Marketing

Chapter 1 – Marketing: creating and capturing customer value

• Example of Specsavers → directed to target group
  o Hassle to buy glasses, makes it easier and more affordable to buy glasses

What is Marketing?

• Deals with customers
• Marketing is managing profitable customer relationships
• Two-fold goal: attract new customers by promising superior value, keep & grow customers by delivering satisfaction
• Marketing: The process by which companies create value for customers and build strong customer relationships to capture value from customers in return
• Satisfying customer needs
• The aim of marketing is to make selling unnecessary
• Build customer relationships
• Marketing Process: Understand the marketplace and customer needs and wants → design a customer-driven marketing strategy → construct an integrated marketing programme that delivers superior value → build profitable relationships and create customer delight → capture value from customers to create profits and customer equity
• Marketing is the intermediary between companies and customers
• Marketing management: The art and science of choosing target markets and building profitable relationships with them
• Market segmentation → target marketing
• Customer management and demand management
• Value proposition → benefits that will be delivered to customer thru product
• Marketing management orientations:
  o Production
  o Product
  o Selling
  o Marketing
  o Societal marketing
• Production concept
  o The idea that consumers will favour products that are available and highly affordable and that the organisation should therefore focus on improving production and distribution efficiency
• Product concept
  o Products that offer the most quality, performance, features → make continuous product improvements
• Selling concept
  o Large-scale selling and promotion effort
• Marketing concept
  o Knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do
- No loyalty (no loyalty to any brand; want something different each time they buy or whatever’s on sale)

- Using multiple segmentation bases
  - Usually using multiple segmentation bases
  - Bank may not only focus on a group of wealthy, retired adults but also, within that group, distinguish several segments based on their current income, assets, savings and risk preferences, housing and lifestyles
  - ACORN is geodemographic segmentation system
    - Understand consumer’s lifestyle behaviour and attitudes as well as the needs of local neighbourhoods or communities
    - Wealthy achievers
    - Urban prosperity
    - Comfortably off
    - Moderate means
    - Hard-pressed

- Segmenting business markets
  - Use same variables and others
  - Customer operating characteristics, purchasing approaches, situational factors and personal characteristics
  - Buying behaviour and benefits provide the best basis for segmenting business markets

- Segmenting International markets
  - Hard to summarise one bigger region because there are differences even with countries close to each other
  - Therefore, economic factors (income levels etc.)
  - Focus on BRIC countries - Brazil, Russia, India and China because of rapidly increasing buying power
  - Political and legal factors such as type and stability of government, receptivity to foreign firms, monetary regulations and amount of bureaucracy
  - Cultural factors can also be used, grouping markets according to common languages, religions, values and attitudes, customs and behavioural patterns
  - Internet connect consumers around the world
  - Intermarket segmentation also called cross-market segmentation form segments of consumers who have similar needs in buying behaviours even though they are located in different countries
  - E.g. Ikea targets the aspiring global middle class selling good-quality furniture that ordinary people worldwide can afford

- Requirements for effective segmentation
  - Measurable
    - Size, purchasing power and profiles of segments can be measured
  - Accessible
    - Effectively reached and served
  - Substantial
    - Are large and profitable enough to serve
Companies must do much more than simply shout out their positions with slogans and taglines – they must first live the slogan. It can differentiate along the lines of product, services, channels, people or image:

- **Product differentiation**
  - Can be differentiated on features, performance, or style and design

- **Service differentiation**
  - Speedy, convenient or careful delivery

- **Channel differentiation**
  - Design channel’s coverage, expertise and performance

- **People differentiation**
  - Hiring and training better people than their competitors do

- **Image differentiation**
  - Brand image should convey a product’s distinctive benefits and positioning
  - Developing a strong and distinctive image calls for creativity and hard work
  - Brands support image differentiation
  - Chosen symbols, characters and other image elements must be communicated through advertising that conveys the company’s or brand’s personality

- **Choosing the right competitive advantages**
  - **How many differences to promote?**
    - Unique selling proposition (USP) for each brand and stick to it
    - Each brand should pick one attribute and tout itself as “number one” on that attribute.
    - Some marketers believe that companies should position themselves on more than one differentiator
  - **Which differences to promote**
    - Important
    - Distinctive
    - Superior
    - Communicable
    - Pre-emptive (competitors cannot easily copy)
    - Affordable
    - Profitable
    - Choosing right differentiators can help a brand stand out from the pack of competitors

- **Selecting an overall positioning strategy**
  - Value proposition – full positioning of a brand – the full mix of benefits on which it is positioned
  - Customers answer to “why should I buy your brand?”
  - More for more, more for the same, the same for less, less for much less, and more for less

- **More for more**
  - Involves providing the most upscale product or service and charging a higher price to cover the higher costs
o Company wants to minimise the total channel cost of meeting customer-service requirements
o Also influenced by nature of the company, its products, its marketing intermediaries, its competitors and the environment
o Company’s size and financial situation determine which marketing functions it can handle itself in which it must give to intermediaries

- Identifying major alternatives
- Types of intermediaries
  - Retailers, value-added resellers, independent distributors, dealers, wholesalers
  - The more intermediaries the less control
  - Intermediaries help to have a bigger “spread” of the product though
- Number of marketing intermediaries
  - Intensive distribution
    - Stocking the product in as many outlets as possible
  - Exclusive distribution
    - Giving a limited number of dealers the exclusive right to distribute the company’s products in their territories
    - Luxury brands
    - Company gains more control
    - Enhances image
  - Selective Distribution
    - The use of more than one but fewer than all the intermediaries who are willing to carry the company’s products
    - Develop good working relationships with selected channel members and expect a better-than-average selling effort
    - Good market coverage with more control and less cost than does intensive distribution
- Responsibilities of channel members
  - Need to agree on terms and responsibilities of each channel member
  - Agree on price policies, conditions of sale, territory rights and the specific services to be performed by each party
  - List price & fair set of discounts
  - Define channel member’s territory
  - Be careful about where it places new resellers
- Evaluating the major alternatives
  - Economic criteria, a company compares the likely sales, costs and profitability of different channel alternatives
  - Control issues, giving intermediaries control
  - Adaptability criteria, keep channel flexible, so it can adapt to environmental changes
- Designing international distribution channels
  - Each country has unique distribution system
  - China is scattered – struggle with challenge of assembling efficient supply chains in China
  - Government regulations make it more difficult
  - Local customs make it more difficult