

CHAPTER ONE – Marketing: Creating Superior Customer Value

WORD	EXPLANATION
Marketing	<p><i>Def.:</i> Social, managerial process by which individuals, organisations obtain what they need/want through creating, exchanging value with others.</p> <p><i>Goal:</i> Satisfying customer needs by creating value through interacting and working with them.</p> <p><i>Grounding:</i> Connection, exchange between potential buyers, looking to satisfy needs & wants & sellers providing products, services to fulfil the same.</p>
Needs	States of felt deprivation (eg. Food, warmth, affection, knowledge)
Wants	<ol style="list-style-type: none"> 1) Form taken by human needs as they are shaped by culture, individual personality (eg. Desiring certain foods depending on which culture/country you are in). 2) Objects that satisfy needs.
*Demands	<ul style="list-style-type: none"> - Wants backed by buying power. - Consumers view products as bundles of benefits, choosing those that give their optimum satisfaction and the best value for money.
Market offering	<p>Combination of goods, services, info. and experience = anything capable of satisfying needs, wants.</p> <p>Key is benefit, not good/service.</p>
Product	Any offering designed to meet a need.
Customer value	<p>Difference between perceived benefits, value customer gains from accessing/owning/using an offering, and the <u>cost</u> of obtaining it.</p> <ul style="list-style-type: none"> - Customers will buy from firm offering highest customer value.
Customer satisfaction	<p>The customer's evaluation of a product, service feature, or of the product/service itself.</p> <p>Extent to which a product's perceived performance matches buyer's expectations;</p> <ul style="list-style-type: none"> - Falls short = customer dissatisfied - Matches = customer satisfied - Exceeds = customer delighted <p>Key is to match expectations with performance.</p>
Exchange	<p>Act of obtaining a desired object from someone by offering something in return → allows people to concentrate in producing what they are good at, and trading it for what they need.</p> <p><u>IS THE CORE CONCEPT OF MARKETING.</u></p> <p>NOTE: Does not have to be monetary – can be good 4 service, service 4 good, good 4 good etc.</p>
Quality	Those aspects of an offer that deliver satisfaction, based on expectations/performance (eg. Features, reliability, aesthetics etc)
Transactions	Element of <i>exchange</i> – involves two parties trading at least 2 things of value, at an agreed-upon time and

	place = more formal exchange
Market	<u>Set</u> of all actual, potential buyers of a product. Buyers share a <u>need/want</u> which can be satisfied through exchange.
Customer	Individual, group, company with whom an individual is exchanging.
Company	Entity making the offer.
Competitor	An <u>alternative provider</u> of the good sought by the market, or an alternative to that good.

GENERAL NOTES

Customer delivered value

Made up of TWO subcategories:

- 1) **Total customer benefit** – expected bundle of benefits (economic, functional, psychological) from a given market offering.
- 2) **Total customer cost** – expected bundle of costs incurred in obtaining, using, disposing of a market offering.

Each is made up of FOUR subcategories themselves:

TOTAL CUSTOMER BENEFIT

- 1) **Product benefit** – including reliability, performance of product
- 2) **Service benefit** – better delivery, maintenance of product
- 3) **Personnel benefit** – knowledgeable, helpful assistance in using product
- 4) **Image benefit** – enhancement of perception through obtaining, using product

V.S.

TOTAL CUSTOMER COST

- 1) **Monetary cost** – the monetary sacrifice required in obtaining a product
- 2) **Time cost** – the time sacrifice required in obtaining a product
- 3) **Energy cost** – energy required to obtain the product
- 4) **Psychic cost** – evaluation of stress brought about by having/not having product

To improve offers, businesses can therefore:

- 1) Improve benefits (*product, service, personnel, image*)
- 2) Reduce cost (*non-monetary = time, psychic, energy*)
- 3) Reduce monetary cost

The Marketing Mix

Contains the **FOUR** P's:

- 1) **Product** – a need satisfying market offering.
- 2) **Price** – charge for offering.
- 3) **Place** – making offering available to consumers.
- 4) **Promotion** – how organisations communicate with target customers.

CHAPTER TWO: The Global Marketing Environment

WORD	EXPLANATION
Marketing environment	Actors and forces that affect marketing management's ability to develop and maintain successful transactions with target customers.
Microenvironment	Forces <u>close</u> to the organisation that affects its ability to serve its customers – eg. Marketing channels, markets, competitors, publics.
Marketing intermediaries	Forces that help an organisation to <u>promote, sell, distribute</u> goods to final buyers.
Customers	Actual/potential consumers of goods and/or services.
Competitors	Alternative provider of a product sought by the market, or of an alternative product.
Publics	Any group that has an impact on, or actual/potential interest in, an organisation's ability to achieve objectives.
Macroenvironment	Larger societal forces that affect the <u>whole microenvironment</u> eg. Demographic, economic, natural forces.

GENERAL NOTES

Microenvironment

Major actors

Suppliers

- Need uninterrupted access to parts/raw materials.
- Need to be aware of other existing/potential suppliers, as well as supply problems.

Company/Organisation

- Senior management sets the organisation's mission.
- ➔ Managers make decisions consistent with plans of senior management.
- ➔ Plans are then approved by senior management prior to implementation.
- Managers work with other departments in carrying out plans:
 - 1) *Finance dept.:* Finds, uses funds to carry out marketing plan.
 - 2) *R&D (Research & Development):* Designs those products set out by management.
 - 3) *Purchasing:* Gets supplies and materials to implement plan.
 - 4) *Manufacturing:* Produces the marketing product.

Marketing intermediaries

Includes:

- 1) **Resellers** - distribution firms who help the company locate customers, make sales eg. Wholesalers
- 2) **Physical distribution firms** - stock, move goods from point of origin to final destination eg. Warehouses, transport
- 3) **Marketing service agencies** – help organisation target, promote products to right markets eg. Advertising, media, research companies

- 4) **Financial intermediaries** – fund organisation's transactions, insure the company with regards to its risk management eg. Banks, credit organisations

Customers

FIVE types:

- 1) **Consumer markets** – individuals/households who buy goods for personal, household consumption.
- 2) **Business markets** – organisations that buy goods/services for processing/use in their own production process.
- 3) **Government markets** – government agencies that buy goods/services in order to promote public services, transfer goods/services to those in need.
- 4) **Reseller markets** – organisations who buy/sell goods to resell at profit.
- 5) **International markets** – overseas buyers eg. Consumers, producers, resellers.

Competitors

To be successful, companies who have to gain strategic advantage over their competitor's offerings in the minds of consumers.

Publics

SEVEN types:

- 1) **Financial publics** – influence organisation's ability to obtain funds eg. Banks, shareholders
- 2) **Media publics** – media outlets that carry news, opinions, features eg. Newspapers, magazines
- 3) **Government publics** – organisations have to act in accordance with laws set down by the government, taking safety and rights into account.
- 4) **Citizen-action publics** – groups who have stances on particular issues within society eg. Environmental groups, minority groups, consumer groups.
- 5) **Local publics** – those parties located close to the organisation eg. Neighbourhood residents
- 6) **General publics** – the public's attitude in general towards products/services → affects image of organisation.
- 7) **Internal publics** – those parties located within the organisation itself who affect how the external public views the organisation eg. Employees, managers, board of directors – and their satisfaction.

Macro-environment

Demographic environment

- Study of human populations in terms of size, age, gender, race etc → the larger the actual/potential market (eg. Population of China, India, Brazil) the more attractive to marketers.
- Areas involve:
 - 1) **Changing population structure** – on average, there seems to be a growth of older people over the youth = may lead to a rise in production of products suited to the older generation eg. Retirement homes, medicine
 - 2) **Immigration/migration** – population shifts determine the presence of marketing, as well as those products being marketed. For example, more people have moved from rural to urban areas, and

consequently into suburbs, over the years, leading to an increasing trend of luxury purchases and a rise of new businesses in these areas, including restaurants, bars, convenience stores etc.

- 3) **Education improvement** – more people are receiving tertiary education nowadays, leading to an increasing trend in white collar workers. As a result, countries adapt to provide a larger supply of skilled labour for employees.
- 4) **Population growth** – depending on which demographic increases more, companies produce products geared more towards the majority. For example, in an area which receives a large boom in birth rates, baby and child products will be produced in larger volume.

Economic environment

- Factors that affect consumer buying power/spending patterns.

Factors include:

- 1) **Income** – more affluent groups demand higher quality service, have more disposable income, and are therefore willing to spend more on luxury items. The inverse is true for low income families.
- 2) **Unemployment**
- 3) **Spending patterns** – in time of economic downturn, most of a family's disposable income is spent on necessities, and less on luxuries. As a result, people tend to **save** more by forgoing holidays/expensive purchases in order to spend more on food, clothing etc.
- 4) **Cost of living**
- 5) **Interest rates**

Natural environment

- Involves natural resources that are needed as inputs by marketers, or affected by marketing activities.

Factors include:

- 1) **Shortage of raw materials** – companies need to be wary of the raw materials they use in their production process (such as water, oil, coal), being careful to avoid wastage, as increased scarcity means higher cost to the company in the future.
- 2) **Increased energy costs** – companies need to attempt to locate alternative energy sources to oil, the world's main energy source, as increased usage could lead to higher costs in the future.
- 3) **Increased pollution** – public concern with increased pollution has led to a significant increase in job opportunities & business success, as more companies attempt to produce/package goods in a more eco-friendly manner, and more consumers are doing business with companies who are environmentally wary.
- 4) **Government intervention** – international conferences have paved the way to agreements made by countries to cut down on greenhouse gas emission, and as a result, have led to an increase in demand for green products, as well as created new business markets, keeping clients wary of the environment issue.

Technological environment

- Forces that affect new technologies, creating new product/market opportunities.

Issues include:

- 1) **Fast pace of technological change** – organisations that don't keep up with technological changes will soon find out that their products are outdated, thereby missing market opportunities. The key is to keep up with technology, but at the same time, producing practical, affordable and ethical products that meet consumer needs.
- 2) **High R&D budgets** – the more a country spends in R&D, the higher their probability of reaching new frontiers in the technological market.
- 3) **Increased regulation** – companies need to be aware of the regulations banning potentially unsafe products, and develop & create products that meet consumer standards.

Political environment

- Consists of laws, government agencies & pressure groups that influence and limit various organisations in society.

Factors include:

- 1) **Legislation regulating business** – legislation, as well as governmental bodies (such as the ACCC) have been formulated in the past to protect organisations from each other, and to protect consumers from unfair business practices, including laws on product safety and warranties.
- 2) **Increased emphasis on ethics & social responsibility** – enlightened organisations & trade organisations have suggested and developed codes of ethics that protect consumers and the environment, leading to a greater awareness of product's implications on their users and the world around them, and other social responsibility issues.

Cultural/social environment

- Institutions and other forces that affect society's basic values, perceptions, preferences & behaviours.

People grow up in a particular society that shapes their basic beliefs and values. They absorb a world view that defines their relationships between themselves and others.

Characteristics which affect marketing include:

- 1) **Persistence of cultural values** – people hold many beliefs and values, some core (eg. Honesty, family life), some secondary. Core beliefs are those integral to a person and are unlikely to be altered by the market. However, secondary values, such as celebrating success and choosing when to get married, are more likely to be impacted by the marketing environment.
- 2) **Subcultures** – subcultures are groups of people who share values based on common life experiences and situations. When certain subcultures show different wants and buying behaviour, marketers can target them with various products.
- 3) **Shifts in secondary cultural values** – marketers observe cultural shifts in order to spot new marketing opportunities. For example, the influence of the media, social groups, celebrities and events can lead to increased purchasing of products (eg. Clothes) endorsed by those groups.

CHAPTER THREE: Information management and marketing research

WORD	DEFINITION
Marketing information system (MKIS)	People, equipment and procedures that <u>gather, analyse, evaluate and distribute</u> info. to marketing decision makers.
Sample	Segment of the population selected to represent the population as a whole.

GENERAL NOTES

Marketing Information System (MKIS)

- A good MKIS balances the info. managers would like to have against what they really need and what it is feasible to acquire/monitor. Info. needs to be relevant, specific.
- Managers assess info. needs → info. is developed through records, intelligence activities and marketing research → info. is analysed to make it useful → reported back to managers who then make marketing decisions = **STARTS AND ENDS WITH MANAGERS**.
- Marketers need info. about anything that affects their relationship with their customers, and the marketing environment. However, due to constant change, generation and analysis of marketing info. is an ongoing process.

Internal records

- Info. gathered from *sources within the company* to evaluate marketing performance and detect marketing problems/opportunities.
- Info. includes:
 - 1) **Production performance data**
 - 2) **Complaints, customer response data**
 - 3) **Product, sales & cost data**

Marketing intelligence

- Systematic collection & analysis of *publicly available info.* about competitors & developments in the marketing environment.
- Watching competitor's business productivity may provide insight into management's own business.

Includes:

- 1) **Government reports**
- 2) **Company reports on websites**
- 3) **Media usage**
- 4) **Magazines, newspapers, books**

Marketing research

- Formal studies of a specific situation
- Links consumers, customers and the public to the marketer through info. used to:
 - a) **Identify, define marketing opportunities & problems**

- b) **Monitor marketing performance**
- c) **Improve understanding of marketing process**

Information analysis

- Once data is collected, it needs to be turned into usable info. on which marketing decisions can be made.
- People who conduct this analysis: **managers, specific analysts**
- May include statistical analysis to determine relationships between data sets and their reliability

Distributing information

- After data is collected and analysed, it must be received by managers in a timely fashion so they can make decisions in good time.
- Decisions include: **marketing strategy, planning decisions**

EXAMPLE OF ABOVE:

- **Internal records:** sales data shows declining trend in sale of product, manager reads sales reports outlining increase competitiveness in this area
- **Marketing intelligence:** manager reads press report about changing consumer needs with regards to product, hears comments that product is not meeting needs of consumers
- **Market research:** manager conducts customer research project about dis/satisfaction, analyses it (**info. analysis**) with product, makes adjustment to product offer to increase perceptions of value (decision = **distributing info.**)

Marketing research process

Defining problem & research objectives

THREE types of objectives:

- a) **Exploratory** – discovery of ideas/insights
- b) **Descriptive** – describe market characteristics/functions
- c) **Causal** – determine cause and effect relationships

Developing research plan for collecting info.

TWO types of data:

- 1) **Secondary data** – published data that already exists, collected from elsewhere. However, may be problems with data such as: *out-datedness, irrelevance to study*
- 2) **Primary data** – info. collected for the current research purpose

Process is to start with **secondary data**, once sources exhausted, proceed to collecting **primary data**

TWO types of primary data:

- 1) **Qualitative data** – talking, listening, observing, and recording – eg. *Focus groups, depth interviews, observational research*
- 2) **Quantitative data** – eg. *Surveys, including self-completed and conductor interviewed, experimental research*

Observational research (exploratory research)

- Gathering primary data by observing people, actions and situations.
- Info. may be that which people are unwilling/unable to provide.
- Often combined with other data because difficult to quantify/make sense of.

Surveys (descriptive research)

- Best suited to gathering descriptive data.
- Both structured (**self-completed** – all questions asked in same way - DIRECT) and unstructured (**conductor interviewed** – people guided by interviewer in answering questions - INDIRECT)
- Most widely used method of primary data collection.

Experimental research (causal research)

- Involve selecting matched groups of subjects
- ➔ Giving them different treatment
- ➔ Controlling unrelated factors
- ➔ Checking for differences in group responses
- ➔ IN ORDER TO UNDERSTAND CAUSE-EFFECT RELATIONSHIPS

Contact methods

- 1) **Mail questionnaires**
- 2) **Telephone interviews**
- 3) **Focus groups**
 - Interview conducted by trained moderator among a small group of respondents in an *unstructured, natural* manner.
 - 8-10 people from target market.
 - Often 3 groups for validity reasons.
- 4) **Online marketing research**
- 5) **Depth interviews**
 - Intensive, 1 on 1 discussions between researcher & respondent
 - Semi-unstructured
 - Aims at gaining insight

Sampling

TWO types of samples:

- 1) **Probability samples**
 - a) *Simple random sample* – every member of population has equal chance of selection.

- b) *Stratified random sample* – population divided up into mutually exclusive groups, random samples drawn from each group.
- c) *Cluster sample* – Population divided up into mutually exclusive groups, researcher draws sample of groups to interview.

2) Non-probability samples

- a) *Convenience sample* – researcher selects easiest population members from which to obtain info.
- b) *Judgement sample* – researcher uses judgement to select population members who are good prospects for accurate info.
- c) *Quota sample* – researcher interviews a prescribed number of people from several categories

Implementing research plan – physically collecting, analysing primary data

- After selecting data collection and sampling methods, research plan is implemented – collecting, processing and analysing info. and findings.

Interpreting, reporting findings

- Researcher interprets findings, drawing conclusions and reports to management.
- Findings should be major/useful for decision making by management.

Public Policy & Ethics in Marketing Research

- Marketing research should benefit both company and customers.
- However, when conducting research process, company needs to be wary of certain things, including:
 - a) Not intruding on consumer privacy
 - b) Using research findings properly
 - c) Work within the lines of their Code of Practice.

CHAPTER FOUR: Consumer Behaviour

WORD	EXPLANATION
Consumers 'black box'	Consumer purchase decisions which cannot be observed by marketers.

GENERAL NOTES

Characteristics influencing consumer behaviour

Psychological factors

- a) *Motivation* – the needs consumers are attempting to satisfy
- b) *Perception of reality* – based upon experiences, certain stimuli can result in diff. Perceptions
- c) *Learning* – learning through experience what a consumer needs
- d) *Beliefs & attitudes* – feelings, thoughts about certain products lead to consumers purchase decisions.
- e) *Personality & self-concept* – the way in which a consumer views themselves can influence buying behaviour eg. Purchasing certain clothes due to how they view themselves, what they aspire to be.

Personal factors

- a) *Age & life-cycle stage* – consumer's needs/wants/demands/desires change over their lifespans.
- b) *Occupation* – consumer's job situation impact on the purchases they make.
- c) *Economic situation* – income affects product choice.

Cultural factors

- a) *Culture* – marketers must be aware of people's values/behaviours, adapting their products to suit same eg. Health products for the exercising individual.
- b) *Subculture* – smaller groups of people with shared values are interested in certain products eg. Certain religions like to purchase products in line with their beliefs.
- c) *Social class* – ordered status divisions within society. People within certain statuses like to buy certain products, and marketers need to be wary of this, eg. Upper class tends to buy more luxurious items.

Social factors

- a) *Family & household* – different types of people in the household affect purchasing of certain products. Eg. Mother is responsible for maintenance purchases, household items, etc.
- b) *Groups* – associations with certain groups influence buying decisions eg. Association with certain sports teams/personalities lead to purchases of their merchandise and brands
- c) *Roles & Status* – positions within a group affect buying decisions. Eg. A household mother will purchase items that maintain her home and care for her family.
- d) *Buying roles* – roles within purchasing affect products purchased. Roles include: **initiator, influencer, decider, buyer/payer, user**
- e) *Consumer lifestyle* – Refers to A.I.O. dimensions – activities, interests, opinions. People belonging to a certain lifestyle purchase certain types of products eg. People living the luxurious lifestyle buy more luxury items

Buyer decision process

**PROBLEM RECOGNITION → INFORMATION SEARCH → EVALUATION OF ALTERNATIVES → PURCHASE DECISION
→ POST-PURCHASE BEHAVIOUR**

Problem recognition

- Buyer recognises a need/problem, sensing a diff. Between actual and desired state.
- ➔ Can be triggered by internal stimuli (need such as hunger, drive), or external stimuli (discovering desires when passing certain markets eg. Passing a bakery and discovering desire for fresh bread).

Information Search

- May have an internal search of memory to locate desired product
- Or an external search, such as asking family and friends (**personal sources**), communicating with sellers/distributors of a product (**commercial sources**), analysing the media (**public sources**), or just experiencing a product, such as handling/using it (**experiential sources**).

Evaluation of Alternatives

- Consumers process info. to make the right decision about product choice
- Decisions can depend on the **individual consumer and their tastes**, or the **buying situation** that the consumer is in
- If marketers understand these processes, they can potentially influence buyer's evaluation.

Purchase decision

- Customer purchases preferred brand/alternative
- Can be affected by:
 - a) **Attitudes of others** – if people believe consumer should purchase a certain type of product, chances of purchase increase.
 - b) **Unexpected situational factors** – eg. If economy takes a bad turn, people purchase less of a luxury item

Post purchase behaviour

- Consumers take further action depending on their dis/satisfaction → can influence future buying behaviour, and of those they communicate with = WORD OF MOUTH IS POWERFUL.
- Most consumers experience **cognitive dissonance/post-purchase conflict** after major purchases – can be reduced by good product performance, good after sales service, advertising.