INFO 464, Chap.2

MARKETING ENVIRONMENT

The **market environment** is a marketing term and refers to factors and forces that affect a firm's ability to build and maintain successful relationships with customers.

Three levels of the environment are:

- **Micro (internal) environme**nt - small forces within the company that affect its ability to serve its customers. It includes the company itself, its suppliers, marketing intermediaries, customer markets and publics.
- **Meso environment** – the industry in which a company operates and the industry's market(s) say –'Marketing intermediaries'.

Marketing intermediaries help to sell, promote, and distribute goods. Intermediaries take many forms:

- Resellers
- Physical distribution firms
- Marketing services agencies
- Financial intermediaries
- Customer markets must be studied.
- Market types
- Consumer
- Business
- Government
- International

- **Macro (national) environment -** larger societal forces that affect the microenvironment.
- The macro environment refers to all forces that are part of the larger society and affect the microenvironment. It includes concepts such as demography, economy, natural forces, technology, politics, and culture.

2.1 Marketing Information

- Information Marketing is measurable communication aimed at increasing knowledge and creating competence within the target groups.

Three Information Marketing imperatives are:

1. Focus in users' motivation and learning situation.
2. Combine pedagogic and marketing approaches.
3. Take full advantage of the digital networked environment.

- By motive, we refer to the motive of the end-users of training
- By measurability, referring to the transparency of the performance as well as the performance’s content-based assessment.
- We can offer our customers standard procedures and content suites for the various situations involved

Implementing business changes

- Organizations improve their competitiveness by enhancing their operations, through mergers, streamlining, by joining forces, and by outsourcing.
- Strategies, processes, and courses of action are changing at an ever-increasing pace. This demands new tools to ensure the execution of changes.
- e-learning and online deployment tools offer an excellent help in such challenges.

A skilled sales person sells more

- Electronic product training, communication and training within the sales channel, support services for launching events, as well as actual sales training in an online environment are efficient tools for promoting the growth of sales.

A skilled customer is a satisfied customer

- Customers shouldn’t be forgotten about after the deal. In order to build strong customer relationships, it is important to train and support the customer after making the deal – and before problems arise.
- By offering customers and partners online product and usage training, customer support services, and customer service portals, it is easier to ensure both the satisfaction and the level of know-how of your customers.

A competent worker is a more efficient worker

- Developing a personnel's competence and transferring an organization's quiet knowledge to new workers requires continuous training.
- Emphasize the continuity of activities and the creation of new courses of action in which levels of competence are measured and systematically developed toward set target levels.

Why e-learning?

- E-learning is an efficient training method, the use of which is growing rapidly with the event of the digitalization of operational environments and the globalization of business operations.
- Some of the central benefits that e-learning has to offer (to your company) perhaps – have been listed below:

a)Cost-efficiency

- An inexpensive form of training
- Savings in travel and accommodations expenses, working hours
- A part of face-to-face training can be substituted for with e-learning

b)Adaptability to different need

- Work-embedded learning – training and support available whenever they are needed
- Contents are easily profiled according to target groups (content, language)
- The availability of a range of levels suitable for target groups with different levels of competence
- If necessary, training can be arranged even to a single individual at a time

c) **The speed of services**

- Dissemination of training fast and cost-efficient
- Training programs can be carried out in a substantially shorter period of time
- Has the ability to reach extensive target groups fast and on a global scale – starting from one’s own organization all the way up to distribution channels aimed at partners.

d) **Follow-up and measurability**

- The progress of training and the feedback received from learners is easy to follow up on and assess throughout the period of training
- The performances and results are measurable and can be reported on

e) **Motivational**

- Standardizes and documents practical procedures
- Allows easy comparison of what it is that changes – comprehension and a feeling of security is enhanced
- Less unclarity and uncertainty, a shared language
- Enables the learner to give anonymous feedback
- The graphics and interactiveness are motivating factors – learning can even be fun!

f) **Up-to-date material**

- Materials are easy to bring up-to-date and maintain with low costs or without additional costs
- Links to existing databases, such as intranets or other digital sources of data

g)Environmentally friendly

- Reducing travel is easier on the environment!

  E-mail to a colleague

g) **Customer testimonials**

Comprehensive and positive user experience is the goal of e-learning.

- e-learning serves as an introduction into any given subject matter and can then be supplemented with workshops or the like.
- - Web-based orientation is a fine thing.

- In addition to creating e-learning courses, there are training management services, reporting services and project coordination for its customers.

Training Management Services

- Required service level – costs are dependent on the service level.
- Practical details of the piloting of the project as well as reporting.
- Measurement and reporting of the study results:
  - pre-evaluations
  - intermediate reports
  - final reports
- Administration of the reminder messages that motivate and activate students.

- User support
- Service and support – all from one place:
  - We respond to contact requests within 24 hours.
  - We serve during office hours, 8 am - 5 pm, on workdays.
  - Higher service level is available on request.
  - Service is provided in Finnish and in English, other languages available on request.

Technology services

- Some of the organizations plan and implement customer-specific, tailored application solutions.

2.2 Consumer and Business Buyer Behavior

- There is enormous variability in the way customers buy and use products. They may be the same product but put it to different uses. Some customers will buy a product after a lot of consultation, whereas others will make the purchase decision of the same product complete solitude.

- The types of behaviours that different customers demonstrate in buying and using the same product and the different types of behaviours that the same customer demonstrate in buying different products elevates marketing to a discipline much more intricate that product management.

- By studying the behaviour of customers it becomes possible to segment the market in new ways and serve them with different marketing mixes even if the product of the various marketing mixes may be the same. Alternately, differential offerings for various segments can be developed with different marketing mixes.

- Therefore in-depth analysis and knowledge of customers is a prerequisite for marketing. Consumer behaviour influences the choice of target markets and the nature of marketing mix developed to serve it.

Important questions to be asked about customers are:

- How do they buy?
- What are their choice criteria?
- Where do they buy from?
- When do they buy?

THE BUYER

- Many consumer purchases are done by individuals, but purchases are also made by groups such as a household. A number of individuals may interact to influence the purchase decision. Each person may assume a role in the decision-making process

- The person who starts the process of considering a purchase is the initiator, since he feels **INITIATOR** the need for the product.
- He may also initiate the search for information about the purchase decision on his own, or by involving others.

- **Influencer** gather information and attempt to impose their choice criteria on the decision.
- Influencers may be a part of the reference group of the initiator, experts in the particular categories, retailers, or other such individuals from whom information is sought.

- **PAYER** The payer is usually presumed to have a large influencing power on the product purchase as the spending power lies with him.
- **DECIDER** This may be the initiator or the payer or the user, depending on the dynamics of the decision-making process.
- **BUYER** Usually, the buyer is the only player whom the marketer can see being involved in the decision-making process.
- **USER** The product can be used by an individual, or the product may be used by a group.

- **One person may assume multiple roles in the decision-making process.** Depending on the product to be purchased, all the roles may be assumed by the same person.
- **Roles differ according to the product type being bought.** Women's role has been found to be stronger for household products. Respective roles may change according to product categories, and as purchasing process progresses.

THE BUYING PROCESS

- The buying process is divided into various stages — **Need recognition, Information search, Evaluation of alternatives, Purchase and Post-purchase evaluation of decisions.**

- The decision-making process begins with the recognition that a problem exists.
- The recognition of the problem may take place over a period of time. For instance, the need for a larger house may be realized by a family over many years.
- Unpredictable problems, for instance, breakdown of car.
- The problem recognition may be initiated by emotional or psychological needs, for instance, status.

- The magnitude of discrepancy between desired and present situation is important,
- A problem may be perceived, but if the difference between the current and desired situation is small, the consumer may not be motivated to seek a solution for the problem.
- **Relative importance of the problem is important.**
- **There may be need inhibitors which the consumer will have to overcome before he buys the product.**
- A consumer may have realized the need for a car but he maybe postponing the purchase because he does not know driving.

- The consumer, after recognizing the need for a product, searches for alternatives that may **INFORMATION SEARCH** fulfill his needs, and evaluates these alternatives on the basis of various choice criteria.
- In case the internal search for information is found to be insufficient, the consumer goes in for external search. External sources involve information collection from personal sources such as family, friends, and non-personal or commercial sources such as advertisements, retailers and other media sources.

- The screening process to narrow down the choice to a few brands may use different **EVALUATION OF** choice criteria from those used when making the final choice. Consumers use various **ALTERNATIVES** types of rules while arriving at the set of possible brands that can be considered for purchase.

PURCHASE AND POST PURCHASE EVALUATION OF DECISION

- Once the customer has zeroed in on the right choice, he purchases the product.
- The product can be purchased from retail stores, online, ordered by telephone or purchased directly from the company.
- The purchase process itself involves several more decisions.
- lt involves decisions about the place and mode of purchase, payment terms and conditions, delivery of the product, installment, training for usage of the product etc.
- Marketers can study each of these processes to discover sources of competitive advantage.

- Choice criteria are the various features and benefits a customer uses when evaluating products. These factors provide the basis for deciding to purchase one brand or another. Different members of the buying group may use different choice criteria.

2.3 Market Segmentation, Targeting and Positioning for Competitive Advantage

- Segmentation is the process of dividing the market of a product or service in small groups of customers. The customers in one group should (i) buy the product for some purpose, or (ii) use the product in the same way, or (iii) buy the product in the same way.

- But customers in one segment should be different from customers of any other segment one or more of the above parameters.
- Sportspersons buy Nike shoes to enhance their performance, whereas the same show are used as casual shoes by some other people.

CUSTOMER VALUE PROPOSITION

- Segmentation refers to the process of identifying clusters of customers who desire tl same value proposition. Customer value proposition is a unique mix of product and servic attributes, customer relations, and corporate image that a company offers.
- The value proposition helps an organization connect its internal processes to improve outcomes with its customers.

NON-SEGMENTED MARKETS

- Very few products or services can satisfy all customers in a market. Not all customers want to buy the same product.
- Marketing not based on segmentation is essentially inefficient because some segments get over engineered, advanced products giving far more value and features than desired by the customers, whereas other segments do not get the required value and features that customers want in the product.

PURPOSE OF SEGMENTATION

- Segmentation involves identification of groups of individuals or organizations that have significant implications for determination of a marketing strategy.
- Segmentation is dividing a diverse market into a number of smaller, more similar sub-markets.

- Segmentation provides the basis for selection of target markets.
- A target market is a chosen segment of market which a company has decided to serve.
- Customers in the target market have similar characteristics and a single marketing mix can be used to serve them

SEGMENTATION AND MARKET ENTRY

- Segmentation process can be used to enter new markets with entrenched competitors. Whatever the state of segmentation in the market, there is always the possibility of segmenting it further because- howsoever stable a market may be, changes are always happening in it.

PROCESS OF MARKET SEGMENTATION: TARGET MARKETING

- one or more markets are chosen for targeting or serving. Marketing mix is developed by keeping in mind what the customers value. The aim is to design a mix which is distinctive from that which the competition is offering.
- When selecting their target markets, companies have to make a choice of whether they are going to be focused on one or few segments or they are going to cater to the mass market. The choice that companies make at this stage will determine their marketing mix and positioning plank.

- Segmentation can be done on the basis of the purchase behaviour of customers. Product **BEHAVIOURAL** or brand purchases of customers can be tracked to identify differences in patterns of **SEGMENTATION** such purchases, which can be used a means of segmenting the market.

- **Benefits Sought** :People may seek different benefits from a product.
- **Purchase Occasion**
- **Purchase Behaviour**
- **Brand Loyalt**
- **Usage**
- **Perception and Beliefs**

- segmentation involves analyzing the psychological make up of a customer, **PSYCHOGRAPHIC** to unearth deeper motivations for purchasing specific products or brands.
- This often involves **SEGMENTATION** studying a customer's values, opinions, activities and lifestyles to establish patterns, which can be used as a basis for clustering similar customers.

- **Lifestyle**
- **Personality**
- **PROFILE** preferences: The segments emerging from behavioural and psychographic segmentation will have to be profiled in terms of age, occupation, socioeconomic status, place of residence, gender etc.
- Demographic Variables
- Socio Economic Variables
- Geographic Variables

EVALUATING MARKET SEGMENTS AND TARGET MARKET SELECTION

- Segmenting organizational markets on the basis of company size
- Bargaining of customers is higher when the number of customers are few but each of them have large buying capacity, when the number of suppliers are more, and the product sold by all of them is standard, when the customers can develop the capability to make the item provided by the seller, and when the product being sold is not a very important for the buyer.

- **Environmental issues:** The trend towards more environmentally friendly products has affected market attractiveness both positively and negatively.
- The target market segment should allow the firm to exploit its current technological, manufacturing, and marketing strengths.
- The segment entry should be consonant with the image of its brands and it should provide distribution synergies. Where new segment entry is inconsistent with its current image, a new brand name may be created.

POSITIONING

- Positioning is the perception or the image that customers have of the company and its products.
- It is the customers' beliefs about the company's product being of, say, high quality, or low price, or durable, etc.
- This perception is the stimulus of customers' attitude and behaviour towards company's products.
- Customers' positive perceptions will drive the business of the company and negative perceptions will sink it.

ELEMENTS OF POSITIONING

- A company has to select the target market in which it will offer its products.
- It will have to determine the differential value that it will provide to customers to make the product attractive to them, and communicate to customers the differential value it intends to provide to them.

POSITIONING, DIFFERENTIATION AND MARKETING MIX

- A company's offer has to be distinct from those of its competitors and should fulfill the requirements of the customers of its target markets.
- Marketing mix is the most tangible and the most flexible tool to create the desired positioning. Companies use their marketing mix to create something specific and special for the customer.

DIFFERENTIATION IN ALL THE STEPS OF THE CONSUMPTION CHAIN

- Most companies value and expend huge efforts in differentiating their offerings.
- They offer customers something that customers value, that is not provided by competitors.
- *But* most companies, in seeking to differentiate themselves, focus their energy only on the/r products or services.
- But a company has the opportunity to differentiate itself at every point it comes in contact with its customers - from the moment customers realize that *they* a *product* or a service to the time they decide to dispose of it.

CRITERIA FOR SUCCESSFUL POSITIONING

- A company may change its initial positioning either because customers demand different value proposition, so it has to be different now, or because the company may have acquired new resources enabling it be something else.

- The customer must believe that the company will deliver what is promises, and is capable of delivering the promise. Through advertisement and its public relation efforts the company should be able to demonstrate its capability to deliver the promised utility.

successful positioning

- The positioning of a corporate or a brand should be clear and precise.
- The product or service should be set apart from what competitors are offering.
- **Positioning should address the felt needs of the customer.**
- **Positioning appeals should be specific**

REPOSITIONING

- The product is modified to make it more acceptable to its present target market. Customer requirements may have changed and the product has to be modified to be able to serve the new needs effectively.

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