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MKT 3310 Tutor Notes

Chapter 1 Marketing's Value to Consumers, Firms, and Society

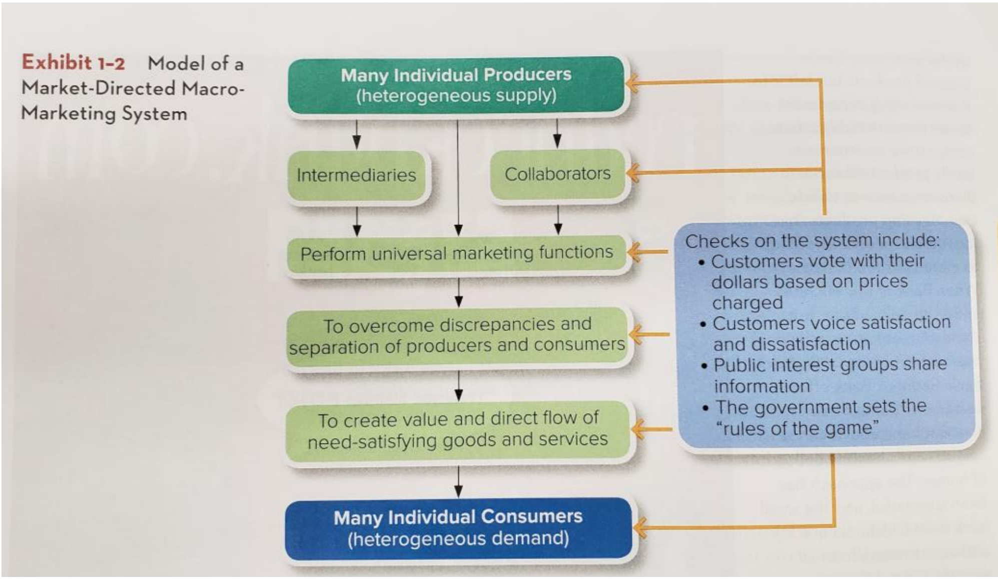

Exhibit 1-2 Model of a Market-Directed Macro-Marketing System shows how a market-directed macro-marketing system responds and adjusts according to customers, public interest groups, and government regulations. By adjusting to their responses, the system becomes more efficient and effective.

Macro-marketing refers to the social process that guides the flow of goods and services in an economy from producers to consumers.

- This flow effectively matches supply with demand as well as meets the objectives of society.
- The macro-marketing system focuses on how the whole marketing system works, not on individual organizations (includes how marketing influences society, and vice versa).
- Every society has heterogenous (different) demands (from consumers) for goods and services and heterogenous supply capabilities (from producers). Demand is met at the right place, time, and price.

The macro-marketing system involves:

- Separation between producers and consumers
- Marketing functions that help to reduce the separation between producers and consumers
- Producers, consumers, and marketing specialists perform marketing functions
- Marketing functions can be shifted and shared

Key points on the role of marketing in economic systems:

- Government officials possibly making the decisions (such as in a command economy)
- Market-directed economies adjust themselves (decisions made by all producers and consumers)
- The prices that consumers pay determine a measure of value
- Consumers use their voices to gain power in the market

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- Public interest groups provide checks on a market-directed economy
- Government reinforces the "rules of the game" through laws and regulations
- Macro-marketing systems adjust over time

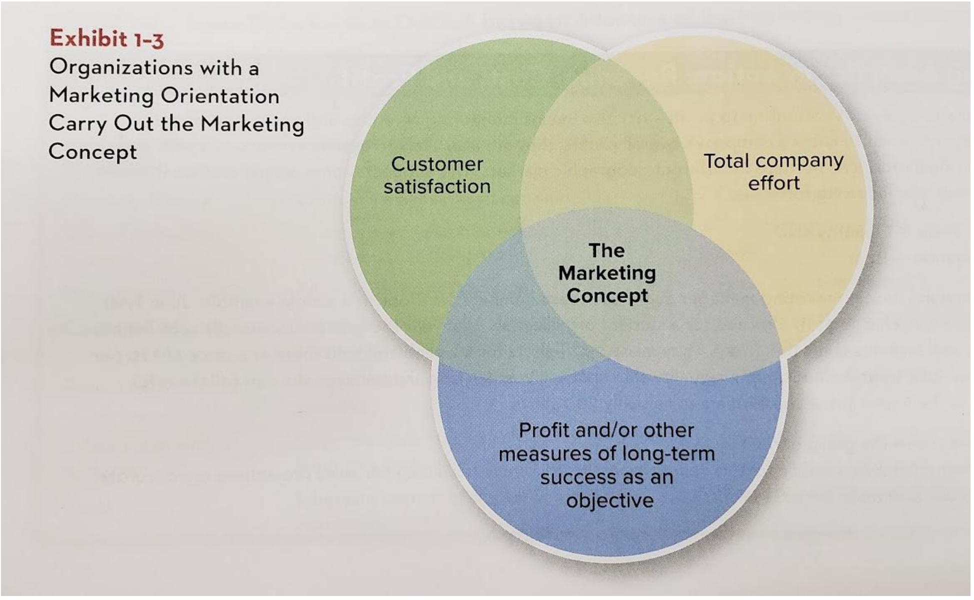

Exhibit 1-3 Organizations with a Marketing Orientation Carry Out the Marketing Concept shows how a firm with a marketing orientation aims all its efforts at customer satisfaction – at a profit. This idea is called the marketing concept, which encompasses 3 key components:

- Customer satisfaction is the focus
- The entire firm works together to achieve customer satisfaction (not just the marketing department)
- Success and survival require profit

Marketing vs. Production Orientation

Firms with a marketing orientation carry out the marketing concept and try to offer customers what they *need*, rather than try to get them to buy what they produce.

Firms with a production orientation have little interest in customers' needs. They see customers as existing only to buy their products (Customers exist for the firm, NOT firm exists for the customers). These firms do NOT carry out the marketing concept.

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Chapter 2 Marketing Strategy Planning

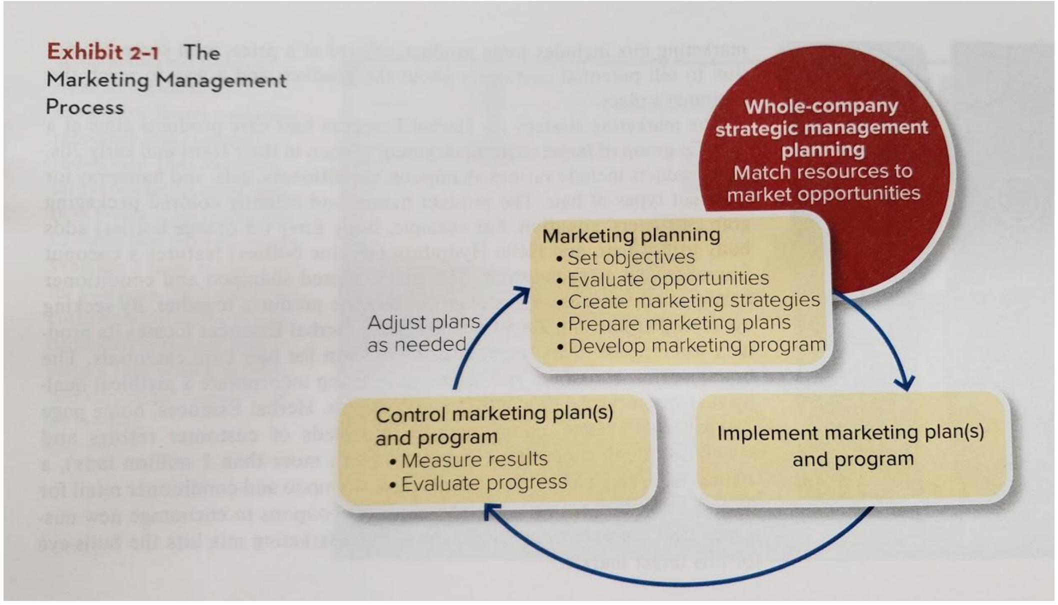

Exhibit 2-1 The Marketing Management Process demonstrates the process of:

- Planning marketing activities
- Guiding the implementation of these plans
- Controlling the plans

These are the 3 basic jobs of marketing managers. Note how the arrows show that the jobs are connected, continuous, and all parts of the marketing management process.

The process of planning strategies to guide a whole firm is called strategic (management) planning (Red circle in diagram). This managerial process aims to develop and maintain a match between market opportunities and organizational resources.

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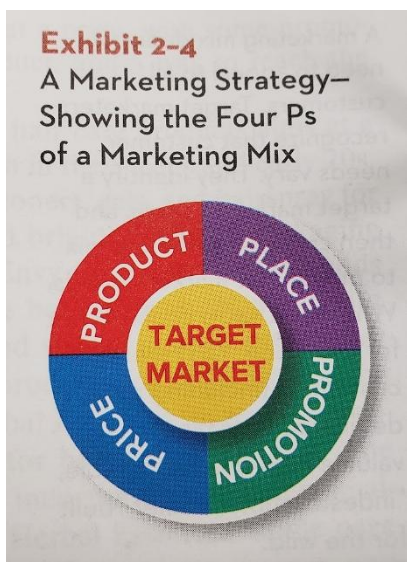
Exhibit 2-2 A Marketing Strategy shows the relationship between a target market and a marketing mix. Thus, a marketing strategy specifies:

- a target market: a particular homogenous (similar) group of customers to whom a company wants to appeal
- and a marketing mix: the variables a firm controls and puts together to satisfy the target market



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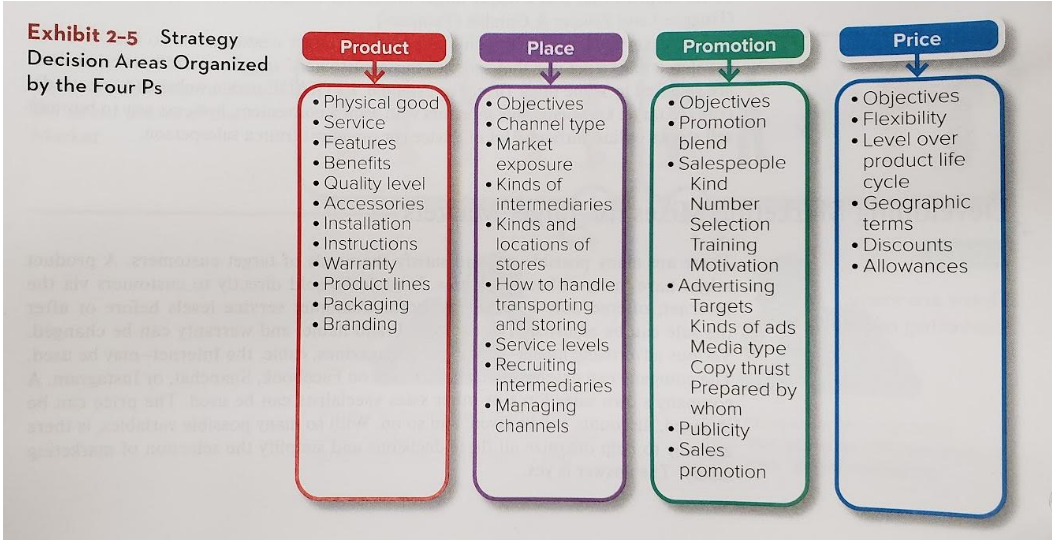

Exhibit 2-4 A Marketing Strategy – Showing the Four Ps of a Marketing Mix and Exhibit 2-5 Strategy Decision Areas Organized by the Four Ps classifies the marketing mix variables into four basic categories:

- **Product:** The good or service for the target's needs
- **Place:** Reaching the target
- **Promotion:** Telling and selling to the target market
- **Price:** Setting the right price for the target market

All four Ps are needed in the marketing mix and contribute to delivering customer value for the target market.
Choosing a target market and creating an appropriate marketing mix are highly interrelated. Thus, marketing managers must deeply analyze and understand potential target markets to develop strategies.

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A marketing plan combines a written statement of a marketing strategy and time-related details for implementing that strategy. It should include the following in detail:

- The marketing mix to be offered, to whom, and how long
- Company resources (expressed in costs) to be used at what rate (ex. Month by month)
- Expected results (ex. Monthly sales and profits, customer satisfaction levels, etc.)
- Control procedures to rectify warning flags

Exhibit 2-8 Elements of a Firm's Marketing Program shows how a firm's marketing plans are combined to form one large plan. Follow the plus and equals signs to see how elements are joined together to form another element of the program.

Crucially, firms must match marketing strategy planning to their resources and objectives. Thus, successful strategies can flourish when managers identify attractive opportunities.

- Breakthrough opportunities are particularly best because they help innovators create long-term, profitable hard-to-copy marketing strategies.
- If managers cannot identify a breakthrough opportunity, the firm should aim to at least create a competitive advantage: having a marketing mix that the target market perceives as better than competitors' mixes.
  - In other words, competitive advantages must allow firms to provide superior value and fulfill customer needs better than competitors
- Competitive advantages can arise from various areas of the firm, such as the following examples:
  - Innovative R&D
  - Cost-cutting in production
  - Effective purchasing of necessary components
  - Strong sales force
  - Effective financing of new distribution facilities

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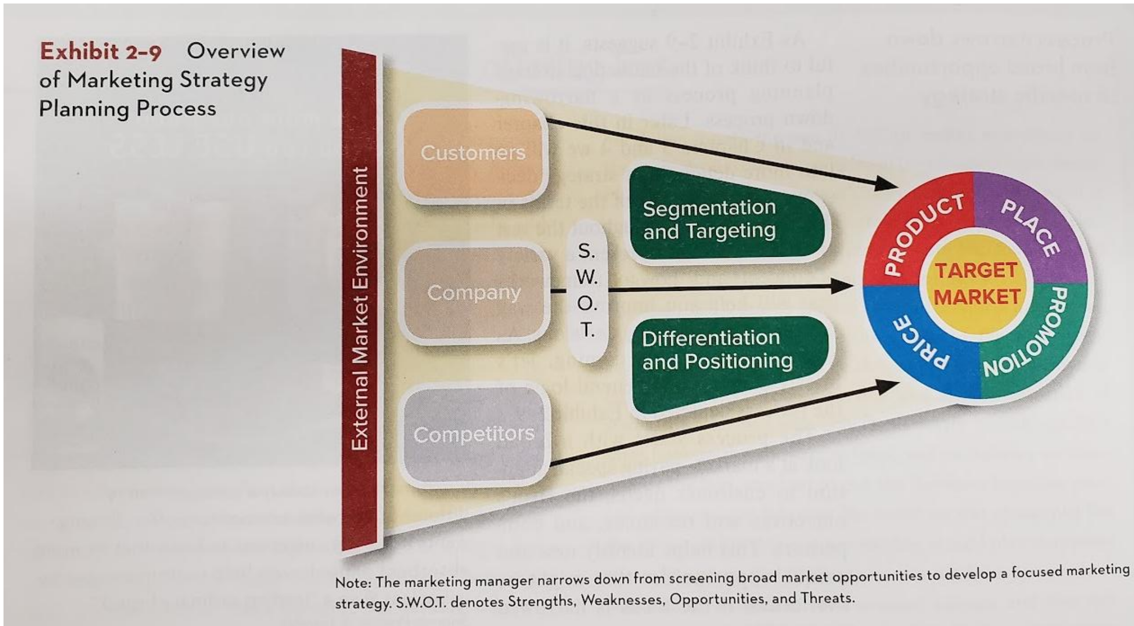

Exhibit 2-9 Overview of Marketing Strategy Planning Process highlights the marketing strategy planning process that is discussed throughout the textbook. This process narrows down broad opportunities to a specific strategy (Note how the arrows in the diagram go from broad analyses to the specific marketing mix).

- **Market analysis:** Evaluating customer needs, firm objectives and resources, and competitors. Helps to spot new and unique opportunities that can be easily overlooked if focus is narrowed down too quickly.
- **Screening criteria:** Establishing qualitative and quantitative screening criteria can help firms decide what business and market to compete in and why. These criteria are crucial because there are many opportunities (each with advantages and disadvantages) firms can pursue, which make specifying a target market and marketing mix more difficult. Read more about screening criteria in Chapter 3.
- **SWOT Analysis:** Identifies a firm's Strengths, Weaknesses, Opportunities, and Threats. Helps in organizing information from the broader market, creating screening data, and identifying strategies that exploit a firm's strengths and weaknesses while evading weaknesses and threats.
    - Identify strengths and weaknesses (internal to the firm) by evaluating company resources and capabilities.
    - Identify opportunities and threats (external to the firm) by evaluating customers, competitors, and the external market environment.
- **Segmentation:** Not all potential customers have the same needs or want their needs met in the same way, partly because these different types of customers possess different characteristics. Thus, segmentation narrows down to a specific target market

and specific segments (subgroups) to serve (and not others). These subgroups can be satisfied with the same marketing mix. Read more about segmentation approaches and consumer behavior in Chapters 4, 5, and 6.

- **Differentiation:** Refers to making a marketing mix that is different from that of competitors. Firms cannot obtain a competitive advantage if they serve segments the same way as competitors. Read more about differentiation in Chapter 4.
- **Marketing Mix:** Differentiation should be consistent across the marketing mix (4 Ps) to meet the needs of a specific target market. Differentiation should be emphasized so the target market will perceive the firm as being in a unique position to satisfy their needs.

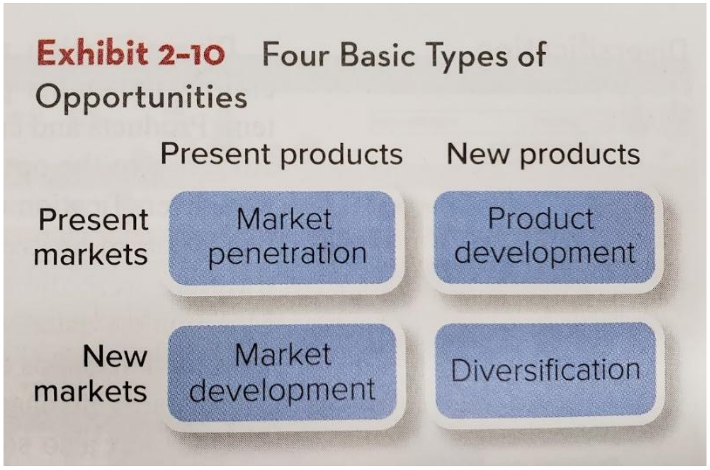

Exhibit 2-10 Four Basic Types of Opportunities shows a framework for the different types of opportunities present in the market environment. They differ depending on whether a firm wants to appeal to new or existing customers, and whether they use new or existing products.

Market penetration: Refers to increasing sales of existing products in present markets. Involves strengthening current customer relationships, increasing customers' rate of use or repeat purchases, or attracting competitors' customers or current nonusers.

Market development: Refers to boosting sales by selling current products to new markets. Involves searching for new uses for products.

Product development: Selling new or improved products to current markets. Involves knowing these markets' needs and developing new ways of satisfying them.

Diversification: Moving into different lines of business: Moving into unfamiliar products, markets, or even production-marketing system levels. Involves highest risk because products and customers that are different from their current base can be attractive, but opportunities are difficult to assess.

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Chapter 3 Evaluating Opportunities in the Changing Market Environment

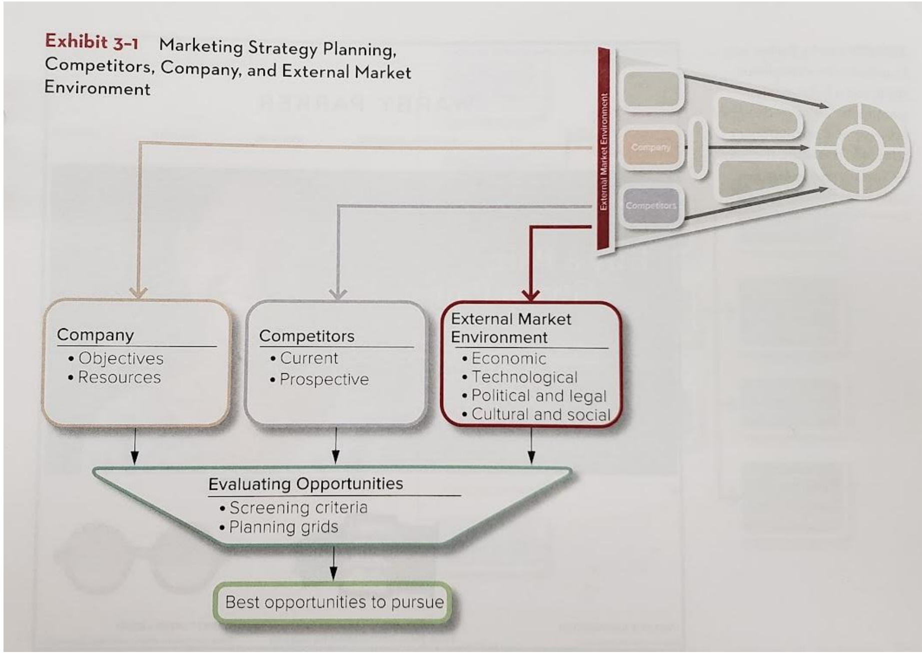

Exhibit 3-1 Marketing Strategy Planning, Competitors, Company, and External Market Environment shows key market environment variables. Remember that managers can't control market environment variables. Read Chapter 3 for a more in-depth discussion on these variables.

Many large forces influence the market environment.
The direct market environment includes:

- Customers
- The company
- Competitors

The external market environment includes:

- Economic
- Technological
- Political and legal
- Cultural and social

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Chapter 4 Focusing Marketing Strategy with Segmentation and Positioning

A market is a group of possible customers who share similar needs and are willing to exchange something of value with sellers offering goods and services that fulfill those needs.

Two basic types of markets

Generic market: Market with broadly similar needs, sellers offer several, diverse ways of satisfying these needs. Seen from customers' viewpoint.

- Ex. Entertainment market → Customers seek entertainment in different ways → Vacation cruise, streaming subscription, 4K TV
- As such, product types that are vastly dissimilar can compete with each other.

Product-market: Market with very similar needs, sellers offering several close substitutes to satisfy these needs.

Complete product-market definitions include a four-part description:

What: Product type (type of good and service)
To meet what: Customer (user) needs
For whom: Customer types
Where: Geographic area

Note that product-market boundaries help to make decisions about customer needs, product and customer types → Limits the market(s) in which the firm will compete.

Ex. Canon can approach the "digital photographers market" product market. It can define the market as:

What: Digital cameras
To meet what: That are easy to use and take high-quality photographs
For whom: for amateur photographers
Where: in developing market

Firms can place even tighter boundaries on their market definitions to sharpen their marketing strategy. For example, GoPro defines the "adventure video market" as:

What: Digital video cameras
To meet what: that are rugged, waterproof, and don't need to be operated by hand
For whom: for adventure sports enthusiasts
Where: who live anywhere in the world

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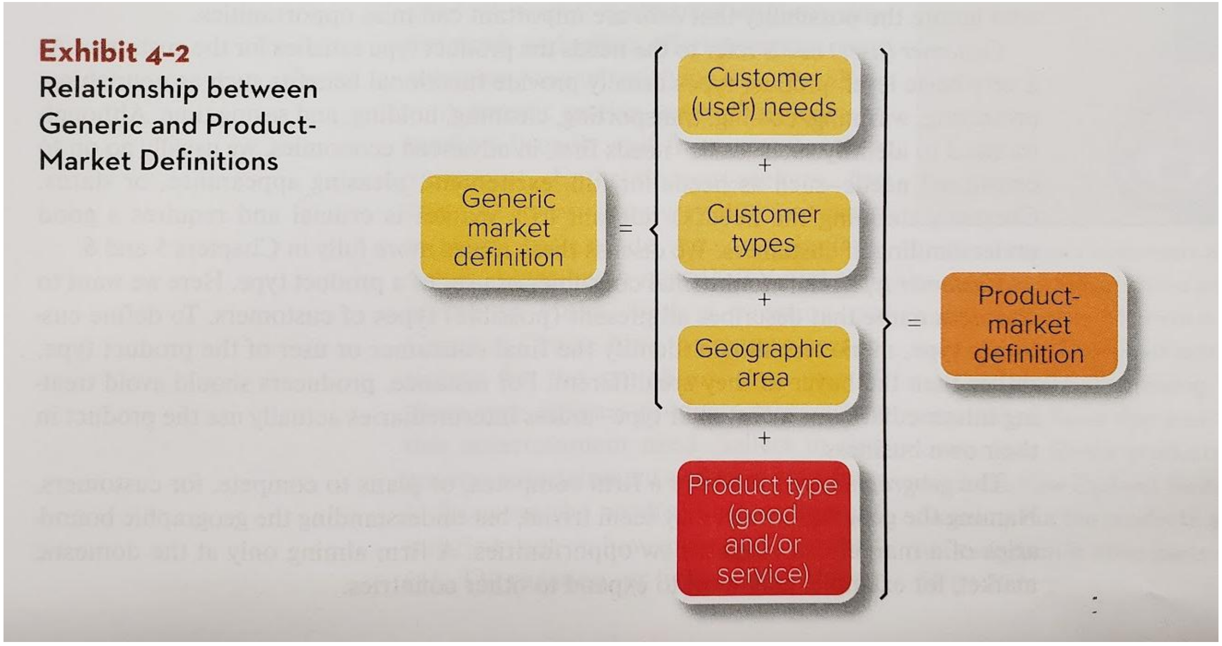

Exhibit 4-2 Relationship between Generic and Product-Market Definitions
Note that the generic market definition leaves out product type terms. This highlights how any product type that can satisfy customers' needs can compete in generic markets.

The generic market definition opens new opportunities for firms and the idea of using other products to meet customer needs.

Firms should focus on specific target markets. Defining markets just in terms of products is not the best way to find opportunities. Rather, firms should focus on customer needs and types within a geographic area (rather than product type).

Finding market opportunities is furthered by market segmentation.

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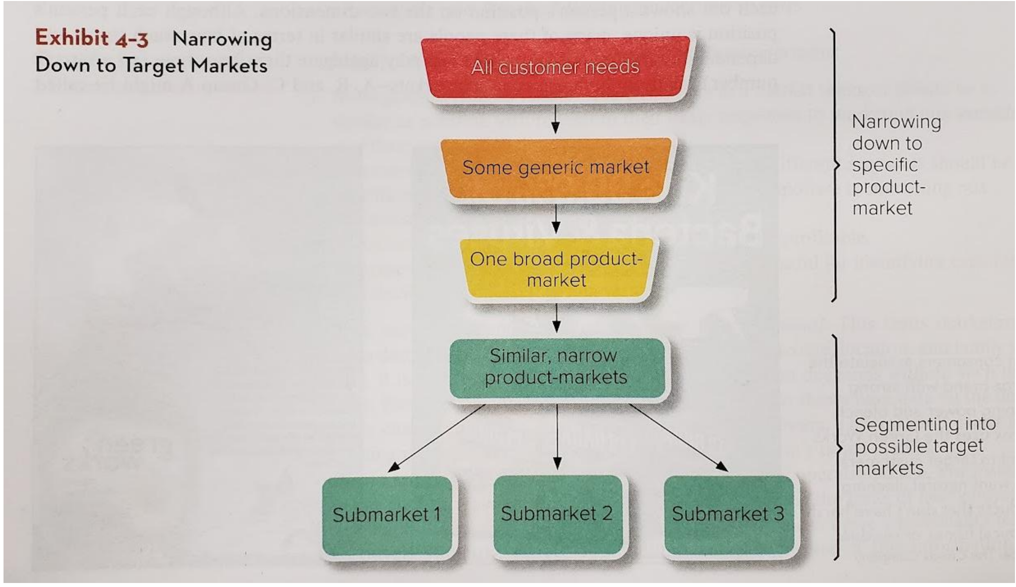

Exhibit 4-3 Narrowing Down to Target Market demonstrates the process of market segmentation. Key steps of market segmentation are:

- Naming broad product-markets
- Segmenting them to choose target marketing and creating appropriate marketing mixes

The textbook presents an example of a bicycle-making firm using this process:

1. All customer needs: The firm narrows down to consumers' need to transport a person from point A to point B.
2. Some generic market: The firm selects the "People Transportation Market".
3. Broad product-market: The firm selects "Bicycle-Riders Market"
4. Similar, narrow product-markets: These may include:
   a. Submarket 1: Exercisers
   b. Submarket 2: Off-road adventurers
   c. Submarket 3: Commuters
   d. Submarket 4: Socializers
   e. Submarket 5: Environmentalists

A market segment is a relatively homogenous group of consumers who will respond similarly to a marketing mix. Managers will group people with similar needs into a market segment.

Marketers may want to aggregate customers into workable numbers of relatively homogenous target markets. The question of how far this aggregating should go remains.

Another issue is that some potential customers do not neatly fit into market segments, as they may be too few, too different, or too unique to cater to. Creating new segments for these customers may be unprofitable.

The following criteria can help in segmenting a broad product-market:

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1. **Homogenous (similar) within:** Customers in a market segment should be as similar as possible in likely marketing mix and segmenting dimension responses
2. **Heterogenous (different) between:** Customers in different market segments should be as different as possible in likely marketing mix and segmenting dimension responses
3. **Substantial:** The segment should be large enough to be profitable.
4. **Operational:** The segmenting dimensions should help in identifying customers and determining marketing mix variables.
    a. It is essential for a segment to be operational, as it allows marketers to include demographic dimensions.

Differentiating the marketing mix helps create competitive advantage by better meeting customers' needs (providing superior value).

Customers may not pick up the differentiation for multiple reasons, thus **positioning** can help to establish the firm's brand and identity in customers' minds. Positioning refers to how customers think about brands in a market, is especially important with the presence of similar competitors.

Read Chapter 4 for more information on segmentation, differentiation, and positioning.

Chapter 5 Final Consumers and Their Buying Behavior

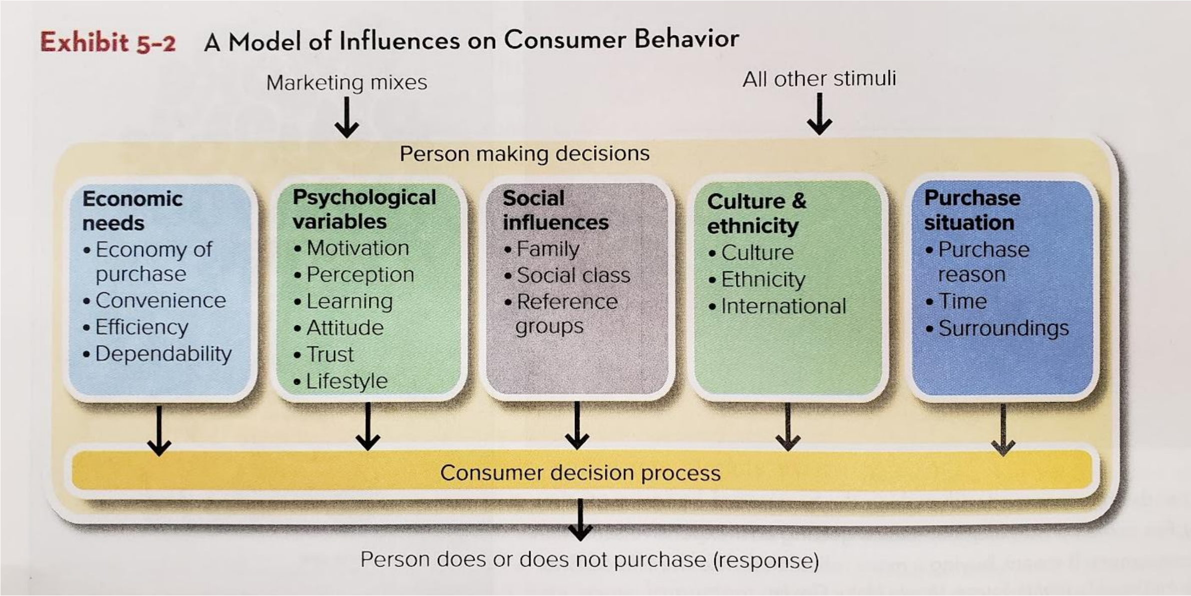

Exhibit 5-2 A Model of Influences on Consumer Behavior shows a simplified framework of consumer behavior influences. It explains why consumers buy what they buy. As seen above, the framework draws from several behavioral disciplines and reflects the fact that specific behaviors vary depending on people, products, and purchase situations. Throughout Chapter 5, the textbook discusses each influence in more detail.

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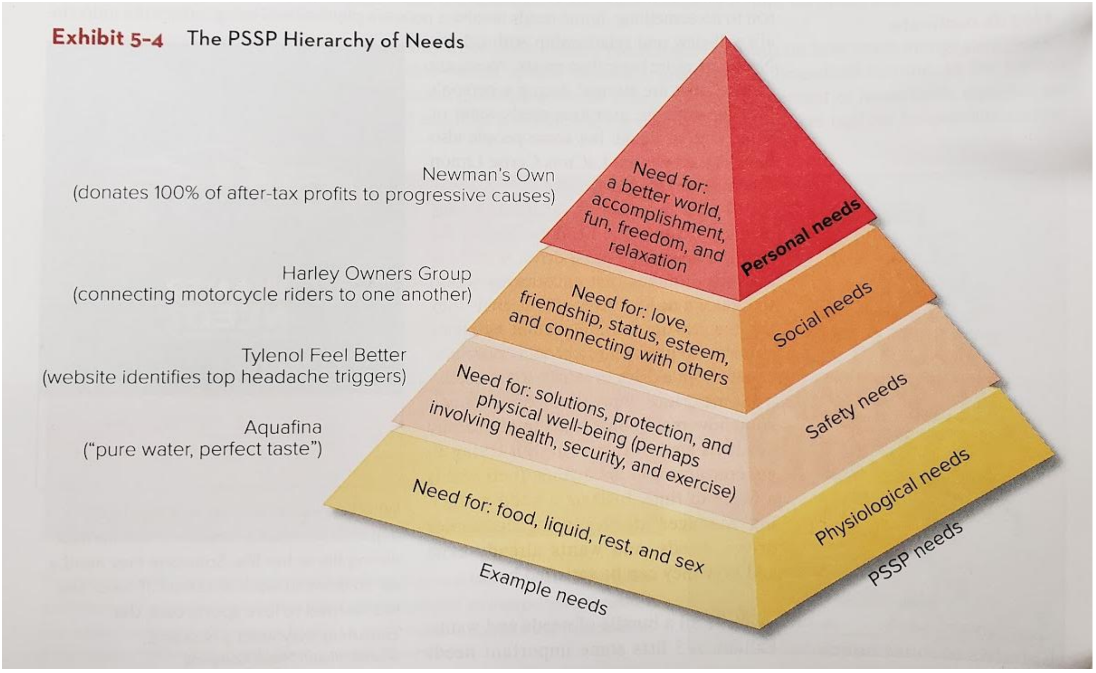

Exhibit 5-4 The PSSP Hierarchy of Needs demonstrates the different needs that drive consumer purchases. Note that a consumer can have multiple reasons for buying, and that marketers are identifying ways of appealing to consumer needs at all levels.
This hierarchy is broken down into 4 levels:

- **Physiological needs:** Refers to biological needs such as food, rest, liquid, and sex (Example: Charmin's luxury public restrooms in Times Square)
- **Safety needs:** Refers to protection and physical well-being (can involve health, exercise, medicine, and financial security). (Example: Under Armour's products promote health and exercise)
- **Social needs:** Involve love, friendship, status, and esteem, overall, a person's interactions and connections with others (Example: Coca-Cola's viral videos on "delivering happiness" which showcased "on-the-street social connections")
- **Personal needs:** Refer to an individual's need for personal satisfaction – unrelated to others: accomplishment, relaxation, fun, freedom, etc. (Example: ConAgra Foods' online health tool to help consumers develop healthier lives)

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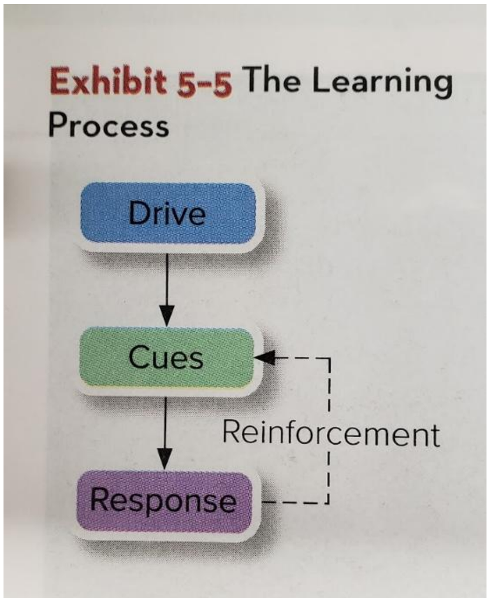

Exhibit 5-5 The Learning Process shows how consumers' thought processes change through prior experience. Note that learning can occur from both direct and indirect experience and that almost all consumer behavior is learned.

A **drive** is defined as a strong stimulus that encourages action to decrease a need; they are the reasons behind certain purchase behaviors. Drives are formed when a need is not satisfied. Read Chapter 5 for more information on needs and wants.

A **cue** can be a product, ads, signs, and other environmental stimuli that push a response.

A **response** is defined as an effort to satisfy a drive. Specific responses depend on a consumer's cues and past experiences.

Cues and responses form reinforcement, or the learning process that occurs when a response is followed by satisfaction (Drive is decreased). Reinforcement strengthens the relationship between cues and responses.

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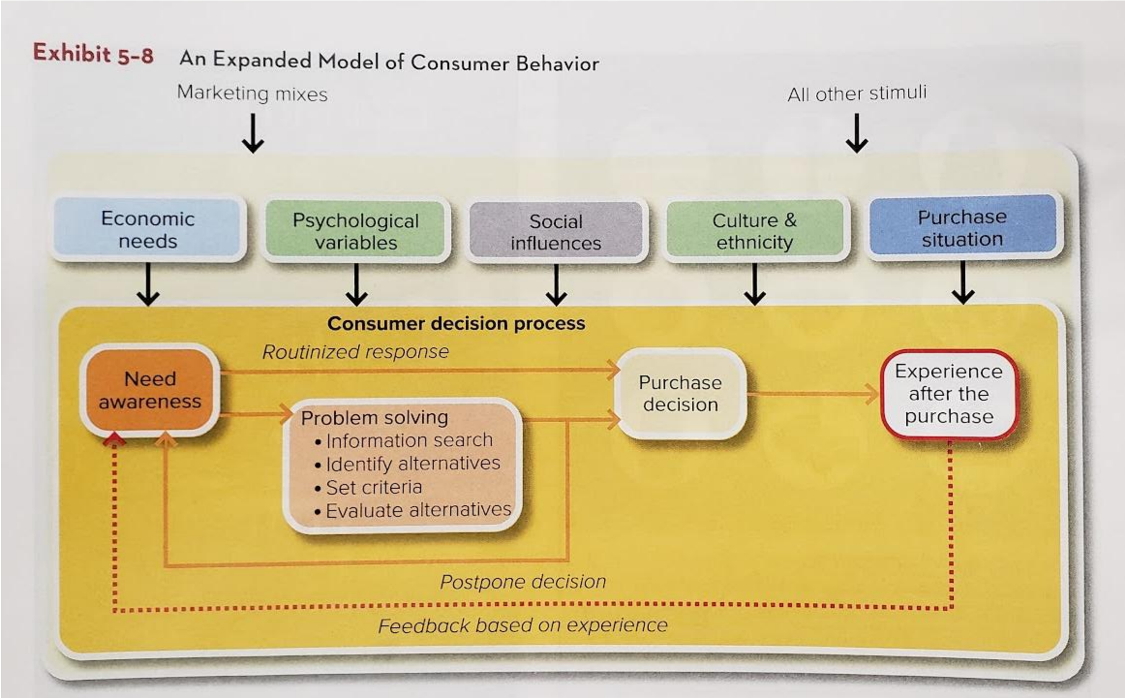

Exhibit 5-8 An Expanded Model of Consumer Behavior shows the steps in the consumer decision process and focuses on how consumers make decisions.

The consumer decision process is as follows:

1. Recognizing a need that creates a problem for a consumer
2. Problem solving: how to best meet that need
3. Purchase decision
4. After-purchase experience

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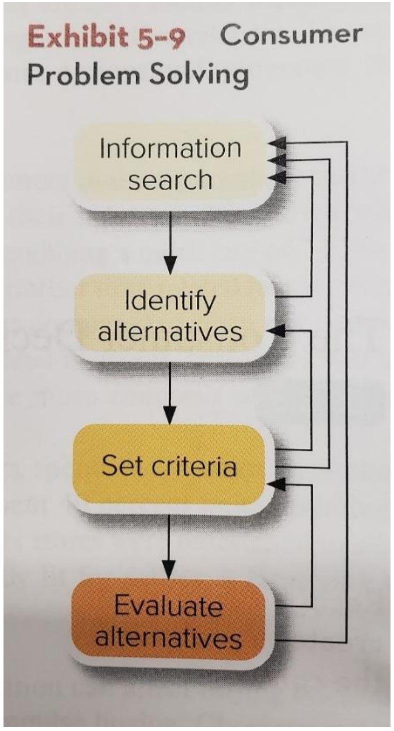

Exhibit 5-9 Consumer Problem Solving demonstrates the 4 basic problem-solving steps consumers go through to meet a need. As indicated by the arrows in the diagram, the process is not always linear: consumers may postpone purchasing decisions or start over.

Marketers aim to have their products in consumers' minds when they go through the consumer problem solving process.

1. Information search consists of consumers looking for information about a solution to their problem or about specific brands. Information sources can include other customers, experts, or a firm's promotion (salespeople, advertising, website, etc.)

2. In identifying alternatives, consumers recognize options available to satisfy their need.

3. In setting criteria, consumers identify criteria and their importance in order to evaluate them.

4. In evaluating alternatives, consumers evaluate the costs and benefits of alternatives.

How much effort is put into a buying decision depends on multiple factors, such as:

- Economic needs
- Psychological variables
- Social influences
- Purchase situation factors
- Risk in making a wrong purchase choice
- Price

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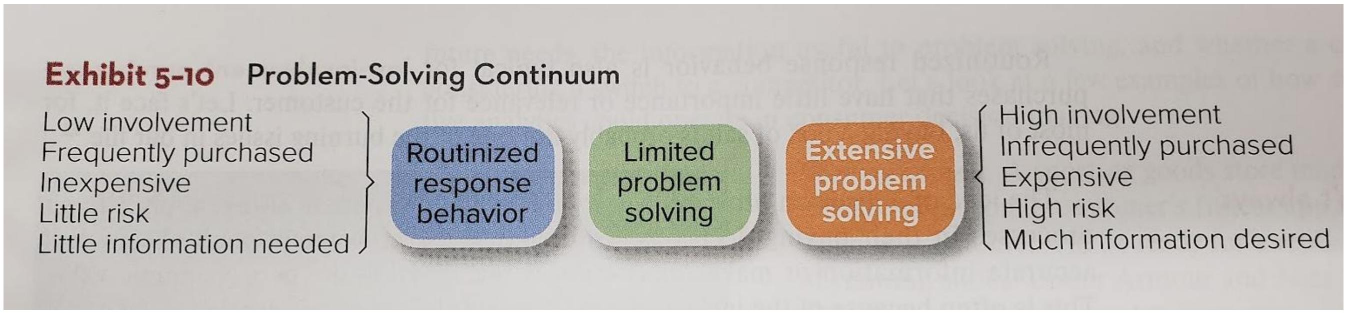

Exhibit 5-10 Problem-Solving Continuum expands on consumer problem solving by highlighting the 3 levels of problem solving that relate to the amount of effort consumers put into buying decisions. Read Chapter 5 for an in-depth discussion on the problem-solving continuum.

Chapter 6 Business and Organizational Customers and Their Buying Behavior

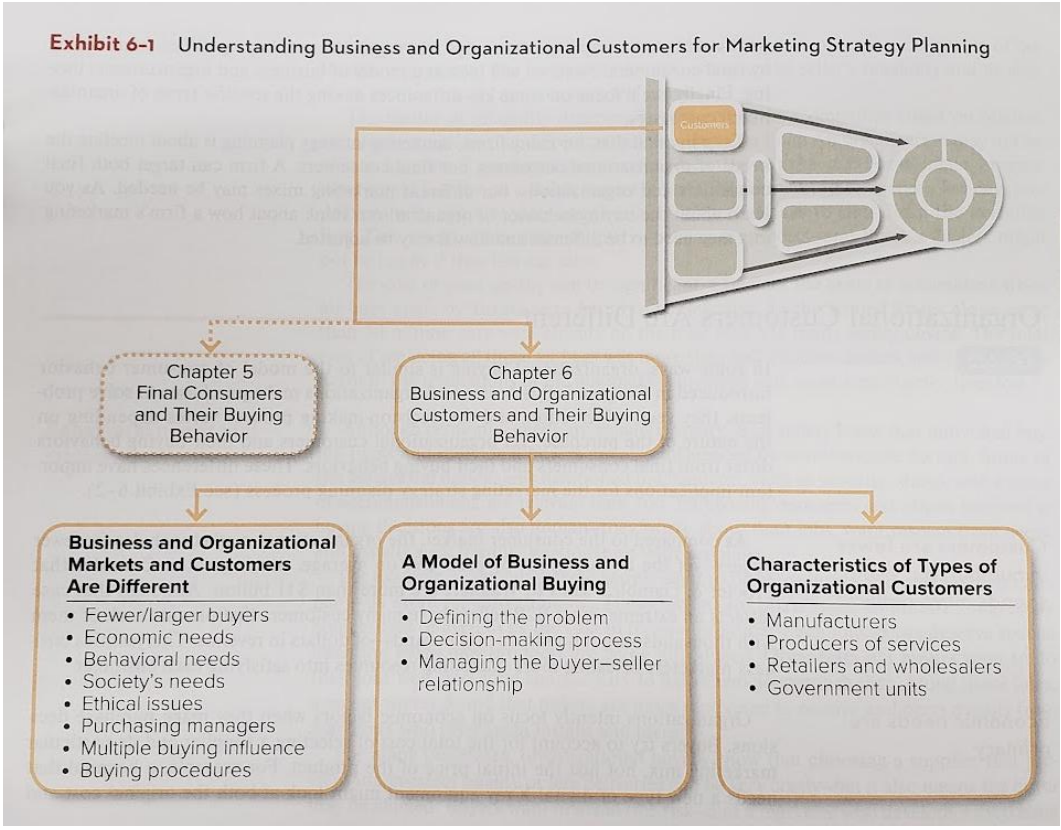

Exhibit 6-1 Understanding Business and Organizational Customers for Marketing Strategy Planning highlights key points from Chapter 6. Use this diagram as a guide while you read Chapter 6 to ensure you have covered all key points.

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Exhibit 6-2 Differences between Organizational Customers and Final Consumers demonstrate how business consumers are different from individual consumers.

Fewer but larger customers: Compared to the consumer market, the organizational market has less buyers that spend, on average, more dollars. For example, Procter & Gamble's sales to Walmart exceed $11 billion. Walmart acts as a customer to Procter & Gamble.

Economic needs are primary: Organizations will focus on economic factors such as the total cost of selecting a supplier and its marketing mix. For example, a hospital that buys a new X-ray machine must look not only at the original purchase and ongoing costs, but also:

- How the machine affects doctors' productivity
- Machine and x-ray image quality
- Seller reliability
- Machine maintenance and repair

The cost of poor quality is higher: For example, the costs of faulty airbags sold to automakers can include the costs of replacing the airbags, the harm to the automakers' reputations, and possible lives lost.

Behavioral needs still matter: Individual buying firms and individual buyers are affected by noneconomic factors.

- Security, status, sense of accomplishment: Purchasing managers and those involved in purchase decisions worry about their jobs, desire respect from peers, and look for friendly supplier relationships

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- Seller's marketing mix can help reduce buyer's risk

Ethical conflicts may arise: Organizational buyers must be careful in avoiding conflicts between company outcomes and their own self-interest, as marketing efforts can be ruined, even it appears that personal gain is placed before company interest.

Purchasing managers are specialists: Purchasing managers are buying specialists for their employers. They hold power in the firm; look for accurate information that'll help them solve problems and buy wisely, look for info on new goods and services, tips on market conditions, etc. Most firms look to these managers to help provide cost cuts and competitive advantage.

Multiple buying influence: Various people, sometimes including top management, play a role in making purchase decisions. The following influence purchase decisions:

- Users: Ex. Production line users & their supervisors
- Influencers: Ex. Engineers or R&D people who supply info for evaluating alternatives
- Buyers: Ex. Purchasing managers who work with suppliers
- Deciders: Ex. Individuals who have the power to select/approve suppliers, such as a purchasing manager or top management for larger purchases
- Gatekeepers: Individuals who control the flow of info within the organization. Ex. Purchasing managers, receptionists, secretaries, etc.

Buyers follow standardized procedures: Buying organizations will establish formal procedures on how purchases are made.

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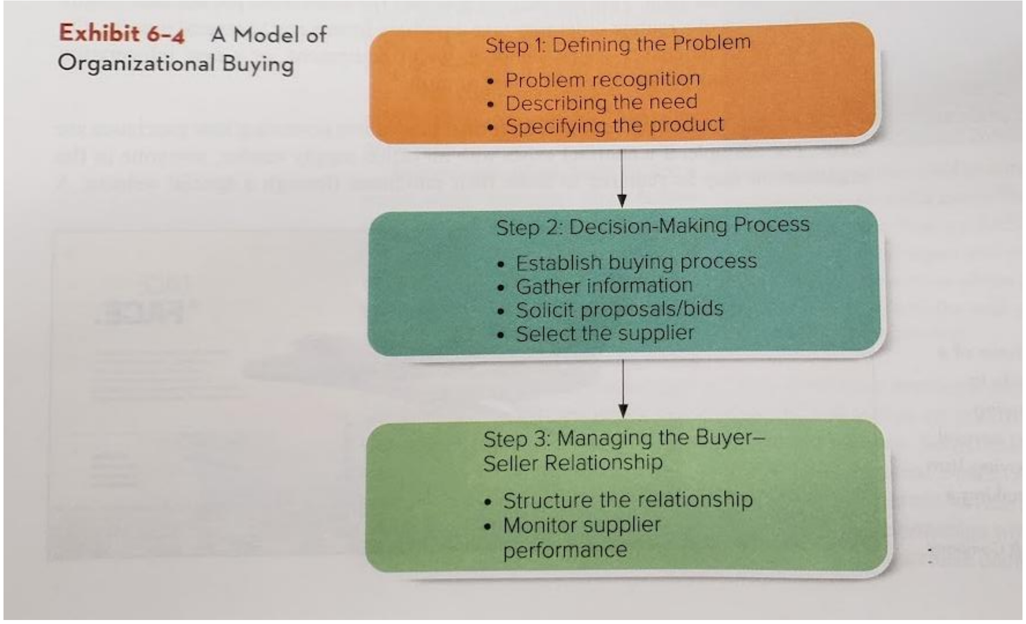

Exhibit 6-4 A Model of Organizational Buying shows the business and organizational buying process. How each step plays out depends on the nature of the purchase.

Step 1 Defining the Problem

- Recognized problems should be narrowed down to more specific needs. The question at hand is "What product or service can solve the client's problem?"
- Specifications, or written descriptions of what the organization wants to buy, will help to formalize the problem with a detailed set of purchase requirements.

Step 2 The Decision-Making Process

- The decision-making process involves how a firm decides whether to buy, what to buy, and what criteria to consider when evaluating suppliers. Buyers select a supplier after gathering info and soliciting proposals from suppliers.
- The three types of buying processes are new-task buying, straight rebuy, and modified rebuy.

Step 3 Managing Buyer-Seller Relationships in Business Markets

- Buyer-seller relationships can provide several benefits
  - Quality over quantity: The best relationships involve mutual trust and a long-term outlook, close relationships solve problems
  - Relationships can involve multiple buying influences from both the buyer and seller sides
- Relationships may not always make sense: Reduced flexibility, relationships may not be worth the investment or are profitable (ex. Purchases being too small to build a relationship over)

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- Relationships can have many dimensions: cooperation, information sharing, operational linkages, legal bonds, and relationship-specific adaptations
    - Cooperation: Treats problems as joint responsibilities
    - Information sharing: Can be useful but risky
    - Operational linkages: Sharing functions and coordinating activities between firms
    - Legal contracts spell out obligations, especially for complex relationships
    - Specific adaptations invest in the relationship: Changes in a firm's product or procedures unique to the needs/capabilities of a relationship partner, buying firms can also adapt to suppliers
    - Buyers use multiple sources to spread risk
    - Buyers monitor supplier performance
- Manufacturers are significant customers
    - There are not many big manufacturers
    - Industrial market customers often cluster in geographic areas
    - Business data often classify industries → North American Industry Classification System (NAICS) codes
- Retailers and wholesalers buy for their customers, see themselves as purchasing agents for target customers
- Government market
    - Size and diversity: largest customer group in many countries, buy almost every kind of product
    - Competitive bids may be required
    - Approved supplier lists
    - Learning what the government wants, good opportunities for many businesses
    - Dealing with foreign governments are good opportunities but can also be a challenge
    - Ethics of "buying help"

Highly encouraged to read Chapter 6 for more information on the differences between business/organizational and consumer markets, business/organizational buying models, and characteristics of organizational customer types.

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Chapter 7 Improving Decisions with Marketing Information

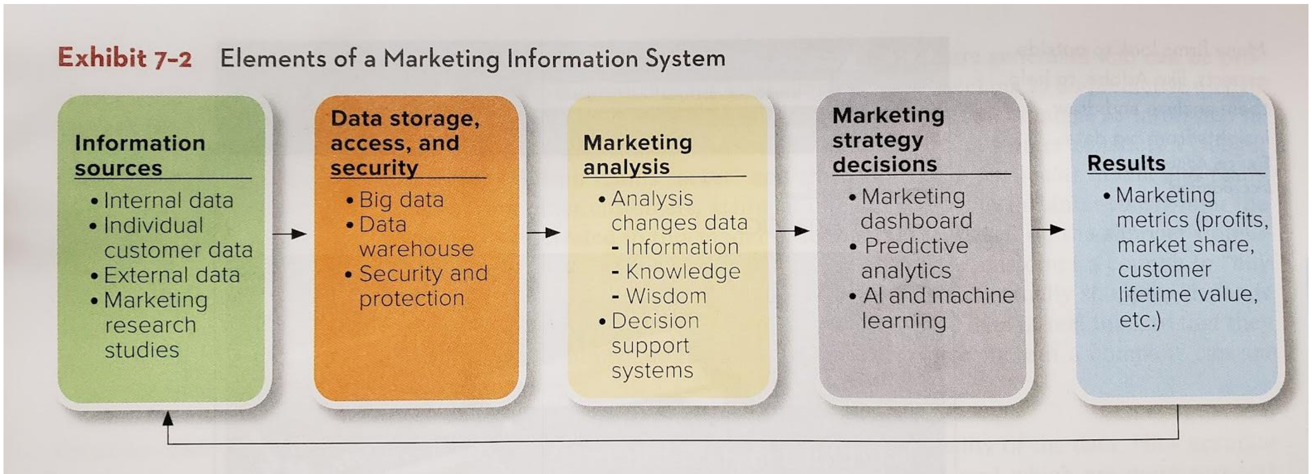
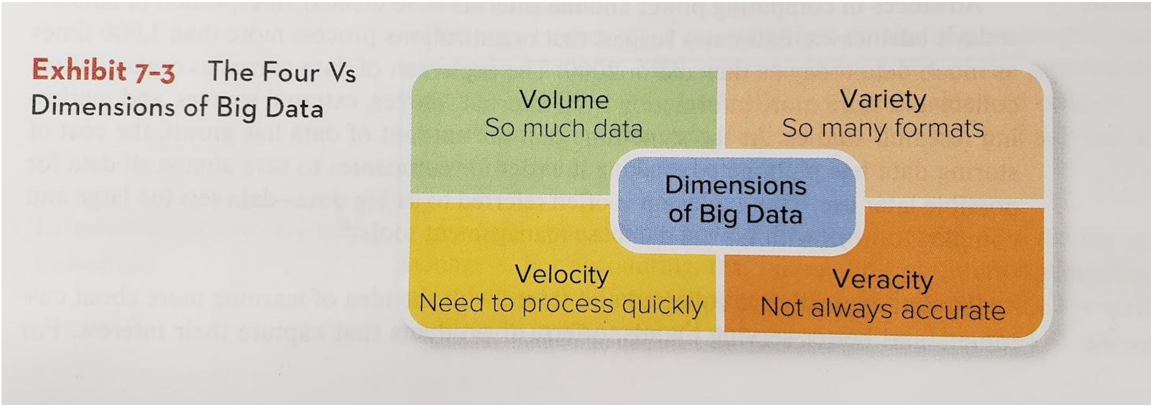


Exhibit 7-2 Elements of a Marketing Information System shows different data sources that marketing information systems (MIS) store. Marketing managers can use data to develop marketing strategy.

A MIS makes information accessible and available. Elements of an MIS include:

- Having a wide range of internal data available to marketing managers
- Gathering external data routinely
- Having previous market research studies on file
- Big data as shown in **Exhibit 7-3 The Four Vs Dimensions of Big Data**
    - 4 V's: Variety, Volume, Velocity, and Veracity



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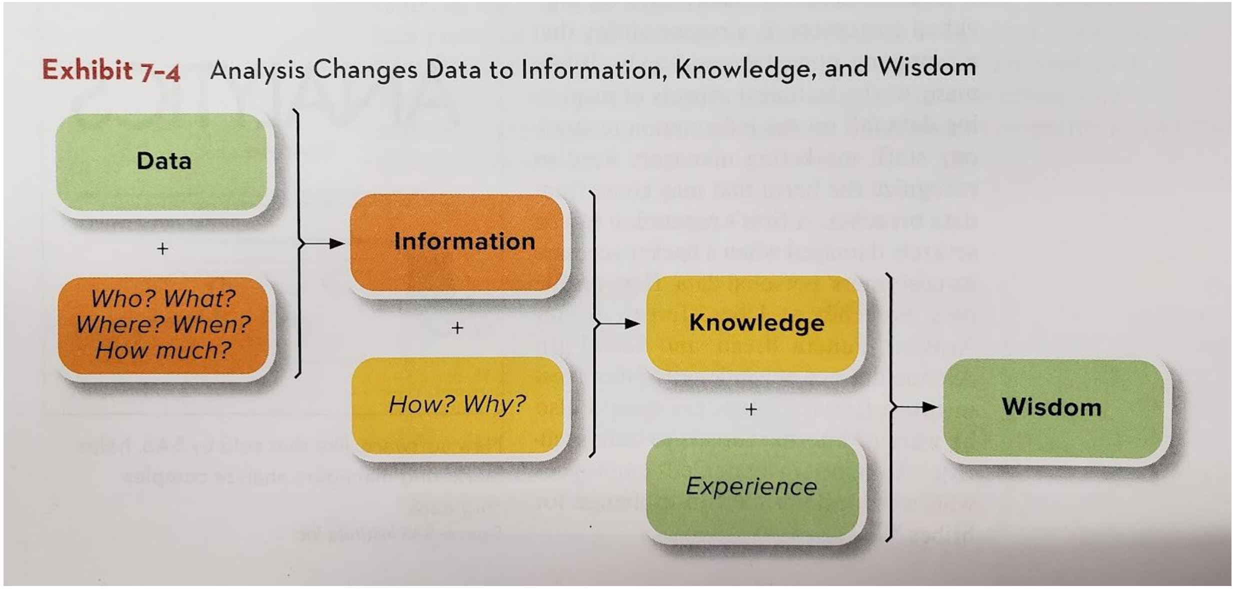

Software programs to convert data into useful information, knowledge, and wisdom, as shown by **Exhibit 7-4 Analysis Changes Data to Information, Knowledge, and Wisdom.**

- Data becomes information when it can answer “Who”, “What”, “Where”, “How much”, and “When”
- Information becomes knowledge when it helps managers answer “How” and “Why”
- Wisdom involves accurately predicts the future, experienced managers gain wisdom over time

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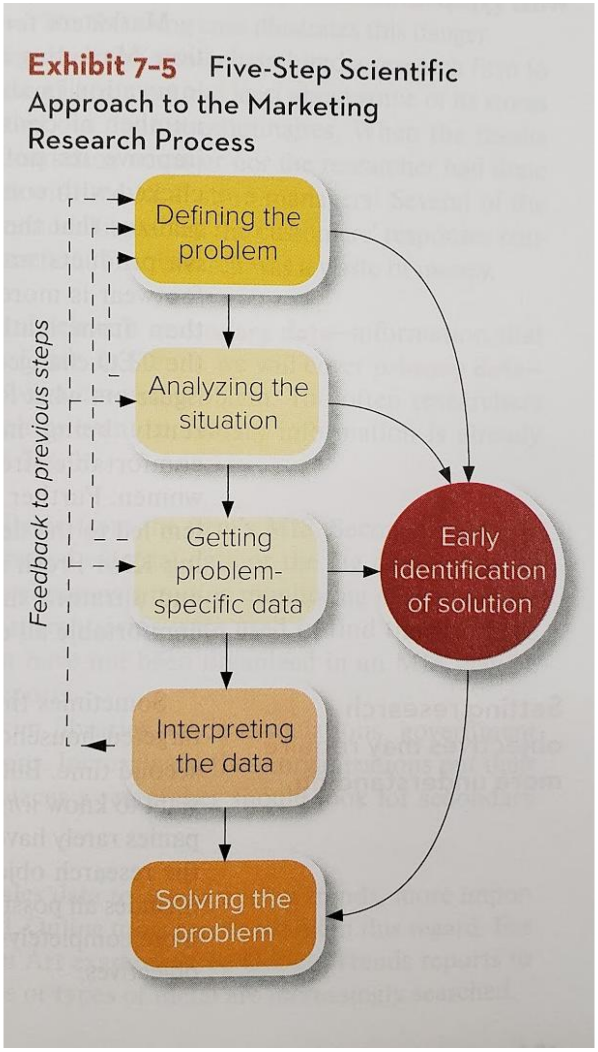

The marketing research process is a five-step application of the scientific method. The process can lead to a solution before all the steps are completed, or researchers can return to earlier steps if needed.

Step 1: Defining the Problem
-Pinpointing and identifying the problem is half the battle
-Don't confuse problems with symptoms
-Setting research objectives may require more understanding

Step 2: Analyzing the Situation
-Situation analysis
-Secondary data
-Online tools
Anticipating trends
"Available" vs. "Reliable" information
Sentiment analysis and interpretation
Government data
Data service subscriptions

Step 3: Getting Problem-Specific Data
-Gather primary data
Questioning (can be qualitative or quantitative) and observing
Journey maps
Focus groups
Structured questioning and fixed responses
Surveys
Experimental method

Step 4: Interpreting the Data
-Cross-tabulation
-Representative samples
-Research results are not exact
-Validity issues can jeopardize research
-Ethical issues in interpreting and presenting research

Step 5: Solving the Problem
-Research results are used to make marketing strategy decisions
-If research has no action implications, it is not valuable and implies inadequate planning

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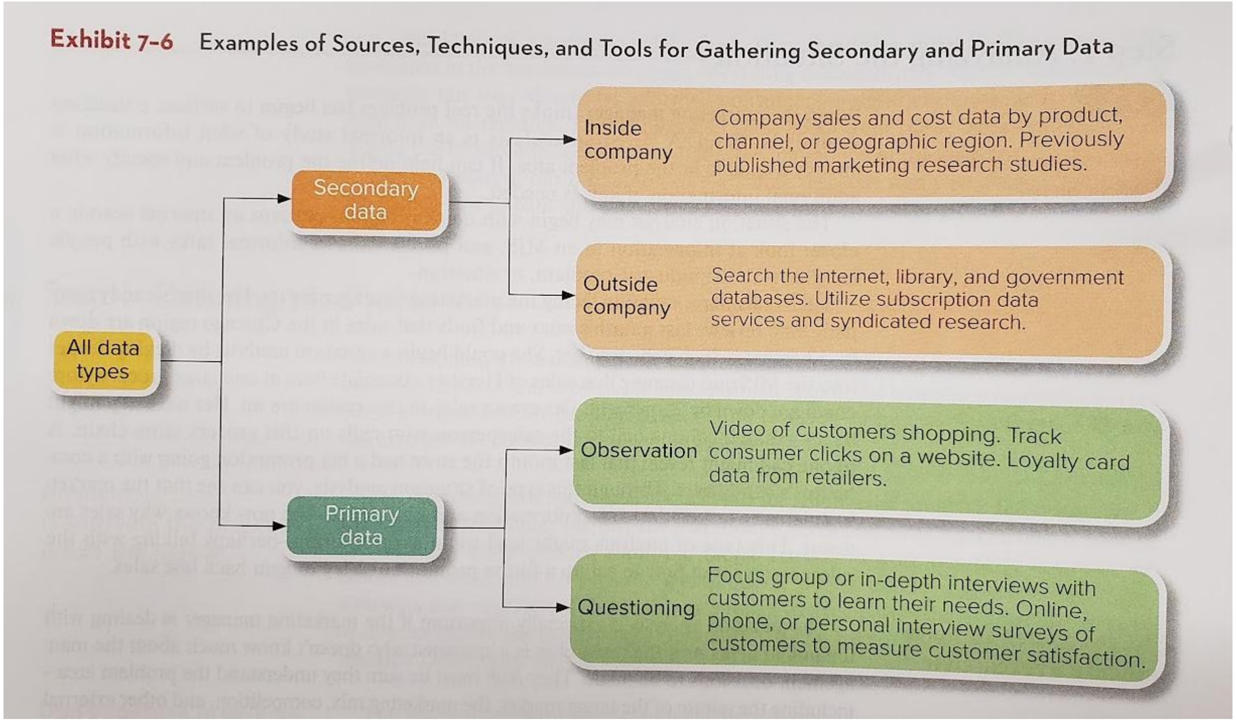

Exhibit 7-6 Examples of Sources, Techniques, and Tools for Gathering Secondary and Primary Data shows examples of secondary data (info that has already been previously collected/published) and primary data (info that has been collected specifically to solve a current problem). Often, secondary data is available to researchers and managers at little to no cost.

Chapter 9 Product Management and New-Product Development

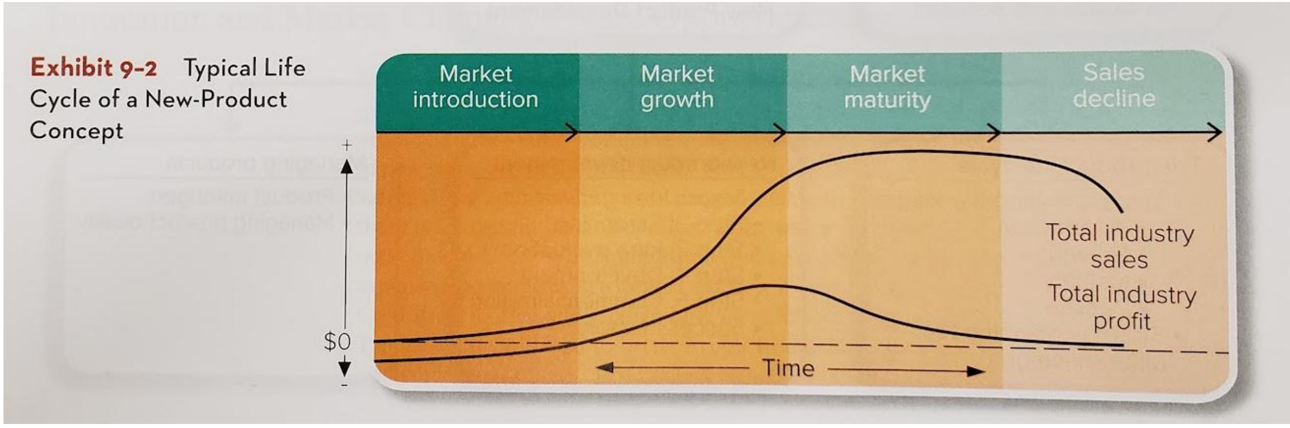

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Exhibit 9-2 Typical Life Cycle of a New-Product Concept demonstrates the different stages a new-product idea goes through over time. Like people, products go through life cycles.

- Market introduction: Sales are low, firm spends money on marketing mix development
- Market growth: Profits fluctuate, while firm makes profits and competitors enter market (monopolistic competition is common in this stage)
- Market maturity: Industry sales and profits level off due to rising promotion costs and price cutting, competition becomes stronger
    - Late market entries skip market introduction and market growth stages to take market share of established firms
    - Persuasive promotion becomes more significant
- Sales decline: New products replace old ones, price competition from dying products becomes stronger

This life cycle involves new categories or types of products in the market, not concerned with an individual brand.

- A firm’s marketing mix must change over the course of the life cycle.
- Consumer attitudes and needs change over time
- Marketers may aim products at entirely new target markets at different stages
- Total industry sales and profit vary at each stage

Product life cycles vary in length across products.
Product life cycles are becoming shorter partly thanks to rapidly changing technology.

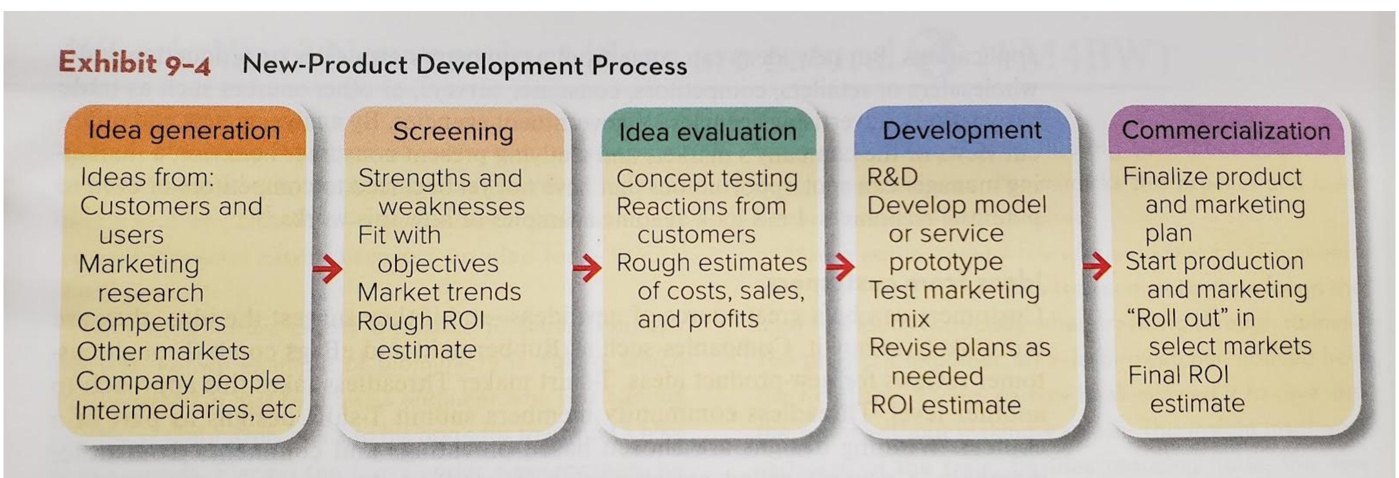

Exhibit 9-4 New-Product Development Process describes how companies formally develop new products. This process helps firms move quickly and avoid costly new-product failures.

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Products can fail for many reasons:

- Product fails to offer unique benefits
- Underestimating competition
- Design problems
- High production costs
- Incomplete marketing plans
- Moving too slowly into a market (customer needs change over a period of time)

The new-product development process evaluates a product's profitability and return on investment at every step. In other words, the product is hypothesized to be unprofitable, placing pressure on the product to prove itself or be rejected.

- Marketers must discover product flaws early to remedy them or reject the idea altogether.

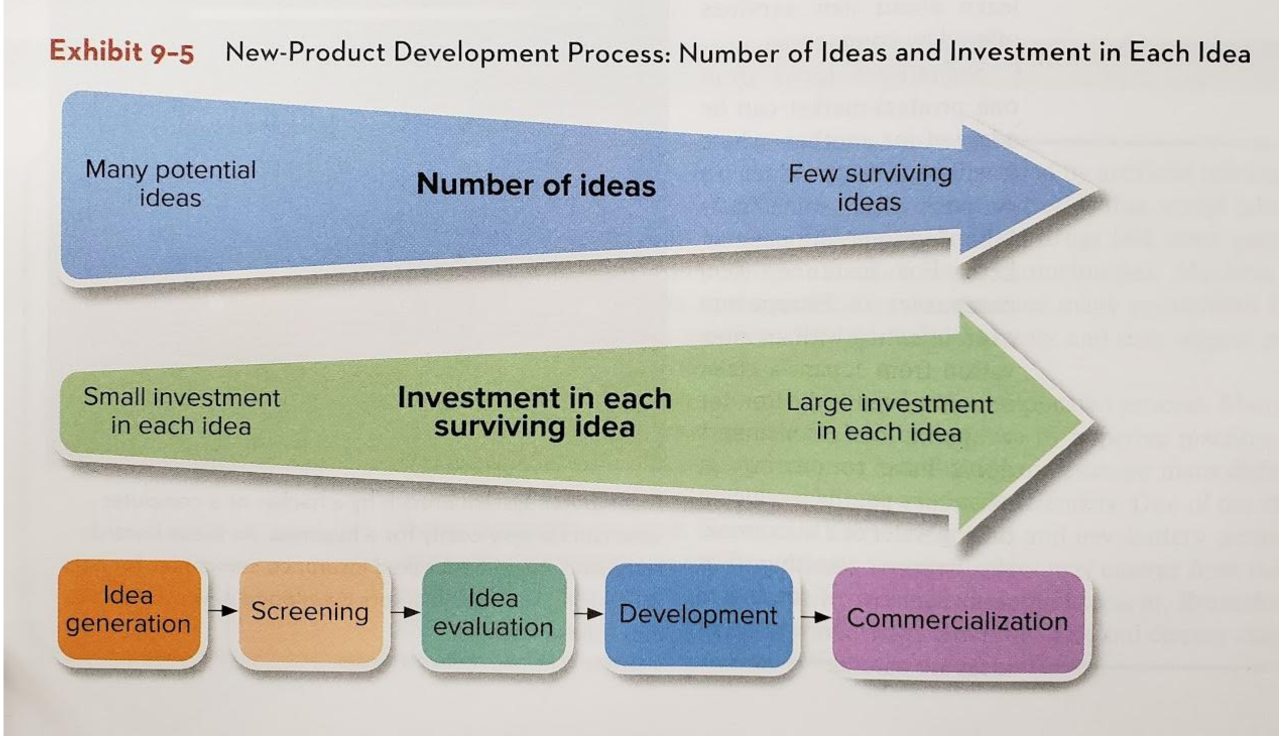

Exhibit 9-5 New-Product Development Process: Number of Ideas and Investment in Each Idea shows how the number of ideas is narrowed down (rejected) and the investment in each surviving idea increases as the process continues. In other words, ideas that pass through the stages receive increasingly more investment.

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Reference

Kotler, P., Armstrong, G., & Balasubramanian, S. (2023). *Principles of marketing* (19th ed.). Pearson.