

Marketing Management

15 Global Edition

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Chapter 3

Collecting Information and Forecasting Demand

Marketing Management
Decisions *in a fast-changing world*
is both an art and a Science

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Components of a Modern Marketing Information System

Collecting Information

The major responsibility for identifying important marketplace changes falls to the company's marketers.

Marketers have **two** advantages to accomplish this task:

- **Disciplined methods for collecting information**
- Their **time spent interacting with customers** and **observing competitors and other outside groups**

Companies with superior information can choose their markets better and **develop better offerings and execute better marketing plans.**

Every company must organize and distribute continuous flow of information to its marketing managers.

2 What is a Marketing Information System (MIS)?

What is a Marketing Information System (MIS)?

A marketing information system (MIS) is made of people, equipment, and procedures to gather, sort, analyze, and distribute needed, timely information to marketing decision makers.

A marketing information system (MIS) depends on three components:

- Internal Records
- Marketing intelligence activities
- Marketing research

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Internal Records

Internal Records

To spot important opportunities and potential problems, marketing managers rely on internal reports of orders, sales, prices, costs, inventory levels, receivables, and payables

Order-to-Payment Cycle

- Sales representatives, dealers, and customers send orders to the firm.
- The sales department prepares invoices, transmits copies to various departments, and back-orders out-of-stock items.
- Shipped items generate shipping and billing documents that go to various departments.

Because customers favor firms that can promise timely delivery, companies need to perform these steps quickly and accurately

Internal Records

Sales Information Systems

Marketing managers need timely and accurate reports on current sales.

Example: Walmart operates a sales and inventory data warehouse that captures data on every item for every customer, every store, and every day and refreshes it every hour. Companies that make good use of “cookies,” records of Web site usage stored on personal browsers, are smart users of targeted marketing. Many consumers are happy to cooperate: Not only do they not delete cookies, but they also expect customized marketing appeals and deals once they accept them. Marketers must carefully interpret sales data, however, to avoid drawing wrong conclusions.



Michael Dell illustrates

“If you have three yellow Mustangs sitting on a dealer’s lot and a customer wants a red one, the salesman may be really good at figuring out how to sell the yellow Mustang. So the yellow Mustang gets sold, and a signal gets sent back to the factory that, hey, people want yellow Mustangs.”

Internal Records

Databases, Data Warehousing, and Data Mining

Companies organize information into **customer, product, and salesperson databases** and place them in **Data warehouses**.

Data mining - Analysts can mine the data to get information on neglected customer segments, and customer trends.

The explosion of data brought by the maturation of the Internet and mobile technology gives companies unprecedented opportunities to engage their customers.

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Marketing Intelligence

Marketing Intelligence

A marketing intelligence system is a set of procedures and sources that managers use to obtain everyday information about developments in the marketing environment.

The internal records system supplies results data, but the marketing intelligence system supplies happenings data.

Marketing managers collect marketing intelligence by reading books, newspapers, and trade publications; talking to customers, suppliers, distributors, and other company managers, and monitoring online social media.

Marketing Intelligence

How can companies improve the **quality and quantity** of their marketing intelligence?

1. **Train and motivate** the sales force to spot and report new developments.
2. Motivate distributors, retailers, and other **intermediaries** to pass along important intelligence.
3. **Hire external experts to collect intelligence.**
4. **Network internally and externally.**
5. Set up a **customer advisory panel**
6. Take **advantage of government-related data resources.**
7. **Purchase information** from outside research firms and vendors.

It is important to act quickly on the information gathered through marketing intelligence.

Marketing Intelligence

Collecting Marketing Intelligence on the Internet

Online customer review boards, discussion forums, chat rooms, and blogs can distribute one customer's experiences or evaluation to other potential buyers and, of course, to marketers seeking information. Here are five places to find competitors' product strengths and weaknesses online.

- Independent customer goods and service review forums.
- Distributor or sales agent feedback sites.
- Combo sites offering customer reviews and expert opinions.
- Customer complaint sites.
- Public blogs.

Customer-service forums linked on a company's home page as they often respond faster and provide better answers to other customers than a company could.

Marketing Intelligence

Communicating and Acting on Marketing Intelligence

The **competitive intelligence function** works **best** when it is closely coordinated with the **decision-making process**. Given the speed of the Internet, it is important to act quickly on information gleaned online, as Coca-Cola found:

When its monitoring software spotted a Twitter post that went to 10,000 followers from an upset consumer who couldn't redeem a prize from a MyCoke rewards program, Coke quickly posted an apology on his Twitter profile and offered to help resolve the situation. After the consumer got the prize, he changed his Twitter avatar to a photo of himself holding a Coke bottle.

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Analyzing the Macro-environment

Analyzing the Macro-environment

Successful companies recognize and respond profitably to **unmet needs and trends**.

A **fad** is a product, service, or idea that is extremely popular for a very brief period of time and then becomes unpopular just as quickly.

A **trend** is a pattern or direction in the way something is changing; a movement toward a style or idea.

Trends have a more lasting effect on the marketplace than fads.

Example: A trend towards healthier eating.

A **megatrend** is a “large social, economic, political, and technological change [that] is slow to form, and once in place, influences us for some time—between seven and ten years, or longer. It is an emerging force that will have an impact on the kinds of products consumers will prioritize when buying in the future.

Example: People living longer, Globalization, and alternative energy.



Analyzing the Macro-environment

Identifying the Major Forces

- Demographic Environment
- Economic Environment
- Social-cultural Environment
- Natural Environment
- Technological Environment
- Political-legal Environment



Analyzing the Macro-environment

Demographic Environment

The study of human populations-size, density, location, age, gender, race, occupation, and other statistics.

a. Worldwide Population Growth

A growing population does not mean a growing market unless there is enough purchasing power.

b. Population Age mix

Preschool children, school-age children, teens, young adult age20-40, middle age adults 40-65, and older adults 65 and over.

Some countries have a young population and some countries have an old population.

Analyzing the Macro-environment

Demographic Environment

c. **Ethnic and other markets**

d. **Educational Groups**

Illiterates, high school dropouts, high school diplomas, college degrees, and professional degrees.

e. **Household Patterns**



Analyzing the Macro-environment

Economic Environment

The available purchasing power in an economy is **dependents** on:

- a. **Consumer Psychology**
- b. **Income Distribution**
- c. **Income**
- d. **Savings**
- e. **Debt**
- f. **Credit Availability**



Analyzing the Macro-environment

Social-cultural Environment

From our sociocultural environment we absorb, almost unconsciously, a world view that defines our relationships to ourselves, others, organizations, society, nature, and the universe

- a. Views of ourselves
- b. Views of others
- c. Views of organizations
- d. Views of society
- e. Views of nature
- f. Views of the universe

Analyzing the Macro-environment

Social-cultural Environment

Core Beliefs and values are passed from parents to children and reinforced by social institutions-schools, religious institutions, businesses, and governments.

Secondary beliefs and values are more open to change.

Marketers have some change of changing secondary values but little chance of changing core values.

Subcultures are a group with shared values, beliefs, preference, and behaviors emerging from their special life experiences or circumstances.



Analyzing the Macro-environment

Natural Environment

Trends in the natural environment

- a. Increased environmental regulations-more laws to protect the environment
- b. Shortage of raw material
- c. Increased energy costs

Corporate environmentalism recognizes the need to integrate environmental issues into the company's strategic plans.



Analyzing the Macro-environment

Technological Environment

Marketers should monitor the following technology trends:

- a. Accelerating pace of change** more ideas than ever are in the works and the time between idea and implementation is shrinking. (Shorter product lifecycles)
- b. Unlimited opportunities for innovation** (Biotechnology, telecommunications, robotics)
- c. Varying R & D Budgets** Companies are focusing on the development as opposed to the research side.
- d. Increased regulation of technological change** Regulations to ban potentially unsafe products.

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Analyzing the Macro-environment

Political-legal Environment

The political and legal environment consists of laws, government agencies, and pressure groups that influence organizations and individuals.

Two major trends are:

1. Increase in Business Legislation to

- Protect companies from unfair competition.
- Protect consumers for unfair business practices.
- Protect society from unethical business behavior.
- Charge businesses with the social costs of their products or production processes.

2. Growth of Special-Interest Groups

The consumerist movement organized citizens and government to strengthen the rights and powers of buyers in relationship to sellers.

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A vocabulary for demand measurement

A vocabulary for demand measurement

- Market Demand
- Market Forecast
- Market Potential
- Company Demand
- Company Sales Forecast
- Company Sales Potential



A vocabulary for demand measurement

Market Demand

Market demand for a product is the total volume that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program. Market demand is not a fixed number, but rather a function of the stated conditions. For this reason, we call it the market demand function.

Market Forecast

Only one level of industry marketing expenditure will actually occur. The market demand corresponding to this level is called the market forecast.

Market Potential

Market potential is the limit approached by market demand as industry marketing expenditures approach infinity for a given marketing environment

Big Concept

Companies interested in market potential have a special interest in the product-penetration percentage, the percentage of ownership or use of a product or service in a population. The lower the product-penetration percentage, the higher the market potential, although this also assumes everyone will eventually be in the market for every product.

• A vocabulary for demand measurement

Company Demand

Company demand is the company's estimated share of market demand at alternative levels of company marketing effort in a given time period. It depends on how the company's products, services, prices, and communications are perceived relative to the competitors.

Company Sales Forecast

The company sales forecast is the expected level of company sales based on a chosen marketing plan and an assumed marketing environment.

Company Sales Potential

Company sales potential is the sales limit approached by company demand as company marketing effort increases relative to that of competitors.

7 **Forecasting and Demand Measurement**

Forecasting and Demand Measurement

Companies must measure and forecast the size, growth, and profit potential of each new opportunities.

Forecasting is the art of anticipating what buyers are likely to do under a given set of conditions.

Sales forecasts prepared by marketing are used by finance to raise cash for investment and operations; by manufacturing to establish capacity and output; by purchasing to acquire the right amount of supplies; and by human resources to hire the needed workers. If the forecast is off the mark, the company will face excess or inadequate inventory. Because it's based on estimates of demand, managers need to define what they mean by market demand.

Forecasting and Demand Measurement

The Measures of Market Demand

Companies can prepare as many as 90 different types of demand estimates for six different product levels, five space levels, and three time periods. Each serves a specific purpose.



Forecasting and Demand Measurement

How do we **measure** market demands?

There are many productive ways to break down the market:

- The **potential market** is the set of consumers with a **sufficient level of interest in a market offer**. However, **their interest is not enough to define a market unless they also have sufficient income and access to the product**.
- The **available market** is the **set of consumers who have interest, income, and access to a particular offer**.
- The **target market** is the **part of the qualified available market the company decides to pursue**.
- The **penetrated market** is the set of consumers who are buying the company's product.

Estimating Current Demand

To estimate current demand, companies attempt to determine total market potential, area market potential, industry sales, and market share.

Calculation:

- Multiply the potential number of buyers by the average quantity each purchases times price.
- Chain-ratio method

$$\begin{array}{ccccccc} \text{Demand} & & \text{Personal} & & \text{Average} & & \text{Average} & & \text{Average} & & \text{Expected} \\ \text{for the} & = & \text{discretionary} & \times & \text{percentage of} & \times & \text{percentage of} & \times & \text{percentage of} & \times & \text{percentage of} \\ \text{new} & & \text{income} & & \text{discretionary} & & \text{amount spent} & & \text{amount spent} & & \text{amount spent} \\ \text{light} & = & \text{per} & \times & \text{income} & \times & \text{on food that is} & \times & \text{on alcoholic} & \times & \text{on beer that} \\ \text{beer} & & \text{capita} & & \text{spent} & & \text{spent on} & & \text{beverages that} & & \text{will be spent on} \\ & & & & \text{on food} & & \text{beverages} & & \text{is spent on beer} & & \text{light beer} \\ & & & & & & \text{on alcoholic} & & & & \\ & & & & & & \text{beverages} & & & & \end{array}$$

Estimating Current Demand

Total market potential is the **maximum sales available** to all firms in an industry during a given period, under a given level of industry marketing effort and environmental conditions.

Area Market Potential

Because companies **must allocate their marketing budget optimally among their best territories**, they need to estimate the market potential of different cities, states, and nations.

Two **major methods** are the **market-buildup method**, used **primarily by business marketers**, and the **multiple-factor index method**, used **primarily by consumer marketers**.

Estimating Current Demand

Market-Buildup Method The market-buildup method calls for identifying all the potential buyers in each market and estimating their potential purchases.

Multiple-factor index Method Many companies compute area indexes to allocate marketing resources.

TABLE 3.5 Calculating the Brand Development Index (BDI)			
	(a) Percent of U.S. Brand	(b) Percent of U.S. Category	BDI
Territory	Sales	Sales	$(a \div b) \times 100$
Seattle	3.09	2.71	114
Portland	6.74	10.41	65
Boston	3.49	3.85	91
Toledo	.97	.81	120
Chicago	1.13	.81	140
Baltimore	3.12	3.00	104

Column 3 shows the brand development index (BDI), the index of brand sales to category sales. Normally, the lower the BDI, the higher the market opportunity

Industry Sales and Market Shares

Besides estimating total potential and area potential, a company needs to know the actual industry sales taking place in its market. This means identifying competitors and estimating their sales.

Estimating Future Demands

A Company Estimates future demands by:

1. Survey of Buyers' Intentions

- For major consumer durables such as appliances, research organizations conduct periodic surveys of consumer buying intentions.
- Surveys can also ask consumers about their present and future personal finances and expectation about the economy.
- For business buying, research firms can carry out buyer-intention surveys for plant, equipment, and material.

2. Composite of Sales Force Opinions

Ask sales representative to estimate future sales.

Estimating Future Demands

3. Expert Opinion

- Obtain forecast from experts such as dealers, distributors, suppliers
- Buy a forecast from a well-known economic-forecasting firm
- Hire a group of experts to estimate demand

4. Past-Sales Analysis

Companies can develop sales forecasts based on past sales.

5. Market-Test Method

A direct market test can help forecast new product sales or established product sales in a new distribution channel or territory.

The End

Any questions ?

For access to the book, click [download](#).