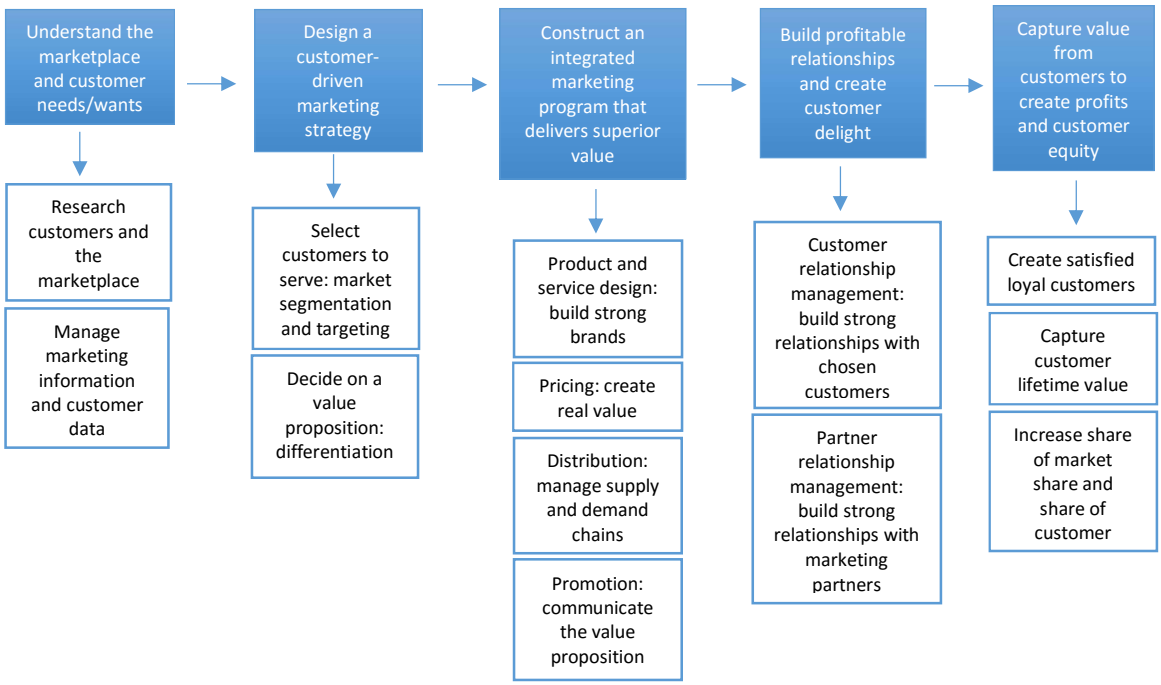
Topic 1 – Marketing Concepts

What is Marketing?

Marketing: *the activity, set of institutions, and process for creating, communicating, delivering and exchanging offerings that have value for customers, client's partners and society at large*

- A business function that **deals with customers**
- Marketing is **managing profitable customer relationships**
- The two fold goal of marketing is to **attract new customers by promising superior value, and to keep/grow current customers by delivering satisfaction**
- Marketing comes down to **perception**
- A social/managerial process by which individuals/groups obtain what they need through creating and exchanging products and values with others



Exchange: *the act of obtaining a desired object from someone by offering something in return*

- Marketing is the management activity concerned with:
  - Identifying the **needs of the customer**
  - Developing appropriate products
  - Offered to a **specific group of consumers**
  - Using a systematic plan to **price, promote and distribute the product**
  - **Mutual gain of both the provider and consumer**
- Has four main premises:

1. **Consumer orientation**
2. **Continuous market research**
3. **All organisational activities and strategies are integrated**
4. **Convert satisfied consumers into loyal customers**

Understanding The Marketplace & Consumer Needs

Needs: *states of felt deprivation*

- Marketers **stimulate basic needs** – when a need is not satisfied, a person will either try to reduce it or look for an object that will satisfy it
- Wants are described in terms of objects that will satisfy needs

Wants: *the form of human needs take as shaped by culture and individual personality*

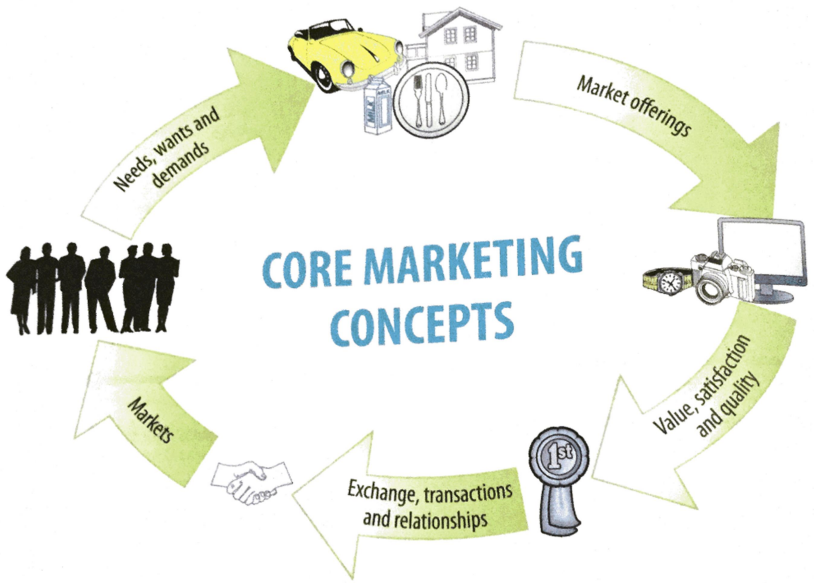
- Producers try to provide more want satisfying goods/services
- **People demand products that add up to the most satisfaction**

Demand: *human wants backed by buying power*

- The concept of a product is not limited to physical objects; anything satisfying a need can be called a product
- Importance of products that are physical lies not so much in owning them as in the benefits they provide

  Market Offering: *some combination of products, services, information, or experiences offered to a market to satisfy a need/want*

  Market: *the set of actual and potential buyers of a product/service*



- A transaction is marketing's unit of measurement

Transaction: *a trade between two parties that involves at least two things of value, agreed-upon conditions and a time/place of agreement*

- **Marketing consists of actions taken to build and maintain desirable exchange relationships that target audiences involving a product/service idea**

Topic 2 – Creating Value & Competitive Advantage

Customer-Driven Marketing Strategy

Marketing Management: *the art and science of choosing target markets and building profitable relationships with them*

- Marketing management is not only concerned with **finding and increasing demand**, but also with **changing or reducing it**
- Seeks to affect level, timing and nature of demand in a way that **helps the organisation achieve its objectives**

De-Marketing: *marketing in which the task is to temporarily or permanently reduce demand*

- **Value proposition – the set of benefits or values a company promises to deliver to consumers to satisfy their needs** – differentiate one brand from another

  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***

  → Can lead to marketing myopia

  Marketing Myopia: *the mistake of paying more attention to the specific products a company offers than to the benefits and experiences produced by these products*

- Major risk of **focusing too narrowly on their own operations** and lose sight of the real objective: satisfying customers
- Quality issues
- **Problems meeting consumer demand**

  Product Concept: *the idea that consumers will **favour products that offer the most quality, performance and features**, and that the organisation should therefore devote its energy to **making continuous product improvements***

- Can also lead to marketing myopia
- **Forces consumers to buy new products**; company designs products so they have to be re-purchased after a certain period

  Selling Concept: *the idea that consumers **will not buy enough of the firm's products** unless **it undertakes a large scale selling and promotion effort***

- Typically practiced with unsought goods – those that buyers do not normally think of buying, e.g. insurance
- **Aggressively selling carries high risk** – focuses on creating sales rather than building long-term customer relationships
- Assumes that customers who are coaxed into buying the product will like it; or if they do not, they will possibly forget their disappointment and buy it again
- **Takes inside-out approach** – focuses on existing products and heavy selling – the **aim is to sell what the company makes rather than making what the customer wants**
- **Focuses primarily on customer conquest**

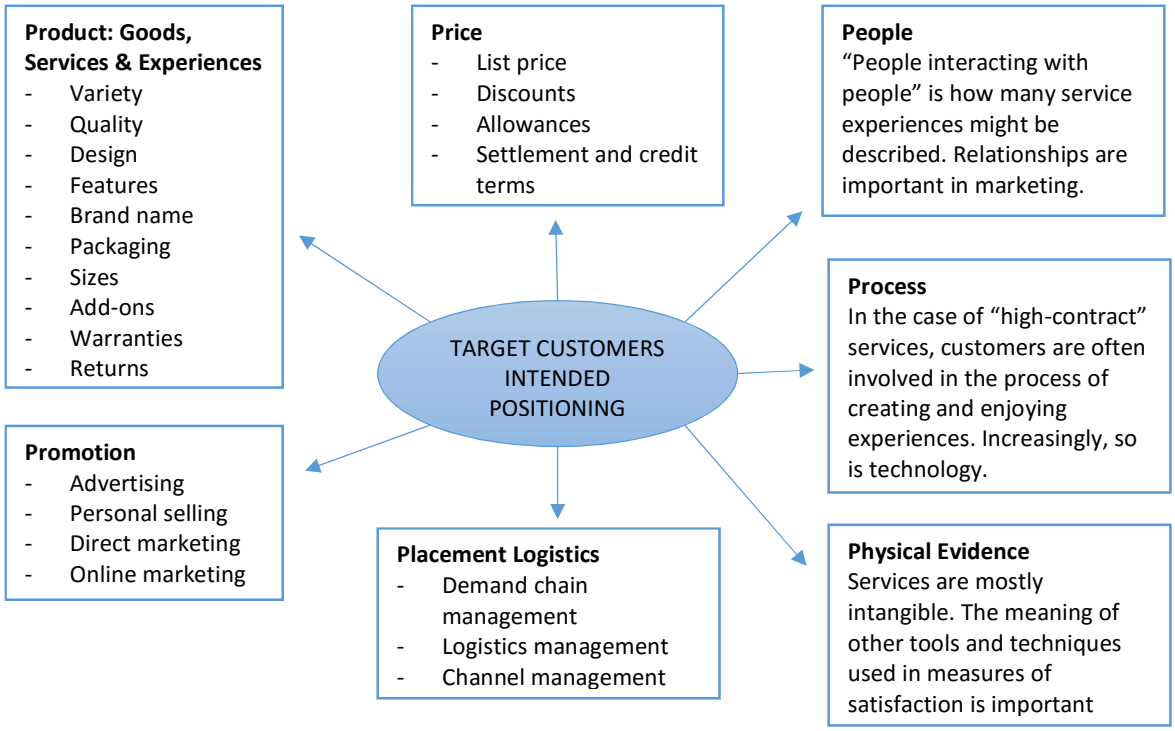
  Marketing Concept: *the marketing management philosophy which holds that achieving organisational goals depends on **knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do***

- **Takes outside-in approach – focuses on the customer** and integrates all marketing activities that affect customers
- Customer-driven marketing strategy **works when a clear need exists and when consumers know what they want**

Societal Concept: *the idea that a company's marketing decisions should consider consumers wants, the company's requirements, consumers'* ***long run interests and society's long run interests***

- Delivers value to customers in a way that **maintains or improves both consumers and the society's well-being**
- Calls for sustainable marketing

Target Customers Intended Positioning



Customers

Capturing Value

- **Good customer relationship management creates customer satisfaction**

Customer-Managed Relationships: *marketing relationships in which customers, empowered by today's new technologies, interact with companies and each other to shape their relationships with brands*

- It's five times cheaper to keep an old customer than acquire a new one
- **Losing a customer means losing more than just a single sale**
- **Customer delight creates an emotional relationship with the brand**, not just a rational preference
- That relationship keeps customers coming back
- The ultimate aim of customer relationship management is to produce higher customer equity

Customer Equity: *the total combined customer lifetime values of all of the company's customers*

- **The more loyal the firm's profitable customers, the higher the firm's customer equity**
- **The key to building lasting relationships is the creation of superior customer value and satisfaction**

Customer-Lifetime Value: *the value of the entire stream of purchases that the customer would make over a lifetime of patronage*

Delivering Value

- **Market-oriented culture** – the belief that the purpose of the business is to create superior customer value
- Strong market-oriented culture = strong business performance/profits
- **Strong market-oriented culture is reflected by:**
  - → **Deep understanding of customers (i.e. research)**
  - → **Awareness and knowledge of competitors**
  - → **Strong collaboration across all functions of the firm**
  - → **Leadership actions that focus on the customer**
- **Customers will buy from the firm that they believe can provide them with the highest customer delivered value**
- When **customers decide on value** they get from a product or service, they will **only consider the features that are important to them**
- Customers' perceptions of value of a product/service is a strong predictor of purchase and their experience with the product will influence future choice – **quality is not always equal to price**
- Benefits (may) outweigh the costs of obtaining a product
- Features = attribute of product
- Benefits = attributes you will use

Satisfaction & Relationship Value

Customer-Perceived Value: *the customer's evaluation of the difference between all the benefits and all the costs of a marketing offer relative to those of competing offers*

- Customer satisfaction is the customers conscious evaluation of a product or service feature, or of the product/service itself

Customer Satisfaction: *the extent to which a product's perceived performance matches or exceeds a buyer's expectations*

- **Satisfaction judgements are influenced by:**
- **Past experiences**
- **Information and promises made by marketing organisations**
- **Company's competitors**
- **What seems like fair value**
- **Satisfaction is dependent on the product's performance** relative to the buyer's expectations
- **Satisfaction is closely linked with quality**
- **Buyers level of satisfaction:**
- **Functional attributes:**
  - Meeting standards
  - → Operating trouble free
  - → Performing as expected
  - → Product uniformity
- **Psychological attributes:**
  - → Easy to satisfy
  - → Ability to respond to requests
  - → Consideration for the customer
  - → Being innovative

    - Satisfaction alone does not achieve loyalty
    - **Five different levels of relationship that can be formed with customers who have purchased a product:**
        1. **Basic** – no follow up
        2. **Reactive** – customer encouraged to call if they have a need after sale
        3. **Accountable** – contact customer for check-up
        4. **Proactive** – calls customer with helpful suggestions
        5. **Partnership**
    - **Financial benefits** are one method that can be used to assist in developing closer relationships with customers (e.g. **loyalty programs**)
- **Can be imitated by competitors**
- **Social benefits – focus on the social bonds with customers** by learning about their customers' needs and individualising these and personalising their products/services
- **Structural ties** – refer to the links that an organisation may provide to a consumer to assist with its own business, such as software for inventory/orders
- Marketing is the art of attracting and keeping profitable customers
- Keep customers that are not profitable for word of mouth recommendations

Competitive Advantage

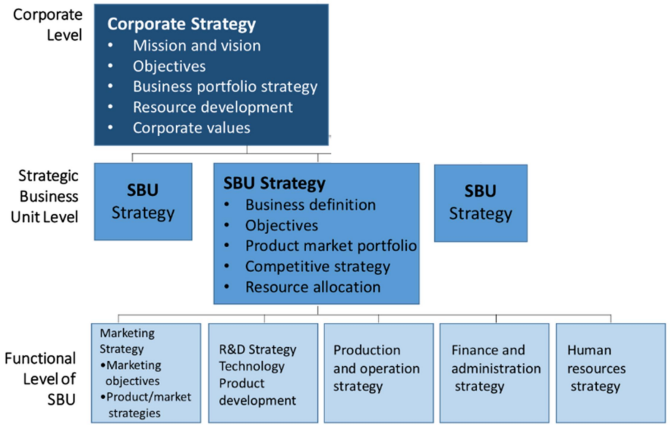
- **Competitive advantage = satisfying target customers needs better than your competitors**
- **Competitive strategies:**
- **Overall cost leadership:** can offer lower prices than competitors
- **Differentiation:** concentrate on highly differentiated products
- **Focus:** concentrate on small piece of the market
- Competitive positions:
    1. **Market leader**
    → Holds the largest market share
    → Typically leads other firms in price changes, product introduction, distribution coverage and promotion spending
    2. **Market challenger**
        → Tries to **aggressively expand market share by attacking the market** – firms that are second or third lower in an industry usually adopt market challenger strategies
    3. **Market follower**
        → Allows dominant firms to lead the way and keep close tabs on the leader's activities in order to copy (or improve) upon the leader's product releases and marketing efforts – falls into one of three types: **cloner, imitator and adaptor**
    4. **Market nicher**
        → Slow but growing rate of sales and market share
        → Relatively low market impact, **aims to attract minimal attention of competition in the market**
        → Can **meet the needs of the target group better than any other firm** that casually sells this niche

Topic 3 – Strategic Planning & Branding

Strategic Planning: *the process of developing and maintaining a strategic fit between the organisation's goals/capabilities and its changing marketing opportunities*

- The main purpose of strategic planning is to **help firms understand how to compete for the future**
- Relies on developing
  - A **clear mission statement**
  - Supporting objectives
  - Sound **business portfolio**
  - Coordinated functional strategies

Strategy Hierarchy



- A **clear mission statement** acts as an "invisible hand" that **guides people in the organisation**

Mission Statement: *a statement of the organisation's purpose – what it wants to accomplish in the larger environment*

- **Mission statements should be market-oriented and defined in terms of satisfying basic customer needs**
  - Should emphasise the organisation's strengths in the marketplace
  - Should NOT be stated as making more sales/profits – profits are only rewards for creating value for customers
- Marketing strategies must be developed to support objectives – **objectives must be specific**
  - Have strategies that sell the benefits to all customers
- **Corporate strategy – concerned with the economic value and financing requirements of the organisation, and returns required by stakeholders**
  - Building core competencies
  - Economic value added
- **Business strategy – focus on building, defending and maintaining a competitive position** through development and implementation of competitive marketing strategies

Business Portfolio

Business Portfolio: *the collection of businesses and products that make up the company*

- A company's value chain is only as strong as its weakest link

Value Chain: *the series of internal departments that carry out value-creating activities to design, produce, market, deliver and support a firm's products*

- Success depends on coordination of departments and performance of added customer value

▪ Planning involves two steps:

1. Analyse its current portfolio – decide which business should receive more/less investments

   Portfolio Analysis: *the process by which management evaluates the products and businesses that make up the company*

   → A company will want to put strong resources into its more profitable business

   → When designing a portfolio, **add/support products and businesses that fit closely with the organisation's core philosophy and competencies**

   → Purpose of strategic planning is to **find ways in which the company can best use its strength to take advantage of opportunities in the environment**

   → Evaluate SBUs on attractiveness in the market and strength of position

   Strategic Business Units (SBUs): *the key businesses that make up a company*

Growth-Share Matrix		
High	STAR ▪ High growth/high share ▪ Need heavy investments to finance rapid growth ▪ Eventually slow and turn into cash cows	CASH COW ▪ Low share/high growth ▪ Require a lot of cash to hold their share ▪ Try to build into stars
Low	QUESTION MARK ▪ Low growth/high share ▪ Established and need less investment to hold market share ▪ Produce a lot of cash	DOG ▪ Low growth/low share ▪ Generate enough cash to maintain themselves ▪ Do not promise large sources of cash
	High	**Low**

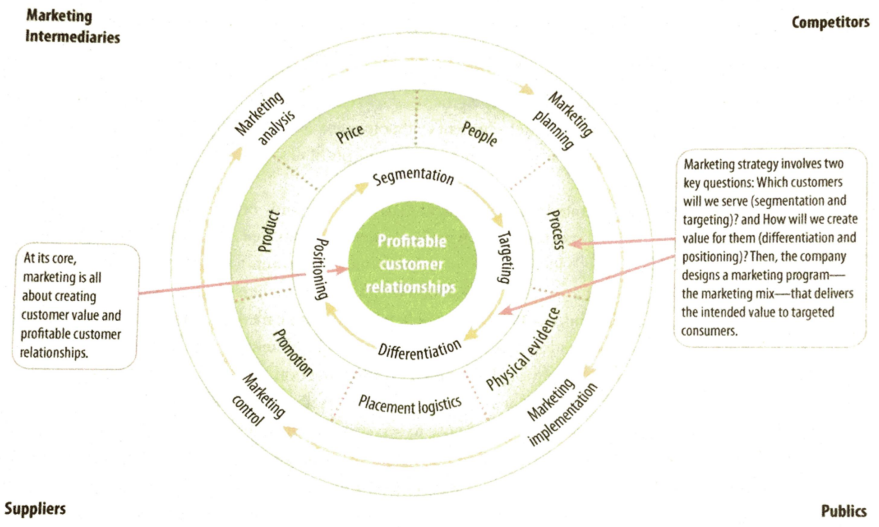
2. Developing strategies for growth/downsizing (product expansion grid)

	Existing Products	**New Products**
Existing Markets	Market Penetration: *company growth by increasing sales of current products to current market segments without changing the product*	Product Development: *company growth by offering modified or new products to current market segments*
New Markets	Market Development: *company growth by identifying and developing new market segments for current company products*	Diversification: *company growth through starting up or acquiring businesses outside the company's current products and markets*

Marketing Strategy

Marketing Strategy: *the marketing logic by which the company hopes to create customer value and achieve profitable customer relationships*

- Marketing plays a key role in the strategic plan:
- Provides a guiding philosophy – company strategy should revolve around building profitable relationships
- Provides inputs to strategic planners – **identify market opportunities and assessing firms potential to take advantage of them**
- Designs **strategy for reaching firm objectives**
- Focus on **developing marketing position and customer satisfaction/retention**
- Focus on planning and coordinating market resources and the integration of the



marketing mix to achieve a desired result in the markets selected for targeting

Market Targeting: *the process of evaluating each market segment's attractiveness and **selecting one or more segments to enter***

- A company **should target segments in which it can profitably generate the greatest customer value** and sustain it overtime

  Market Segmentation: *dividing a market into distinct groups of buyers who have different needs, characteristics or behaviours, and who might require separate products or marketing programs*
- Most companies enter a new market by serving a single segment, and if proved successful, they add more segments

  Market Segment: *a group of consumers who respond in a similar way to a given set of marketing efforts*

  Positioning: *arranging for a product to occupy a clear distinctive and desirable place **relative to competing products in the minds of target consumers***
- In positioning a product, a company identifies possible customer value differences that provide competitive advantages upon which build the position
- **Offer greater customer value by either charging lower prices than competitors, or by offering more benefits to justify higher prices**
- Marketing mix:
  1. **Product** – the goods/services combination the company has to offer
  2. **Price** – the amount of money customers must pay to obtain the product

3. **Placement** – company activities that make the product available to target and end consumers
4. **Promotion** – activities that communicate the merits of the product and persuade target consumers to buy it
5. **People** – services are often people based; service encounters are highly variable
6. **Process** – experience in buying/servicing of a product
7. **Physical Evidence**

- Marketing mix takes seller's point of view
- **Buyer's point of view: customer solution, customer cost, convenience and communication**

Internal	**Strengths** Internal capabilities that may help a company reach its objectives	**Weaknesses** Internal limitations that may interfere with a company's ability to achieve its objectives
External	**Opportunities** External factors that the company may be able to exploit to its advantage	**Threats** Current and emerging external factors that may challenge the company's performance
	Positive	**Negative**

Marketing Mix: *the set of controllable tactical marketing tools that a firm blends to produce the response it wants in the target market*

- The goal of SWOT analysis is to match the company's strengths to attractive opportunities in the environment, while eliminating or overcoming the weaknesses and minimising the threats
- **Marketing control involves 4 steps:**
  1. **Sets specific marketing goals**
  2. **Measures performance in the marketplace**
  3. **Evaluate the causes of any differences between expected and actual performance**
  4. **Management takes corrective action to close the gaps between expected and actual performance**

  Marketing Control: *measuring and evaluating the results of marketing strategies/plans and taking corrective action to ensure objectives are achieved*
- ROI measures profits generated by investments in marketing activities

  Return on Marketing Investment (ROI): *the net return from a marketing investment divided by the costs of the marketing investment*
- Marketing investments result in improved customer value and satisfaction, which in turn increases customer attraction and retention

Strategic Branding

- Brand names can connect a product with the benefits a customer can expect
- Learnt from customers' experiences and marketing activities