MKTG1501 FINAL REVISION

Lecture 1: Introduction

Marketing
- A social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and values with others
- Concerned with:
    - Identifying customer's needs
    - Developing suitable products (offered to specific customers)
    - Systematic plan to price, promote and distribute
    - In a manner that benefits both producer and consumer
- Marketers:
    - Design products, set prices, identify places to sell, coordinate promotion, manage relationships

Marketing influences
- Needs – states of felt deprivation
    - Physical (food)
    - Social (belonging)
    - Individual (knowledge)
- Wants – the form taken by human needs as they are shaped by culture and personality
    - Australian hunger = meat pie
    - American hunger = burger
- Demands – human wants that are backed by buying power
    - Buy a smartphone to satisfy social and physical needs

Product
- Anything offered to satisfy a need or want (physical objects, services, persons, places, ideas, organisations)

Core themes of marketing – customer value and satisfaction
- Customer value – the difference between the benefits a customer gains from owning and using the product and the costs to obtain it
- Customer satisfaction – difference between expectation and 'perceived performance'

Market
- The set of all actual and potential buyers of a product. They share a particular need or want that can be satisfied though exchange

Marketing Management
- The analysis, planning, implementation and control of programs designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organisational goals – manages demand and customer relationships

Marketing concept
- Holds the key to achieving organisational goals
- Places the customer at the focal point
- Four premises;
    - 1) consumer orientation
    - 2) continuous market research
    - 3) all organisational activities and strategies are integrated
    - 4) aims to convert satisfied customers into loyal customers

Lecture 2: Creating Value and Competitive Advantage

Selling vs. Marketing concept

- Selling concept
    - Starting point = factory
    - Inside-out approach, focuses on existing products and heavy selling – aimed to sell what the business makes (not what the customer desires)
- Marketing concept
    - Starting point = market
    - Outside-in approach, focuses on the customer

Alternative management philosophies and cultures

- The production philosophy
- The product philosophy
- The selling philosophy

Market-oriented culture

- Strong market-oriented culture = strong business performance/profits
- Reflected by:
    - Deep understanding of customers and competitors
    - Strong collaboration across all functions of the firm
    - Leadership actions that focus on the customer

Customers are value maximisers

- Will buy from the firm that maximizes individual value, different based on customer's perceptions
- Customer perception/satisfaction influenced by:
    - Past experiences
    - Information provided by marketing organisations
    - Competitors
    - What seems like fair value

Features vs. Products

- Features = attributes of a product
- Benefits = attributes that you will use
- Mix of buyers needs
    - Functional attributes + psychological attributes = buyer's level of satisfaction

Tools to measure customer satisfaction and loyalty

- Customer satisfaction and loyalty surveys
- Complaint and suggestion systems
- Mystery shopping and customer interviews
- Lost customer analysis

Relationship marketing

- Organisations are developing strategies targeted at ongoing relationships (customer retention)
- Retaining profitable customers, 'key customers'
    - Can be achieved using relationship ties:
        - financial benefits (loyalty programs)
        - social benefits (personalizing products and services)
        - structural ties (software)
- Not all customers want a relationship – e.g. impulse buying

Relationship levels (5)

- 1. Basic
- 2. Reactive
- 3. Accountable
- 4. Proactive
- 5. Partnership

Retention and customer profitability

- 20-40% of customers do not represent profitable sales
- Any companies now view marketing as an investment, rather than an expense; use Return on Marketing Investment, ROMI

Customer lifetime value

- Amount that a single customer's revenues exceed total costs for an organisation over the lifetime of the relationship

Competitive advantage

- Focus = satisfying customers better than competitors
    - 1. Competitor analysis
    - 2. Develop competitive marketing strategies

Porter's 5 Forces – Drive industry competitiveness

- 1. Threat of new entrants
- 2. Bargaining Power of Buyers
- 3. Bargaining Power of Suppliers
- 4. Threat of Substitutes
- 5. Rivalry Among Existing Competitors

Selecting customers to attack and avoid

- Use Customer Value Analysis – rate each customer in criteria from 1-10 and use total

Competitive Strategies

- 1. Overall cost leadership – can offer a lower price than competitors (Coles)
- 2. Differentiation – concentrate on highly differentiated products (Apple)
- 3. Focus – concentrate on a small piece of the market (Shannon's)

Competitive positions

- Market leader = largest market share
    - To remain the market leader necessitates:
        - Expanding the total market
        - Protecting market share
        - Expanding market share
- Market challenger = usually second largest, fighting for market share
    - Can directly attack the market leader – requires competitive advantage
- Market follower = wants to hold market share without rocking the boat
    - Usually fall into one of three types:
        - 1. The cloner – closely copies the leader
        - 2. The imitator – copies some things but remains some differentiation
        - 3. The adaptor – builds on the leader's initiatives
- Market nicher = services small segments not served by other firms
    - Slow increase in rate of sales and market share; relatively low market impact

Lecture 3: Strategic Planning and Branding

Strategic planning

- The process of developing and maintaining a strategic fit between the organisation's goals and capacities in the light of changing market opportunities
- Relies upon:
    - Clear company mission, supporting objectives, sound business portfolio, coordinated functional strategies
- Most organisations operate according to formal plans
- Planning can help make sense of challenging environments
- Must operate within strategic hierarchy
    - Corporate level (develops Corporate Strategy
        - Strategic Business Unit Level (develops SBU strategy)
            - Functional Level of SBU (develops strategies across the value chain

Marketing's key role in strategic planning and value creation

- Provides guiding philosophy that focuses on serving customers
- Provides input to strategic planners by helping to identify attractive opportunities
- Focuses on developing market position, customer satisfaction and retention

Marketing strategy – where it fits

- Corporate strategy – concerned with economic value, financing and returns required by stakeholders
- Business strategy – building and maintaining competitive position through market strategies
- Marketing strategy – planning and coordination of marketing resource – set and achieve goals

Value seesaw: shareholder value vs. customer value added

- Customer value > shareholder value = customer focus and visa versa
- The optimal balance perspective is achieved when management balances shareholder and customer value

Marketing Objectives

- Increase sales by X = marketing objective
- New product = marketing strategy
- Set SMART (specific, measurable, achievable, realistic, timely) goals

Business portfolio

- Collection of businesses and products that make up a company (e.g. WOW = Big W, Dan Murphy's)
- Portfolio analysis = tool that helps management identify and evaluate various SBUs
- Best known portfolio-planning analysis methods developed by Boston Consulting Group (BCG) and General Electric (GE)

1. BCG Matrix

Market Growth Rate	High	Question Marks	Stars
	Low	Dogs	Cash Cows
		Low	High
		Relative Market Share	