The Three Core Questions of Marketing

¶ 3.1

1. What is marketing & what do customers want?



2. Whom do we serve?

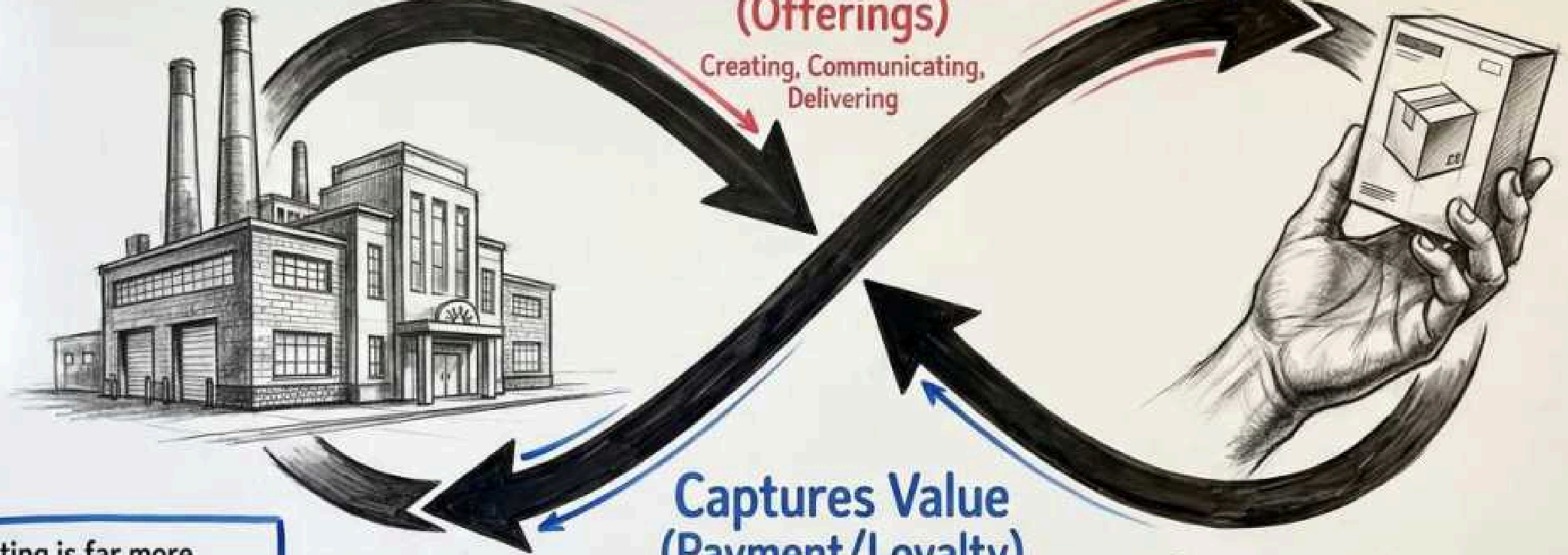
Lecture 3: Customers, the Four Ps, and Brands.

3. What are the 4 Ps (the offer)?

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Defining the Value Exchange

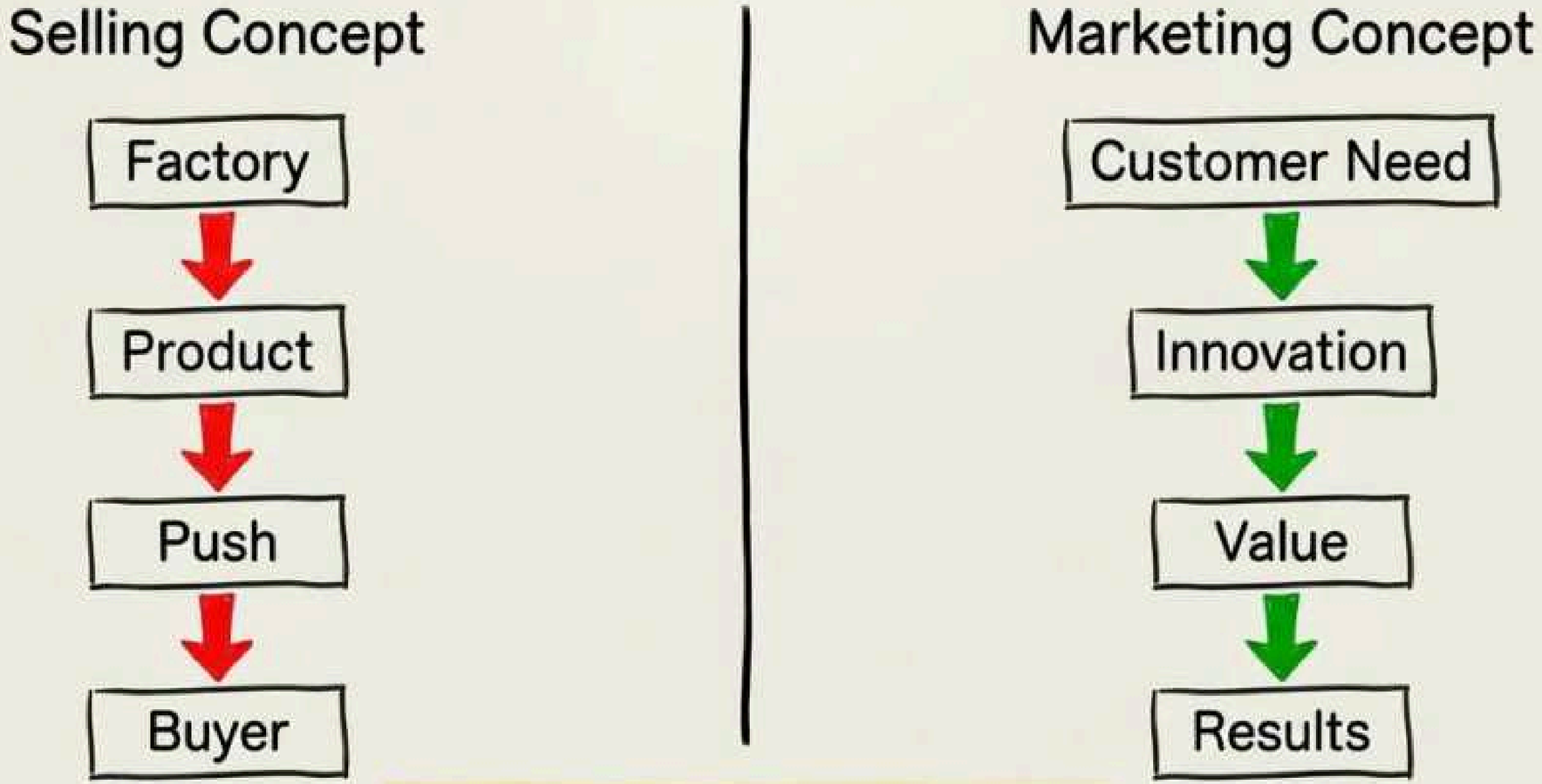
¶ 3.2



Marketing is far more than advertising. It is the set of activities to identify needs and exchange value for society, partners, and clients.

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Selling Concept vs. Marketing Concept



A business has two basic functions, marketing and innovation, because only they produce results; everything else is cost.
— Peter Drucker (1954)

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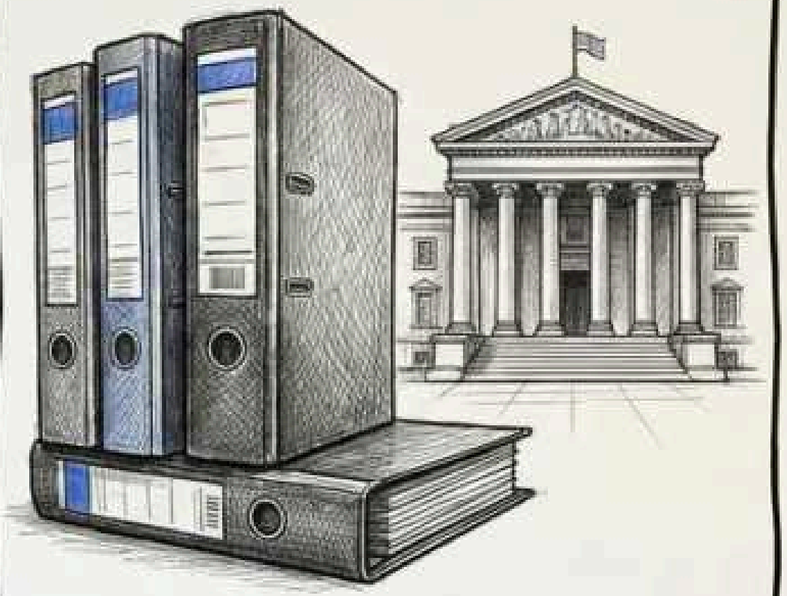
The Market Research Ecosystem

Primary Research



Gathers new data directly (Surveys, Interviews, Experiments).

Secondary Research



Uses existing data (Gov. Stats, Industry Reports, Sales Records).

Analytics



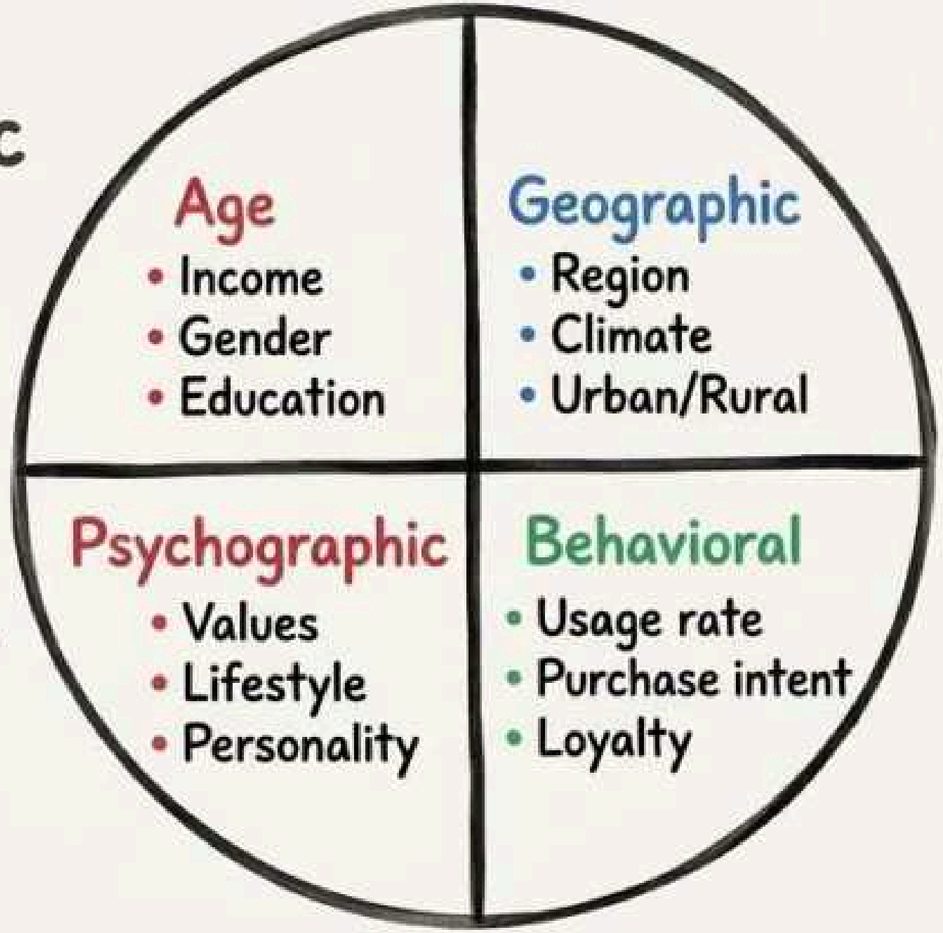
Digital footprints tracking actual online behavior.

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The Four Bases of Market Segmentation

Demographic
- Age, Income
- Gender
- Education

Geographic
- Region
- Climate
- Urban/Rural



Psychographic
- Values
- Lifestyle
- Personality

Behavioral
- Usage rate
- Purchase intent
- Loyalty

Criteria for a Good Segment:

$\sum$ (Measurable + Reachable + Large enough to be worth serving)

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Applied Segmentation: The Automaker



Segment: Commuters.
Value: Fuel economy & low running costs.



Segment: Tradespeople & Families.
Value: Hauling & towing.



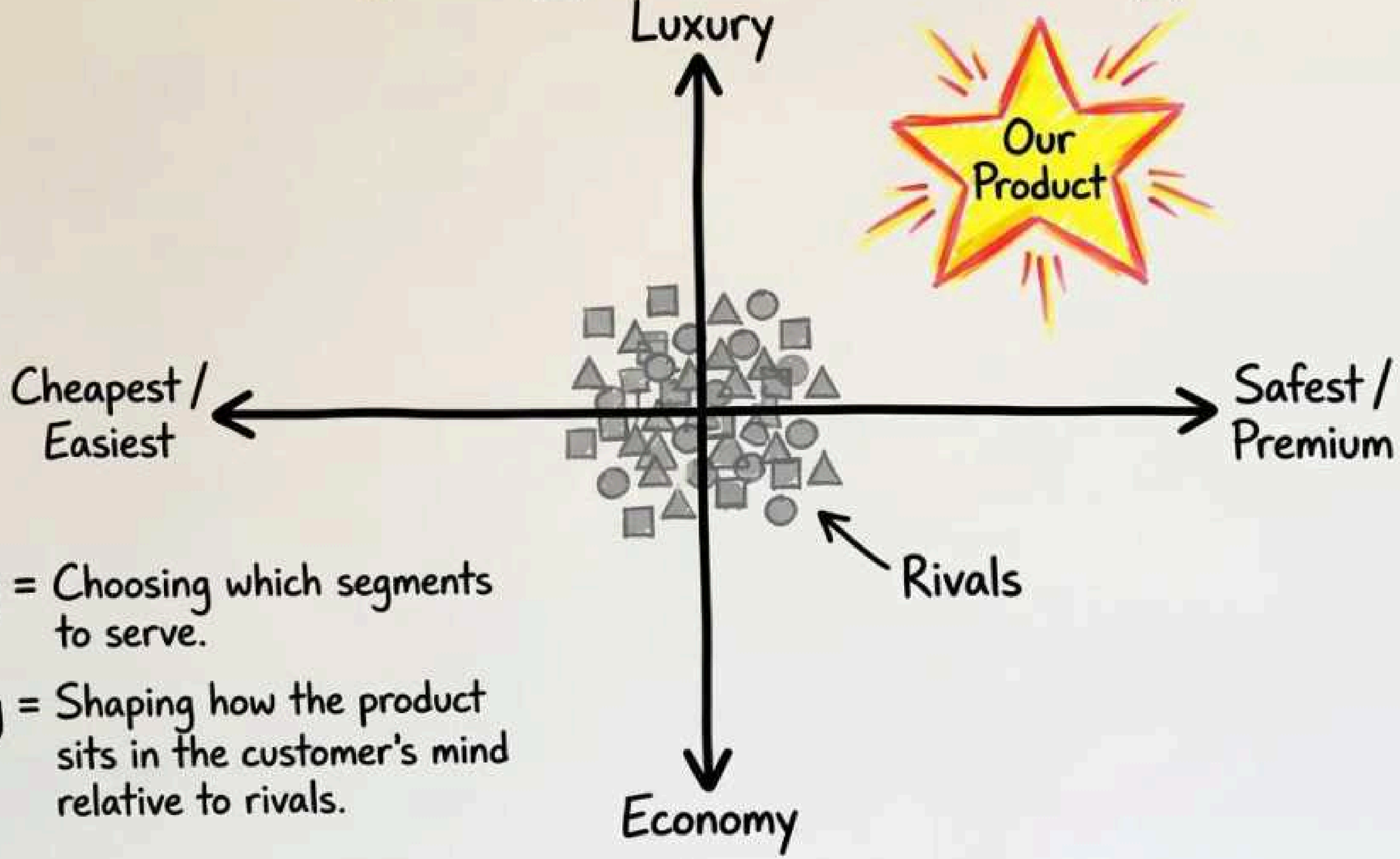
Segment: High-Income Buyers.
Value: Status & comfort.

Same parts behind the scenes → Different design, price, message, and sales channel.

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Targeting and Positioning

¶ 3.7



Targeting = Choosing which segments to serve.

Positioning = Shaping how the product sits in the customer's mind relative to rivals.

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The Marketer's Toolkit: The Four Ps (McCarthy, 1960) ¶ 3.8

Product

What is sold (features, design, and benefits).

Place

How and where it reaches the customer (distribution channels).

Price

What the customer pays (cost vs. value).

Promotion

How the firm communicates (advertising, sales).

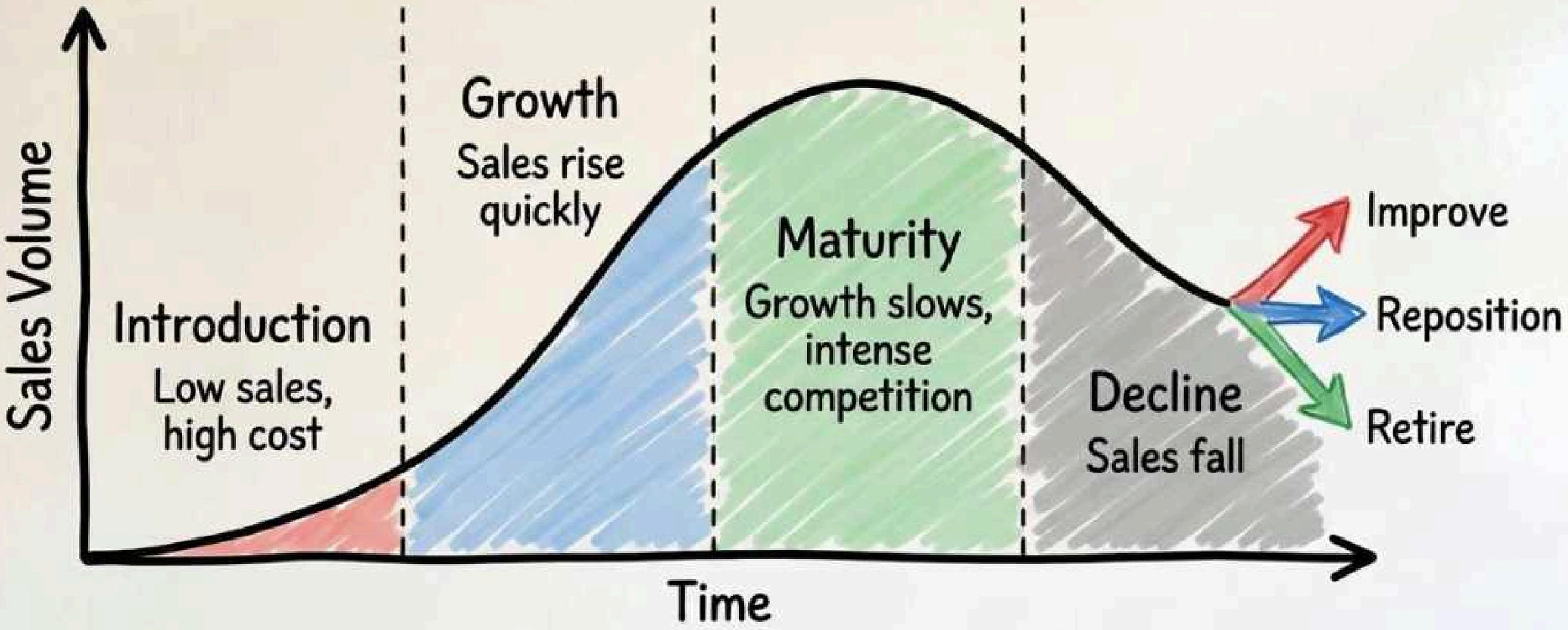
Service Marketing Additions:

+ People,
+ Process,
+ Physical Evidence.

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The Product Life Cycle

¶ 3.9



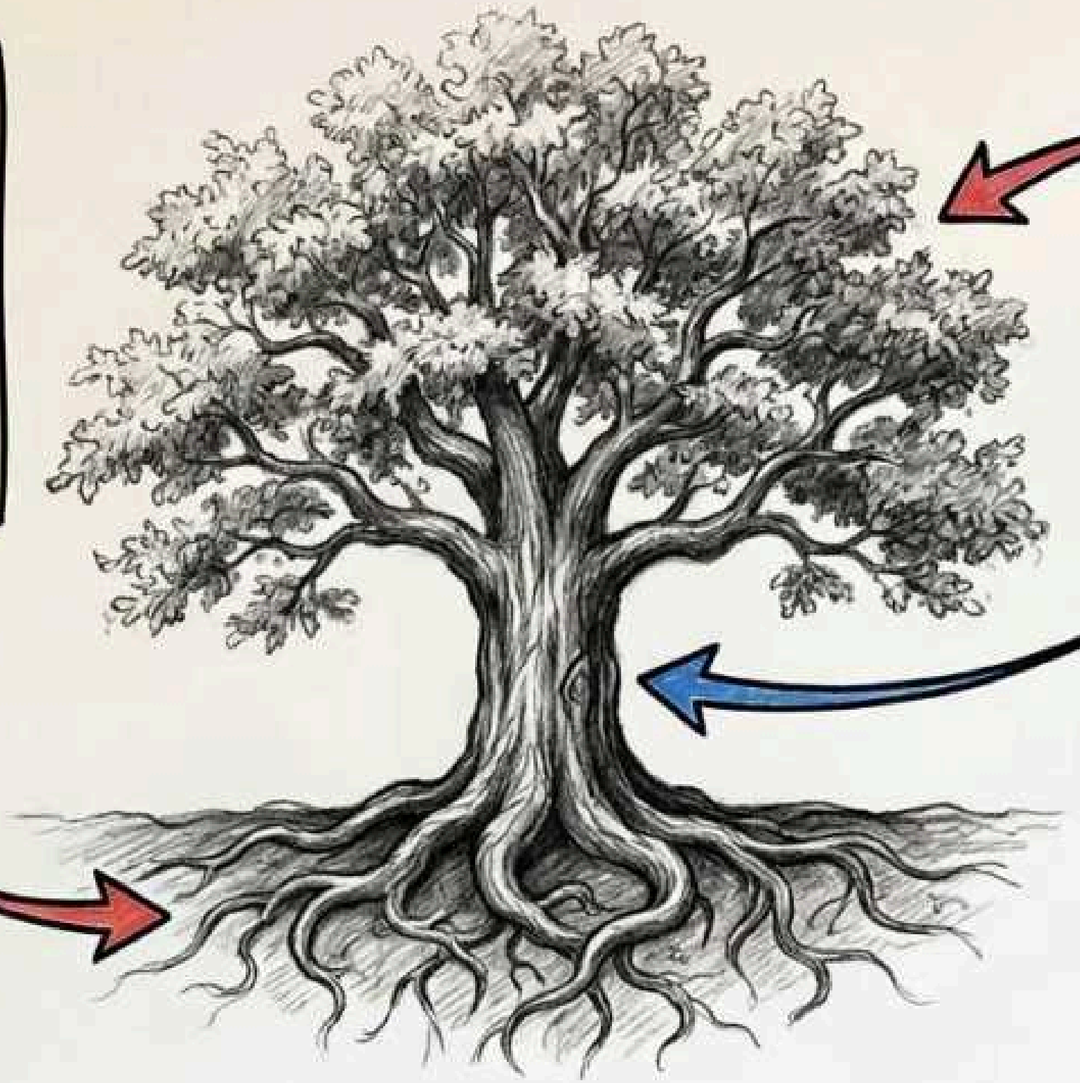
A product is a bundle of features, but customers buy benefits.

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Anatomy of a Brand

¶ 3.10

A brand is a name, a symbol, and a promise that identifies a seller and sets it apart. It takes years to build, but can be damaged very quickly.



Brand Equity
(The Shelter: Customers trust, pay a premium, and forgive occasional errors).

Trademark
(Legal protection of name and logo)

Years of Consistent Behavior
(The Foundation)

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Pricing Strategies: Covering Cost, Reflecting Value

Cost-Plus:

Cost + Markup = Price

Value-Based:

Customer Perceived Worth = Price

Competitive:

Rival Price ≈ Price

New Product Tactics

- **Penetration:** Low entry price to win market share rapidly.
- **Skimming:** High entry price targeting early adopters, lowered later.

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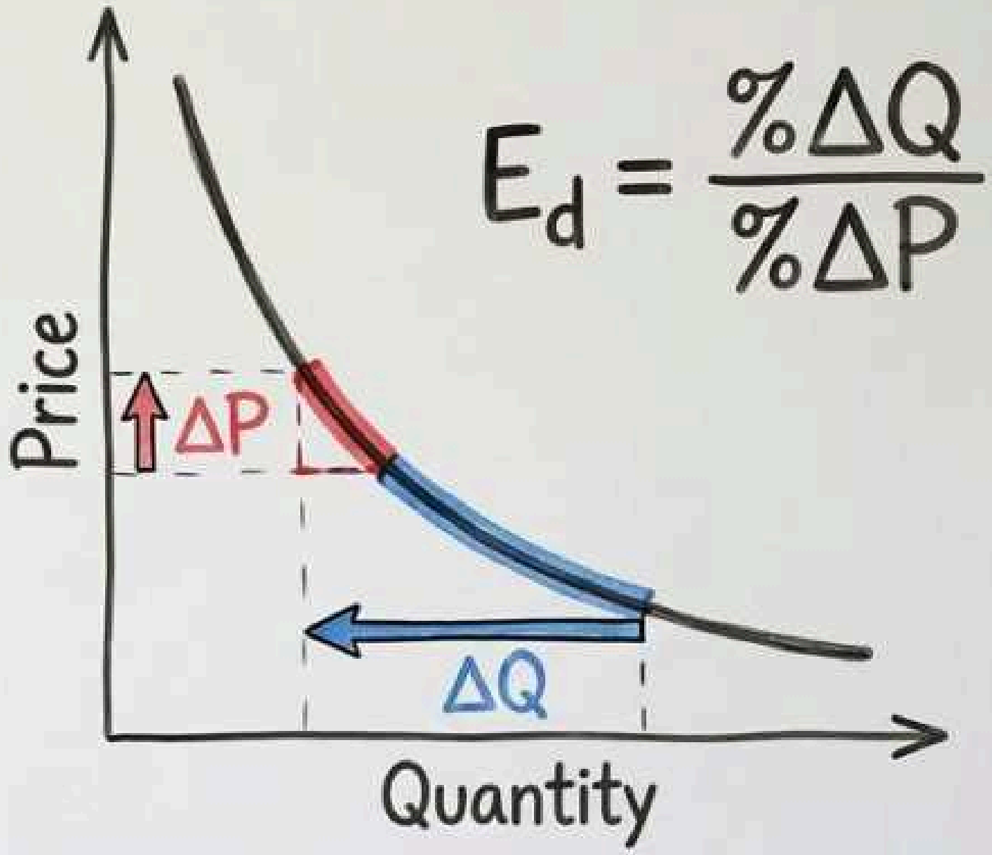
¶ 3.12

Price Psychology and Elasticity



Charm Pricing – signals value / raises sales.

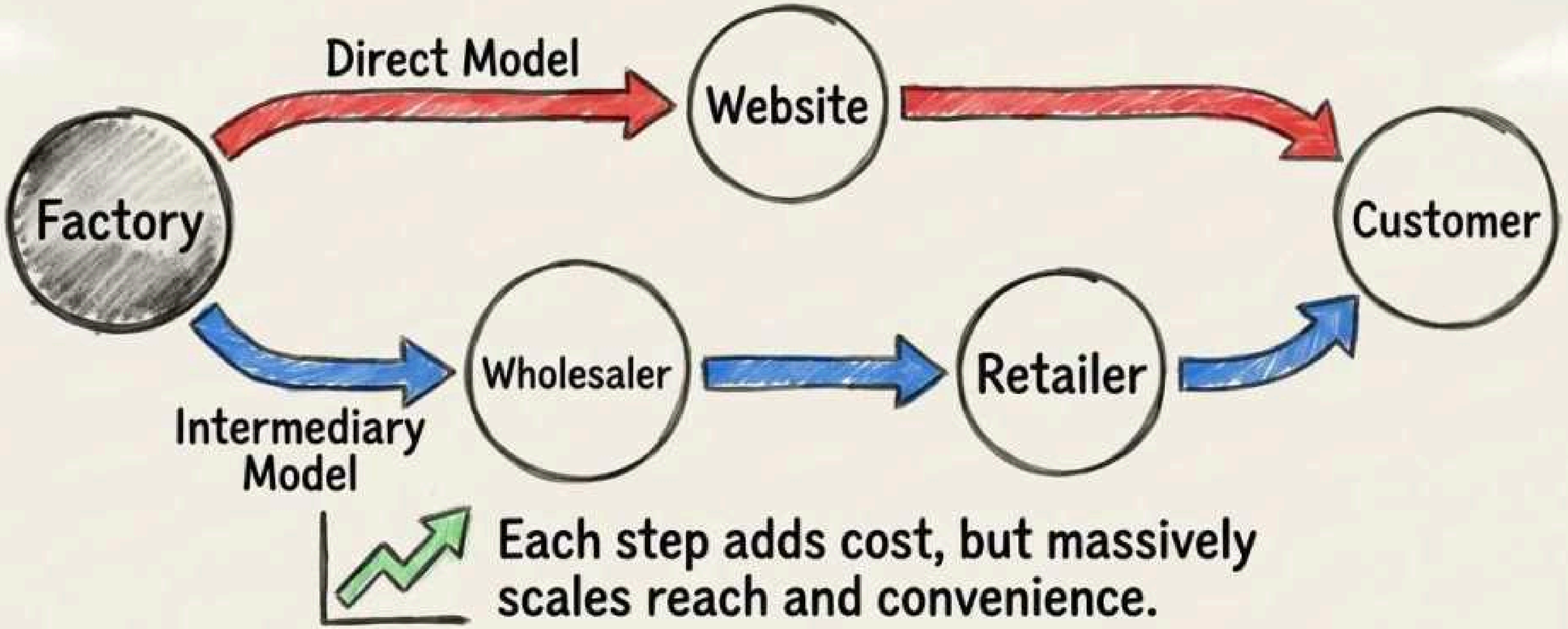
$$E_d = \frac{\%\Delta Q}{\%\Delta P}$$



Price carries meaning beyond arithmetic.
Extreme lows signal poor quality; extreme highs signal luxury.

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Place: The Mechanics of Distribution



Each step adds cost, but massively scales reach and convenience.

Today, firms blend physical stores and e-commerce into a seamless omnichannel experience.

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Integrated Marketing Communications (IMC)

Advertising
(Paid, mass communication)

Public Relations
(Earned attention, news/events)



Sales Promotion
(Short-term incentives, coupons)

Personal Selling
(1-on-1, vital for B2B)

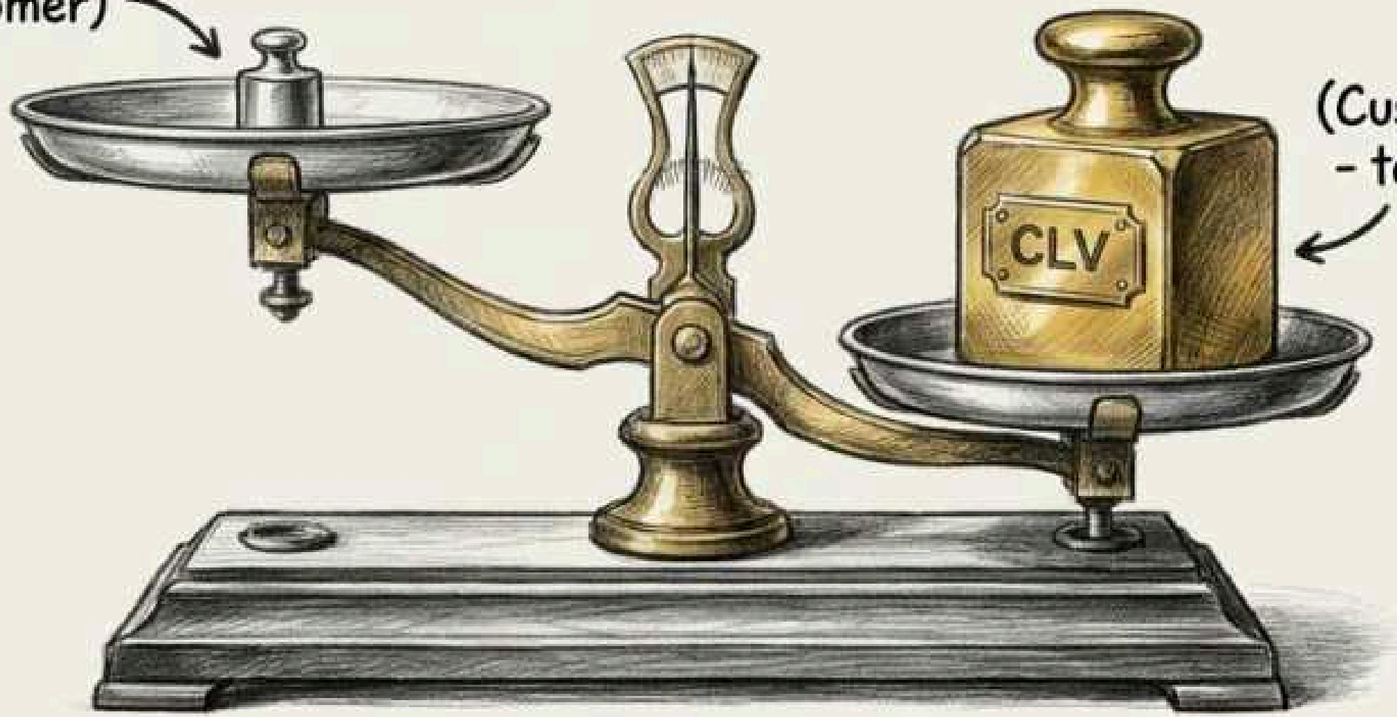
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The Digital Economics Formula

CLV » CAC

CAC
(Customer Acquisition Cost
- cost to win one customer)

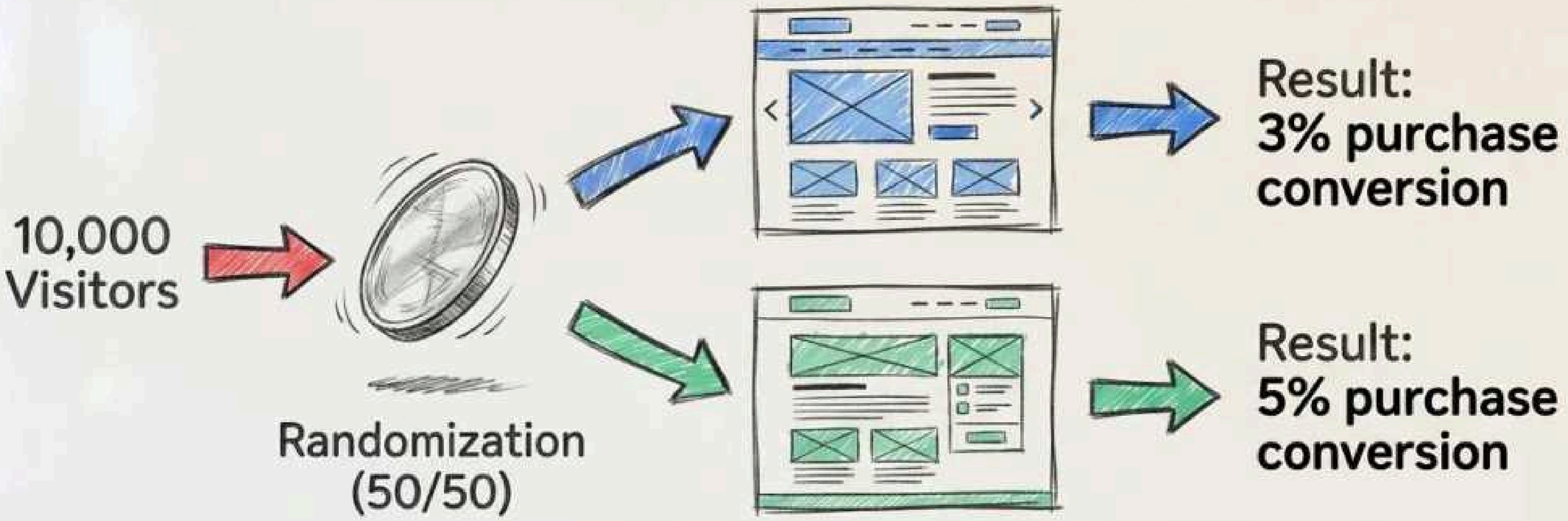
CLV
(Customer Lifetime Value
- total profit over time)



Firms buy search ads, run social media, and send emails, but spending is guided by one rule: Acquisition cost must stay well below lifetime value.

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The Logic of Split Testing



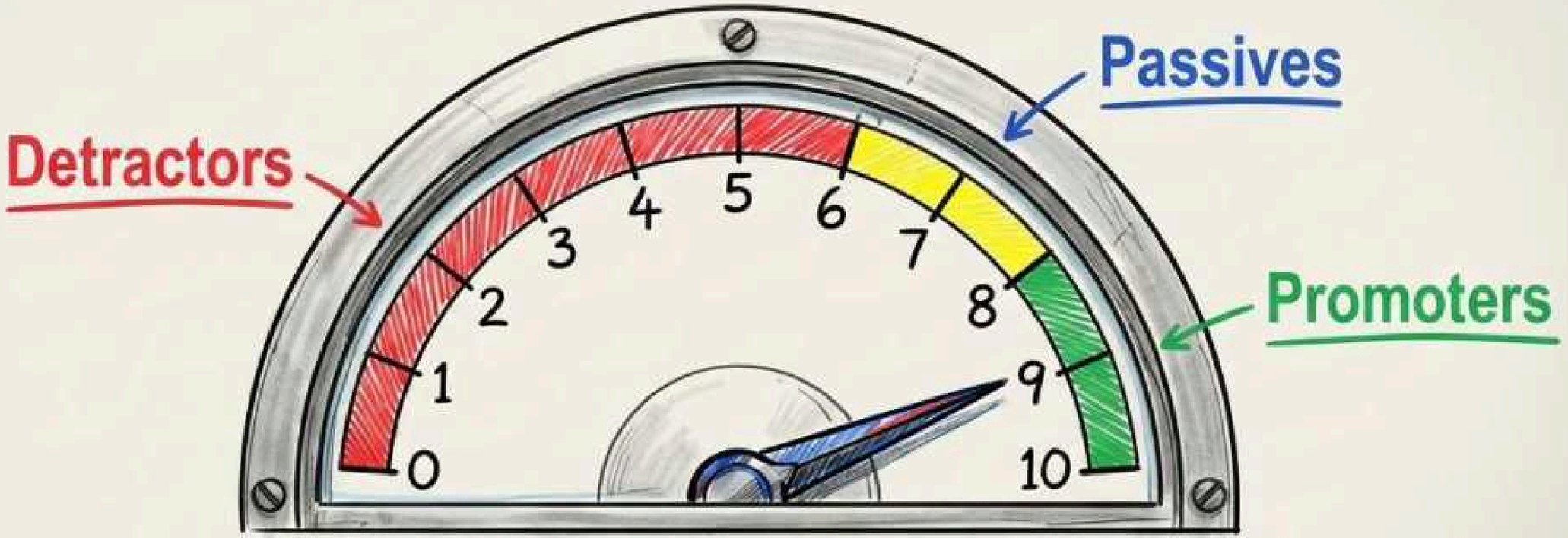
Digital tools make experiments cheap. By randomly assigning groups, firms run thousands of tests, replacing opinions with hard evidence.

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Retention and the Net Promoter Score (Reichheld, 2003)

¶ 3.17

How likely are you to recommend this company to a friend?



% Promoters − % Detractors = NPS

Keeping customers is cheaper than winning new ones.

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¶ 3.18

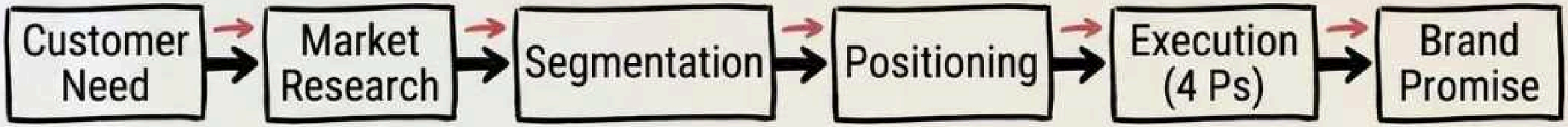
Marketing Ethics and Trust



Trust is a firm's **most valuable marketing asset.** Shortcuts that damage it tend to **cost far more** than they earn.

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Recap and Applied Exercise



Exercise Prompt

Pick a product you bought recently. Define its:

- ☑ 1. Target Segment
- ☑ 2. Market Position
- ☑ 3. The 4 Ps (Product, Price, Place, Promotion)

Next: Lecture 4 turns to Operations and Management

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