Effective Marketing
What this topic is about

• The purpose of marketing
• Different approaches to marketing
• Segmentation
• Niche & mass markets
• B2C & B2B marketing
What is Marketing?

The process of identifying, anticipating and satisfying customer needs profitably

Source: Chartered Institute of Marketing
### ...which means

<table>
<thead>
<tr>
<th>Identifying…</th>
<th>Use market research and other methods to understand customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anticipating…</td>
<td>Analyse data and use marketing skills to judge market opportunities</td>
</tr>
<tr>
<td>Satisfying customer needs</td>
<td>Do everything possible to provide develop products that meet customer needs and provide great customer service</td>
</tr>
<tr>
<td>Profitably</td>
<td>Add value to a product to ensure it is sold profitably</td>
</tr>
</tbody>
</table>
The Purpose of Marketing

• Marketing is about making products consumers want to buy

• The marketing function in a business:
  – Determines what the market wants
  – Develops the strategy to achieve the marketing and business objectives
  – Delivers the marketing actions to achieve the objectives
Customers

- Are generally looking for “value”
  - Products which meet their needs
  - At a price they find acceptable
- Are prepared to be loyal
  - Provide positive word-of-mouth recommendation
  - Great source of market research
- Their tastes change frequently
  - Firms need to respond
Two marketing “orientations”

Production Orientation

Business develops products based on what it is good at doing

Marketing Orientation

Business responds to customer needs and wants – designs products accordingly
Marketing Objectives

• Set out what a business wants to achieve from its marketing activities
• Need to be consistent with overall aims and objectives of the business
• Provide a focus for marketing management
## Smart Objectives

<table>
<thead>
<tr>
<th>S</th>
<th>SPECIFIC</th>
<th>Details exactly what needs to be done</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>MEASURABLE</td>
<td>Achievement or progress can be measured</td>
</tr>
<tr>
<td>A</td>
<td>ACHIEVABLE</td>
<td>Objective is accepted by those responsible for achieving it</td>
</tr>
<tr>
<td>R</td>
<td>REALISTIC</td>
<td>Objective is possible to attain (important for motivational effect)</td>
</tr>
<tr>
<td>T</td>
<td>TIMED</td>
<td>Time period for achievement is clearly stated</td>
</tr>
</tbody>
</table>
Examples of Marketing Objectives

- Increase company sales by 12% in 2009
- Achieve a market share of 27% for Product C within 3 years of launch
- Increase the percentage of customers who rate service as “excellent” from 80% to 85% within 18 months
It is important that marketing objectives and marketing plans support the overall objectives of the business. Below is an example of how business objectives translate into marketing objectives and activities.

<table>
<thead>
<tr>
<th>Planning Stage</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Aims / Mission</td>
<td>Overall mission – to be the market leader</td>
</tr>
<tr>
<td>Business Objectives</td>
<td>To achieve a market share of 25% and annual profits of £2m</td>
</tr>
<tr>
<td>Marketing Objectives</td>
<td>Increase sales of existing products by 15% Launch two new products into the market to add at least 5% to overall market share</td>
</tr>
<tr>
<td>Marketing Activities</td>
<td>Advertising campaign to promote new products Decrease price of existing products by 10% New packaging for existing products</td>
</tr>
</tbody>
</table>
A reminder from Unit 1:

Market segmentation is the technique used to enable a business to better target its products at the right customers.
In any market there will be several segments.

Segments are usually measured in terms of sales value or volume.

E.g. segment B is twice the size of segment C.
Why segment? Because...

- ...Customers differ in the...
- Benefits they want
- Amount they are able to or willing to pay
- Media (e.g. television, newspapers, and magazines) they see
- Quantities they buy
- Time and place that they buy
## Why segment the market?

<table>
<thead>
<tr>
<th>Better matching of customer needs</th>
<th>Customer needs differ. Creating separate products for each segment makes sense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced profits for business</td>
<td>Customers have different disposable incomes and vary in how sensitive they are to price. By segmenting markets, businesses can raise average prices and subsequently enhance profits</td>
</tr>
<tr>
<td>Better opportunities for growth</td>
<td>Market segmentation can build sales. For example, customers can be encouraged to &quot;trade-up&quot; after being sold an introductory, lower-priced product</td>
</tr>
<tr>
<td>Retain more customers</td>
<td>By marketing products that appeal to customers at different stages of their life (&quot;life-cycle&quot;), a business can retain customers who might otherwise switch to competing products and brands.</td>
</tr>
<tr>
<td>Target marketing communications</td>
<td>Businesses need to deliver their marketing message to a relevant customer audience. By segmenting markets, the target customer can be reached more often and at lower cost</td>
</tr>
<tr>
<td>Gain share of the market segment</td>
<td>Through careful segmentation and targeting, businesses can often achieve competitive production and marketing costs and become the preferred choice of customers and distributors</td>
</tr>
</tbody>
</table>
### Main Bases of Segmentation

<table>
<thead>
<tr>
<th>Geographic</th>
<th>Demographic</th>
<th>Behavioural</th>
<th>Psychographic</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Customers within 10 miles of the M25”</td>
<td>“A Level &amp; University Students”</td>
<td>“Customers wanting a value for money impulse buy”</td>
<td>“Customers who prefer to buy fairtrade food”</td>
</tr>
</tbody>
</table>

- **Geographic**
  - Customer location
  - Region
  - Urban / Rural
  - ACORN classification

- **Demographic**
  - Age
  - Gender
  - Occupation
  - Socio-economic group

- **Behavioural**
  - Rate of usage
  - Benefits sought
  - Loyalty status
  - Readiness to purchase

- **Psychographic**
  - Personality
  - Lifestyles
  - Attitudes
  - Class
Niche v Mass Marketing

In most markets there is one dominant segment and several smaller (niche) segments
Niche Marketing - Defined

Where a business targets a smaller segment of a larger market, where customers have specific needs and wants
Niche Marketing – Advantages

• Less competition - a “big fish in a small pond”
• Clear focus - target particular customers
• Builds up specialist skill and knowledge
• Can often charge a higher price
• Profit margins often higher
• Customers tend to be more loyal
Niche Marketing – Disadvantages

• Lack of economies of scale
• Risk of over dependence on a single product or market
• Likely to attract competition if successful
• Vulnerable to market changes – all “eggs in one basket”
Mass Marketing - Defined

Where a business sells into the largest part of the market, where there are many similar products on offer.
Mass Marketing – Key Features

• Customers form the majority in the market
• Customer needs and wants are more “general” & less “specific”
• Associated with higher production output and capacity
• Success usually associated with low-cost operation or market leading brands
B2C v B2B Marketing

**B2C**
- Business to Consumer
  - Retailing
  - Family tourism
  - Personal banking
  - House building

**B2B**
- Business to Business
  - Wholesaling
  - Business travel
  - Business banking
  - Commercial property
## B2B Marketing – What is Different?

<table>
<thead>
<tr>
<th>Business to Business</th>
<th>Business to Consumer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on relationships with business buyers</td>
<td>Products more important than relationships</td>
</tr>
<tr>
<td>Often small &amp; focused market</td>
<td>Usually larger markets</td>
</tr>
<tr>
<td>More complex &amp; longer buying process</td>
<td>Single step buying process; often short (e.g. impulse purchase)</td>
</tr>
<tr>
<td>More sophisticated buyers</td>
<td>Less sophisticated buyers</td>
</tr>
<tr>
<td>Aim is to turn prospects into buying customers</td>
<td>Emotional considerations affect buying behaviour</td>
</tr>
<tr>
<td>Educational element to promotion</td>
<td>Brands very important</td>
</tr>
</tbody>
</table>
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