PRINCIPLES OF

Marketing

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Wikipedia and history of marketing

- 1450: Gutenberg's metal movable type, leading eventually to mass-production of flyers and brochures
- 1730s: emergence of magazines (a future vector of niche marketing)
- 1836: first paid advertising in a newspaper (in France)
- 1864: earliest recorded use of the telegraph for mass unsolicited spam
- 1867: earliest recorded billboard rentals
- 1880s: early examples of trademarks as branding
- 1905: the University of Pennsylvania offered a course in "The Marketing of Products"
- 1908: Harvard Business School opens
- 1922: radio advertising commences
- 1941: first recorded use of television advertising
- 1950s: systematization of telemarketing
- 1970s: E-commerce invented
- 1980s: emergence of relationship marketing
- 1980s: emergence of computer-oriented spam
- 1984: introduction of guerilla marketing
- 1996: identification of viral marketing

http://en.wikipedia.org/wiki/History_of_marketing#cite_note-5

Robert Bartels **History of marketing thoughts** (1976) http://www.faculty.missouristate.edu/c/ChuckHermans/Bartels.htm

- Early courses at the Ohio state University:
-
- 1905 **Distribution of Products**.
- **1909-1910 Commercial Credit**.
- 1916-1917 **Salesmanship**
-
- 1921 The curriculum consisted of the following courses:
-
- Business communications
- Marketing
- Marketing Problems
- Wholesaling
- Retailing
- Credits and collections
- Salesmanship
- Advertising
- Advertising Practice
- Exporting and Importing
- Research in Marketing.
-
- 1925 **Sales Management** was combined with **Salesmanship**.
- 1927 **Marketing Problems** was omitted.
- 1940 **Business Research** and **Market Research** became two courses. Recognition that the subject marketing became accepted in both course and book titles, as indicated by the following.

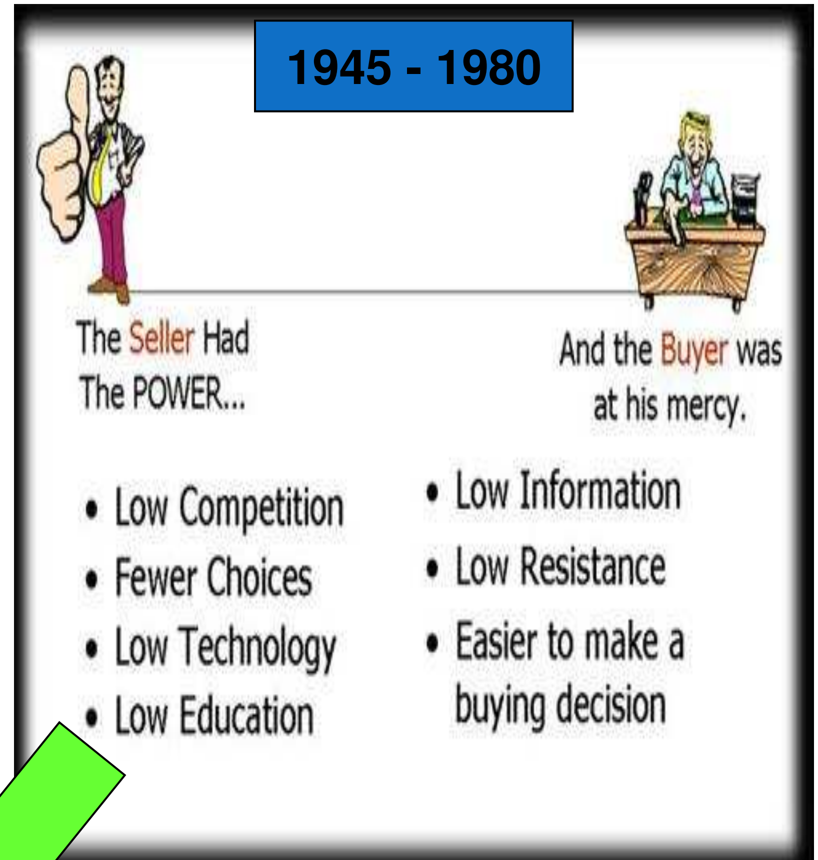
1905 University of Pennsylvania offered a course entitled **The Marketing of Products**.
1910 University of Wisconsin offered a course entitled **Marketing Methods**.

Bartel´s developmental stages

- **1900-1910 Period of Discovery**. Initial **teachers of marketing sought facts about the distributive trades**. Theory was borrowed form economics relating to distribution, world trade, and commodity markets. The conception of marketing occurred and a name was given to it.
- **1910-1920 Period of Conceptualization**. Many **marketing concepts were initially developed**. Concepts were classified, and terms were defined.
- **Period of Integration**. **Principles of marketing were postulated**, and the general body of thought was integrated for the first time.
- **1930-1940 Period of Development**. **Specialized areas of marketing** continued to be developed, hypothetical assumptions were verified and quantified, and some **new approaches** to the explanation of marketing w3ere undertaken.
- **1940-1950 Period of Reappraisal**. The concept and **traditional explanation of marketing was re-appraised** in terms of new needs for marketing knowledge. The scientific aspects of the subject were considered.
- **1950-1960 Period of Reconception**. Traditional approaches to the study of marketing were supplemented by increasing **emphasis upon managerial decision making**, the **societal aspects of marketing**, and **quantitative marketing analysis**. Many **new concepts**, some borrowed from the field of management and from other social sciences, were introduced into marketing.
- **1960-1970 Period of Differentiation**. As marketing thought became expanded, **new concepts** took on substantial identity as significant components of the total structure of thought. Among them were such elements as **managerialism, holism, environmentalism, systems, and internationalism**.
- **1970 Period of Socialization**. Social issues and marketing became much more important, as the **influence** not of society upon marketing, but **of marketing upon society** became a focus of interest.

Paradigm and power shift in marketing

1945 - 1980



www.hearing-aid-marketing-secrets.com/History...

How was it in the beginning?...

Jagdish N. Sheth, David M. Gardner: History of Marketing Thought: an Update, 1982

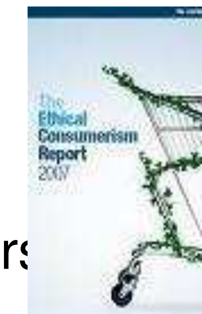
Traditional marketing – 2 axioms:

- Marketing is an economic activity and is a subset discipline of economics = MKT concepts (institutions, functions, products, managerial and environmental perspectives) are restricted to economic behaviour of people – „no marketing of places, no marketing of ideas, no marketing of celebrities……“
- The initiator of marketing activities and programs is the marketer and not customer = marketer can influence, manipulate and control market behaviour through marketing skills and organization

- http://www.jagsheth.net/docs/History%20of%20Marketing%20Thought-An%20Update.pdf

School of thoughts which has influenced marketing:

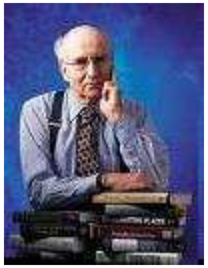
- Exchange of value instead pure economic exchange (VALUE IS MORE THAN A GOODS)
- Behavioral perspective instead economic perspective (VOICE OR POWER OF CUSTOMER, „BLACK BOX“)
- MACROMARKETING – macro and/or societal perspective + short term vs long term profit
- CONSUMERISM – developing and protecting the rights of consumer (deceptive advertising, high pressure sales tactics…) – consumer satisfaction….
- SYSTEMS APPROACH – integration of supply and demand factors into holistic theory NETWORK
- BUYER BEHAVIOUR – behavioral theory of buying
- BEHAVIOURAL ORGANIZATION – behavioral aspects of channel members – power, conflict, commitment …– RELATIONSHIP MARKETING
- STRATEGIC PLANNING – balance of power issues between external and internal environment factors (BCG matrix, GE matrix…)






Marketing school of thoughts

- MANAGERIAL SCHOOL or MARKETING MANAGEMENT – how to manage??? 4 or 5 or 7 „Ps“ (Philip Kotler as a guru) from the late fifties

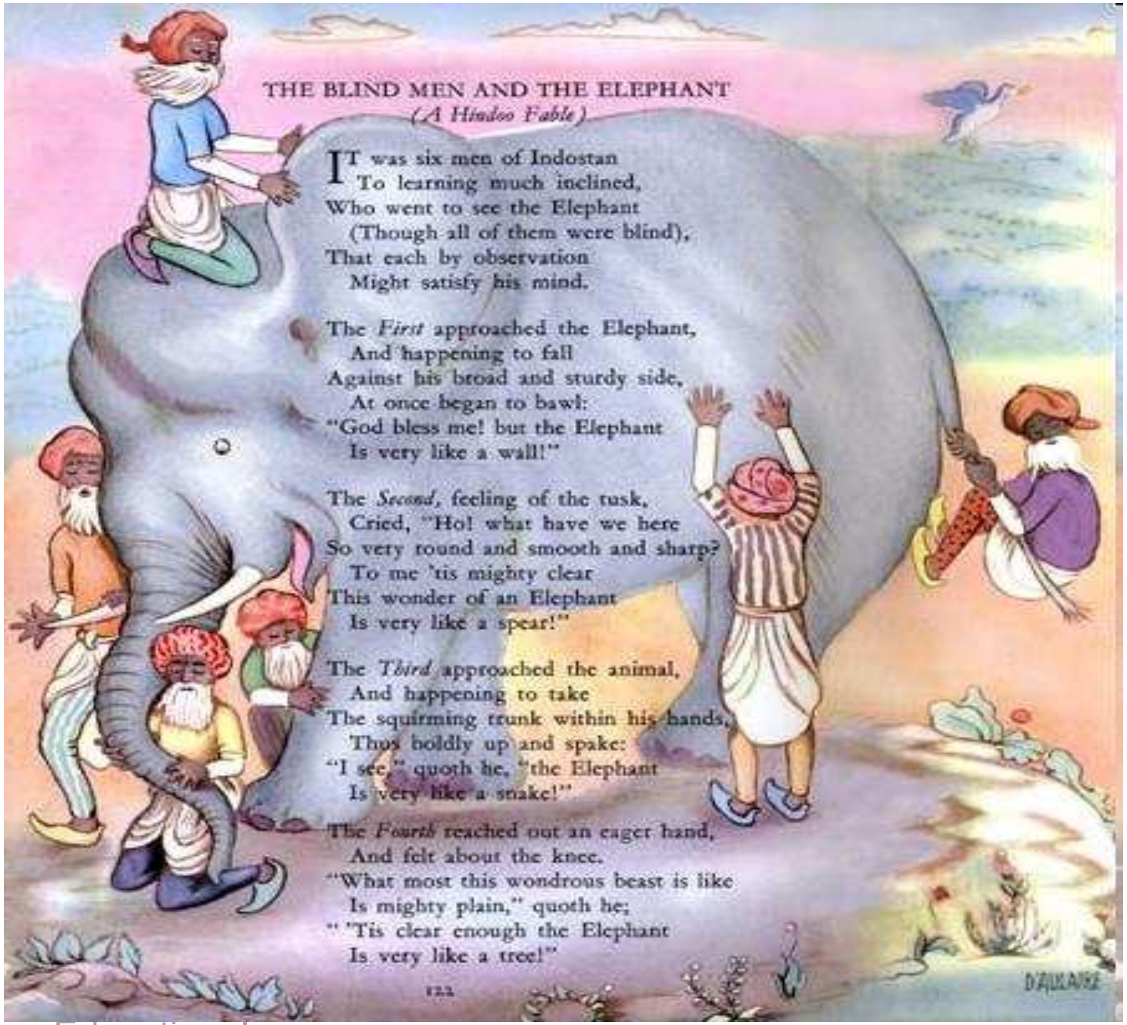


- CONSUMER/BUYER BEHAVIOUR SCHOOL

- SOCIAL EXCHANGE SCHOOL (focuses on exchange as the fundamental concept of marketing) Emerson and Cook (1970.

davedouglas.blogspot.com/2007/10/social-excha...

Philip Kotler's buyer behaviour



THE BLIND MEN AND THE ELEPHANT
(A Hindoo Fable)

IT was six men of Indostan
To learning much inclined,
Who went to see the Elephant
(Though all of them were blind),
That each by observation
Might satisfy his mind.

The *First* approached the Elephant,
And happening to fall
Against his broad and sturdy side,
At once began to bawl:
"God bless me! but the Elephant
Is very like a wall!"

The *Second*, feeling of the tusk,
Cried, "Ho! what have we here
So very round and smooth and sharp?
To me 'tis mighty clear
This wonder of an Elephant
Is very like a spear!"

The *Third* approached the animal,
And happening to take
The squirming trunk within his hands,
Thus boldly up and spake:
"I see," quoth he, "the Elephant
Is very like a snake!"

The *Fourth* reached out an eager hand,
And felt about the knee.
"What most this wondrous beast is like
Is mighty plain," quoth he;
"'Tis clear enough the Elephant
Is very like a tree!"

122

D'AULAIRE

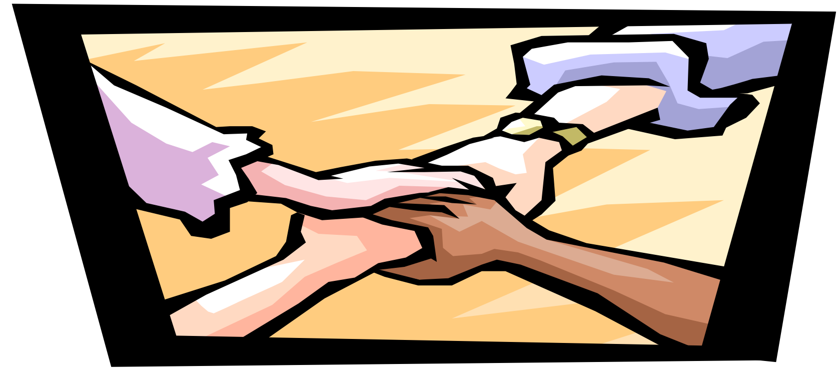
PRINCIPLES OF Marketing

Some remarks on marketing

Marketing impacts the economy:

- Marketing (broadly conceptualized) is about 50% of retail sales expenses
- The goal of marketing is to facilitate exchanges
- Marketing is very much about adding value through a broadly-defined value proposition
- Value may be created by marketers in many different ways: value is not only about price

The goal of marketing is to facilitate exchanges



Requirements for exchange:

- Two or more parties (voluntary involved)
- Parties have unsatisfied wants/needs
- Parties have something of value to exchange
- Each party has something the other party wants
- Means of Communication & delivery (marketing!)

Requirements for Market Exchange

- A “marketplace”
- A medium of exchange
- Specialization of labor
- Marketing management/ coordination

What is Market-Oriented?

"Marketing…is the whole business seen from the point of view of its final result, that is, from the customer's point of view."

--Peter Drucker

+ other exchange partners´view

Marketing is…

- Research
- Identifying a **real** need and offering a product or service (VALUE) to address that need
- Knowing everything about your ‘customers(PARNTERS)
- Communicating
- Assessing yourselves and your competition
- Building relationships
- Gaining profit…..

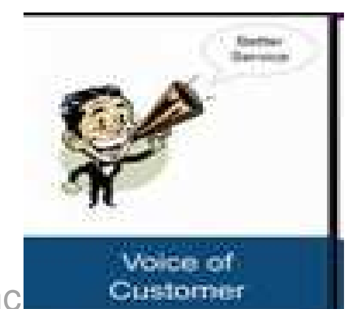
PRINCIPLES OF Marketing

Some definitions of marketing

- the task of creating, promoting, and delivering goods and services to consumers and businesses.

- Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

American Marketing Association 2004



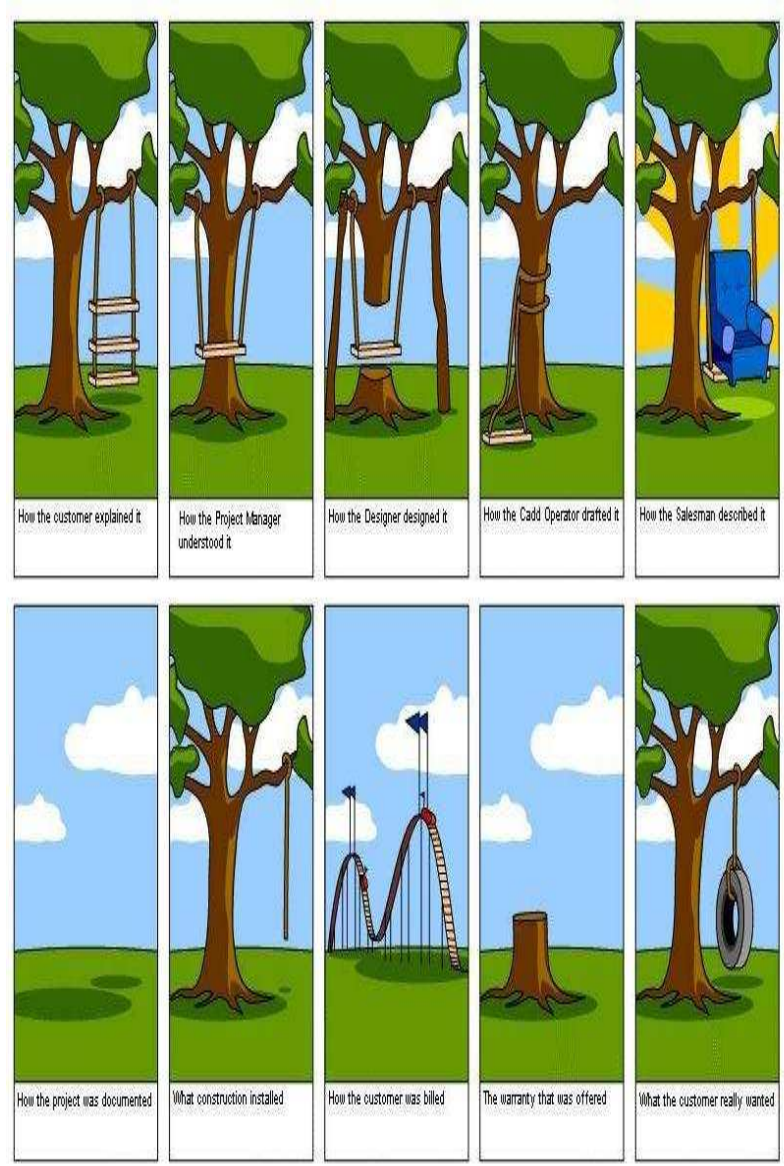
Other definitions

Marketing is the management process that identifies, anticipates and satisfies customer requirements profitably’

The Chartered Institute of Marketing

- ‘Marketing is the human activity directed at satisfying human needs and wants through an exchange process’

(*Kotler 1980*



Other definitions

- ‘Marketing is a social and managerial process by which **individuals and groups obtain what they want** and need through creating, offering and exchanging products of value with others’
  Kotler 1991

- “Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that **satisfy individual and organizational objectives”**
  American Marketing Association

What is Marketing?

"Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably."

Marketing

"The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organization goals."

American Marketing Association

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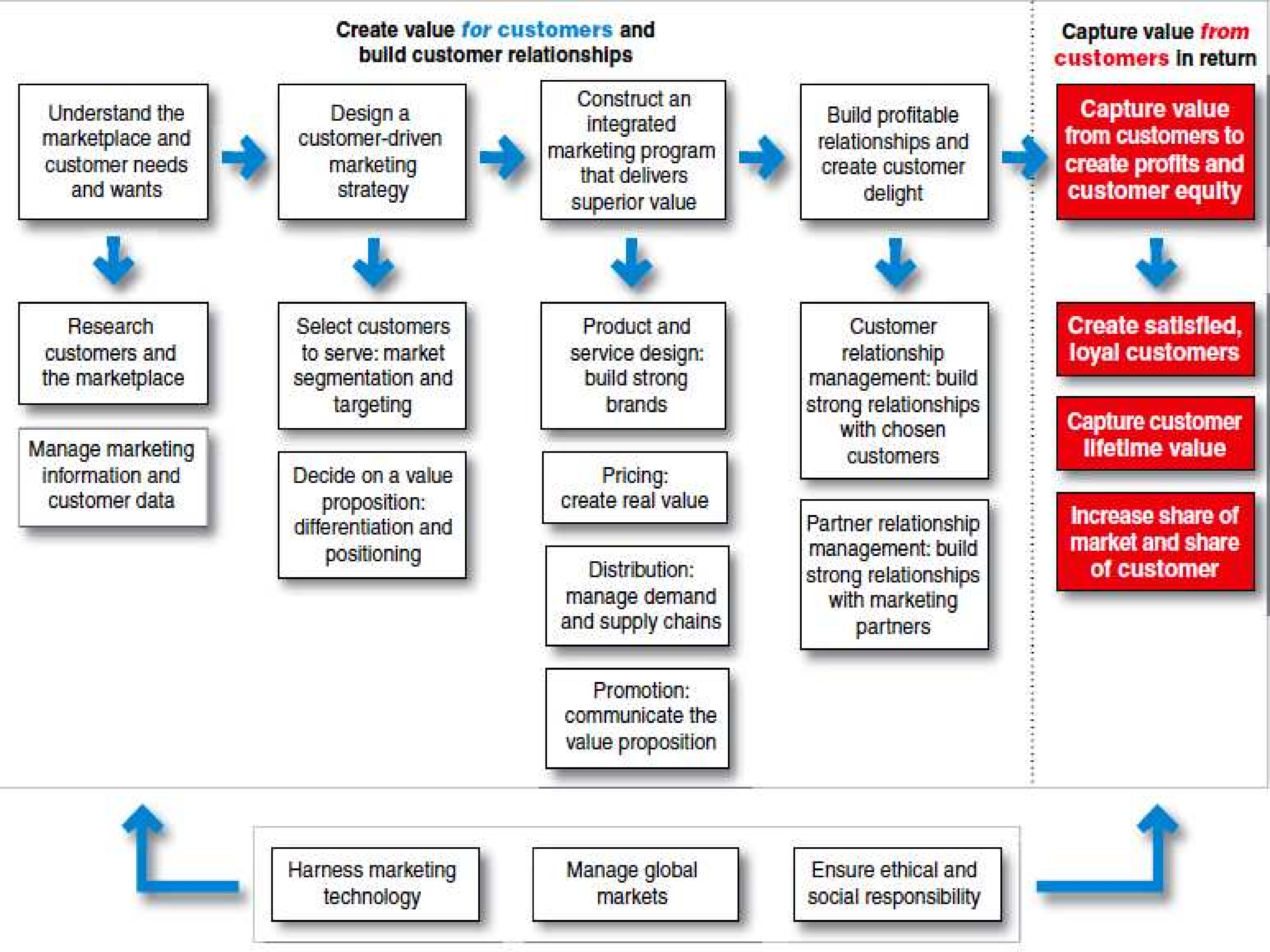

Create value for customers and build customer relationships
Capture value from customers in return
Understand the marketplace and customer needs and wants
Design a customer-driven marketing strategy
Construct an integrated marketing program that delivers superior value
Build profitable relationships and create customer delight
Capture value from customers to create profits and customer equity
Research customers and the marketplace
Manage marketing information and customer data
Select customers to serve: market segmentation and targeting
Decide on a value proposition: differentiation and positioning
Product and service design: build strong brands
Pricing: create real value
Distribution: manage demand and supply chains
Promotion: communicate the value proposition
Customer relationship management: build strong relationships with chosen customers
Partner relationship management: build strong relationships with marketing partners
Create satisfied, loyal customers
Capture customer lifetime value
Increase share of market and share of customer
Harness marketing technology
Manage global markets
Ensure ethical and social responsibility

Understanding the Marketplace & Customer Needs

Five Core Concepts: Marketers need to understand customer needs and wants and the marketplace in which they operate.

- Customer needs, wants, & demands
- Market offerings
- Customer Value and satisfaction
- Exchanges and relationships
- Markets

Customer Needs, Wants, & Demands

Needs

- States of deprivation
  - Physical—food, clothing, warmth, safety
  - Social—belonging and affection
  - Individual—knowledge and self-expression

Wants

- Form that human needs take as they are shaped by culture and individual personality
- Wants are shaped by one's society and are described in terms of objects that will satisfy those needs.

Demands

- Human wants backed by buying power

PRINCIPLES OF Marketing

This Is a Need

Needs - state of felt deprivation including physical, social, and individual needs.

This Is a Want

Wants - form that a human need takes, as shaped by culture and individual personality.

Need / Want Fulfillment

- Needs and Wants are fulfilled through a ***Marketing Offer***
  - Some combination of products, services, information, or experiences offered to a market to satisfy a need or want.

Need / Want Fulfillment

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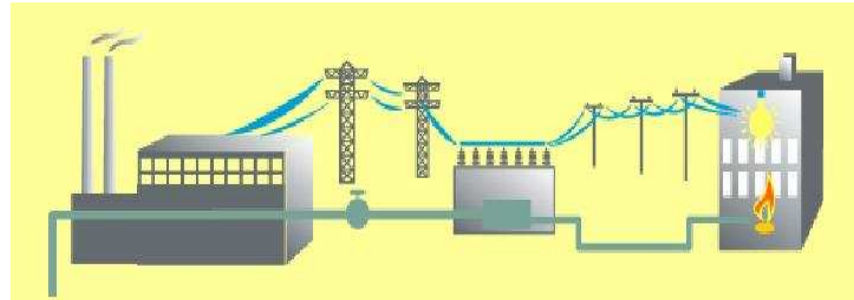
What is a Market?

- The set of actual and potential buyers of a product.



- These people share a need or want that can be satisfied through exchange relationships.

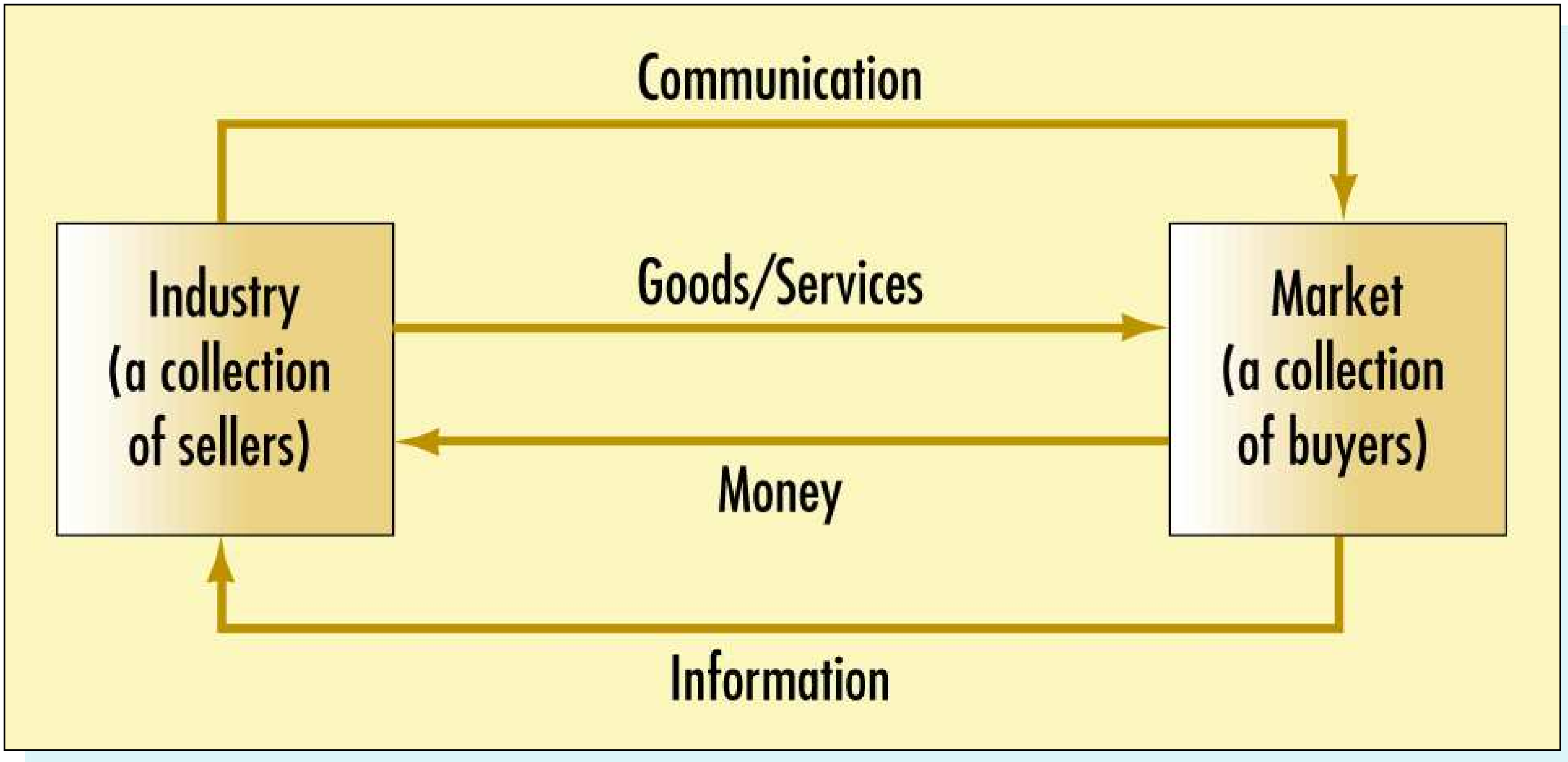
Wholesalers
Exporters
Input suppliers
Agro processors

Scope of marketing

- Places
- Properties
- Organizations
- Information
- Ideas

- Goods
- Services
- Experiences
- Events
- Persons

Figure 1-1: A Simple Marketing System



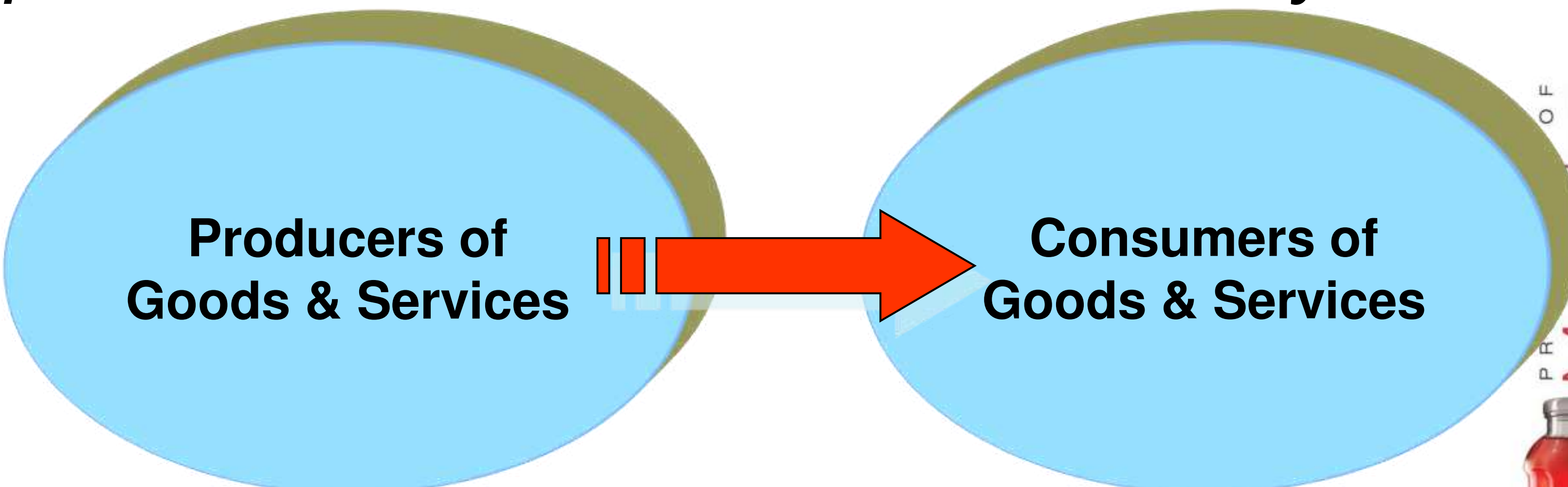
Market offerings

- **Market offerings** are some combination of products, services, or experiences offered to a market to satisfy a need or want. More broadly, market offerings also include other entities, such as persons, places, organizations, information, and ideas.

- **Marketing myopia** is focusing only on existing wants and losing sight of underlying consumer needs.

Marketing as a Societal Process

- Defined as *"a process that facilitates the flow of goods and services from producers to consumers in a society."*



Marketing as a Societal Process

- Issues to Consider:
  - What institutions are involved in the system?
  - What activities do these institutions perform?
  - How effective is the system at satisfying customer needs?
  - How efficiently can the system provides desired goods and services?

Marketing as a Societal Process

- A society's marketing system is closely related to its political and economic systems.

This Is Demand

Wants

+

Buying Power

=

"Demand"

Marketing

Two Types: “Consumer marketing and “Industrial” marketing.

Consumer Marketing is a marketing activity targeted at the individual or the family.

Industrial Marketing is the term used to describe business-to-business or firm-to-firm marketing.

Customer Value & Satisfaction

Customers

- Value and satisfaction

Marketers

- Set the right level of expectations
- Not too high or low

Exchange, Relationships & Markets

Exchange is the act of obtaining a desired object from someone by offering something in return.

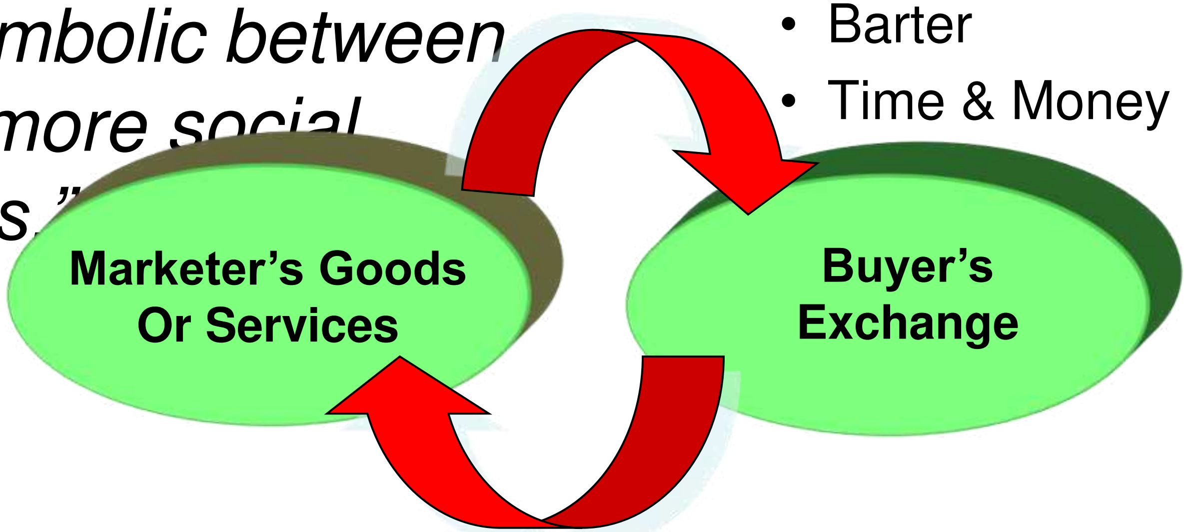
Marketing consists of actions taken to build and maintain desirable exchange **relationships** with target audiences involving a product, service, idea, or another object.

Markets are the set of actual and potential buyers of a product or service

Marketing Exchanges

- EXCHANGE is the *“transfer of something tangible or intangible, actual or symbolic between 2 or more social actors.”*

- Transactions in marketing exchanges can use:
  - Money
  - Barter
  - Time & Money



PRINCIPLES OF Marketing

MARKETING MANAGEMENT

'The Art and Science of choosing target markets and building profitable relationships with them'.

This involves getting, keeping and growing customers through creating, delivering and communicating superior customer value. Thus, marketing management involves managing demand, which in turn involves managing customer relationships.

Designing a Customer-Driven Marketing Strategy

Marketing management is the art and science of choosing target markets and building profitable relationships with them.

The marketing manager's aim is to find, attract, keep, and grow target customers by creating, delivering, and communicating superior customer value.

To design a winning marketing strategy, the marketing manager must answer two important questions:

- What customers will we serve? (target market)
- How can we best serve these customers? (value proposition)

Selecting Customers to Serve

Market segmentation refers to dividing the markets into segments of customers

Target marketing refers to which segments to go after

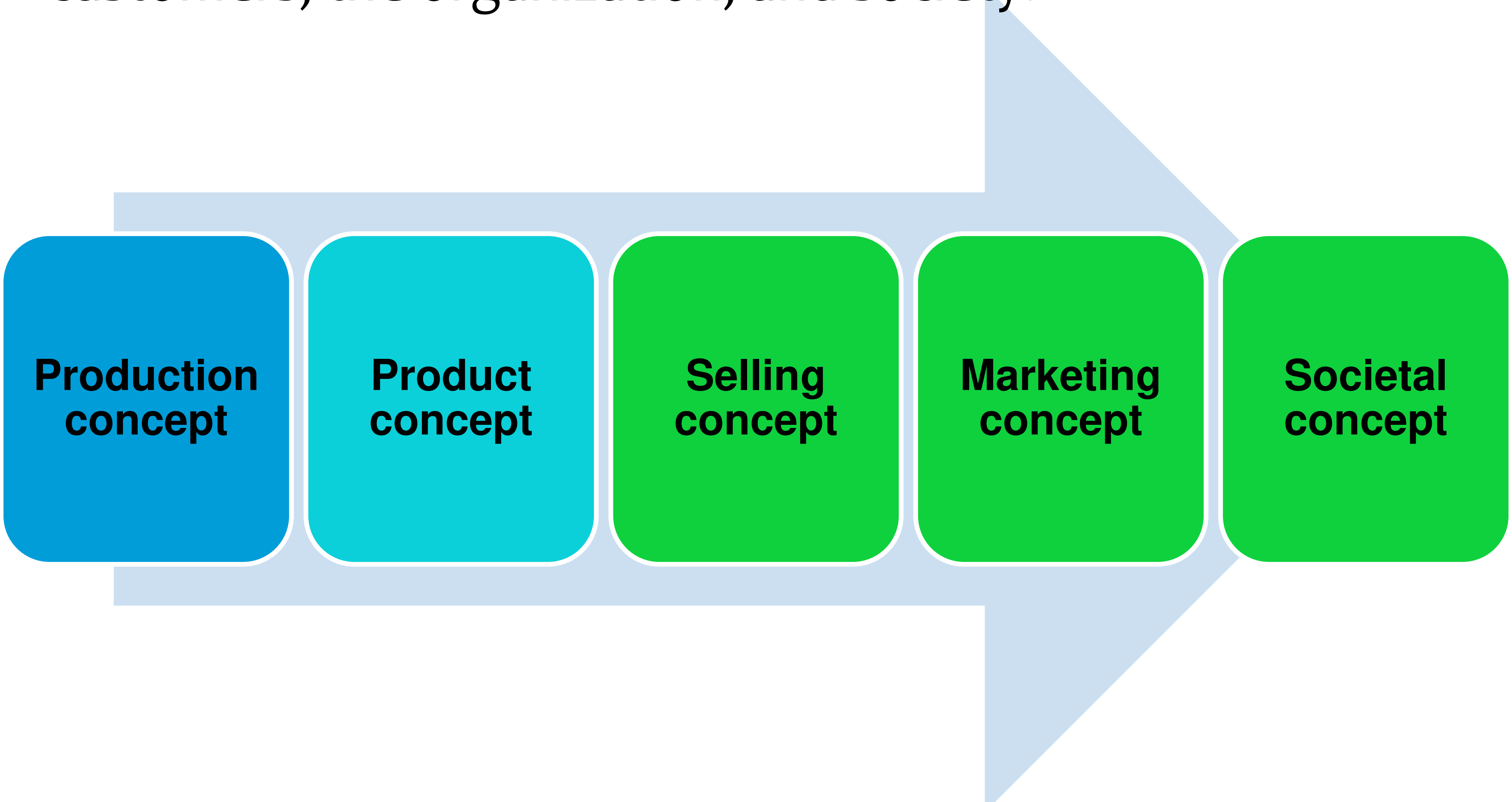
Demarketing is marketing to reduce demand temporarily or permanently; the aim is not to destroy demand but to reduce or shift it

Choosing a Value Proposition

- Why should I buy your brand rather than a competitor's?
- **The value proposition** is the set of benefits or values a company promises to deliver to customers to satisfy their needs- how it will differentiate and position itself in the marketplace.

Marketing Management Orientations

What philosophy should guide these marketing strategies? What weight should be given to the interests of customers, the organization, and society?



Marketing Management Orientations

- ❖ **Production concept** is the idea that consumers will favor products that are available and highly affordable, and that the organization should therefore focus on improving production and distribution efficiency.

- ✓ It is useful in these situations; low labor costs, high production efficiency, and mass distribution.

- ➢ It can lead to marketing myopia.

Marketing Management Orientations

Product concept is the idea that consumers will favor products that offer the most quality, performance, and features. Organizations should therefore devote its energy to making continuous product improvements.

Selling concept is the idea that consumers will not buy enough of the firm's products unless it undertakes a large scale selling and promotion effort. The aim often is to sell what the company makes rather than making what the market wants.

Marketing Management Orientations

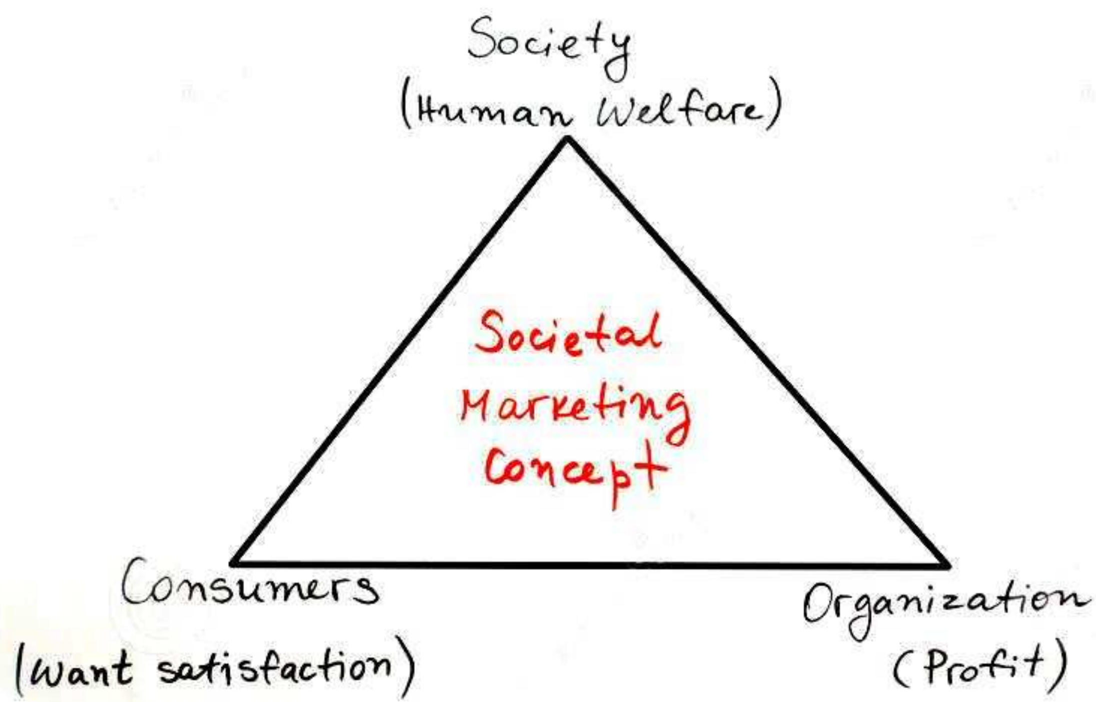
Marketing concept is the idea that achieving organizational goals depends on knowing the needs and wants of the target markets and delivering the desired satisfactions better than competitors do.

It starts with a well-defined market, focuses on customer needs, and integrates all the marketing activities that affect customers.

The job is not to find the right customers for your product but to find the right products for your customers.

Marketing Management Orientations

Societal marketing concept is the idea that a company should make good marketing decisions by considering consumers' wants, the company's requirements, consumers' long-term interests, and society's long-run interests.



Preparing an Integrated Marketing Plan & Program

- **The marketing mix** is the set of tools (four Ps) the firm uses to implement its marketing strategy. It includes product, price, promotion, and place. To deliver on its value proposition, the firm must first create a need satisfying market offering (**product**). It must decide how much it will charge for the offering (**price**) and how it will make the offering available to target consumers (**place**). Finally, it must communicate with target customers about the offering and persuade them of its merits (**promotion**).

- **Integrated marketing program** is a comprehensive plan that communicates and delivers the intended value to chosen customers.

Marketing Mix

The 4Ps marketing mix concept (also known as the 4ps of marketing) was introduced by Jerome McCarthy in his book: "Basic Marketing: A Managerial Approach". It refers to the thoughtfully designed blend of strategies and practices a company uses to drive business and successful product promotion. Initially 4, these elements were product, price, place and promotion, which were later expanded by including people, packaging and process. These are now considered to be the “7 Ps” mix elements.

The Marketing Mix
1953 Neil Borden President of AMA – concept „recipe“

4 traditional P’s:
- Product
- Price
- Promotion
- Place (Distribution)

E. Jerome McCarthy, 1960, book Basic Marketing

More „Ps“:
- Preparedness
- Personnel
- Packaging
- People…

- 4 „Cs“: customer solution, customer costs, customer convenience, communication with customer (Kotler)

http://en.wikipedia.org/wiki/Marketing_mix

Other Marketing concepts

Production Concept

Efficiency issues

Mass production

narrow product-line(s)

- pricing based on the costs of production and distribution
- research limited to technical product-research
- packaging designed primarily to protect the product
- minimal promotion and advertising, limited to raising awareness of the existence of the product
- consumers more interested in simply obtaining the product, and less in its quality

Product concept

Assumption : consumers will buy it if it's cheap
Makes sense when little differentiation is demanded
Makes sense for price sensitive segments

•the main focus of the company is on the products being like improving it, adding features to it, making the product superior each time assuming that customers will buy the products because they have greater quality.

•the first thing that is considered is the **function** that the product is going to serve. It is also reviewed as to how many models or sizes or **variants** the product is going to have. This product can be a physical good or a service.

After the product has been manufactured,

Selling concept

- Company relies on sales talent
- May result in high
- pressure sales tactics
- Makes more sense when new product’s benefits are hard to understood
- Businesses concentrates on ways of selling theproducts.
- Numerous sales techniques such as closing, probing, and qualifing are used and the sales department has an exalted position in a company's organizational structure.
- Other promotional techniques like advertising, and sales promotions are taken intensively.
- Packaging and labeling is used for promotional purposes more than protective purposes.
- Pricing is usually based on comparisons with competitors (called competitor indexing).

Marketing concept

- **late 1960s and early 1970s**
- **Extensive use of marketing research**
- **Broad product lines**
- **Emphasis on a product's benefits to customers rather than on product attributes**
- **Use of product innovation techniques**
- **The offering of ancillary services like credit availability, delivery, installation, and warranty**

REVIEW LEARNING OUTCOME

Orientation	Focus
Production	How can we make it cheaper?
Sales	How can we sell more aggressively?
Marketing	What do customers want and need?
Societal	What do customers want and need, and how can we benefit society?

Other concepts

- Relationship marketing
- Network marketing
- Social marketing
- Eco-marketing…

Social Marketing Defined

"…A process for influencing human behavior on a large scale, using marketing principles for the purpose of societal benefit rather than commercial profit." (*W. Smith, Academy for Educational Development*)

The New View of Marketing

- The marketing emphasis today is on keeping existing customers as well as getting new ones
- Four principles guide marketing:
  - ***retention***: keeping them coming back
  - ***referrals***: encourage them to recommend us
  - ***relationships***: build an emotional connection
  - ***recovery***: solve problems as they arise

7 Ps of Marketing

1. Product (or Service)
2. Price
3. Promotion
4. Place
5. People
6. Packaging
7. Process

1.Product:

In a marketing mix, product considerations involve

- Design
- Quality
- Features
- Options
- Packaging
- Market positioning

2. Price : Many factors go into a pricing model.

- Price a product higher than competitors to create the impression of a higher-quality offering.
- Price a product similar to competitors,
- Price a product lower than competitors to break into a crowded market
- Plan to raise the price after the brand is established to highlight the value of an updated model.
- Set the base price higher to make bundling or promotions more appealing.

3. Promotion

It includes television and print advertising, content marketing, coupons or scheduled discounts, social media strategies, email marketing, display ads, digital strategies, marketing communication, search engine marketing, public relations and more.

4. Place

Where will you sell your product? The same market research that informed your product and price decisions will inform your placement as well, which goes beyond physical locations.

5. People

People refers to anyone who comes in contact with your customer, even indirectly, so make sure you're recruiting the best talent at all levels—not just in customer service and sales force.

6. Packaging

A company's packaging catches the attention of new buyers in a crowded marketplace and reinforces value to returning customers.

Design for differentiation

Provide valuable information

Add more value

7. Process

Prioritize processes that overlap with the customer experience. Some processes to consider:

Are the logistics in main distribution channel cost-efficient?

How are scheduling and delivery logistics?

Will your third-party retailers run out of product at critical times?

Do items ship reliably from your website?

Stages in the Application of Marketing Principles to Airline Management

- The application of marketing should consist of seven interlinked stages:

1. The Customer: The cornerstone of successful marketing activity is that firms should obtain full knowledge of their current and potential customers.
2. The information about market size, demographics, customer requirements, and attitudes.

2. The Marketing Environment The nature of sound marketing policies will clearly vary according to the constraints and opportunities provided by the external environment.

3. Strategy Formulation Clearly, it will not be possible to define marketing policies without the marketing input is a crucial one in the definition of a firm’s overall strategic direction.

4. Product Design and Development
5. Pricing and Revenue Management
6. Distribution Channel Selection and Control
7. Selling, Advertising, and Promotional Policies A common mistake is to assume that the words "Marketing" and "Selling" are synonymous.

An airline that is to apply the principles of marketing successfully needs a thorough knowledge of current and potential markets for its services. This knowledge should encompass an understanding of the businesses in which they participate, and of the market research techniques they must apply in order to gain the knowledge they need about the marketplace.

WHAT BUSINESS ARE WE IN?

To begin this work, any airline first has to answer the question as to which market or markets are to be studied. To do so, it must answer the fundamental question about the business or businesses in which it participates.

A large combination airline will be working in at least the following areas:

<u>Transportation:</u> There is a clear economic, and, often, the social need for transport. Those with this need will look for it to be satisfied in an optimum way.

Whether the use is made of air transport or a surface transport mode in order to do so will be less important to them.

Communication: Airlines have always assisted people to communicate, as travel allows opportunities for face-to-face meetings.

Leisure: Airlines today are increasingly involved in the intensely competitive leisure industry. Customers have to decide how they will use both their disposable income and disposable time.

Logistics: In the air freight industry, it is rarely possible for airlines to sell successfully against surface transport operators on the basis of price.

Surface transport rates are almost always cheaper than those charged by the airlines.

Information: As a more minor, but still interesting issue, on the cargo side of their business, airlines certainly compete in businesses associated with the movement of information.

For example, until the mid1980s, many airlines had lucrative markets composed of moving urgent documents.

WHO IS THE "CUSTOMER"?

"Consumer" and the "Customer". To begin with definitions, "Consumers" are those people who actually travel. They are therefore easy to identify and analyze. They make their existence clear by reporting for flights and their requirements and preferences can be analyzed using questionnaires.
In Marketing, such decision-makers are defined as "Customers".

There are at least four customer decisions that must be analyzed:

Will a trip be made at all?

For many firms today, the cost of travel is a major item of corporate expense.

Firms will attempt to reduce expenditure in order to minimize the effect of recession on corporate profitability or, in extreme cases, to stave off bankruptcy.

What mode of transport will be selected?

As was mentioned in the last section, it is likely that the future will see a significant increase in the amount of competition that airlines face from surface transport operators, especially railways.

Carriers will face a significant challenge for the business travel market, and may well have to target those who formulate corporate travel policies in order to minimize the adverse effect on their traffic

For air trips, what class of service will be purchased?

With many airlines, passengers have a choice of flying First Class (at least on long-haul routes), Business Class, and Economy or Coach Class.

Which airline will be selected?

If it has been agreed that a particular journey will be made by air, the question of the choice of airline is clearly a crucial one.

Building Customer Relationships

- **Customer Relationship Management (CRM)** is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. It deals with all aspects of acquiring, keeping, and growing customers.
- Relationship Building Blocks: Customer Value & Satisfaction

Customer perceived value	Customer satisfaction
• The difference between total customer value and total customer cost • CPV=TCV-TCC	• The extent to which a product's perceived performance matches a buyer's expectations

Building Customer Relationships

Customer Relationship Levels & Tools

- A company with many low-margin customers may seek to develop **basic relationships** with them.
- In markets with few customers and high margins, sellers want to create **full partnerships** with key customers.

- Many companies offer **frequency marketing programs** that reward customers who buy frequently or in large amounts.
- Other companies sponsor club marketing programs that offer members special benefits and create member communities.

Building Customer Relationships

Partner Relationship management involves working closely with partners in other company departments and outside the company to jointly bring greater value to customers

- Partners inside the company is every function area interacting with customers
  - Electronically
  - Cross-functional teams
- Partners outside the company is how marketers connect with their suppliers, channel partners, and competitors by developing partnerships

Building Customer Relationships

Partner Relationship Management

- Supply chain is a channel that stretches from raw materials to components to final products to final buyers
- Supply management
- Strategic partners
- Strategic alliances

Creating Customer Loyalty & Retention

Customer lifetime value is the value of the entire stream of purchases that the customer would make over a lifetime of patronage.

Capturing Value from Customers

Building Customer Equity

- **Customer equity** is the total combined customer lifetime values of all of the company's customers

- Building the right relationships with the right customers involves treating customers as assets that need to be managed and maximized

- Different types of customers require different relationship management strategies
  - Build the right relationship with the right customers

MARKET SEGMENTATION – AIR PASSENGER MARKET

1. Market segmentation

- Dividing a market into smaller groups of buyers distinct needs, characteristics, or behavior who might require separate products or marketing mixes

Market segmentation divides a market into well-defined slices. A market segment consists of a group of customers who share a similar set of needs and wants. The marketer’s task is to identify the appropriate number and nature of market segments and decide which one(s) to target. (Kotler)

Regardless of which type of segmentation scheme we use, the key is adjusting the marketing program to recognize customer differences.

Market segmentation

- Buyers differ in
  - Wants
  - Resources
  - Locations
  - Buying attitudes
  - Buying practices
- Through market segmentation, companies divide large, heterogeneous (different) markets into smaller segments that can be reached more efficiently and effectively with products and services that match their unique needs

STP (Segmentation, Targeting &Positioning)

Market segmentation

1. Identify bases for segmenting the market.
2. Develop segment profiles

→

Target marketing

3. Develop measure of segment attractiveness
4. Select target segments.

→

Market positioning

5. Develop positioning (differentiation) for target segments.
6. Develop a marketing mix for each segment.

Marketing

The major segmentation variables—are geographic, demographic, psychographic, and behavioural segmentation.

Variable	Major Segmentation Variables for Consumer Markets
Geographic region	
City or metro size	Under 5,000; 5,000–20,000; 20,000–50,000; 50,000–100,000; 100,000–250,000; 250,000–500,000; 500,000–1,000,000; 1,000,000–4,000,000; 4,000,000+
Density	Urban, suburban, rural
Demographic age	Under 6, 6–11, 12–17, 18–34, 35–49, 50–64, 64+
Family size	1–2, 3–4, 5+
Family life cycle	Young, single; young, married, no children; **young, married, youngest child under 6**; young; married, youngest child 6 or older; **older, married, with children**; older, married, no children under 18; older, single; other
Gender	Male, female
Income	Under Rs10,0000; 10,00000–15,000000; 15,000000–20,000000; 20,0000000–30,0000000; 30,0000000–50,0000000; 50,0000000–100,000000; 100,000000+
Occupation	Professional and technical; managers, officials, and proprietors; farmers; students; homemakers; unemployed
Education	SSC, Degree, Masters, PhD
Religion	Hindu, Christianity, Islam, Jainism, Others
Race	Asian, European, Mangolian, Black, White
Generation	Silent Generation, Baby boomers, Gen X, Gen Y
Nationality	India, American, Pakistani, Chinese
Social class	Lower lowers, upper lowers, working class, middle class, upper middles, lower uppers, upper uppers
Psychographic lifestyle	Culture-oriented, sports-oriented, outdoor-oriented
Personality	Compulsive, gregarious, authoritarian, ambitious
Behavioural occasions	Regular occasion, special occasion
Benefits	Quality, service, economy, speed
User status	Nonuser, ex-user, potential user, first-time user, regular user
Usage rate	Light user, medium user, heavy user
Loyalty status	None, medium, strong, absolute
Readiness stage	Unaware, aware, informed interested, desirous, intending to buy
Attitude toward product	Enthusiastic, positive, indifferent, negative, hostile

PRINCIPLES OF Marketing

Demographic Segmentation:

In demographic segmentation, we divide the market on variables such as age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality, and social class.

Psychographic Segmentation:

Psychographics is the science of using psychology and demographics to better understand consumers. In psychographic segmentation, buyers are divided into different groups on the basis of psychological/personality traits, lifestyle, or values.

Behavioural Segmentation:

In behavioural segmentation, marketers divide buyers into groups on the basis of their knowledge of, attitude toward, use of, or response to a product.

Bases for Business Markets:

Demographic

1. Industry: Which industries should we serve?
2. Company size: What size companies should we serve?
3. Location: What geographical areas should we serve?

Operating Variables

4. Technology: What customer technologies should we focus on?
5. User or nonuser status: Should we serve heavy users, medium users, light users, or nonusers?
6. Customer capabilities: Should we serve customers needing many or few services?

Purchasing Approaches

7. Purchasing-function organization: Should we serve companies with a highly centralized or decentralized purchasing organization?
8. Power structure: Should we serve companies that are engineering-dominated, financially dominated, and so on?
9. Nature of existing relationship: Should we serve companies with which we have strong relationships or simply go after the most desirable companies?
10. General purchasing policies: Should we serve companies that prefer leasing? Service contract? Systems purchases? Sealed bidding?

11. Purchasing criteria: Should we serve companies that are seeking quality? Service? Price?

Situational Factors

12. Urgency: Should we serve companies that need quick and sudden delivery or service?

13. Specific application: Should we focus on a certain application of our product rather than all applications?

14. Size or order: Should we focus on large or small orders?

Personal Characteristics

15. Buyer-seller similarity: Should we serve companies whose people and values are similar to ours?

16. Attitude toward risk: Should we serve risk-taking or risk-avoiding customers?

17. Loyalty: Should we serve companies that show high loyalty to their suppliers?

Steps in the Segmentation Process

Steps	Description
1. Needs-Based Segmentation	Group customers into segments based on similar needs and benefits sought by customers in solving a particular consumption problem.
2. Segment Identification	For each needs-based segment, determine which demographics, lifestyles, and usage behaviors make the segment distinct and identifiable (actionable).
3. Segment Attractiveness	Using predetermined segment attractiveness criteria (such as market growth, competitive intensity, and market access), determine the overall attractiveness of each segment.
4. Segment Profitability	Determine segment profitability.
5. Segment Positioning	For each segment, create a "value proposition" and product-price positioning strategy based on that segment's unique customer needs and characteristics.
6. Segment "Acid Test"	Create "segment storyboard" to test the attractiveness of each segment's positioning strategy
7. Marketing-Mix Strategy	Expand segment positioning strategy to include all aspects of the marketing mix: product, price, promotion, and place.

Segmentation Variables in the Air Passenger Market

Segmentation of the air passenger market has traditionally been based on the use of three variables:

1. The purpose of the passenger's journey
2. The length of their journey and
3. Their country or Culture of origin.

Customer Requirements – Business Travel Market

- Frequency and Timings
- Punctuality
- Airport Location and Access
- Seat Accessibility/Ticket Flexibility
- Frequent Flyer Benefits
- Airport Service
- In-Flight Service

The Business Travel Market

- Demographics
- Psychographics
- The Leisure Segment of Demand

TARGET MARKETING

The process of evaluating each market segment's attractiveness and selecting one or more segments to enter.

SELECTING MARKET SEGMENTS

Target marketing strategies / Market coverage strategies / Levels of market segments :

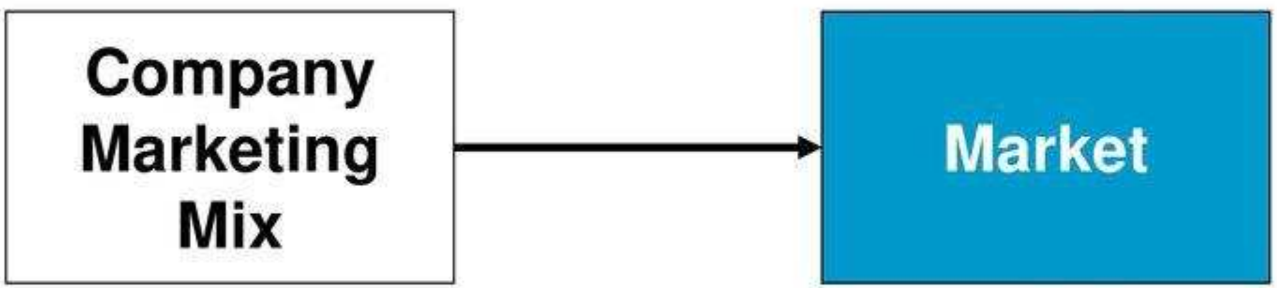
Undifferentiated (Mass) marketing → Differentiated (Segmented) marketing → Concentrated (Niche) marketing → Micro-Marketing

Targeting broadly

Targeting narrowly

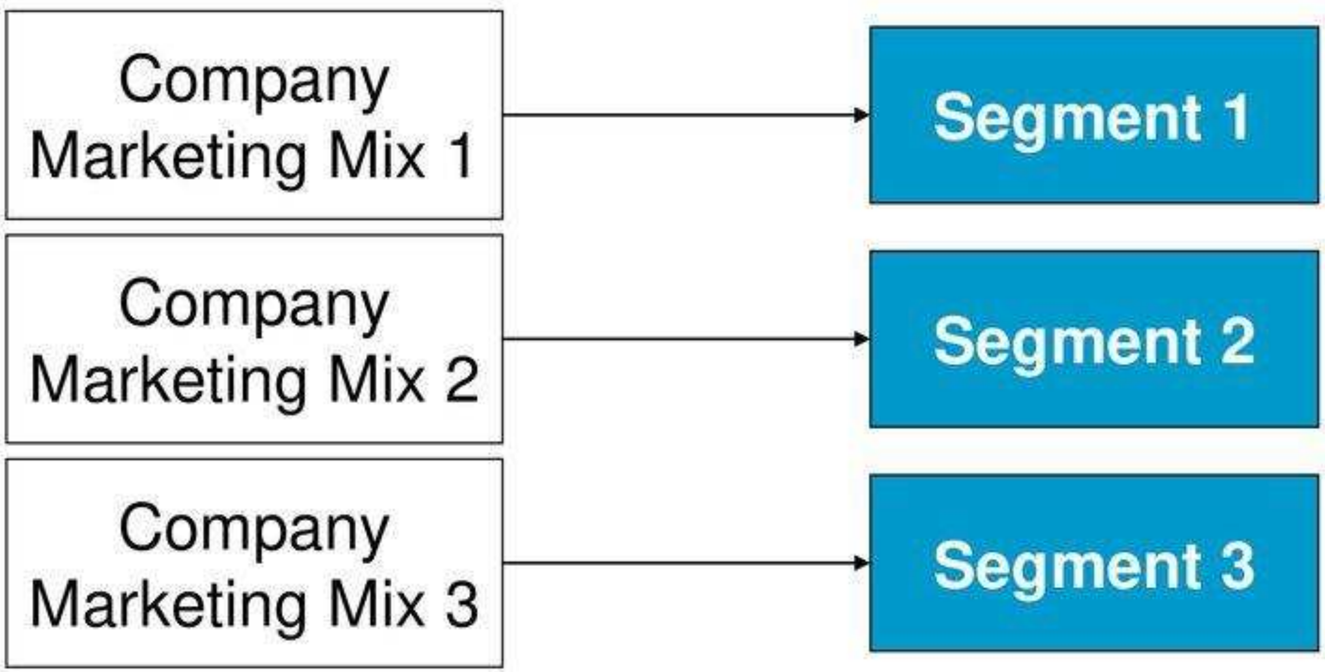
- **Undifferentiated (mass) marketing**

A market coverage strategy in which a firm decides to ignore market segment differences and go after the whole market with one offer.



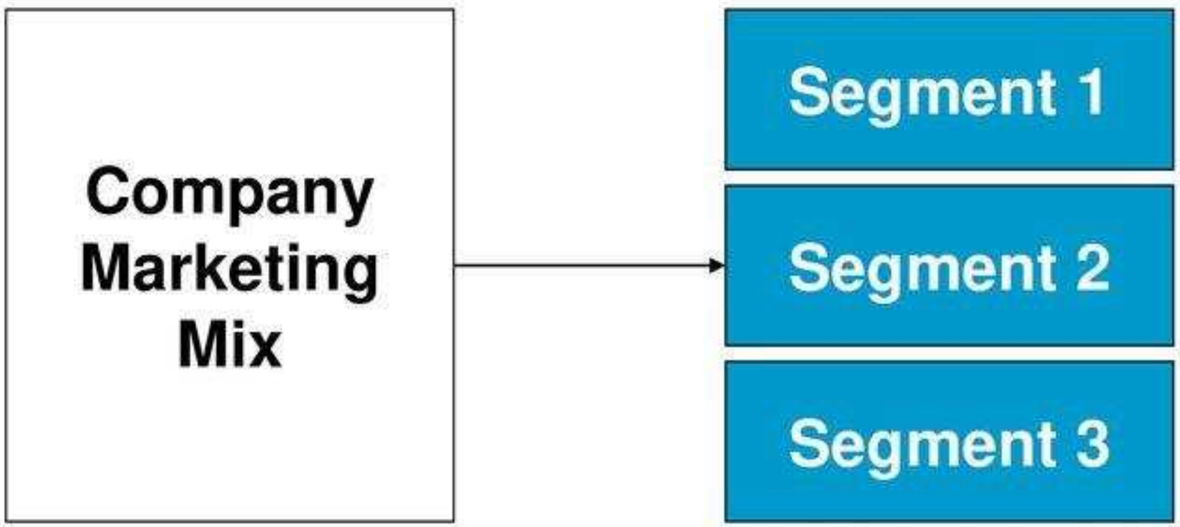
- **Differentiated (segmented) marketing**

A market coverage strategy in which a firm decides to target several market segments and design separate offers for each.



- ## Concentrated (niche) marketing

A market coverage strategy in which a firm goes after a large share of one or a few submarkets with distinctive traits that may seek a special combination of benefits.



- **Micromarketing**

  A market coverage strategy in which a firm tailors its products and marketing programs to suit the tastes of specific individuals and locations.

  Micromarketing includes –

  – Local marketing - Cities, neighborhoods and specific stores

  – Individual marketing – Mass customization

CHOOSING A POSITIONING STRATEGY (3 steps)

1. *Identifying possible competitive advantages* :

   Competitive advantage is an advantage over competitors gained by offering consumers greater value, either through lower prices or by providing more benefits that justify higher prices.

Overview of Methods for STP

- Clustering and discriminant analysis
- Choice-based segmentation
- Perceptual mapping

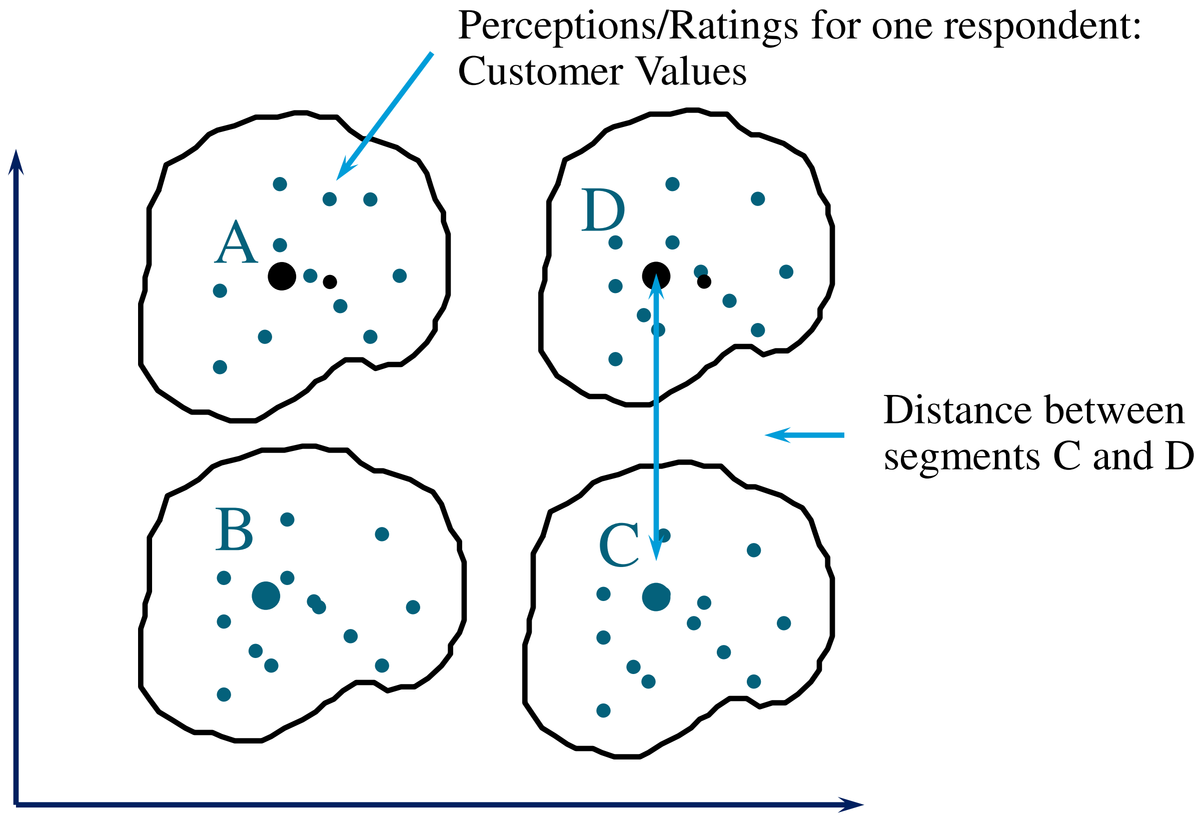
Segmentation (for Carpet Fibers)

Strength
(Importance)

A,B,C,D:
Location of
segment centers.

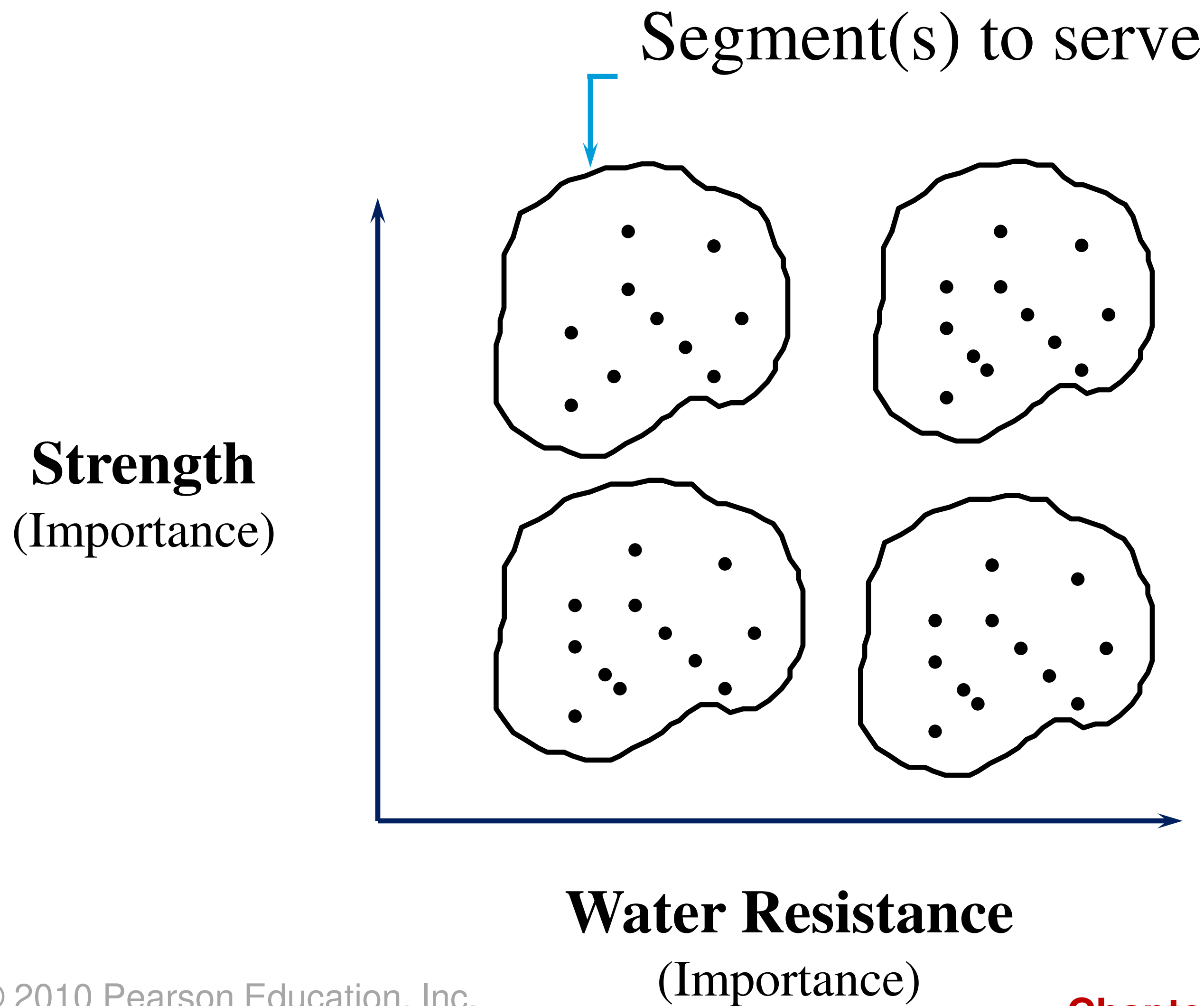
Typical members:

A: schools
B: light commercial
C: indoor/outdoor
carpeting
D: health clubs

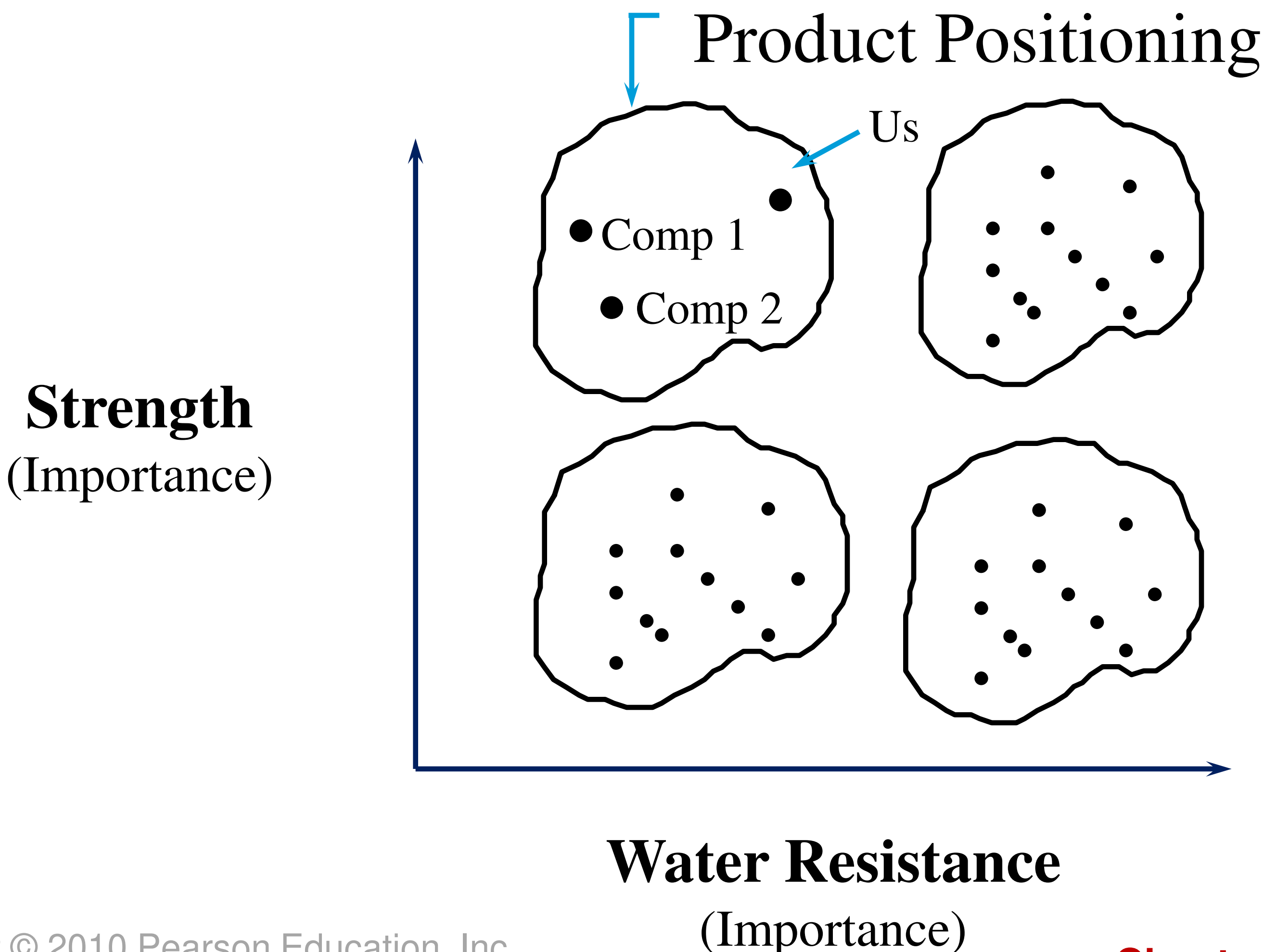


Water Resistance
(Importance)

Targeting


Segment(s) to serve
Strength
(Importance)
Water Resistance
(Importance)

Positioning




MARKETING
Segmentation
Targeting
Approaching
Positioning
Product
Price
CUSTOMER
Place
Promotion

A Note on Positioning

Positioning involves designing an offering so that the target segment members perceive it in a distinct and valued way relative to competitors.

Three ways to position an offering:

1. Unique (“Only product/service with XXX”)
2. Difference (“More than twice the [feature] vs. [competitor]”)
3. Similarities (“Same functionality as [competitor]; lower price”)

The most common basis for constructing a product positioning strategy are –

- Positioning on specific product features
- Positioning on specific benefits, needs or solution
- Positioning on specific use categories
- Positioning on specific usage occasions
- Positioning on a reason to choose an offering over the competition
- Positioning against another product
- Positioning by cultural symbols

2. *Choosing the right competitive advantages* :

- How many differences to promote?

- Which differences to promote?

  The differences must have the following criteria -

  » *Important*
  » *Distinctive*
  » *Superior*
  » *Communicable*
  » *Preemptive*
  » *Affordable*
  » *Profitable*

3. <u>Selecting an overall positioning strategy</u> :

Price

Benefits	More	The same	Less
More	More for more	More for the same	More for less
The same			The same for less
Less			Less for much less