

POM

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1 Introduction to Marketing

What is marketing? Well, one can talk about this in various different way, but let's start with the word itself.

Market + ing

As the word implies, it can be seen as "doing the market", or, trying to be better with dealing markets. Therefore one can say that marketing is just

Any transaction between Producer and Consumer to Promote trading

That makes marketing to be seen as "Trading Obstacles Elimination" Therefore, making 4 possible following tasks

- Make product that consumer wants
- Make it noticeable by people
- Solve the possible causes that make buying difficult.
- Keep the continual trading relationship.

Overall, we want the management system to sustain these tasks

C. SWOT analysis

1. Basic Model

BCG Model

The Purpose of BCG matrix: Set the balance of Cash Flow.

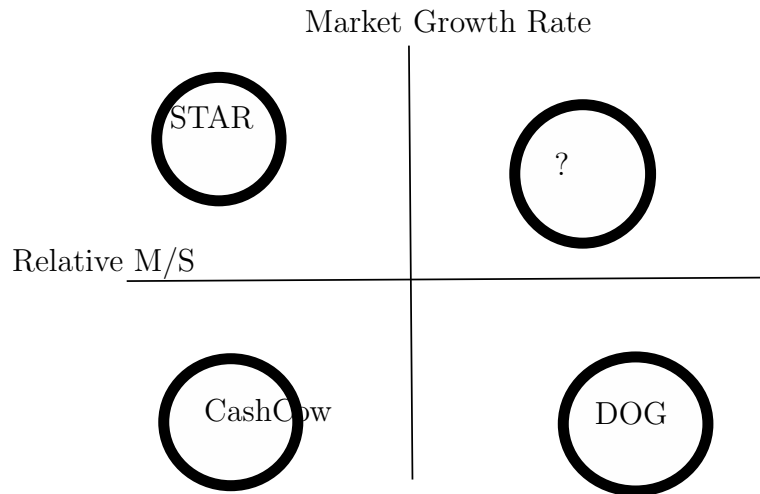


Figure 1: BCG

Problem of BCG Model

- Way too simple x, y cord.
- Vague definition of market.
- Vague borderline of MGR, H/L
- Considers only present state.
- Can be too drastic.
- Don't consider any synergic possibilities.

- 1) X as "Position of competition" Y as "Attractiveness of Business"
- 2) Define market within realm of SUB
- 3) High - Medium - Low

2 Marketing research

2.1 Topics of Marketing research

1. Analyzing Situation step

- Changes in Inside, outside Environments
- strength, weakness of our, opponent companies
- catching opportunities/analyzing market character
- analyzing consumers

2. Collecting strategies step

- researching consumer's cognition
- market test (concept, elasticity of price, predict demand)
-

3. Strategies acquiring step

- add tracking
- new product tracking (recognition, preference ...)

4. Evaluate step market share, mind share, brand equity, satisfaction How do we get the data?

1. Search for it (online, researches...)
2. Make them!
3. Buy them! (or let other make them)

2.2 Marketing research process

1. Decide whether we need to research
2. Specify why we need to research (What are you trying to get by this research?)
3. type of Constructions of research
4. Data Source (Do we make them? search for it? etc..)
5. How do we collect our data?
6. Extract samples and collect Data (what is our sample group? how? how many?)
7. Analysis of our data
8. Result and organize the product.

2.2.1 Type of research construction

1. Exploratory research
 - "Why do we lack net profit?"
 - "would single family's consuming mind different?"
2. Descriptive research (much more enumerative and analytical, more to correlational study)
 - "Is the reason of lack of net profit differ by different areas?"
 - "Is the single family consumer sentiment differ by different age?"
3. Causal research (not much correlational, more causality research)
 - "Is price discount better than quantity discount?"
 - "Is minimalization better than advancing?"

2.2.2 Data source

1. Secondary Data
 - Inside data (Business related data..)
2. Primary data
 - survey, test
 - observation, ...
3. New raw Data
 - Purchase Data
 - clickstream Data
 - UCC, SNS Data
 - Big data (3V's)

2.2.3 Example: Coke or Pepsi?

Pepsi Challenge

”New coke” blunder

Despite all the research, why did so many people hate New coke?

”are you sure that taste only comes with tongue?”

By doing fMRI study of brain, one can find out that while blind testing, VMPFC of brain was triggered, while drinking coke, DLPFC and Hippocampus was triggered.

2.2.4 Method of collecting Data

1. collecting Method
 - face-to-face/or not
 - mail, phone
 - online
 - mobile
2. Sampling

- sampling frame
- method of sampling (random sampling/easy sampling)
- sampling size

3 Consumer Behavior Analysis

3.1 consumer behavior analysis tool

1. Understanding consumer

- who?
- what would they want?
- How would they react?
- why?

2. Decision making step

1. facing the problem
2. searching for information
3. look for alternative
4. Buying the product
5. Action after buying product (usage and feedback)

who would face the problem? not exactly the one who uses. can be parent, related people... etc.. Who would search for alternative? Thus, above order can be done by all separate people. The 2. can be questioned by 1. therefore 20 questions can arise in total. However, the 1. can be much more descriptive.

Personal traits can be influential to Decision steps. This can be,

- Memory
- attitude.
- etc...

3.2 Consumer Behavior's general characteristic

However, every consumer is human, therefore behaves in very "generalizable" way. It is natural to think that people behave in calculative, rational way. But this turned out to be very wrong.

1. Decision making method routinized
 - Extensive problem solving (Searching for all possible solution)
 - Limited problem solving
 - Routinized behavior
2. Behaviors within relationships(Between other objective beings)
 - Reference group influence (e.g. by pressure, I'm now fine with alcohol)
 - Trickle down Effect There are differences between social hierarchy within behavior of consumers. So called "lower class" tends to follow "higher class"
 - Social modeling (People tends to follow other people in general. especially who they admire) Why is it that, despite not believing the model is only working for "money", the influence is still there. This works for other examples not bounded by human models.



Figure 2: Wine bottle with image of Picasso sells dramatically

3. Expected Irrationality (We are very irrational indeed, but we are irrational in very rational way. Therefore, pre-calculatable)
 - Heuristics and biases
 - Emotional decisions
 - Non conscious behaviors (Done without conscious)

These behaviors can be (in a way) predicted by marketers, making marketing process much efficient. How many of us make un-rational decisions? about 80%, says our professor.

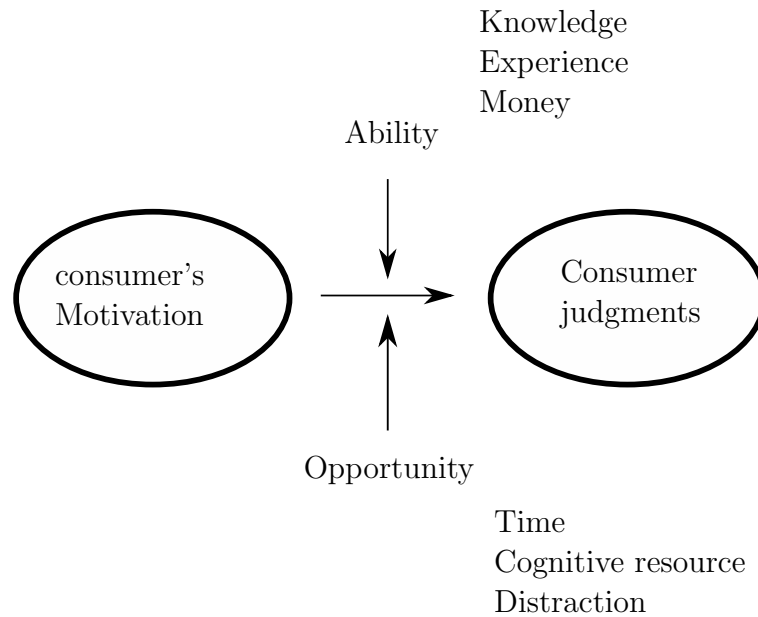


Figure 3: What drives consumer Motivation?

3.2.1 Consumer Behavior's Megatrend (keyword)

- Consumer rights
- Produmer (producer and both consumer)
- Life's quality (well being, health, prestige, small luxury)
- Green Friendly (ethical, green, shared consumption)
- High-Tech (Mobile, AI, IoT, VR, Robot)
- Decision disorder (info overload, decision curator)

4 Segmentation and Targeting

How do we actually "Do" marketing?

4.1 Segmentation

definition: splitting the market into few 'segments' But do we really need market segmentation?

4.1.1 Necessity of Market Segmentation

First, the customers are very different. → You can be very precise to customer's needs Also, the company has very limited resources. → You can choose and focus on one point. And finally, there are just too much competition. Segmenting makes different opportunities stand out very easily. Plus, you can also act very quickly to changes.



Figure 4: Target market : Easily enjoying liquor, for age 20 ~ 30, woman, lives in cities.

4.1.2 Standards for Market segmentation

- Geological variable → weather, pop density, areas
- Demographic variable → age, gender, income level, educational, job
- Physiological variable → Values, personality traits, motivation, lifestyle
- Behavioral variable → Pursuit of convenience , amount of usage, preferences, bargaining

Geological, Populational-statistical Variable (Demographic variable)

- Sometimes define the demand for entire category!! (weather, population, age, gender, income level)
- Creates **subculture** (Generation wise, jobwise, area wise culture)
- Customer Profile elements → "accessibility" (who are they? How do we(company) approach them?)

Example: Cookies (HaeTae and Lotte)

Do cookies really need market segmentation?

You can make an argument that everyone likes cookies. Almost everyone consumes cookies. Yet, there seemed to be **geological difference** between areas. Why is that? Even though heavy consumers are children, it seemed like area's conflict seemed to be engaged: Therefore focus on the **distributor**. Things are getting better nowadays. link: <http://www.donga.com/news/article/all/20030826/7976875/1>

Physiological Variable:

- Effects almost every aspect of consumer's behavior (values, personality traits, lifestyle etc...)
- One of the Customer's profile's elements : → Appealing methods (How do we invoke consumer's motivation to buy?)

Question: How do you segment market by personal values?

4.1.3 LOV Segmentation

1. Main Value measurement

- Rokeach survey (36 value items)
- List of value (LOV) (9 value items)

2. Rounding off by main values → **Factor analysis** 3. Making Segments → **Clustering analysis**

How do you exactly make factor analysis?

After factor analysis, you make clustering by looking at the data.
Behavioral Variable

- Craving product benefit
- Heavy user/ Light user
- Reaction Step: (recognition → knowledge → preferable → buying experience → recursive purchase) if everyone likes it and nobody buys it, there must be purchase obstacle. if nobody knows it, must let them know first. if everyone know it but nobody likes it, change their attitude. etc etc...
- price sensitivity
- Usage situation: (Where do people use our product?)
- Accepting innovative product (Would they buy beta version?)

In what variable do we use to segment market?

* **Let's think...**

1. Using any standard, market does get segmented. (Now is it just matter of your choice?)
2. You simply can't use all the standards, because it isn't profitable and way too complicated. → **use right amount**
3. Thus you need **Efficient market segmenntation**

4.2 Effective Market Segmentation

Effectiveness:::

1. Measurable
2. Accessible
3. Substantial (Segmented by 99 : 1 is just meaningless.)
4. Differentiable by segments (if strategies among segments are equal, it is meaningless)

→ Yet, **per variable, Effectiveness is different.**

4.2.1 How do you deal with that? Wedel Kamakura's

general character variable		Product related variable	
<input type="checkbox"/>	G/O	<input type="checkbox"/> G/NO	<input type="checkbox"/> P/O
<input type="checkbox"/>		<input type="checkbox"/> P/NO	<input type="checkbox"/>

Then what??

- Use Multiple Variable
- Actionable Variable
- use high - Accessible variable to make profile.

4.3 Steps for Market Segmentation

1. Collect Data
2. Measure variable by marketing search
- 3.

Toothpaste Market:

Product benefit can be very different

4.4 Time variant Segmentation

How do you segment markets? Well, after fully knowing the method, you still don't know what will come out as an result, nor what is really efficient. Knowing certain stuff beforehand can be described as **a priori segmentation**, other is **a posterirer segmentation**

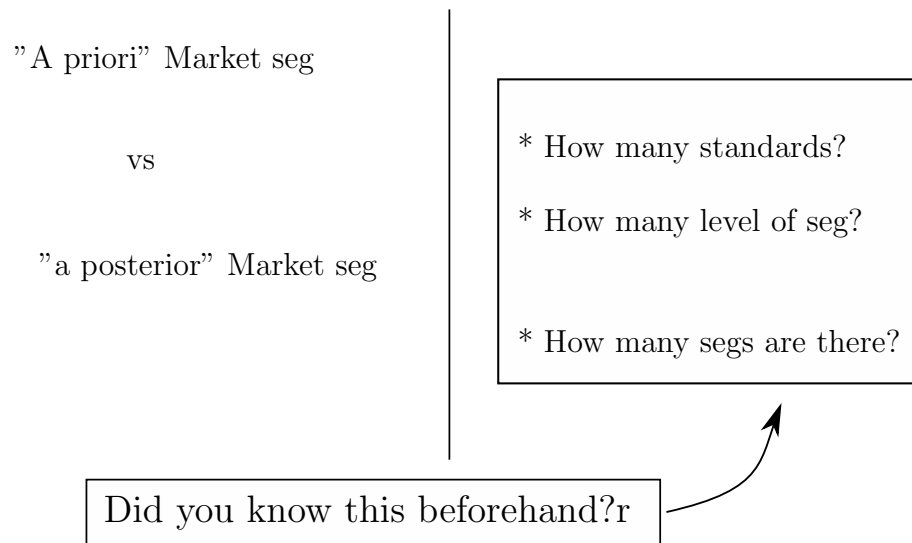


Figure 5: Different segment

For example LOV, you knew how you choose the segmenting method, but you didn't know the result. The result of 4 factor can be considered as a posterirer.

5 Targeting

Ok. you've segmented the market. (that was hard) Now you have to choose what part of segemtn you are going to be engaging in.

5.1 Target segment's decision standard

5.1.1 Segment's attractiveness

- Outside conditions (market size, potential, growth rate, product's life cycle, seasonal)
- Structural condition (competition difficulty, threat of alternatives, power of buyer/producer, Wall of entrance(진입장벽))
- Environmental condition (Economy, society, ...)

5.1.2 Relative competitive position within the segment

-
-

The way "competition" is defined can be various

- By brand (e.g: Digital Camera 1 vs Digital Camera 2)
- Form of product e.g: Digital Camera vs DSLR vs Mirrorless
- Fundamental convenience (e.g: D.c vs Phone)

Ask first brand's most risky competitor

- chmisul → samsung TV
- Liniage → America Drama
- sulwhasu → Korean medic
- Bakcas → Starbucks
- Nike → Nintendo

Marketing Myopia → look at market from far direction.
(Would above competition make sense?) he Fundamental values can be given by much different product.

5.1.3 Compatibility

with...

- company resources
- company's mission/culture
- existing market, existing marketing mix.

Target market can be

- differentiated into one or more segments.
- treated as same or different

5.2 Treating different: How much?

-

6 Positioning

Definition: finding position inside consumer's **mind**

- competitive differentiation consumer perceive
- problem of competitive structure's overall harmonizing marketing mix.
- Not reality, just perception
- Can define direct competitors
- Can grasp market opportunities

6.1 Positioning Map

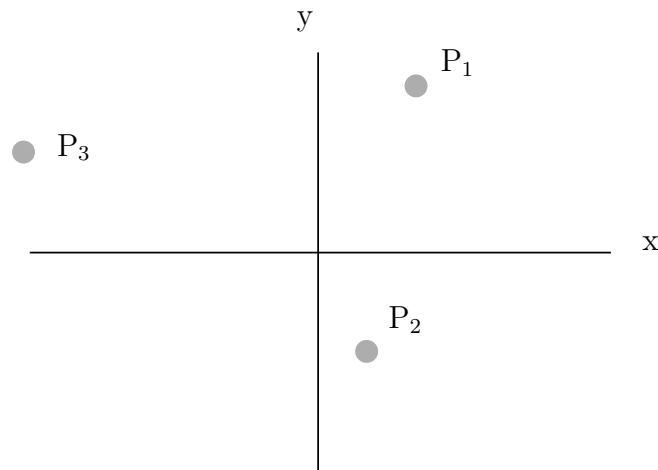


Figure 6: Structure of positioning map

6.1.1 Making of positioning map

1. Multi Attribute Model (MAM) → what constitutes a product is used as axis. (and how good they are per product of different companies)
2. Multi Dimensional Scaling (MDS) → Asking consumers for unknown axis, and trying to search for axis.

1. MAM

- grasp main character of products.
- Per product, find the values for characters.
- Factor Analysis
 - figuring out the underlying dimensions

– find the scale value per theses basis dimension.

- Make positioning map.

2. MDS

”Making positioning map under recognition of consumer’s similarity”

Ask customer’s their measure of similarity of different products.

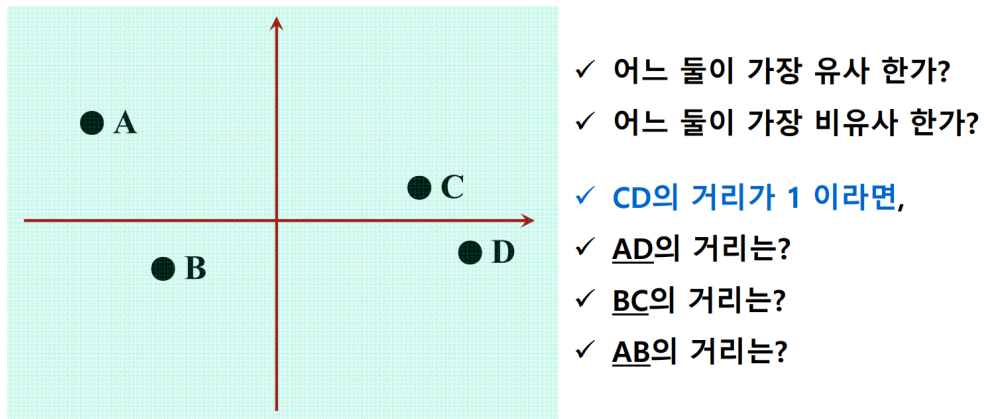


Figure 7:

6.2 Positioning Strategy

1. Overall Quality - Price positioning
2. Specific POD(point of difference) positioning
3. condition of Efficient positioning

6.3 Overall Quality - Price positioning

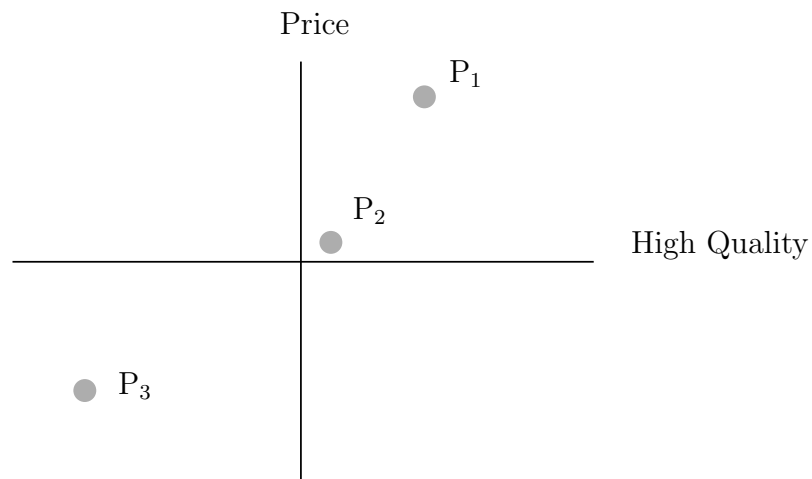


Figure 8:

6.4 Specific POD(point of difference) positioning

- property POD
- Service POD
- User POD
- Usage situation POD

Many time, positioning is done with specific property POD

But sometimes, user specific POD is done. (폴무원:(환경친화적인 당신은) 이미 폴무원입니다)

6.5 Efficient POD condition

1. POD's dimension is important

2. That difference must be perceived meaningfully

Meaningful POD vs not! meaningful POD

1. Work in existing field, → make strategies within known map
 - difference within already existing dimension
 - comparing quality between other competitors ("alignable" difference)
 - Property - based POD is almost all this case
2. Change the existing field → taking strategies to change the existing map

6.5.1 make strategies within known map

Here, the specific dimension is very important, but the problem is that "challenger's" claim isn't well informed.

- Most of the difference is ignored (Prototype effect)
- Especially qualities that aren't directly noticeable.

Then how do we solve this problem?

- noticeable Property (Searchable property vs Experienceable property vs trust based property)
- Enough difference
- Enumerable difference

6.5.2 New property dimension's engaging POD

New property must be meaningful one. But making consumer recognizing them is not EASY. Then how do we solve this problem?

- Density principle
 - make perception's density higher. (variants, voice, shelf space)
- Synergy principle

- 일관성 over various sides
- Categorization Effect
 - Category label (subcategorization) : put category on our product within this market, and label it so that others can perceive

6.6 Positioning Step

1. Analyse current position (Make positioning map)
 - MAM or MDS
2. Choose goal position
3. Repositioning strategies execute
4. Evaluate transformed position

7 Product Life Cycle

Product viewed as Life(metaphor)
 Birth → growth → maturity → decline → death

: to know what stage our product is, to take action accordingly.

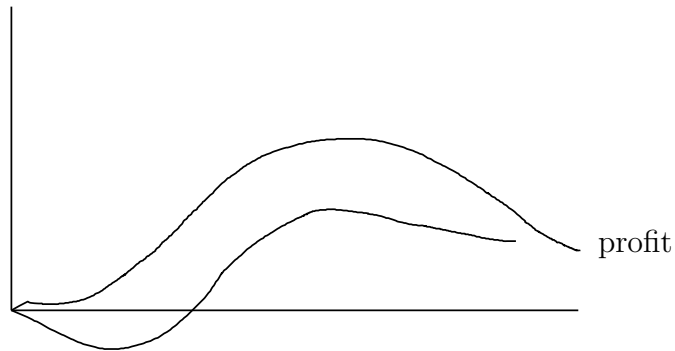


Figure 9: Graph of Product life cycle

Marketing goal must be very different according to the stage of PLC they are in. Entering Stage : Create Awareness Growing Stage : Maximize Sales Mature Stage: Max profit Decline Stage : Reduce Expenditure

7.1 Unit of analyzing PLC

1. Product class
2. Product form
3. Brand
1. Hard to predict "which stage" "how long"
2. Self - fulfilling prophecy (: If you decide on which stage you are in, you will be in that stage)