

Marketing Processes and Consumer Behavior

chapter # 11

Introduction

- **In this chapter we**
 - discuss these marketing basics like the marketing plan and components of the marketing mix, as well as target marketing and market segmentation.
 - explore key factors that influence consumer and organizational buying processes.

learning objectives

- 1. Explain the concept of marketing and identify the five forces that constitute the external marketing environment*
- 2. Explain the purpose of a marketing plan and identify its main components*
- 3. Explain market segmentation and how it is used in target marketing*
- 4. Discuss the purpose of marketing research, and compare the four marketing research methods*

learning objectives

- 5. Describe the consumer buying process and the key factors that influence that process.*
- 6. Discuss the four categories of organizational markets, and the characteristics of Business-to-Business (B2B) buying behavior*
- 7. Discuss the marketing mix as it applies to small business*

What Is Marketing?

- **Marketing**

- organizational function and a set of processes for creating, communicating, and delivering value to customers, and for managing customer relationships in ways that benefit the organization and its stakeholders

Delivering Value

- **Value**
 - relative comparison of a product's benefits versus its costs

$$\text{Value} = \frac{\text{Benefits}}{\text{Costs}}$$

Delivering Value (cont.)

A company may:

- develop an entirely new product that performs better than existing products
- keep a store open longer hours during a busy season
- offer price reductions
- offer information that explains how a product can be used in new ways

Value and Utility

- **Utility**

- ability of a product to satisfy a human want or need



Goods, Services, and Ideas

- **Consumer Goods**

- physical products purchased by consumers for personal use

- **Industrial Goods**

- physical products purchased by companies to produce other products

- **Services**

- products having nonphysical features, such as information, expertise, or an activity that can be purchased

Relationship Marketing and Customer Relationship Management

- **Relationship Marketing**
 - marketing strategy that emphasizes building lasting relationships with customers and suppliers
- **Customer Relationship Management (CRM)**
 - organized methods that a firm uses to build better information connections with clients, so that stronger company-client relationships are developed
- **Data Warehousing**
 - the collection, storage, and retrieval of data in electronic files

The External Marketing Environment



FIGURE 11.1 The External Marketing Environment

The Marketing Environment

- **Political-Legal Environment**

- the relationship between business and government, usually in the form of government regulation of business

- **Sociocultural Environment**

- the customs, mores, values, and demographic characteristics of the society in which an organization functions

The Marketing Environment (cont.)

- **Technological Environment**
 - all the ways by which firms create value for their constituents
- **Economic Environment**
 - relevant conditions that exist in the economic system in which a company operates

Competitive Environment

- **Substitute Product**
 - product that is dissimilar from those of competitors, but that can fulfill the same need
- **Brand Competition**
 - competitive marketing that appeals to consumer perceptions of benefits of products offered by particular companies
- **International Competition**
 - competitive marketing of domestic products against foreign products

Strategy: The Marketing Mix

- **Marketing Plan**

- detailed strategy for focusing marketing efforts on consumers' needs and wants

- **Marketing Objectives**

- the things marketing intends to accomplish in its marketing plan

- **Marketing Manager**

- manager who plans and implements the marketing activities that result in the transfer of products from producer to consumer

Components of the Marketing Plan

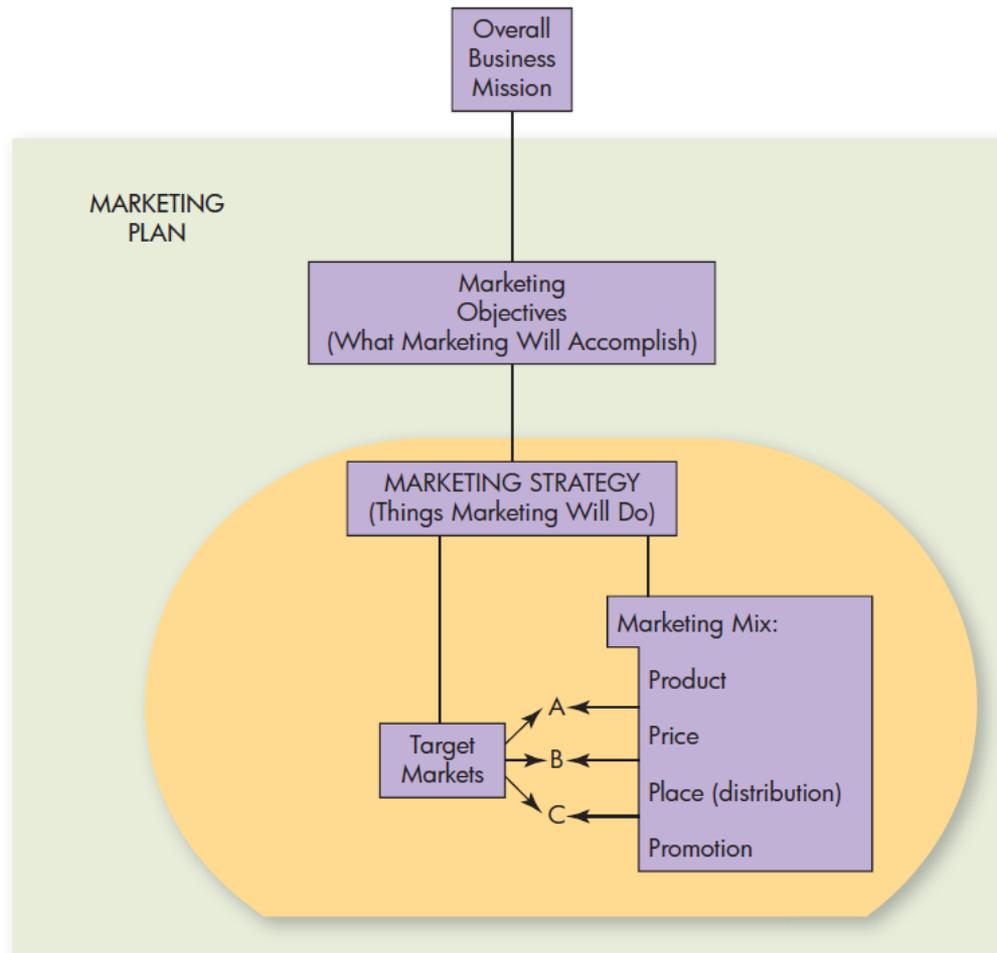


FIGURE 11.2 Components of the Marketing Plan

Strategy: The Marketing Mix

- **Product**

- good, service, or idea that is marketed to fill consumers' needs and wants

- **Product Differentiation**

- creation of a product feature or product image that differs enough from existing products to attract customers

Strategy: The Marketing Mix (cont.)

- **Pricing**

- process of determining the best price at which to sell a product

- **Place (Distribution)**

- part of the marketing mix concerned with getting products from producers to consumers

- **Promotion**

- aspect of the marketing mix concerned with the most effective techniques for communicating information about products

Promotion

- **Advertising**

- any form of paid non-personal communication used by an identified sponsor to persuade or inform potential buyers about a product

- **Personal Selling**

- person-to person sales

Promotion (cont.)

- **Sales Promotion**

- direct inducements such as premiums, coupons, and package inserts to tempt consumers to buy products

- **Public Relations**

- communication efforts directed at building goodwill and favorable attitudes in the minds of the public toward the organization and its products

Integrated Strategy

- **Integrated Marketing Strategy**

- strategy that blends together the Four Ps of marketing to ensure their compatibility with one another, as well as with the company's non-marketing activities

Target Marketing and Market Segmentation

- **Target Market**

- group of people who have similar wants and needs and can be expected to show interest in the same products

- **Market Segmentation**

- process of dividing a market into categories of customer types, or “segments”

- **Product Positioning**

- process of fixing, adapting, and communicating the nature of a product

Identifying Market Segments

- **Geographic Variables**

- geographic units that may be considered in developing a segmentation strategy

- **Geographic Segmentation**

- geographic units, from countries to neighborhoods, that may be considered in identifying different market segments in a segmentation strategy

Identifying Market Segments (cont.)

- **Demographic Variables**
 - characteristics of populations that may be considered in developing a segmentation strategy
- **Demographic Segmentation**
 - a segmentation strategy that uses demographic characteristics to identify different market segments

Demographic Variables

table 11.1 Demographic Variables

Age	Under 5, 5–11, 12–19, 20–34, 35–49, 50–64, 65+
Education	Grade school or less, some high school, graduated high school, some college, college degree, advanced degree
Family Life Cycle	Young single, young married without children, young married with children, older married with children under 18, older married without children under 18, older single, other
Family Size	1, 2–3, 4–5, 6+
Income	Less than \$15,000, \$15,000–\$24,999, \$25,000–\$50,000, \$50,000–\$100,000, \$100,000–\$200,000, more than \$200,000
Nationality	African, American, Asian, British, Eastern European, French, German, Irish, Italian, Latin American, Middle Eastern, Scandinavian
Race	American Indian, Asian, African American, Caucasian
Religion	Buddhist, Catholic, Hindu, Jewish, Muslim, Protestant
Gender	Male, female

Identifying Market Segments

- **Geo-Demographic Variables**

- combination of geographic and demographic traits used in developing a segmentation strategy

- **Geo-Demographic Segmentation**

- using a combination of geographic and demographic traits for identifying different market segments in a segmentation strategy

Identifying Market Segments (cont.)

- **Psychographic Variables**
 - consumer characteristics, such as lifestyles, opinions, interests, and attitudes that may be considered in developing a segmentation strategy
- **Psychographic Segmentation**
 - a segmentation strategy that uses psychographic characteristics to identify different market segments

Identifying Market Segments (cont.)

- **Behavioral Variables**
 - behavioral patterns displayed by groups of consumers and that are used in developing a segmentation strategy
- **Behavioral Segmentation**
 - a segmentation strategy that uses behavioral variables to identify different market segments

Marketing Research

- **Marketing Research**
 - the study of what customers need and want and how best to meet those needs and wants

Marketing Research (cont.)

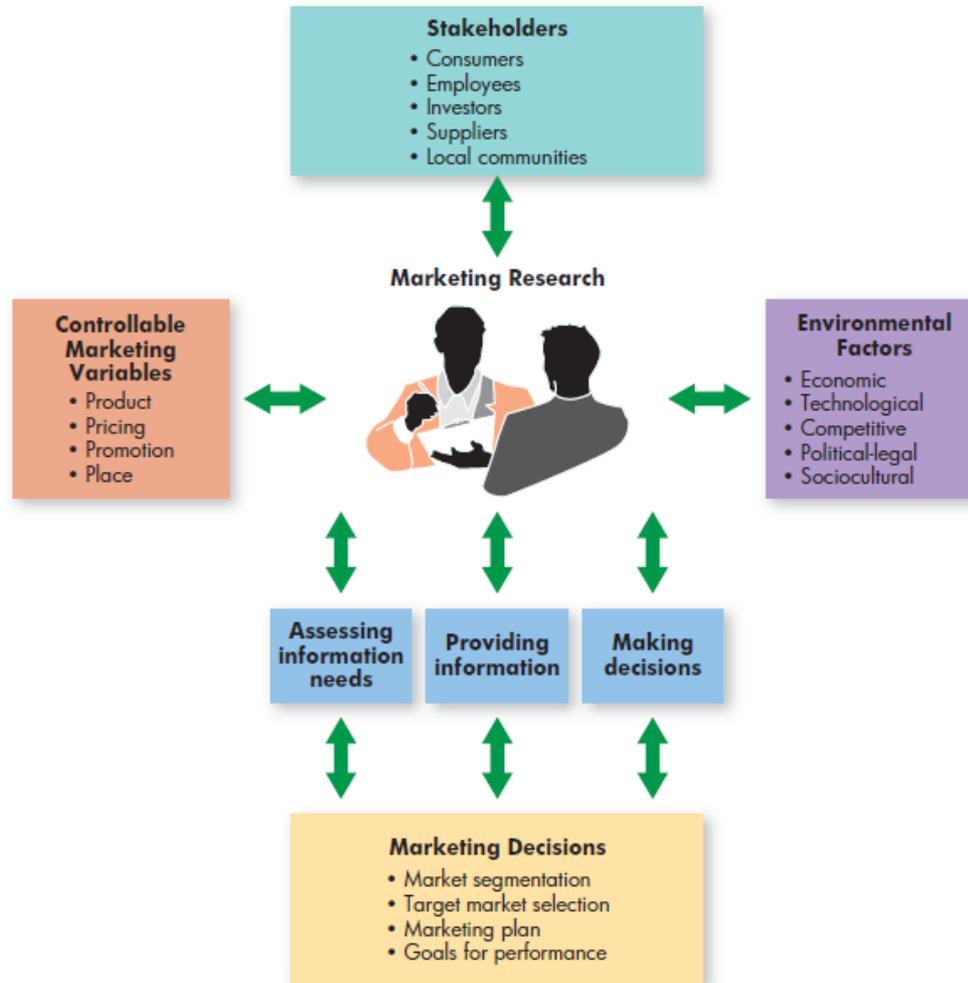


FIGURE 11.3 Market Research and the Marketing Process

The Research Process

- 1. Study the current situation*
- 2. Select a research method*
- 3. Collect data*
- 4. Analyze the data*
- 5. Prepare a report*

Research Data

- **Secondary Data**

- data that are already available from previous research

- **Primary Data**

- new data that are collected from newly performed research

Research Methods

- **Observation**

- research method that obtains data by watching and recording consumer behavior

- **Survey**

- research method of collecting consumer data using questionnaires, telephone calls, and face-to-face interviews

Research Methods (cont.)

- **Focus Group**

- research method using a group of people from a larger population who are asked their attitudes, opinions, and beliefs about a product in an open discussion

- **Experimentation**

- research method using a sample of potential consumers to obtain reactions to test versions of new products or variations of existing products

Understanding Consumer Behavior

- **Consumer Behavior**

- study of the decision process by which people buy and consume products

- **Psychological Influences**

- include an individual's motivations, perceptions, ability to learn, and attitudes that marketers use to study buying behavior

- **Personal Influences**

- include lifestyle, personality, and economic status that marketers use to study buying behavior

Understanding Consumer Behavior (cont.)

- **Social Influences**

- include family, opinion leaders (people whose opinions are sought by others), and such reference groups as friends, coworkers, and professional associates that marketers use to study buying behavior

- **Cultural Influences**

- include culture, subculture, and social class influences that marketers use to study buying behavior

Understanding Consumer Behavior (cont.)

- **Brand Loyalty**

- pattern of regular consumer purchasing based on satisfaction with a product's performance

The Consumer Buying Process

- **Evoked Set (or Consideration Set)**
 - group of products consumers will consider buying as a result of information search
- **Rational Motives**
 - reasons for purchasing a product that are based on a logical evaluation of product attributes
- **Emotional Motives**
 - reasons for purchasing a product that are based on nonobjective factors

The Consumer Buying Process (cont.)

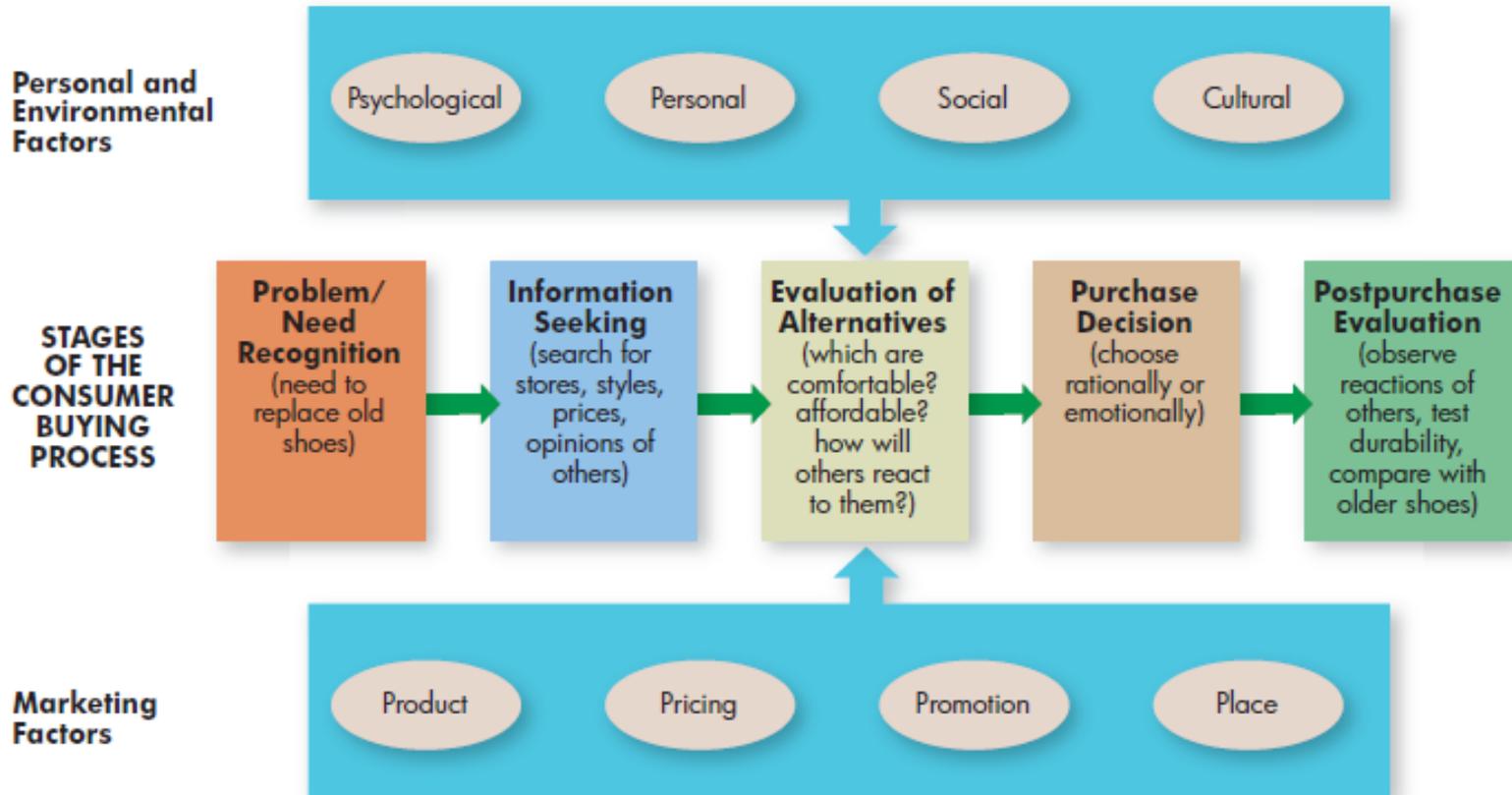


FIGURE 11.4 The Consumer Buying Process

Business Marketing

- **Services Companies Market**
 - firms engaged in the business of providing services to the purchasing public
- **Industrial Market**
 - organizational market consisting of firms that buy goods that are either converted into products or used during production
- **Reseller Market**
 - organizational market consisting of intermediaries that buy and resell finished goods

B2B Buying Behavior

1. Industrial buyers buy in bulk or large quantities
2. B2B buyers are trained in methods for negotiating purchase terms
3. Industrial buyers are company specialists in a line of items and are often experts about the products they buy

Business Marketing

- **Institutional Market**

- organizational market consisting of such nongovernmental buyers of goods and services as hospitals, churches, museums, and charitable organizations

Social Media and Marketing

- **Social Networking**

- network of communications that flow among people and organizations interacting through an online platform

- **Social Networking Media**

- websites or access channels, such as Facebook, Twitter, LinkedIn, and YouTube, to which consumers go for information and discussions

Social Media and Marketing (cont.)

- **Viral Marketing**

- type of marketing that relies on the Internet to spread information like a “virus” from person to person about products and ideas

- **Corporate Blogs**

- comments and opinions published on the Web by or for an organization to promote its activities

The International Marketing Mix

- **International Products**
 - some products can be sold abroad with virtually no changes
- **International Pricing**
 - marketers must consider the higher costs of transporting and selling products abroad
- **International Distribution**
 - companies with existing distribution systems often enjoy an advantage
- **International Promotion**
 - often U.S. promotional tactics do not succeed in other countries.

Small Business and the Marketing Mix

- **Small-Business Products**
 - product failures due to lack of market potential or marketing to the wrong target market segments
- **Small-Business Pricing**
 - losses due to pricing errors resulting from underestimating operating expenses
- **Small-Business Distribution**
 - poor location choice fails to attract customers
- **Small-Business Promotion**
 - careful promotion can reduce expenses

Applying What You've Learned

1. **Explain** the concept of marketing and identify the five forces that constitute the external marketing environment
2. **Explain** the purpose of a marketing plan and identify its main components
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4. **Discuss** the purpose of marketing research, and compare the four marketing research methods

Applying What You've Learned (cont.)

- 5. Describe** the consumer buying process and the key factors that influence that process.
- 6. Discuss** the four categories of organizational markets, and the characteristics of Business-to-Business (B2B) buying behavior
- 7. Discuss** the marketing mix as it applies to small business



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