BUS 440 - Marketing strategy
Marketing Strategy 8e(Ferrell, O. C., Hartline, Michael, Hochstein etc.)

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Context

C1: Marketing in Today's Economy
>   Changes in the market | market basic definition | different types of markets | challenge in
>   market

C2: Strategic marketing planning
>   Marketing plan | Mission and Vision | Functional | SWOT | different types of planning

C3: Collecting and analyzing marketing information
>   Big data | Situation analysis | organizational culture | 5W model | competition | Data
>   collection | Focus groups

C4: Developing competitive advantage and strategic focus
>   Benefits of SWOT | issues of SWOT | quantitative analysis of SWOT | sources of competitive
>   advantage | customer intimacy | Strategy canvas | marketing objectives | goal setting

C5: strategic marketing planning
>   Consumer decision journey | Consumer purchase decision journey | business buying | types of
>   business markets | segmentation approaches | target marketing strategies

C6: The marketing program
>   Product portfolio | challenge of service products | new products | pricing | base pricing
>   strategies | supply chain | market channel | AIDA model | Promotional goals | advertising |
>   sales

C7: Marketing in Today's Economy
>   Brand | product differentiation | perceptual maps | product life cycle | product positioning
>   strategies

C8: Ethics and social responsibility
>   Ethical | stakeholder orientation | social responsibility | sustainability | code of conduct |
>   ethical leadership

C9: Marketing implementation
>   Market implementation | internal marketing | marketing controls | marketing audit

C10: Developing and maintaining long-term customer relationships
>   Customer relationship management | bonding | SIPOC | value and quality | different types of
>   costs | customer satisfaction and expectation

C1: Marketing in Today's Economy

1. **Power shift to Customers**
   - Comparison shopping and broader purchase options (online)
   - Creates price match pressure on retailers
   - Companies striving to:
     - Regain power
     - Focus on unique customer experiences
     - Macro factors (e.g. weather) affect buyers
     - Prediction of customer needs

2. **Changes in products and selection**
   - Displaced product lines (digitization of products)
   - Vast info on products
   - Competition on products

3. **Audience and Media Fragmentation**
   - Mass channels and uncertain targeting (online content streaming)
   - Multi ways to get people's attention
   - Niche marketing and targeting are enhanced
   - Mass market reach is much more difficult

4. **Changing value propositions** (subscription-based services)
   - Commoditization => price vulnerability
   - Pandemic, climate change => rethink value propositions
   - In-home digital entertainment

5. **Shifting Demand Patterns**
   - Technology shifted customer demand for specific product categories (sharing services)
   - Offline versus online for business model

6. **Privacy, Security, Ethical Concerns**
   - Customer data collection is more scrutinized
   - Devices create anxiety over privacy
     - Monitoring

7. **Unclear Legal Jurisdiction**
   - Legal systems differ for countries
   - Major issue: a collection of sales tax for online transactions

8. **Market:** A collection of buyers and sellers.

9. **Marketplace:** a physical location where buyers and sellers meet to conduct transactions.

10. **Marketspace:** electronic marketplaces unbound by time or space.

11. **Exchange:** obtaining sth of value from someone by offering sth in return.
    ● Five conditions
        - At least two parties to the exchange
        - Each party has sth of value to the other party
        - Each party must be capable of communication and delivery
        - Each party must be free to accept or reject the exchange
        - Each party believes it is desirable to exchange with the other party

12. **Product:** sth that can be acquired via exchange to satisfy a need or want.
    ● Physical or services
    ● Ideas and Info
    ● Digital products
    ● People and places: athletes or celebrities
    ● Experiences and Events
    ● Real or Financial Property: stocks, bonds, real estate
    ● Organizations

13. **Utility:** the ability of a product to satisfy a customer's desires.
    ● Form utility: distinctive features and quality.
    ● Time utility: available when the customer wants.
    ● Place utility: available where the customer wants.
    ● Possession utility: payment method available.
    ● Psychological utility: positive experiential activities that bring satisfaction.

14. **Strategy:** a blueprint for building a marketing plan.
    ● Top-level concerns: Corporate mission, resource acquisition.
    ● Mid-level concerns: Focus on a particular product or market.
    ● Lower-level concerns: Tactical and operational in nature.

15. **Tactical planning:** addresses specific markets or market segments, and the development of marketing programs that will fulfill the needs of customers in those markets.

16. **Marketing plan:** provides the outline for how the organization will combine product, pricing, distribution, and promotion decisions to create an offering that customers will find attractive.

17. **Marketing planning process**
    ● Mission: strategy

- Situation Analysis: seek opportunities
- Marketing Strategy: Find the target
- Marketing Mix: Gather info, allocate works
- Implementation and Control: Realize the plan, and execute

18. Research and Analysis
- Internal analysis: Objective review of resources, strategy, and performance
  - How to develop
- Competitive intelligence: Assessment of competitors' capabilities, vulnerabilities, and planning
  - Gather info to beat them
- Environmental scanning: Macro considerations: economic, political, legal, tech, and cultural (in big pic)
  - Include social factors
- Situation analysis: Collecting and interpreting internal, competitive, and environmental info
  - Examining current conditions, situations

19. Competitive advantage: excellence that exceeds competitors.

20. Marketing Mix: includes multiple areas of focus as part of a comprehensive marketing plan.
- Product: what the product is?
- Price: How are you pricing it?
- Distribution: how are you going to distribute it?
- Promotion: How you're going to promote it?

21. Marketing strategy: Describes how the firm will fulfill the needs and wants of its customers.
- Include activities associated with maintaining relationships with other stakeholders
  - *Stakeholders:* employees, shareholders, supply chain partners

22. Marketing segmentation: Dividing a marketplace into smaller, homogeneous segments
- Similar needs, wants, and characteristics

23. Target marketing: Distinct segments that a company will market their product to
- Many markets: primary, secondary,...

24. Marketing Program Decisions
- Products fulfill the basic needs and wants of the customer
- Price leads to revenue and profit
  - Direct connection with customer demand

- Easiest elements to change
- Major quality cue for customers
- Distribution is critical
  - *Supply chain decisions:* sourcing of raw materials, production of finished products, ultimate delivery to final customers
- Promotion (integrated marketing communication, IMC): the coordination of all promotional activities to produce a unified, customer-focused message.

25. Product positioning: establishing a mental image, or position, of the product offering relative to competing offerings in the minds of target buyers.
- Differentiate the firm's product offering from those of competitors by making the offering stand out.

26. Social responsibility: an organization's obligations to maximize its positive and minimize its negative impact on society.

27. Marketing ethics: defining acceptable behavior in marketing activities.

28. Marketing implementation: the process of executing the marketing strategy.
- Fifth P of the marketing mix
  - Product
  - Price
  - Promotion
  - Place
  - people

29. Relationship marketing: develop and maintain longer-term, mutually satisfying relationships through value creation.
- Promotes customer trust and confidence
- Important in B2B employees and supply chain partners
  - *B2B employees:* both the supplier and the recipient of the employee implement a share agreement.

30. Challenges of Marketing Strategy
- Biggest challenge: change
  - Customers, technology, marketing organization
- Marketing strategy is inherently people-driven
  - Insiders fulfilling the needs and wants of other people (customers, shareholders, business partners, society at large)
- High customer expectations, less brand loyal, more price-sensitive
- Marketers must adapt to shifts in markets and competition

C2: Strategic marketing planning

1. **The strategic planning process**
   - <u>Corporate situation analysis:</u> Corporate mission, goals, and objectives
   - <u>Business-unit situation analysis:</u> business-unit mission, goals, and objectives
   - <u>Business-unit strategy:</u> Division, do functional planning. The same planning process narrowed the scope.

2. **Situational analysis:** an in-depth analysis of the organization's internal and external environments.
   - <u>External:</u> search for a new opportunity
   - <u>Internal:</u> company's strengths and weaknesses

3. **Marketing plan (paperwork):** the blueprint of the organization's marketing activities.
   - <u>Implementation, evaluation, and control</u>
   - <u>Specific marketing goals, objectives, responsibilities, budgets, and timelines.</u>
   - <u>Contingency plans</u>
   - <u>Decisions within the overall mission, goals, and objectives</u>

4. **Mission (statement):** process-oriented; what a company is trying to do
   - <u>Elements</u>
     - Who are we
     - Who are our customers
     - What is our operating philosophy (basic beliefs, values, etc.)?
     - What are our core competencies or competitive advantages?
     - What are our responsibilities with respect to being a good steward of our human, financial, and environmental resources?
   - <u>Width</u>
     - *Too broad:* meaningless
     - *Too narrow:* miss major opportunity
   - <u>Stability:</u> the frequency of modifications in an organization's mission statement
     - Should not change frequently
   - <u>Customer-focused Mission statements:</u> To create customer loyalty

5. **Vision (statement):** result-oriented; what is the end we want to achieve

6. **Strategic business units (SBUs):** include subsidiaries, divisions, product lines, and other profit centers. (services that have an inner relationship that can combine together).
   - <u>Competitive advantages, allocation of resources, and conditions across functional units</u> (each section focus on a specific issue of its own)
   - <u>Consider the firm's capabilities:</u> general skills or strengths

7. **Functional areas of the organization:** marketing, production, financial, or human resources.

8. **Functional goals and objectives**
   - Expressed in clear/simple terms
   - Measurable (accurately): to evaluate strategy
     - Sales
     - Profitability
     - A gain in market share
     - Square foot
     - Average check
     - Share of the customer (function of cross-selling)

9. **Functional strategy**
   - Select one or more target markets
   - Develop a distinctive marketing program that addresses the wants of the market
   - Must be:
     - Fit the needs and purposes of the functional area with respect to meeting its goals and objectives
     - Be realistic given the organization's available resources and environment
     - Be consistent with the organization's mission, goals, and objectives

10. **Implementation**
    - Execution of the functional strategy
    - Two focal audiences
      - *Internal:* employees, managers, and executives
      - *External:* customers, suppliers, investors, society at large
    - Emerging technologies: AI, robotics, and blockchain

11. **Evaluation and control**
    - Key performance indicators (KPIs)
      - Sales
      - Productivity
      - Perfect orders
      - Customer satisfaction
    - Provides feedback for the next round of strategic planning

12. **Marketing Plan Considerations**
    - Comprehensive: no omissions of important info
    - Flexible: enable modification
    - Consistent: between the marketing plan outline and the outline of other functional area plans

● Logical

13. Executive summary (Marketing plan structure): A snapshot
- ● Outline the key points: a concise overview of the plan
- ● Not a "drill deep" detailed analysis
    - *Major aspects of plan*, objectives, sales goals, costs, and measurement
    - What area are you covering?
    - *Executive or employee* quickly determine what is expected to happen and how it will happen
    - *Key constituents* to help them understand their roles
    - *The first part* of the marketing plan

14. Situational Analysis (Marketing plan structure)
- ● Internal environment
    - Workforce availability
    - Competitive demand
    - Capacity of tech
    - Financial resources
    - Internal political strife
- ● Customer environment
    - Needs of the target market
    - Changing needs
    - How products meet those needs
- ● External environment
    - Competitive
    - Economic
    - Social
    - Political
    - Technological
- ● Challenges: too much data push toward integrated data analytics.

15. SWOT analysis (Marketing plan structure)
- ● Internal-Helpful *Strengths*
- ● Internal-Harmful *Weaknesses*
- ● External-Helpful *Opportunities*: external that can benefit
- ● External-Harmful *Threats*: identify and think about what we can do

16. Marketing goals (Marketing plan structure)
- ● Broad, simple statements
- ● Guide the creation of objectives and resource allocations

17. Marketing objectives (Marketing plan structure): Quantitative expectations to permit measurement and evaluation.
- ● Performance targets to determine success

- <u>Define measurement targets</u> for the evaluation and control phases
- <u>Consistent with the firm's mission</u>

18. Marketing Strategy (Marketing plan structure)
- <u>selection/identification of target market</u>
- <u>Creating and maintaining the marketing program</u>
  - Price, product, promotion, and distribution
- <u>Enhance competitive advantages and make it sustainable</u>
  - Managing relationships with customers through maintaining competitive advantages

19. Marketing Implementation (Marketing plan structure)
- What are the <u>specific marketing activities</u> that will be undertaken?
- <u>How</u> will the <u>activities be performed</u>?
- <u>When</u> will the activities <u>be performed</u>?
- <u>Who is responsible</u> for these activities?
- How will the competition of planned activities be <u>monitored</u>?
- How much will these activities <u>cost</u>?

20. Marketing control (Marketing plan structure)
  - *Establishing performance standards*
  - *Assessing actual performance against performance standards:* tied to plan objectives
  - *Taking corrective action as needed:* To reduce discrepancies between desired and actual data
- <u>Financial assessment of the plan</u>
  - Costs, sales, and revenue
  - Affects alternative courses of action going forward
- <u>Marketing audit:</u> help determine why the marketing plan is not living up to expectations.
- <u>Marketing plans are forward-looking and set goals</u>

21. Using a marketing plan structure
- Plan
- Revise
- Be creative
- Use common sense and judgment
- Think ahead to implementation
- Update regularly
- Communicate to others

22. Crisis Management: the process of handling a high-impact event characterized by uncertainty and ambiguity.
  - Requires quick response to mitigate damage

- Learning events because of successes and failure
  - Assist in the development of future crisis management plans
- Disrupt marketing plans/implementation
- The development of a recovery plan

23. **Continuity planning:** strategies, systems, and procedures that help ensure that a firm's policies are in place and operating in any environment.
    - Anticipation, prevention, mitigation, and survival mechanisms

24. **Purpose and significance of the marketing plan**
    - Explains both the present and future
      - Situation analysis and SWOT
    - Specifies expected outcomes
      - Goals and objectives
    - Describes specifications/responsibilities
    - Identifies resources needed for implementation
    - Permits monitoring of actions/results so that controls can be implemented
      - Informs next year's planning cycle

25. **Organizational aspects of the marketing plan**
    - The marketing manager, brand manager, and product manager write the plan
      - Other use consultants or committees
    - Responsibility for performance lies with V.P. marketing or marketing director
    - Final approval comes from the president or CEO
      - Will the proposed plan achieve the desired objectives
      - Are there alternative uses of resources better

26. **Customer-Focused planning**
    - Focus on customer satisfaction and firm success
    - Putting customers' needs first
    - Long-term, value-added relationships with key stakeholders
    - Generate sustainable competitive advantage
    - Home depot under carol tome (CFO)
    - Marketers see their products from the virtual eyes of the customer
      - *Synthetic customer vision:* Analyzing multiple data sources to create a holistic view of customer perceptions and use of products.
    - Home Depot's inverted pyramid: customer – Front-line associates – field support – corporate support – CEO

27. **Balanced strategic planning:** system to monitor ESG
    - Environmental
      - land, air, and water protection
    - Social (how you treat key stakeholders)
      - Product liability, shareholder activists

- <u>Governance</u>
  - Legal, regulatory, business ethics

C3: Collecting and analyzing marketing information

1. **Big data:** large data sets from massive structured and unstructured sources.
   - Can be analyzed and used to support strategic planning
   - As good as the analysis of the data
   - Develop useful actionable info in a timely manner
   - Enormous opportunities/challenges
   - sources
     - Mobile devices and the internet
     - Credit card and transactions
     - beacons
     - AI
     - Observation
   - Benefit
     - Trend prediction
     - Price info
     - Demand forecast
     - Personalized approach
     - Service improvement
     - Sales increase

2. **Situation analysis and marketing analytics**
   - Internal environment
     - Objectives, strategy, and performance
     - Resources
     - Culture and structure
   - Customer environment
     - Current customers
     - Product use
     - Where and when purchased and why do they buy
   - External environment
     - Competition
     - Economic growth and stability
     - Political trends and legal and regulatory
     - Technological advancements and sociocultural trends

3. **Marketing analytics maturity**
   - Lagging
     - *Restrictive analytics:* limited use of marketing data
     - *Characteristics:*
       ~lack of tech
       ~lack of data literacy and analytics skills
   - Developing
     - *Descriptive analytics:* backward-looking

- *Characteristics:*
  ~Siloed marketing data and reporting
  ~Limited tech
  ~Limited analytics skills
- Expanding
  - *Predictive analytics:* Forward-looking
  - *characteristics:*
    ~centralized marketing and business data
    ~Advanced analytics skills
- leading
  - *Prescriptive analytics:* Action-oriented
  - *characteristics:*
    ~Advanced data infrastructure & capabilities
    ~sophisticated analytics skills

4. **The human element**
   - Situation analysis does not replace intuition/insights; manager empowerment
   - Data does not talk or think-interpret
   - Involve dissecting
     - Target markets
     - Product
     - competitors
   - Goes beyond what AI and machine learning can produce (alone)

5. **Data, Analytics, insights**
   - Data: the facts and details of
     - Customers
     - Product use
     - User inputs
   - Analytics: the discovery of trends and patterns within the data via analysis techniques.
   - Insights: the value of data and analytics; as these outcomes identify useable info that helps to improve operations and performance of marketing activity.

6. **Situational analysis should be used strategically**
   - Any effort at situation analysis should be well-organized, systematic, and supported by sufficient resources
   - Important: It should be an ongoing effort
   - Valuable: The extent that which it improves the quality of the resulting marketing plan
   - Challenge: Track all three environments simultaneously

7. **Metrics for evaluation**
   - Sales performance

- Market share
- Growth rate

8. **Dashboard**
    - Visually represents the results of measured metrics
    - Realtime monitoring

9. **Causes for concern**
    - Wrong marketing goals
    - Flawed marketing strategy
    - Poor implementation
    - Macro changes
    - Tech changes
    - Changes in consumer sentiment

10. **Availability of resources**
    - Predictive analytics: use historical data inputs to predict the future
    - Informs coping mechanisms to make up for shortfalls
    - Improve productivity
    - Financial, HR, and tech

11. **Organizational culture and structure**
    - Review current and anticipated cultural and structural issues that could affect marketing activities
        - *Internal culture:* is marketing respected and central to a customer focus
        - Culture and structure are stable at most firms, changing structure is time-consuming
        - Many now shifting toward customer success orientation

12. **Organizational structure**
    - Siloed
        - *Functional:* organized based on the company's key functions
        - *Divisional:* organized based on the company's key products
    - open
        - *Matrix:* organized based on cross-functional teams and functions
        - *Flat:* organized based on self-management and a lack of managerial structures

13. **The customer environment:** info should be collected that identifies
    - The firm's current and potential customers
    - The prevailing needs of current and potential customers
    - The basic features of the firm's competitors' products are perceived by customers as meeting their needs
    - Anticipated changes in customers' needs

14. The 5W model
- Who are our current and potential customers?
    - *Who is the purchaser:* Demographic, geographic, and psychographic
    - *Are purchasers different from users*
    - *Who has an influence on purchase decision*
    - *Who has an influence on purchase decision*
    - *Who is financially responsible for the purchase*
- What do customers do with our products?
    - *Quantities/combinations purchased*
    - *Heavy user versus light user differences*
    - *Do buyers use complementary products*
      ~Derived demand: when the demand for one product depends on the demand of another product
    - *What is done with the product after use*
    - *Any recycling of products or packaging*
- Where do customers purchase our products?
    - What type of vendors
      ~online or in-store; direct from the seller
    - Are purchases from non-stores increasing
- When do customers purchase our products?
    - *Is there a seasonality to buying?*
    - *Do promotional events affect buying?*
    - *Are there other variables that impact when a purchase occurs?*
- Why do customers purchase our products?
    - *How do our products compare to competitors*
    - *How do our products meet consumer needs*
      ~are customer needs changing?
    - *How are the products paid for*
    - *Consumer loyalty or transactional*
    - *How can we enhance customer relationships*
- (Why do customers not purchase our products)
    - *What needs do our products not meet*
    - *What beats us in competitive advantage*
    - *Marketing mic misalignment with the market*
    - *What is the potential for noncustomer conversion*
    - *Social media has given good cues with online reviews and social posts*

15. Competition (external environment)
- Brand competitors: market products with similar features and benefits to the same customers at similar prices
- Product competitors: compete in the same product class, but with products that are different in features, benefits, and price
- Generic competitors: market very different products that solve the same problem or satisfy the same basic customer need

- Total budget competitors: compete for the limited financial resources of the same customers

16. Stages of competitive analysis
- Identification: current and potential competitors
- Characteristics: size, growth, profitability, objectives, strategies, and target markets of each competitor
- Assessment: each key competitor's strengths and weaknesses
- Capabilities: products, distribution, promotion, and pricing
- Response: estimate each competitor's most likely strategies and responses under different environmental situations

17. Economic growth and stability
- Change and uncertainty are inevitable
- Overall economic conditions in our markets
- The economic health of our industry
- Consumer optimism in the economy
- Buying and spending patterns within the industry

18. Political trends
- Have recent elections changed the economy: the political landscape
- What types of industry regulation trends
- How do we maintain good relations with elected officials

19. Legal and regulatory issues
- What regulatory changes can affect marketing
- Do recent court decisions inform strategy
- Do recent rulings modify our marketing activities
- Impact of changes in global trade agreements

20. Technological advancements
- Technology changes impact
  - Operations and production
  - Unlock greater efficiency in marketing activities
  - Product survival
  - New product development
- Frontstage technology: most noticeable to customers
- Backstage technology: advances are not as apparent
- Radio frequency identification (RFID) is both frontstage and backstage

21. Sociocultural trends
- How are demographics and cultural values changing
  - Aging population
  - The increasing number of single-parent families

- - Greater focus on ethics and social responsibility
  - More value-oriented consumption
- What challenges have changed our diversity
- What is the societal attitude toward our industry
- What social or ethical issues should we address

22. Data collection: secondary info sources
- Internal data sources: customer purchase data
- Government sources
  - Economy, census, business trends
- Periodicals
  - Subscription services
- Social media
  - Social media activity, reviews, comments
- Commercial data sources
  - *NPD Group:* online consumer panels
  - *Nielsen company and IRI:* POS (point-of-sale) data

23. Data collection: primary data collection methods
- Advantages and disadvantages
  - Expensive and time-consuming
  - Gives an option for incomplete data
  - Allows pinpointing your particular needs
  - Trustworthy due to the level of control
- source
  - Direct observation
  - Focus groups
  - Surveys
  - Experiments

24. Overcoming problems in data collection
- Incomplete inf: define the problem clearly
- Expensive to collect environmental data: find alternate partners (collaborate with a college)
- Time-consuming to organize vast data amounts: convert the data and info into a form that will facilitate strategy development

25. Market analytics trends
- Real-time data analytics: accurate picture of needs, wants, and how customers engage
- Rise of customer relationship management (CRM): personalized customer experience
- Content creation fueled by AI: blogs, web pages
- Automation will optimize multichannel marketing: will increase response rates

26. Focus groups
- <u>When to use</u>
  - *To obtain creative ideas*
  - *To evaluate and obtain feedback*
  - *To deepen understanding of an issue*
- <u>Process</u>
  - *Prepare for and stage the focus group*
  - *Conduct the focus group*
  - *Analyze results using content analysis*
  - *Report findings to the client:* written report with a face-to-face meeting
- <u>Basic strategies</u>
  - Welcome everyone and introduce
  - State the objective
  - State the ground rules
  - Ice-breaker
  - Ask each question and probe, tell me more about that, or can you give me an example of that
  - Active listening to capture ideas
  - Write down notes

C4: Developing competitive advantage and strategic focus

1. **Develop competitive strategies**
   - Synthesizing information
     - The present and anticipated situation from data analysis
     - Developing enhanced innovative capabilities
     - Developing a greater focus on customer needs
     - Building assessment processes such as the SWOT analysis
   - Disruption involves innovators reinventing business processes
     - Collaborate and integrate within the firm
     - Developing new technologies
     - Create entirely new markets
     - Sharing economy companies

2. **Benefits of SWOT analysis**
   - Simplicity and lower costs
     - No extensive training
     - The efficiency may lead to job cuts
   - Flexibility
     - Connect your structured data
     - Efficiencies arise in future SWOTs
   - Integration and synthesis
     - The quantitative and qualitative analyses combined
   - Promotes collaboration
     - Brings together varying perspectives in the department
   - If done correctly and diligently
     - It is a viable and relevant mechanism for the development of the marketing plan
   - If done haphazardly or incorrectly
     - Wast of time
     - Wast of other valuable resources
     - Analysis may be irrelevant

3. **Stay focused**
   - One generic SWOT does not work
   - Focus on product/market combinations
   - Look at competitors, customers, and the external environment
   - The only time you would complete one SWOT is when the organization has one product/market combination

4. **Search extensively for competitors**
   - Current rivals and ones on the horizon
   - Most effort focused on head-to-head (brand)
   - Look for substitutes (streaming vs cable)

- Don't be myopic and dismissive
- Even giants can lose vision

5. **Collaborate with other functional areas**
   - Integrate supply chain and logistics
   - New product introduction success is dramatically impacted by functional collaboration and integration

6. **Customers and noncustomers believe about products**
   - Product quality, customer service, price, experience
   - Dominant weaknesses (impact customer satisfaction)
   - External trends in environmental impact on customers
   - How important are these in the customer's view
   - Views of employees

7. **Availability or lack of resources**
   - Financial, intellectual, legal, human resources, organizational resource, informational, reputational, relational, insight
   - Causes are often based on resources

8. **Adopt a disruptive mindset**
   - How quickly will the potentially anticipated change occur
   - Disruption changes the "rules of the game"
   - Right side up thinking: current state of business
   - Upside down thinking: change and transform current strengths into weaknesses and weaknesses into strengths
   - outside-In thinking: utilizes the idea of upside-down thinking and applies it to a firm's competitors

9. **Potential Issues to consider**
   - Potential internal strengths
     - Abundant financial resources
     - Respected company/brand image
     - Agile and able to address disruption
     - Customer brand advocacy
     - Economies of scale
   - Potential internal weaknesses
     - Lack of *strategic direction*
     - Limited *financial resources*
     - Lack of focus on *disruptive competition*
     - Lack of focus on *disruptive technology*
     - Weak spending on R&D
   - Potential external opportunities
     - Rapid *market growth*

- Complacent rival firms
- Changing customer needs/tastes
- Opening of *foreign markets*
- *New product or process* discoveries
- Potential external threats
  - *Entry of foreign competitors*
  - Introduction of *new substitute* products
  - *Product life cycle in decline*
  - Changing customer needs/tastes
  - Rival firms adopting *new strategies*

10. Strengths and weaknesses

- Exist because of <u>resource excellence</u> and abundance or <u>resource failure</u> and shortfalls
- <u>Relationships</u> with customers, employees
- Strengths are capabilities in <u>support of customer's needs</u>
- <u>Customer-focused</u>
- Build <u>strategic competitive advantage</u>

11. Opportunities and threats

- <u>Exist outside the firm and are uncontrollable</u>
- Take advantage of opportunities and <u>minimize the impact of threats</u>

12. Six key issues in SWOT Analysis

- Look beyond resources and product to <u>offer solutions to customer problems</u>
- Success depends on the ability to create capabilities by matching strengths with opportunities
- Firms can often <u>convert weaknesses into strengths by investing in key areas</u> (customer support, supply chain efficiency, R&D, employee training)
- Weaknesses that cannot be transformed into strengths become limitations
- Strengths and weaknesses should be flipped to determine potential disruption
- <u>Opportunities and threats should be assessed outside-in</u> to determine competitor strengths that may become weaknesses

13. Quantitative Analysis of SWOT

- Quantify the magnitude of each element in the matrix (how strongly it can affect the firm)
- Rate the importance of all elements in the SWOT matrix
- Multiply magnitude x importance for a total rating for each element

14. How to interpret

- Strengths with high number must be emphasized to create a capability or competitive advantage

15. Next step in planning
- Align strengths with opportunities and develop a disruptive "mindset"
- Find compatibility between strengths and important and sizable opportunities

16. Common sources of competitive advantage
- Relational advantages
- Legal advantages
- Organizational advantages
- Human resource advantages
- Product advantages
- Pricing advantages
- Promotion advantages
- Distribution advantages

17. Competitive advantages
- Real differences between firms
- Perception has an impact
- Strategies for competitive advantage
    - *Operational excellence*
      ~Focus on efficiency and effectiveness of operations
      ~lower cost of doing business than the competition
      ~rule as long as customers' changing needs are addressed
      ~operational efficiency may cause concerns that safety and quality are being shortcut
    - *Product leadership*
    - *Customer intimacy*

18. Product leadership
- Excelling in technology and product development
- Most advanced, highest quality products

19. Customer intimacy
- Knowing your customer needs better than anyone else
- Develop long-term relationships by seeking their input on how to improve and solve problems

20. Strategic focus: model guiding the firm as it integrates and implements marketing into a coherent strategy.
- Competitive advantage
- Compensating for weaknesses or vulnerabilities
- The direction taken depend on the SWOT analysis

21. Direction based on SWOT
- Aggressive (+/+): many internal strengths/many external opportunities

- Diversification (+/-): internal strengths/external threats
  - Have a lot to offer, limited by external factors
- Turnaround (-/+): internal weaknesses/external opportunities
  - Too many, short-term, internal problems to take advantage of opportunities
  - Right the ship before moving forward
- Defensive (-/-): internal weaknesses/external threats
  - Overwhelmed by internal and external problems at the same time

22. **Strategy canvas:** a tool for visualizing a firm's strategy relative to others within the industry.
  - Identify a <u>value curve</u> with two major characteristics
  - Should <u>reflect the firm's strategic focus</u>
  - Different from competitors

23. **Objectives:** provide specific, quantitative benchmarks to gauge progress toward achieving goals.

24. **Developing marketing objectives:** specific and measurable quantitative benchmarks to gauge process.
  - <u>Attainability</u>
    - Attainable with reasonable effort (realistic)
  - <u>Continuity</u>
    - Continuous-building on past objectives
  - <u>Time frame</u>
    - Marketing objectives can occur within the year or beyond
    - Fit with objective
  - <u>Assignment of responsibility</u>
    - Explicitly assign responsibilities
    - Improves accountability/outcomes

25. **Goals setting**
  - <u>Attainability</u>
    - *Realistic*
    - *Unrealistic is demotivating:* managers are out of touch with reality; expectations of employees that are unattainable
  - <u>Consistency</u>
    - Increase sales and market share; customer service and satisfaction
    - Setting goals to *reduce inventory and increase customer satisfaction are in conflict*
    - Goals across and within areas should be *mutually supportive*
  - <u>Comprehensiveness</u>
    - *Functional goals*

- *Market on the "demand-side":* Monitoring customer needs and watching external trends
- *R&D works on the "supply-side":* conducting basic and applied research and advancing innovations in tech
- <u>Intangibility</u>
  - The goal is an outcome of what an organization hopes to achieve; hiring, and budgeting is not goals.

26. Moving beyond goals and objectives

- <u>Companies do not fulfill properly set goals and objectives automatically or through wishing and hoping</u>
  - Set into motion a chain of decisions and serve as a catalyst for the subsequent stages in the planning process
- <u>Organizational goals and objectives must lead to the establishment of consistent goals and objectives for each functional area of the firm</u>
  - Each area must next determine the means that will lead to these targeted results

C5: strategic marketing planning

1. **Examining Customers, Segments, and Target Markets**
   - A market is a collection of buyers and sellers
   - Firms can attempt to reach
     - All buyers in a market
     - Smaller groups or segments of the market
     - Specific buyers on an individual level
   - The firm must have a comprehensive understanding of current/potential customers
     - Motivations and behaviors
     - Needs and wants

2. **Social Media Segmentation**
   - Adults Segment: Facebook, Ins
   - Gen Z and Millennial Segment: Snapchat, Tiktok
   - Information Segment: Twitter

3. **The Consumer Decision Journey**
   - Needs Recognition
     - Starts the purchase process
     - Needs (currently not satisfied) and wants (specific product to satisfy) are not the same
     - To segment markets, understand wants
     - How do marketers trigger the need for recognition
   - Initial Consideration Set
     - Translate needs into specific products/brands
     - Evaluate the portfolio's ability to satisfy needs
     - Keep your product in consumers' "evoked set"
     - What are consumers' choice criteria
   - Active Evaluation
     - Consumers trust *personal sources* of information and *other consumer reviews*
     - Time and effort expended vary
     - Consumers *narrow the potential "evoked set"*
   - Moment of Purchase
     - Marketers must assure product availability and increase the probability of purchase
   - Post-Purchase Experience
     - Marketers should monitor consumers' feedback on the product's performance to assess if it met/exceeded expectations
     - The buying process and a long-term customer relationship

4. **Consumer Purchase Decision Journey**
   - Considers an initial set of brands
   - Add or subtract brands as they evaluate what they want
   - Selects a brand
   - After purchasing, builds expectations based on experience

5. **Factors That Affect the Consumer Purchase Decision Journey**
   - Decision-Making Complexity
     - Highly complex decisions
     - High personal, social, or financial risk
     - Coupled with a lack of experience
     - Excessive time, effort, and money to ensure the "right decision"
     - Low complexity, low involvement (routine)
     - Marketers provide information to help in the process
     - Need to be aware of what past buyers are saying
   - Individual Differences
     - Age, life cycle, occupation, and socioeconomic status affect marketing strategies and tactics
     - Perceptions, motives, interests, attitudes, opinions, or lifestyle (much more complicated)
   - Social Influences
     - Culture, subculture, social class, reference groups, and family
     - Family is a key influencer (often reflects your parents' influence)
     - Reference groups and opinion leaders impact buying decisions
     - Marketers may seek out opinion leaders (social media influencers) to speak about their products
     - Software companies release beta versions to get user input
   - Situational Influences
     - *Physical and spatial:* Atmospherics, crowding, store layout, and design
     - *Time:* Short on time, emergencies, and convenience
     - *Social and interpersonal:* Group shopping, salesperson, and other customers
     - *Purchase task or product usage:* Special occasions and buying a gift for others
     - *Consumer dispositional:* Stress, anxiety, fear, fatigue, emotional, involvement, and mood

6. **Business Buying Behavior**
   - Similarities with consumer buying behavior
     - Similar stages in the buying process
     - Focus on customer satisfaction
   - Differences in consumer behavior
     - Products are not bought for personal use
     - Buying products for use in operations

- Raw materials for production or office supplies

7. **Four Types of Business Markets**
   - Commercial: Buying raw materials for finished goods
   - Reseller: Buy producer finished goods and sell at a profit
   - Government: state, local, and city purchases to provide services to citizens
   - Institutional: Noncommercial

8. **Unique Characteristics of Business Markets**
   - The Buying Center: Group responsible for making purchases
     - *Economic buyers:* Responsible for achieving the firm's objectives
     - *Technical buyers:* Narrow the number of product options with the economic buyer (within budget)
     - *End-user buyers:* Greater role in the buying process, for more technologically advanced products
   - Hard and Soft Costs
     - *Hard costs:* Price of goods and shipping/handling costs
     - *Soft costs:* Downtime, opportunity costs, and HR costs; New systems and software require installation, implementation, and training
   - Reciprocity
     - When firms enter into exchange relationships to mutually benefit both parties
   - Mutual Dependence
     - Supplier closure or limited production can be devastating
     - Limited or "sole-sourced" materials sought
     - Customers lost due to shortages/sellouts
     - Supplier replacement can take months to years
   - Value Outcomes Over Experience
     - Importance of product value vs experience
     - Products should provide value and reliability

9. **The Business Buying Process**
   - Problem recognition
   - Develop specific specifications
   - Vendor identification and qualification
   - Solicitation of proposals or bids
   - Vendor selection
   - Order processing
   - Vendor performance review

10. **Market segmentation**
    - Dividing the total market for a product into homogenous segments or groups
    - Members will have similar likes, desires, needs, wants, or preferences
    - The big decision is whether to segment at all

- Most firms opt to target one or more segments

11. Traditional Market Segmentation Approaches
- <u>Mass Marketing</u>
  - *No segmentation* • Treat the whole market the same
  - *Assumes all customers in the market have similar needs and wants:* Only a single marketing program is needed
  - Production efficiency and low marketing cost
  - Risky, as competition response
- <u>Differentiated Marketing</u>
  - *Dividing the market* into groups of customers with homogenous needs
  - Multi-segment approach
  - Market concentration
- <u>Niche Marketing</u>
  - Focus your marketing efforts *on one small, well-defined market segment*
  - The unique and specific set of needs
  - An attractive niche has growth and profit potential
  - A highly desirable, specialized option

12. Individualized Segmentation Approaches
- <u>One-to-One Marketing</u>
  - *Creating a wholly unique product or marketing program for each customer in the target market*
  - More common in *luxury* and custom products (homes, yachts…)
  - Service firms customize their marketing programs (lawyers, doctors, hair stylists, etc.)
- <u>Mass Customization</u>
  - *Unique products and solutions to individual customers* on a mass scale
  - Customer chooses from a variety of options
  - Neighborhoods based on basic plans with options
  - Examples also include Dell and Build-A-Bear Workshop
- <u>Permission Marketing</u>
  - *Giving marketers permission* to target you
  - Opt-in email lists are the most common
  - Already showing an interest in the product
  - Precisely targeting your market

13. Criteria for successful segmentation
- <u>Identifiable and Measurable</u>
- <u>Substantial:</u> Worth your time to target
- <u>Responsive:</u> Engage in interaction
- <u>Accessible:</u> Reachable
- <u>Viable and Sustainable</u>

14. Identifying Market Segmenting: Consumer Markets
- Behavioral Segmentation
  - *Consumer behavior or product usage*
  - Why people buy and use the product
  - Powerful but difficult to execute
  - Understand the basic needs and benefits sought by different groups
  - Combine with other segmentation variables
- Demographic Segmentation
  - *Gender, age, income, education*
  - The most widely used way to segment
  - Data is widely available and easy to measure
  - Does not help in understanding motives
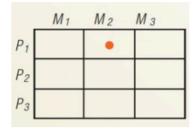- Psychographic Segmentation
  - *State of mind*
  - Much more difficult to measure/assess
  - VALS framework
- Geographic Segmentation
  - *Weather, culture, access*
  - *Geodemographic:* Looking at neighborhood profiles based on demographic, geographic, and lifestyle variables
  - *PRIZM:* Geoclustering tool breaking down neighborhoods into 68 different demographic and behavioral clusters
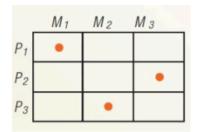
15. Target Marketing Strategies
- Single Segment Targeting
  - Capabilities are tied to the needs of a specific target market
  - Complete understanding of customer's needs, preferences, and lifestyle
  - Focus on quality and customer satisfaction

P = Product Category; M = Market
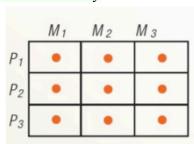
  -
- Selective Targeting
  - Multiple capabilities in many product categories
  - Focus on the most attractive market segments
  - Diversification of the firm's risks

P = Product Category; M = Market
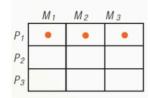
-
- **Mass Market Targeting**
  - Development of multiple marketing programs to serve all customer needs simultaneously

P = Product Category; M = Market

-
- **Product Specialization**
  - When expertise in one product category can be leveraged across different markets
  - Adapt product specifications to match different needs of individual customers
  - Research and development integral to marketing success

P = Product Category; M = Market

-
- **Market Specialization**
  - Extensive knowledge and expertise in one market
  - Can offer customized marketing solutions

	M_1	M_2	M_3
P_1		●	
P_2		●	
P_3		●	

P = Product Category; M = Market

C6: The marketing program

1. **The marketing program**
   - the strategic combination of the marketing mix: price, product, promotion
   - The product receives great emphasis: fulfills needs and wants
   - The marketing program is physical (tangible), service (intangible), and symbolic (perceptual) to satisfy needs/wants.

2. **The product portfolio**
   - Consumer versus business-to-business
   - Product line versus product mix
     - *Product line:* closely related products
     - *Product mix:* multiple product lines (total group of products offered)
     - *Variety:* number of product lines
     - *Assortment:* product line depth

3. **Benefits of a product portfolio**
   - Economics of scale
   - Package/product uniformity
     - Locate company products more quickly
   - Standardization
     - Can share some component parts between lines
   - Sales and distribution efficiency
     - Distributions are favorable to lines versus individual products
   - Equivalent quality beliefs

4. **The challenges of Service products**
   - Intangibility
     - Difficult to evaluate the quality
     - Seeling a promise (hard to characterize)
     - Service prices are difficult to set and justify
     - You don't possess a service
     - Digital is transforming some device industries
   - Simultaneous production and consumption
     - Customers/possessions must be present
     - Other customers can impact the experience
     - Service provider quality/experience critical
     - Lowering the amount of contact-service lapse
     - Digital is an option for some services
   - Perishability
     - Services cannot be inventoried or stored
     - Unused service capacity is gone
     - Service production is time and place sensitive
     - Hard to balance supply/demand in high demand

- Facilities and equipment sit idle when demand is low
- Heterogeneity
  - Vary across service provider
  - Complicating consistent quality delivery
  - Limited opportunities to standardize services
  - Customizable
  - Can dramatically increase the overall cost
- Client-based relationship
  - Goal is to maintain satisfied clientele
  - Generating repeat business is crucial
  - Focus on customers' use of services
  - Understand how to make improvements and provide value

5. **Developing New Products**
   - New-to-the-world products-disruptive innovations
     - Radical and innovative thinking of entrepreneurs
   - New product lines
     - Diversification into closely related product lines
     - Not as risky as true innovation
   - Product line extensions
     - New styles, models, features, flavors…
   - Improve existing products ("New and Improved")
   - Repositioning
     - Targeting existing products in new markets
   - Cost reductions

6. **The new product development process**
   - Idea generation: exhaust sources
   - Screening and evaluation: match with firm capabilities
   - Development: product design finalized
   - Test marketing: determine performance
   - Commercialization: launch the product with a marketing plan to stimulate awareness and acceptance

7. **Pricing strategy**
   - Revenue equals price
   - Must increase price or quantity sold to impact revenue
     - Rarely can both be done simultaneously
   - Pricing is easy/quick to modify
     - Surge pricing is a reality in tourism/entertainment and travel (dynamic)

8. **Pricing objectives**
   - Profit-oriented: maximize price versus the competition, often targeting a return.

- Volume-oriented: drive turnover, greater dollars or unit sales volume
- Market demand: charge what the market will bear
- Market share: increase or maintain market share
- Cash flow: recover cash ASAP
- Competitive matching: match or beat prices
- Prestige: set high prices to create high status
- Status quo: maintain current prices

9. **Price elasticity:** relative impact on demand given specific price increases/decreases.
   - Price sensitivity/elasticity is higher when:
     - Greater availability of substitute products
     - Higher total expenditure
     - Noticeable price differences
     - Easy price comparisons

10. **Price inelasticity:** the demand does not change with the price changes
    - Price sensitivity/inelasticity is lower when:
      - Lack of substitutes
      - Real or perceived as necessities
      - Complementary product
      - Perceived product benefits
      - Situational influences
      - Product differentiation

11. **Pricing service products**
    - Service quality is hard to detect before buying
    - cost/pricing of services are hard to determine
    - Customers may not know the service process
    - Brand names may not be well established
    - Customers can perform the service

12. **Base pricing strategies**
    - Price skimming: a high price to "skim" profits early in the product launch
    - Price penetration: low price to maximize sales, exposure, and grow market share
    - Freemium pricing: free trial period (goal is to secure renewals)
    - Prestige pricing: a high price to promote exclusivity and luxury
    - Value-based pricing (EDLP): everyday low pricing
    - Competitive matching: electronics retailers may do this to capture sales
    - Non-pricing strategy: emphasize other variables
    - The experience: product, service, promotion

13. **Adjusting the Base price**
    - Discounting: temporary price reductions

- Reference pricing: "originally 10 now 6"
- Pricing lining: compare to a competitor
- Odd pricing: prices are rarely set at round num.
- Price bundling
- Tiered pricing: basic to premium packages

14. Strategies for adjusting prices in business markets
- Trade discounts: reduced prices for intermediaries such as wholesalers
- Discounts or allowances cash, quantity purchased, seasonal, or allowances for ads
- Per unit/user: subscription services offering reduced prices for larger num of employees' usage
- Geographic pricing: transportation costs, distance, and zone pricing
- Transfer pricing: when one unit in an organization sells to another unit
- Barter and countertrade: in international trade, the use of products, not cash, for payments or partial payment in cash and goods

15. Supply chain management
- Operations management: production to final delivery with systemwide coordination; transform inputs into goods and services
- Procurement management: creating value through sourcing, purchasing, and recycling; includes materials and information
- Logistics management: efficient and effective flow of materials, products and information; from the point of origin to the consumption
- Marketing channel management: channel members that direct the flow of products

16. **The supply chain:** connection and integration of all members of the marketing channel
- Investments in and commitment to:
  - *Connectivity:* real-time information
  - *Community:* All working together to achieve a common mission and vision
  - *Collaboration:* Needs of the supply chain ahead of their own

17. Marketing channel functions
- Contact efficiency: minimization of contacts in the product exchange process
- Omnichannel: Bringing together communication, products, and services, supply chain management, payment options, and customer service…; seamless to customers

18. Market channel structure
- Exclusive distribution: restrictive coverage for prestige goods with a single well-defined target market

- Selective distribution: giving several merchants/outlets the right to sell in a defined geographic region
- Intensive distribution
    - Product availability in the maximum num of outlets
    - Convenience goods

19. Power in the supply chain
- Legitimate: firm's position in the supply chain
- Reward: the ability to help other parties reach their goals
- Coercive: taking positive outcomes away or imposing negative outcomes upon members
- Information: knowledge of sales, trends, research…
- Referent: liking to work with others

20. Trends in supply chain strategy
- Technological improvement
    - RFID (tracks inventory, spoilage, and theft)
    - GPS monitoring, AI, blockchain
- Risks&benefits of supply chain functions
    - Outsourcing non-core activities (contract mfg)
- Expecting and planning for disruptions
- Contingency or crisis plans

21. Integrated Marketing communication (IMC)
- Strategic and coordinated use of promotion to create one consistent message across multiple channels to maximize the persuasive impact
- The 360-degree view that considers all contact points with the customer
- Consistent and uniform messaging across platforms

22. The AIDA model
- Attention: get attention
- Interest: generate interest
- Desire: emotional relation
- Action: get your decision to buy

23. Promotional goals
- Pull strategy
    - *Market to final customers and they request products*
    - "Pull" through channels
    - Advertising, public relations, and consumer sales promotion
- Push strategy
    - *Supply chain focus* (wholesalers and retailers) to incent spending extra time and funds on selling

- Personal selling and trade sales promotion to "push" through the channel

24. Advertising
- Paid, nonpersonal communication transmitted through media
- Challenges in advertising
  - Initial expense can be high
  - Difficult to know how much to invest in advertising
  - *Ad effectiveness:* difficult to measure (ROI)
  - Making sure messaging is accurate and honest

25. Public relations
- Press release
  - Feature article/content
  - White papers
  - Press conference
- Webinar
  - Event sponsorship
  - Employee reparations

26. **Personal selling:** paid personal communication that attempts to inform customers about products
- Persuades them to purchase those products (B2B/B2C)
- Very customized, personal solutions
- The cost to recruit/train salespeople is high
- cost/contact is high

27. Changes in personal selling
- AI and other technology have impacted the assessments of data to impact customer acquisition and retention
- Software such as salesforce has improved customer relationship management (CRM) and lead generation
- The use of virtual meetings has improved and extended prospect/customer contact

28. Importance of sales function
- Major revenue generation of the company
- Build relationships and repeat business
- The "listening" or "live" market research-needs?
- Learn of new competitors and field reactions
- The "face of the firm": reputation, satisfaction…
- Boundary-spanning role (risk/reward)

29. Sales management activities
- Development of sales force objectives
- Determining the size of the sales force
- Recruiting and training salespeople
- Enabling salespeople via operations
- Controlling and evaluating the sales force

30. Sales force compensation
- Straight salary
  - *New salesperson/new territory*
  - Intense pre and post-sale service
  - Easy, provides security but does not incentivize
- Straight commission
  - *Aggressive selling required*
  - Some selling functions outsourced
  - Maximum incentive but less security
- Blended approach
  - *Territories have similar sales potential*
  - Want incentives and control

31. Changes in selling and sales
- Sale forces have shrunk as a result of IT, mobile tech, and virtual connectivity
- Integrating data sources with customer relationship management (Salesforce)
  - Customer
  - Competitor
  - Product info

32. Sales promotion
- Activities that create buyer incentives to purchase a product or that add value
- The goal is to induce product trials and purchase
- Can be targeted to:
  - Consumers
  - Channel intermediaries
  - Salesforce

33. Consumer sales promotion
- Can be initiated by any member of the supply chain, but manufacturers or retailers typically offer them
- Represents an effective way to introduce new products or promote established brands
- Can include such activities as: coupons, rebates, samples, loyalty programs, point-of-purchase premiums, contests, sweepstakes, direct mail

34. Business (trade) sales promotion
- Is <u>undertaken to push products</u> through the channel by increasing sales and encouraging increased effort among channel partners
- Uses many of the same promotional methods that are <u>targeted toward consumers</u>
- <u>Involves a number of unique methods including</u>: trade allowances, free merchandise, training assistance, cooperative advertising, selling incentives

C7: Marketing in Today's Economy

1. **Brand:** the combination of name, symbol, term, or design to identify specific products.
   - Brand name: spoken part.
     - Words, letters, …
   - Brand mark: symbol, figures, design.
     - Cannot be spoken

2. **Potential brand attributes**
   - People
     - Employees
     - Influencers endorsers
   - Things
     - Events
     - Causes
     - Third-party endorsements
     - Mobile apps
   - Places
     - Country of origin
     - Channels
   - Other brands
     - Extensions
     - Company
     - Branded ingredients
     - Alliances

3. **Strategic issues in corporate branding**
   - Most firms consider their corporate brands to be equally as important as individual product-related brands,
     - Product-related brands and corporate brands are clearly intertwined.
     - In some companies, the corporate brand dominates.
   - Typically start with individual products, but the principles also apply to both physical and online stores as well as services.
     - It represents the service of organizing a great product mix for its customers.

4. **Advantages of Branding**
   - Product awareness and identification
   - Comparison shopping
   - Shopping efficiency
   - Risk reduction
   - Product acceptance
   - Enhanced self-image and product loyalty

5. **Specific branding decisions**
   - Manufacturer brands
     - Reduced costs
     - Built-in loyalty
     - Enhanced image
     - Lower inventory
     - Less risk
   - Private-label brands
     - Higher profit
     - Less competition
     - Exclusive
     - Total control
     - Merchant loyalty

6. **Strategic branding decisions**
   - Individual branding
     - Each product gets a different brand name (differentiate it)
   - Family branding
     - Same name for every product in the line
     - One product reflects upon others

7. **Strategic branding process**
   - Brand discovery: dive deep into your business to learn about your customers and why they buy from you.
     - Brand audit, messaging audit, visual experience audit, website audit
     - Competitor analysis
     - Digital brand evaluation
     - Customer interviews
     - Buyer persona
     - Customer journey
   - Brand strategy: tell people what you want them to know about your business and control your business and control the perception.
     - Brand messaging
     - Unique value proposition
     - Mission statement, vision statement, positioning statement
     - Brand story, brand voice, brand tone
   - Brand design: grab your audience's attention with attention-grabbing & cohesive brand design.
     - logo/trademarks, corporate identity, icons/illustrations
     - Signage & wayfinding
     - Brand guidelines
     - Packaging design, website design
     - Landing pages
     - Video & photography

- <u>Brand activation:</u> execute your brand consistently across multiple touchpoints both internal&external.
  - Marketing collateral, sale collateral
  - Content marketing, staff training
  - Brand videos, events/trade shows
  - presentations/decks
  - brochures/flyers
  - Infographics

8. **Strategic brand alliances**
   - <u>Cobranding</u>
   - <u>Brand licensing</u>
     - A contractual relationship allows a company to use its brand on noncompeting products; in return, the licensor gets a licensing fee
     - Quite common in toys

9. **Brand value**
   - <u>Brand loyalty:</u> a positive attitude toward a brand that causes customers to have a consistent preference for that brand.
     - *Brand recognition:* a customer knows about the brand and is considering it as one of several alternatives in the evoked set.
     - *Brand preference:* a customer prefers one brand to competitive brands and will usually purchase this brand if it is available.
     - *Brand insistence:* customers will go out of their way to find the brand and will accept no substitute.
   - <u>Brand equity:</u> the value of a brand.
   - <u>Brand associations:</u> include the brand's image, attributes, or benefits that either directly or indirectly give the brand a certain personality.

10. **Packaging and labeling**
    - <u>Protection, storage, and convenience</u>
    - <u>Play a role in product modification/repositioning</u>
      - Improved functionality
      - Amplify branding
      - More durable container/reusable
      - Recycled packaging
      - Resealable packaging
      - Individual but sold in bulk

11. **Product differentiation and product positioning**
    - <u>Differentiation</u>
      - Creating differences in product offerings that set it apart from the competition
      - Distinct product features, added services

- Relates to the product and marketing program
- Positioning
    - Creating a mental image of the product offering that sets it apart from the competitors
    - Differentiating features in the consumer's minds
    - Consumers' perceptions of the real or perceived benefits

12. Creating product differentiation and product positioning

- Identify needs, wants, and preferences desired by the target market
- Evaluate the differentiation and positioning of current, and potential competitors
- Compare the firm's current relative position vis-a-vis the competition
- Incorporate a vision of disruptive technologies and competition
- Identify unique differentiation and positioning not offered by the competition that matches the firm's capabilities
- Develop a marketing program to create the firm's position in the minds of the target market
- Continually reassess

13. Benefits of perceptual maps

- Gain accurate insights into the opinions of your customer base
- Track the perception of the competition and understand how people view them
- Gain an accurate understanding of how your brand is perceived in the ecosystem
- Track ecosystem evolution as time moves forward and different brands reposition themselves
- Create new marketing strategies based on the relative success of other campaigns
- Visually identify market share and possible gaps to capitalize on

14. Positioning bases: Attribute, price and quality, use or application, product user, product class, competitor.

15. Product positioning strategies

- Strengthening a current position
    - Monitor the target market's wants and satisfaction
    - *Continually raising the bar:* customer expectations
- Finding a new positioning
    - May require a focus on new products

16. Product life cycle

- Introduction
    - Low sales
    - High cost per customer

- Financial losses
- Innovative customers
- Few competitors
- Growth
  - Increasing sales
  - Cost per customer falls
  - Profit rise
  - Increasing num of customers
  - More competitors
- Maturity
  - Peak sales
  - Cost per customer lowest
  - Profits high
  - Mass market
  - Stable number of competitors
- Decline
  - Falling sales
  - Cost per customer low
  - Profits fall
  - Customer base contracts
  - The number of competitors falls

17. Development (Introduction) stage
- No revenue during product innovation and development
- High financial, marketing, and opportunity risk
  - Uncertainty in developing new products and brands
- Begins with a concept
  - *Understanding the uses*/benefits that market wants
  - A *description of the product* and uses/benefits
  - *Potential for having a complete line of products* for synergy in sales, promotion, and supply chain
  - *Feasibility studies*
  - Anticipated sales, ROI required, the timing of market introduction and length of time to recoup costs
- Development is complete
- Ends when sales indicate target customers widely accept the product
- Marketing strategy goals common to the introduction stage
  - Attracting customers by raising awareness through promotion
  - Inducting trial
  - *Engaging in customer education*
  - *Strengthening or expanding channel* and supply chain relationships
  - *Building on the availability and visibility* of the product
  - *Setting pricing objectives* that will balance the firm's need to recoup the investment with the competitive realities of the market

- The length of the stage can vary

18. Growth stage
- features
    - The *upward sales curve and profits* should rapidly increase, and then decline, toward the end
    - The *length of the growth stage* varies
    - The firm has *two main priorities*
      ~establishing a strong, defensible market position
      ~achieving financial objectives that repay the investment and earn enough profit to justify a long-term commitment to the product
- goals
    - *Leverage the product's perceived differential advantages* to secure a strong market position
    - *Establish a clear brand identity*
    - Create *unique positioning* through advertising
    - Maintain control over *product quality*
    - Maximize availability of the product through *distribution and promotion*
    - Maintain or enhance the product's ability to *deliver profits to key channel and supply chain partners*
    - Find the *ideal balance between price and demand*
    - Always keep an eye focused on the competition
- strategy
    - Strategy shifts
    - Pricing becomes more challenging

C8: Ethics and social responsibility in marketing strategy

1. **Ethical behavior can:**
   - Enhance a company's reputation
   - Contribute significantly to its bottom line

2. **Stakeholder orientation**
   - Internal stakeholders: Employees, Managers, Owners
   - External stakeholders: Suppliers, Society, Government, Creditors, Shareholders, Customers

3. **Social responsibility:** relates to an organization's obligation to maximize its positive impact on society while minimizing its negative impact.
   - Pyramid of corporate social responsibility: Philanthropic responsibilities => ethical responsibilities => legal responsibilities => economic responsibilities (bottom)

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DIMENSIONS OF SOCIAL RESPONSIBILITY

4. **Economic and Legal Responsibilities**
   - Firms must be responsible to all stakeholders for financial success
     - Making profit serves employees and the community at large
   - Expectation to obey laws and regulations, at a minimum
     - A challenge since the legal and regulatory environment is hard to navigate and interpretations of the law change frequently
     - Laws and regulations are designed to keep U.S. companies' actions within the range of acceptable conduct and fair competition
   - Economic Responsibilities: Be profitable
     - The foundation upon which all other responsibilities rest
   - Legal Responsibilities: Obey the law
     - Law is society's codification of right and wrong

5. **Ethical responsibilities:** Be ethical.
   - Obligations to do what is right, just, and fair; avoid harm.
   - Marketing ethics: principles and standards that define acceptable marketing conduct as determined by the public, government regulators, private-interest groups, competitors, and the firm itself.
     - Goes beyond legal issues
     - *Fosters trust:* to establish long-term relationships
     - Most basic of these have been codified into laws, regulations
   - Marketing ethics decisions benefit:
     - *Organizational performance*
     - *Individual achievement* in a workgroup
     - *Social acceptance and advancement* in the organization
     - Stakeholders

- Ethics and Compliance
    - *Ignoring ethical issues* can destroy stakeholder trust, prompt government intervention
    - *Discussing, and addressing potential problems* during strategic planning could save a company millions
    - *More and more companies create extensive ethics and compliance programs*
    - *Ethical and socially responsible behavior* requires commitment
    ~issues cannot be ignored
    ~focus on ethics and philanthropy builds trust and loyalty

6. **Philanthropic Responsibilities:** Be a Good Corporate Citizen.
    - Contribute resources to the community; improve quality of life
    - Promote human welfare or goodwill above and beyond legal and ethical goals
        - *Cause-related marketing:* linking products to the specific social cause
        - *Strategic philanthropy:* Synergistic use of organizational core competencies and resources to address stakeholder interests.
        - *Social entrepreneurship:* when an entrepreneur founds an organization that strives to create social value rather than simply earn profits.

7. **Sustainability:** includes the assessment and improvement of business strategies, economic sectors, work practices, technologies, and lifestyles, all while maintaining the natural environment.
    - Green marketing: a strategic process involving stakeholder assessment to create meaningful long-term relationships with customers, while maintaining, supporting, and enhancing the natural environment.
        - *Greenwashing:* involves misleading a consumer into thinking that a good or service is more environmentally friendly than it actually is.

8. **Marketing Ethics and Strategy:** Principles and standards that guide behavior.
    - Ethical companies benefit:
        - More customer trust/loyalty
        - Less employee turnover
        - Greater profitability

9. **Ethics and Social Responsibility Challenges**
    - Business decisions involve complex and detailed discussions
    - Both employees and managers need experience within their specific industry to understand how to:
        - *Operate in grey areas*
        - *Handle close calls in evolving areas*
    - Social responsibility relates to reputation
    - Marketing ethics relates more to decisions that are judged as right or wrong
    - Personal values may not provide guidelines for complex business decisions

- \<Generl Data Protection Regulation (GDPR)\>, European Union, 2016
  - *Requiring businesses to ask consumers for permission to collect data and respond to consumer inquiries about data usage within 72 hours, impacts all companies that do business with the European Union.*

10. Reasons for studying business ethics
- Business ethics is more than an extension of an individual's personal values.
- Professionals must deal with individuals' personal moral dilemmas.
  - *Moral dilemma:* two or more morals in conflict with one another
  - *Value dilemma:* two or more beliefs/ideas in conflict with one another
- Being ethical is associated with leadership effectiveness and success.

11. Ethical issues: an identifiable problem, situation, or opportunity that requires an individual or organization to choose from among several actions that must be evaluated as right or wrong, ethical or unethical.
- HR and business issues
- Product-related ethical issues: when the firm fails to disclose risks associated with a product or information regarding the function, value, or use of a product.
  - *Ethical issues can arise in product design:* Pressure to reduce costs.
  - *Counterfeit products:* loss of tax revenue, Leach profits needed for product development, employees.
- Pricing-related ethical issues: Firms have the right to price their products to earn a reasonable profit, but ethical issues may crop up when a company seeks to earn high profits at the expense of its customers.
  - *Price discrimination:* when firms charge different prices to different customers.
  - *Price fixing:* occurs when rival firms collaborate to set prices.
  - *Predatory pricing:* when a firm charges very low prices for a product with the intent of driving competition out of business or out of a specific market.
  - *Superficial discounting:* when a firm advertises a sale price as a reduction below the normal price when it is not the case.
- Supply chain-related ethical issues
  - Increasing global complexity
  - Suppliers may hire subcontractors
  - Variations in global regulations
  - Companies often create supplier codes
  - Requiring regular ethics audits to ensure compliance
  - May result in a public report on performance
  - The tension between procurement and ethics
  - Sourcing at the lowest prices
- Promotion-related ethical issues: marketing practices that are false or misleading can destroy customers' trust in an organization.

- *Bribery:* when an incentive is offered in exchange for an illicit advantage.
- *Ambiguous statements that can deceive*

12. Regulating Marketing Ethics
- <u>Self-regulation helps prevent</u>
  - Better Business Bureau (BBB)
  - According to the laws/regulations
- <u>Companies joining their industry trade association and adhering to trade guidance</u>
- <u>Many have codes of ethics mandating behaviors</u>
- <u>Many have industry reviews of practices</u>
- <u>Membership is contingent upon adherence</u>

13. Ethics Dilemmas Related to Technology
- <u>Big data challenges in data privacy</u>
  - So much personal information (smart tech, social media, supply chain, blockchain, sales data)
- <u>AI is used for personalization, smart segmentation, optimized subject lines</u>
  - Must avoid principles for programming/evaluation
- <u>Need principles for programming/evaluation</u>

14. Codes of Conduct (codes of ethics): consist of formalized rules and standards that describe what the company expects of its employees.
- <u>Six core values</u>
  - Trustworthiness
  - Respect
  - Responsibility
  - Fairness
  - Caring
  - citizenship
- <u>Key considerations in developing, and implementing a code of ethical conduct:</u>
  - Examine *high-risk areas and issues*
  - State *values and conduct* necessary to comply with laws and regulations
  - *Identify values* that specifically address current ethical issues
  - Consider *values that link the organization to a stakeholder orientation*
  - Make the *code of conduct understandable* by providing examples
  - *Communicate the code frequently* and in understandable language
  - *Revise the code every year* with input from a wide variety of stakeholders

15. Ethical Leadership
- Ethics cultures come from ethical leadership
- Leaders are role models and admired by many
  - Create a common vision
  - Obtain buy-in from stakeholders
  - Employ relevant resources
  - Motivate/manage toward ethical conduct
  - Maintain tenacity, passion, commitment
- Ethics training can ensure that everyone in the firm:
  - Recognizes situations that might involve ethical decision-making
  - Understands the values and culture of the firm
  - Can evaluate the impact of ethical decisions on the firm in the light of its value structure

16. Stakeholder Orientation: The degree to which a firm understands and addresses stakeholder demands.
- The organization-wide generation of data about stakeholder groups and assessment of the firm's effects on these groups
- The distribution of this information throughout the firm
- The organization's responsiveness as a whole to this intelligence

17. Financial Performance: An ethical climate will trigger keeping stakeholder interests in their decision-making.
- Work to better understand customers
- Ethical climate is linked to quality, trust
- Social responsibility linked to:
  - Employee commitment
  - Customer loyalty
  - Profitability

18. Social responsibility: Linked to reputation, brand image
- Looking more at long-term interests of society
  - Sustainability
  - Social issues
  - Customer protection
  - Corporate governance
- Want to provide high-quality produccts/services

19. Marketing Financial Performance
- A climate of ethics and social responsibility:
  - *Creates a large measure of trust* among a firm's stakeholders
  - *Enhances the reputation of the firm* in a positive direction
- Most important contributing factor to gaining trust is the perception that the firm and its employees will not sacrifice their standards of integrity

- Strong association between social responsibility and customer loyalty

20. Strategic Planning
- Companies that fail to incorporate ethics and social responsibility into their organizational culture may pay the price with:
  - Poor marketing performance
  - Cost of legal violations
  - Cost of civil litigation
  - Cost of damaging publicity
- Strong organizational culture is correlated with favorable business outcomes
- Marketing ethics are more internal, process-focused
- Social responsibility is much more voluntary

C9: Marketing implementation and control

1. **Marketing implementation:** the process of executing the marketing strategy by creating and performing specific actions that will ensure achieving marketing objectives.
   - <u>Implementation miscues:</u>
     - Items out of stock
     - Dysfunctional websites
     - Poor customer service

2. **Intended marketing strategy:** what the firm wants to happen.

3. **Realized marketing strategy:** what actually takes place.
   - <u>Not better or worse than intended; just how it "plays out"</u>
   - <u>Very much affected by internal/external environment at the time of implementation</u>

4. **Planning and implementation:** Frontline marketing managers spent the most time on implementation.
   - <u>Interdependency:</u> strategic planning and implementation are fluid
   - <u>Evolution:</u> change is inevitable
     - Competition, technology, economy
   - <u>Separation:</u> strategic planning at the middle/upper level and implementation at the lower/frontline level.

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THE ELEMENTS OF MARKETING IMPLEMENTATION

5. **Shared goals and values**
   - All actions are more <u>closely aligned with moving the organization forward</u>
   - <u>Employee training and socialization</u>
   - Most important element of implementation
   - Challenged as more people work remotely

6. **Marketing Structure**
   - Formal lines of authority and division of labor
   - Centralization
   - Top marketing executives handle marketing activities
   - Cost efficient with program standardization and control
   - Decentralization
   - Frontline coordinates and manages marketing activities
   - Place marketing decisions close to the customer
   - Allows creativity, adaptability, and responses to change

7. **Systems, Processes, Resources**
   - Information systems, technology platforms, strategic planning, capital budgeting, procurement, order fulfillment, delivery, manufacturing, quality control, returns, and performance measurement
   - Financial resources, manufacturing capacity, facilities, delivery capabilities, and equipment, as well as marketing capabilities

8. **People (Human resources)**
   - <u>Employee selection and training:</u> Matching skills and abilities to marketing tasks.
   - <u>Employee evaluation and compensation</u>
     - *Outcome:* sales or margin
     - *Behavior-based:* Effort, motivation, teamwork, attitude, and friendliness
   - <u>Employee motivation, satisfaction, and commitment</u>

9. **Leadership**
   - <u>The art of managing people</u>
   - <u>Establish the corporate culture:</u> create a climate of confidence and trust
   - <u>Technology and social media open avenues for extended interaction</u> (video conferencing)

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APPROACHES TO MARKETING IMPLEMENTATION

10. **Implementation by command:** Marketing strategies at the top are passed to lower-level frontline employees.
    - <u>Advantages</u>
      - *Reduces uncertainty* and makes decision-making easier
      - Works well with a powerful leader and is good for simpler strategies
    - <u>Disadvantages</u>
      - Does not consider the feasibility of the strategy
      - *Divides the firm into strategists and implementers*
      - Can *create motivation problems*

11. **Implementation through change:** Firm modification to ensure successful implementation of the marketing strategy.
    - <u>Advantage:</u>
      - Consider how the strategy will be implemented
      - Consider how strategy and implementation affect each other
    - <u>Disadvantages:</u>
      - Power at the top
      - Requires a skilled/persuasive leader
      - Changes take time and can leave the firm vulnerable to environmental changes

12. **Implementation through consensus:** Varying organizational members come together and "brainstorm" marketing strategy.
    - Advantages:
        - Considers varying opinions
        - Increases commitment to the strategy
        - Moves decision-making closer to the frontline
        - Good in complex, uncertain, and unstable environments.
    - Disadvantages:
        - Lead to groupthink
        - Yielding high-level authority
        - Slows down the strategy development and implementation process
        - Requires open horizontal and vertical communication

13. **Implementation as Organizational culture:** marketing strategy and its implementation become extensions of the firm's mission, vision, and organizational culture.
    - Top executives manage firm culture to ensure all employees are aware of the strategy.
    - Advantages:
        - Increases commitment to organizational goals
        - Empowers employees
        - Can make implementation easier
    - Disadvantages:
        - Must be diligent in hiring and creating the necessary culture
        - Can be difficult and time-consuming

14. **Internal marketing:** using marketing to motivate, coordinate, and integrate employees to implement the strategy.
    - Help all employees understand and accept their roles in the implementation
    - Create motivated and customer-oriented employees
    - Deliver customer satisfaction

15. **The internal marketing approach**
    - Every manager has two customers: internal employees and external customers.
    - Places responsibility on all employees, regardless of organizational level
    - Employees are listened to and taken care of: take care of your employees, they take care of your customers

16. **The internal Marketing Process**
    - Internal products: marketing strategies "sold" internally (tasks required)
    - Internal process: Effort and time required to implement strategy (training)
    - Internal distribution: Planning sessions, webinars, video conferences
    - Internal promotion: Speeches, videos, blogs, newsletters, intranet

**17. Keys to internal marketing success**
- Recruitment, selection, and training
- Top-level commitment to strategy and plan
- Employee compensation must be linked to the plan
    - Rewards based on the right behaviors
- Open communication at all levels
- Firm structure, policies, and processes must fit

**18. Reasons for marketing outcomes vary**
- The strategy was inappropriate or unrealistic
- Implementation did not fit the strategy
- The implementation process was mismanaged
- Internal/external environmental change
- Points to the need for ongoing controls and performance management

19. **Formal Marketing controls:** activities, mechanisms, or processes designed by the firm to help ensure the successful implementation of the marketing strategy.
- Input controls: prior to implementation
    - Recruitment, selection, hiring
    - Financial allocations
    - Capital investments: facilities, mobile
    - R&D
- Process controls: during implementation
    - Evaluation and compensation
    - Empowerment
    - Internal communication and org structure
    - Monitoring and audits
- Output controls: evaluated after implementation of the strategy
    - *Formal performance standards:* sales, market share, profitability
    - *Marketing audits*
    - *KPIs should be embedded at the onset of a marketing strategy*
    - *Marketing analytics:* uses big data and measurement methods enabled by technology to interpret the effectiveness of a firm's marketing strategy

20. **Informal Marketing controls:** unwritten, employee-based mechanisms that subtly affect the behaviors of employees, both as individuals and in groups.
- Employee self-control: control based on personal expectations and goals
    - *Job satisfaction*
    - *Organizational commitment*
    - *Employee effort*
    - *Commitment to the marketing plan*
- Social control: small-group control based on group norms and expectations
    - *Shared organizational values*

- *Social and behavioral norms in work groups*
- Cultural control: cultural control is based on organizational norms and expectations
    - *Organizational culture*
    - *Organizational stories, rituals, legends*
    - *Cultural change*

## 21. Goals of Marketing Audit
- Describe current marketing activities and performance
- Gather external/internal environment info
- Explore alternatives to improve implementation
- Provide a framework to evaluate the performance
- Bring diverse data sources together
- Technology to guide usable metrics, insights, and actions

## 22. Sample marketing Audit
- Marketing activities
- Standard procedure for each activity
- Performance standards for each activity
- Performance metrics for each activity
- Evaluation of marketing personnel
- Evaluation of customer support systems

## 23. Scheduling Marketing Activities
- Identify specific activities to be performed
- Determine the time to complete each activity
- Determine which activities precede others
- Properly sequence and time activities
- Assign responsibility

**C10: Developing and maintaining long-term customer relationships**

1. **Looking at strategic Planning Holistically**
   - <u>Marketing program activities have one key purpose:</u> to develop and maintain long-term customer relationships.
   - <u>Implementing an effective marketing strategy has proven difficult</u> in today's rapidly changing business environment.

2. **Customer Relationship Management (CRM):** Defining and increasing customer value in ways that motivate customers to remain loyal.
   - <u>Stakeholder groups:</u>
     - *Customers:* end users of a product
     - *Employees:* Retain and motivate employees
     - *Supply chain partners:* Keep supply chain partners satisfied
     - *External stakeholders:* Investors, government, media, facilitating organizations

3. **Relationship Capital:** value generated by the trust, commitment, cooperation, and interdependence (partner firms).
   - <u>Strong relationships as a result of customer experience and customers' "value" of outcomes.</u>
   - <u>Maybe the most important organizational asset.</u>
   - <u>The advantage that can be leveraged in marketing relationships.</u>
   - <u>Want customer advocacy</u>
   - <u>Spreading +/- across social media, online platforms</u>

4. **Developing Relationships in Consumer Markets**
   - <u>Customer advocacy:</u> represents action on behalf of the customer to spread either positive or negative information about a company across its social media and online rating platforms.
   - <u>Share of customer</u>
     - Abandoning the old notions of acquiring new customers and increasing transactions
     - Focus instead on more fully serving the needs of current customers

5. **Stages of Customer Relationship Development (with CRM goals)**
   - <u>Awareness:</u> New customers, education, advertising
     - *Prospect for new customers.*
     - *Promote customer knowledge and education about the product or company.*
   - <u>Initial purchase:</u> Personal selling, advertising, product trial
     - *Stimulate interest in the product.*
     - *Get product or company into customers' evoked set of alternatives.*
     - *Stimulate product trial.*

- Repeat customer: Satisfied, meet/exceed expectations, service
  - *Fully satisfy customers' needs and wants.*
- Client: customer share, affinity programs, personalized
  - *Create financial bonds* that limit the customer's ability to switch products or suppliers.
  - *Acquire more of each individual customer's business.*
  - *Personalize products* to meet evolving customer needs and wants.
- Community: Ongoing personal engagement, social bonds, and opportunity for customers to interact
  - *Create social bonds* that prevent product or supplier switching.
  - *Create opportunities* for customers to interact with each other in a sense of community.
- Advocacy: Customers as partners and customer events/reunions
  - *Create customization or structural bonds* that encourage the highest degree of loyalty.
  - *Become such a part of the customer's life* that the customer is not willing to end the relationship.
  - *Think of customers as partners.*
- Success: AI-driven communications, up-to-date on product innovations, help to use products.
  - *Develop systems* that help customers to use the product better to gain more value.
  - *Keep customers up to date on product innovations* and new features useful to them.

6. **Strategies for enhancing and maintaining customer relationships**
   - Financial incentives
   - Social bonding
   - Enhanced customization
   - Structural bonding

7. **Financial Incentives**
   - Volume discounts, coupons, frequent customer programs
   - Used by airlines, hotels, grocery
   - Effective short-term and bond customer and company
   - Easily replicated, create the desire for more incentives, and can prompt brand switching
     - *Follow the coupons*

8. **Social Bonding**
   - Social and psychological bonds with clients
   - "Customer only" events, membership programs
   - Used in health clubs, churches, credit cards
   - Difficult to copy and reduces brand switching

- Time and effort to develop and must maintain trust

9. **Enhanced customization**
   - Using intimate knowledge to provide one-to-one solutions (mass customization)
   - Personal shopper, personal recommendations
   - Used by department stores, professional services
   - Promotes loyalty and difficult to copy
   - Can be expensive and time-consuming

10. **Structural Bonding**
    - Customized solutions with a unique delivery system for each client
    - Automated transactions, contract relationships
    - Colleges, banks, bundled services
    - Ultimate reduction in brand switching, but takes time to develop

11. **Developing relationships in business markets**
    - Customer success: efforts to help customers to gain more value from products and utilize new features, services, and additional, complementary products that provide added value to the customer.
    - Changes in business relationships:
      - *Change in buyers' and sellers' roles:* focus on true collaboration
      - *Increase in sole sourcing:* Supplier firms will continue to sell directly to large customers or move to sell through systems suppliers that put together a set of products from various suppliers to deliver a comprehensive solution.
      - *Increase in global sourcing*
      - *Increase in team-based buying decisions*
      - *Increase in productivity through better integration*
      - *Increase in subscription-based sales models*
      - *Increase in product innovation*

12. **Quality:** degree of superiority of a firm's goods or services.
    - Core product: tangible good or intangible service.
      - *Service offerings, typically composed on three interrelated dimensions:* ~People, processes, physical evidence
    - Supplemental product: goods or services that add value to the core product
      - *Differentiates the core product from competing product offerings*
    - Symbolic and experiential attributes: based on branding.

### 13. SIPOC
- <u>Suppliers:</u> who supplies the materials/inputs?
- <u>Inputs:</u> What resources are needed or provided by the supplier?
  - *Materials or information*
- <u>Process:</u> What steps or activities are carried out to created value for the customer?
- <u>Outputs:</u> What products or services are created by the process?
- <u>Customers:</u> Who are the customers?

### 14. Delivering Superior Quality
- <u>Understand customer expectations</u>
- <u>Translate expectations into quality standards</u>
- <u>Uphold quality standards</u>
- <u>Don't overpromise</u>

15. **Value:** Customer's subjective evaluation of benefits relative to the costs to determine the worth of a firm's product offering relative to others.
- <u>Monetary cost can be a "proxy" for alue</u>
  - *Product quality*
  - *Good price for the quality*
  - *Convenience*

### 16. Core Product Quality
- <u>Product strategy</u>
  - Product feature, Brand name, Product design, Quality, Ease of use, Warranties, Guarantees
- <u>Pricing strategy</u>
  - Image, Prestige
- <u>Distribution strategy</u>
  - Availability, exclusivity
- <u>Promotion strategy</u>
  - Image, Prestige, Reputation, Personal selling

### 17. Supplemental Product Quality
- <u>Product strategy</u>
  - Value-added features, Accessories, Replacement parts, Repair services, Training, Customer service, Friendliness of employees
- <u>Pricing strategy</u>
  - Financing, Layaway, Image, Prestige
- <u>Distribution strategy</u>
  - Availability, Exclusivity, Delivery, Installation, On-site training
- <u>Promotion strategy</u>
  - Friendliness of employees, Personal selling

**18. Experiential Quality**
- Product strategy
    - Entertainment, Uniqueness, Psychological benefits
- Pricing strategy
    - Image, Prestige
- Distribution strategy
    - Convenience, Retail atmosphere, Retail decor, overnight delivery
- Promotion strategy
    - Image, Prestige, Reputation, Personal selling

19. **Monetary Transactional Costs:** the immediate financial outlay or commitment that must be made to purchase the product.
- Product strategy
    - Quality, Exclusive features
- Pricing strategy
    - Selling price, Delivery charges, Installation charges, Taxes, Licensing fees, Registration fees
- Distribution strategy
    - Delivery charges, Installation charges, Taxes
- Promotion strategy
    - Image, Prestige Reputation, Personal selling

20. **Monetary Life Cycle Costs:** include any additional costs that customers will incur over the life of the product.
- Product strategy
    - Durability, Reliability, Product design
- Pricing strategy
    - Maintenance costs, Cost of consumables, Repair costs, Costs of replacement parts
- Distribution strategy
    - Availability of consumables, Availability of replacement parts, Speed of repairs
- Promotion strategy
    - Reputation, Personal selling

21. **Nonmonetary costs:** the time and effort customers expend to find and purchase goods and services; closely related to a firm's distribution activities.
- Product strategy
    - Durability, Reliability, Minimize opportunity costs
- Pricing strategy
    - Guarantees, Return policy
- Distribution strategy
    - Convenience, Wide availability, 24/7 access
- Promotion strategy

- Reputation, Reinforce purchase decision

22. **Competing on Value:** Firm can enhance value by increasing core, supplemental, or experiential quality and/or reducing monetary or nonmonetary costs.
    ● Growing number of products have value that is subject to a value consumption gap that comes from the changing nature of value.

23. **Customer satisfaction:** the degree to which a product meets or exceeds the customer's expectations about that product.
    ● The zone of tolerance: the extent of the difference between desired and adequate performance.
        - *Customer delight:* actual performance exceeds the desired performance expectation.
        - *Customer satisfaction:* actual performance falls within the zone of tolerance.
        - *Customer dissatisfaction:* actual performance falls below the adequate.
        - Performance expectation
    ● Range of customer expectations
        - *Ideal Expectations:* Highly involving purchases, Special occasions, Unique events.
        - *Normative Expectations:* Shopping comparisons, Value judgments.
        - *Experience-Based Expectations:* Frequent purchase situations, Brand loyalty.
        - *Minimum Tolerable Expectations:* Price-driven purchases, Low-involvement purchases.

24. **Managing Customer Expectations**
    ● Why are customer expectations unrealistic?
        - Customers are looking for things that a firm is supposed to do or has promised to do.
        - If the firm wants to exceed expectations, it has to go above and beyond the call of duty.
    ● Should we strive to delight our customers by consistently exceeding their desired expectations?
        - *Firms should always strive to exceed adequate expectations.*
        - *Firms should look for small ways to delight customers without elevating expectations beyond what can reasonably be delivered.*
          ~Time and expense involved in delighting customers.
          ~Whether continually delighting customers raises their expectations over time.

25. **Satisfaction versus quality versus value**
    ● Customers can hold expectations about any part of the product offering.
    ● Quality: customers judge on an attribute-by-attribute basis

- When customers consider satisfaction, they will typically respond based on their expectations of the item in question.
  - Possible for customer to be satisfied with quality, dissatisfied with value.
  - Think of satisfaction based on the totality of their experience without overtly considering issues like quality or value.

## 26. Customer Satisfaction and Customer Retention
- Understand what can go wrong
- Focus on controllable issues
- Manage customer expectations
- Offer satisfaction guarantees
- Make it easy for customers to complain
- Invest in customer success
- Create relationship programs
- Make customer satisfaction and ongoing priority

## 27. 6 steps process to design an effective customer satisfaction survey
- Define goals
- Create an action plan
- Select type of survey
- Select questions
- Decide survey channel & time
- Test surveys

## 28. Customer Satisfaction Measurement
- Simplest method involves the direct measurement of performance across various factors using simple rating scalues
  - *Lifetime value of a customer (LTV):* The net present value of the revenue stream generated by a specific customer over a period of time.
  - *Average order value (AOV):* A customer's purchase dollars divided by the number or orders over a period of time.
  - *Customer acquisition/retention costs:* less expensive to retain current customers than to acquire new customers.
  - *Customer conversion rate:* the percentage of visitors or potential customers that actually buy.
  - *Customer retention rate:* the percentage of customers who are repeat purchasers.
  - *Customer Churn Rate:* the percentage of customers who do not repurchase.
  - *Customer recovery rate:* The percentage of customers who leave the firm.
  - *Referrals:* Dollars generated from customers referred to the firm by current customers.

- *Social communication:* companies can track satisfaction by monitoring customers' online commentary.

**29. Five metrics to measure customer satisfaction**

- <u>Customer satisfaction score (CSAT):</u> to show how happy your customers are with the service they receive.
- <u>Negative response rate (NRR):</u> the number of negative customer responses an agent receives.
- <u>Customer effort score (CES):</u> the amount of effort it takes for customers to get a question answered, purchase or return a product, or get their issue resolved.
- <u>Net promoter score (NPS):</u> to show how likely your customers are to recommend you to others.
- <u>Customer churn rate (CCR):</u> shows how many customers stopped buying the product or using the service over a certain period of time.