Topic 1: Definition of marketing, marketing management, concepts and process.

1. Introduction

Exchanging goods and services is one of the earliest activities of humans relating to other humans. This activity began very simply, by exchanging food, but over time it has changed a great deal, both in how we understand it and in how it is done.

Marketing is a particular way to conceive and perform the exchange of goods and services, or in other words, trade.

Marketing is a **specific way to carry out a commercial relationship**, and consists of identifying, creating, developing and meeting demand; it is an **organised process intended to create and retain customers.**

Marketing was first used in the United States in the early 20th century by companies producing mass market products; it gradually spread, and today can be found in many different spheres (services, non-profits, political, social and public institutions, etc.).

Marketing has been revolutionised in recent years with the arrival of new technologies: **digital marketing**. Technology paved the way for a more innovative, participatory and connected kind of marketing, with the traditional tools now supplemented by new ones (the internet, social networks, mobile apps, data analysis, etc.).

2. Marketing management

Managing the commercial activity of a company or institution, if marketing principles are applied, is called **marketing management**.

The **goal** of marketing management is to identify and satisfy customers' needs through managing stable relationships with them, and its basic **task** is to meet this goal as effectively as possible.

We define marketing management as **the science of choosing target markets and creating profitable relationships.**

To do this, **marketing management involves:**

- Analysing the situation (the market, the competition, the environment, etc.).
- Planning the goals that you hope to reach.
- Designing strategies to reach the company's goals.
- Putting these strategies into practice through planned actions.

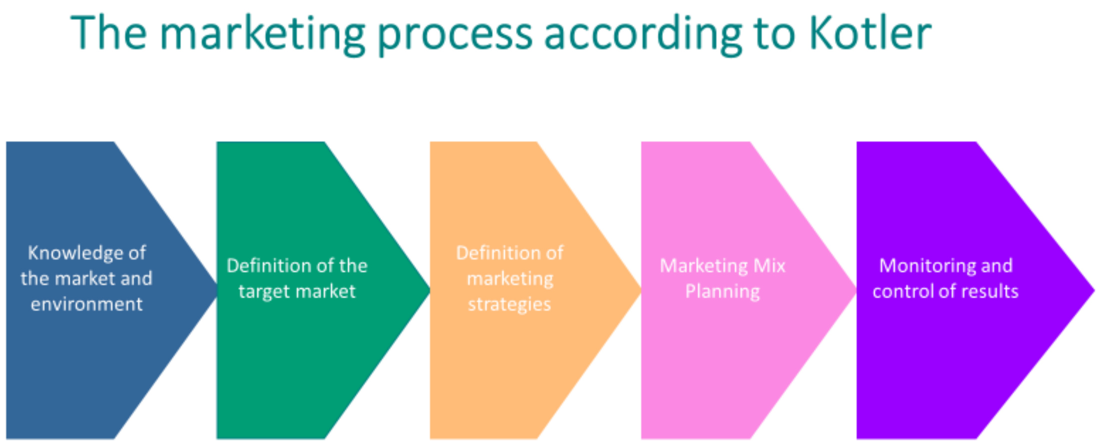
- Organising the human and material resources available to perform the actions.
- Monitoring the results and making course corrections if necessary.

The planning and execution of any marketing activity is based on four basic elements: the famous **4 Ps of marketing**.

3. The marketing process

There are five stages in the marketing process:

1. **Understanding** the market and customers' needs/wants
2. **Designing** a marketing strategy aimed at creating customer value
3. **Creating** a marketing programme/plan which provides better value
4. **Retaining** customers, building stable, profitable relationships which keep the customer happy
5. **Capturing** customer value to earn profits



We analyse each of them in more detail below.

3.1. Understanding the market and customers' needs

The marketer's first step is to understand customers' wants and needs in the market. Let's look at some basic concepts of customers and the market.

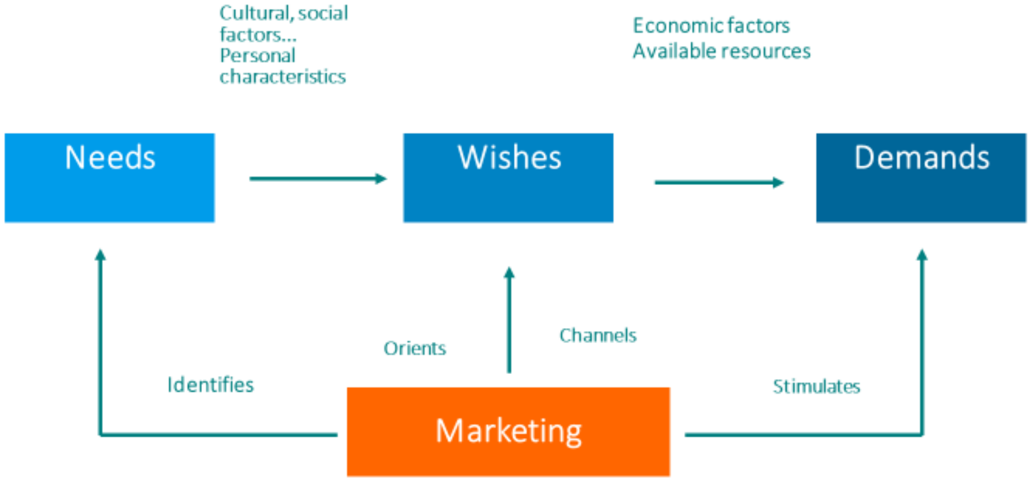
3.1.1. Customers' needs, wants and demands

A need is the feeling of lacking something, a physiological or psychological state common to all human beings, regardless of ethnicity or culture.

A want is how the desire to meet a demand is expressed, according to the personal characteristics of the individual, cultural, social and environmental factors, and marketing stimuli.

A demand is when a want becomes reality thanks to the resources available to the individual.

Need is unlimited, while resources are limited; for this reason, the purchaser will allocate them as they deem most appropriate. This is where **marketing** comes in, because it **affects demand**: it identifies, creates and develops demand, making it possible for wants to become a reality.



Companies and marketing professionals engage in a lengthy process to learn about and understand customers' needs, wants and demands:

- They study the market
- They analyse customer data
- They observe how customers buy and interact, both physically and online.

3.1.2. Offerings: products, services and experiences

Needs and wants are satisfied by an **offering**: a given combination of products, services and/or experiences which the company offers on the market to satisfy a need or want.

A company's offerings consist of **products:** any material good, service or idea that has value for the customer and can satisfy a need.

- **Good:** a physical object. It can be consumable (e.g., a drink) or durable (e.g., an appliance).
- **Service**: application of human or mechanical force to people, animals or objects. Services are intangible, ephemeral, and cannot be stored (e.g., bank services, legal representation, repairs, etc.).
- **Idea:** a concept, philosophy, opinion or image. Ideas are intangible (e.g., giving blood, or a political party's manifesto).

Marketing-oriented companies focus on the **advantages and experiences offered by their products or services**.

3.1.3. Customer value and satisfaction

In any type of product or service, customers have a very wide range of offerings on the market: a plethora of products and services which satisfy a given need. How can they choose from so many offerings?

Customers create **expectations about the value and satisfaction** of the various offerings on the market and buy according to them.

- A satisfied customer: will buy again
- An unsatisfied customer: will buy from a competitor and criticise the product to others

Therefore, marketing professionals must be very careful when establishing the level of expectation for their product:

- If they define very low expectations, they may satisfy those who are already buying, but will not attract new customers.
- If they raise expectations too high, buyers may be disappointed.

The value of a product or service for the customer, and the satisfaction they get from it, are key components in developing and managing the customer relationship.

3.1.4. Exchanges and relationships

Marketing professionals are trying to elicit a reaction to a given offering on the market. Marketing happens when people decide to satisfy their needs and wants through an **exchange** relationship – in other words, through the act of obtaining a desired object and/or service by offering something in return.

Marketing consists of **performing actions to create and maintain exchange relationships with target audiences in relation to products, services or ideas.**

Going further than attracting new customers, the goal is to keep them and have them increase their exchanges with the company.

3.1.5. Markets

The exchange concept brings us to another new concept, the **market:** the set of current and potential buyers of a product or service.

Marketing **manages these markets to create stable relationships with these customers.**

3.2. Designing a customer-oriented marketing strategy and plan

When marketers know and understand the customers in a market, they can design a customer-oriented strategy. To do this they must answer **two fundamental questions**:

- What customers are we going to cater to? = What is our target market?
- What is the best way to serve those customers? = What is our value proposition?

First, the company must decide which customers it will focus on; it is not possible to serve all its potential customers well and, therefore, it must select the customers it can attend to well while also making a profit. To make this selection the market must be divided into groups/types of customer, known as **market segmentation.**

Meanwhile, the company must decide how it will serve its target customers - in other words, how it will **differentiate itself and position itself in the market**.

To establish its market position, a company must define its **value proposition:** the set of benefits or values it promises to provide for its customers to meet their needs. The value proposition is what differentiates one brand from another.

A clear, strong value proposition enables a company to gain a **competitive advantage** in its market, because it offers something that others do not, or offers the same product or service in a different way.

To sum up, **a company's marketing strategy consists of defining which customers it will focus on and how it will create value for them.**

3.3. Creating a marketing plan

After deciding on their strategy, marketing professionals will develop their marketing programme or plan – in other words, turning their strategy into action.

To carry out this plan, they use the tools which make up the **marketing mix.** These tools are the famous **4 Ps of marketing:**

- **Product:** the good or service being offered.
- **Price:** the value the company sets for the product.
- **Placement:** the system used to bring the product to the market.
- **Promotion:** communicating the benefits of the product (advertising, personal selling, point of sale promotion, etc.).

To concretise its value proposition, a company will create an offering (product) which meets a need; it will decide how much to charge for that offering (price), how to make the offering available to its target consumers (placement) and how to communicate the offering to its target customers and convince them of its benefits (promotion).

3.4. Retaining customers, building stable, profitable relationships which keep the customer happy

All the steps in the marketing process lead to the most important element: building profitable relationships with the customers.
For this purpose, it is essential to **manage customer relations**: customer capture, retention and development.
The key to creating long-term relationships with customers is to **create more value and satisfaction** for the customer, because **a satisfied customer is a loyal one.**
Attracting and retaining customers is a hard task, because they usually have a large variety to choose from. Normally, they will choose the offering with the **greatest perceived value**: customers assess the difference between the cost and benefit obtained, comparing it with competitors' offerings.

Consumer satisfaction depends on the perceived performance of the product in relation to the buyer's expectations.

- If the product performs worse than expected, the consumer will be dissatisfied.
- If the product performs according to expectations, the consumer will be satisfied.
- If the product exceeds expectations, the consumer will be very satisfied.

Marketing-oriented companies work to keep their customers satisfied, because a high satisfaction level can lead to greater loyalty and thus better returns for the company.

3.5. Capturing customer value to earn profits

The final stage of the marketing process consists of **receiving value in exchange for the product supplied or service provided to the customer**. This value may be in the form of sales, market share or current and future profits. Creating value enables companies to retain customers, increasing:

- **Customer lifetime value:** the customer's future purchases of a product or service throughout their life.

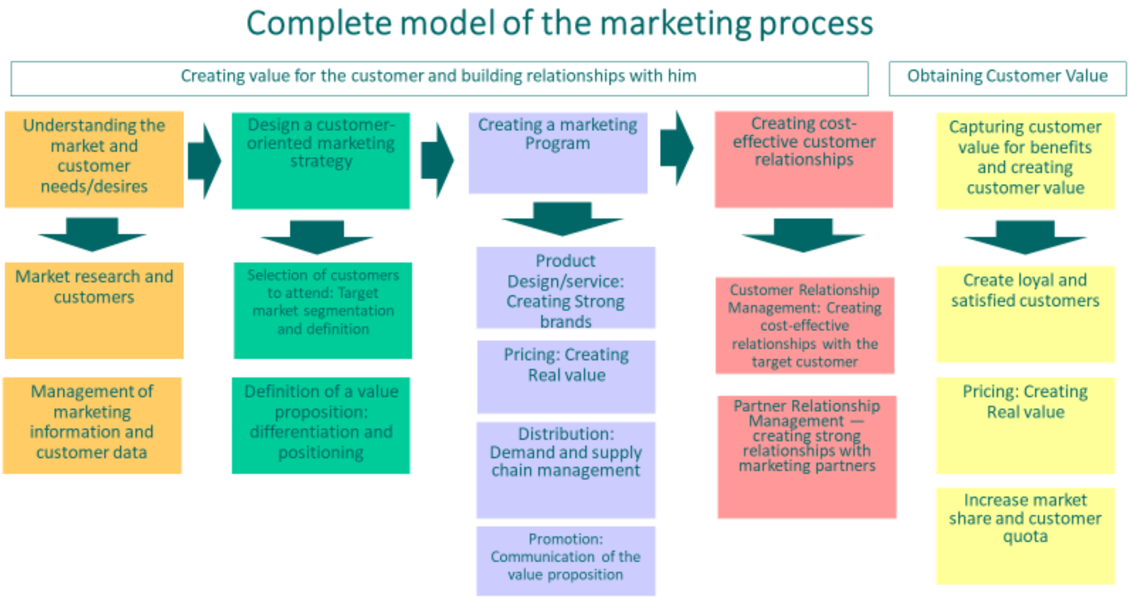
  Good customer relationship management means ensuring the customer is delighted with our products or services, because happy customers are loyal, and speak well of the company and its products to the people around them.

  Loyal customers spend more, while losing a customer means losing money.

- **Customer share:** a company's share of all the purchases made by a consumer in its product category. Companies can improve this share with various marketing techniques: cross-selling, a wider range of products, or improving sales so customers buy more products and services.

- **Customer capital:** the total discounted values throughout the life of all the company's current and potential customers. Therefore, this is a measurement of the future value of the company's customer base. The more loyal the profitable customers of a company, the greater its customer capital.

The figure below illustrates the marketing process.


Complete model of the marketing process
Creating value for the customer and building relationships with him
Obtaining Customer Value
Understanding the market and customer needs/desires
Design a customer-oriented marketing strategy
Creating a marketing Program
Creating cost-effective customer relationships
Capturing customer value for benefits and creating customer value
Market research and customers
Selection of customers to attend: Target market segmentation and definition
Product Design/service: Creating Strong brands
Customer Relationship Management: Creating cost-effective relationships with the target customer
Create loyal and satisfied customers
Management of marketing information and customer data
Definition of a value proposition: differentiation and positioning
Pricing: Creating Real value
Partner Relationship Management — creating strong relationships with marketing partners
Pricing: Creating Real value
Distribution: Demand and supply chain management
Increase market share and customer quota
Promotion: Communication of the value proposition

Topic 2: Analysing the marketing environment

1. Presentation

This chapter explains the first of the five stages of the marketing process: analysing and understanding the market and customers' needs in an environment which is often complex and changeable.

Apart from the customer, there are many **players** who may work for or against the company's interests (suppliers, competitors, intermediaries, etc.), as well as **elements** in the environment which may present opportunities or threats (these elements may be economic, cultural, technological, demographic, etc.).

All these aspects can affect the company's ability to attract customers and build a stable relationship with them. Therefore, in order to develop an **effective marketing strategy**, the company first needs to understand the environment in which it operates.

2. The marketing environment

The environment in which a company finds itself comprises **non-marketing agents and forces which influence** the ability of marketing management to build and maintain stable relationships with their target customers. For this reason, the company must be alert to new developments and changes in its environment, take them into account, adapt to them, and even lead such changes.

Within the company, the marketer must monitor trends and changes for threats and opportunities, with the help of the appropriate **tools** (market research and marketing intelligence), and should also **spend much of their time** studying the environment of their company and their competitors.

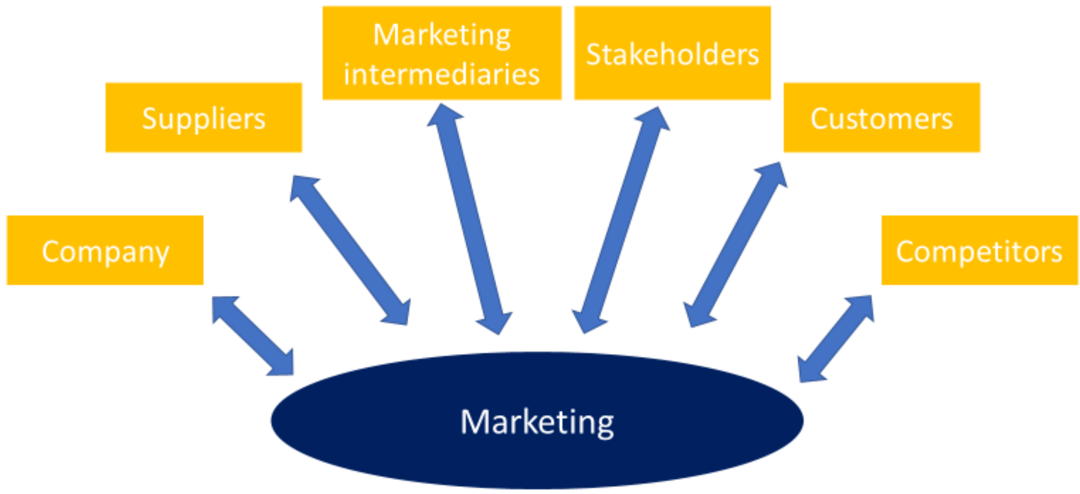
Both factors will enable them to anticipate new challenges and opportunities in the market and be prepared to adapt their company's marketing strategy.

The marketing environment comprises the micro-environment and the macro-environment.

2.1. The micro-environment

Agents close to the company which influence its ability to serve its customers: the company itself, suppliers, marketing intermediaries, consumer markets, competitors and stakeholders.

Marketing will be successful if it builds effective relationships with the other departments in the company, suppliers, and the other agents in the micro-environment, because all of them make up the company's value-creating network.



When designing the company's marketing plan, the marketer must take into account the **rest of the departments**, which make up the **internal environment** and influence their decisions.

Suppliers are important agents because they provide the company with the resources it needs to produce its goods and services. Hence, any problems with the suppliers can affect the company, especially its marketing department.

Marketing intermediaries help the company promote, sell and distribute its products to customers; they include storage and physical distribution companies, as well as marketing services (market research, advertising agencies, graphic design studios, etc.).

To be successful, a company must offer its customers greater value and satisfaction than its **competitors**. Therefore, as well as taking into account the customers' needs, the marketing professional must achieve a **strategic advantage** over its peers.

The marketing micro-environment is also influenced by **stakeholders**; by this we mean any group which impacts the company's ability to reach its financial, media, governmental, civil, internal, general or local goals.

Customers are the most important group of agents in the company micro-environment, as the entire organisation revolves around them and the goal of establishing successful relationships with them.

While on the subject of customers, we must also refer to a broader concept, which will be the context within which the marketing department operates: **the market**. We understand "the market" to be the set of people, individuals or in organisations, who need a given product or service, who want to buy it or may want to in the future, and who have the financial and legal capacity to do so.

From the marketing perspective, we refer to five types of customer markets:

- **Consumer markets:** individuals and households who acquire products or services for personal consumption.
- **Industrial markets:** buying goods and services for use in their production process.
- **Reseller markets:** buying goods and services to resell for profit.
- **Government markets:** public bodies which buy goods and services to produce public services.
- **International markets:** buyers in other countries.

2.1. The macro-environment

The broader social forces which affect the micro-environment: demographic, economic, natural, technological, political and cultural factors. These factors make up the opportunities and threats which a company may face. Some of them are unpredictable and uncontrollable, but others can be predicted and handled by skilled management.

Companies which can predict, understand and adapt to their environment can remain successful, but those which cannot may find themselves in difficulties, even in the case of major corporations.

Demographic factors are relevant for marketing professionals because they refer to individuals who make up the markets. Therefore, they must pay attention to trends, changes and developments which could affect their business: family structure, migrations, ageing population, etc.

A functioning market requires individuals with purchasing power; the factors affecting consumers' purchasing power and spending patterns make up the **economic environment**. These factors have a major impact on buying habits and consumer spending.

Natural factors refer both to the natural resources which companies need (for example, their operation could be affected by a shortage of raw materials) and to unexpected natural phenomena which can affect them, such as natural or climate disasters. The latter are unpredictable, but companies must be ready to deal with them if they happen, both to avoid problems and to respond to any which might represent an opportunity.

Technology might be the force which has had the most impact on companies and marketing in recent years. **Technological factors** are bringing major changes in the markets, enabling the development of new products and creating new opportunities (credit cards, internet, mobile phones, telemedicine, online sales, smartphones, etc.)

Meanwhile, the impact of new technologies has led to a new way of understanding marketing: **digital marketing** involves the use of digital tools and resources to reach customers more directly and in a more personalised way.

In many companies, marketing decisions are very much affected by changes in **socio-political factors**. These factors include legislation, government organisations and pressure groups.

They are particularly relevant for companies operating in regulated markets (e.g., pharmaceutical products, telecommunications, etc.), and to a lesser extent to all other companies, as they are all subject to some degree to legislation, new regulations due to changes of government, changes due to unstable political situations, etc.

Finally, companies may be affected by cultural factors, meaning the basic values, perceptions, preferences and behaviour of a society. Everyone grows up in a given society which shapes their belief system, basic values, needs and tastes, all characteristics which affect decision-making in marketing (for example, different family models, leisure activities or food in different countries).

3. Managing the marketing environment

There is a significant saying in marketing about companies and how they manage their environment:

"There are three types of company: those that make things happen, those that watch them happen, and those that wonder what happened."

The first type is **proactive**: they develop strategies and take action to change their environment, organise media events to get their message to the public, work to encourage legislation which lets them operate, etc., in other words, these companies **manage the information they have about their environment, which enables them to anticipate events and adapt the environment to suit their interests.**

These companies and their products are the ones that usually create new industries and markets (Amazon, Google, Facebook, Cabify, etc.).

Meanwhile, the other two are reactive, merely watching and reacting when things have already happened, and in the worst-case scenario by the time they realise what has happened they have no valid solutions.

Topic 3: Managing marketing information

1. Presentation

To design marketing strategies, we need to know and understand the market, and to have relevant information on vital elements of it, such as consumers, products and competitors.

Knowing these aspects means obtaining data. Therefore, we are now going to analyse **how companies can obtain this information** and, more importantly, **how they manage it** – in other words, how they gain knowledge about the market to enable them to make the right decisions.

2. The marketing information system

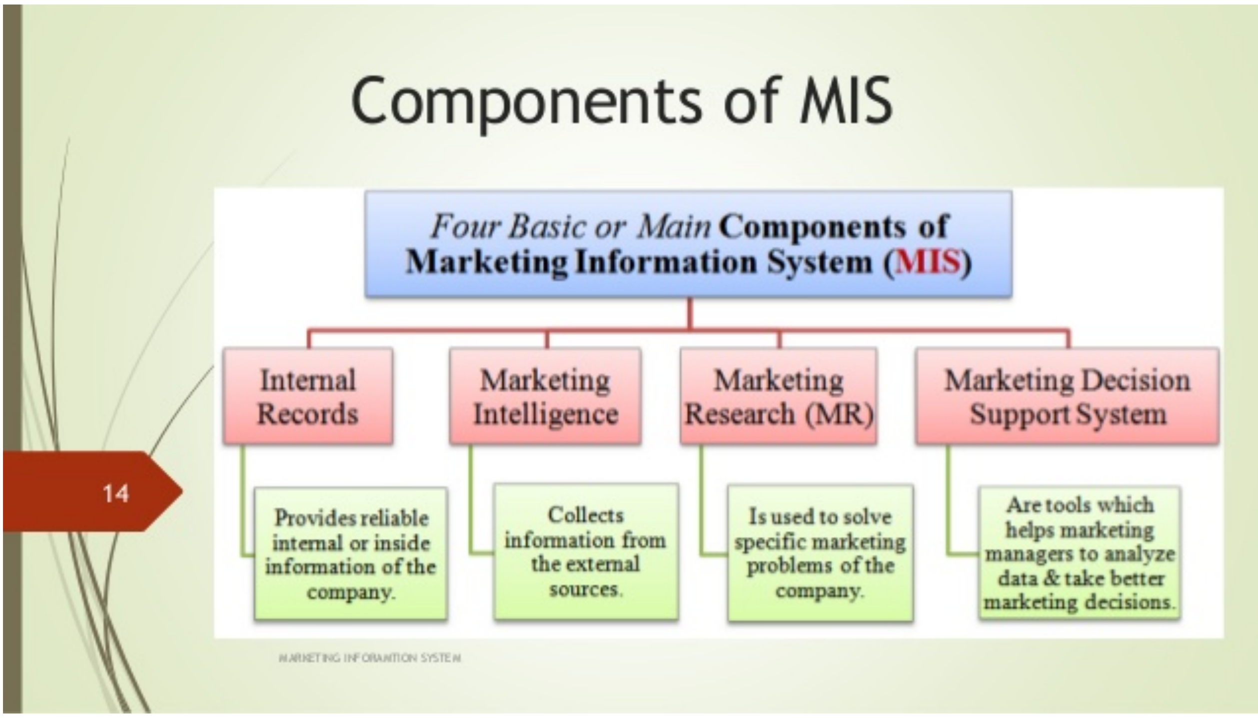
Knowledge of the market and consumers is vital for marketers, as it enables them to design good marketing programmes and to make the right decisions.

Information has no intrinsic value without analysis; the value is found in the **knowledge** we extract from it and how marketers use it for making decisions.

These days it is easy to obtain market information; thanks to the new technologies, companies can obtain information from many sources. Consumers themselves generate tonnes of data through their mobile phones, tablets, social networks, apps, e-commerce, videos, geolocation, etc.

In fact, we have gone from market information being hard to find, to having too much of it. Therefore, now the challenge is knowing how to extract the most relevant information and use it to produce useful knowledge.

To manage this information, companies usually have a **marketing information system**: people and procedures which look for information needs, obtain the necessary information and transform it into **useful information** for the company's decision-makers.



3. The process of the marketing information system

The first step is to **assess your information needs**; it is important to make an honest analysis of these needs in order to avoid casting your net too wide and ending up with an information overload.

Once you have decided what information you need, the second phase begins: **searching for that information**. Marketers can obtain data from various **sources:**

- **Internal databases:** electronic collections of information on customers and markets obtained from sources of data on the company's own network.
- **Competitive intelligence:** systematically monitoring, gathering and analysing information in the public domain on consumers, competitors and market trends. This can be done by first-hand observation of consumers, interviews in the sales network, comparative analysis of competitors' products, monitoring social networks, talking to suppliers, etc.
- **Commercial research:** the systematic design, gathering, analysis and presentation of information on a specific marketing situation/problem facing an organisation.

When you have the information, the next phase is to extract value from it: **information analysis**. To analyse the information, marketers can rely on their own expert knowledge or use analytical models such as CRM or Big Data.

- **CRM:** software which integrates customer information obtained from the customer's points of contact with the company (purchases, sales staff, customer services, websites, etc.)
- **Big Data:** tools which can find patterns in large amounts of data.

All the obtained and analysed information has no value until it is used for decision-making and, therefore, the marketing information system must bring this information to executives, usually in the form of **reports.**

4. Commercial research

As well as internal information and data obtained through in-house resources, marketers usually need formal studies of specific situations and decisions, which is where commercial research comes into play.

Commercial research is the **systematic and objective search for and analysis of information of relevance for identifying and solving a marketing situation or problem.**

The information obtained by means of commercial research must meet several **requirements**:

- Reducing uncertainty
- Being a potential influence on decision-making
- Justifying its cost

Some large companies have their own commercial research departments, but it is more usual to outsource this task to specialist researchers.

The commercial research **process** consists of several phases:

1. **Defining the goals of the research:** identifying the problem and establishing the desired goals of the research at the start of the process.
2. **Designing the research plan:** defining the specific information to be searched for, designing a plan for gathering it efficiently, and deciding on the sample and research methodology to be used.
3. **Obtaining the information:** selecting the information sources, defining how the information will be obtained (in person, by telephone, online), and selecting the sample (its size and the sampling procedure).
4. **Interpreting the results:** the researcher reviews the information obtained and then analyses and interprets the data in order to draw conclusions.
5. **Drafting the report:** the research process is reflected in a report to be presented to the customer.

Commercial research involves two **types of analyses:**

- **Quantitative:** this provides figures and statistics and is used to answer questions about potential market demand, sales quotas, prices and sales analysis. It is usually conducted through surveys and panels. We use this methodology when we want an answer to the question "How many people do or think X?"

- **Qualitative:** used in analysis of trends, attitudes, perceptions and opinions. The most frequent techniques are in-person or phone interviews and group meetings. We use this methodology when we want an answer to the question "What do people do or think, and why?"

The research methodology you choose depends on whether **representativeness** or **depth** is the priority; in other words, choosing between gathering data which can be extrapolated quantitatively to a research population, or finding explanations for those data.

Marketing research usually draws conclusions on large groups of customers based on the study of a small group, the **sample**; this is a segment of the population selected to represent the entire population in the context of commercial research.

The most important factor when selecting a sample is that it should be **representative**. Therefore, you should ask the following questions:

- **The sampling unit**: who will be interviewed?

- **Sample size**: how many people?
- **The method:** how will the individuals in the sample be selected?

Commercial research can be useful for a wide range of **applications:**

- **General:** market structure, market potential, market segmentation, consumer behaviour, analysis of strategic plans, analysis of competitors' strategies, market tests.
- **Product:** purchase and use, image, positioning, proof of concept, product testing, sales model for new products.
- **Price:** pricing structure, price elasticity of demand, buyer's price perception.
- **Distribution:** selection of distribution channels, location of points of sale, design and decoration of points of sale.
- **Sales:** performance, motivation and compensation of sales staff; sales areas and quotas.
- **Advertising:** message testing, selecting media, effectiveness of advertising, company image.

5. Commercial research in small companies

All companies, whether large or small, need information on customers and markets in order to make decisions; they may not require a marketing information system or large-scale research, but there are many research techniques available for lower budgets:

- Observation at the point of sale
- Informal polling of small samples
- Online surveys
- Searching for information online: analysing the websites and social network presence of competitors, products and customers.

Topic 4: Customer behaviour

1. Presentation

The goal of marketing is to attract consumers. To do this, marketers must understand customer behaviour very well.

Consumer behaviour refers to the set of actions taken by a person or organisation from the emergence of a need to the purchase and use of the product, as well as the factors influencing those actions.

Therefore, we will focus on the *"what, when and how"* of customer buying decisions.

Understanding these aspects will enable us to:

- Identify current and future needs more efficiently
- Improve our ability to communicate with the customer
- Earn their trust and ensure their loyalty
- Plan commercial actions more effectively

2. The consumer behaviour model

People make many **buying decisions** over the course of a day. Influencing these buying decisions is the main focus of marketing. To understand our customer's behaviour model, we need to answer the following questions:

- What do they buy?
- Who buys?
- Why do they buy?
- How do they buy?
- When do they buy?
- Where do they buy?
- How much do they buy?

With the answers obtained, marketing professionals can design the most appropriate actions to attract customers and establish a relationship with them.

There are many different **factors** influencing consumer behaviour and buying decisions:

- **Cultural:** these factors have the most influence. Culture means behaviour learned at a basic level which affects the individual's behaviour.

- **Social:** an individual's behaviour is influenced by many small groups. The groups which directly influence a person's behaviour are called groups of belonging; those which the individual refers to and aspires to join are reference groups. The family is the most important buying organisation in society. Accordingly, marketing is continually studying the roles of each member.
- **Personal:** each person is influenced by their own characteristics, such as their profession, age, stage of life, economic situation, lifestyle, personality and self-concept.
- **Psychological:** four psychological factors influence people's buying decisions: motivation, perception, learning, and beliefs and attitudes.

  Motivation: is the general predisposition driving behaviour to obtain what is desired.

  Perception: is the process of selecting and integrating sensory stimuli into a meaningful, consistent image. Perception is selective (we perceive what we are interested in); the same product may be perceived differently by different people, depending on the attributes which most interest them.

  Learning, beliefs and attitudes: learning refers to changes in an individual's behaviour caused by experience. Through learning, people acquire beliefs (thoughts describing something) and attitudes (value judgements, feelings and tendencies towards something) which also influence their buying behaviour.

Buying behaviour also varies depending on how the roles of **buyer, consumer and payer** are associated, in which the following situations are possible:

The three functions are performed by the same person
Each function is performed by one person
One person is the buyer/payer and another is the consumer
One person is the buyer/consumer and another is the payer
One person is the buyer and another is the consumer/payer

3. The buying decision

Buying behaviour varies a great deal according to the product or service to be acquired. The process is longer for important purchases, becoming shorter for less important purchases or if the purchaser has greater experience of the product and awareness of existing brands.

Low complexity	High complexity
Repeat purchases	First purchase
Frequent buying	Occasional buying
Impulse buying	Rational buying
Low-involvement buying	High-involvement buying
Low-priced product	High-priced product

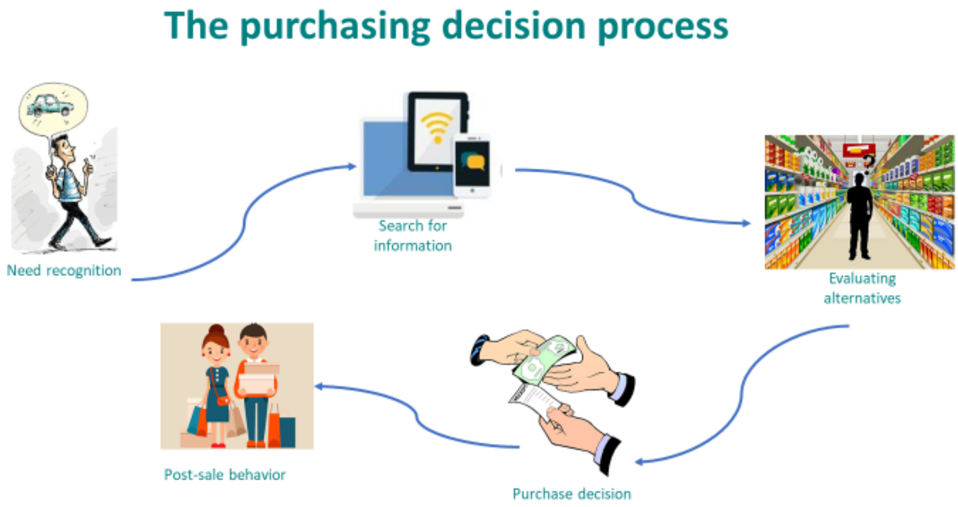
Depending on the buyer's level of participation and the difference between brands, we can distinguish the following **types** of buying behaviour:

- **Complex:** when **the buyer is very involved in the purchase** and **perceives significant differences between brands**. This usually involves a thoughtful buying choice.
- **Dissonance-reducing:** when **the buyer is very involved in the purchase but does not see much difference between brands**. A shorter decision-making process.
- **Habitual buying:** when **the buyer's participation is low** and **the differences between brands are not significant**.
- **Variety-seeking:** when the **buyer's participation is low** but there are **large perceived differences between brands**.

4. The buying decision process

The buying process begins well before the purchase itself and continues for a long time afterwards. Therefore, marketing professionals must analyse the whole buying process and not only the buying decision.

There are **five stages** in the buying process, which everyone goes through in a different way: the process may be fast or slow and consumers may skip a stage or change their order.



- **Recognition of a need:** the person realises they have a need, which may be triggered by an internal or external stimulus.

- **Searching for information:** consumers can obtain product information from a wide range of sources: personal (family, friends, neighbours, acquaintances), commercial (advertising, salespeople, websites, shop windows) and public (mass media, consumer organisations, internet).

- **Assessing options:** how consumers process the information to choose between different products and brands, sometimes thoughtfully, and sometimes buying on impulse.

- **Buying decision:** consumers' buying decisions usually consist of buying the product or brand they prefer, but two factors may still enter into play between the intention to buy and the final decision: the attitudes of other people and unexpected circumstances.

- **Post-purchase behaviour:** after the acquisition of a product the consumer will feel satisfied or dissatisfied and will behave in a certain way depending on that feeling. This behaviour is determined by the **relationship between consumer expectations and the perceived product performance.**
  - If the product does not fulfil expectations, the consumer will feel dissatisfied.

- If the product fulfils expectations, the consumer will feel satisfied.
- If the product exceeds expectations, the consumer will be delighted.

The greater the difference between expectations and performance, the more dissatisfied/satisfied the consumer will be.

Customer satisfaction is a marketing priority, because:

- A satisfied consumer will buy a product again, talks about it positively, and pays less attention to messages from competitors.
- A dissatisfied consumer talks negatively about the product, will not buy it again and switches to the competitors.

Negative publicity "travels" much faster than positive. Hence, marketers must assess the satisfaction of their customers, encouraging them to share their complaints, what they value about the product and what the company is doing wrong, and then look for solutions.

5. The buying decision process for new products

A **new product** is a good, service or idea which potential customers perceive to be something new. From the marketing point of view, it is important to know how consumers discover a product for the first time and how they decide whether or not to adopt it.

The **adoption process** is the mental process an individual goes through from first hearing about an innovation to finally adopting it.

During the process of adopting a new product, consumers go through several **stages:**

- **Awareness:** they discover that a new product exists but have no information about it.
- **Interest:** they look for information on the new product.
- **Evaluation:** they assess whether it makes sense to acquire the new product.
- **Trial:** they try the new product on a small scale to further assess its value.
- **Adoption:** they decide to use the new product habitually.

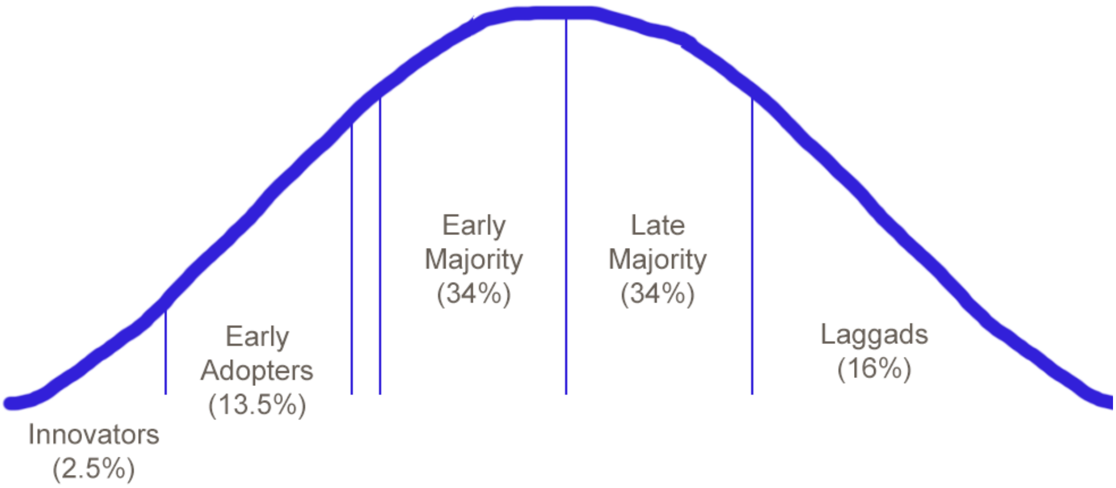
The person responsible for marketing a new product must think about how they can help consumers go through these stages and adopt the product.

People's willingness to try new products varies widely. We can distinguish five different types of new product "adopters":

- **Innovators:** adventurous consumers who will risk trying new ideas.
- **Early adopters:** they adopt new ideas quickly but cautiously, with some previous knowledge. They are opinion leaders in their communities.

- **Early majority:** they adopt new ideas later than the above, but earlier than average.
- **Late majority:** they are sceptical and adopt innovations only when they have already been tried by the majority.
- **Laggards:** they reject changes and adopt innovations only when they have already become customary.

The **adoption rate** for a very high percentage of new products or ideas follows a similar curve to this figure:



Topic 5: Customer-oriented marketing strategy

1. Presentation

Starting with this topic, we will focus on studying marketing strategy, tactics and tools.

We will begin by analysing fundamental strategic marketing decisions, which are the basis for all subsequent work by marketers: segmentation, selecting target markets, differentiation and positioning.

2. Marketing strategy

Markets are made up of heterogeneous individuals and entities. Consequently, companies' potential customers are very numerous, dispersed, and with very different needs and buying behaviour. For this reason, companies must identify the parts of the market they can serve best and most profitably.

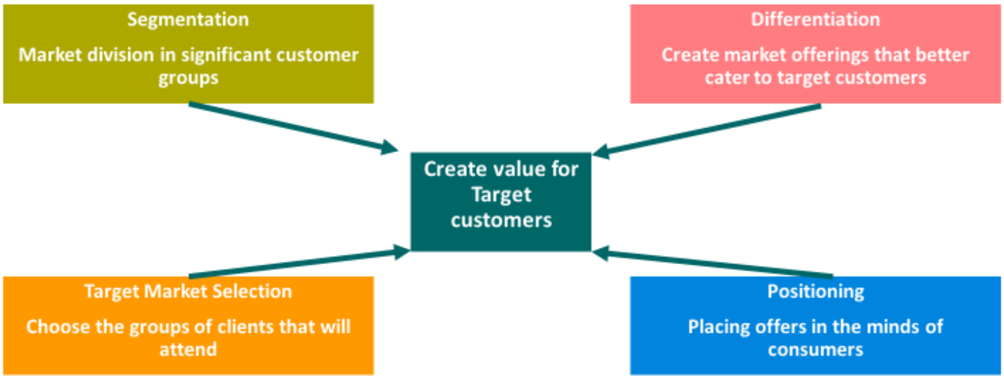
Meanwhile, the spectacular spread of new technology has generated global, connected markets where information flows constantly, thanks to which, companies can obtain first-hand information from consumers.

For all these reasons, most companies have abandoned traditional mass marketing approaches to focus on **segment marketing**: identifying the market segments of interest to the company, selecting one or more segments, developing products or services and marketing programmes to suit each chosen segment.

There are two stages to **designing a segment marketing strategy**:

- The company chooses the customers it will market to, using market **segmentation** and **target market selection**.
- The company decides how it will create value for the target customers, using **differentiation** and **positioning**.

The marketing strategy



2.1. Market segmentation

In any market there is a huge variety of buyers, with different wants, resources, locations, buying attitudes, etc. Using market segmentation, marketers can divide these large, diverse markets into smaller segments which can be reached more efficiently with products and services that meet the particular needs of that group.

There are many ways to segment a market. As each market is unique, with diverse characteristics, segmentation should be based on those specific differences. Marketers should try different segmentation variables until they find the best way to reflect the structure of their target market.

The **variables** which can be used to segment a market include:

- **Geography:** dividing the market into different geographical units (countries, regions, Autonomous Regions, states, provinces, cities).
- **Demographics:** dividing the market into groups based on variables such as age, gender, income, profession, family size, family life cycle, educational level, religion, race or generation. Some of these demographic variables are more relevant:
- **Age and life stage:** dividing the market into different age groups or different stages in the life cycle in order to offer specific products or use marketing approaches designed for those groups.
- **Gender:** this form of segmentation is used a great deal in the markets for clothing, cosmetics, personal hygiene, magazines, etc.
- **Income:** dividing the market into groups based on income, as the resources available to customers clearly dictate their consumption type and level.
- **Psychographics:** dividing the market into groups according to social class, lifestyle or characteristics of individual personalities.

- **Behaviour:** division according to behaviour, attitudes, and how consumers use and respond to a product or service.

Marketers generally use more than one variable for market segmentation, in order to form an accurate picture of who their customers are, what they buy, when they buy it, etc.

In recent years, market segmentation has developed a great deal thanks to e-commerce and social networks, tools which enable marketers to obtain information directly from consumers, which they can then use to create profiles and market segments.

For **effective segmentation**:

- **Use the relevant variables** in each market
- Divide the market into **useful segments** – meaning they are measurable (measuring size, purchasing power or profiles), substantial (large enough to be profitable), differentiable (they react differently to marketing stimuli) and actionable (effective marketing programmes can be designed to attract and serve the segment).

2.2. Selecting target markets

The great value of segmentation is that, by dividing markets into groups, marketers can discover opportunities which they would not be able to see taking the market as a whole.

After segmentation, the company must assess each segment and decide which ones it can serve best.

For an effective assessment of each segment, we must evaluate **three factors:**

- The size and growth of each segment
- The structural attractiveness of each segment
- The company's goals and resources

After evaluating the market segments, the company must decide which segments it will address – what we call its **target market**: the set of buyers with the same needs or characteristics which a company can serve.

Companies can relate to their target markets with **different marketing approaches:**

- **Undifferentiated** or mass marketing disregards segments and their differences and presents a single offering to the entire market. The company considers the elements the segments have in common to be stronger than their differences.

- **Differentiated** or segmented marketing focuses on various market segments and designs individual offerings for each one.

- **Concentrated** or niche marketing aims to obtain a large market share in one or more small segments (niches). The company wants to have a strong position and be a point of reference in these small segments.

- **Local, individual** or micromarketing personalises products and marketing programmes to suit the interests of specific individuals (personal marketing) or places (local marketing).

The choice of approach will depend on various factors: the company's economic and human resources, product life cycle, market maturity, etc.

Marketing approaches are not static, and part of the job of the marketer is adjusting the strategy to what the company needs at the time. Thus, a company may begin with a concentrated marketing approach, and after reaching a strong position in a niche, work on other niches until it has a larger market, and then adopt a differentiated segment marketing approach, or even an undifferentiated approach.

2.3. Positioning and differentiation

While analysing the market segments it will address, companies have to decide what their **value proposition** will be: how to create a differentiated value for the target segments and what position they want to occupy in those segments. In short, they must answer the question "How will we serve these customers?"

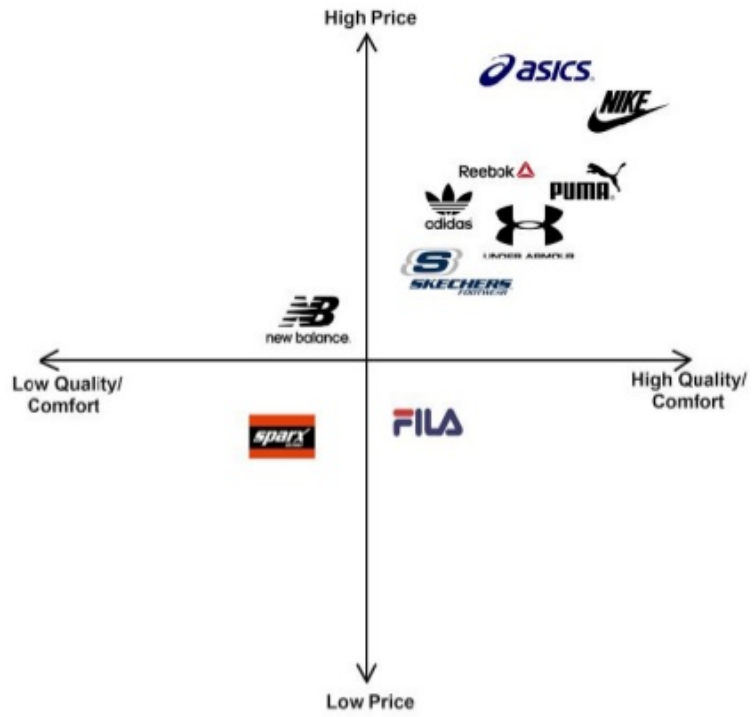
Product positioning is **the place a product occupies in the consumer's mind compared to competing products** and how consumers define it. In other words, **how consumers see our product.**

Positioning is fundamental because it defines the strength of a brand: products are made in factories, but brands are made in the minds of consumers.

Positioning is a **set of perceptions, impressions and feelings** which consumers have about a product compared to competitors' products.

Marketers cannot leave to chance the way consumers position a product or brand in their minds; they must **analyse the attributes which would position their product better in the market and design a marketing mix to reach the desired position.**

To plan a differentiation and positioning strategy, marketers use a **positioning map**: a graph which allows them to analyse the place a brand occupies in the market according to consumer perception in relation to other brands or an ideal brand.



The axes are the attributes of the product which consumers consider most important. Each brand's position on the map indicates the brand's perceived positioning along the axes.

Depending on the markets, we often find several companies striving for similar positioning; in this case, each one will have to find a way to differentiate themselves from the others. **Differentiation** is the creation of a **unique set of benefits which attracts a substantial group of consumers within a segment.**

Positioning and differentiation strategies are created in **three stages:**

- **Identifying** a set of possible **value differences** providing competitive advantages which positioning can be based on.
- **Choosing the right competitive advantages**. A company may offer greater value in its product, its services, its chosen channel, its employees or its image.
- **Creating a positioning strategy** with a combination of the differentiating elements of the company/product/brand is what we call the **value proposition**: the total sum of benefits differentiating and positioning a brand. The graphic below shows the possible value propositions a company can use to position its products. Winning value propositions are shown in green and losing ones in red.

2.4. Application and communication of the chosen positioning

Once the positioning has been decided, the company has to convey its desired position to the target customers.

The positioning strategy is not only communication but should be backed up with actions. If a company is looking for “more for more” positioning, it has to produce high quality products, charge a high price, distribute through exclusive or high-quality channels and advertise on quality media.

Topic 6: Product, service and brand

1. Introduction

We will now study the **marketing mix**, the tactical tools which marketing professionals use to implement their strategies.

Let us begin with the basic element: **products and services**.

2. Product, service and offering

In the strict sense, a product is **anything which can be offered on a market, acquired, used or consumed, and which can satisfy a need or want.**

More broadly, it can refer to **services, events, peoples, ideas, places, organisations, or a combination of any of the above**. This is the point of view of marketing, where a product can be a drink, a holiday, or a Facebook profile.

Due to their importance, we will also focus on **services**, a type of product which consists of actions performed for sale. Services are intangible and their acquisition does not lead to any kind of ownership.

Products are the fundamental elements of a company's **offering**: the set of products and/or services which a company makes available to consumers. The offering is the foundation on which the company builds profitable relationships with its customers.

A company's offering may be products, services, or products and services.

Products and services are classified into **two categories** depending on who buys them: consumer products and industrial products.

Consumer products are products and services acquired by the end consumer for personal consumption. Depending on how consumers use them, these products may be:

- **Convenience products**: usually acquired frequently and immediately with minimum buying effort or comparison with other brands (e.g., shampoo, biscuits).
- **Shopping products**: less frequently purchased, with detailed comparisons of quality, price or style (clothes, furniture).
- **Speciality products**: products with unique characteristics or brand identification for which a significant group of consumers is willing to make a special purchase effort (cars, luxury products).
- **Unsought products**: products that consumers either do not know about or do not consider buying (innovations, insurance).

Types of Consumer Products				
Marketing consideration	***Convenience***	***Shopping***	***Speciality***	***Unsought***
Customer buying behaviour	Frequent purchase, little effort (planning, comparison), low customer involvement	Less frequent purchase, much effort (planning and comparison of brands on price, quality, style etc.)	Strong brand preference and loyalty, special purchase effort, little comparison of brands, low price sensitivity	Little product awareness and knowledge or little interest
Price	Low price	Higher price	High price	Varies
Distribution	Widespread distribution, convenient locations	Selective distribution, fewer outlets	Exclusive distribution in only one or a few outlets	Varies
Promotion	Mass promotion	Advertising and personal selling	More carefully targeted promotion	Aggressive advertising and personal selling
Examples	Toothpaste, magazines, laundry detergent	Television, furniture, clothing	Luxury goods (e.g. Rolex watch), designer clothing	Life insurance and pre-planned funeral service

Industrial products are purchased for further processing or for use in conducting a business.

Thus, the difference between consumer products and industrial products is based on the **purpose** for which they are acquired.

Industrial products are classified as:

- **Materials and parts**: raw materials (flour, fish) and manufactured materials (engines, castings).
- **Capital items**: these aid in the buyer's production or operations, including installations (factories, offices) and accessory equipment (tools, trucks).
- **Supplies and services**: these include operating supplies (paper, coal) and repair and maintenance items (nails, paint).

Materials & Parts

- Raw materials, components etc.
- Mostly sold to other industrial users
- Price and service key issues

Capital Items

- Industrial products used in production or operations
- E.g. IT systems, buildings infrastructure

Supplies and services

- Operating supplies (e.g. energy) and business services (e.g. maintenance, security)

3. Product and service decisions

Marketers have to make decisions about products and services in three areas: **individual products, product lines and the product mix.**

3.1. Individual product decisions:

A. Product attributes: defining the benefits that it will offer through product attributes such as quality, features, style and design.

Product quality is one of the main positioning tools available to the marketer.

A product can be offered with different **features and options.** The starting point is a basic model. Based on this, the company may decide to create upgraded models with added features.

Another way to add value for customers is by making the product **style and design** different to the usual product or the competitors' products.

B. Brand creation: A **brand** is a name, term, sign, symbol, design, or a combination of these elements, identifying the manufacturer or seller of a product or service. Consumers consider brands to be an important part of products, because they add their own meanings and develop relationships with the brands.

The brand name is the basis on which a story can be built about the qualities and distinguishing features of a product.

The brand offers the manufacturer/vendor a series of advantages, including product identification and legal protection (if it is a registered trade name).

A brand consists of two elements: the name and the logo.

The **name** is the part of the brand which can be spoken. Choosing the name is vital, since it can have a positive or negative effect on a product. A good name should be appropriate, not have any double meanings, be easy to recognise and remember, and straightforward to pronounce.

The **logo** is the graphic design which distinguishes a brand, product, company or organisation. A logo adds personality to the brand and helps in its positioning.

C. Packaging: the product container or wrapper.

D. Product support services: most commonly, customer services. These supplementary services help to strengthen the consumer's brand experience.

3.2. Product line decisions:

A **product line** is a group of products which are closely related to each other because they work in similar ways, they are sold to the same group of consumers and are sold in the same types of shops or in the same price band.

The main product line decision concerns its **length** – in other words, the number of products in a line (a short line with a few products or a long line with many).

A company can expand a product line in two ways:

- **Line filling** means adding more items within the present range of the line.
- **Line stretching** means lengthening the product line beyond the current range, which can be downward, upward, or two-way stretching.

3.3. Product portfolio or product mix decisions:

The **product portfolio** is the set of all product lines and items that a company offers for sale. This is also called the product mix. A company's product mix has four important dimensions:

- **Width**: the number of different product lines the company carries.
- **Length**: the total number of items a company carries within the product lines.
- **Depth**: the number of versions offered for each product in the product line.
- **Consistency**: how closely related the product lines are in terms of end use, production requirements or distribution channels.

These dimensions help define a company's product strategy. Companies can increase their business using the mix in four ways:

- Adding new product lines, widening the product mix.
- Lengthening the existing product lines for fuller lines.
- Adding more versions of each product to deepen the product mix.
- Making product lines more consistent.

Companies may also need to narrow their product mix by removing low-performing lines and streamlining their strategy.

4. Service marketing

A service is the application of human or mechanical force to people, animals or objects. Services are also products, but intangible, and thus with special marketing requirements.

Services have grown dramatically in recent years and are estimated to represent more than 60% of worldwide GDP. Service industries vary greatly, both in terms of providers (companies, governments and non-profit organisations) and in type (banking, healthcare, insurance, travel, education, etc.).

However, all services have certain **special characteristics:**

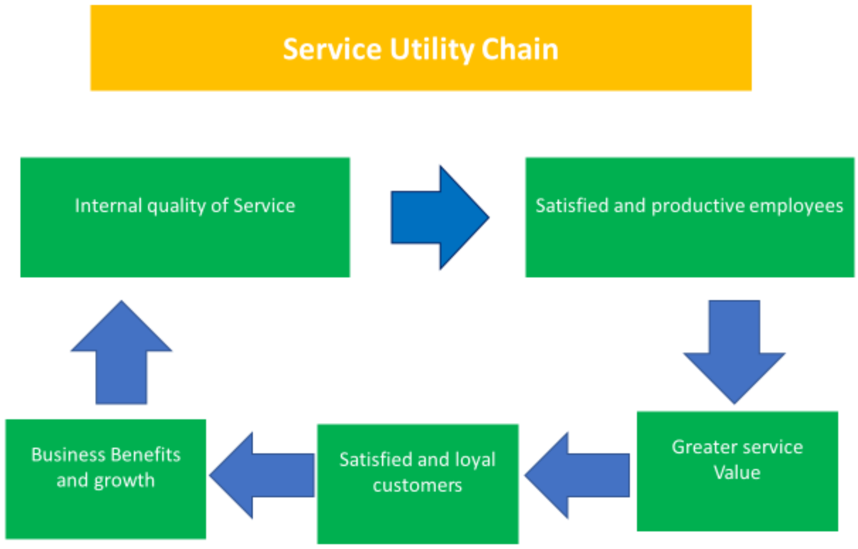
- **Intangibility:** they cannot be perceived by the senses and are difficult to define or visualise.
- **Inseparability:** services cannot be separated from their providers. Services are first sold, then produced and consumed at exactly the same time. Thus, service providers are part of their product.
- **Variability or heterogeneity:** the quality of services can vary greatly, depending on who provides them and when, where and how. This makes them more difficult to standardise but offers more personalisation options.
- **Perishability:** services expire and cannot be stored. If not used when available, they cannot be kept for later.

These special characteristics of services make them more difficult to market than goods and require the design of specific marketing strategies. Service marketing requires internal and external marketing.

Internal marketing means that the company guides and motivates its employees (those in contact with the customer and all other employees) to provide customer satisfaction.

External marketing uses the usual marketing tools to reach the customer, but focuses on three factors:

- **Differentiating the service**: developing an offering, provision or image which is very different from the company's competitors.
- **Service quality:** consistently providing better quality than the competitors.
- **Service productivity:** giving employees better training, motivation, or technology to help them be more productive.



5. Brand strategy: creating strong brands

A **brand** is among a company's most powerful assets. It is the main way to identify a product and differentiate it from others, expressing its personality, the set of values we associate with the product or the company, and everything a product or service means to the consumer.

A powerful brand has high **brand equity**: the positive differential effect of brand name familiarity on the customer's response to the product or service, and the degree to which the brand can earn the consumer's preference and loyalty.

For this reason, brand management is one of the marketer's most important tasks. We will now analyse **possible brand strategies**:

- **Single brand:** the same brand is used for all the company's products. Advantages: this creates an umbrella brand which covers all the products, saving on promotional and media budgets, and helping to market new products which reach the market with a degree of brand familiarity.
- **Multi-brand:** a different brand is used for each of the company's products. Advantages: this allows for greater market segmentation and the possibility of reaching more buyers. It avoids cross-contamination between brands if one of them should have a problem.
- **Second brands:** companies with important brands create second-level brands. In order to segment and expand their market to reach new customers, and test products and services before introducing them in their usual markets.
- **Brand alliances:** agreements between supplementary brands in order to strengthen their image or quality perception. In order to provide an image of positive quality to a less-known brand by associating it with a more prestigious one. One form of alliance is **co-branding**, using two different brands/products at the same time on a new product or service.

- **Distributor brands or own brands:** brands that a distributor applies to goods made by a different company. In order to improve the image of the distributor and give it more control over its market, as well as create customer loyalty.
- **Vertical branding:** brands with points of sale selling only their own exclusive products. This leads to a strong identification of the product with the concept/atmosphere of the shop where it is sold.

With the right brand strategy, marketers can create a strong brand, with the end goal of clearly **positioning the brand** in the consumer's mind.

Good brand management involves working on it continuously. Consumers must be constantly reminded of the brand's positioning to keep it top-of-mind. **Three elements make a lasting brand:** brand memory, customer commitment and the brand experience.

Topic 7: New product development

1. Introduction

New products are a company's lifeblood: as products age and die, companies must develop new ones to take their place. Here we analyse how new products are developed and managed through the various stages of their life cycle.

2. Developing a new product

By **new product** we mean original products, improvements to products, modifications and new brands which the company creates through its own research and development.

There are two ways a company obtains new products:

- **Acquisition**: buying a company, a patent or a licence to make a third-party product.
- **Development:** created in the company's own research and development department.

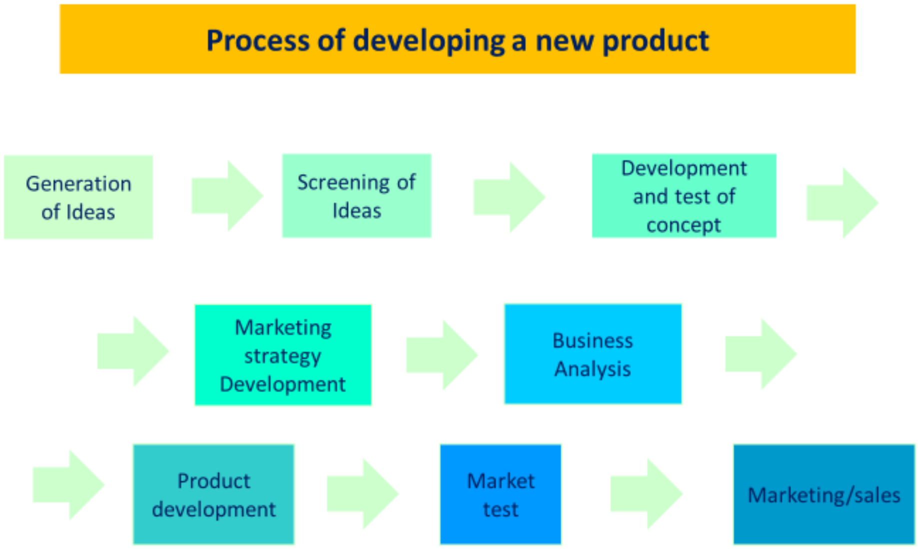
We will focus on the development of new products.

New products enrich and add variety to the product portfolio, offer consumers new solutions, and are a key source of growth for the company.

However, success is not guaranteed. It is estimated that 60% of new products on the market will fail.

To develop new products with some assurance of success, the company must know and understand its customers, its markets and its competitors, and develop products for those customers and markets which offer greater value than the competition.

Therefore, the company must analyse and plan rigorously, and establish a **new product development process** through the following **steps**:



1. Generating ideas: a systematic search for new product ideas, going to different sources and using a variety of methods.

Possible sources of ideas include current customers, employees, distributors, suppliers, scientists or inventors, production personnel, engineers, competitors, marketing consultants and trend analysts.

Methods for obtaining ideas can be informal (conversations with sales personnel, calls or messages from customers) or formal. Formal methods include brainstorming, synectics, morphological analysis, and most recently, crowdsourcing.

- Brainstorming: a spontaneous, unfiltered meeting of all kinds of people who contribute ideas to the topic, with no criticism by those present, which are gathered for subsequent examination.
- Synectics: a more structured brainstorming session using two psychological mechanisms: "making the strange familiar" and "making the familiar strange".
- Morphological analysis: a method for stimulating creativity which looks for all the theoretical solutions to a problem and lists the essential elements in all the solutions.
- Crowdsourcing: inviting a very large group of people (consumers, employees, researchers, the general public) to participate in the product innovation process.

2. Screening the ideas: a process of selecting the new product ideas in order to identify the good ones and discard non-viable or bad ideas. New product development is expensive and, therefore, companies prefer to focus on ideas which can easily become products. Marketers use three concepts for screening ideas:

Real: Is there a real desire or need for the product? Will consumers buy it?

Win: Will the product give the company a real competitive advantage?

Worth: Does the product offer enough potential profit?

3. Developing and testing the concept: an attractive idea is developed until it becomes a product concept – i.e., a detailed description of the product idea, usually in terms the consumer can understand.

Testing the concept involves finding out how consumers interpret and evaluate the product concept. This is normally done in consumer focus groups (qualitative research).

4. Designing the marketing strategy: after the concept is tested, the next step is to develop a tentative strategy for the product. To be as realistic as possible, it should include elements like a description of the target market, the desired positioning, predicted sales, possible market share, profits, price, distribution and suitable promotion methods.

This is a first strategy proposal which will be changed as often as necessary throughout the process.

5. Business analysis: assessing the business attractiveness of the new product should include an estimation of sales, costs and predicted profits to see whether the new product will meet the company's goals.

6. Product development: until now the company has only had a verbal description, a drawing or a model of the new product; at this stage, a prototype or preliminary version will be produced. This enables testing production viability, troubleshooting, estimating costs and testing functions, so the company can decide if the initial idea can become a viable product.

There is often a **product test** by means of which prototypes are tested by a selected group of consumers.

7. Market test: the prototype goes on to a more realistic market environment. Normally the new product goes onto the market, but on a small scale.

This gives a realistic estimate of how the product will be accepted by the market, and whether any changes should be made to the planned marketing strategy.

The major disadvantage is that competitors will be alerted to the company's plans.

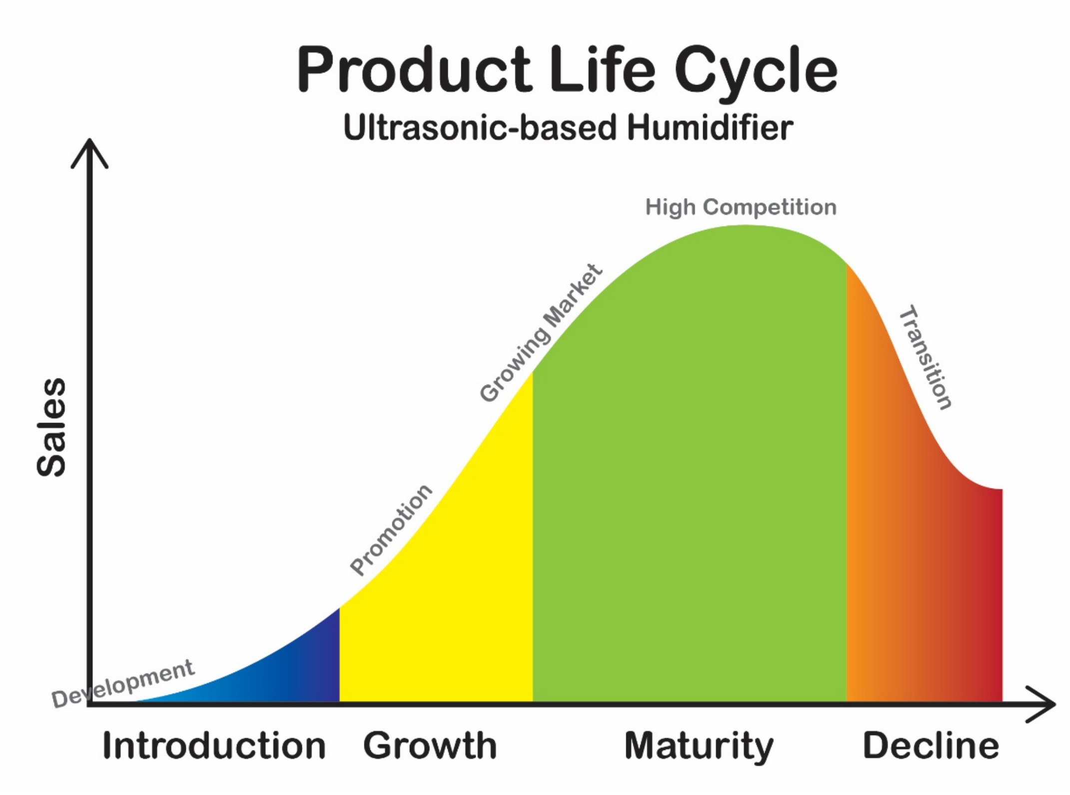
8. Commercialise: if the previous steps were satisfactory, the company will subject the project to a final check and launch the product on the market, where its real marketing will begin.

3. The product life cycle

All products go through a series of stages from their launch to their disappearance from the market, which we call the life cycle.

The life cycle of a product can be tracked through its sales and profits, which usually increase at the beginning and gradually decrease at the end.

The figure below shows a **typical product life cycle**.



Throughout its life, a product **will be influenced** by market behaviour, environment and competition. Consequently, the marketing strategy and tools will vary depending on the stage in the life cycle.

The product life cycle is divided into several **phases:**

- Introduction
- Growth
- Maturity
- Decline

The duration of these phases will depend on the product itself, the market, the competition, etc.

The table below summarises the marketing characteristics, goals and strategies at each stage of the product life cycle.

	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and innovators	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain most loyal customers
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

Topic 8: Promotion. The communications mix.

1. Introduction

As we have seen, the product is the basis of the commercial strategy, while the marketing tool which helps us **present the product to the consumer with a clear, powerful and attractive message** is promotion.

This topic examines all the tools of integrated marketing communications and the process of developing effective communications.

2. Promotion or integrated marketing communications

Promotion is basically communication: the seller transmits information about a product, product range or company to the buyer.

Promotion uses **a range of media** and its ultimate aim is to **stimulate demand** for the product.

Promotion has three goals:

- Inform people of the existence of the product, its features and benefits.
- Persuade potential buyers of the product's benefits and stimulate buying.
- Remind current customers of the existence of the product.

The promotion concept includes a set of communications with the target market.

- Personal selling
- Advertising
- Public relations
- Sales promotion
- Direct marketing
- Online marketing

3. The marketing communications mix

A company's communications mix is the **set of advertising, sales promotion, personal selling, direct marketing and digital marketing tools that the company uses to persuade customers of the value of its products and create relationships with them.**

Depending on the state of the market, the consumers, the product and the company's goals, marketers will use one or more of these tools in their **promotion strategy.**

3.1. Advertising: the transmission of paid, non-personal information through mass media in the form of advertisements or inserts, paid for by the vendor, with a message controlled by the advertiser, in order to present and promote ideas, products and services. Advertisements can be placed on the radio, TV, print media, billboards and all the new media which have arisen thanks to the internet, etc.

3.2. Sales promotion: activities using material or economic incentives to directly or immediately stimulate short-term demand for a product or service. These include discounts, coupons, point of sale displays, product demonstrations, etc.

3.3. Personal selling: in-person presentations given by members of the company's sales team conveying information directly to a specific potential customer and simultaneously receiving feedback. Its purpose is to present and convince the potential buyer of the benefits of the product or service.

3.4 Public relations: creating a good relationship with the company's different audiences and gaining favourable publicity, creating a good "corporate image" and resolving or eliminating rumours, unflattering information or unfavourable events. Public relations activities include press releases, sponsorships and company events.

3.5 Direct marketing: direct contacts with individual carefully selected customers to elicit an immediate response and cultivate long-lasting customer relationships. There are two types of direct marketing tools:

- Traditional media
- **Online marketing**, which uses all types of internet interface (websites, blogs, email, online media), smartphones, tablets, social networks and mobile apps.

4. Managing marketing communications

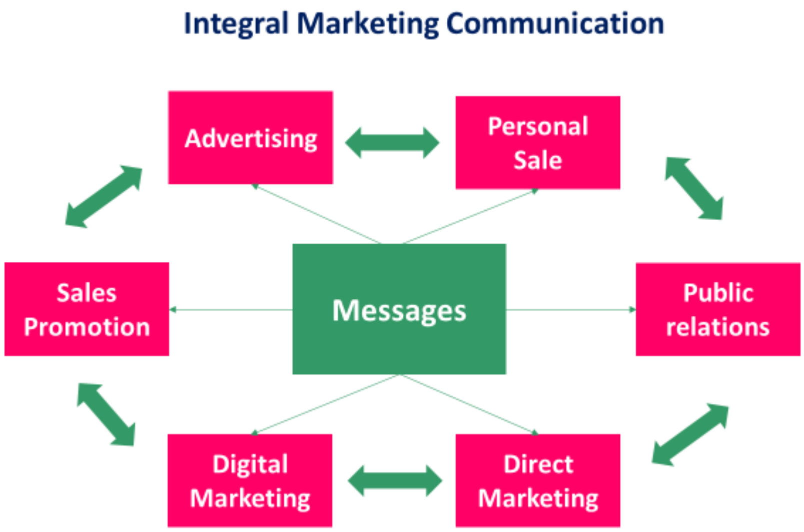
Marketing communications were traditionally used to advertise mass market products, so the usual model used mass media to bring a message to a massive customer base.

In recent decades, **several factors have changed companies' communication strategies**.

On one hand, new digital technology is leading to surprising changes in the way companies and customers communicate with each other.

On the other, consumers have more and more access to information and can compare what they are told by marketing departments with other information online or see reviews by other consumers on social networks.

These factors have created a **new marketing communications model** which is more social, more focused and more attractive, and open up a vast range of possibilities which marketers must take into account in their communication strategy and mix. **They must analyse all communication options (analogue and digital) and create the best mix for their needs and goals**. The difficult part is grouping all the media in an organised and effective way. To do this, companies are adopting the integrated marketing communications concept.



Stages of developing an effective integrated communications programme.

1. Identifying the target audience: they must analyse very carefully who they want their message to reach, as the message, channels or symbols they use will vary depending on the selected audience. The target audience has considerable influence on decisions about what we are going to say, and how, when, where and to whom we are going to say it.

2. Defining the communications goal: deciding what response they want from the audience. Logically, the ultimate goal of all communication is to encourage buying the product, but the consumer may currently be at different stages in the willingness-to-buy process (awareness, knowledge, taste, preference, conviction and purchase). Our objective will depend on where the audience is in the process.

3. Designing the message: communicators must develop an effective message to elicit the desired response from the audience. Ideally, the message will draw attention, retain interest, create desire and prompt action (which we call the AIDA model). When the message is created, the marketer must decide on the content (what it will say) and the structure and format (how it will say it).

4. Choosing media: preparing a proposal on the communication channels to be used. There are two main types of communication channel:

- **Personal:** when two or more people communicate directly with each other. They may communicate face to face, or by phone, post, email, mobile messaging apps, etc.
- **Impersonal:** print media (newspapers, magazines), broadcast media (radio, television), display media (billboards, posters, panels) and online media (email, social networks websites).

5. Selecting the message source: the impact of the message on the target audience will be affected by how the audience perceives the communicator. Messages transmitted by credible sources are more persuasive.

6. Gathering feedback: assessing the impact on the target audience. This means asking the receivers of the message if they remember it, how many times they saw it, what they remember about it, how they feel about it, and their past and present attitudes to the product and the company. We also have to measure the behaviour caused by the message: how many people bought the product, visited the website or shop, talked to other people about it, etc.

Based on the information obtained, the marketer may decide to continue with the communication as it is or make changes.

5. Advertising

All forms of non-personal communication paid for by a company to present or promote ideas, products and services.

Companies usually turn to **advertising agencies** for their advertising campaigns. These are marketing service companies which help marketers to plan, prepare, execute and assess their advertising programmes. Agencies usually create the message, design the materials and plan media buying.

When developing an advertising campaign, we need to take four important elements into account:

5.1. The goals of the advertising: each advertising campaign has a specific goal or communication task and aims to reach a specific target audience in a specific timespan. The goal of the advertising may be:

- **Informative:** communicating value for the customer, creating a brand image, informing the market about a new product, explaining how the product works, reporting a change in price, describing the available services, correcting a false impression, etc.
- **Persuasive:** creating a preference for the brand, promoting a switch to a brand, changing the perception of the attributes of a product, persuading customers to buy now, etc.
- **Reminder:** reminding customers that they may need a product, reminding them where to buy the product, keeping the brand top-of-mind, etc.

5.2. The advertising budget: deciding on the money and other resources to be allocated to the advertising campaign.

There is no specific method for deciding on a budget, but most companies are guided by their overall marketing budget. In any case, it is important to take into account market elements when deciding how much to spend advertising a product:

- A new product requires a large budget to raise awareness and get consumers to try the product. Meanwhile, a mature brand does not need a lot of advertising.
- A brand in a highly competitive market needs a large budget to be noticed.

- A product which is not differentiated from competing products will need more advertising than one which can launch a message with a clear difference giving it a competitive advantage.

5.3. Advertising strategy: how a company tries to reach its advertising goals. This consists of two elements: creating the messages and choosing the advertising media.

5.3.1. The message: the creation of an advertising message begins with the marketer creating the **brief** and delivering it to the agency. This document contains information on the product and the market, the campaign goals, the message to transmit, the target audience, the available budget, an estimated timeline, and any other relevant information.

Based on the brief, the agency creates the **message**: "what" the campaign will say, the combination of words, illustrations, images, sign and signals which will transmit one or more ideas. The words in the message are called **copy**. A vital part of the message is the **claim** or **slogan**: a short phrase summing up the message, like a headline.

The message will be expressed on a specific medium with a specified size, duration, typography, colours, arrangement of the text, illustrations, images, etc: the **advert layout.**

5.3.2. Media: advertising media are the communication channels used to transmit a message (radio, television, print media, digital media).

No medium is intrinsically better than another. The marketer's job is to select the right medium or media for the campaign. This selection is usually done working with the advertising agency or **media planning company**, companies which specialise in choosing the right media for each campaign.

The effectiveness of each medium is measured in terms of its **audience**: the number of people exposed to that medium. In other words, the set of people who watch a TV channel, read a newspaper, visit a digital medium, etc.

Media planning for a campaign must take into account the following elements:

Coverage: the number of people who will be reached at least once by an advert on a medium.

Frequency: the number of exposures which will be received by the people reached by an advert on a medium.

Total exposure: the result of multiplying coverage by frequency. The same number of exposures can be achieved with different coverages and frequencies.

5.4. Evaluating results: strictly speaking, the effectiveness of advertising should be measured in terms of sales or changed behaviour, but in practice this is impossible and, therefore, it is measured based on the extent to which the previously defined goals are met.

Marketers can also use commercial research to measure the effectiveness of advertising through two tools:

- **Pre-testing**: performed before the campaign to test whether the message has the required persuasive value and is understood. This is normally done with focus groups.

- **Post-testing**: checking how well the campaign goals were achieved, focusing on finding out how many people remember the advert, whether the message is associated with the brand, or what brand attitude was created by the advert. Carried out by means of surveys.

6. Public relations

Public relations (PR) are the planned application of techniques designed to create reciprocal communication, knowledge and understanding between a company or institution and its target audience.

Public relations involve creating news stories and press releases, holding press conferences, presentations and demonstrations, sponsoring events and social occasions, holding conferences and other activities which attract the attention of the media and their audience, in order to convey favourable messages about the product or the company.

Public relations usually include aspects of the corporate image and, consequently, the target audience is broader, including shareholders, suppliers, creditors, employees, unions, associations, opinion leaders, etc.

Public relations may be:

- **Internal**: for people who work within the organisation.
- **External**: for various audiences outside the organisation.

The differentiating **characteristics** of public relations are:

- Seeking the **trust** of the target audience.
- Addressing **many different audiences**.
- **Non-repetitive** communication. In fact, repetition of the same news item creates mistrust.
- The message must be more **subtle** than in other forms of promotion.
- The message is **more credible**, especially if transmitted in the form of news, reports or comments by important people or institutions not connected to the company.

There are many different public relations **instruments** available to marketers. The following are the most important:

- **External communications and relations with the media**: the company generates information to be disseminated via the media in the form of news, reportage, comments, interviews and reports. The medium, not the company, controls and creates the message, essentially providing free publicity, which is also highly effective given the credibility of the source.
- **Sponsorship and patronage**: funding and supporting social and cultural events and initiatives in order to create a favourable image of the sponsor among the audience for those activities. Patronage centres on funding artistic and cultural activities. It is relatively altruistic, taking place over the long term and improving the perception of the company’s value to society. Meanwhile, sponsorship is linked to advertising practices for commercial purposes and to obtain a direct benefit.

- **Internal relations**: the norms, customs and peculiarities of each company form what we call the company culture. This can appear spontaneously, but when a company wants to introduce a certain culture it can apply PR techniques in its relationship with its employees.

7. Sales promotion

A set of short-term activities using financial or material incentives or specific actions to stimulate short-term demand. Sales promotion uses instruments such as seasonal sales, discounts, free samples, coupons, gifts, prizes, competitions, point of sale advertising, demonstrations, expositions and trade fairs.

Sales promotion is usually supplemented by advertising for greater effectiveness by publicising the existence of the promotion and stimulating consumer participation.

When planning a sales promotion, marketers will have to decide who the target audience is, because this determines the goals of the sales promotion:

- Intermediaries: the promotion is designed to motivate them to make certain sales efforts, allocate more space to the product, or increase the number of points of sale.
- Salespersons: they can be motivated by a promotion to intensify their efforts and improve their performance.
- Consumers: stimulating short-term demand, in the form of more frequent purchases or by attracting new consumers. These methods should not be used too often as they can have undesirable effects, such as reducing subsequent sales or encouraging consumers to buy only in promotional periods.

For a sales promotion to be successful it must meet a set of **requirements:**

- It meets specific needs or goals
- Short
- Easy
- Occasional
- Well-publicised
- Aimed at a specific target audience
- In line with the product image

8. Personal selling

A personal presentation of a company's products by its salespeople in order to close a sale and create a relationship with customers.

Personal selling is the interpersonal branch of the communications mix, as it involves two-way communication between the salesperson and individual customers, whether face-to-face, by phone, email or videoconference, or via any other means. It can be more effective than advertising when an item is difficult to sell, because the salespeople can ask customers for more details about their problems, needs and wants and then adjust their presentation to suit them.

A company's sales take place in the **sales network**, which is the company's main connection to its customers, and has a double function:

- Representing the company to the customers
- Representing the customers to the company

The **structure** of the sales network varies from company to company. Some companies organise their sales network territorially, others by products or by customers.

There are companies with no sales network at all (such as web-only brands), but most have a sales network, which will vary in size according to the product range.

9. Traditional and digital direct marketing

Direct marketing is direct communication with individual consumers and consumer communities to obtain an immediate response and establish long-lasting relationships with customers. Companies use direct marketing to personalise their offerings and content according to the needs and interests of well-defined market segments or individual buyers.

We will now examine the tools of **traditional direct marketing**.

- **Direct mail marketing**: sending an offer, an advertisement, a reminder or other messages to a person at a specified address. Direct mail marketing companies use databases for market segmentation.
- **Catalogue marketing**: sending print, electronic or video catalogues to selected customers.
- **Telemarketing**: using the telephone to sell directly to customers.

Topic 9: Digital marketing

1. Introduction

The spread of the internet and advances in digital technology have generated a new form of marketing which is developing rapidly: **digital marketing.**

This is the use of digital marketing tools such as websites, social networks, mobile apps and adverts, online videos, email and blogs to attract anywhere, anytime, through their digital devices (laptops, PCs, tablets, smartphones, internet-ready TVs and any other digital device).

These days people can go online to find information, research brands and products, and communicate with other people whenever they want, wherever they are – the digital era has revolutionised how consumers understand convenience, speed, pricing, product information, services and interacting with brands. As a result, marketers now have a totally new way to create value for customers, attract consumers and establish relationships with them.

Digital marketing may take **different forms**, shown in the figure below. In this topic we will analyse each one.

Managing digital marketing is complex and requires specific expertise and experience, hence companies often hire experts in the different disciplines and tools.

Digital marketing	
Online marketing	Websites, online advertising, email, online videos, blogs
Social marketing	Marketing on social networks
Mobile marketing	Marketing on mobile devices

2. Online marketing

Marketing which takes place on the internet, using company websites, online advertising and videos, email and blogs.

Social and mobile marketing also takes place online and should be coordinated, but as the two have special characteristics we will study them separately.

2.1. Websites: The first step in online marketing is creating a company website. Websites vary widely according to their purpose and content, but the two main types are:

- **Marketing website:** designed to attract consumers and guide them directly to buy or to another marketing outcome.

- **Online brand community**: designed to present branded content and create a virtual community linked to the brand. They usually have a large variety of information on the brand, videos and activities for establishing a closer relationship with consumers, creating a connection between the brand and the customers, and among the customers themselves.

Once the website has been created, the goal is to get people to visit it. Therefore, we will need to **direct traffic to the website** with advertisements in print media, links from other websites, and interesting content. In the online world **content is king** – as well as a user-friendly site (visually attractive and easy to use), consumers are looking for interesting information.

2.2. Online advertising: Online advertising appears when consumers are browsing the internet, and includes interactive multimedia adverts, search engine advertising, online classified adverts, and other forms. Let us look at the two **main types of online advertising**:

- **Display advertising:** this may appear at any time on users' screens, normally relating to the content they are seeing (banners, etc.).
- **Search engine advertising**: also called contextual advertising – these are text and image advertisements appearing before or next to search results in search engines like Google (e.g., a Google search for sunglasses will bring up several adverts in the list of results).

2.3. Email marketing

Sending highly personalised emails directed specifically to target consumers, with marketing messages.

This can be a very advantageous form of direct marketing because it lets marketers send highly personalised or customised messages to well-defined target consumers and establish successful relationships.

But email also has a dark side which companies must be sure to avoid: **spam**, unwanted and annoying marketing emails which clog up consumers' email accounts. For this reason, we must always use **opt-in email marketing**: sending emails only to the customers or consumers who choose to receive them.

2.4. Online videos

Placing videos online on company websites or social networks (YouTube, Facebook, etc). These may be videos of assembly instructions, public relations items, brand promotions or entertainment relating to the brand.

A good online video can attract thousands of consumers, and the idea is for a video to go viral. **Viral marketing** is the digital version of "word of mouth": creating videos that are so attractive that the consumers themselves choose to share them with friends and acquaintances.

2.3. Blogs and online forums

Blogs and forums are where people and companies publish their own thoughts and other types of content, usually relating to a specific subject, thus attracting groups of people with shared interests.

Marketers can create a blog to generate a community around the brand-related content they publish or can be active on third-party blogs or forums on subjects relating to or of interest to their product.

3. Social marketing

Social media are commercial and independent social networks where people gather to socialise and share messages, photographs, videos and other content. In recent years their growth has been spectacular, and it is now hard to find anyone who does not use Facebook, Twitter, YouTube, LinkedIn, Instagram, etc.

We can use social media in two ways: using existing media or creating our own.

The former is much more common, because it would be hard for a private network to become as popular as the larger social networks. To give you an idea, 1.6 billion people use Facebook every month, and YouTube has over a billion users.

Using social networks for marketing has considerable **advantages**:

- **Immediate and timely:** it is possible to reach consumers anywhere, anytime, and transmit relevant, timely marketing content.
- **Efficient:** many social networks are free or cheap to use, which means that the return on investment is very high compared with traditional media.
- **Capacity for attraction and participation**: social networks are ideal for attracting consumers, getting them involved in brands and encouraging them to share content.

But there are also disadvantages:

- **Management**: using social networks effectively is not easy and requires experts with specialist skills and experience, and many companies are frustrated to find that after creating their own social network presence they are not sure how to use them.
- **Difficult access to results**: being able to see the results of a social network campaign requires using tools like Google Analytics, Google Tag Manager, Semrush, Weloveroi, etc. which are not part of marketers' usual skill set.
- **Lack of control**: users control their own use of social networks. Therefore, once their content is launched, companies have little control over it, and a campaign can become a problem if users do not respond positively to it.

4. Mobile marketing

Messages, promotions and other marketing content sent to consumers via mobile devices.

This method is used to attract consumers anywhere and anytime during the buying and relationship-building processes.

The increasing use of mobile devices and internet access via mobile phones has made mobile marketing essential for most companies.

Companies use mobile marketing for different goals:

- Stimulating an immediate purchase
- Making it easier to buy
- Enriching the brand experience

Mobile marketing can offer consumers information, incentives and special options as soon as they express an interest, or when they are about to make a buying decision.

Marketers can propose that their companies create websites adapted for mobile devices, or useful and entertaining apps which bring consumers closer to the brand and help them make buying decisions.