

Marketing Management CH.1

Role of management

A. Marketing

- i. **Def:** Individuals and groups obtain what they need and want by creating and exchanging value
- ii. **Customer-oriented:** Not just concern price and quality, also the real needs and wants
- iii. **Target market:** Group of customers with similar needs and wants that the firms decides to serve

I. Steps of marketing

1. Identify customer's (target market) needs and wants
2. Consumption of goods and services
3. Customer satisfaction (meet expectations better than competitors)
4. Receive value in return



II. Importance of marketing

- i. Find out and satisfy customer's needs: preference and requirements (=step1 and 3 in marketing)
- ii. Strategies to compete with competitors: be alert to competitors' moves (to retain customers)
- iii. Long-term relationship with shareholder: work closely (to retain them)
- iv. Monitor and respond to market changes

B. Marketing Process Stage 1: Planning (objectives and ways to achieve them)

Steps of Planning

1. **Review performance** (current competitors)
 - i. Marketing performance e.g. sales revenue \$\$, market share
 - ii. Financial performance e.g. return on investment, cash flow, profit margin

SWOT Analysis for McDonald's Restaurant

2. **SWOT analysis** (grab opportunities)

- i. **Internal:** strengths (capabilities) and weaknesses (limitations)
- ii. **External:** opportunities (increase competitiveness) and threats (reduce performance)

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Consistent quality and hygiene standards • Internationally known brand name. • Restaurants in most countries 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Limited menu range. • No variety of décor or food choices in different countries. • Staff turnover high, especially among part time staff.
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Potential growth in developing countries such as China. • Develop brand name into new ranges or products such as children's clothing or hotels. 	<p>THREATS</p> <ul style="list-style-type: none"> • Environmental concerns regarding waste, e.g., take away food containers. • Strength of competitors such as Burger King. • Changing consumer taste; e.g. declining popularity of meat products.

	Opportunities (external, positive)	Threats (external, negative)
Strengths (internal, positive)	Strength-Opportunity strategies Which of the company's strengths can be used to maximize the opportunities you identified?	Strength-Threats strategies How can you use the company's strengths to minimize the threats you identified?
Weaknesses (internal, negative)	Weakness-Opportunity strategies What action(s) can you take to minimize the company's weaknesses using the opportunities you identified?	Weakness-Threats strategies How can you minimize the company's weaknesses to avoid the threats you identified?

3. Setting marketing Objectives

i. Performance standards

SMART OBJECTIVES, a system developed and championed by Peter Drucker in his 1954 work "The Practice of Management"



Specific A precise outcome



Measurable A defined figure to demonstrate objective has been achieved



Achievable Realistic, given the resources



Relevant Directly linked to the goal



Time Specific Expectations of when the objectives will be achieved

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Examples of SMART Marketing Objectives

- To increase overall sales by 15% by 2017
- To increase market share of product X by 10% by end of 2017
- To increase customer retention by 25% by 2017
- To increase the number of new products per year from 2 to 5 by 2017
- To increase market share from the 10% to 15% by 2017



4. Research & Target markets

i. Suitable market segment (sub-group with similar consuming behavior)

5. Strategies (maintain & enhance competitiveness)

5.i. Market Leader (highest market share)

- **Expand whole market:**
- **Increase the number of customer:**
(market penetration: greater marketing effort)
- **Find new users:**
enter new market, like geographical expansion
- **Invent new usage of its products:**
discover or promote new use, increase amount /frequency of consumption
- **Introduce new items:** (line stretching)
- **Increase market share**
- (within the existing market):
Steal customers from competitors
- Offer better services, more discounts, more products' versions (line fillings), special gifts
- **Protect current market share:**
- Better package deals, better pricing, offer discounts
- Continuous innovation
- Keep existing customers



MARKET STRUCTURE



5.ii. Market Challenger

- **attack competitors' weaknesses**
 - create a strong brand name
 - adopt a new look and image
 - better service, more trendy and comfortable layout of shops
 - more choices of products offered
 - have movie stars as spokesperson
- **Enhance the quality of its existing products**
 - Use social media (facebook, IG) to build relationship with customers
 - Use 'cross-media' effort including trades and a series of FB ads
 - Better control center to ensure consistence of product/service quality
 - Maintain close quality control
 - Lower the prices of its products



Market Follower

A company that follows the strategies of the market leader. It never tries to challenge the leader. It just wants to maintain its market share.



Competitive Marketing Strategies – For Market Followers

- **Cloner strategy** imitates/copies the leader's product, brand name, and packaging, *with slight variations.*



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5.iii. Market Follower

- satisfied with existing market shares
- insufficient resources for aggressive expansion
- imitate/ copy leaders' products
- save development & promotional cost reduced

5.iv. Market Nicher

- specialize in small market segments
- serve ONE or a FEW SMALL market segments
- segment is too small to attract large competitors
- risky if customers' preferences changes
- If profitable: attract the entry of large firm

Market Nicher Strategies

- A firm can be a leader in a small or niche market instead of being a follower in a large market.

Nichers can play the following specialist roles:

Product or product-line specialist – A firm carries or produces only one product-line or product.

Example:

Ray-Ban is a brand of sunglasses and eyeglasses that focuses on a single product line.

Old Monk manufactures only Old Monk rum.

IKEA is involved only in the furniture business.

Crossword stores deal only in books.

Smirnoff only sells vodka.



Niche Market

- Very short growth period but lasting maturity stage
- Dominate a small section of the market with very little competition
 - Cater to very specific consumers



- customize 4Ps: can better serve customers' needs

6. Market Plan

(market information+ ways to implement strategies & reach objectives)



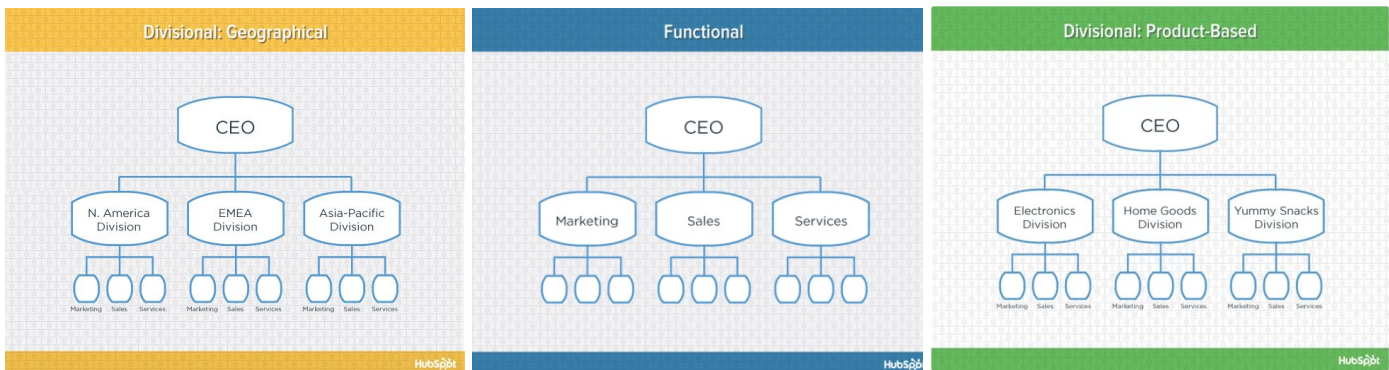
- i. **Consideration:** expenditures & allocation of budget among 4P tools
- ii. **Marketing mix (set of tools to delivery satisfaction to target market)**
 - **Product:** combination of goods & services offered
 - **Price:** amount of money customers is willing to pay for products
 - **Place:** activities to ensure availability of products
 - **Promotion:** activities to communicate merits of product & purchase

C. Market Process Stage 2: Managing

1. Organizing

Organizational Structure=divide groups & coordinate activities

- i. **Functional (for small firm)**
- ii. **Geographical**
- iii. **Product (used by firms with different sorts of product lines)**
- iv. **Market management**
(used by large international firms with sorts of Customers = can build closer relationship)



2. Implementing

Factors affecting implementation

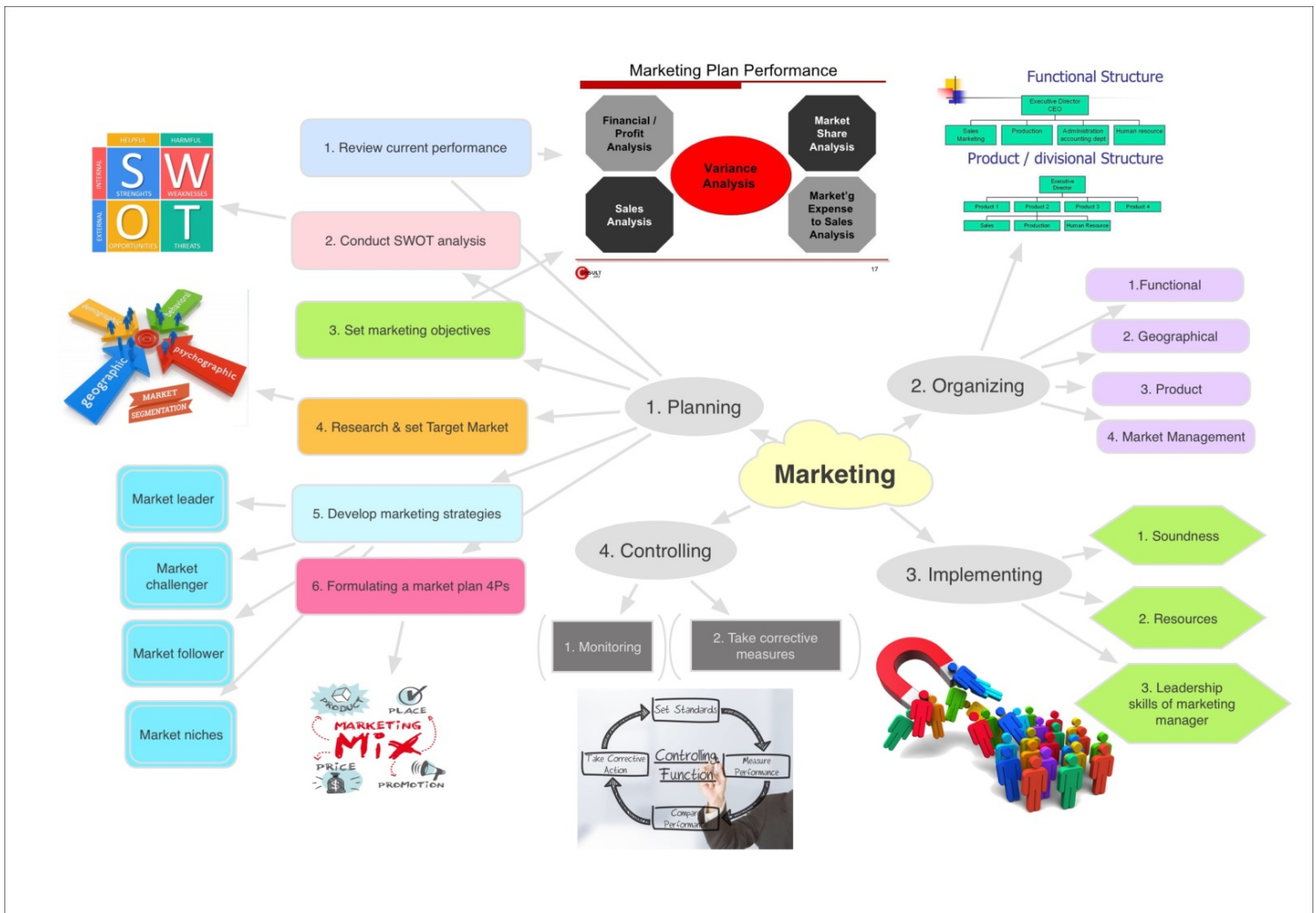
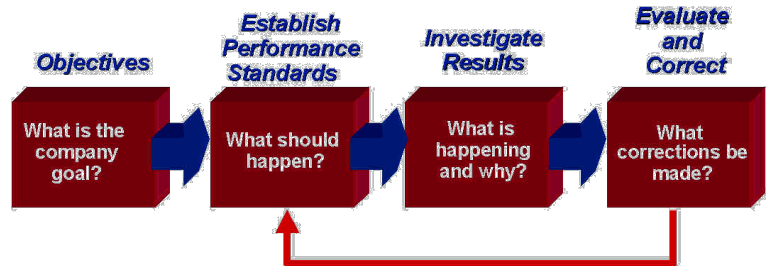
- i. Correctness & feasibility of plan
- ii. Availability of resources
- iii. Leadership skills of managers
(= direction & motivation)



3. Controlling

Steps of controlling

- i. Performance standard
- ii. Measure actual performance
- iii. Analyze deviation between standards & results
- iv. Corrections



A. Marketing research

Systematic and objective process of obtaining information for marketing Decisions



I. Steps of marketing research

- 1. Define objectives (what information needed)
- 2. Design data collection method (How to collect data)
- 3. Implement data collection (Conduct)
- 4. Analyze data
- 5. Communicate findings (results + recommendation)



Need and Importance of Marketing Research

- 1. Marketing Research (MR) provides valuable data.
- 2. It studies consumer behavior.
- 3. It helps to select suitable sales promotional techniques.
- 4. It supplies market-related information.
- 5. It helps a company to evaluate its marketing performance.
- 6. It also has miscellaneous importance.

i.

II. Objectives of marketing research

- 1. Proper marketing planning:
to find out customer characteristics, prospect of existing markets, potential of new markets
- 2. Fine-tune existing strategies:
to adjust its 4ps to better understand consumers' responses to 4Ps
- 3. Proper marketing controlling:
to better understand customer satisfaction, products' performance, reputation

III. Importance of marketing research

- 1. Analyze opportunities & threats: operating environment...corresponding actions
- 2. Analyze market segments: characteristics...select target market
- 3. Formulate marketing strategies: satisfy consumer needs
- 4. Evaluate marketing performance: how well is your company doing


Figure 1.5 The Role of Marketing Research in Marketing Decision Making



B. Data collection methods

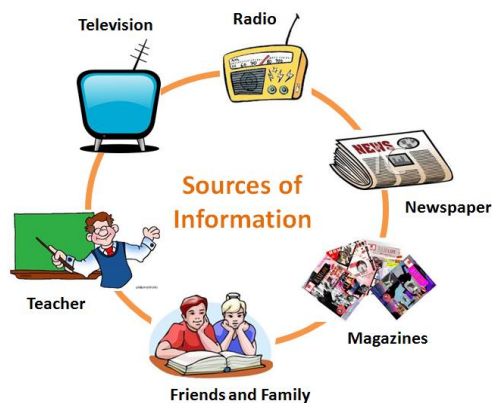
Collection	Primary		Secondary	
Purpose	Specifically for current problem		Exist (previous researches)	
Process	More effort	Disadv.	Rapid & easy	Adv.
Cost	Higher	Disadv.	Lower	Adv.
Time	Longer	Disadv.	Shorter	Adv.
Data Relevance	Higher	Adv.	Lower	Disadv.

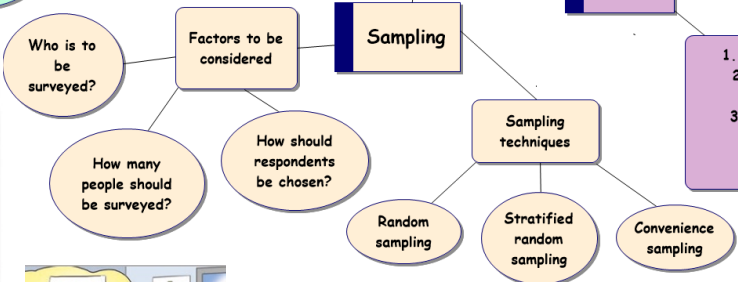
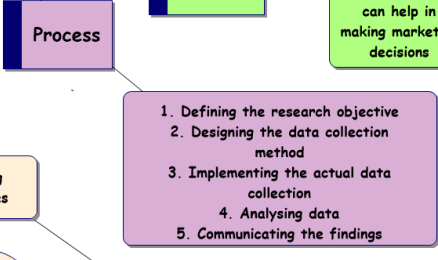
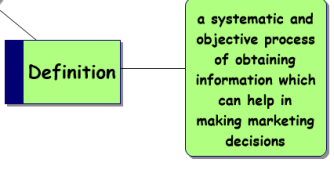
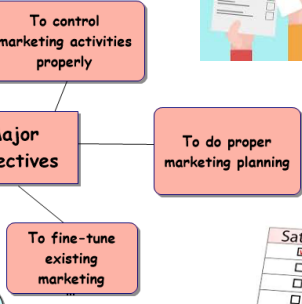
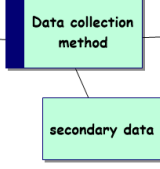
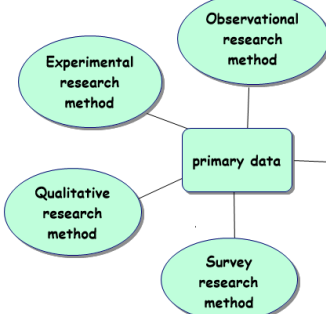
Data sources	Data-collection methods
People/informants <ul style="list-style-type: none"> Investigative journalists Drug users and young people Cultural companions (club staff, DJs, fashion workers, etc.) Professionals: <ul style="list-style-type: none"> Drug workers Youth workers Health workers Criminal justice workers Qualitative researchers Media sources <ul style="list-style-type: none"> Newspapers Youth, music and gay/lesbian press Internet Research sources <ul style="list-style-type: none"> Rapid-assessment studies Market-research studies 	<ul style="list-style-type: none"> Cultural mapping Panel study Interviews Questionnaire Focus groups Media monitoring <ul style="list-style-type: none"> Internet and database searches Media monitoring Cultural mapping <ul style="list-style-type: none"> Research networks Media monitoring



C. Research methods for primary data

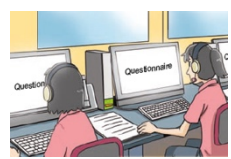
	Advantage	Disadvantage
Survey	<ul style="list-style-type: none"> statistical analysis (quantified data) large no. of respondents examine unobservable factors (e.g. feelings) 	<ul style="list-style-type: none"> may not be true views (pre-set answers) high cost (many respondents) hard to design reliable & accurate questionnaire time-consuming
Experimental	Scientific & reliable evidence	Hard to design suitable experiment
Observational	<ul style="list-style-type: none"> actual behavior specifically designed environment 	<ul style="list-style-type: none"> no statistic can't generalize findings can't observe feelings & preferences bias of researchers
Qualitative	<ul style="list-style-type: none"> deep understanding of issue clarify answers small no. of respondents 	<ul style="list-style-type: none"> hard to conduct statistical analysis hard to generalize findings highly skilled researchers needed





Instructions: For each statement, please check whether you Strongly Agree, Agree, Disagree, or Strongly Disagree

My college classes are ...	Strongly Agree	Agree	Disagree	Strongly Disagree
more demanding than my high school classes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
more interesting than my high school classes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
more interactive than my high school classes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
larger than my high school classes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

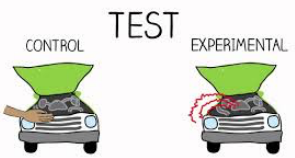


i. Survey

systematically collect information through questionnaires (attitudes & awareness)

- **questionnaire**: set of specially designed questions
- **survey contact methods**

(choices: nature/ urgency/ accuracy/ costs & benefits)
 personal interviews (face-to-face)/ telephone interviews/
 electronic means (internet/ email) / mail

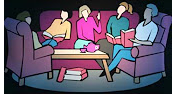


ii. Experimental

- quantitative explain cause-and-effect relationship between variables

iii. Observational

- directly observe & record factors or behaviour in natural or planned setting



iv. Quantitative-in-depth

- understanding of issue from relatively small no. of people
- **In-depth interview**: personal interview with an interview who knows issue well (asking for open-ended-questions so that to obtain free expression of views)
- **Focus-group discussion**: carefully selected respondents discussing particular topic (paid & lengthy) led by professional researcher (moderator/ facilitator) for asking questions + encouragement



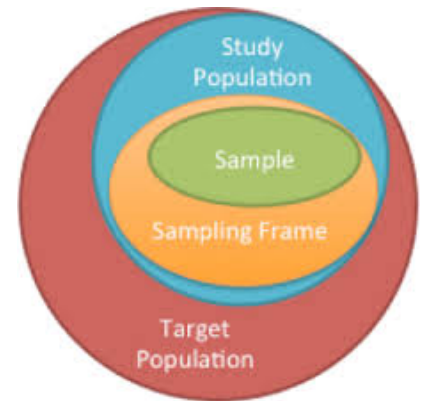
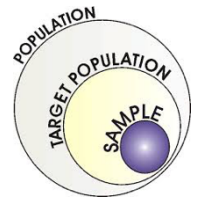
D. Sampling

Target Population: is the population which a researcher is interested in studying

Sample: subset of target population (**representatives**)

Sampling frame: is a list that identifies all elements of the target population

Sample Elements: respondents included in the sample for studying



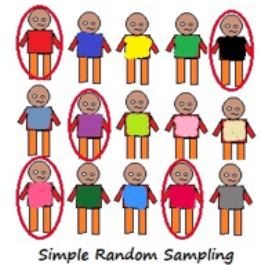
1. Factor to consider in sampling

- i. **target population:** Who is to be surveyed
- ii. **size of sample:** How many people should be surveyed?
(reliability vs cost)
- iii. **sampling techniques:** How should respondents be chosen?

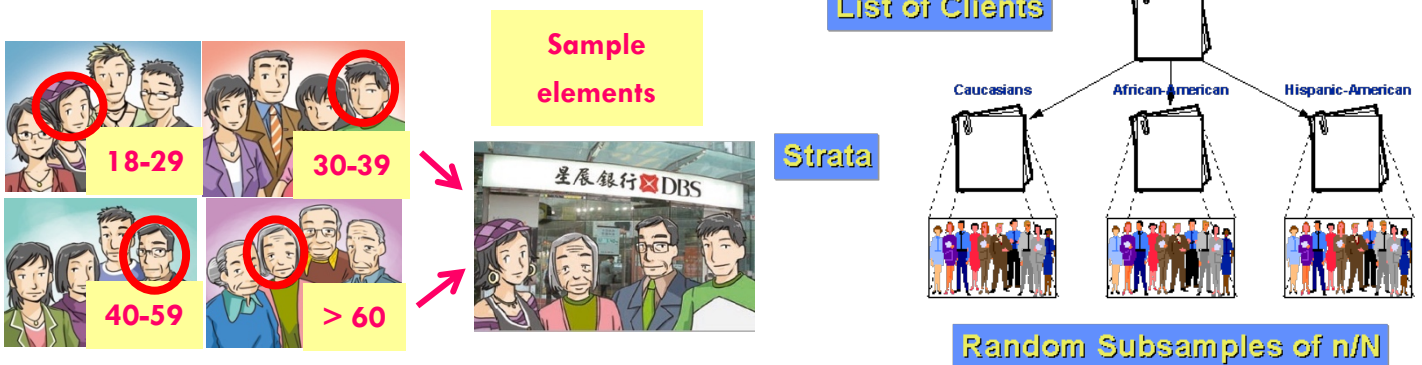
2. Sampling Techniques



- i. **Random sampling:** each element has known & equal probability of being selected from sampling frames (**list identifying all elements of target population**)



- ii. **Stratified Random sampling:** population divided into several mutually exclusive groups (**strata**) which randomly selected from each group (**diversity of population**)



- iii. **Convenience sampling:**
most conveniently available sample elements
(no sampling frame and may not represent target population)

Convenience Sample

select any members of the population who are conveniently and readily available



Data Collection Methods: Secondary Data

Secondary data (second-hand data) are data that already exist and were collected for purposes other than the research problem at hand.

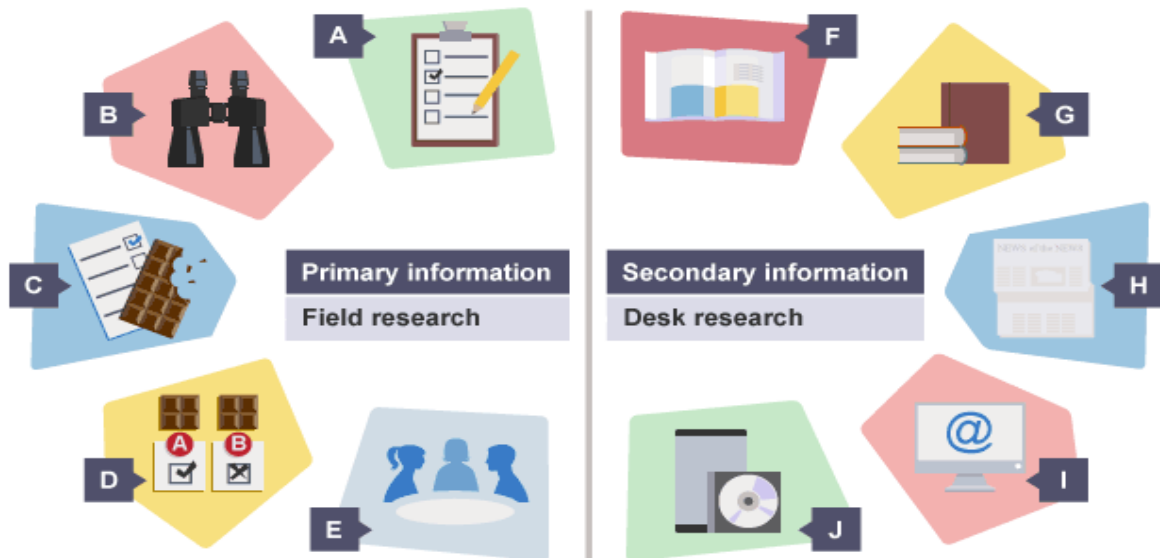
Secondary Research Sources

- Books
- Periodicals / Magazines
- Indexes
- Databases
- Internet
- Market Consultants
- Marketing Professionals

SECONDARY DATA EXAMPLES

- ✓ Census Reports--every ten years
- ✓ Census-Based Demographic Reports
- ✓ State Agencies--Department of Recreation
- ✓ Public Libraries
- ✓ Chambers of Commerce
- ✓ Trade Associations--player unions
- ✓ Professional Research Services--Nielsen Company
- ✓ Trade Publications--print and online

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A	Questionnaires and surveys	F	Articles
B	Observations	G	Books
C	Consumer trials	H	Newspapers
D	Hall tests	I	Internet
E	Focus groups	J	CD/DVD

<p>Secondary</p> <p>Information That Already Exists Somewhere.</p> <p>+ Obtained More Quickly, Lower Cost.</p> <p>- Might Not be Usable Data.</p>	<p>Both Must Be:</p> <p>Relevant</p> <p>Accurate</p> <p>Current</p> <p>Impartial</p>	<p>Primary</p> <p>Information Collected for the Specific Purpose at Hand.</p>
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Marketing Management CH. 3

Consumer Behaviour

➤ Consumer behaviour

Behavior of individual or business buyers in searching for buying, using and evaluating products.

	Business Market	Consumer Market
No. of buyers	Fewer	More
Size of purchase	Larger (huge amount)	Smaller
location of buyers	More concentrated	Less concentrated
Nature of demand	Mostly derived Affected by other products' DD	Not derived Personal needs
Price sensitive of buyers	Lower	Higher
No. of participants decision	More	Consumer alone
Complexity of purchase decision	Higher (lengthy decision) (professional/experienced buyers)	Lower (buy well-packaged products on impulse)

A. Consumer market: individual consumers: own uses (final consumers)

Process of consumer market when purchasing

1. Need recognition: unmet needs (satisfied by purchase)
2. Information search: personal/ commercial/ public (experience/ price/importance/ urgency)
3. Evaluation of attributes: (styles, brand name, prices, functions, designs)
4. Purchase decision: situational factors (changes)/ interpersonal influences (opinions)
5. Past-purchase behaviour: loyal (repurchase, recommend) vs switch (criticise/ complain/ legal)

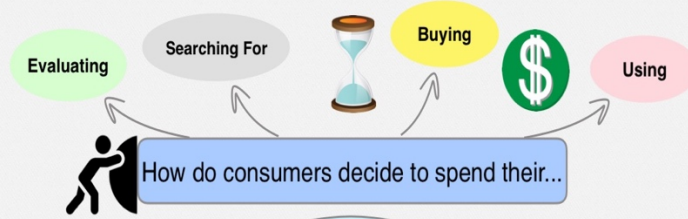
B. Business market: business buyers: operating organisation (/ organisational consumers)

i. Types of business market

1. **Producers market:** support production
2. **Reseller market:** resell for profit
 - Wholesalers 批發: purchase from producers then resell to retailers
 - Retailers 零售: purchase form wholesalers then resell to consumers
3. **Government market:** department's operations (tenders: formal offer to supply at stated price)
4. **Institutional market:** operations of non-profit making public/ private institutions

ii. Process of business market

1. Problem recognition
2. General need description & products specification
3. Supplier search & proposals
4. Supplier section & order-routine specification
5. Performance review (continue/ discontinue/ modify)



Consumer Behaviour

- 1. Producers market
- 2. Reseller market: wholesalers, retailers
- 3. Government market
- 4. Institutional market

Consumer decision making process

Business buyers decision making process

1. Need recognition

- 1. Internal stimuli
- 2. External stimuli

1. Problem recognition

- Products;**
- 1. Characteristics and quantity needed
 - 2. Technical specification

- 1. Consumer's experience with the product
- 2. Price of the product
- 3. Perceived importance of the product
- 4. Urgency of the purchase

2. Information Search

2. General need description & products specification

Sources of information

- 1. Review trade directories
- 2. Search on the internet
- 3. Seek recommendations from:
 - a) other companies
 - b) relevant industry

- 1. **Personal:** friends, colleagues, family members, relatives
- 2. **Commercial:** salespersons, advertisements, product packing or display
- 3. **Public:** consumer council

3. Evaluation of alternatives

3. Supplier search & proposals

- 1. Situational factors
- 2. Interpersonal influences

4. Purchases Decision

4. Supplier selection & order-routine specification

5. Post-purchase

5. Performance review

- Satisfied**
- 1. Become loyal customer
 - 2. Recommend
 - 3. Purchase other products of the same brands



- Dissatisfied**
- 1. Switch to other brands
 - 2. Criticize the co in social media
 - 3. Lodge complaints
 - 4. Take legal actions

C. Factors affecting consumer decision

1. Socio-cultural (interpersonal influences)

- i. Social class: upper-middle, middle, lower-middle, working class
- ii. Reference group: direct (e.g. friends & families), indirect (e.g. spokesperson 代言人)
- iii. Culture: race, religion, location, age

2. Psychological (mental characteristics)

- i. Personality & Self-concept
- ii. Perception: stimuli (5 senses)
- iii. Learning: knowledge & experience
- iv. Belief & Attitude: evaluations & feelings
- v. Motivation: Maslow's Hierarchy of Needs Theory

