



## COMM 223 Midterm Notes - comm223

Marketing Management I (Concordia University)



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## 223 Notes Chapters 1-6

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**Marketing:** The process by which companies **engage** customers, build strong **customer relationships**, and **create customer value** in order to capture **value from customers in return**

“The aim of marketing is to make selling unnecessary”

In recent years, marketers have assembled a host of new marketing approaches, everything from imaginative websites and smartphone apps to blogs, online videos, and social media.

**These new approaches do more than just blast out messages to the masses. They reach you directly, personally, and interactively.**

### The Marketing Process:

1. Understand the marketplace and customer needs and wants
2. Design a customer value-driven marketing strategy
3. Construct an integrated marketing program that delivers superior value
4. Engage customers, build profitable relationships, and create customer delight
5. Capture value from customers to create profits and customer equity

**From step 1-4:** Companies work to understand consumers, create customer value, and build strong customer relationships

**Step 5:** Companies reap the rewards of creating superior customer value. By creating value for consumers, they in turn capture value from consumers in the form of sales, profits, and long-term customer equity

### Understanding the Marketplace and Customer Needs

*The five-core customer and marketplace concepts:*

1. **Needs, wants, and demands**

**Needs:** States of deprivation

Physical – Food, clothing, warmth, safety

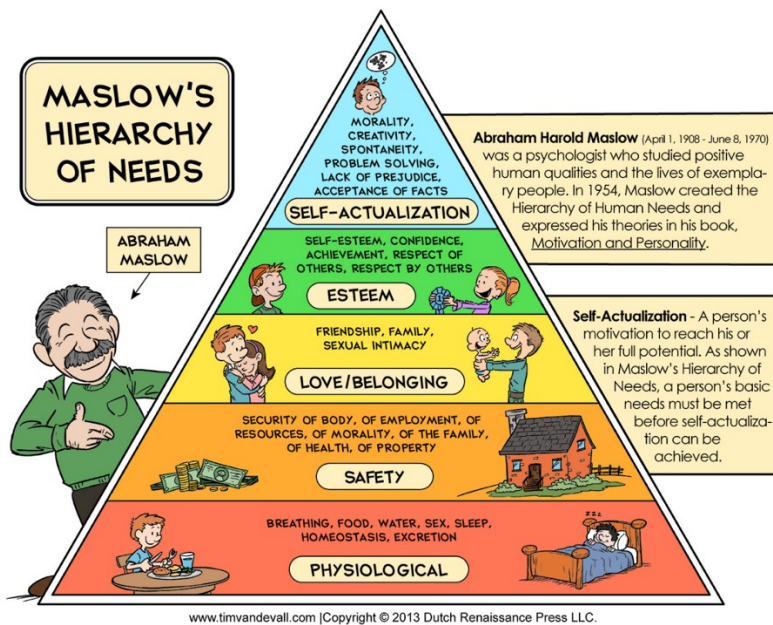
Social – Belonging and affection

Individual – Knowledge and self-expression

**Wants:** Form that needs take as they are shaped by culture individual goals and personality, media, and markets.

**Demands:** Wants backed by buying power and willingness to buy

## Maslow's Hierarchy of Needs



**Self-Actualization:** Realizing personal potential, self-fulfillment, seeking personal growth and peak experiences

**Esteem:** Achievement, mastery, independence, status, dominance, prestige, self-respect, respect from others

**Social needs (Love/Belonging):** Friendship, intimacy, affection and love (from work group, friends, family, boyfriend)

**Safety:** Protection from various elements, security, order, law, stability, freedom from fear

**Physiological:** Air, food, drink, shelter, warmth, sex, sleep

*Example: Match specific product/service benefits to needs and wants*

- Looking for **fun and exciting** products to satisfy social needs associated with **love and belonging** (entertaining the members of the family)
- Looking for **healthy ingredients in food** to protect the **health (safety)** of the family members
- Buying **high quality luxury products** for **status and prestige (self-esteem)**

2. **Marketing offerings:** Products, services, information, or experiences (offered to satisfy a need or want).
  - They are not limited to physical products. They also include persons, places, organizations, information, ideas and causes.

**Marketing Myopia:** Paying more attention to the specific products than to the benefits and experiences produced by these products.

Many sellers make the mistake of paying more attention to the specific products they offer than to the benefits and experiences produced by these products.

They are so taken with their products that they focus only on existing wants and lose sight of underlying customer needs. They forget that a product is only a tool to solve a consumer problem.

**Smart Marketers:** They look beyond the attributes of the products and services they sell. By orchestrating several services and products, they create brand experiences for consumers.

Ex: Walt Disney

→ You don't just visit the Walt Disney World Resort: You immerse yourself in a carefully choreographed experience – a world where dreams come true and things still work the way they should.

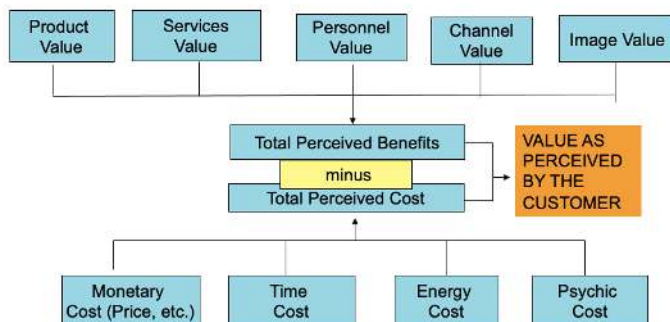
### 3. Customer value and satisfaction

**Customer Value:** The difference between the perceived benefits versus the perceived costs of an exchange (What do I get and what do I give up in return)

We can **increase the value of our brand** as perceived by the consumers in our target segment by

- Increasing the benefits in one or more areas
- Decreasing the costs in one or more areas
- Doing both

#### Nine Factors Affecting Customer Value: Value as Perceived by the Customer



Any of the nine factors that add value to our brand can be considered as a **potential “point of differentiation”**

### 4. Exchanges and relationships

- Customers from expectations about the value and satisfaction that market offerings will deliver
  - a. Satisfied customers buy again and tell others

- b. Dissatisfied customers switch to competitors and disparage the product to others
- Setting the right level of expectations
  - c. Low expectations may fail to attract buyers
  - d. High expectations may disappoint buyers

## 5. Markets

**Market:** Actual and potential buyers of a product. Common wants and needs satisfied through exchange

- Marketing involves serving a market of final consumers in the face of competitors. The company and competitors research the market and interact with consumers to understand their needs.
- Then they create and exchange market offerings, messages, and other marketing content with consumers.

### Designing a Customer-Driven Marketing Strategy

*Select customers to serve: (Who do we want to serve)*

Segmentation: Divide the total market into smaller segments

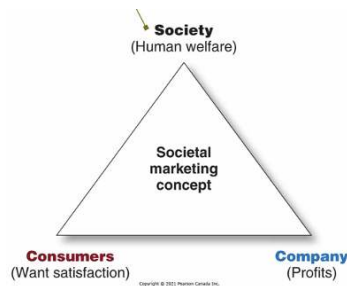
Targeting: Select the segment or segments to enter

*Decide on a value proposition (What types of value(s) are we going to propose (offer)?)*

Differentiation: Differentiate the marketing offering to create superior customer value

Positioning: Position the market offering in the minds of target customers.

**The three considerations underlying the societal marketing concept:**



### Marketing Management Orientations

1. **Production Concept**: Improve efficiency, reduce cost and price
2. **Product Concept**: Product quality is the key
3. **Selling Concept**: Heavy promotion and selling is emphasized
4. **Marketing Concept**: Satisfy customer needs at a profit
5. **Societal Marketing Concept**: Society, consumers, company

### *Preparing an integrated Marketing Plan and Program*

the **Integrated marketing program** will actually deliver the intended value to target customers

Major marketing mix tools: (4 Ps of marketing)

1. Product: What product they want to offer
2. Price: How much do they want to offer it for?
3. Place: Where do they want to sell it
4. Promotion: Engage target consumers, communicate about the offering, and persuade consumers of the offer's merits

\*Marketing mix tools should be blended into a comprehensive integrated marketing program\*

- The marketing program builds customer relationships by transforming the marketing strategy into action. It consists of the firm's marketing mix, the set of marketing tools the firm uses to implement its marketing strategy.

### **Customer Relationship Management**

Basic relationships (For low-margin customers)

Partnerships (both internal and external, supply chains) – (For high profitable and strategically critical customers)

- Different degrees of relationships are possible in the about range

*Different segments of customers may require different degrees of relationships*

1. Engaging customers and managing customer relationships
  - Customer relationship management
  - customer-engagement marketing: Makes the brand a meaningful part of consumer's conversations and life. Marketers must find ways to enter consumers' conversations with engaging and relevant brand messages.
  - consumer-generated marketing:
    - Brand exchanges created by consumers: Consumers play an increasing role in shaping their own brand experiences and those of other consumers
    - Uninvited and Invited: Consumer-to-consumer exchanged, consumers invited by companies
      - New product and services ideas
      - Active role in shaping ads and social media content
      - Create buzz around reintroduction of products.
  - Partner relationship management

## 2. Capturing value from customers

- Creating customer loyalty and retention: Keeping customers loyal makes good economic sense
  - **Customer Lifetime Value (CVL)** *is the value of the entire stream of purchases a customer makes over a lifetime of patronage*
  - Keeping customers loyal makes good economic sense. Loyal customers spend more and stay around longer. Research also shows that it's five times cheaper to keep an old customer than acquire a new one.
  - Losing a customer means losing more than a single sale. It means losing the entire stream of purchases that customer would make over a lifetime of patronage.
- Growing share of customer: Portion of the customer's purchasing that a company gets in its product categories
  - *Share of Customer is increased by:*
    - Great customer relationship management
    - Offering great variety to current customers
    - Creating programs to cross-sell and up-sell to existing customers
- Building customer equity: Total combined customer lifetime values of all of the company's customers
  - Measures the future value of the company's customer base
  - increases when the loyalty of the firm's profitable customers increases
  - Directly related to the total value of the firm in the stock market

Companies want to not only create profitable customers but also "own" them for life, earn a greater share of their purchases, and capture their customer lifetime value.

**Social Media Marketing:** Online social media provide a digital home for people to connect and share important information and life's moments. Social media offer an ideal platform for real-time marketing and engagement.

- Online social media provide a digital home where people can connect and share important information and moments in their lives. As a result, they offer an ideal platform for real-time marketing, by which marketers can engage consumers in the moment by linking brands to important trending topics, real-world events, causes, personal occasions, or other happenings in consumers' lives.

(Facebook, twitter, snapchat)

## CHAPTER 2:

Focus: the second step in the **Marketing Process: Design a customer value-driven marketing strategy**

### Designing a Customer-Driven Marketing Strategy

*Select customers to serve: (Who do we want to serve)*

1. Segmentation: Divide the total market into smaller segments of buyers according to needs, wants, market behaviour and consumer characteristics.

**Ex:** Clinique for Men products are designed for a segment of men who will pay more for skin care products.

2. Targeting: Select the segment or segments to enter. Evaluate the attractiveness of each segments and select one or more segments to serve.
  - a. Niche Market: Very small target market (pet insurance)

*Decide on a value proposition (What types of value(s) are we going to propose (offer)?)*

3. Differentiation: Differentiate the marketing offering to create superior customer value. Describe clearly how your brand is **different in terms of features and benefits**, what is **unique** about it, and how the uniqueness provides **additional customer value**.

**Ex:** How to Advil liquid-gels differentiate from other pain killers

4. Positioning: Position the market offering in the minds of target customers. Create a **clear identity** (image, impression) **in the minds** of your target market for your brand based on your differentiation

**Ex:** Car sharing service uber positions itself as “Everyone’s private driver”. This simple statement provides the backbone for its marketing strategy.

\*Consistent brand differentiation over time leads to clear brand positioning and clear brand identity\*

### Developing an integrated marketing Mix:

**Marketing Mix:** Set of **tactical marketing tools the firm blends** to produce the response it wants in the target market. The marketing mix consists of everything the firm can do to engage consumers and deliver customer value.

Product: The goods-and-services combination the company offers to the target market  
(Variety, quality, design, features, brand name, packaging, services)

Price: The amount of money customers must pay to obtain the product



(List price, discounts, allowances, payment period, credit terms)

Promotion: Refers to activities that communicate the merits of the product and persuade the target customers to buy it.

(Advertising, personal selling, sales promotion, public relations, direct and digital)

Place: Includes the company activities that make the product available to target markets.

(Supply chains, channel coverage, channel management, logistics, transportation)

*An effective marketing program blends the marketing mix elements into an **integrated marketing** program designed to achieve the company's marketing objectives by delivering values to consumers.*

**Customer value-driven marketing strategy:**

- Marketing segmentation and market segment
- Marketing targeting
- Positioning and differentiating
- Integrated marketing and the four Ps of the marketing mix

## CHAPTER 3:

Focus: Analyzing the Marketing and Environment

**Marketing Environment:** Outside forces that affect marketing management's ability to build and maintain successful relationships with target customers

**Microenvironment:** actors **close to the company** that affect its ability to serve its customers

Actors in the environment:

1. Suppliers: In creating value for customers, marketers must partner with other firms in the company's value delivery network. Provide the resources needed by the company to produce its goods and services.

*Problems affecting the market:* Supply shortage or delays, labor strikes, price trends of key inputs

- Supply shortages or delays, natural disasters, and other events can cost sales in the short run and damage customer satisfaction in the long run. Rising supply costs may force price increases that can harm the company's sales volume.
2. The company: Marketers must work in harmony with other company departments to create customer value and relationships.

3. Marketing intermediaries: Help the company promote, sell, and distribute its products to final buyers. They include resellers, physical distribution firms, marketing services agencies, and financial intermediaries
  - a. **Resellers**: distribution channel firms that help the company find customers or makes sales to them. This includes wholesalers and retailers. (Amazon, Wayfair)
  - b. **Physical distribution firms**: Help the company stock and move goods from their points of origins to their destinations. (Trucking companies, overnight delivery companies, couriers, airlines, marine shipping)
  - c. **Marketing Services Agencies**: Marketing research companies, advertising agencies, marketing consulting firms that help the company target and promote its products to the right markets.
  - d. **Financial Intermediaries**: Banks, insurance companies, credit unions that help finance transactions or insure against the risks associated with the buying and selling of goods.
4. Competitors:
5. Publics: Any group that has an actual or potential interest in or impact on an organization's ability to achieve its objectives.
  - a. **Financial**: Influence the company's ability to obtain funds (investment analysts, banks, stockholders)
  - b. **Media**: Carry news, features, and editorial opinions (Tv, Radio, Editorials in news, magazines, blogs, reviews)
  - c. **Government**: Management must take government developments into account (Product safety, truth in advertising, competition)
  - d. **Citizen Action Groups**: A company's marketing decisions may be questioned by consumer organizations, environmental groups (Consumer organizations)
  - e. **Local Public**: Include neighborhood residents and community organizations.
  - f. **General Public**: The general public's image of the company affects its buying (opinion about company and its products)
6. Customers: Customers are the most important actors in the company's microenvironment. The aim of the entire value delivery system is to serve target customers and create strong relationships with them.

**Macroenvironments**: Larger societal forces that **affect the microenvironment**

Actors in the environment:

1. **Demographic**: changing demographics mean changes in markets and marketing strategies. Size, density, location, age, gender, race, occupation, and other statistics

Changes in the world demographic environment have major implications for business. Therefore, marketers keep a close eye on demographic trends and developments in their markets. They analyze changing age and family structures, geographic population shifts, educational characteristics, and population diversity.

Ex: Netflix created a “just for kids” portal and app targeting today’s fast-growing young, tech-savvy “Gen Z” segment

- a. Baby Boomers: The 9.4 million people born during the years 1947 to 1966. (Age: 54-73).
  - Many products who are targeted to them are regarding health because of their growing health issues.
  - They are the wealthiest generation in Canadian History.
  - Highest spending power of all generations.
  - They spend income on financial services (investing for retirement), home remodeling, high-end cars, travel (luxury travel), health and fitness products, vitamins and supplements, blood pressure and blood sugar monitors, expensive presents for grand children
  - 82% percent of boomers express interest in new products, Open to new ideas
  - 70% use mobile internet.
- b. Generation X: The 7.2 million people born between 1967 and 1976 in the “birth dearth” following the baby boom. (Age: 43-52)
  - Less materialistic than other generations.
  - They prize experiences and not possessions.
  - Family first.
  - They are cautious and skeptical.
  - If they like a brand they are loyal.
  - Most are digitally connected and enjoy recent advances in technology.
  - More likely to be homeowners
  - Product for family with children are typically targeted at Gen X (Minivans, TV family channels, educational software for young children, home theatres, snacks for children who return home from school, school supplies and books).
  - Generation X women are highly educated. Be careful of their strong response if you try to deceive them in any way.
- c. Generation Y (Millennials): The 8.6 million children of the baby boomers born between 1997 to 2000. (Age: 19 to 42)
  - Children of the baby boomers.
  - Comfortable with technology
  - Active participation in social media

- Joining work force in increasing numbers
- Excel in volunteerism
- Concern about ecology and climate change
- Emphasis on organic food
- Effective teamwork.
- Extensive brand engagement on social media
- Many of them seek authenticity and value in their purchases
- They tend to be frugal, practical, and impatient
- They are intrigued by new information and new products and services

d. Generation Z: The 8.6 million people born between 2001 and 2015 who make up the kids, tweens, and teen markets. (Age 4 to 18).

- Those born after 2000. they represent the markets of the future
- Forming brand relationships will affect their consumption behaviour in the future
- Fluent with digital technology
- More than half of teens and tweens search information before buying products or asking their parents to buy them
- Social media and influencer's play a critical role in the purchase of above 13-year-olds.
- Marketers should be careful about privacy and vulnerability of young consumers.
- Parents of Generation Z monitor the activities of Generation Z on mobile devices and social media
- Generation Z value experiences. You need to engage them (colors, music, videos, variety)

### Generational Marketing:

- Those who belong to the same generation and live in the same sociocultural and economic environment have **similar life experiences**
- This is especially true if the life experiences took place during **formative years** (high school and university years)
- They are **of similar age, stage-of-life, and possibly somewhat similar lifestyles**.

### Major Demographic considerations:

- Canadian population is **aging**
- The **Changing Canadian Family**: growing number of non-traditional households (same sex couples, common law marriages, extended families, single parent families)
- **Geographic shifts in population**: to urban areas buying habits differ by region
- **A better-educated**, more white-collar, more professional population
- **Increasing diversity**: important ethnic cultural differences with people from 250 ethnic backgrounds

2. **Economic:** Environments are different, and this affects consumer purchasing power and spending
  - a. Differences in income distribution: different segments
  - b. Changes in spending patterns: consumers at different income levels have different spending patterns
  - c. Changes in consumer debt, interest rates, employment, economic business cycles
  - d. Changes in consumer spending
    - i. Economic crisis of 2008-2009 increased consumer frugality and led to emphasis on value seeking.

Consumer have now adopted a back-to-basic sensibility in their lifestyles and spending patterns that will likely persist for years to come. They are buying less and looking for greater value in the things they do buy. In turn, **value marketing** has become the watchword for many marketers. Markets in all industries are looking for ways to offer today's frugal buyers' greater value.

3. **Natural:** Concern for the natural environment has spawned a so-called green movement.

**Ex:** Timberland is on a mission to develop products that do less harm to the environment,

- a. Physical environmental and natural resources: needed as inputs by markets or affected by marketing activities (includes anything from climate change, weather, natural disasters)
    - i. Environmental Sustainability: Concerns have grown steadily over the past 3 decades: making sure resources are available for future generations.
  - b. Trends:
    - i. shortages of raw materials and increasing care in the use of renewable sources (forests, agriculture)
    - ii. increased pollution
    - iii. increased government intervention
4. **Technological:** Dominant macro factor recently. New technologies create new markets and opportunities

Perhaps the most dramatic force now shaping our world.

Digital technologies and the dawn of the Internet of Things (IoT) have created a brave new world of marketing. They seemingly unending barrage of digital advances is affecting every aspect of how consumer learn about, shop for, buy, and experience brands.

In turn, the digital age gives marketers exciting opportunities for understanding consumers, creating new products, and engaging customers in more direct and meaningful ways.

- a. Air travel, the internet, smartphones, artificial intelligence

- b. Digital and virtual world
  - c. Emergence of social and business networks
  - d. Increasing rate of product obsolescence
  - e. Shortening product life cycles
5. **Political:** Legislation at the municipal, provincial, and federal level to manage and control business activities. Increased emphasis on ethical and socially responsible actions

Legislation to:

- Protect companies from each other
- protect consumers from unfair business practices
- protect the interest of society in general

6. **Cultural:** Marketers also want to be socially responsible citizens in their markets and communities. Institutions and other forces that affect a society's basic values, perceptions and behaviors. Persistence of cultural values:

**Ex:** Online eye ware seller Wary Parker was founded on a cause: For every pair of glasses Wary Parker sells, it distributes a free pair to someone in need.

- **Core:** core beliefs and values have high degree of persistence (passed on from parents to children and are reinforced by schools, religious institutions, and government)
- **Secondary:** secondary beliefs and values are more open to chance.
  - o themselves: People vary in their emphasis on serving themselves versus serving others
  - o Others: More "cocooning" – staying home, eating home-cooked meals
  - o Organizations: Decline of loyalty towards companies
  - o Society: Nationalists defend it, reformers want to change it, and malcontents want to leave it
  - o Nature: Some feel ruled by it, in harmony with it, or seek to master it\
  - o Universe: Renewed interest in spirituality and development of more permanent values – family, community, earth, faith

## SWOT Analysis

**Opportunities (positive):** External factors that the company may be able to exploit to its advantage

**Threats (Negative):** Current and emerging external factors that may challenge the company's performance

## Responding to the Marketing Environment:

There seems to be 3 kinds of companies

1. Those who **make** things happen (proactive: anticipate, get ready for the next tide)
2. Those who **watch** things happen (passive, some react following changes)
3. Those who **wonder** what's happened (they do not completely understand the effects of macro factors)

\*If you want to be in the first category you need to anticipate the environmental forces and plan in advance (be proactive).

## CHAPTER 4:

Focus: Managing Marketing Information to Gain Consumer insights

**Customer Insights:** Fresh marketing information-based understandings of customers and the marketplace. The customer insights teams collect customer and market information from a wide variety of sources.

Many companies are now restructuring their marketing research and information functions. They are creating customer insights teams which collect customer and market information from a wide variety of sources, ranging from traditional marketing research studies to mingling with and observing consumer to monitoring consumer online conversations about the company and its products.

This information is then used to develop important customer insights from which the company can create more value for its customers.

**Marketing Information system for a company involves the following 3 components:**

### 1. Internal Data

**Internal databases:** Collections of consumer and market information obtained from data sources within the company network

Internal databases usually can be accessed more quickly and cheaply than other information sources, but they also present some problems.

Because internal information is often collected for other purposes, it may be incomplete or in the wrong form for making marketing decision. Data also ages quickly; keeping the databases current requires a major effort.

Finally, managing and mining the mountains of information that a large company produces requires highly sophisticated equipment and techniques.

**Ex:** Sales details by: Product, brand, model, geographic area, salesperson, time periods

Profitability estimates by account (B2B)

Advertising and communications expenses by each communication tool (TV, Radio, Magazines, social media)

Sales quotas for salespeople and actual sales by period, geographic area, product

## 2. Competitive Marketing Intelligence

**Marketing intelligence:** the systematic collection and analysis of publicly available information about competitors and trends in the marketing environment

**Ex:** Many sources of competitive information exist:

- Employees, customers, trade shows and websites, marketing communications, suppliers, resellers. professional information services, etc.

3. **Marketing research:** Systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization

Approaches followed by firms:

- Use own research departments
- Hire outside research specialists
- Purchase data collected by outside firms

### Types of research to be conducted:

1. **Exploratory Research:** Gathering preliminary information that will define problems and suggest hypotheses. (Like “browsing”) – Used when the marketer does not have an understanding of the topic, or topic is new. initial observations or data about a phenomenon of interest.

Typically involves review of already available information (secondary data)

**Secondary Data:** The researcher must evaluate secondary information carefully to make certain it is relevant, accurate, up-to-date, and impartial

Advantages: Low cost, obtained quickly, cannot collect otherwise

Disadvantages: Potentially irrelevant, inaccurate, dates, biased

2. **Descriptive Research:** Attempts to describe the characteristics about a population or phenomenon of interests. Answers questions such as “who, what, where, when, how, how much”
  - Frequencies, averages, and correlations are typically used in descriptive research



Ex: A survey → Reporting the findings regarding the demographic and psychographic characteristics of our customer who own and use loyalty cards (histograms, pie charts, summary statistics) are typical outputs

→ The data that we access at databases such as Statistics Canada, Vividata, GMID and Statista are all classified as descriptive research

3. **Causal Research (Experimental Research):** We test specific hypotheses about the **effects of changes** of one or more **causes** on other variables

We want to determine if “A causes B” → Involves experimentation

- We manipulate one or more potential causes and observe how they affect one or more potential results. Typically, potential causes are marketing mix components, and the effects are results.

Ex: Laboratory tests and field tests that are conducted in the real world.

Typical, potential causes are marketing mix components (one or more of the 4 Ps), and the effects are results like sales, attitudes (liking, disliking), intentions, willingness to pay a price, emotions (disgust, regret, frustration, fear)

#### Research approaches:

- **Observation:** Personal or mechanical (video camera).
  - o When we are interested in witnessing what consumers actually do under specific conditions.
- **Surveys**
  - o When we are interested in what consumers may have done in the past, what they are planning to do in the future, what their beliefs, attitudes and perceptions are
  - o Used especially when we want to know about consumer awareness of products and brands, consumer knowledge about, attitudes for, and preferences for brands, consumer plans and intentions
  - o Respondents may be **unable or unwilling to answer (are you from the government? What are you going to do with my responses)**
  - o In international marketing research, cultural differences across countries may result in unexpectedly different responses to questions in surveys.
- **Mail, Telephone and Personal Interviews**
  - o Mail questionnaires are used to collect large amounts of information at a low cost per respondent. Respondents may give more honest answers to more personal questions on a mail questionnaire than to an unknown interviewer. They are not flexible.

- Telephone interviewing gathers information quickly, while providing flexibility. Respondents can explain difficult questions and they can skip questions or probe on others.
- Personal interviewing methods includes individual and group

### **Customer Relationship Management (CRM):**

- Managing detailed information about individual customers
- Carefully managing customer touch points to maximize customer loyalty
- Consists of software and analysis tools that
  - Integrate customer information from all sources
  - Analyze data in depth
  - Apply the results

By using CRM to understand customers better, companies can provide higher levels of customer service and develop deeper customer relationships.

### **Big Data and Marketing Analytics**

**Marketing Analytics:** Consists of the analysis tools, technologies, and processes by which marketers dig out meaningful patterns in big data to gain customer insights and gauge marketing performance.

### **International Marketing Research**

→ International researchers follow the same steps as domestic research, from defining the research problem and developing a research plan to interpreting and reporting the results. However, they often face more and different problems.

Problems faced includes:

- Dealing with diverse markets
- Finding good secondary data in foreign markets. (Because of the scarcity of good secondary data international researchers must collect their own primary data.
- Reaching respondents is not always easy in other parts of the world.
- Handling differences in culture, language, and attitudes toward marketing research

→ The cost of research is high, but the cost of not doing it is higher.

### **Intrusions on Consumer Privacy**

- Failure to address privacy issues results in
  - Angry, less cooperative consumers

- increased government intervention

→ Most major companies have now appointed a chief privacy officer (CPO), whose job is to safeguard the privacy of consumers who do business with the company. If researchers provide value in exchange for information, customers will provide it.

- Best approaches for researchers
  - Asking only for the information needed
  - Using the information responsibly to provide customer value
  - Avoiding sharing the information without the customer's permission

## CHAPTER 5:

Focus: Understanding Consumer and Business Buyer Behaviour

The **differences** in consumer characteristics in a market are typically the underlying **reasons** for the **differences** in consumer behaviour

Consumer characteristics → Consumer Behaviour

**Consumer Markets:** All the **Individuals** and **Households** that buy or acquire goods and services for personal consumption. All of these final consumers combine to make up the consumer market.

### Characteristics affecting consumer behaviour

*Many of the above factors are used as **segmentation bases** to identify groups of consumers with different needs, wants, and behaviour*

#### 1. Cultural

- Culture:** Culture is the **learned values, perceptions, wants, and behaviour** from family and other important institutions of the society (such as educational institutions, religion)
- Subculture:** Shared value systems within groups.
  - Regional subcultures: Atlantic provinces, Quebec, central Canada, the prairies, BC, northern territories
  - Founding nations: Aboriginals, people reporting English as their mother tongue, people reporting French as their mother tongue.
  - Ethnic consumers: More than 200,000 immigrants every year, 70% of visible minority was born outside Canada.

Language used: multilingual society (about 20% of Canadians report that they speak a mother tongue other than French or English)

- c. Social Class: Combination of occupation, income, education, wealth, and other variables define a social class

Cultural Shifts: Shifts in secondary cultural values are important for marketers

Ex: Sharing private life on social media

Ex: Shift from formal dressing to casual dressing

#### Culture: 4 key Canadian Social Values

- A **balance** between individualism and concern for human good
- Attitudes of acceptance and **tolerance of diversity and pluralism, multiculturalism**
- A distinct version of quality of life (having a **secure safety net for all** through pensions, health care, protection from employments)
  - “No matter what goes wrong, all will be well”
- A culture of **peace**

## 2. Social

- a. Reference Groups: Many small groups affect a person's behaviour.

**Word-of-mouth (WOM) influence and buzz marketing:**

Opinion leaders → those within the reference groups who exert social influence on others. Also called **influential**. Marketers identify them to use a **brand ambassador** so that they will put in a positive WOM for the marker's brand.

- i. Membership, reference, and aspirational groups vary in how they influence consumer behaviour. Word-of-mouth influence/opinion leaders
  - 1. Membership groups: Groups with direct influence and to which a person belongs. (Family, friends, organizations, military, professional associations)
  - 2. Aspirational Groups: Groups to which an individual wishes to belong to
- b. Family: Influence on decisions regarding buying behaviour (parents vs children)
  - i. 70 percent of women hold jobs outside the home
  - ii. Men now account for about 40 percent of all food shopping dollars
  - iii. Canadian children influence about \$20 billion in household spending each year
  - iv. Canadian children have memorized 300-400 brand names by the age of 10 (car, cellphone, cereal, fast food)
  - v. 60-65 percent of renovation and family trip ideas are suggested by women

- c. Roles and Status: Role= expected activities (father, professor, coach, political party member)

### 3. Personal

- a. Age and life cycle stage: Needs for different products change with age stage of life cycle (married, kids, divorced, single, young, old)
- b. Occupation: Job affects the products bought by consumers (uniform, dress, professional equipment)
- c. Economic situation: Personal finances (wealth, income) affect buying choices
  - i. Increasing individual and family debt is a major concern for businesses in Canada and in many countries.
- d. Lifestyle: People buy the lifestyles products represent
- e. Personality and self-concept: Self-concept theory suggests possessions contribute to and reflect personal identities. Consumers are likely to choose brands with personalities that match their own and improve their self-concept (self-esteem)

**Trigger events**: divorce, marriage, kids, moving, death → Change our stage of lifestyle and in turn change our lifestyle

**Occasions**: Religious holidays, valentine's day, Mother's Day, Father's Day, graduation, weddings, opening of schools, new year's celebration

### Psychological

- a. Motivation:
  - i. Motive: a need requiring satisfaction, safety, love, belonging, self-esteem, for purchase
- b. Perception: The process by which people **select, organize, and interpret information** by three perceptual processes:
  - i. Selective attention: Is the tendency for people to **screen out** most of the information to which they are exposed (filtering)
  - ii. Selective distortion: Is the tendency for people to **interpret** information in a way that will support what they already believe (interpretation)
  - iii. Selective retention: Is the tendency to remember information that supports one's attitudes and beliefs (recalling)
- c. Learning: Behavioural change based on experience (repeat purchase based on satisfaction with a brand)
- d. Beliefs and attitudes: Evaluative thoughts on characteristics of objects and overall evaluations of objects (liking, disliking). Beliefs may be positive or negative or neutral, as well as strong or weak.

*Differentiation attempts to build strong positive beliefs about brands and companies*

**Consumer Product Involvement:** Personal importance of the product to an individual

- High involvement products:
  - High risk (social, financial or health risks),
  - Infrequently purchased
  - Relatively high price
  - Possibly complex products
- Low involvement products:
  - Low risk products
  - Frequently purchased
  - Relatively low price
  - Not complex, small, packaged consumer goods

### Buyer decision process for brand choice:

For “low involvement” products, **the information search** and **evaluation of alternatives** may be skipped

The 5 steps are what is involved for “high involvement” products.

*Note: The buyer has already decided to buy a product. She is in the process of choosing a brand*

1. Need recognition
2. Information search
3. Evaluation of Alternatives
4. Purchase decision
5. Post purchase behaviour: Satisfaction is a key to building profitable customer relationships. Most marketers go beyond merely meeting the customer expectations – they aim to delight customers

Marketers should pay attention to the whole process and its distinct stages.

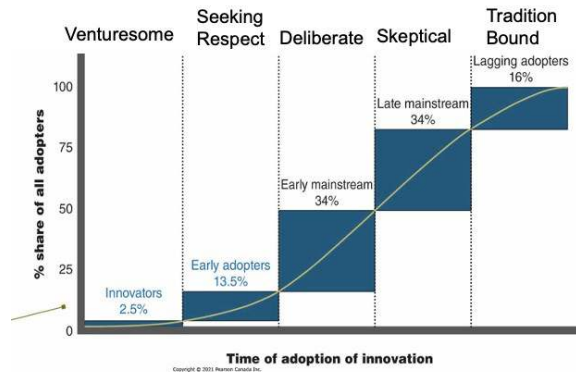
- Try to affect the final decision by participating in every stage. Not just the brand choice in the buying decision
- Also, be concerned with post purchase stage:
  - Most major purchases result in **Cognitive Dissonance**

**Cognitive Dissonance:** Discomfort caused by post purchase because every purchase involves a compromise (trade-off) of attributes. This sometimes leads to “buyer’s remorse”. Try to reduce cognitive dissonance.

### The buyer decision process for the adoption of new products

Stage in the Adoption Process	Consumer Action
-------------------------------	-----------------

<b>Awareness</b>	Becomes aware, but lacks information
<b>Interest</b>	Seeks information about the product
<b>Evaluation</b>	Considers whether to try the product
<b>Trial</b>	Tries new product in small sample
<b>Adoption</b>	Decides to use product regularly



People can be classified into the adopter categories. The curve illustrates that after a slow start, an increasing number of people adopt the new product

- The 5 adopter groups have differing values
  - Innovators:** Try new ideas at some risk
  - Early Adopters:** Are opinion leaders in their communities and adopt new ideas early but carefully
  - Early Mainstream:** Adopters adopt new ideas before the average person
  - Late Mainstream:** Adopt an innovation only after a majority of people have tried it
  - Lagging:** Adopters adopt the innovation only when it has become something of a tradition itself.

### The Rate of Adoption:

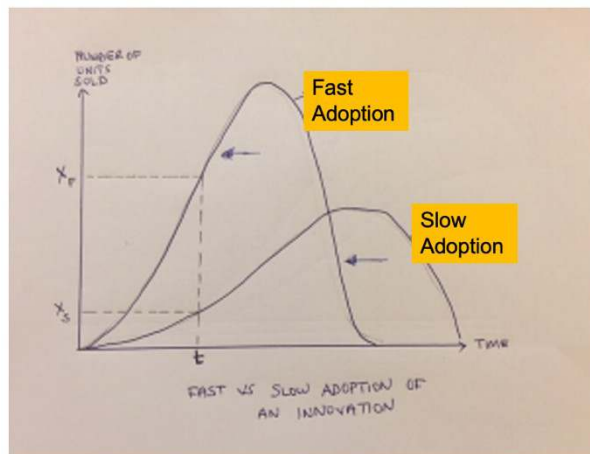
→ How fast an innovation is adopted by the target market and replaces the older market

Why are business manager extremely interest in having a high rate of adoption for an innovation (meaning fast adoption of the innovation)

### Characteristics Influencing an Innovation's rate of adoption

1. **Relative advantage:** the degree to which the innovation appears superior to existing products
2. **Compatibility:** The degree to which the innovation fits the values and experiences of potential consumers
3. **Complexity:** the degree to which the innovation is difficult to under or use
4. **Divisibility:** The degree to which the innovation may be tried on a limited basis
5. **Communicability:** The degree to which the results of using innovation can be observed or described to others

\*Other characteristics that influence the rate of adoption include initial and ongoing costs, risks and uncertainty, and social approval.



**Business Buyer Behaviour:** Purchasing goods and services are used in the production of other products and services

- Refers to the buying behaviour of the organizations that buy goods and services for use in the production of other services that are sold, rented, or supplied to others.

**Business-to-business (b-to-b) marketers:** Must understand business markets and business buyer behaviour.

Must do their best to understand business markets and business buyer behaviour. Then, like businesses that sell to final buyers, they must engage business customers and build profitable relationships with them by creating superior customer value.

**Business buying process:** Determining which products and services to purchase

- finding, evaluating, and choosing among alternative suppliers and brands

**Business Markets:** The business market is huge and involves more dollars and items than do consumer markets.

Differ from consumer markets in 3 major ways

1. **Market structure and demand:**
  - Fewer but larger buyers
  - Derived Demand: Business demand that comes from the demand for consumer goods (an increase in demand for North Face products may increase demand for Gore Tex fabrics that are used in the production of North Face products)
  - Relatively inelastic and fluctuating demand
2. **Nature of the buying unit:**
  - Nature of the business market buying unit



- More decision participants who may be in a hierarchy in an organization
- More professional purchasing effort likely to be more utilitarian and rational and removed from emotions

→ Business buying is done by trained purchasing agents who spend their working lives learning how to buy better. Buying committees composed of technical experts and top management are common in the buying of major goods. B-to-B marketers now face a new breed of higher-level, better-trained supply managers. Therefore, companies much have well-trained marketers and salespeople to deal with these well-trained buyers

### 3. Types of decisions and the decision process:

- Business purchases are:
  - More complex and often formalized buying decisions
  - large sums of money
  - complex technical and economic considerations
  - interactions among people at many levels of the buyer's organization
- Business buyers usually face more complex buying decisions than do consumer buyers. Business purchases often involve large sums of money, complex technical and economic considerations, and interactions among people at many levels of the buyer's organization

## Types of Business Buying Situations

1. Straight Rebuy:
  - a. Buyer routinely reorders something without any modifications (somewhat similar to low involvement brand choice)
    - i. Ex: reorder office and cleaning supplies from the same supplier automatically when current supplies are almost depleted.
2. Modified Rebuy:
  - a. Buyer wants to modify product specifications, prices, terms, or supplies.
    - i. Ex: leasing cars for the sales force every four years, ordering slightly different components due to changes in the products manufactured
3. New Task:
  - a. Buyer purchases a product or service for the first time. Typically, an entirely new negotiations process starts. (Somewhat similar to high involvement brand choice)
4. System selling (or solutions selling):
  - a. Buying a packaged solution to a problem from a single seller
    - i. Ex: "buying" a complete factory, an "information system" for the company
  - b. Avoids the separate decisions involved in a complex buying situation

## Participants in the Business Buying Process:

- **Buying Centre:** All the individuals and units that play a role in the purchase decision-making process
  - Actual users of the product or service
  - People who make the buying decision (approval)
  - People and units influencing the buying decision (setting criteria)
  - People who do the actual buying
  - Individuals and units controlling the buying information (accounting department, finance department)

### **E-procurement and Online Purchasing:**

- Purchasing through electronic connections between buyers and sellers -usually online
- Online buying version of business buying similar to consumer buying on internet
- E-procurement occurs through
  - Reverse auctions: They put their purchasing requests online and invite suppliers to bid for the business
  - online trading exchanges: Companies work collectively to facilitate the trading process.
  - Company buying sites
  - Extranet links with key suppliers
    - (Extranet: a private network that allows access to authorized partners, suppliers, and customers)

→ Can be implemented in many ways

→ B-2-B or Business-to-Government purchase and sale of supplies, work, and services

→ Through internet as well as other information and networks systems

- Reverse auctions: a type of auction in which the roles of buyer and seller are reversed
  - In an auction: buyers compete to obtain goods and services by offering higher prices
  - In a reverse auction: the sellers compete by changing the sales terms to obtain business from the buyers.

Trading Exchanges: an association of businesses that are linked for the purpose of trading with one another

- Thousands of trade exchanges exist
- Each participant is an official member
- Many exchanges have very high membership fees and high transaction costs
- However, many trade exchanges support “on-credit” transactions and barter

## Company Buying Sites

- General benefits
  - Cuts transaction costs
  - result in efficient purchasing for both buyers and suppliers
  - reduces the time between order and delivery
  - helps an organization keep better track of all purchases
  - free buyers from a lot of paperwork
- Problems:
  - Puts suppliers or buyers against one another

## **Business-to-Business Digital and Social Media Marketing**

- B-to-B marketers are now using a wide range of digital and social media marketing approaches (Websites, blogs, mobile apps, e-newsletters, and proprietary online networks to mainstream social medias such as Facebook, LinkedIn, YouTube, Google + and twitter – to engage customers and manage customer relationships anywhere, anytime.
- Compared with traditional media and sales approaches, digital and social media can create greater customer engagement and interaction.
  - B-to-B marketers know that they aren't really targeting businesses, they are targeting individuals in those businesses who affect buying decisions. Today's business buyers are always connected via their digital devices – PCs, tablets, or smartphones.

## **CHAPTER 6:**

Focus: Customer Value-Driven marketing strategy: Creating Value for Target Customers

### **Designing a customer-value driven market strategy:**

1. **Segmentation:** divide the total market into smaller segments
  - a. Geographic → Nations, regions, provinces, cities, neighborhoods, population density, climate
  - b. Demographic → Age, life-cycle stages, gender, income, occupation, education, religion, ethnicity, generation
  - c. Psychographic → Social class, life style (AIO), personality.
    - i. **A** : Activities (work, hobbies, shopping, sports, social events)
    - ii. **I**: Interests (Food, fashion, family, recreation)
    - iii. **O**: Opinions (About themselves, business, social issues, products, global issues such as climate change)
  - d. Behavioural → Occasions, benefits, user status, usage rate, loyalty status , readiness stage, attitude towards the product.

## Behaviour Segmentation based on Benefits Sought:

- Benefits are relatively high level (abstract) needs and wants that are satisfied by a product/service
- Product features, style, design, reside in the product. Benefits are what the product features mean in terms of meeting needs and wants
- Examples of some benefits: economy, ease of use, convenience, improvement of health, durability, portability, reliability, reduction of personal risk, reduction of financial risk, ease of repair, less pollution
- Different segments may value different benefits of a give products (Toothpaste: some may value for whitening of teeth and others may value for cavity prevention)

Most frequently used segmentation bases: Demographic bases, Lifestyle, behavioural bases

Segmenting countries: Typical bases used: Geographic location, economic factors, political and legal factors, cultural factors

*Intermarket (cross-market) segmentation:* Divides consumers into groups with similar needs and buying behaviors even though they are located in different countries

2. **Targeting:** Select the segment or segments to enter
  - After segmenting the market, evaluate which segments are more attractive than others (relative attractiveness)
  - Identify the segment(s) that provide(s) more opportunities and matches the strength of your company
  - For this purpose, examine segment size, segment growth rate, degree to completion is each segment, our experience and know-how, access to distribution channels in each segment, substitute (competitive) brands in each segment, profitability of each segment, company objectives, new entrants
  - Select the segment(s) that is, TARGET(s) to be served
  - You may want to target more than one segment

## Different Market Targeting Strategies

- Undifferentiated (mass) marketing: One offering for the whole market, focus on common rather than different needs. in reality, we do not segment the market for this case.
- Differentiated (segmented) marketing: Offer sperate market offerings to several segments at the same time. More expensive than undifferentiated marketing, but higher sales.
- Concentrated (niche) marketing: Targeting a large share of one or very few segments. Require less resources than differentiated marketing, builds expertise.
  - a. Ex: Wide shoes with arch support for female nurses, organic kitchen wrap, pet insurance for cats and dogs

- Micromarketing (local or individual) marketing: Tailoring products and marketing programs to suit the taste of specific individuals or local customer groups such as neighborhoods, towns, or cities. Individual marketing is customization.
  - a. Ex: Sidewalk sale on Monkland Avenue in NDG, tailoring a suit

### Socially responsible Target Marketing:

#### Controversy and concern of market targeting

- Vulnerable or disadvantaged consumers (children, elderly, uneducated, low-income minority groups) are targeted with controversial or potentially harmful products
- Deceptive messages, false promises “phishing” practices, fraud and scams
- Socially responsible target marketing should be done to serve both the interests of the company and the interests of those targeted

In target marketing, the issue is not really who is targeted but rather how and for what. Controversies arise when marketers attempt to profit at the expensive of targeted segments – when they unfairly target vulnerable segments or target them with questionable products or tactics.

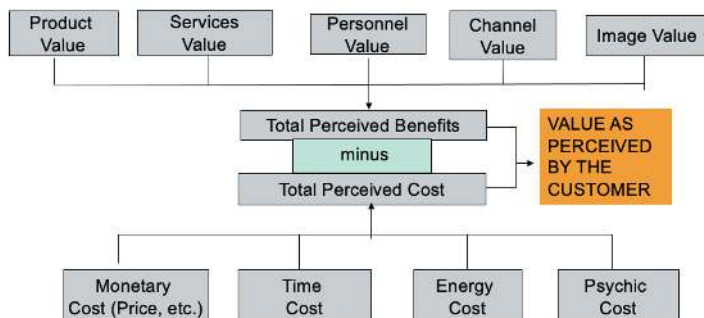
Socially responsible marketing calls for segmentation and targeting that serve not just the interests of the company but also the interest of those targeted.

### 3. **Differentiation**: Differentiate the market offering to create superior customer value

→ Describes clearly how your brand is different, what is unique about it and how that uniqueness provides additional customer value

#### Factors affecting customer value: value as perceived by the customer:

- Total perceived benefits: Product value, service value, personal value, channel value, image value
- MINUS
- Total perceived cost: monetary cost, time cost, energy cost, psychic cost



**ANY OF THE ABOVE NINE FACTORS (BENEFITS AND COSTS) CAN BE USED FOR DIFFERENTIATION.**

### Choosing the right competitive advantages for differentiation:

- Examines the previous model thoroughly. Identify those features and benefits that you provide much better than your competitors (relative competitive advantages)
- Most firms choose one of these competitive advantages and stick to it (why?) (this is also called the Unique Selling Proposition (USP). Use this particular feature or benefit in communications with consumers
- The relative competitive advantage is the value that you offer to your target market

### Identifying potential points of differentiation for a brand and choosing a point of differentiation to use:

- Extended car repair insurance provides insurance for car repairs that are not covered by manufacturer's warranty

#### 4. **Positioning:** Position the market offering in the minds of target customers

→ Create a clear identity (image, impression) in the minds of your target market for your brand based on your differentiation

Consistent brand differentiation over time leads to clear brand positioning and clear brand identity

"The way the brand is defined by consumers on important features and benefits"

### Possible Value Propositions: The full mix of benefits that a brand proposes (promises)

→ Refers to the full mix of benefits on which a brand is differentiated and positioned. It is the answer to the customer's question "Why should I buy your brand".

More for more → Provides upscale products or services with high price

More for the same → High quality at average price

More for less → High quality with low price

The same for less → Same quality as average brand with low price

Less for much less → Meeting consumers' lower performance or quality requirements at a bargain lower price



### Positioning Statement

→ These statements are simply a brief summary of the positioning strategy of a brand

They are given to those who are going to execute the communication efforts of a brand (those who are managing the social media programs of the brand or representative of advertising agencies)

The statement guides the communications people in their design and execution of the positioning program