Marketing 1012

Chapter 1- Overview

1.1

What is Marketing?

- "The activity, set of institutions and processes for creating, capturing, communicating, delivering and exchanging offerings that have **value** for **customers**, **clients**, **partners** and **society at large**"
    - Requires thoughtful planning with emphasis on **ethical implications** on various **stakeholders**
- Firms assess market position -> decide marketing strategy -> develop **marketing plan** (specifies marketing activities for a specific time period)
    - 4Ps
- Marketing entails an **exchange** where all parties in the transaction should be **satisfied**

Satisfying Customer Wants and Needs

- Understanding the marketplace, esp. consumer needs and wants is fundamental to marketing success
- Marketplace – world of trade
- Can be **segmented** or **divided** into groups of people pertinent to an organisation for particular reasons

- E.g. in Pepsi v Coke battle, marketplace is segmented into categories like men v women, calorie-conscious or not, carbonated v non-carbonated
    - Want to know which segments your product is most relevant and build a strategy that targets those people
- Not practical to target everybody
    - Seek out customers who have an interest in the product and ability to buy it; those who **want** and can **afford**

Marketing Entails an Exchange

- **Exchange-** trade of things of value between buyer and seller so each is better off as a result
    - Buyers give money and information- used to facilitate future exchanges and solidify relationship (e.g. personalised recommendations)

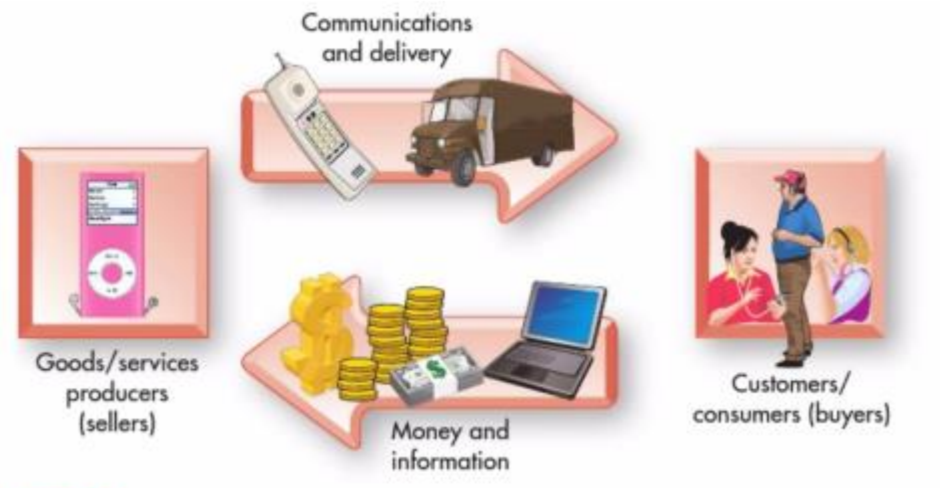


Figure 1.2 Exchange: the underpinning of seller-buyer relationships

Product, Price, Place and Promotion Decisions

- **Marketing mix/ Four Ps**: controllable set of decisions firm uses to respond to wants of its target markets

Product: creating value

- Fundamental purpose of marketing is to create **value** (through **goods**, **services** and **ideas**) to satisfy consumer needs
- Producers of **goods** tend to add extra value to increase their market presence e.g. Nike offering custom Nike ID designs to increase fashion appeal
- **Services** are intangible and cannot be separated from the producer (people or machine)
    - e.g. buying tickets, hotels, insurance, ATM (adding value through convenient location and ease of use)
- Many offerings in the market combine goods and services

- **Ideas** e.g. concepts, opinions, philosophies e.g. bike safety

Price: capturing value

- Price: everything the buyer gives up- money, time or energy- in exchange for the product
- Price determined based on the buyer's potential belief in the value of the product- figuring out how much customers are willing to pay so they are satisfied and the seller achieves a reasonable profit
    - E.g. may trade off a lower price if one values convenience

Place: delivering value

- All the activities necessary to make the product available to the right customer when the customer wants it
- Commonly deals with retailing and **marketing channel management** (AKA supply chain management)
    - Set of approaches and techniques firms use to efficiently and effectively integrate suppliers, manufacturers, stores and other firms involved in the transaction in a seamless **value chain**
    - Merchandise delivered in right quantities to right locations at right times, while minimising system-wide costs and satisfying the service levels customers require
    - Considerations pushing businesses towards multiple locations and self-service delivery systems where customer makes decision of amounts and variations

Promotion: communicating value

- Informs, persuades and reminds potential buyers about a product to influence their opinions and elicit a response
- Promotion of a product's benefits to enhance perceived value

Individuals and Organisations

- Marketing intermediaries (e.g. retailers) often in **B2C**
- Also **B2B**, **C2C**

Marketing Impacts Various Stakeholders

- E.g. supply chain partners and society at large
    - Involved entities all also market their ability to add value to each other
    - E.g. retailers like Aldi may have to convince manufacturers to sell to them, but influenced by growing momentum of consumer awareness
- Can benefit entire industry or society at large, e.g. US Dairy Industry's Got Milk campaign

Value

- **Production era** ->
    - 1900s-1920s, belief a good product would sell itself
    - Concerned with product innovation, not satisfying individual needs
- **Sales-orientated era ->**
    - 1920s-1950s, production and distribution techniques improved, consumers conditioned by War to consume less or make themselves
    - Manufacturers could produce more than consumers wanted, shifted to aggressive selling to offload excess capacity -> personal selling, ads
- **Market-orientated era ->**
    - 1950s-1990s, **buyers' market** of consumer power and choice
    - Producers and retailers focused on consumer needs first before creating and selling the product itself
- **Value-based marketing era->**
    - Most firms today are **market orientated** and **value-based orientated**, attempt to discover and satisfy customer needs and wants
    - Good marketing gives customers more value than competitors
- **Value-** relationship of costs to benefits
- **Value co-creation:** customers as collaborators in creating the product, e.g. custom sneakers you hypebeast

1.2 Becoming Value Driven

Sharing Information

- Sharing information about customers and competitors with own organisation and other firms (manufacturers, transportation) -> integrate and coordinate information across various departments
    - E.g. Zara fashion designers collect purchase info and research trends to determine what clothes customers want; logisticians use purchase history to predict sales and allocate merchandise appropriately

Balancing Benefits and Costs

- Constantly measuring benefits customers perceive against the offerings' cost
- Use data to find ways to satisfy customer needs, minimise costs and develop long-term loyalties
    - E.g. IKEA saves money on salespeople to focus on low prices and simple design its customers value

Building Relationships with Customers

- Marketers have begun viewing customers through a **relational orientation** and the lifetime profitability thereof rather than a transactional focus
    - E.g. Apple making each new product compatible with existing products

- Process of **customer relationship management (CRM):** business philosophy and set of strategies, programs and systems focused on identifying and building loyalty amongst the firms most valued customers
  - Systematic collection of information on customers' needs to target them with products and promotions that appear most important to them

Connect with customers via social and mobile media

1.3 Why is Marketing Important?

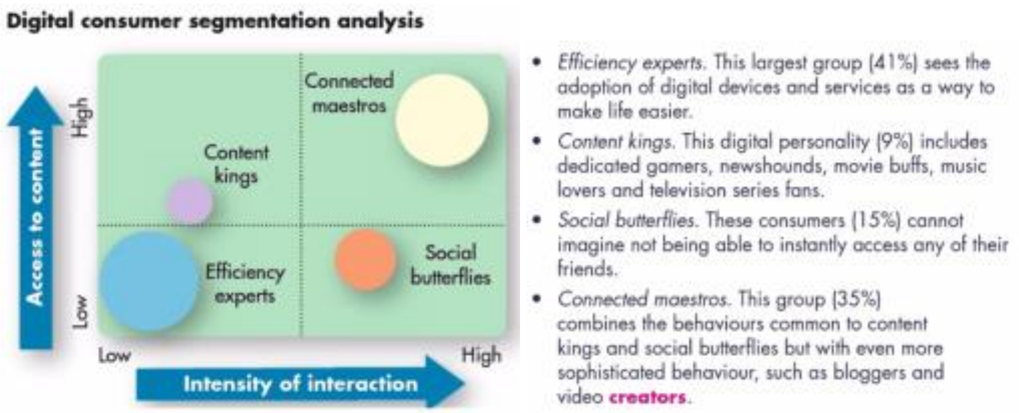
- **Pervasive across channel members**
  - Advises production about how much of the product to make and tells logistics when to ship it
  - Group of firms that make and deliver a given set of goods and services known as **supply chain** or **marketing channel**
  - Supply chain management vital to satisfy the customer and increase profitability, e.g. Levi's dealt with only 40% of orders from manufacturers to retailers arriving on time by introducing automatic inventory replenishment system -> superior value creation for all
- **Enriches Society**
  - Developing greener products, healthier food options, safer products, improving supply chains to reduce carbon footprint
  - **Corporate Social Responsibility** at a macro level
  - Strong social orientation shows stability and gains trust from consumers and investors -> helps bottom line
  - Triple bottom line: social, environmental, financial
- Can be **entrepreneurial**
  - As entrepreneurs launch ventures aiming to satisfy unfilled needs in the marketplace e.g. Netflix, Amazon, Ozharvest
- Creates long-lasting, mutually valuable relationships between the company and the firms from which it buys
- Identifies elements local customers value and makes it possible to **expand global presence**
- Allows consumers to learn about new goods and services

Ch2- Digital Marketing

- Digital consumers in three broad categories related to intensity of usage
  - ***Dominant digital*** consumers: proactively looking to use the internet at every opportunity

- *Hybrid digital* consumers: the majority of people; a functional approach, embrace the internet and good tech solutions to improve outcomes in their life if presented
- *Reluctant digital* consumers: have to use the internet but do not actively seek to use it in their daily life if unnecessary

- However, only a general analysis and a more sophisticated understanding is needed, e.g. through IBM's psychographic behaviour-based segmentation research, identifying four digital personalities based on how consumers consume content, not age



2.1 Distinct Digital Consumer Elements

- Balance of power has shifted from marketer to consumer
- Consumer empowered through unprecedented access to information about products, prices and competition (**transparency of information** and **ubiquity of access**)
  - Ability to **control the processes** in the transaction, e.g. online service automation, not restricted by intermediaries such as travel agents
- Embracing this **individualisation effect** through **personalisation** and **customisation** is key
- Marketer's **loss of control over brand interaction**
  - Consumer is not passive, plays an active role and demands appropriate, relevant and individualised interaction
  - **Consumer interconnectedness** gives them a significant role in how and where brand interaction occurs -> firms lose control in online environment as they cannot control all **touchpoint** engagement

- Consumer-consumer engagement on the firm’s own sites as well

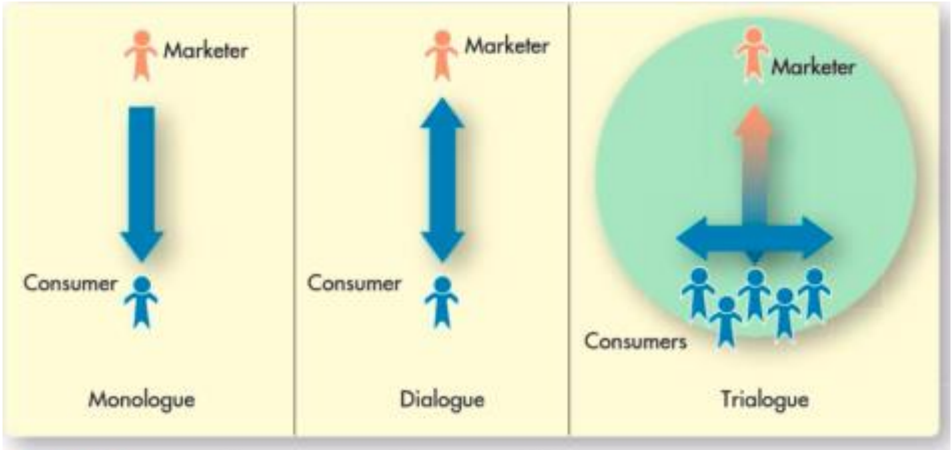


Figure 2.2 The uncontrolled spaces: aspects of the internet—eWOM

Source: ViralBlog http://www.viralblog.com/social-media/movie-blockbusters-predicted-by-online-wom/

- Consumers’ ability to explore and express their individuality -> demand for **individualisation of exchange**