Marketing Notes

Marketing:

Marketing is used to create the **customer**, to keep the customer and to satisfy the customer. With the customer as the focus of its activities, it can be concluded that ***marketing management*** is one of the major components of **business management**. The evolution of marketing was caused due to **mature markets** and **overcapacities** in the last decades. Companies then shifted the focus from **production** more to the customer in order to stay **profitable**.

Concepts and Approaches:

Orientation	*Profit driver*	*Western European timeframe*	*Description*

Production	Production methods	until the 1950s	A firm focusing on a production orientation specializes in producing as much as possible of a given product or service. Thus, this signifies a firm exploiting economies of scale, until the minimum efficient scale is reached. A production orientation may be deployed when a high demand for a product or service exists, coupled with a good certainty that consumer tastes do not rapidly alter (similar to the sales orientation).
Product	Quality of the product	until the 1960s	A firm employing a product orientation is chiefly concerned with the quality of its own product. A firm would also assume that as long as its product was of a high standard, people would buy and consume the product.
Selling	Selling methods	1950s and 1960s	A firm using a sales orientation focuses primarily on the selling/promotion of a particular product, and not determining new consumer desires as such. Consequently, this entails simply selling an already existing product, and using promotion techniques to attain the highest sales possible. Such an orientation may suit scenarios in which a firm holds dead stock, or otherwise sells a product that is in high demand, with little likelihood of changes in consumer tastes diminishing demand.

Marketing	Needs and wants of customers	1970 to present day	The *marketing orientation* is perhaps the most common orientation used in contemporary marketing. It involves a firm essentially basing its marketing plans around the marketing concept, and thus supplying products to suit new consumer tastes. As an example, a firm would employ market research to gauge consumer desires, use R&D to develop a product attuned to the revealed information, and then utilize promotion techniques to ensure persons know the product exists.

Other Approaches:

Orientation	*Profit driver*	*Western European timeframe*	*Description*
Relationship marketing / Relationship management[8]	Building and keeping good customer relations	1960s to present day	Emphasis is placed on the whole relationship between suppliers and customers. The aim is to give the best possible attention, customer services and therefore build customer loyalty.
Business marketing / Industrial marketing	Building and keeping relationships between organizations	1980s to present day	In this context marketing takes place between businesses or organizations. The product focus lies on industrial goods or capital goods than consumer products or end products. A different form of marketing activities like

			promotion, advertising and communication to the customer is used.
Social marketing[8]	Benefit to society	1990s to present day	Similar characteristics as marketing orientation but with the added proviso that there will be a curtailment on any harmful activities to society, in either product, production, or selling methods.

Types of marketing:

Reactive marketing:

After sale of product company contact its customers want to know about the product performance it is known as reactive marketing.

Proactive marketing:

Before manufacturing product when company want to know likeness of customer it is known as proactive marketing.

Accountable marketing:

When company or its employee take the responsibility of product performance which is sale by the company or business is known as accountable marketing.

Marketing Environment:

Marketing environment:

The term *marketing environment* relates to all of the factors (whether internal, external, direct or indirect) that affect a firm's marketing decision-making or planning and is subject of the marketing research. A firm's marketing environment consists of two main areas, which are:

Macro environment:

On the macro environment a firm holds only little control. It consists of a variety of external factors that manifest on a large (or macro) scale. These are typically economic, social, political or technological phenomena. A common method of assessing a firm's macro-environment is via a PESTLE (Political, Economic, Social, Technological, Legal, Ecological) analysis. Within a PESTLE analysis, a firm would analyze national political issues, culture and climate, key macroeconomic conditions, health and indicators (such as economic growth, inflation, unemployment, etc.), social trends/attitudes, and the nature of technology's impact on its society and the business processes within the society.

Micro environment:

A firm holds a greater amount (though not necessarily total) control of the micro environment. It comprises factors pertinent to the firm itself, or stakeholders closely connected with the firm or company. A firm's micro environment typically spans:

- Customers/consumers
- Employees
- Suppliers
- The Media

Market segmentation:

Market segmentation:

Market segmentation pertains to the division of a market of consumers into persons with similar needs and wants. As an example, if using Kellogg's cereals in this instance, Frosties are marketed to children. Crunchy Nut Cornflakes are marketed to adults. Both goods aforementioned denote two products which are marketed to two distinct groups of persons, both with like needs and wants.

The purpose for market segmentation is conducted for two main issues. First, a segmentation allows a better allocation of a firm's finite resources. A firm only possesses a certain amount of resources. Accordingly, it must make choices (and appreciate the related costs) in servicing specific groups of consumers. Furthermore the diversified tastes of the contemporary Western consumers can be served better. With more diversity in the tastes of modern consumers, firms are taking noting the benefit of servicing a multiplicity of new markets.

Market segmentation can be defined in terms of the *STP* acronym, meaning *Segment*, *Target* and *Position*.

Segment:

Segmentation involves the initial splitting up of consumers into persons of like needs/wants/tastes. Four commonly used criteria are used for segmentation, which include:

- **Geographical** (e.g. country, region, city, town, etc.)
- **Psychographic** (i.e. personality traits or character traits which influence consumer behaviour)
- **Demographic** (e.g. age, gender, socio-economic class, etc.)
- **Behavioural** (e.g. brand loyalty, usage rate, etc.)

Target:

Once a segment has been identified, a firm must ascertain whether the segment is beneficial for them to service. The ***DAMP*** acronym, meaning ***D****iscernible*, ***A****ccessible*, ***M****easurable* and ***P****rofitable*, are used as criteria to gauge the viability of a target market. DAMP is explained in further detail below:

- **Discernable** - How a segment can be differentiated from other segments.
- **Accessible** - How a segment can be accessed via Marketing Communications produced by a firm.
- **Measurable** - Can the segment be quantified and its size determined?
- **Profitable** - Can a sufficient return on investment be attained from a segment's servicing?

The next step in the targeting process is the level of differentiation involved in a segment serving. Three modes of differentiation exist, which are commonly applied by firms. These are:

- **Undifferentiated** - Where a company produces a like product for all of a market segment.
- **Differentiated** - In which a firm produced slight modifications of a product within a segment.
- **Niche** - In which an organisation forges a product to satisfy a specialised target market.

Position:

Positioning concerns how to position a product in the minds of consumers. A firm often performs this by producing a perceptual map, which denotes products produced in its industry according to how consumers perceive their price and quality. From a product's placing on the map, a firm would tailor its marketing communications to suit meld with the product's perception among consumers.

Marketing information system:

Marketing information system:

A ***marketing information system (MKIS)*** is an information system that is commonly used by marketing management to analyse and view information pertaining to marketing activities. As the label suggests, an MKIS is a computer-based information system therefore used to input, store, process and output marketing information.

Types of marketing research:

Marketing research, as a sub-set aspect of marketing activities, can be divided into the following parts:

- Primary research (also known as field research), which involves the conduction and compilation of research for the purpose is was intended.
- Secondary research (also referred to as desk research), is initially conducted for one purpose, but often used to support another purpose or end goal.

By these definitions, an example of primary research would be market research conducted into health foods, which is used *solely* to ascertain the needs/wants of the target market for health foods. Secondary research, again according to the above definition, would be research pertaining to health foods, but used by a firm wishing to develop an unrelated product.

Marketing plan:

The area of ***marketing planning*** involves forging a plan for a firm's marketing activities. A marketing plan can also pertain to a specific product, as well as to an organization’s overall marketing strategy.

Generally speaking, an organization’s marketing planning process is derived from its overall business strategy. Thus, when top management are devising the firm's strategic direction or mission, the intended marketing activities are incorporated into this plan.

SWOT Analysis:

SWOT Analysis is a strategic planning method used to evaluate the **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats involved in a project or in a business venture. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieving that objective. The technique is credited to Albert Humphrey, who led a convention at Stanford University in the 1960s and 1970s using data from Fortune 500 companies.

A SWOT analysis must first start with defining a desired end state or objective. A SWOT analysis may be incorporated into the strategic planning model. An example of a strategic planning technique that incorporates an objective-driven SWOT analysis is Strategic Creative Analysis (SCAN). Strategic Planning, including SWOT and SCAN analysis, has been the subject of much research.

- **S**trengths: attributes of the person or company that are helpful to achieving the objective.
- **W**eaknesses: attributes of the person or company that are harmful to achieving the objective.
- **O**pportunities: *external* conditions that are helpful to achieving the objective.

- **T**hreats: *external* conditions which could do damage to the objective.

Identification of SWOTs is essential because subsequent steps in the process of planning for achievement of the selected objective may be derived from the SWOTs.

First, the decision makers have to determine whether the objective is attainable, given the SWOTs. If the objective is NOT attainable a different objective must be selected and the process repeated.

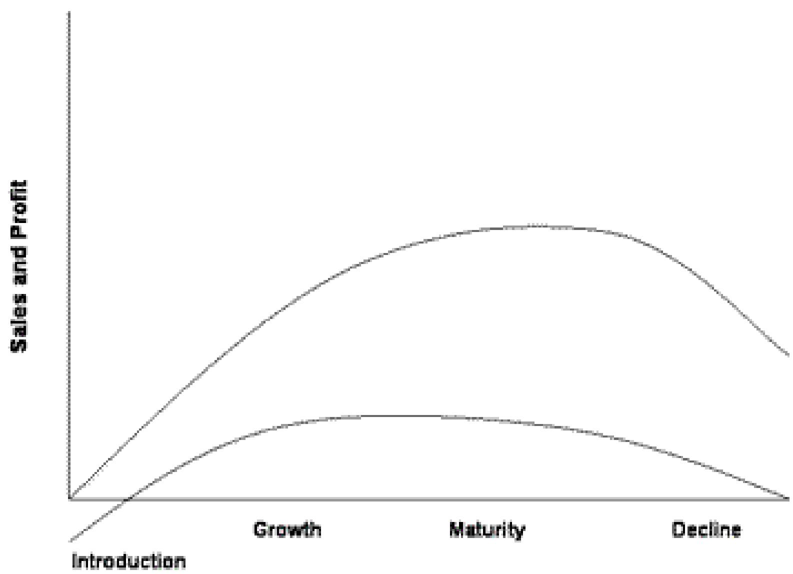
The SWOT analysis is often used in academia to highlight and identify strengths, weaknesses, opportunities and threats. It is particularly helpful in identifying areas for development

Strategic business unit:

An SBU is an autonomous entity within a firm, which produces a unique product/service. It could be a single product, a product line, or a subsidiary of a larger group of companies. The SBU would embrace the corporate strategy, and attune it to its own particular industry. For instance, an SBU may partake in the sports goods industry.
It thus would ascertain how it would attain additional sales of sports goods, in order to satisfy the overall business strategy.

Product Life Cycle:

The **Product Life Cycle**—or ***PLC*** is a tool used by marketing managers to gauge the progress of a product, especially relating to sales or revenue accrued over time. The PLC is based on a few key assumptions, including that a given product would possess an *introduction*, *growth*, *maturity* and *decline* stage. Furthermore it is assumed that no product lasts perpetually on the market. Last but not least a firm must employ differing strategies, according to where a product is on the PLC.



Stage	**Characteristics**
1. **Market introduction stage**	1. costs are high 2. slow sales volumes to start 3. little or no competition - competitive manufacturers watch for acceptance/segment growth losses 4. demand has to be created 5. customers have to be prompted to try the product 6. makes no money at this stage

2. **Growth stage**	1. costs reduced due to economies of scale 2. sales volume increases significantly 3. profitability begins to rise 4. public awareness increases 5. competition begins to increase with a few new players in establishing market 6. increased competition leads to price decreases
3. **Mature stage**	1. costs are lowered as a result of production volumes increasing and experience curve effects 2. sales volume peaks and market saturation is reached 3. increase in competitors entering the market 4. prices tend to drop due to the proliferation of competing products 5. brand differentiation and feature diversification is emphasized to maintain or increase market share 6. Industrial profits go down
4. **Saturation and decline stage**	1. costs become counter-optimal 2. sales volume decline or stabilize 3. prices, profitability diminish 4. profit becomes more a challenge of production/distribution efficiency than increased sales

Levels of poduct:

1. *Core Benefit*

The fundamental need or want that consumers satisfy by consuming the product or service.

2. *Generic Product*

a version of the product containing only those attributes or characteristics absolutely necessary for it to function.

3. *Expected Product*

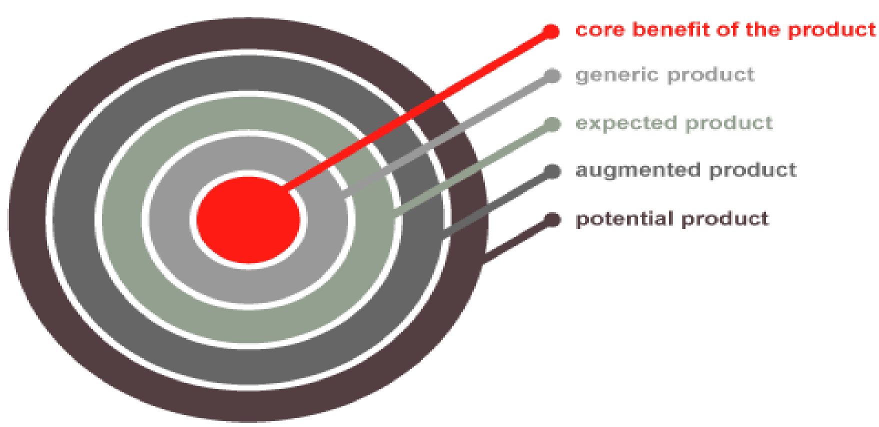
the set of attributes or characteristics that buyers normally expect and agree to when they purchase a product.

4. *Augmented Product*

inclusion of additional features, benefits, attributes or related services that serve to differentiate the product from its competitors.

5. *Potential Product*

all the augmentations and transformations a product might undergo in the future.



Kotler noted that much competition takes place at the Augmented Product level rather than at the Core Benefit level or, as Levitt put it: 'New competition is not between what companies produce in their factories,

but between what they add to their factory output in the form of packaging, services, advertising, customer advice, financing, delivery arrangements, warehousing, and other things that people value.'

Marketing mix:

Product marketing mix or 4p's:

In the early 1960s, Professor Neil Borden at Harvard Business School identified a number of company performance actions that can influence the consumer decision to purchase goods or services.

Borden suggested that all those actions of the company represented a "Marketing Mix". Professor E. Jerome McCarthy, at the Michigan State University in the early 1960s, suggested that the Marketing Mix contained 4 elements product, price, place and promotion.

Product:

The product aspects of marketing deal with the specifications of the actual goods or services, and how it relates to the end-user's needs and wants. The scope of a product generally includes supporting elements such as warranties, guarantees, and support.size, shape, quality, brand, packaging etc.

Pricing:

This refers to the process of setting a price for a product, including discounts. The price need not be monetary; it can simply be what is exchanged for the product or services, e.g. time, energy, or attention. Methods of setting prices optimally are in the domain of pricing science.

A number of modes of pricing techniques exist, which span:

- Elasticities (whether Price Elasticity of Demand, Cross Elasticity of Demand, or Income Elasticity of Demand)
- Market skimming pricing
- Market penetration pricing

Elasticities are a microeconomic concept, which gauges how elastic demand is for a given good/service.

In a marketing context, its usefulness relates to the suitable level at which a product can be priced, in accordance with price, a product's complements and substitutes, and the level of income a consumer possesses.

Market skimming pertains to firm releasing a good in a "first to market" scenario. As an example, picture a company which releases a new type of personal media playing system. It may set the good at an initially high level, but reduce it over time, once the level of demand gradually rises. Market skimming is best operable within a first to market scenario, since there would be few competitors within the company's industry. This pricing strategy is also best implemented within a market of high entry barriers (such as a monopoly or an oligopoly). This is so since the high barriers to entry discourage competitors into the industry for the product.

Market penetration concerns pricing policies for late entrants to a market. As another example, a company could release a product into a market years after it is initially introduced, but at an artificially low price in order to stimulate demand. The result of such a pricing strategy would be to draw consumers from competitors and into purchasing its own product. Market penetration, in contrast to market skimming, best functions within a market form with low barriers to entry (such as perfect competition or monopolistic competition). Low barriers to entry facilitates a company's ability to sell goods at a price lower than its market clearing point.

Placement (or distribution):

This refers to how the product gets to the customer; for example, point-of-sale placement or retailing. This third P has also sometimes been called *Place*, referring to the channel by which a product or service is sold (e.g. online vs. retail), which geographic region or industry, to which segment (young adults, families, business people), etc. also referring to how the environment in which the product is sold in can affect sales.

Promotion:

This includes advertising, sales promotion, publicity, and publicity.

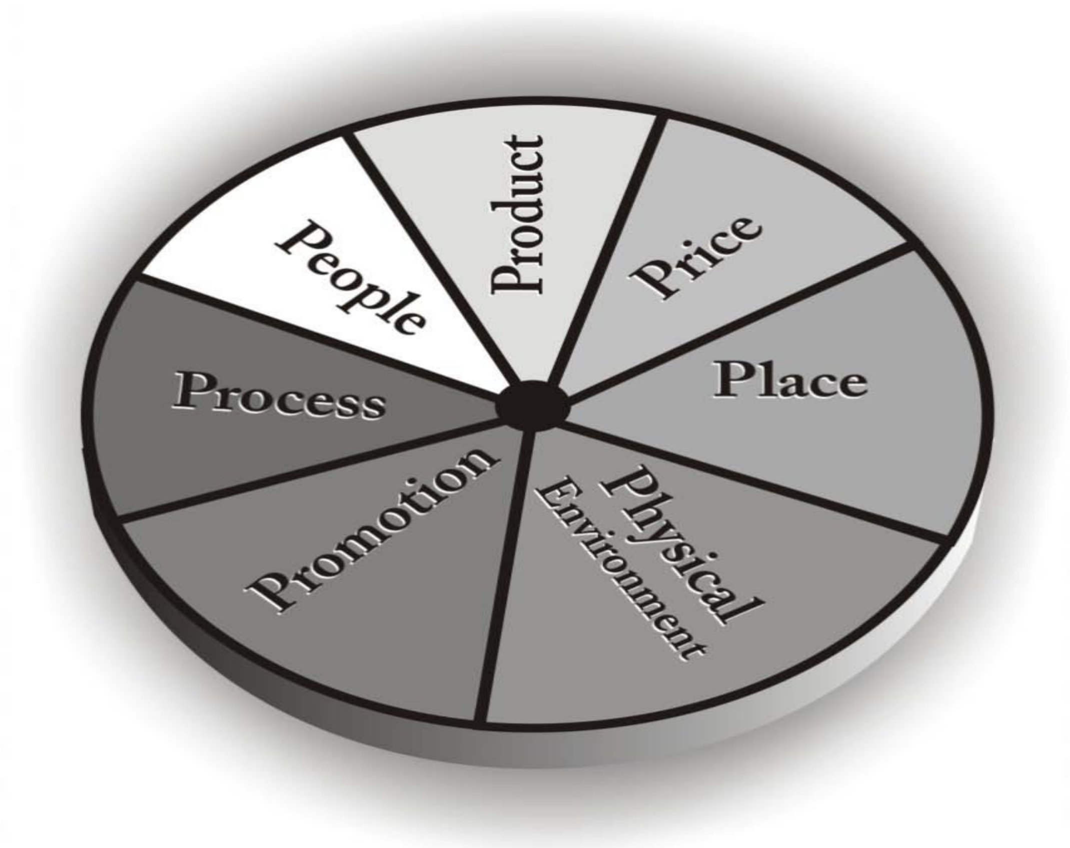
Branding refers to the various methods of promoting the product, brand, or company. It also known as marketing communication.

These four elements are often referred to as the marketing mix, which a marketer can use to craft a marketing plan. The four Ps model is most useful when marketing low value consumer products.

Industrial products, services, high value consumer products require adjustments to this model. Services marketing must account for the unique nature of services.

Service Marketing Mix/Extended Marketing Mix/7p's

Having discussed the characteristics of a service, let us now look at the marketing mix of a service.



The service marketing mix comprises off the 7'p's. These include:

- **Product**
- **Price**
- **Place**
- **Promotion**

• **People**
• **Process**
• **Physical evidence**

People:

An essential ingredient to any service provision is the use of appropriate staff and people. Recruiting the right staff and training them appropriately in the delivery of their service is essential if the organisation wants to obtain a form of competitive advantage. Consumers make judgments and deliver perceptions of the service based on the employees they interact with. Staff should have the appropriate interpersonal skills

Process:

Refers to the systems used to assist the organisation in delivering the service. Imagine you walk into Burger King and you order a Whopper Meal and you get it delivered within 2 minutes. What was the process that allowed you to obtain an efficient service delivery

Physical evidence:

This is the environment in which the service is delivered and any tangible goods that facilitate the performance and communication of the service. Customers look for clues to the likely quality of a service also by inspecting the tangible evidence.
For example, prospective customers may look to the design of learning materials, the appearance of facilities, staff, etc.

<u>Integrated marketing or Integrated marketing communications (IMC)</u>:

It is used in order to create a single and coherent marketing communications process. As an example, a firm can advertise the existence of a sales promotion, via a newspaper, magazine, TV, radio, etc. The same promotion can also be communicated via direct marketing, or personal selling. The aim of IMC is to lessen confusion among a product's target market, and to lessen cost for the firm. Several different subsets of marketing communications can be distinguished.

Elements IMC

a) Advertising – Classification of advertising, types, advertising appropriation,
advertising campaigns
b) Sales Promotion – Different types of Sales Promotion, relationship between Sales
promotion and advertising
c) Publicity – Types of Publicity, relationship between advertising and publicity
d) Personal Selling
e) Direct marketing and direct response methods
f) Event Management
g) Crisis Management

h) Trade Fairs and Exhibitions

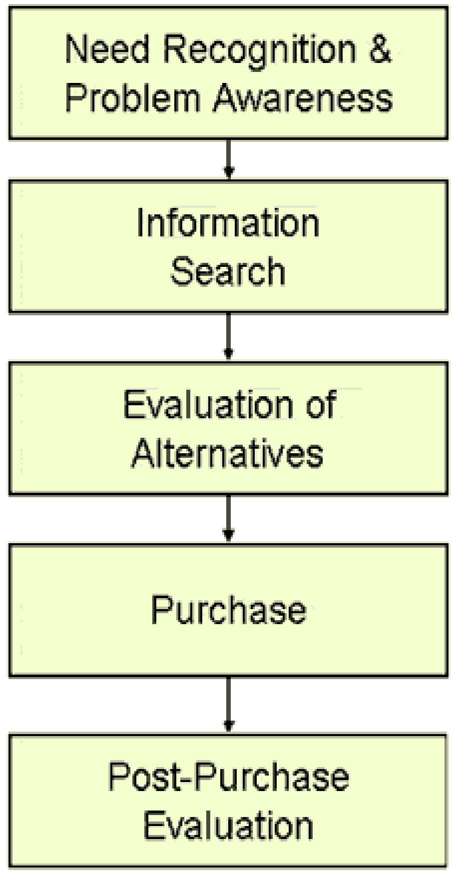
Green Marketing:

Green marketing can be defined as the marketing of products which are environmentally sound. The notion of green marketing is a comparatively new one within general marketing thought, as it has chiefly grown in acceptance since the 1990s. Nonetheless, as a contemporary branch of marketing thought, it can be seen as one of the fastest growing areas of marketing principles.

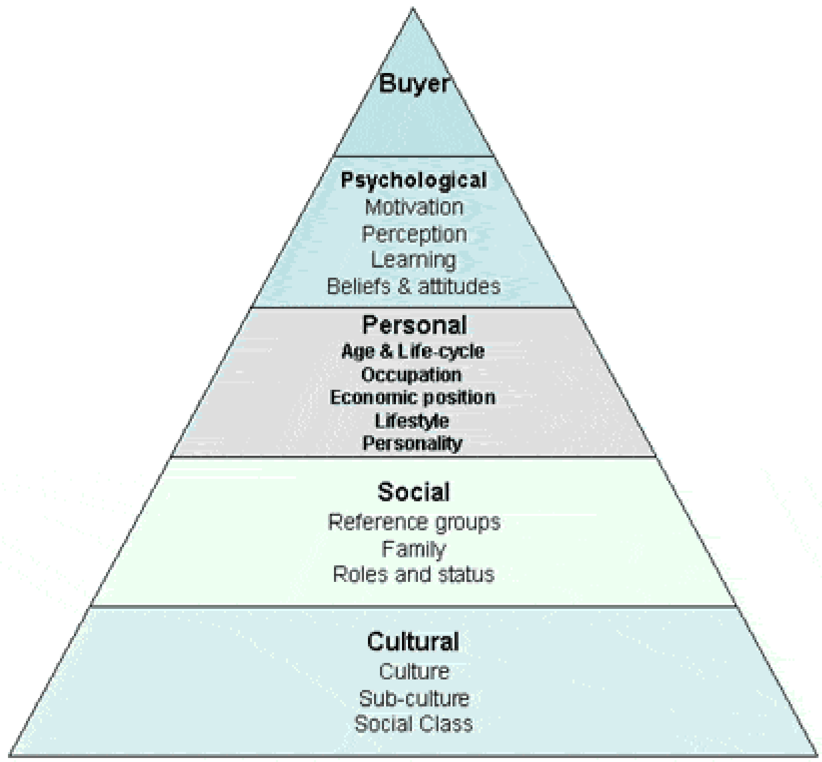
Consumer Buying Behavior::

What influences consumers to purchase products or services? The consumer buying process is a complex matter as many internal and external factors have an impact on the buying decisions of the consumer.

Buying behavior process:



Factors affecting buyer behavior:



Types of buying behavior:

1) **Complex buying behavior:**

Complex buying behavior is where the individual purchases a high value brand and seeks a lot of information before the purchase is made.

2) **Habitual buying behavior:**

Habitual buying behavior is where the individual buys a product out of habit e.g. a daily newspaper, sugar or salt.

3) **Variety seeking buying behavior:**

Variety seeking buying behavior is where the individual likes to shop around and experiment with different products. So an individual may shop around for different breakfast cereals because he/she wants variety in the mornings.

4) **Dissonance reducing buying behavior:**

Dissonance reducing buying behavior is when buyer are highly involved with the purchase of the product, because the purchase is expensive or infrequent. There is little difference between existing brands an example would be buying a diamond ring, there is perceived little difference between existing diamond brand manufacturers.

Product mix:

Product lining: Product lining is the marketing strategy of offering for sale several related products. Unlike product bundling, where several products are combined into one, lining involves offering several related products individually. A line can comprise related products of various sizes, types, colors, qualities, or prices

Length of product:

The total number of products sold in all lines is referred to as length of product mix.

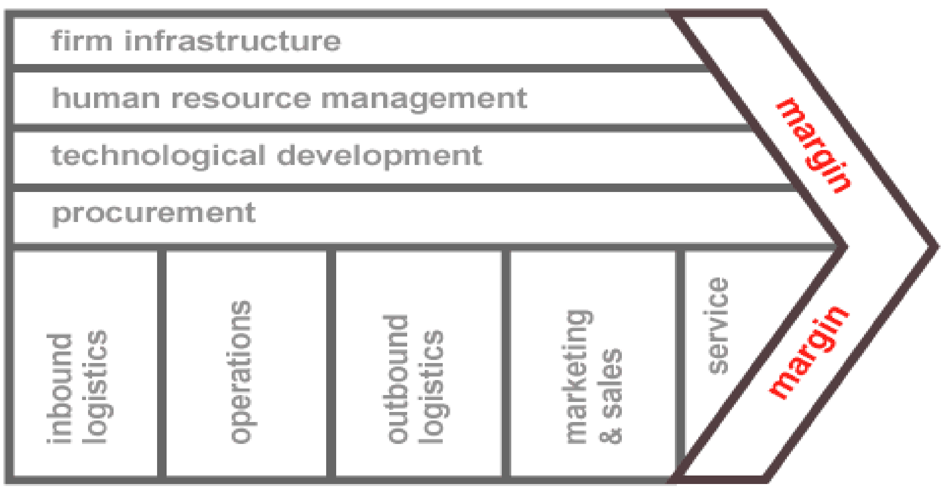
Width of product mix:

The number of different product lines sold by a company is referred to as **width of product mix.**

Line depth:

Line depth refers to the number of product variants in a line.

Value chain management:



Primary activities:

1. ***inbound logistics***: materials handling, warehousing, inventory control, transportation;

2. ***operations*****:** machine operating, assembly, packaging, testing and maintenance;

3. ***outbound logistics*****:** order processing, warehousing, transportation and distribution;

4. ***marketing and sales*****:** advertising, promotion, selling, pricing, channel management;

5. ***service*****:** installation, servicing, spare part management;

Support activities:

6. ***firm infrastructure*****:** general management, planning, finance, legal, investor relations;

7. ***human resource management*****:** recruitment, education, promotion, reward systems;

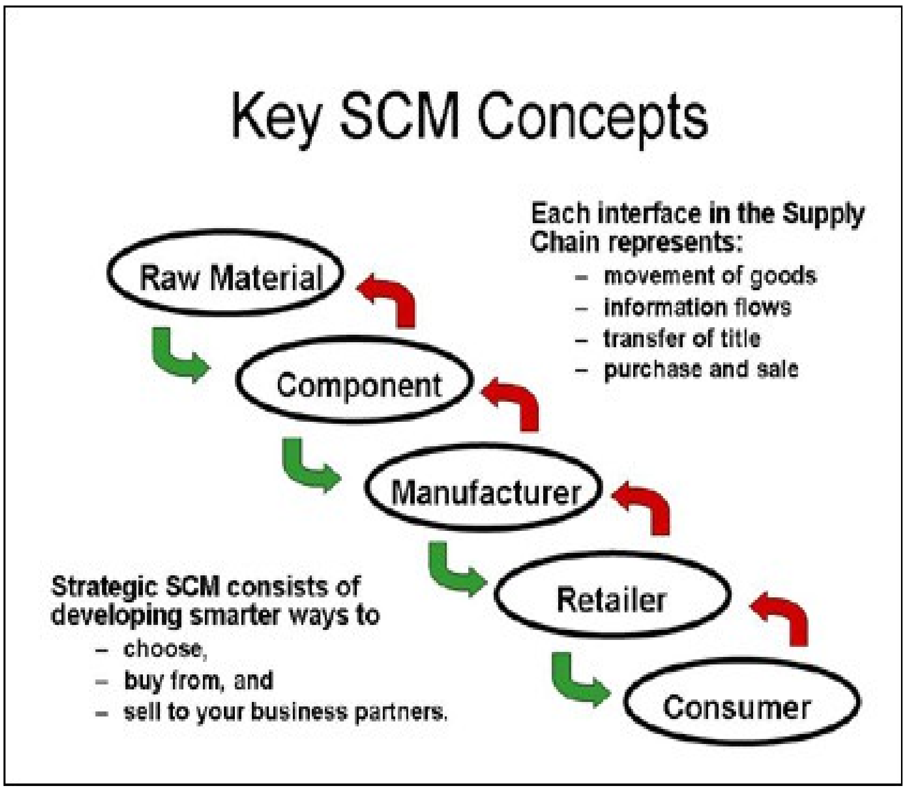
8. ***technology development*****:** research & development, IT, product and
process development;

9**.** ***procurement*****:** purchasing raw materials, lease properties, supplier contract negotiations.

Supply chain management (SCM)

It is the management of a network of interconnected businesses involved in the ultimate provision of product and service packages required by end customers (Harland, 1996). Supply Chain Management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption (supply chain).

Supply chain management



<u>CRM</u>:

stands for **Customer Relationship Management**. It is a process or methodology used to learn more about customers' needs and behaviors in order to develop stronger relationships with them. There are many technological components to CRM, but thinking about CRM in primarily technological terms is a mistake. The more useful way to think about CRM is as a process that will help bring together lots of pieces of information about customers, sales, marketing effectiveness, responsiveness and market trends.

Customer Relation Management(CRM)

Personal selling:

It is a face to face marketing in which strategic interaction between customer and salesman held.

Objective of personal selling

1. create awareness
2. create interest
3. providing Information
4. stimulating demand
5. reinforcing the brand

Personal selling advantage

1. advertisement
2. public relation
3. sales promotion
4. instant feedback

disadvantage

1. high cost per action (CPA)
2. training
3. not cover much area

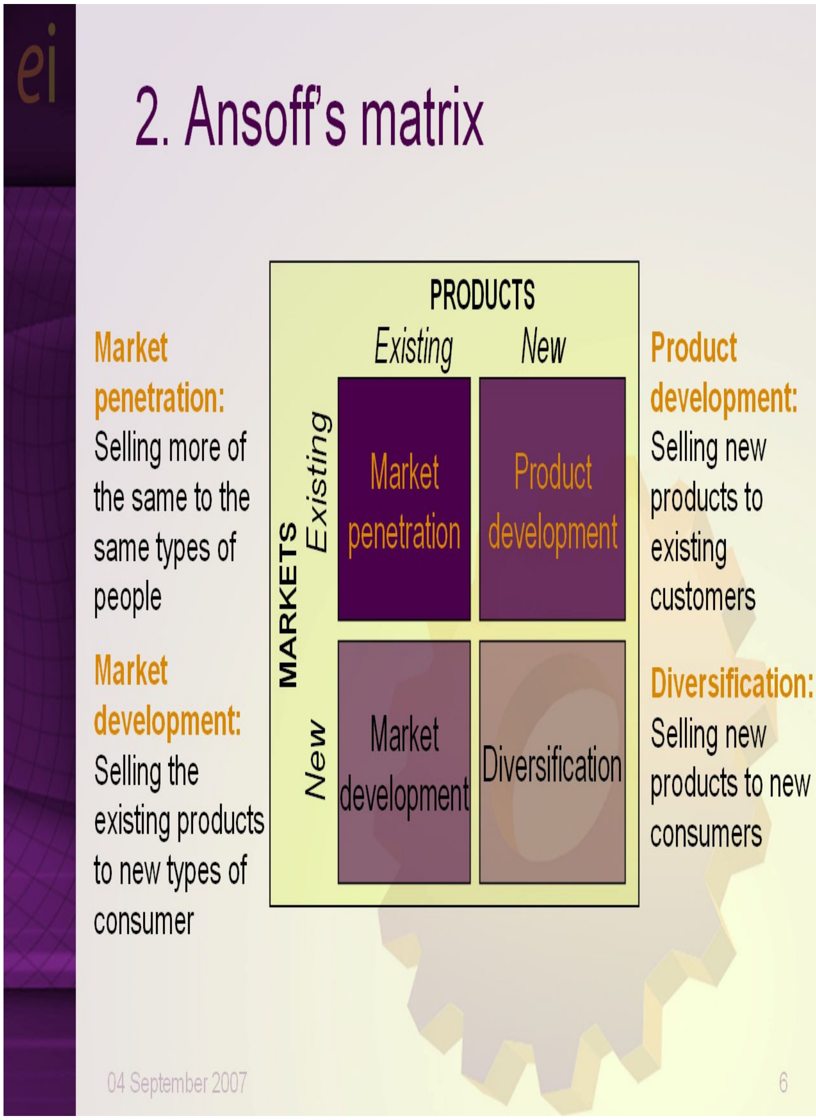
types of selling role

1. order getters
2. order takers
3. order influencer (missionary selling these are salespersons where customers purchase product on the advice or requirement of others.)

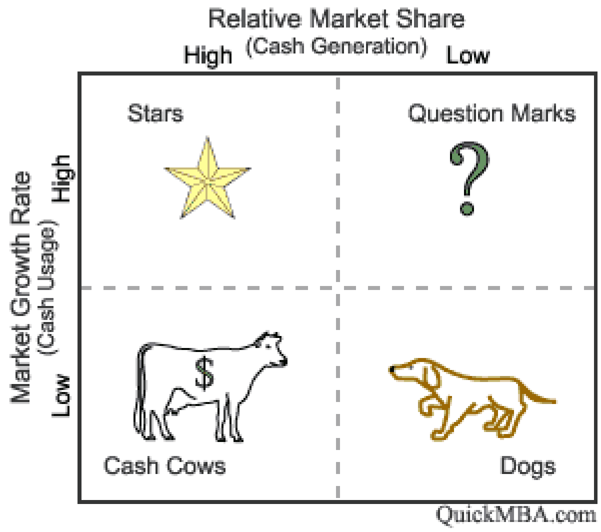
Regression analysis:

In statistics, regression analysis includes any techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps us understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed.

ANSOFF'S MATRIX



Boston Consulting Group Matrix
Developed by (Bruce Henderson) in 1970



- **Stars**. A star is a product in a high growth market that controls a sizeable share of that market. Stars tend to generate strong revenues. Over time, as growth slows, stars become cash cows if they hold their market share and dogs if they don't.
- **Cash cows**. A cash cow commands a large share of a slow growth market. The more the company invests in cash cows, the greater the return. Cash cows tend to pay the dividends, the interest on debt and cover the corporate overhead.
- **Dogs**. A dog has a low share of a slow growth market. Dogs often report a profit even though they are net cash users. They are essentially cash traps.
- **Question marks** (sometimes called **wildcats**). A question mark is a product with a low share of a high growth market. Their cash needs are great because of their growth, but generate little in return because their market share is low. Question marks are difficult to turn into stars because the cost of acquiring market share compounds the cash needs. They may be big winners if backed to the limit, but most often, they fail to develop a leading market position before growth slows and become dogs.

Acronyms In Marketing

1. AIDA Attractive interest desire action
2. ASP Application service provider
3. B2B Business to business
4. B2C Business to consumer
5. B2G Business to government
6. CLC Customer life cycle
7. CPA Cost per action
8. CRM Customer relationship management
9. DMU Decision making unit
10. DSA Direct selling agent
11. DSR Daily sale report
12. DST Direct selling team
13. ESOP Employee stock option plan
14. FSS Financial service sector
15. GRP Gross rating point
16. HNI High networth individuals
17. IMC Integrated marketing communication
18. ISP Internet service provider
19. LPG Liberalization privatization globalization
20. MIS Management information system
21. MKIS Marketing information system
22. PLC Product life cycle
23. PPC Pay per click
24. PPL Pay per lead
25. PPS Pay per sale
26. ROMI Return on marketing investment

27. SBU Strategic business unit
28. SCM Supply chain management
29. SDF Standardization differentiation focus
30. STP Segment target positioning
31. SWOT Strength weakness opportunity threat
32. TCS Total customer service
33. USP Unique selling preposition
34. VCM Value chain management
35. WOM Word of mouth
36. POS Point of sale
37. FMCG Fast moving consumer goods
38. FMCDG Fast moving consumer durables goods
39. IPO Initial public offering
40. ASS After sale service
41. CPC Cost per click
42. DRA Direct response advertisement
43. DINKY Double income no kids yet
44. EPOS Electronic point of sale
45. NPD New product development
46. SLAP Skills levels analysis process
47. SRM Supplier relationship management
48. TPS Telephone preference service
49. WOOF Well off older folk
50. WOOPIES Well off older people
51. YUPPIE Young urban proffessional
52. PESTLE Political, economical. social, technological, legal, ecological