Marketing

Chapter 1 – Marketing: creating and capturing customer value

- Example of Specsavers → directed to target group
    - 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 company 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:
    - Production
    - Product
    - Selling
    - Marketing
    - Societal marketing
- Production concept
    - 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
    - Products that offer the most quality, performance, features → make continuous product improvements
- Selling concept
    - Large-scale selling and promotion effort
- Marketing concept
    - 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 an 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

    - Company wants to minimise the total channel cost of meeting customer-service requirements
    - Also influenced by nature of the company, its products, its marketing intermediaries, its competitors and the environment
    - 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