

## Brief Overview of Marketing

### • Readings

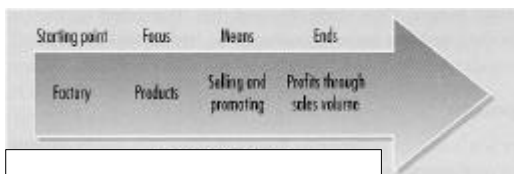


- » **Engineering Your Start-Up**, Chapters 9 & 10
- » **Marketing Management** by Philip Kotler, Prentice-Hall, 1997 (9th Edition)
  - Basis for many aspects and illustrations of this presentation

## Peter Drucker on Marketing

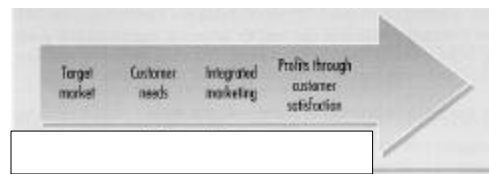
Marketing is so basic that it cannot be considered a separate function. It is the whole business seen from the point of view of its final result, that is, from the customer's point of view... Business success is not determined by the producer, but by the customer.

## Marketing and Selling Concept



**The selling concept -  
What is wrong with this picture?**

## Marketing and Selling Concept

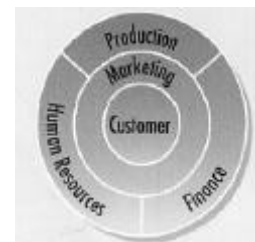


**The marketing concept -  
preferred for success**

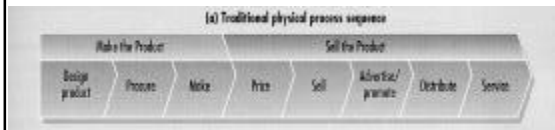
## The Role of Marketing in the Firm



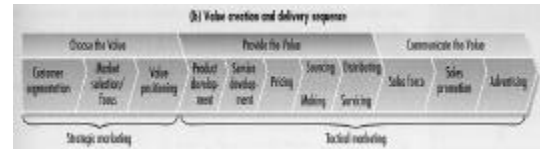
## The Role of Marketing in the Firm



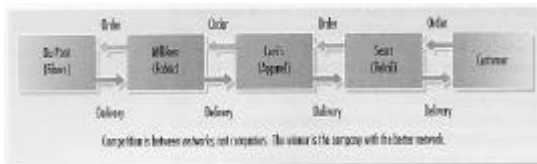
## Marketing and the Creation of Value



## Marketing and the Creation of Value

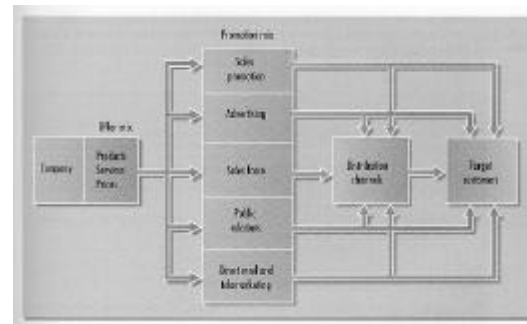


## The Competing Network Viewpoint



This relationship is termed a "Value-Delivery" Network

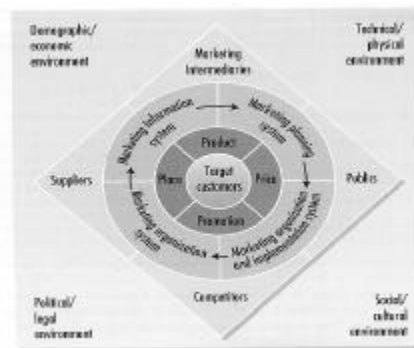
## Marketing Mix- The Tools

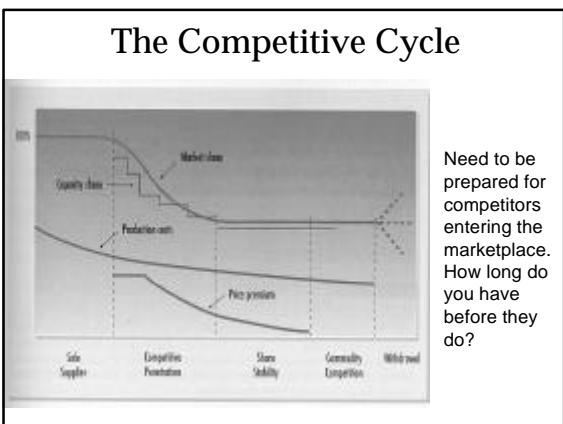
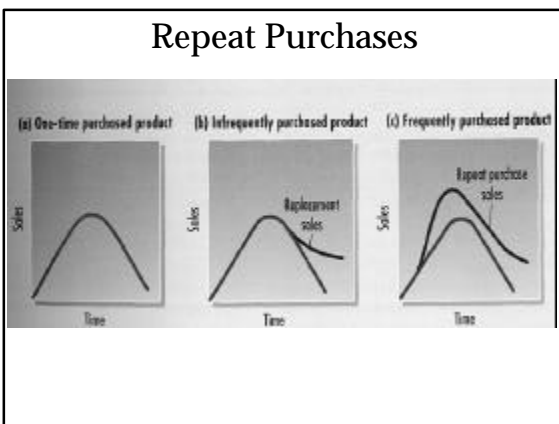
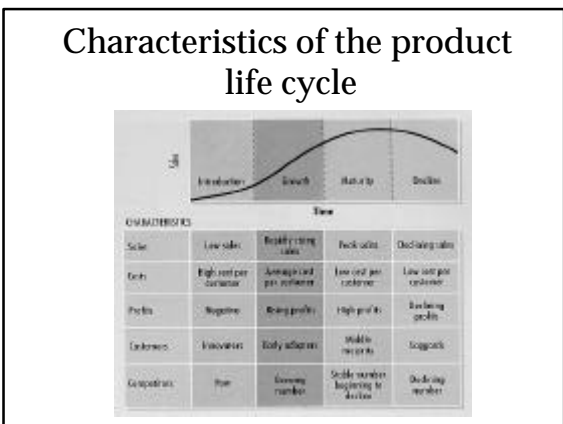
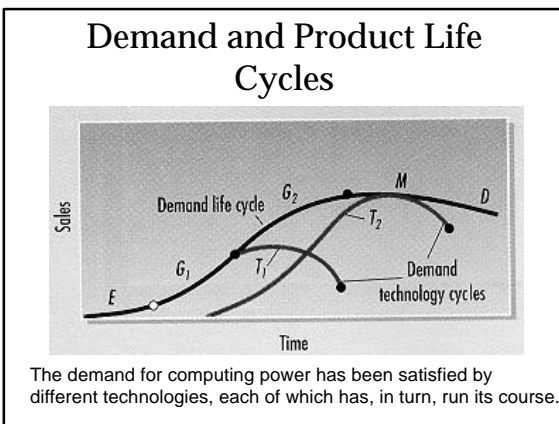
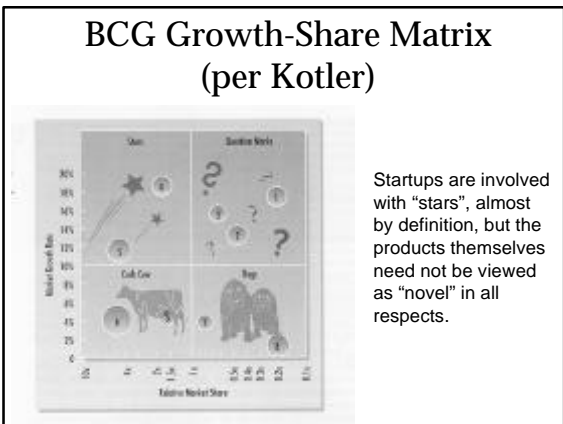
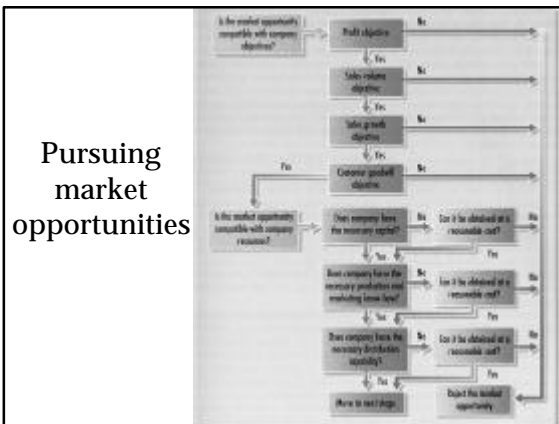


## The Four P's of Marketing

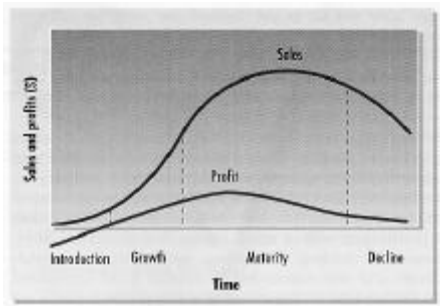


## The Marketing Environment

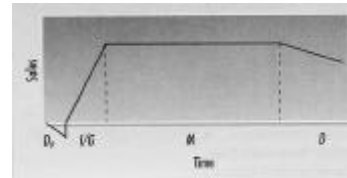




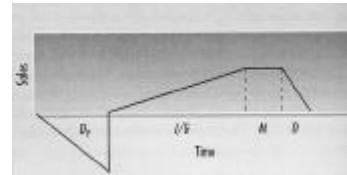
## Maximum Profitability and the Life Cycle



## Income over product lifetime

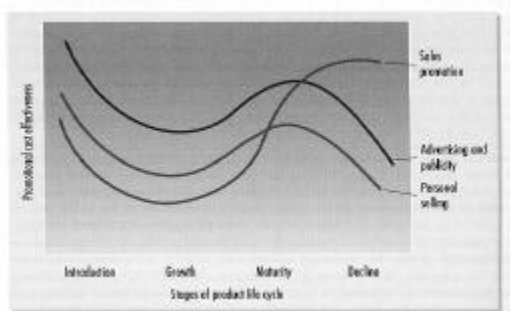


Idealized  
(Dp - development,  
I/G- Intro./Growth,  
M- Maturity,  
D-Decline)



More typical  
for high-tech.

## When to Use Different Marketing Tools



## Top Advertisers (according to Advertising Age)

- 1. Procter & Gamble
- 2.. Philip Morris
- 3. General Motors
- 4. Time-Warner
- 5. Walt Disney
- 6. Sears Roebuck
- 7. Chrysler
- 8. Pepsico
- 9. Johnson & Johnson
- 14. McDonald's
- 18. Sony
- 23. Anheuser-Busch
- 28. Kmart
- 34. IBM
- 40. US Government
- 58. Hasbro

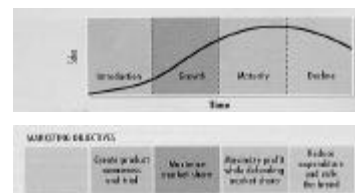
Johnson & Johnson



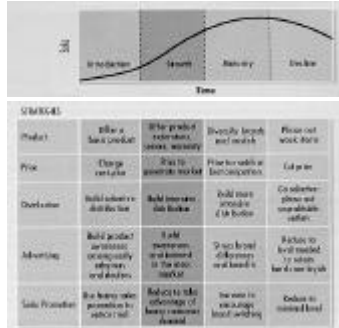
## Watch that message!

- Burger King introduced "Herb" the Nerd, who never tried Burger King
  - » Left impression of nerdy clientele
- "Sometimes you gotta break the Rules"
  - » Parents unhappy
- Missed the point of why B.K. instead of MacDonald's

## Marketing objectives over the product life cycle



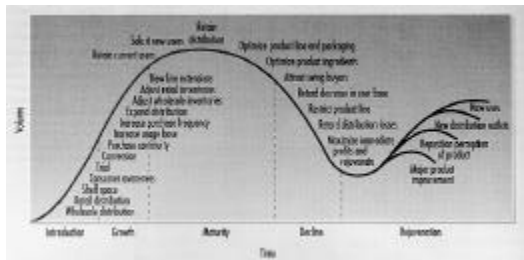
## Marketing strategies over the product life cycle



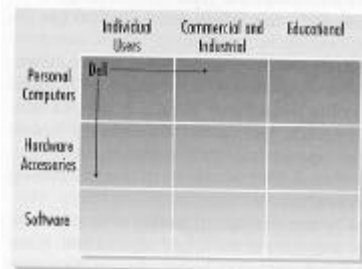
## Case Study - SNAPPLE Beverages

- Started in 1970's as New York area health-food distributor supplier
  - Chain stores looking for high shelf charges which small companies could not pay
- Moved into delis & convenience stores
- Went national in 1992
- Used performance and demand created on c-store (convenience store) level to leverage its way into major national chains

## Marketing Over a Consumer Product Lifecycle



## Awareness of Competitor Strategies



Dell is shown by Kotler to be pursuing two new markets-peripheral hardware and commercial accounts.

How does this impact a startup in these areas?



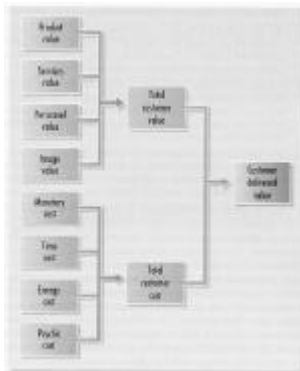
## The mechanics of setting a price

- The objective may be growth, profit, or survival.
- Subject to law of supply and demand- can a company estimate its demand curve? (Customer demand)
- Need to have a good supply curve estimate (Costs).
- Need to know about competitor's pricing and options.(Competitor prices).
- The 3 C's define possible range, but can opt for markup, return, value pricing (Lexus, Southwest Airlines, Taco Bell opted for latter), going rate, sealed bid.

## Pricing Strategies

		Price		
		High	Medium	Low
Product Quality	High	1. Premium strategy	2. High-value strategy	3. Super-value strategy
	Medium	4. Overcharging strategy	5. Medium-value strategy	6. Good-value strategy
	Low	7. Rip-off strategy	8. False economy strategy	9. Economy strategy

## Customer Cost vs. Value

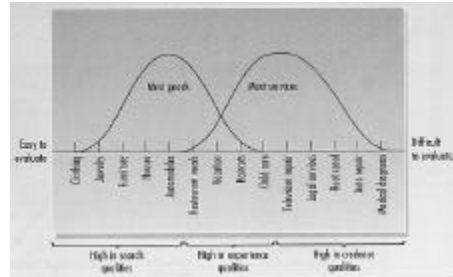


Consumer optimizes on some basis - need to know what that is.

- Looking for Total Delivered Value
- Less recognized - looking for low personal cost - hassle factor

## Factors in Selecting Goods and Services

Marketing of Goods and Services - inherently different.



- Search Qualities - Those that can be evaluated rationally before purchase
- Experience Qualities - The consumer decides on the basis of first purchase
- Credence Qualities - Customer is not able to quantitatively evaluate product even after first purchase, but just has a certain level of comfort

## There is Real Competition in Service Industries

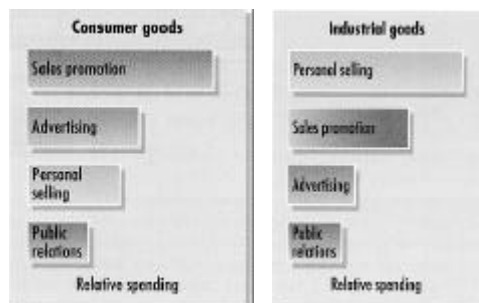
- Airlines - Southwest (no frills) vs. traditional airlines



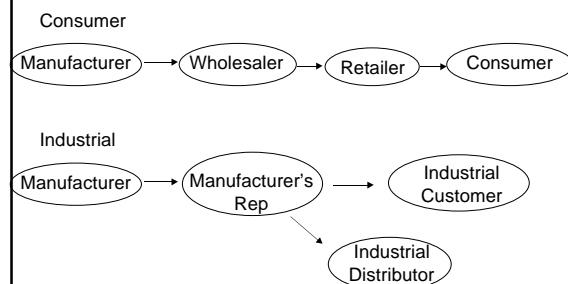
- Telecommunications - Sprints old pin drop ads (quality) vs. low cost carriers



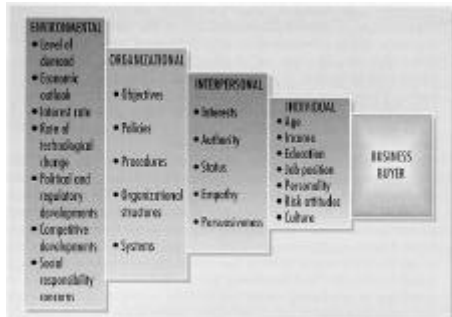
## Marketing: Industrial vs. Consumer Markets



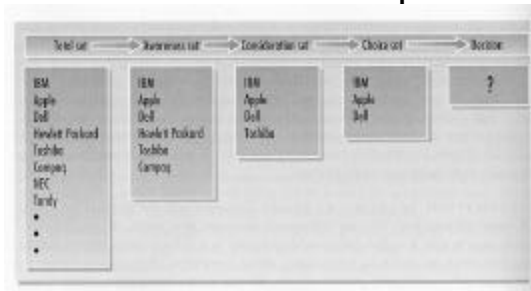
## Consumer vs. Industrial Market Channels



## Influences on Industrial Buying Behavior



## Consumer Selection Sequence



How do you get your product known and thus considered?  
How do you establish its relative value ? (Need key attributes)

## Repositioning a Product and Company



## Targeting Market Segments



A marketer needs to be keenly aware of the demographics of a potential market. Communication is often targeted to "micromarkets". Designing products or campaigns for the "average" consumer can be a big mistake.

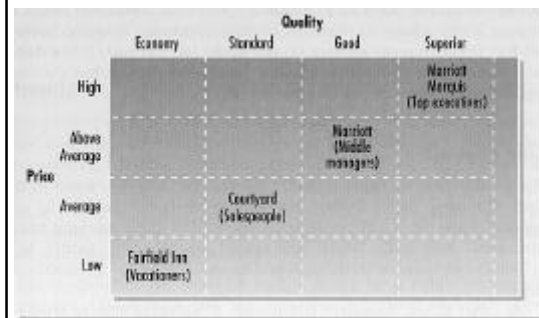
## Who was the target market segment?



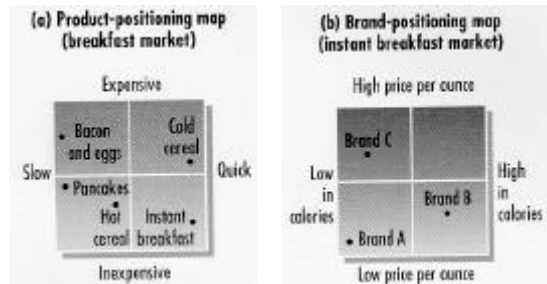
What periodicals would you choose for this advertising?

How could you get more information to decide which to choose?

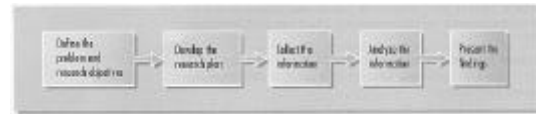
## Product Differentiation in a single company



## Product Positioning - Different Attribute Scales



## Elements of Marketing Research



You will perform market research in this course.

The trick is not to define the research too narrowly or too broadly.

## Marketing Research: Who Does It?

- In-house (especially large consumer products companies, e.g., P&G)
- Business Schools
- Marketing Research Firms (e.g., see [www.asiresearch.com](http://www.asiresearch.com))



- On-line services (e.g., AOL)



## Marketing Research: What Information is Sought?

- Economic/Market trends
- Demand analysis, pricing analysis
- Product design, test marketing
- Distribution channels
- Promotion, Advertising Strategies
- Buying Behavior (brand awareness, preferences)



## Secondary Sources of Data

- Internal Company Files
- Government Publications (e.g., *U.S. Industrial Outlook*, *Marketing Information Guide*)
- Periodicals and Books (e.g., *Advertising Age*, *The Economist*, *Chemical and Engineering News*, *Sloan Management Review*)



- Commercial (e.g., AC Nielsen, Arbitron)

## Research Approaches

- Observational (send observers to relevant market, trade shows, etc.)
- Focus Group - Group of people invited to discuss a product or service.
- Survey - Descriptive research, perceptions; broad spectrum of input
- Experimental research - e.g., offer different prices or products on different days





## Marketing Surveys

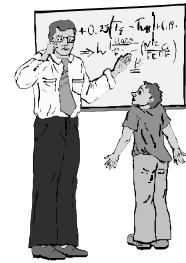
- Questionnaire
  - Can be open- or closed- ended
  - Requires pre-testing
- Need a sampling plan  
(to whom is the survey to be administered?)



- Contact method  
(personal? phone? mail?)

## Statistical Analysis of Survey Data

- Multiple Regression
  - » Sales = f (ad \$, sales force, price)
- Discriminant Analysis
- Factor Analysis
  - » Statistical method - looks for correlated attributes of products
- Cluster Analysis
  - » Used to identify distinct market segments



## Statistical Analysis of Survey Data (Continued)

- Conjoint Analysis
  - » Statistical method - tries to relate product attributes to consumer utility
- Multidimensional Scaling
  - » Various methods used to develop perceptual maps of products
- Buying Behavior Models
  - » Logit, Probit, BRANDAID - explore factors which influence buying behavior



## What is measured on surveys?

- Demographics
  - » Age, education, income, occupation, family size, dwelling, geography, city size, stage in life cycle, ethnic group, other.
- Identified groups -Examples
  - » SKIPPIES - School Kids with Income and Purchasing Power
  - » MOBYS - Mother Older, Baby Younger
  - » WOOFs - Well-Off Older Folks



## Other Possible Survey Information

- Activities (work, hobbies, sports, vacation, entertainment, clubs)
- Interests (family, home, job, community, recreation, fashion, food)
- Opinions (themselves, social issues, politics, business, economics, education, the future, culture)



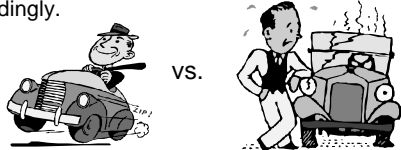
## Markets are not uniform

PRODUCT TYPE	HEAVY USER	LIGHT USER
Large and irregular (10%)	75%	25%
Small (10%)	25%	75%
Complex (10%)	75%	25%
Simple (10%)	25%	75%
High (10%)	75%	25%
Low (10%)	25%	75%
High (10%)	75%	25%
Low (10%)	25%	75%
High (10%)	75%	25%
Low (10%)	25%	75%

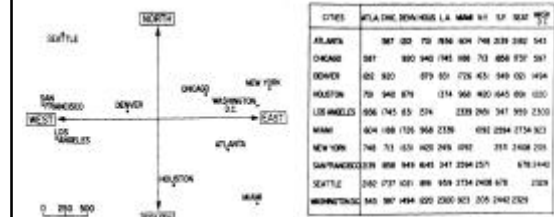
The heavy user half of the market consumes a disproportionate share of the product. How do you find this segment? How should you direct your marketing efforts?

## Attribute Characterization

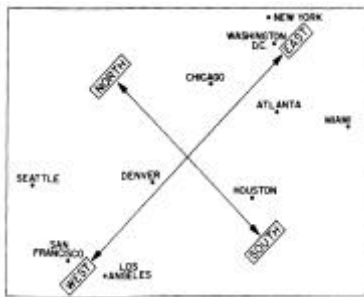
- Can characterize different products in the same market by asking the extent to which pairs are similar or dissimilar (scale from "very similar" to "very different")
- Use Multidimensional Scaling Techniques to extract relevant perception variables which explain differences; position product accordingly.



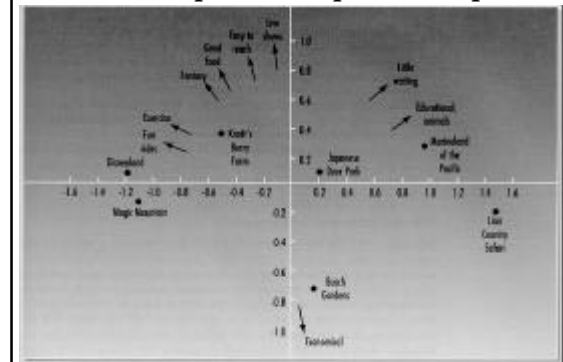
## Actual Map and Distances



## Reconstructed Map



## A Sample Perceptual Map



## Can't Lose Touch with Customers



- 1992 - 90% of teens thought clothes were cool
- 1995 - Only 63% thought they were cool. Others thought that they "promote a straight, white lame lifestyle"
  - » Response was to try to reposition themselves as "cool"

## What Other Information to Gather?

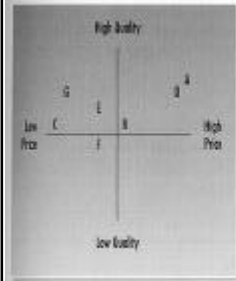
- Attributes and their importance
- Brand awareness and ratings (what is viewed as the competition?)
- Product usage patterns (how much would be bought how frequently at what price?)
- Attitudes towards product category (is this product essential? a luxury? a menace?)



vs.



## Relative Product Positioning



BRAND	BRAND AWARENESS
A = Dove	77%
B = Lever 2000	35
C = Dial	80
D = Camay	89
E = Ivory	79
F = Carven	52
G = Safeguard	99

## Typical format for survey questions

- I prefer to talk with an operator rather than a computerized voice recording when I call about service
  - » Select the choice which reflects most closely your opinion regarding this statement
    - Strongly agree
    - agree
    - neither agree nor disagree
    - disagree
    - Strongly disagree



## More Survey Questions

- What is your opinion concerning the importance of post-purchase service?
  - » Extremely important, very important, somewhat important, not very important, Not at all important.
- If this product were offered at a price of \$x, I would
  - » Definitely buy, probably buy, not sure, probably not buy, definitely not buy

**!BUY!  
NOW!**

## Assessing The Business Market

- Demographics
  - » Industry, company size, location
- Operating Environment
  - » Technologies, customer capabilities
- Purchasing approaches
  - » Nature of relationship, purchasing criteria
- Situational Factors
  - » Urgency of orders, size of orders



## Assignment

- Conduct market research on your product ideas.
- Act in the role of marketing consultants
- Develop a survey for your "product"
  - » Discuss the elements of the survey (what to ask, whom to ask) and pretest in section
- Administer to class the next week



## Marketing a New Product



### SOLAR POWER COMPANION™ 2000 (SPC 2000)

*Just add sunlight!*

**IDEAL FOR CAMPING, DAYTRIPS, BEACH, HOME AND GARDEN PROJECTS, OR EMERGENCY POWER BACK-UP!**

- » Poolside:** Run your laptop computer for 4 hours\*\* a day or a full 27 hours\* on a fully-charged battery!
- » Camping out or in an emergency:** Power a radio for 24 hours/day\* or low wattage fluorescent lighting for up to 7 hours/night using solar charging.
- » In a power outage:** Run a 500 gallon/hour bilge pump for 4 hours\*\* a day or 29 hours\* on a fully charged battery
- » At the park:** Play your keyboard instrument outside for 5-14 hours a day
- » Power up to 4 appliances at once:** unit includes 2 lighter output sockets and 2 max/12V output sockets
- » The Solar Power Companion 2000 consists of two basic components:** the roller solar module which includes the 50-watt photovoltaic (solar) panel and the foldable, roller platform for a total weight of 25 lbs.; and the Power Tote which includes a leak-proof 12-volt battery with charger. Total approximate weight of the Power Tote with battery is 69 lbs.

# Typical Survey Summary

TABLE 1		LEADERSHIP OF PURCHASING DECISION-MAKERS									
		TYPE OF SOCK					PACKAGE SIZE AND PRICE				
	CH TOTAL RESPON- DENTS	CH 44-50SH SOCK	CH 18-18SH TUBE SOCK	CH 14-16SH STEREOTIC SOCK	CH CREW SOCK	CH 3 PACK AT	CH 12 PACK AT	CH 3 PACKS AT	CH 3 PACKS AT	CH 3 PACKS AT	
Independent line**	1,055	1,083	1,223	1,361	1,030	1,550	1,165	1,425	1,144	1,144	
Definitely would buy	50%	67%	47%	62%	20%	42%	49%	33%	53%	50%	
Probably would buy	40	47	27	33	33	30	40	40	30	30	
Might or might not buy	11	7	29	11	30	33	28	18	11	11	
Probably would not buy	0	0	0	0	3	1	5	—	0	0	
Definitely would not buy	0	—	—	1	0	0	—	2	—	—	

\* Based on 100,000 consumer lines on 100.  
Source: CH Plastics Research.

# Assignments

- Week of March 13 - Each group will use another group as a focus group (Ta's will coordinate schedules).
- Week of March 20 - Consumer surveys will be administered in class.
- April 6 - Results of marketing research presented (e.g., estimates of sales volumes, pricing, target markets, distribution channels, advertising strategy).

## Focus Groups

- Typically 6 to 10 consumers selected target audience
- One moderator, to keep discussion focused and moving
- Relatively unstructured, designed to promote free discussion of general class of products, working toward specific
- May wish to bring some samples of product or competing products
- Take ample notes
- Designed to help you
  - » Design bigger customer survey
  - » Catalyze some rethinking of the product and how it is presented

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