

BUS 101 NOTES

UNDERSTANDING CUSTOMERS AND MARKETS

Learning Outcomes

- Importance of customers to businesses
- Types of customers

History of Marketing

Mass Marketing = (mass produce/distribute/promote 1 product to all buyers)

Argument: lower costs & prices to create largest potential market

Product-variety marketing = (produce 2 products with different features to offer variety to buyers rather than appeal to market segments)

Argument: consumers have ever-changing tastes and seek variety

Target Marketing = (identify segments, select 1 or more, develops products & marketing tailored to each segment)

Argument: most popular as seller's find marketing opportunities to reach target markets more efficiently

Focuses on buyers with greater purchase interest ('rifle approach') rather than general marketing efforts ('shotgun approach')

Buyer Decision Making Process

- Marketing: aligning product/service with customer wants
- **Five Stages of Buyer Decision Making Process:**
 - Need Recognition - internal stimuli (hunger, thirst) or external stimuli (advertisement, discussion)
 - Marketers should research consumers to find out what kind of needs or problems arise, what brought them about, and how they led the consumer to this particular product.
 - Information Search - May or may not but if consumer's drive is strong. This can be from family friends, mass media, dealer websites etc.
 - Marketers must design its marketing mix to make prospects aware

of and knowledgeable about its brand. Rank the available sources.

- Evaluation of Alternatives
 - Marketers should study buyers to find out how they evaluate brand alternatives. If they know what evaluate processes go on, marketers can take steps to influence the buyer's decision.
- Purchase Decision - consumer ranks brands and forms purchase intentions. However purchase intention to purchase decision can be affected by *attitudes of others* and *unexpected situational factors*.
- Post-purchase Behaviour - almost all major purchase result in cognitive dissonance (buyer discomfort caused by post-purchase conflict i.e. opportunity cost) therefore should have a customer service, review system and engage with customer satisfaction.

These are important to know for marketing purposes as businesses target at different stages of decision

- Roles in the buying process
 - Initiator
 - Influencer
 - Decider
 - Buyer
 - User
- Two types of purchase decisions
 - High involvement tend to go through each of the five step process
 - Low involvement tend to go straight from Need Recognition to Purchase Decision
 - Factors of involvement include cost, brand loyalty, personal motivation

3 Steps to Target Marketing

Market Segmentation

- Dividing market into groups/buyers who might require separate products or marketing mixes
- There are different factors of segmentation
 - Demographic: age, gender, race, education
 - Psychographic: lifestyle, personality traits, values, attitudes
 - Geographic: location
 - Behavioural: how customers respond to a product

Segmentation is about using these different factors to build a stronger relationship and understanding of customers

- It is achieved by using a mix of information about customers, and generally involves more than one factor

Requirements for Effective Segmentation

1. Measurability (size/purchasing power of segments)
2. Accessibility (to reach & serve segments)
3. Substantiality (profitability/large segments are)
4. Actionability (can effective programs be designed to attract the segment)

Targeting a Market

- Once a business has segmented their market, they need to EVALUATE these segments (their upside) and decide how to attract each group to their products
- This is where a business creates and implements marketing strategies which target the needs of a specific segment

Requirements for Effective Targeting

1. Segment Size & Growth (collect/analyse data on current sales, projected sales, and expected profit margins for various segments)
2. Segment Structural Attractiveness (Porter's 5 forces)
3. Marketing Organisation's Objectives & Resources (how well segments fit with long-term objectives, whether they have skills & resources to succeed)

Market Coverage Strategies

1. Differentiated Marketing (decides to target several market segments & designs separate offers for each)
 - a. Pros (more total sales); Cons (Increased costs: R&D, Advertising)
2. Undifferentiated Marketing (decides to ignore segments & go after whole market with one offer)
 - a. Pros (cost effective); Cons (heavy competition & less satisfaction)
3. Concentrated Marketing (goes after large share of one/few submarkets)
 - a. Pros (appealing when resources limited and allows small businesses to get foothold against large competitors; achieve stronger market position due to knowledge and meeting needs); Cons ('all eggs in one basket' so if market goes through downturn or large competitor attacks, may lose out)

Market Positioning

- Arranging for product to occupy clear, distinct, desirable place relative to