

By: Meisam Hejazinia

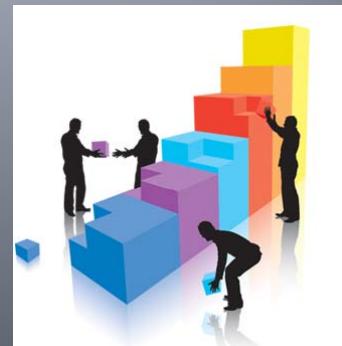
# Information Technology Marketing



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## What is Marketing?

Marketing in 21<sup>st</sup> century



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# Marketing and Exchange



- Marketing is human activity (**Societal** process: individual and groups)
  - directed as satisfying needs and wants through **exchange** (3) processes. (kotler)
- Exchange is **value creating**(2) process because it leaves both parties **better off**
- Marketing **GOAL**:
  - Relationships by mean of **several exchange** is a goal (Delivering value and **satisfaction**)
- Marketing **offer**(1):
  - combination of: products, services, information or experience
  - To satisfy one's **need**

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## Ways to promote exchange



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## Core Concepts of Marketing

Target Markets & Segmentation

Needs, Wants, and Demands

Product or Offering

Value and Satisfaction

Exchange and Transactions

Relationships and Networks

Marketing Channels

Supply Chain

Competition

Marketing Environment

## Marketing process



- Value creation:
  - Identifying customer needs (capture marketing insights)
  - Design goods and services accordingly (shape market offering)
  - Build strong brand
- Communicate value:
  - Communicate related information
- Capture value:
  - Making goods and services available (time, place)
  - Pricing goods and services (cost, competition, willingness to pay)
- Sustain value:
  - Provide after sales service and follow up (Connection with customer to gain customer satisfaction)
    - For long term growth

## Marketing Management Tasks

- Develop market **strategies** and plans
- Capture marketing **insights**
- **Connect** with customers
- Build strong **brands**
- **Shape** market offerings
- **Deliver** value
- **Communicate** value
- Create long-term **growth**

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## What is Marketed?

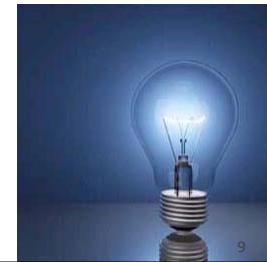


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## Peter Drucker said:



- Marketing and innovation are the two chief functions of business.
  - You get paid for creating a customer, which is marketing
  - You get paid for creating a new dimension of performance, which is innovation
  - Everything else is a cost center.



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## What is market

- Economist view: set of arrangements between buyer and seller
- Marketers view:
  - Set of actual and potential buyers of product or service
  - Demographic market
  - Geographic market
  - Need market (thirsty people)
  - Product market



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## Different orientation in business history



- Production era:
  - Cheap, superior product, mass production
- Sales era:
  - Aggressive selling through promotion
  - Sell what we make rather than making what market wants
- Marketing era:
  - Finding right product for customers instead of right customers for products

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## Company Orientations Towards the Marketplace

### Production Concept

Consumers prefer products that are widely available and inexpensive

### Product Concept

Consumers favor products that offer the most quality, performance, or innovative features

### Selling Concept

Consumers will buy products only if the company aggressively promotes/sells these products

### Marketing Concept

Focuses on needs/ wants of target markets & delivering value better than competitors

## Customer Delivered Value

*Starting point*

*Focus*

*Means*

*Ends*

Factory

Existing products

Selling and promotion

Profits through sales volume

(a) *The selling concept*

Market

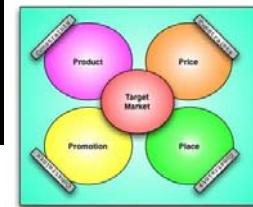
Customer needs

Integrated marketing

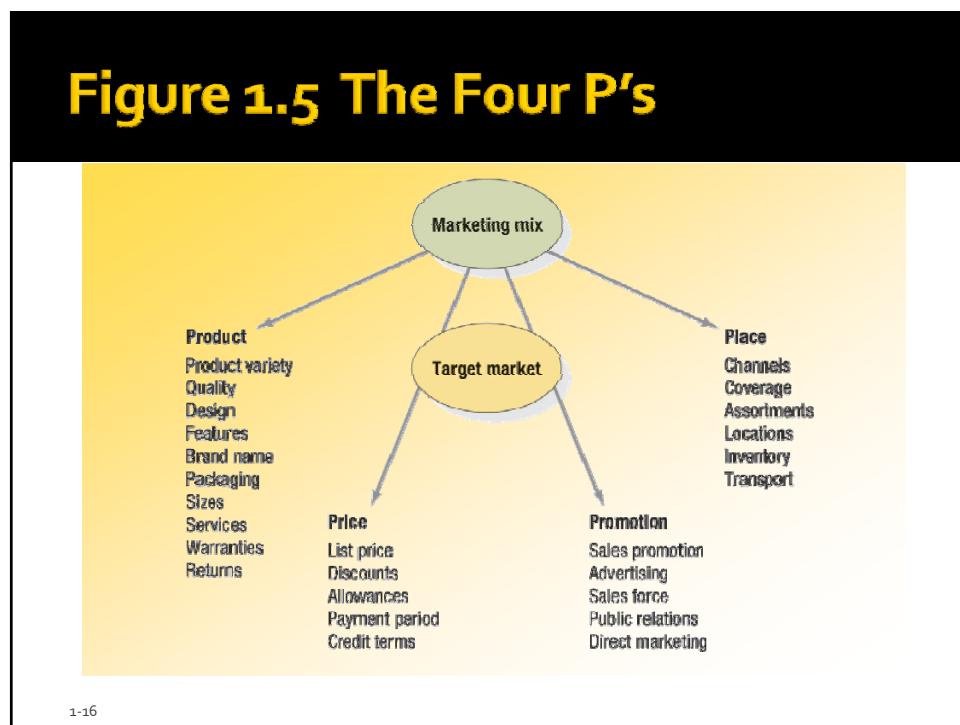
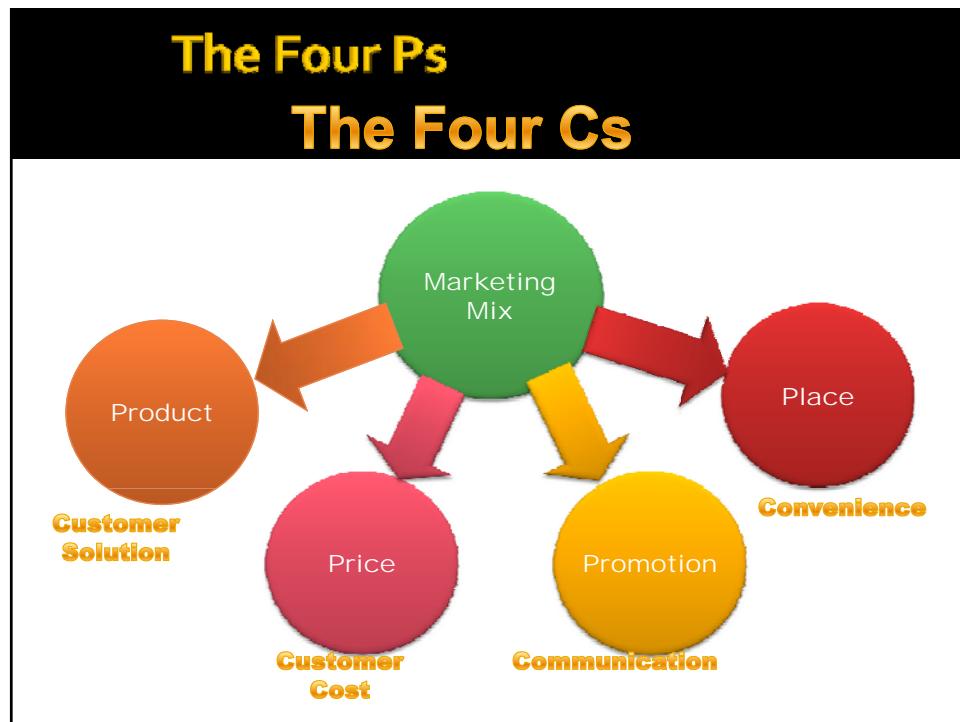
Profits through customer satisfaction

(b) *The marketing concept*

## 4P in marketing



- Product
  - Variety, quality, design, features, brand, package, size, services, warranties, returns
- Price:
  - Industry price, list price, packet price, discounts, allowances, payment periods, credit terms
- Promotion
  - Sales promotion, advertising, sales force, public relations, direct marketing
- Place
  - Channel, coverage, assortment, power, location, inventory, transport, information/payment/finance flow



## High Technology marketing

Products and new product development



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## Nature of High-Technology market

- Marketing dependant and technology driven
- Complexity
- Rapidly changing technological condition
  - Leads to **shorter life cycle**
- Important of speed driven by
  - Increasing **competition**
  - Continually **evolving expectation** of customers
- All of this is compounded by **higher risk** for **both** customer and producer



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## Result of dynamic condition



- Companies frequently rely on **product focus**
  - **Driven by innovation** in technology
  - Rather than by the **needs of customer**
- **Failure** to incorporate customer focus leads to:
  - Absence of attention to the critical role of **innovation diffusion** in successful product launch
- Outcome of product focus:
  - Product launch which does not live up to its **technological promise**
  - E.g. critical role of innovation diffusion in Philip's CD-I, apple's Newton, and Sony's betamax

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## Customer perspective vs. Manager perspective: "IF WE BUILD IT THEY WILL COME"

- Many involved in product development claim that:
  - Customers don't know what they want, are **unable** to articulate desires, or are **not knowledgeable** about products they seek.
- When asked whether Apple did any consumer research in designing the iMac, Steve Jobs replied:
  - "No...in the end, for something this complicated, it's really **hard** to design products by **focus groups**. A lot of times, people **don't know** what they want until **you show** it to them (Newsweek, pg. 52)."
- As a result,:
  - product developers tend to be driven by their **technology** in determining the **marketing mix** oftentimes **ignoring** their role as translators of customer needs

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## Customer perspective vs. Manager perspective: "IF WE BUILD IT THEY WILL COME"

- E.g. problem in Texas instrument (**lack of linkage** between Supply side and marketing)
- Product **superiority not** always leads to customer satisfaction:
  - BetaMax vs. VHS
- When selecting products:
  - Consumers focus on features, what the **consequences** are from **using** those features and how the consumption experience fits into their **values**
- Product adoption is smoother:
  - when the product is **easy to operate** and **does not require behavioral changes**
- Last, but not least, their goal is to fulfill **unmet needs**.



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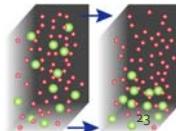
## Customer perspective vs. Manager perspective: "IF WE BUILD IT THEY WILL COME"

Customer Focus	Managerial Focus
Features	Design
Consequence, values	Cost
Ease of operation	Ease of production
Unique qualities	Unique technologies
Consumption	Production

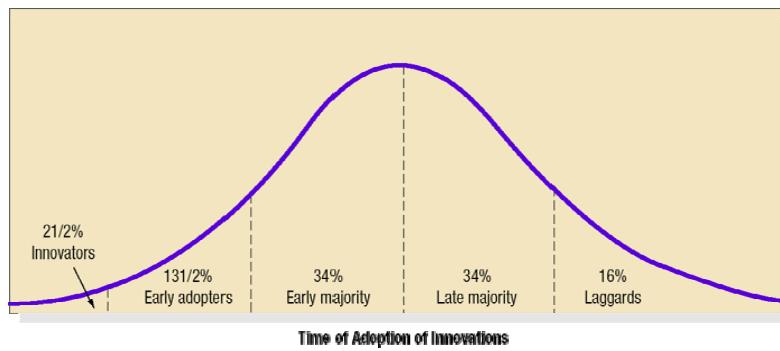
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## DIFFUSION OF INNOVATIONS AND ITS ROLE IN HIGHTECH DIFFUSION

- Rogers' Diffusion of Innovations model:
  - Explains how **innovations** enter a **social system**
  - Individuals **differ** in their **readiness** to adopt new products
  - These types differ in terms of:
    - their **timing to adopt** a new product and the **sources of information** they rely on to adopt new products
  - One important way to **reduce risk** is to **gather information**:
    - As (1)gatekeepers, (2)experts and (3)opinion leaders, (4)innovators and (5)early adopters serve critical **informational roles** in the diffusion process.



**Figure 20.6 Adopter Categorization**



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## DIFFUSION OF INNOVATIONS AND ITS ROLE IN HIGH TECH DIFFUSION

Adopter category	Category characteristic	Role in diffusion
Innovators	willing to take risks impersonal and scientific information	"gatekeeper"
Early Adopters	accept new ideas early rely on multiple sources of information	opinion leaders
Early Majority	risk adverse; rely on company-generated promotional information and word-of-mouth	don't purchase until late growth stage
Late Majority and Laggards	require early categories to "test drive" the product	this is an advantage for companies who enter during maturity (Dell Computer, AMA 1988)

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## DIFFUSION OF INNOVATIONS AND ITS ROLE IN HIGH TECH DIFFUSION

- It is important to understand that there is **not** a **general innovativeness** personality trait:
  - Individuals may be early adopters **for one product** class and laggards for **another**.
- Consequently, it is **extremely important** for producers of high tech products to:
  - **Gather the necessary demographics, psychographics and media characteristics** for each product introduction
  - in order to insure that they successfully reach the **innovators and early adopters** who are key to a particular product's success



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## The chasm between two orientations is far wider in high tech markets

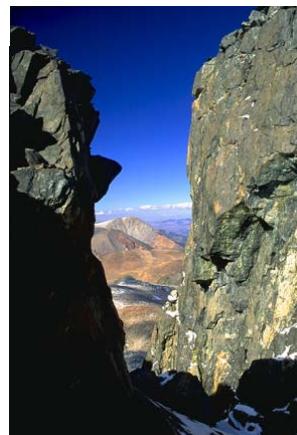
- Wider chasm since:
  - How customers think about **and categorize new products** is critical
  - Customer **expectations** are probably more critical in high tech markets because product attributes **change rapidly** leading to **dynamic expectations**
  - **Combining** a product orientation with a technologically driven organization:
    - reinforces the **supply-side orientation** of new product developers
    - resulting in the development of **technologically sound products** that **nobody wants**
  - It is characterized as dynamic and complex which results in:
    - A **changing target market** over the **life cycle**



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## The chasm between two orientations is far wider in high tech markets

- Wider chasm since :
  - As high tech products are more **complicated**, they require:
    - Greater customer **education** and more **product information**
    - results in greater effort on the part of marketing to adequately **convey the necessary information**
    - as well as **greater effort** on the part of the consumer to **digest** the information
    - In order to ensure that the **offering captures** what the customer considers to be **desirable**
  - Target marketing:
    - Targeted products **diffuse more rapidly** than non-targeted products.
    - Complicating factor: Customer base **changes** for each stage of the **product life cycle** as different **segments** of the market become interested in the product at **different times**



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## The chasm between two orientations is far wider in high tech markets

- Wider chasm since :
  - Higher levels of risk for both supplier and customer:
    - As a result of this uncertainty:
      - New products have only a **brief opportunity** to be introduced and become established in the marketplace
      - Leading to pressure for **shorter** development cycles
    - Once a market is established, high tech products **mature rapidly**
  - Time pressure:
    - Perceptions of time pressures have led to:
      - Steps in the development process, such as **concept and market testing**, being **skipped** entirely in an effort to beat the **competition** (Necessary?)
      - It is founded that: **order of entry** has **no relevance** to market share in the **long run**



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## The chasm between two orientations is far wider in high tech markets

- Wider chasm since :
  - Time pressure:
    - **Shorter development cycles:**
      - increases sales, profitability and enhance a **company's image** as an innovation leader
    - Being **first** is **not the critical factor** in market success !
      - Rather, being **among the first** is the necessary condition
      - Thus creating a need for **shorter development cycles**



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# New product development

Quick review on process and challenges



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## Categories of New Products

New-to-the-world

New product lines

Additions

Improvements

Repositionings

Cost reductions

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## Factors That Limit New Product Development

- Shortage of ideas
- Fragmented markets
- Social and governmental constraints
- Cost of development
- Capital shortages
- Faster required development time
- Shorter product life cycles



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## THE NEW PRODUCT DEVELOPMENT (NPD) PROCESS

- Critical stages to have a successful product launch:
  - Product idea generation
  - Idea screening
  - Concept testing
  - Business analysis
  - Marketing mix development
  - Test marketing and commercialization
- Customer focus is:
  - An integral component of the **product development process** that is often **ignored**
  - There is a need to incorporate the **voice of the customer** (adopt the marketing concept) at **every phase of NPD**
- **Overlooking** concept testing and test marketing:
  - leads to fatal errors when **customer expectations** are extremely high - or when dealing with a sophisticated customer - as is the case for **high tech** products.



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## Consumer Goods Market Testing

- Sales-Wave Research
- Simulated Test Marketing
- Controlled Test Marketing
- Test Markets
  
- Test marketing decisions:
  - How many test cities?
  - Which cities?
  - Length of test?
  - What information to collect?
  - What action to take?



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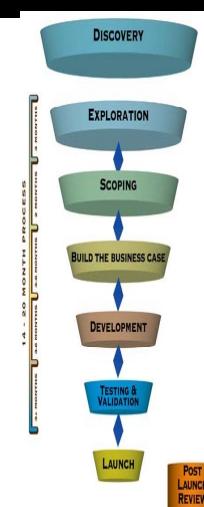
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## New product development process

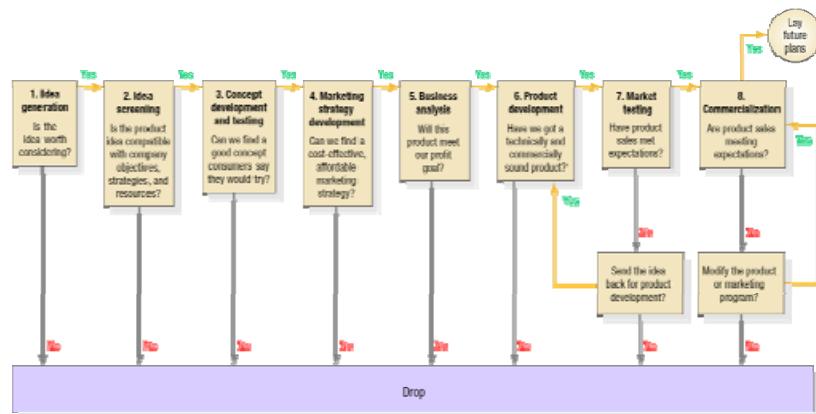
- Idea generation:
  - **worth** considering?
- Idea screening:
  - compatible with company **objectives, strategies, and resources?**
- Concept development and testing:
  - concept **consumers** try? Translated **correct** consumer need?
  - Marketing technique: 1)feedback on product **attractiveness**, 2)**purchase intention**, 3)**price sensitivity**, 4)**brand fit**, 5)**perceived value**, 6)**communicability**, 7)**believability**
- Marketing strategy development:
  - **cost effective** affordable **marketing strategy?**
- Business analysis: meet our profit **goal?**
- Product development:
  - **technologically** and **commercially** sound product?
- Market testing:
  - product sales met **expectation?** (product view)
- Commercialization:
  - product sales met **expectation?** (product and marketing program)



A vertical flowchart showing the New Product Development Process. It consists of seven rounded rectangular boxes stacked vertically, connected by downward-pointing arrows. The boxes are color-coded: blue for Discovery, Exploration, Scoping, and Build the Business Case; brown for Development, Testing & Validation, Launch; and orange for Post Launch Review. To the left of the boxes is a vertical timeline with markers for 'IDEAS', 'IDEAS', 'SCOPING', 'DEVELOPMENT', 'TESTING', 'LAUNCH', and 'LAUNCH'.

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**Figure 20.2 The New Product Development Decision Process**



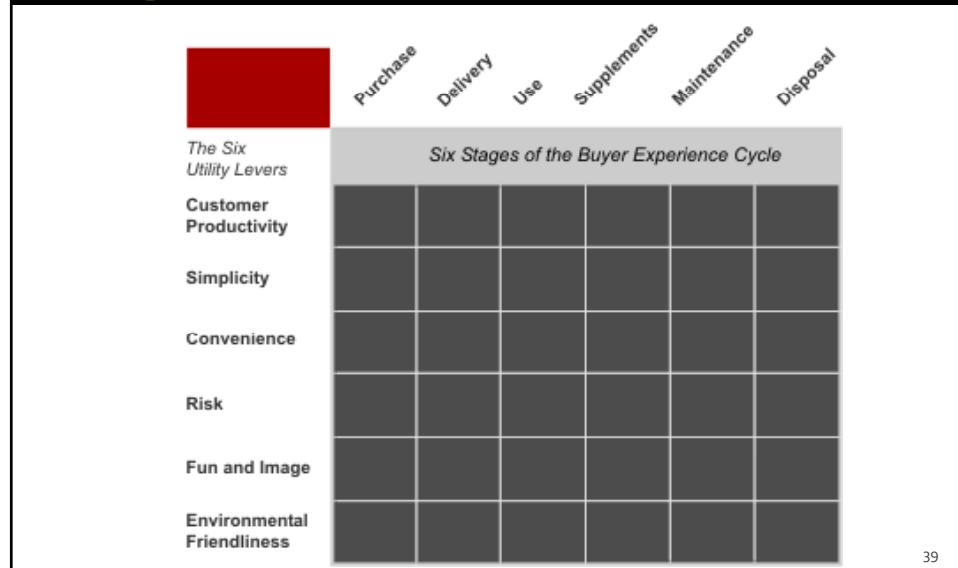
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## Opportunity identification

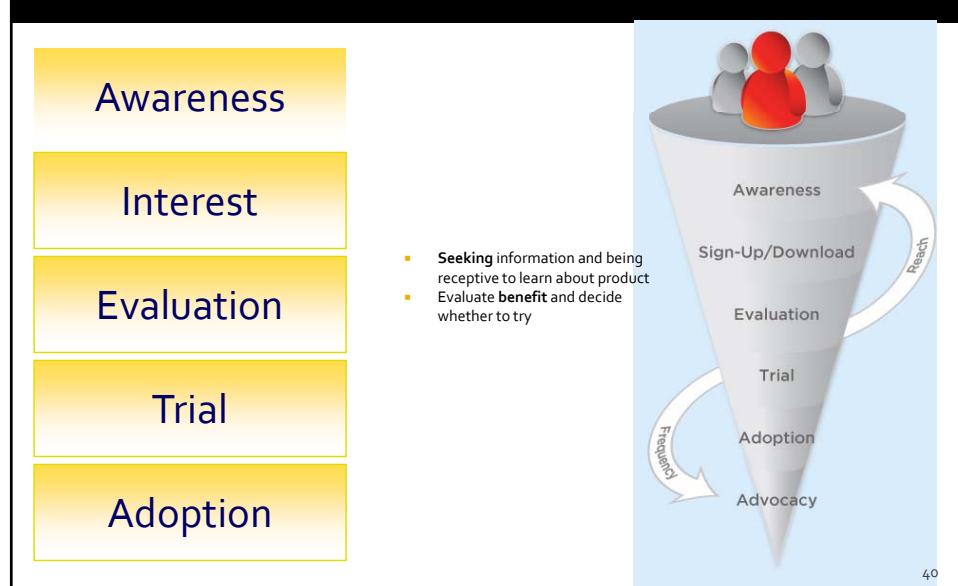


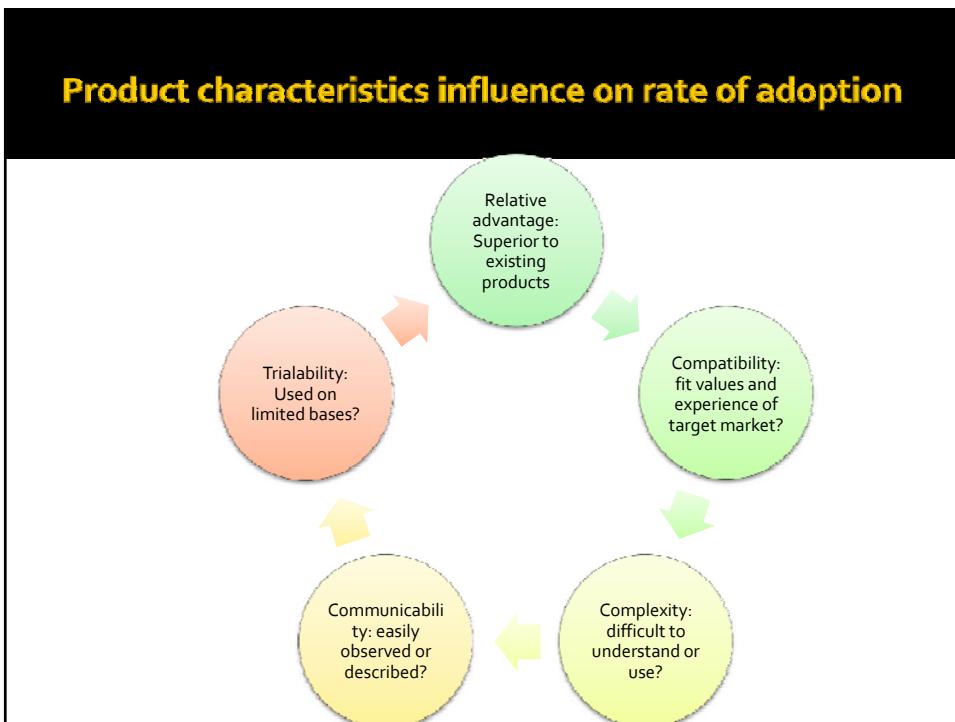
- Set factors:
  - Social: **social** and **cultural** drivers
    - 1)Family & work patterns, 2)health issues, 3)political environment, 4)successful products in other fields, 5)sports and recreation, 6)entertainment industry, 7)book and magazines, 8)sport events, 9)vacation environments, 10)religious events
  - Technology: state of art and **emerging technology**, re-evaluating existing technology
  - Economic: state of **economy**, shift on focus on **where to 1)spend money**, level of **2)disposable income**
    - 3)**Who** has the income/ is doing purchase 4)**from/for whom** the purchaser is buying

## Innovation technique: Buyer utility map



## Adoption Funnel (Stages of adoption)





## Back to High Technology Marketing

Products and new product development



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## Factors Associated With Technological Product Failure

- Customer expectations **not met**
- **No innovative advantage perceived**
- Information about product is **scarce, unclear, or difficult**
- **Need** for product is **not seen**
- **Unique attributes** not seen
- Poor selection of target market
- Poor communication of product benefits
- Distribution channel selection
- Pricing problems



## Case 1: PHILIPS' CD-I

- Company:
  - Philips Consumer Electronics
- Industry:
  - home entertainment industry
- Product:
  - Compact Disk Interactive (CD-I) entertainment system
- Technology:
  - Billed as a major technological breakthrough for consumers, the CD-I system combined television and audio compact disc technology in an interactive system
- Managers idea:
  - Philips' management believed this format represented the family entertainment system of **tomorrow** and counted heavily on this system to carry Philips into the **next century**



## Case 1: PHILIPS' CD-I



- Product:
  - Incomplete product
    - shoddy remote was incompatible with brand image
    - software not available to use all of machines unique features
- Price:
  - Skimming strategy conflicts with mass market approach
- Promotion:
  - Poor job educating consumers about the nature of the product
  - only used specially trained salespeople for 3 months
- Distribution:
  - Distribution did not fit target market or brand image
- Targeting:
  - Ignored early adopter categories (innovators and early adopters)
- Timing of Market entry:
  - Product launched before software was available to produce promised product

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## Case 2: APPLE'S NEWTON



- Product:
  - A hand-held message pad computer promoted as a "personal digital assistant" and capable of sending and receiving faxes and transmitting data electronically
  - Incomplete product
    - not all promised features will available
    - some promised features did not perform as advertised
- Price:
  - Skimming strategy conflicts with mass market approach
- Promotion:
  - Couldn't fulfill promises made in promotion
  - Bad product reviews revealed shortcomings
- Targeting:
  - No evidence that they attempted to address adopter categories
- Timing of Market entry:
  - Rush to beat competition to market resulted in product incapable of performing 25% of promised tasks

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## Case 3: SONY'S BETAMAX



- Product:
  - Product technology **did not meet consumers' needs**
    - could only record for one hour
  - Superior band width and resolution (opportunity for differentiation) but viewers **couldn't perceive a difference**
- Price:
  - Skimming strategy **conflicts** with mass market approach
- Promotion:
  - Pitched the product to the mass market
  - Did not promote product's superior features to back-up technophiles
- Distribution:
  - **Missed prerecorded tape distribution** (very important to VCR owners)
  - **Refused license** to Hitachi
- Targeting:
  - Did not target **early adopter** categories; focus was on the mass market
- Timing of Market entry:
  - Commitments to production of U-Matic design delayed entry to home market for VCRs
  - **Refused to delay entry** to establish relations with Matsushita

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## Lessons for achieving right blend of market and technology

- Is it really imperative to be first in the market, If not:
  - put attention on **perfecting value** package
  - develop a "**complete product**" for the consumer
  - Improve the **performance** of the product and the **marketing mix**.
  - When introduced, your product will fulfill the **promises** made during development



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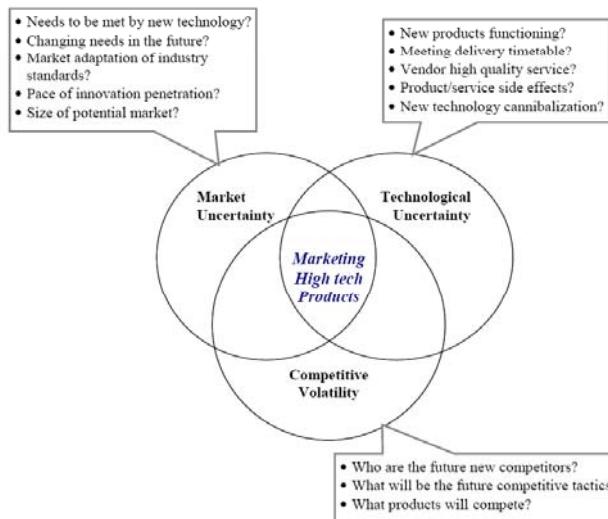
## Lessons for achieving right blend of market and technology

- Managers should not fall into the **trap** of (common phenomenon):
  - assuming that customers are **useless** in the product development process
  - **skip** marketing research
- Developing successful high tech products requires:
  - working **closely with customer** to **identify** their problems
  - so that technologies can be identified which provide solutions.



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## High-tech marketing elements and issues



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## Lessons for achieving right blend of market and technology



- Target the market **carefully** by:
  - identifying an accurate profile of consumers most likely to purchase this product
  - Knowledge of the adopter categories can be useful in determining the most viable market segment
- Take **advantage of the role that innovators** and early adopters in **socialization** of the product
  - Satisfying them can greatly affect whether a product receives positive or negative word of mouth
- **Rethink the target market** as the product progresses through adoption
  - Just as the (1)product changes over the course of its life so too will the appropriate (2)market change
  - Readjust the description of the target market and pay close attention to the differences in the groups
  - E.g. **innovators and early adopters** may be excited about a "new" product but **early and late majority** will want reassurances that **risk is minimal** and the product will do what is promised

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## So...



- There is ample evidence of critical role **marketing** can play in **product acceptance**
- While being technologically driven is **essential**,
  - managers must remember whose perceptions of **superiority** ultimately lead to **product success**.
  - It is imperative that the **customer** deems the product "superior"

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## Probability of Success

Overall probability of success = Probability of technical completion  $\times$  Probability of commercialization given technical completion  $\times$  Probability of economic success given commercialization

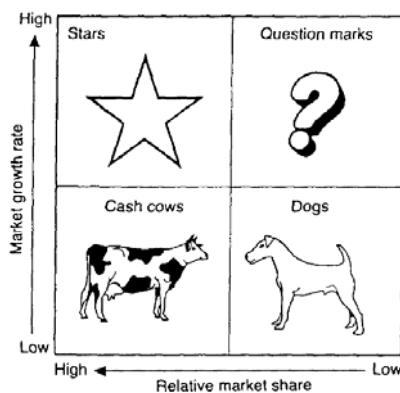
## High tech marketing Strategy

In combination with product and service issues



Strategy

## BCG matrix & technology adoption lifecycle (Strategy)



### ■ Question Marks:

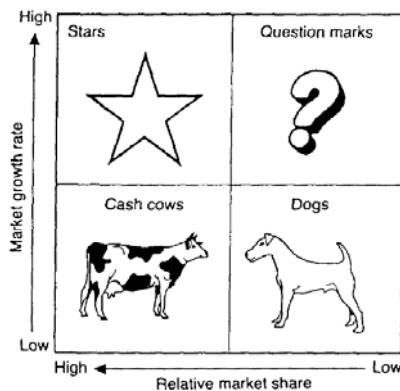
- potential to become Stars.
- absorb considerable financial and human resources as you attempt to increase market share
  - for R&D, marketing, production ramp up, etc.

### ■ Stars:

- tend to generate high amounts of income.
- Keep and build your stars

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## BCG matrix & technology adoption lifecycle (Strategy)



### ■ Cash cows:

- generate more than is invested in them
- keep them in your portfolio of products as long as they generate appreciable cash flow and maintain market share

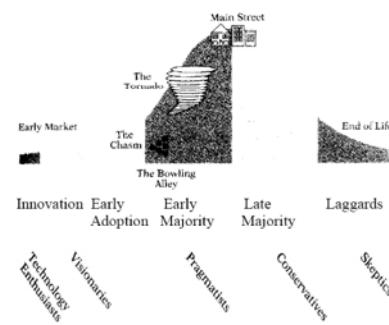
### ■ Dogs:

- do not generate cash for the company, instead tend to absorb it.
- divest and discontinue, use the proceeds and savings to turn Question Marks into Stars

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## BCG matrix & technology adoption lifecycle (Strategy)

- The products and technologies in the “**Question Marks**” quadrant of the BCG Matrix correspond to the **Innovation and Early Adopter** phases of the Technology Adoption Lifecycle Landscape
  - potential market size is not yet proven
- **Stars** of the BCG Matrix are definitely past the **Chasm** and in the **Tornado** stage of the Technology Adoption Lifecycle Landscape
- The **Cash Cows** quadrant represents the **Maturity phase** (Main Street stage)
- The **Dogs** typically lie in the **Decline** and End of Life stages



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## Toughest job: Crossing the Chasm

- The fundamental problem lies in:
  - the **transition** from the early adopters to the pragmatists.
- Careful analysis of the **psychological** profile of these two groups **shows** that they do **not** have much in **common**.
- The early adopters like **making decisions by themselves** that do **not** depict the **norm**.
- The pragmatists, on the other hand, want to **communicate** with others and put together a **good decision**.
- While the **early adopter** would purchase a product that could deliver an **80% solution** (seeing it as only 20% more to go)
  - the **pragmatist** takes the position of buying when it is **100% complete** (a 'whole product' as Moore puts it) and can be referenced as working within their industry.



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## Solution for crossing the Chasm

- Moore's solution for making the transition is:
  - to focus on a '**beachhead**' and **deliver a total solution** to one of those **niche markets** as quickly as possible.
- Identification of **target customers** and their **compelling reason** to buy are keys to:
  - fulfilling the '**whole product**' concept, which will allow you to win over the pragmatists in a particular **market segment**.



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## In book “Inside the Tornado”

- The Bowling Alley:
  - period where your product is in the **main stream** but it is **not yet perceived** as a **general purpose** solution
  - The overall strategy is to target **other niches** that can be offered a 100% solution with only **minor product modifications**
  - allows the movement from **niche to niche** in a controlled and predictable way, building your **installed customer base**
  - E.g. Microsoft and Intel: aggressive beta-testing program
  - Targeted **direct mail** and **interactive marketing** can lay the foundation for establishing your initial beachhead.
  - The **power of databases**, which offer segmentation by SIC code, employee size, and consumer demographics:
    - can be harnessed to execute carefully planned attacks into related **niche markets**,



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## In book “Inside the Tornado”

- Tornado:
  - starts when the **pragmatists** in the mainstream, who have seen the **collective base of successful 'niches,'** then decide that the **product is ready** for them to purchase
  - like a **stampede**, the pragmatists come all at once, with a **vortex** of product demand
  - Moore's strategy during the tornado phase is to 'just ship.'
  - It is during the tornado stage that market share is set
  - Securing as many **distribution channels** and hitting as **many different price points** as possible are key to obtaining new customers in this phase
  - Microsoft's Windows and Intel's Microprocessor launches are classic examples of tornado phases



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## General points



- Due to their **targetable** and **measurable** nature, **direct mail** and **interactive marketing** activities play an important role in implementing the overall 'chasm-crossing' strategy
- **First** step is to see where you are **currently positioned** in the curve
  - For **different products** of the portfolio
- Then **develop the strategies** to move from one phase to the next.

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## Levels of a Marketing Plan

### Strategic

- Target marketing decisions
- Value proposition
- Analysis of marketing opportunities

### Tactical

- Product features
- Promotion
- Merchandising
- Pricing
- Sales channels
- Service

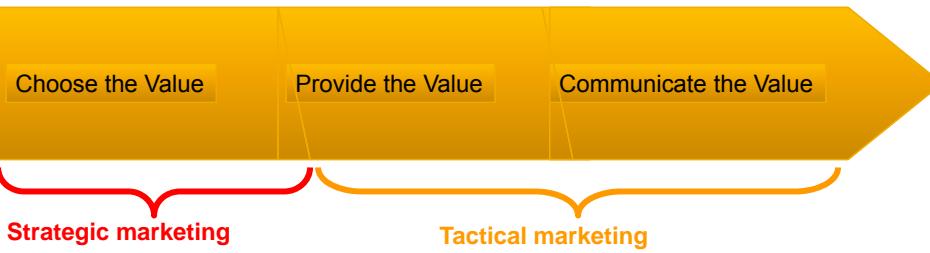
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## The Value-Delivery Process

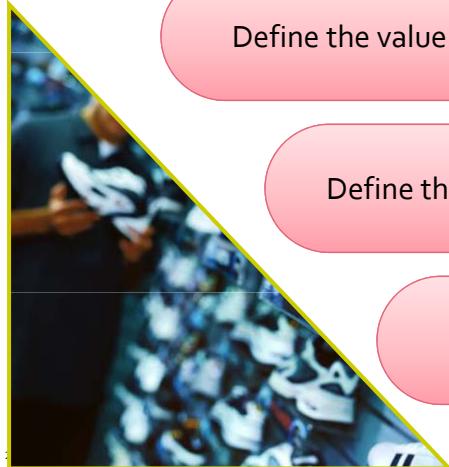
### (a) Traditional physical process sequence



### (b) Value creation & delivery sequence



## Three V's Approach to Marketing



Define the value segment

Define the value proposition

Define the value network

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## eBay's Mission statement

“We help people trade anything on earth.  
We will continue to enhance the online  
trading experiences of all—collectors,  
dealers, small businesses, unique item  
seekers, bargain hunters, opportunity  
sellers, and browsers.”

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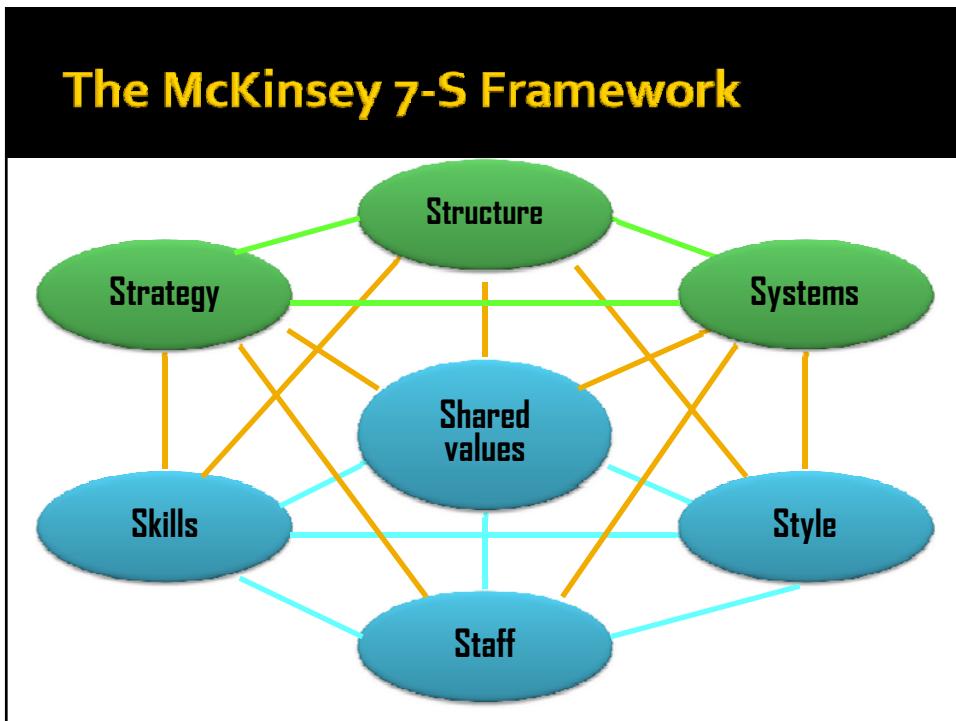
## SWOT Analysis



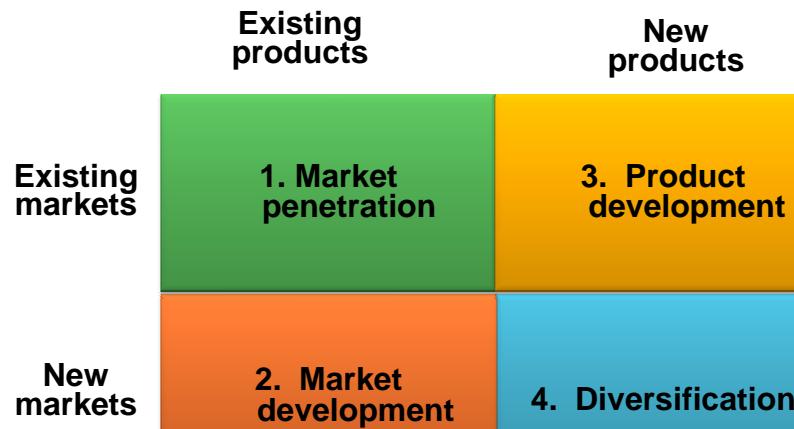
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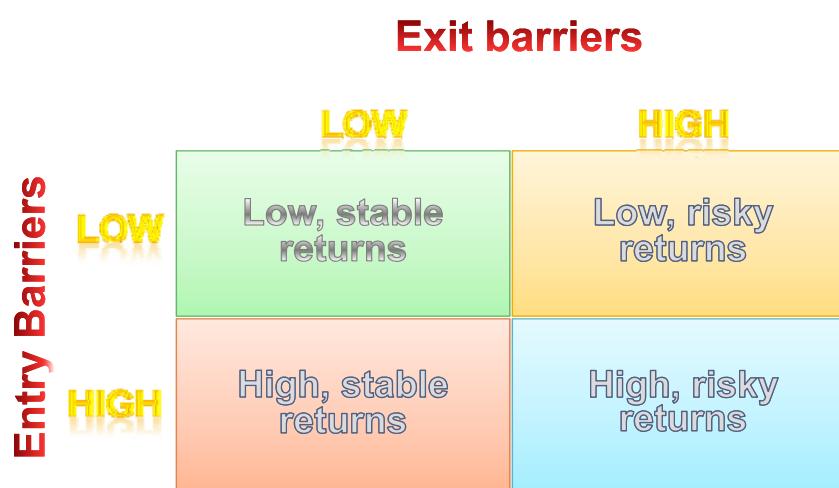
- Strengths
- Weaknesses
- Opportunities
- Threats



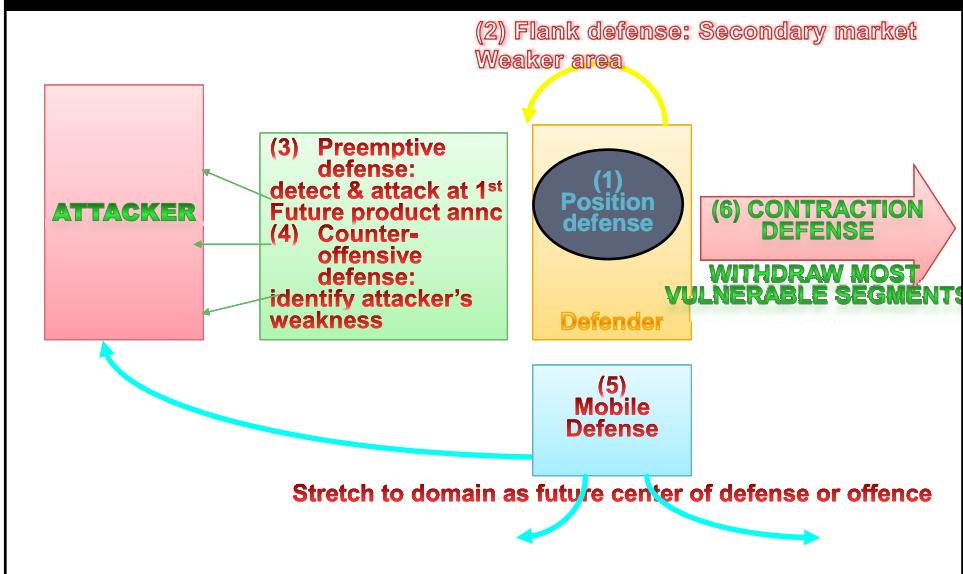
## Three Intensive Growth Strategies: Ansoff's Product/Market Expansion Grid



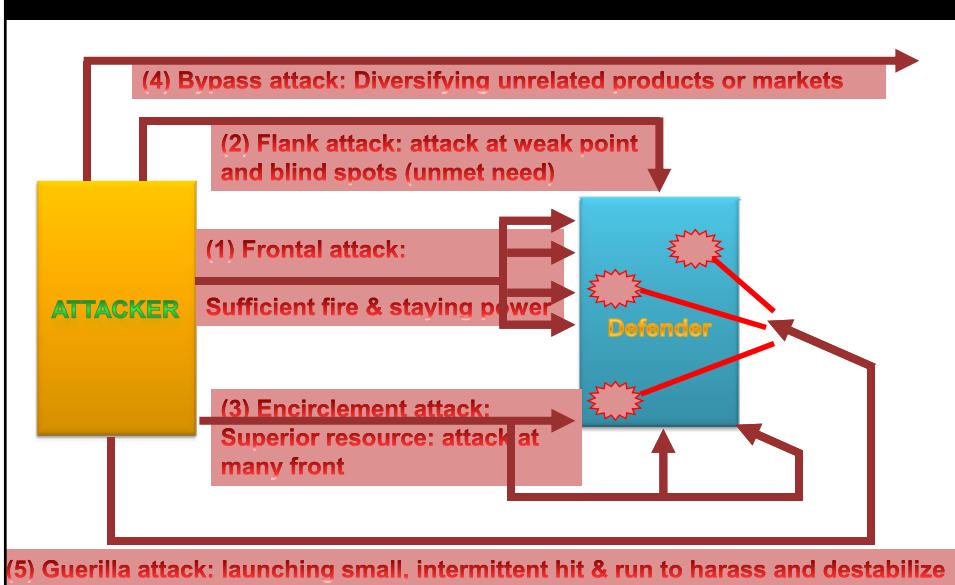
## Barriers and Profitability



## Defense Strategies



## Attack Strategies

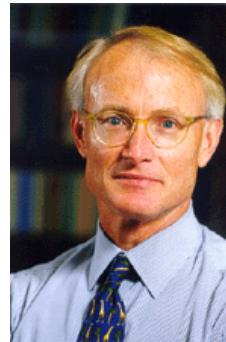


## Specific Attack Strategies

- Price-discount
- Cheaper goods
- Prestige goods
- Product proliferation
- Product innovation
- Improved services
- Distribution innovation
- Manufacturing cost reduction
- Intensive advertising promotion



## Porter's Generic Strategies



Overall Cost Leadership

Differentiation

Focus

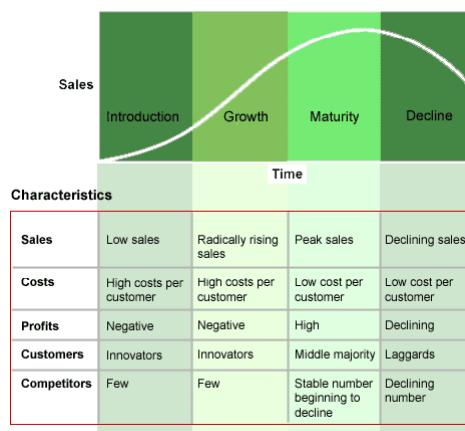
## Marketing Plan Contents

- ✓ Executive summary
- ✓ Table of contents
- ✓ Situation analysis
- ✓ Marketing strategy
- ✓ Financial projections
- ✓ Implementation controls

2-75

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## Summary of Product life cycle stages characteristics



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## Marketing Strategies for Product life cycle

		Sales			
		Time			
		Introduction	Growth	Maturity	Decline
<b>Marketing Objectives</b>		Great product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
<b>Strategies</b>					
<b>Product</b>	Offer a basic product	Offer product extensions, services, warranty	Diversify brands and models	Phase out weak items	
<b>Price</b>	Charge cost-plus	Price to penetrate market	Price to match or best competitors	Cut prices	
<b>Distribution</b>	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective; phase out unprofitable outlets	
<b>Advertising</b>	Build product awareness among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyalists	
<b>Sales Promotion</b>	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy customer demand	Increase to encourage brand switching	Reduce to minimal level	

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## Service Marketing

Focused on online services



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## More on service marketing...

- 68% of U.S. Economy is consist of services
- Online services include:
  - Online retailing
  - Online wholesaling
  - Information intermediation
  - Online finance and insurance
  - Online professional and business services
  - Online educational services
  - Online healthcare and social assistance
  - Online entertainment, art



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## Distinctive characteristics of services



- Intangibility
  - Evaluate before purchase is impossible and only when actually using it could be evaluated (experience, and credence)
  - Implication: not patentable, inability to communicate, simple in pricing (no obvious discrimination), (communicating by physical images or metaphors and tangible clues in advertising)
- Inseparability
  - Customer participation and effect transaction/other customers
  - Need for inappropriate mix of customer within time frames, manage customer (educate them, training, user friendliness, good support)
- Variability
  - Satisfaction depend on employee actions, uncontrollable factors
  - Need for service recovery policies (guarantee offering)
- Perishability
  - Vitality of supply and demand balancing, inability to return or resell
  - Key to profit: target right segments at right time at right place (pricing, promotion, revenue management to manage capacity)

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## Determinants of Service Quality

- Reliability
- Responsiveness
- Assurance
- Empathy
- Tangibles



## Service Excellence



- Strategic Concept
- **Top-Management** Commitment
- High Standards
- Monitoring Systems
- Satisfying Customer Complaints
- Satisfying Both Employees & Customers
- Managing Productivity



## Complaint Resolution

- Hiring Criteria & Training for Employees
- Develop Guidelines for Fairness
- Remove Complaint Barriers
- Analyze Types & Sources of Complaints



## Marketing mix for services (7Ps)

- Product elements:
  - Core product (tangible and intangible), performance/benefit level, **guarantee**
  - bundle of supplementary service elements:
    - service obtain and use 1) **information**, 2)**need consultation**, 3)**tailoring**, 4)**reservation**, welcome and 5)**special treatment**, 6)**flexibility** to requests, accurate and 7)**intelligent bill**, simple and 8)**convenient transaction**
- Place and Time
  - According to 1)**geographic** location, 2)**convenience**, service 3)**schedule**, physical/4)**electronic channel**, channel 5)**partners/intermediaries**



## Marketing mix for services (7Ps)

- Promotion and Education
  - Information, advice, education/training, persuasion, and reminder, brand
- Price
  - Traditional: price, discounts, premium, intermediary margin, credit terms
  - Emotional costs, time expenditure, mental/physical effort, sensory experience



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## Marketing mix for services (7Ps)

- Physical environment:
  - tangible evidence of service performance, e.g. all website design elements (sound, view, navigation)
  - Package:
    - What wraps the service, like environment and other evidences, convey external image, signals intended segment
- Process:
  - Method and sequence in service creation and delivery, activity flow design, number and sequence of action, customer involvement, automation degree
- People: managing human side
  - 1)Job design, 2)training, 3)motivation, 4)recruitment, 5)evaluation, 6)rewards, 7)empowerment



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## What is the Fifth P?

**Packaging**, sometimes called the fifth P, is all the activities of designing and producing the container for a product.



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## Factors Contributing to the Emphasis on Packaging

Self-service

Consumer affluence

Company/brand image

Innovation opportunity



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## Packaging Objectives

- Identify the brand
- Convey descriptive and persuasive information
- Facilitate product transportation and protection
- Assist at-home storage
- Aid product consumption

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## Functions of Labels

<b>Nutrition Facts</b>	
Serving Size ½ cup (114g)	
Servings Per Container 4	
<b>Amount Per Serving</b>	
<b>Calories</b> 90	Calories from Fat 30
% Daily Value*	
Total Fat 3g	5%
Saturated Fat 0g	0%
Cholesterol 0mg	0%
Sodium 300mg	13%
Total Carbohydrate 13g	4%
Dietary Fiber 3g	12%
Sugars 3g	
<b>Protein</b> 3g	
Vitamin A 80% • Vitamin C 60%	
Calcium 4% • Iron 4%	
* Percent Daily Values are based on a 2,000 calorie diet. Your daily values may be higher or lower depending on your calorie needs.	
Calories 2,000 2,500	
Total Fat Less than 65g	80g
Sat Fat Less than 20g	25g
Cholesterol Less than 300mg	300mg
Sodium Less than 2,400mg	2,400mg
Total Carbohydrate 300g	375g
Dietary Fiber 25g	30g
Calories per gram:	
Fat 9 • Carbohydrate 4 • Protein 4	

Identifies

Grades

Describes

Promotes

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# Warranties and Guarantees

**OUR VEHICLES**

- [CUSTOMER RELATIONS](#)
- [WARRANTIES](#)
- [SERVICE SCHEDULE](#)
- [ROADSIDE ASSISTANCE](#)
- [VII](#)
- [OWNERS REGISTRATION](#)
- [FREE TRADE-IN APPRAISAL](#)
- [MITSUBISHI OWNERS DAY](#)
- [SIRIUS RADIO ACTIVATION](#)
- [MUSIC STORAGE AND RATING](#)
- [NEWSLETTER SIGN-UP](#)
- [HANDS-FREE PHONE](#)

**GOT YOU COVERED  
WARRANTY**

**/// WARRANTIES**

**WARRANTY INFORMATION FOR 2008 MODELS**

At Mitsubishi, we are so confident in the quality, reliability and durability of the cars we build that we back all of our passenger cars and sport utility vehicles with very extensive warranties. This list is headed by a **10-year/100,000 mile Powertrain Limited Warranty**, a **5-year/60,000 mile** fully transferable bumper-to-bumper New Vehicle Limited Warranty, a **7-year/100,000 mile Anti-Corrosion/Perforation Limited Warranty** and **5-years/Unlimited miles Roadside Assistance**. So now, when you drive off in your new Mitsubishi, you'll leave with even more peace of mind, knowing you can enjoy it to the fullest for many years to come.

For additional 2008 Passenger Car and SUV warranty details, click [here](#). (3.3KB)

COVERAGE CATEGORY	ORIGINAL RETAIL OWNERS	SUBSEQUENT OWNERS
New Vehicle (Bumper-to-Bumper)	5-yr/60,000 miles	5-yr/60,000 miles
Steering Components	10-year/Unlimited miles**	5-yr/60,000 miles
Restraint System	5-yr/60,000 miles	5-yr/60,000 miles
Anti-Corrosion/Perforation	7-yr/100,000 miles	7-yr/100,000 miles
Adjustments	12 mos/12,000 miles	12 mos/12,000 miles
Roadside Assistance	5-yr/Unlimited miles	5-yr/Unlimited miles

All coverage terms are from the original purchase date.

\* The 10-year/100,000 mile Powertrain Limited Warranty applies only to the original owner of new, retailled 2008 models. Subsequent owners receive the balance of the New Vehicle Limited Warranty of 5 years/60,000 miles. See retailer for limited warranty and roadside assistance terms and conditions.

\*\*See your authorized Mitsubishi Retailer for complete details on warranty/coverage and conditions.

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# Market Segmentation, Targeting, Positioning



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## What is a Market Segment?

A **market segment** consists of a group of customers who share a **similar set of needs** and **wants**.



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## Marketing Strategy

Segmentation

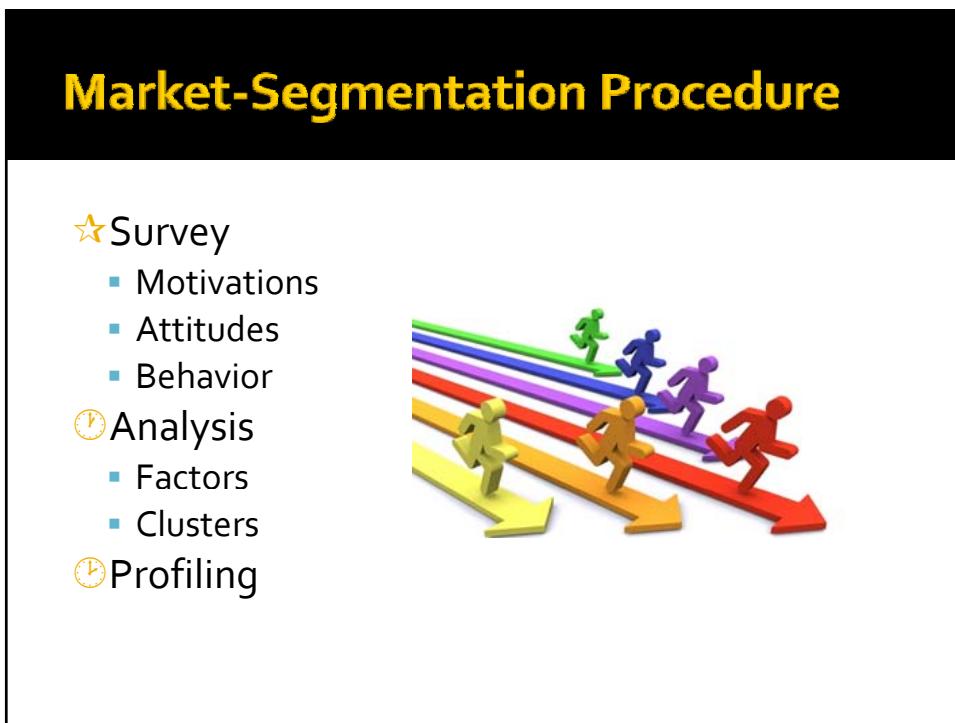
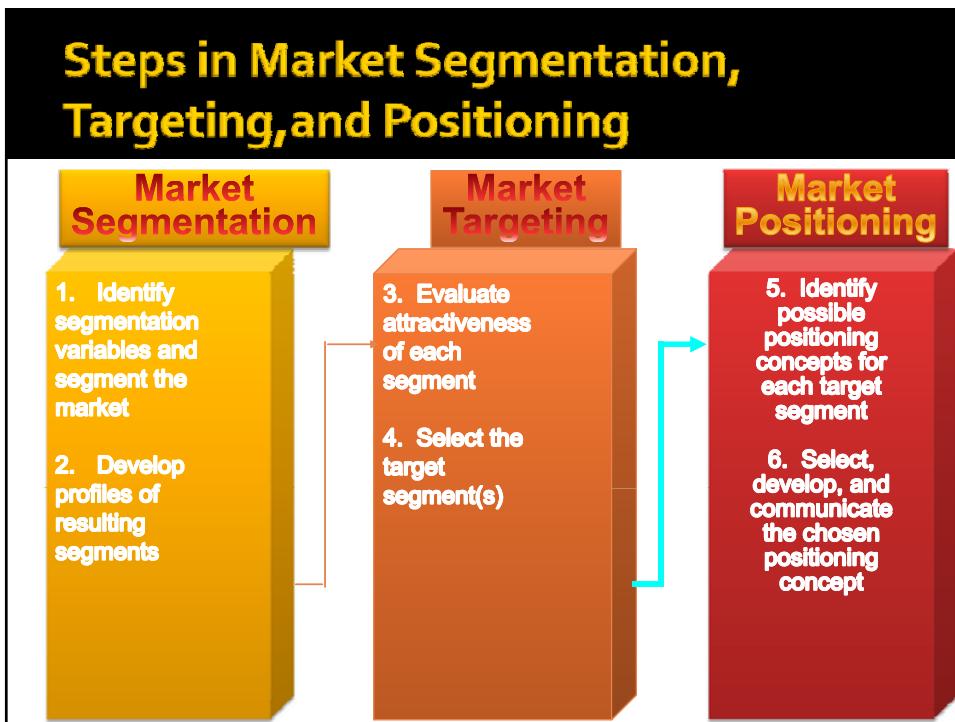
Targeting

Positioning

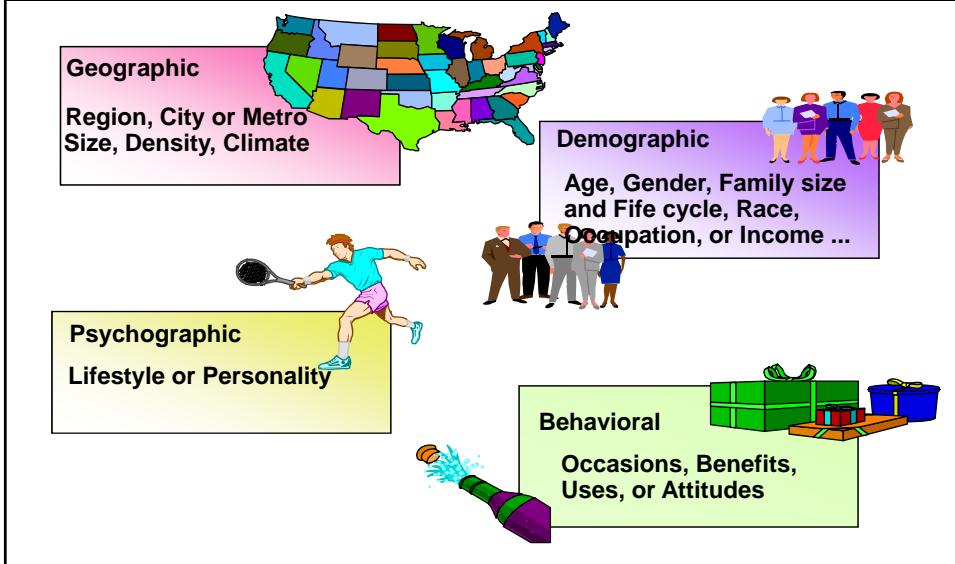


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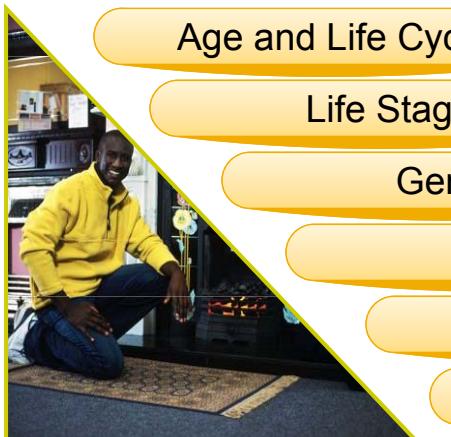
## Bases for Segmenting Consumer Markets



## Segmenting Consumer Markets



## Demographic Segmentation



Age and Life Cycle

Life Stage

Gender

Income

Generation

Social Class

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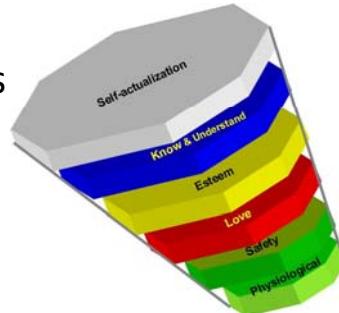
## Behavioral Segmentation

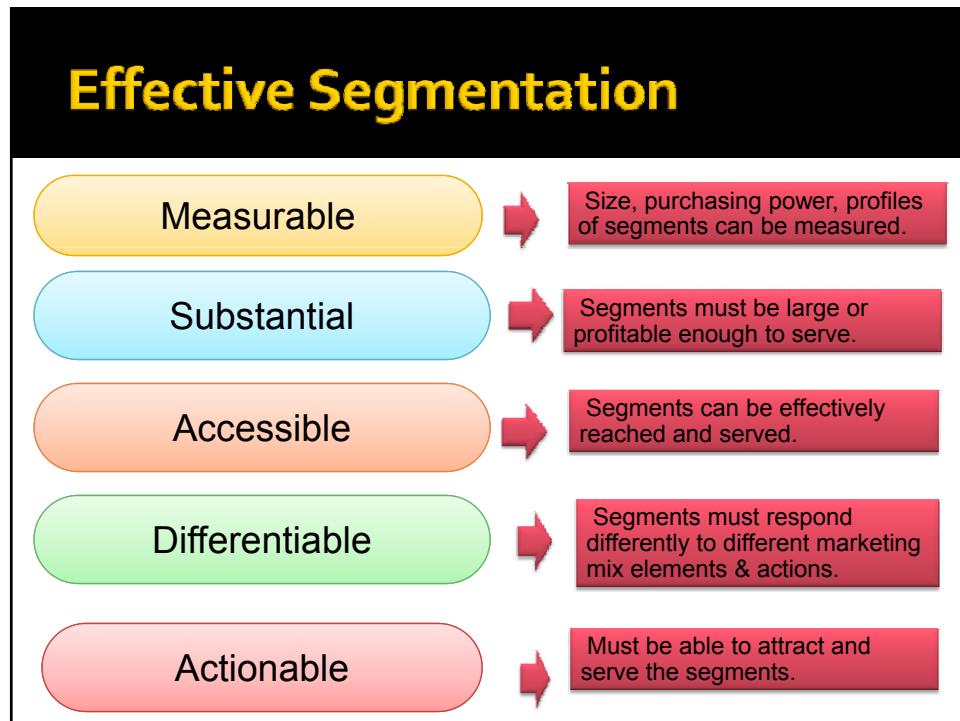
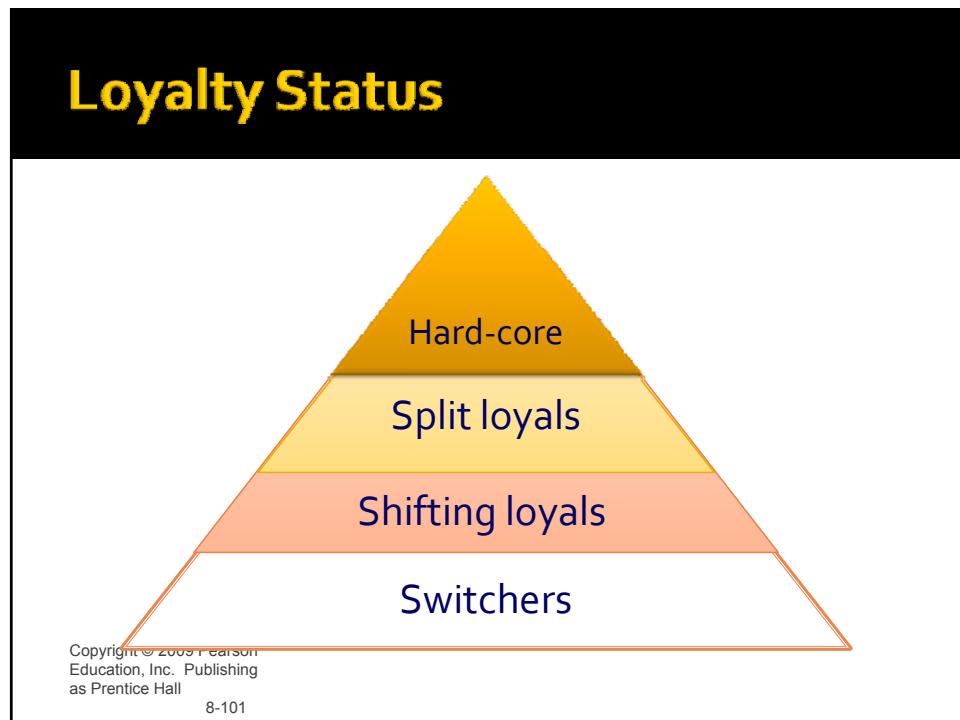
### Behavioral Variables

- Occasions
- Benefits
- User Status
- Usage Rate
- Buyer-Readiness
- Loyalty Status
- Attitude

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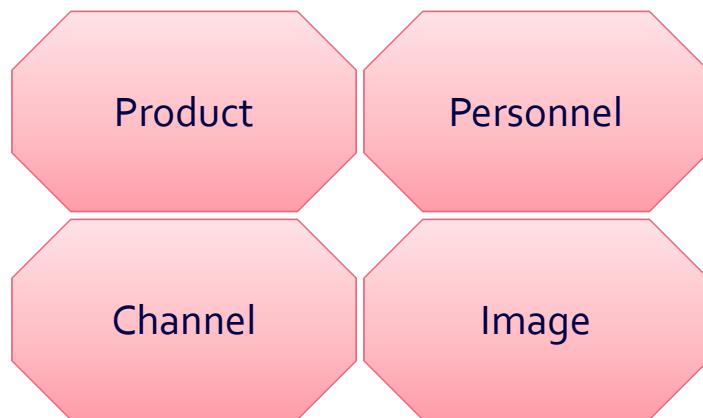
## Positioning

***Positioning is the act of designing the company's offering and image to occupy a distinctive place in the target market's mind. p 298***

Positioning is an art. Great positioning tells a compelling, attention grabbing story - a story that resonates with your audience.  
- Rebel Brown

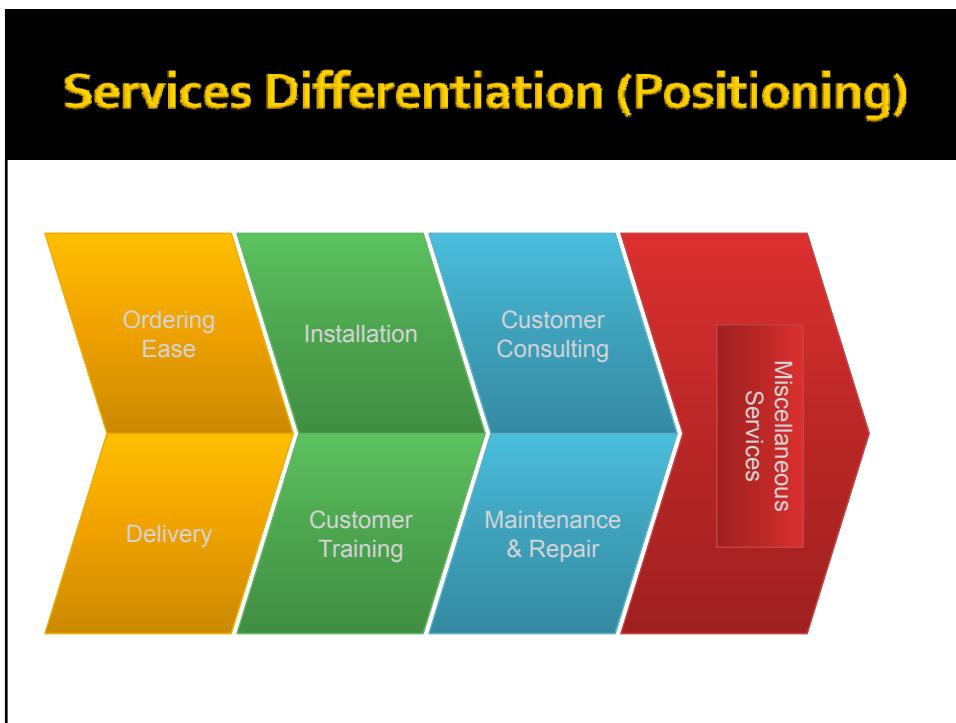


## Differentiation Strategies



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## Design Differentiation



method products | people against dirty | what we're for | quick shop | view cart

happy new year!

resolution #4:  
**clean the bathroom.**  
make a fresh start every day. our bathroom duo will do your dirty work so you can cross this one off the list.

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## Maintenance and Repair

Geek Squad

MULTICHANNEL TECHNICAL SUPPORT IN-HOME SUPPORT 1 800 433 5778  
FIND A GEEK SQUAD PRECINCT NEAR YOU ENTER ZIP SUBMIT

TECHNICAL SUPPORT WHAT DO I NEED? FREE TOOLS RECYCLE SEE YOUR BILL OF RIGHTS TECH TIPS FOR 2005

WHAT WE DO ABOUT GEEK SQUAD NEWS & TESTIMONIALS GEEK SQUAD STORE CHECK REPAIR STATUS

PHONE SUPPORT IN STORE SUPPORT IN-HOME SUPPORT

GEEK SQUAD AGENTS ARE STANDING BY PRECINCTS LOCATED IN ALL BEST BUY STORES WIRELESS PROBLEMS ARE NO PROBLEM FOR OUR AGENTS

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## Marketing research and forecasting demand



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### What is a Marketing Information System (MIS)?

A **marketing information system** consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers.



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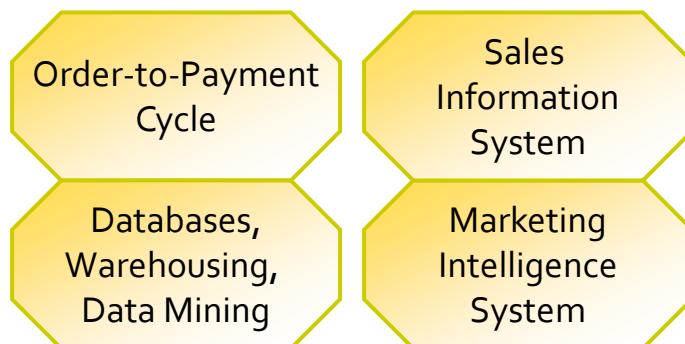
### Table 3.1 Information Needs Probes

- What **decisions** do you regularly make?
- What **information** do you **need** to make these decisions?
- What information do you **regularly get**?
- What **special studies** do you periodically request?
- What information would you **want** that you are **not** getting **now**?
- What are the four most **helpful improvements** that could be made in the present marketing information system?

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### Internal Records and Marketing Intelligence



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## Needs and Trends



Fad

Trend

Megatrend



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## Environmental Forces

Demographic

Political-Legal

Economic

Technological

Socio-Cultural

Natural

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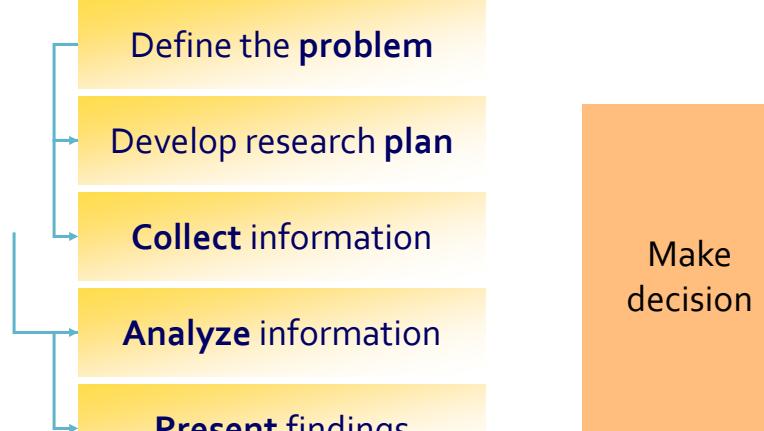
## What is Marketing Research?

**Marketing research** is the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company.



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## The Marketing Research Process



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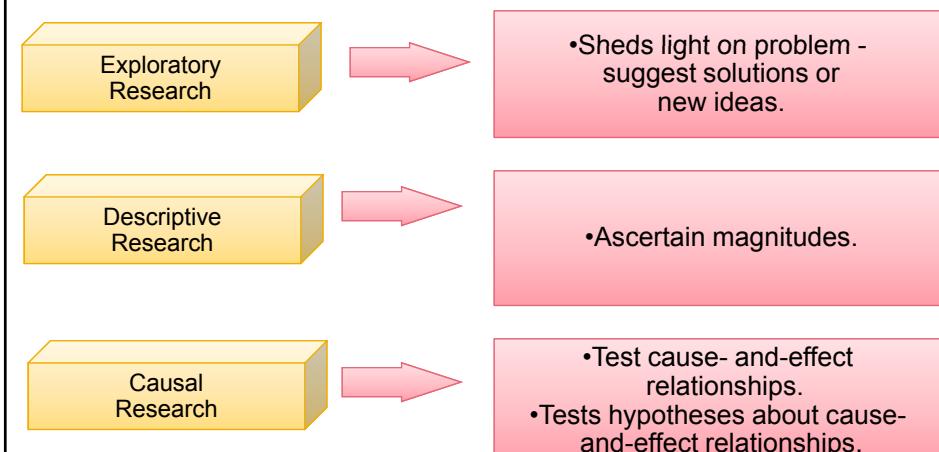
## Step 1: Define the Problem

- Define the problem
- Specify decision alternatives
- State research objectives

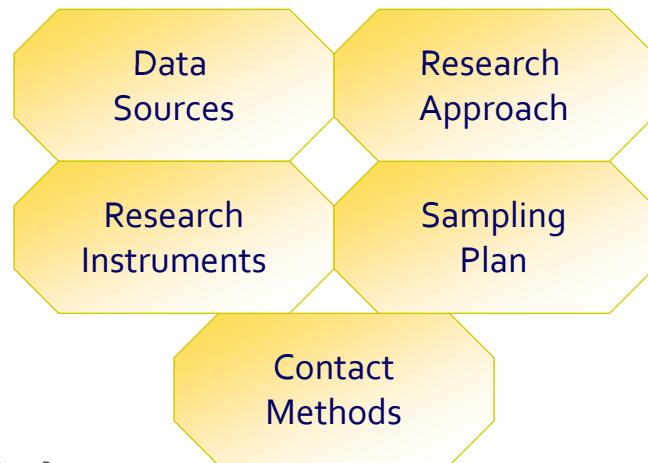


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## Defining the Problem & Research Objectives



## Step 2: Develop the Research Plan



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## Data Sources

Internal                      External

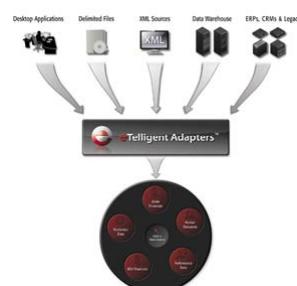
Secondary Data  
(Already Exists)

Primary Data  
(Freshly Gathered  
For A Specific Purpose)

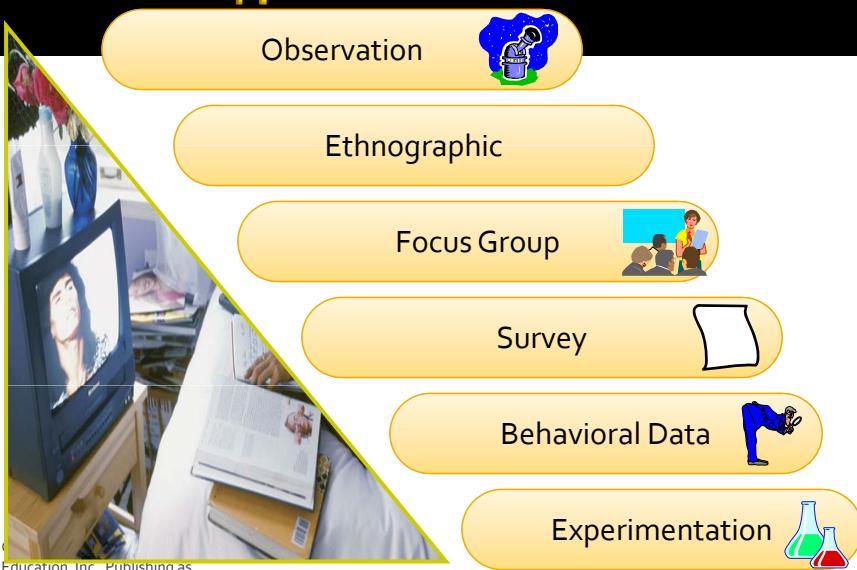
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## Secondary-Data Sources

- Internal Sources
- Government Publications
- Periodicals and Books
- Commercial Data
- On-Line
  - Associations
  - Business Information



## Research Approaches



## Focus Group in Session



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## Research Instruments

- Questionnaires
- Qualitative Measures
- Technological Devices

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## Different question types

- Dichotomous: Yes/No
- Multiple choice
- Likert scale:
  - strongly agree/disagree, agree/disagree, neither agree nor disagree
- Semantic differential:
  - (large/small) (In/experience)
- Importance scale:
  - extremely/very/somewhat/not very/ not at all important
- Rating scale:
  - Excellent, very good, good, fair, poor
- Intention to buy scale:
  - Definitely/ probably/not sure/ probably not/ definitely not

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## Different question types

- Completely unstructured
- Word association
  - what is the first word that comes to your mind when you hear the following?
- Sentence completion:
  - When I choose airline the most important consideration in my decision is
- Story completion
- Picture (empty balloons)
- Thematic apperception test:
  - Make up a story that reflects what you think is happening in this picture

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## Sampling Plan

- Sampling unit: **Who** is to be surveyed?
- Sample **size**: How many people should be surveyed?
- Sampling **procedure**: How should the respondents be chosen?

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## Table 4.2 Types of Samples

### Probability Samples

- Simple random
- Stratified random (layered)
- Cluster

### Nonprobability Samples

- Convenience
- Judgment
- Quota



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## Contact Methods

Mail Questionnaire

Telephone Interview

Personal Interview

Online Interview

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### This Week's Poll

Now that Ashley knows the truth about Gloria, what should she do next?

- Go straight to John and tell him the truth. Ashley was right all along; Gloria is a lying, manipulating, gold-digger!
- Give Gloria the opportunity to tell John the truth herself.
- Stay out of it! John is happy with Gloria -- why ruin his marriage over who her sons are?
- Not sure.

[Submit your Vote!](#)

## Pros and Cons of Online Research

### Advantages

- Inexpensive
- Fast
- Accuracy of data, even for sensitive questions
- Versatility

### Disadvantages

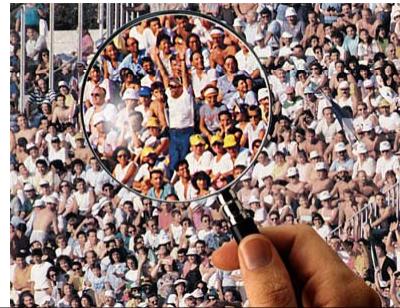
- Small samples
- Skewed samples
- Technological problems
- Inconsistencies

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## Good Marketing Research:

- ★ Is scientific
- ⌚ Is creative
- ⌚ Uses multiple methods
- ⌚ Realizes the interdependence of models & data
- ⌚ Acknowledges the cost & value of information
- ⌚ Maintains “healthy” skepticism
- ⌚ Is ethical



## What is Marketing Metrics?

**Marketing metrics** is the set of measures that helps marketers quantify, compare, and interpret marketing performance.



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## Table 4.4 Marketing Metrics

### External

- Awareness
- Market share
- Relative price
- Number of complaints
- Customer satisfaction
- Distribution
- Total number of customers
- Loyalty

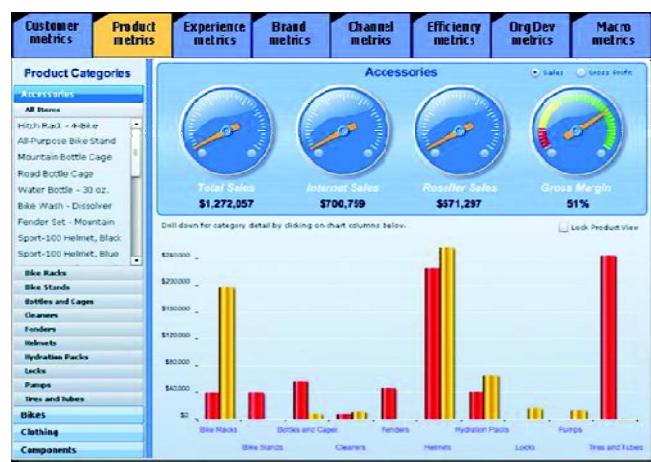
### Internal

- Awareness of goals
- Commitment to goals
- Active support
- Resource adequacy
- Staffing levels
- Desire to learn
- Willingness to change
- Freedom to fail
- Autonomy

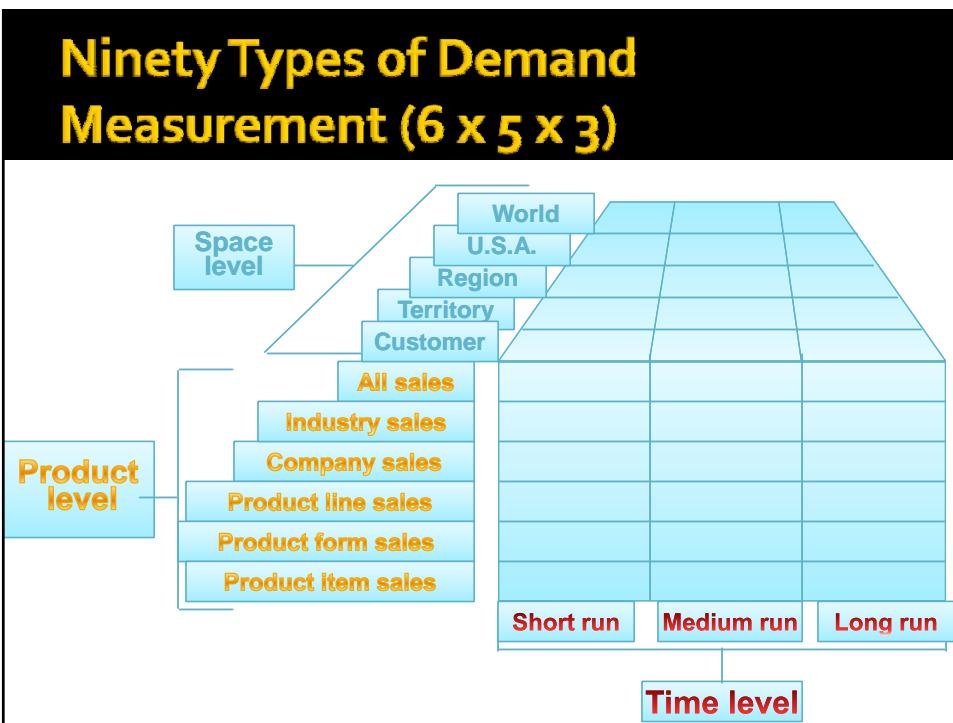
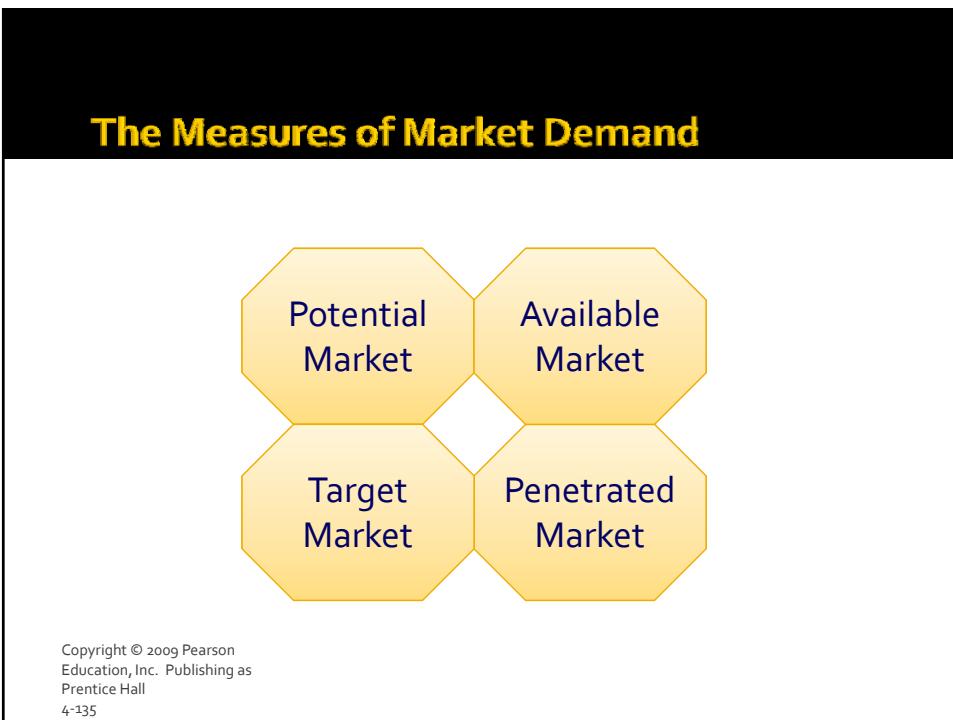
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## Figure 4.3 Example of a Marketing Dashboard



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## Estimating Future Demand

- Survey of Buyers' Intentions
- Composite of Sales Force Opinion
- Expert Opinion
- Past Sales Analysis
- Market Test Method



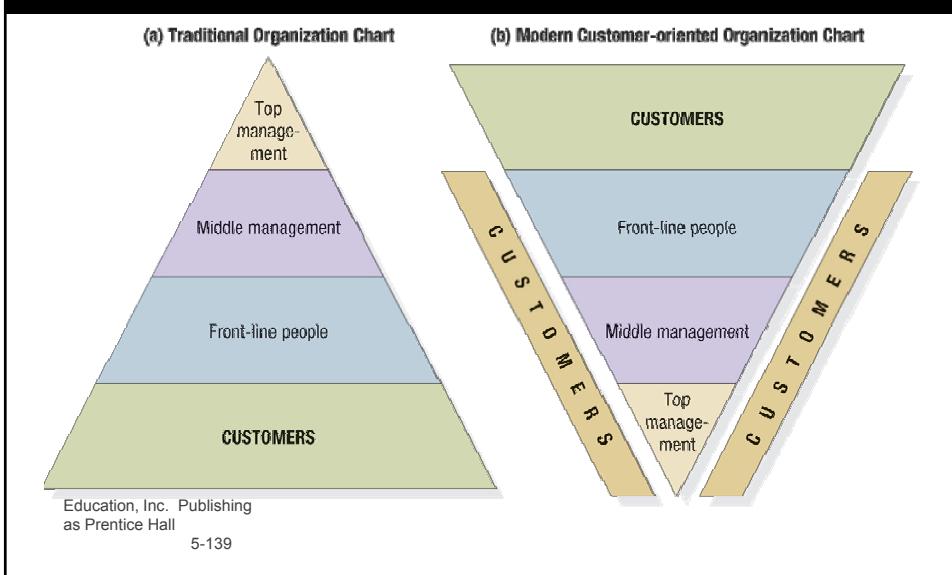
## Customer relationship management

Creating customer value, Satisfaction, and Loyalty



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**Figure 5.1 Organizational Charts**



### What is Customer Perceived Value?

**Customer perceived value** is the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives.



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## Figure 5.2 Determinants of Customer Perceived Value

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## Steps in a Customer Value Analysis

- Identify major **attributes** and **benefits** that customers value
- Assess the **qualitative importance** of different attributes and benefits
- Assess the company's and **competitor's performances** on the different customer values against rated importance
- Examine **ratings** of specific segments
- Monitor **customer values** over time

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## CRM key concepts

### Key Concepts

- **Attracting, retaining and growing customers**
- **Building customer relationships and customer equity**

- Customer value/satisfaction
  - Perceptions are key
  - Meeting/exceeding **expectations** & ???? creates satisfaction
- Loyalty and retention
  - Benefits of loyalty
  - **Loyalty** increases as **satisfaction** levels increase
  - Delighting consumers should be the goal
- Growing share of customer
  - Cross-selling
  - Up-selling

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## CRM key concepts

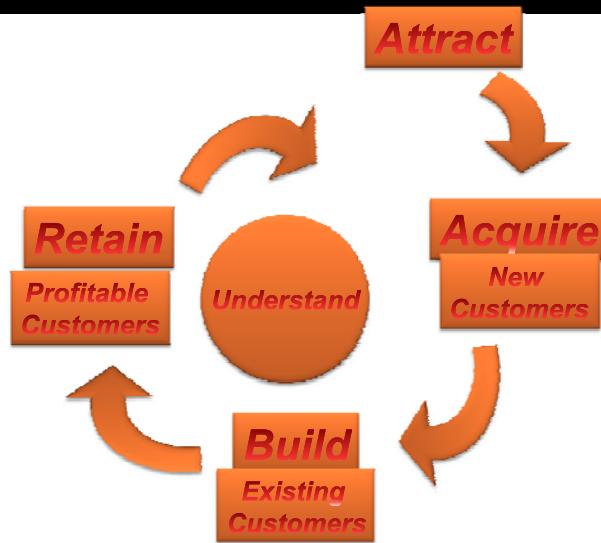
### Key Concepts

- **Attracting, retaining and growing customers**
- **Building customer relationships and customer equity**

- Customer equity
  - The total **combined customer lifetime** values of all customers.
  - Measures a **firm's performance**, but in a manner that looks to the future.

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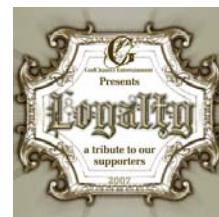
## The CRM Cycle



## What is Loyalty?

Loyalty is a deeply held commitment to **re-buy** or **re-patronize** a preferred product or service in the future **despite** situational influences and marketing efforts having the potential to cause **switching** behavior.

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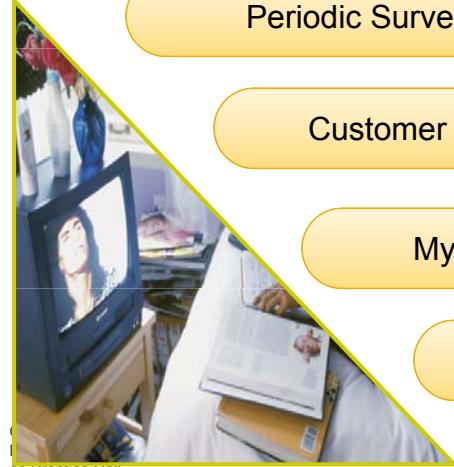
## Measuring Satisfaction

Periodic Surveys

Customer Loss Rate

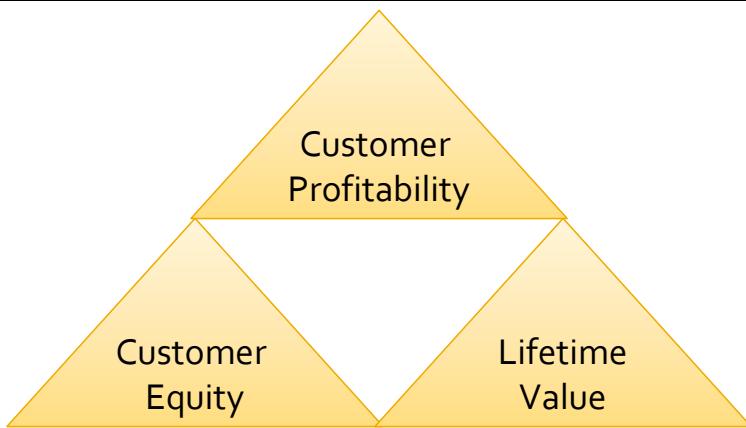
Mystery Shoppers

Monitor Competitive Performance



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## Maximizing Customer Lifetime Value



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## Estimating Lifetime Value

- Annual customer revenue: \$500
- Average number of loyal years: 20
- Company profit margin: 10
- Customer lifetime value: \$1000



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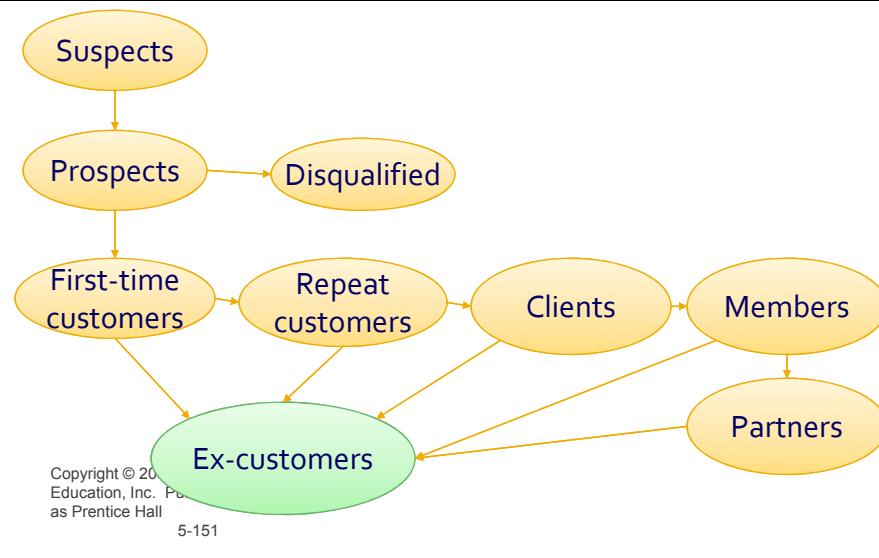
## Customer Retention

- Acquisition of customers can **cost five times** more than **retaining current customers**.
- The **average** company **loses 10%** of its customers each year.
- A **5% reduction** to the customer defection rate can **increase profits by 25% to 85%**.
- The customer **profit rate increases** over the life of a retained customer.

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**Figure 5.5 The Customer Development Process**



## Frequency Programs

- Incentive program designed to create **repeat purchases**

### Loyalty Management:

Used to **grow a business's revenues and profits**  
by improving **retention** among its  
**customers, employees and investors.**  
Quantifiably links financial results to **changes in**  
**retention rates**

Bain 2007

A loyalty program **recognizes and rewards** the **best** customers of a business.

## What is Customer Relationship Management?

- A business philosophy and set of **strategies, programs, and systems** that focus on identifying and **building loyalty** with a retailer's most valuable customers through carefully managing **detailed information** about individual customers and all customer touch points
- METRICS OF CRM:
  - Lifetime Value of Customer
  - Share of the Customer (% of potential customer lifetime value accessed)



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## CRM



- All customers are **not equally** profitable, and more or less profitable customers need to be treated **differently (retain some, divest others)**
- Retailers now concentrate on providing **more value** to their **best customers** using **targeted promotions** and **services** to increase their **share of wallet** – the percentage of the customers' purchases made from the retailer

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## Can Offering Price Discounts Achieve Customer Loyalty?

**No!**

Retail strategies like these can be **copied** by competitors

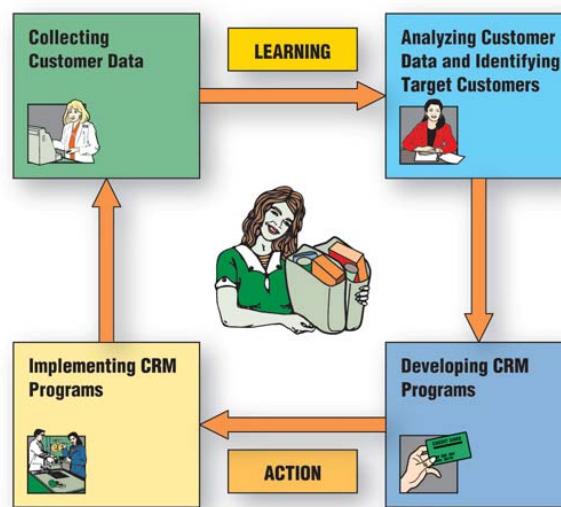
These strategies encourage customers to be **always looking for the best deal** rather than developing a **relationship with a retailer**



McGraw-Hill Companies, Inc./Gary He, photographer

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## CRM Process Cycle



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## Collecting Customer Data:

### Customer Database

- **Transactions** – a complete history of purchases
  - Purchase date, price paid, SKUs bought, whether or not the purchase was stimulated by a promotion
- **Customer contacts** by retailer (**touch points**) --visits to web site, inquires to call center, direct mail sent to customer
- **Customer preferences**
- **Descriptive information** about customer
  - Demographic and psychographic data
- **Customer's responses** to marketing activities



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## Market Basket Analysis

Data analysis focusing upon the composition of the customer's **market basket** – what items are bought during a single shopping occasion

Uses:

- Adjacencies for displaying merchandise
- Joint promotions
  - Bananas in the cereal aisle as well as in the produce section
  - Beer with baby diapers
  - Tissues with cold medicine



Burke/Triolo Productions/Getty Images

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## Identifying Best Customers

- **Estimating Lifetime Value (LTV)**
  - The expected contribution from the customer to the retailer's profits over his or her entire relationship with the retailer
- **Use past behaviors to forecast future purchases, the gross margin from these purchases, and the costs associated with serving the customers**
- **Classifying Customers by 1)recency, 2)frequency, and 3)monetary value of purchases (RFM Analysis)**

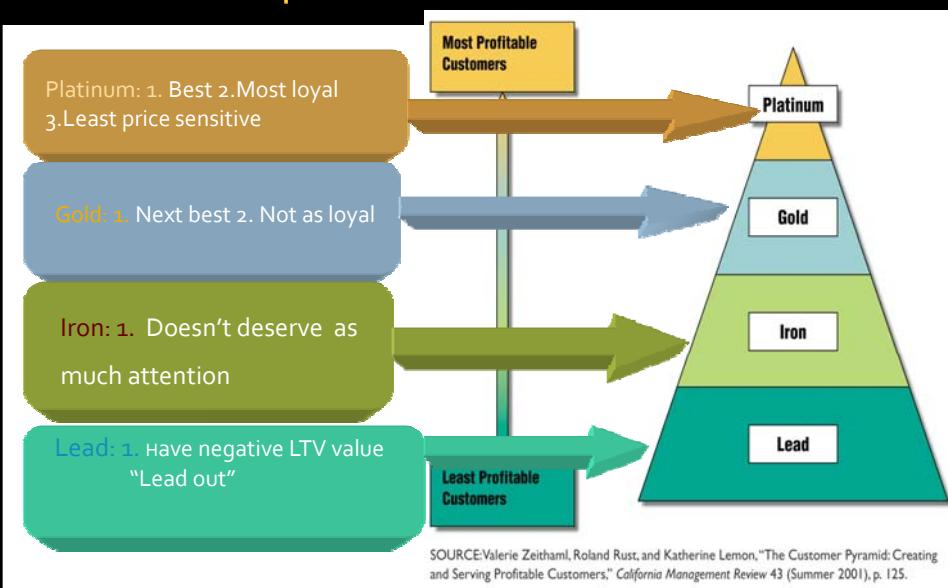


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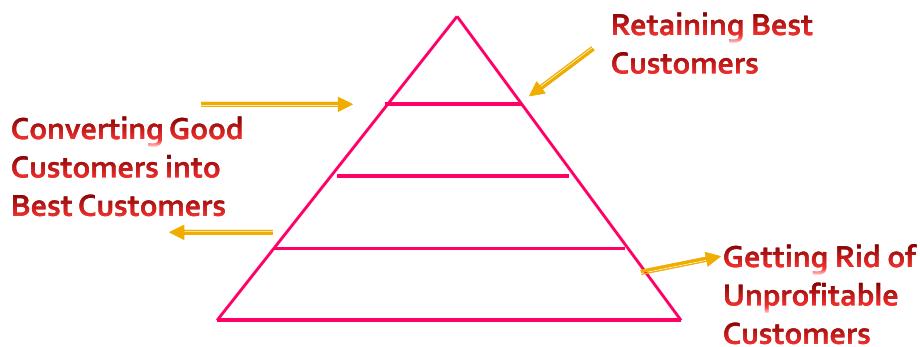
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## Customer Pyramid

**80-20 rule: 80% of sales or profits come from 20% of the customers**



## Developing CRM Programs



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## RFM Analysis

Used by catalog retailers and direct marketers

**Recency:** how recently customers have made a purchase

**Frequency:** how frequently they make purchases

**Monetary:** how much they have bought

Frequency	Monetary	RECENCY			
		0-2 months	3-4 months	5-6 months	Over 6 months
1-2	<\$50	5.0%*	3.5%	1.0%	0.1%
1-2	Over \$50	5.0	3.6	1.1	0.1
3-4	<\$50	8.0	5.0	1.5	0.6
3-4	Over \$150	8.8	5.0	1.7	0.8
5-6	<\$300	10.0	6.0	2.5	1.0
5-6	Over \$300	12.0	8.0	2.7	1.2
Over 6	<\$450	15.0	10.0	3.5	1.8
Over 6	Over \$450	16.0	11.0	4.0	2.0

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## Elements in Effective Frequent Shopper Programs

- **Tiered rewards** based on **customer value**
- **Offer choices of rewards**
  - Not all customers value the **same** rewards
  - Non-monetary incentives, altruistic rewards
- **Reward all transactions** to ensure the collection of all customer transaction data and **encourage repeat purchases**
- **Transparent and simple** so that customers easily understand when they will receive rewards



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## Framework for CRM

Identify prospects and customers

Differentiate customers by needs and **value** to company

Interact to improve knowledge

Customize for each customer

## CRM Strategies

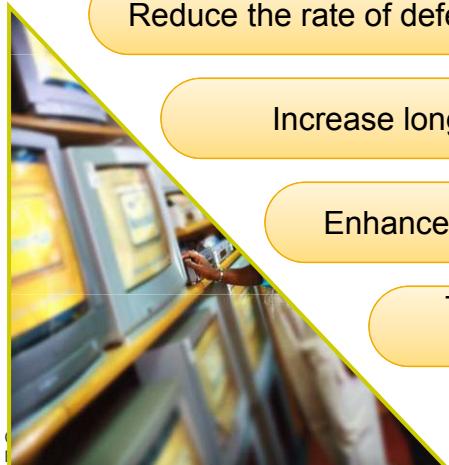
Reduce the rate of defection

Increase longevity

Enhance “share of wallet”

Terminate low-profit  
customers

Focus more effort on  
high-profit customers



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## Using the Database

To identify prospects

To target offers

To deepen loyalty

To reactivate customers

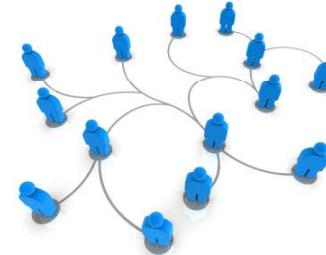
To avoid mistakes



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## Database Marketing

- Determine Objectives
- Collect Data
- Build Data Warehouse
- Data Mining
- Develop Marketing Programs
- Evaluate Programs/Evaluate Data Warehouse



## Direct Marketing

- Mail
- Catalogues
- Mass Media
- Alternative Media
- Internet
- E-mail



## Permission based Marketing

1. Obtain customer **permission**
2. Offer **curriculum** to consumer over time
3. **Reinforce** the incentive to continue relationship (provide value)
4. Increase level of permission (**gain trust** and maintain **integrity**)
5. **Leverage permission** to the benefit of both parties



## Perils of CRM

- Implementing CRM before creating a **customer strategy**
- Rolling out CRM before changing the **organization to match**
- Assuming more CRM **technology** is better
- Stalking, not wooing, customers



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# Brand

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## What is a Brand?

A **brand** is a 1.name, 2.term, 3.sign, 4.symbol or 5.design, or a 6.combination of them, intended to **identify** the goods or services of one seller or group of sellers and to **differentiate** them from those of competitors.

## The Role of Brands



Identify the maker

Simplify product handling

Organize accounting

Offer legal protection

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## The Role of Brands



Signify quality

Create barriers to entry

Serve as a competitive  
advantage

Secure price premium

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## What is Brand Equity?

**Brand equity** is the added value endowed on products and services, which may be reflected in the way consumers, think, feel, and act with respect to the brand.

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## Advantages of Strong Brands

- Improved perceptions of product performance
- Greater loyalty
- Less vulnerability to competitive marketing actions
- Less vulnerability to crises
- Larger margins
- More inelastic consumer response
- Greater trade cooperation
- Increased marketing communications effectiveness
- Possible licensing opportunities

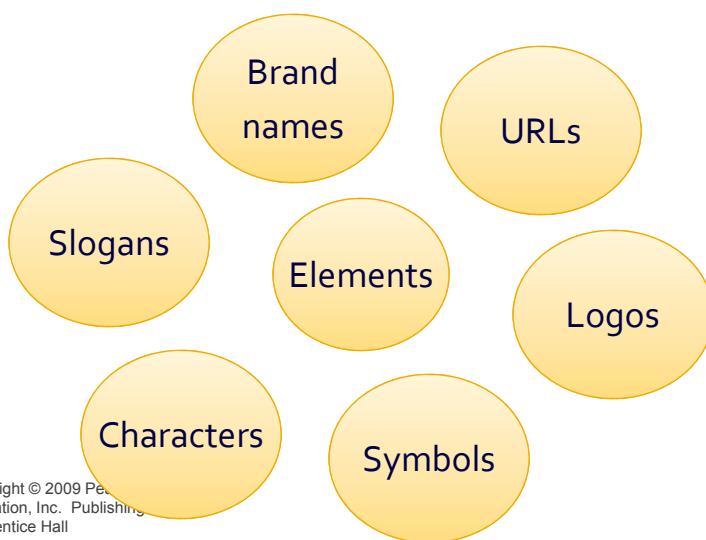
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## What is a Brand Promise?

A **brand promise** is the marketer's vision of what the brand must be and do for consumers.

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## Brand Elements



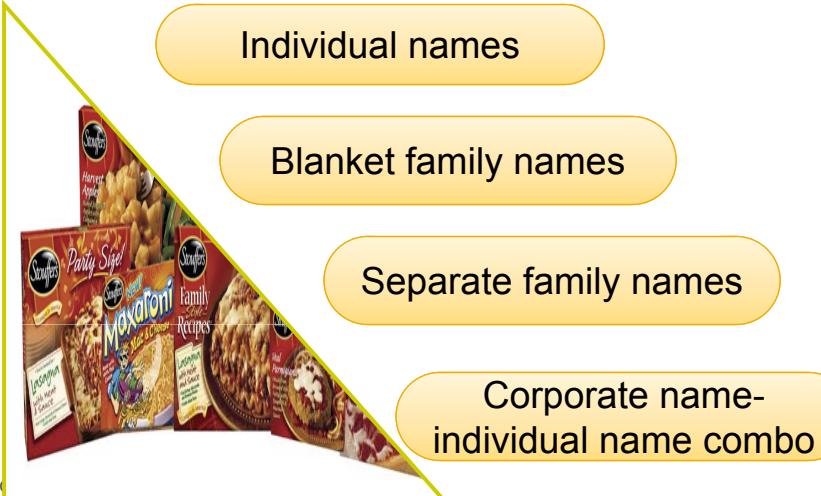
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## Slogans

- Like a good neighbor,  
State Farm is there
- Just do it
- Nothing runs like a  
Deere
- Save 15% or more in 15  
minutes or less
- We try harder
- We'll pick you up
- Nextel – Done
- Zoom Zoom
- I'm lovin' it
- Innovation at work
- This Bud's for you
- Save Money, Live  
Better

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## Brand Naming



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## Brand Roles in a Brand Portfolio

Flankers

Cash Cows

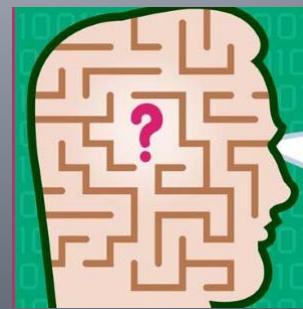
Low-end  
Entry-level

High-end  
Prestige

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## Consumer behavior

Brand



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