

Transcription notes - Mark 201 – Class 1

In the first session we talked about how marketers don't want to just sell, they want to maintain a relationship with customers. They want to get, keep and grow customers. The key here is to make the customer satisfied and to try to keep and grow customers. Customer relationship management is defined in the slides.

The customer acts based on the perceived value, which is different for every customer. EX: Some customers are willing to pay more for more quality but some customers want more sensible products for more affordable prices. Therefore the marketer must know the perceived value for the customer.

PROF Q: can you give me an example for consumers that are looking for the best quality and that do not care for price? CLASS A: Organic food.

By making the customers loyal to the company, marketers can establish a set of exchanges that capture customer's **lifetime value**. The customer lifetime value is defined in the slides. The estimated value of a Lexus automobile customer is greater than \$600,000.

The last step in the marketing process is capturing value from customers.

In the previous slide we talked about the customer lifetime value. The **aggregate** of all customers' lifetime values is called **customer equity**. CE is a better performance metric than sales and market share. Why so? It is a measure of the amount of money that a customer will pay in the future. The difference is that sales and market share are related to the past performance of the company and are not forward looking. CE is present and forward looking.

Customer equity management is trying to know about the different categories of consumers and trying to respond to that. There is a quadrant that can be used to think about this. The Quadrant is in the slides.

Stranger category: the company's response to strangers is to not invest in them because they will bring in no value.

Barnacles category: these people are long-term customers that are unprofitable. Companies try to turn them into True Friends (see below). How? Loyalty programs & other.

Butterflies are not long term customers, but are profitable.

The True friends category is the best fit for the company. They are long-term high-value customers and therefore the company should make them more satisfied through loyalty programs.

Marketing strategy and the marketing mix

In the first session we talked about marketing strategy and marketing mix. We will observe market segmentation and segmenting, and we will look at differentiating and positioning as well as the tools (marketing mix decisions) that are used to implement this decision. EX: Quality of the product, place of promotion, the promotion itself... These are the tools that the company has to implement those marketing strategies.

Focus on Figure 2.4 in the slides. It is very important to differentiate the product from competitors.

Marketing segmentation and targeting are covered in detail in ch 5. Usually marketers use different criteria to break down their target markets. EX: by geography, age, income, gender, psychographic and behavioural factors such as lifestyle. Segmentation is dividing the market based on some kind of criteria. After segmentation, different segments should respond differently, if two segments respond the same way, segmentation has been performed wrong.

Positioning and Differentiation.

Official definitions given in the slides.

These concepts are also covered in CH5.

EX; a processed food company trying to segment the market. Based on age, the targets could be youths or adults, the lifestyle could be _____, eating habits could be health-conscious people. Companies will use multiple segments at once ex: health conscious female students with incomes between \$X and \$Y.

Based on this they can position their product. Ex; Students can't have time to cook and can't cook, therefore position quick easy ramen noodles for these guys.

Marketing mix:

Includes services that are usually with the product.

Prices are the tools that can differentiate the product from competitors. EX: discounts, more attractive credit terms than competitors.

Product Price Place Promotion are the 4Ps

Place: making it available.

Promotion: includes advertising, brand communities, anything you can do to persuade a customer to buy a product goes here. These are the tools to implement the strategy. Often to implement the best strategy mix we need to manage the marketing properly. MM includes analysis, planning, implementation and control functions.

- ❖ SWOT Analysis
 - This quadrant helps marketers know their strengths, weaknesses, opportunities and threats. We watch a video on McDo, then break.
 - SO strategy: strength to seize an opportunity
 - ST strategy: Offset a threat with a strength that you might have
 - WT strategy: look at your weaknesses, combat them with let's say a "value" menu. McDo has a 99 cent tea.
 - WO strategy: use an inexpensive value item to boost sales. eg. cheap coffee motivates people to buy a full breakfast.
 - The strategy that is the most effective is the one that best fits the situation.
- ❖ The next step is planning
 - Tries to define why to use the strategies and try to set up the basic steps for the implementation phase
 - who what when, where and how?
 - The last stage is marketing control. For every control, measure the results and evaluate the results and if there is an error, take corrective actions. The corrective actions are typically done through changes in the marketing plan and subsequent steps of planning and implementation.

I. Chapter 4

- ❖ Marketing environment is defined in the slides.
 - Marketing environment consists of micro and macro environments.
 - Microenvironment: all actors that are close to the company.
 - The first player in the microenvironment is the company itself. The second are the suppliers. In the value chain and the value delivery network, the suppliers are the first to provide raw materials. It is really important to act accordingly with the suppliers. Ex: walmart cannot deliver a low price without working closely with the suppliers.
 - It's really important to coordinate with suppliers and to establish partnerships.
 - ◆ IKEA example.
 - Partnerships try to involve suppliers in the benefits and the costs of production.
 - Marketing Intermediaries
 - Resellers, distributors, marketing service agencies, financial intermediaries.
 - ◆ Financial interm. include banks and insurance companies that help the company finance the production.
 - Competitors

- Companies need to distinguish themselves from competitors. Therefore competitors are an important consideration.
- Publics
 - Listed in the slides.
 - Used to obtain financing - Financial publics
 - Workplace managers, volunteers, B.O.D - Internal Publics
- Macroenvironment
 - Demographic, economic, natural, technological, political, cultural forces; all are considered in Macroenvironment.
 - Demographic environment
 - study of human populations
 - strategic decisions often based on shifts in demographics
 - changing age demographics in the canadian population are both an opportunity and a threat.
 - For example, one thing that is interesting to know are the differences in intergenerational buying behaviours and preferences.
 - Baby boomers have over 50% of the country's wealth. They are a good target for financial services.
 - Gen Xers are more sceptical of marketing and prefer quality over quantity.
 - Millenials (Gen Y). Since they are more familiar with technology, they do more research before buying and are also more adept at word-of-mouth recommendation.
 - Gen Z. Born after 2000. Make up important kid, teen and tween markets. Fluent with digital technology.
 - The Economic environment:
 - Different nations provide different opportunities for marketers.
 - ◆ Industrial economies provide rich markets for many different kinds of deals.
 - ◆ Subsistence economies offer very few marketing opportunities.
 - ◆ Developing economies are somewhere in the middle.
 - There are factors that affect spending patterns:
 - ◆ Changes income
 - ◆ Changes in spending patterns
 - ◆ Changes, Shortages or Increases in Natural Environment Resources used to produce goods.
 - raw materials are limited in nature and fluctuations in price can have a huge impact on the product.
 - increased pollution can damage the quality of natural environment. Ex: dangerous mercury levels in the ocean.
 - marketers should care about how the public views their company in light if its impact on the environment.
 - government intervention is important. In some devolving countries there are fewer regualtions meant to protect the environment and promote its cleanliness.

- ◆ Technological advances
 - RFID technology helps WAL-MART use to track buying trends. They use this to increase the value delivery on future products.
 - Technology advances increase the obsolescence of older technologies. EX: MP3 players, CDs are now outdated.
 - Technology advances result in constantly evolving regulation. EX: new FDA regulation as new drugs come out. As technology advances, it needs new regulation.
 - Political Environment
 - ◆ Laws, agencies, pressure groups meant to influence laws.
 - ◆ Business legislation tries to
 - protect companies from each other,
 - protect consumers from unfair business practices.
 - Protect society's interests.
 - Cultural Environment
 - ◆ Consists of six dimensions: power distance, individualism, masculinity, uncertainty avoidance, long term orientation, indulgence.
 - ◆ indulgence can influence the hedonic value in a product.
 - ◆ Core VS Secondary Beliefs
 - Ex: getting married is a core belief in every society
 - core beliefs are really hard to change but secondary beliefs are easier.
 - ex: the secondary belief is the age of marriage.
 - ◆ TOWS Matrix
- ❖ PESTLE, SWOT, TOWS, and other ways of thinking about these issues.
 - PESTLE
 - Aspects: Political, economic, technological, legal, environmental
 - SWOT - see video included in slides.
 - TOWS -
 - SO - Strengths & Opportunities
 - ST - Strengths and Threats
 - WO - _____
 - WT - _____
 - Porter's 5 forces.
 - bargaining power of buyers,
 - threat of new entrants
 - competitive rivalry
 - bargaining power of suppliers
 - threat of substitution.