

W1-CH1/2/3: Understand the Value Proposition

Chapter 1

Marketing

- Marketing is a business orientation
- Integrated with all the other business functions
- Takes an outset in identifying and addressing customer needs which impacts all other activities in the firm
- Marketing is first and foremost about satisfying consumer needs
 - Products are sold to satisfy both consumers' and marketers' needs

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

- **Marketing is the activity, set of institutions and processes..**
 - Must work with financial and accounting officers to figure out whether products are profitable, to set marketing budgets and to determine prices
 - Work with manufacturing team to ensure products are produced timely and correctly
 - Work with R&D to create products that meet customer's needs
- **..for creating, communicating delivering and exchanging: The Marketing Mix..**
 - **The Marketing Mix:** together create a desired response among a set of predefined customers
 - **Product:** the good/service that is offered to the customers
 - Any market offering that can satisfy customer's requirements
 - **Price:** is set by the firm for a product, and is a cost to customers
 - Can be used as a strategic tool and source of 'competitive advantage'
 - **Promotion:** how the firm promotes its product to customers and persuades them to buy the product
 - Used to obtain and retain customers
 - Directly influences sales volume
 - Influences customer perceptions about brand and product
 - **Place:** where the product is available to customers and how the product is distributed to the customers
 - Channels of distribution
 - They are utterly engaged and interdependent, decisions about any single factor affects and is affected by every other marketing mix decision
- **..offerings..: What can we market?**
 - **Consumer goods and services**
 - Consumer expects to obtain some underlying value (eg. Convenience, security, status)
 - Consumer needs: tangible products that individual consumers purchase for personal or family

- Consumer goods: tangible products that individual consumers purchase for personal or family use
- Services: intangible products that we pay for and use but don't own (more challenging to market)
 - Service transactions contribute on average more than 60% to the gross national product of all industrialized nations
- Business-to-business goods and services: the marketing of goods and services from one organization to another
 - Businesses and other organizations buy a lot more goods than consumers do
 - Purchase these industrial goods for further processing or to use in their own business operations
- Not-for-Profit Marketing
 - Governments adopting marketing techniques to create more effective taxpayer services and to attract new business and industries to their countries and cities
- Idea, Place and People marketing
 - Marketing principles encourage people to endorse ideas or to change their behavior in positive ways
- **..value for customers..**
 - Successful firms practice the marketing concept: a management orientation that focuses on identifying and satisfying consumer needs to ensure the organization's long-term profitability
 - Needs are general
 - Wants are desires for specific products
 - A product delivers a benefit when it satisfies a need or a want
 - Good projects identify what wants customers look for and then develop that product
 - A market is made up of all the people who have a common need who have the resources, willingness and authority to make the purchase
 - Marketing transactions create utility: the usefulness or benefit that consumers receive from a product
 - Form utility (transform raw materials into finished products)
 - Place utility (make products available where customers want them)
 - Time utility (stores products until they are needed)
 - Possession utility (allows consumer to own, use and enjoy product)
 - Value for clients and partners (stakeholders)
 - Value for society

Marketing VS Management

- Marketing is a process that starts with identifying customer needs for a particular service or product, then continues by producing the product with the appropriately defined qualities, determining the pricing based on market dynamics, promoting the product and finally stocking the product for sale
- Management deals with the functions of planning, organizing, staffing, directing, coordinating, reporting

and budgeting

The Market

- Why consumers want it?
- What consumers want?
- How consumers want it?
- Where consumers want it?
- At what prices consumers want it

When Did Marketing Begin? The Evolution of a Concept

Evolution of the marketing concept

- 1900 - 1920: the production era
 - Seller's market
 - Marketing is insignificant because of lack of choice
 - **Production orientation**: a management philosophy that emphasizes the most efficient ways to produce and distribute products
- 1920 - 1950: the sales era
 - Product availability exceeds demand
 - The innovative production apparatus created huge surplus
 - **Selling orientation**: a managerial view of marketing as a sales function, or a way to move products out of warehouses to reduce inventory
- 1950 - 1980: the relationship era
 - **Consumer orientation**: a business approach that prioritizes the satisfaction of customers' needs and wants
 - Fostering sustainable relationships with the customer
 - Not just the product, but an immersive experience
 - Total quality management: encourages employees to be an active part continuous quality improvement
- 1980 - ?: triple-bottom-line
 - Not just profit maximization but meaning maximization
 - **The financial bottom line**: financial profits to stakeholders
 - **The social bottom line**: contributing to the communities in which the company operates
 - **The environmental bottom line**: creating sustainable business practices that minimize damage to the environment or that even improve it
 - **Societal marketing concept**: marketers must satisfy customers' needs in ways that also benefit society while they still deliver a profit to the firm
 - Design and manufacture products with a focus on *sustainability*: doing well by doing good
 - **Green Marketing**: a marketing strategy that supports environmental stewardship, thus creating a

- **Green marketing:** a marketing strategy that supports environmental stewardship, thus creating a differential benefit in the minds of customers
- **Accountability:** measuring just how much value an organization's marketing activities create
- **ROI (return on investment):** the direct financial impact of a firm's expenditure of a resource, such as time or money

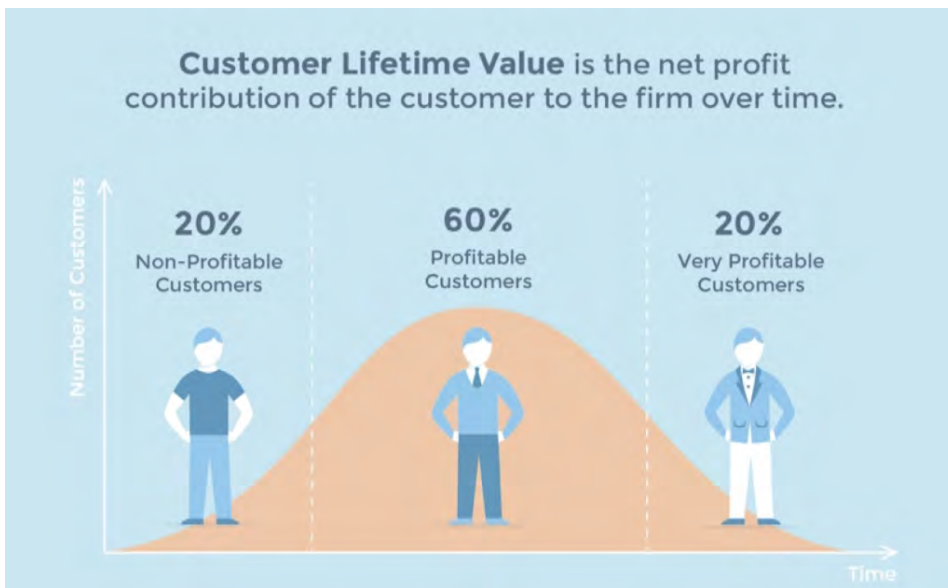
The Value of Marketing and the Marketing of Value

Value Proposition: a marketplace offering that fairly and accurately sums up the value that will be realized if the good or service is purchased, whole bundle of benefits the firm promises to deliver (not just product)

The Value Proposition (customer's perspective): a market place offering that fairly and accurately sums up the value that will be realized if the food or service is purchased

The Value Proposition (firm's perspective): keeping customers in the shop for their whole life

- It is more expensive to attract new customers than it is to retain current ones
- **Lifetime value of a customer:** estimate amount the person will spend then subtract what it will cost to maintain this relationship



1. Ways to provide value

1. Create competitive advantage

1. Identify distinctive competency: a superior capability of a firm in comparison to its direct competitors

1. Turn a distinctive competency into a differential benefit: value that competitors don't offer (properties of products that set them apart from competitors; products by providing unique customer benefits)

2. **Value chain:** a series of activities involved in designing, producing, marketing, delivering and

4. **value chain:** a series of activities involved in designing, producing, marketing, delivering and supporting any product. Each link in the chain has the potential to either add or remove value from the product the customer eventually buys

1.

3.



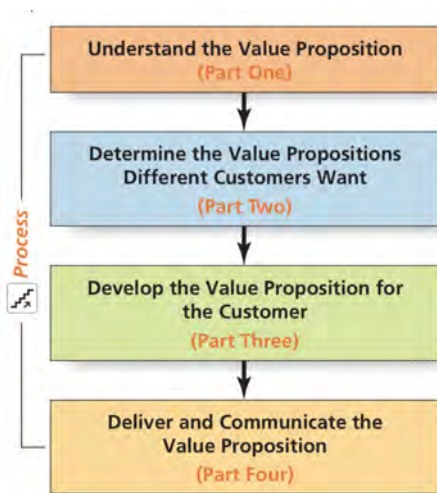
Inbound logistics: bringing in materials to make the product

Operations: converting the materials into the final product

Outbound logistics: shipping out the final product

Marketing: promoting and selling the product

Service: meeting the customer's needs by providing any additional support required



Marketing:

- Intro: objectives, strategies, implementation and control
- Situation analysis (internal and external environment)
- SWOT analysis
- Marketing objectives: target, 4Ps

- Implementation
- Control
- Conclusion

Chapter 2: Global, Ethical and Sustainable Marketing

Marketing at the Global Stage



Understand International Regional, and County Regulations

Protected Trade

- **Protectionism:** a policy adopted by a government to give domestic companies an advantage
- Quotas
 - **Import quotas:** limitations set by a government on the amount of a product allowed to enter or leave a country
- **Embargoes:** a quota completely prohibiting specified goods from entering or leaving a country
- **Tariffs:** taxes on imported goods

Economic Communities: groups of countries that ban together to promote trade among themselves and to make it easier for member nations to compete elsewhere

Analyzing the Marketing Environment: Internal and External Scans

The External Environment

- **Globalization:** opportunities and dangers
- Telecommunications, transport and infrastructures

- International penetration of markets

Factors

- Macro and micro level competition



- **Economic**

- **Economic health indicators**

- **GDP**: the total dollar value of goods and services produced by a nation within its border in a year
 - *Per capita GDP*: the total GDP divided by the number of people in a country – better indicator
- **Foreign exchange rate, forex rate**: the price of a nation's currency in terms of another currency
 - The rate determines the price of a product in a different country and thus a firm's ability to sell outside it's borders
- **Economic infrastructure**: the quality of a country's distribution, financial and communication system

- **Level of economic development**: the broader economic picture of a country

- **Standard of living**: an indicator of the average quality and quantity of goods and services consumed in a country
- **LDC** (least developed country): a country at the lowest stage of economic development
- **Developing countries**: countries in which the economy is shifting it's emphasis from agriculture to industry
 - Increase in standard of living, education and technology use
- **BOP** (bottom of the pyramid): there is a group of consumers within these LDC's and developing countries which total up to 4 billion people who live on less than \$2 a day
 - Purchasing power parity of \$5 billion
 - **BRIC countries / BRICs**: the largest of the developing countries – Brazil, Russia, India, China
 - Fastest growing of the developing countries and represent >40% of the world's population

population

- **Developed countries:** a country that boasts sophisticated marketing systems, strong private enterprise and bountiful market potential for many goods and services
 - Economically advanced and offer a wide range of opportunities for international marketers
 - **Group of Eight / G8:** In 1976, the most economically developed countries in the world – France, West Germany, Japan, the UK and the US, with the addition of Canada in 1976 and Russia in 1988
- **Current stage of its business cycle**
 - **Business cycle:** the overall pattern of change in the economy – including periods of prosperity, recession, depression and recovery – that affect consumer and business purchasing power
 - All economies go through cycles of *prosperity* (high levels of demand, employment, and income), *recession* (falling demand, employment, and income), and *recovery* (gradual improvement in production, lowering unemployment, and increasing income). A severe recession is a *depression*, a period during which prices fall but there is little demand because few people have money to spend and many are out of work.
 - *Inflation* occurs when prices and the cost of living rise while money loses its purchasing power because the cost of goods escalates.
 - During inflationary periods, dollar incomes may increase, but real income—what the dollar will buy—decreases because goods and services cost more.
 - Effects customer **purchase behavior**
 - Prosperity – consumers buy more goods and services
 - Marketers grow business and maintain inventory levels + develop new products to meet customer's willingness to spend
 - Recession – consumers buy less
 - Marketers challenged to maintain firm's level of sales by convincing those who do buy, to select their firm's product over their competition
- **Competitive**
 - **Competitive intelligence:** the process of gathering and analyzing publicly available information about rivals
 - **Microenvironment:** product alternatives
 - **Discretionary income:** the portion of income people have left over after paying for necessities
 - **Product competition:** when firms offering different products compete to satisfy the same consumer needs and wants
 - **Brand competition:** when firms offering similar goods or services compete on the basis of their brand's reputation or perceived benefits
 - **Macroenvironment:** structure of the industry
 - **Monopoly:** A market situation in which one firm, the only supplier of a particular product, is able to control the price, quality, and supply of that product
 - **Oligopoly:** A market structure in which a relatively small number of sellers, each holding a substantial share of the market, compete in a market with many buyers
 - **Monopolistic competition:** A market structure in which many firms, each having slightly different

products, offer unique consumer benefits

- **Perfect competition:** A market structure in which many small sellers, all of whom offer similar products, are unable to have an impact on the quality, price, or supply of a product

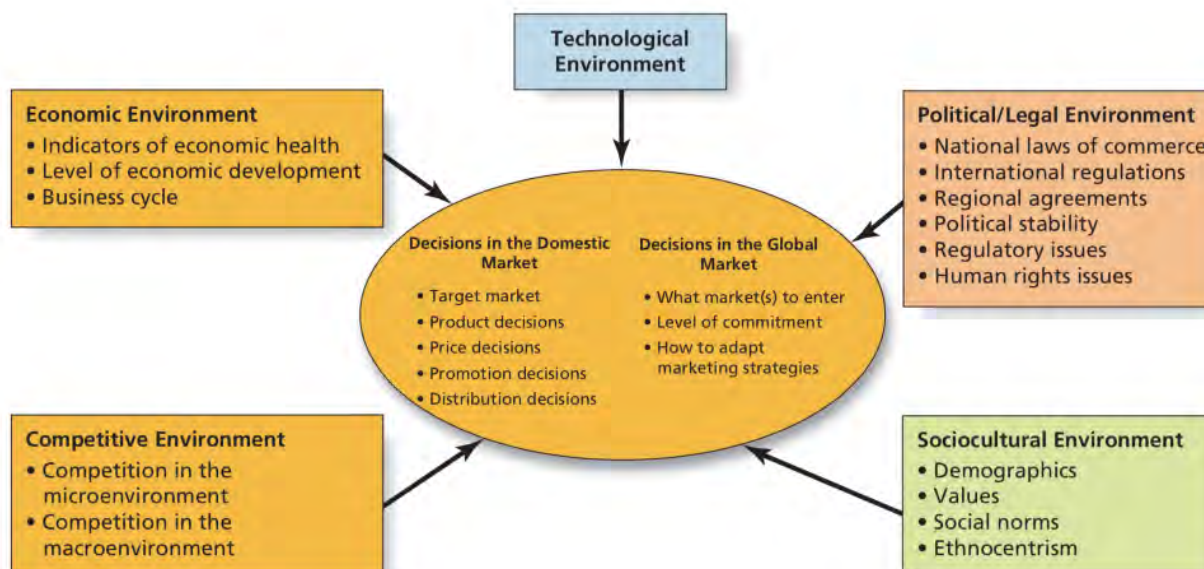
- **Technological**

- **Political / legal**

- **Economic sanctions:** prohibits trade with another country (so access to some markets may be cut off)
- **Nationalism:** when a domestic government reimburses a foreign company (often not for the full value) for its assets after taking it over.
- **Expropriation:** when a domestic government seizes a foreign company's assets without any reimbursement

- **Sociocultural: the char**

- **Demographics:** statistics that measure observable aspects of a population
- **Values**
 - Cultural values
 - Collectivist values
 - Individualist values
 - Social norms
- **Language**
- **Consumer ethnocentrism:** consumers' feeling that products from their own country are superior or that it is wrong to buy products produced in another country



How "Global" should A Global Marketing Strategy Be?

Market Entry Strategies

Table 2.5 | Market-Entry Strategies

Strategy	Exporting Strategy	Contractual Agreements		Strategic Alliances	Direct Investment
Level of risk	Low	Medium		Medium	High
Level of control	Low	Medium		Medium	High
Options	Sell on its own Rely on export merchants	Licensing License a local firm to produce the product	Franchising A local firm adopts your entire business model	Joint venture, where firm and local partner pool their resources	Complete ownership often buying a local company
Advantages	Low investment, so presents the lowest risk of financial loss Can control quality of product Avoid difficulties of producing some products in other countries	Avoid barriers to entry Limit financial investment and thus risk	Local franchisee avoids barriers to entry Limit financial investment and risk	Easy access to new markets Preferential treatment by governments and other entities	Maximum freedom and control Avoid import restrictions
Disadvantages	May limit growth opportunities Perceived as a "foreign" product	Lose control over how product is produced and marketed, which could tarnish company and brand image Potential unauthorized use of formulas, designs, or other intellectual property	Franchisee may not use the same-quality ingredients or procedures, thus damaging brand image	High level of financial risk	Highest level of commitment and financial risk Potential for nationalization or expropriation if government is unstable

- **Exporting**
 - Whether to sell on its own or rely on export merchants (intermediaries to represent it in the target country)
- **Contractual Agreements**
 - **Licensing agreement:** an agreement in which one firm gives another firm the right to produce and market its product in a specific country or region in return for royalties
 - **Franchising:** a form of licensing involving the right to adapt an entire system of doing business
- **Strategic alliance:** relationship developed between a firm seeking a deeper commitment to a foreign market and a domestic firm in the target country
 - **Joint venture:** two or more firms create a new entity to allow the partners to pool their resources for common goal
- **Direct investment:** buying part or all of a domestic firm allows a foreign firm to take advantage of a domestic company's political savvy and market position in the host country

The Marketing Mix Strategies

Standardization or Localization

1. To what extent will the company need to adapt its marketing communications to the specific styles and tastes of each local market?
2. Will the same product appeal to people there?
3. Will it have to be priced differently?
4. And, of course, how does the company get the product into people's hands?

To P or not to P: Tweak the Marketing Mix

- Product decisions / strategy choices
 - Straight extension strategy: sell the same product in the new market
 - Product adaption strategy: modify for that market
 - Product invention strategy: develop a brand new product to sell there
 - Backward invention: develops a less advanced product to serve the needs of people living in countries without electricity or other elements of a developed infrastructure
- Promotion decisions
- Price decisions
 - Free trade zones: designated areas where foreign companies can warehouse goods without paying

Knowledge is Power

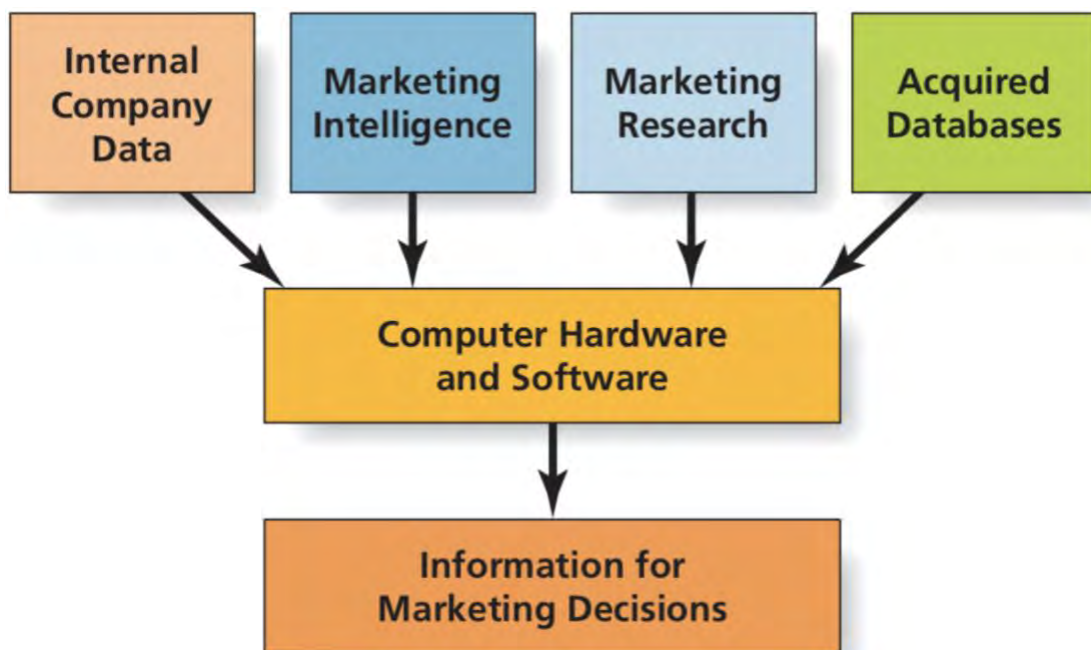
Market research: The process of collecting, analyzing and interpreting data about customers, competitors and the business environment in order to improve marketing effectiveness

- **Market research ethics:** taking an ethical and overboard approach to conducting market research that does no harm to the participant in the process of conducting the research

Marketing Information System

Marketing Information System (MIS): a process that first determines what information marketing managers need and then gathers, sorts, analyzes, stores and distributes relevant and timely marketing information to system users

- Four types of data (internal company data, market intelligence, market research and acquired databases)
- Computer hardware and software to analyze the data and to create reports
- Output for marketing decision makers



- **Internal Company Data**
 - information from within the organization to produce reports on the results of sales and marketing activities
 - firm's sales records
- **Marketing Intelligence**