

PRINCIPLES OF MARKETING

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I. Role of Marketing in a Firm

1.1 Marketing Concept

1.2 Marketing Strategy

1.3 Marketing Environment

1.4 Marketing Research

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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



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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

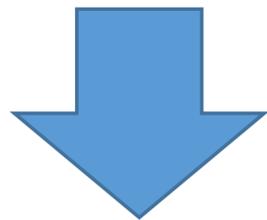
By being able to produce the cars in an assembly line without needing to stop to change the paint of the car, Ford was able to keep the cost low and hence the price.

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:

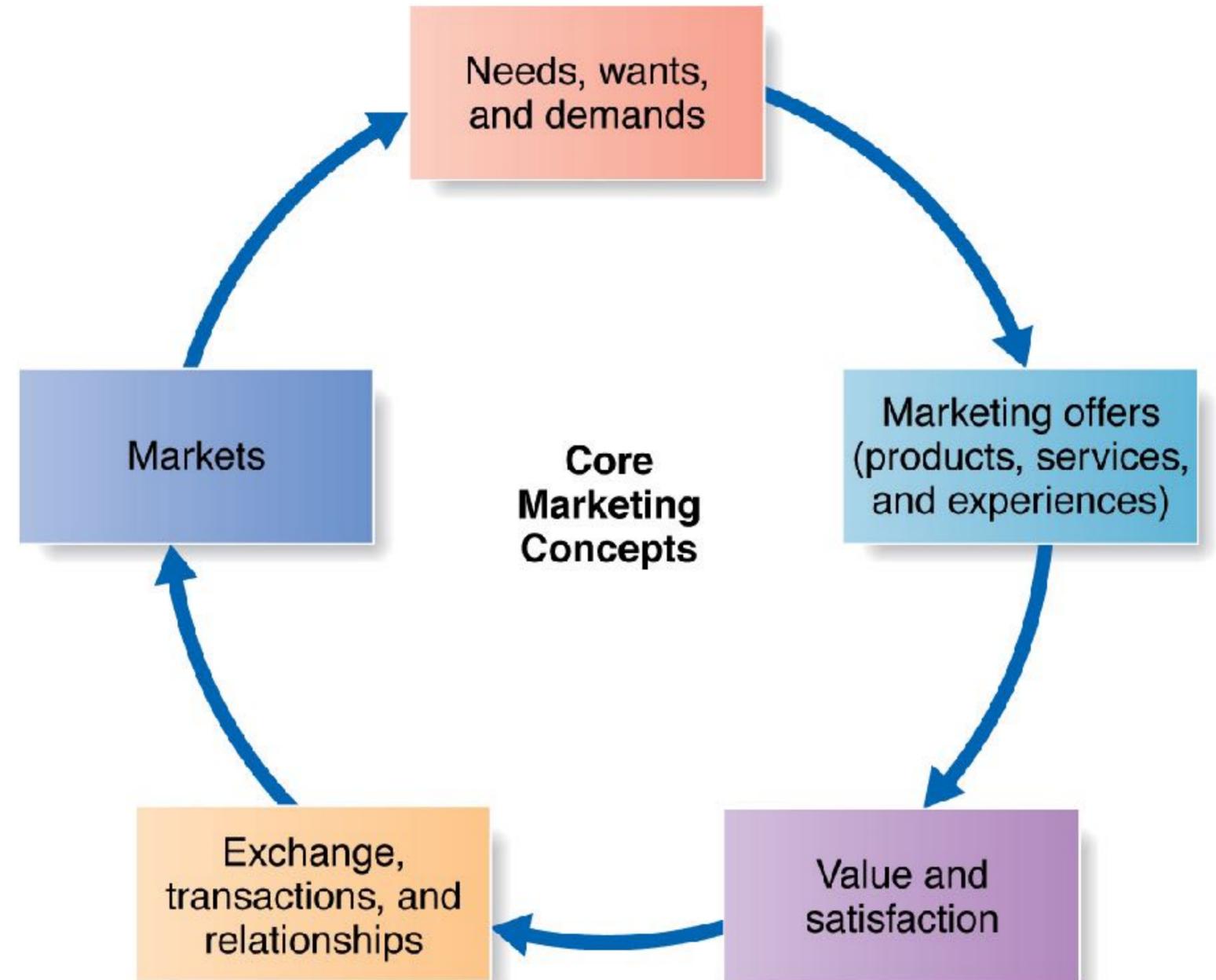
- **Felt deprivation (the discrepancy between current state and desired state)**

Wants:

- **Form of needs shaped by culture and personality**

Demands:

- **Wants backed by buying power**

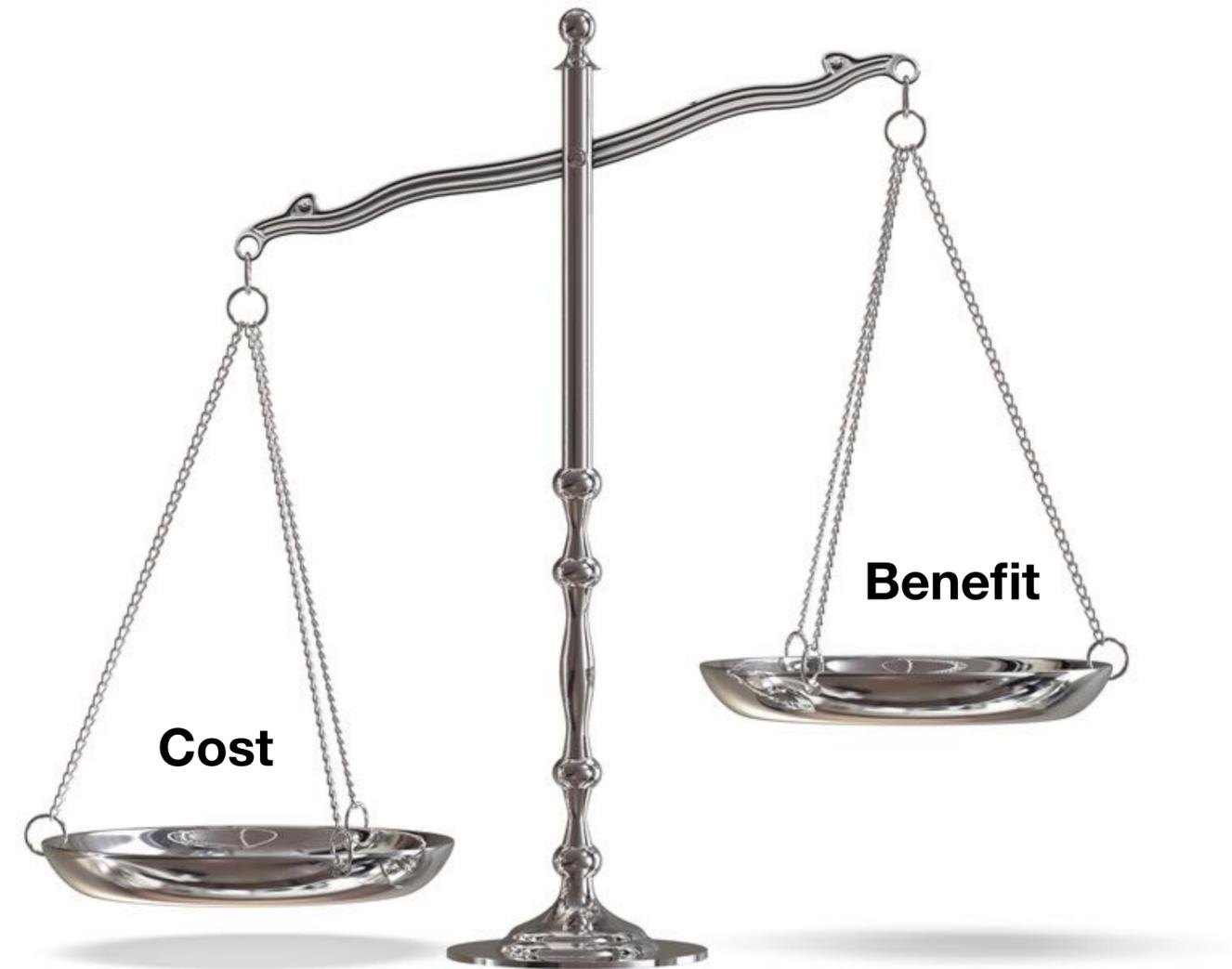


For example:

- **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.

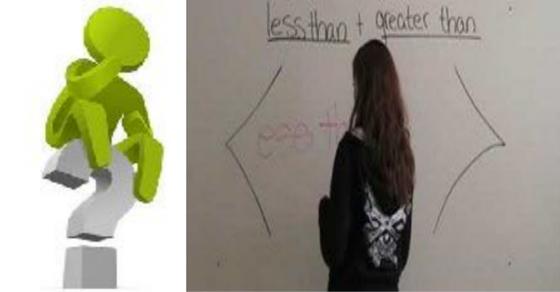
Attributes – the objective features of the product

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?

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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

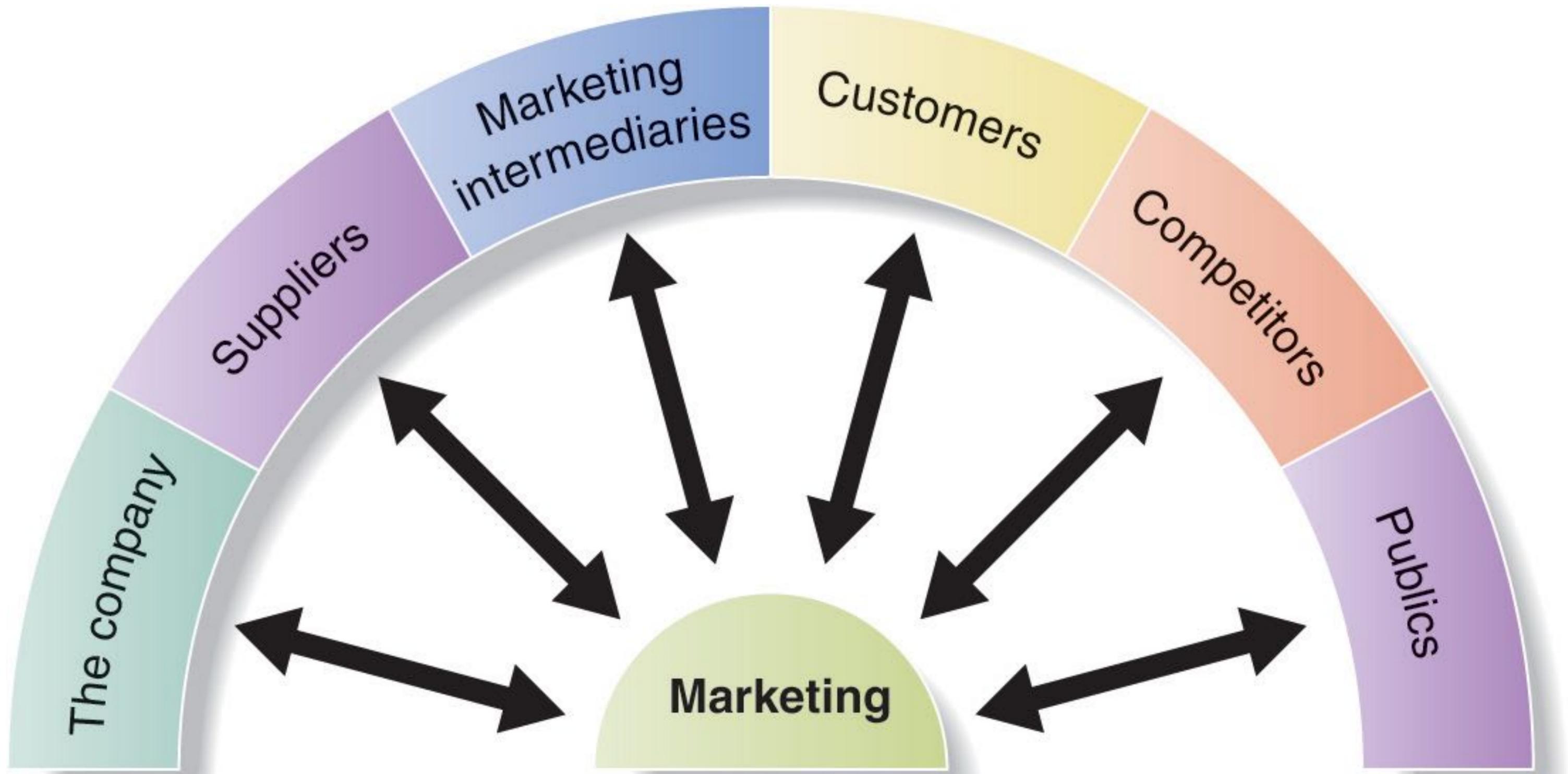
Negative

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

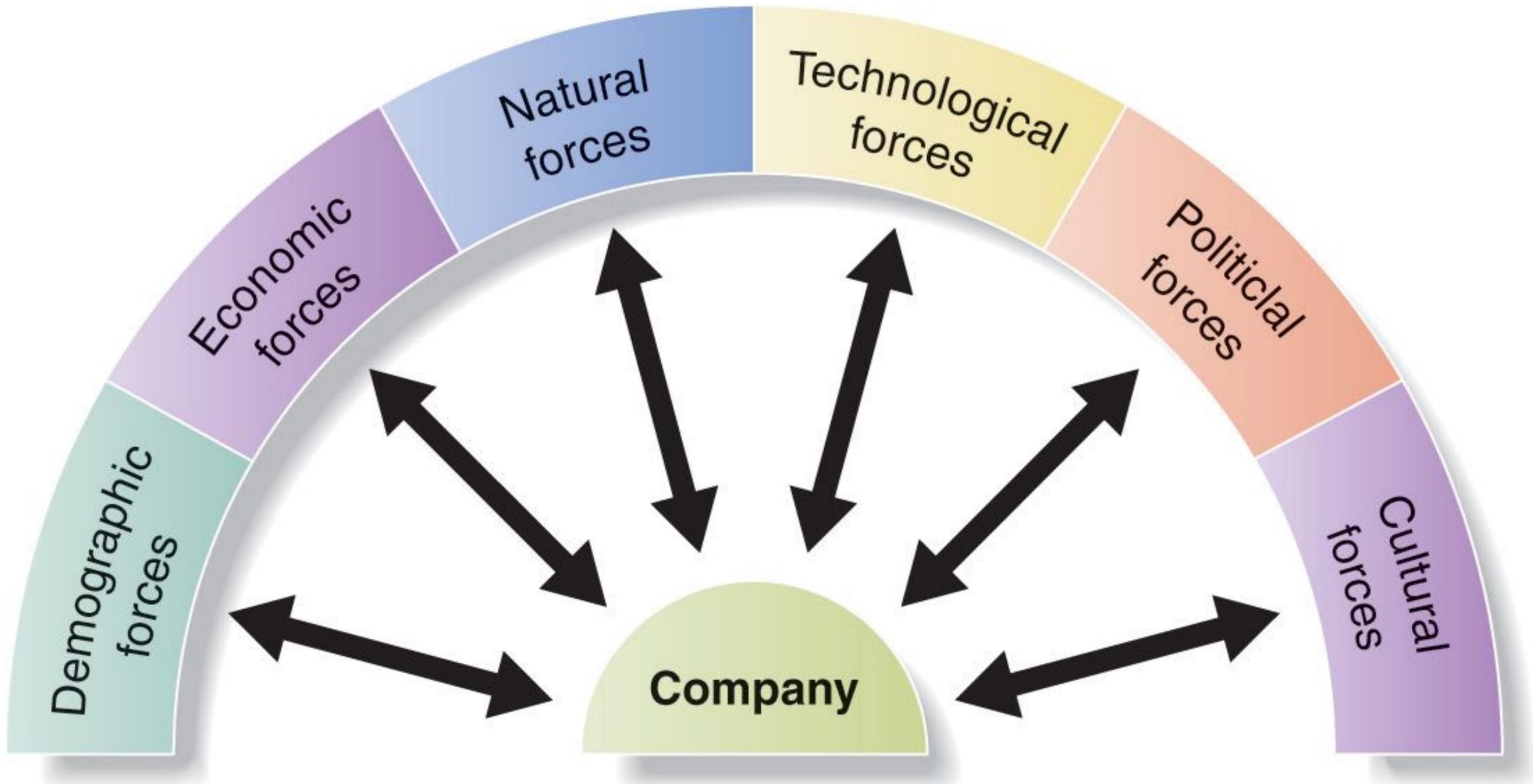
Microenvironment:

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

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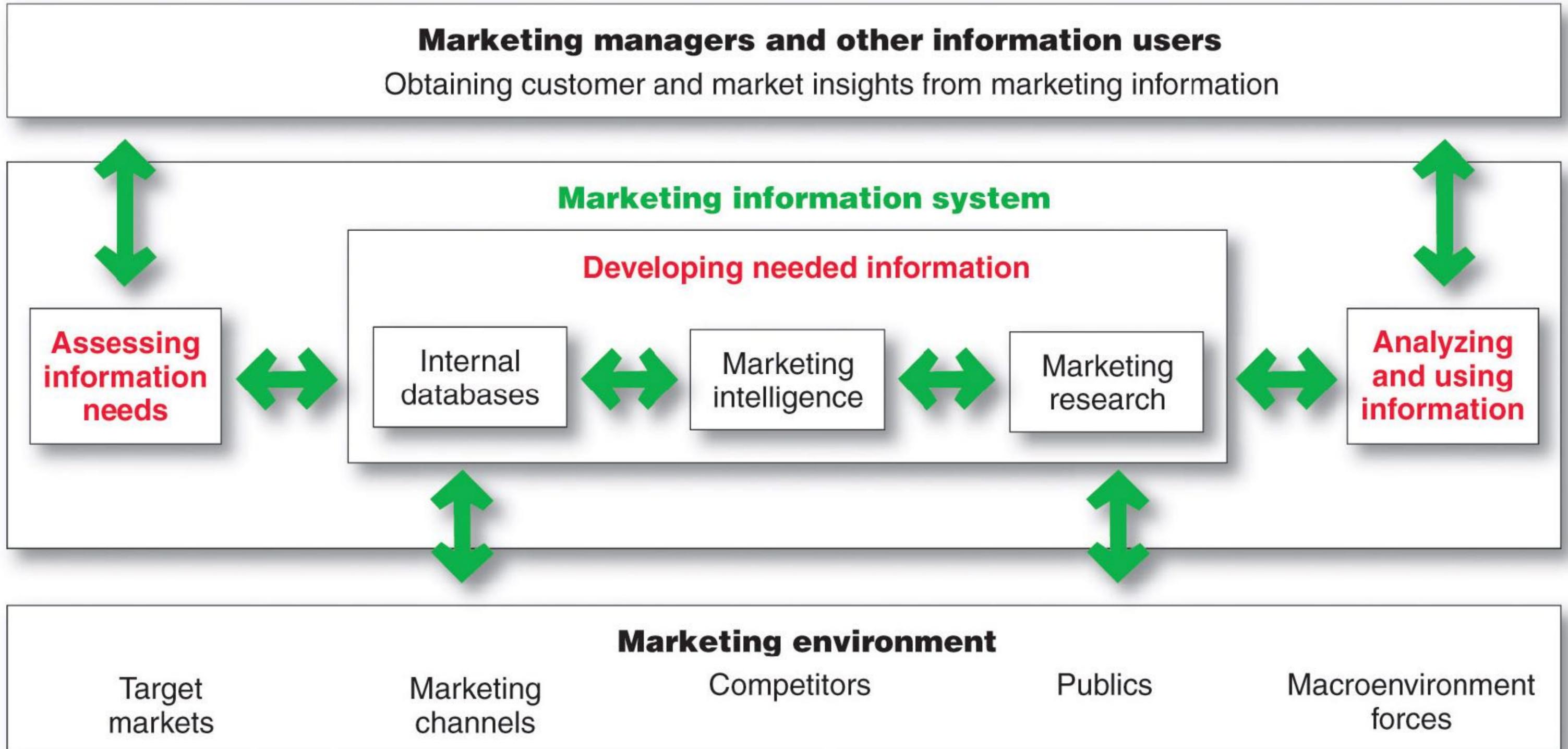




1.4 Marketing Research

- **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

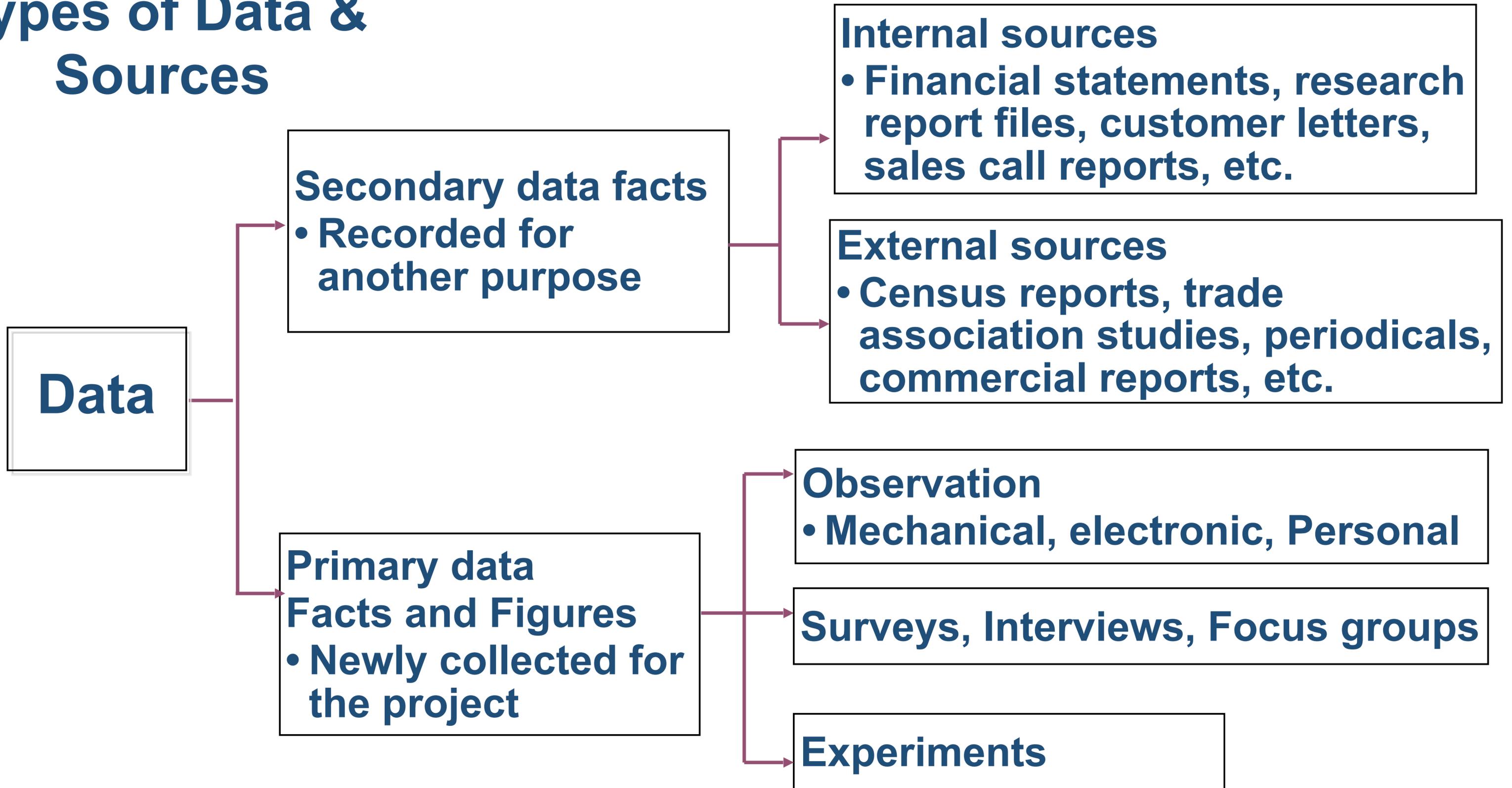
Current

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)**