

Enterprise Management and Entrepreneurship MEIC 2023/24



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Marketing fundamental concepts

Kotler, P. & Keller, K. *Marketing Management* (2018) Pearson

Kotler, P. & Armstrong, G. *Principles of Marketing* (2018) Pearson

Marketing concept

Marketing is the activity, set of institutions, and processes for **creating, communicating, delivering, and exchanging offerings that have value** for customers, clients, partners, and society at large.

(American Marketing Association 2017)

Marketing management (Kotler)

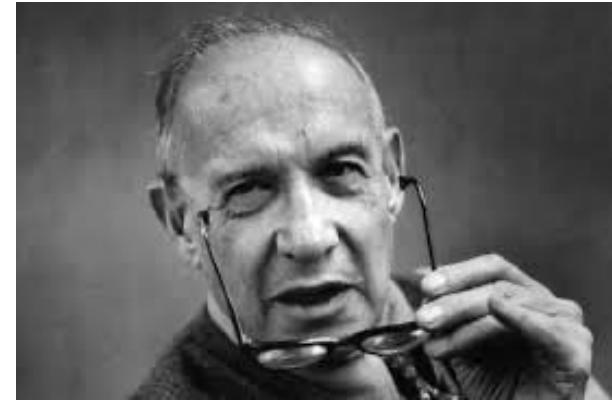
- Marketing Management is the **analysis, planning, implementation and control** of programs designed to bring about desired **exchanges with target audiences** for the purpose of personal and of **mutual gain**.
- It relies heavily on the adoption and coordination of **product, price, promotion and place** for achieving responses.
- Old (art of selling) vs. New school (cocreate with)

Marketing orientation

The aim of marketing is to **know and understand the customer** so well that the product or service fits him/her and sells itself.

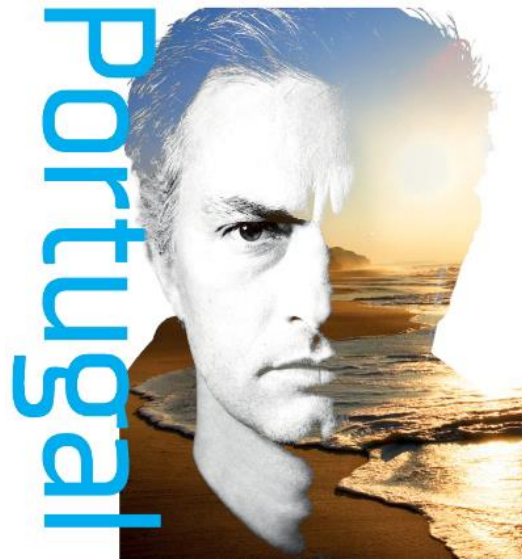
Ideally, marketing should result in a **customer who is ready to buy**. All that should be needed is to **make the product or service available**.

(Peter Drucker)



What is Marketed?

- **Goods**
- **Services**
- Experiences
- Events
- People
- Places
- Organizations
- Ideas



Markets

- Groups of customers who buy products or services.
 - Consumer markets – consumer purchases usually made by individuals.
 - Business markets – purchases made by other companies or networks of companies. Purchase decisions are professional.

Strategic and tactical marketing

Value creation and delivery chain

STP

Marketing Mix: 4Ps

Choose the value

Provide the value

Communicate the value

Customer
Segmentation

Target
Market

Positioning

Product/
Service

Price

Production

Distribution

Promotion
sales

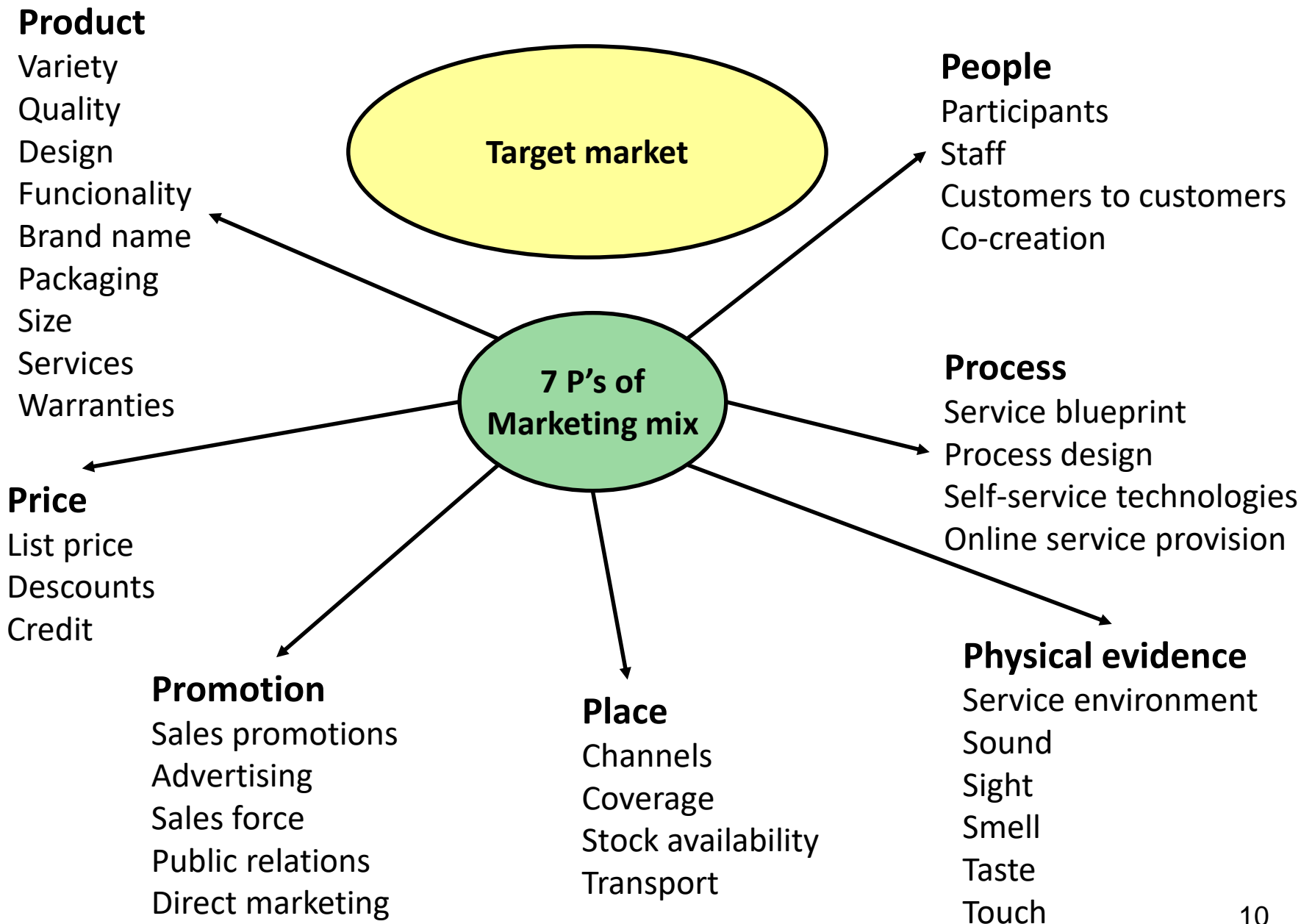
Advertising

Strategic marketing

Tactical marketing

Marketing Mix





Product/service/solution

- Which solutions (products/services) will be offered, and which will be the product development strategy.
- Product and service differentiation
- From pure product to pure service
- How does the product/service is positioned in the face of competitors.



Product Mix (P&G)

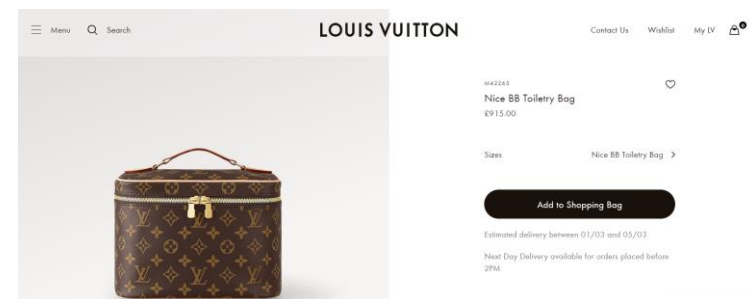
TABLE 13.2

Product Mix Width and Product Line Length for Procter & Gamble Products
(including year of introduction)

Product Line Length	Product Mix Width				
	Detergents	Toothpaste	Bar Soap	Disposable Diapers	Paper Products
	Ivory Snow (1930)	Gleem (1952)	Ivory (1879)	Pampers (1961)	Charmin (1928)
	Dreft (1933)	Crest (1955)	Camay (1926)	Luvs (1976)	Puffs (1960)
	Tide (1946)		Zest (1952)		Bounty (1965)
	Cheer (1950)		Safeguard (1963)		
	Dash (1954)		Oil of Olay (1993)		
	Bold (1965)				
	Gain (1966)				
	Era (1972)				

Price

- Price is an important decision that should support the company strategy and its positioning
 - Selecting the Pricing Objective: (Penetration strategy vs. Premium price)
 - Determining Demand
 - Estimating Costs
 - Analyzing Competitors' Costs, Prices, and Offers



Promotion

- Communication to promote the company and its products/services to current and potential customers
- Explaining their attributes and how they satisfy customer needs.
 - Advertising
 - Personal sales
 - Promotions
 - Social networks
 - Public relations

Place (distribution)



- Sales and distribution comprise all interactions with the final customer, wholesalers and retailers.
 - Personal interactions
 - Service provision to customer (information, after sales service, service recovery).
 - Product and service delivery
- Multichannel vs Omni Channel

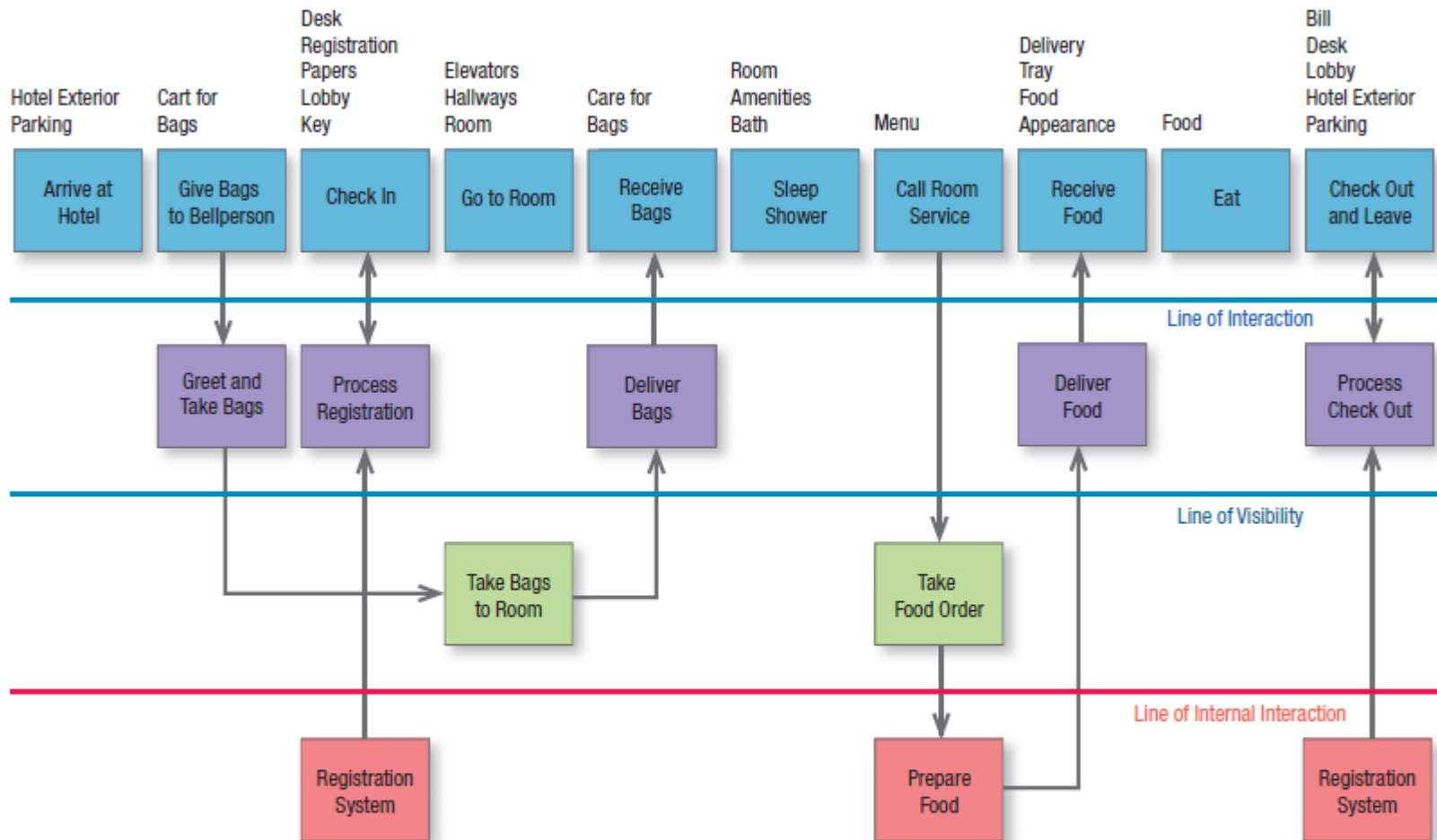


People in services

- The service employees who are in direct contact with the customers have a crucial impact on the service delivered.
- Many of the delightful experiences and dreadful experiences are related to the people of deliver the service.



Process



| Fig. 14.2 |

Blueprint for Overnight Hotel Stay

Source: Valarie Zeithaml, Mary Jo Bitner, and Dwayne D. Gremler, *Services Marketing: Integrating Customer Focus across the Firm*, 4th ed. (New York: McGraw-Hill, 2006).

Physical evidence

- Style and visual environment where the service is provided, and has a strong impact on the customer experience.
 - communicates the service positioning
 - facilitates the process of service delivery
 - provides clues about the service



Segmentation

Kotler, P. & Keller, K. *Marketing Management*
(2018) Pearson, Chapter 9

Segmentation

- Customers are all different. To better respond to customer specific needs, it's important to identify segments.
- Segmentation is a process of identifying groups of customers with similar preferences, and different from other groups of customers.

Levels of segmentation

- Mass marketing
- Market segmentation
- Niche-marketing
- Marketing one-to-one

Mass marketing

- Develop of a single marketing mix, which is offered to all customers in a global market.
- Least cost production paradigm
 - Example: Portuguese banking industry in the 80's.



Segment marketing

- Development of solutions adapted to the specific needs of the different market segments.
- Segment – a group of customers who share some needs and wants.
 - Example:
 - Accor (hotel chain): sofitel, mercure, novotel, ibis
 - Inditex: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe



Niche marketing

- Adaptation of the company's offering to a small segment of customers with specific needs and preferences.
- Niche – narrow customer group seeking a distinctive mix of benefits or values.
 - Macrobiotic food

Marketing one-to-one

- The ultimate level of segmentation leads to segments of one.
 - Example: Tailor-made clothing
- More information about customers +
Factories more flexible: increased ability to individualize market offerings.

Segmentation variables

- Geographic segmentation
- Socio-demographic segmentation
- Psychographic segmentation
- Behavioral segmentation

Geographical segmentation

- Adaptation of the offering to the different geographical groups of customers.

Socio-demographic segmentation

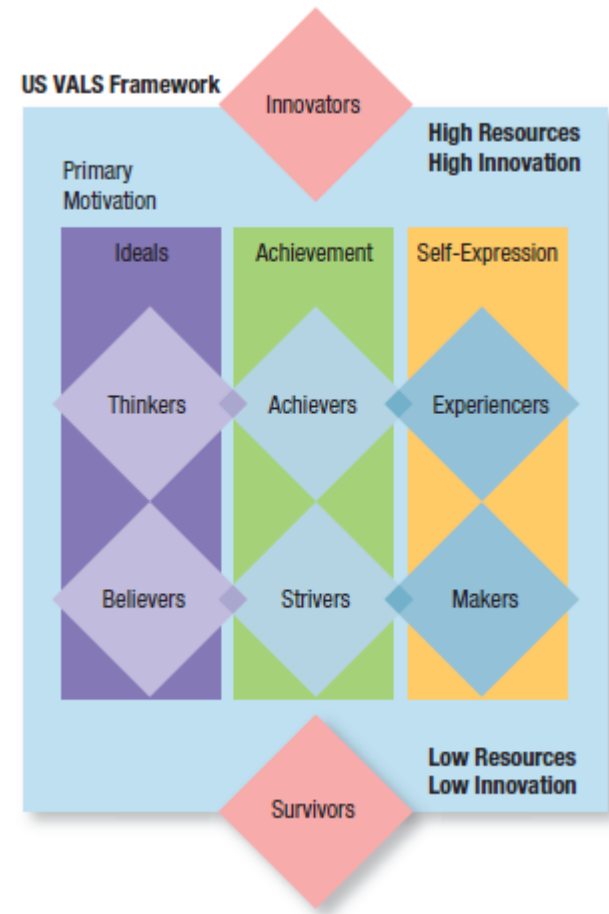
- Definition of market segments according to variables such as age, gender, income, professional status, education...
 - Apparel: different offerings for men and women.
 - Cars: different cars targeted to different age and income segments.

Psychographic (psychological + demographic) segmentation

- Definition of market segments according to variables such as personality traits, lifestyle, or values.

- Ideals: Knowledge and principles
- Achievement: To show success
- Self-Expression: desire social activity, variety, new experiences

- VALS: Demographics and attitudinal



Behavioral segmentation

- Definition of market segments according to **knowledge** of, **attitude** toward, **use** of, and **response** to a product
 - Needs and Benefits (image seeker; expert; traditionalist)
 - Usage variables (special occasions; regular buy)
 - Loyalty status (hard-core loyals; switchers)

Effective segmentation criteria

To be useful, a market segment should be:

- **Measurable**
 - The size, purchasing power, and characteristics of the segments must be measurable.
- **Substantial**
 - The segment must be large and profitable enough to serve.
- **Accessible**
 - The segment can be effectively reached and served
- **Differentiable**
 - The customers in the segments have sufficiently preferences and are willing to pay for a distinctive offering.
- **Actionable**
 - The company should be able to effectively develop an offering that satisfies the specific segment preferences.

Case Study

The Swiss Watch Industry

Omega & traditional swiss watch industry



1970's

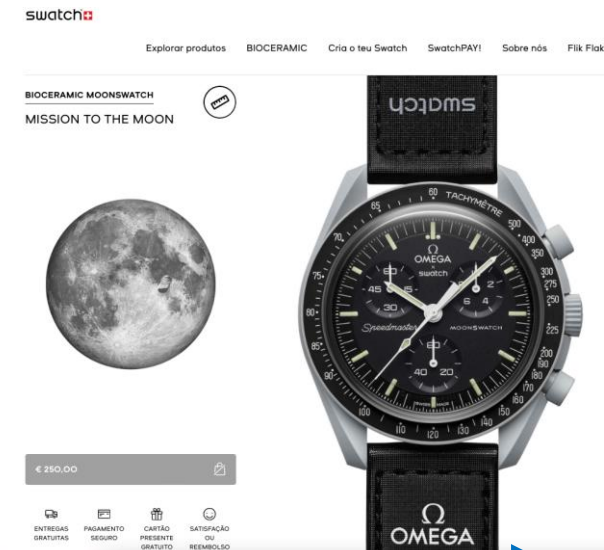
Swatch



1980's

2000's

Omega Swatch 2022



2022

1960's



Hong-Kong digital quartz watch



Smart watches

Exercise

- Characterize the segments of the watch consumers
 - Which segmentation variables may be relevant?
 - Which segments can you find, based on these variables?

Market Targeting

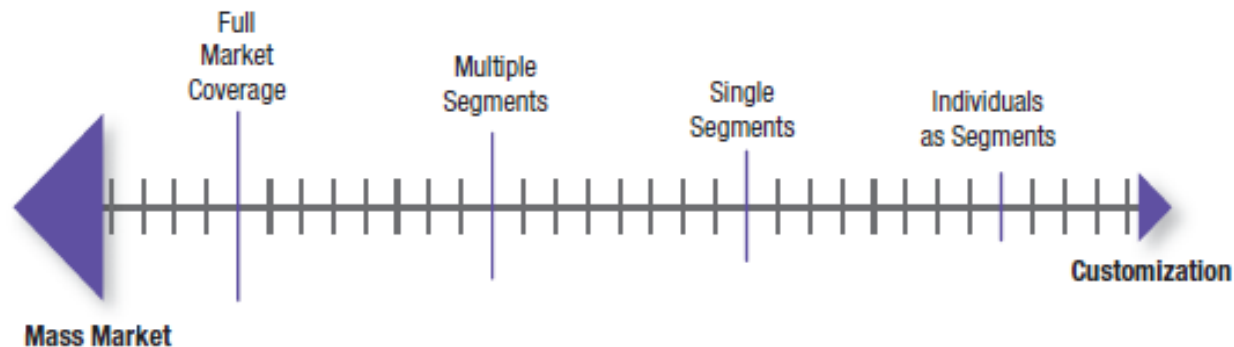
Kotler, P. & Keller, K. *Marketing Management*
(2018) Pearson, Chapter 9

Market Targeting

- Once the firm has identified its market segment opportunities, it must decide how many and which ones to target.
- Marketers are increasingly combining several variables in an effort to identify smaller, better-defined target groups.

Selecting target markets

- Taking into account the segment's attractiveness and the company's objectives and resources, several strategies can be defined:



Single-segment concentration

	M1	M2	M3
P1			
P2			
P3			

- The company concentrates on a single segment, trying to serve it particularly well.
 - Advantages: specialization and deep knowledge of the segment.
 - Disadvantages: dependency on a single segment.
- Example: Banco Carregosa

Selective specialization (multiple segments)

	M1	M2	M3
P1			
P2			
P3			

- The company selects a number of segments, each objectively attractive and appropriate.
 - Advantages: risk diversification.
 - Disadvantages: effort dispersion.
- Example: Sonae



Product specialization (multiple segments)

	M1	M2	M3
P1			
P2			
P3			

- The firm specializes in a product or service, which is sold to different market segments.
 - Advantages: the firm leverages its image and reputation across different markets.
 - Disadvantages: the product or service may be supplanted by an entire new technology.
- Example: Corticeira Amorim



Market specialization (multiple segments)

	M1	M2	M3
P1			
P2			
P3			

- The firm concentrates on serving many needs of a particular market.
 - Advantages: The firm gains reputation in its customer market.
 - Disadvantages: risk of market segment reduction or disappearance.
- Example: Joint strategy and stores of Vista Alegre, Atlantis and Cutipol.



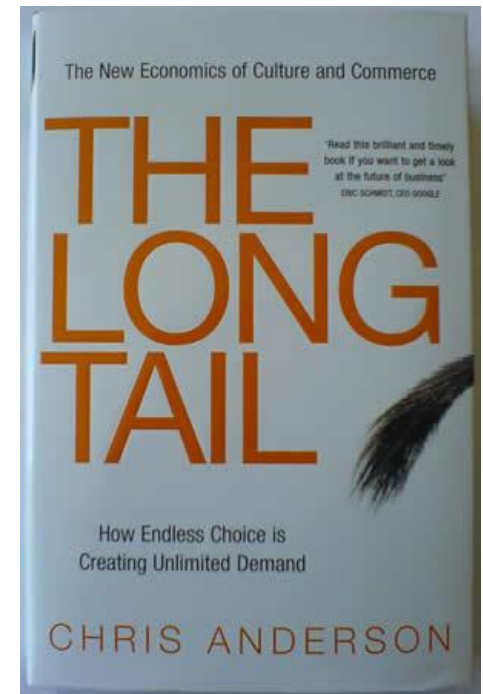
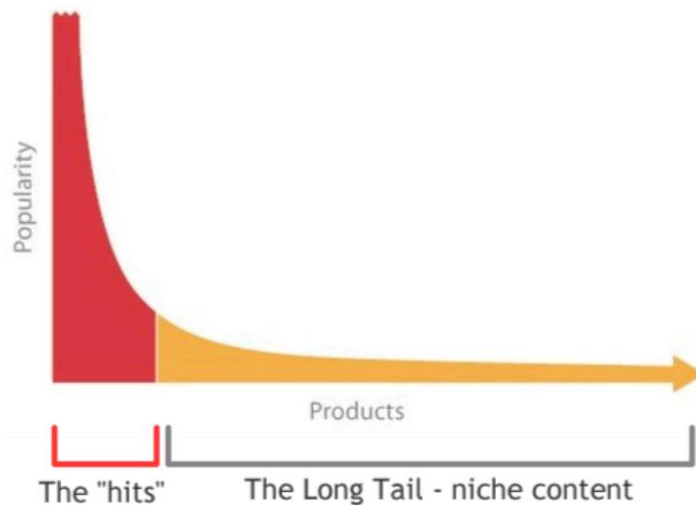
Full market coverage

	S1	S2	S3
P1			
P2			
P3			

- The company attempts to serve all customer segments, in all their needs.
 - Advantage: broad market coverage, satisfying a wide range of customer needs.
 - Desvantagens: high costs.
- Example: Coca-cola (non alcoholic beverage market).

The long tail

- The advent of technologies and the internet has made niche marketing much more profitable.



Individual Marketing

- Adaptation of the company's offering to the individual customer preferences.
 - Traditional services, such as shoemaking.
 - With new technologies, this is possible for a wide set of customers: “*mass customization*”.



Positioning

Kotler, P. & Keller, K. *Marketing Management*
(2018) Pearson, Chapter 10

Positioning

- Positioning is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market.
- The positioning reflects the company's strategy and its competitive advantage.
 - An offering that is valued by customers
 - Is unique and different from competitors
 - Hard to imitate
- Category membership
 - The market offerings with which a brand competes and that function as close substitutes.

Points of difference

- Attributes or expected benefits that are strongly associated with the offering, are valued by customers and cannot be found in competitors' offerings.
- Volvo vs. Alfa Romeo



Since 1927, our philosophy has been to deliver pioneering innovations that put people first. Welcome to our world built on quality, safety and care for the environment.

DNA is built on a unique motoring history. The brand's best-in-class performance and pure Italian spirit deliver an unparalleled driving experience.



Since its founding in Milan, Italy, in 1910, Alfa Romeo has designed and crafted some of the most stylish and exclusive cars in automotive history. That tradition lives on today as Alfa Romeo continues to take a unique and innovative approach to designing automobiles.

In every Alfa Romeo, **technology** and **passion** converge to produce a true work of art – every detail essential, every design the perfect harmony between beauty and purpose, engineering and emotion.

Fully reviving Alfa Romeo's spirit and maximizing its global appeal has been one of FCA's priorities. Following a clear and well-defined strategy, Alfa Romeo is writing a **new chapter** in its more than **century-long history** that represents an extraordinary opportunity to realize the brand's full potential.

Today, Alfa Romeo is a true showcase of the Group's best resources, talent and technological know-how.

First with the Giulia, and more recently with the Stelvio, Alfa Romeo has created two models that capture the pure and original spirit of the brand – that instantly recognizable thoroughbred character. These models are testament to Alfa Romeo's *La meccanica delle emozioni* spirit and quintessential examples of what people have come to expect from this prestigious brand.

Alfa Romeo is winning the hearts of a new generation and retaking its rightful position as one of the world's most desired premium brands. It is, once again, one of the leading symbols of **Italian engineering** and **style**, an icon of Italy's technological excellence and creative spirit.

After a more than 30 year absence from the sport, in 2018 Alfa Romeo made its return to **Formula One**, and the world of racing.

Points of parity

- Attributes or expected benefits that are not necessarily unique to the company's offering but may be shared with other brands.
- Category points of parity:
 - Consumers view the points of parity as essential for a brand to be credible in a certain product or service category (Ex: requirements to be a 4* hotel)

Exercise

- Define possible market target segments and positioning for:
 - Omega
 - Swatch

Positioning Statement.

Points of Parity. Points of Difference.

Positioning statement

- Among (*target market*), our offering [Brand name] is the brand of (*frame of reference*) that (*point of difference*) because (*reason to believe*).