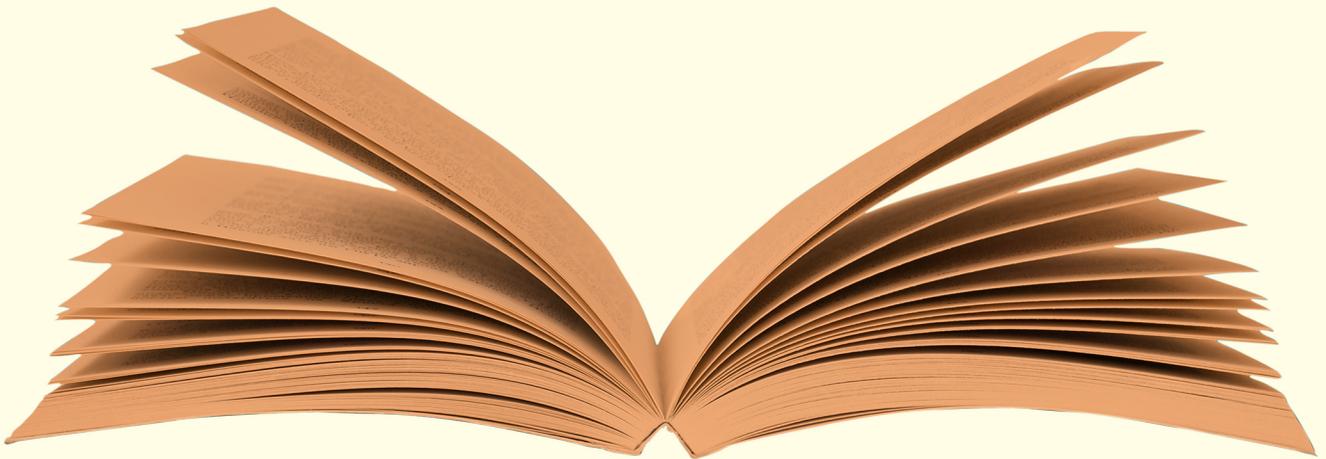




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Marketing



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Contents

Chapter 1 Introduction	1
1.1 Definition	1
1.2 Marketing Models	2
1.3 Aspects of Marketing	2
1.4 The Market	3
1.5 The Product	3
1.5.1 Goods	4
1.5.2 Services	4
1.5.3 Ideas (Intellectual Property)	4
1.6 Product Pricing	4
1.7 Product Promotion	5
1.8 Product Distribution	5
Chapter 2 Marketing Strategy	6
2.1 The Organization's Marketing Strategy & Six Duties	6
2.2 Evaluating Market Opportunities	6
2.2.1 Broad Techniques	7
2.2.2 Specific Techniques	7
Chapter 3 Marketing Plan	8
3.1 The Marketing Plan	8
3.2 Executive Summary	8
3.3 Situation Analysis (SWOT)	11
3.4 Goals	11
3.5 Action Plan	12
3.6 Marketing Mix	12
3.6.1 Product	12
3.6.2 Promotion	12
3.6.3 Price	13
3.6.4 Placement	13
3.7 Budget	13
3.8 Marketing Research	13
Chapter 4 Targeting & Segmentation	14
4.1 Segmentation	14
4.1.1 Generic Markets (Large Segments)	14
4.1.2 Product Markets (Small Segments)	14
4.1.3 Segmentation Variables	15
4.2 Targeting	15
4.2.1 Segment Dimensions	16
4.3 Positioning	16
4.4 Segmentation in the Digital Economy	16
Chapter 5 Consumer Behavior	18
5.1 Consumer Market	18
5.2 Industrial Market	18
5.3 The Purchase Decision Process for Consumer Markets	19

5.3.1 Psychological Variables	19
5.3.2 Social Influences	19
5.3.3 Purchase Situation	19
5.3.4 Needs Motivation	19
5.3.4.1 Needs	19
5.3.4.2 Wants	20
5.3.5 Economic Needs	20
5.3.6 Search for Information	20
5.3.7 Problem Solving	20
5.3.8 Purchase Product	20
5.3.9 Post Purchase Evaluation	21
5.4 Adoption Process for New Products	21
5.5 Consumer Behavior for Industrial Markets	21
Chapter 6 Product Development	22
6.1 Introduction	22
6.2 Types of New Products	22
6.3 The Process	23
6.4 Recap	25
Chapter 7 Market Research	26
7.1 Introduction	26
7.2 Define the problem	27
7.3 Analyze the situation.....	27
7.4 Get problem specific data	27
7.5 Analyze and interpret the data	27
Chapter 8 Marketing Ethics	29
8.1 Introduction	29
8.2 General Guidelines	29
8.3 Social Responsibility	30

Chapter 1 Introduction

1.1 Definition



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Marketing is the science of meeting the needs of a customer by providing valuable products to customers by utilizing the expertise of the organization, at same time, to achieve organizational goals. According to [The American Marketing Association \(http://www.marketingpower.com/AboutAMA/Pages/DefinitionofMarketing.aspx\)](http://www.marketingpower.com/AboutAMA/Pages/DefinitionofMarketing.aspx)

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

With this definition, it is important to realize that the customer can be an individual user, a company, or several people who contribute to the purchasing decision. The product can be a hard good, a service, or even an idea – anything that would provide some value to the person who provides an exchange. An exchange is most often thought of as money, but could also be a donation of time or effort, or even a specific action. A producer is often a company, but could be an individual or non-profit organization.

Classical marketing is often described in terms of the four “P’s, which are:

- **Product** – what goods or services are offered to customers
- **Promotion** – how the producer communicates the value of its products
- **Price** – the value of the exchange between the customer and producer
- **Placement** – how the product is delivered to the customer.

A complete analysis of these categories is often called the **Marketing Mix**. More detail on these categories can be found in the later entry on the Marketing Plan.

Marketing has both inbound and outbound activities. Inbound activities largely center on discovering the needs and wants of the potential customers. The collective group of all potential customers is called a market. Categorizing these needs into groups is called segmentation. Organizing markets into segments allows a producer to more logically decide how to best provide value to that group of potential customers. The analysis of market segment needs; analysis of existing sales and profitability; the descriptions, design and introduction of new products; and the analysis of competitor offerings are also inbound activities that are important but not often seen by the public.

Outbound activities include all aspects of informing the market that a product is available, delivering that product, and encouraging the purchase decision. These activities include advertising, promotion, supply chain, sales support, product training, and customer support.

To the public, the most common interaction with marketing is where it touches the discipline of sales in the form of advertising. This interaction leads to a common misconception that marketing is only this aspect of promotion. Instead, it is useful in understanding that:

Marketing is a data driven science.

The good marketer will develop the data necessary to define the customer's needs, develop a good product based on the available resources, deliver the product in an effective manner to the consumer at a price that reflects the customer value and the profit desired by the producer.

1.2 Marketing Models



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When the producer is a commercial entity and the end user makes the purchasing decision, the model used to describe this transaction is often called a Business to Consumer (B2C) model. When the producer is a commercial entity and a second commercial entity makes the purchasing decision but provides the product to their customer, then the model is often called a Business to Business (B2B) model. The difference in these models affects how the marketer constructs his marketing analysis and marketing mix.

1.3 Aspects of Marketing



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Marketing has many aspects or sub-disciplines within the broad discipline of marketing. They include:

- Advertising.
- Branding.
- Copywriting.
- Customer relationship management (CRM).
- Direct marketing.
- Event planning.
- Graphic design.
- Internet Marketing.
- Loyalty marketing.
- Market research.
- Marketing communications.
- Media relations.
- Merchandising.
- New product development.
- Pricing.
- Product management.

- Promotion.
- Public relations.
- Sales management and support.
- Search engine optimization (SEO).
- Social media optimization.
- Strategic planning.
- Supply chain management.

Marketing functions in all of these areas. A marketer can do many of these functions within an organization or specialize in one or more.

1.4 The Market



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prospective customers for a given product, service, or idea

The market consists of all prospective customers for a given product, service, or idea. Customers can be purchasers who intend to resell the product or end users who intend to use or consume the product. The market can be categorized into separate groups called segments. When a producer appeals to a market or market segment, the producer must take into account the distinction between the end user or consumer and the purchaser or decision maker(s). This is especially true in B2B models. The market may be individuals or organizations who are able to purchase the organization's product. Each entity in the delivery chain will have different needs, so a complete market needs analysis must include all potential segments and all entities within each segment.

1.5 The Product



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all goods, services, and ideas that are sold or traded

Products that can be marketed include all goods, services, and ideas that are sold or traded. Products can be either tangible, as in the case of physical goods, or intangibles, such as those associated with service benefits or ideas (intellectual property), or any combination of the three. The producer is the entity that offers the product to the market. The producer can be the manufacturer, the wholesaler, the retailer, the service provider, or a combination of these. For services, it is sometimes easier to use the term provider instead of producer.

1.5.1 Goods



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Goods are a **physical product** capable of being delivered to a purchaser and involves the transfer of ownership from seller to customer.

1.5.2 Services



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A service is a non-material action resulting in a measurable change of state for the purchaser caused by the provider.

1.5.3 Ideas (Intellectual Property)



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Intellectual Property is any **creation of the intellect that has commercial value**, but is sold or traded only as an idea, and not a resulting service or good. This includes copyrighted property such as literary or artistic works, and ideational property, such as patents, appellations of origin, business methods, and industrial processes.

1.6 Product Pricing



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price is set at a level which indicates the perceived value agreement between producer and purchaser

Once an organization has its product to sell, it must then determine the appropriate price to sell it at. The price is set by balancing many factors including supply-and-demand, cost, desired profit, competition, perceived value, and market behavior. Ultimately, the final price is determined by what the market is willing to exchange for the product. Pricing theory can be quite complex because so many factors influence what the purchaser decides is a fair value.

It also should be noted that, in addition to monetary exchange, price can be the exchange of goods or services as in a barter agreement, or an exchange of specific behavior, such as a vote in a political campaign.

1.7 Product Promotion



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informing the market about a product, product line, brand, or company and encouraging a purchase decision

Once an organization has learned the market needs, produced or procured a product, and priced it, it then needs to promote the product by letting the market know that it exists, and how it can be purchased.

Promotion involves providing information about a product, product line, brand, or company. There are many ways to promote including:

- Advertising
- Personal selling
- Sales discounts
- Public Relations/Publicity
- Sampling
- Word of mouth, including electronic endorsements
- Product placement

1.8 Product Distribution



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delivery of the product to the purchaser

Once an organization has produced or procured, priced, and promoted a product, it then needs to deliver that product to the purchaser. Some distribution examples:

- Direct sale to the customer from the producer
- Wholesale distribution where the producer sells in large quantities only to an intermediary, not the end user
- Retail sales where a retailer will buy large quantities, but sell smaller quantities to individual customers
- Value added resale (VARs) where an organization purchases a product from a producer and, in turn, resells it to a consumer after adding additional products, services, or expertise.

Chapter 2 Marketing Strategy



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“

Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat. ”

-Sun Tzu

2.1 The Organization's Marketing Strategy & Six Duties



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focus on developing relationships with customers

The overall marketing strategy of an organization should focus on developing relationships with customers to understand their needs, and to develop goods, services, and ideas to meet those needs.

1. **Information Gathering:** research potential customers, their needs, and spending habits in order to understand what sort of product, service, or idea they wish to buy.
2. **Evaluation of Organization Capabilities:** decide what your organization can produce relatively well, and what your organization is not capable of producing based on the organization's specific strengths and weaknesses.
3. **Identify Market Opportunities:** research the current market for a product idea, and look for an opportunity; such as no competition or strong demand.
4. **Set Objectives of Marketing Strategy:** decide what results need to be achieved in order to reach the organization's goals; such as a specific increase in sales, or net profits.
5. **Formulate an Action Plan:** List the specific steps the organization needs to take in order to implement the marketing plan, and assign the responsibilities to specific staff members.
6. **Monitor & Evaluate:** Study the marketing plan regularly, at least once per quarter, to track performance against the set objectives.

2.2 Evaluating Market Opportunities



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new products, new customers, and increasing sales to current customers

2.2.1 Broad Techniques



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1. Niche Strategy: Find a niche of customers under-served by current offerings.
2. Growth Strategy: Increase revenue from existing market niches and deliver better offerings to new target markets.
3. Defensive Strategy: Maintain leadership position by developing brand loyalty, mass distribution.
4. Offensive Strategy: Adopt a policy of destroyer pricing to preempt the entry of new firms or drive away the existing competitors.

2.2.2 Specific Techniques



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1. Market Penetration: Increase sales of an organization's current products in the current market through a more aggressive marketing campaign.
2. Market Development: Increase sales by selling current products in new markets, possibly to satisfy new consumer needs or to identify new market segments.
3. Product Development: Offer new and improved products to the current market.
4. Diversification: Move into multiple lines of revenue generation.

Chapter 3 Marketing Plan



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“

If the circus is coming to town and you paint a sign saying "Circus Coming to the Fairground Saturday," that's advertising. If you put the sign on the back of an elephant and walk it into town, that's promotion. If the elephant walks through the mayor's flower bed, that's publicity. And if you get the mayor to laugh about it, that's public relations. If the town's citizens go to the circus, you show them the many entertainment booths, explain how much fun they'll have spending money at the booths, answer their questions and ultimately, they spend a lot at the circus, that's sales.

”

-P.T. Barnum

3.1 The Marketing Plan



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The Marketing Plan combines - for a given period (one year for example) and a given range of products and services - all aspects of an organizations' marketing efforts into one coherent plan. It tries to blend these efforts in a synergistic fashion for maximum results. Marketing plans will vary from organization to organization but all have the core components listed here.

3.2 Executive Summary



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outlines the key elements of the marketing plan

The Executive Summary outlines the key elements of the marketing plan, with a specific focus on **product**, **pricing**, **promotion**, and **placement**. Other elements that may be discussed are: **people** (staff), **process** (of providing a service), **physicalevidence** (make service more tangible to potential customer), and **philosophy** (whereby the product reflects the philosophy of the organization).

An example of the executive summary is as follows:

'Forum For International Trade Training (FITT) 2006 international marketing plan of the year.'

The eastern seaboard of the United States has witnessed significant growth in the security industry since the tragedy of September 11, 2001. Reaction by both government and citizens alike, has left little doubt that the United States is determined to enhance security and in doing so, provide its nation with greater protection and peace of mind. In response to the World-Trade Center bombing government, citizens, and institutions have purchased a significant number of security related products and services. Now, 5 years later, people are beginning to recognize the inherent need for security products that can help predict and ultimately prevent potential threats to their citizens. It is with this in mind that the general public of the United States, and more specifically those on the eastern seaboard, have come to realize the need for greater public surveillance. In response to this cry for help, March Networks is in an ideal position to propose the installation of public security cameras for multi-purpose use.

March Networks is to be credited for its eastern seaboard market penetration as it pertains to security in the areas of banking and public transportation. In recognition of these significant achievements, it is highly recommended that March Networks continue to take advantage of its dominant and respected position by expanding the use of recognized products in two new, but complimentary market areas. Preliminary analysis suggests that the public property and traffic management sector and the taxi industry are ideally suited for current product application and market expansion.

With vandalism and the cost of vandalism reparation on the rise, there exists a clear market for security products aimed at enhancing public safety while at the same time curbing the ever increasing associated public expense. Having selected Boston as the test market area, preliminary research suggests the municipal government would achieve significant benefits and financial gains by installing March Networks security cameras to monitor public parking. Reduced vandalism, lower maintenance and repair costs, improved traffic flow and enhanced public safety are the benefits that will materialize from this bold, yet innovative application of technology to an everyday part of life.

A second area that can gain from the application of this type of technology pertains to the taxi industry. In the United States, driving a taxi is considered the 10th most dangerous job, yet it is one that will continue for the foreseeable future. Hence a viable and sustainable market area that is longing for improvements that would enhance the safety of both taxi drivers and patrons alike. Combining the security offered by March Networks cameras with an interactive, touch-panel advertising medium, is the differentiator March Networks requires to overcome its competitors and continue the successful expansion of security technology in the general public market.

This marketing plan proposes the application of March Networks security technology in two new public safety domains. Utilizing the Boston area as a test bed, this plan takes advantage of previously established credentials and marketing successes, while at the same time, identifies an opportunity to apply proven technology in a new and innovative manner that is paramount to the well being of every day citizens. ”

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3.3 Situation Analysis (SWOT)



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examines the all aspects that may impact sales

The situation analysis examines all the aspects that may impact sales of a specific company. The strengths and weaknesses should be focused upon the brand and its attributes, not the market conditions. SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats.

- Strengths & Weaknesses: Highlight the strengths and weaknesses of the brand in the current marketplace.
- Opportunities & Threats: Identify potential opportunities and threats that exist outside the organization that may impact the brands sales potential. Focus on market trends, consumer confidence, and technology advances.
- Competitors: Analyzes what competitors are doing in the marketplace.

It should be noted that the SWOT analysis is a tool used to help direct the thoughts of the individual or group drafting the marketing plan and it should not be included in the body of your report as it lacks professionalism. If you feel pressured to include your SWOT with your marketing plan include it in an appendix.

3.4 Goals



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Provide continuous, reliable and current up-to date information to the Army Reserve personnel (Soldiers, Civilians, Contractors and Family Members) on the development of tools, task force initiatives, training opportunities, best practices, lesson learned, communication products, trends and ongoing initiatives in the safety realm.

3.5 Action Plan



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specific actions that need to be taken to reach the goal

The action plan lists the specific actions that need to be taken to reach the goal of the marketing plan, and also lists which department or person in the organization is responsible for carrying out the action.

3.6 Marketing Mix



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how the target market is reached through a specific blend of the P's

The marketing mix or 4 P's describes how the target market is reached through a specific blend of attributes listed above: **product**, **pricing**, **promotion**, **placement**, **people** (staff), **process** (of providing a service), **physical evidence** (make service more tangible to potential customer), and **philosophy** (whereby the product reflects the philosophy of the organization). For each of the "P's" be sure and describe how altering that specific component helps the organization to encourage customers to buy the product being sold.

3.6.1 Product



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The Product strategy is complex. It not only includes the development of the correct product attributes to meet the needs of the target market, but must focus on the benefits (perceived or real) the customer anticipates the product will provide.

3.6.2 Promotion



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Promotion is communication between the "seller" (producer, wholesaler, retailer, service provider, etc) and relevant stakeholders (usually referred to in terms of the Target Market/s). Promotion or Marketing Communication utilises tools such as Advertising, Sales Promotion, Direct Marketing, Personal Selling, Marketing Public Relations and Publicity.

3.6.3 Price



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Pricing objectives directly affect an organizations pricing policy:

- Profit oriented objectives-attain a specific profit level, or as much profit as possible
- Sales oriented objectives-target a predetermined unit sales level or market share
- Status quo objectives-seek to maintain current price levels, peg them to an index, or match them to a competitor

3.6.4 Placement



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Placement or place refers to the distribution channels that a company will use in order to take its product to the final customer (or consumer).

3.7 Budget



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total resource allocation available

Specify the total resource allocation available for the marketing plan, and the potential return on this investment.

budgeting is most important of the marketing for direct and indirect customer

3.8 Marketing Research



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the role and importance of marketing research

1. Examine the role and importance of marketing research within a firm's overall marketing mix.
2. Outline and discuss the stages within the marketing research planning process.

Chapter 4 Targeting & Segmentation



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“

Did you ever see the customers in health-food stores? They are pale, skinny people who look half dead. In a steak house, you see robust, ruddy people. They're dying, of course, but they look terrific. ”

-Bill Cosby

4.1 Segmentation



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The primary objective of segmentation is to identify customers with similar attributes, and to find which segments of customers that are attractive from a profit perspective. Understanding the market segmentation allows marketers to create a more effective and efficient **marketing mix**.

4.1.1 Generic Markets (Large Segments)



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A generic market is comprised of groups of customers who have a **general** need, but have **many offerings** to choose from to meet that need. For example: transportation is a generic market that can be met by many offerings: car, bus, train, subway, taxi, etc.

4.1.2 Product Markets (Small Segments)



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A product market is comprised of groups of customers who have a **very specific** need, with **fewer offerings** to choose from. For example: The Luxury Car market fulfils a specific need and has only a few options to choose from: Bentley, Aston Martin, Ferrari, etc. Product market segments are similar **within** the specific segment (ex. Luxury Cars), and are different **across** segments (ex. Luxury, Mid-size, Economy); and each segment has very specific characteristics, which, when reflected in the product, can return higher profits to the organization.

Markets can be segmented by defining the goals of the customers in that market subset. For example, in the transportation market(The Generic Market), a group of customers who's goals of transportation are to be able to travel in their own vehicle, feel comfortable/safe/fast relative to other transport options, and be able to show other people how "nice" their own vehicle is: this subset can be said to have goals which define them as a Luxury Car **segment**.

4.1.3 Segmentation Variables



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The factors which are be used to segment a market are the segmentation variables. Common variables include demographic, geographic, psychographics and behavioural considerations.

Demographic	Quantifiable population characteristics, such as age, gender, income, education, family situation.	e.g University Educated, 20–25 year old, Males
Geographic	The physical location or region.	e.g Living in New York City
Psychographics	Lifestyle, social or personality characteristics.	e.g Self assured, confident
Behavioural	The needs and wants of the customer in relation to the product, including expectations and attitudes.	e.g Social Activity

4.2 Targeting



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identification of market segments and tailoring the marketing mix to meet segment needs

Target marketing is the identification of attractive market segments and tailoring the marketing mix to match the needs of target customers. This contrasts with mass marketing, whereby the marketing mix is vaguely aimed at all customers. A specific target market is a homogeneous group of customers to whom an organization wishes to appeal; it must be large enough to be profitable, and its members must have sufficient disposable income to spend on the goods, services, or ideas.

4.2.1 Segment Dimensions



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The dimensions of a segment also indicate the potential profitability and attractiveness of the segment.

The Segment Dimensions impact on **marketing mix** decisions, a knowledge of the the needs and wants, and how potential customers within a segment define value, allows for considered development of the product, its distribution, advertising and pricing.

- Demographics = Affects consumer needs
- Geographic Location = Affects size of market
- Behavior and Consumption Patterns = Affects product and promotion variables
- Urgency of Satisfaction = Affects Place and Price variables

4.3 Positioning



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what position does your product hold in the minds of your current and potential customers?

Positioning is the concept of defining what role the brand will play in enhancing customers' lives and then highlighting specific brand attributes to best match consumer needs.

- Ways to position:
 - Understand how customers perceive key dimensions of your brand, both tangible and intangible, relative to competitors' brands.
 - Price, Taste, Design and look of product are tangible benefits. Whereas feelings such as trust and confidence are intangible benefits products can have.
 - Understand which needs your target audience wishes to satisfy with your brand.
 - Position or reposition your brand to meet various target markets' needs, and manipulate the Four P's accordingly.

4.4 Segmentation in the Digital Economy



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Positioning is not what you do to a product , It's what you do to the mind of the consumer.

Information used to define segments of homogeneous consumers

Information is collected, aggregated, and used to define segments of homogeneous consumers. In providing targeted offerings to these consumers, several segmentation techniques are valuable:

- Database Management: Use third party database information to segment target markets according to a variety of meaningful variables.
- Anonymous Personalization: Segmenting a market based on anonymous consumer information .
- Permission Based marketing: Consumers provide meaningful information that is then used by the firm to supply targeted offerings to the consumer.

Chapter 5 Consumer Behavior



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“

In a consumer society there are inevitably two kinds of slaves: the prisoners of addiction and the prisoners of envy. ”

-Ivan Illich

5.1 Consumer Market



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Refers to a target audience where the end customers are the purchasers and users of the goods and services.

5.2 Industrial Market



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Refers to a market where other businesses (B2B), not end consumers, are the purchasers of the goods and services.

Consumer behaviour is the study of when, why, how, and where people do or do not buy a product. It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioural variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

Customer behaviour study is based on consumer buying behaviour, with the customer playing the three distinct roles of user, payer and buyer. Relationship marketing is an influential asset for customer behaviour analysis as it has a keen interest in the re-discovery of the true meaning of marketing through the re-affirmation of the importance of the customer or buyer. A greater importance is also placed on consumer retention, customer relationship management, personalisation, customisation and one-to-one marketing. Social functions can be categorized into social choice and welfare functions.

Each method for vote counting is assumed as social function but if Arrow's possibility theorem is used for a social function, social welfare function is achieved. Some

specifications of the social functions are decisiveness, neutrality, anonymity, monotonicity, unanimity, homogeneity and weak and strong Pareto optimality. No social choice function meets these requirements in an ordinal scale simultaneously. The most important characteristic of a social function is identification of the interactive effect of alternatives and creating a logical relation with the ranks. Marketing provides services in order to satisfy customers. With that in mind, the productive system is considered from its beginning at the production level, to the end of the cycle, the consumer (Kioumarsis et al., 2009).

5.3 The Purchase Decision Process for Consumer Markets

5.3.1 Psychological Variables



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Variables related to process such as motivation, perception, learning, attitude, personality, and lifestyle.

5.3.2 Social Influences



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Influences such as family, social class, reference groups, and culture.

5.3.3 Purchase Situation



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Situation-dependent variables such as purchase reason, time, and surroundings.

5.3.4 Needs Motivation



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A theory that explains why consumers make decisions to satisfy their salient needs.

5.3.4.1 Needs



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The basic, motivating forces that shape decision making.

5.3.4.2 Wants



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Wants are the learned needs that extend beyond the basic needs.

5.3.5 Economic Needs



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The types of product features consumers desire.

- Value
- Convenience
- Efficiency in operation
- Dependability in use
- Improvement in earnings

5.3.6 Search for Information



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Both internal and external searches.

5.3.7 Problem Solving



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The amount of effort exerted in information gathering and problem solving. The type of problem solving depends on several variables:

Extensive problem solving: more effort is expended to decide how to satisfy a need. This type is used for infrequently purchased, expensive, high-risk, or new goods or services.

Routine problem solving: Low-involvement, inexpensive, limited risk purchase requiring minimal effort. Used when the consumer has considerable experience in how to meet the need.

5.3.8 Purchase Product



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The actual purchase transaction.

5.3.9 Post Purchase Evaluation



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Cognitive dissonance occurs as consumers seek out positive reinforcement to reaffirm their purchase decision and to minimize negative uncertainty that can cause dissatisfaction. This dissatisfaction is most often referred to as "buyers remorse".

5.4 Adoption Process for New Products



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Occurs when a consumer's previous buying experiences are not relevant to the current problem he or she would like to solve.

- Awareness: consumer is aware of, but lacks details of, the brand
- Interest: consumer gathers information about the brand
- Evaluation: consumer imagines trying the brand and anticipates the benefit from its use
- Trial: consumer tries the brand
- Decision: consumer adopts the brand for future use or rejects it
- Confirmation: consumer will seek information to support his or her decision and to reduce tension (cognitive dissonance)

5.5 Consumer Behavior for Industrial Markets



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Characterized by buyers who:

- Less emotional than consumer buyer markets
- Look for specific product attributes, such as economy in cost and use, productivity, and quality
- Want to partner with businesses that are reliable, fair, consistent, speedy, and cooperative
- Are generally spending a larger amount of money. thus, the process tends to be more complex and lengthy
- Is more task oriented and rational than consumer product buyer.
- Has firm motives of Quality, price and delivery against emotional motives in the other cases.

Chapter 6 Product Development



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“

My experience has been that creating a compelling new technology is so much harder than you think it will be that you're almost dead when you get to the other shore. ”

-Steve Jobs

6.1 Introduction



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In business and engineering, new product development (NPD) is the term used to describe the complete process of bringing a new product or service to market. There are two parallel paths involved in the NPD process : one involves the idea generation, product design, and detail engineering ; the other involves market research and marketing analysis. Companies typically see new product development as the first stage in generating and commercializing new products within the overall strategic process of product life cycle management used to maintain or grow their market share.

6.2 Types of New Products



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There are several general categories of new products. Some are new to the market (ex. DVD players into the home movie market), some are new to the company (ex. Game consoles for Sony), some are completely novel and create totally new markets (ex. the airline industry). When viewed against a different criteria, some new product concepts are merely minor modifications of existing products while some are completely innovative to the company. These different characterizations are displayed in the following diagram.

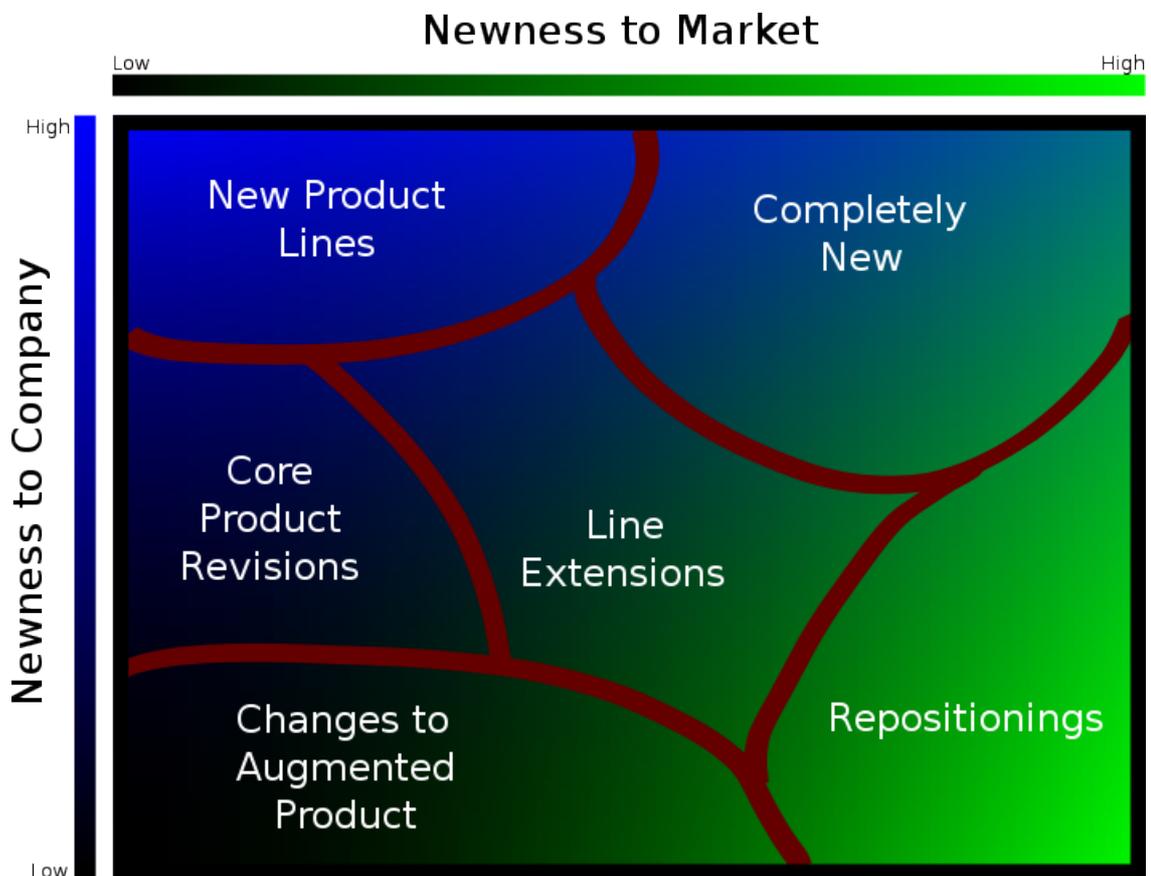


Figure 6.1 Types of new products

6.3 The Process



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There are several stages in the new product development process...not always followed in order:

1. **Idea Generation** (The "fuzzy front end" of the NPD process, see below)

- ideas for new products can be obtained from customers (employing user innovation), the company's R&D department, competitors, focus groups, employees, salespeople, corporate spys, trade shows, or through a policy of Open Innovation
- formal idea generating techniques include attribute listing, forced relationships, brainstorming, morphological analysis, problem analysis

2. **Idea Screening**

- the object is to eliminate unsound concepts prior to devoting resources to them.
- the screeners must ask at least three questions:
 - will the customer in the target market benefit from the product?
 - is it technically feasible to manufacture the product?
 - will the product be profitable when manufactured and delivered to the customer at the target price?

3. **Concept Development and Testing**

- develop the marketing and engineering details
 - who is the target market and who is the decision maker in the purchasing process?
 - what product features must the product incorporate?
 - what benefits will the product provide?
 - how will consumers react to the product?
 - how will the product be produced most cost effectively?
 - prove feasibility through virtual computer aided rendering, and rapid prototyping
 - what will it cost to produce it?
- test the concept by asking a sample of prospective customers what they think of the idea

4. **Business Analysis**

- estimate likely selling price based upon competition and customer feedback
- estimate sales volume based upon size of market
- estimate profitability and break even point

5. **Beta Testing and Market Testing**

- produce a physical prototype or mock-up
- test the product in typical usage situations
- conduct focus group customer interviews or introduce at trade show
- make adjustments where necessary
- produce an initial run of the product and sell it in a test market area to determine customer acceptance

6. **Technical Implementation**

- New program initiation
- Resource estimation
- Requirement publication
- Engineering operations planning
- Department scheduling
- Supplier collaboration
- Resource plan publication
- Program review and monitoring
- Contingencies - what-if planning

7. **Commercialization** (often considered post-NPD)

- launch the product
- produce and place advertising and other promotions
- fill the distribution (business) pipeline with product
- critical path analysis is most useful at this stage

6.4 Recap



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These steps may be iterated as needed. Some steps may be eliminated. To reduce the time that the NPD process takes, many companies are completing several steps at the same time (referred to as **concurrent engineering** or **time to market**). Most industry leaders see new product development as a proactive process where resources are allocated to identify market changes and seize upon new product opportunities before they occur (in contrast to a reactive strategy in which nothing is done until problems occur or the competitor introduces an innovation). Many industry leaders see new product development as an ongoing process (referred to as continuous development) in which the entire organization is always looking for opportunities.

For the more innovative products indicated on the diagram above, great amounts of uncertainty and change may exist, which makes it difficult or impossible to plan the complete project before starting it. In this case, a more flexible approach may be advisable.

Because the NPD process typically requires both engineering and marketing expertise, cross-functional teams are a common way of organizing projects. The team is responsible for all aspects of the project, from initial idea generation to final commercialization, and they usually report to senior management (often to a vice president or Program Manager). In those industries where products are technically complex, development research is typically expensive, and product life cycles are relatively short, strategic alliances among several organizations helps to spread the costs, provide access to a wider skill sets, and speeds the overall process.

Chapter 7 Market Research



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“

Thinking is the hardest work there is. Which is the probable reason why so few engage in it. ”

-Henry Ford

7.1 Introduction



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Market research is the process of systematic gathering, recording, and analyzing of data about customers, competitors, and the market. Market research can help create a business plan, launch a new product or service, optimize existing products and services, guide expansion into new markets, and more. It can be used to determine which portion of the population will be most likely to purchase a product or service, based on variables like age, gender, location, and income level. The research can inform what characteristics your target market has. With market research, companies can learn more about current and potential customers, often through satisfaction tracking programs.

The purpose of market research is to help companies make better business decisions and gain advantages against the competition. Market research represents the voice of the consumer in a company.

A list of questions that can be answered through market research:

- What is happening in the market? What are the trends? Who are the competitors?
- How do consumers talk about the products in the market?
- Which consumer needs are important? Are the needs being met by current products?

A simple example of what market research can do for a business is the following. At the Chevrolet division of General Motors, they brought several disciplines together in a cross-functional team to develop a concept for a completely new Corvette. This team enabled the marketers to come up with an alternative concept, one that balanced 4 attributes: comfort and convenience, quality, styling, and performance. This was considered radical because comfort and convenience were not traditional Corvette

values. However, market research demonstrated that consumers supported the alternative concept. As a result, the new Corvette was a huge success in the market.

7.2 Define the problem



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Identify the research objectives and how the research results will be implemented. This is the most important step and often requires input from several departments (ex.: R&D, production, Finance, Operations).

We have to differentiate between what is called "Management Decision problem" (MDP) and "Marketing Research Problem" (MRP). As a researched, you have to listen to the managements' stories about the problem. You have to transfer these stories into an issue that is worth researching for that will help the management take their decisions. To a researched, MDP are the symptoms of a problem, where MRP is the core of the problem.

7.3 Analyze the situation



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Determine what specific decisions need to be made. Identify what information is needed to support the decision making process, how this information will be gathered and at what cost.

7.4 Get problem specific data



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First gather information from secondary data (Information published already) sources. Next, gather primary data (Information gathered through research) specific to the problem at hand. There are several methods of collecting data.

7.5 Analyze and interpret the data



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Analyze the data using statistical market research tools. Assess the validity of the results (how well the data measures what it is supposed to measure).

Arrange for a debriefing session with the client (marketeer) where ideas on how to implement the findings from market research can be brain-stormed.

Chapter 8 Marketing Ethics



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“

When I do good, I feel good; when I do bad, I feel bad. That's my religion.

”

-Abe Lincoln

8.1 Introduction



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Marketing ethics is the area of applied ethics which deals with the moral principles behind the operation and regulation of marketing.

8.2 General Guidelines



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- Marketing managers must accept responsibility for the consequences of their actions
- Managers should refrain from knowingly doing harm, adhere to all relevant laws and regulations, and accurately represent themselves, their firms, and their brands
- Managers must make every effort to verify that their choices and actions serve the best interests of all related customers, organizations, and societies.

Specifically they should:

- Adhere to basic ethical guidelines stated above
- Engage in honest and fair practices with clients, employees, and partners
- Offer goods and services that are safe and fit for use
- Refrain from advertising falsely and misleading consumers
- Maintain market research integrity by adhering to market research guidelines
- Respect consumers privacy rights and ensure confidentiality of information
- Adhere to standards and guidelines of international marketing associations and to the legal requirements of governing bodies

8.3 Social Responsibility



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A marketing manager's social responsibility includes developing marketing programs and increasing the awareness and acceptability of social ideas and practices. An often associated concept is not-for-profit marketing, which champions a cause for the betterment of individuals and society rather than for financial profits.