



RSM5501: Marketing 1

Class 2: Going to Market and Growing the Market

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What we'll cover today



RetiSpec
SEE THE FUTURE

1. Introduction to *tweeter etc.*
2. Retispec: Taking a product to market
(Group discussions)
3. Reflections: Three sins of marketing +
The test-learn-adapt approach
4. The 4P's in a nutshell
5. Growth Strategies
6. Social and Digital Marketing (if time)

Before we begin

- In class on Thursday, guidelines under the Assignment tab
- One person per group submits
- *tweeter etc.* and the marketplace
- Small, but excellent service quality
- Automatic price protection plus everyday fair pricing plus abandonment of weekend sales

1) **Skim** the case, read the assignment questions

2) **Assign** responsibilities for questions across team members

3) **Think** about your responses to the questions for Thursday!



Bringing it all together: The Positioning Statement

Target Market [Who is the desired customer]

Primary Benefit [The biggest positive differentiator]

Secondary Benefit [Another potential benefit]

Support [Firm action specific to this product / service]

Competitive Advantage [Firm advantages more generally]

Note: For single product companies, there might be some overlap between support and competitive advantage

If you have multiple stakeholders / customer groups, you will need to write a different positioning statement for each!

Three sins of marketing *(and a shout-out to #BehSci & #MktRsCh)*

1) *The projection sin*

- Just because you (the marketing decision-maker) would react in a certain way; there is no guarantee that your customers will behave in the same way

2) *The single-effect sin*

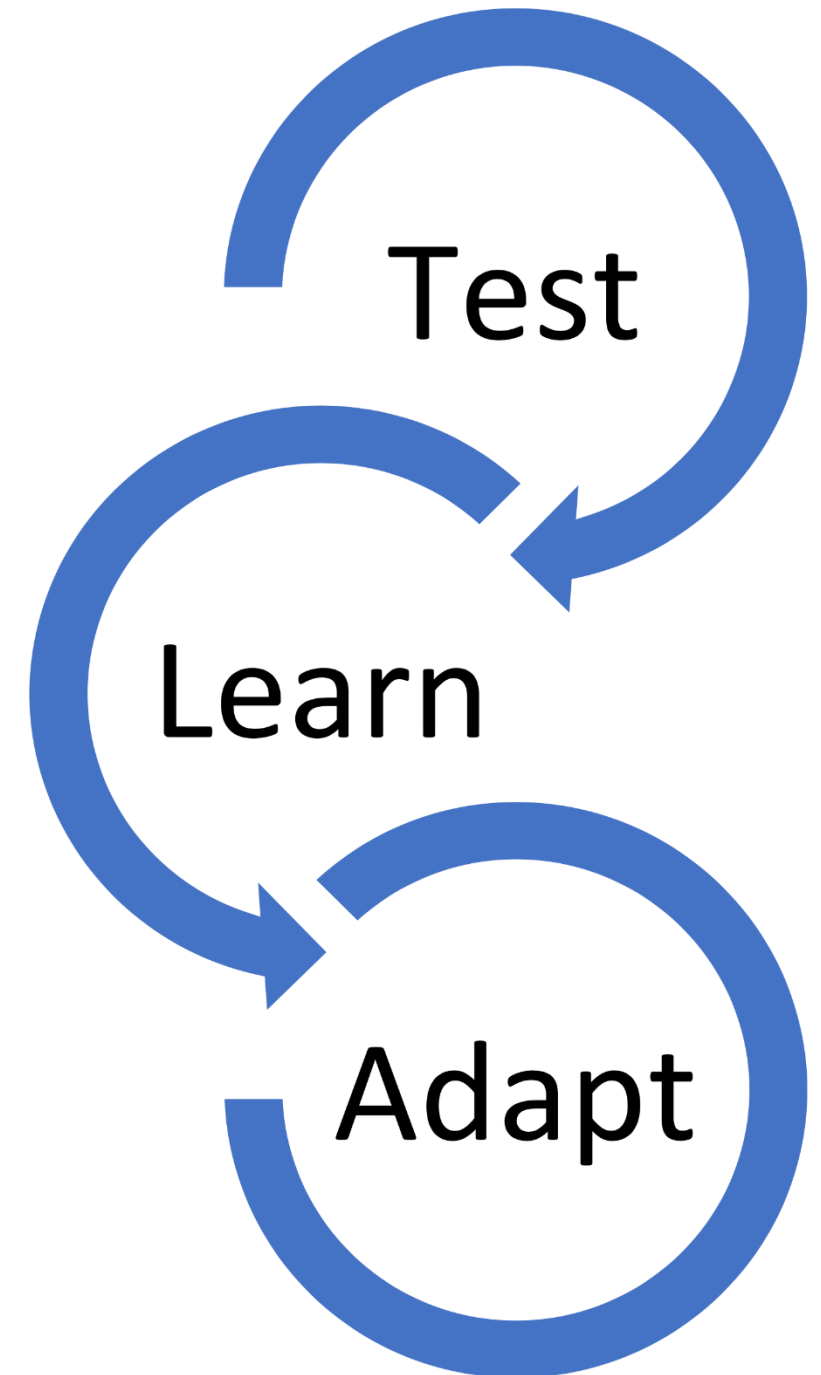
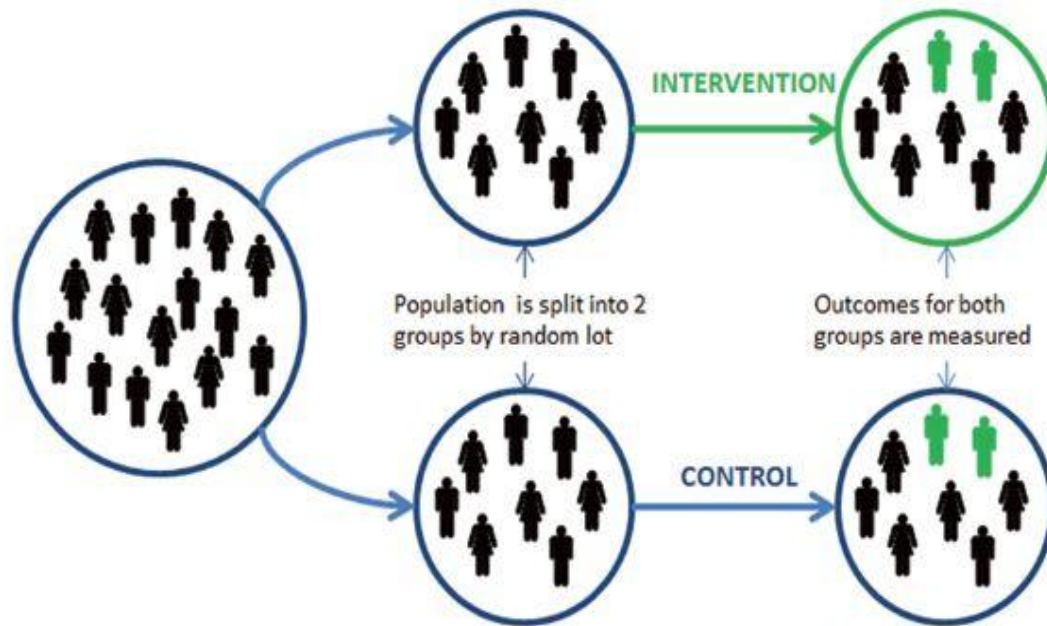
- Any marketing intervention could have multiple effects; it is pointless simply debating which one will “win”
- E.g.: Price discrimination (rent extraction vs. lower retention); dropping products (gain new customers, lose existing ones)

3) *The portability-of-success belief sin*

- Just because it (a marketing strategy) worked at a different time and in a different context is no guarantee that it will work now and in this context

So, what's a marketer to do

- Basically, be empirical – conduct research!
- Ideally a small “trial” but if that’s not feasible, even surveys or hypothetical experiments (e.g., conjoint studies) will do





CommonwealthBank

LOW FEE CREDIT CARD



At a glance

\$0 annual fee for the first year and up to 55 days interest free on purchases. Plus, \$0 annual fee each following year provided you meet certain spend requirements.*

Rates and fees

\$0	annual fee for the first year and each year you spend \$1,000 or more in the previous year*
\$29	annual fee if the above conditions are not met
19.74% p.a.	purchase interest rate
21.24% p.a.	cash advance interest rate

How to apply

Apply online and get a response in 60 seconds.

Apply now >

About the Low Fee credit card

- Features and benefits >
- Security >
- Rates and fees >

Features and benefits

Enjoy \$0 annual fee for the first year and each year you spend \$1,000 or more (Low Fee and Student) of \$10,000 or more (Low Fee Gold) in the previous year.***

LOW FEE CREDIT CARD



At a glance

\$0 annual fee for the first year and up to 55 days interest free on purchases. Plus, \$0 annual fee each following year provided you meet certain spend requirements.*

The purchase interest rate is higher than Low Rate credit cards.

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[Apply now >](#)

About the Low Fee credit card

Features and benefits >

Trade-offs >

Security >

Rates and fees >

Trade-offs

- The purchase interest rate of 19.74% p.a. is higher than Low Rate credit cards
- Does not earn awards points
- Does not include travel insurance
- There's an annual fee of \$29 in the second and later years if you spend less than \$1,000* in the previous year
- International purchases may incur international transaction fees

Possible Outcomes (KPIs)

KPI	Negative Effect on CBA	Positive Effect on CBA
Acquisition Metrics	May scare people away	People trust us more
Product Mix	People choose less profitable products but better for their own welfare	People could trust us more and opt for more profitable products (maybe expect better service)
Spend	People may spend less, not chasing points	People trust bank more, spend more on the card
Retention	Not confident of choice, defect in face of better options (more cancellation)	Better fit, more retention (less cancellation)
Financial health	More vigilant, less borrowing	Overall greater usage

Experiment [n=393,036]

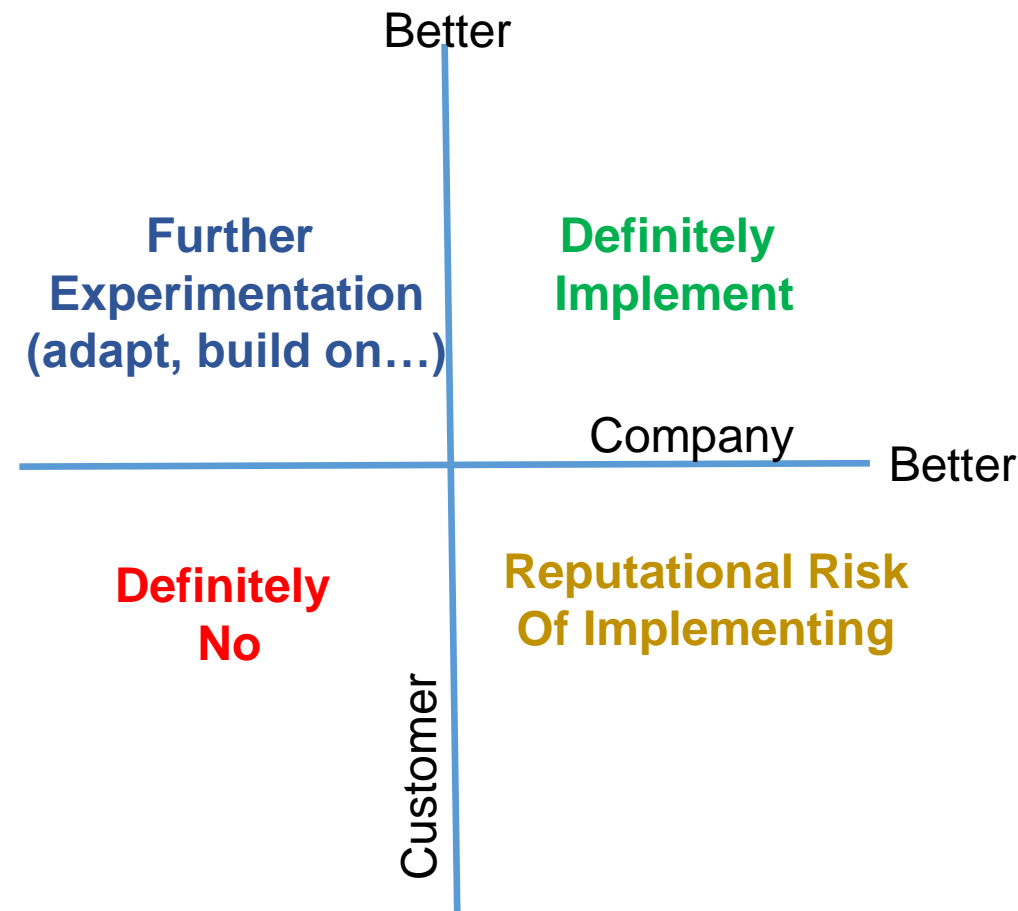
- Transparency has a **small negative** (but statistically insignificant) effect on **acquisition**
- Transparency resulted in **higher monthly spending** (+9.9%)
- Transparency resulted in **lower cancellation rates** (-20.5%)
- The probability of making **late payments were reduced** for customers experiencing transparency (-10.8%)
- No other changes in indicators of customer welfare

Source: Buell & Choi (2021), Yu, Merchant, Feng & Soman (2024)

Various outcomes could interact in complex ways to create four worlds

...as a function of

- 1) Whether it benefits customer or not
 - 1) Better card choices, less cancellation
 - 2) More vigilant spending behaviour, less borrowing
- 2) Whether it benefits CB or not
 - 1) Greater profits via changes in acquisition or retention



Product Overview

A product is a bundle of attributes. ***Want to achieve at minimum parity on the core but differentiate on the augmented.*** There are two levels of a product:

- **Core product:** The basic functionality (e.g. a car's benefit is transportation)
- **Augmented product:** Add-ons – physical or service part of the product (e.g. after-sale service, warranties)

Note, you could also (positively) differentiate on the core (e.g. Angiomax v Hemopure), but at minimum you need parity.



Differentiation

A product needs to be clearly differentiated from other offerings to avoid price competition. Two types of differentiation:

HORIZONTAL DIFFERENTIATION

Differentiation based on
tastes, (e.g. design,
colour, size)

VERTICAL DIFFERENTIATION

Differentiation based on
quality - can be a
combination of many
complementary attributes
(e.g. speed, comfort,
reliability)

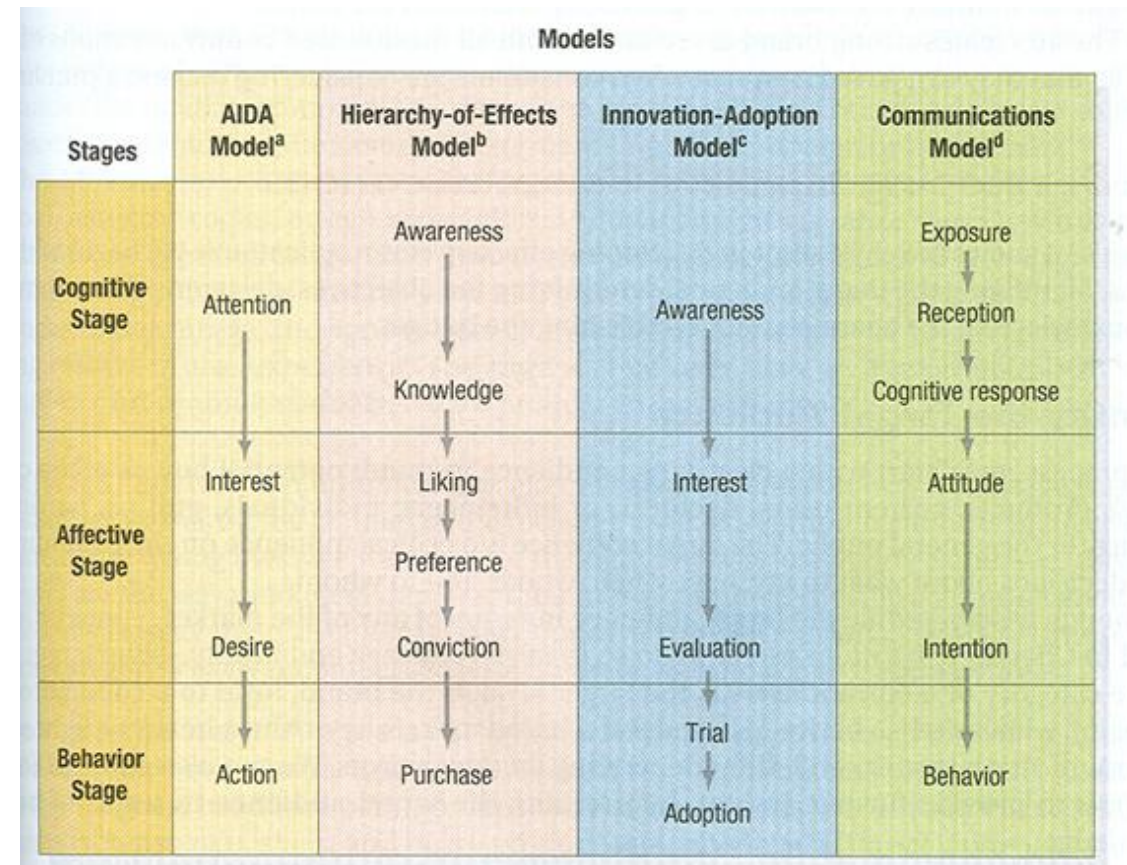
CAB - Cognitive, Affective, Behavioural

CAB describes the common events that occur when a consumer engages with marketing communication.

Cognitive: Creating awareness in the consumer's mind

Affective: Consumer develops a feeling toward the message or product

Behavioural: Consumer takes action and/or purchases the product

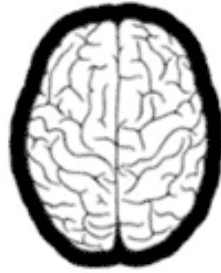


Types of Appeals

RATIONAL OR INFORMATIONAL

Presenting consumers with information to persuade based on logical arguments. Often used for more complex decisions.

Example: Toyota and their use of safety rating



EMOTIONAL OR TRANSFORMATIONAL

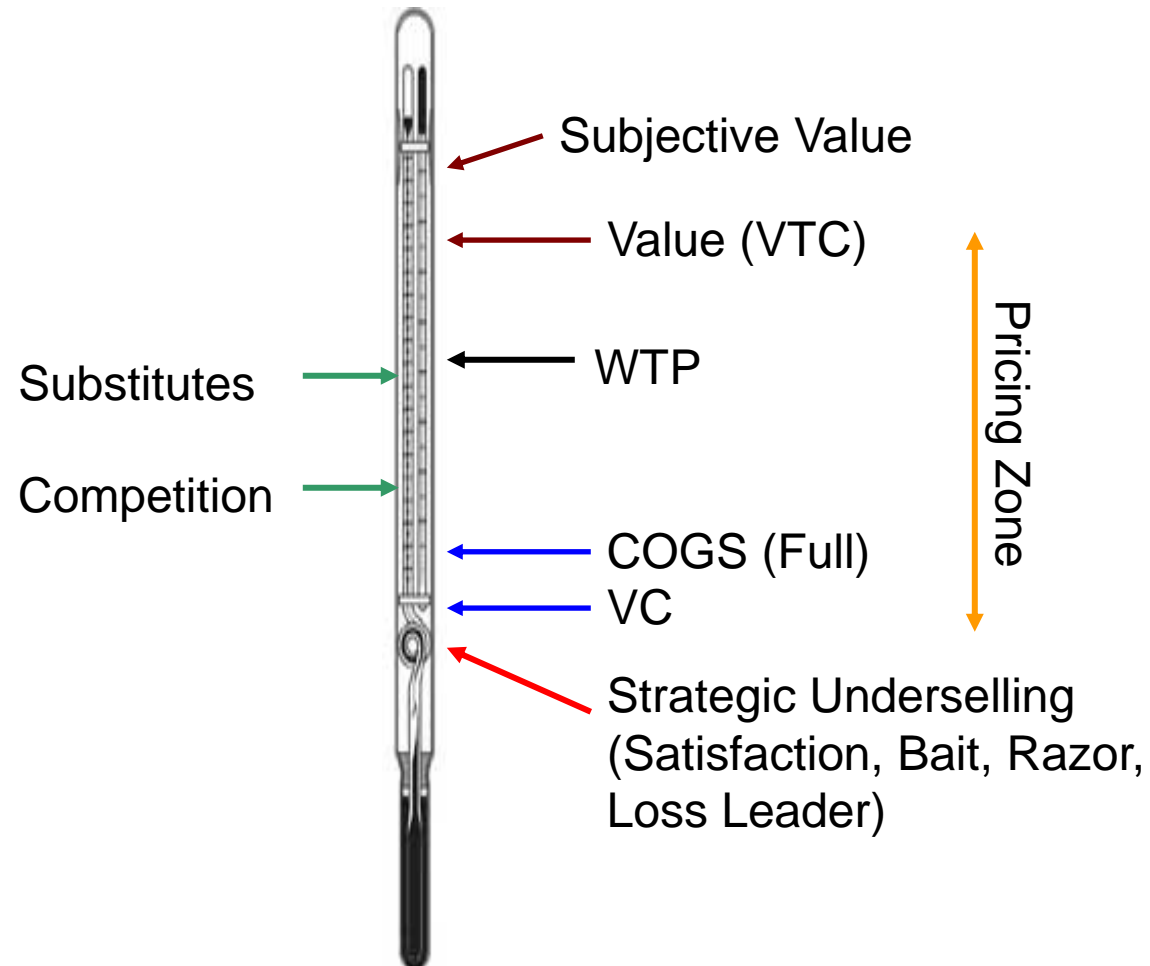
Endowing a unique set of psychological characteristics that would not typically be associated with brand experience.

Example: Coca-Cola and their Share a Coke campaign

Pricing: Different Models & Approaches

- Per unit pricing
- Access pricing
- Third party pricing
- Other variations: Solutions based contract pricing (e.g., SaaS)
- Value-based pricing
 - estimate VTC and use as a basis
- Cost plus pricing
 - Estimate costs (including activity costs) and add a markup
- Demand curve-based pricing
- Parity / competition pricing

Pricing Thermometer





RetiSpec

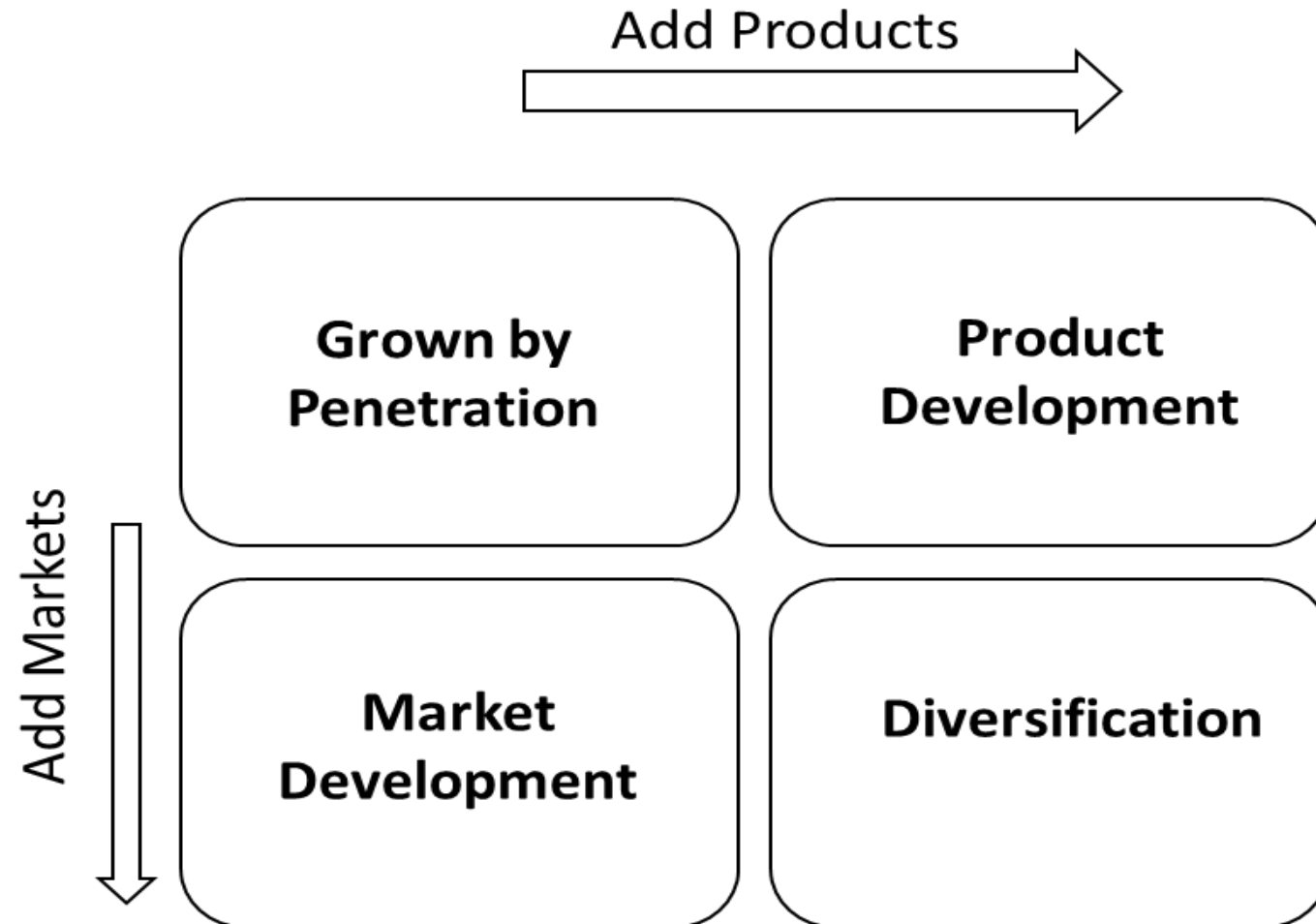
SEE THE FUTURE

My questions for you

- What value does RetiSpec create? To whom? Is the value economic or experiential? When does it happen?
- Write out a positioning statement for RetiSpec.
- What challenges do you anticipate as they go to market (pending regulatory approval)?

Growth Strategies: The Ansoff Matrix

Optional Unit 2.2.4



Market Development

Identify New Customers

- New segments in the same geography
- New geographies

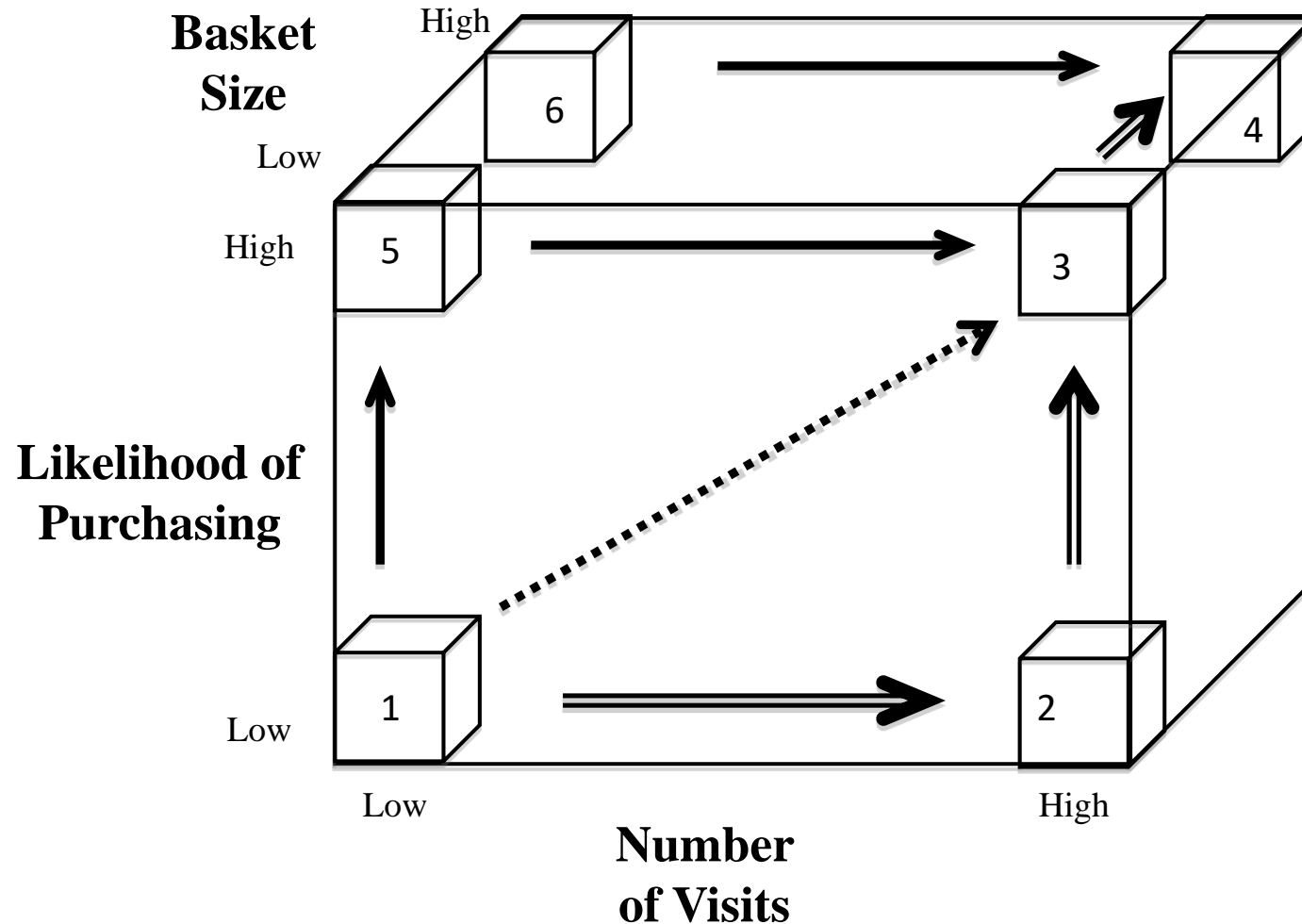
Market Penetration

Make Existing Customers Valuable

- Increase consumption, frequency of consumption
 - Growth Ladders
- Opportunity Segmentation

Opportunity Segmentation

Rotman



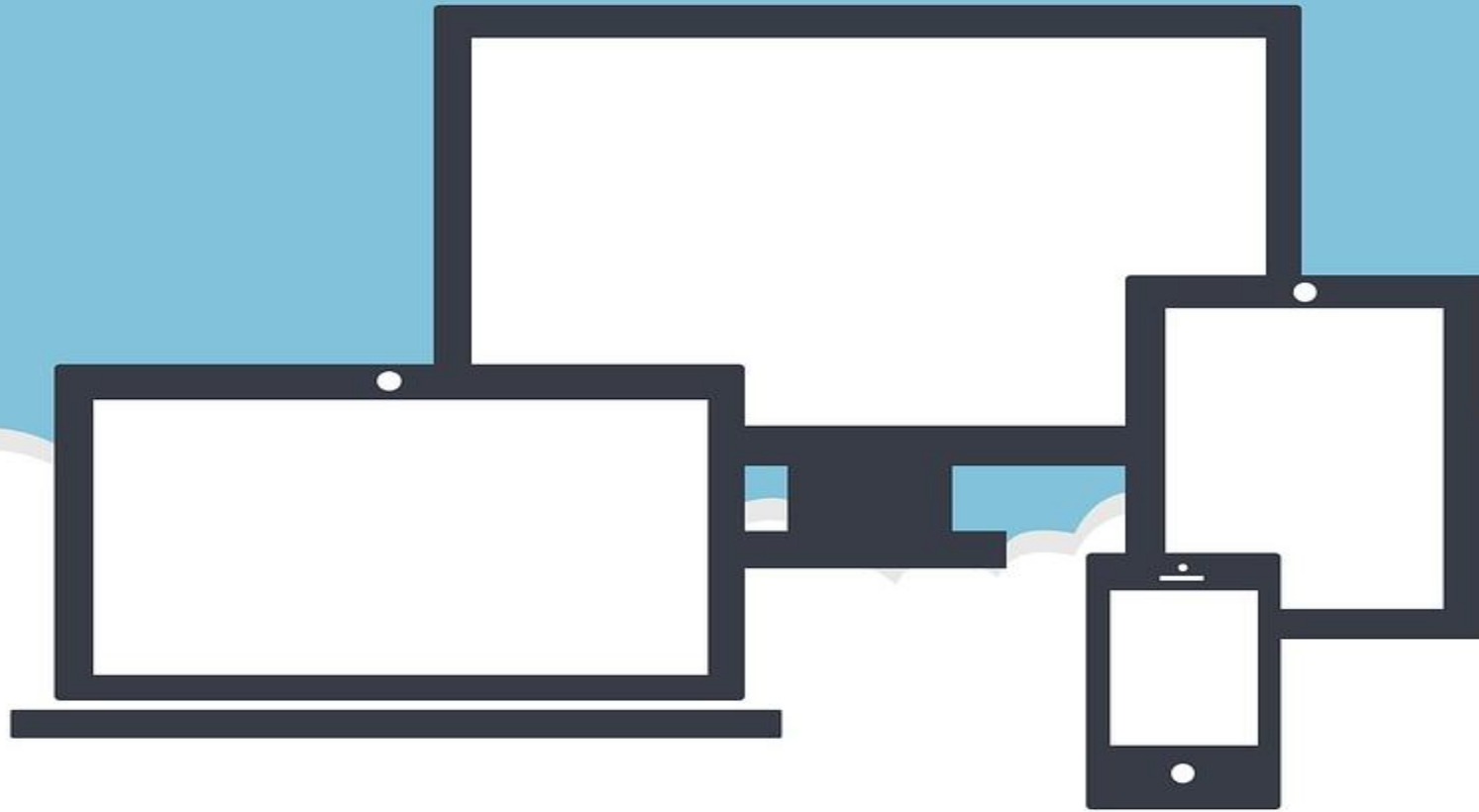
#4: **Best customers** – display all three behaviours

#3: High in Number of Visits and Likelihood of Purchasing, deficient in Basket Size

Opportunity: Increase Basket Size

#6: High in Basket Size and Likelihood of Purchasing, deficient in Number of Visits

Opportunity: Increase Number of Visits



Does the online environment fundamentally change how we make decisions?

The image features a full-frame background of a brick wall. The bricks are reddish-brown with some lighter, weathered patches, and the mortar is a light beige color. The wall has a slightly textured, aged appearance. In the center of the image, the word "Yes!" is written in a large, bold, black, sans-serif font. The exclamation mark is particularly prominent.

Yes!

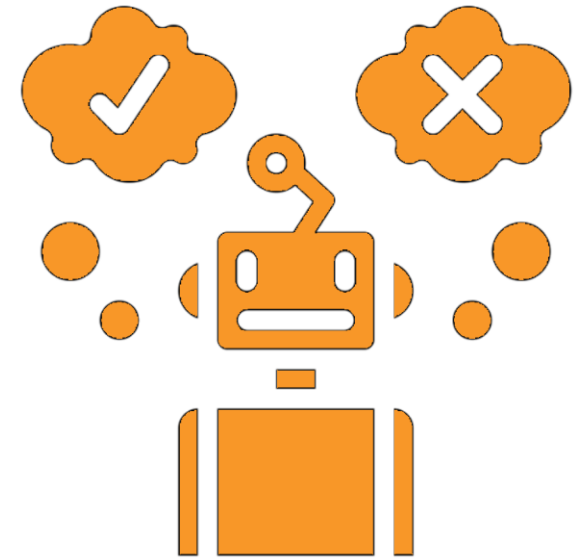
Consumer behaviour online *is* different



Screen



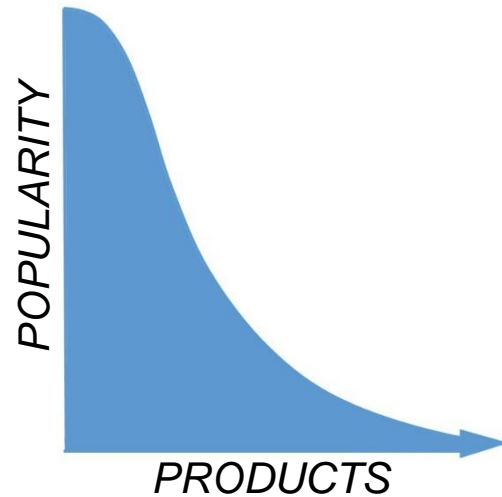
Connectivity



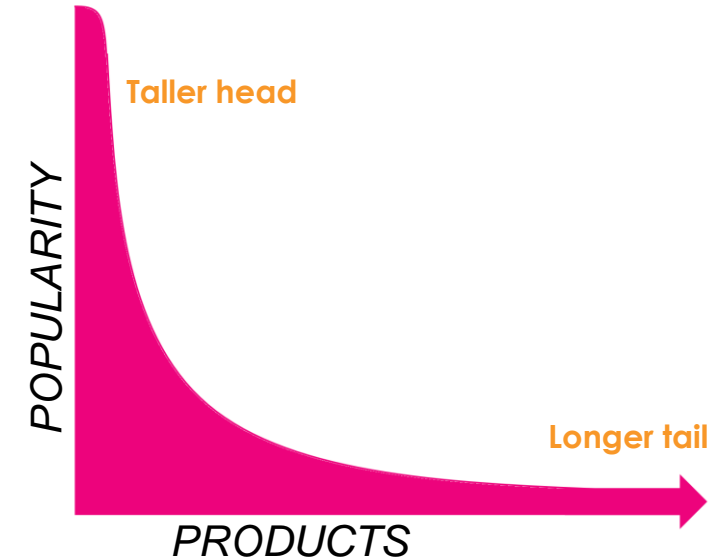
Choice engines

Marketplace implications

100% physical market



100% online market

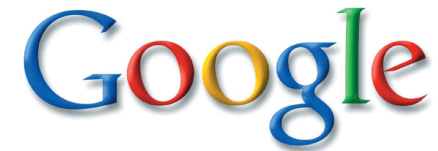


Taller head: Greater conformity in domains where people have weak preferences

Longer tail: Greater distinctiveness in domains where people have rare preferences and need social validation

Advertising Online

- Main benefit: Targeted
- Pricing Models
 - CPM = Cost per Impression
 - CPC = Cost per click
 - CPA = Cost per action / acquisition
 - Value or revenue sharing



Social ≠ Digital

- A digital strategy is a channel strategy
 - And can be achieved merely by “digitizing” current content and processes
- A social strategy is a customer psychology that enhances engagement
 - And leverages the power of influence

What is a social strategy?

		STRATEGY IMPACT	
		REDUCE COSTS	INCREASE WILLINGNESS TO PAY
SOCIAL IMPACT	ESTABLISH RELATIONSHIPS	Yelp acquires valuable content by helping people meet if they write reviews.	American Express helps professionals to meet others like them if they maintain their card membership.
	STRENGTHEN RELATIONSHIPS	Zynga helps friends stay in touch if they recruit new players and retain existing ones.	eBay allows people to strengthen friendships through gift giving if they ask friends to buy from eBay.

A template for a social strategy

[Adapted from: Piskorski 2012]

- XXX's social strategy is to
 - Improve WTP or Decrease Cost
- Of [Marketing Process]
 - Product, service,
- By [influencing customer revenue generating activity]
 - Acquire, retain, basket size, upsell, increase frequency of visits
- In exchange for [social goal]
- Through [action needed to achieve social goal]

Additional Ideas



- Platforms essentially allow for a **mechanisms for buyers and sellers** (who otherwise would not have met) **to meet**.
- **The long tail**: Centralized, non brick-and-mortar retail models tend to favour popular products, decentralized model allow for speciality and niche tastes to be catered to.
- Platform building is an **iterative process**.
- With new innovative ideas, firms need to make it **relatively costless for customers to try** the product.
- **Test, learn and adapt** is a valuable approach when mass customization is inexpensive
- In addition to learning customer preferences, **shaping** them by creating own content is an important part of the customer-centricity pillar.
- Shaping through a combination of recommendation and predictive analytics is particularly valuable in an **overchoice** world where preferences are difficult to express. It may take multiple forms: 1) **Opportunity segmentation**, 2) **Choice Engines**, 3) **Persuasion through rewards**

Wrapping Up



- Going to market often involves **multiple stakeholder** groups – articulate your value for each.
- The 4P's – handy checklist for market planning.
- **Three sins** of marketing – a) projection, b) single-effect, c) portability.
- Cure for the sins – research! **Pilots or experiments** are ideal.
- The online environment is a **fundamentally different** place than bricks-and-mortar!
- Three effects – Screen effect, connectivity effect, choice engine effect
- A **social strategy** leverages social needs of the customer