# **MGT 8803 MARKETING MODULE**

# **Week 11 TRANSCRIPTS**

## Marketing Module Overview

>> Hello and welcome to the marketing module within the business fundamentals course. My name is Michael Buchanan and I will be the teaching lead for this section. To begin, I would like to address the purpose of this material and set expectations for the overarching learning objectives. Over the past 20 years, I worked as a marketing practitioner in various roles for companies as a consultant.

And as an entrepreneur. Throughout my career I have served as the more technical, data oriented lead as well as relying on data experts, such as yourselves, to make smart decisions. What I observed throughout these experiences is that teams function much more effectively when there is a baseline understanding of the goals and capabilities among them.

To establish the foundation on knowledge related to marketing, I've created several video lessons that are intended to provide a high level exposure to core marketing concepts, frameworks and models. To be clear, the goal is not to make you a marketing guru. As students enrolled in an analytical oriented program, I will leverage a marketing simulation as well as a marketing case to provide the more data-oriented aspects of marketing decision making.

Therefore, my recommendation is that you view the video lessons, with an attitude, of ensuring you have an understanding, of marketing fundamentals. And then apply this knowledge, as you work through the more technical case, in simulation exercises. You will need to purchase the simulation through the Herbert Course pack Link, available on the course syllabus.

Once you've done so, there are two documents you need to download and read. The first document is the Data Driven Management of Blue Detergent case, which provides background on the business aspects of the simulation. I recommend you take the time to read through it thoroughly. The second document is the DataAnalytics How-To-Play-Guide.

Which provides a central information related to the simulation dynamics and how decisions are made. Again, I recommend you read through this entire document. The purpose of this simulation is to provide a practical data oriented component to the marketing module. To experience the best and most insightful results, you have to treat the simulation as if it is a real world scenario.

The marketing simulation assignment begins in the first week of the marketing module and has decision points during all three weeks. With a total of four decision periods that will affect your simulation grade. The first decision period, denoted as decision point one trial, will be repeated so you have an opportunity to experience making a decision without having it impact your overall results.

Thus, the first decision point will be a trial decision. The simulation will be reset eight hours after the decision point one trial due date and time. Once the simulation is reset, you will submit a total of four decisions by the due date as noted for each in Canvas and the course syllabus.

After each decision period, the results will be posted via Canvas announcements. Instructions for the simulation are located in the homework number four marketing simulation instructions and grading page in Canvas .Accessible by navigating the module section in Canvas. This is an individual assignment but will be graded based upon your results relative to the results of your peers in this course.

As you read in the instructions, the grading will use two metrics for performance, final market share and cumulative profit. At the conclusion of the simulation after the fourth decision period, I will sort everyone's role results based upon final market share and also by cumulative profit. Your grade will be based upon the best of these two results, thus, if you rank higher for cumulative profit, versus final market share, your grade will be based upon your rank for cumulative profit.

The second graded component within the marketing module is a case, that will be administered as a team based assignment. The case is accessible through the Harvard course pack. Everyone in the class needs to purchase the case individually as it is copyrighted material. The case instructions in grading rubric are contained within the homework number five, marketing case analysis.

The Ohio art company assignment within Canvas. There are four questions for the case listed at the bottom of the assignment in Canvas. Each question needs to be addressed completely and it should be clear which question is being answered? The easiest thing to do is to number your responses from one to four to align with the corresponding question.

As I mentioned, this is a team-based assignment. So it up to you and your team to determine the best way to divide up the work. The submission should be between two to four pages in length, adhere to the formatting instructions, and submitted in document format. It should include each team member's name at the top on a single row.

Per the instructions, one member from your team will submit the assignment. To be clear, once completed, a single team member should submit the document. I leave it to you and your team to coordinate who will do so. If the submission is not submitted on time, the team will receive a zero.

This assignment is due on November 17th. I hope this video helps to reinforce the purpose of the educational videos within this module, as well as the data and analytics oriented simulation and case assignments. I look forward to connecting with you during office hours and on Piazza. Take care.

## Marketing Essentials

>> Welcome to the first educational lesson dedicated to marketing essentials. I hope you've taken time to watch and listen to the first video where I outline the overall purpose of this material and how it will help provide an overview of the discipline of marketing. Again, the goal is not to deep dive into the discipline of marketing, but rather to provide exposure to its various components.

As I mentioned, the video lessons will lay the foundation while the cases and simulation will provide analytical application opportunities for this material. Within this lesson, we will focus on the following five objectives, defined marketing and its relationship to business goals. Describe the high-level tasks and functions associated with marketing.

Define the 5 C's of business strategy and marketing strategy. Explain the customer marketing model and also explain the purpose of customer personas and the buyer journey. Let's begin by covering a few core definitions that I will continue to use throughout the course. First, marketing is the creation and satisfaction of demand for a product or service.

Let me just say that most people are not familiar with the discipline of marketing, essentially defined it merely as advertising. Advertising as a component of marketing, but does not adequately define the full breadth of the business field. Strategy is defined as a set of ideas that outline how a product line or brand will achieve its objectives.

Finally, a tactic is defined as a specific action or method that contributes to achieving a goal. Allow me a moment to read a couple of quotes. Because the purpose of business is to create a customer, the business enterprise has two and only two basic functions, marketing and innovation.

Marketing and innovation produce results, all of the rest are costs. Marketing is the distinguishing, unique function of the business. The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself. As I referenced in the previous slide, marketing is more than just advertising.

The goal of marketing is to create a product or service that sells, not to just sell products and services. This statement is worth pondering because it is a way of thinking that alters how a company functions and prioritize it's efforts. These quotes from the highly respected management guru, Peter Drucker reinforce the notion of marketing being a creation process that aligns with customers wants and needs.

To provide a bit of application, let's begin with the thought exercise. Visualize a bicycle, take 10 to 15 seconds to think about the various aspects of the bicycle you were envisioning. If you were to describe it, what would you point out? This is my bicycle, which is a road bike manufactured by Trek.

Many people are surprised when they realize how many different ideas and activities are included in the term marketing. Considering a relatively common products such as bicycles highlight some of the complexity. What would be highlighted if I could ask a few of you to describe your bicycle would likely be some consistent features and functionality, but there would also be very noticeable differences.

There are a lot of different types of bicycles. The manufacturer Trek produces many categories of bicycles having different features and components. Including mountain bikes, road bikes, triathlon bikes, kid bikes, and several others. As I'm sure you know, there are numerous competitors within the bicycle market, and they are sold at very different price points.

So this begs the question, why so many different bicycles? Fundamentally the answer is to fulfill different consumers wants. By focusing on the many tasks involved in producing a bicycle, it is possible to get a feel for the wider range of marketing activities. Among the different things a manager must do in bringing a bicycle to market includes analyzing he needs of people for various models of bicycles.

Predict the type of bicycles consumers will want and decide which consumers to satisfy. Estimate the number of bicycle riders and how many bicycles they might buy. Determine where the consumers will be and how to get bicycles to them. Estimate the price consumers are willing to pay for a bicycle, and if that price will result in a profit for the firm.

Decide what kinds of promotions should be used to inform consumers about the firm and its bicycles. Estimate the impact of competition from other bicycle producers. And finally, to determine how to provide customer service if a customer has a problem after purchasing the product. Universal marketing functions help overcome separations and discrepancies between those wishing to participate in an exchange.

The fulfillment of these functions in a particular country or culture varies widely, but all the functions are needed in any marketing system. These universal functions include buying, which is looking for and evaluating goods and services, selling, which is promoting the product to prospective buyers. Transporting, moving the goods from one place to another place.

Storing, which is holding an inventory of goods until needed by customers. Standardization and grading, which is sorting products by size and quality. Financing, providing the necessary cash and credit to produce, transport, store, promote, sell and buy products. Risk taking, which is assuming responsibility for uncertainties. Market information is the collection, analysis, and distribution of all the information the marketer needs to plan implement and control need satisfying marketing activities.

To better understand what it takes to satisfy a customer, it's critically important to take the customers point of view. Customer value is the difference between the benefits a customer sees from a marketing offering and the cost of obtaining those benefits. Of course, a consumer is more satisfied when the customer value is higher, meaning the benefits exceed costs by a larger margin.

Different customers may see the benefits and costs in different ways. And the customer may not always dwell on value as a key determinant of buying behavior. We will revisit this point at a later time when we look further in the consumer buyer behaviors. Competition can affect consumer perceptions and how they assess value.

And increased customer value translates to building stronger and longer lasting relationships. This concludes the intro portion of the marketing strategy lesson. In the next session, I'll dive deeper into the components of business strategy, marketing strategy, discuss the customer marketing model. And wrap up with a discussion about customer personas and the buyer journey.

See you soon.

## Marketing Strategy

>> Within this section I'd like to introduce and possibly reinforce some elements of marketing strategy. When discussing strategy, it can be helpful to ground oneself in a framework that helps us consider the components we should be thinking about to ensure a comprehensive analysis. One such framework is the 5 C's.

As depicted, it consists of customers, competitors, collaborators, the company, and context. Customers are potential buyers with wants and needs that the company aims to fulfill with its offerings. You may encounter terminology differences such as consumers vs customers, but this is typically just denoting the distinction between business buyers and non-business buyers.

Note that customers are intentionally depicted in the center. Our definition of marketing and the Peter Drucker quote, reinforce the notion that customers are the focal point. I'll talk more about customers in the upcoming sides. Company is defined as the organization or business unit providing certain goods and services, often referred to as the offering.

With respect to company, this is where we look internally across the organization to define positioning, messaging, differentiators, core capabilities, etc. You've likely heard of techniques and models such as SWOT, which stands for Strengths, Weaknesses, Opportunities & Threats. Perceptual and Positioning Maps and Marketing Mix Differentiation as ways to build out the company aspect of strategy.

Company analysis is not mutually exclusive from competitive analysis in several ways. For example, to differentiate your organization, you have to be aware of what your competition's doing. So although I'm defining each of these sections independently, it's important to understand how they are part of a more holistic ecosystem.

Competitors are organizations that offer products and services that aim to fulfill the same wants and needs of the same customers as the company's offering. A Competitive matrix is an analysis tool that captures elements such as the features and benefits provided by an organization's competitors. You may have also heard of Porter's Five Forces, which is another framework that intends to capture competitive analysis attributes.

Essentially an organisation is attempting to create products and services that customers perceive as being different from those provided by others. Otherwise, what is offered is perceived as a mere commodity, and consumers are likely to make their decisions based solely on the cheapest price. Collaborators are external business entities that work with the company to create value for customers.

Examples of collaborators include raw material suppliers, distributors, marketing agencies, and 3rd party retailers. For example, Louie Dreyfus corporation is one of the largest global manufacturers of sugar. Thus companies such as Nabisco and Dr. Pepper depend upon a company like Louie Dreyfus to supply the raw ingredients that they in turn use to manufacture their products.

Similarly, Samsung depends upon retailers such as Target and Home Depot to resell the products they manufacturer to the end consumer. And finally, within the 5 C's of strategy model is context. Context translates to the environment in which the company operates and its associated elements such as regulations or laws, economic conditions, cultural norms and technological factors.

A common tool for assessing the macro level context is a PESTAL analysis, and PESTAL, P-E-S-T-E-L, is an acronym that stands for political, economic, social, technological, environmental, and legal factors. Again, the purpose of the 5 C framework is to ground ourselves in the constituent components of strategy that we can use as a guide for comprehensive thought and analysis.

Now, let's take a look at what it means when we talk about marketing strategy. Marketing strategy and marketing strategy planning means finding opportunities in developing profitable marketing strategies that the company can use to capitalize on the opportunities they provide. Specifically, marketing strategy specifies a target market and a related marketing mix.

The target market is a fairly homogeneous, meaning similar, group of customers to whom a company wishes to appeal. The marketing mix includes the controllable variables the company puts together to satisfy the target market. So the customer is surrounded by the controllable variables that we call the marketing mix.

And we'll be discussing the marketing mix further in the next lesson. It's also helpful to think about a customer marketing model. Customer marketing tends to follow a cycle beginning with creating awareness of an organization's products and services and then transitioning through multiple phases, with a goal of establishing brand insistence from existing customers, as well as support and advocacy of the company's offerings.

Each of these marketing goals can be viewed in a standalone fashion or coexisting with one another. Part of the value for having this model in mind is to ensure we're thinking about each area wholistically. Awareness is simply creating an identification moment in a customer's mind. They may or may not know about your offerings, but they do know that you exist.

Interest and engagement is about informing the customer about the company's offerings and encouraging them to interact and learn more, thus answering the question, now that I know you exist, why should I care? Or, how does your organization deliver value to me? Acquisition is where the company converts a prospect into a customer, meaning they are actually using their offerings and paying for them.

Customer segmentation is where an organisation is beginning to differentiate between customer segments and market to them accordingly. Of course they should be doing this from the start, but I want to call this out as a specific customer marketing goal to ensure we're always thinking about the combination of subtle, as well as significant changes across target customer segments.

Customer retention, is where the firm is focused on convincing existing customers to purchase again. This may be infrequent for durable goods such as automobiles and home appliances, whereas it may be very frequent for non-durable goods such as fuel and food. And finally, support and advocacy is the holy grail for marketers.

In a perfect world, we'd satisfy each customer so well that they would do our marketing and advertising for us. Sometimes this is particularly true in the sense that we occasionally attract customers that love our offerings so much they take the initiative to spread the word enthusiastically. In most instances, however, customers can benefit from a degree of tactful encouragement to become a vocal advocate.

You might find it worthwhile to pause and consider the brands that you currently or historically advocate for and the reasons behind why you do so. And can these reasons be replicated for other brands, if so, how? Customer profiles or personas are semi-fictional depictions of the target audience. Most organizations that build customer personas have more than one, and each one represents distinct differences from the other personas that also represent target market segments.

As shown here, there are several components associated with personas, including demographic and geographic variables, psychographics, behavioral variables, and RFM attributes, which stands for recency, frequency, and monetary attributes. These examples are by no means an exhaustive list but are merely representative aspects of each primary customer persona component. When building out customer personas, a marketer should consider a more thorough list of components.

And the elements that are included should be relevant to the market segment such that it would affect the marketing mix. Creative marketing managers are always looking for innovative ideas for products and services that meet customers' needs. This ad for help remedies offers a simple, straightforward solution that many customers are looking for.

Additionally, marketers must look for new ideas to stay ahead of the competition. There's a saying that it's easier to sell Aspirin than vitamins. Thus, if the marketer is able to accurately pinpoint the customer wants and needs, what you'll sometimes hear people say as customer pain points, they're definitely going to be more successful.

In another example, this ad from Little Remedies demonstrates that the company attempts to create customer satisfaction by catering to parental needs. How are the Little Remedies set of products providing customer satisfaction? Hit the Pause button and take a moment to read and observe the ad. These offerings provide infants and children products that are free of unnecessary additives, such as saccharine, alcohol, artificial flavors, dyes, and harmful preservatives.

It meets the needs of the people who want specific medical care for their infants and children's needs, and offers everything infants and children need but nothing that they don't. Part of what we need to think about at a deeper level here is how parents tend to be far more concerned and far more particular about the ingredients that are going into what a child consumes, versus maybe that which goes into their own system.

Thus, the advertiser here is paying particular attention to those specialized and very significant wants and needs. Buyers move through various phases when making a purchasing decision that begins with discovery and learning about an organization's offerings, and ends with making a final decision. This image is a very simplified example of the buyer's journey moving through three primary stages, discovery, consideration, and decision.

It's important to consider each of these stages to determine opportunities to influence the customer accordingly. I encourage you to think about ways to identify where the customer is in their journey, as well as what the appropriate interaction should be at the given stage of their journey. I'll talk a little bit more about this later on.

Let's look at another example. In this ad, Panasonic explains how important it is to maintain ongoing relationships with customers. Although the copy at the bottom's difficult to read, we can see at the top how Panasonic is saying it's not just a device, meaning a laptop, but rather making sure the customer can do their job under urgent circumstances.

As we can see in this features oriented picture of the product, several attributes are being called out that support the Toughbook brand name. Advanced marketers understand product features are a means to an end. What the customer really wants here is reliability, even when mistakes are made or rough conditions arise.

Strong customer relationships are established when the customer observes and experiences products and services that exceed their expectations and makes them feel like the brand truly understands their wants and needs at a deep level. We will discuss warranties at a later time, but this is another component of product offerings, it is meant to establish a high confidence strong relationship with buyers.

This model summarizes the important ideas presented to this point. In a firm that has adopted the marketing concept everyone focuses on customer satisfaction. The organization is set up to offer superior customer value, and that's what's primarily focused on. Value in turn, helps attract customers and keeps them satisfied after they buy.

This satisfaction then leads to repeat purchases, and most likely purchases of other products offered by the firm. In this way, the firm builds profitable relationships with its customers. This concludes the first lesson in this series of marketing modules. In the next lesson, I will talk about marketing planning, and then move into a discussion about the marketing mix, see you soon.

## Marketing Planning

>> Welcome to the lesson covering the marketing planning process. In this lesson we will address the following four primary objectives. Explain the marketing strategy planning process and its importance. Describe how organizations identify attractive opportunities. Discuss the differences between market penetration and product development. And explain the high level components associated with the marketing mix.

Recollect from the previous lesson that marketing strategy planning means finding opportunities and developing profitable marketing strategies that the company can use to capitalize on the opportunities. Marketing strategy specifies a target market and a related marketing mix. It provides a big picture of what the firm will do. And I'll continue to talk about the marketing mix in the next section.

A marketing strategy, as we've already discussed, includes a target market and a marketing mix. When time related details are added to the marketing strategy, you have a marketing plan. Marketing plans should make clear the following. What marketing mix will be offered, to whom, and for how long. What company resources will be needed and at what rate.

And what results are expected. This should also specify some means of control. The plan should also include some control procedures so that whoever is to carry out the plan will know if things are going wrong. Adding together more than one marketing plan results in a firm's marketing program.

The marketing management process refers to the planning, implementation, and control of marketing activities. These activities are continuous, and decisions made in the past in one area can have implications on the other areas as well. Strategic management planning involves developing and maintaining a match between an organization's resources and its market opportunities.

It includes planning for marketing, production, finance, human resources and other areas. Though marketing strategies are not whole company plans, company plans should be market oriented. The marketing plan sets the tone and the direction for the whole company. Implementation is the process of putting marketing plans into action. And control is all about assessing and evaluating marketing performance.

When performance falls short of expectations, the marketing manager must take corrective action. This marketing strategy planning process guides the selection of a target market and the development of a marketing mix. I'll continue to use this framework throughout the marketing lessons and dive a bit deeper into each area as we move along.

So again, marketing strategy planning begins by gathering information about the market and the company. Marketing strategy planning narrows down from broad opportunities to specific strategies, and screening criteria makes it clear why you select a strategy. Segmentation helps pinpoint the target and the organisation will narrow down to a superior marketing mix if it incorporates in learnings and insights from these different areas.

And again I'll continue to address each of these independently as we move forward. So since strategy decisions dictate what business a company is in, and what processes it follows, marketing strategy planning is emphasized because strategy decisions usually determine success and failure. And these strategy decisions should evolve to adapt to changing customer needs.

Within the auto industry, we can see an example of how Ford has evolved to meet changing customer needs. When Henry Ford built an assembly line to produce his durable and practical Model T, the line helped him make cars for much less than his competitors. By the early 1920s, the Model T sold for just $290.

And the price helped the car appeal to a larger market. By the mid 1920s, Ford faced increased competition and they realized it had to become more market oriented. As a result, Ford produced the new Model A, which came in more than 20 different styles. In 1961, Ford saw an opportunity for a sporty car and they launched the Mustang in 1964, which was an instant hit.

In the 1970s, when gas prices spiked and the US government mandated that cars pollute less, Ford struggled to find a marketing strategy to appeal to customers. Ford has been more successful in the highly profitable truck and SUV segments. And they've invested in gas electric hybrid technology to gain greater fuel economy.

In 2004, the Escape, the first hybrid SUV was launched. Ford and Microsoft also cooperated to develop the sync in car communications and entertainment system as well. Ford used a hybrid marketing campaign in the United States to launch the Fiesta subcompact. And during that time they donated 100 of these cars to existing YouTube personalities who then chronicled their experiences with the cars, thus embracing a change in social media utilization and helping to create awareness and advocacy for their brand of automobiles.

The difference between target marketing and mass marketing is directly linked to the concept of a marketing strategy because a marketing strategy specifies some particular target customers. So in target marketing, it's all about tailoring the marketing mix to meet the needs of a specific group of target customers whereas in mass marketing, we're offering a single marketing mix combination to everyone.

And in mass marketing, it assumes that everyone is the same and it also considers everyone to be a potential customer. Target marketing is not necessarily limited to a small market segment, only to fairly homogeneous, meaning similar, market segments. The basic reason to focus on specific target customers is so that the firm can develop a marketing mix that satisfies those customers specific needs better than they are satisfied by some other firm.

And as I'm sure many of you are aware, customers are becoming far more discerning, particular, and demanding with respect to the product and services that are being marketed to them. Proactively satisfying the needs of customers means that marketers need to engage in a search for opportunities. A breakthrough opportunity is one that helps innovators develop hard to copy marketing strategies that will be profitable for a long period of time.

Competitive advantage arises when a firm has a marketing mix that the target market evaluates as being better than a competitor's mix. Competitive advantage has to be viewed from the customer's perspective, not the firm's perspective, and can be achieved through excellence in any area of the marketing mix, or because of the firm's other resources.

Additionally, marketers must avoid hit or miss marketing by following a logical marketing strategy planning process and basing the process on sound marketing research. I'll dive deeper into components associated with evaluating opportunities in a future lesson. But let's look at a product example for a moment to apply some of this.

Here we have Old Spice Men's Body Wash. Who is the primary target, or majority target audience, from a buyer perspective? Take a moment to think about this. Procter and Gamble, the parent company of the Old Spice brand of products, evaluated the customer shopping experiences through diligent market research, and what they realize is that although the primary user of men's body wash is a male audience, a majority of the purchases were being made by females who were doing the shopping for the household.

If interested, perform a web search for Old Spice Body Wash campaign, and you will see that the advertisements and positioning was directed towards women. Over time, the packaging and promotion has shifted to be much more masculine to maximize market share. Starbucks Corporation's corporate sales program is a good example of market penetration.

Starbucks practices market penetration in this ad by attempting to increase sales of the firm's present products in its present market. The company is also attempting to take customer relationship management to the next level. The Starbucks gift card, which can be given away as a token of appreciation, is an attempt to further penetrate the business market.

In doing so, it strengthens its relationship with its customers and increases the frequency of usage. Also their card can be personalized with a custom message, which adds additional value to customers with regard to the intended use of this product. In this example, we see Tylenol offering an improved product for its existing markets.

This is the Tylenol Extra Strength Rapid Release Gels. These extra strength rapid release gels work faster and contain only 500 milligrams of pain reliever. It starts working within five minutes. This can be attributed to the laser holes that are drilled into the side of each capsule so the capsule doesn't have to dissolve first.

Manufactures, such as McNeil Consumer Healthcare, which is a division of Johnson and Johnson and the product owner of Tylenol, have ongoing new product development processes to meet emerging needs. Many manufactures have accelerated their new product development in recent years, including new packaging for improved customer convenience. And we'll talk more about packaging at a later time.

Service firms also practice product or, quote unquote, product development by offering new services. And as an aside, I should say oftentimes that when we're talking about the word product, with respect to marketing terminology, what's generally being referred to there is both products and services. We hear and talk a lot about innovation in the business realm.

If you remember back to the Peter Drucker quote, he stresses the critical importance of innovation. This quote from Apple founder Steve Jobs is another example stressing the importance of innovation if you want to be a leader. So what are some examples of recent innovations? Can you think of some that are not necessarily technological breakthroughs, but rather a thoughtful combination of existing capabilities?

Chrysler produced the Dodge Caravan and Plymouth Voyager in 1984. What did they learn about consumer preferences that led them to build the first minivan? Their team took the time to observe how customers were using their product, the automobiles, they were manufacturing. And what they observed were situations where it was difficult to easily access the interior of the vehicle.

You can probably imagine an obvious scenario where a parent, having two or more young children, is overwhelmed with keeping up with the kids while carrying around all of their gear such as strollers, diaper bags and so forth. By constructing the vehicle such that a sliding side door allowed for much greater accessibility, that made it far easier for these parents to safely and effectively get the kids and their gear in and out of the vehicle.

The takeaway here is that it's the marketer's job to be intentional about observing consumer behaviors and continuing to seek new ways to innovate and deliver greater value. Customer lifetime value is the total stream of purchases that a customer could contribute to the company over the length of the relationship.

And this is an attribute meaning customer lifetime value that marketers spend quite a lot of time thinking about. Recall from an earlier lesson that developing relationships with satisfied customers leads them to buy more over time. Over a customer's lifetime, this can add up to significant value for the firm.

As an example, consider a customer of the fast food restaurant, Taco Bell. If their parents go to Taco Bell even just once a month during their youth, this person can purchase $600 worth of fast Mexican food before they turn 18. Now this assumes about $4 per visit, leading to about $50 for 12 years, a year from the age of 6 to 18.

So at age 18, consumption could double or even triple, as college students tend to eat more cheap, fast food, which could possibly result in purchases of $150 a year during that time, which would generate another $600 over just a four year time period. So my point in sharing some of these very basic mathematics is to think about how this builds over time and to also realize that later as an adult consumption may increase with this person, if they have children and take them to Taco Bell.

There's now an opportunity for the organization to think about how they maximize each interaction such that each single transaction at Taco Bell may be small, but a single satisfied customer might be worth thousands of dollars over time. One of the more obvious recent examples of spurring LTV is Amazon's use of its Prime offering, which provides advantages such as free two day shipping for many products, access to a video streaming library, a music streaming library as well as several other benefits.

As consumers become more and more acclimated to interacting with the Prime service and shopping on Amazon, they have a tendency to become more loyal. In fact, Amazon has been intentional about not providing the most competitive pricing on certain products because their data indicates consumers will not price comparison shop for these items.

So this is an ad from BWI Airport. And it's an example of target marketing, because BWI is promoting application specific distribution facilities. Some of what's called out here is that BWI saves time with its efficient distribution centers. The ad copy states that BWI can handle airport and rail connections, and BWI serves the shipper no matter what their needs.

It's important to realize that increased LTV is facilitated through customer loyalty. Thus everything that an organization does to exceed customer expectations translates to greater loyalty and subsequently greater lifetime value. In the ever increasing interdependency of the global economy, marketing managers should also consider international opportunities. As some would say the world is getting smaller.

The general trend has been that traditional barriers to international trade are improving in favor of more trade. Of course, we observe examples of this changing from one administration to another, as well as having certain regional implications. Also, telecommunications infrastructure has been rapidly improving and expanding as well. Successful expansion into international markets can help drive down per unit manufacturing costs, which can provide competitive advantage for the company and the marketing team.

Getting an early start in a new international market may be the key to long term success for many firms by building that initial brand advantage. Marketers may also find better trends in international markets, because there may be more favorable combinations of variables affecting how well a firm competes.

And finally, risk maybe higher in foreign markets, so it's important to evaluate scenarios and develop action and contingency plans if international expansion is pursued. So this concludes the section on marketing planning. In this next section, I will provide a high level overview of the components associated with the marketing mix.

## Marketing Mix

>> Welcome to this module section, dedicated to covering the core components associated with the marketing mix. Fundamentally, the marketing mix is comprised of four key components that are often referred to as the 4 P's. I am well aware of other models that propose a larger number of components.

But this model will sufficiently address the core elements of the marketing mix. These components are product, place, promotion, and price. Let's look a little bit more closely at each of these. So Newell is a global marketer of consumer and commercial products, and one of their brands is the Rubbermaid brand.

As we see in this ad, new Rubbermaid collapsible containers can be collapsed with the lid on, and they are only one inch high for storage. The size of the container can be changed once it's filled, so there's less air in the container, which keeps food fresh for longer periods of time.

The collapsing feature is also very easy to use. And additionally, the containers take up less space in the shelves and drawers where they're stored. So what we see here at a product consideration level, in terms of features and functionality, are a number of different elements. But what's important to take away here are that product considerations include physical characteristics of the product.

Warranties that may be associated with the product, and the application benefits of the product itself. The objective for the place element of the marketing mix is to get the right product to the right consumer, in the right place, at the right time, in the right quantity, and in the right condition.

Hopefully, of course, all at a reasonable cost, and at a level that customers deem to be of high value. It involves channels of distribution, which are any series of firms or persons used to move goods from producers or manufacturers to final users. Channels can be short, or they could also be complex.

Marketers must find the best kinds and types of channels for the product, and effectively manage the channels as well. Promotion involves informing the target market about the product or service, and selling the product or service to the target customer. There are three main types of promotion. Personal selling is direct, spoken communication between sellers and potential customers.

Sometimes this involves customer service, a personal communication between a seller and a customer who wants the seller to resolve a problem with a purchase. Mass selling communicates with large numbers of customers at the same time. And advertising is a paid form of non-personal presentation of ideas, goods, and services by an identified sponsor.

Publicity is unpaid, non-personal presentation of ideas, goods, or services. It also includes creating and placing content on the web, for customers to find or pass along to others. You'll often hear about earned media, which are methods that marketers seek to employ. Where other entities, consumers, media outlets, and so forth, will begin to talk about the organization's offerings.

Sales promotion are promotion activities other than advertising, publicity, and personal selling that stimulate interest, trial, or purchase. Oftentimes, you see this facilitated through discounts, free product trials, coupons, and so forth. The key, once again, is to stimulate interest, trial, and purchase with these sales promotions. Price is the revenue-generating function of the marketing mix.

In setting the right price, marketing managers must consider many factors, all of which combine to make pricing a combination of science and art. Marketers can choose from several different pricing objectives and policies. Among the policies are price flexibility, thus having the ability to shift the price from one customer to another.

Considering how price changes over the product life cycle. Also, contemplating various allowances and discounts. Geographic terms that affect the final price might also be important. And additionally, we always have to be thinking about the impact of competition, and how that affects pricing. As it certainly translates to a variable that consumers are constantly evaluating and considering.

So a marketing manager must try to estimate customer reaction to possible prices, and these are components that help them evaluate that. Let's look at an example together. What is Apple's pricing objective? How often do you observe Apple placing their latest version of products on sale, or offering discounts?

Consider how Apple's pricing, which tends to be higher when compared to rival products, affects consumer perception, such as quality and reliability considerations. Pricing is a lever that marketers can use to send signals to customers and reinforce brand positioning. I'll address positioning further in an upcoming module. So all of the four P's, product, place, promotion, and price, have an impact on satisfying the needs of consumers in the target market.

No single area is necessarily more important than the others, they are all interconnected. And when a marketing mix is being developed, all decisions about the four P's should be made in a holistic manner. It's fine to focus on them to an extent independently, but very important to understand how they work together.

This concludes this lesson, in the next lesson, I'll talk more about evaluating opportunities, see you soon.

## Evaluating Opportunities

>> Welcome to the lesson dedicated to evaluating opportunities. Although this was referenced earlier, I'd like to get a bit more granular with respect to the process and components associated with the marketing manager's role in defining the best opportunities to pursue. Within this lesson we'll focus on the following five objectives.

Reinforcing the components of marketing strategy planning. Describe the marketing environment. Discuss company and competitive analysis. Describe the components of the external marketing environment. And discuss marketing planning grids and profit analysis. Recollect this diagram from the previous lesson. The overarching point of this visual model is to demonstrate the high level elements that inform the marketing mix.

Thus the marketer must consider strategic elements, such as the external marketing environment. Consumer behaviors, competitive offerings etc. As they identify and target their customer market. The marketing strategy planning process requires an organization's marketing team to narrow down to the best opportunities. It also entails developing a strategy that gives the firm a competitive advantage, and provides target customers with superior customer value.

As I mentioned moments ago, specific aspects of the external market environment, company, and competitors aid the firm in evaluating opportunities. From these opportunities, the best opportunities can be selected. Each company has objectives it wants to accomplish and specific resources at its disposal. When looking at its competitors, firms must include not only its current competitors, but potential ones and indirect competitors as well.

The external marketing environment is made up of the economic environment, the technological environment, the political and legal environment, and the cultural and social environment. I'll discuss these more later on in this module. Opportunity evaluation is aided by several screening criteria or prescriptive planning grids. Oftentimes firms must plan for multiple products simultaneously.

Once all these areas are considered the firm should have concrete insights to identify the best opportunities to pursue. The marketing environment can be broken down into two parts. The direct environment and the external environment. Marketers should evaluate each element within these areas and consider how each area interacts with the others when planning strategies.

The direct market environment includes customers, the resources and objectives of the company, and the firm's competitors. The external market environment includes the economic environment, the technological environment, the political and legal environment, and the cultural and social environment. Marketers must make decisions about the four Ps, meaning the marketing mix, in the context of these environments.

Furthermore, marketers must continually scan the environment and search for potential opportunities and threats. So this concludes this initial lesson related to evaluating opportunities. In the next section I'll talk further about the direct marketing environment.

## Company & Competitive Analysis

>> As I have mentioned, the company establishes high-level objectives that the firm pursues to the best of its abilities. A mission statement helps set the course, it sets out the organization's basic purpose for being. The whole firm, in each functional area, should work towards the same objectives. Company objectives provide the larger framework for setting marketing objectives.

Marketing objectives guide the development of objectives for each element of the marketing mix. Knowing the objectives for a specific element of the marketing mix then guides more specific objectives. For example, marketing objectives drive promotion objectives. And then promotional objectives will drive its sub-objectives for each element of the promotion blend.

Something to keep in mind is that these objectives should be explicit, such that they are quantified and related to time deadlines. It's important to evaluate how realistic each opportunity is, in relation to specific capabilities of the company. Key areas that limit the search for opportunities are financial strength.

Some opportunities require significantly more capital than others. For example, developing a drug to cure cancer might require a very large investment in research development. Producing capability and flexibility, a company must decide if it has the production capacity and skills needed to pursue a particular opportunity. As a general rule, as production increases, the costs of producing each unit decreases.

But making changes can be costly, and take long periods of time. Marketing strengths include competitive advantages. Such as having a familiar brand, securing strong channel relationships, creating brand advertising, and having an industry-leading sales force. The knowledge of people at the firm can also be a unique resource. By analyzing successes or failures in relation to the firms' resources, management can discover why the firm is successful, or why it failed in the past.

Shown here are some examples of company resources that help these firms achieve a dominant market position. It doesn't have to be a single resource strength, however. It might be one or more variables that help determine a dominant market position. A major marketing strength for many companies is a familiar brand name, like the one that Aveeno has.

In this example, the major thrust of this ad is the promotion of new Aveeno Daily Moisturizing Body Wash. Within the ad, they denote, new Aveeno Daily Moisturizing Body Wash replenishes skin's natural moisture. Aveeno brand has been recommended by dermatologists for 60 years. And the ad also highlights the main benefits of the product, soft, smooth, and healthy skin all day.

Stepping back for a moment, Aveeno had to realize that they were not already known for making body wash. Their brand recognition, however, was for other skin-related products such as lotion. And they had been intentional about highlighting the quality of ingredients used in their products for decades. Thus, consumers already familiar with the Aveeno brand, and an association with higher-quality ingredients, are more likely to consider this option for their next body wash purchase.

The competitive environment affects the number and types of competitors the marketing manager must face, and how they may behave. Prudent managers choose strategies to avoid head-on competition, and/or plan for competition when it is inevitable. Marketers should understand the difference among types of market situations. A monopoly is a situation where one company serves the entire customer base.

Competitor-free environments are rare within the United States. Monopolistic competition is where a number of different firms offer marketing mixes that at least some customers see as different. Monopolistic competition is typical, and is a significant challenge for marketers. An oligopoly is where a small number of firms control the market.

Typically, barriers to competitive entry are often very high. And finally, pure competition exists when a large number of firms compete with essentially similar or commodity-like products. Price is typically the determining factor in making a purchase here, because consumers don't really see much difference, if any difference at all, from one product offering to another.

There's a popular book titled Blue Ocean Strategy that I recommend, which delves deeper into this topic of addressing competition. There are a few producers of many waterless vaporizers, and SudaCare is one of them. In monopolistic competition, the firm attempts to monopolize its own target market. But competition still exists, meaning that they want to maximize market share.

As the ad indicates here, the SudaCare Mini Waterless Vaporizer attempts to avoid head-on competition, by providing the following benefits to consumers. It contains a blend of aromatic ingredients, including menthol and eucalyptus. It helps comfortably relieve congestion with an easy-to-replace refill pad that lasts up to eight hours. It's super convenient and simple to use, just plug it in, and it provides continuous, eight-hour release.

So all of these attributes here are intended to create differentiation, such that customers see this product in a different light. So this concludes the high-level overview of company and competitive analysis. In the next section, I'll talk more about the external marketing environment.

## External Marketing Environment

>> I want to spend some time discussing each component within the external marketing environment. Let's begin by considering the economic environment, which affects the way firms and the whole company use resources. The economic environment is affected by the interactions of all the elements of the macroeconomic system. The economic environment can change very rapidly.

In periods of rapid business decline, even a well-planned marketing strategy may fail. Marketing strategies often change in a recession. Due to a recession, consumers tend to spend less in many categories that are not considered necessities. Therefore, marketing managers attempt to find ways to adapt their marketing strategies and lessen the impact of these recession period concerns.

Interest rates and inflation affect the consumer buying process. Interest rates can go up sharply in times of high inflation. Buying power declines during periods of high inflation. And as I referenced in a previous lesson, the global economy is increasingly connected. Competition can come from almost anywhere. Also, global trade is affected by exchange rates, so that's something that has to be contemplated as well.

The political environment considers how and to what degree a government intervenes in the economy. Common areas affecting this part of the external marketing environment include trade policies, labor laws, and the political stability of the region. Examples of legal factors include health and safety, advertising standards, product safety, product labeling, and consumer rights.

Consumer protection is not new. Sellers are required to be truthful, meet contract obligations, and stand behind their products. Food and drugs are controlled by the Food and Drug Administration within the United States. One major initiative of the FDA is the development of standards for nutritional labeling. Product safety is also controlled.

The Consumer Product Safety Act of 1972 empowers its commission to remove unsafe products from the market. State and local laws may vary widely as well. For example, every state has different automotive franchise legislation governing the retailing of new vehicles. Laws and enforcement also differs countries. Because legal environments are closely tied to national governments, laws and enforcement tend to vary significantly around the world.

Also known as sociocultural factors, these are the areas that involve the shared beliefs and attitudes of the population in a given area. These factors are affected by population growth, age distribution, health consciousness, career attitudes, and so on. These factors are of particular interest, as they have a direct effect on how marketers understand customers and what drives them.

These aforementioned external marketing environment components are equally as critical to evaluate as the direct marketing environment variables. In the next section, I'll point out some considerations related to planning grids and profitability analysis.

## Planning & Profit Analysis

>> Although I'm not going to take a deep dive here, I do want to point out some common tools and techniques related to industry attractiveness planning and profit analysis. Graphical planning grids help managers summarize the interaction of several key factors identified by the company to be important. To successful business ventures, a strategic planning grid positions opportunities, according to industry attractiveness, and business strengths.

Industry attractiveness includes characteristics such as market size, growth, and competitive structure. Business strengths are the resources of the organization. Such as people skills, technological position, growth within their own environment, market share or profitability, among others. Using the variables associated with industry attractiveness and business strengths, a manager can show where an opportunity appears on this grid.

Opportunities occupying the blue area of this matrix, are growth opportunities and should be pursued. Such opportunities occur and more attractive industries and better fit with the company strengths, opportunities falling in the red area, or ones that the firm should most likely avoid unless there is a compelling reason to do so.

From an over arching business strategy perspective. Such opportunities are perhaps in low growth industries and or do not play to the company strengths. In the middle or the yellow areas are borderline opportunities that the firm needs to analyze more fully in order to determine if they are worth while.

A company may be able to develop a marketing strategy that offsets the lack of strength or low attractiveness within an industry. So let's consider the very popular and relatable coffee industry for a moment. In 1963, the Procter and Gamble company acquired the Folgers Coffee Company and began national distribution of the products under the name Folgers.

During PNG ownership of Folgers, it became America's number one coffee brand. Folgers was known to produce superior coffee using mountain grown beans ripen to perfection. In November 2008, however, the JM Smucker Company announced the completion of its purchase of the Folgers Coffee Company, which was a subsidiary of PNG for $3.3 billion.

So PNG produces numerous consumer product goods items, but they also avoid certain products and categories. What do you think are some reasons why P&G chooses to do so? Meaning to both participate and not participate within certain product categories. To reinforce this point we can see products including laundry detergent, hair care products, food, snacks.

Baby diapers, paper towels, and even dog food. On one level of analysis, it doesn't appear many of these products have much in common. Aside from being consumer packaged goods products. I think PNG is an excellent example of a firm, that has done a fantastic job of evaluating opportunities.

Across many product categories and then building strong channel relationships with collaborators to deliver superior value to consumers. Again, the reason why I wanted to show this example is because it's not always necessary for a firm to focus on products or services Within a specific category or a specific industry vertical.

Let's take a quick look at how a marketing manager using the total profit approach for decision making, estimates potential sales and costs, during the life of a plan. These graphs provide one such estimate for two different products. Product A represents the estimates for a much improved product. And product B shows a me- too product.

Product be involves lower initial costs and is profitable more quickly, while product A is not profitable until after year three. But produces a larger profits over the five year time horizon. So a total profit approach can help evaluate possible plans. If the firm can afford the startup costs and delayed profits.

The long term profit potential for product A is greater Marketing organizations would use to try out scenarios such as this to graphically represent the various options they are pursuing. Performing this type of quantitative analysis maybe far more complex than the simple scenarios down here, many of you would be assisting marketers to collect and project data that it's directly use in this type of analysis.

And modelling. So this wraps up this lesson dedicated to evaluating opportunities and the next lesson we'll take a look at segmentation and the role it plays in informing the marketing mix and selection of a target market. See you soon.

## Segmentation

>> Welcome to the lesson dedicated to customer segmentation. In this lesson, we'll focus on the following six objectives. Describe markets and the role in selecting a target market strategy. Define segmentation and its role in identifying possible target markets. Discuss key criteria for determining segments. Describe core segmentation dimensions.

Discuss segmenting business markets. And outlining best practices for segmenting product markets. At a high level, segmentation includes, defining markets determining what segmentation dimensions to use, identifying potential segments, how to identify segments to target and considering different segmentation approaches. Let's consider each of these areas more closely. As I've been reinforcing for a few lessons now, strategy planning is a narrowing down process.

A market is a group of potential customers with similar needs who are willing to exchange something of value with sellers offering various goods or services, that is, ways of satisfying those needs. A product-oriented approach runs the risk of ignoring customers by fixating on the product rather than the buyer's interest.

Remember, customers make a market and their needs and wants often change with time. A generic market is a market with broadly similar needs and sellers offering various, often diverse, ways of satisfying those needs. Examples within the entertainment category are music concerts, movies, and cruises. Product market is a market with very similar needs and sellers offering various clothes substitute ways of satisfying those needs.

An example of this are digital cameras, such as compact digital cameras, rugged and waterproof versions and super zoom cameras. Broader market definitions, including both generic market definitions and product market definitions, can help firms find opportunities. Too broad a definition makes the company's efforts and resources seem insignificant, but too narrow a definition limits the company's opportunities.

There's no exact formula for aligning a firm's objectives and resources with market opportunities. An organization should, however, consider expansion opportunities balanced with its core capabilities. As I just mentioned, marketing managers need to think about more than just the products they already produce and sell. This can be done by naming product markets with a four-part description.

Customer needs, which refers to the needs of the customer or user that are being met by the product. Customer types, which identify who specifically is using the product. Geographic area, which identifies where the market is located. And the product type, so the type of good or service being offered.

In generic markets, there is no product type. So we'll look at this more closely here in a more applied way. So market segmentation begins with understanding consumer needs. The complexities of consumer behavior requires marketers to categorize a market around potentially numerous consumer-related variables of distinction. When determining customer needs, marketers should break apart or disaggregate all customer needs.

As an example, we can consider hydration. The next step is to determine the generic market. Which, once again, is a market with broadly similar needs and sellers offering various ways of satisfying those needs. In our example, this may be reflected as manufactured beverages. Defining the market broadly can help the marketer to uncover some new opportunities.

Following our example, this might be performance beverages. The marketer can then narrow down to specific product markets. In this example, that would be recovery drinks. The next step is an aggregating process, where the marketer groups together people with similar needs into a market segment. The is where the market will look for similarities among groups of customers.

After defining a market, marketers can select a particular target market approach. I'll talk more about this last point later in this lesson. So what is segmentation? It's defined as an aggregating process that clusters people with similar wants and needs into a market segment. The first step in effective market segmentation involves naming a broad product market of interest to the firm.

In this example, we'll look at bicycle riders. The second step in effective market segmentation involves breaking apart the broad product markets in order to identify target markets and their associated marketing mixes. What are some segments you can think about for bicycle riders? A market grid is a visual aid for market segmentation and defining homogenous product market.

Here we can see five different sub markets for the broad product market of bicycle riders. Let's run through one more example here. What are the possible target markets or sub-segments for InterContinental Hotel Group that aligns with the broad market of hotel guests? Hit the pause button and jot down some of these submarkets.

One submarket might be family vacationers. Consider the wants and needs for these family vacationers, comfort, security, privacy, family fun, childcare and on-premises food. These customers are likely to be couples and single parents with children who want a fun family experience, are younger, active and energetic. Compare that with the resort seeker who also wants comfort, security and privacy.

Resort seekers also want relaxation. Perhaps with golf, a hot tub, fine dining and concierge services to arrange for theater or touring possibilities. Also, technology may play a role in capturing their interest to provide a better experience. These customers are sophisticated adults who have time to relax and seek adult fun.

They also have discretion area income to spend. So the purpose of these examples is to note how they are enough similarities within a market segment to group customers together, but also enough differences to create a separate segment. And I'll reinforce that again in just a bit. There are a couple of methods for developing a marketing strategy for defined customer segments.

In a single target market approach, the marketer segments the market and picks one of the homogeneous segments as the firm's target market. In a multiple target market approach, the marketer segments the market, chooses two or more segments and then treats each segment as a separate target market needing a different marketing mix.

The hope is to increase sales by getting a much larger share of the business in the markets that they target. In a combined target market approach, the marketer combines two or more sub-markets into one larger target market as a basis for one strategy. So why might this approach be implemented by a firm?

It could be a function of company resources in seeking economies from having one effort serve more than one market. Ideally, however, a marketer would provide a single target market approach or a multiple target market approach that uses very specific marketing mixes for each target market. This segmentation exhibit can be representative of market research obtained by an automobile manufacturer along two dimensions of status and dependability.

Some consumers will have the emotional desire and financial means to not be concerned with dependability relative to the perception of social status. While other consumers will not have the same financial means and are very concerned about dependability, regardless of the social status implications. As shown in this exhibit, a marketer can segment a market into any number of segments, but it begs the question of how far should a marketer go in aggregating similar consumers into target markets?

The answer to this question relates to the criteria for determining the number of segments. The customers in a market segment should be as similar as possible with respect to their likely responses to marketing mix variables and their segmenting dimensions. The customers in different segments should be as different as possible, with respect to their likely responses to marketing mix variables and their segmenting dimensions.

The segment must be big enough to be profitable. The segmenting dimensions should be useful for identifying customers and deciding on market mix variables. The point here is that the marketer needs to have some sort of rationale for creating a new marketing mix for a segment versus just aggregating the consumers together.

And finally, the company must have the means and abilities to pursue a given segment. Toyota Motor Company, owner of the Toyota and Lexus automotive brands, manufactures and sells an array of vehicles based upon a range of customer preferences. This chart highlights how the Toyota Corolla likely appeals to a more dependability conscious consumer.

The Lexus ES350 appeals to the consumer seeking a middle ground between social status and dependability. While the Lexus LFA is positioned for appeal at the extremes of the social status dimension. So consider, what are some other key dimensions that an automaker might focus on? Possibilities include fuel economy, seating, performance, interior luxury, ride and handling, and so forth.

This concludes this initial section related to market segmentation. You've heard me reference segmenting dimensions, and I'll discuss these further in the next section.

## Segmentation Dimensions

>> Segmenting dimensions guide marketing mixed planning. Marketing segmentation forces marketing managers to decide which product market dimensions might be useful for planning marketing strategies. Let's talk about some of the core dimensions that help marketers segment their target customers. Demographic segmentation dimensions are some of the more common and fundamental dimensions used by marketers as a starting point for segmentation.

Income provides one basis, for example, a marketing mix may appeal most to families with a particular income. Sex and age provides another demographic base of segmentation. Family size and family life cycle stages include young singles, young married with no children, families with young children, divorced, empty nester, and seniors.

Occupation and education can also be used for segmentation to drive promotional content. And finally, social class such as lower, middle, or upper class, as well as ethnicity are often taken into account. Geographic dimensions are also often used for segmentation. There may be different languages or laws in different countries.

Where a business may only be physically located in a certain geography. Some key elements include region of the world or country. For example, North America versus Europe or New Zealand versus Japan. A region in a country, so for example in the United States, the Rocky Mountain region, the South East, or North East may provide a basis for segmentation.

And the size of a city may also be useful for segmentation to determine, an element of the marketing mix, such as promotional channels to use. A market may be described by behavioral segmentation dimensions as well. This is a multi faceted area, but let's consider some of the more common aspects of behavioral dimensions.

So, there are needs, for example, customer needs could be economic, functional or psychological. The benefits sought tend to be situation specific. For example, a car buyer can be looking for good gas mileage or the ability to seat seven people. The thoughts of the consumer or buyer may be grouped by whether they have favorable or unfavorable attitudes or beliefs about the brand or product category.

We also have the rate of use to consider where some customers baby heavy, medium, light, or even non users. The purchase relationship takes into account how consumers can be segmented by whether they have an ongoing relationship, intermediate use or a bad relationship. Brand familiarity is a situation that might vary from insisting on a brand, to non-recognition, or rejection of the brand.

The kind of shopping refers to whether buyers do comparison shopping or perhaps buy on a convenience basis. Buyers might use different problem solving approaches, and can be grouped in this way as well of how they go about solving their problems. Also, to keep in mind is that buyers may have different information needs.

Some customers want a lot of information, while others need little. And we will talk about this further in a future lesson. There are also many possible segmentation dimensions in the business or organizational market. Among these dimensions are the kind of relationship between the buyer and the seller. So relationships might range from weak loyalty to strong loyalty to a vendor.

The type of customer. So customers may be segmented by whether they are service producers, a government agency, or a manufacturer, for example. Demographic variables also play a role here and include geographic locations, size of the company or industry. How the customer will use the product. So will the product being sold be used in an installation as a component or as a raw material?

The type of buying situation is also relevant. So some characteristics of the buying situation might include the number of people involved in the purchase. Or whether the buying process is centralized or decentralized. And finally here purchasing methods refer to factors like whether the buyer uses bids, vendor analysis, e-commerce websites, or other methods of buying.

To select the important segmenting dimensions, think about two different types of dimensions. Their qualifying dimensions and determining demand dimensions. Let's look at each of these. So qualifying dimensions are those relevant to including a customer type in a product market. They help identify the core features that must be offered to everyone in a product market.

The balance of these are determining dimensions, which of those affect the customers purchase of a specific product or brand in a product market and make it be further segmented into groups as well. Computer aided methods are for marketers additional help in segmenting markets. The ability of the computer to record sore, recombine and analyze, a great many variables relating to consumer behavior at the same time, allows marketers to develop much more sophisticated market segments.

Among these techniques are clustering techniques, which try to find similar patterns within sets of data. And also customer relationship management where sophisticated modeling techniques can predict the types of products or services an individual customer might want based on the information stored in the database. Also anticipation of emerging needs helps the marketer to maintain a long term relationship with customers.

So all of these elements can be aided through analytical techniques. When it comes to segmenting product markets it is often unclear where to start or how to fit the ideas together. So what we'll look at here is a logical seven step approach to market segmentation. First decide what broad product-market the firm wants to be in.

Next, identify and write down as many relevant needs as you can considering all of the potential customers in the broad product market. This is a process where we conduct brainstorming to think about how we can best serve those consumers. Assuming that some people have different needs than others.

And they formed different submarkets based upon each of these specific need areas. Review the list of need dimensions for each possible segment and identify the determining dimensions. Within review the determining dimensions market by market, and name or create a nickname for each one, based on the relative importance of the determining dimensions.

And we saw examples of that for both bicycles and for the hotel industry. Then you need to think about what else you know, about each segment to see how, and why these markets behave the way that they do. And finally, you try to tie our product markets to demographic data, or other customer-related characteristics, to make it easier to estimate the size of these markets.

So this concludes this lesson on segmentation. In the next lesson, we'll talk about positioning, see you soon.