

# Introduction to Marketing

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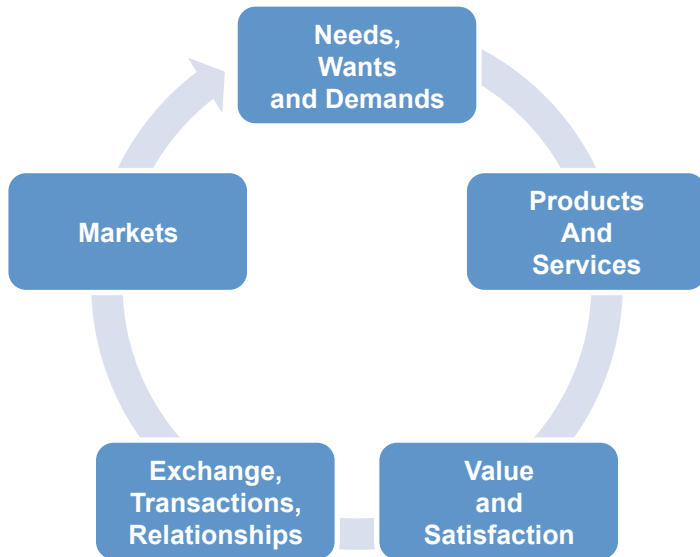
# Customer Focus = Successful Businesses

- Prepare and communicate a strategy that focuses the company on **customers/clients**
- Establish a culture of **customer first**
- Designs a plan of operations that **efficiently executes** customer focused strategies
- Ensures the development, production and delivery of goods and services **customers want**
- Develops products that **anticipate** customer needs and **meet competitor challenges**
- **Objective : sustain a long term customer base**

A strong link between strategy and marketing is crucial

**WHAT IS MARKETING?**

# Marketing Defined



“Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others.”

Phillip Kotler, *Marketing Management*, Prentice Hall, 11<sup>th</sup> Edition, p9

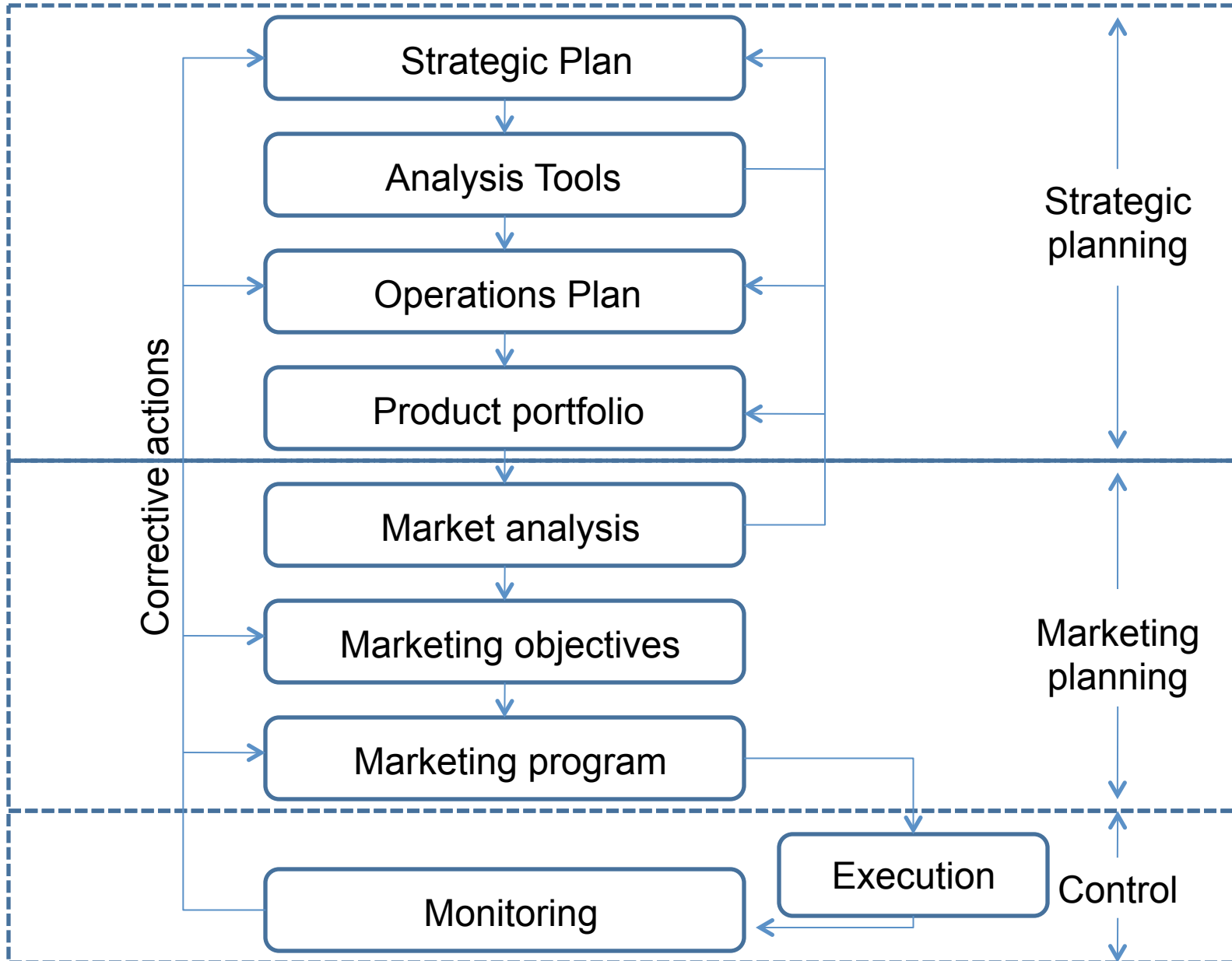
“The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy.”

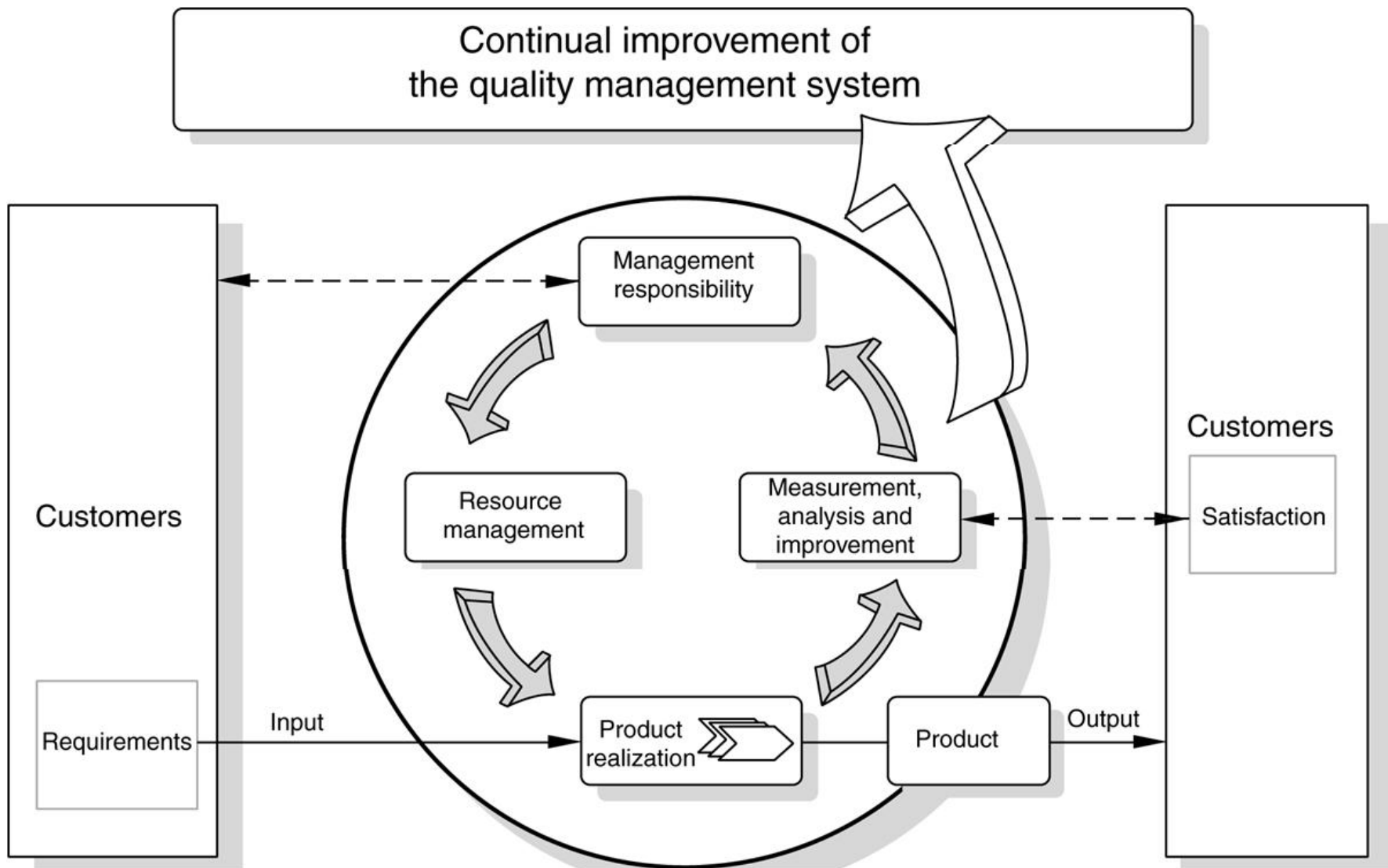
Peter Drucker, *Management: Tasks, Responsibilities, Practices*, Harper & Row 1973, pp64-65

# The Marketing Concept

- The focal point is the **customer/client**
- **Value** for the customer is required
- There is **coordination** among the marketing variables: price, product, promotion and place (distribution)
- The organisation must obtain strategic value or monetary gain from the exchange

# The marketing management process







# STRATEGIC ANALYSIS & PLANNING



# Market analysis and research



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# Market analysis and research

(Strategy should be based on facts)

- Qualitative data and quantitative data
  - Customer needs and preferences
  - Market size
  - Demand
  - Existing and potential market segments
- Data on competition
- Information on macroeconomic trends
- \* It costs money so allocate resources

# First : Assemble the information

## The 5 C's of marketing strategy

- Customer analysis
- Company analysis
- Competition analysis
- Cost/economic analysis
- Channel (trade) analysis

# SWOT analysis

	Strengths	Weaknesses
Opportunities	Strengths	Weaknesses
Threats	Opportunities	Threats

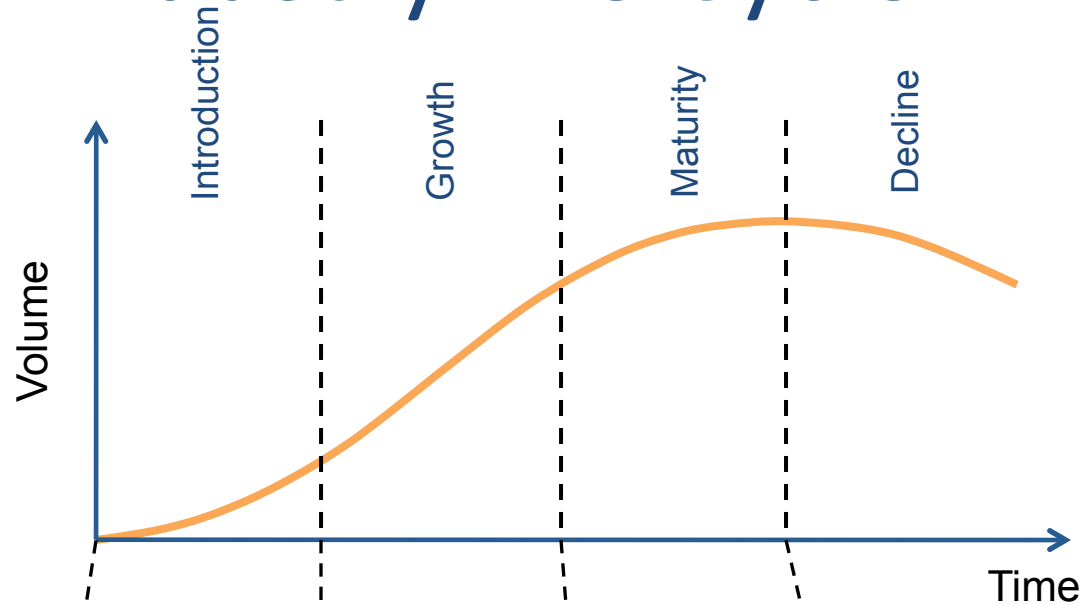
Internal attributes

- Strengths
- Weaknesses

External environment

- Opportunities
- Threats

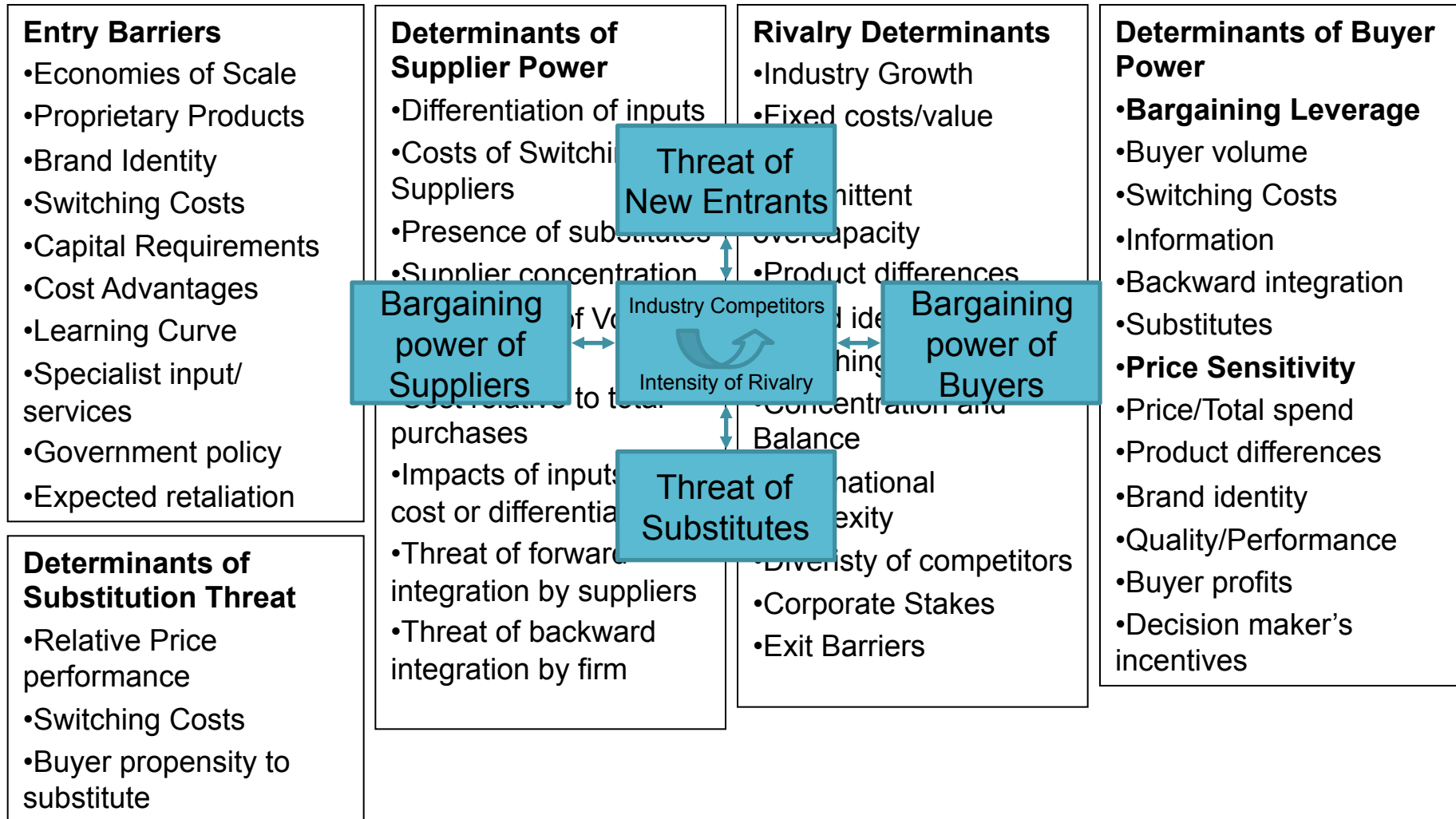
# Industry Life Cycle



<b>Profit Potential</b>	Limited & patchy	High margins	Variable	Usually low
<b>Buyer Characteristics</b>	Innovators, Specialists	Widening Market	Mass Market	Knowledgeable, Demanding
<b>Key Success Factory</b>	R&D, production	Market Share scramble, Advertising and distribution	Niche markets, value-add differentiators	Efficiency, cost leadership

# Industry Analysis

## Porter's Five Forces



# Macro analysis - STEEP (aka PESTEL)

## Social

- Ideology
- Unions
- Income
- Demography
- Values

## Technological

- Patents
- R&D
- Education
- Pace of change
- Bandwidth
- Technology

## Environment

- Air & Water quality
- Recycling
- Energy
- Pollution
- Global Warming
- Sustainability
- Regulation

## Economic

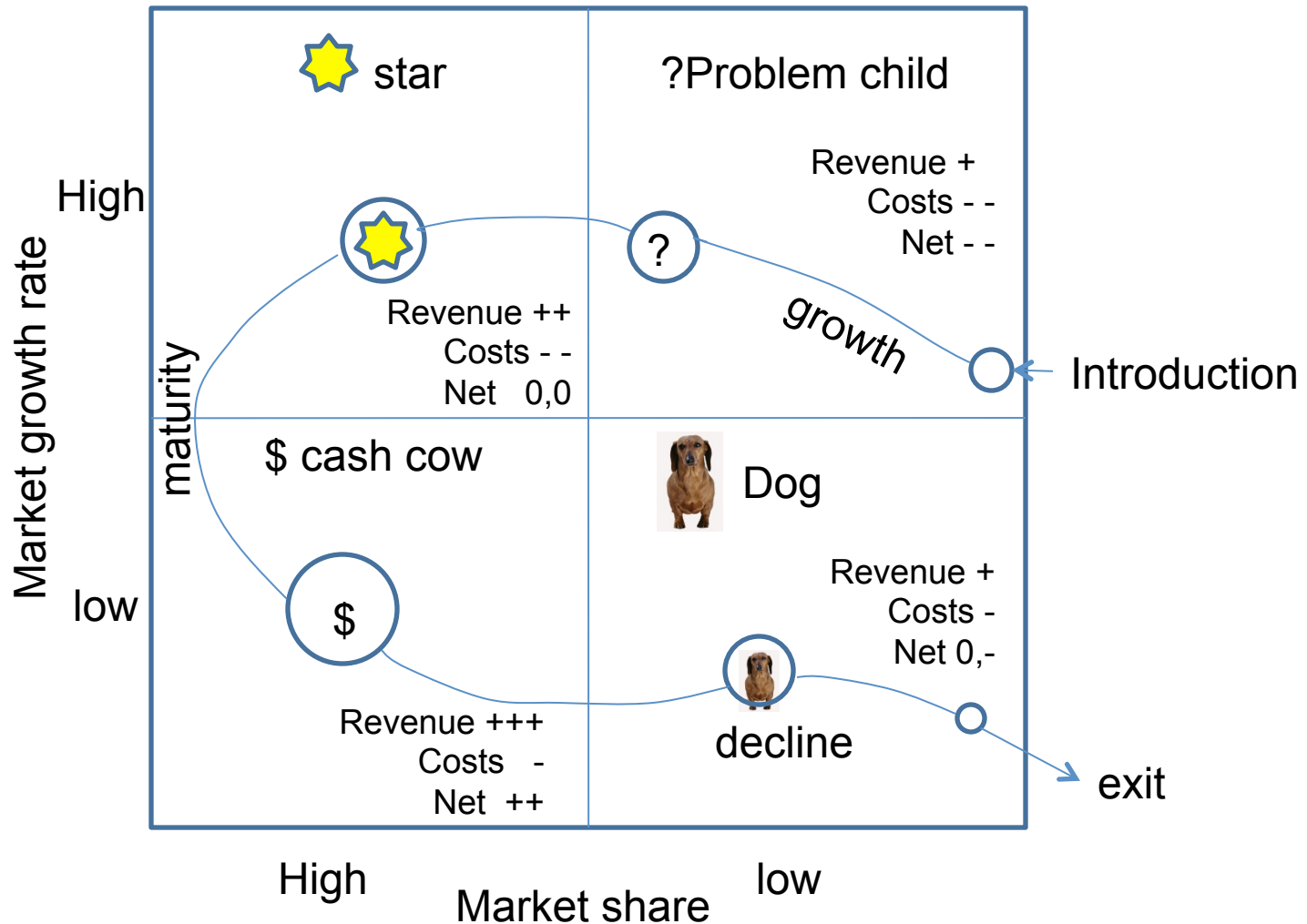
- GDP Growth
- Exchange Rates
- Inflation
- Interest Rates
- Boom/bust

## Political/Legal

- Policies
- Regulations & Authorities
- Laws
- Public Opinion
- Power bases
- Lobby Groups

# BCG MATRIX ( Boston Consulting Group )

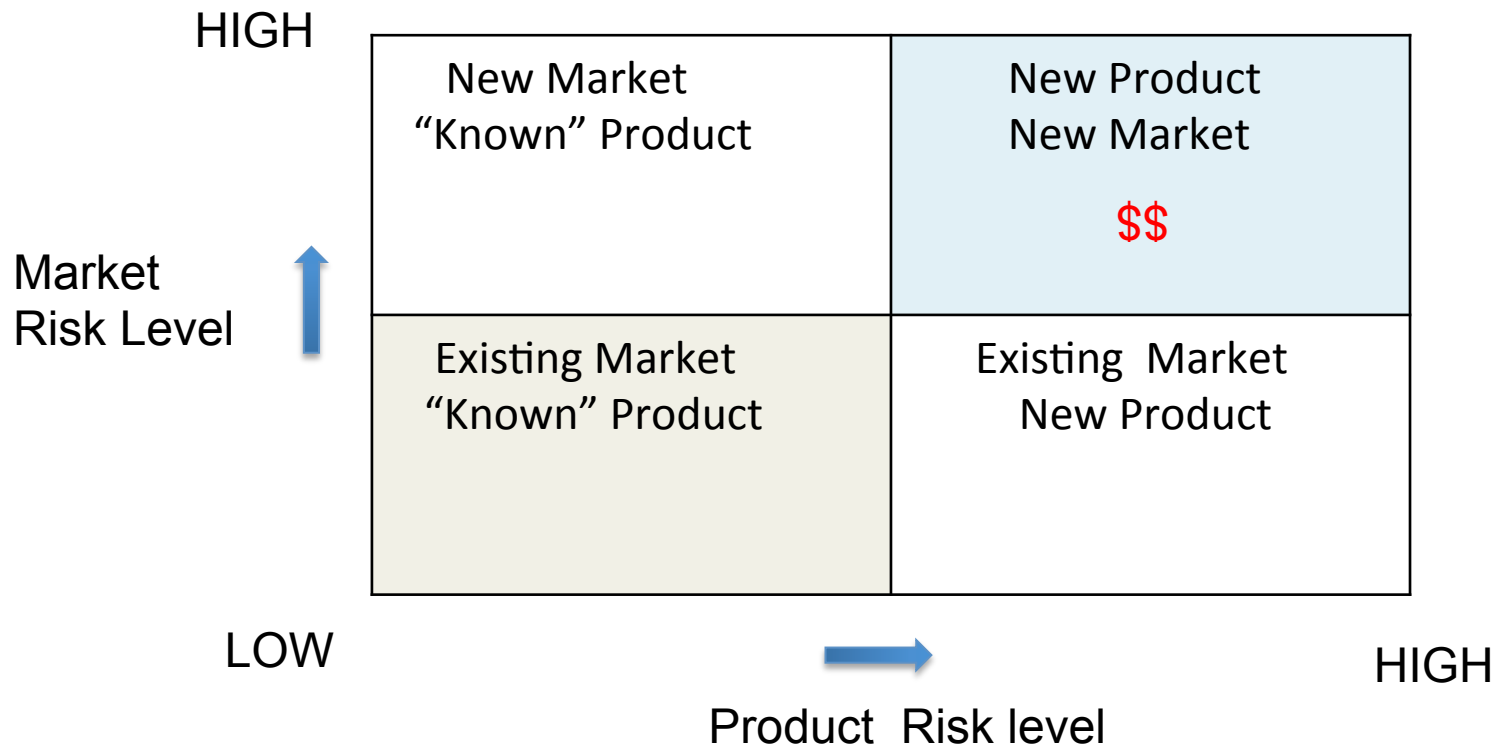
New products (Shape up or ship out)





# Market Growth Quadrant (Risk)

(There are only 4 options for growth!)



# What makes a successful new product?

Analysis of 13,000 new product launches

Newness to Company	Newness to market		
	Low	Medium	High
High	20%		10%
Medium	26%	26%	
Low	11%		7%

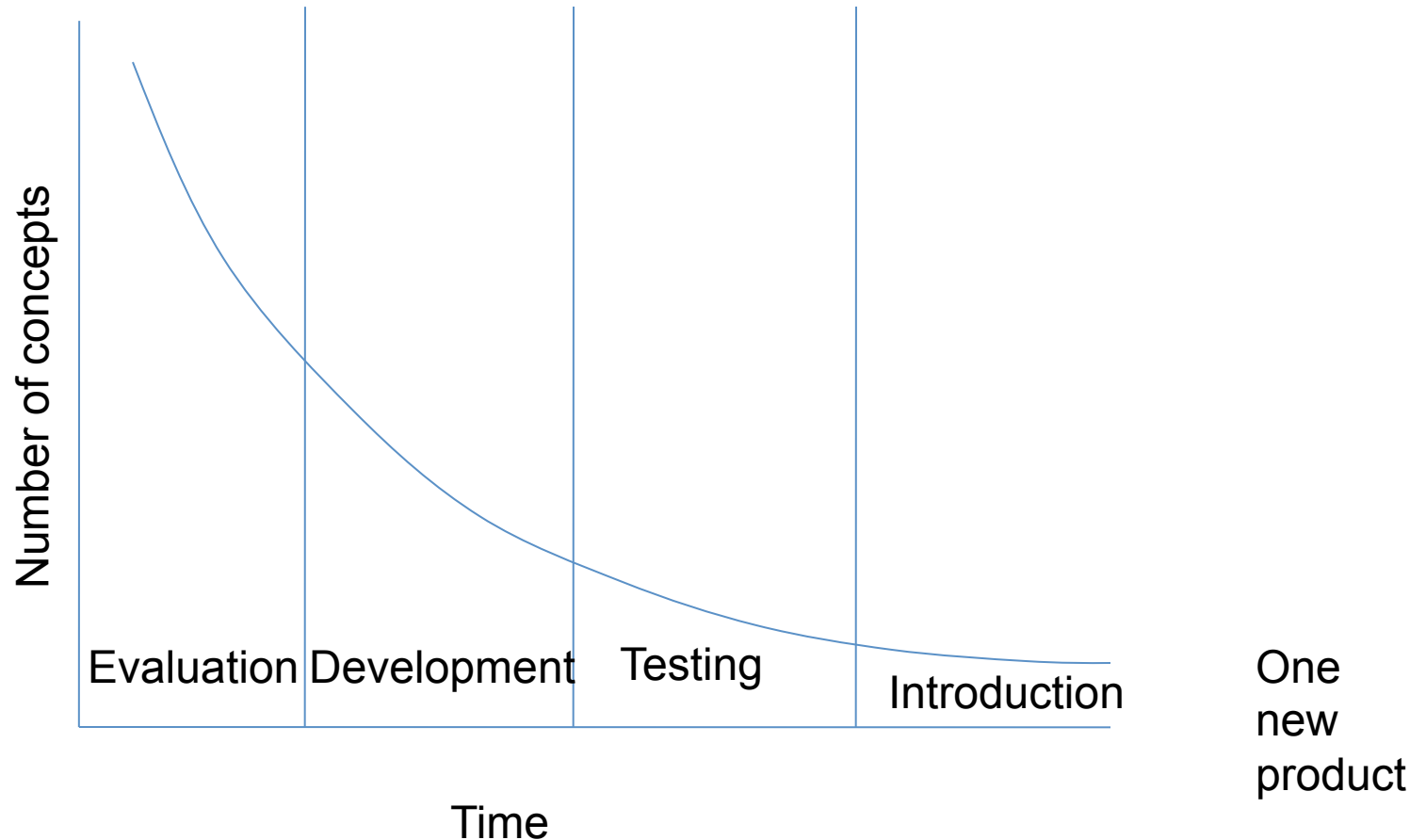
- 10% New to company and market
- 20% New to company but known to market
- 7% Repositioning a product unknown in market
- 26% Improvements to existing products
- 26% Additions to an existing product line
- 11% Revised products giving same performance at lower cost

# Market Growth Quadrant (Risk)

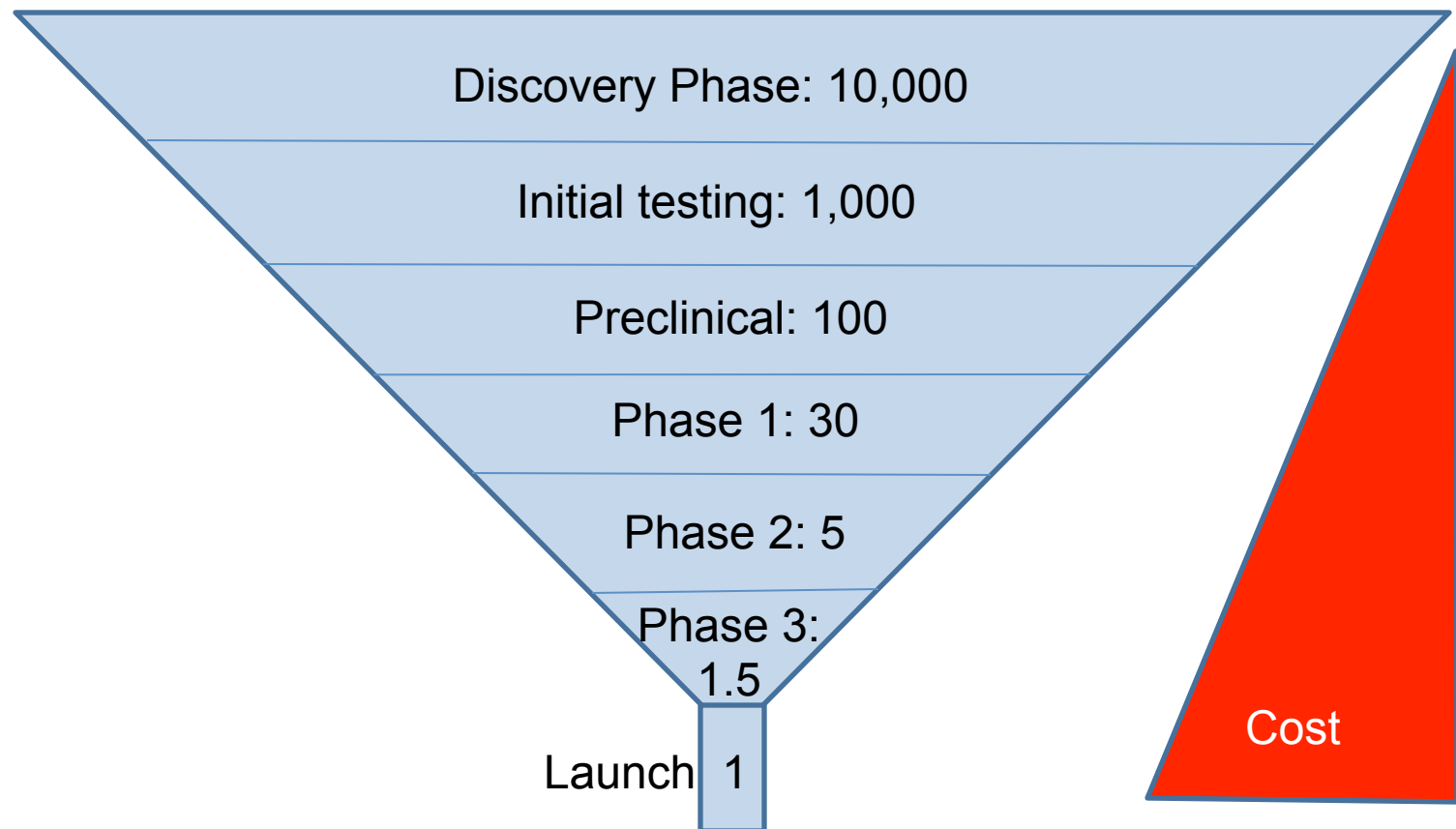
(Basically 4 options to chose from)



# New product mortality curve



# Example – One new drug to market requires culling of thousands of candidates



So... going forward

Best Strategy

What would you choose ??



# MARKETING PLANNING

# Developing the “Marketing Mix” (aka Business Model)

- Four key elements ( 4 P’s) that define your framework:
  - Price
  - Product
  - Promotions
  - Place



# Key marketing concepts – “Marketing Mix”

- **Product Policy**

- Nature of product
- Maintenance contracts and warranties
- Technical service
- Safety features



- **Pricing Policy**

- Price
- Commission
- Discounts

	High	Medium	Low
High	Premium	High Value	Super Value / Cheap
Medium	Overcharging	Medium Value	Good Value
Low	Rip-Off	False Economy	Economic

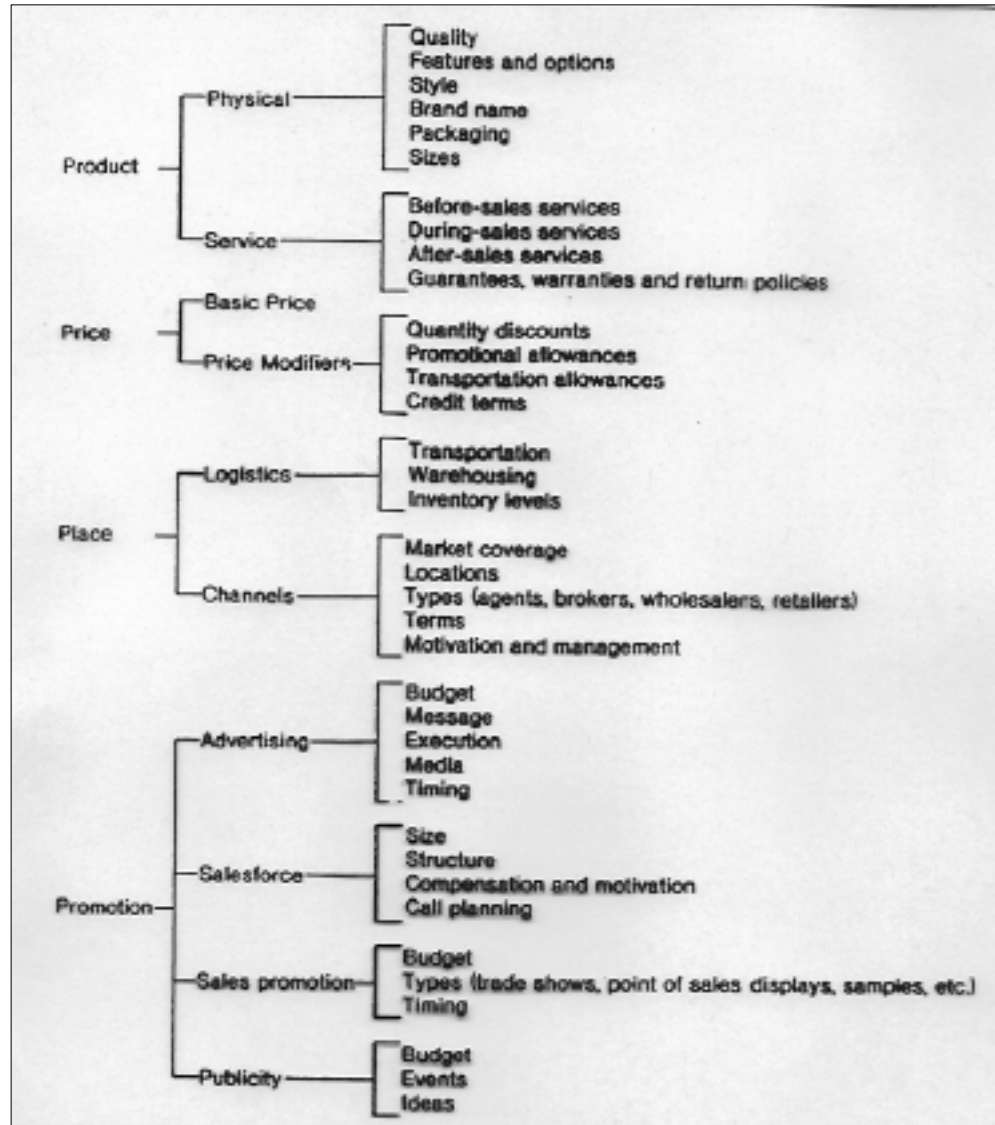
- **Promotion Policy** - Communication with customer

- Advertising
- Direct selling
- Sales force

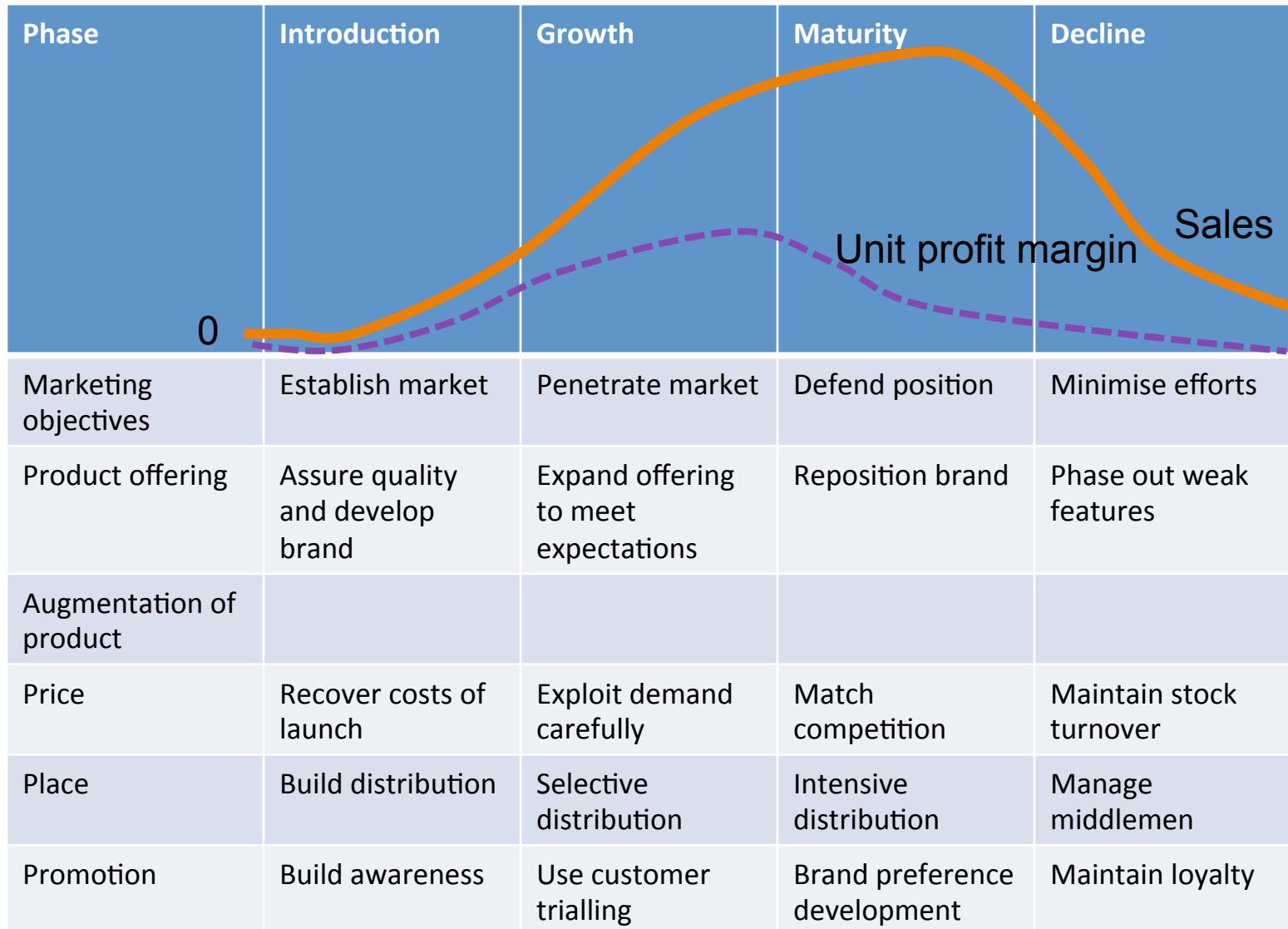
- **Place** – Intermediaries in delivering product to customers

- Agents, wholesalers, retailers

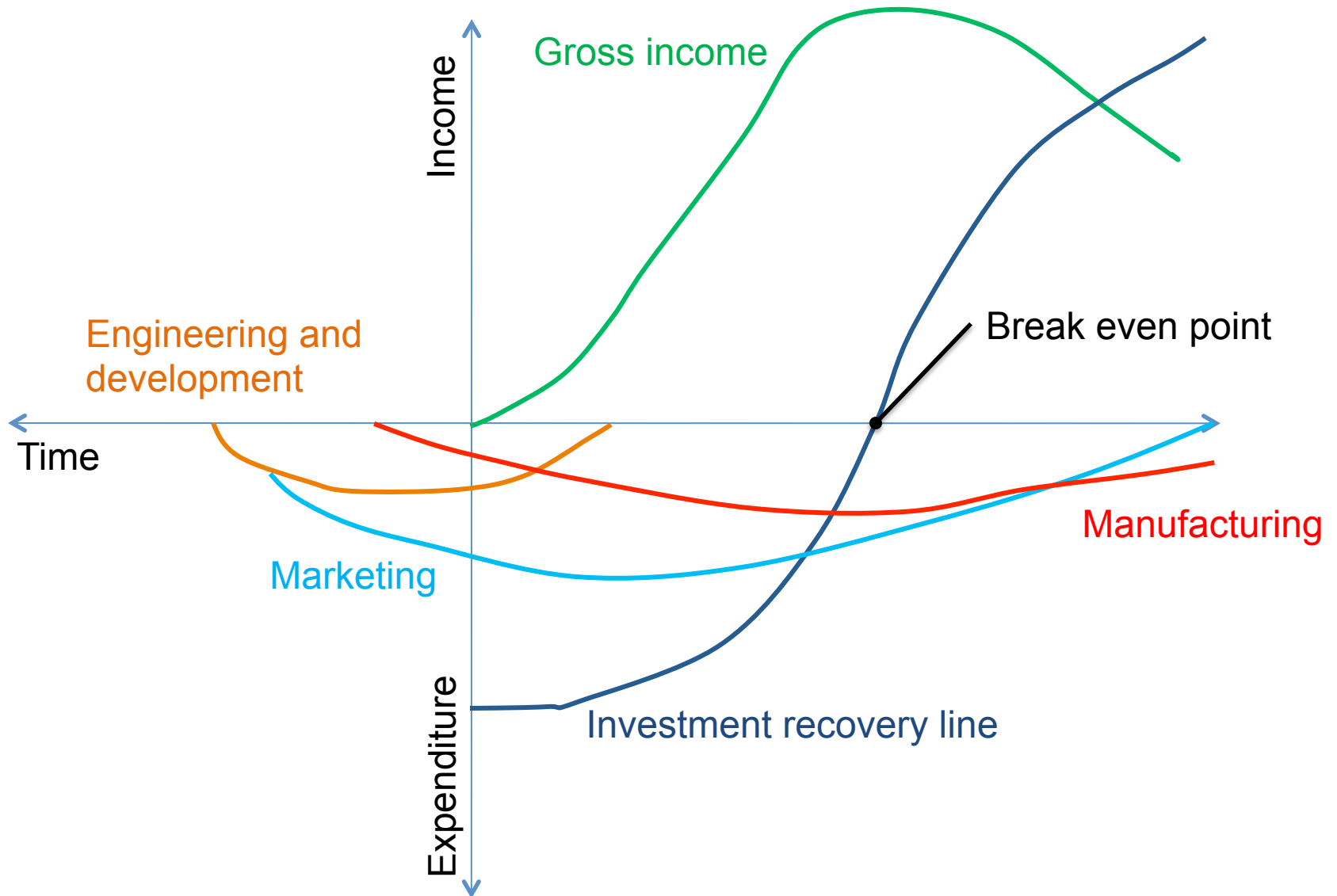
# Breakdown of Marketing Mix



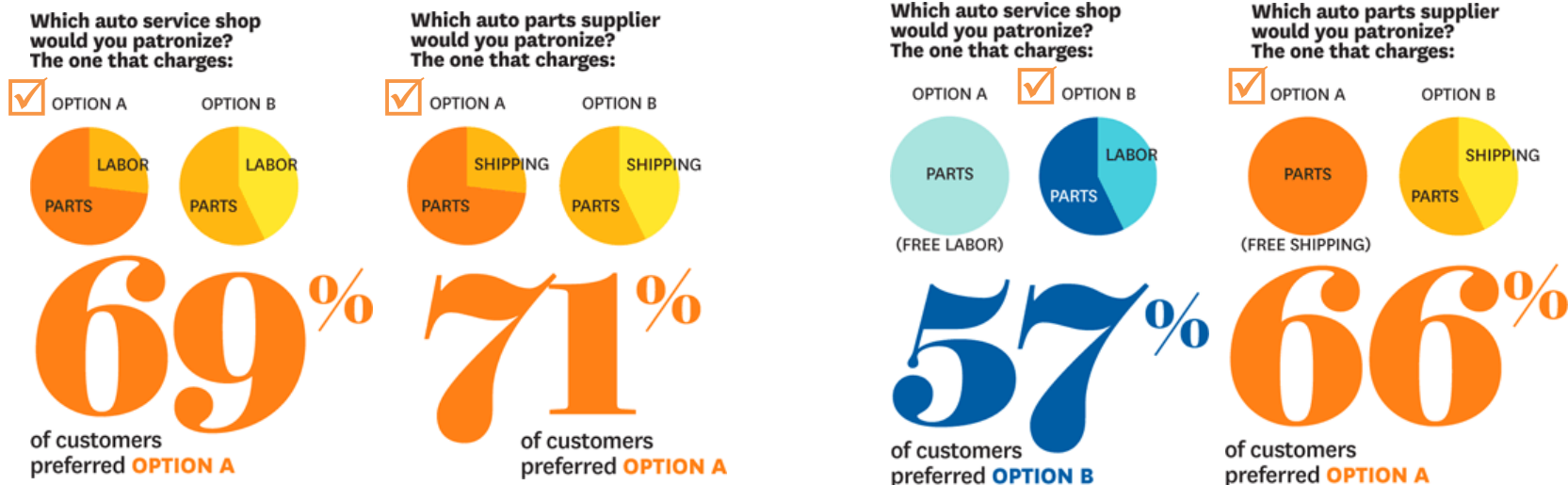
# Product life cycle (PLC)



# Financial implications of PLC



# The real world

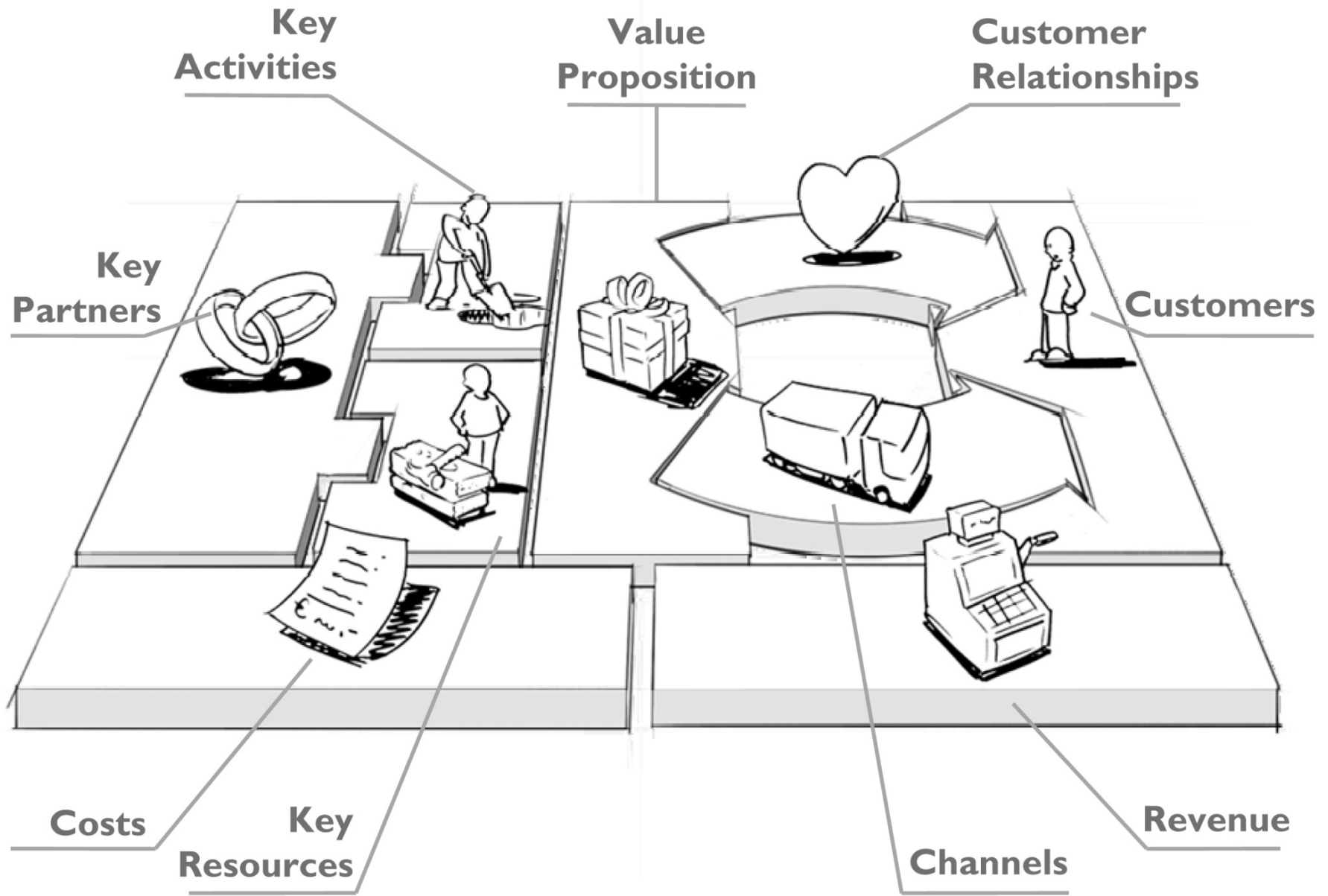


The results suggest three guidelines:

- **Understand customers' goals.** We've found, for instance, that someone who's hungry for pizza would rather pay full price for it and get a significant discount on wings than get a slight break on both
- **Bundle low- and high-benefit components together,** offering the low-benefit ones free only when market norms allow
- **Work on changing perceptions of value.** When we cued customers to the benefits of, say, high-quality installation, willingness to pay more for normally low-benefit labour increased

# The Marketing Mix ( 4 P's)

Harmony – Combination of mix elements most internally compatible		Efficiency	Efficiency – Combination of mix elements most efficient to accomplish tasks	
		Consistency between mix and company		
Harmony	Consistency between marketing mix elements	Product	Consistency between marketing mix, customers and channels	Integration
		Price		
		Promotion		
		Place		
Effectiveness – Combination of mix elements with maximum synergy		Consistency between mix and competitive environment	Integration – coordinate mix with existing customer and distribution systems	
		Effectiveness		



drawings by JAM

# Business Model Canvas

Developed by Alex Osterwalder ([strategyzer.com](http://strategyzer.com))

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITIONS	CUSTOMER RELATIONSHIPS	CUSTOMER SEGMENTS
<p>Who are our key partners and why?</p> <p>Who are our key suppliers?</p> <p>Which key resources are we acquiring from our partners?</p> <p>Which key activities do partners perform?</p> <p>What relationship should we have?</p>	<p>What key activities do our value propositions require?</p> <p>Our distribution channels?</p> <p>Customer relationships?</p> <p>Revenue streams?</p>	<p>What value do we deliver to a customer in a given segment?</p> <p>Which of our customers' problems are we helping to solve?</p> <p>What bundles of products and services are we offering to each segment?</p> <p>Which customer needs are we satisfying?</p> <p>What is the minimum viable product?</p>	<p>How do we get, keep, and grow customers?</p> <p>Which customer relationships have we established?</p> <p>How are they integrated with the rest of our business model?</p> <p>How costly are they?</p>	<p>For whom are we creating value?</p> <p>Who are our most important customers?</p> <p>What are the customer archetypes?</p>
	KEY RESOURCES		CHANNELS	
	<p>What key resources do our value propositions require?</p> <p>Our distribution channels?</p> <p>Customer relationships?</p> <p>Revenue Streams?</p>		<p>Through which channels do our customer segments want to be reached?</p> <p>How do other companies reach them now?</p> <p>Which ones work best?</p> <p>Which ones are most cost-efficient?</p> <p>How are we integrating them with customer routines?</p>	
COST STRUCTURE			REVENUE STREAMS	
<p>What are the most important costs inherent in our business model?</p> <p>Which are the largest?</p> <p>Which key resources are most expensive?</p> <p>Which key activities are most expensive?</p> <p>What is fixed and what is variable?</p>			<p>For what value are our customers really willing to pay?</p> <p>How much will they pay?</p> <p>For what do they currently pay?</p> <p>What is the revenue model?</p> <p>What are the pricing tactics?</p>	



# Key Concepts – Market Selection

(You cannot be all things to all people)

- 1) **Differentiate** your product or “offering”
- 2) Clearly define the customers that you will **target**
- 3) Define and meet the customer **needs**



# Market Selection

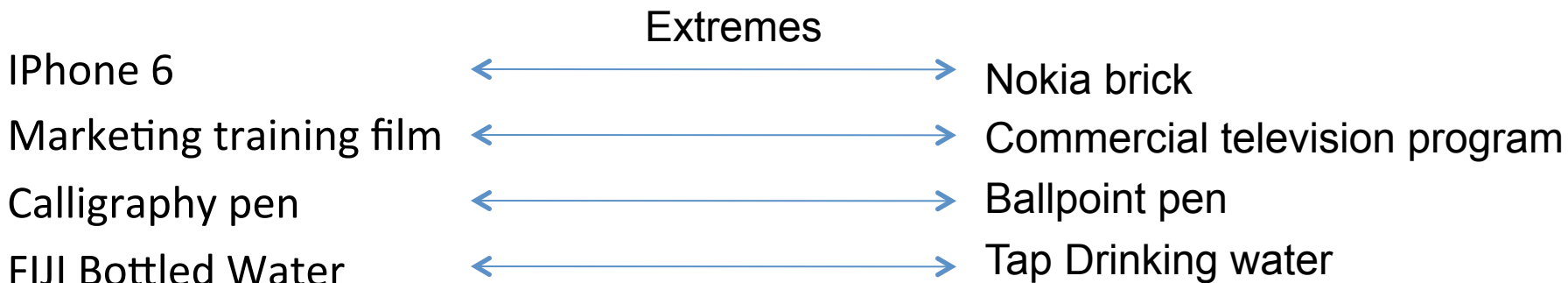
- Market **Analysis**
  - Defines groups of customers defined by measures such as geographical location, education, social status, common interest in product, etc
- Market **Segmentation**
  - Divides customers using analysis data to optimise allocation and nature of marketing efforts
  - Different marketing mix for each segments (increases costs)
- Product **Differentiation**
  - Addition of real or imaginary product attributes to increase broad customer acceptance
  - Can be termed market aggregation (eg CocaCola)

## Market Segmentation

- Specific product to defined segments
- Competitive advantage - unique products targetted to each segment
- Provides higher margins by targetting specific segments
- Limited by declining marginal benefit with each advance in segmentation
- Seeks market effectiveness

## Market Aggregation

- One or several products to mass markets
- Competitive advantage built on product differentiation based on features, price, or communication
- Provides economies of scale in marketing and production
- Limited by declining marginal return on marketing expenditures needed to maintain sales
- Seeks production efficiency



# Segmentation Criteria

NOTE : Market Segmentation strategies apply to both Consumer Marketing and Industrial/Commercial/Engineering Marketing


- Identify
  - Segment should indentifiable
- Accessibility
  - Can this segment by communicated to effectively
- Responsiveness
  - Will the segment respond to the communication
- Significance
  - Does segment have significant potential in terms of power and willingness to buy

# Bases for Market Segmentation

## Segmentation Analysis

Customer characteristics

Customer behaviour



Geographic	Demographic	Psychographic patterns	Behaviour patterns	Consumption patterns	Consumer readiness
Climate	Gender	Personality traits	Media habits	Frequency of use	Benefits sought
Population boundaries	Age	Lifestyle	Shopping habits	Occasion of use	Customer problems
National Boundaries	Race	Interests	Shopping frequency	Brand loyalty	Product knowledge
Region	Income	Activities			
Suburb	Education	Opinions			



# Discussion:

## What is the Product and Marketing/Business Model?

- Nespresso
- McDonald's Restaurants
- Apple
- University Education

# In Summary

- **Marketing is** strategic , ie it is not “an add-on”
- It is researched and **planned**
- Based on an organisation’s overall **strategic plan**
- Should be **dynamic, accountable, measurable (DAM)**
- It is not “sales” and “public relations”
- Principles **equally apply** to Consumer vs Commercial
- Has a **real cost** that should be included into the COS