

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





I. Role of Marketing in a Firm

1.1 Marketing Concept

1.2 Marketing Strategy

1.3 Marketing Environment

1.4 Marketing Research

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





I. I Marketing Concept

What is Marketing?

Marketing can be defined as:

A social and managerial process by which individuals and groups obtain what they NEED and WANT through creating and exchanging PRODUCTS and VALUES with others.

**From a company perspective:
Satisfying customers' needs**

The Marketing Concept

Determining needs and wants of consumers and delivering the desired satisfactions more effectively and efficiently than competitors



PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





1.2 Marketing Strategy and the Process of Planning

How is it done?

The Marketing Strategy and Process

- 1. Understand the marketplace and customer wants and needs**
- 2. Design a customer-driven marketing strategy**
- 3. Construct a marketing plan that delivers superior value**
- 4. Build profitable relationships and create customer satisfaction**
- 5. Capture value from customers to create profit and customer equity**

Example:

Henry Ford said on the Model T (early 1900s):

“You can get it in any color you want as long as it is black”



Coupe



Roadster



Sedan



Touring



Truck

Ford relied on fulfilling the basic need of transportation: getting people from one place to another, cheaper - better on price than competition.

Who was competition at the time? Few other car manufacturers, Horse and carriage; trains; walking...

Was Ford able to satisfy consumers' needs?

Yes, if consumers want relatively cheap transportation and don't care about the "look"

No, if consumers want different colors, more uniqueness

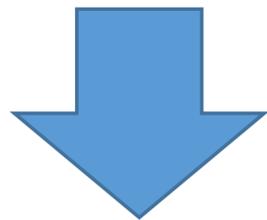
By being able to produce the cars in an assembly line without needing to stop to change the paint of the car, Ford was able to keep the cost low and hence the price.

At the time, it provided what the market demanded – transportation at an affordable price

It had Market-Fit

However....Marketing challenges:

- 1. The Marketing environment keeps changing (economy, culture, technology...)**
- 2. Consumers' "needs" keep changing**
- 3. What works today will not work tomorrow—strategy needs to change**
- 4. New competitors keep entering the market**



Marketing strategy is a very dynamic process

1927-1940:

By Ford focusing on mass production it had to give up flexibility, and experienced inertia which led it to not respond in a timely manner to the changing nature of demand. GM responded to this change first and increased its market share from 20% to 50% while Ford's MS fell from 50% to 20%.

Conclusion: one has to scan the environment at all times

But before we talk about the Marketing Environment let's clarify some of the terms we used so far

Needs, Wants, and Demands

Needs:

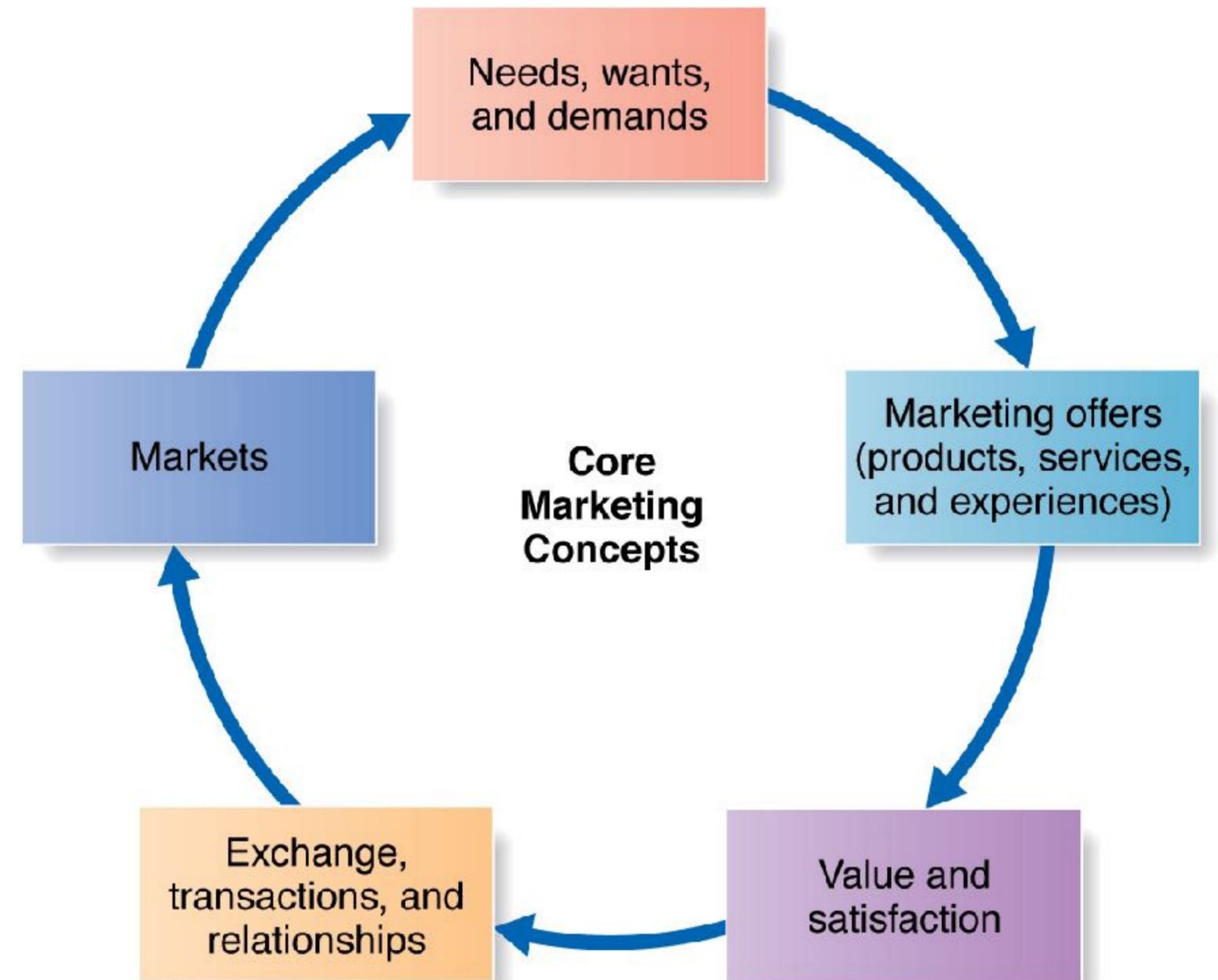
- Felt deprivation (the discrepancy between current state and desired state)

Wants:

- Form of needs shaped by culture and personality

Demands:

- Wants backed by buying power

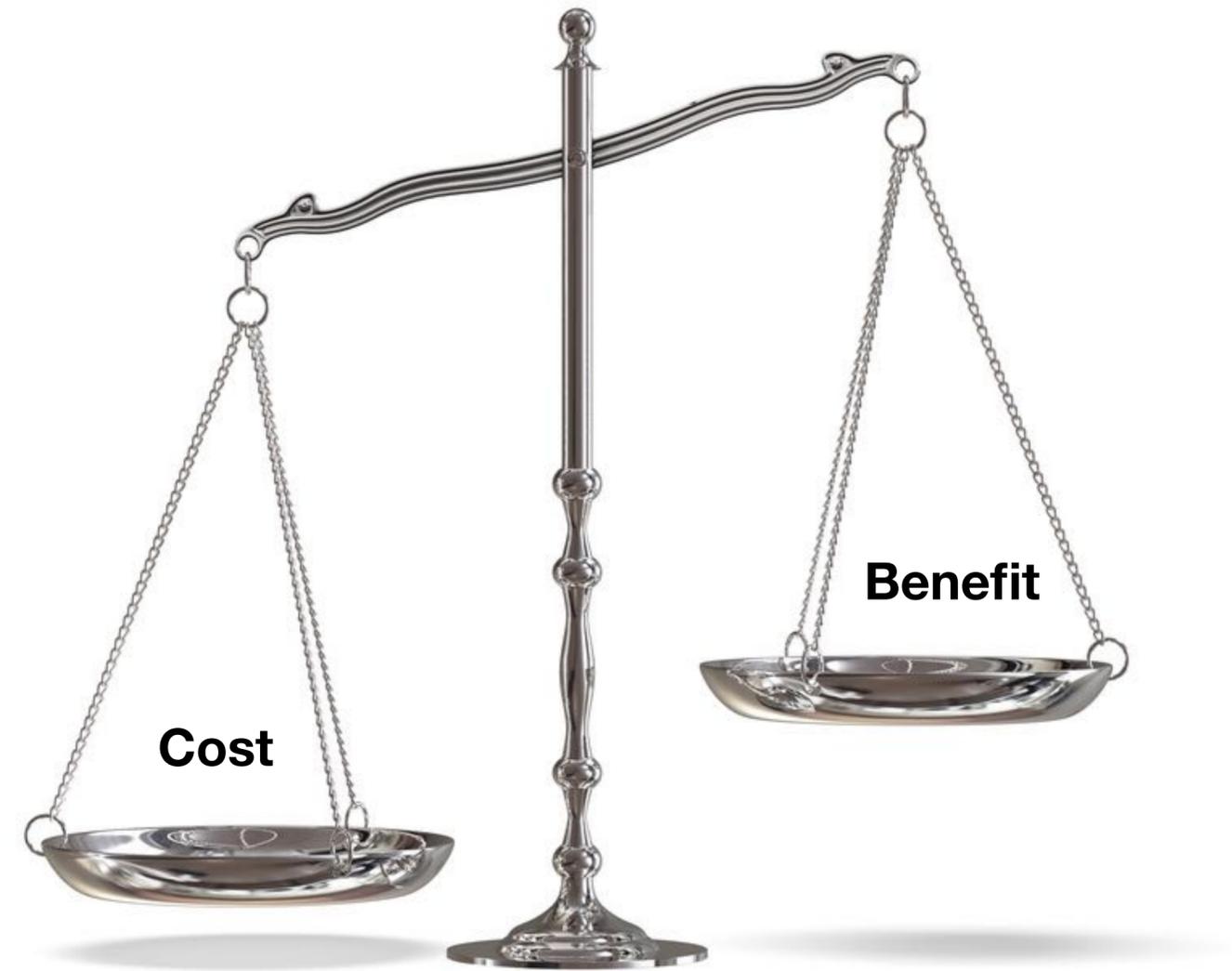


For example:

- **I am hungry, I NEED to eat.
But what do I WANT to eat?**
- **How much money can I
spend on eating?**
- **How I choose to satisfy my
need (hunger) will depend
on:**
- **What I want and how much
money I have to spend on it.**

Value and Satisfaction

Customer value is consumers' evaluation of the difference between total benefits and total costs. When the benefits outweigh the costs in a better way than competitors' offerings, the company has an advantage that helps it attract, retain, and grow its customers' base.



Measuring Value

Every product can be described in terms of: attributes, benefits, costs and value.

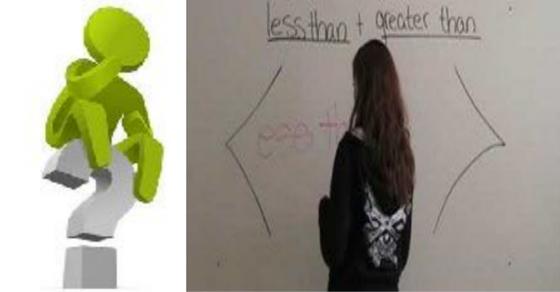
Attributes – the objective features of the product

Benefits – the benefits derived from the features

Costs – the costs derived from the features

Value – the benefits minus the costs

Example: Potato chips

	Attributes (objective product features)	Benefits/costs (individual/subjective)	Value? (subjective)
Positive	Flavor, Taste, Texture, Energy	Enjoyment, Pleasure, Full, Energized	Happy, Comfort
Chips			
Negative	High calories, Fat, Artificial ingredients	Gain weight, Unhealthy, Wont be attractive	Negative self-esteem, long-term health issues

How is “value” connected to “satisfaction”?

Satisfaction reflects consumer’s evaluation of a product performance in relation to expectations (benefits):

If falls short  Disappointed

If matches  Satisfaction

If exceeds  Delighted

Would all consumers have the same value and the same satisfaction from the same product/service?

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





1.3 Marketing Environment

Situation Analysis

- 1) **SWOT assessment**
 - **Internal assessment**
 - Strengths**
 - Weaknesses**
 - **External assessment**
 - Opportunities**
 - Threats**
- 2) **Environmental Scanning:
Micro and Macro factors**



SWOT Assessment

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

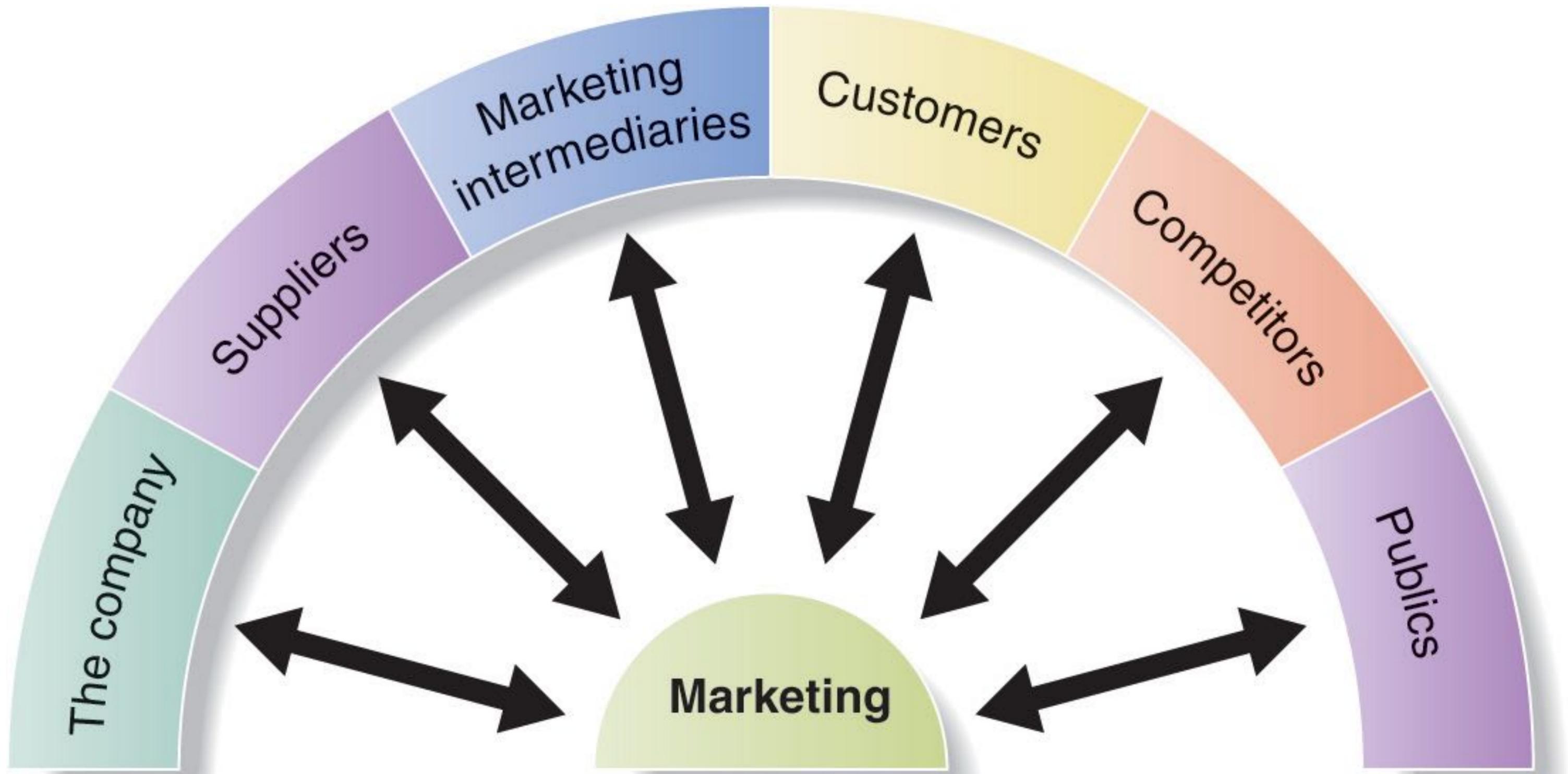
Negative

Environmental Scanning

The marketing environment includes the actors and forces outside the marketing dept. that affect marketing management's ability to build and maintain successful relationships with customers

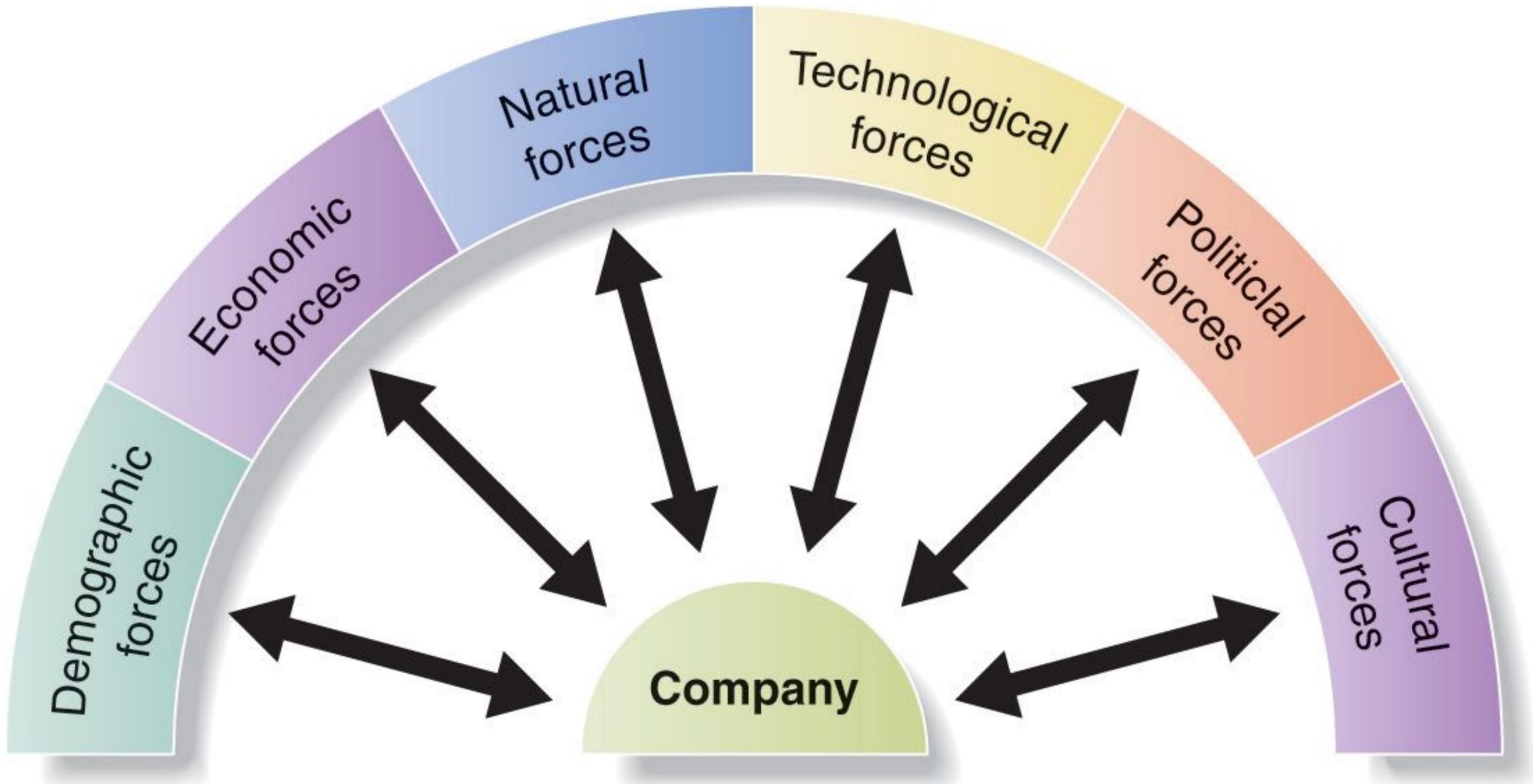
Microenvironment:

Consists of the actors close to the company that affect its ability to serve its customers: the company, suppliers, marketing intermediaries, customer markets, competitors, and publics



Macroenvironment:

**consists of the larger
societal forces that affect
the microenvironment**



Macro - Advancing Technology can:

- Create new forms of competition and communications: fax, cellular, Internet, virtual reality, wireless abilities**
- Create new industries to be supplied**
- Affect how people spend their time: working and shopping from home, virtual meetings, social media**

Self driving cars

- **Google's Waymo**
- **Tesla**

Cell phones that have facial recognition and augmented reality abilities

Different methods of payment

- **Apple pay**
- **Venmo**

Home control devices

- **Amazon's Echo**
- **Google's Home**

Political & Legal Forces

- **Government and laws affect marketing at many levels**
- **Legislation often has implications for marketing; some more direct than others**



**NO SMOKING
IN THIS AREA**

THANK YOU THAT DO NOT SMOKE HERE

Social & Cultural Forces

Cultural environment consists of institutions and other forces that affect a society's basic values, perceptions, and behaviors

- Emphasis on quality of life**
- Immigration**
- Women's role in society**
- Eating habits**
- Service emphasis**
- Concern for the environment**

Demographic Change

changing nature of the population

- **Aging population; impact of seniors, boomers and their kids**
- **Smaller families; more single-person households**
- **Smaller, non-traditional households**
- **Part-time workers, dual-income households**
- **Changing patterns of immigration; ethnic mix**

Economic Environment

Affects consumer purchasing power and spending patterns

- **Subsistence economies consume their own agriculture and industrial output**
- **Industrial economies are richer markets**

Changes in Income

Value marketing involves ways to offer financially cautious buyers greater value—the right combination of quality and service at a fair price

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University

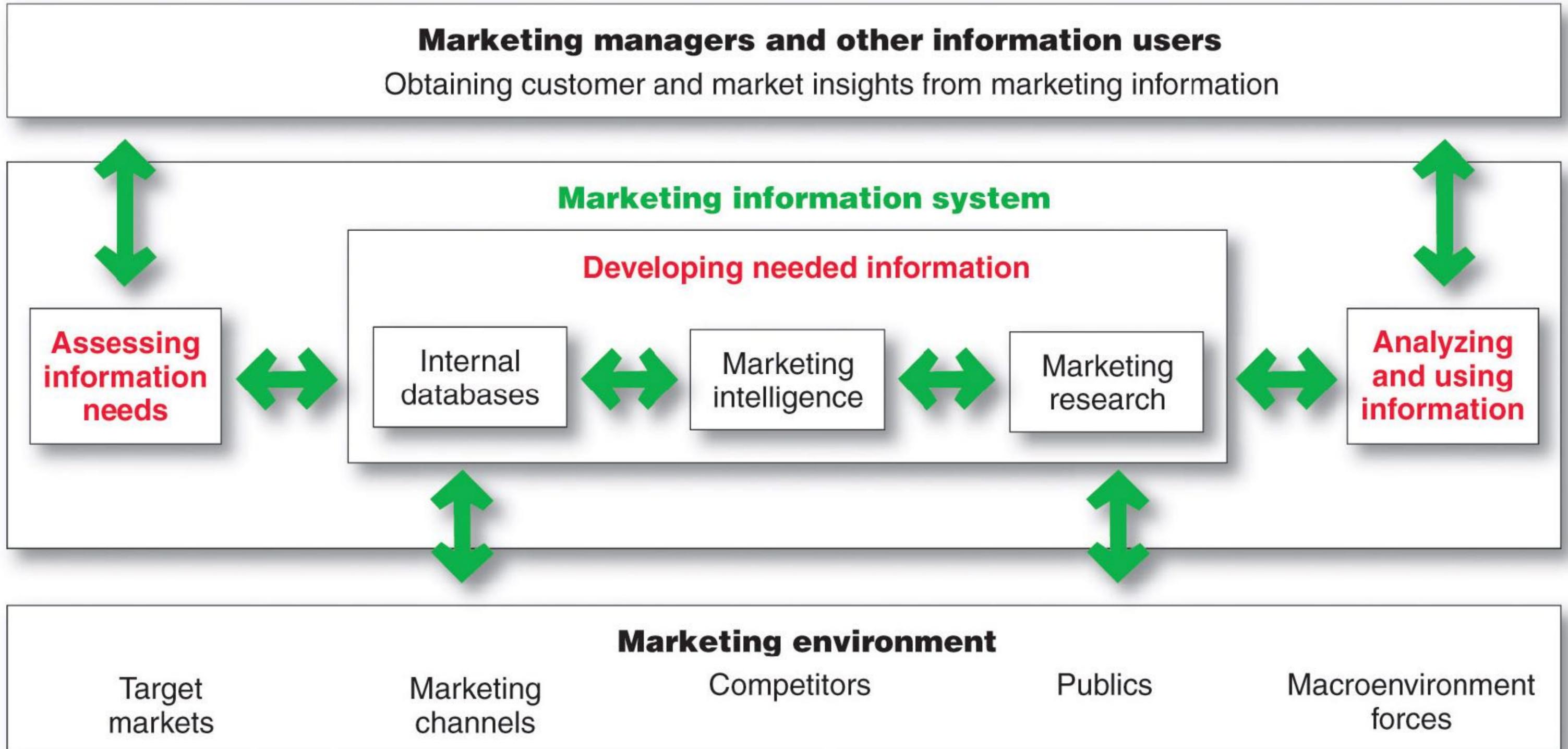




1.4 Marketing Research

- **Customer insights can provide the company a deeper understanding of customers' needs and wants**
- **Which in turn, will enable it to serve its customers better, and offer them exactly what they want**

Marketing Information System



Developing Marketing Information

Marketers can gain information from:

- 1. Internal databases that are electronic collections of consumer and market information obtained from data sources within the company network (secondary data)**

2. Marketing intelligence that is the systematic collection and analysis of publicly available information about consumers, competitors and developments in the marketplace (secondary data)

3. Marketing research that is the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization (primary data)

Why Would Companies Do Marketing Research?

- To identify and define marketing opportunities and problems (Sales are down. Why?)
- To generate, refine and evaluate marketing actions (Should we add products? Create a new brand name?)



Why Would Companies Do Marketing Research?

- **To monitor marketing performance (did we increase brand awareness? Was our repositioning successful?)**
- **To improve understanding of marketing as a process (better customer service, better delivery service; gaining insights)**

Steps in Developing the Research Plan

Step 1:

Defining the type of research & objectives

Step 2:

Developing the research plan for collecting information

Step 3:

Collecting and analyzing the data

Step 1: Types of Research & Objectives

Exploratory Research

Define the problem & suggest hypotheses (why do we think sales are down?)

Descriptive Research

Describe factors: market potential, demographics, attitudes, etc.

Causal Research

Test hypotheses about cause-&-effect relationships (if we reduce price would sales go up?)

Step 2: Developing the Research Plan for Collecting Information

Secondary data

Information that already exists, having been collected for another purpose

Primary data

Information gathered for this specific research plan

Advantages

Cost

Speed

**Could not get data
otherwise**

Disadvantages

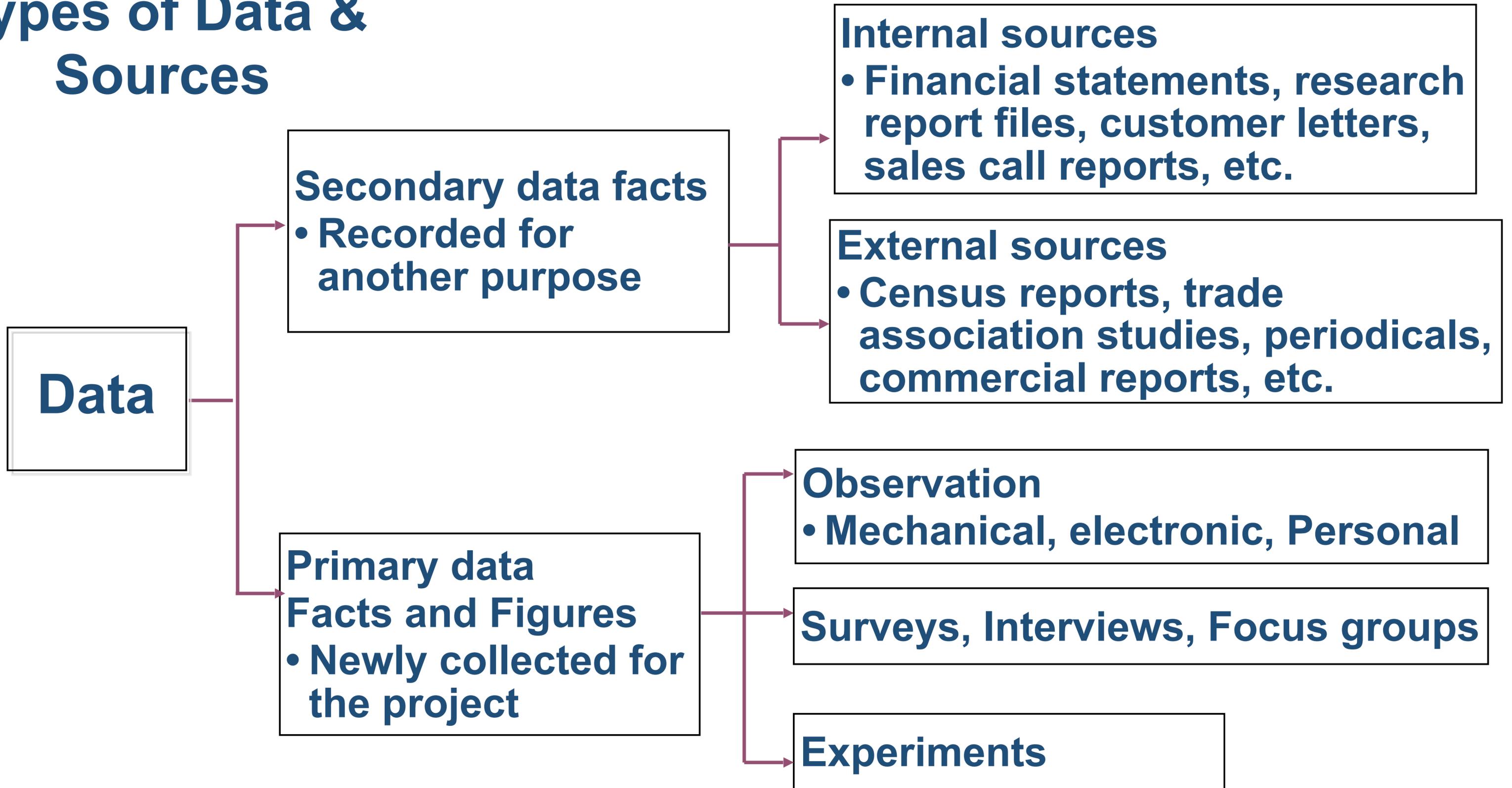
Current

Relevant

Accuracy

Impartial

Types of Data & Sources



Stage 3: Collecting and Analyzing the Data

- **Planning Primary Data Collection (exploratory, descriptive, causal)**
- **Research approaches (observations, surveys, experiments)**
- **Contact methods (mail, phone, online, etc)**
- **Sampling plan (who will be a participant?)**
- **Research instruments (paper and pencil, electronic, etc)**

Research Approaches: Types of Research

Observational research involves gathering primary data by observing relevant people, actions, and situations (traffic patterns, consumption patterns)

Ethnographic research involves sending trained observers to watch and interact with consumers in their natural environment (hunting for cool)

Survey research involves the usage of questionnaires and is widely used in descriptive research— knowledge, attitudes, preferences, and buying behavior

Experimental research is best for gathering causal information— cause-and-effect relationships.

Example: is the new logo affecting consumers' attitudes and consumption ?

Research Approaches: Types of Data

Qualitative research/exploratory research

Used when the problem the
company needs an answer to is
not clear – why are sales down?
Why consumers not satisfied?

Tools:

- Individual depth interview
- Focus group interview



Advantages

- **Depth and richness of context, can discover things otherwise impossible**

Disadvantages

- **Not necessarily representative of population**
- **Harder to interpret**
- **Moderator**

Quantitative Research

Supplement to qualitative research results, when additional information is needed. Mainly descriptive (percentages of traits in population), or causal.

Tools:

Questionnaire survey, large number of target audience consumers is needed (200-1000)



Sampling Plan

Sample - segment of the population selected for marketing research to represent the population as a whole

- **Who is to be surveyed? (characteristics of “subjects”)**
- **How many people should be surveyed? (number of subjects)**
- **How should the people be chosen? (sampling method)**

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





2. Customer Driven Marketing Strategy

2.1 Consumer Behavior

2.2 What is Consumer Behavior?

2.3 Targeting

2.4 Differentiation and Positioning

2.5 Business-to-business Markets



PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





2.1 Consumer Behavior

Consumer buyer behavior refers to the buying behavior of final consumers—individuals and households who buy goods and services for personal consumption

Consumer market refers to all of the personal consumption of final consumers



PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University

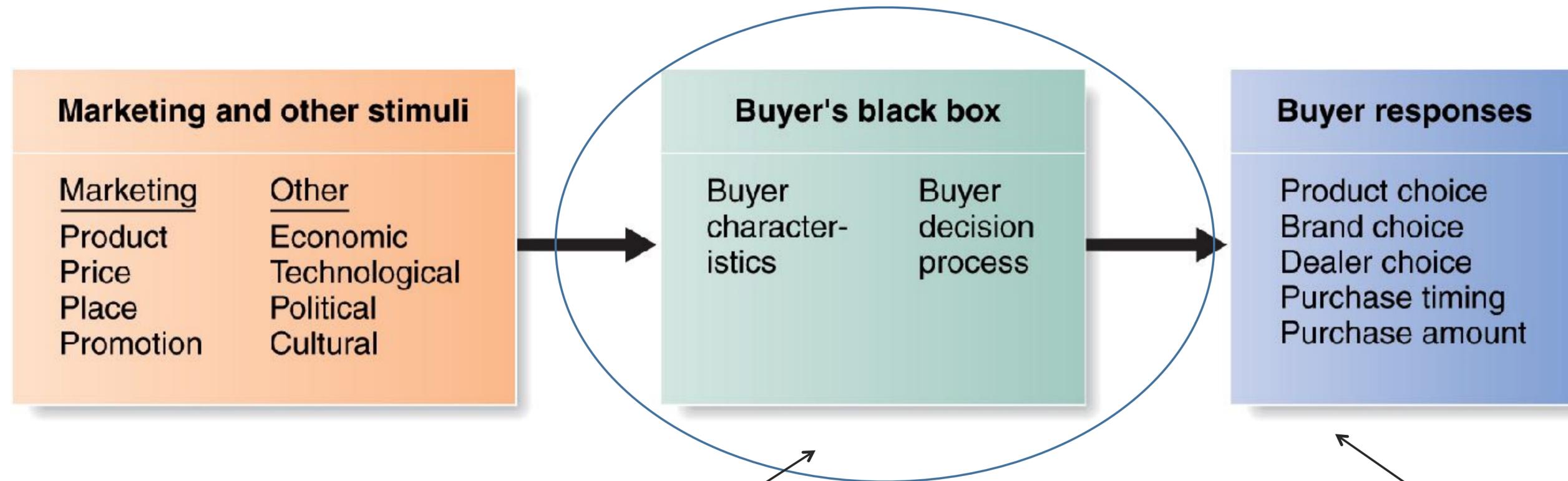




2.1.1 What is Consumer Behavior?

Model of Consumer Behavior

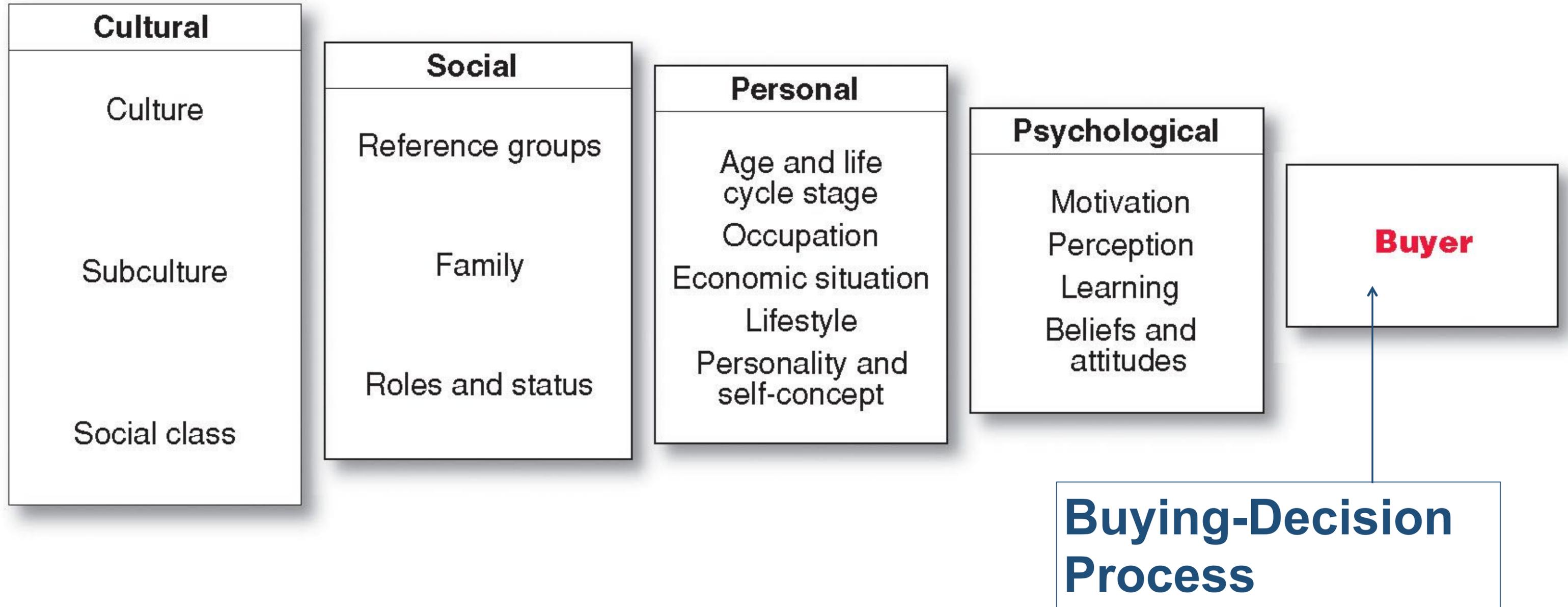
How do consumers respond to various marketing efforts the company might use?



Understanding the *whys of buying* behavior is very difficult

The buyer's brand and company relationship behavior (loyal, switcher...) and what the buyer's purchase: when, where and how often

Factors that Affect Consumer Behavior



Cultural Factors

1. Cultural Influences:

Cultures are meanings that are shared by most people in a social group. It is learned and changes over time (saw that in “environmental scanning”)

Subcultures are groups of people within a culture with shared value systems based on common life experiences and situations

- **Hispanic American**
- **African American**
- **Asian American**
- **Mature consumers**
- **Millennials**
- **Etc.**



Benetton

**This Firm Has Been
Successful Extending
Strategies Across
Cultural and National
Boundaries**

United Colors of Benetton is a trademark of Benetton Group SpA. All rights reserved. © 1997 Benetton Group SpA. All rights reserved.



UNITED COLORS
OF BENETTON.



UNITED COLORS OF BENETTON



דן לרוב
ישראל

מאמר
בנינו
אנחנו

Benetton

2. Social Factors

Group membership influences an individual's purchase decisions and behavior in both overt and subtle ways

- Norms: are the values, attitudes, and behaviors that a group deems appropriate for its members**

2. Social Factors

- **Status: is the relative position of any individual member in a group**
- **Roles define behavior that members of a group expect of individuals who hold specific positions within the group**

Reference Groups

Groups that serve as a direct or indirect points of comparison or reference in the forming of a person's attitude or behavior

- **Membership groups**
 - **Primary groups: family, friends, neighbors, and colleagues**
 - **Secondary groups: religious, professional, class**
- **Aspirational groups**
 - **Groups to which a person would like to belong**

Opinion Leaders

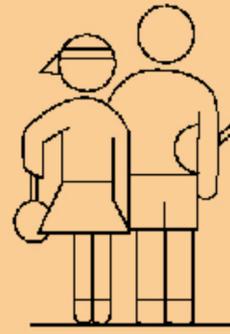
People within a reference group with special skills, knowledge, personality, or other characteristics that can exert social influence on others

- **Buzz marketing enlists opinion leaders to spread the word**
- **Social networking and media use opinion leaders to help campaigns go viral**

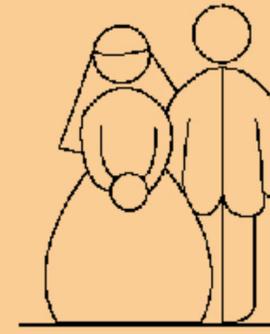
3. Personal Factors

Buyer's decisions influenced by personal characteristics such as age and life cycle, occupation, economic situation, personality, and self concept.

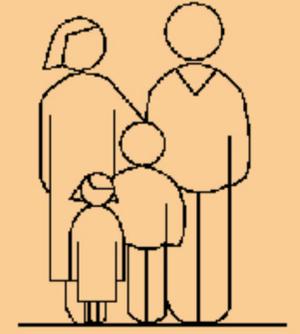
The Family Life Cycle



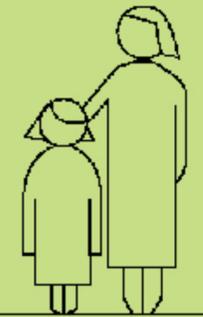
**1. Bachelor stage:
young, single
people**



**2. Young married
couples with no
children**



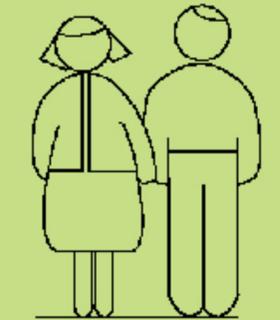
**3. Full nest I: young
married couples
with children**



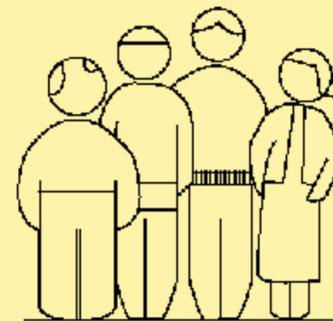
**A. Young or middle-
aged person with
dependent children —
the single parent**



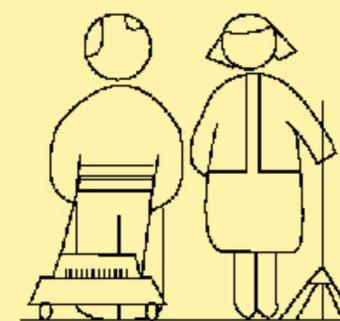
**B. Divorced person
without dependent
children**



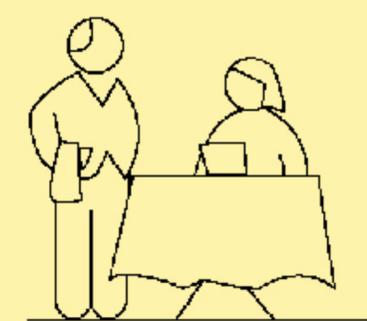
**C. Middle-aged
married couples
without children**



**4. Full nest II: middle-
aged married
couples still with
dependent children**



**5. Empty nest: older
married couples with
no children living
with them**



**6. Older single people,
still working or
retired**

ALTERNATIVE STAGES

**Occupation affects the goods
and services bought by
consumers**

**Economic situation includes
trends in:**

**Personal
income**

Savings

**Interest
rates**

Lifestyle

Life style —people's decisions about how to live their daily lives, including family, job, social, and consumer activities. Consumers tend to buy products and services that are consistent with their lifestyle

Lifestyle =

(activities, interests, opinions)

Personality

- **Personality refers to the unique psychological characteristics that lead to consistent and lasting responses to the consumer's environment.**
- **A consumer tends to act in a way that is consistent with his or her self-concept**

Self-Concept

(Who do I think I am?)

A person's multifaceted picture of himself or herself, composed of the:

- **Real self**
- **Self-Images**
- **Looking-Glass Self**
- **Ideal Self**

Brand Personality

- **Set of traits people attribute to a product as if it were a person**
- **You are what you consume--
People can use their possessions to reflect their identity (Harley-Davidson; Gucci; Nike...)**

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





2.1.2 Psychological Factors Affecting Consumer Behavior

Characteristics Affecting Consumer Behavior

Psychological Factors

Motivation

Perception

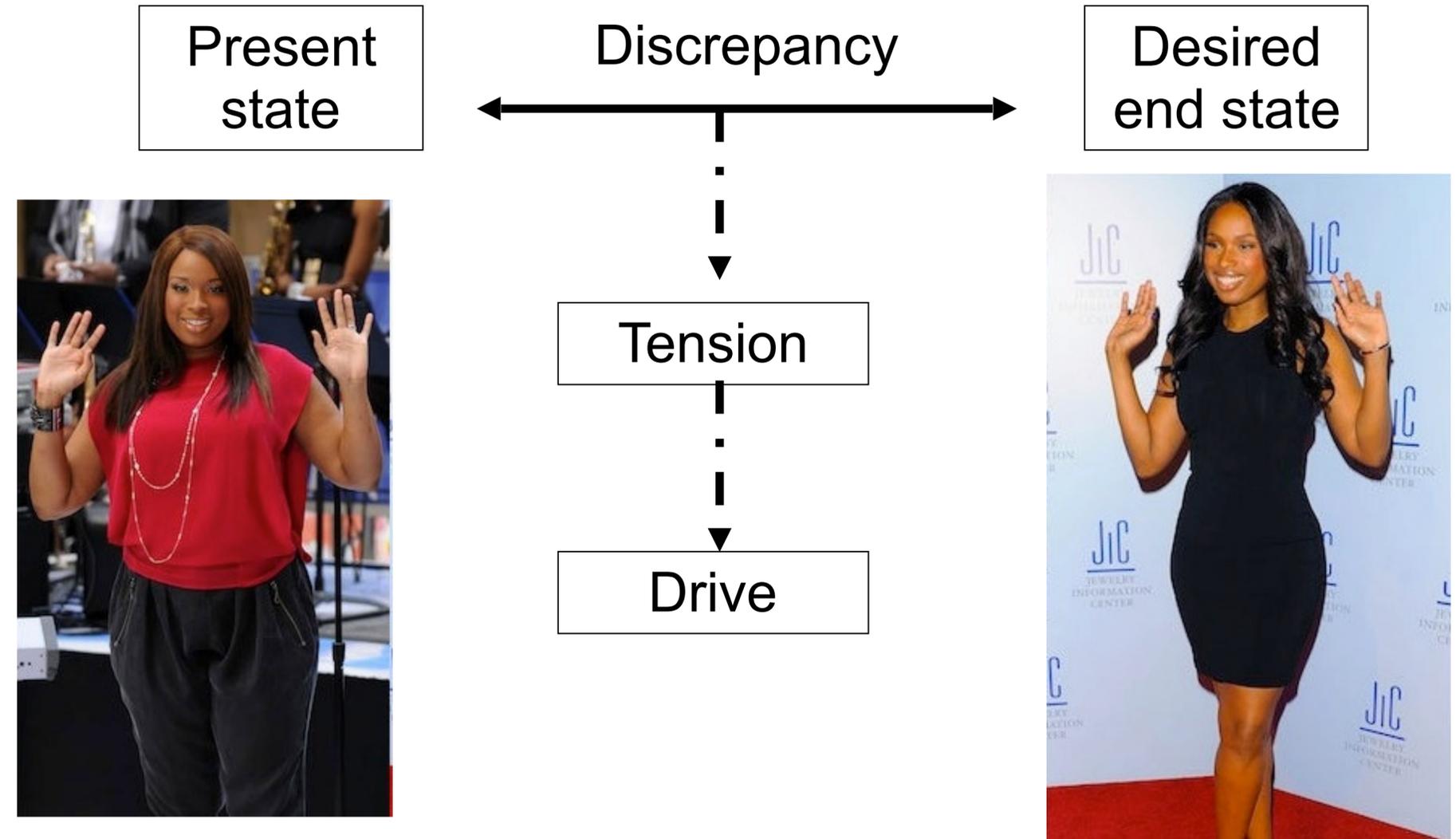
Learning

Beliefs and attitudes



The Motivation Process

Motivation: the process that leads us to behave the way we do



Products/services can help us achieve desired end states and as a result reduce tension

Motivation, a need sufficiently stimulated that an individual is moved to seek satisfaction.

- **Motives are either physiological or psychological (hunger, need to belong)**
- **Many different motives are often involved in a purchase (look good, pay less)**
- **Maslow presents a hierarchy of needs which helps us understand motivation.**

STEAL BRIT'S NEW DIET SECRET!

OK!

Britney

**LOST
15 LBS
IN JUST
4 WEEKS!**

\$1



**Suri's big
birthday
surprise!**



**Jamie
Lynn's
wedding
details**



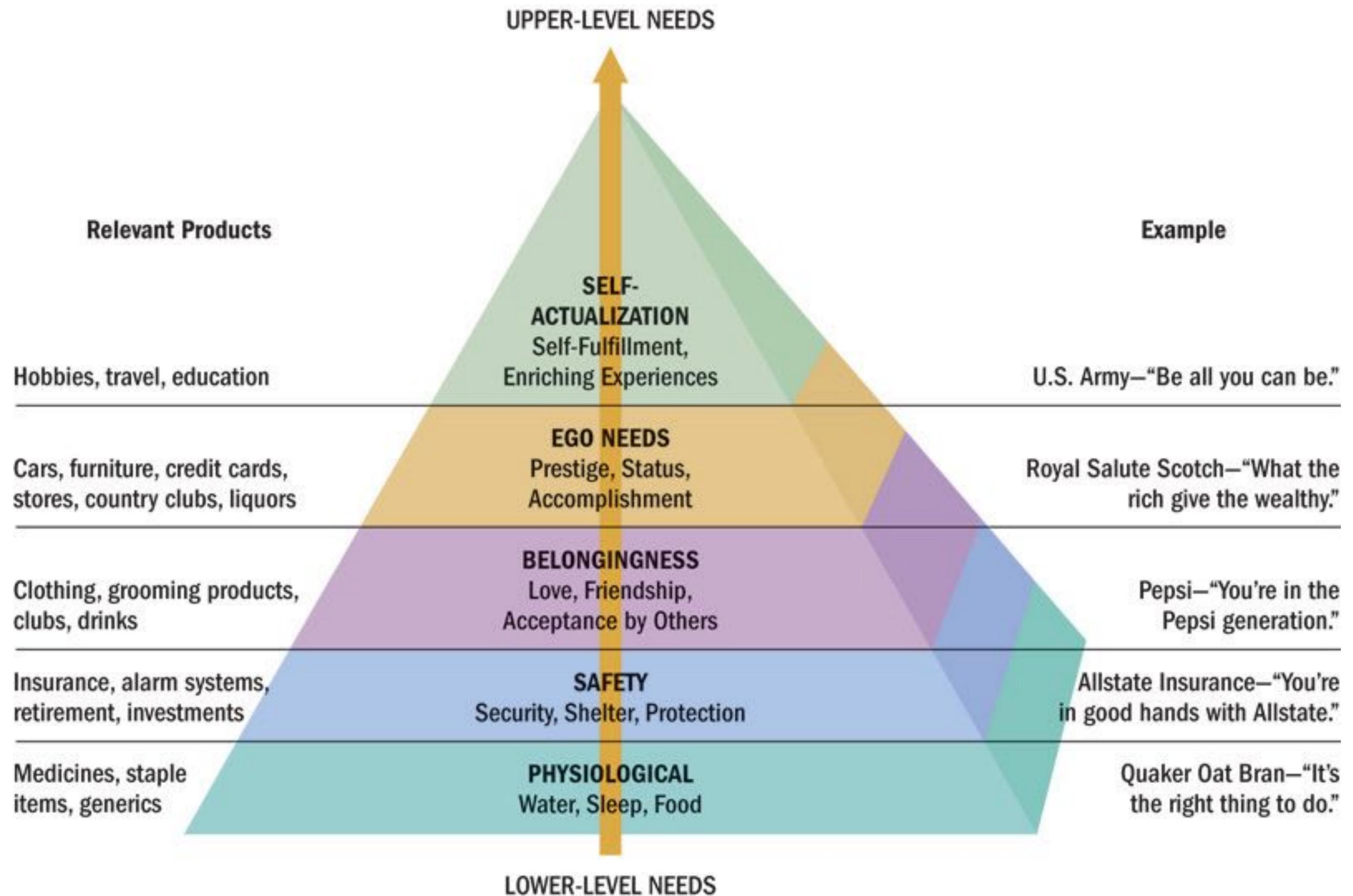
**NO PILLS,
NO LIPO**

**Back to her old body
with the miracle food
that sheds weight fast**

Maslow's Hierarchy of Needs

(psychogenic and biogenic)

**Must attain a certain level
before attaining to the next**



Perception

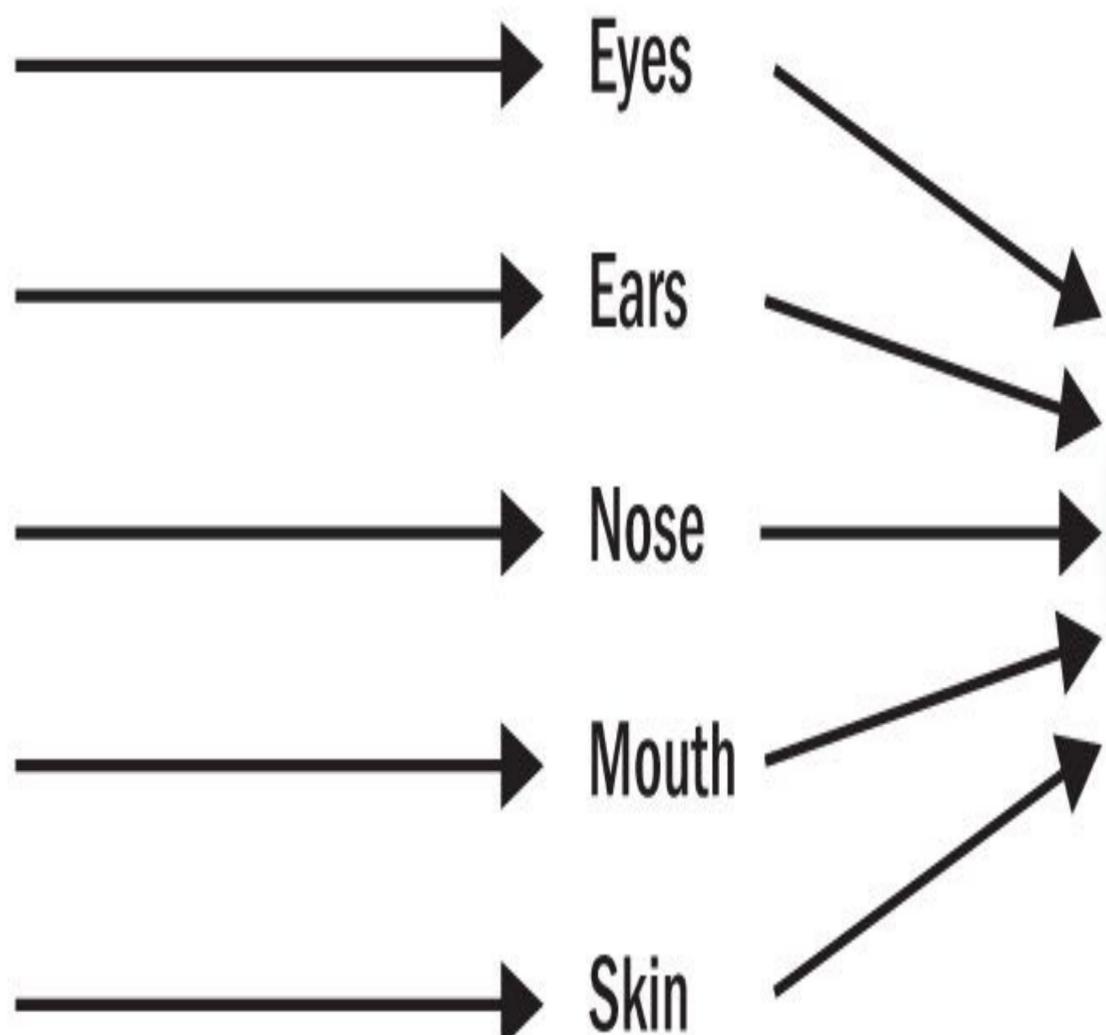
Process by which people select, organize, and interpret information to form a meaningful picture of the world

SENSORY STIMULI

- Sights
- Sounds
- Smells
- Taste
- Textures

SENSORY RECEPTORS

- Eyes
- Ears
- Nose
- Mouth
- Skin



What Might Affect Perception?

The level of attention we give to different pieces of information:

Selective attention is the tendency for people to screen out most of the information to which they are exposed

How we interpret different cues from the environment:

Selective distortion is the tendency for people to interpret information in a way that will support what they already believe

Selective retention is the tendency to remember good points about competing brands

Psychological Factors

Beliefs and Attitudes

Belief is a descriptive thought that a person has about something based on:

- Knowledge**
- Opinion**
- Faith**

Attitudes describe a person's relatively consistent evaluations, feelings, and tendencies toward an object or idea (like/dislike)

Changing Attitudes

- **Very difficult (especially if based on beliefs. How can you refute that Volvo is not necessarily the “safest” car? That PC is as “creative” as a MAC?)**
- **Better for a company to fit into existing attitudes than to try to change them**



PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





2.1.3 The Decision Making Process

Level of Involvement

How much a consumer cares that the purchase decision is “perfect,”

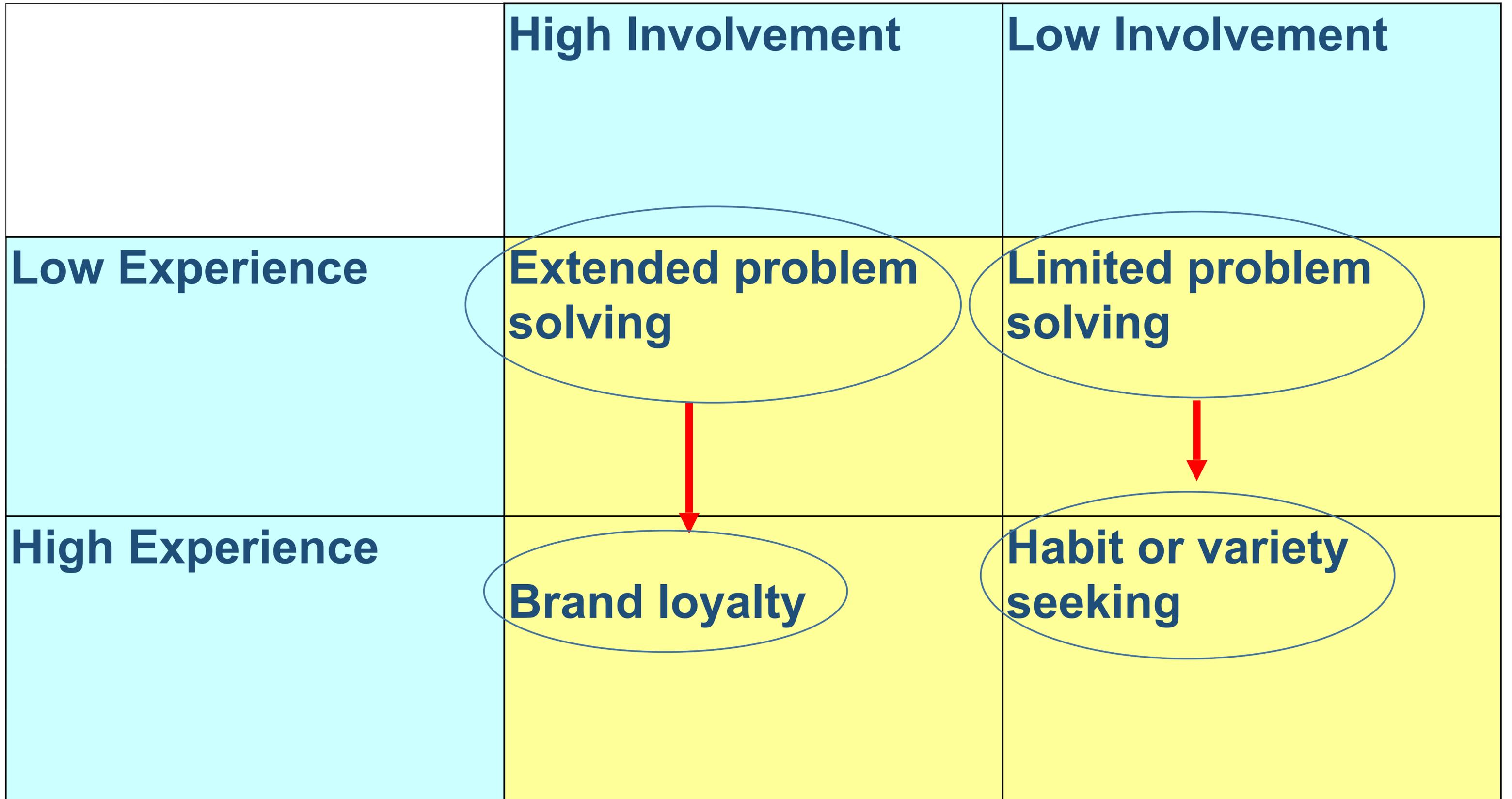
How important is it to not make a mistake and buy the wrong thing.



Four Types of Buying Decision Behavior

Based on:

- 1. Degree of involvement**
- 2. Degree of experience with product (ability to search)**



High Involvement

Low Involvement

Low Experience

Extended problem solving

Limited problem solving

High Experience

Brand loyalty

Habit or variety seeking

Why is it important to make these distinctions?

Affects marketing strategy

Key strategy questions:

What is the level of involvement?

What is the competitive environment?

What is the brand differentiation?

Example: Cars

High involvement/ monopolistic competition/ high differentiation. Strategy?

Create brand loyalty, differentiate based on attributes (safety (Volvo); prestige (Ferrari); economic (Japanese))

Example: Rice

**Low involvement/ pure
competition/ low
differentiation. Strategy?**

**Create availability; wide
distribution, shelf placement.**

Buyer Decision-Making Process

Problem Recognition

Richard realizes that he dislikes his old car

Information Search

Richard surfs Web to learn about cars

Evaluation of Alternatives

Richard compares models on reputation and features

Product Choice

Richard chooses a car with an appealing feature

Outcomes

Richard brings car home and enjoys his purchase

Involvement Level will determine the stages of the consumers' decision process

Involvement with the decision affects how much time, effort, and energy to expend when satisfying a need

➤ High involvement

- Go through all five stages – more systematic**

➤ Low involvement

- Usually more common**
- Some stages are skipped (e.g., from need recognition to purchase)**

1. Problem Recognition

- **A problem recognition arises when a need is not met**
- **It can happen as a result of**
 - **Internal stimulus (e.g. hunger; Maslow hierarchy of needs; discrepancy between current state and desired state)**

or

- **External stimulus (e.g. advertising; 4 P's)**

2. Information Search

Information search starts when a consumer wants to know more about how to solve the problem



Where can information be found?

➤ Internal (memory):

- **Previous experience with the product or similar products (attitude)**
- **Previous experience with solving the specific need (alternatives)**
- **Previous repeated exposure to advertising/promotion (beliefs)**

➤ External search

- Personal (friends, relatives, WOM)
- Commercial (retail store, ads, promotions)
- Professional (online reviews, consumers' report)
- Internet as a search engine



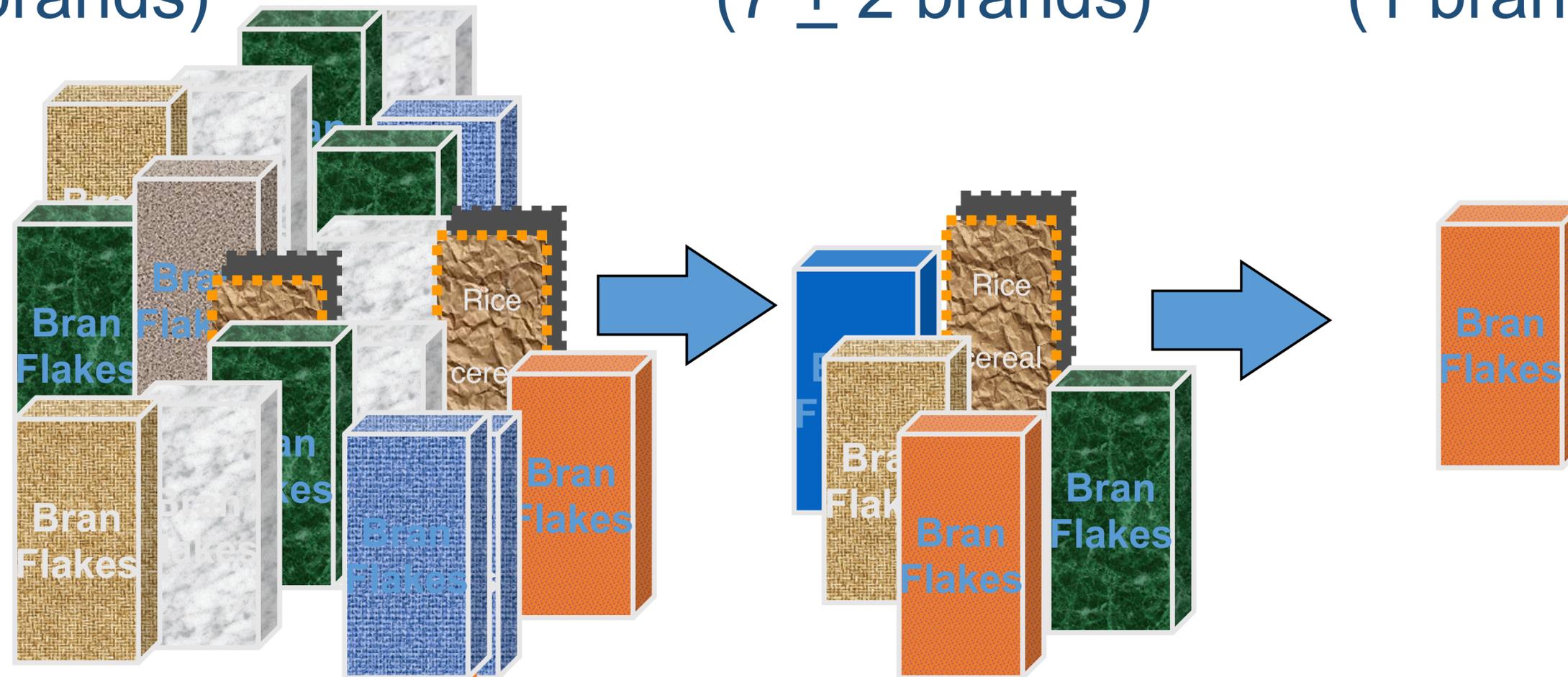
**Internal and external search
lead to forming attitudes
about different alternatives**

3. Evaluation of Alternatives

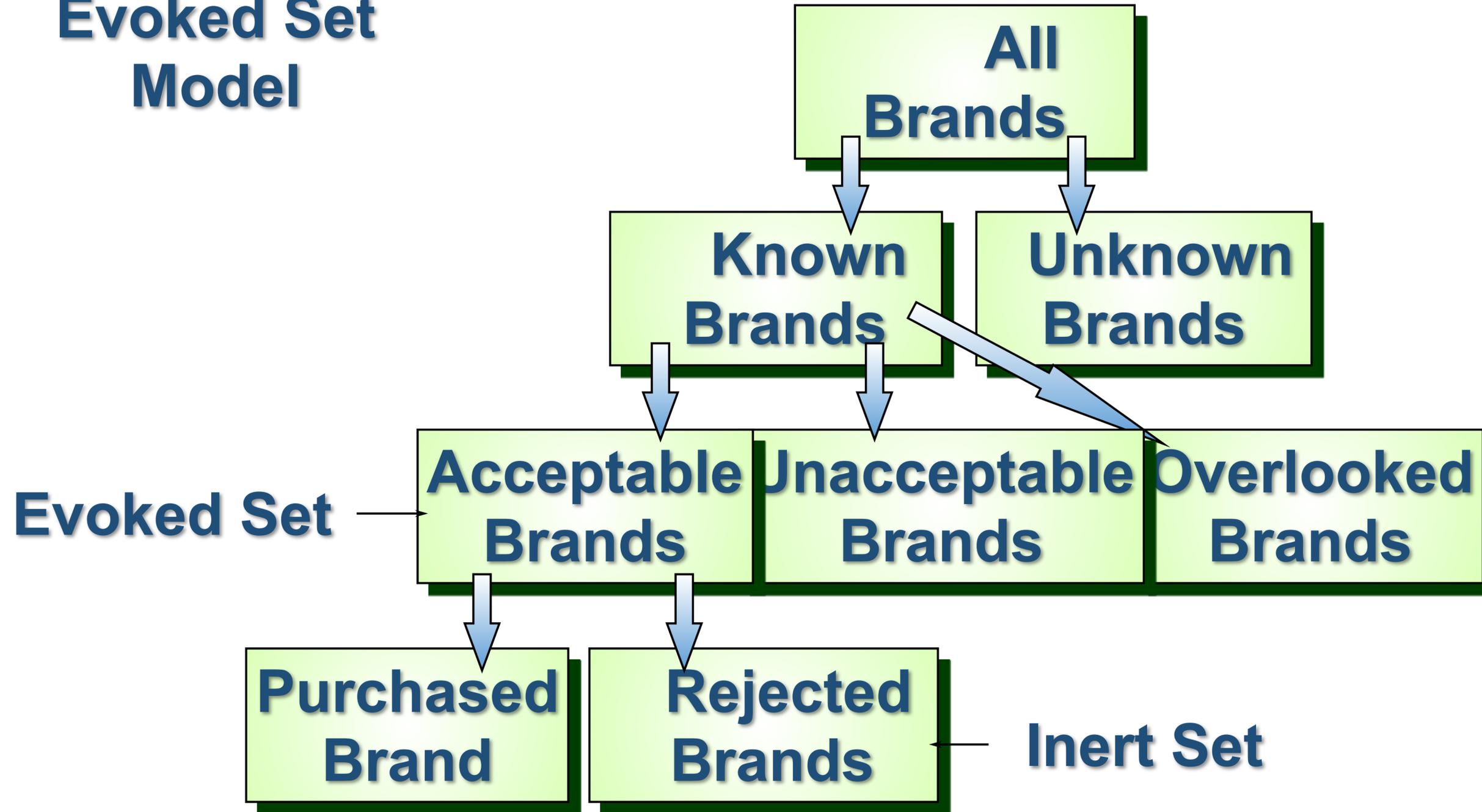
Brands available
in the marketplace
(>20 brands)

Consideration Set
(7 ± 2 brands)

Choice
(1 brand)



Evoked Set Model



How consumers evaluate alternatives:

- **Product attributes**

Quality, price, features (ex: choosing an airline based on reliability: on time and technical)

- **Degree of importance**

Which attributes matter most? (price; on time; food; technical)



Brand beliefs

Beliefs about each brand on each attribute (“United airlines flights are never delayed”; “jet blue is the cheapest”)

Evaluation process

Combining beliefs, importance, etc., to form attitudes and preferences

4. Product choice:

Decision heuristics

- **First brand that comes to mind (Pepsi, Coke)**
- **Price-quality relation (the higher the price the higher the quality...)**
- **Brand name (Diesel, Seventeen..)**

Decision Heuristics

- Country of origin (Japan=high quality electronics; china=cheap products...)
- Store image (Barney's vs. K-mart)
- Personal recommendation (friend, family..)



5. Purchase and Related Decisions

The additional decisions include:

- **Where to buy (on line; dept. store vs. brand store...)**
- **How to pay for the purchase (credit, cash, payments)**
- **How to take the product (delivery, carry...)**
- **Whether to buy the extended warranty, etc.**

Marketers must make it as easy as possible for the customer to make these decisions

Postpurchase Behavior

When the purchased product meets or exceeds expectations, the customer is satisfied →

When satisfied, customers buy the same product again (loyalty) →

When the product falls short of expectations, the consumer is disappointed

→ When dissatisfied, customers spread bad word-of-mouth to an estimated 11 people (online much more!)

Postpurchase Behavior

Cognitive dissonance

A state of anxiety caused by the difficulty of choosing from among several alternatives – decision is always imperfect. The feelings of doubt and concern after a purchase is made.



Dissonance increases when the downsides of buying the “wrong” product are high, a riskier decision:

- **The purchase price is high**
- **There are many close alternatives**
- **The item is intangible**
- **The purchase is important**
- **The item purchased lasts a long time**



PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





2.2 Segmentation

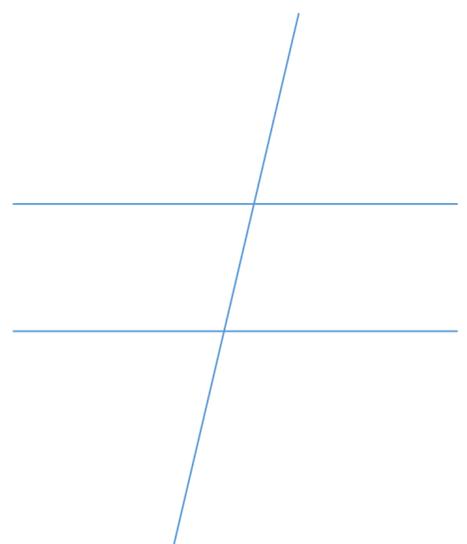
What is Segmentation?

***Segmentation* is the process of dividing the total heterogeneous market for a product or service into several segments, each of which tends to be homogeneous in some significant aspects.**

Segment 1



Segment 2



**Different needs
from each other**

Market segmentation: dividing market into distinct groups which will require separate marketing mixes

Target marketing: choosing which group(s) to appeal to

Market positioning: creating a clear, distinctive position in the consumer's mind relative to competition (Volvo=safety; Geico=cheaper)

Positioning Strategy: Selecting key themes to communicate to a target market (safety, good value, cool...).

Marketing Strategy: Evolves as a result of the above

Who?

Select customers to serve

Segmentation

Divide the total market into smaller segments

Targeting

Select the segment or segments to enter



Create value for targeted customers



How?

Decide on a value proposition

Differentiation

Differentiate the market offering to create superior customer value

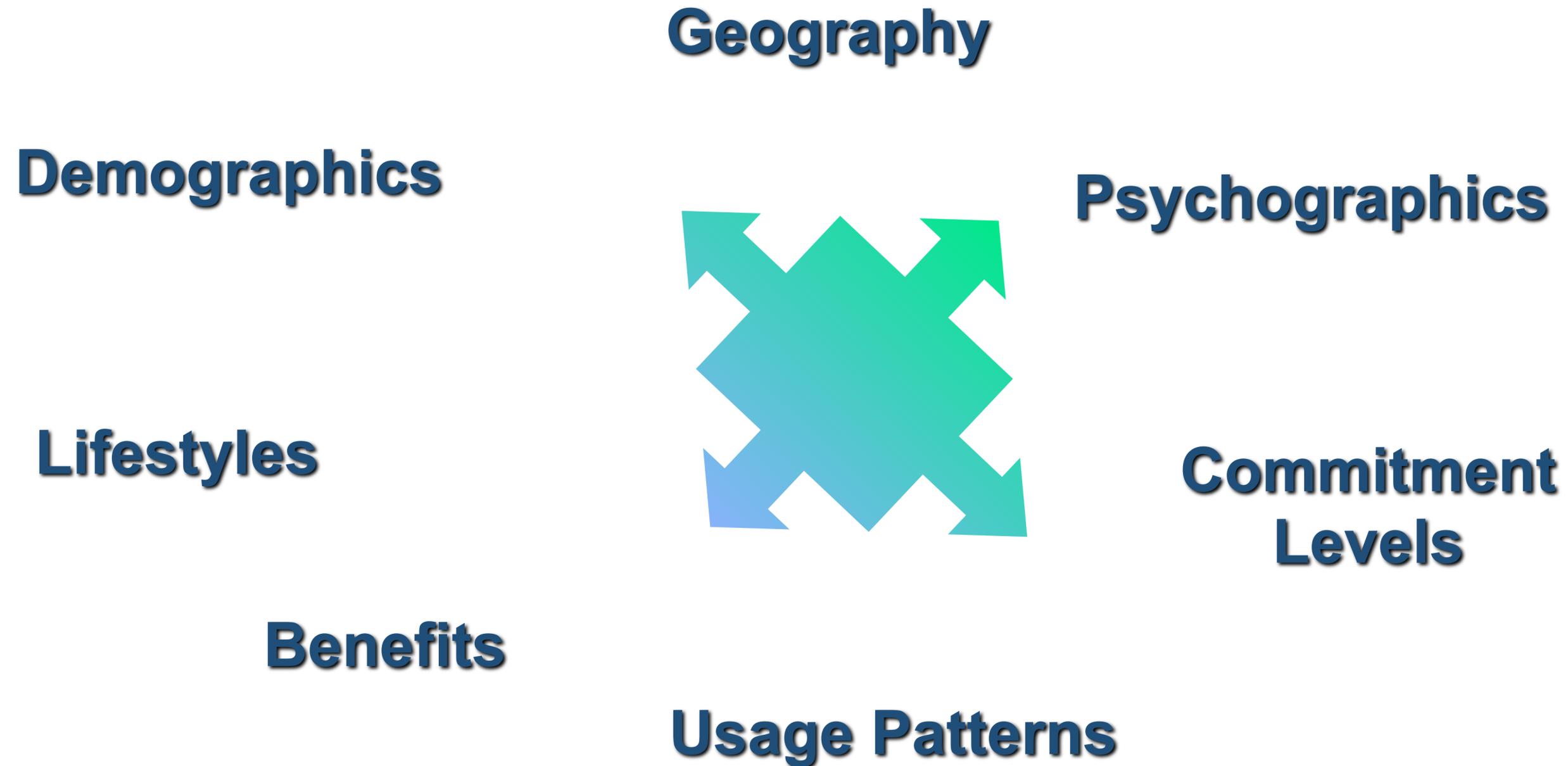
Positioning

Position the market offering in the minds of target customers

Requirements for Effective Segmentation

- **Profitable** - and sustainable over time
- **Measurable** - with accessible data
- **Accessible** - through existing distribution, advertising, etc.
- **Homogenous** - similar needs and desires within segments
- **Mutually exclusive** - Different needs and desires among segments

Bases for Market Segmentation (or how to divide your consumers to homogenous groups)



Geographic Segmentation:

Dividing an overall market into homogeneous groups on the basis of their physical locations

- **Usually will be done when the need for the product is derived from the consumer's location (weather related, terrain related, etc.)**
- **Or when the general patterns of consumption are affected by the social/cultural environment (political views, ethnic flavors and tastes, etc.)**

Demographic Segmentation

1. Age

2. Gender



3. Race

4. Marital Status



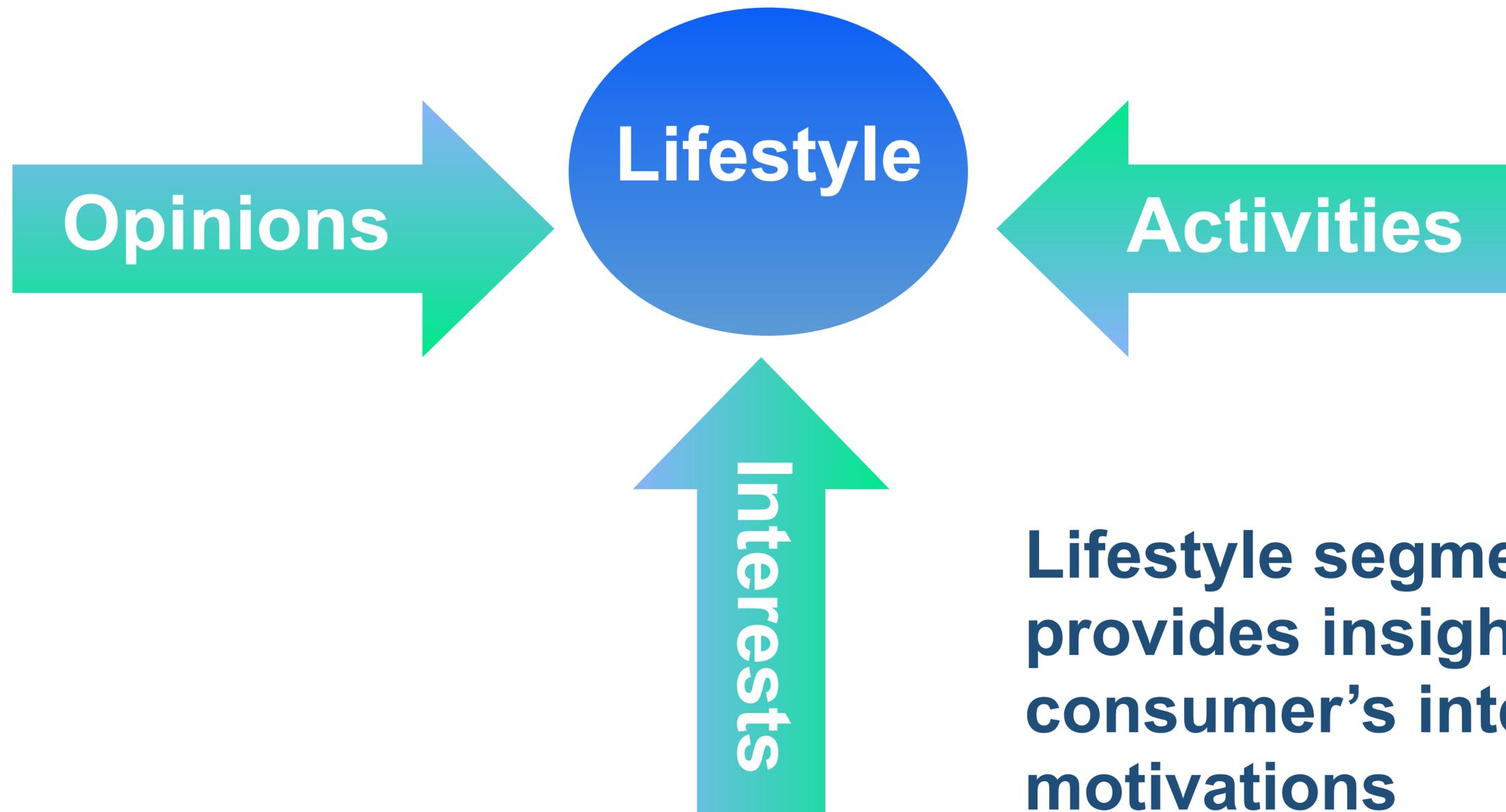
5. Income

6. Education



7. Occupation

Psychographics and Lifestyle Segmentation



Lifestyle segmentation provides insight into consumer's internal motivations

Segmentation by Psychographics

Divides a population into groups that have similar psychological characteristics, values, and lifestyles

- Personality (like the same things, have the same values...)**

- Life style: people's decisions about how to live their daily lives, including family, job, social, and consumer activities. Consumers tend to buy products and services that are consistent with their lifestyle**

Lifestyle = (activities, interests, opinions)



Segmentation by Behavior

Relationship (to the company)

- **Frequency of Contact: Do consumers visit often?**
(Ex: how often do consumers fly United? Buy coffee at Starbucks?)
- **Loyalty: Do they only visit you?**
(United only or use other airlines as well?)

Segmentation by Behavior

Benefits Desired (e.g. clothes)

- **Sensories: sensitive to texture and touch (Comfortable fabric, cotton only...)**
- **Sociables: Stylish look**
- **Worriers: Hypo-allergenic (safe for the environment?)**
- **Usage Rate**
- **How much and how often? (light users, heavy users...)**

Usage Situation

NyQuil: Nighttime Cold Medicine



J&J Baby Shampoo



Benefit Segmentation

Prestige?

**Passenger
Safety?**



Fuel Economy?

Benefits in Toothpaste Market

Crest

- Cavity prevention
- Whitening
- Tartar control
- Sensitivity
- Flavor
- Texture (gel, paste)



PRINCIPLES OF MARKETING

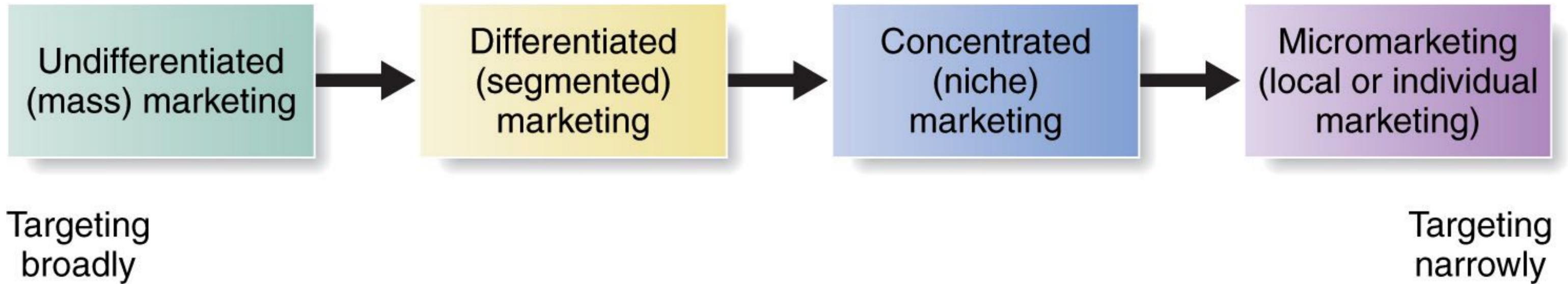
Tamar Avnet, Ph.D.
Yeshiva University





2.3 Targeting

Target Marketing Strategies



Target Marketing Strategies

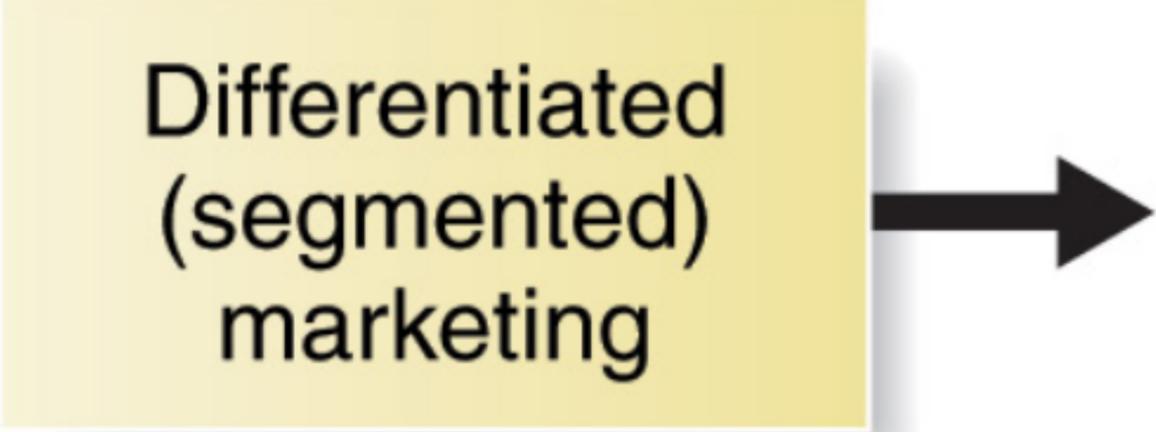


Undifferentiated marketing targets the whole market with one offer

Mass marketing

- Focuses on common needs rather than what's different (milk, rice, salt)

Target Marketing Strategies



Differentiated
(segmented)
marketing

Differentiated marketing targets several different market segments and designs separate offers for each. Goal is to achieve higher sales and stronger position. More expensive than undifferentiated marketing. P&G (Tide, Dreft)

Target Marketing Strategies



Concentrated marketing targets a small share of a large market

- **Limited company resources**
- **Knowledge of the market**
- **More effective and efficient (Head and Shoulders, Johnson and Johnson)**

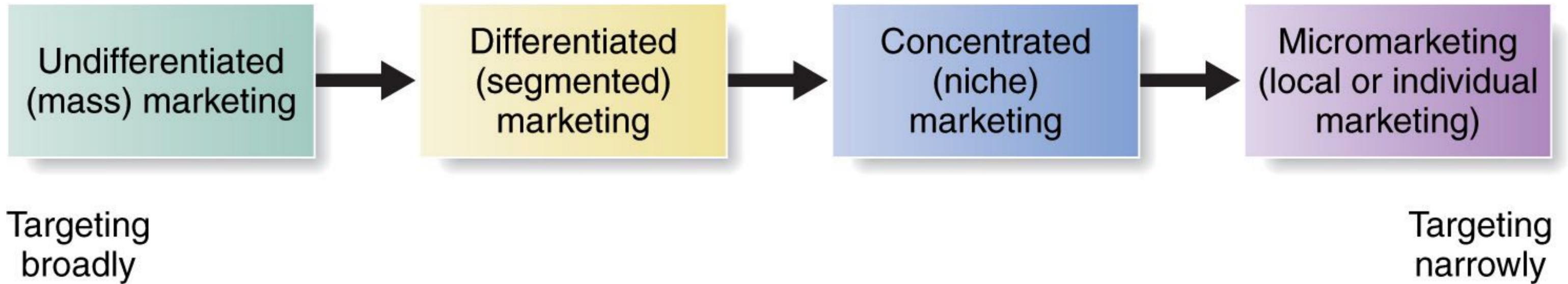
Target Marketing Strategies

Micromarketing
(local or individual
marketing)

Micromarketing is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations

Local marketing (Designer clothes, Rolex, Rolls Royce)

Target Marketing Strategies



Choosing a Targeting Strategy Depends On:

- **Company resources**
- **Product availability (how easy it is to get)**
- **Product's life cycle (new or mature)**
- **Competitors' marketing strategies**



PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





2.4 Differentiation and Positioning

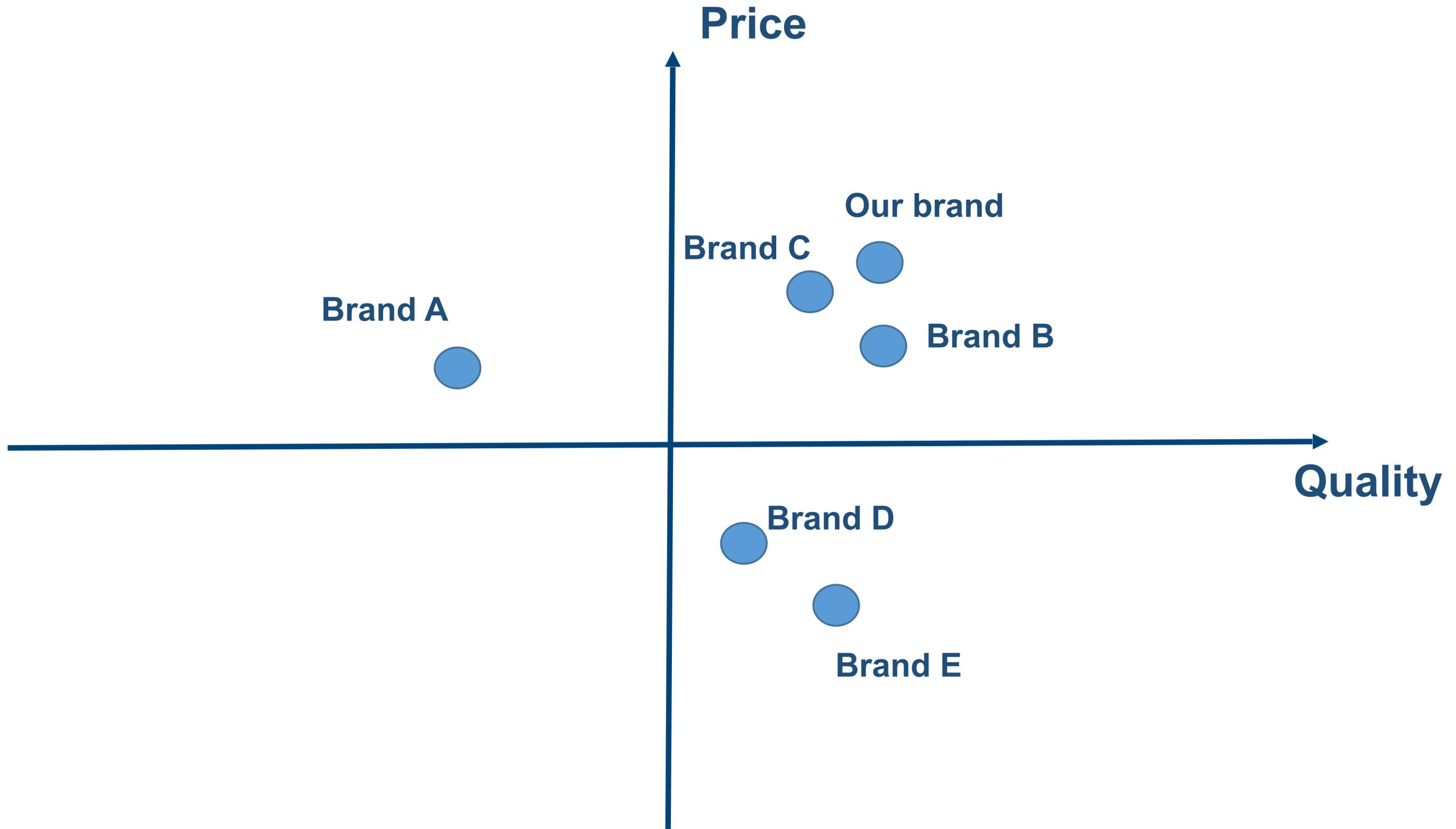
Product Position is the way the product is defined by consumers on important attributes—the place the product occupies in consumers' minds relative to competing products

During the buying process consumers categorize products and position them in their mind compare to competitors.

Perceptual Positioning Map Research Tool

**Positioning maps show
companies the consumers'
perceptions of their brands
versus competing products on
important buying dimensions**

- For example: Price and quality**



Choosing a Differentiation and Positioning Strategy

- **Identifying a set of possible competitive advantages to build a position on**
- **Choosing the right competitive advantages**
- **Selecting an overall positioning strategy**

 **communicating positioning to the market**

Identifying a set of possible competitive advantages to build a position by providing superior value from:

- **Product differentiation (features – Volvo)**
- **Service differentiation (same day delivery, free returns)**
- **Channel differentiation (online vs retailer)**
- **People differentiation (Disney, Baristas at SB)**
- **Image differentiation (Nike, Rolex, BMW)**

**WHAT'S
YOUR
COMPETITIVE
ADVANTAGE**



Repositioning

- **Used to revive an ailing brand or fix a lackluster new market entry (Old Spice – from aging men to young men; Bell Atlantic to Verizon – increase service reputation)**
- **The Challenge: Changing perceptions of a brand forged over years of advertising.**

Possible Value Propositions

- **More for more**
High quality, high price: **BMW**
- **More for the same**
High quality, lower price: **Lexus**
- **More for less**
Better quality, lower prices: **Target, Trader's Joe**
- **The same for less**
Same products, lower price: **Amazon, Wal-Mart, Geico,**
- **Less for much less**
Less quality, lower price: **Motel6, Kmart**



		Price		
		More	The same	Less
Benefits	More	More for more	More for the same	More for less
	The same	Losing Propositions	Marginal Propositions	The same for less
	Less	Losing Propositions	Losing Propositions	Less for much less

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





2.5 Business-to-business Markets

Nature and Scope of B2B Market

- **Consists of organizations that buy products and services:**
 - **to make other products and services**
 - **to resell to business users or to consumers**
 - **to conduct the operations of the organization**

Nature and Scope of B2B Market

- the business market is larger than the consumer market because many businesses sell to other businesses and many products change hands several times before reaching the end consumer



B2B Market Demand

- **the demand for a business product is often *derived* from demand for a consumer product**
- **demand for business products is generally relatively *price inelastic***

B2B Market Demand

- demand in the business market tends to *fluctuate* more widely than that in consumer markets
- buyers in the business market are generally much *better informed* than are end consumers and the decision making is more *rational*

Determinants of Demand

Different from the consumer market in a number of ways:

- **fewer (although much larger) business customers**
- **buying power is often concentrated in a few firms and organizations**

Determinants of Demand

Different from the consumer market in a number of ways:

- **industries are often geographically concentrated**
- **business markets may be vertical or horizontal**

B2B



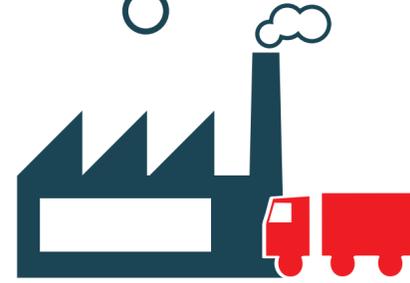
COOPERATION



MARKETING



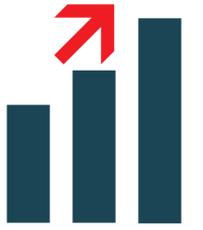
TRANSACTION



SUPPLY CHAIN



COMMERCE



SALES

Business Buying

- **buying or purchasing is a very important activity in most firms as it affects how well a business can serve its customers**
- **through outsourcing, many firms are making less and buying more of what they need**

Business Buying

- **firms are under time pressures to reduce inventories and to obtain things just in time**
- **many are concentrating their purchases with a small number of “partner” suppliers**

Business Buying Motives

- **business buyers are motivated by both organizational and personal goals**
- **the business buying situation can fit into one of three categories: new-task buying, straight rebuy, or modified rebuy**
- **each will likely require a different approach on the part of the B2B marketer**

Multiple Buying Influences in the Decision Making Process

- a number of people involved in most business buying decisions

A buying center includes people playing the following roles:

- *users*: those who will use the product/service
- *influencers*: often set specifications to follow



Multiple Buying Influences in the Decision Making Process

A buying center includes people playing the following roles:

- ***deciders***: make the actual decision to buy
- ***gatekeepers***: control the flow of information
- ***buyers***: actually process the purchase order

Business Buying Patterns

- **buy directly from the producer**
- **suppliers establish long-term close relationships with their customers**
- **some products are bought very infrequently**
- **negotiations often go on for months or years**

Business Buying Patterns

- **sometimes there is *reciprocity* involved**
- **often considerable need for after-sale service**
- **customers are very dependent on suppliers to guarantee a consistency of supply**

Segmenting B2B Markets

- **can use some of the same bases as used to segment B2C markets**
- **often segment business markets on the type of customer or on industry classification**



Segmenting B2B Markets

- **segmentation by size of customer really considers sales volume or potential**
- **can also consider segmenting on the basis of the type of buying situation the customer is in**
- **more pragmatic bases for segmentation**

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





3. Marketing Strategy Implementation: Marketing Mix

3.1 Product and Service Management

3.2 Branding

3.3 New Product Development

3.4 Pricing Strategies and Customer Value

3.5 Distribution Channels and Logistics

3.6 Integrated Marketing Communication & Promotions

3.7 Marketing Application in E-Commerce

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





3.1 Product and Service Management

What is a Product?

(The first P of the marketing mix)

Product

Anything that can be offered for attention, acquisition, use, or consumption to satisfy a need or want

What is a Product?

(The first P of the marketing mix)

Service

Any activity or benefit that can be offered that is intangible and does not result in the ownership of anything (banking, hotel, airline)

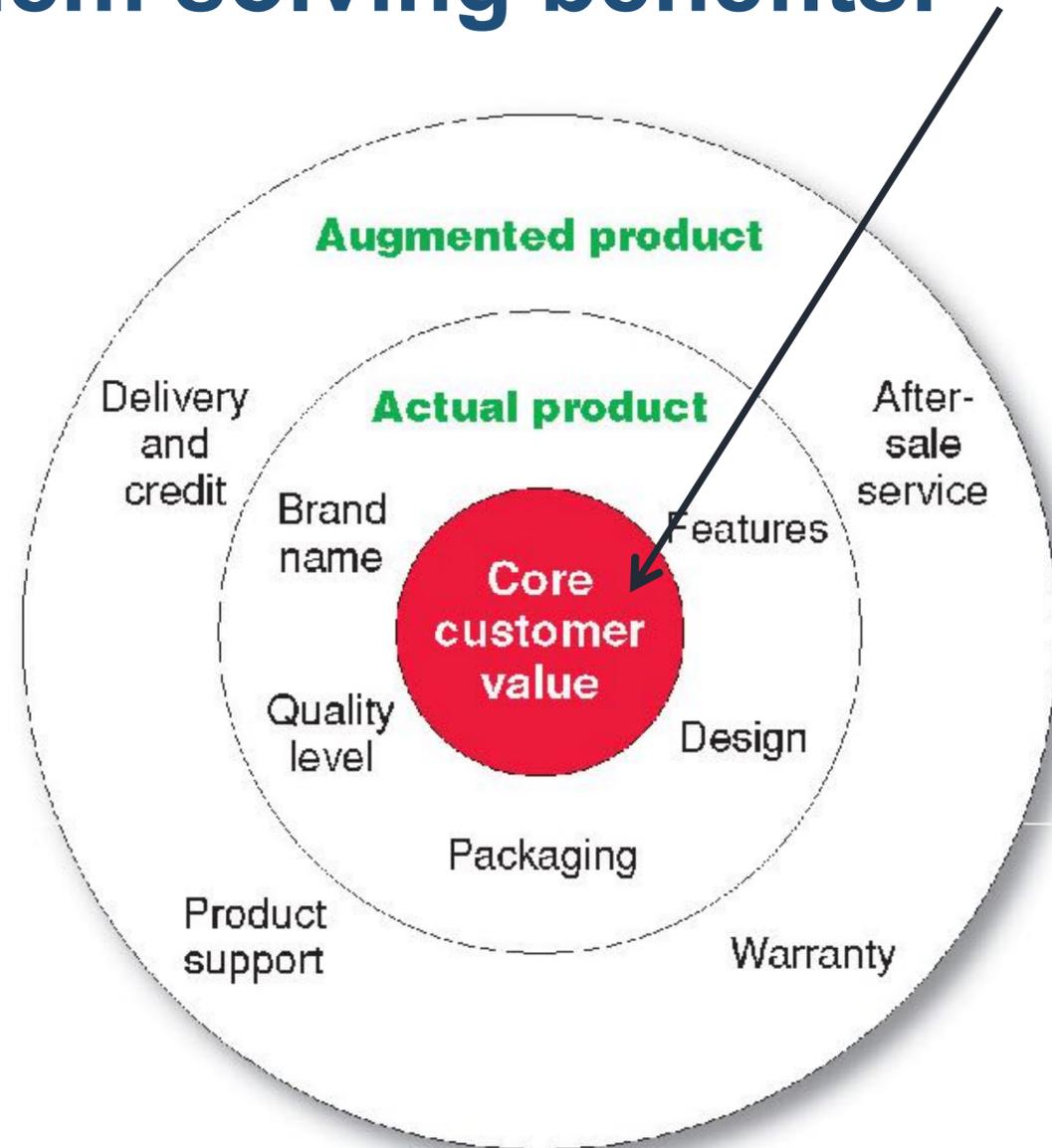
What is a Product?
(The first P of the marketing mix)

Experiences

What buying the product or service will do for the customer's experience. Disney, American Girl, a cruise

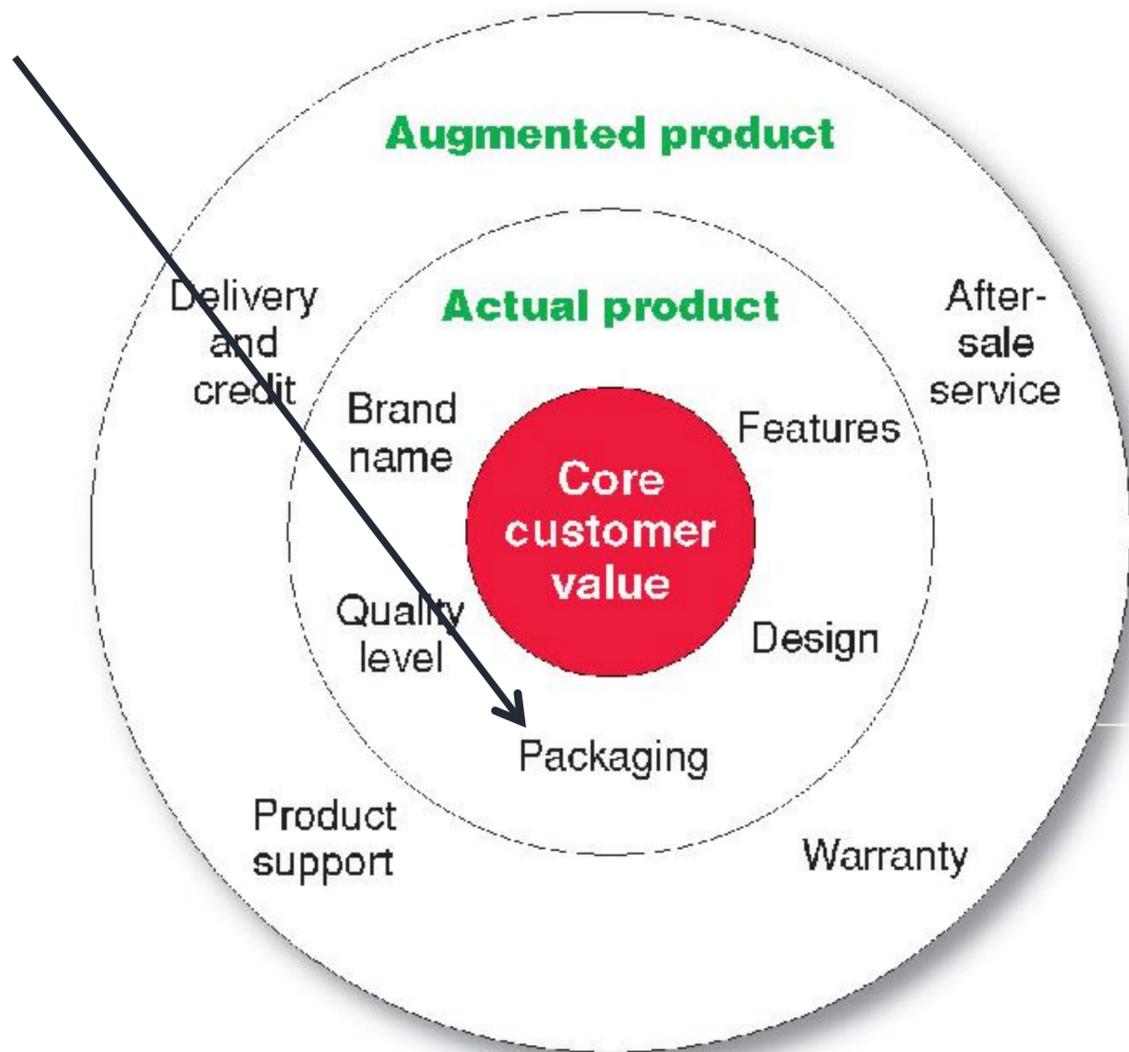
Levels of Products and Services

Customer value represents what the buyer is really buying. Problem solving benefits.



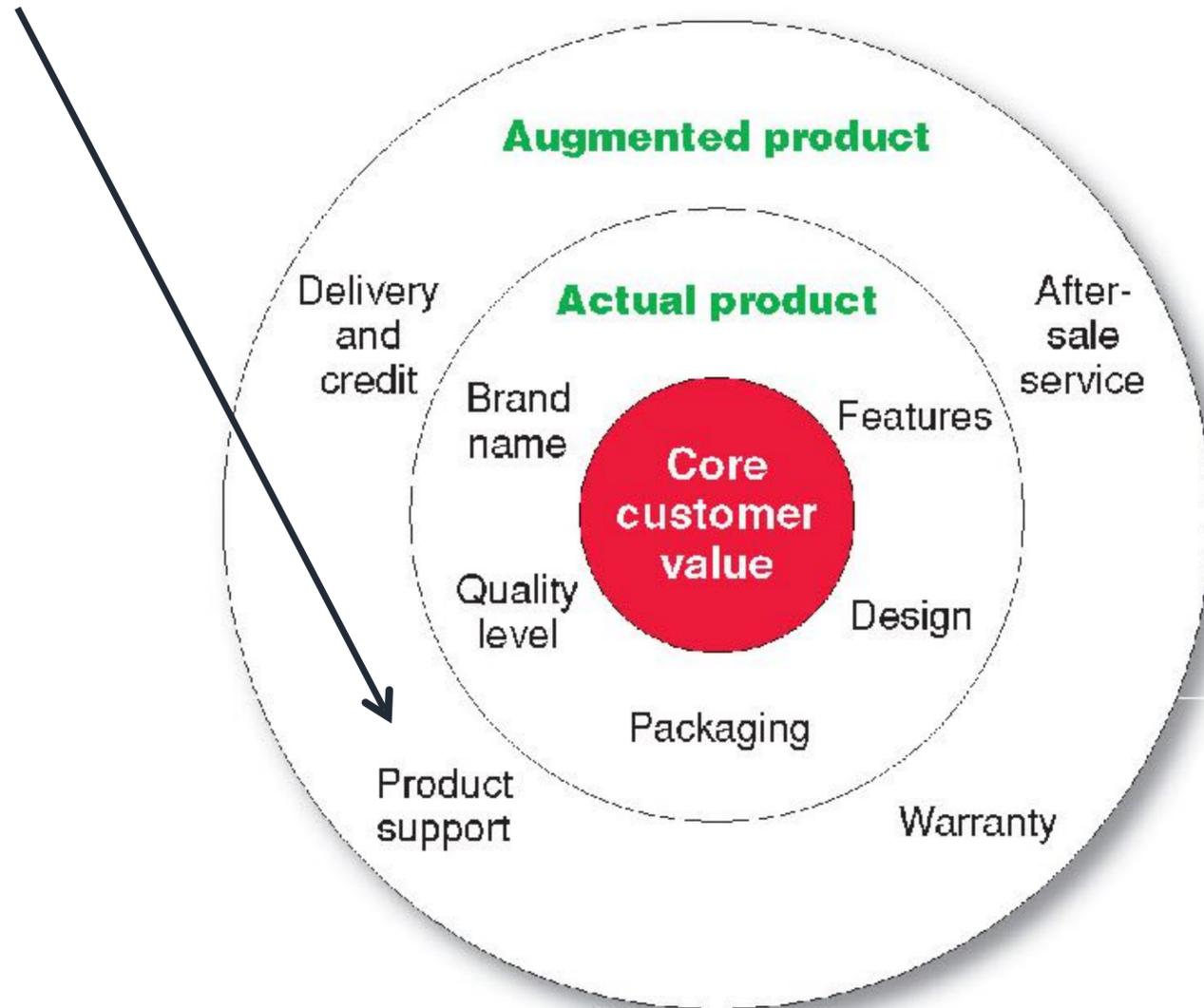
Levels of Products and Services

Actual product represents the design, brand name, and packaging that delivers the core benefit to the customer



Levels of Products and Services

Augmented product represents additional services or benefits of the actual product.

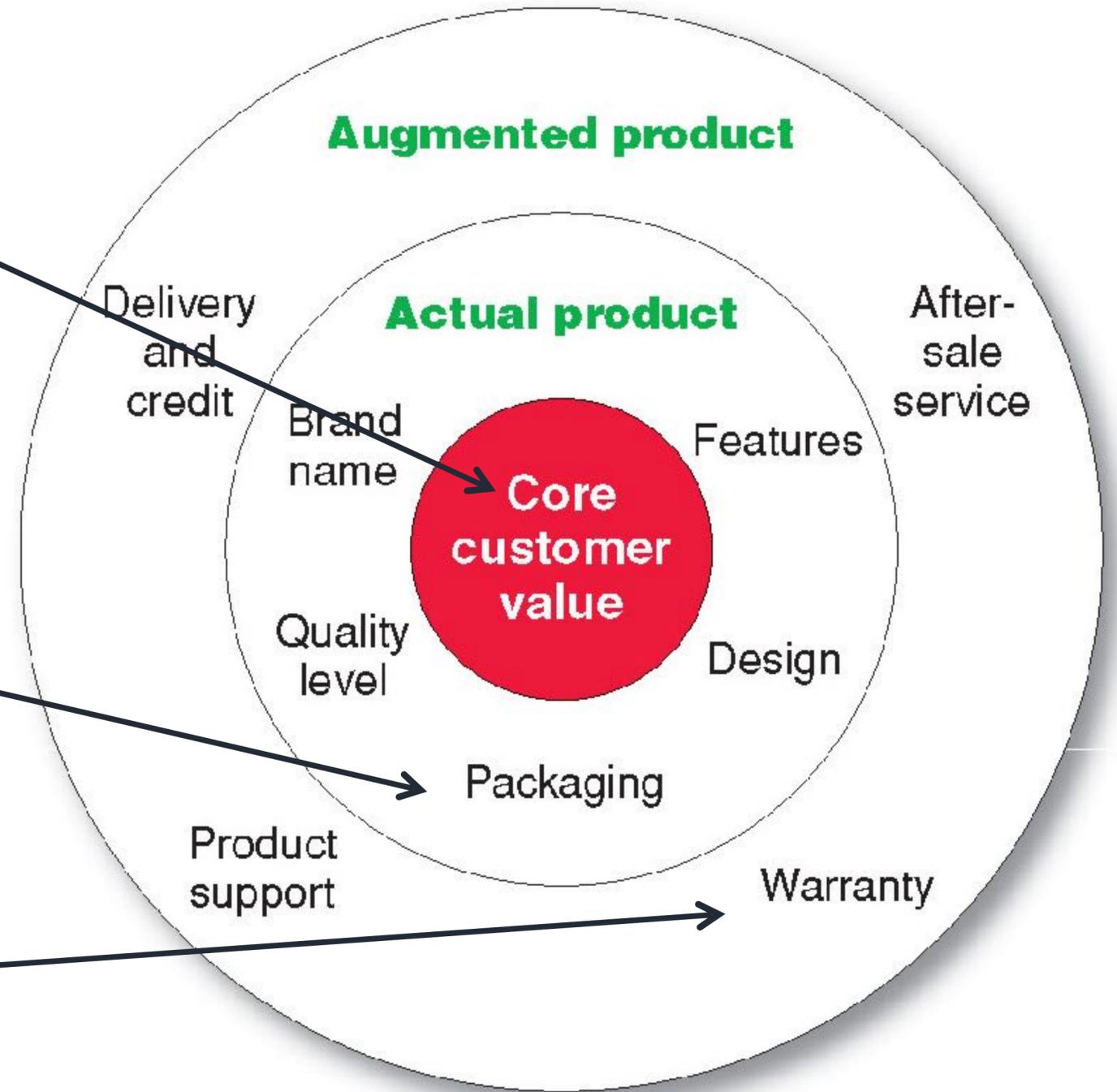


Levels of Products and Services – for the Cell Phone

Core benefits: be able to communicate, surf online, take pictures, keep calendar....

Actual product: style, design, brand name, size, durability...

Augmented: customer services, stores availability, etc.



Different Types of Products

- **Durable vs. nondurable
(TV vs. Food)**
- **Consumer vs. industrial
(bread vs. wheat)**

Different Types of Products

- **Within consumer products:**
 - **Convenience:**
Bought with little time and effort: e.g. milk, bread, a chocolate bar.
 - **Shopping:**
Extensive comparison is the norm: e.g. cars, furniture, clothes.

Different Types of Products

- **Within consumer products:**

- **Specialty:**

Consumers have a strong brand preference:, unique characteristics, e.g. designer clothes, medical procedures/doctor

Different Types of Products

Within consumer products:

Unsought:

**Unknown to the consumer
or, if known, undesired. (life
insurance, blood donations,
funeral services)**

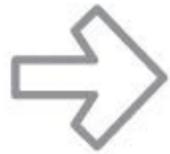
Product and Service Decisions

Marketers make product decisions at three levels:

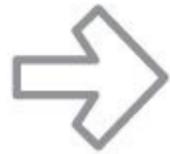
- I. Individual product decisions**
- II. Product line decisions**
- III. Product mix decisions**

In order to reach the best positioning for the product (relative to competitors and company's own products) and to reach the best product offers (value to customers while maintaining a profit)

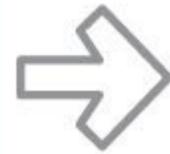
Product
attributes



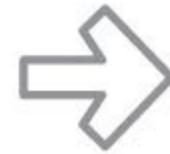
Branding



Packaging



Labeling



Product
support
services

Level I: Product Individual Decisions



**Product attributes: what benefits will it offer?
Quality, style, image.....**

Branding

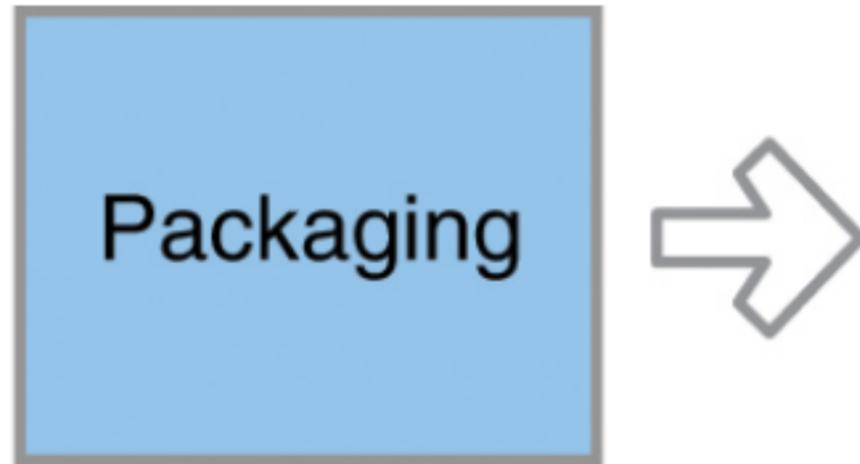


A brand is a name, term, symbol, special design, or some combination of these, intended to identify and differentiate the goods or services of a seller.

Branding

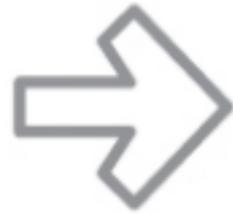
Brand equity is the differential effect that the brand name has on customer response to the product and its marketing. Why pay more for a specific brand?

Packaging



**Packaging involves
designing and producing the
container or wrapper for a
product**

Labeling



Labels identify the product or brand, describe attributes, and provide promotion



Product support services:



- **Survey existing quality of services and create new ideas for improvement**
- **Contact: Online, email, phone. 24/7. service centers, etc.**

Level II+III: Product Line Decisions

Product Line:

A group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges.

Product Mix

Set of all product lines

- **Width: # of product lines**
- **Length: # of items in the product line**
- **Depth (filling/stretching): # of versions of each item carried (adding? Deleting?)**
- **Consistency: how closely related the product lines are**

Procter & Gamble

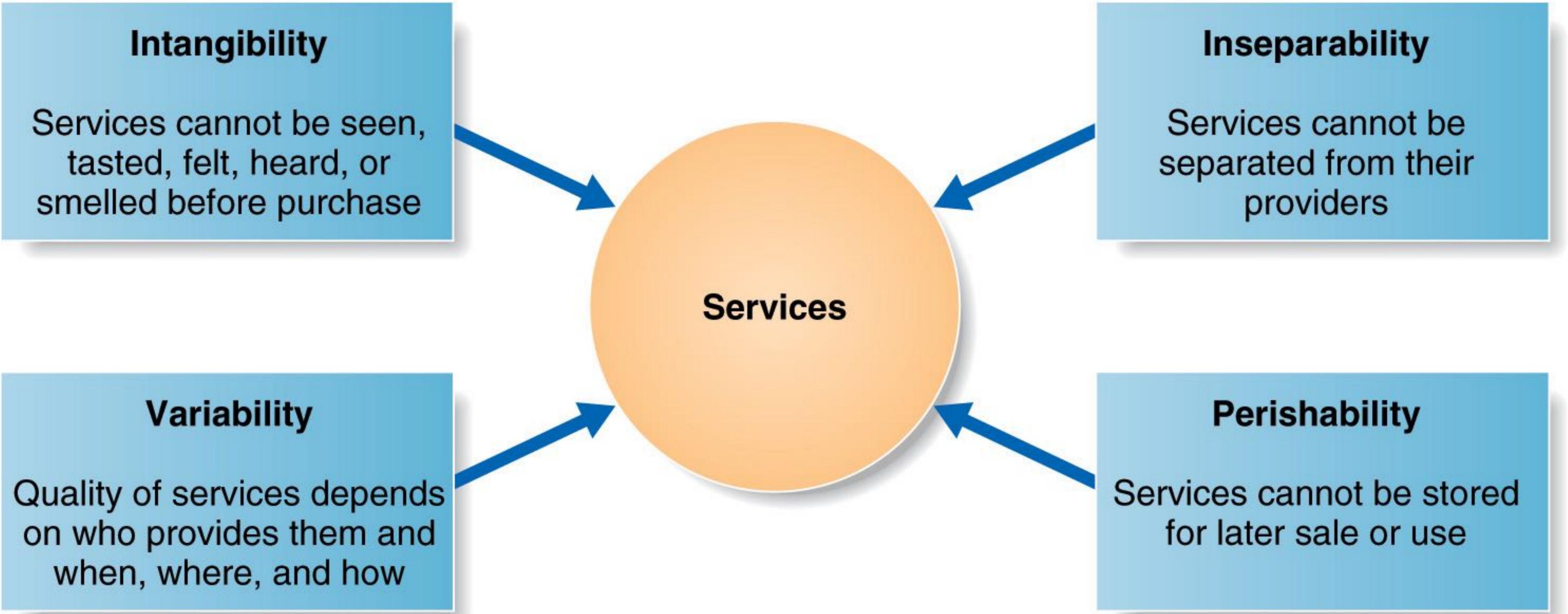
- 11 brands of laundry detergent
- 8 brands of hand soap
- 4 brands of dishwashing detergent and toothpaste
- 2 brands of diapers and deodorant

These represent 6 product lines.

Length of: Laundry: 11; Hand soap: 8; Dishwashing: 4; Toothpaste: 4; Diapers: 2; Deodorants: 2

- An example of depth: Tide scented/unscented or lemon scented and spring breeze scented

Services are Products Too



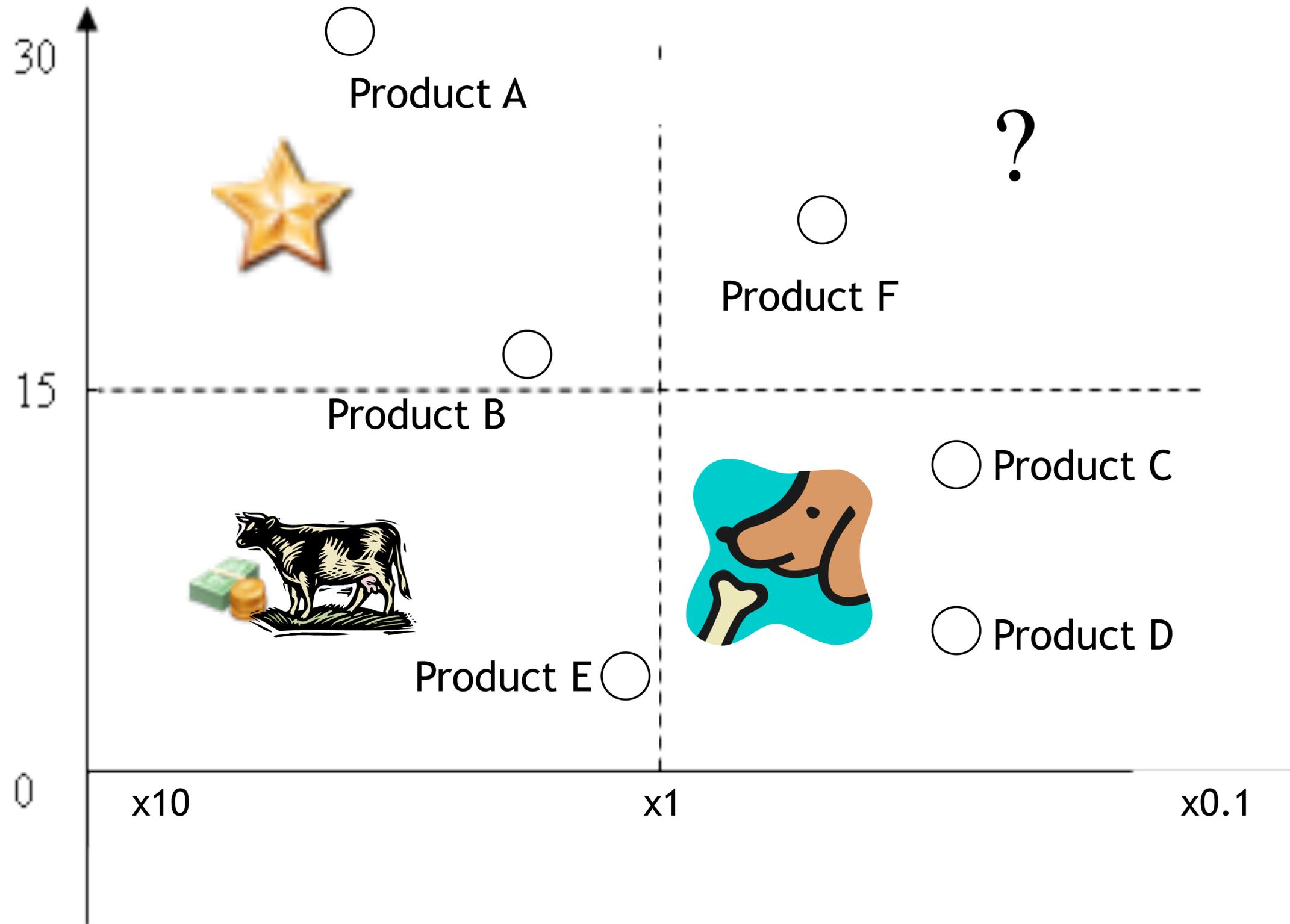
How does a company know when to extend products, develop new ones, invest in existing ones etc.?

- **BCG**
- **Product/market expansion grid**

BCG Market Share/Market Growth Matrix

The purpose of this tool is to help managers decide how to allocate the money among existing products.





Analyzing the Current Business Portfolio - Problems with BCG

- **Difficulty in defining SBUs and measuring market share and growth**
- **Time consuming**
- **Expensive**
- **Focus on current businesses, not future planning**

Product/Market Expansion Grid

Developing Strategies for Growth (build)

**Product/market expansion
grid is a tool for identifying
company growth
opportunities through
market penetration, market
development, product
development, or
diversification**

	Existing products	New products
Existing markets	Market penetration	Product development
New markets	Market development	Diversification

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





3.2 Branding

Another important decision:

To Brand or Not to Brand?

**A Brand - consumer's perceptions
and feelings about a product and
its performance.**

To Brand or Not to Brand?

Brand is the company's promise to deliver a specific set of features, benefits, services, and experiences consistently to the buyers.

Without a brand name a company cannot differentiate itself from competitors or create a specific position in the mind of the consumer.

To Brand or Not to Brand?

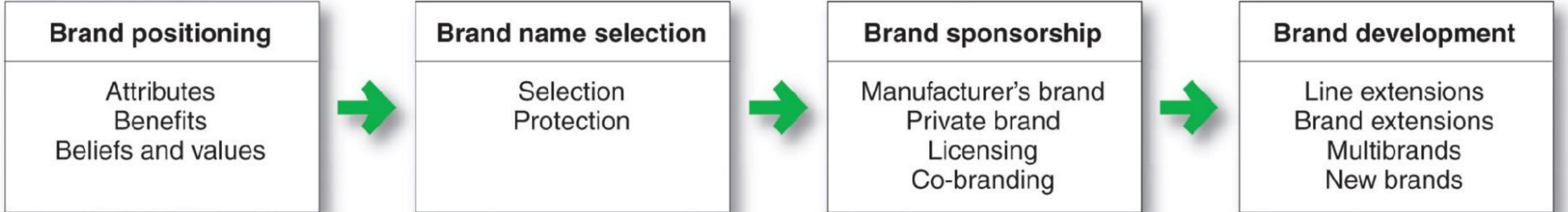
Not to Brand:

- **Can't build up the brand, can't promote the brand (lack of financial resources)**
- **The quality of the product is not consistent or high**
- **The products are not easily differentiated (industrial raw materials, milk)**

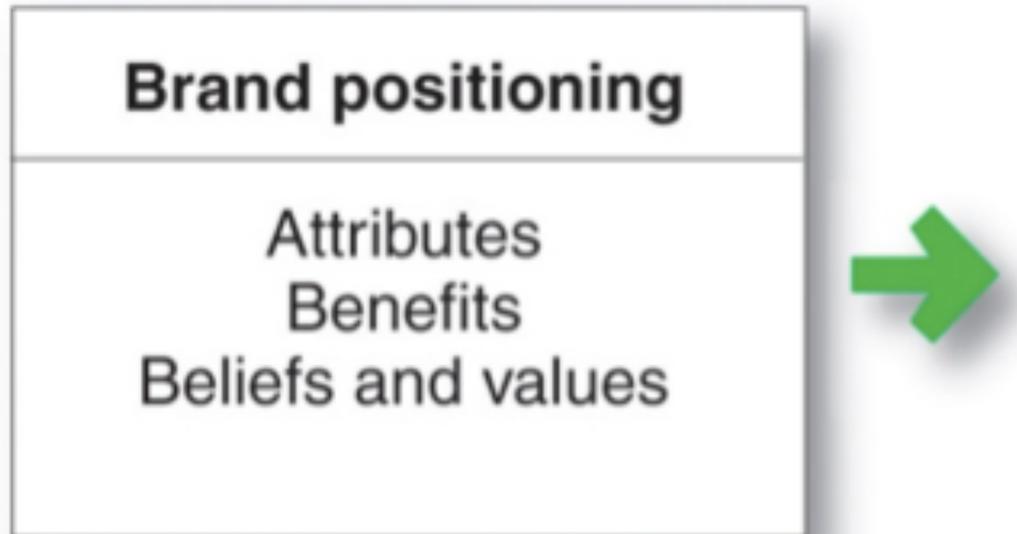
To Brand or Not to Brand?

To Brand:

- **Company wants its products and services to be identified as different and unique**
- **Company wants to create an image, or position the product relative to competitors**
- **A brand offers the consumer protection as it names the owner of the brand. Increases consumer's trust in the product.**



Branding Strategy: Building Strong Brands



Brand positioning on three levels:

- **Product attributes: fast, high quality, cheap (Geico)**
- **Desirable benefit: Volvo-safety**
- **Beliefs and values: Tom's shoes**

Branding Strategy: Building Strong Brands



- **Brand name selection:**
 - **Suggest something about the product's benefits (Curves, Neutrogena, crispy delite)**
 - **Easy to pronounce, recognize, and remember (Tide, Silk)**

Branding Strategy: Building Strong Brands

- **Brand name selection:**
 - **Distinctive (Geico, Lexus)**
 - **Extendable (Amazon.com, Zappos.com, Gap)**
 - **Ability to be translated into other languages**
 - **Capable of being registered and legally protected**

Major Brand Strategy Decisions



Brand sponsorship (who owns the brand):

- **Manufacturer's (national) brands**
- **Private (store) brand**



Major Brand Strategy Decisions

Brand sponsorship (who owns the brand):

- **Licensing (Calvin Klein, Gucci)**
- **Co-branding: Chase/United airlines; Fedex/Kinko; Aetna/ CVS**



GUCCI



Brand Development

Brand development
Line extensions Brand extensions Multibrands New brands

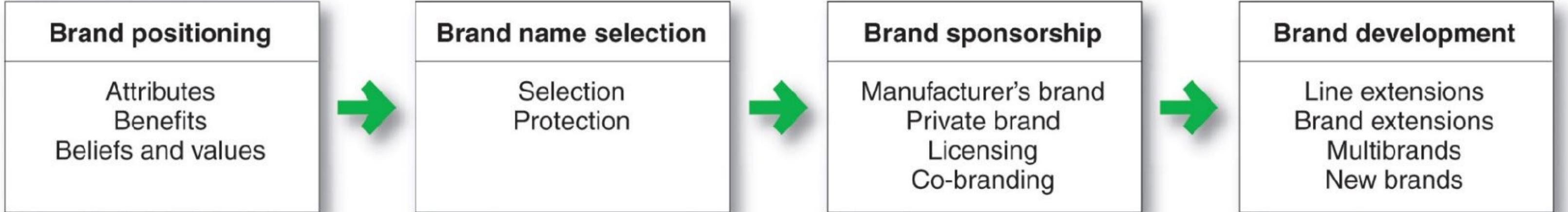
Line extensions: existing brand names to new forms, colors, sizes, ingredients or flavors of an existing categories

- **diet coke, cherry-coke, classic coke, coke zero**

Brand Development

Line Extensions:

- **Used to introduce new products**
- **Desire for variety (variety seeking behavior)**
- **More brand coverage at retailers (shelf space)**
- **Use excess capacity**
Risks: dilute the brand, cannibalism



Brand Extension:
extends a current brand name to new or modified products in a new category.

- **Instant recognition and faster acceptance**
- **Saves on costs of building a new brand**

Risks: extension not consistent with image can hurt the original product

Brand Development Strategies

Product Category

Existing

New

Existing

Line extension

Brand extension

Brand Name

New

Multibrands

New brands

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





3.3 New Product Development

What are new products?

New for the company:

**Acquisition refers to the buying
of a whole company, a
patent, or a license to
produce someone else's
product**

What are new products?

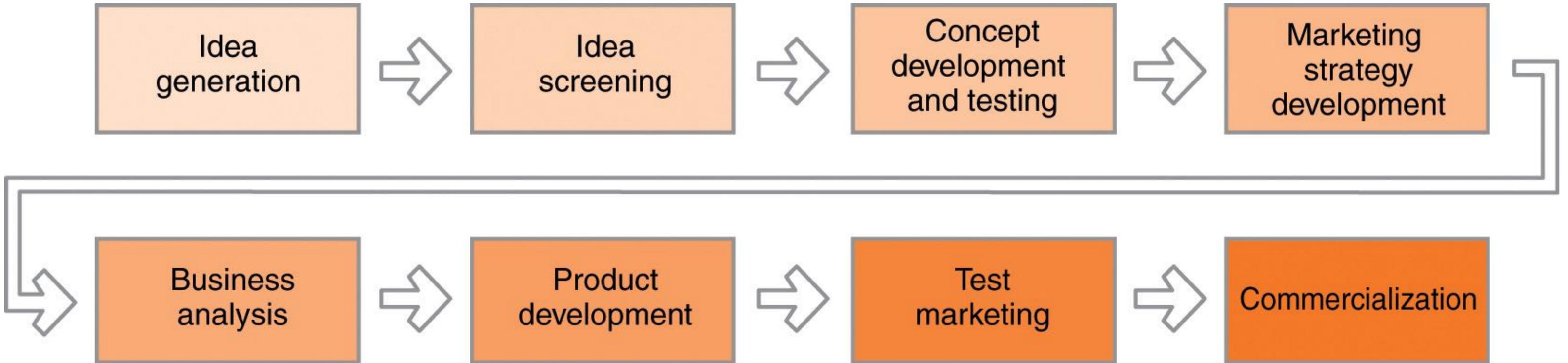
New for the customers:

New product development refers to original products, product improvements, product modifications, and new brands developed from the firm's own research and development

What is a New Product?

- **Telephone—Truly innovative**
- **First cell phone —
Replacement: better quality,
better technology**
- **Motorola—Imitative of rivals**
- **Online Banking/Trading—
New delivery method**

New-Product Development Process



New-Product Development Process

1. Idea generation is the systematic search for new-product ideas

- Sources of new-product ideas**
- Internal: company's own formal research and development, management and staff, and intrapreneurial programs**

New-Product Development Process

Sources of new-product ideas

- **External: sources outside the company such as customers, competitors, distributors, suppliers, and outside design firms**

The purpose of idea generation: to create a large number of ideas

The purpose of the next stage (idea screening): to reduce that number



3) Concept Development and Testing

Product idea is an idea for a possible product that the company can see itself offering to the market

Product concept is a detailed version of the idea stated in meaningful consumer terms

Product image is the way consumers perceive an actual or potential product

4) Marketing Strategy Development

Refers to the initial marketing strategy for introducing the product of the market

4) Marketing Strategy Development

Marketing strategy statement includes:

- Description of the target market**
- Product positioning, sales, market share, and profit goals**
- Price, distribution, and budget**
- Long-term sales, profit goals, and marketing mix strategy**

5) Business Analysis

Involves a review of the sales, costs, and profit projections to find out whether they satisfy the company's objectives

6) Product Development

Involves the creation and testing of one or more physical versions by the R&D or engineering departments. Requires an increase in investment.

7) Test Marketing

The stage at which the product and marketing program are introduced into more realistic marketing settings

Provides the marketer with experience in testing the product and entire marketing program before full introduction

When should firms test market?

- **New product with large investment**
- **Uncertainty about product or marketing program**

When may firms not test market?

- **Simple line extension**
- **Copy of competitor product**
- **Low costs**
- **Management confidence**

8) Commercialization

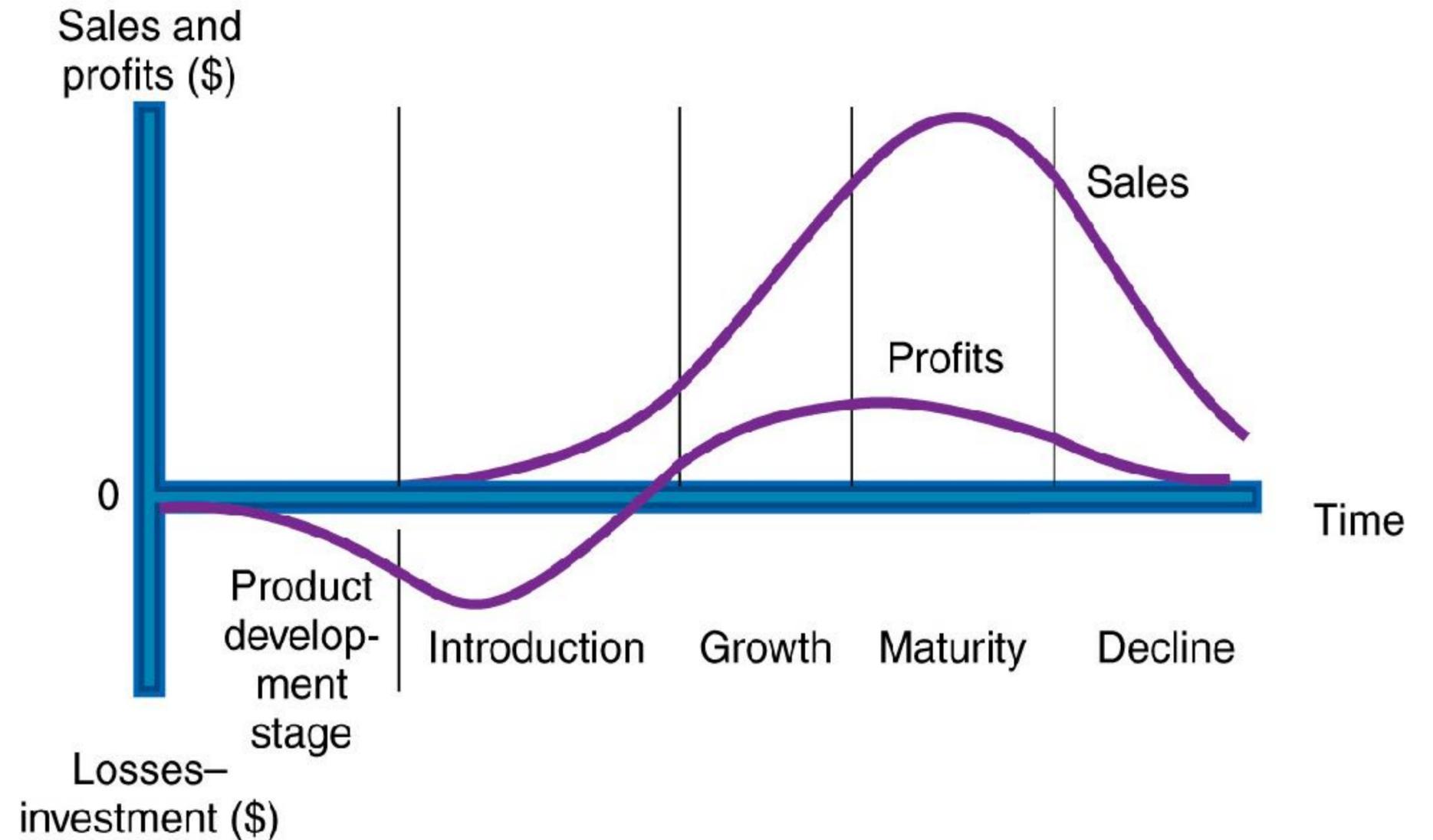
**Introducing the new product
into the market**

- When to launch**
- Where to launch**
- Planned market rollout**

Product Life-Cycle Strategies

Product life cycle (PLC) is the course that a product's sales and profits take over its lifetime

- **Product development**
- **Introduction**
- **Growth**
- **Maturity**
- **Decline**



Product Life-Cycle Strategies

Market modifying strategy is when a company tries to increase consumption of the current product

- New users (Men who use disposable razor)**
- Increased usage of existing users (tooth paste)**
- New market segments (Gillette for women)**

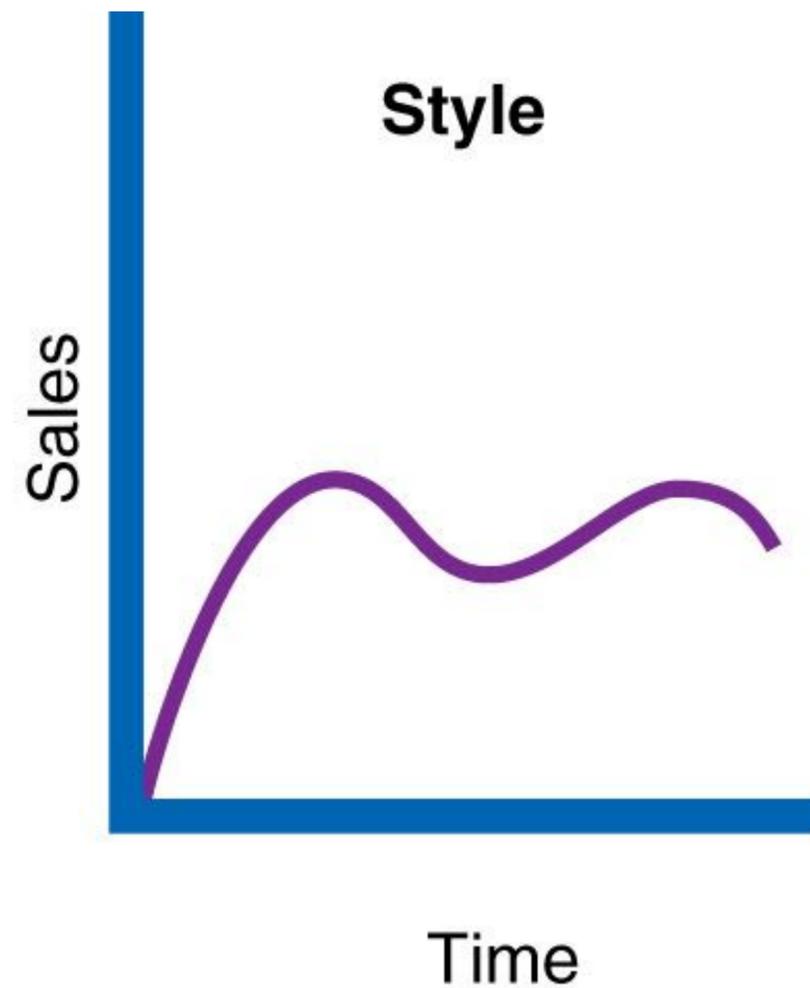
Product Life-Cycle Strategies

Marketing mix modifying strategy is when a company changes one or more of the marketing mix elements

- **Price**
- **Promotion**
- **Distribution channels**

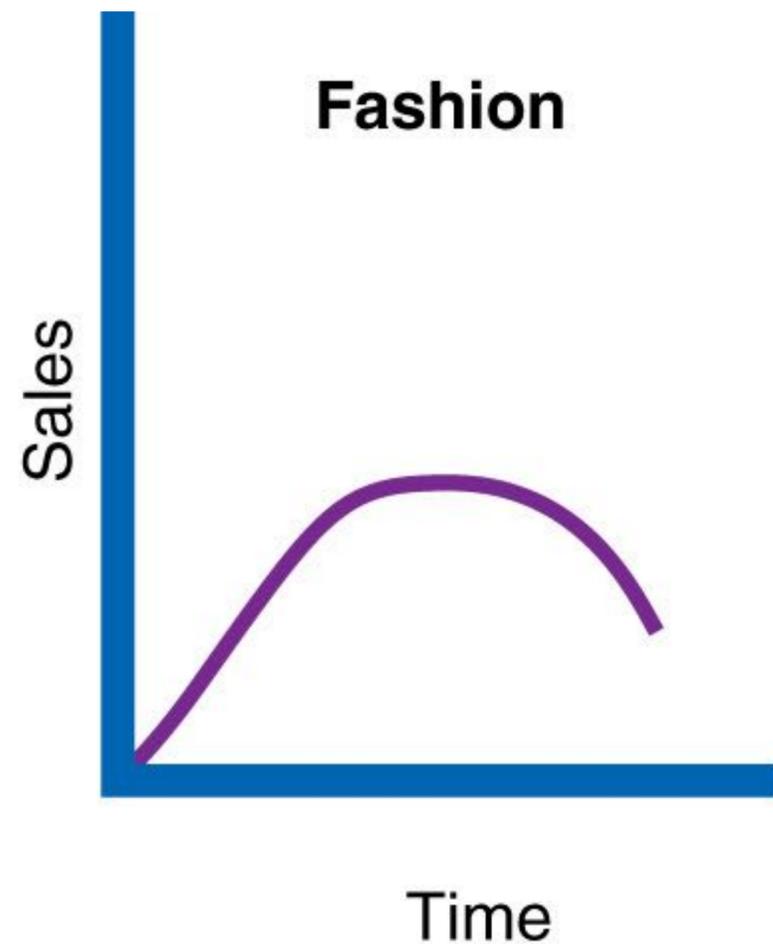
“Special” Product Life-Cycle

Style is a basic and distinctive mode of expression (art)



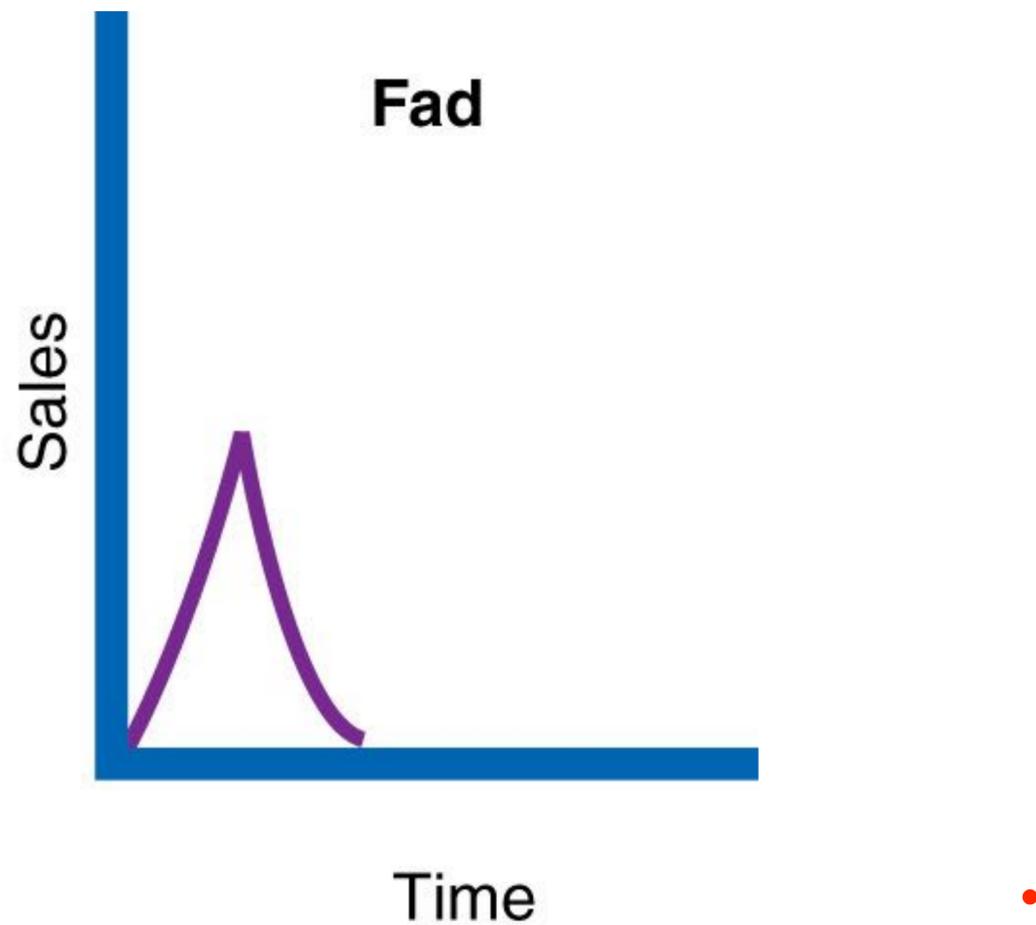
“Special” Product Life-Cycle

Fashion is a currently accepted popular style in a given field (business attire, business casual)



“Special” Product Life-Cycle

Fads are temporary periods of unusually high sales driven by consumer enthusiasm and immediate product or brand popularity



PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





3.4 Pricing Strategies and Customer Value

The Meaning of Pricing

**Vehicle to communicate
value to customers**

A marketing strategy tool

**Price: the amount of money
charged for a product or
service, or the sum of values
exchanged for the benefits
of having or using the
product or service.**

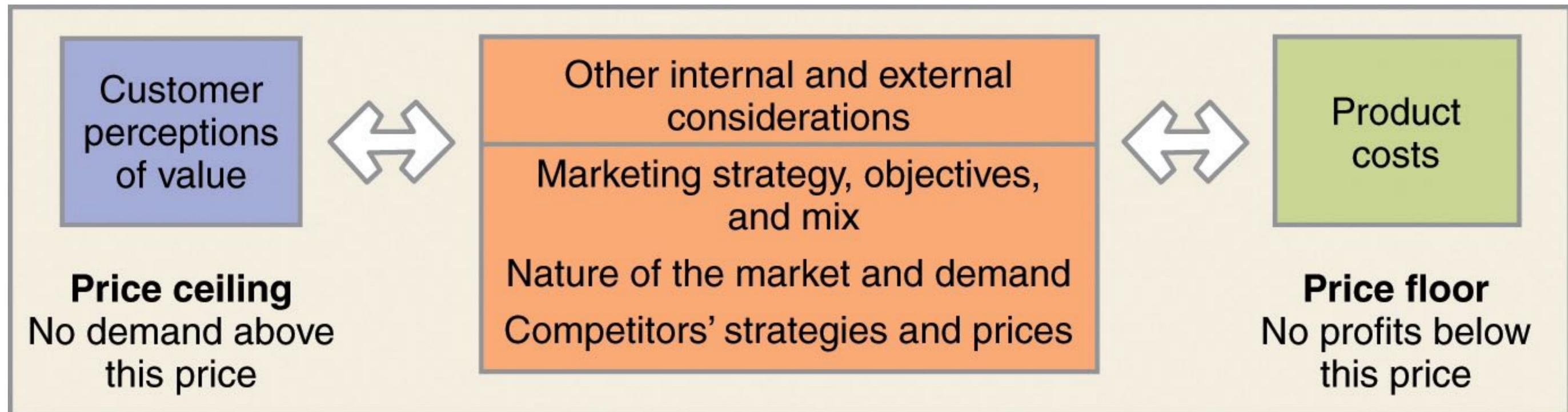
Pricing

The lowest price a company can charge:

The cost price—below that point, it is not making a profit

The highest price a company can charge:

The price that customers believe provides the best value for them—(costs vs. perceived benefits)



Cost Versus Value Pricing

- **Value-based pricing: setting price based on buyers' perceptions of value rather than on the seller's cost**
- **Value-based pricing is customer driven (research)**
- **Cost-based pricing is product driven**

Cost-based pricing



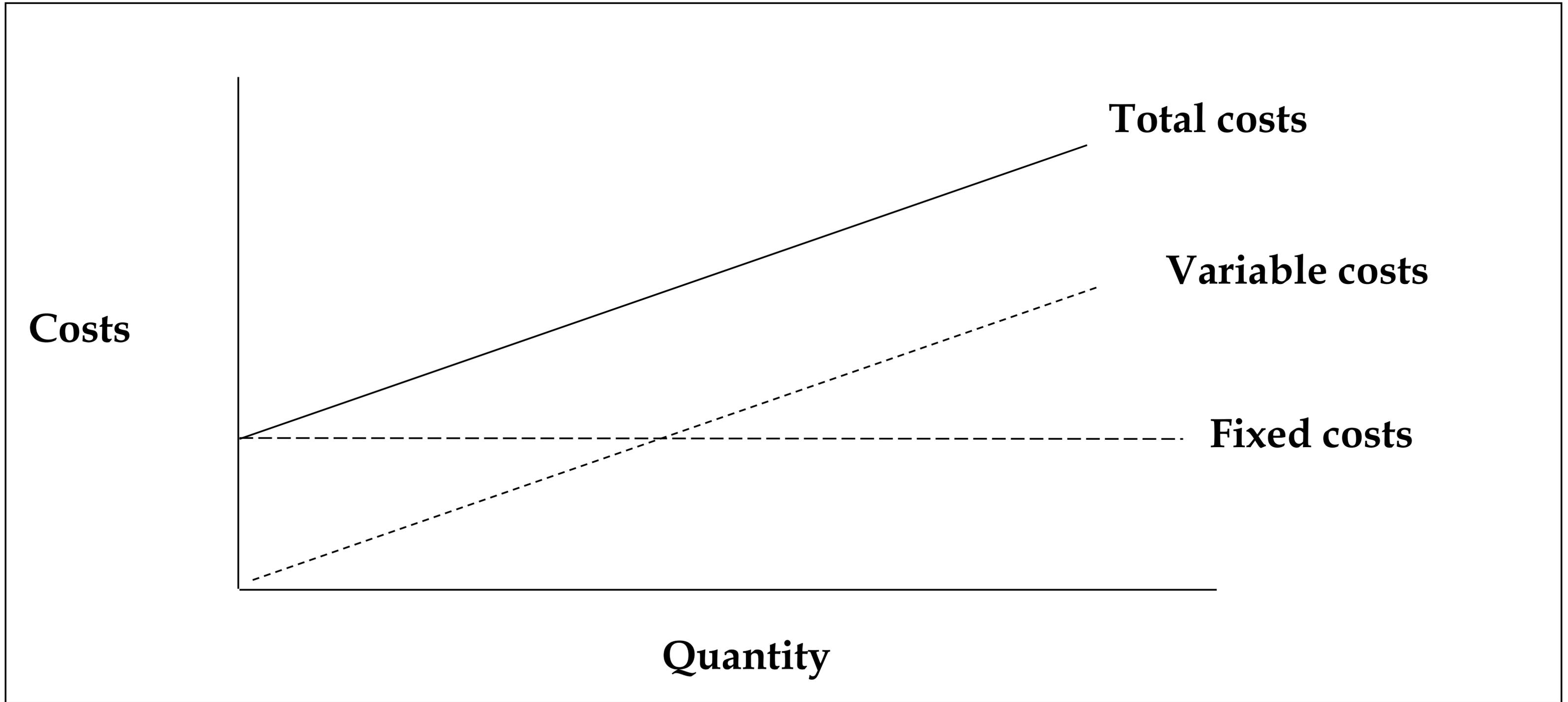
Value-based pricing



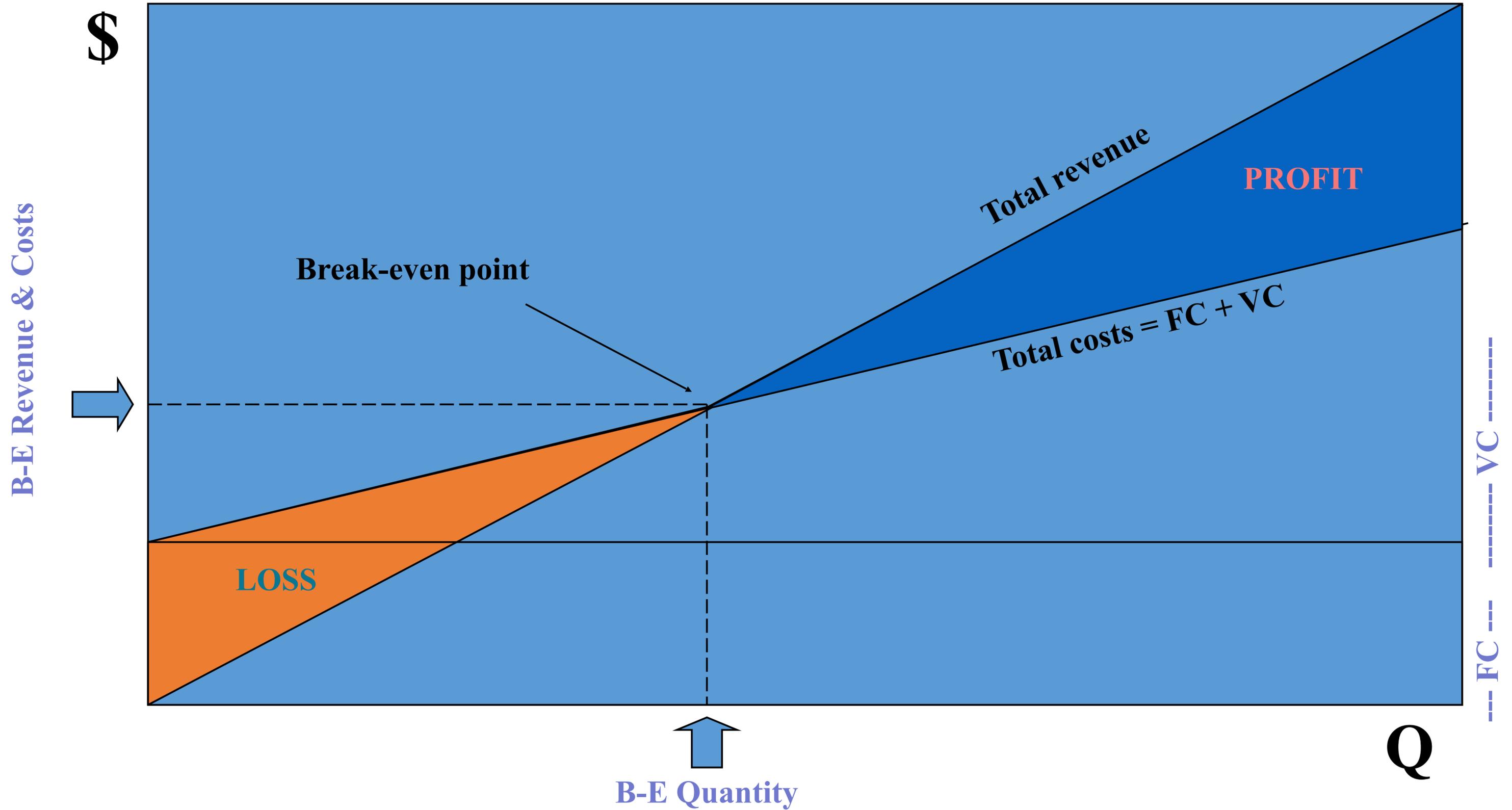
Types of Costs

- ***Fixed costs:*** Costs that do not vary with production (FC)
(rent, equipment, marketing staff...)
- ***Variable costs:*** Costs that vary directly with the level of production (VC) (electricity, material, sales commission...)
- ***Total costs:*** Sum of fixed and variable costs (TC)

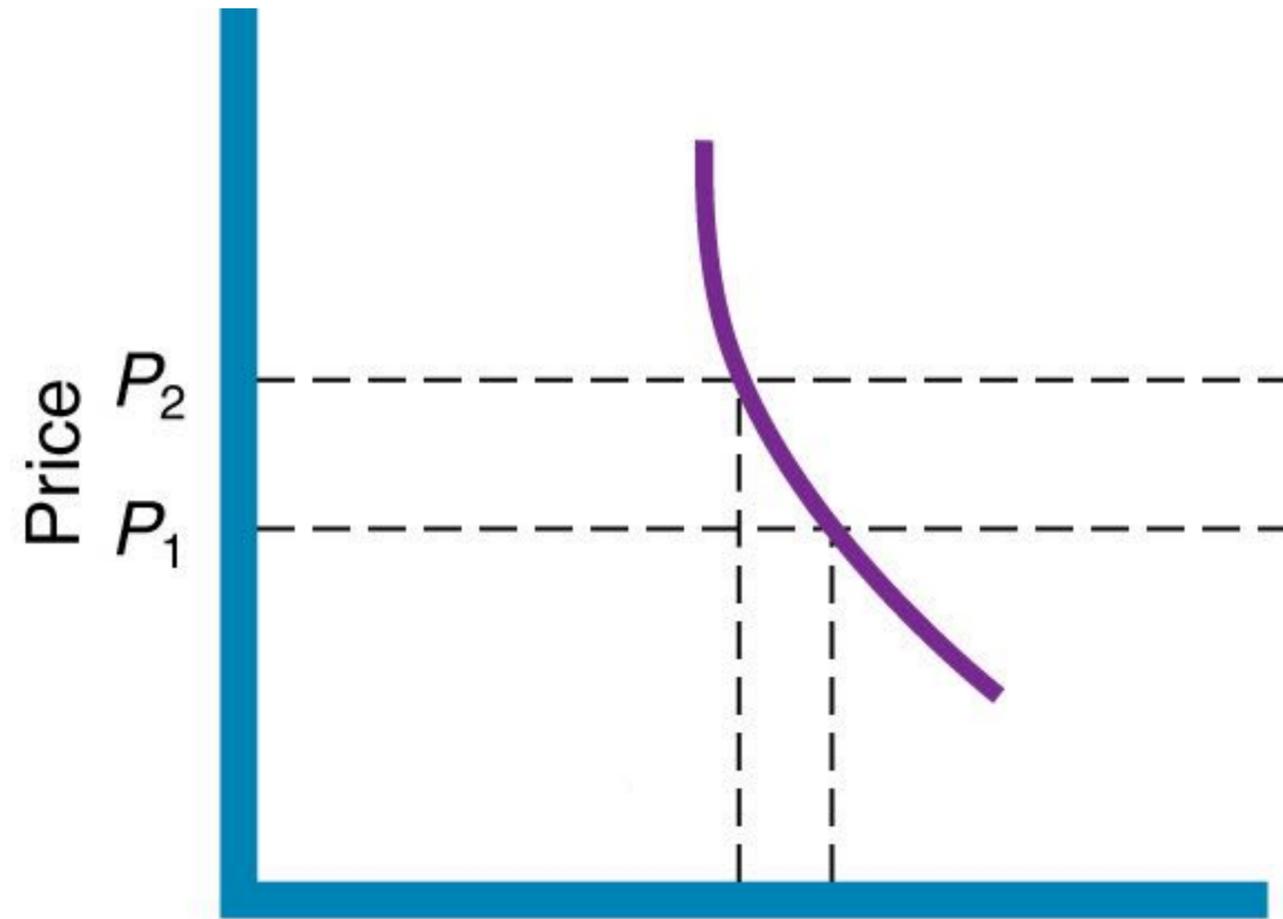
Types of Costs



Break-Even Analysis



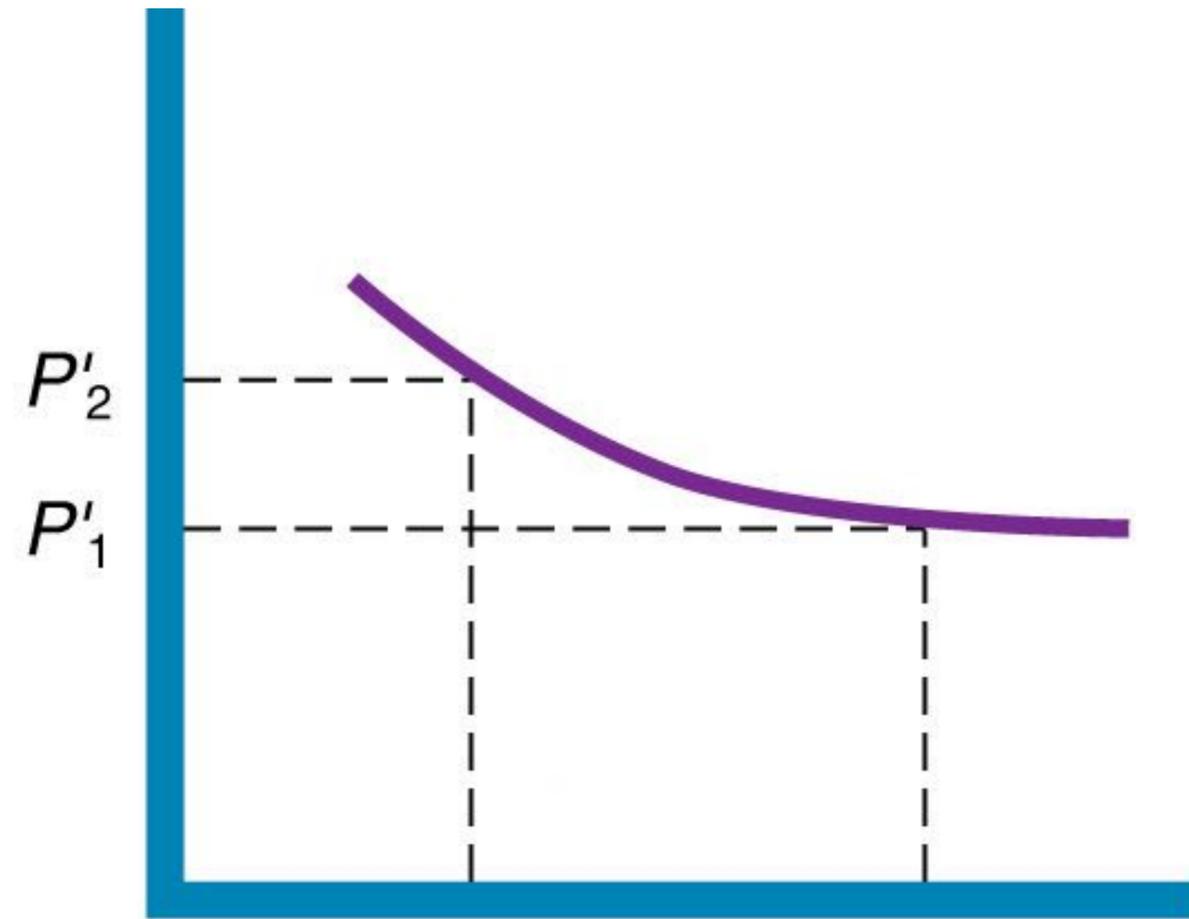
Factors Affecting Pricing Decisions (External)



Q_2 Q_1
Quantity demanded per period

A. Inelastic demand

—Occurs when demand hardly changes when there is a small change in price



Q'_2 Q'_1
Quantity demanded per period

B. Elastic demand

—Occurs when demand changes greatly for a small change in price

External Factors Affecting Pricing Decisions

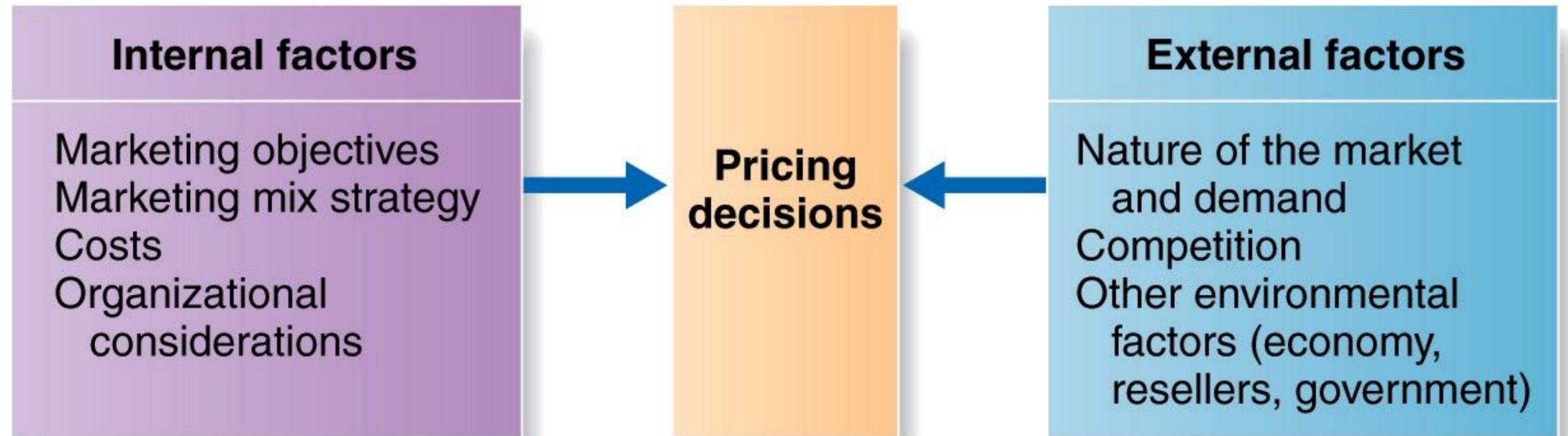
Types of Markets:

Pure competition

**Monopolistic
competition**

**Oligopolistic
competition**

Pure monopoly



External Factors Affecting Pricing Decisions

Competition

- **Directly similar products (different brands of running shoes)**
- **Available substitutes (methods of air freight)**
- **Unrelated products seeking the same discretionary dollar (buying a new car versus taking a long exotic vacation).**

Market Entry Pricing/New Product

Skimming

Enter at a high price to take maximum short term profit—price discrimination

- **Conditions:**

- **Sufficiently high quality, image to attract buyers**
- **High production costs for small amounts don't wipe out price advantage**
- **Difficult for competitors to enter and undercut**

Market Entry Pricing/New Product

Penetration

Enter at a low price to build rapid trial

Conditions:

- Market growth with lower price — i.e., price elastic
- Economies of scale
- Low price deters competitive entry

Product Mix Pricing Strategies

Various products in the mix have different demands, costs, and competition

**Product line
pricing**

**Optional- product
pricing**

**Captive- product
pricing**

By-product pricing

**Product bundle
pricing**

Product Mix Pricing Strategies

Product line pricing takes into account the cost differences between products in the line, customer evaluation of their features, and competitors' prices

Optional-product pricing takes into account optional or accessory products along with the main product

Product Mix Pricing Strategies

Captive-product pricing involves products that must be used along with the main product

Two-part pricing involves breaking the price into:

- **Fixed fee**
- **Variable usage fee**

Price Mix Pricing Strategies

By-product pricing refers to products with little or no value produced as a result of the main product. Producers will seek little or no profit other than the cost to cover storage and delivery.

Product bundle pricing combines several products at a reduced price



PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University

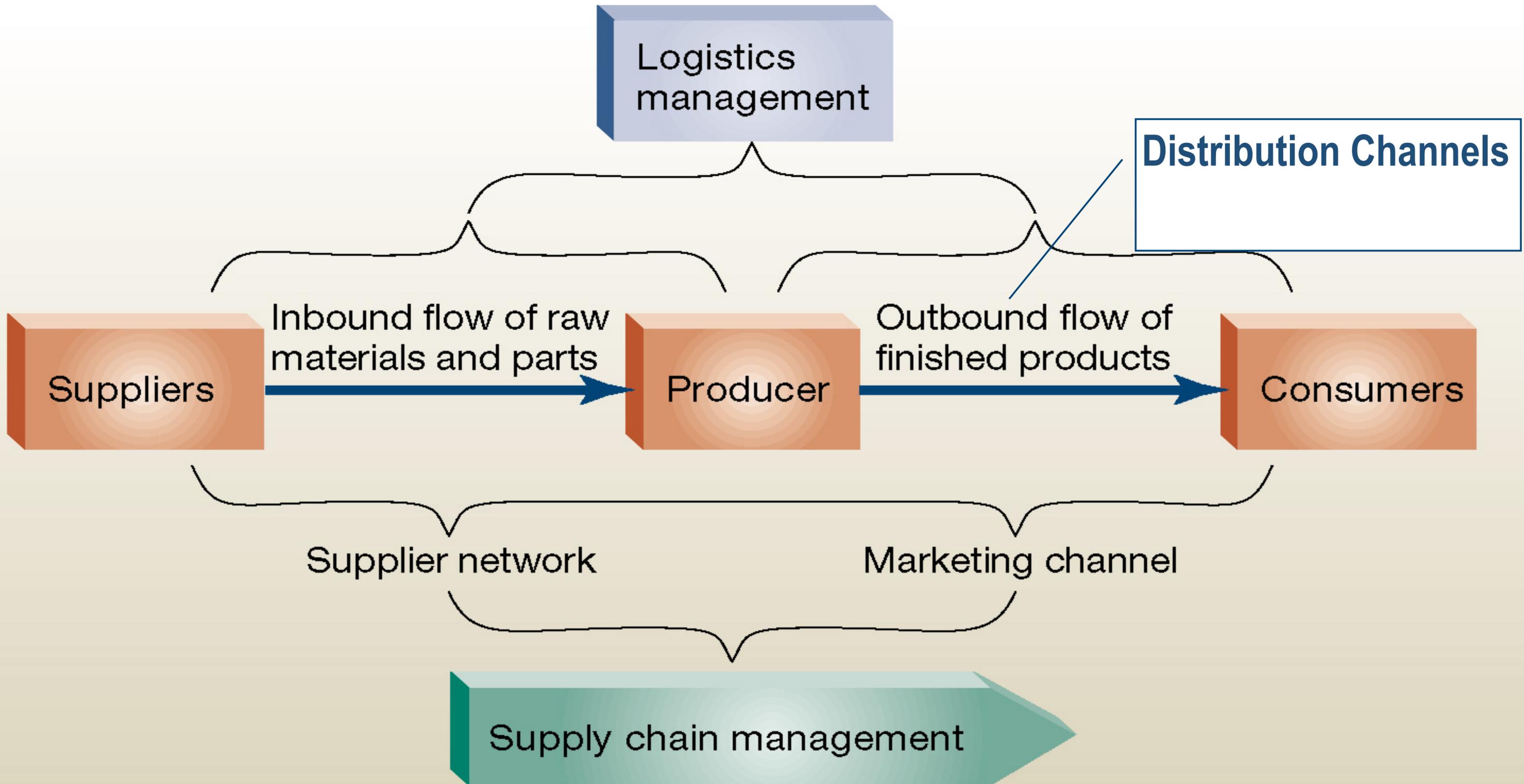




3.5 Distribution Channels and Logistics

Supply Chain & Logistics

A sequence of firms that perform activities required to create and deliver a good or service to a consumer



Distribution Channels

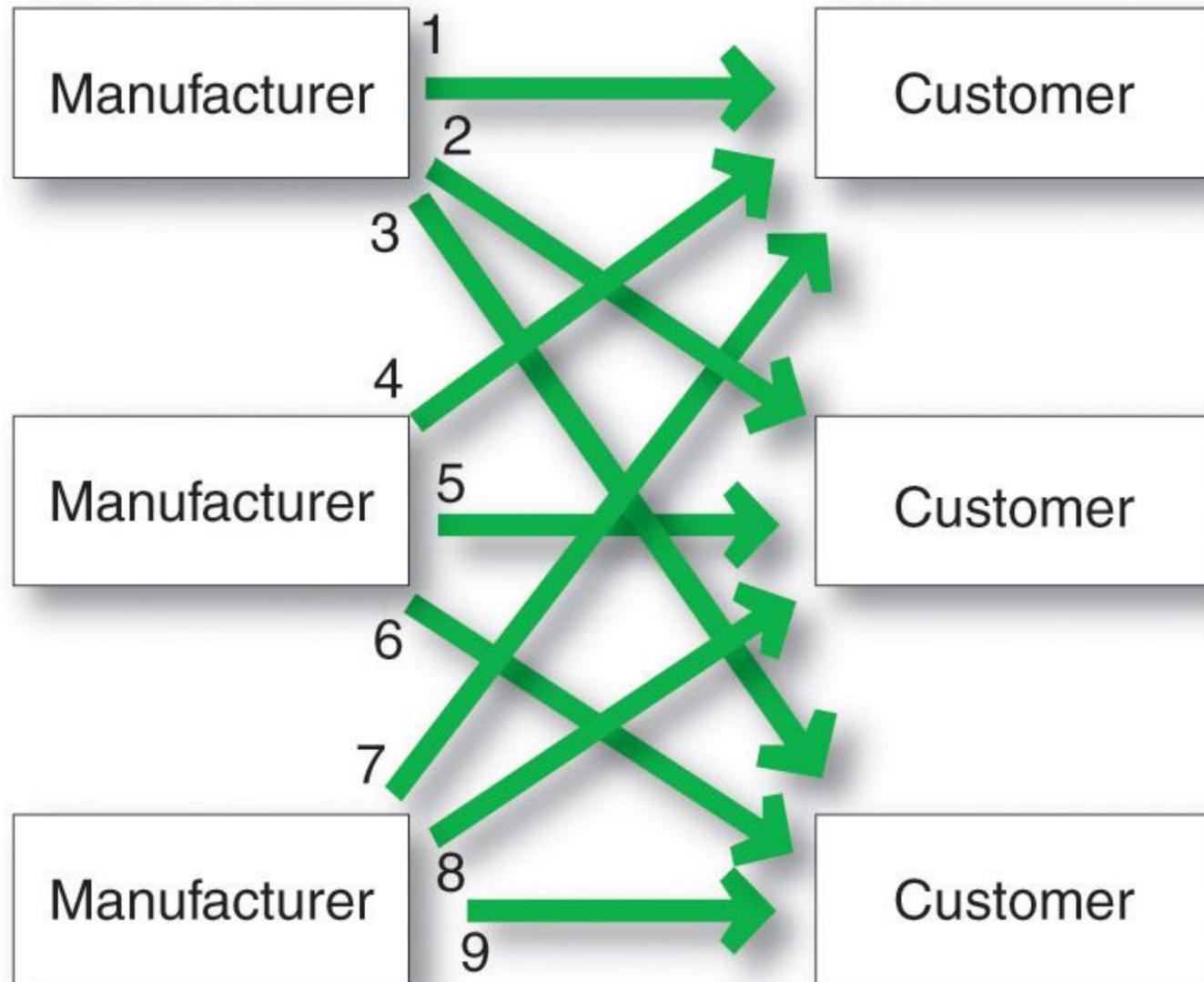
Determine:

- **Where products will be available**
- **What locations are appropriate**
- **How will the product get to the consumer safely and on time**

Definitions

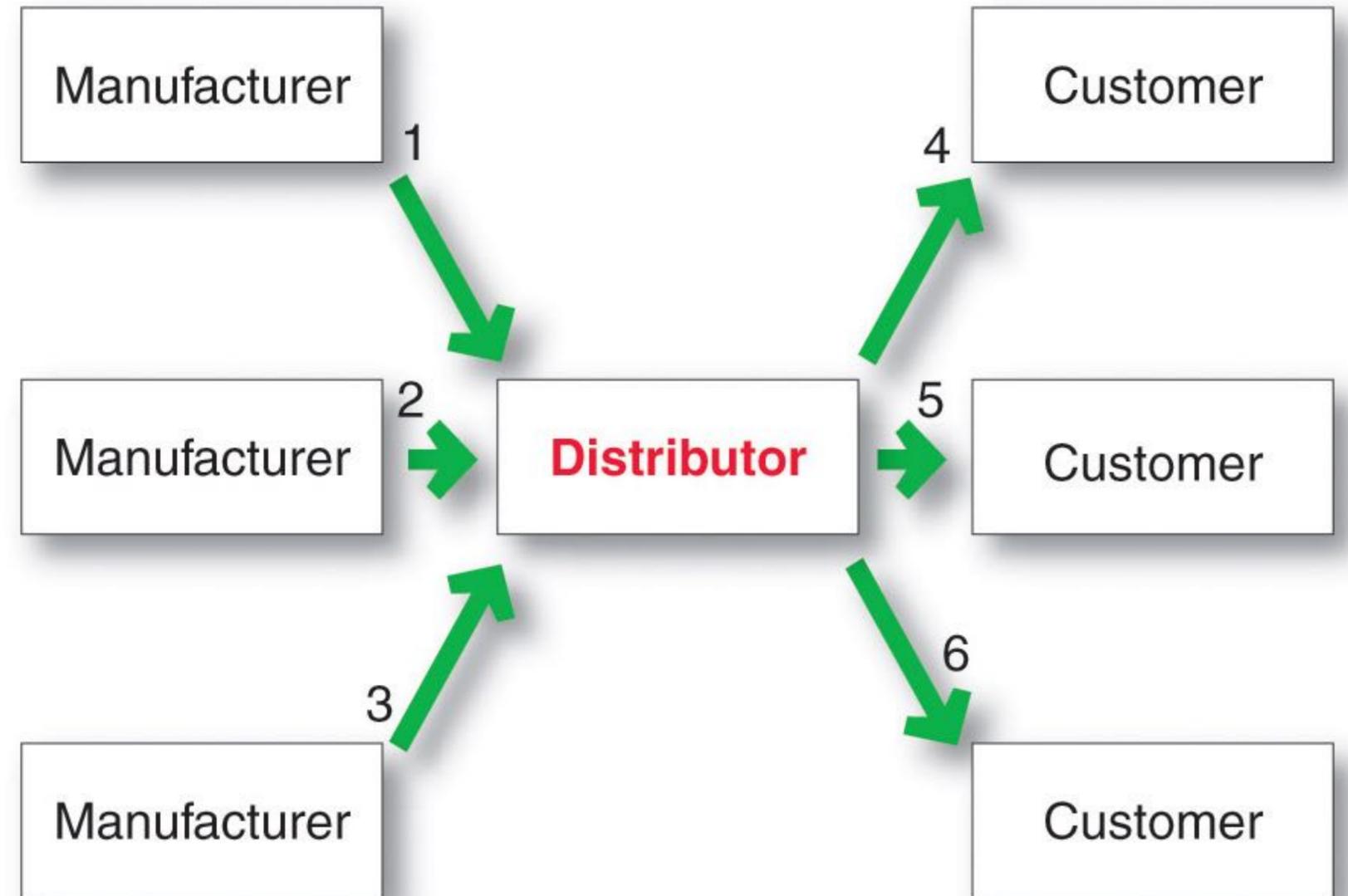
- **Intermediary: a business firm that renders services related directly to the sale and/or purchase of a product as it flows from producer to consumer.**
- **Distribution Channel: Consists of the set of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate consumer or business user.**

The Nature and Importance of Marketing Channels—How Channel Members Add Value



A. Number of contacts without a distributor

$$M \times C = 3 \times 3 = 9$$



B. Number of contacts with a distributor

$$M + C = 3 + 3 = 6$$

Retailing

Retailing involves the sale of products and services to end consumers for their personal non business use. Retailers serve as the link between producer and consumer, and they perform essential services for both parties

Retailers

Must consider *three aspects* of physical facilities:

- ***Location* –Surrounding population, traffic, and cost determine where a store should be located.**

Retailers

Must consider *three aspects* of physical facilities:

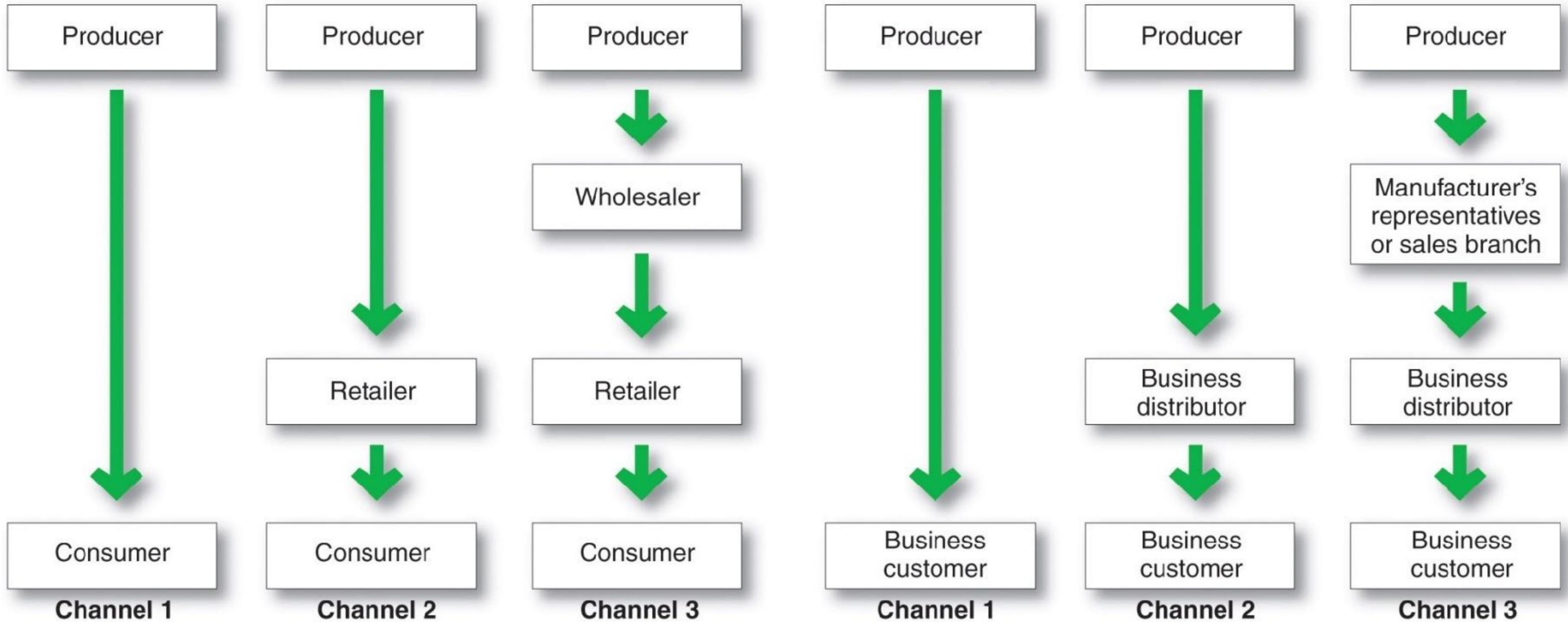
- ***Design*** – refers to a store's appearance, both interior and exterior. It is important for attracting and retaining customers as well as setting the image of the firm.

Retailers

Must consider *three aspects* of physical facilities:

- ***Layout*** – the manner in which products are displayed in the store. In a store facility, displays should be easy to access, pleasant in appearance, and aisles and checkouts easy to access and move through.

Number of Channel Levels

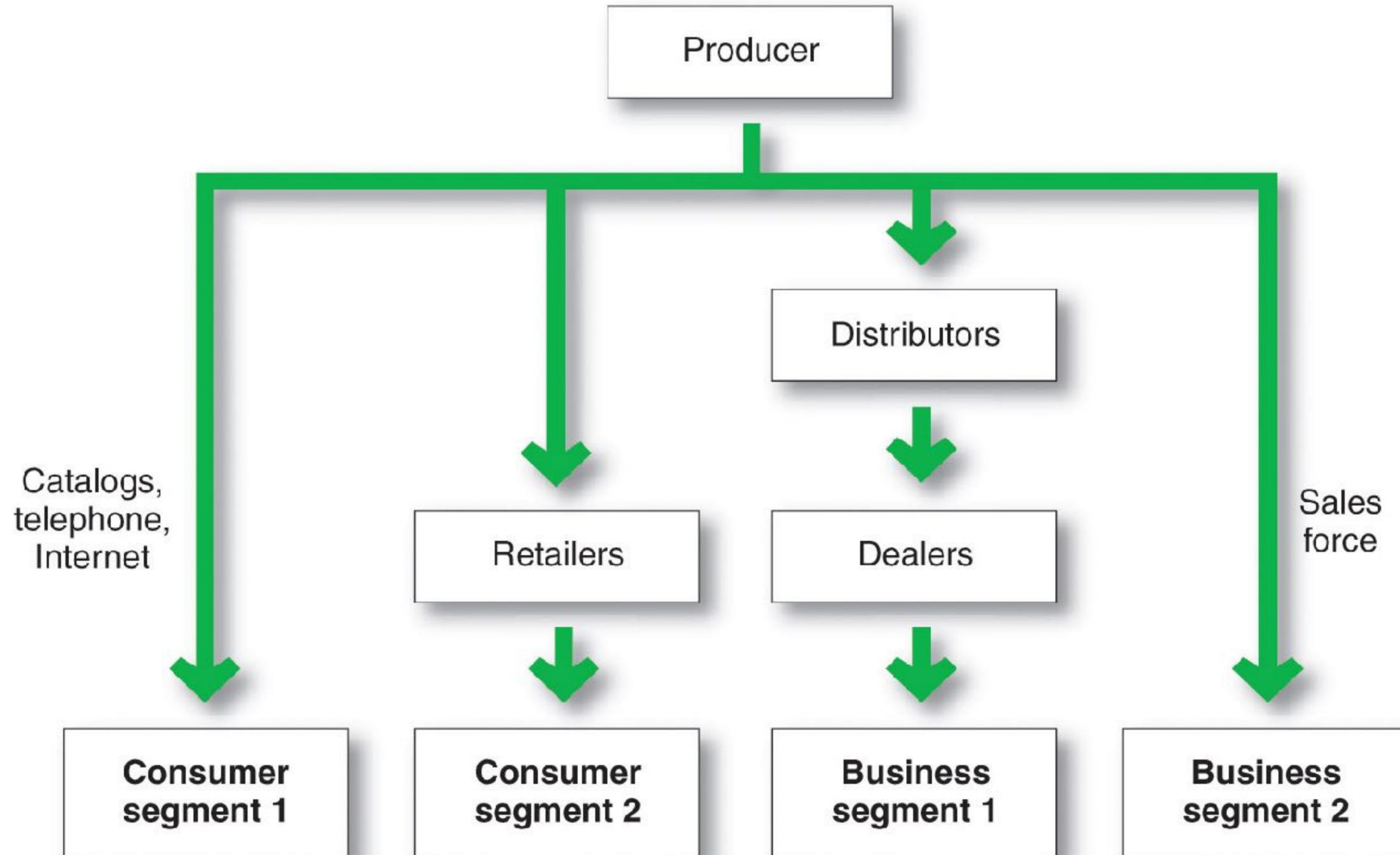


A. Customer marketing channels

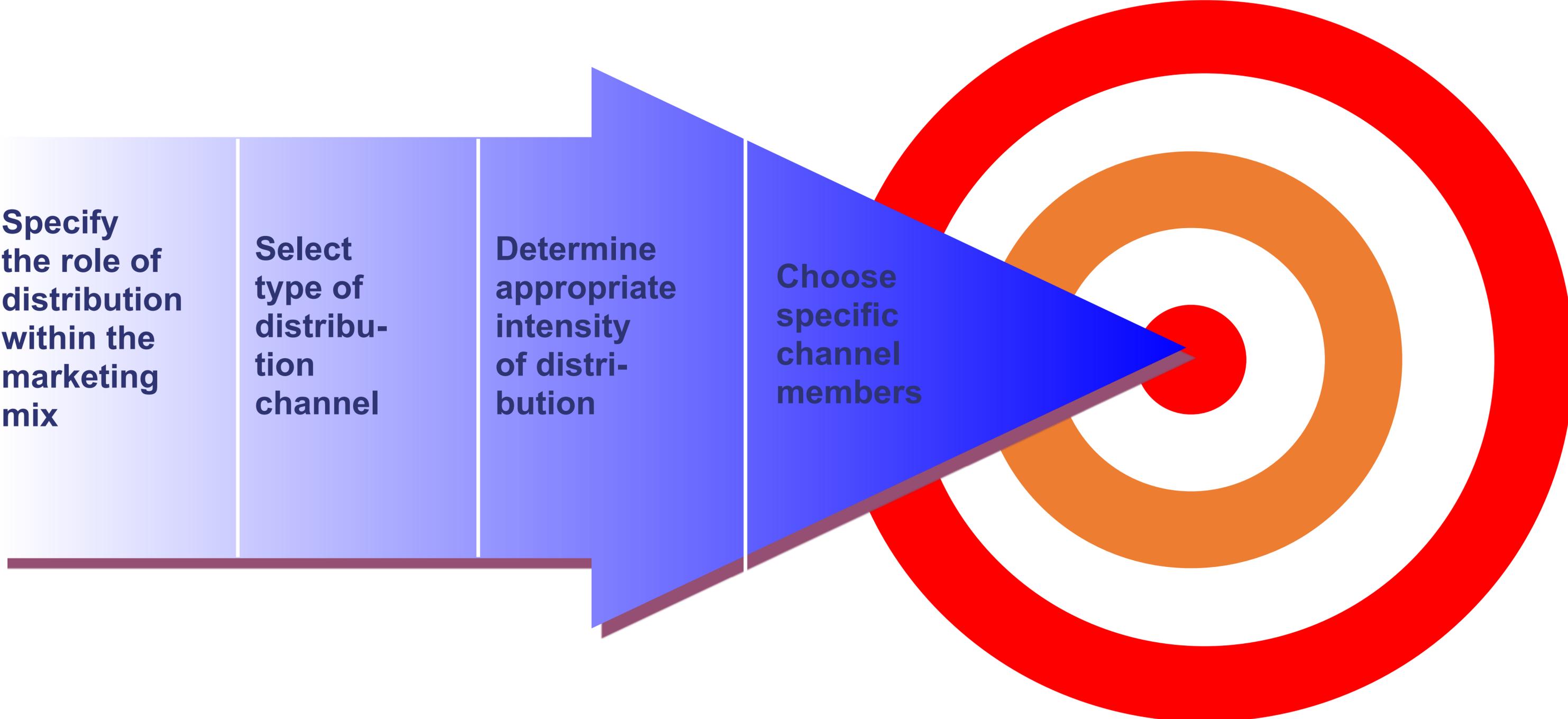
B. Business marketing channels

Channel Behavior and Organization

Multichannel Distribution System



Channel Strategies



1. Specifying Role of Distribution

Based on:

- **Marketing objectives of the firm**
- **Target Segments**
- **Positioning**

2. Selecting Type of Channel

Considerations

- **Market Considerations: Type of market, geographic concentration, potential customers, order size.**
- **Product Considerations: Consider unit value, perishability, technical nature of product.**

2. Selecting Type of Channel

Considerations

- **Intermediaries**
Considerations: Services offered, availability, attitude, dominance.
- **Company Considerations:**
Desire for channel control, management, money and services seller can provide to support sales.

Channel Design Decisions

Identifying Major Alternatives

- 1. Intensive Distribution**
Candy and toothpaste
- 2. Exclusive Distribution**
**Luxury automobiles and
prestige clothing**
- 3. Selective Distribution**
**Television and home
appliance**

1. Intensive Distribution

A producer sells its product through every outlet in a market where a consumer might reasonably expect to find it and think to look for it.

- Often used for convenience stores.**
- Retailers often control whether it can be achieved.**
- Most of the advertising and promotion burden is on the producer.**

2. Selective Distribution

A supplier sells its product through multiple, but not all possible, wholesalers and/or retailers in a market where a consumer might reasonably look for it

- Appropriate for consumer shopping goods and business accessory equipment.**
- Used by manufacturers wanting to eliminate marginal intermediaries.**

3. Exclusive Distribution

A supplier agrees to sell its product only to a single wholesaling intermediary and/or retailer in a given market.

- Used for specialty goods, products requiring large retailer inventories, and business products requiring dealer installation and repair services (cars).**

3. Exclusive Distribution

From a producer's viewpoint:

- It provides more control over the last intermediary level before the final customer.**
- The intermediary provides more aggressive support and promotion.**
- The producer becomes more dependent upon the intermediary.**

3. Exclusive Distribution

From the intermediary's viewpoint:

- **The intermediary is the sole beneficiary in the area of the producer's marketing activities.**
- **The intermediary may become too dependent upon the producer.**

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





3.6 Integrated Marketing Communications & Promotions

What's Included in the “Promotion” P?

Communications/Promotions “Mix”:

- Advertising
- Product Placements
- Sales Promotion
- Direct Marketing
- Public Relations/
Publicity
- Personal Selling
- Trade Shows

Advertising is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor

- **Broadcast**
- **Print**
- **Internet**
- **Outdoor**
- **Displays**
- **Demonstrations**

Sales promotion is the short-term incentives to encourage the purchase or sale of a product or service

- **Discounts**
- **Coupons**
- **Displays**
- **Demonstrations**



Public relations involves building good relations with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events

- **Press releases**
- **Sponsorships**
- **Special events**
- **Web pages**

Personal selling is the personal presentation by the firm's sales force for the purpose of making sales and building customer relationships

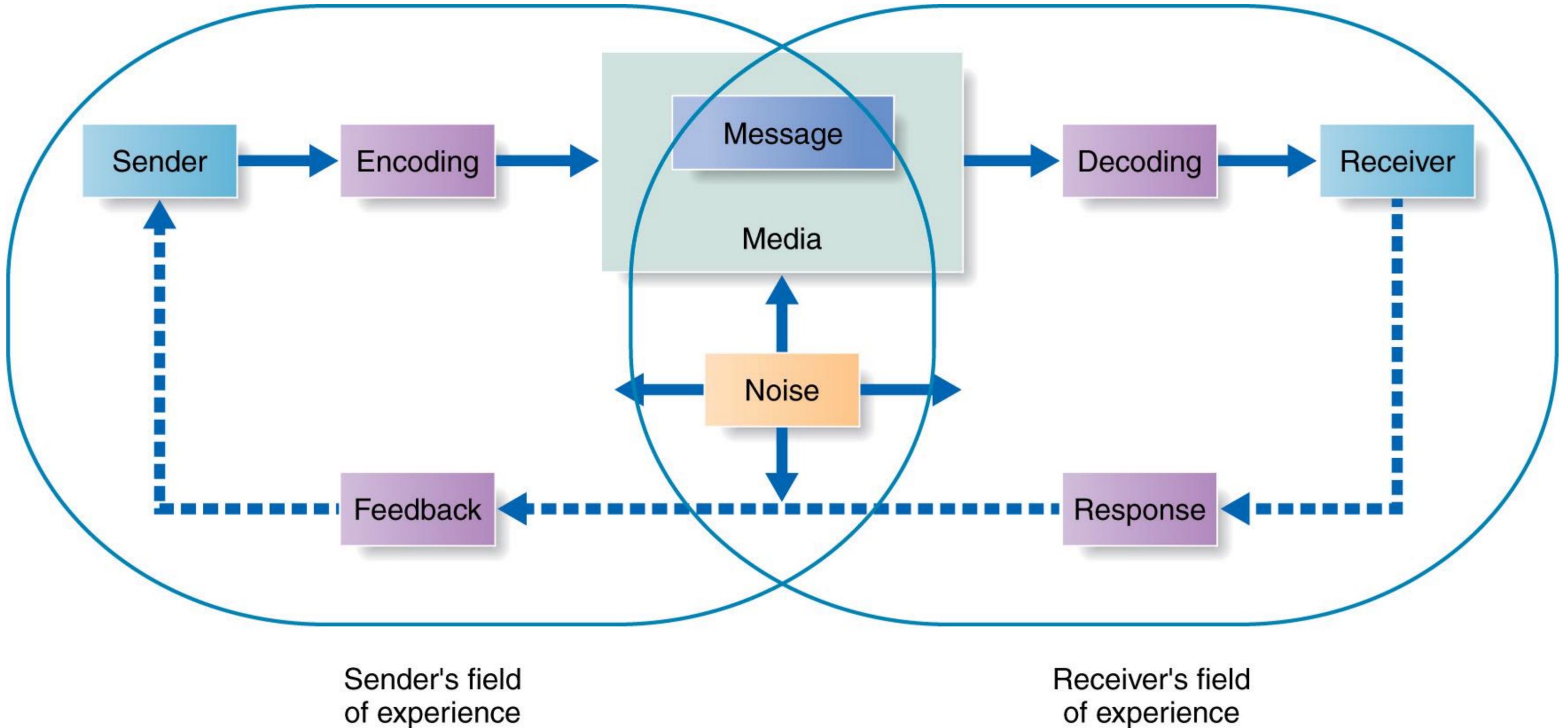
- **Sales presentations**
- **Trade shows**
- **Incentive programs**



Direct marketing - making direct connections with targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships—through the use of:

- **Catalog**
- **Telemarketing**
- **Email**
- **internet**

The Communication Process



Steps in Developing Effective Marketing Communication

Identifying the target audience:

current users or potential buyers. Decision makers or those who influence it.

Steps in Developing Effective Marketing Communication

The target market will affect:

**What will be
said**

**How it will be
said**

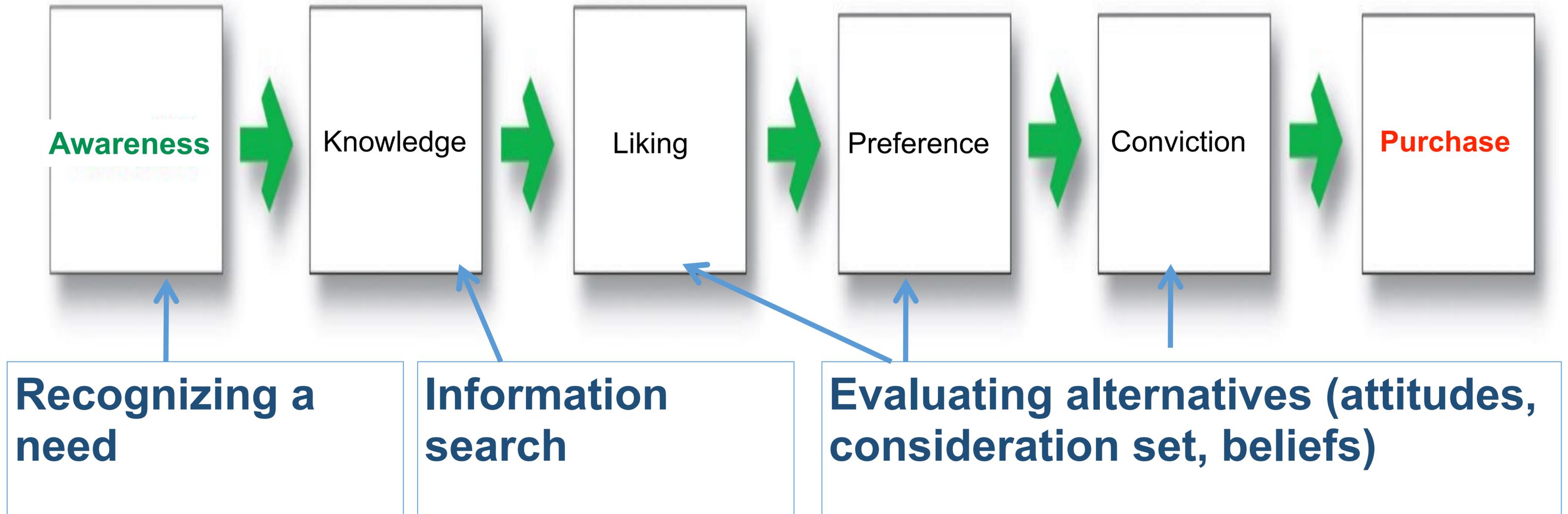
**When it will be
said**

**Where it will be
said**

Who will say it

Determining the Communication Objectives

Marketers seek a purchase response that results from a consumer decision-making process that includes the stages of buyer readiness



Message content: Types of Appeals

“Rational”

- **Problem-solution**
- **Demonstration**
- **Product comparison**
- **Testimonial**
- **Slice of life**

Message content: Types of Appeals

“Emotional”

- **Humor**
- **Sex**
- **Image or mood**
- **Fear**

Advertising

Informative advertising is used when introducing a new product category; the objective is to build primary demand

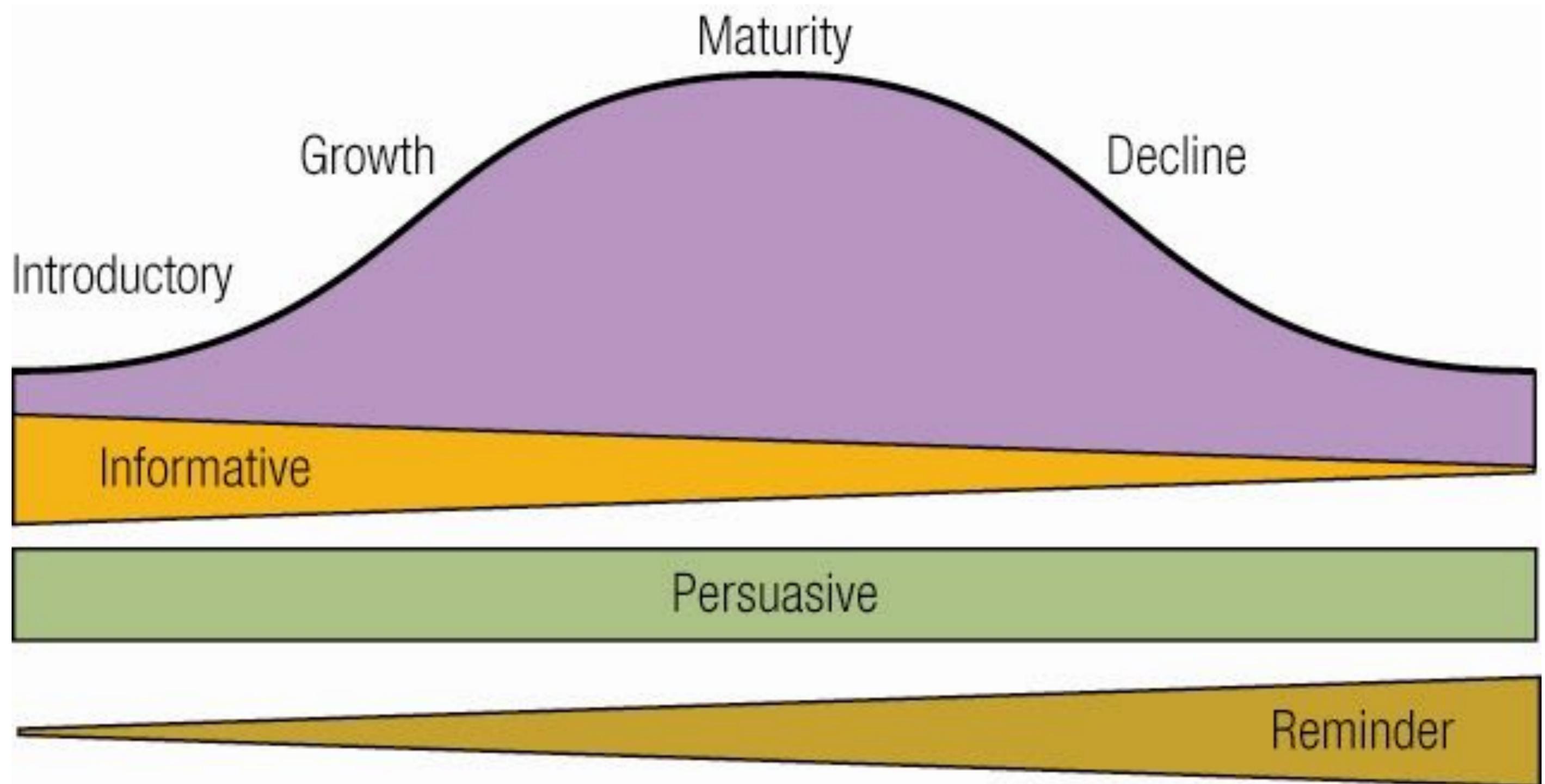
Comparative advertising directly or indirectly compares the brand with one or more other brands

Advertising

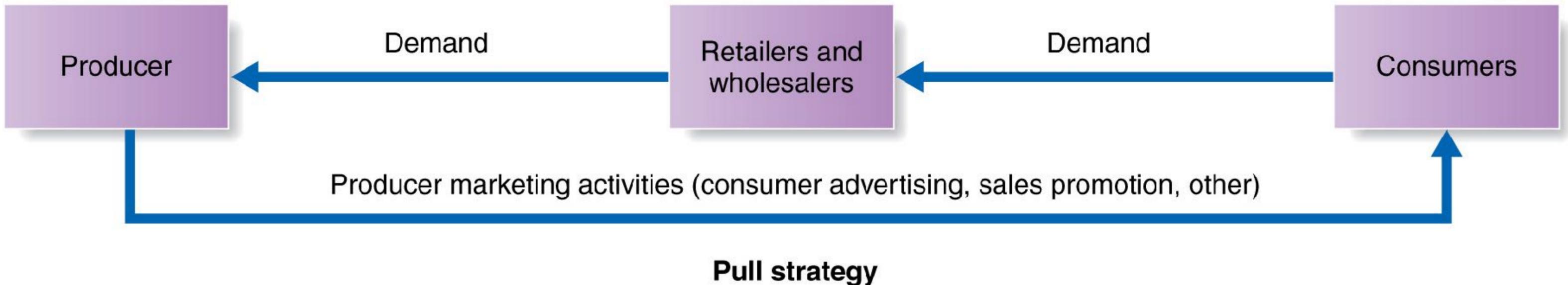
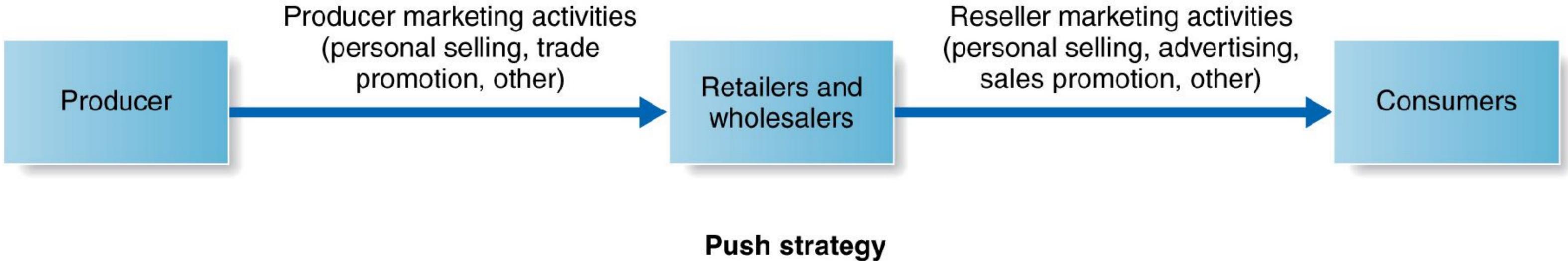
Persuasive advertising is important with increased competition to build selective demand

Reminder advertising is important with mature products to help maintain customer relationships and keep customers thinking about the product

Advertising objectives in Relation to the Stage in the Product Life Cycle



A push strategy directs promotional efforts at channel members
A pull strategy directs promotion at the end consumer



PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





3.6.1 The Power of Advertising Case Study

The Perception of Tap Water vs Bottled Water

Video 1

So what can we learn from this about the nature of consumers?

- **Consumers' senses are not as sensitive as they think they are (can't really tell the difference in taste between brands/tap)**
- **Consumers are not as knowledgeable as they think they are (germs in tap water? "purified" vs. spring)**
- **Reality and the perception of reality are two different things**
- **It is the "perception of reality" that drives consumers**

The power of advertising (what can advertising do?)

- **Create new beliefs (tap water are not good for you)**
- **Increase the perceived value of a product/brand (pay for something that you can get for free)**
- ➔ **Affect social culture (you don't care about yourself and your family if you let them drink tap water)**
- **But can also cause consumers to doubt the truth (or credibility) of advertisements**

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





3.7 Marketing Application in E-Commerce

The Three Types of Media

- **Traditional media: using one-way communication tools to deliver messages to a mass target audience.**

The Three Types of Media

- **Tradigital tools: using one-way communication tools to deliver messages to a target audience (can be a niche). Have the ability to track and measure immediate responses to messages. Usually will be done on the internet.**

The Three Types of Media

- **Social Media: Online means of communication among interdependent and interconnected networks of people, communities and organizations enhanced by technological capabilities and mobility (the “modern city square”)**
- **Empowers consumers – ability to engage and interact with brands.**
- **Consumers discuss, contribute, collaborate, and share – with brands and with each other.**

The 4 Zones of Social Media Channels

Social media consists of many channels (medium: socializing, or search engine or entertainment...) and vehicles (blogs, websites, games, etc); organize what is out there by focusing on the most important functions of each social media platform

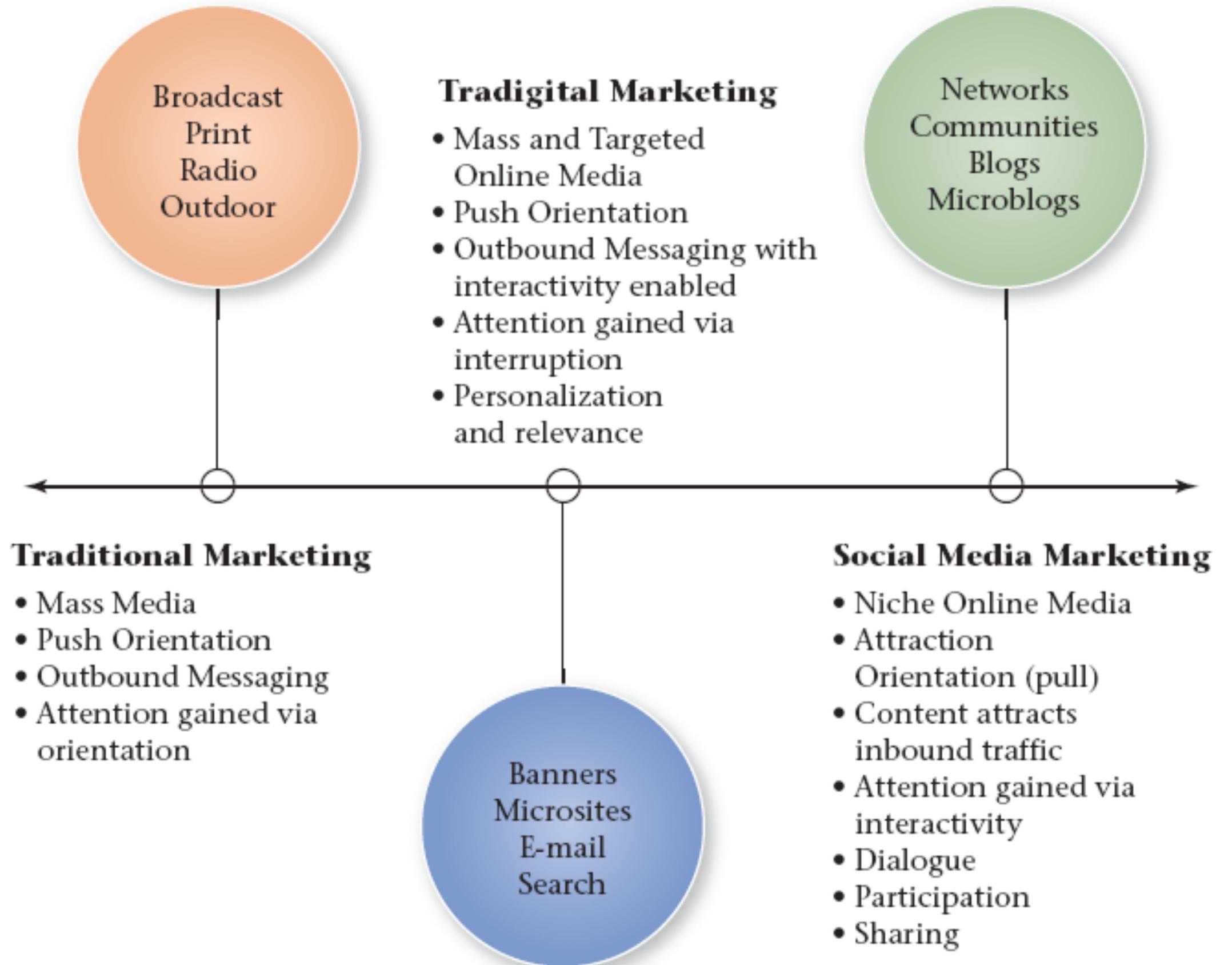
Social Media Zones



Figure 1.4

The Evolution of Marketing Communications

Source: Based on David Armano (May 21, 2009), *Social Engagement Spectrum*, http://darmano.typepad.com/logic_emotion/2009/05/social-engagement-spectrum.html, accessed November 8, 2011.



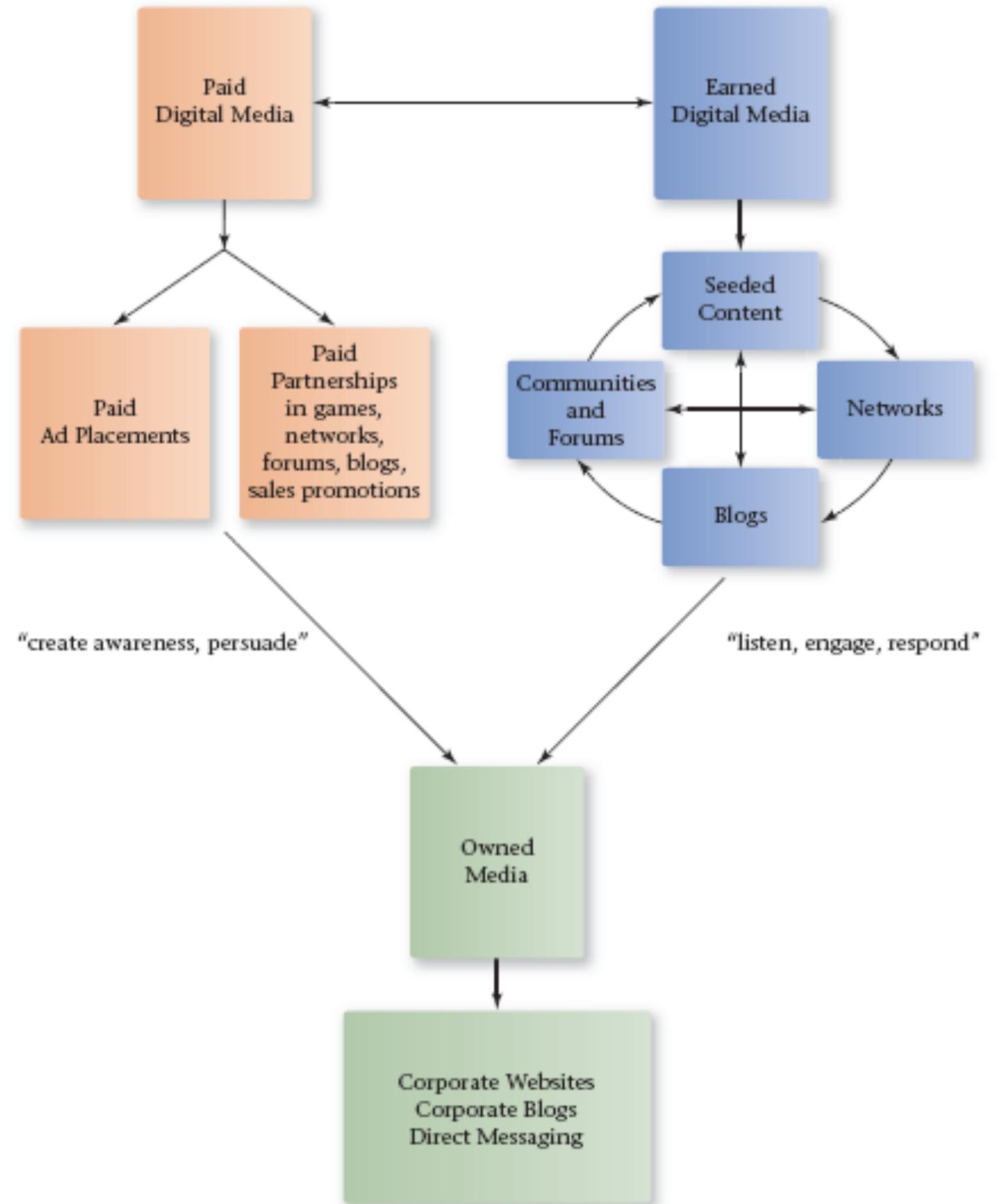
An overview of the three types of media and what each entails, what it is capable of and how the three are compared to one another.

Marketing strategy – integrating traditional, tradigital, and social

- **Social media (twitter or facebook) need to mimic the message communicated on all other media**
- **Clear and consistent relationship between the two – SM focuses on the TM and reflects the business' overall approach to IMC**
- **Determine who manages the integration and control the social media marketing effort to fit with other vehicles**

Relationship among earned, paid, and owned media

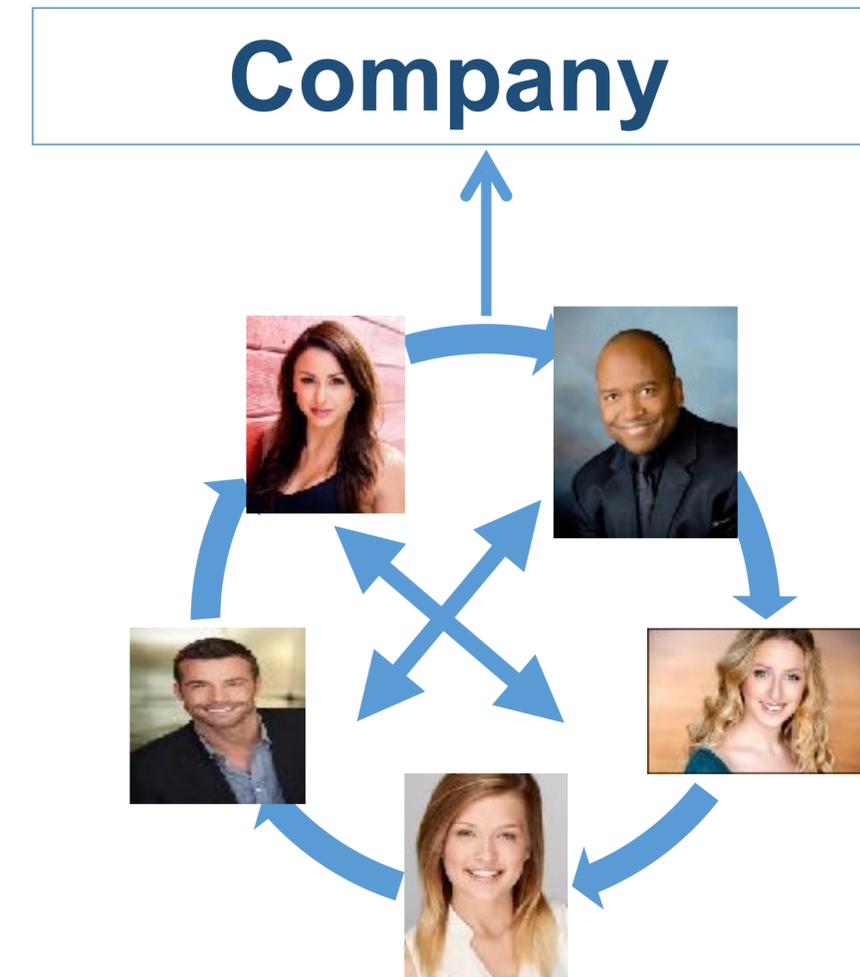
Figure 5.2
Relationships among Earned, Paid, and Owned Media



Tradigital Strategy vs Social Strategy



Broadcast commercial messages and seek customer feedback in order to facilitate marketing and sell goods and services



Help people improve existing relationships or build new ones if they do free work on the company's behalf

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





3.7.1 Marketing Application in E-Commerce Case Study

How Coke Harnesses Video to Spread Happiness

Coke's Marketing Goal

The goal: connecting with teens and communicating that Coke brings happiness. (to which media objective this applies to?)



Needed a cost-effective way to build deeper connections with consumers, especially teens, and its flagship Coke product. The company hypothesized that leveraging digital social media would enable it to better connect with young consumers around the globe.

Facts Coke found after conducting marketing research:

- Although 73 percent of online American teens belong to a social network—they were a difficult market segment to reach. Teens don't share these types of media in traditional ways.**
- Teens hesitated to post a link to a piece on their Facebook or MySpace page out of fear that their friends would not approve their choices. Rather than risk their reputations if their peers did not think a video/blog/website was “cool,” teens avoided sharing content they loved with their friends and would even subvert their own opinions.**

- **In fact, teens only wanted to share content that was already validated by their peers, for instance an Old Spice ad aired during the Superbowl. Commercials during the Superbowl were, by nature, socially validated.**

Solution

- **Create a guerrilla marketing campaign that will go viral**
- **Reach teens and young consumers by building a viral digital marketing campaign around happiness.**

Solution

- **By utilizing seven different activations that employed various kinds of digital media including two applications for the iPhone and Android-based mobile phones, two applications for Facebook/MySpace/Orkut, one “goodies” package including wallpaper/screensaver/emoticons, one Windows 7 template, and a video.**
- **Each piece of content was designed to spread small doses of happiness and appeal to global audiences.**

Testing the Campaign

- **Before launching the guerrilla marketing campaign in all locations, Coke decided to choose one location as a beta site. It installed a vending machine in a cafeteria at St. John's University (20,000 students) in the middle of the school's final exam period.**
- **Coca-Cola set up hidden cameras to record students' reactions.**

Video

- **Even the company was surprised by the students' reactions; students not only loved the surprises, but they shared them. When one female student deposit coins for a bottle of Coke and received 20 instead, she distributed them. She shared her own unexpected happiness with her friends and people who happened to be in the vicinity of the machine**



Cost

- **Coca Cola spent approximately \$50,000 creating the beta site, including video, props and staffing. The company left the machine in the cafeteria for two days, continually recording the footage. On January 12, 2010 they uploaded the video to YouTube and announced it with a single Facebook status update.**

Reach

- **Approximately 10 days after announcing the video on Facebook, the video had been seen 1 million times. Within two months, the video had been viewed over 2 million times and, by April 2010, the video had been viewed over 2.2 million times.**
- **Almost immediately, the video achieved Coke's goal of going global. Approximately 50 percent of viewers were from outside the U.S. and over 70 percent of blog posts about the video were in languages other than English. The video had the highest penetration in Brazil, Mexico, Japan and Russia.**

Impact

- **The video's success stemmed from its wide reach, few barriers to entry/use, and ease of sharing with others. Specifically, Coke combed the Internet and found that 95-98 percent of the comments on the "Happiness Machine" were positive. Consumers even showed signs of wanting to switch from rival products. As one individual stated, "I am a Pepsi drinker, but I may make the switch." The video was also a hit with consumers in their early twenties. These consumers shared the video with their friends.**



PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





4. Role of Marketing in Society

4.1 Ethics

4.2 Non-Profit Marketing

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





4.1 Ethics

Evaluating Marketing

- **from the perspective of the individual firm, success usually means satisfying the needs and wants of its customers**
- **this may not be enough from the perspective of society as a whole**
- **marketing organizations are encouraged to take a broader societal view that strikes a balance between the wants of consumers, the goals of the firm, and the welfare of society**

Criticisms of Marketing

- **marketing is often criticized for:**
 - **exploitation: taking unfair advantage of people or of situations**
 - **being pervasive; some customers tire of it**
 - **inefficiency: using resources unnecessarily**
 - **stimulating unwholesome demand: promoting products and services that may be harmful**

Criticisms of Marketing

- marketing is often criticized for:
 - representing what some consider to be inappropriate values
 - engaging in illegal behavior
 - delivering poor customer service
- marketing is the most visible function in a company; often it is the only one that extends its reach outside the organization



Consumer Responses

- **consumers responded to these concerns through an organized consumer movement**
- **they are prepared to protect themselves and to register complaints**
- **consumers are willing to stop dealing with firms that do not deliver what they want in a way that is acceptable**
- **they turn their attention to broader social and environmental issues**

Government Responses

- **governments at all levels have passed laws to protect consumers and to regulate marketing**
- **these laws protect the consumer against physical harm and against being misled**

Government Responses

- **much of the legislation is intended to ensure that the customer has enough information to make a reasoned purchase decision**
- **some public agencies regulate and control markets in the interest of the customer**

Business Responses

- **business has responded to criticism with efforts to provide the consumer with better information and to make it accessible**
- **genuine efforts have been made to improve the quality of products and customer service**



Business Responses

- **businesses have established self-regulatory mechanisms to regulate advertising content**
- **many firms measure their quality of service and have set up customer service departments**

Ethics in Marketing

- **businesses are occasionally faced with situations that may be considered unethical**
- **many firms have established codes of ethical behavior that guide the actions of staff**

Ethics in Marketing

- **firms have an obligation to behave and advertise in a socially responsible manner**
- **many have taken steps to protect customer privacy, particularly in telemarketing and other forms of direct marketing**

PRINCIPLES OF MARKETING

Tamar Avnet, Ph.D.
Yeshiva University





4.2 Nonprofit Marketing

Marketing in not-for-profit organizations

Characteristics of not-for-profit marketing

- **Lack of a bottom line**
- **Often market to multiple publics**
- **May market both goods and services**
- **Customer or service user may wield less control over the organizations destiny than customers of profits seeking firms**
- **Resource contributor may interfere with the marketing program**

NON PROFIT

