they give you their money and loyalty.

The Marketing Process (5 Steps)

Part 1: First 4 Steps (Goal: Give Value to Customers)

1. **Understand Customers & Market:**
    - Research what customers need and what is trending.
2. **Design Marketing Strategy:**
    - Plan how to target the right customers and beat competitors.
3. **Create Marketing Program:**
    - Combine product, price, place, and promotion to implement the plan.
4. **Build Relationships:**
    - Engage with customers to make them happy and loyal.

Part 2: Final Step (Goal: Get Value Back from Customers)
5. **Capture Value:**
* Earn sales, profit, and long-term customer loyalty as a reward.

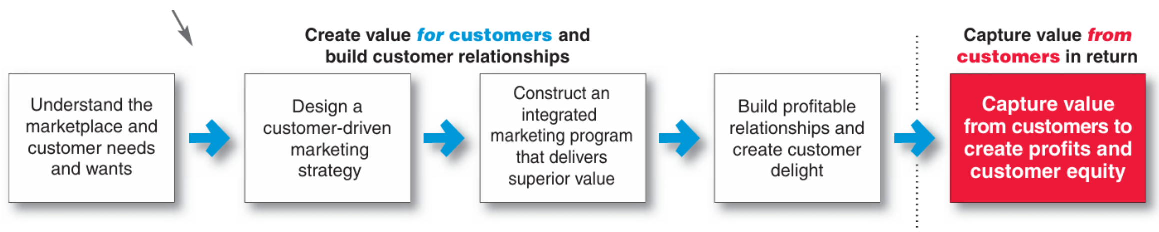


FIGURE | 1.1
A Simple Model of the Marketing Process

Understanding the Marketplace and Customer Needs

Topic: Core Marketing Concepts - Understanding Customer Needs, Wants, and Demands

1. Needs

- **Definition:** Basic requirements for survival.
- **Example:** You need food to live.

2. Wants

- **Definition:** A specific form of a need, shaped by your culture and desires.
- **Example:** You need food, but you want a pizza.

3. Demands

- **Definition:** Wants that are backed by the ability to pay.
- **Example:** You want an iPhone, but you only demand it if you have the money to buy it.

Core Marketing Concepts (Continued)

4. Market Offerings

- **Definition:** A combination of products, services, or experiences offered to satisfy a need or want.
- **Example:** A restaurant doesn't just sell food (a product); it also provides service and a dining experience.

5. Marketing Myopia

- **Definition:** The mistake of focusing only on the product you sell, and not on the customer's need or experience.
- **Example:** A company that thinks it sells "drill bits" is wrong. What the customer really needs is a "hole." If a better tool for making holes is invented, the drill bit company will fail.

6. Exchange

- **Definition:** The act of getting something you want by offering something in return.
- **Example:** You give money to a shopkeeper, and in exchange, you get a bottle of water.

7. Market

- **Definition:** All the actual and potential buyers for a product or service.

- **Example:** The "market" for a new video game is all the people who have bought it or might be interested in buying it.

Core Marketing Concepts (Continued)

8. Customer Value

- **Definition:** The customer's evaluation of the difference between the benefits they get and the price they pay.
- **Example:** You will choose a phone that gives you the best features (good camera, long battery) for a price you think is fair.

9. Customer Satisfaction

- **Definition:** How happy a customer feels after comparing a product's performance to their expectations.
- **Example:** If your new phone works even better than you hoped, you are a **satisfied** customer. If it is slower than you expected, you are **dissatisfied**.

Core Marketing Concepts (Continued)

10. Exchange

- **Definition:** The act of getting a desired object (like a product) by offering something in return (like money).
- **Example:** You give money to a baker and get a cake in **exchange**.

11. Relationships

- **Definition:** The goal of marketing is to build long-term connections with customers, not just a single sale.
- **Example:** A coffee shop remembers your regular order and gives you a loyalty card. This builds a **relationship** so you keep coming back.

Core Marketing Concepts (Final Part)

12. Market

- **Definition:** All the actual and potential buyers of a product or service.
- **Example:** The **market** for smartphones includes everyone who currently owns one and everyone who might buy one in the future.

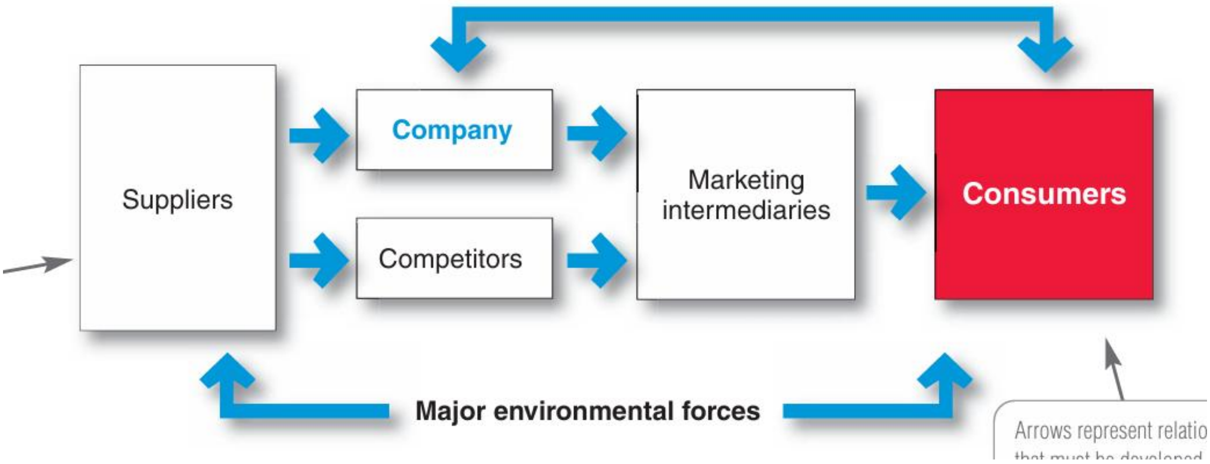
13. Marketing Management

- **Definition:** The art and science of choosing which customers to serve and building profitable relationships with them.

- **Example:** A company decides to sell affordable laptops to students (**choosing a market**) and then uses ads and good customer service to build **profitable relationships**.

14. Marketing System

- **Definition:** All the parties (company, suppliers, competitors, customers) and forces that influence a company's ability to build customer relationships.
- **Example:** A car company (like Ford) needs good parts from **suppliers** and good service from **dealers** to deliver a high-quality experience to **consumers**. All these parts work together in a **system**.



Designing a Customer-Driven Marketing Strategy

1. Marketing Management

- **Definition:** The art and science of choosing which customers to target and building profitable relationships with them.
- **Example:** A company must decide who its customers will be and how it will make them happy to earn a profit.

2. Two Key Questions of Marketing Strategy

- **Question 1:** What customers will we serve? (Target Market)
- **Question 2:** How can we serve them best? (Value Proposition)

3. Selecting Customers to Serve (Target Marketing)

- **Definition:** Dividing the market into groups and choosing which group(s) to focus on.
- **Example:** Nordstrom targets affluent shoppers, while Dollar General targets budget-conscious families. You can't please everyone, so you must choose.

4. Choosing a Value Proposition

- **Definition:** The set of benefits a brand promises to deliver to satisfy a customer's needs.

- **Example:**
  - **BMW** promises "the ultimate driving machine" (performance).
  - **Smart car** promises "efficiency and challenging the status quo" (compact and economical).
  - This is the reason a customer should choose your brand over a competitor's.

Five Marketing Management Orientations

1. Production Concept

- **Focus:** Making products cheap and widely available.
- **Belief:** Customers will buy what is affordable and easy to find.
- **Example:** A company focuses on making as many low-cost pens as possible, assuming customers only care about price and availability.

2. Product Concept

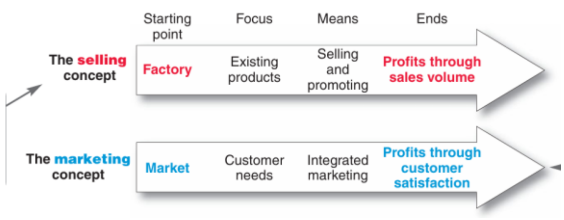
- **Focus:** Continuous improvement of product quality and features.
- **Belief:** Customers will buy the product with the best quality and innovation.
- **Example:** A company believes if they make the "best" camera with the most features, customers will automatically choose it, without considering if customers actually want a simpler or cheaper solution.

3. Selling Concept

- **Focus:** Aggressive selling and promotion.
- **Belief:** Customers won't buy enough unless they are persuaded.
- **Example:** A company uses heavy advertising and salespeople to sell a product, focusing on the sale itself rather than building a long-term relationship with the customer.

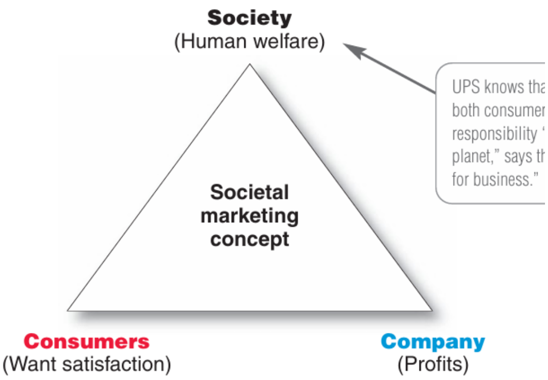
4. Marketing Concept

- **Focus:** Understanding and fulfilling customer needs better than competitors.
- **Belief:** The key to profit is customer satisfaction.
- **Example:** A company first researches what features students want in a laptop, then designs and sells a laptop that perfectly meets those needs.



5. Societal Marketing Concept

- **Focus:** Balancing company profits, customer wants, and society's long-term well-being.
- **Belief:** Marketing should deliver value in a way that is good for both the customer and society.
- **Example:** A company sells water bottles but uses recycled plastic and promotes recycling to protect the environment, even if it costs a little more.



Preparing an Integrated Marketing Plan and Program

1. Marketing Program

- **Definition:** The plan that turns the marketing strategy into action to build customer relationships.
- **Example:** The detailed plan for how a company will launch and sell its new student laptop.

2. Marketing Mix (The 4 Ps)

- **Definition:** The set of tools used to implement the marketing strategy. It is made up of the 4 Ps:
  - **Product:** Creating a need-satisfying offering.
    - Example: The laptop itself, its features, and its design.
  - **Price:** Deciding how much to charge for the product.

        - Example: Setting the laptop's price at an affordable level for students.
    - **Place:** Making the product available to target customers.
        - Example: Selling the laptop online and in campus bookstores.
    - **Promotion:** Communicating with customers and persuading them to buy.
        - Example: Advertising the laptop on social media and offering student discounts.

Building Customer Relationships

1. Customer Relationship Management (CRM)

- **Definition:** The overall process of building and maintaining profitable customer relationships by delivering superior value and satisfaction.
- **Example:** A local coffee shop remembers your usual order, making you feel valued and encouraging you to return.

2. Relationship Building Blocks

- **Customer Value:** The customer's perception of the benefits they get versus the cost.
    - *Example:* You choose one phone over another because you believe it offers better features for the price.
- **Customer Satisfaction:** How happy a customer is based on a product's performance compared to their expectations.
    - *Example:* If your new phone works better than you expected, you are a highly satisfied customer.

3. Customer Relationship Levels & Tools

- **Basic Relationships:** For many customers with low margins. Built through advertising and websites.
    - *Example:* Nike uses ads and its website to build a relationship with all its customers.
- **Full Partnerships:** For a few key customers with high margins. Involves close, personal cooperation.
    - *Example:* Nike sales representatives work closely with major retail chains like Foot Locker.
- **Relationship Tools:**
    - **Frequency Programs:** Reward customers for frequent purchases.
        - *Example:* An airline's frequent-flyer program.

- **Club Programs:** Offer special benefits and create a community.
  - *Example:* The Harley Owners Group (H.O.G.) for Harley-Davidson riders.

The Changing Nature of Customer Relationships

1. Relating with More Carefully Selected Customers

- **Focus:** Companies now target fewer, more profitable customers instead of trying to sell to everyone.
- **Customer Profitability Analysis:** Identifying and keeping profitable customers, while "firing" unprofitable ones.
  - *Example:* An insurance company may screen out high-risk customers, or a bank might ask unprofitable customers to close their accounts.

2. Relating More Deeply and Interactively

- **Shift:** From one-way advertising to two-way conversations with customers.
- **Tools:** Using social media (Facebook, Twitter), blogs, and online communities to interact.
  - *Example:* A company responding to customer questions on Twitter or running a contest on Facebook.

3. Consumer-Generated Marketing

- **Definition:** Consumers themselves help create marketing content and shape brand experiences.
- **Example:**
  - **Invited:** A company holds a contest for customers to create their own ads for a product.
  - **Uninvited:** Customers posting reviews, unboxing videos, or tweets about a product on their own.

Company-Wide Strategic Planning

1. Strategic Planning

- **Definition:** The process of creating a fit between the company's goals and abilities and its market opportunities.
- **Example:** A company plans how it will use its resources to succeed in the future market.

2. Steps in Strategic Planning

- **Step 1: Defining the Company Mission**

    - **Definition:** What is the organization's purpose? What does it want to accomplish?
    - *Example:* A hospital's mission is to "provide quality healthcare to the community."
- **Step 2: Setting Company Objectives and Goals**
    - **Definition:** Turning the mission into specific, detailed targets.
    - *Example:* The hospital's objective is to "reduce patient wait times by 15% this year."
- **Step 3: Designing the Business Portfolio**
    - **Definition:** Deciding which businesses and products the company will invest in.
    - *Example:* A company like Unilever decides how much to invest in its soap business versus its ice cream business.
- **Step 4: Planning Functional Strategies (like Marketing)**
    - **Definition:** Each department (like marketing, finance) creates detailed plans to support the overall company strategy.
    - *Example:* The marketing department creates a plan to achieve the company's sales goals.

Defining a Market-Oriented Mission

1. Mission Statement

- **Definition:** A statement of the organization's purpose—what it wants to accomplish in the wider environment.
- **Example:** A hospital's mission is to "provide quality healthcare to the community."

2. Market-Oriented vs. Product-Oriented Mission

- **Product-Oriented Mission:** Focuses on what the company makes or sells.
    - *Example:* "We sell athletic shoes and apparel." (Nike)
- **Market-Oriented Mission:** Focuses on satisfying customer needs and the experience provided.
    - *Example:* "We bring inspiration and innovation to every athlete* in the world." (Nike) *(*if you have a body, you are an athlete)*

3. Key Points for a Good Mission Statement:

- It should be **meaningful and specific**, not vague.
- It should be **motivating** for employees.
- It should focus on **customers and the value** created for them, not just on profits.
    - *Example:* McDonald's mission is "to be our customers' favorite place and way to eat," not just "to be the most profitable restaurant."

Setting Company Objectives and Goals

1. Company Objectives

- **Definition:** The mission is turned into specific, detailed targets for each manager and level of the company.
- **Example:** Kohler's mission is "gracious living." This leads to an objective like "develop beautiful and efficient products."

2. Hierarchy of Objectives

- **Business Objective:** A broader company goal.
    - *Example:* "Increase profits."
- **Marketing Objective:** A specific goal for the marketing department to help achieve the business objective.
    - *Example:* "Increase sales by expanding into new markets in Asia."

3. From Objectives to Action

- **Marketing Strategies:** The broad plan to achieve the marketing objective.
    - *Example:* To expand in Asia, Kohler builds new factories in India and China.
- **Marketing Programs:** The specific actions to make the strategy happen.
    - *Example:* Hiring more salespeople and running advertising campaigns in those new markets.

Designing the Business Portfolio

1. Business Portfolio

- **Definition:** The collection of all the different businesses and products that a company owns.
- **Example:** A company like PepsiCo's portfolio includes soft drinks (Pepsi), snacks (Lays), and juices (Tropicana).

2. Portfolio Planning Steps

- **Step 1: Analyze the Current Portfolio**
    - **Action:** Decide which businesses should get more money, less money, or be sold.
    - *Example:* A company may decide to invest more in its successful snack business and stop investing in a failing juice brand.
- **Step 2: Shape the Future Portfolio**
    - **Action:** Develop strategies for growth (adding new businesses) or downsizing (removing old ones).
    - *Example:* The same company might plan to launch a new line of healthy drinks (growth) or sell off its old factory (downsizing).

Analyzing the Current Business Portfolio

1. Business Portfolio Analysis

- **Definition:** The process where management evaluates the different products and businesses (SBUs) that make up the company.
- **Example:** A large company reviews all its divisions to see which are performing well and which are not.

2. The BCG Growth-Share Matrix

- **Definition:** A method to classify a company's businesses (SBUs) based on **Market Growth Rate** (how fast the market is growing) and **Relative Market Share** (how strong the company's position is in that market).

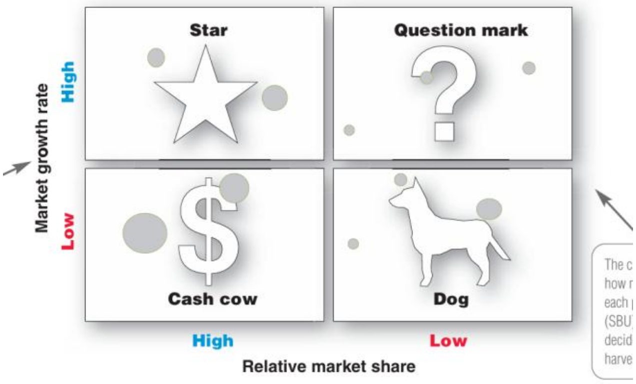
3. Four Categories in the BCG Matrix

- **Stars**
    - **High Growth, High Share**
    - **Status:** Leaders in a fast-growing market.
    - **Action:** Need heavy investment to maintain their position.
    - *Example:* A new, popular electric vehicle line that is selling rapidly.
- **Cash Cows**
    - **Low Growth, High Share**
    - **Status:** Leaders in a slow-growing, mature market.
    - **Action:** Produce a lot of cash profit. This money is used to fund other SBUs (like Stars and Question Marks).

- *Example:* A well-established brand of soda that has been popular for decades and generates steady profits.

- **Question Marks**
    - **High Growth, Low Share**
    - **Status:** Operate in attractive, high-growth markets but have a small market share.
    - **Action:** Require a lot of cash to increase their share. The company must decide whether to invest heavily in them or phase them out.
    - *Example:* A new tech product in a booming market that hasn't yet caught on with most consumers.

- **Dogs**
    - **Low Growth, Low Share**
    - **Status:** Poor performers in unattractive, slow-growth markets.
    - **Action:** Generate little profit. The company should consider selling or closing these businesses.
    - *Example:* An old type of camera that nobody buys anymore because everyone uses smartphones.



Problems/Limitations with BCG Matrix

1. Too Simple • Only uses two factors: market growth and market share • Real Example: Nokia had high market share in mobile phones but failed because they ignored smartphone trend
2. Market Definition is Hard • Sometimes it's unclear what "market" means • Example: Pepsi competes not only with Coca-Cola but also with juices, energy drinks, tea, and coffee

3. Time Changes Fast • Products can quickly move between categories • Example: DVD players were Cash Cows but became Dogs with streaming services
4. Focuses Only on Current Position • Doesn't consider future potential • Example: Tesla electric cars were Question Marks but became Stars
5. Not Good for Small Businesses • Works best for big companies with many products • Example: A local bakery can't use BCG because growth/market share data isn't available

📈 Developing Strategies for Growth and Downsizing

Why Companies Need to Grow

Planning isn't just about your current businesses; it's also about finding **new** businesses and products for the future.

Companies need to grow for a few reasons:

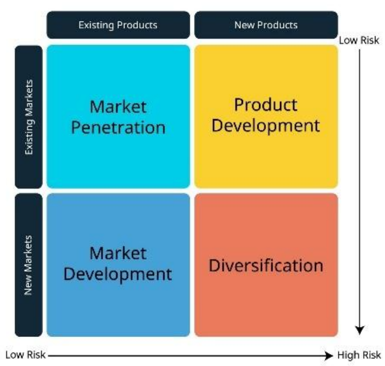
- To compete better.
- To keep their investors (stakeholders) happy.
- To attract the best employees.

But be careful: "growth" itself is not the goal. The goal must be **"profitable growth"**—growing in a way that makes money.

Marketing has the main job of finding, checking, and picking new market opportunities and making a plan to win them.

The Product/Market Expansion Grid

A helpful tool for finding growth opportunities is the **product/market expansion grid**.



It shows four ways to grow. Let's use the sports clothing company **Under Armour** as an example.

1. Market Penetration

- **What it is:** Selling *more* of your **current products** to your **current customers**.
- **How you do it:** You don't change the product. You just try to get your existing customers to buy more.
- **Example:** Under Armour sells more shirts by:
  - Offering new styles and colors.
  - Spending more on advertising.
  - Selling clothes in its own stores and on its own website.

2. Market Development

- **What it is:** Selling your **current products** to **new markets** (new customers).
- **How you do it:** You find new groups of people or new places to sell your stuff.
- **Example:** Under Armour can do this by:
  - Selling to new *types* of customers (like focusing more on women).
  - Selling in new *places* (like expanding to other countries).

3. Product Development

- **What it is:** Selling **new products** to your **current customers**.
- **How you do it:** You create new things for your existing fans to buy.
- **Example:** Under Armour started selling *shoes* to the same athletes who were already buying its *clothes*. This puts them in competition with big companies like Nike and Adidas, but it offers big growth.

4. Diversification

- **What it is:** Starting or buying **new businesses** that are different from your **current products and markets**.
- **How you do it:** This is when you try something completely new.
- **Example:** Under Armour could start making fitness equipment or clothes for relaxing (not for sports).
- **Warning:** Companies must be careful not to "overextend" their brand. People might get confused about what the brand stands for.

📉 Strategies for Downsizing (Getting Smaller)

Companies must also have a plan for **downsizing** (getting smaller).

There are many reasons why a company might want to leave a market or drop a product:

- The company grew too fast or entered a market it didn't understand.
- The market changed (like in a bad economy), making a product not profitable.
- The product is just old, and no one wants it anymore.

When a company finds a business that is losing money or doesn't fit its main strategy, it must **prune**, **harvest**, or **divest** it (which means to cut it back, get the last bits of profit, or sell it).

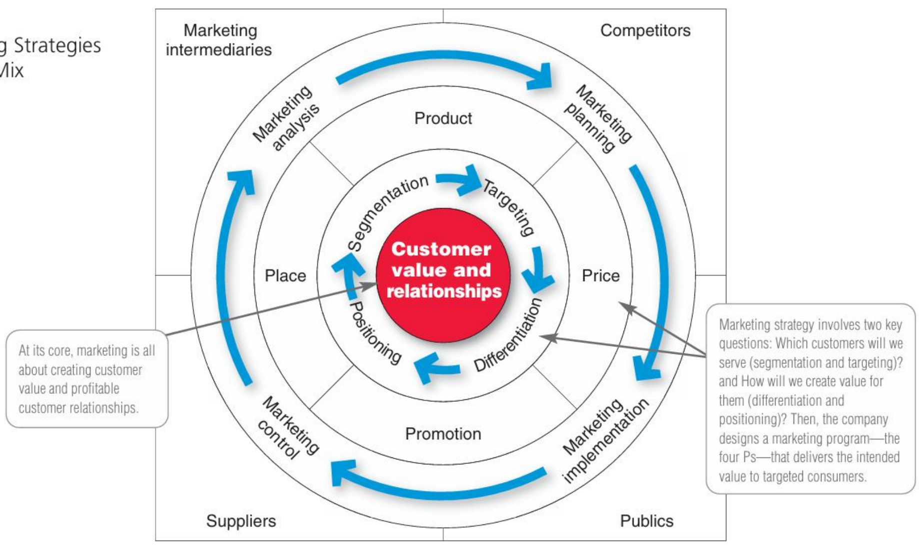
Why? Because weak businesses take up too much of a manager's time. Managers should spend their energy on promising *new* opportunities, not waste it trying to save *fading* old ones.

Marketing Strategy and the Marketing Mix

Marketing strategy

The marketing logic by which the company hopes to create this customer value and achieve these profitable relationships.

FIGURE | 2.4
Managing Marketing Strategies and the Marketing Mix



🎯 Customer-Driven Marketing Strategy

To be successful today, companies **must be customer-focused**.

First, you have to win customers. Then, you have to keep them and grow them by giving them more value than your competitors.

But before you can make customers happy, you must **understand what they need and want**.

The most important thing to know is this: **You cannot serve all customers.** There are too many different types of people with too many different needs.

Most companies are only good at serving *some* groups of customers, not all of them.

So, every company must do this 4-step process:

1. **Market Segmentation:** Divide the total market into smaller, specific groups.
2. **Market Targeting:** Choose the best group (or groups) to sell to.
3. **Differentiation:** Decide how your product will be *different* from your competitors.
4. **Positioning:** Put your product in a clear, special, and desirable place in the customer's mind.

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1. Market Segmentation

What it is: Dividing a big market into smaller groups of buyers.

People in each group are similar—they may have the same needs, live in the same area, or behave in the same way.

Market Segment

- **What it is:** A single group of customers who will all react in a *similar way* to your marketing.
- **Example:** Think about the car market.
    - **Segment 1:** People who want the biggest, most comfortable car and don't care about the price.
    - **Segment 2:** People who *only* care about a low price and saving gas.
- You can't make *one car* that will make both of these segments happy. A smart company focuses on meeting the needs of *one* of those segments.

---

2. Market Targeting

What it is: The process of looking at all the different segments and choosing **which one(s) you will try to sell to.**

A company should target the segments where it can create the most customer value and make a profit for a long time.

There are a few ways to do this:

- **Serve a "Niche"**

    - A company with less money might choose to serve just *one* small segment, or a "niche."
    - A **nicher** is a company that specializes in serving a small segment that the big competitors have ignored.
    - **Example:** Ferrari sells a very small number of super-expensive cars to a tiny, super-rich niche.
    - **Example:** Logitech (explained below) is a nicher that dominates the computer mouse market, even though Microsoft is a much bigger company.
- **Serve Several Segments**
    - A company might choose to serve a few related segments.
    - **Example:** Abercrombie & Fitch targets college students, teens, and kids with similar clothes but in three different stores (A&F, Hollister, and Abercrombie Kids).
- **Serve All Segments**
    - A very large company (like Honda or Nike) might try to offer a full range of products to serve *all* segments of the market.
    - Nike started by serving *one* niche (serious runners) and then grew to serve everyone.

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3. Market Differentiation and Positioning

After you decide *which* segment to enter, you must decide *how* you will be different and what your "position" will be.

Positioning

- **What it is:** The clear, special, and desirable place your product takes up **inside the customer's mind**, compared to your competitors.
- **Why it matters:** If customers think your product is *exactly the same* as another, they have no reason to buy yours.

You have to give your product a unique position. Marketers do this with simple, clear statements.

- **BMW** is positioned as "The ultimate driving machine."
- **Burger King** is positioned as "Have it your way."
- **YouTube** is positioned as "Broadcast Yourself."
- **McDonald's** is positioned as "i'm lovin' it."

Differentiation

- Good positioning starts with **differentiation**.
- **What it is:** This means you must *actually be different* and *better*. You have to offer customers more value, either by:
    1. Charging a lower price than competitors, OR
    2. Offering more benefits to make a higher price worth it.

If you promise great value, you *must* deliver it. Once you choose a position (like "Have it your way"), your *entire* marketing plan (ads, website, store) must work to support that one simple idea.

📖 **Real Marketing 2.2: Logitech (The Little Mouse That Roars)**

This story is a perfect example of a "nicher" (from Market Targeting).

- **The Situation:** Logitech is a small company ($2.2 billion in sales). Microsoft is a giant ($58 billion in sales). They compete directly in selling computer mice.
- **The Strategy (Niche):**
    - For Microsoft, selling mice is just a small side-business.
    - For Logitech, "personal peripherals" (mice, keyboards, webcams) are its **main business**. This is its niche.
- **How They Win (Differentiation & Positioning):**
    - Logitech is totally focused. They are the best in the world at mice.
    - They once had a team of 36 engineers spend *two years* designing a single mouse (the MX Revolution).
    - Their products are seen as works of art that are both beautiful and work perfectly.
- **The Result:**
    - Logitech **dominates** the market with a 40% share.
    - The giant Microsoft is its runner-up (in 2nd place).
    - Logitech has been more profitable than Microsoft (pound for pound).
- **The Lesson:** This small "mouse" (Logitech) can "roar" like a lion in its own corner of the jungle because it focuses on its niche and does a better job than anyone else.

🛠️ **Developing an Integrated Marketing Mix (The 4 Ps)**

After you have a strategy (Segmentation, Targeting, Positioning), it's time to plan the details.

This is called the **Marketing Mix**.

Marketing Mix

- **What it is:** This is the set of tactical (action) tools that a company *blends together* to get the response it wants from its target customers.
- **The Simple Idea:** It's everything a company can *do* to make people buy its product.
- **The Nickname:** These tools are collected into four groups called the **4 Ps**.[1]

Shutterstock

The 4 Ps Explained

Here are the 4 Ps, using a **Ford Escape** car as an example:

1. Product

- **What it is:** The "thing" (goods or services) the company offers to its target market.
- **Example:** It’s not just the metal car. It's the *thousands of parts*, the *different models*, the *optional features* (like a sunroof), the *customer service*, and the *warranty*. All of that is the "Product."

2. Price

- **What it is:** The amount of money a customer must pay to get the product.
- **Example:** Ford suggests a sticker price. But the *real* price is what you negotiate with the dealer. It includes *discounts*, *trade-in allowances* (for your old car), and *credit plans* (paying it off over time).

3. Place

- **What it is:** The company's activities that make the product *available* to target customers.
- **Example:** Ford partners with *dealerships*. The dealers *keep cars in stock* (inventory), *show them to buyers*, *close the sale*, and *service the cars* after you buy them. "Place" is the entire system of getting the car to you.

4. Promotion

- **What it is:** The activities that *tell* people about the product and *persuade* them to buy it.
- **Example:** Ford spends over $1 billion on *TV ads*. The *salespeople* at the dealership try to persuade you. *Special sales*, *cash rebates*, and *low-interest loans* are all "Promotion."

A good marketing plan **blends all 4 Ps** into one *integrated* (combined) program.[2]

Problems with the 4 Ps (A Better Way to Think)

Some people have concerns about the 4 Ps.

Concern 1: "Where are services? Or packaging?"

- **Answer:** That's easy. "Services" (like a bank or an airline) are just a type of *Product*. "Packaging" is just one *part* of the *Product*. The 4 Ps framework still works.

Concern 2 (A much more important concern):

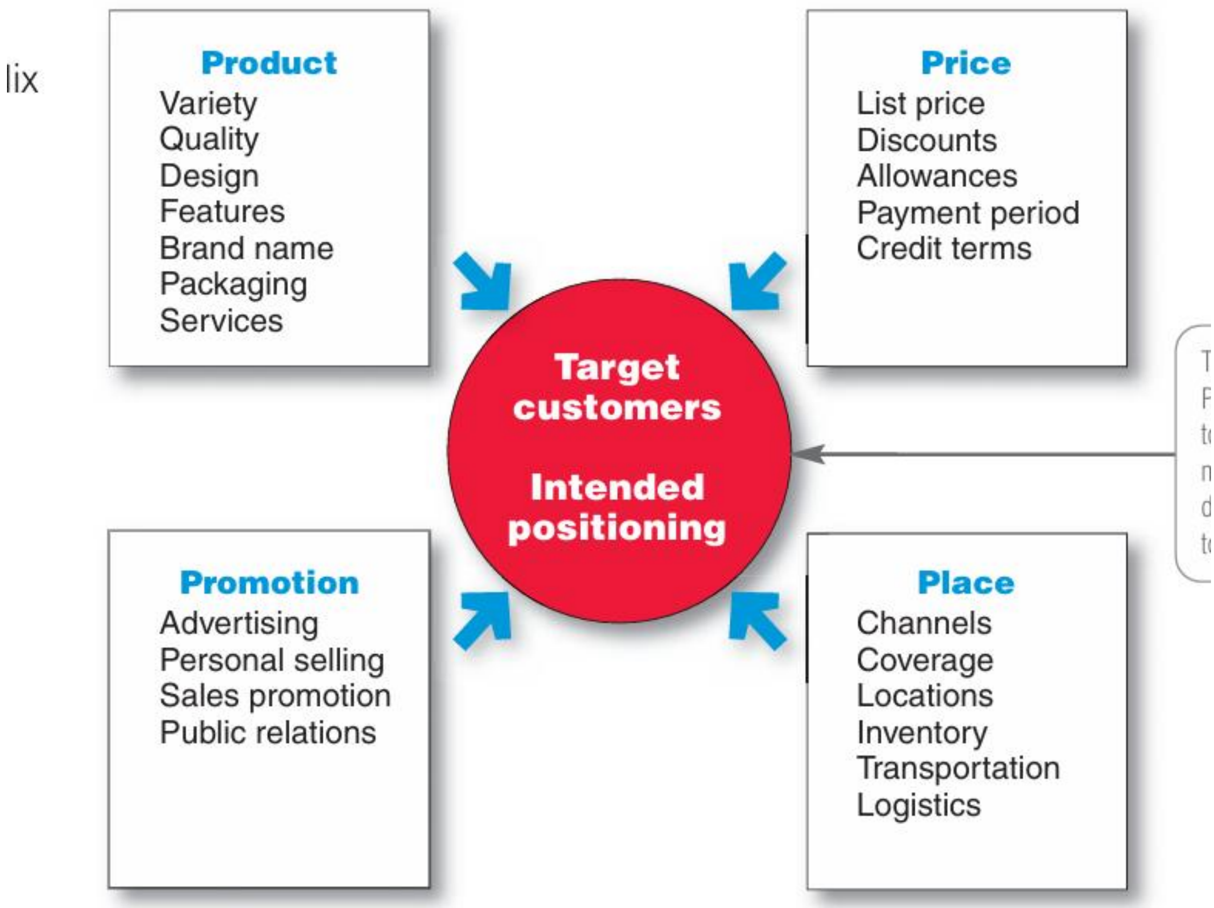
- The 4 Ps concept is the **Seller's** point of view. It's all about what the *company* does.
- In today's world, it's smarter to look at it from the **Buyer's** point of view.

From the 4 Ps to the 4 Cs

Here is how the 4 Ps look from the customer's side. This is called the **4 Cs**.

The 4 Ps (Seller's View)	The 4 Cs (Customer's View)	What It Means
Product	**Customer Solution**	I'm not buying a "product"; I'm buying a "solution" to my problem.
Price	**Customer Cost**	I don't just care about the price; I care about the *total cost* (gas, repairs, etc.).
Place	**Convenience**	I don't care about "place"; I care about how "convenient" it is for me to get.
Promotion	**Communication**	I don't want you to "promote" at me; I want a two-way "conversation."

The Lesson: Smart companies should think about the **4 Cs** *first* to understand the customer. Then, they should build the **4 Ps** on that foundation.

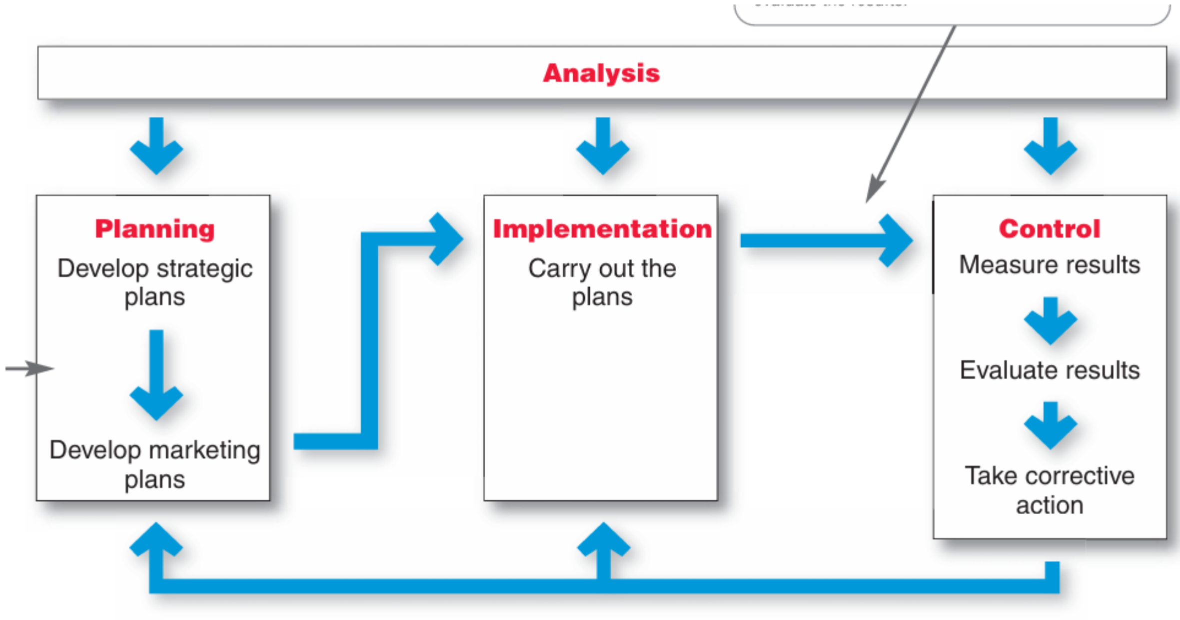


Managing the Marketing Effort (The 4-Step Loop)

Being good at the "4 Ps" of marketing isn't enough. You also have to be a good **manager**.

Managing the marketing process is a 4-step loop. After you do the last step, you go back to the first.

1. **Analysis** (Studying)
2. **Planning** (Making a plan)
3. **Implementation** (Doing the plan)
4. **Control** (Checking the results)



5.

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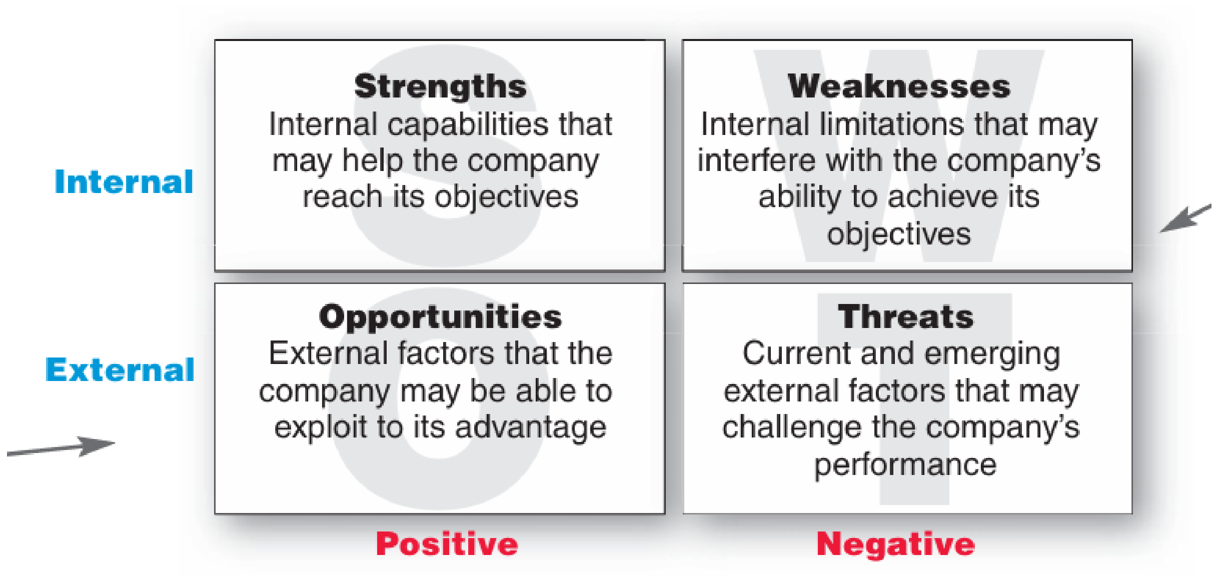
1. Marketing Analysis (SWOT)

This is the first step. Before you do anything, you must study your company's situation.

The best way to do this is with a **SWOT Analysis**.



SWOT stands for:

- **S**trengths
- **W**eaknesses
- **O**pportunities
- **T**hreats

This tool helps you organize your thoughts.

- **Internal / Positive: Strengths**
    - What is your company **good at** *inside* the company?
    - *Example:* A famous brand name, great technology, low costs.
- **Internal / Negative: Weaknesses**
    - What is your company **bad at** *inside* the company?
    - *Example:* High debt, old factory, bad location.
- **External / Positive: Opportunities**
    - What good things are happening *outside* the company that you could use?
    - *Example:* A new trend, a competitor going out of business, a new law that helps you.
- **External / Negative: Threats**
    - What bad things are happening *outside* the company that could hurt you?
    - *Example:* A new competitor, a bad economy, a new law that costs you money.

The Goal of SWOT: The goal is simple. You want to **match your Strengths with the Opportunities** (the good stuff), while you **fix your Weaknesses** and **defend against the Threats** (the bad stuff).

---

2. Marketing Planning

After your analysis, you make a plan. This is where you write the official **Marketing Plan** document.

A detailed marketing plan has these main parts (as shown in Table 2.2):

- **Executive Summary:** A short, one-page summary of the whole plan for busy managers.
- **Current Situation:** A detailed look at the market, your product, your competitors, and your sales. This section includes your **SWOT Analysis**.
- **Objectives:** Your specific goals. (e.g., "Increase our market share to 15%").
- **Marketing Strategy:** Your big plan for *how* you will hit your goals. This explains your Target Market, your Positioning, and your 4 Ps (Product, Price, Place, Promotion).
- **Action Programs:** The "to-do list." What will be done? *When* will it be done? *Who* will do it?
- **Budgets:** How much will it all cost? How much profit do you expect to make?
- **Controls:** How will you check your progress and fix things that go wrong?

---

3. Marketing Implementation

This is the "doing" part. It's the process of turning your plans into *real actions*.

This is often the hardest step. A great plan with bad implementation will fail.

Think of it this way:

- **Planning** = *what* and *why* (Doing the **right things**)
- **Implementation** = *who, where, when,* and *how* (Doing **things right**)

You need *both* to succeed.

Implementation requires everyone in the company (and even partners outside the company, like ad agencies) to work together.

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4. Marketing Department Organization

To "implement" (do) your plan, you need a team. You must organize your marketing department.

Here are the most common ways to organize your team:

- **Functional Organization:** (Most common) You organize by *job*. You have a sales manager, an advertising manager, a research manager, etc.
- **Geographic Organization:** You organize by *place*. You have a manager for North America, a manager for Europe, and a manager for Asia.
- **Product Management Organization:** You organize by *product*. A manager is in charge of "Tide," and a different manager is in charge of "Pampers."
- **Market (or Customer) Management Organization:** You organize by *customer type*. You have one manager for "families" and a different manager for "businesses."

The New Trend: Today, more companies are shifting away from *Product* Management and toward *Customer* Management. They care less about the profit of each product and more about the profit and value of each *customer*.

---

5. Marketing Control

This is the final step in the loop: **checking your results** and **fixing what's broken**.

The 4 steps of control are:

1. **Set Goals** (e.g., "We want to sell 1,000 units this month.")
2. **Measure Performance** (e.g., "We checked the numbers, and we only sold 800.")
3. **Evaluate Performance** (e.g., "*Why* did we only sell 800? Was our price too high? Was the ad bad?")
4. **Take Corrective Action** (e.g., "Let's lower the price" or "Let's change the ad." Or, maybe, "Our goal of 1,000 was just too high.")

There are two types of control:

- **Operating Control:** Checking your *current* plan and fixing it.
- **Strategic Control:** Asking if your *basic, overall strategy* is still smart, or if the world has changed.

Chapter # 05

Why Do People Buy Things? (The Model of Consumer Behavior)

Every day, customers make many buying decisions. The main job of a marketer is to understand *how* they make these decisions.

Companies spend a lot of time researching customers. They try to answer these questions:

- **What** do people buy?

- **Where** do they buy it?
- **How** do they buy it?
- **When** do they buy it?
- **WHY** do they buy it?

It is easy to find the answers for the first four questions (the *what, where, how,* and *when*). But it is **very, very hard** to know *why* people buy.

The "why" is often locked deep inside the customer's mind.

The Customer's Mind is Messy

Often, customers don't even know *why* they bought something.

The human mind is **not** like a neat computer, with nice folders where ads and brands are stored.

Instead, one expert said the mind is a "whirling, swirling, jumbled mass of neurons (brain cells) bouncing around." It's messy, and it's always creating new thoughts.

The "Black Box" Model

The biggest question for marketers is: **How will customers *react* to our marketing?**

To understand this, we use a simple model called the **"Stimulus-Response" Model**, or the **"Black Box" Model**.

It works like this:

1. **Inputs (Stimuli):** Things that go *into* the box.
2. **The Black Box:** The customer's mind.
3. **Outputs (Responses):** The customer's reaction.

Marketers must figure out what is happening inside the black box.

---

1. Inputs (What Goes IN)

These are all the messages and forces that hit the customer. They come from two places:

- **Marketing (The 4 Ps):** Product, Price, Place, Promotion.
- **The Environment:** Big forces in the world, like the **E**conomy, **T**echnology, **S**ociety, and **C**ulture.

2. The Buyer's Black Box (The Customer's Mind)

All the inputs (like an ad or a low price) go into the customer's mind. This is where the thinking happens, but we can't see it. This "black box" has two parts:

- **The Buyer's Characteristics:** *Who* the person is (their age, personality, culture, beliefs). This changes *how* they see the inputs.
- **The Buyer's Decision Process:** The *steps* the person takes in their mind to make a choice.

3. Outputs (What Comes OUT)

This is the final, visible result. After the "thinking" is done, the customer *responds*:

- Their attitude or preference (e.g., "I like Brand A better than Brand B.")
- Their purchase behavior (e.g., *what* they buy, *when* they buy it, and *where* they buy it).
- Their relationship with the brand (e.g., "I am a loyal Apple customer.")

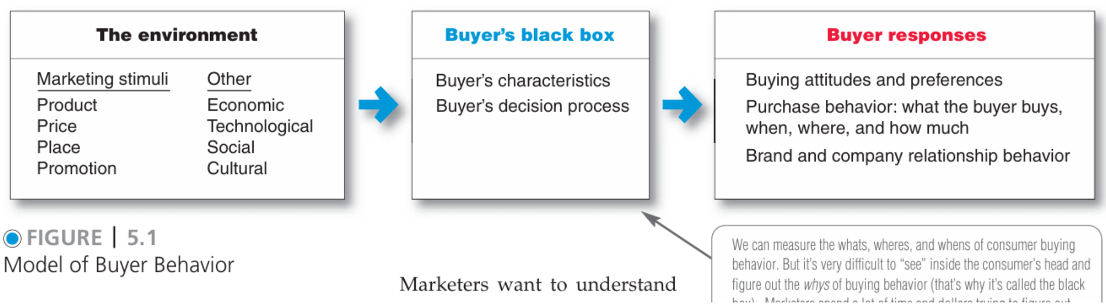

FIGURE | 5.1
Model of Buyer Behavior

🤔 What Makes You Buy? The 4 Big Factors

When you decide to buy something (like a new phone), your choice is influenced by **four big factors**.

1. **Cultural** (Your society and background)
2. **Social** (Your friends and family)
3. **Personal** (Your age, job, and lifestyle)
4. **Psychological** (Your inner thoughts and beliefs)

Marketers can't *control* these factors, but they *must* study them to understand why you buy.

This section covers the first two: **Cultural** and **Social** factors.

---

1. 🌍 Cultural Factors

This is the **broadest and deepest** influence on your behavior. It includes your culture, your subculture, and your social class.

Culture

- **What it is:** This is the **most basic** reason you want the things you want. It's the set of values, beliefs, and behaviors that you *learn* from your family and the society you grow up in.
- **Real-World Example:** A child growing up in the United States learns to value "achievement," "freedom," "hard work," and "material comfort." This makes them *want* different products than a child growing up in a culture with different values.
- **Cultural Shifts:** Marketers must watch for big *changes* in culture.
  - **Example 1: The "Health" Shift.** People started worrying more about their health. This single shift created a *giant* new industry for gyms, exercise clothes, organic food, and diet plans.
  - **Example 2: The "Informal" Shift.** People started dressing more casually. This created more demand for casual clothes (like jeans) and simpler home furniture.

Subculture

- **What it is:** A "group within a group." These are smaller groups of people who share the same values because of a common life experience (like their nationality, religion, race, or where they live).
- **Why it matters:** Marketers often design special products and ads for these groups. Here are four key examples:

1. Hispanic American Consumers

- **The Numbers:** This is a large group, with nearly **50 million** people and annual buying power of over **$950 billion**. Their spending has grown at *twice* the rate of the general market.
- **Key Traits:** They tend to be very **family-oriented**. Shopping is often a family event, and kids have a big say in what to buy. They are also very **brand loyal**, especially to brands that show a special interest in them.
- **Real-World Example:**
  - **Burger King** sponsors a family soccer tour in Hispanic markets called "FÚTBOL KINGDOM."
  - **Toyota** knows this group isn't all the same.
    - **For its Tundra truck,** it targets Mexican immigrants who value toughness, so it runs ads at Mexican-style rodeos.
    - **For its Lexus luxury car,** it targets affluent Hispanics in Miami who value art, so it runs fancy, art-based ads. This smart targeting moved Lexus from 4th place to 1st place in that market.

2. African American Consumers

- **The Numbers:** This group has **42 million** people and a buying power of **$913 billion**.
- **Key Traits:** This is a wealthy and sophisticated market. While they are price-conscious, they are also strongly motivated by **quality and selection**. **Brands are very important** to them. They also tend to enjoy the *act* of shopping more than other groups.
- **Real-World Example:**
    - **P&G (Procter & Gamble)** is a leader here. They have a long history of using black spokespeople, like **Queen Latifah** for **CoverGirl** cosmetics.
    - P&G discovered that black women spend, on average, **three times more** on beauty products. But they also found that **71%** of black women feel they are portrayed *worse* than other women in ads.
    - In response, P&G created a whole movement called "**My Black Is Beautiful**" to build a deeper relationship and "celebrate the beauty of women of color."

3. Asian American Consumers

- **The Numbers:** This group has nearly **15 million** people and a buying power of over **$500 billion**. They are the **most affluent** (richest) U.S. subculture.
- **Key Traits:** They are the **most tech-savvy** group; over **90%** go online regularly. They are very brand-conscious and can be *fiercely* **brand loyal**. This group is also diverse (Chinese, Filipino, Indian, Vietnamese, etc.).
- **Real-World Example:**
    - **State Farm** insurance wanted to connect with this group. They changed their famous slogan, "Like a good neighbor, State Farm is there."
    - The Chinese version of the slogan translates back to English as, "With a good neighbor, you are reassured every day." This was more meaningful and helped them build trust and gain market share.

4. Mature Consumers

- **The Numbers:** This is the **50+** age group. By 2015, they were projected to be **40%** of all adult consumers. They control **50%** of all consumer spending and have **2.5 times** the spending money of 18-to-34-year-olds.
- **Key Traits:** They have "assets, not allowances" (they have real money).
- **The Big Mistake:** Marketers often stereotype this group as "old," "gray-haired," "shut-ins," and "stuck in their ways."
    - One survey showed ad professionals think "over the hill" means **age 57**. But the mature consumers themselves said it means **age 75**.
- **The Reality:** They are *more* willing to shop around and switch brands than younger people. In fact, **25%** of all iPhones were bought by people over 50.

- **Real-World Example:**
    - **Jeep** ran an ad in AARP magazine (a magazine for seniors). It showed an active older person saying, "I know you're only as old as you feel, and I still feel 30... The grandkids say I'm 'really cool now,' but what they don't know is, I always was." This appeals to how they *see themselves*.

Social Class

- **What it is:** These are the "layers" of society (like upper class, middle class, and working class).
- **What determines it:** It is **NOT** just about income. It's a *combination* of your **job, income, education, and wealth**.
- **Why it matters:** People in the same social class tend to want similar products and brands (for cars, clothing, furniture, etc.).

---

2. 👨‍👩‍👧‍👦 Social Factors

This is all about the *people* around you: your friends, your family, and your role in society.

Groups and Social Networks

You are influenced by many groups:

- **Membership Groups:** Groups you are *in* (your friends, your club, your co-workers).
- **Reference Groups:** Groups you *compare* yourself to.
- **Aspirational Groups:** Groups you *want* to be in.
    - **Real-World Example:** A young basketball player *aspires* to be like LeBron James. He will buy the shoes and clothes LeBron wears to feel closer to that group.
- **Key Point:** This group influence is strongest for products that are **visible** to others, like clothes or a car.

Word-of-Mouth Influence and Buzz Marketing

- **What it is:** This is simply a recommendation from a friend, family member, or trusted person.
- **Why it's #1:** It's the most powerful influence. You trust your friend *way more* than you trust a TV ad.
- **Opinion Leaders:** In every group, there's a person everyone listens to (the "influencer" or "leading adopter").

- **Buzz Marketing:** This is when marketers *find* these opinion leaders and turn them into "brand ambassadors" to create "buzz." A study found this can make marketing **50% more effective**.
    - **Real-World Example: JetBlue's "CrewBlue"** program hires *real customers* who love the brand to be ambassadors on college campuses. They talk to other students and help run events (like a "BlueDay" costume party). The company says the best ambassadors are just "friendly, everyday... loyalists who love to talk to people."

Online Social Networks (Word-of-Web)

- **What it is:** This is just word-of-mouth in the modern world. It's blogs, Facebook, Twitter, and YouTube.
- **Why it matters:** Marketers use this *not* to just sell at you, but to *interact* with you and become part of your conversation.
- **Real-World Example 1: Blendtec** (a small blender company) made a series of low-cost YouTube videos called "**Will It Blend?**" They destroyed things like iPhones and golf clubs in their blender. The videos went viral, and their sales **increased by 500%** (a "fivefold" increase).
- **Real-World Example 2: Toyota** created a YouTube channel for its Corolla car and hosted a comedy sketch contest. The winning video got **900,000 views**.
- **Warning:** Marketers must be careful. The *users* are in control online, and a bad campaign can "backfire."

Family

- **What it is:** This is the **most important** "buying group" in society.
- **The Big Change:** Buying roles have changed.
    - **Old Way:** The wife was the main shopper for food, clothes, etc.
    - **New Way:** Today, with **70%** of women working outside the home, husbands are doing *much more* of the family shopping.
    - **Kids' Influence:** Children now have a *huge* influence on *everything* the family buys, from what food to get, to what car to buy, to where to go on vacation.

🤔 What Makes You Buy? The 4 Big Factors

When you decide to buy something (like a new phone), your choice is influenced by **four big factors**.

1. **Cultural** (Your society and background)
2. **Social** (Your friends and family)

3. **Personal** (Your age, job, and lifestyle)
4. **Psychological** (Your inner thoughts and beliefs)

Marketers can't *control* these factors, but they *must* study them to understand why you buy.

The author notes that **lifestyle** is important. For example, a store like Pottery Barn doesn't just sell furniture; it sells a *lifestyle* (an upscale, casual, family-focused way of living).

Another note points to **subcultures**. For example, P&G's CoverGirl Queen cosmetics line (with Queen Latifah) was made to "celebrate the beauty of women of color."

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This is the **broadest and deepest** influence on your behavior. It includes your culture, your subculture, and your social class.

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- **Real-World Example:** A child growing up in the United States learns to value things like "achievement," "success," "individualism," "freedom," "hard work," "material comfort," and "health." This makes them *want* different products than a child growing up in a culture with different values.
- **Key Point:** Marketers who don't adjust to different cultures can make embarrassing mistakes.

Cultural Shifts

Marketers must watch for big *changes* (or "shifts") in culture to find new product opportunities.

- **Example 1: The "Health" Shift.** People started worrying more about their health. This single shift created a *giant* new industry for gyms, exercise clothes, organic food, and diet plans.
- **Example 2: The "Informal" Shift.** People started dressing more casually. This created more demand for casual clothes (like jeans) and simpler home furniture.

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- **Why it matters:** Marketers often design special products and ads for these groups. Here are four key examples:

1. Hispanic American Consumers

- **The Numbers:** This is a large group, with nearly **50 million** people and annual buying power of over **$950 billion** (which was expected to grow to $1.4 trillion by 2013). Their spending has grown at *twice* the rate of the general market.
- **Key Traits:** They tend to be very **family-oriented**. Shopping is often a family event, and kids have a big say in what to buy. They are also very **brand loyal**, especially to brands that show a special interest in them.
- **Real-World Examples:**
    - **Walmart** created "Supermercado de Walmart," a store type designed for local Hispanic customers in places like Phoenix and Houston.
    - **Burger King** sponsors a family soccer tour in Hispanic markets called "FÚTBOL KINGDOM."
- **Important Point:** This group is *not* all the same. It's very diverse (people from Mexico, Cuba, etc.) and has different income levels.
- **Smart Marketing Example (Toyota):**
    - **For its Tundra truck,** Toyota targets "Jefes" (local heroes) in the Southwest. The ads are "tough" and are shown at *charreadas* (Mexican-style rodeos).
    - **For its Lexus luxury car,** Toyota targets affluent Hispanics in Miami who value art. The ads are "refined" and placed in art magazines.
    - **The Result:** This smart targeting moved Lexus from **4th place to 1st place** in that market in only 18 months.

2. African American Consumers

- **The Numbers:** This group has **42 million** people and a buying power of **$913 billion** (expected to reach $1.2 trillion by 2013).
- **Key Traits:** This is a wealthy and sophisticated market. While they are price-conscious, they are also strongly motivated by **quality and selection**. **Brands are very important** to them. They also tend to **enjoy the act of shopping** more than other groups, even for groceries.
- **Real-World Example (P&G):**
    - P&G (Procter & Gamble) is a leader here. They have a long history of using black spokespeople, like **Queen Latifah** for **CoverGirl** cosmetics.
    - P&G discovered that black women spend, on average, **three times more** on beauty products.

    - They also found that **71%** of black women feel they are portrayed *worse* than other women in ads.
    - In response, P&G created a whole movement called "**My Black Is Beautiful**" to build a deeper relationship and "celebrate the beauty of women of color."

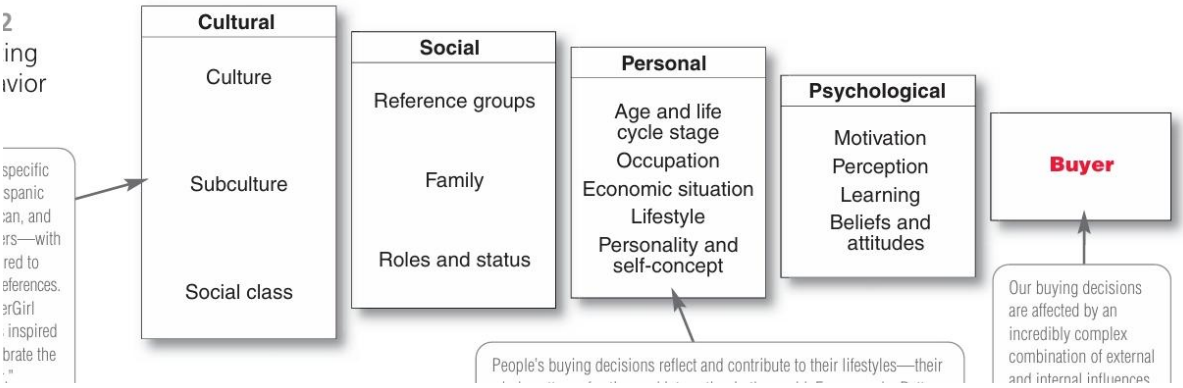
3. Asian American Consumers

- **The Numbers:** This group has nearly **15 million** people and a buying power of over **$500 billion** (expected to reach $750 billion in 2013). They are the second-fastest growing subculture.
- **Key Traits:** They are the **most affluent** (richest) U.S. segment. They are the **most tech-savvy** group; over **90%** go online regularly. They are very brand-conscious and can be *fiercely* **brand loyal**.
- **Real-World Examples:**
    - **McDonald's** created a special community website (https://www.google.com/search?q=myinspirasian.com) in English and Asian languages.
    - **State Farm** insurance wanted to connect with this group. They changed their famous slogan, "Like a good neighbor, State Farm is there."
    - The Chinese version of the slogan translates back to English as, "**With a good neighbor, you are reassured every day.**" This was more meaningful and helped them build trust. They also invest in community programs for youth and financial education.

4. Mature Consumers

- **The Numbers:** This is the **50+** age group. By 2015, they were projected to be **40%** of all adult consumers. They control **50%** of all consumer spending. They have **2.5 times** the spending power of 18-to-34-year-olds.
- **Key Quote:** They have "**assets, not allowances**" (they have real money).
- **The Big Mistake (Stereotype):** Marketers often stereotype this group as "old," "gray-haired," "shut-ins," and "stuck in their ways."
    - One survey showed ad professionals think "over the hill" means **age 57**. But the mature consumers themselves said it means **age 75**.
- **The Reality:** They are *more* willing to shop around and switch brands than younger people.
    - **Example: 25%** of all iPhones (a "cool" product) were bought by people over 50.
- **Key Point:** They don't see themselves as "old." They are having a "second middle age."

- **Smart Marketing Examples:**
    - **Services:** Home Depot and Lowe's now offer "**do-it-for-me**" handyman services, not just "do-it-yourself."
    - **Products:** They are good candidates for cosmetics, health food, and fitness products that help them feel young.
    - **Jeep** ran an ad in AARP magazine (a magazine for seniors). It showed an active older person saying, "I know you're only as old as you feel, and I still feel 30... The grandkids say I'm 'really cool now,' but what they don't know is, I always was." This appeals to how they *see themselves*.



Social Class

What is Social Class?

Almost every society has **social classes**. Think of them as the "layers" of society (like upper class, middle class, and working class). People in the same layer usually **share the same values, interests, and behaviors**.

How is Social Class Measured?

This is very important: Social class is **NOT just about money** (income).

It's measured as a *combination* of several things:

- **Occupation** (Your job)
- **Income** (Your salary)
- **Education** (How much schooling you have)
- **Wealth** (How much you own)

Can You Change Your Class?

- In some countries, you are "stuck" in the social class you were born into.

- In the United States, the lines are **not** fixed. People can move *up* to a higher class or *down* to a lower one.

Why Do Marketers Care?

Marketers are very interested in social class because people in the *same class* tend to **buy the same types of things**.

- **Real-World Example:** The "Upper Class" and the "Working Class" will buy very different types of **cars, clothing, furniture, and vacations**.

Social Factors

A person's buying choices are also influenced by **Social Factors**. This includes your small groups, your family, and your social role.

Groups and Social Networks

Many small groups influence your behavior.

- **Membership Groups:** These are groups you are *actually in*.
    - **Real-World Example:** Your family, your close friends, your school club, or your work team.
- **Reference Groups:** These are groups you *compare yourself to*. They can be face-to-face or groups you just watch.
- **Aspirational Groups:** This is a type of reference group. It's a group you are *not* in, but you **wish you were**.
    - **Real-World Example:** A young basketball player hopes to one day be like his hero, **LeBron James**, and play in the NBA. He will buy the same shoes and clothes LeBron wears because he *aspires* to be in that group.

How Groups Influence You

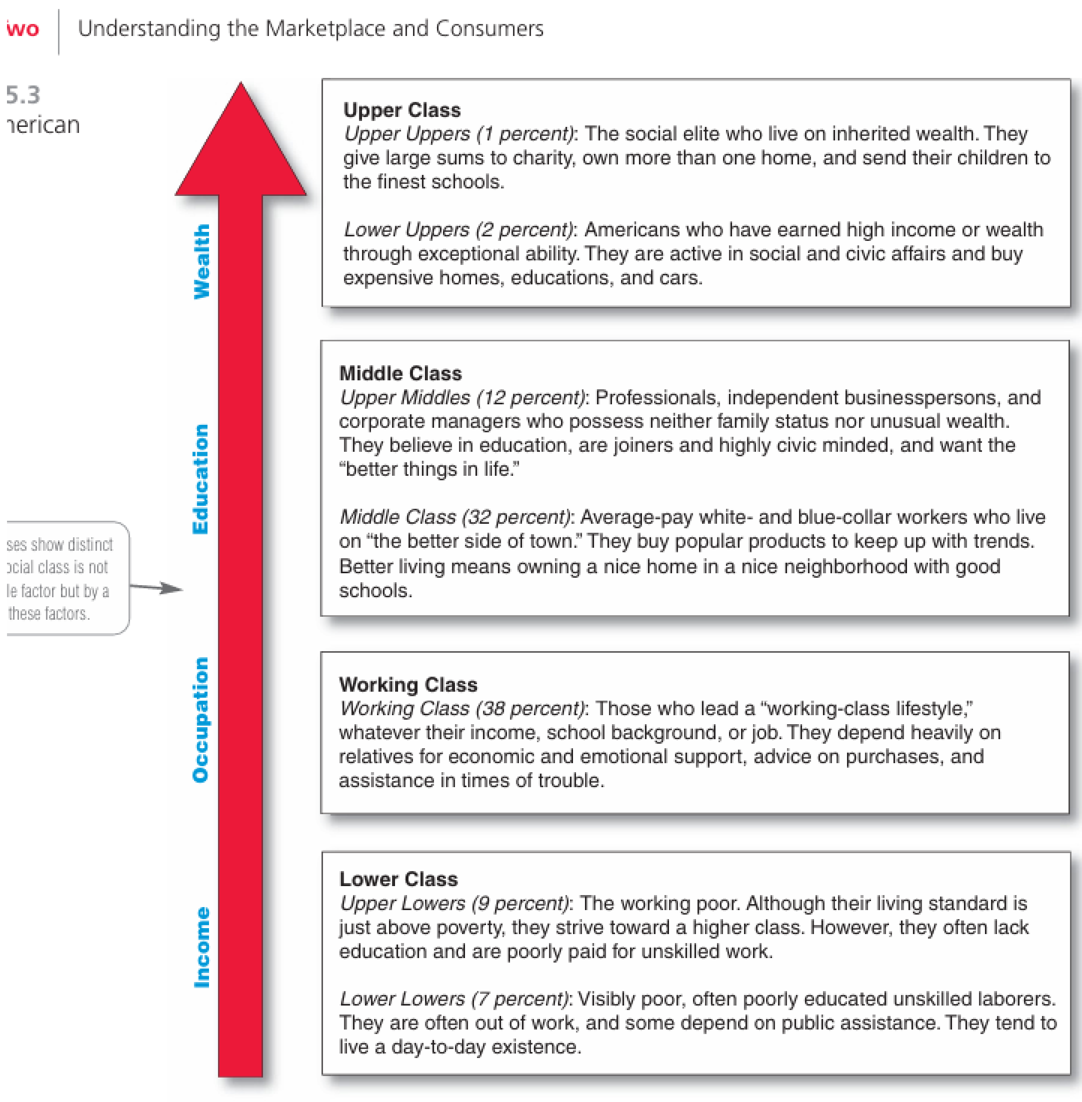
Marketers love reference groups because they do three things:

1. They show you **new behaviors and lifestyles**.
2. They influence your **attitudes**.
3. They create **pressure to "fit in"** (conform).

This influence is **strongest for "visible" products**—things that other people will *see* you using, like your **car, your clothes, or your phone.**

Word-of-Mouth Influence and Buzz Marketing

- **Word-of-Mouth:** This is the *most powerful* influence on buying. It's when a trusted friend, family member, or associate recommends a product. You are **much more likely to trust a friend** than a TV ad or a salesperson.
- **Opinion Leaders:** In every group, there is an "opinion leader" (or "influential"). This is the one person everyone listens to and whose opinion matters most. When they talk, people listen.
- **Buzz Marketing:** This is when marketers *find* these opinion leaders and ask them to be "**brand ambassadors**" to "spread the word" (or create "buzz") about a product.
    - One study found that this can make a marketing campaign **50% more effective**.
- **Real-World Example: JetBlue's "CrewBlue" Program**
    - **What it is:** The airline JetBlue hired an "army" of real, loyal customers to be "brand ambassadors" on college campuses.
    - **What they do:** These students talk to other students about JetBlue, give advice to the company, and help organize campus events (like "BlueDay," a costume party where students could win free airline tickets).
    - **Why it works:** A JetBlue manager said the best ambassadors are *not* the "super-cool" kids. They are just "**friendly, everyday brand loyalists who love to talk to people.**" This makes them authentic and trustworthy.



Online Social Networks (Word-of-Web)

A new way for people to talk to each other has exploded online. These are **Online Social Networks**.

- **What they are:** Online communities where people can hang out, share information, and give their opinions.
- **Examples:** This includes blogs, message boards (like Craigslist), websites (like Facebook and Twitter), and even virtual worlds (like Second Life).
- **Why it matters:** This new way of talking (customer-to-customer and business-to-customer) is a very big deal for marketers.

The New Way to Market

Marketers are working hard to use this new power.

- **Old way:** "Talking *at* you" with one-way TV ads.

- **New way:** "Talking *with* you" by interacting and becoming part of your daily online conversation.

Here are some real-world examples:

- **Twitter:** Brands like **Burger King** and the **Chicago Bulls** use Twitter to talk directly to their fans.
- **Blogs: Southwest Airlines** has a blog where its employees share stories with customers.
- **Community Pages: Jeep** has a webpage that links to its Facebook page, its Flickr (photo) page, and all its fan clubs.
- **Big Events:** During the 2010 Olympics, **VISA** (the credit card) created a special "Go World" website. It had athlete videos and photos that connected directly to Facebook.

Using YouTube

Companies also post custom videos on YouTube, hoping they get popular.

- **Example 1: Toyota**
  - Toyota created a YouTube channel for its Corolla car. They held a contest called "Sketchies 11" and offered **$40,000 in prizes** for the funniest fan-made videos. The top video got **900,000 views**.
- **Example 2: Blendtec**
  - A small blender company, Blendtec, became famous from its "**Will It Blend?**" videos.
  - In the videos, they showed their "indestructible" blender grinding up crazy things like hockey pucks, golf clubs, and even **iPhones and iPads** into dust.
  - This low-cost, simple idea was a huge hit. It made Blendtec's sales go up **500%** (a "fivefold" increase).

⚠️ A Word of Warning

Marketers must be careful. It's **hard to measure and control** online networks.

Ultimately, the **users are in control**, not the company. A bad marketing attempt can easily **backfire** and make people angry.

📖 Real Marketing 5.1: The Power of "Word-of-Web"

People love to talk about things that make them happy, including their favorite brands.

- **Old Way (Word-of-Mouth):** You'd tell a few friends you liked your new shoes.

- **New Way (Word-of-Web):** You can post a review, photo, or video and share your experience with **millions** of people.

Marketers are now trying hard to use this power to get people talking. Here are the main ways they do it:

1. Create Your Own "Brand Ambassadors"

This is when a company finds its most loyal fans and "hires" them to spread the word.

- **Example 1: Sony**
    - To launch its new GPS camera (which tags the location of your photos), Sony found **25 customers** who love to travel, take pictures, and blog.
    - They gave them the camera for free and just asked them to blog about their trips.
- **Example 2: Coca-Cola**
    - Coke's slogan is "Open Happiness." They held a contest and chose three "Happiness Ambassadors."
    - They sent these three people on a **1-year journey to all 206 countries** where Coke is sold.
    - Their mission: To document "what makes people happy" around the world using blogs, tweets, and videos.
    - The goal wasn't to sell Coke. It was to build a story that connected the *idea of happiness* with the Coca-Cola brand.

2. Use Bloggers Who Are *Already* Famous

A company can also work with the "army" of bloggers who already have thousands of followers.

- **Key Fact:** There are almost as many people who make a living as bloggers as there are lawyers. And **90% of bloggers** post about brands they like or hate.
- **Example: Panasonic**
    - Panasonic (a tech company) recruited five "big-name" tech bloggers. They paid for their travel to a big electronics show and loaned them new cameras to review.
    - **The Rule:** The bloggers had to be 100% honest and *tell their readers* that Panasonic was paying for the trip.
    - **The Result:** Panasonic got its products reviewed by people who are already trusted by thousands of tech fans. This is called a "sponsored conversation."
- **The Key:** You have to find the *right* bloggers. P&G (who makes diapers) works with "**mommy bloggers**," and The North Face (who makes outdoor gear) works with "**climber bloggers**."

3. Just Do Something "Conversation-Worthy"

This is when you *involve* people with the brand online.

- **Example: Mountain Dew**
    - Mountain Dew ran a campaign called "**DEWmocracy**."
    - They let the *fans* make all the decisions for a new flavor. Fans got to:
        1. Choose the new flavor
        2. Name the flavor
        3. Design the can
        4. Create and vote on the TV ads
    - This was run on their website, Facebook, and Twitter. It was a perfect way to get young, social fans talking. Their Facebook fan page grew **500%** ("fivefold") when they did this.

4. Make a Great Video and Hope It "Goes Viral"

Sometimes the simplest way is to make a great ad and post it online.

- **Example 1:** A 5-minute action video for **Inspired Bicycles** got **15 million** views.
- **Example 2:** A 12-minute love story video for **Schweppes** (a drink) got **4 million** views.

The Big Conclusion

All this is "Word-of-Web." It's growing fast for both consumers and marketers.

- Last year, the time people spent on social media **nearly tripled**.
- The final point: "It's **more than pure marketing**. It's about fast connections... and **building an ongoing relationship**."

👪 **Family**

Your family members have a *very* strong influence on what you buy. The family is the **most important "buying group"** in society. Marketers spend a lot of time studying the roles of the husband, wife, and children.

Buying Roles are Changing

People's lifestyles are changing, and that changes who buys what.

- **The Old Way:** The wife was *traditionally* the main shopper for groceries, clothes, and house-related items.
- **The New Way:** This is changing. Today, **70% of women have jobs** outside the home.

Because of this, the roles have shifted:

- **Men:** A recent study found **65% of men** now grocery shop regularly and cook at least one meal a week.
- **Women:** Women now influence **65%** of all *new car* purchases, **91%** of *new home* purchases, and **92%** of *vacation* purchases.

Overall, women make almost **85% of all family purchases**. One expert calls today's woman the "**chief operating officer (COO) of the home**."

How Marketers Responded

This means marketers who used to sell *only* to men (like for tech) or *only* to women (like for cleaning) are now targeting the opposite sex.

- **Example: Tech Companies**
  - Women now buy **50%** of all technology.
  - So, tech companies are designing products that appeal more to women.
  - **Sony** made the keys on a netbook computer wider to make room for women's longer fingernails.
  - **LG** set its cell phone cameras to "arm's length" focus because they saw young women love taking "selfies" with friends.
  - **Nikon** and **Olympus** made new cameras that are lighter and easier to use, knowing women are often the family's "primary keeper of memories."

⚠️ **Be Careful: Avoid Stereotypes!**

Marketers who get this wrong can look "condescending" (like they are talking down to people).

- **Bad Example (Dell):**
  - Dell computers launched a website for women called "Della."
  - It focused on pink colors, accessories, and tips for counting calories and finding recipes.
  - **Many women were offended** and called it "condescending."
- **Bad Example (Pampers):**
  - A stay-at-home dad (who blogs as "Rebel Dad") got an email from Pampers diapers that said, "**Happy Mother's Day, Brian!**"
  - He wrote back to the company, "That's dumb," because they just *assumed* only mothers buy diapers.

👶 **The Influence of Children**

Children also have a *huge* influence on family buying.

- Kids (ages 8-12) spend **$30 billion** of their *own* money.
- They also *influence* **$150 billion** of their parents' spending on things like food, clothes, and entertainment.
- One study found kids even influence what **car** the family buys and where they go on **vacation**.
- **Real-World Example (Restaurants):**
    - Restaurants work hard to make kids happy.
    - **Applebee's** has "kids eat free" nights.
    - **Carrabba's Italian Grill** gives kids a ball of pizza dough and toppings to make their own "pizza" at the table (which the kitchen then cooks).
    - **Roy's Restaurant** is a perfect example. The server learns the kids' names and uses them. They give them portable DVD players. For dessert, they bring a sundae with the kid's **name written in chocolate**.
    - **The simple reason:** Happy children = happy parents.

👔 Roles and Status

A person belongs to many groups (family, clubs, work, online communities). Your position in each group is defined by two things: **Role** and **Status**.

- **Role:** This is the *activity* people expect you to do based on the people around you. (e.g., your role as a student, a mother, or a boss).
- **Status:** This is the *respect* or *value* that society gives to that role. (e.g., a company CEO has a higher *status* than an intern).

Why It Matters for Marketing

People choose products that are **appropriate for their role and status**.

- **Real-World Example:**
    - Think of a **working mother**. She plays many roles:
    - At her company, her role is **Brand Manager**.
    - In her family, her role is **Wife** and **Mother**.
    - At a sports game, her role is **Avid Fan**.
    - As a **Brand Manager**, she will buy the kind of professional clothing that reflects her **role and status** at her company.

👤 Personal Factors

Your personal "stuff"—the things that make you *you*—also affect your buying choices.

This includes five main things:

1. Your **Age and Life-Cycle Stage**
2. Your **Job** (Occupation)
3. Your **Money** (Economic Situation)
4. Your **Lifestyle**
5. Your **Personality** and **Self-Concept** (How you see yourself)

Age and Life-Cycle Stage

This is a simple idea: people buy different things at different ages. Your taste in food, clothes, furniture, and fun is often based on your age.

Buying is also shaped by your **Family Life-Cycle Stage** (where you are in your family life).

A **life-stage change** is a big event that changes what you need to buy. These events include:

- Getting married
- Having children
- Buying a house
- Getting divorced
- Children going to college
- Getting a raise or losing a job
- Retiring from work

Marketers love to target customers who are going through one of these stages.

Real-World Example: Acxiom's PersonicX System

A big data company called **Acxiom** created a system that puts every family in the U.S. into one of **21 life-stage groups**.

This system has groups with names like:

- **"Taking Hold":** These are young, energetic couples or young families. They have good jobs ("well-funded") and are busy with careers, social lives, and hobbies (especially fitness).
- **"Transition Blues":** These are mid-income, "blue-collar" (manual labor) workers who are starting to settle down and think about marriage and kids.

Acxiom's main point is: **"As their life stages change, so do their behaviors and purchasing preferences."** Marketers who understand *when* you are about to change (like have a baby) have a big advantage.

New Groups Based on Money

After the bad economy (the recession), Acxiom also made new groups based on money, like **"Squeaking By"** (people who are just barely making enough money).

- One important group is called **"Potential Rebounders."**
- **Who they are:** These are people who will probably "loosen up" and start spending money again *sooner* than everyone else.
- **What they do:** This group does a lot of **online research** before buying expensive things like electronics, appliances, or jewelry.
- **The Lesson:** A store like Home Depot or Best Buy, if it wants to attract this group, *must* have a strong website with clear pricing, features, and product information.

Occupation (Your Job)

A person's job changes what they buy.

- **Blue-collar** (manual) workers buy more tough, rugged work clothes.
- **Executives** (office managers) buy more business suits.

Marketers try to find job groups that have a special interest in their products. A company can even **specialize** in making products for just one job group.

Real-World Example: Carhartt

The company **Carhartt** specializes *only* in making tough, durable, "no-nonsense" work clothes for the "American worker."

- Their website uses real stories (testimonials) to prove their point.
- One electrician working in the freezing cold Arctic said his Carhartt clothes lasted for two years without a *single* ripped pocket or stuck zipper.
- A railroad worker in New York, who climbs on trains in extreme heat and cold, said his Carhartt jacket is part of his "**survival gear**—like a bulletproof vest is to a policeman."

Economic Situation (Your Money)

How much money you have affects what stores you go to and what products you buy. Marketers constantly watch trends in:

1. **Personal Income** (How much people are earning)

2. **Savings** (How much people are saving)
3. **Interest Rates** (How much it costs to borrow money)

After the recent bad economy, most companies had to **redesign, reposition, and re-price** their products to be cheaper.

Real-World Example: Target

During the recession, the store **Target** completely shifted its message.

- An expert said that at Target, **"cheap has taken over chic"** (saving money became more important than style).
- Target created a big sale called "The Great Save" with low prices.
- A Target marketer said their slogan is "Expect more. Pay less." and that during the recession, "we're putting **more emphasis on the 'pay less' promise**."

Lifestyle

This is a very important concept. People from the *same* subculture, social class, and job can have **very different lifestyles**.

- **What it is: Lifestyle** is a person's *pattern of living*.
- **How it's measured:** Marketers measure it using **"psychographics."** This fancy word just means they measure your **AIOs**:
    - **A**ctivities (Your work, hobbies, shopping, sports, social events)
    - **I**nterests (Your interest in food, fashion, family, recreation)
    - **O**pinions (Your thoughts about yourself, social issues, business, products)

The Big Idea: You Buy a Lifestyle, Not a Product

You don't just buy a *product*; you buy the **values and lifestyle** that the product represents.

- **Triumph** doesn't just sell motorcycles; it sells an independent, "Go your own way" *lifestyle*.
- **Merrell** (a shoe company) says "Let's Get Outside." It sells an active, outdoor *lifestyle*.

Real-World Example: Anthropologie

The clothing store **Anthropologie** is a perfect example of selling a lifestyle.

- **The Lifestyle:** It sells a "bohemian-chic" (boho-chic) lifestyle that its young women customers want.
- **The Store:** The *store itself* is designed to make you feel like you are in a "French flea market" or "Grandma's kitchen."

- **The Vibe:** When you walk in, you are "transported into another lifestyle." The store's design even changes based on the city it's in (e.g., a "coastal" look in California, a "green, lush" look in Alabama).
- **The Result:** Because Anthropologie sells this *desirable lifestyle* (not just clothes), its sales **continued to grow** even when the economy was bad and other stores were slumping.

Personality and Self-Concept

Your unique **personality** changes what you buy.

- **Personality** = The unique inner psychological traits that make you *you* (like being self-confident, sociable, quiet, or aggressive).

Brand Personality

The big idea is that **brands also have personalities**. We often choose brands that have a personality that *matches our own*.

A researcher identified **five main brand personality traits**:

1. **Sincerity** (Down-to-earth, honest, and cheerful. **Example: Dove**)
2. **Excitement** (Daring, spirited, and up-to-date. **Example: Apple**)
3. **Competence** (Reliable, intelligent, and successful. **Example: CNN**)
4. **Sophistication** (Upper-class and charming. **Example: Rolex**)
5. **Ruggedness** (Outdoorsy and tough. **Example: Jeep**)

A brand like **Jeep ("ruggedness")** will attract people who see *themselves* as rugged and outdoorsy.

Self-Concept (or Self-Image)

This is a closely related idea.

- **What it is:** This is the *image* you have of yourself.
- **The Core Idea: "We are what we have."**
- **What it means:** The things you *own* (your possessions) *contribute to* and *reflect* your identity. To understand why you buy, marketers must understand how your *stuff* connects to your *idea of yourself*.

Real-World Example: Apple's "Get a Mac" Ads

Apple's famous "Get a Mac" ad campaign is a perfect example of this. The ads showed two guys:

- **"Mac" Guy:** He was young, cool, laid-back, and dressed in casual jeans.
- **"PC" Guy:** He was older, wore a boring suit and tie, and was "a bit dorky."

The Message: The ads were selling a **brand personality** ("excitement") and a **self-concept**. They were saying, "If you see yourself as young, cool, and creative, you are a Mac person."

🧠 4. Psychological Factors (What's Going on in Your Head)

A person's buying choices are also influenced by **four big psychological (mental) factors**:

1. **Motivation** (Why you do something)
2. **Perception** (How you see the world)
3. **Learning** (What you learn from experience)
4. **Beliefs and Attitudes** (What you think and feel)

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1. Motivation (Your "Drive")

At any time, you have many needs.

- **Biological needs:** like hunger, thirst, or being uncomfortable.
- **Psychological needs:** like wanting to be respected, or to feel like you belong.

A **Motive** (or **Drive**) is a need that is so **strong** and **pressing** that it makes you act to get "satisfaction."

There are two famous theories about motivation:

A. Sigmund Freud's Theory (Hidden Motives)

- **Freud's Idea:** He believed that people are mostly **unconscious** of the *real* reasons they do things.
- **What it means:** When we grow up, we "repress" (push down) many urges. But they don't disappear. They show up in dreams, slips of the tongue, or in the things we buy.
- **The Lesson:** A person's buying choice is affected by **subconscious motives** that even *they* don't understand.
- **Real-World Example:**
  - An aging man buys a flashy, red, sporty convertible car.
  - **What he *says*:** "I just like the feeling of the wind in my hair."
  - **Freud's *deeper* reason:** He may be trying to impress others with his success.
  - **Freud's *deepest* reason:** He may be buying the car to feel **young, free, and independent** again.

- **Motivation Research:** This is when companies hire psychologists to do "therapy-like" interviews to find these **hidden, subconscious** reasons.
- **Example:** They might ask you, "If your favorite brand was an animal, what would it be?" (This sounds "goofy," but it can reveal hidden feelings.)

B. Abraham Maslow's Theory (The "Needs Ladder")

- **Maslow's Idea:** He asked, "Why do some people focus on *safety* while others focus on *respect*?" His answer is that human needs are arranged in a **hierarchy** (a ladder).
- **The Rule:** You must satisfy the **most important needs at the bottom** first, before you can worry about the needs at the top.
- **Maslow's Hierarchy of Needs** (from bottom to top):
    1. **Physiological Needs:** The very bottom. **Survival stuff.** (Hunger, thirst).
    2. **Safety Needs: Security and protection.** (Feeling safe in your house).
    3. **Social Needs: Belonging and love.** (Having friends and family).
    4. **Esteem Needs: Respect.** (Feeling good about yourself, getting recognition from others).
    5. **Self-Actualization Needs:** The very top. **Being the "best you."** (Being creative, fulfilling your potential).
- **The Lesson:** You cannot skip a step.
- **Real-World Example:** A **starving person** (Level 1 need) does not care about what is happening in the art world (Level 5 need), or what people think of them (Level 4 need), or even if their air is clean (Level 2 need).
- But, once their hunger (Level 1) is satisfied, they will *then* start to worry about the *next* level up (like safety, Level 2).

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2. Perception (How You See Things)

A motivated person is ready to act. But *how* they act is influenced by their **perception** of the situation.

- **What it is:** Perception is the process of **selecting, organizing, and interpreting** information to create a meaningful picture of the world.
- **The Big Idea:** Two people can look at the *exact same thing* but see it in two *different ways*.

This happens because of **three "selective" brain filters**:

1. Selective Attention

- **What it is:** You are "hit" by **3,000 to 5,000 ad messages every single day**. It is impossible to pay attention to all of them.
- **Your brain's filter:** You automatically **screen out** (ignore) most of the information.
- **The Lesson:** Marketers have to work *extra hard* just to get you to notice their ad at all.

2. Selective Distortion

- **What it is:** This is your "hear what you want to hear" filter.
- **Your brain's filter:** You tend to **twist or interpret** new information in a way that *supports what you already believe*.
- **Example:** If you believe your favorite brand is the best, you will interpret a new report in a way that proves you're right.

3. Selective Retention

- **What it is:** This is your "remember what you want to remember" filter.
- **Your brain's filter:** You are more likely to **remember the good points** about a brand you *like* and **forget the good points** about a brand you *don't like*.
- **The Lesson:** Because of all three filters, marketers must work hard to get their message "through."

A Quick Note on "Subliminal Advertising"

- **What it is:** This is the *fear* that marketers are sending you secret messages that you can't see, but that your brain "subconsciously" absorbs.
- **The Famous Story:** Over 50 years ago, a researcher *claimed* he flashed the words "Eat popcorn" and "Drink Coca-Cola" on a movie screen for 1/300th of a second. He said popcorn sales shot up 58%.
- **The Truth:** The researcher **later admitted he made up the data**.
- **The Bottom Line:** Studies show that **subliminal advertising doesn't really work**. Marketers have a hard enough time getting you to buy with *normal* ads; they aren't secret puppet masters.

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3. Learning

When people act, they **learn**.

- **What it is:** Learning describes a **change in your behavior** that you get from **experience**. Most of your behavior is learned.

Learning happens in 5 steps:

1. **Drive:** This is a strong internal need (like your *motive*).

    - *Example:* A person has a drive for "self-expression."
2. **Stimulus Object:** The *thing* you connect your drive to.
    - *Example:* The person's drive for self-expression *motivates* them to think about buying a **camera**.
3. **Cues:** These are *minor* stimuli or signals in the environment that affect your response.
    - *Example:* You see a **camera in a shop window**, hear about a **special sale price**, or a **friend recommends** a brand.
4. **Response:** This is your action.
    - *Example:* You give in to the cues and **buy a Nikon camera**.
5. **Reinforcement:** This is the *result* of your action.
    - *Example:* You *love* your new Nikon camera! It takes great pictures (it's a **rewarding experience**). This good feeling is "positive reinforcement."
    - **The Result:** Because you *learned* that Nikon = good, the *next time* you shop for a camera (or even binoculars), you will be more likely to buy a Nikon again.

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4. Beliefs and Attitudes

By doing and learning, you get **beliefs** and **attitudes**. These then influence what you buy.

Beliefs

- **What it is:** A **descriptive thought** that a person *holds* about something.
- It's what you "believe" to be true, whether it's based on real knowledge, an opinion, or just faith.
- **Real-World Example:** You might have beliefs like:
    - "Japanese cars are the most reliable."
    - "A red car is a fast car."
    - "German engineering is the best."
- **Why it matters:** If people have a *wrong* belief that stops them from buying (e.g., "healthy food tastes bad"), the marketer has to run a campaign to *correct* that belief.

Attitudes

- **What it is:** Your **consistent feelings** (favorable or unfavorable) toward something.
- It's not just a *thought*; it's a *feeling*. It's your "frame of mind" that makes you **like or dislike** something.

- **Example:** You might have *attitudes* like "Buy the best," "Creativity is important," or "I hate big companies."
- **THE MOST IMPORTANT POINT:** Attitudes are **very, very difficult to change.**
- A person's attitudes fit together in a pattern. Changing *one* attitude might mean changing *all* of them, which people don't want to do.
- **The Lesson:** A company should almost *never* try to change your attitudes. It is much smarter and easier to **fit their product into the attitudes you already have.**
- **Real-World Example (SoBe drinks):**
    - **The New Attitude:** In recent years, people developed a new attitude: "**I want to live a healthier life.**"
    - **The Smart Marketing:** Pepsi did *not* try to change this. Instead, they *fit into* it.
    - They launched the **SoBe** brand, which offers "Lifewater" and "elixirs."
    - **The Promise:** The drinks are full of vitamins and herbs, have no artificial sweeteners, and are *good for you*... but also taste good (with names like "YumBerry Pomegranate").
    - **The Result:** By matching the *existing attitudes* of its customers, SoBe became a leader.

Conclusion

Your final buying choice is the result of a *very complex* mix of all these factors: **Cultural, Social, Personal, and Psychological.**

🛒 The 4 Types of Buying Behavior

Your "buying behavior" (how you decide to buy) changes for different products. Buying toothpaste is simple. Buying a new car is "complex."

To figure out which type of behavior a customer will use, you need to ask two big questions:

1. **How much "Involvement" (care or thought) does the person have?**
    - **High Involvement:** This is a big deal. It's **expensive, risky,** or **"self-expressive"** (it says something about you). You will do a lot of research.
    - **Low Involvement:** This is not a big deal. It's **cheap** and you buy it often. You won't think much about it.
2. **How "different" do you think the brands are?**
    - **Significant Differences:** You think the brands are **very different** from each other (like Apple vs. Android).

    - **Few Differences:** You think all the brands are **pretty much the same** (like different brands of sugar).

These two questions create four types of buying behavior.

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1. Complex Buying Behavior

This is the hardest one.

- **What it is: HIGH Involvement** + **SIGNIFICANT Differences** between brands.
- **When you use it:** For products that are **expensive, risky,** or **say a lot about you**.
- **Your feeling:** "I have a lot to learn before I buy."
- **Real-World Example:** Buying a new **computer (PC)** or a **car**.
    - You don't know what all the features mean (like "3.2GHz Intel Core i7" or "8GB DDR2 SDRAM").
    - You have to *learn* what's important.
- **Your Process (The 3-Step Learn):**
    1. First, you **learn** about the product (you read reviews, watch videos).
    2. Second, you form **beliefs** and **attitudes** about it.
    3. Third, you make a **thoughtful choice**.
- **Marketer's Job:** To **be your teacher**. They must give you lots of information (like detailed brochures or website articles), explain *why* their brand's features are better, and use expert salespeople to help you feel confident.

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2. Dissonance-Reducing Buying Behavior

This one is tricky.

- **What it is: HIGH Involvement** + **FEW Differences** between brands.
- **When you use it:** The product is **expensive or risky**, but you think all the brands are **basically the same**.
- **Real-World Example:** Buying **carpeting** for your house.
    - It's a *high-involvement* decision because it costs thousands of dollars.
    - But... you look at all the brands in your price range, and they all *seem the same*.
- **Your Process:**
    1. You shop around a little bit.

2. But since they are all the same, you buy **relatively quickly**.
3. You will probably choose based on a **good price** or **convenience** (like fast delivery).

- **The Big Problem (After You Buy):** You feel **"Postpurchase Dissonance"** (Buyer's Remorse).
  - This is that *sinking feeling* after a big purchase where you worry you made the wrong choice. You suddenly notice the flaws in your new carpet and hear good things about the one you *didn't* buy.
- **Marketer's Job:** To **make you feel smart *after* you buy**. They should send you a "thank you" email or a letter with good reviews to **reassure** you that you made a great decision.

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3. Habitual Buying Behavior

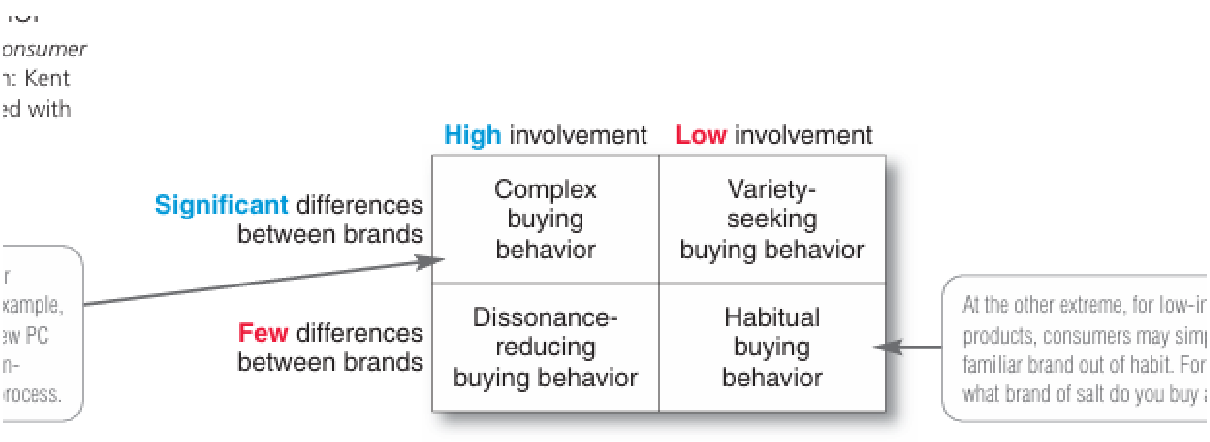
This is the simplest one.

- **What it is: LOW Involvement** + **FEW Differences** between brands.
- **When you use it:** For cheap, everyday items where all the brands are the same.
- **Real-World Example:** Buying **table salt**.
  - You don't care. You simply go to the store and grab a brand.
- **Your Process (This is important):**
  - You are **passive**. You *see* ads on TV, but you don't *think* about them.
  - The ads just create **brand familiarity** (you've heard of it). They *don't* create **brand conviction** (you don't *believe* it's better).
  - You buy it simply *because it's familiar*.
  - **This is a HABIT, not brand loyalty.** You don't even think about it after you buy it.
- **Marketer's Job (Two Options):**
  1. **Use Promotions:** Get you to buy with **coupons** or **sales** (like "Buy One, Get One Free").
  2. **Make it Interesting:** Try to *add features* to your boring product to make it stand out.
  - **Example: Charmin toilet paper**. It's a boring product. But they *add features* (Ultrastrong, Ultrasoft) and create a funny **"Sit or Squat" app** to find clean public restrooms. This makes their brand stand out from the rest.

4. Variety-Seeking Buying Behavior

This is the "just for fun" one.

- **What it is: LOW Involvement + SIGNIFICANT Differences** between brands.
- **When you use it:** You don't care that much, but you want to **try something new**.
- **Real-World Example:** Buying **cookies**.
  - You might buy Oreos one week (without much thought).
  - The *next* week, you might buy Chips Ahoy!
- **Key Point:** You are **not** switching because you were *unhappy* with Oreos. You are switching **just for the sake of variety** (because you're bored or want to try a different taste).
- **Marketer's Job (It depends on who you are):**
  - **If you are the Market Leader (like Oreo):** You *hate* this. You want to **encourage habitual buying**. You do this by dominating the shelf space, always being in stock, and running "reminder" ads.
  - **If you are the Challenger (a new cookie brand):** You *love* this. You must **encourage variety-seeking**. You run ads that say "Try something new!" and offer coupons, free samples, and special deals.



🤔 How People Decide to Buy *New* Products

We have looked at the 5-step process for a *normal* purchase. But how do people decide to buy a **new product**?

- **New Product:** A good, service, or idea that a customer *perceives* (thinks) is new. (It could be an old product, but it's *new to you*).
- **Adoption Process:** This is the **mental journey** a person goes through from the *very first time they hear about* a new product to the moment they decide to *become a regular user* of it.

The 5 Stages of the Adoption Process

People go through **five stages** when "adopting" a new product:

1. **Awareness:** You become aware that the new product exists, but you have no information about it.
    - *(Example: "I've heard people talking about 'air fryers.'")*
2. **Interest:** You get interested enough to **seek information** about it.
    - *(Example: "I'm going to Google 'what does an air fryer do?'")*
3. **Evaluation:** You **consider** if it "makes sense" for you to try it.
    - *(Example: "Hmm, would I really use this? Is it worth $100?")*
4. **Trial:** You **try the new product on a small scale** to see if it's really valuable.
    - *(Example: "My friend has one, I'll try cooking with it," or "I'll buy a small, cheap one.")*
5. **Adoption:** You decide to make **full and regular use** of the new product.
    - *(Example: "I love this! I'm going to use my air fryer all the time.")*

Marketers must find ways to help customers move through these stages.

Real-World Example: How Hyundai Helped Customers Get Past "Evaluation"

This is a perfect example of helping customers get "unstuck" from a stage.

- **The Problem:** During the bad economy (the recession), people were *Aware* of and *Interested* in new Hyundai cars. But they were **stuck at the "Evaluation" stage.**
- **Why?** They were *afraid*. They thought, "What if I buy this car and then I lose my job? I'll lose the car and ruin my credit."
- **Hyundai's Solution:** They created the **Hyundai Assurance Program**.
- **The Promise:** "If you buy a new Hyundai and then **lose your job** in the next year, you can **return the car** to us. It will not cost you anything and will not hurt your credit."

- **The Result:** This promise made the "Evaluation" stage *much easier*. It took away the fear. Hyundai's sales **jumped 85%** in the first month.

🏃 Who Adopts New Products? The 5 Adopter Groups

People are *not* all the same. Some people jump at new ideas, and others wait. People can be classified into 5 "adopter" groups.

The graph shows that a few people adopt first (the "pioneers"), then a big "wave" of people adopt, and finally the last few people (the "laggards") join in.

1. **Innovators (2.5%):**
    - **Who they are:** The **Venturesome** group. They love to try new ideas, even if they are **risky**.
    - *(Example: The person who camps out for 3 days to get the very first, untested iPhone).*
2. **Early Adopters (13.5%):**
    - **Who they are:** The **Respect** group. These are **opinion leaders** in their community. They adopt new ideas *early*, but *carefully*.
    - *(Example: The cool, tech-savvy friend who waits for the first reviews, buys the new iPhone, and then tells everyone else if it's good or bad).*
3. **Early Majority (34%):**
    - **Who they are:** The **Deliberate** group. They are *not* leaders. They "deliberate" (think it over). They adopt a new idea just *before* the average person does.
    - *(Example: You see your Early Adopter friend has the phone and loves it, so you go out and buy it).*
4. **Late Majority (34%):**
    - **Who they are:** The **Skeptical** group. They are *doubtful* of new things. They adopt an innovation only *after most other people* have already tried it.
    - *(Example: The person who says, "I'm not sure about this... I'll wait until the price drops and all the problems are fixed.")*
5. **Laggards (16%):**
    - **Who they are:** The **Tradition** group. They are "tradition-bound" (stuck in their ways) and **suspicious of change**. They adopt the new thing only when it has become a "tradition" itself.
    - *(Example: Your grandpa who finally agrees to get a smartphone after using his old flip phone for 15 years).*

Marketer's Job: To find the **Innovators** and **Early Adopters** and market to them first.

🚀 Why Do Some Products "Catch On" Faster Than Others?

Why did the **iPod** "catch on" *overnight*, while **HDTV** took *over 10 years* to be in most homes?

It depends on **5 key characteristics** of the product. Let's use **HDTV** as the example.

1. Relative Advantage

- **What it is:** How much *better* is the new product than the old one?
- **HDTV Example:** HDTVs offered a *much, much better* picture. This **sped up** adoption.

2. Compatibility

- **What it is:** How well does the new product *fit* with the values and experiences of people?
- **HDTV Example:** Watching TV (the *behavior*) was already compatible. **BUT...** in the early days, *no TV shows were being broadcast in HD*. The new product was *not compatible* with the old TV "system." This **slowed down** adoption. As soon as HD channels became available, adoption got faster.

3. Complexity

- **What it is:** How *hard* is the new product to understand or use?
- **HDTV Example:** HDTVs are *not very complex* (you plug it in and turn it on). This made adoption *faster* than for a more complex product (like the first home computers).

4. Divisibility

- **What it is:** Can you *try it on a small scale*? (Like a free sample or a cheap trial).
- **HDTV Example:** Early HDTVs were **very expensive** ($5,000 or more). You could not "divide" it or "try it" a little bit. You had to make a big, risky purchase. This **slowed down** adoption. As prices fell, adoption got faster.

5. Communicability

- **What it is:** How *easy* is it to *see or describe* the results to other people?
- **HDTV Example:** This was HDTV's greatest strength. A store could put an HDTV right next to an old TV, and customers could *instantly see* the difference. Because the results were so easy to *communicate* (show), this **sped up** adoption.

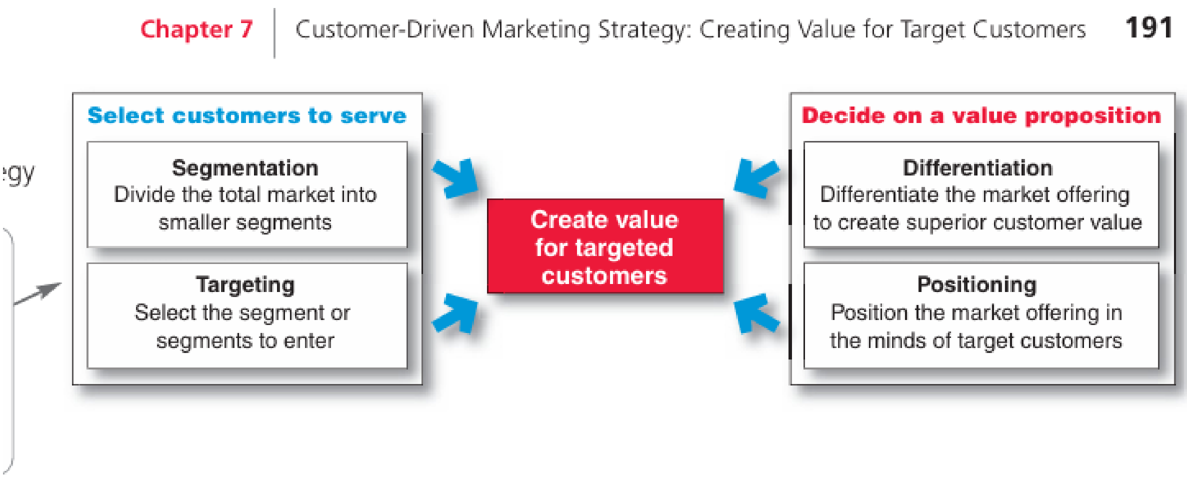
Other factors that matter are **cost, risk, and social approval** (is it "cool" to own?). The marketer must study *all* of these.

Chapter 7

Designing a Customer-Driven Marketing Strategy

1. The Four Steps

- **Step 1: Market Segmentation**
    - **Definition:** Dividing a large market into smaller groups of buyers who have similar needs or characteristics.
    - **Example:** A car company divides the market into segments like families, young professionals, and luxury seekers.
- **Step 2: Market Targeting (Targeting)**
    - **Definition:** Evaluating each segment and selecting one or more to serve.
    - **Example:** The car company decides to target the "family" segment because it's the most attractive.
- **Step 3: Differentiation**
    - **Definition:** Making your market offering different and better than competitors to create superior value.
    - **Example:** The car company focuses on making its minivans the safest and most spacious on the market.
- **Step 4: Positioning**
    - **Definition:** Arranging for your product to occupy a clear and desirable place in the target customer's mind relative to competitors.
    - **Example:** The company's marketing makes families think of their minivan as "the ultimate safe and comfortable family vehicle."



Market Segmentation

1. What is Market Segmentation?

- **Definition:** Dividing a large market into smaller groups of buyers with similar needs, characteristics, or behaviors.

2. How to Segment Consumer Markets (Four Main Ways):

- **Geographic Segmentation:**
    - **Definition:** Dividing the market based on location.
    - **Examples:** Nations, cities, neighborhoods, climate.
    - *Example:* Walmart creates different store formats (like Hispanic-focused supermarkets) for different neighborhoods.
- **Demographic Segmentation:**
    - **Definition:** Dividing the market based on statistical population characteristics.
    - **Examples:** Age, gender, income, occupation, family size.
    - *Example:* Disney Cruise Lines targets **families with children**, while Viking River Cruises targets **older-adult couples**.
- **Psychographic Segmentation:**
    - **Definition:** Dividing the market based on lifestyle, social class, or personality.
    - **Examples:** Activities, interests, values.
    - *Example:* Zipcar targets urban dwellers with a lifestyle that values convenience and environmental consciousness over car ownership.
- **Behavioral Segmentation:**
    - **Definition:** Dividing the market based on consumer actions and attitudes toward a product.
    - **Key Variables:**
        - **Occasions:** When they buy/use the product (e.g., M&Ms for holidays).
        - **Benefits Sought:** The specific value they want from a product (e.g., Champion athletic wear for style vs. for serious sports).
        - **User Status:** Non-users, first-time users, regular users.
        - **Usage Rate:** Light, medium, or heavy users (e.g., Burger King's "Super Fans").
        - **Loyalty Status:** How loyal they are to a brand (e.g., Apple's loyal customers).

3. Using Multiple Segmentation Bases

- **Definition:** Using a combination of geographic, demographic, psychographic, and behavioral variables to identify very specific target groups.
- **Example:** A system like PRIZM classifies U.S. households into 66 segments (e.g., "Kids & Cul-de-Sacs") based on a mix of all these factors to help marketers target precisely.

Segmenting Business, International Markets & Requirements for Effective Segmentation

1. Segmenting Business Markets

- **Definition:** Dividing business customers into groups based on their characteristics and needs.
- **Bases for Segmentation:**
    - **Demographics:** Industry, company size.
    - **Operating Characteristics:** How the customer's company works.
    - **Purchasing Approaches:** How they buy (e.g., centralized vs. decentralized).
    - **Situational Factors:** Urgency of need, order size.
    - **Personal Characteristics:** Buyer's personality.
- **Example:** American Express segments businesses into:
    - **Merchants:** Those who accept the card.
    - **Corporations:** Large companies needing expense management.
    - **Small Businesses:** Owners needing credit and financial services.

2. Segmenting International Markets

- **Definition:** Dividing countries into groups for global marketing.
- **Bases for Segmentation:**
    - **Geographic Location:** Regions like Western Europe or Southeast Asia.
    - **Economic Factors:** Income levels or economic development (e.g., targeting BRIC nations).
    - **Political/Legal Factors:** Government stability, trade regulations.
    - **Cultural Factors:** Language, religion, values.
- **Intermarket Segmentation (Cross-Market Segmentation):**
    - **Definition:** Forming segments of consumers from different countries who have similar needs and behaviors.

- **Example:** Coca-Cola targets teens all over the world, and Lexus targets wealthy individuals globally.

3. Requirements for Effective Segmentation
For a market segment to be useful, it must be:

- **Measurable:** The size and purchasing power of the segment can be measured.
- **Accessible:** The segment can be reached and served effectively.
- **Substantial:** The segment is large and profitable enough to serve.
- **Differentiable:** The segments are distinct and respond differently to marketing efforts.
- **Actionable:** The company has the resources to create and implement a marketing program for the segment.

What is Market Targeting?

Okay, so in the last step ("segmentation"), you "sliced" the big market (the "pie") into smaller, neat pieces.

Now, in "targeting," you have to **decide which of those pieces you are going to eat.**

You have to *look* at all the slices and then *choose* the best one(s) for your company. This is the big question: **Which customers will we serve?**

✅ How to Judge (Evaluate) a Market Slice

Before you pick a slice, you have to be a good judge. You must check **three things** about every slice.

1. Size and Growth

- Is this slice **big enough** to make money?
- Is this slice **growing**, or is it shrinking?

But "right size" is not the same for everyone.

- A **giant** company (like Walmart) needs a **giant** slice to be happy.
- A **small, new** company might find that giant slice *too scary* and full of big rivals.
- That small company might be *smarter* to pick a **tiny little slice** that nobody else cares about. They can "own" that tiny slice and be very profitable.

2. "Attractiveness" (Is this a good slice to be in?)

This is a check for "problems." A slice (or segment) is **unattractive (a bad choice)** if it has any of these big problems:

- **Too many rivals:** The slice is already full of strong companies fighting each other.

- **Too many "substitutes":** It's too easy for people to buy a *different* product that does the same thing. (Example: People can just buy a *bike* instead of your *car*).
- **Powerful buyers:** The *customers* in this slice are very powerful. They can bully you and force you to lower your prices.
- **Powerful suppliers:** The people who sell you *your parts* (your "suppliers") are very powerful. They can bully *you* and force you to pay high prices for parts.

3. Company Fit (Does this slice make sense for *us*?)

This is the final check. A slice might be big, growing, and have no problems... but it's *still* a bad choice if it **doesn't fit your company**.

- It has to match your company's **goals** and **resources** (your money and skills).
- **Real-World Example:** The "cheap, economy car" slice is *huge* and *growing*. But it makes **NO SENSE** for the luxury car company **BMW** to target it. It doesn't fit their brand or their goals.
- **The Big Rule:** You should only enter a slice where you know you can **win** and be *better* than your rivals.

🎯 The 4 Ways to Target (Choosing Your Strategy)

After you judge all the slices, you have to pick your plan. There are four ways to "target" the market.

1. **Undifferentiated (Mass) Marketing** (Aiming at *everyone*)
2. **Differentiated (Segmented) Marketing** (Aiming at *a few* slices)
3. **Concentrated (Niche) Marketing** (Aiming at *one little* slice)
4. **Micromarketing** (Aiming at *one person* or *one place*)

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1. Undifferentiated (Mass) Marketing

- **The Plan: Ignore** all the slices.
- **What you do:** You sell **one single product** to the **entire market**. You focus on what all people have *in common*.
- **The Problem:** This is a very **old-fashioned** idea, and it **doesn't work well** today. It's almost impossible to make *one* product that makes *everyone* happy. A company that tries to be "good for everyone" usually gets beaten by a company that is "perfect for *someone*."

2. Differentiated (Segmented) Marketing

- **The Plan: Target *several* different slices** at the same time.
- **What you do:** You make a **separate, different product** for *each* of your target slices.
- **Real-World Example (Cars): Toyota Corporation** does this.
    - For the "luxury" slice, they sell **Lexus**.
    - For the "regular" slice, they sell **Toyota**.
    - For the "young" slice, they used to sell **Scion**.
- **Real-World Example (Laundry): P&G** (the company) makes **six different brands** of laundry soap (like Tide, Gain, and Dreft). They are all in the same store! Why?
    - **Tide** targets the "tough stains" slice.
    - **Gain** targets the "great smell" slice.
    - **Dreft** targets the "new baby" slice.
- **Real-World Example (Clothes): VF Corporation** owns 30+ brands.
    - For "outdoor" people, they sell **The North Face**.
    - For "skaters," they sell **Vans**.
    - For "cowboys," they sell **Wrangler**.
- **The Good Part:** You sell *way more* stuff in total. P&G's 6 brands of soap sell *four times* more than their closest rival.
- **The Bad Part:** This is **very expensive**. It costs a lot more money to make 10 different products than to make just 1.

3. Concentrated (Niche) Marketing

- **The Plan: Focus all your energy on *one, tiny* slice.**
- **What it is:** You don't want a *small piece* of a *big pie*. You want a **BIG piece** of a **small pie**. This small, special slice is called a "niche."
- **Real-World Example (Groceries): Whole Foods Market** is a *tiny* store compared to the giant Walmart. But it is *very* successful.
    - How? It found a "niche": **Rich customers who *only* want organic, natural, gourmet food.**
    - The typical Whole Foods customer would *never* shop at Walmart. Whole Foods "owns" this small, rich niche.
- **Real-World Example (Internet):** The internet makes niche marketing easy.
    - **Etsy** is an online store for *only* handmade crafts.

    - It's a "niche" (eBay's "funky little sister"). By focusing *only* on this one small group, it has become a huge, $180 million company.
- **The Good Part:** This is a *great* way for a **small company** to get started and win against big rivals.
- **The Bad Part:** This is **very risky**. You are putting all your eggs in one basket. If your *one* tiny slice (niche) has a problem, **you are finished.**

4. Micromarketing (The Tiniest Targeting)

- **The Plan:** This is the *narrowest* targeting of all. You don't target a group; you target a **specific place** or a **specific person**.
- This has two types: **Local Marketing** and **Individual Marketing**.

Micromarketing Part 1: Local Marketing

- **The Plan:** Selling your product *differently* based on the **local city, neighborhood, or even a single store.**
- **Real-World Example (Walmart): Walmart** changes the products in *every single store* to match the local neighborhood.
    - A store near an office park will have a big "quick meals" section for busy workers.
    - A store in Miami will have a different mix of *soups* than a store in Alaska.
- **Real-World Example (The North Face):** This company uses your phone's GPS for **"geo-fencing."**
    - If you agree to it and then **walk *near* their store**, they will send you a text *right then*!
    - The text might say, "Hi! The new spring running clothes are here! Come see them at the downtown Seattle store."
- **The Bad Part:** This is **expensive** and a **big headache** to manage.

Micromarketing Part 2: Individual Marketing

- **The Plan:** Making a **custom product** for **one single person.**
- **The Nicknames:** "One-to-One Marketing" or "Mass Customization."
- **The Old Way:** This is how things *used to be* 100 years ago. A tailor made *your* suit. A shoemaker made *your* shoes.

- **The New Way:** Today, computers and robots let us do this again, but for *millions* of people ("mass customization").
- **Real-World Example (Shoes):** The **Nike ID** website. You can go online and design **your own, unique sneaker**. You pick the colors, the laces, and even put your name on it.
- **Real-World Example (Candy):** At **myMMs.com**, you can order M&Ms with **your own face** and a personal message printed on each little candy.
- **Real-World Example (Ads):** New video screens in malls can *watch you* with a camera.
  - It can tell if you are a **man** (and show you a **razor** ad) or a **woman** (and show you a **makeup** ad).

💡 How to Choose Your Targeting Strategy

How do you pick which of the 4 strategies (Mass, Differentiated, Niche, Micro) is best? You must check 5 things:

1. **Your Money:** If your company is **poor**, you *must* use **Niche Marketing** (Concentrated).
2. **Your Product:**
   - If your product is **all the same** (like **steel** or **grapefruit**), use **Mass Marketing** (Undifferentiated).
   - If your product can be **different** (like **cars** or **cameras**), use **Differentiated** or **Niche Marketing**.
3. **Your Product's Age:**
   - When your product is **brand new**, it's smart to sell **only one version** (Niche).
   - When your product is **old and "mature,"** it's smart to sell **many different versions** (Differentiated).
4. **Your Customers:** If *all* your customers have the **same taste**, **Mass Marketing** is fine.
5. **Your Rivals (This is the most important):**
   - If your rivals are all using Mass Marketing, you can *win* by using Differentiated or Niche.
   - **WARNING:** If your rivals are *already* using Differentiated or Niche (targeting slices), and *you* try to use Mass Marketing, it is **"suicidal."** You will fail.

⚠️ The "Dark Side" of Targeting (Socially Responsible Targeting)

This is about when targeting becomes "creepy" or "evil."

Targeting is *supposed* to be a good thing (helping customers by giving them *exactly* what they need). But it can get **controversial**.

- **The Big Problem:** The problem is targeting **vulnerable people** (like children, or the poor) with **harmful products**.
- **Example: Targeting Kids**
    - Marketers for **cereal, fast food, and toys** are criticized for this.
    - Critics say using lovable **cartoon characters** in ads is **not a fair fight**—it "overwhelms children's defenses."
- **Example: Targeting Young Girls**
    - **Victoria's Secret** created its "Pink" brand for young women (18-30).
    - But critics say the "sexy" marketing is now a huge hit with girls as young as **11 years old**.
    - Critics worry that selling "bling-bling" Barbie dolls, makeup, and "sexy" clothes to young girls gives them a **"premature focus on sex and appearance."**
- **Example: Targeting the Poor**
    - **Fast-food chains** (like McDonald's) are criticized for pitching their **high-fat, high-salt food** to low-income, inner-city people.
    - **Big banks** were criticized for targeting poor people with **bad home loans** (mortgages) that they knew the people could not afford.
- **Example: The Internet**
    - The internet makes it *easier* to find and target vulnerable people. Scammers can send "tailor-made, deceptive" emails to trick people. The FBI got over **336,000 complaints** about this last year.
- **But Not All Targeting is Bad:**
    - Targeting can also *help* people.
    - **Pantene** (a shampoo brand) makes "Relaxed and Natural" products to *help* women of color.
    - **Samsung** makes the "Jitterbug" (a simple, loud phone with big buttons) to *help* seniors.
    - **Colgate** makes **SpongeBob** toothpaste to *help* parents by making tooth-brushing more fun for kids.
- **The Final Lesson:**

- The problem is not *who* you target.
- The problem is *how* and *for what*.
- **It is wrong** if you try to make a profit by *hurting* a vulnerable group.
- **It is right** (socially responsible) if you target in a way that helps *both* the company *and* the customers.

Book # 01

Chapter # 5

What is "Customer Perceived Value"?

Customers are **"value maximizers."** This just means they always try to get the **best deal** (the most "bang for their buck").

They will *always* pick the one option that they *think* (or "perceive") will give them the **most value**.

The Dell Mistake

- Dell got famous by selling cheap computers.
- To save even more money, they moved their customer help centers (call centers) to other countries.
- Service became *terrible*. Customers had to **wait 30 minutes** on the phone, got transferred, and got *very* angry.
- Even though the computers were cheap, the *service* was so bad that customers left.
- Dell learned that **managing cost is not the same as managing service.**

The Big Formula: What "Value" Really Means

This is the most important idea in the chapter.

A customer's "value" is a simple formula: **Value = All the "GET" - All the "GIVE"**

Let's break that down.

1. Total Customer Benefit (The "GET") This is the *total good stuff* you get. It's a bundle of things:

- **Product:** The product *works well*.
- **Service:** The service is *great* (like fast delivery or easy returns).
- **People:** The *people* are nice, friendly, and helpful.
- **Image:** It makes you *look good* or *feel good* to own it (like a cool, famous brand).

2. Total Customer Cost (The "GIVE") This is the *total bad stuff* you give up. It is **more than just money**.

- **Money Cost:** The *price* you pay in dollars.
- **Time Cost:** The *time* you wasted buying it or waiting for it.
- **Energy Cost:** The *hassle* and *effort* it took.

- **Psychological Cost:** The *worry* or *stress* of buying it.

A customer feels they got a **good value** *only if* the "GET" bundle feels *bigger* than the "GIVE" bundle.

Real-World Example: Buying a Tractor

Let's use this formula. A construction boss wants to buy a new tractor. He looks at two brands: **Caterpillar** and **Komatsu**.

Step 1: The "GET" (Benefits)

- He thinks the **Caterpillar** tractor is a *better product* (it's more reliable).
- He thinks **Caterpillar** has *better service* (faster repairs).
- He thinks the **Caterpillar** *salesperson* is smarter and more helpful.
- He thinks **Caterpillar** has a *better image* (it's a famous brand).
- He adds all this up and thinks: "Wow, Caterpillar gives me *way more* good stuff."

Step 2: The "GIVE" (Costs)

- But he doesn't buy it yet. He has to look at the *total cost* (the "GIVE").
- He sees the *price*, but also thinks about the *time* to get it and the *hassle* of training his crew to use it.

Step 3: The Choice

- The boss will choose the tractor that gives him the **highest "Perceived Value"** (the best deal).
- Even if the Caterpillar tractor's *price is higher*, he *will still buy it* if he believes the *extra "GET"s* (like better reliability and service) are *worth* the extra money.

This is exactly how **Caterpillar** wins.

- Their "GET" bundle is amazing. Their machines are reliable, their dealers are well-trained, and their repair service is the best in the world.
- Because their "GET" is so high, they can charge a **10% to 20% *higher price*** than their rivals, and customers *still* feel like they are getting the best *value*.

How to Find Out What Customers Value

So, how does a company know what you value? They do a **"Customer Value Analysis"**:

1. **Ask:** Ask your customers what's important to them (e.g., "reliability," "price," "speed").

2. **Rank:** Ask them to *rank* what's *most* important (e.g., "Is reliability more important than price?").
3. **Score:** Ask them to *score* you and your rivals on all those things (e.g., "How good is *our* reliability? How good is *their* reliability?").
4. **Compare:** Look at the scores. Find the areas where you are *beating* your rival.
5. **Repeat:** Keep doing this over and over, because what customers value can change.

Why Do Customers Sometimes Make the "Dumb" Choice?

This "GET" vs. "GIVE" idea seems very logical. But what if a customer *knows* Caterpillar is the better value, but *still* buys the "worse" Komatsu tractor?

Here are 3 "non-logical" reasons this might happen:

1. **"Boss's Orders":** The buyer was told, "Just buy the cheapest one, period."
2. **"It's Not My Problem":** The buyer is going to retire next year. He buys the cheap Komatsu to *look good* (he saved money!), even though he *knows* it will break down in 2 years (but that will be the *next* guy's problem).
3. **"He's My Friend":** The buyer is *best friends* with the Komatsu salesperson and wants to help his friend.

The Lesson: The real world is messy. People sometimes make choices for *personal* benefit, not *company* benefit.

What is a "Value Proposition"?

- **Loyalty:** This is your goal. Loyalty is when a customer has a **"deeply held commitment"** to buy from you again... *even if* a competitor has a good sales pitch.
- **Value Proposition:** This is your **Big Promise**. It's the *whole bundle of benefits* you promise to give the customer.
  - **Example (Volvo):** Volvo's *main* promise is **"safety."** But their *whole* promise is: "You will get a *safe*, *well-designed*, *good-performing* car that is *also* good for the environment."

What is "Total Customer Satisfaction"?

Satisfaction is a *feeling*. It's the feeling you get when you *compare* two things:

1. What you **Expected** the product to do.
2. What the product **Actually** did (its "performance").

This gives you three results:

1. If Performance is **LESS THAN** Expectations = You are **Dissatisfied** (unhappy) 😨
2. If Performance **EQUALS** Expectations = You are **Satisfied** (fine, "meh") 🙂
3. If Performance is **MORE THAN** Expectations = You are **Delighted** (very happy!) 🤩

- **A Warning:** A company can't *just* try to make customers happy. If you give away free cars, your customers will be *delighted*, but you will go out of business.
- **The Goal:** A company must find a *balance*. It must deliver *high* satisfaction... but also make *enough profit* to stay in business.

Why You MUST Measure Satisfaction

Smart companies **measure satisfaction all the time.**

Why? Because a **highly satisfied customer** is the *best* customer. They:

- Stay **loyal** longer.
- **Buy more** new products.
- **Talk nicely** about you to others (Good "word-of-mouth").
- **Ignore** your rivals.
- Are **less sensitive** to price (they will pay more!).
- **Cost less** to serve (you know what they want).

The 1-to-5 Scale (This is very important!)

- Imagine you ask customers to rate you on a scale of 1 to 5.
- You might think a "4" (Very Satisfied) is a good score. **It is not.**
- A customer who gives you a "4" is **not loyal**. They are just "fine" and will *leave you* the second a rival has a sale.
- You **only** get true loyalty from a **"5" (Completely Satisfied/Delighted)**.
- **Example (Xerox):** The printer company Xerox found that its **"5"** customers were **SIX TIMES** more likely to buy again than its **"4"** customers.
- That "tiny" jump from a 4 to a 5 is the *most important* jump.

How to Measure Satisfaction

1. **Surveys:** Send out surveys to *ask* customers how happy they are.

2. **Customer Loss Rate:** Track how many customers *stopped* buying from you. Then, **call them** and ask why they left.
3. **Mystery Shoppers:** Hire *secret shoppers* to pretend to be customers. They then *report back* on how they were treated (was the store clean? were the staff friendly?).

A Shortcut: The "Net Promoter Score"

- Some people think all those surveys are too complicated.
- They say you only need to ask **ONE QUESTION**:
- **"How likely is it that you would *recommend* this product to a friend?"** (Give a score from 0 to 10).
- This one question, they say, is the *best* way to measure loyalty.
- It's called the **Net Promoter Score (NPS)**.
  - **Promoters** (score 9-10) are your loyal fans.
  - **Detractors** (score 0-6) are your "haters."
  - (A score of 7-8 is "meh," so they are ignored).
- Your score is just: **(% Promoters) - (% Detractors)**.
- Companies like **Apple** and **Amazon** have very high NPS scores.

The Final Lesson

- A company *must* care about satisfaction today because **the internet gives a megaphone to angry customers.**
- One unhappy person can make a *viral video* or *bad review* that millions of people see.
- There is a real, official "report card" called the **American Customer Satisfaction Index (ACSI)** that ranks all the big companies.
- If a company (like Hyundai or Alaska Airways) *does* get the #1 score, they will **shout it in their ads** to prove how good they are.

Customers Who Complain Are a Gift

Some companies think, "We have no complaints, so our customers must be happy!"

This is **100% wrong.**

Here is the truth:

- **1 out of 4** customers is secretly **unhappy** with what they bought.
- But... **only 5%** of people (a tiny, tiny group) will *actually* complain to the company.

- The other **95%** (the huge group) **just stay quiet.**
- Why do they stay quiet? Because they think complaining is **not worth the effort** or they **don't know how.**
- So what do they do? **They just leave and *never* come back.**

Why You MUST Love Complaints

This is the most important part. You *want* complaints.

- If you **fix a customer's complaint**, 54% to 70% of them **will come back** and buy from you again.
- If you fix their complaint **FAST**, **95%** of them **will come back.** You will save them!

Now, look at what people *tell* their friends:

- A customer whose problem you **fixed** will tell **5 friends** about how nice you were. (Good news!)
- An **unhappy** customer (who you *didn't* help) will "gripe" (complain) to **11 friends.** (Bad news!)

The lesson: Bad news travels *way* faster than good news.

Your Job: "Make It EASY to Complain"

Mistakes *will* happen. Your company *will* mess up.

The *best* thing you can do is make it **super easy** for people to complain.

- Give them suggestion forms.
- Have a free 1-800 phone number.
- Have a website and email address.

Real-Life Example: The company **3M** says that **two-thirds** of all their *new ideas* for making their products better come from *listening* to customer complaints.

How to Fix a Problem (The 5-Step Plan)

When an unhappy customer calls, you MUST have a plan.

1. **Be Open 24/7.** Have a free hotline (phone or email) that is *always* on.
2. **Be FAST.** Call them back as *quickly as possible*. The longer they wait, the angrier they get.

3. **Take the Blame.** Just say "We are sorry. This is our fault." **NEVER blame the customer.**
4. **Be Nice.** Use helpers who are "empathic" (they are good at *listening* and *caring*).
5. **Solve the Problem.** Fix it *fast* and make them happy. (Sometimes, the customer isn't looking for free stuff. They just want you to **show that you care.**)

What is "Quality"? (It's two different things)

Being happy also depends on "quality."

"Quality" is a simple idea: It means the product **meets the needs** of the customer. If a product does what the customer *expected* it to do, it is a "quality" product.

But "quality" can mean two different things. This is the trickiest part:

1. Performance Quality (The "Grade")

- This means "how *fancy* is the product?" Is it high-level or low-level?
- **Example:** A **Lexus** is a *high-performance* car. It's fancy, smooth, and fast.
- **Example:** A **Hyundai** is a *lower-performance* car. It's basic and just gets you from A to B.

2. Conformance Quality (The "Promise")

- This means "does it *work* as promised?" Is it "free of bugs"?
- **Example 1:** You buy a *brand new* **Hyundai**. You drive it off the lot and it works *perfectly*. It has **HIGH conformance quality.** (It met its promise).
- **Example 2:** You buy a *brand new* **Lexus**. You drive it off the lot and one of the headlights is broken. It has **LOW conformance quality.** (It *failed* its promise, even though it's a "fancy" car).

A company must *always* have **HIGH conformance quality**, no matter how "fancy" its product is.

The Big Lesson: Quality = Profit

The chain is very simple:

- Higher **Quality**...
- ...leads to happier **Customers**...
- ...which lets you charge **Higher Prices**...
- ...and makes you **More Profit.**

A company that *cuts* quality to save money will *always* fail.

- **Real-Life Example 1 (Northwest Airlines):** They tried to save money by cutting *everything*. They took away free pillows, movies, and even pretzels. But they *also* raised their prices.
- **The Result:** Customers *hated* them. They came in **last place** in satisfaction surveys.
- **Real-Life Example 2 (Home Depot):** They also got "overly focused" on cutting costs, and their company got into "turbulence" (big trouble).

Why You Must "Fire" Your Worst Customers

The main goal of marketing is to get and keep customers who **make you money** ("profitable" customers).

But the truth is, **some customers *lose* you money.**

This is the famous **80/20 Rule**:

- **Top 20%:** You get **80%** (or more!) of your profit from the **top 20%** of your customers. These are your *best* fans.
- **Worst 20%:** You can *lose* 50% to 200% of your profit from the **bottom 10% to 20%** of your customers.
- **Why?** Because these "worst" customers are annoying. They complain all the time, demand all your time, always return things, and want huge discounts. They are a big hassle.

The Lesson: You could make *more* profit by **"firing" your worst customers.**

It's *not* always your biggest customers who are the best.

- **Biggest Customers:** They can be a pain. They demand huge discounts.
- **Smallest Customers:** They are also a pain. They pay full price, but they take up a lot of *time* (hassle) for a tiny sale.
- **Midsize Customers:** These are often the **most profitable**. They are happy, pay a fair price, and don't waste your time.

What is Marketing's Job in Quality?

"Quality" isn't just one person's job; it's *everyone's* job.

Here is the marketing team's special role in making sure the quality is high:

1. **Find out** what customers *really* need.
2. **Tell** the product designers *exactly* what to make.

3. **Make sure** the customer's order is *correct* and *on time*.
4. **Check** that the customer knows *how to use* the product (like with good instructions or training).
5. **Stay in touch** with the customer *after* they buy it to make sure they are still happy.
6. **Listen** to customer ideas (and complaints!) and *tell* the designers so they can make the product even better.

How to Know If a Customer is Profitable

A **Profitable Customer** is someone who, *over their whole life*, gives you **more money** than you **spend** to get and keep them.

You can't just look at *one sale*. You must look at their **whole lifetime**.

- **Real-World Example:** Many banks did the math and were *shocked*. They found out they were **losing money** on almost **half (45%)** of their regular customers.

How to Find Your Good and Bad Customers

You can make a simple chart to find your problem customers.

- **Customer 1:** This is a **GREAT** customer. He buys two products (P1 and P2) that both make you a lot of money (they are "plus-plus").
- **Customer 2:** This is a "mixed-bag" customer. He buys one good product (P1) but also one *bad* product (P3) that *loses* you money.
- **Customer 3:** This is a **TERRIBLE** customer. He buys one good product (P1) but also *two* bad products (P3 and P4) that *lose* you money.

What do you do with Customer 3?

1. You can **raise the price** of the bad products (P3 and P4).
2. You can try to **sell him your good products** (like P2).
3. If he won't change, you should "fire" him. You should be *happy* if he leaves and goes to your competitor.

You Must Find the *Real* Cost

To do this, you must find the *real* cost of a customer. It's *not* just the cost of the product.

- It's the cost of their **phone calls**.
- It's the cost of the salesperson **traveling** to visit them.
- It's the cost of the **free lunch** and gifts you gave them. You must "tag" *every* single cost to the customer who caused it.

What is "Customer Lifetime Value" (CLV)?

This is one of the *most important* ideas in all of marketing.

- **CLV** is a *guess* (a calculation) of the **total net profit** a company will make from a single customer *over their entire life*.
- **Real-World Example:** You run a pizza shop. You use a formula (like the ones in the textbook) and find that one new loyal customer is "worth" **$92.87** to you over their lifetime.
- **Why this matters:** This number tells you how much you should be willing to *spend* to get one new customer. (In this case, you can spend up to $92.87 to get a new customer and still make money in the long run).
- **The Big Lesson:** CLV forces the company to **think long-term**, not just about one quick sale.

How to Keep Customers (CRM)

To keep customers, you need **Customer Relationship Management (CRM)**.

- **What it is:** CRM is the *job* of *carefully managing* two things:
  1. All the **information** about your customers (like their birthdays, what they like).
  2. All the **"Touch Points."**
- **What is a "Touch Point"?**
  - A "touch point" is *any time* a customer "touches" or "encounters" your brand.
  - **Real-World Example (A Hotel):** Your touch points are:
    - Making the reservation (on the phone)
    - Checking in (at the front desk)
    - Ordering room service
    - Using the gym
    - Checking out
  - CRM is the *system* that helps the hotel (like the Four Seasons) remember your name and give you great service at *every single one* of those touch points.

"Personalizing" Your Marketing

The goal of CRM is to *personalize* your marketing. You want to go *back* to the old days when a small shopkeeper knew **your name** and **what you liked**.

- **Real-World Example (Jones Soda):**
  - This soda company was made for young people.
  - They sold it in surf and skate shops (so people felt they "discovered" it).
  - They let fans send in their *own photos* to be put on the soda labels.
  - This **personal touch** made fans feel a deep *connection* to the brand.
- **Real-World Example (Domino's Pizza):**
  - Domino's put the customer in charge.
  - Their website lets you **build your own pizza** and *watch a photo* of it being made.
  - It also has a "tracker" that shows you *exactly* when your pizza is in the oven and when it's out for delivery.

Customers vs. Clients

Smart companies turn "customers" into "clients." What's the difference?

- A **Customer** is *nameless*. (You are just one of the crowd).
- A **Client** *has a name*. (You are special).
- A **Customer** is served by *anyone*. (Whoever is at the cash register).
- A **Client** is served by *their* person. (You have *your own* banker or *your own* salesperson).

Two Kinds of "Personal" Marketing

1. **Permission Marketing:** This is a simple idea from a famous marketer named Seth Godin.
   - It means you **ask for permission** *before* you send someone an ad. (The opposite of "interruption marketing," like annoying TV ads or spam).
   - It works because the ad is:
     - **Anticipated** (You expected it)
     - **Personal** (It's just for you)
     - **Relevant** (It's about something you care about)
2. **One-to-One Marketing:** This is a 4-step plan for treating customers like individuals.

1. **Identify:** Find out *who* your customers are.
2. **Differentiate:** Separate them (find your *best* ones).
3. **Interact:** *Talk* to them to learn more.
4. **Customize:** *Change* the product or message to be *perfect* for them.

- **Note:** This is too much work for a bubble gum company. It works best for *very expensive* stuff, like a **$100,000 Aston Martin car,** where the company can know all of its rich customers by name.

Customers Have the Power Now (Not You!)

Today, the **customer is in charge.**

- The old boss of P&G (a giant company) said, "The power is with the consumer. They are starting to *own our brands*... we need to learn to **let go**."

Examples of "Letting Go":

- **Burger King:** Their slogan is "Have It Your Way." Their ads are weird (like the "Subservient Chicken") to show that *fans* are in charge, not the company.
- **Doritos:** Doritos held a *contest* to let *fans* create their Super Bowl ad.
- **Converse:** Converse (the shoe brand) asked fans to make 30-second *movies*. The *best* fan movies were put on TV as *real commercials*.

But... you have to be careful. *Not all* customers *want* to be "involved" with your brand. People have jobs and families. They don't care *that much* about every single thing they buy.

Why Customer Reviews Are Everything

Today, "recommendations from other consumers" (reviews) are *more important* than ads.

- **Real-World Example (PETCO):** The pet store **PETCO** started putting *customer reviews inside* their ads and emails. Their sales *shot up*.
- **Real-World Example (Amy's Kitchen):** This organic food brand wanted to launch a new cereal. They sent *free samples* to 50 *food bloggers*. The bloggers wrote good reviews, and the company was flooded with emails asking where to buy it.

Are Bad Reviews a Bad Thing?

No! They are surprisingly helpful.

- One study found 50% of shoppers *like* to read the bad reviews.

- **Why?** A bad review often says, "This product is bad because it's *not* blue." The customer reads this and thinks, "I don't *care* if it's blue!" and then *buys the product anyway*.
- **The Lesson:** Bad reviews help customers know *exactly* what they are getting, so they are **less likely to return it**. This saves the company money!

The "Leaking Bucket" Problem (How to Keep Customers)

A company has two jobs:

1. **Attract** (get new customers)
2. **Retain** (keep old customers)

Too many companies *fail* at step 2. They lose customers all the time. This is called "churn."

This is like adding water to a leaking bucket.

You can't fill the bucket up if you don't **plug the leaks** first.

- **Plug the leaks** = **Keep** your old customers.
- **Add water** = **Get** new customers.

How to Plug the Leaks (3 steps):

1. **Measure:** You *must* know your "retention rate" (how many people you keep).
2. **Ask Why:** Find out *why* people are leaving (Bad service? High prices?).
3. **Do the Math:** Is it *cheaper* to *save* the customer than it is to *lose* them? (The answer is *always* yes).

Why Keeping Customers Is the Most Important Job

This is the final, most important idea. Keeping your old customers is the key to profit.

The Marketing Funnel

This is a picture of your customers' journey.

Getty Images

- **Top (Wide):** Lots of people are "Aware" of you.
- **Middle:** *Some* of those people "Try" you.
- **Bottom (Narrow):** *A few* of those people become "Loyal." The funnel helps you find your "bottleneck" (the "stuck" part). For example, if *lots* of people "Try" it, but *no one* buys it a "Second Time," you know there is a **problem *with the product itself***.

The 3 Big Facts About Keeping Customers

1. It costs **5 times MORE** money to get a *new* customer than to keep an *old* one.
2. The average company *loses* 10% of its customers every year.
3. If you can *stop* just 5% of those people from leaving, you can **increase your profits by 25% to 85%**.

Chapter # 4

The Marketing Research System

Sometimes, bosses (Marketing Managers) need to get answers to specific questions.

- They might want to know what customers think (a market survey).
- They might want to know which product people like best (a product-preference test).
- They might want to guess how much they will sell in different areas (a sales forecast).
- They might want to know if their ads are working (an advertising evaluation).

It is the job of a **marketing researcher** to find these answers. The researcher's goal is to understand *how* customers think and *why* they buy things. This is called "marketing insight."

Why Insights Matter

Good insights are the secret behind good marketing.

- **Example 1: Walmart** Walmart did a big study and learned that shoppers liked two things:
    1. Getting low prices.
    2. Feeling "smart" for saving money. So, Walmart used this insight to make its famous slogan: “Save Money. Live Better.”
- **Example 2: Gillette Venus Razor** The Venus razor is the best-selling razor for women ever. Why? Because Gillette did deep research.
    - Before Venus, companies just made men’s razors in different colors.
    - Gillette’s research found that women change their grip on a razor 30 times while shaving. So, they designed a special wide, rubber handle that is easy to hold.
    - Research also found women hated getting out of the shower to grab a new blade. So, Gillette made a case that sticks to the shower wall and holds extra blades.
    - Later, they found there were 4 different types of women shavers (like "perfect shave seekers" or "EZ seekers"). They made new Venus products for each type.

What Happens When You Have NO Insight?

If you *don't* understand your customers, you will get in trouble.

- **Bad Example: Tropicana** Tropicana changed the design of its orange juice box. They got rid of the famous picture of an orange with a straw in it.

- They didn't check with customers first.
- People *hated* the new design and couldn't find it in the store.
- Sales dropped by 20% very fast.
- Tropicana had to throw away the new boxes and bring back the old design.

What is Marketing Research?

Here is a simple definition. **Marketing research** is the plan for:

1. **Designing** a study.
2. **Collecting** the information (data).
3. **Analyzing** (studying) that data.
4. **Reporting** what you found to the managers.

You do all this to find the answer to a specific marketing problem your company is facing.

Big companies (like Procter & Gamble) have their own big research departments.

But small companies can do research, too. They can find creative and cheap ways to do it.

How Small Companies Can Do Research

1. **Engaging students or professors:** Companies can hold contests for smart students to solve their problems. It is much cheaper than hiring big-shot experts.
2. **Using the Internet:** A company can learn a lot for free. They can look at a competitor's website, read online chat rooms, and find public data.
3. **Checking out rivals:** Small businesses (like restaurants or shops) often go into their competitors' stores to see what's new or what they are doing.
4. **Tapping into marketing partner expertise:** Companies you already work with (like your ad agency or a delivery company like UPS) might know a lot about the market and can share that information with you.

Who Does the Research?

Most companies use a mix of their own people and outside companies. They usually spend about 1% to 2% of their total sales on research.

When they hire an outside company, it is usually one of these three types:

1. **Syndicated-service research firms:** These firms collect huge amounts of data (like what people watch on TV) and then sell that same data to *many* different companies. (Nielsen is a famous example).
2. **Custom marketing research firms:** These firms are hired to do *one specific project* just for you. They design the study, collect the data, and give you the report.
3. **Specialty-line marketing research firms:** These firms do only *one special part* of research. For example, their only job is to go out and interview people for other companies.

To use all these helpers correctly, smart marketers follow a formal, step-by-step process for their research.

The Marketing Research Process

Good marketing research follows **six steps**.

Let's use an example. Imagine **American Airlines (AA)** is thinking about adding new things for its first-class passengers (mostly businesspeople) on long flights. They have ideas like:

1. Internet access.
2. 24 TV channels.
3. A 50-CD music system.

The managers want to know what people would think of these, especially the **internet connection**.

- How much would people be willing to pay for it?
- One company guessed they could make $70 billion in 10 years if enough people paid $25.
- But it would cost the airline $90,000 *per plane* to add the internet.

So, they use the 6-step research process.

The 6 Steps Are:

1. Define the problem
2. Develop the research plan
3. Collect the information
4. Analyze the information
5. Present the findings
6. Make the decision

Step 1: Define the Problem, the Decision Alternatives, and the Research Objectives

This first step is about knowing *exactly* what you are trying to figure out.

You must be careful not to ask a question that is **too big** or **too small**.

- **Too Big (Too Broad):** "Find out everything you can about first-class travelers." This is a waste of time. You will collect a lot of useless information.
- **Too Small (Too Narrow):** "Find out if enough people on the Chicago-to-Tokyo flight will pay $25." This is too specific. It misses the bigger picture.

The researcher should ask smart questions, like:

- "Why $25? Why not $15 or $35?"
- "Does the airline *have* to make the money back right away?"
- "Is it more important to be the *first* airline to have this?"

The "Problem"

So, the manager and researcher agreed on a *good* problem definition:

"Will adding in-flight internet make us enough extra money and happy customers to be worth the cost? Or is there something better we could spend the money on?"

The "Decision Alternatives" (The Choices)

To help, the managers list all the choices they will have to make *after* the research is done.

1. **Should we offer internet?** (Yes or No?)
2. **Who should we offer it to?** (Just first-class? Or also business and economy class?)
3. **What price should we charge?**
4. **On which planes and trips should we offer it?** (Long flights only? All planes?)

The "Research Objectives" (The Questions We Need to Answer)

Now that they know their choices, they can write the exact questions the research must answer:

1. What *kind* of first-class passenger would use the internet most?
2. *How many* passengers will use it if the price is $15? What if it's $25? Or $35?

3. *How many extra people* might choose to fly American (instead of another airline) just because we have internet?
4. Will this service make people feel better about American Airlines in the long run?
5. How important is internet compared to *other* services (like a power plug for their laptop or better movies)?

Simple Note on Types of Research:

- Sometimes research is **Exploratory** (you're just exploring to get a better idea of the problem).
- Sometimes research is **Descriptive** (you want numbers, like "how many people...").
- Sometimes research is **Causal** (you want to test if A *causes* B).

Wa Alaikum Assalam! Here is the simplified text for that section.

Step 2: Develop the Research Plan

This is the step where you make a smart plan to get the answers. The plan also includes how much money (cost) it will take.

Think about it like this:

- American Airlines (AA) thinks it can make **$50,000** in profit if it *doesn't* do research.
- But it thinks it can make **$90,000** in profit if it *does* the research (because the research will help them make a better plan).
- The difference is **$40,000**.
- This means the research is worth $40,000 to the company. So, AA **should not spend more than $40,000** to do the research. If the research costs $50,000, it's not worth it.

To design a research plan, we need to make decisions about the **data sources**, **research approaches**, **research instruments**, **sampling plan**, and **contact methods**.

DATA SOURCES

The researcher can get data (information) from two places:

- **Secondary data:** This is information that **already exists** somewhere. Someone else already collected it for another reason.
    - This is the first place you should look. It is cheap and fast.

    - (For example, an auto company could buy an old study from J.D. Power that has information about car buyers).
- **Primary data:** This is **new** information that you collect *yourself* for this *specific* project.
    - If you can't find the answers in secondary data (maybe it's too old or just wrong), you *must* collect your own primary data.
    - Most research projects need to collect some primary data.

RESEARCH APPROACHES

There are five main ways to collect new (primary) data.

1. Observational Research

This is when researchers get information by **watching** people and places. You just watch how people *really* shop or use a product, often without them knowing.

A special type of this is **Ethnographic research**.

- This is a very deep kind of observation.
- The researcher spends time with people in their *real lives* (in their homes or at work).
- The goal is to find secret needs that people don't even *know* they have.

Examples:

- **Bank of America:** They watched women at home and saw they had trouble saving. This gave them the idea for their "Keep the Change" program, which automatically saves your extra cents.
- **Orville Redenbacher (Popcorn):** They watched families and learned that popcorn wasn't just a snack. It was a "facilitator of interaction" (it helped people spend time together). Their ads started showing this.
- **Gatorade:** They *thought* the big 64-ounce jug was for families to share. But they *watched* moms chugging it right from the jug after a workout! This insight led to a new jug design that was easy to grip and chug.

For American Airlines, researchers could just hang out in the first-class lounge and listen to what people say.

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2. Focus Group Research

A **focus group** is when you bring 6 to 10 people together to talk about a topic.

- Researchers carefully pick these people.

- A leader (a "moderator") asks questions to get a discussion going.
- The company managers often watch the group talk from behind a one-way mirror.
- This is a good *first step* to explore ideas.

Warning: You can't trust the results 100%. The group is too small, and it's not a real-life situation. Sometimes one "loudmouth" person can ruin the group by talking too much.

For American Airlines, the moderator would ask, "What do you think of first-class travel?" and then ask more specific questions about the internet service.

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3. Survey Research

This is when companies use **surveys** (lists of questions) to learn about what people know, believe, or like.

- You can do surveys online, by phone, or in person (like stopping people at a mall).
- **Warning:** You have to be careful not to annoy people. If you send too many surveys, people get "survey burnout" and stop answering.
- **How to fix it:** Keep surveys short and simple. Give people a small reward (like a coupon or a chance to win money) for finishing it.

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4. BEHAVIORAL RESEARCH

This is when researchers look at what customers **actually do**, not what they *say* they do.

- You can look at store scanner data, what people buy online, and customer records.
- This is often more honest than surveys.
- **Example:** People *say* in surveys that they buy expensive, high-quality brands. But store data (their behavior) shows that rich people often buy cheap brands, too.
- For American Airlines, they can just look at their ticket records to see what passengers are already doing.

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5. EXPERIMENTAL RESEARCH

This is the most scientific type of research. It's like a science **experiment**.

- The goal is to find **cause-and-effect** (to see if A *causes* B).
- You create two groups of people that are very similar.
- You change *one thing* for one group, but not the other.

- This way, if you see a different result, you know it was *caused* by the one thing you changed.

Example for American Airlines:

- **Week 1:** On the Chicago-to-Tokyo flight, charge **$25** for the internet.
- **Week 2:** On the *same* flight, charge **$15** for the internet.
- If more people bought the internet in Week 2, they can be pretty sure it was because of the lower price (as long as everything else was the same).

Wa Alaikum Assalam! Here is that text, simplified for a beginner.

RESEARCH INSTRUMENTS

This just means the **tools** researchers use to collect new (primary) information.

The three main tools are:

1. Questionnaires
2. Qualitative Measures
3. Technological Devices

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1. Questionnaires

A questionnaire is simply a **list of questions** given to people. It is the most common tool.

The way you write the questions (the words and the order) is very important and can change the answers you get.

There are two main types of questions:

- **Closed-End Questions:**
    - These are like **multiple-choice** questions.
    - They give you all the possible answers (like "Yes/No," "A, B, or C," or "Rate from 1 to 5").
    - They are **easy to count** and make charts from (e.g., "60% of people said 'Yes'").
- **Open-End Questions:**
    - These are like **essay questions**.
    - They let people answer in their *own words* (e.g., "What is your opinion of American Airlines?").

    - They are great for *exploring* how people think, but they are not good for counting.

Simple Tips for Good Questions

- Make questions **simple**. Don't use hard words or jargon.
- Be **specific**. Don't use vague words like "usually" or "frequently."
- **Don't be biased.** Don't write a question that *pushes* the person to a certain answer.
- **Don't ask two questions in one.**
- For sensitive topics (like age or income), give **ranges** (e.g., "Are you 20-29?" "Are you 30-39?") instead of asking for an exact number.

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2. Qualitative Measures

This is a fancy way of saying "not counting numbers."

Sometimes, what people *say* on a survey is not what they *really* feel or do. These methods are used to get deeper insights and explore ideas.

- **The Good Part:** People may be more honest and share more.
- **The Bad Part:** You can only do this with a few people, so you can't say the results apply to *everyone*.

Popular methods include:

1. **Word Associations:** "What is the first word that comes to your mind when you hear 'Timex'?"
2. **Projective Techniques:** You show someone a picture (like a cartoon with an empty speech bubble) and ask them to fill in what the person is thinking.
3. **Visualization:** You ask a person to make a **collage** (cutting and pasting pictures from magazines) to show their feelings about a product.
4. **Brand Personification:** "If the John Deere brand (the green tractor) came alive as a person, what would he be like?" (People might say: "A hardworking, rugged man.")
5. **Laddering:** The researcher keeps asking "Why?" to dig deeper.
    - "Why do you want this phone?"... "Because it's well-built."
    - "Why is that important?"... "Because it means it's reliable."
    - "Why is reliability important?"... "Because my family needs to reach me." (This is the *real* motivation.)

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3. Technological Devices

Researchers can use technology to measure a person's *physical* reactions, not just what they *say*.

- **Eye Cameras:** These track where a person's eyes look first on an ad or a Web page, and how long they stare.
- **Brain Wave Scanners (Neuromarketing):** This is a new field. Researchers use brain scanners (like in a hospital) to see which parts of a person's brain light up when they see an ad. Sometimes, the ad people *said* they liked (on a survey) is *not* the same ad that *actually* excited their brain.
- **Audiometers:** These are special boxes attached to TVs in people's homes to automatically record what channels they are watching.

SAMPLING PLAN

You have your tools (like a questionnaire). Now you need a "sampling plan." This just means you have to decide **who** you are going to ask.

This plan has three parts:

1. **Sampling unit: (Who should we survey?)**
   - You must define your group. For the airline, is it *all* first-class passengers? Or *only* first-class passengers flying for business? You must decide.
2. **Sample size: (How many people should we survey?)**
   - You don't need to ask everyone. Large samples are better, but a small, well-chosen group (even less than 1% of the total) can often give you very reliable answers.
3. **Sampling procedure: (How should we choose the respondents?)**
   - How will you *pick* the people to survey? The best way is **probability sampling**, where everyone in your group has an equal chance of being chosen (like drawing names from a hat).

CONTACT METHODS

This is the final step in the plan: How will you **contact** the people in your sample?

- **Mail Contacts:**
  - Sending the questionnaire in the mail.
  - **Pro:** People can answer in private.

    - **Con:** Very **slow**, and most people throw it in the trash (low response rate).
- **Telephone Contacts:**
    - Calling people on the phone.
    - **Pro:** It's **fast**.
    - **Con:** People **hate** telemarketers. Many people are on "Do Not Call" lists and won't pick up.
- **Personal Contacts:**
    - Talking to people **face-to-face**.
    - This is the **most versatile** (best) method. You can ask many questions and watch their body language.
    - **Con:** This is the **most expensive** and slowest method.
- **Online Contacts:**
    - Using the internet. This is very popular.
    - You can put a survey on your website, email it, or create an "online community" (like Del Monte's "I Love My Dog" group) to get feedback.

Pros and Cons of Online Research

- **Advantages (Good Parts):**
    - **It's cheap.** Much cheaper than calling or mailing.
    - **It's fast.** You can get thousands of answers in one or two days.
    - **People are honest.** People are often more open about sensitive topics when they are anonymous on a computer.
- **Disadvantages (Bad Parts):**
    - **Samples can be skewed.** You might miss all the people who *don't* use the internet (e.g., poor families, people in rural areas, or the elderly).
    - **People get bored.** They may quit your "online panel" or just give lazy answers.
    - **Technical problems.** Your survey might look broken on someone's computer or phone.

Step 3: Collect the Information

This is the "doing" phase. You go out and actually start collecting the data (making the phone calls, sending the emails, etc.).

This is the **most expensive** part of the process and also the step **most likely to have errors**.

Here are the four biggest problems:

1. Some people are **not available** (not home, or won't pick up the phone).
2. Some people will **refuse to cooperate**.
3. Some people will give **dishonest or biased answers** (they lie or just tell you what you want to hear).
4. The *researcher* (the interviewer) might be biased and ask questions in a way that changes the answer.

It's even harder when you do research in **other countries**, where it's difficult to make sure everyone is collecting the information in the exact same way.

Step 4: Analyze the Information

This is the step where you **do the math**.

The researchers take all the data (information) they collected and "tabulate" it, which means they put it into tables and charts.

They find the averages and use special statistics to find "hidden" findings in the data. They are looking for the story the numbers are trying to tell.

Step 5: Present the Findings

This is the last and most important step. The researcher **presents the answers** to the managers who asked for the study.

- A good researcher doesn't just hand over a pile of numbers.
- They must now act like a consultant and **translate** the data into simple insights and recommendations. They have to explain what the numbers *mean* and suggest what the company should *do* next.
- (One way to do this is with "personas"—they create a fake, detailed profile of a typical customer, like "Jill, the 30-year-old mom," to make the data feel more human and real.)

Here are the main findings the researcher gave to **American Airlines**:

1. The #1 reason people wanted the internet was **for email** and to stay connected.
2. **The price was very important.** This was the key finding:
    - **At $25:** 5 out of 10 passengers would buy. ($25 x 5 people = **$125 per flight**)

- **At $15:** 6 out of 10 passengers would buy. ($15 x 6 people = **$90 per flight**)
- **The Finding:** The *lower* price ($15) would actually make the airline *less money* than the higher price ($25).
- **The Math:** At $125 per flight, it would take the airline two years to earn back the $90,000 it cost to install the internet.

3. Offering internet would make American Airlines look **modern and innovative**.

Step 6: Make the Decision

Now, the managers who paid for the research must **decide what to do**.

- The researchers give *information* and *advice*. The managers make the final *decision*.
- If the managers trust the findings, they now have the confidence to move forward. They will probably decide to **offer the internet service at the $25 price**.
- If they don't trust the findings, they might say "no" or ask for more research.

(Some companies use a "marketing decision support system," which is just a fancy name for a computer program that helps managers look at the data and make better choices.)

Overcoming Barriers to the Use of Marketing Research

Even though research is very useful, many companies are still bad at using it.

- They don't understand what research can do.
- They ask the researcher the wrong questions.
- They expect the researcher to be a magician.

This can lead to *huge* mistakes.

The Star Wars Mistake:

- In the 1970s, a researcher was asked to predict if a new movie would be a success.
- He did research and concluded the movie would **FAIL**.
- **His data showed:** People were tired of "war" (because of the Vietnam War) and the movie had "War" in its title.
- The movie was **Star Wars**. It became one of the biggest movies of all time.
- **What went wrong?** The researcher delivered *data*, not *insight*. He looked at the *data* (the title) but failed to look at the *story*. He never read the script to see it was a classic human story about good vs. evil, love, and family.

Measuring Marketing Productivity

This is a very important idea for all companies.

It just means: **Proving that your marketing is working and not wasting money.**

Bosses are always asking their marketing managers:

"You spent $10 million on TV ads last year. How do we know it worked? Did it *actually* cause sales to go up? Show me the proof."

This is very hard to answer.

- It's easy to count the **input** (how much money you spent).
- It's very hard to measure the **output** (the results).

Maybe your ads *did* work. But maybe sales just went up because your competitor went out of business, or because the whole economy got better.

To find the answer, marketers use two main tools:

1. Marketing Metrics
2. Marketing-Mix Modeling

Marketing Metrics

"Metrics" is just a fancy business word for **the numbers you measure** to see if you are winning.

Think of the dashboard in a car or an airplane. The pilot doesn't look at 1,000 instruments at once. They look at a few key ones that tell them what they need to know *right now* (like speed, fuel, and altitude).

Marketing metrics are the same. You pick a few important numbers to track, such as:

- **External Metrics (Customer):**
    - Are people aware of our brand? (**Awareness**)
    - How many people are buying? (**Market Share**)
    - Are our customers happy? (**Satisfaction**)
    - Are our customers staying with us? (**Loyalty/Retention**)
- **Internal Metrics (Company):**
    - Do our employees know the company's goals?
    - Are our employees happy?

- Are we good at creating new things? (**Innovation**)

Marketing-Mix Modeling

This is a *very* advanced tool, usually a complex computer program.

Marketers use it to figure out *exactly* what effect their marketing had.

- They feed *all* their data into the model.
- This includes:
  - How much they spent on TV ads.
  - How much they spent on Facebook ads.
  - When they had a 2-for-1 sale.
  - What their competitor's price was.
  - Even what the weather was!
- The computer model then runs very hard math ("multivariate analysis") to find patterns.
- The model might spit out an answer like:
  - "For every $1 you spent on TV ads, you got $1.50 back in sales."
  - "But, for every $1 you spent on newspaper ads, you only got $0.30 back."

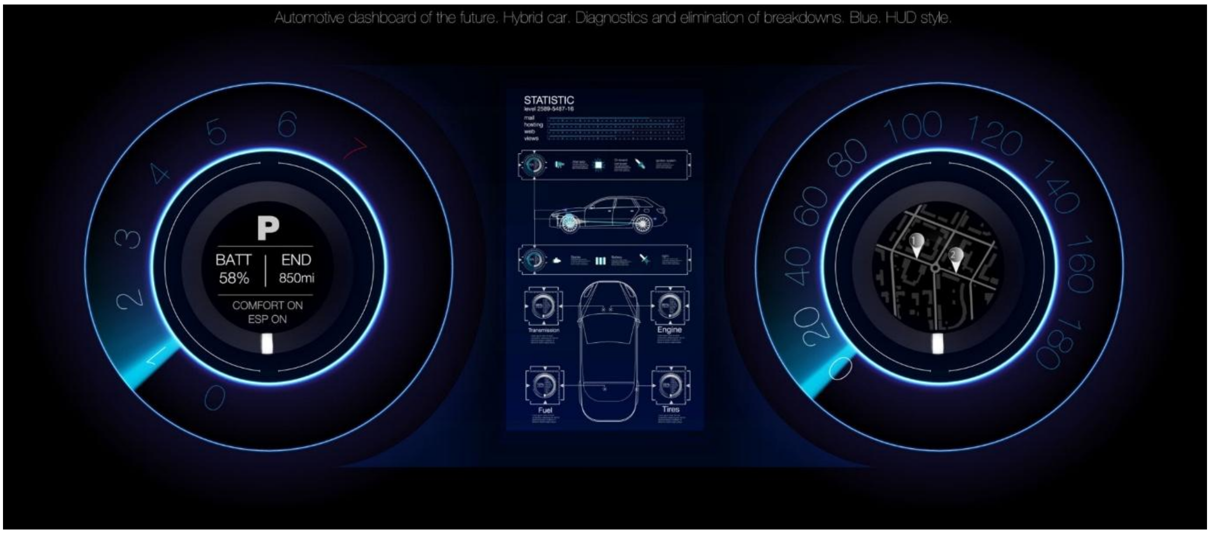
This helps managers decide *where* to spend their money next year to get the best results.

Marketing Dashboards

A marketing dashboard is exactly what it sounds like: **the dashboard of a car.**

When you drive, you don't read a 50-page report. You just glance at your dashboard to see the most important things right now:

- Your Speed
- Your Fuel
- Your Engine Temperature
- Any Warning Lights



Getty Images

A **marketing dashboard** is a simple, one-page computer screen for a manager. It shows all the most important *marketing metrics* (see above) in one place with simple graphs and charts.

This lets the manager see, at a glance, if things are going well or if there is a problem they need to fix.

The dashboard might show:

- **A Customer-Performance Scorecard:** Are we gaining or losing customers? Are they happy?
- **A Stakeholder-Performance Scorecard:** Are our *employees* happy? Are our *suppliers* happy?