Marketing 2

Gabriela Avram
Organisational customer behaviour
Product Types in Organizational Buying:

- Components
- Plant & equipment
- Products & services
- Materials
Organisational markets buy goods for production purposes or reselling

- Industrial markets
- Reseller markets
- Government markets
- Nonprofit organisations
Organisational buying and its characteristics

- Demand
- Potential buyers
- Buying objectives
- Buying criteria
- Size of order
- Buyer-seller interaction
- The Buying Centre
Demand

- The demand for organisational products and services is derived demand. It derives from the demand for consumer goods and services.
- Organisational demand is prone to much larger swings than consumer demand.
Potential buyers

- Business firms that sell to individual consumers and households are faced with thousands of potential buyers.
- Firms that sell to organisations have to deal with only a few customers.
Organisations buy for the purpose of making profits and this is done through increasing sales or reducing costs.

For instance, resellers anticipate the needs of their customers and they fill up their stockrooms with products for resale.
Buying criteria

- Price
- Ability of the seller to meet the quality specifications
- Ability of the seller to meet delivery requirements
- Technical capability
- Warranties and claim policies
- Past performance of the seller on previous contracts
- Production facilities and capacity of the seller
The organisation sets certain requirements regarding order size.

- For instance, when orders are small, a purchase order by the head of department will suffice.
- For larger orders, a formal tendering process may be required.
Buyer-seller interaction

- The complexity of organisational buying makes it necessary for buyer and seller interaction to be more time-consuming.
- For instance, a building contractor will take many months to negotiate a construction contract with the government.
Most organizational buying tends to involve more than one individual and is often in the hands of a decision-making unit (DMU), or buying centre.

This is a group consisting of people from different departments who participate in the buying decision process and share information.

This is not necessarily a fixed entity and may change as the decision-making process continues.
How do they buy?
The Organizational Decision-Making Process

1. Recognition of a problem (need)
2. Determination of specification and quantity of needed item
3. Search for and qualification of potential sources
4. Acquisition and analysis of proposals
5. Evaluation of proposals and selection of supplier(s)
6. Selection of an order routine
7. Performance feedback and evaluation
Influences on Organizational Purchasing Behaviour

Figure 3.6 Influences on organizational purchasing behaviour

- Buy class
  - straight re-buy
  - modified re-buy
  - new task

- Product type
  - product constituents
  - product facilities
  - MROs

- Importance of purchase

Organizational buyer
Straight rebuy

- This is a routine repeat purchase
Modified rebuy

- This process is undertaken when the items bought remain the same, but the members of the buying centre are not satisfied with the quality, the price or the service provided by the seller.
New task buying

- This happens when the organisation has a new need and the buyer wants a great deal of information

- Takes more time and involves:
  - Setting product specifications
  - Identifying sources of supply
  - Establishing an order routine for future purchases
# Organizational Buying Process

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>New – Task Buying</th>
<th>Modified Rebuy</th>
<th>Straight Rebuy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time required</td>
<td>Much</td>
<td>Not so much</td>
<td>Little</td>
</tr>
<tr>
<td>Multiple influence</td>
<td>Much</td>
<td>Not so much</td>
<td>Little</td>
</tr>
<tr>
<td>Review of supplier</td>
<td>Much</td>
<td>Not so much</td>
<td>Little</td>
</tr>
<tr>
<td>Information needed</td>
<td>much</td>
<td>Not so much</td>
<td>Little</td>
</tr>
</tbody>
</table>
What influences organisational buyers?

- They are influenced by two general factors:
  - Economic, such as price, quality and service
  - Personal, such as favours, attention and risk avoidance
Developments in Organizational Purchasing Practice

- Just-in-time purchasing
- Online purchasing
- Centralized purchasing
- Relationship marketing
- Reverse marketing
- Leasing
The role of Customer Insights

- Customer needs are continually changing, often in ways that are very subtle.
- To innovate new forms of value for customers, accurate and timely customer insights are very important.
- These insights can inform everything from product innovation, product design and features, advertising campaign themes and so on.
- To gather customer insights, companies need a marketing information system (MkIS).
Marketing Information Systems

Figure 4.1 The marketing information system (MkIS)

- Internal market information
- Environmental scanning
- Market intelligence
- Marketing research
Market Intelligence

- Market intelligence is a catch-all term used to describe the systematic collection of data on what is happening in a market.
- Increasingly, the term ‘big data’ is used to describe the wide range of external sources of information that can be used to aid marketing decision making.
Marketing information systems

A marketing information system is defined as:

- a system in which marketing information is formally gathered, stored, analysed and distributed to managers in accord with their informational needs on a regular planned basis

Marketing information system (MkIS) design is important since the quality of a marketing information system has been shown to influence the effectiveness of decision-making
Marketing Research

- The systematic design, collection, analysis and reporting of data relevant to a specific marketing situation
- Describes a broad range of activities many of which are quite different - can be classified in a number of ways
The Importance of Marketing Research

- Market-led companies recognize the need to be in touch with what is happening in the market place.

- Market research can play a role in many different activities.

- Market research helps companies to understand the needs and wants of the consumer and informs marketing planning decisions.

- Global spend on marketing research is very significant.

www.youtube.com/watch?v=2U3w5Blv0Lg
Types of Marketing Research

Ad-hoc research
Focuses on a specific marketing problem and involves the collection of data at one point in time from one sample of respondents, such as a customer satisfaction study or an attitude survey.

Continuous research
Involves conducting the same research on the same sample repeatedly to monitor the changes that are taking place over time. This form of research plays a key role in assessing trends in the market and one of the most popular forms of continuous research is the consumer panel.
Types of Marketing Research

- Custom Research: done for one organization to provide specific answers to its questions
- Syndicated research: collected by firms on a regular basis and then sold to other firms
- Exploratory Research: preliminary - used to gain some insights or form some research hypotheses
- Descriptive Research: used to develop stronger conclusions about a research problem
- Causal research: seeks to establish cause-and-effect relationships
The Marketing Research Process

Figure 4.2 The marketing research process

- Initial contact
- Research brief
- Research proposal
- Exploratory research
- Descriptive or causal research
- Data collection stage
- Data analysis and interpretation
- Report writing and presentation
This is a document that sets out:
- the marketing problems to be explored
- a client company’s research objectives

Other information which will be required:
- Background information
- Sources of information
- The scale of the project
- The timetable
Qualitative research vs Quantitative research

**Type of research**
- **Qualitative**
  - Semi-structured
  - In-depth
  - Small sample
- **Quantitative**
  - Structured study
  - Preset questions
  - Larger sample
  - Statistical analysis

**Examples**
- **Qualitative**
  - Focus groups
  - Depth interviews
  - Observation
  - Ethnographic research
- **Quantitative**
  - Phone surveys
  - Face-to-face surveys
  - Online surveys
  - Experiments
  - Panel research
Qualitative research - Focus groups

- 6-10 people
- Moderator
- Topic list
- Freedom to probe & discuss
- Must be skilfully managed
- Very useful for bringing issues to the surface
- Can gain a lot of insight
- BUT – small sample
Quantitative research - Surveys

- Face-to-Face interviews
- Telephone interviews
- Mail surveys
- Online surveys
The Marketing Research Process

Figure 4.3 The marketing research process

- Initial context
- Research brief
- Research proposal
- Exploratory research
- Descriptive or causal research
- Data collection stage
- Data analysis and interpretation
- Report writing and presentation
To obtain a true response to a question, three conditions are necessary:

- Respondents must understand the question
- They must be able to provide the information
- They must be willing to provide it
### Poorly Worded Questions

<table>
<thead>
<tr>
<th>Question</th>
<th>Problem and solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>What type of wine do you prefer?</td>
<td>‘Type’ is ambiguous: respondents could say ‘French’, ‘red’ or ‘claret’, say, depending on their interpretation. Showing the respondent a list and asking ‘from this list . . .’ would avoid the problem</td>
</tr>
<tr>
<td>Do you think that prices are cheaper at Asda than at Aldi?</td>
<td>Leading question favouring Asda; a better question would be ‘Do you think that prices at Asda are higher, lower or about the same as at Aldi?’ Names should be reversed for half the sample</td>
</tr>
<tr>
<td>Which is more powerful and kind to your hands: Ariel or Bold?</td>
<td>Two questions in one: Ariel may be more powerful but Bold may be kinder to the hands. Ask the two questions separately</td>
</tr>
<tr>
<td>Do you find it paradoxical that X lasts longer and yet is cheaper than Y?</td>
<td>Unfamiliar word: a study has shown that less than a quarter of the population understand such words as paradoxical, chronological or facility. Test understanding before use</td>
</tr>
</tbody>
</table>
Main types of survey questions

- Dichotomous (yes/no)
- Multiple choice
- Scales
  - Ranking scales
  - Rating scales
- Open-ended questions
Dichotomous questions

Do you believe that the death penalty is ever justified?

_____Yes
_____No

Please enter your gender:

☐ Male    ☐ Female
Multiple choice questions

1. What did you think overall about the exhibit?
   - Overall, it was the best exhibit ever at the museum.
   - Overall, it was a good exhibit, and I place it in my top favorites at the museum.
   - Overall, it was a fine exhibit, but not one of my favorites.
   - Overall, it was the worst exhibit ever at this museum.

2. What would you improve about the exhibit?
   - More written explanations of the pieces.
   - Audio supplementation of the pieces.
   - More items in the gift shop about this exhibit.
   - Discount admission or discount offerings paired with the exhibit.
   - Better informed staff about this exhibit.
Rating scale questions – Likert scale

<table>
<thead>
<tr>
<th>The cashier was courteous.</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Undecided</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The cashier was professional in appearance</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Undecided</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>I was given a receipt at the end of my transaction.</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Undecided</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
</tbody>
</table>
Rating scale questions – Semantic Differential scale

1. Please rate the President of the United States on the following traits:

<table>
<thead>
<tr>
<th>Trait</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong</td>
<td>○ ○ ○ ○ ○ ○ Weak</td>
</tr>
<tr>
<td>Decisive</td>
<td>○ ○ ○ ○ ○ ○ Indecisive</td>
</tr>
<tr>
<td>Good</td>
<td>○ ○ ○ ○ ○ ○ Bad</td>
</tr>
<tr>
<td>Active</td>
<td>○ ○ ○ ○ ○ ○ Passive</td>
</tr>
<tr>
<td>Industrious</td>
<td>○ ○ ○ ○ ○ ○ Lazy</td>
</tr>
<tr>
<td>Happy</td>
<td>○ ○ ○ ○ ○ ○ Sad</td>
</tr>
</tbody>
</table>
1. Please rate the President of the United States on the following traits:

- Strong - Weak
- Decisive - Indecisive
- Good - Bad
- Active - Passive
Ranking scale questions

Example: Please rank the following customer service factors, from most to least important to you, when interacting with our agency. [1 = most important; 5 = least important]

<table>
<thead>
<tr>
<th></th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
<th>5th</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call wait time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Call hold time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Representative’s customer service skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Representative’s knowledge/technical skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resolution of issue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Open-ended questions

9. Tell us about your purchase experience

Why did you pick this cellphone company?  
What do you like about it?  
What do you dislike about it?
Market Segmentation
A Definition of Market Segmentation

The identification of individuals or organizations with similar characteristics that have significant implications for the determination of marketing strategy.
Market Segmentation

- Involves the division of a market into a number of smaller submarkets that have common features
- The objective is to identify groups of potential customers with similar requirements
- Segmentation is at the heart of strategic marketing
The Benefits of Market Segmentation

Figure 5.1 The benefits of market segmentation

- Enhanced opportunities for growth
- Improved customer retention
- Better matching of customer needs
- Enhanced profitability
- More effective targeting of communications
- Opportunities of segment dominance
Segmenting Organizational Markets

- Organizational size
- Industry
- Geographic location
- Choice criteria
- Purchasing organization
Segmenting Consumer Markets

Figure 5.2 Segmenting consumer markets

- Consumer segmentation
  - Behavioural
    - Benefits sought
    - Purchase occasion
    - Purchase behaviour
    - Usage
    - Perceptions and beliefs
  - Psychographic
    - Lifestyle
    - Personality
  - Profile
    - Demographic
    - Socio-economic
    - Geographic
The ACORN Targeting Classification

<table>
<thead>
<tr>
<th>Categories</th>
<th>% in UK population</th>
<th>Groups</th>
<th>% in UK population</th>
</tr>
</thead>
<tbody>
<tr>
<td>A: Affluent Achievers</td>
<td>22.5</td>
<td>1 Lavish Lifestyles</td>
<td>1.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 Executive Wealth</td>
<td>12.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 Mature Money</td>
<td>8.8</td>
</tr>
<tr>
<td>B: Rising Prosperity</td>
<td>9.1</td>
<td>4 City Sophisticates</td>
<td>3.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5 Career Climbers</td>
<td>5.9</td>
</tr>
<tr>
<td>C: Comfortable Communities</td>
<td>27.2</td>
<td>6 Countryside Communities</td>
<td>6.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7 Successful Suburbs</td>
<td>6.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8 Steady Neighbourhoods</td>
<td>8.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9 Comfortable Seniors</td>
<td>2.5</td>
</tr>
<tr>
<td>D: Financially Stretched</td>
<td>22.5</td>
<td>10 Starting Out</td>
<td>4.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11 Student Life</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12 Modest Means</td>
<td>7.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13 Striving Families</td>
<td>8.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14 Poorer Pensioners</td>
<td>4.5</td>
</tr>
<tr>
<td>E: Urban Adversity</td>
<td>17.7</td>
<td>15 Young Hardship</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>16 Struggling</td>
<td>7.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17 Difficult</td>
<td></td>
</tr>
</tbody>
</table>
## Consumer Segmentation Methods

<table>
<thead>
<tr>
<th>Variable</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Behavioural</strong></td>
<td></td>
</tr>
<tr>
<td>Benefits sought</td>
<td>Convenience, status, performance</td>
</tr>
<tr>
<td>Purchase occasion</td>
<td>Self-buy, gift, special occasions</td>
</tr>
<tr>
<td>Purchase behaviour</td>
<td>Brand loyal, brand switching, innovators</td>
</tr>
<tr>
<td>Usage</td>
<td>Heavy, light</td>
</tr>
<tr>
<td>Media behaviour</td>
<td>Primarily online, primarily offline</td>
</tr>
<tr>
<td><strong>Psychographic</strong></td>
<td></td>
</tr>
<tr>
<td>Lifestyle</td>
<td>Trendsetters, conservatives, sophisticated</td>
</tr>
<tr>
<td>Personality</td>
<td>Conscientious, agreeable, extrovert</td>
</tr>
<tr>
<td><strong>Profile</strong></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>Under 12, 12–18, 19–25, 26–35, 36–49, 50–64, 65 and over</td>
</tr>
<tr>
<td>Gender</td>
<td>Female, male</td>
</tr>
<tr>
<td>Life cycle</td>
<td>Young single, young couples, young parents, middle-aged empty-nesters, retired</td>
</tr>
<tr>
<td>Social class</td>
<td>Upper middle, middle, skilled working</td>
</tr>
<tr>
<td>Terminal education age</td>
<td>16, 18, 21 years</td>
</tr>
<tr>
<td>Income</td>
<td>Income breakdown according to study objectives and income levels per country</td>
</tr>
<tr>
<td>Geographic</td>
<td>North vs south, urban vs rural, country</td>
</tr>
<tr>
<td>Geodemographic</td>
<td>Upwardly mobile young families living in larger owner-occupied houses, older people living in small houses, European regions based on language, income, age profile and location</td>
</tr>
</tbody>
</table>
Target marketing and positioning
Remember the Marketing Mix?

https://youtu.be/Mco8vBAwOmA
Target Marketing

- Target Marketing involves breaking a market into segments and then concentrating your marketing efforts on one or a few key segments.
- An organisation needs to evaluate the segments to decide which ones to serve using the five criteria for successful segmentation:
Target Marketing

- Target Marketing involves breaking a market into segments and then concentrating your marketing efforts on one or a few key segments.
- An organisation needs to evaluate the segments to decide which ones to serve using the five criteria for successful segmentation:
  - Effective
  - Measurable
  - Accessible
  - Actionable
  - Profitable
Apple targeting

- Apple ran a series of advertisements several years ago were aimed at a very specific target market. This advertising campaign involved personifying Mac computers and PC’s. Macs were represented by a young, smart, sharp-looking man, while PC’s were represented by an older, portly, and relatively technology-naïve man.

- In this campaign, Apple was advertising for a target market of young tech-savvy people, who were eager to embrace the future of technology, which Apple convinced them they could not do if they owned a PC.

- [https://www.youtube.com/watch?v=VCL5UgxtLoS](https://www.youtube.com/watch?v=VCL5UgxtLoS)
Samsung give Apple a taste of their own medicine

- https://www.youtube.com/watch?v=63ZOPiBnAxM&t=68s
Target Marketing Strategies

- Undifferentiated marketing: a company develops a single marketing mix for the whole market.
- Differentiated marketing: a company develops specific marketing mixes to appeal to all or some of the segments.
- Focused marketing: a company develops a single marketing mix aimed at one target (niche) market.
- Customized marketing: a company develops a discrete marketing mix for each customer.
Target Marketing Strategies

Figure 5.3 Target marketing strategies

- **Undifferentiated marketing**
  - Marketing mix → Whole market

- **Differentiated marketing**
  - Marketing mix 1 → Segment 1
  - Marketing mix 2 → Segment 2
  - Marketing mix 3 → Segment 3

- **Focused marketing**
  - Marketing mix

- **Customized marketing**
  - Marketing mix 1 → Customer 1
  - Marketing mix 2 → Customer 2
  - Marketing mix 3 → Customer 3
Positioning

The act of designing the company’s offering so that it occupies a meaningful and distinct position in the target consumers mind.

Effective positioning is the act of linking products and services to the solutions that consumers seek.
Positioning: Coca-Cola

Exhibit 5.5 Diet Coke and Coke Zero: virtually identical drinks that are positioned very differently

- [https://www.youtube.com/watch?v=ImVexzzVfDA](https://www.youtube.com/watch?v=ImVexzzVfDA)
- [https://www.youtube.com/watch?v=7A8DNWu2c5k](https://www.youtube.com/watch?v=7A8DNWu2c5k)
- [https://www.youtube.com/watch?v=980x7vSjy1U](https://www.youtube.com/watch?v=980x7vSjy1U)
McDonalds positioning

- https://www.youtube.com/watch?v=tKOITmV0NfU
Developing a Positioning Strategy

Deciding what position to occupy in the market requires consideration of three variables:

1. The customers – what attributes matter to them
2. The competitors – a differential advantage that ideally cannot be easily matched
3. The company – unique sustainable attributes
Emotional marketing

- https://www.youtube.com/watch?v=ULE8gC3FPMk
Keys to Successful Positioning

Figure 5.5 Keys to successful positioning

- Clarity
- Consistency
- Credibility
- Competitiveness

Successful positioning
The Perceptual Map

- The perceptual map is a useful tool for determining the position of a brand in the marketplace.

- The key steps in producing a perceptual map are:
  - Identify a set of competing brands
  - Identify the important attributes consumers use when choosing between brands
  - Conduct quantitative marketing research where consumers score each brand on all key attributes
  - Plot brands on a two-dimensional map
A Perceptual Map of Supermarkets

Figure 5.7 A perceptual map of supermarkets
Repositioning

Repositioning involves changing:
- the target markets
- the differential advantage
- or both
Alternative Repositioning Strategies

Figure 5.8 Alternative repositioning strategies

- **Same Same**: Image repositioning
- **Different Same**: Product repositioning
- **Same Different**: Intangible repositioning
- **Different Different**: Tangible repositioning
Lucozade bottle 1972
Lucozade bottle today
Flavour variants and limited edition bottles
Lucozade Sport – what does the bottle shape suggest?
Jack Trout on repositioning

- https://www.youtube.com/watch?v=DixFg-reeaw