

Lesson 01



# A Framework for Marketing

CHAPTER 1





## At the end of this topic, the student will:

1. have a clear definition of marketing; and
2. have a framework for comprehending the principles of marketing.





# What Is Marketing?



Getting a grip on what is in store for you...

Some of you may believe that you already have some idea about what marketing is all about. That is good.

Our purpose here is to build up and work with what you know, so that we can integrate everything into a clear and cohesive framework that maps out what marketing is really all about. This will come to mind:



# At this point, what is marketing to you?

Perhaps some (or all) of the following:



- Advertising
- Selling
- Sales people
- Retail stores and merchants
- More selling
- Promos and giveaways
- Press releases
- Product development
- Still more selling

...



## What Is Marketing?

The good news is that, yes, all of the above do fall under the realm of marketing. But it should also be pointed out that marketing is actually a superset of all of the above and more. By this, we mean that marketing is more than the sum of all the above-mentioned elements.

To a layman, marketing will indeed be all about selling a product. But to a marketing professional, marketing is a process. It is a process that begins right at the moment when an aspiring entrepreneur or business development manager (or marketing manager) realizes that there is an opportunity to build up a business.



You can think of marketing as a discipline or a field of management, in much the same way that finance is a management field and human resource development is a management field. At the same time, it helps if marketing is understood by the entire organization because marketing is such an integrative field. Effective marketing needs the involvement and support of all the other fields of management—operations, finance, human resources, information systems, and even corporate planning

**What Is  
Marketing?**



# What Is Marketing?

Marketing is also about communication. In fact, there is a trend toward using the term "marketing communications" rather than just "marketing." This reflects the fact that selling a product (i.e., the layman's definition of marketing) is really all about properly communicating that product to the market and to the world at large. It will, therefore, help to keep this in mind as we proceed throughout this course.





Peter Drucker once said that the aim of marketing is to "make selling superfluous" (Drucker 1978). In other words, he believed that marketing is all about making products somehow sell themselves, so that getting products to move will be involved in order to reach that ideal. Marketing, in this respect, is a bit easier. As subtext, however, it may help to know that a whole lot of work an iceberg: what we get to see-namely the selling and the advertising-is only a small percentage of the marketing process, much of what needs to be done should have already happened even before the product gets out the door.



## A Definition of Marketing

We begin with a definition of marketing as presented by the AmericanMarketing Association



: "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."

Marketing is an organizational function because it is a core task that is expected of a modern organization, whether or not it operates for profit. While marketing is now considered as an imperative for commercial enterprises, even non-commercial sectors benefit from a marketing orientation. For instance, when the Department of Health tries to convince the public to avoid cigarette smoking, it is actually engaging in a marketing campaign. Except that instead of selling a tangible product, it is selling a healthier lifestyle.



Marketing is also a set of processes because there are essential tasks that have to be engaged in order to produce a viable marketing strategy. These tasks shall be outlined as we go along through this course.





There is also the delivering of value to customers. This is an important element that we shall be taking some time to discuss later in this chapter. For now, do take note of the subtext here that marketing is not out to fool customers. to cheat them of their money, or to sell them something that they do not want. In fact, the building of customer relationships is very important in marketing. So if a company tries to fool a customer with a subpar experience, then this is not a marketing-oriented company.

Finally, a key takeaway that we can infer from the above definition is that there is a give-and-take relationship that lies at the heart of marketing. Marketers seek to provide valuable products and services to customers. In return, they also need to benefit from it. Of course, this generally happens through the revenues that companies receive from customers (in the case of profit-oriented enterprises).

But there are other ways through which a marketing exchange leads to mutually beneficial transactions:



- Politicians offer promises and hope to potential voters in exchange for their votes that bring them to office.
- TV stations broadcast soap operas to homes in exchange for viewers (hopefully) watching the ads that in turn would provide profit for the stations.
- Facebook offers its services to its millions of users for free in return for the users allowing paid ads to occasionally show up in their feeds.



These are all examples of exchange transactions that seek to benefit the parties involved. Some transactions can be complex (as in the case of TV stations and its tertiary dealings with outside advertisers), but the typical transaction that we are most familiar with is the common everyday pay-for-product merchant transaction.

Every time you go to a convenience store to buy a snack, it is actually the end result of a marketing process. It begins with the snack manufacturer doing research in order to identify what snacks are already in the market, what customers are looking for, and spotting potential market gaps that can still be filled. Next, the manufacturer profiles the intended market, understanding their demographics, economic class, lifestyle, and a whole slew of other data.

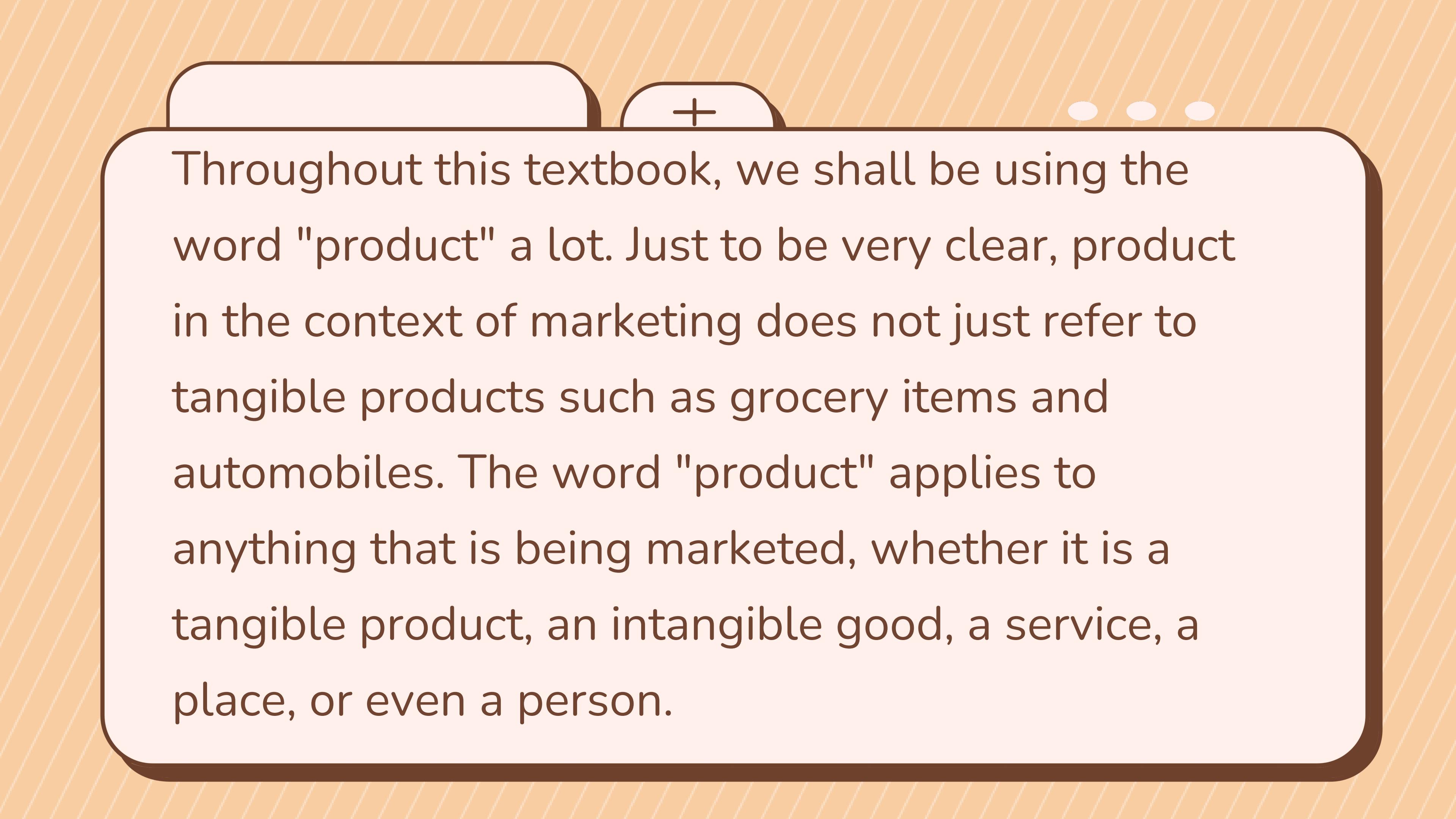
The manufacturer then conceptualizes the product, down to elements such as package design and last branding, as well as its suggested retail price. Next, the manufacturer identifies the most feasible channels through which the product should be pushed in order to reach the consumers-in this case, convenience stores being one.

Finally, the manufacturer may engage in communication efforts in order to alert the market about the existence of its product. All of that would have happened before you finally get to buy the snack from your neighborhood store or something.

On a broader scale, marketing is all about changing behavior through communications in order to achieve objectives. Getting consumers to buy your products may be the most obvious manifestation of a change in behavior, but it is not the only possible marketing objective.

Marketing can also be about changing customer attitudes and perceptions about your product, such as getting the customers to actually like it in order to get them to eventually buy it. It could be as simple as making the market realize that your product actually exists- again, in order to get them to eventually buy it.

If there is a way to describe what marketing is all about in a very concise manner, then it can be this: Marketing is about meeting needs profitably (Kotler and Keller 2006). You go into business so that you get to satisfy the needs of the market and, in doing so, you also get to satisfy your organization's own needs



Throughout this textbook, we shall be using the word "product" a lot. Just to be very clear, product in the context of marketing does not just refer to tangible products such as grocery items and automobiles. The word "product" applies to anything that is being marketed, whether it is a tangible product, an intangible good, a service, a place, or even a person.



Here are some other examples of products:

- Amusement parks
- Apps on smartphones
- Banking services
- Coffee shop: the coffee, the food, and the place itself
- Hotel accommodations
- Legal advice
- Musical bands
- Pet care

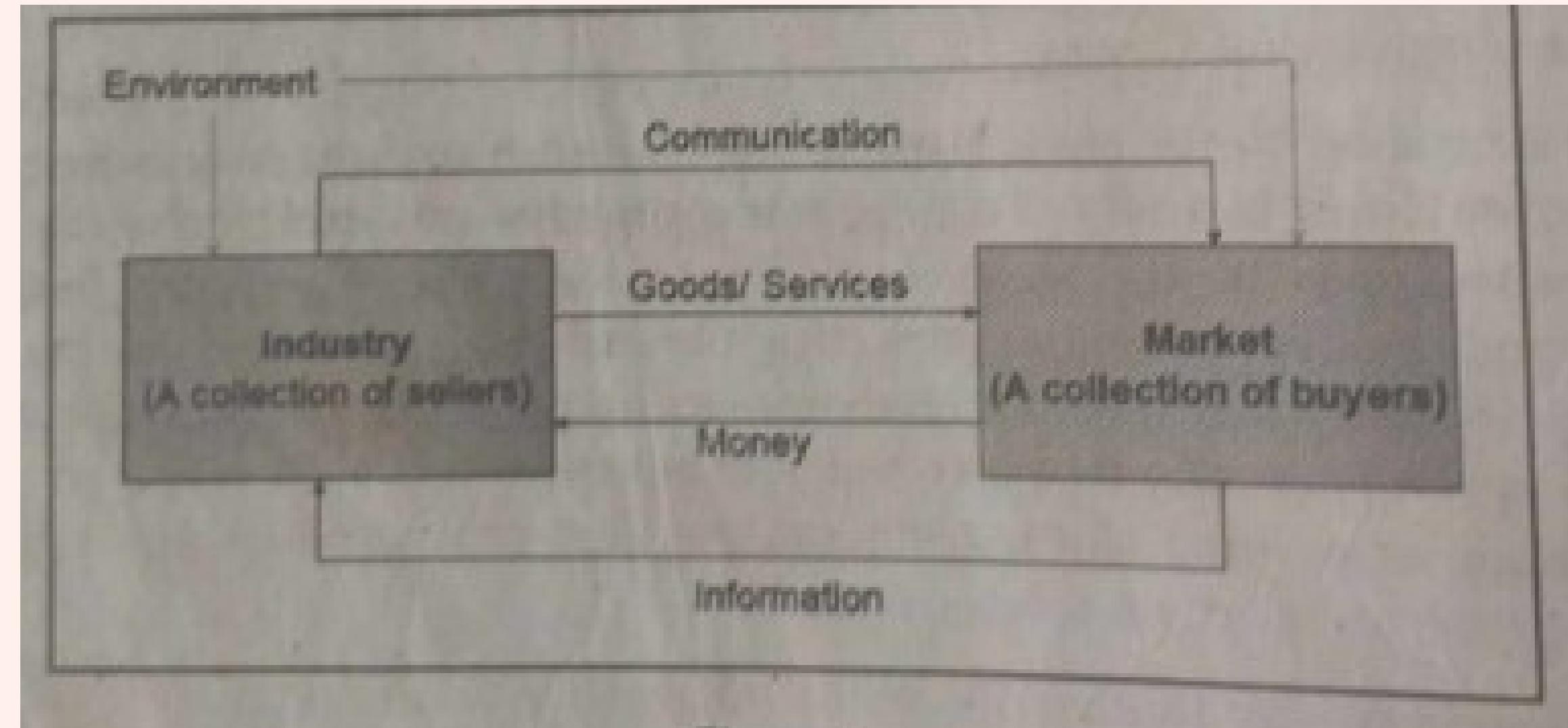
- Radio stations
- Social media sites
- Telecommunication services
- Television programs



# The Marketing System



Generally speaking, the ecosystem for marketing may be illustrated by the following model (Kotler 2000)



**Environment**

**Communication**

**Goods/ Services**

**Industry**  
*(A collection of sellers)*

**Market**  
*(A collection of buyers)*

**Money**

**Information**

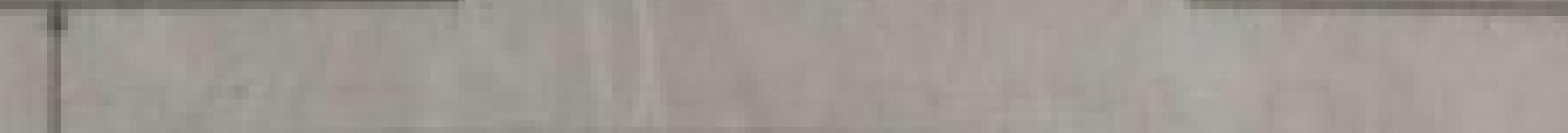




Figure 1

## The Generalized Marketing System



Figure 1 presents two key parties, namely the industry (composed of businesses that seek to sell a particular kind of good or service) and the market (composed of all current or potential consumers for the given kind of good or service). In the early days of marketing, only the two central lines-goods/services and money- were the key points for consideration. Today, however, two other "lines" have joined the equation, namely communication and information. These represent the value of transmitting information both to and from the market and the industry.



# The Marketing System



All throughout these transactions, the environment also serves as a significant influencer, affecting both the industry and the market alike.

The marketing process can also be broken down into its components, which are:

- Strategic Marketing
- Customer segmentation
- Target market selection
- Value positioning
- Tactical Marketing: Value Deployment



# The Marketing System



- Product design and development
- Product portfolio management
- Service development
- Pricing
- Distribution and logistics
- Tactical Marketing: Value Communication
- Sales force strategies
- Sales promotion strategies
- Advertising



# The Marketing System



Strategic marketing takes care of the more long-term, timeless nature of the business proposition, while tactical marketing takes care of the more short- and medium-term, flexible aspects of the market strategy.

In the case of a consumer brand such as Colgate, the strategic component is involved with managing, preserving, and enhancing the value of the brand including its brand propositions and promises, and its market segments. Tactical considerations, on the other hand, include options to stretch the product line through the development of new variants, managing inevitable price wars from competition, and pushing the product line to even more distribution points.

# 4 Principles of Marketing Strategy



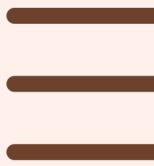
Lesson 2



# NEEDS, WANTS AND DEMAND

CHAPTER 1





**At the end of this topic, student will;**

- 1. Know the concept of needs, wants and demand**
- 2. Understand the dynamics that drive consumer demand**

## **what made you buy that brand of bottled water?**

We all have need. We need food, clothing and shelter. We need to be educated. We need to be heard, to be loved and to be understood.

Take a quick glance at the paragraph above once again. Notice that rapid progressive from tangible needs to more intangible, emotional once. Keep this in mind because as we progress through this course, you will discover themes that will recur again and again. As it turns out, one of these themes (you can consider this as a sneak preview!) is the critical role our emotions play in everything that we buy. You think you are a very rational buyer who rarely makes illogical or impractical purchases? By the end of this book, you may have to rethink that assumption!

## **what made you buy that brand of bottled water?**

This is not to say that we should condemn illogical and impractical purchases (if we did, tens of thousands of companies might suddenly fold up!). Rather, our purpose here is to build in you a level of self-awareness and empathy about how consumers including you behave and why we buy what we buy.

It all starts with what we need.

**A need is a state of felt deprivation about something that is deemed to be necessary.** When you feel hungry, for instance, your body feels deprived of nutrients and therefore triggers a search for solutions.

## **what made you buy that brand of bottled water?**

At the most primal level, we go back once again to the physical needs of food, clothing, and shelter which we literally need to stay alive and fundamentally comfortable. This incidentally includes the need for water. So let us begin our discussion with this basic need for water.

In Metro Manila, the two biggest water utilities (Manila Water and Maynilad) insist that for the majority of households that they service, their tap water is potable. In other words, you can drink the water straight from the faucet.

## **what made you buy that brand of bottled water?**

So how many of us do actually drink straight from the faucet? For low-income households, drinking straight from the tap is something that they would not think twice about. But as household incomes rise, tap water is quickly replaced by alternate options of either bottled water or filtered water. Bottled water can come in the form of either neighborhood-supplied gallon containers or store-bought water. Filtered water, on the other hand, can be had through any number of installed home filtration systems ranging in price from a couple of thousand pesos to over a hundred thousand pesos!

## **what made you buy that brand of bottled water?**

We all need water, but we have hundreds of options on how to get it, each with its own pros and cons, and each with its own particular price point.

Now think about this for a moment: Up to the 1980s, the concept of buying drinking water, specifically for households that had reliable tap water service, was practically unthinkable. Most of these Metro Manila households simply took it as a fact of life that water comes from the tap. The only reason you should even consider buying water is if your faucet was not working. Even then, the idea of buying water, at several pesos per bottle, was considered preposterous.

## **what made you buy that brand of bottled water?**

Why buy via a bottle if you had relatively cheap running water in your home? If your tap water was of suspicious quality, you boil it and that was that.

The turning point of this cultural mindset toward water happened in the early 1990s when the city came into the grip of a cholera epidemic. News reports of damaged pipes that allowed tap water to mingle with raw sewage led to a sense of paranoia about the water supply. This led to the middle and upper classes migrating toward safer drinking water options that resulted to the rapid growth of bottled water companies and, eventually, home water filtration systems.

## what made you buy that brand of bottled water?

We need water. That is a non-negotiable physiological need. But, in particular, we need safe drinking water because we also have a need for safety.

Safety, of course, is an emotional need. The higher your disposable income, the more you will likely be willing to spend to be assured of this feeling of security against the elements. Higher income households, for example, are willing to pay a premium to live in gated communities that are monitored by security guards.

## **what made you buy that brand of bottled water?**

Similarly, if you had the disposable income, you would probably pay a premium for a higher priced water filtration system for your home that can give you a peace of mind about the water that you drink. Even if your water service provider insists that tests show your tap water is very safe to drink.

What would a premium price give you? As it turns out, water filtration is a complicated business involving many different parameters and outcomes. There is straight filtration which removes contaminants usually through the use of activated carbon filters.

## what made you buy that brand of bottled water?

There is also water softening which "softens" water by reducing the amount of calcium and magnesium from the water. On the other hand, there is disinfection which kills bacteria via ultraviolet light. Lastly, there is distilling which promises the purest possible water through a high energy. evaporative process.

All of these processes, of course, lead to the same outcome of "safer" water. But the consumer's budget could determine how many of these features would be incorporated into the system of choice.

## what made you buy that brand of bottled water?

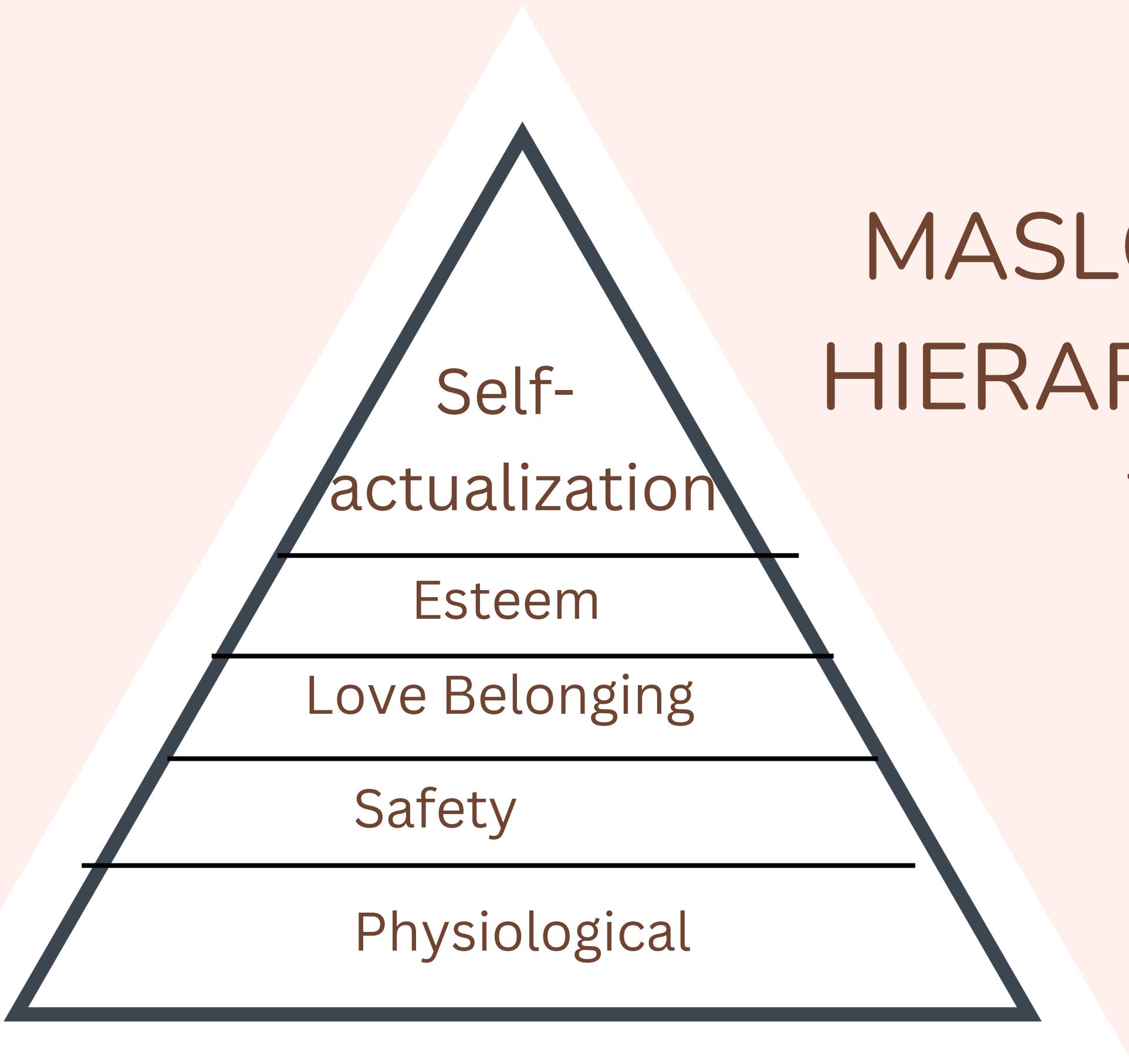
In the mid 2000s, a new health fad emerged: alkaline water. Supporters of alkaline water claimed that the alkalinity in this particular kind of drinking water made it more compatible with the human digestive system, leading to quicker absorption and better health. Sales teams hawked alkaline water filtration systems at prices that were astronomical compared to that of regular water purifiers. As it turned out, those who did buy these alkaline dispensers had not one, not two, but three needs: the physiological, safety, and better health, which was part of something called "self-actualization" or self-development. Because these devices addressed three important needs, the buyers felt that it was worth it.

## what made you buy that brand of bottled water?

In 1943, psychologist Abraham Maslow proposed a hierarchy of human needs that eventually and popularly came to be represented as a pyramid, with the most basic needs set at the bottom (Maslow 1943):

The behind Maslow's premise Hierarchy of Needs Theory was that the most basic need (represented as the lower levels of the pyramid model) must first be met before the individual can feel a strong desire for the higher level needs. Thus, before you can even think about being respected by your peers (love/belonging), for instance, you must first be assured of food, shelter, clothing (physiological) and that nothing untoward happens to you as you go to, from, and around the school (safety).

what made you buy that brand of bottled water?



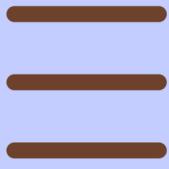
## MASLOW'S PREMISE HIERARCHY OF NEEDS THEORY

## what made you buy that brand of bottled water?

What does the model say about people who, for instance, go on hunger strikes to protest an idea? The model says that these people have gone way beyond fulfilling their physiological needs for one thing, to the point that they can stifle any hunger pangs through sheer willpower. Safety, love, and esteem are also no longer primary considerations perhaps because they have covered these long ago and so they are now single-minded of purpose.

## what made you buy that brand of bottled water?

But while Maslow's hierarchy seems to make a lot of sense, it is now considered a bit outdated especially when human needs are viewed from an evolutionary context. Seen from a more anthropological and sociological perspective, needs are derived more from a complex mix of "subjective pleasure, social status, romance, and lifestyle... [especially] as a product's mental associations become more important than its actual physical qualities" (Miller 2009). In other words, often our needs and wants are fueled more by what the products signify rather than their actual forms.



So consumers can have a multitude of needs. But what do consumers want? First, let us distinguish between a need and a want. You need safe water, but you want ultraviolet technology that would kill those peaky bacteria. You need to eat, but you particularly want a double-patty cheeseburger.

Did you spot the difference?



**Wants are the specific manifestation of needs.** You need comfort, and you crave for (or want) a scoop of creamy gelato and find it there. You need transportation, but in particular you want a classic Mustang convertible. You need a writing instrument for communicating, but you want a Pelikan M640 Polar Lights Special Edition fountain pen.

Admit it, you want a lot of things. It is the net result of a consumerist culture. You want specific brands of clothes, you aspire for particular high-end gadgets, and perhaps you want to travel to a number of exotic destinations. These are all wants because they are specific manifestations of your various needs.



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Now, if you want something and you actually have the money to buy it, then this want now becomes a demand. **Demands are wants that are backed by purchasing power.** Without this purchasing power, a want is simply something on someone's wish list.

A homemaker may aspire for an expensive home water distillation system. But if the household does not have the budget for it, then they may just settle for a more practical and conventional carbon filtration system or maybe just ordering jugs of filtered water from the neighborhood supplier.



What does this tell us? Often, what the market buys is not a reflection of what they really want, but rather it reflects what they can afford at the moment.

This is quite evident in the sad reality that in many poor households, proper nutrition is compromised when the parents substitute low-cost instant noodle packs for more nutritious fare. Thus, "beef bulalo" flavored instant noodles, for instance, becomes the viand instead of an actual beef bulalo. This allows the parents to stretch their meager budgets, but it comes at the price of their children's nutrition. They may want the real thing but due to limited finances, they opt for the more "imaginary" fare and this is where their demand goes to.



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The next time that you find yourself about to buy something, stop for a moment and review your purchasing process. You have the purchasing power to acquire that something. But what are the needs that propelled you to select this particular item in the first place? What would you really have wanted if you had the budget? What needs would that have satisfied?

# The Science of Persuasion



Lesson 3:

# MARKETING ORIGINS, EXCHANGE, AND VALUE

CHAPTER 1

Lesson 3:

**At the end of this topic, the student will:**

1. understand the evolution behind the principles of marketing;  
and
2. know the difference between marketing and non-marketing-based sales techniques.

# THE ORIGINS OF MARKETING

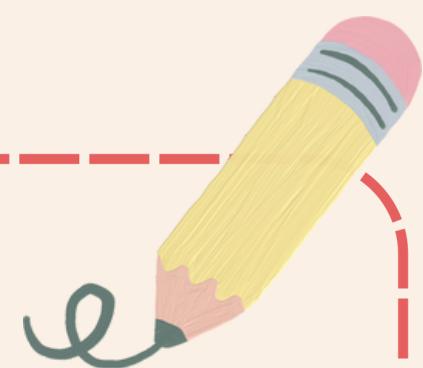
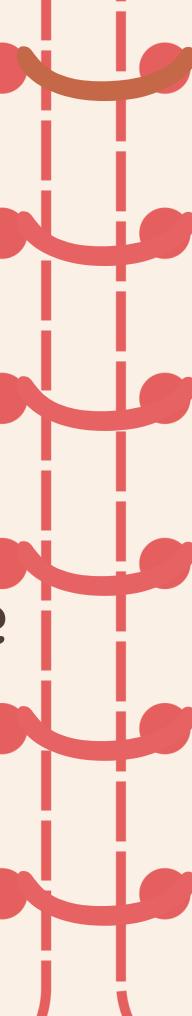
“There is a proper way to sell.”

Marketing as we know it today (or as you will know it through this course) is a fairly recent development in the world of business. To fully appreciate how it came to being, it will be useful to see how the stage in a market's maturity affects how businesses can best sell to the market.

## STAGE I. SUPPLY < DEMAND

When supply is less than demand, manufacturers generally have no problems selling whatever they produce. This is what is typically called a sellers' market and the sellers have the upper hand in these situations. The market is hungry for the product and has the disposable income to pay for it.

If your objective was to be the biggest and market dominant force, then you would want to take advantage of such situation by scaling up your production as quickly as possible in order to take as much of the market as you can.



## STAGE I. SUPPLY < DEMAND

You will want an emphasis on capacity maximization, whether it is through your own manufacturing or through strategic partnerships, along with an emphasis on expanding your distribution as swiftly as possible..

The mindset behind this is that the demand is there, so you just have to produce as much of your product as you can in order to meet it.

This mindset is called production orientation.

## **STAGE I. SUPPLY < DEMAND**

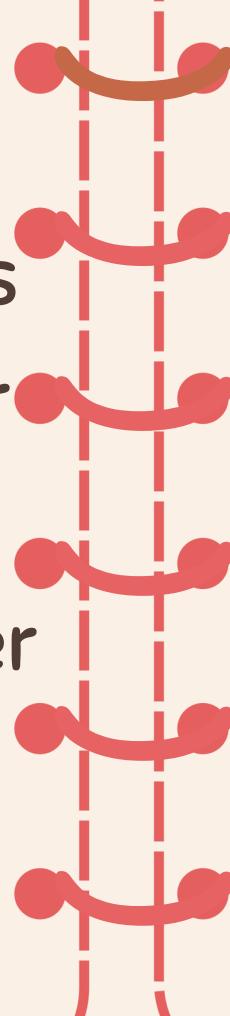
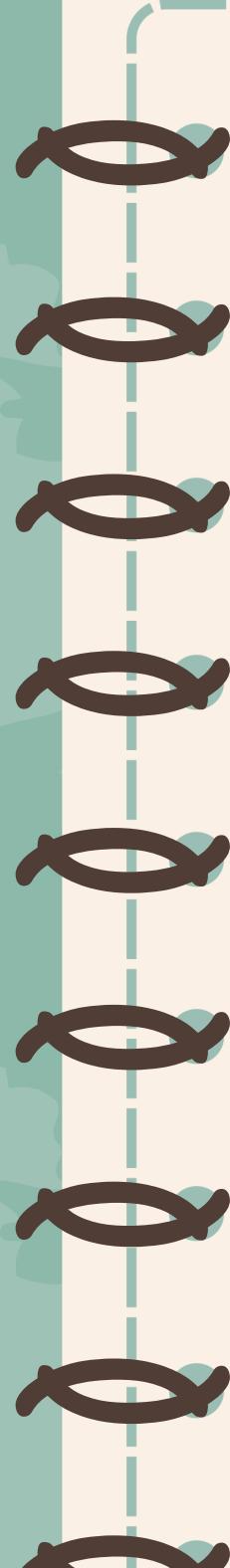
Brands like Lucky Me! Instant Noodles and CD-R King began by aggressively rolling out affordable products as widely as possible. Low price and wide availability were seen to be the keys to dominating the market.



## STAGE 2. SUPPLY < DEMAND, COMPETITION GROWING

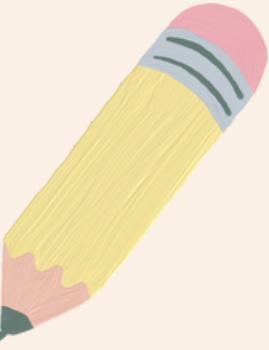
The entry of competitors in a potentially huge market space generally leads to innovations as challengers strive to make their offerings different enough. Improved quality, new and better features, better comfort, and better design—all of which are undertaken with the hope that

the product will speak for itself and that consumers will choose your products based on the merits of your wares. This mindset is called product orientation and it is often colloquially referred to as "building a better mousetrap."



## **STAGE 2. SUPPLY < DEMAND, COMPETITION GROWING**

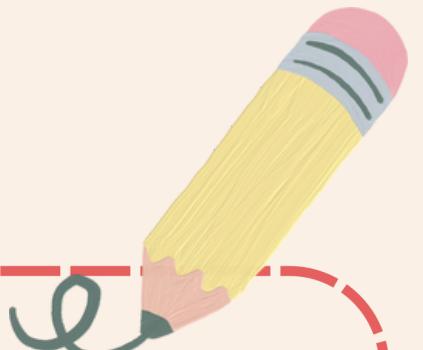
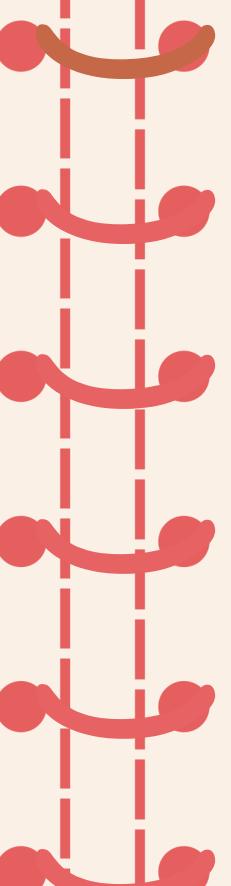
Many passionate entrepreneurs operate this way, sincerely believing that if they can make the best product out there, then the market will come storming into their doors. It does not always work but when it does, it is often driven by a strong word of mouth.



## STAGE 2. SUPPLY < DEMAND, COMPETITION GROWING

In today's climate of pervasive social media utilization, well thought-out products that receive a lot of online endorsements can do very well. It does not always happen though.

The phenomenon of Maginhawa street, situated near the University of the Philippines in Quezon City, becoming an oasis of must-try food places was largely built on a strong word of mouth.



## **STAGE 2. SUPPLY < DEMAND, COMPETITION GROWING**

It is mostly shared via social media sites such as Facebook and Instagram. Food places here strive to be interesting. In return, social media netizens get something to share on their timelines when they visit.



## STAGE 3. SUPPLY > DEMAND

When businesses begin to crowd into a limited market space, then competition can get quite fierce. Especially if the businesses are not particularly savvy in either offering least cost options or in differentiating their products. In such cases, it is the sales force that may best come to the rescue.

The sales force becomes the front liners who take matters into their hands and push the products directly to the customers. Using sales organizations to push your product is called sales orientation.

## STAGE 3. SUPPLY > DEMAND

When it works, it can work for the benefit of all parties. Insurance, for instance, is sold this way. Consumers do not normally look for insurance (it is an example of what is referred to as an unsought good, which is why the industry behaves as if supply was greater than demand) and typically avoid thinking about it..

But a sales person who can properly explain the advantages of a good insurance policy can effectively make the life of the consumer better. On the other hand, when it does not work, a sales orientation can quickly turn into hard selling, which can be annoying to customers.

## STAGE 3. SUPPLY > DEMAND

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## STAGE 3. SUPPLY > DEMAND

With a glut of condominium developments in Metro Manila, realtor firms have resorted to mobilizing sales people in malls and other public places, handing out flyers and begging passersby to consider their projects. It has come to the point that many shoppers try to avoid these sales people whenever they could.



## STAGE 4. SUPPLY > DEMAND, CUSTOMER-CENTRIC STRATEGIES EMERGE

As competition becomes fierce, firms soon realize that a better way to compete would be by prioritizing customer needs more than their own. When the mindset moves to this sphere, then this is the starting point for a marketing orientation.

The marketing orientation begins with identifying and understanding a particular target market because, to put it plainly, you cannot please everyone. Are you targeting men or women? A particular age group? A particular income segment? What are their interests, attitudes, and lifestyles? What do they really need?

## STAGE 4. SUPPLY > DEMAND, CUSTOMER-CENTRIC STRATEGIES EMERGE

Products are then designed according to what could best fit the needs of the target market, priced according to their typical budgets, sold where it is most convenient for them, and promoted in a way that best catches their attention.

A wellthought-out marketing strategy could (hopefully) lead to products that delight customers, leading them to become loyal patrons who will buy products from your company again and again. Happy customers are an asset because they will tell an average of five people about their delightful experience. (Gitomer 2011)

## STAGE 4. SUPPLY > DEMAND, CUSTOMER-CENTRIC STRATEGIES EMERGE

Take note then: this objective of making customers loyal and getting them to be satisfied repeat buyers is the end result that marketing seeks to accomplish. If a customer buys from you just once, then you may attain your short-term sales targets, but then you still have the problem of searching for (and fighting for) your next customer.

On the other hand, if you focus your efforts on building a loyal customer base, then you will have a market that practically assures you of regular sales for the long term. This leads to a more predictable sales and less anxiety about achieving sales goals in the future.

## STAGE 4. SUPPLY > DEMAND, CUSTOMER-CENTRIC STRATEGIES EMERGE

However, it is a two-waystreet. In return for their loyalty, customers expect your product quality to be consistent, predictable, and reliable. They need to be assured that you will always provide them with the same (or better) level of experience as they have come to expect from the start.

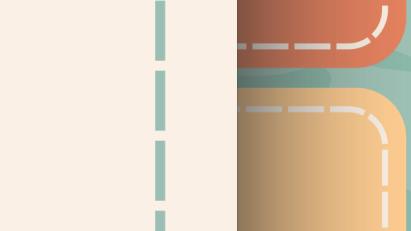
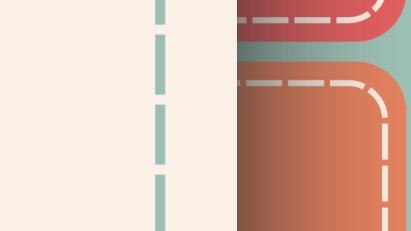
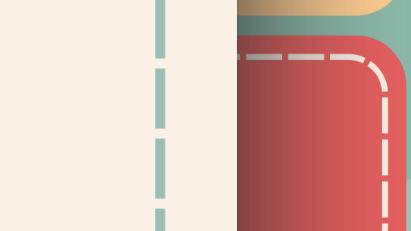
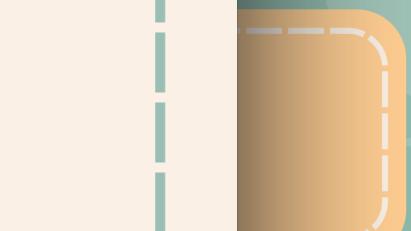
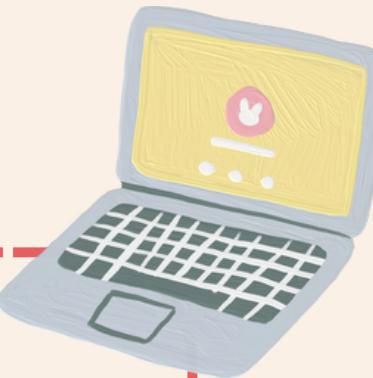
Apple is a casestudy in successful marketing. It has built up a near fanatic "fan base" of customers who eagerly anticipate each and every new product offering. Never mind that most of its products are made in China

## STAGE 4. SUPPLY > DEMAND, CUSTOMER-CENTRIC STRATEGIES EMERGE

or that its prices are set at a very high premium compared to competing products. What is important is that they maintain their products' levels of design excellence, engineering quality, and legendary ease of use.

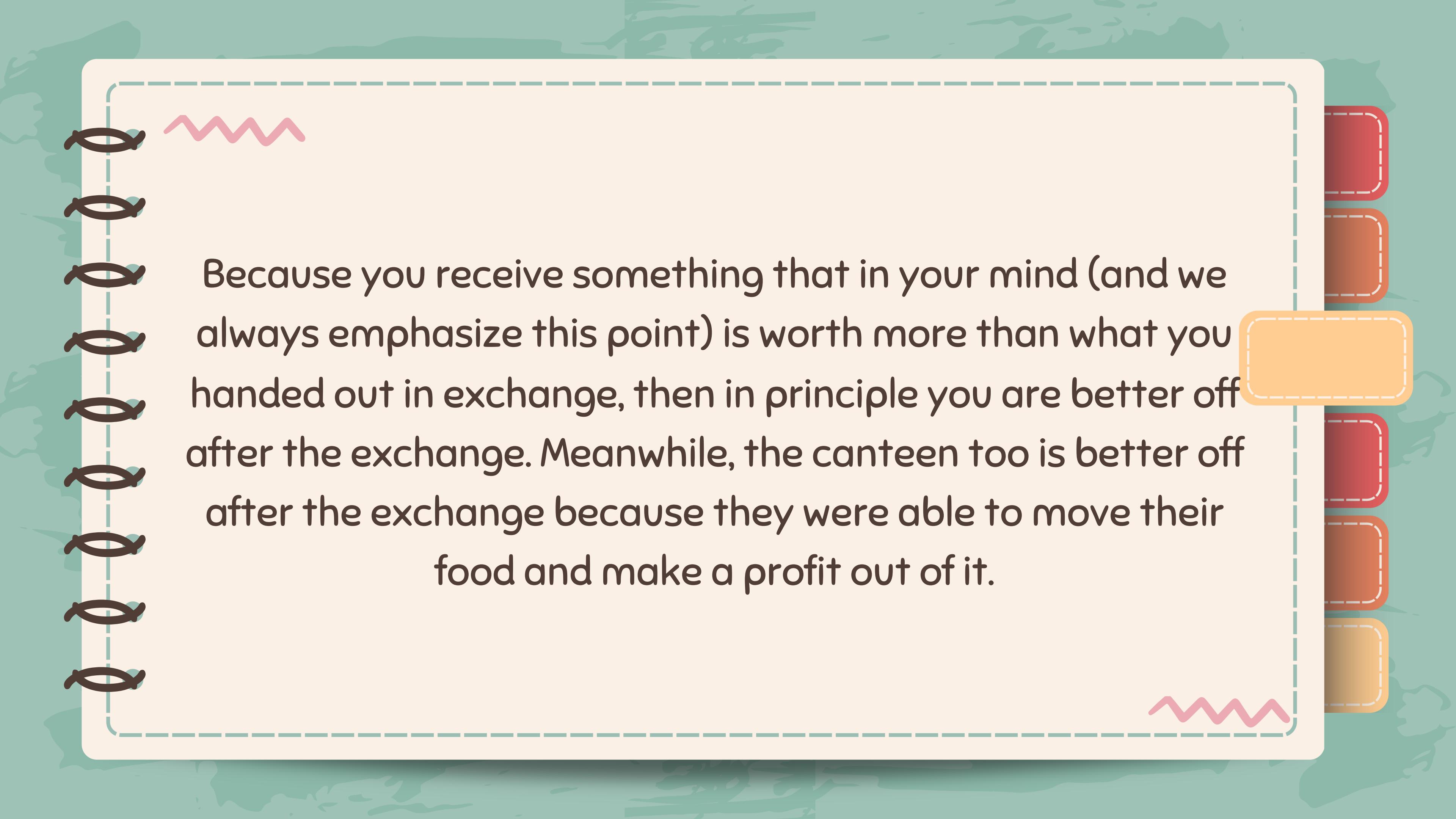


This textbook, of course, focuses on the marketing orientation. Marketing, as it turns out, offers many strategic advantages for its serious practitioners. These include the opportunities for building loyal markets, creating relevant products that directly address customer needs, and potentially making a difference in the world through products and services that truly delight the market.

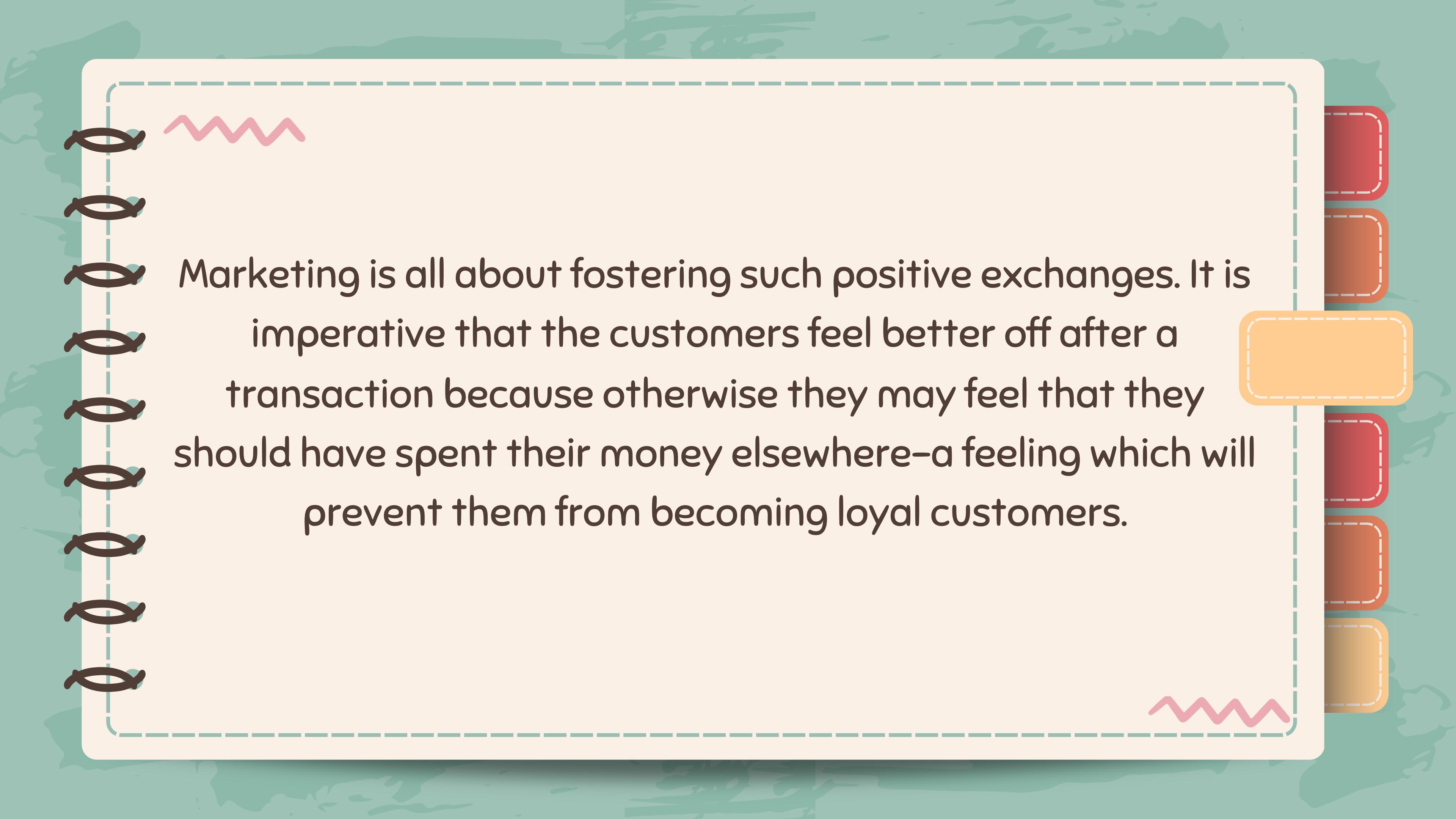


## EXCHANGE

If you and your seatmates both have identical-looking apples, would it make sense for you to swap these with one another? Probably not, mainly because neither of you would gain anything out of such a move. Both of you will neither be better off nor worse off after such a swap and you would only have exerted effort for naught.



Because you receive something that in your mind (and we always emphasize this point) is worth more than what you handed out in exchange, then in principle you are better off after the exchange. Meanwhile, the canteen too is better off after the exchange because they were able to move their food and make a profit out of it.



Marketing is all about fostering such positive exchanges. It is imperative that the customers feel better off after a transaction because otherwise they may feel that they should have spent their money elsewhere—a feeling which will prevent them from becoming loyal customers.

 What can make customers feel like they are not getting their money's worth? Consider this example:

You are asked to sell tickets to your organization's upcoming event. So You approach your friend Emma and beg her to buy a 200 peso ticket from you, even if she does not really feel like going. After a lot of cajoling and pleading, she finally buys the ticket. But she is not happy because you simply took advantage of your friendship to coerce her into buying.

But wait! Did we not just say that exchanges will not happen unless a person feels better off after the exchange? Well, let us view the above transaction using hypothetical values 

Imagine that Emma refuses to buy the 200 peso ticket because in her mind it is only worth about 40 pesos to her (because she is indifferent to it, but would be interested only at this price or lower). However, you nag, beg, and cajole her into buying from you.

Because of this, something else is brewing inside Emma's mind: she wants to get you to stop bothering her and is now willing to pay to get you to leave her alone. The longer you bother her, the higher she begins to value her peace of mind. Soon, getting rid of you becomes more valuable than 160 pesos (which is the balance between the 200 peso ticket price and her perceived value of it). When that happens, she will throw the two hundred pesos to your face, take the ticket, and tell you to leave her alone.

The exchange did happen and she did get more than what she paid for.

But it was not about the ticket per se. It was about her peace of mind.

So the unfortunate effect of such transaction is now this: she feels shortchanged because she spent 200 pesos for something which to her is worth just 40 pesos.

In case it still was not clear, this was certainly not a marketing-oriented transaction.

To successfully make such marketing-oriented exchanges happen, it is essential that companies know what the market really needs. Knowing what the market truly needs will come from gaining useful insights into what consumers are really looking for.

For the longest time, wearing tsinelas or flip-flops in public was from upscale establishments, often through signs saying "No slippers considered socially unacceptable. Flip-flop wearers were in fact ostracized or sandals allowed." But this bias was turned on its head when TSA Inc. brought the Havaianas brand of flip-flops from Brazil into the local market. The key insight that they had: the market was hungry for stylish, high quality flip-flops that can give them both comfort and respectability. Suddenly, flip-flops became a viable status symbol, especially as TSA Inc. wisely priced the brand at a very high price point which clearly sent the message that these were no ordinary flip-flops.

# VALUE

What is value? There is of course the literal value that refers to, say, the suggested retail price of goods and services in the market. But as you would have seen from our example earlier, value is also a very personal thing. It can be subjective or a function of your personal condition (such as hunger), experiences, personal history, social interactions, perceptions, education, and so much more.



SO WHAT GIVES VALUE TO A PRODUCT?  
CONSUMERS GENERALLY VALUE A PRODUCT OR SERVICE WHEN  
IT PROVIDES THEM WITH UTILITY. THERE ARE FIVE KINDS OF  
ECONOMIC UTILITY THAT CAN BE OFFERED BY PRODUCTS AND  
SERVICES:

### FORM UTILITY

A product, by its very form, saves the consumer from the effort of having to make the product himself. A person will value vegetables sold in a market because it saves her the effort of having to grow the vegetables herself.

## PLACE UTILITY

The convenience offered by making a product available around the proximity of the customer is also valued.

Between buying Product X from Store Y, that is located 1 kilometer away, and from Store Z, that is located just next door, a customer will perceive more value in the service of Store Z and will be willing to pay a little bit more for this convenience.

## TIME UTILITY

If a firm can offer a product or service far quicker than alternative providers, the customer will also value this speed of service. This is why express couriers such as DHL or Federal Express are able to charge delivery rates that are several times more expensive than regular mail.

## POSSESSION UTILITY

For some products, mere ownership is already valued by the customer. This is especially true for branded items that command a premium over commodity substitutes.

This is also most evident in auctions where bids are raised based on how valuable ownership is deemed to be by the respective bidders.

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# Thank You

LESSON 3