DS 780

Data Science and Strategic Decision-Making

Marketing Part 2

Marketing Concepts

Well, welcome back. This is part 2 of our little series on marketing. And this part covers marketing concepts. These are some sort of disparate topics, but they all are important to how marketing works and to your understanding of marketing.

Marketing Management Philosophies

Orientation	Focus
Societal	• Satisfy customer needs and wants • Enhance individual/societal well being
Market	• Satisfy customer needs and wants • Integrate activities to meet customer needs • Provide value to customers • Achieve organizations long term goals
Sales	• Aggressive selling • Belief that sales = profits • Be really good at selling whatever you have
Production	• Internal capabilities of firm • What can we make? • No regard for customer needs

So the first thing we're going to take a look at here real quickly is marketing management philosophies. And if you're familiar with Maslow's Hierarchy of Needs, this is kind of a similar sort of structure, where the less evolved orientations are in the bottom and the more highly evolved-- I guess is the way you put it-- orientations are on the top.

So down at the bottom you've got marketing management orientation called production. OK, so this is where a company is just interested in producing stuff. What kind of machines you got in your factory? What kind of factory you got? What are you good at making? What do you know how to make? Those are the things that drive what your company actually does. There's no regard whatsoever and no interest in finding out about consumer needs.

Moving up a step is the sales orientation. And here kind of goes hand-in-hand with production, but it's a little more evolved in that it-- well, first of all, it's based on very aggressive selling. But it's also based on whatever it is that you've got. So whatever you've got in the warehouse, whatever is in the pipeline, you need to be really good at selling whatever that is. And it might change from time to time.

And you also believe that sales equals profits which means there's not a whole lot of paying attention to pricing. And that can hurt profits, of course, if you're cutting prices to make sales.

Then as we move up, we get to the market orientation. And this is a sweet spot for a lot of modern marketers. So the whole idea is to satisfy customer needs and wants just like in one of those definitions we had for marketing. And you integrate the activities to meet customer needs. So whatever the company is doing-- the different people in the company-- you tend to organize and integrate those activities to best meet customer needs. And you always, always, always remember that it's all about providing value to customers. People are not going to buy stuff from you, they're not going to want to do business with you if you don't provide them with good value.

And there's also a kind of an eye kept on the long-term goals of the organization. In the sales and the production orientation, it tends to be, can we survive this month or this quarter or this year? In the market orientation there's a longer look generally involved in the plans.

Then at the top level, societal, is sort of the icing on the cake of the market orientation. So here you're satisfying customer needs and wants still. But you're also concerned about enhancing individual and societal well-being. So you're a good corporate citizen. And that's the right thing to do. But it's also good business, because people do like to do business with people that are good corporate citizens.

Sales vs. Market Orientation

Sales Orientation	Market Orientation
• Inward looking • Focus on what the firm makes/has • Product (goods and services) • Target everyone	• Outward looking • What the market wants • Benefits customers seek • Focus on target markets

The two categories in the middle, the sales orientation and then right above it the market orientation, we're going to take a quick look at those two, just compare them side-by-side to get a better feel for it.

So on the sales orientation, very inward looking, it's whatever is in that warehouse and that's what we've got to sell. That's all they care about. Market orientation-- it's definitely outward-looking because, why? You need to know what the customers want, because you're interested in satisfying their needs.

On the sales side, the focus is on what the firm has or makes. On the market orientation side, it's what the market wants, what do customers need? On the sales orientation, it's all about the product or the goods and services. On the market orientation side, it tends to be more about what are the benefits that that product or service can provide to customers and matching up those benefits with customer needs.

On the sales orientation side, the tendency is to sort of target everybody. Whereas on the market orientation side, there's a focus on certain target markets. Which actually is a pretty good lead in to our next slide where we're going to talk about market segmentation. And right on the heels of that, we'll talk about targeting certain segments.

Market Segmentation

Slicing and dicing the overall market

Characteristics of potential customers

- Consumers
  - Demographics
  - Geography
  - Psychographics
  - Product use
- Businesses
  - Size
  - Industry
  - Location

Market segmentation-- sometimes it's referred to as slicing and dicing. What you're doing is you're taking the overall market and you're cutting it into pieces using different measuring sticks. So in the case of consumer market, say all consumers in the US, we might use demographics, age, household income, gender. Things of that nature that are measurable and we've got-- either through the Census Bureau or certain marketing companies-- we've got the ability to kind of tag most households or neighborhoods with these different demographic markers.

Geography-- you know if you've got a bunch of stories, you may want to just take people that are within, say, 10 miles of your store-- unless you're talking about your website of course.

Psychographics-- and it's an interesting area. It combines some psychological factors, some lifestyle factors along with demographics. And it can do a better job of finding the right customers. Because you can have two households. They both make $50,000 a year and they've got similar aged residents in those houses households. But the lifestyles may be dramatically different, and their buying habits could be dramatically different. You'd never pick up on it with just demographics. But with psychographic you can.

So one supplier of psychographic information is Nielsen, the market research people. They've got a system called PRIZM. Now PRIZM has divided the US population into 66 different segments-- lifestyle segments. So 1.6% on average of the population in each of these segments.

And they've named them kind of tongue in cheek, but also with very descriptive names so you almost instantly know what it's all about. So for instance, say, a wealthy older segment is called upper crust. A segment that skews mid to young and with children, these are families in the suburbs, is called kids and cul-de-sacs.

Another that skews again mid to young but might be more singles in urban areas is called urban achievers. For sort of mid-range in terms of age and income but in more rural areas they've got one that's called shotguns and pickups. So you can see that you can zero-in a little bit better with psychographics.

Another way to segment for consumers is product use. Do they use something in particular? For instance, if you're selling a device or some kind of medicine for diabetics, maybe you want somebody who uses insulin because that's the only type of person you're going to be able to sell your product to. It's the only one that has the need. So you don't want to really be calling on the general population or all people over a certain age or anything like that.

On the business side-- on the business side now where you're selling to companies, the size of the company's important. Quite often you'll measure let's say the number of employees but there's other measures, obviously.

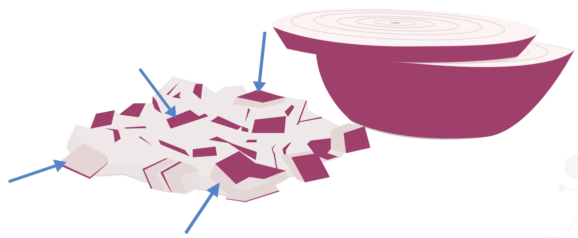
The industry-- and there's a whole classification system by type of establishment. So if you're selling to restaurants you can just call on restaurants or market to restaurants. If you sell to retailers of all types, well, you can find them. So that's important.

And then location-- you know, so if say your a company that provides some kind of service contracts on copiers or something like that and you've got offices in 30 cities around the country, well, you're only going to want to market to locations that are within reach of your technicians in those 30 cities. So location might be important to you. So that's segmentation.

Targeting Segments

Choosing where to focus

Target Market
Defined segment most likely to buy product – and on which you have chosen to focus



Then we've got-- actually targeting. So I've talked a little bit about targeting in some of the examples I gave. But the point is that once you sliced and diced this whole market and you end up with all these little segments, these little pieces of the onion that you see on slide, targeting is picking which ones are the ones you want to focus on.

OK, so you're to pick the segments where there are customers-- whether they be consumers or businesses-- that are most likely to buy your product. And you focus your efforts on those, because you're going to get a better return on your effort if you focus on the people that are most likely to be in the market for your product. So that's targeting and segmenting.

Customers' Perception of Value

Value = Benefits received for cost paid

Best Practices:

- Good product performance
- Earn trust
- Realistic pricing
- Provide good facts/information
- Organization-wide commitment to service and support
- Co-creation

Some other concepts that are important-- one is, what's this whole idea of value or this customer's perception of value? And really value, from the consumer's standpoint is, the benefits they received for the cost they paid. So value is different than price. You can have good value with high price or with low price. But did you get more than what you paid for, is essentially the question consumers are asking and hoping the answer is yes. So that's what you want to provide.

Best practices to do that-- good product performance. So consumers know if you've got-- in many industries-- if you're producing a great product or a lousy product. You know, think of automobiles and all the surveys and research that's done there. And consumers know who are the most reliable brands and all that.

Earn trust in any way you can. If you just do your job with each transaction time after time people learn to trust you. Make sure your pricing is realistic. Because no matter how good your product performance is, if the price isn't realistic so that you've got a good value, then you're not going to make the sale there. You're not going to make the customer happy.

Provide good facts and information. People want information so they can make their decisions. Make sure you can provide that information to people both before and after the fact.

There should be an organization-wide commitment to service and support. You don't want to orphan everybody who buys from you. If they buy some product from you then there's not even a toll free number for them to call, are they going to buy from you again? Eh, it's less likely. They might, but it's less likely.

And there is an interesting concept called co-creation. Because keep in mind, what we're doing in marketing is providing solutions to people's problems, OK? So we're solving something for them. Co-creation is where a company would go out when they're in the design stage-- or if they're redesigning or are going to have next year's model, or whatever it is in their industry-- they ask consumers that are representative of all their consumers to participate maybe in some kind of panels or advisory boards, or things like that.

And possibly-- depending on the industry and the types of customers-- maybe you do it on a larger scale using social media. So what you're doing is you're asking your customers, what do they want. If you take their advice, you're more likely to have higher sales because you're giving them what they actually asked for.

Customer Satisfaction

Satisfaction follows from customers' evaluations of whether good/service met their needs and expectations

Best Practice:

- Exceed expectations

Well, there's a similar concept-- customer satisfaction. And this is important. You want customers to be satisfied. If they're not satisfied they are at a greater risk of not coming back and they also tell everybody else.

So you're getting negative word of mouth. Or in the case of social media, you're getting sort of word of mouth on steroids. It spreads very fast and very widely. So satisfaction flows from customers' evaluations of whether goods or services met their needs and expectations. The best practice is very simple, exceed expectations. Don't over promise-- if anything under-promise and then exceed the expectations. That's how you satisfy customers.

Relationship Marketing

- Focus on keeping/improving relationships with customers
- Thinking beyond the current transaction

Best practices

- Customer oriented staff
- Effective training
- Employee empowerment
- Teamwork

Another concept, relationship marketing-- companies want to have relationships with the customers. They even talk about it with customers sometimes, how they want it. And if you think about it, it's just really a throwback to the days of the owner-operated retail store-- where that owner saw the customers every day, they knew what they bought, they knew what their needs were, they knew what the problems were they face at home, you know, all that sort of thing.

We can't do that in the mass sort of retail that we have today. But you can take a stab at it with some kind of relationship marketing. So if there's a way of keeping track of what people buy, what their habits are, maybe some other information that you can put in there-- if you can recognize them when they come into an establishment, even if you've got hundreds of stores, if you do this electronically you can do this-- you can pull this off. Then they feel like they're getting a higher level of service.

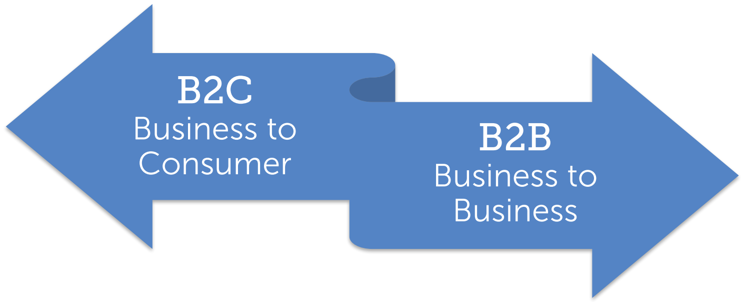
And as long as you don't get too creepy about it. And that's a danger. Then you're going to end up with people feeling this relationship grow and they're going to see the benefit to themselves of having that relationship. So you have to think beyond the current transaction.

Best practices-- customer oriented staff-- train them very effectively and empower your front line employees. Don't make somebody who's talking with customers go find a manager to get some silly little thing approved. Give that person the power to say, oh, that's on us today, or whatever solution it is they need, and just solve it immediately.

If you do that, the customer gets better service, the employee feels better about themselves and their job and the company. You've got a win-win situation. If you've got problems with an employee giving away the store or something like that, you work with them on a one on one basis. It doesn't happen that often.

And you also want to practice teamwork. So you don't want incentives that would pit employee against employer. You want team incentives or no incentives possibly that would be divisive and stress what the team can accomplish.

B2C versus B2B



- **B2C** marketing focuses on getting individuals to use goods and services for personal consumption.
- **B2B** marketing focuses on providing goods and services to individuals and organizations for non-personal consumption.

Another concept that's important for us to take a quick look at here is this divide between B to C and B to B. B to C is business to consumer marketing. It's what we're used to as consumers being pitched at us from companies. But then there's B to B marketing, business to business, where a company is selling to other companies.

So B to C is all about getting individuals to use something for whatever your products are for their personal consumption. Whereas B to B is about providing those goods or services to individual organizations for non-personal consumption.

So that's the copying machine in the office at the company. It's the paper that goes in the copy machine. You know, it's the fleet of trucks-- delivery trucks for a company-- all of those sorts of things that are used as a part of the business. And they can be things that are used to run the business. They could be the raw materials. They could be anything that the organization needs for non-personal consumption.

Marketing vs. Business Plan

- Business plans cover all aspects of business from financing to operations to marketing.
- Marketing plans are an important part of an overall business plan
- Marketing plans include marketing objectives, plus strategies and action plans to meet those objectives.

The last concept to talk about is marketing versus business plan. So a business plan covers all aspects of the business. You know, it's got financing and it's got operations. It's got marketing. It's got a bunch of other stuff in it including marketing, of course. So marketing plans are an important part of this overall business plan. So the umbrella is the business plan, and marketing is a very important chunk of that space underneath the umbrella.

Now marking plans are going to include things like marketing objectives. And these might be-- increase the number of units of this particular product next year over this year by 25%. Or increase market share by such and such a percent next quarter versus this quarter. Those are objectives. They're quantifiable and there's a certain time period and all that.

So once you've got the objectives, then you have to have strategies and action plans to meet those objectives. So strategies are the general sort of big picture things you're going to do to meet those objectives. And action plans fit under each strategy and they're kind of like a to do list of things that you'd need to do to make the strategy work and to meet the objectives.

And that brings us to the end of part 2. So we'll take a break here and come back later for part 3.