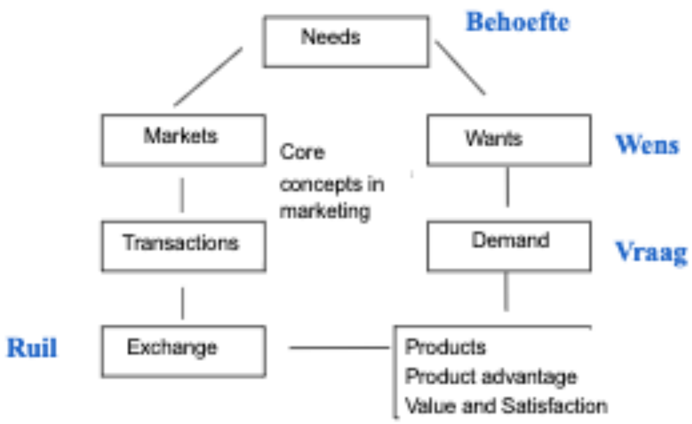
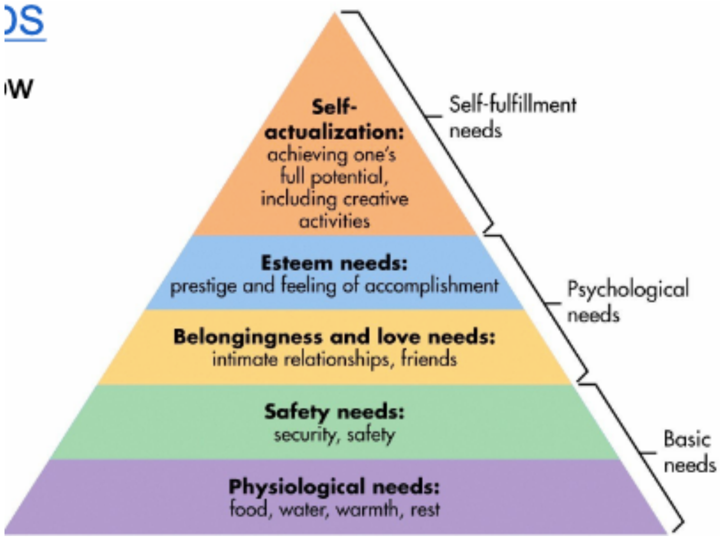
Marketing 1

Introduction

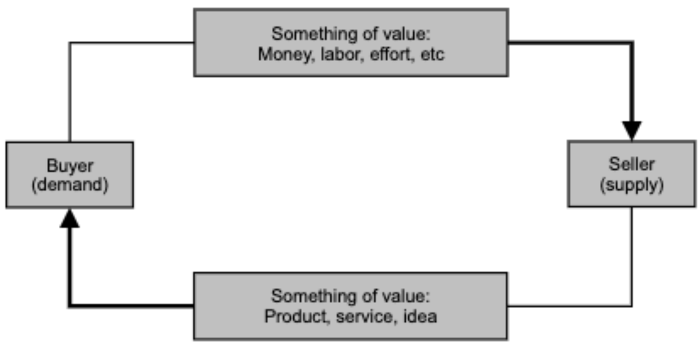
- Marketing defined :
  - Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large
- Focus for society at large, the company should not only be focused on the short run but also do good for society (long run)
  - Companies used to increase sales through unethical methods, this is no longer socially acceptable
- Core concepts of marketing



  - **Needs** reflects a shortage experienced by a person, these are elementary things such as food, water, clothing and shelter
  - Needs become **wants** if they are focused on specific objects to satisfy the need
  - The **demand** consists of the want for specific products supported by the **possibility and willingness to pay**
  - Maslow:



        - False claim = marketers create needs
- Demand management
    - Demand = want with 2 extra conditions
        - Purchasing power
        - Willingness to pay
    - Unstable demand (seasonality)
    - Unhealthy demand
- Value
    - Has 3 components:
        - Quality (+)
        - Service (+)
        - Price (-)
    - It is the ratio of benefits and costs: $\frac{functional\ benefits+emotional\ benefits}{fin.\ compensation+time+energy+psych.costs}$
- Exchange process

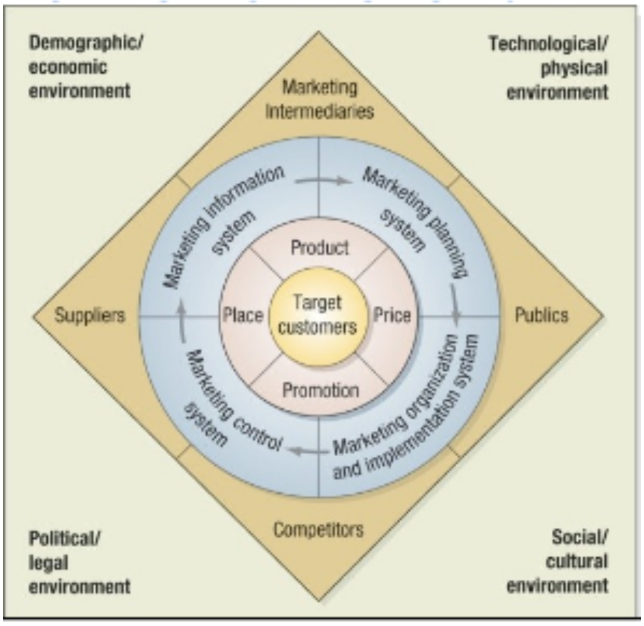


    - Necessary conditions:
        - At least 2 parties need to be involved with something to offer that is of value to the other
        - Both parties need to be free to accept or reject the offer
        - Possibility for communication and delivery

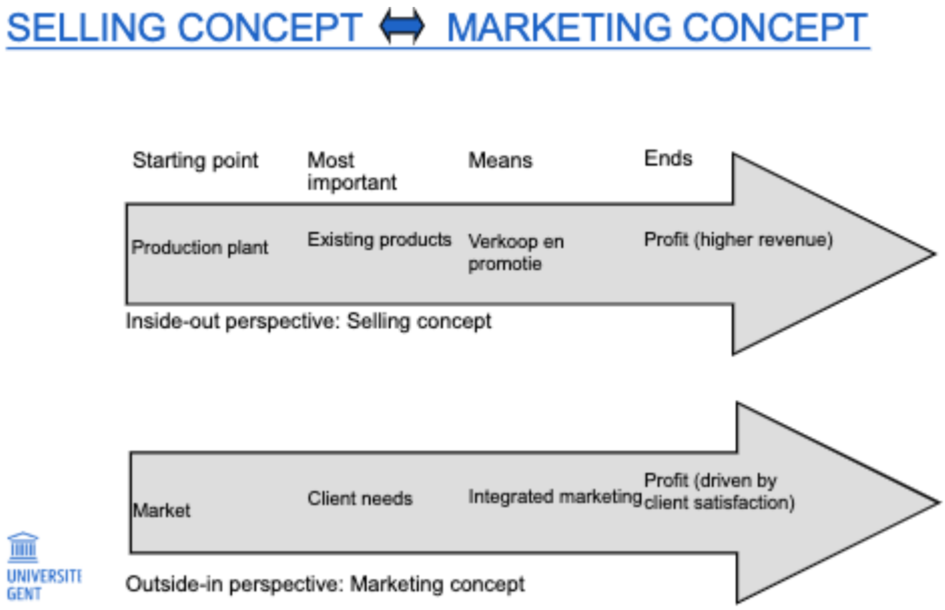
Relationship marketing	Transaction marketing
Retaining customers	Attracting customers

Personal relationship	Price relationship
Customers satisfaction and loyalty	"one-shot-deal"
Long-term orientation	Short-term orientation
Collaboration	Transactions

        - Relationship marketing is focused on building long-term cooperations with important stakeholders, which results in an important **marketing network**
    - Markets:
        - Segments and target groups
        - Physical, virtual markets
    - Marketing channels (marketer → target audience)
        - Communication channels
            - Contains traditional media, interactive media, non-verbal communication, shop atmosphere
        - Distribution channels
            - Offering and/or delivering goods and/or services to the buyer
        - Service channels
            - Facilitating transactions (insurance companies, banks, storage and transport)
    - The supply chain reaches from obtaining raw material over assembly to delivery of end products to the client
        - Most companies are only responsible for a small part of the entire supply chain
    - The 4P's: (perspective of the supplier)
        - Product
        - Price
        - Place
        - Promotion
            - These are interdependent and partially interchangeable
    - The 4C's: (perspective of the client)
        - Consumer wants and needs
        - Costs for the client
        - Convenience
        - Communication
    - Influencing factors



- Production concepts
  - Focus on producing as efficiently as possible
  - Consumers will buy the products anyway
- Product concepts
  - Consumers buy products instead of solutions for needs, focus on selling the right product
- Selling concept
  - Selling efforts persuades consumers to buy ('hard selling')
- Marketing concept
  - Wants and desires from the market (or a specific target audience) are central



- Social marketing concept
  - Marketing concept
  - Long-term interest of the consumer
  - Long-term interest of the community

- Marketing orientations
    - 4 pillars of the marketing concepts
        - Target audience
        - Client needs
        - Integrated marketing
        - Profitability

Chapter 1: Changes in company environments

1. Factors that cause the new way of doing business

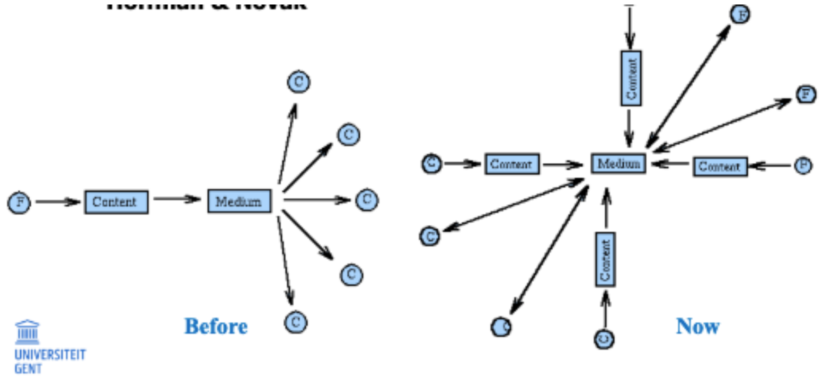
- Digitization & connectivity
    - New consumption models such as disintermediation and products for lease
        - → zipcar, cambio
- Convergence
- Customization
- Changing role of intermediary organizations
    - → disintermediation
        - Eg: Ryanair eliminates travel agents by only allowing direct booking by clients

2. Consequences of this new way of doing business, especially for marketing

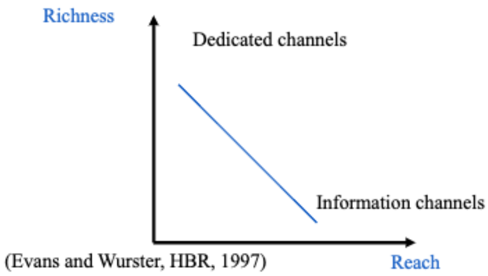
Old economy	New economy
Organization according to production-units	Organization according to client segments
Profitable transactions	Client profitability for long-term profit (LTV)
Financial score card	Marketing scorecard
Shareholders	All stakeholders
Marketing only for the marketing department	Everyone cooperates to marketing
Building brands using advertising	Building brands using superior performance
Client acquisition	Client retention
No measure of customer satisfaction	Measure customer satisfaction and retention %
A lot of promises, low deliverables	Less promises, higher deliverables

- Inbound marketing
    - Inbound marketing provides information, an improved customer experience and builds trust by offering potential customers information they value via company sponsored newsletter, blogs and entries on social media platforms
- The internet/mobile revolution

- Many to many communication



- User generated content (UGC)
    - Can be anything produced by the user:
        - Text (reviews), audio, video, categories or ranks, networks

    - 

        - Richness=
            - Bandwidth (amount of information transferred per time unit)
            - Customization
            - Interactivity (dialogue vs monologue)
        - Reach=
            - Number of people exchanging information

3. How the internet changes the way of doing business and how marketers use client databases

- Companies active both online and offline (‘brick-and-click’): frequent channel conflicts
- Companies active online and offline, are often more successful than pure e-tailers because…
    - Costs for customer acquisition are lower
    - Means, knowledge, client basis, supplier relationships are superior

4. Changing environmental factors

- External interest groups
    - Government
    - Local groups
    - Groups of interest and action groups
    - Media concerns
    - …
- Demographic factors

        - Following trends in size and development in population
            - Population and country size
                - Growth world population
                    - From 7,3 tot 9,7 billion people in 2050
                    - Mainly in Africa
                    - India is most densely populated
            - Population density and population growth
            - Degree of urbanization
            - Age structure and educational attainment of population
                - vergrijzing
            - Family composition
                - Nieuw samengestelde gezinnen, single mothers,…
            - Migration patterns
                - Increasing immigration
            - Diversity
- Socio-cultural factors
    - Culture = reflection of values and norms in the community
        - Basic beliefs and values (relatively stable)
        - Secondary beliefs (unstable)
        - Subcultures: Ethnic groups, linguistic groups
        - Lifestyle
        - Leisure activity
        - Communication
        - Social trends
            - Eg hipsters: alternative, vintage, authenticity
            - Increased mobility and interactivity
            - Focus on health
- Technological factors
    - Very fast pace of change
    - Creates new markets and opportunities
    - Often replaces old technology and products
    - Pay-back period of innovations become smaller
- Ecological factors
    - Trends w.r.t. availability of natural resources and developments in energy costs
        - Shortage of raw materials
        - Increasing energy costs
        - Increasing pollution and climate change
        - Government interventions
- Political-legal factors
    - Laws, government institutions and lobby groups who impact organizations and individuals and impose restrictions
    - Examples of legislations for companies:
        - Trademark

        - Privacy laws
        - Compulsory information on packaging
        - Safety standards
    - Reasons for company legislation
        - Protection for other companies (fair competition)
        - Protection of consumers for unethical behaviors
        - Protection of community and environment for company malpractice

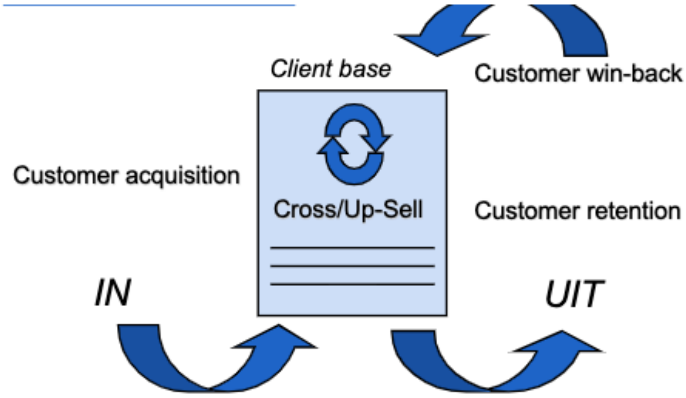
5. Customer satisfaction and customer value

- Customer satisfaction is defined by the degree to which "someone is happy or disappointed with the observed performance of a product, related to his or her expectations"
- To maximize customer satisfaction:
    - Do not exaggerate w.r.t. the performance of the product/service in advertising or other communications
        - Often results in dissatisfaction
        - Consumer associations could be involved
    - Don't put the expectations too low either
        - Market size will be limited
- Development of client relationship from suspect to partner
- 20-80-30 rule:
    - 20% of your customers generate 80% profit, half of the profit is lost because of serving the worst 30% of your customers

6. How marketers use customer relationship management

- Definition
    - Customer relationship management is the process of profitable customer acquisition, retention and growth
- Relevance: some facts
    - Retain 5% extra from the current client base may double profitability
    - Companies spend typically 5 times as much to acquire a new customer compared to retaining an existing customer
- Enablers:
    - Technology and reduction per contact cost
- Evolution in marketing:
    - From mass marketing to segmented marketing to one-to-one marketing
- Types of customer acquisition
    - New to category: customers with a new need
        - Eg: couple with a newborn → now need baby clothes
    - New to company: winning over from competitors
        - Only option for customer growth in mature markets
        - Eg: new player in grocery retail can only win customers from existing retailers

    - Communication channels: ads, cold calling (illegal), targeted mailing, cold e-mailing (illegal), WOM,…
- Customer base management



- One problem at a time
    - Customer acquisition
        - Importance (growth/status quo)
        - Focus points:
            - Limited information set per prospect
            - Low conversion %
        - Objectives
            - Only contact prospects/potential clients with a high chance of conversion
        - SEE B2B customer lead qualification coca cola paper
    - Retention
        - Very important, profit implications of retention increase significantly for higher retention rates
        - Focus points:
            - A lot of information per client if you can link subsequent purchase (eg using loyalty cards)
            - Contractual vs non-contractual
- Customer churn, defection, lapsing <-> customer retention, behavioral loyalty
    - Partial vs complete churn
    - Voluntary vs involuntary churn
    - How to reduce churn:
        - Identify possible churners
        - Undertake specific actions
    - Customer retention program:
        - Using the score:
            - Continuously: contact center
            - Monthly: targeted-marketing actions
        - Field experiment to reduce churn
            - 3 actions & control group
                - Satisfaction questionnaire

        - Tickets
        - Unique event
    - 2 benefits of mere measurement:
        - Reduces customer churn
        - Enables a better churn prediction
  - Future:
  - Transactions (RFM) → relationships (commitment & trust) → engagement (satisfaction & emotion)
  - Recent evolutions in CLV
    - Customers contribute to the firm's business performance not only by transactions
    - CEV= customer's engagement value
    - Customer lifetime value (CLV)
    - Customer referral value (CRV): related to the acquisition of new customers through referral programs
    - Customer influence value (CIV): corresponding to the influence on both customers and prospects (eg WOM activity)
    - Customer knowledge value (CKV): customer-provided ideas for innovations and improvements (eg customer feedback)

Chapter 2: Strategy

1. Strategic planning: the role of marketing

- "defining the overall organizational strategy for survival and long-term growth"
  - Continuously finetuning the organizational goals and capabilities to change in the competitive environment, opportunities and threats
- 4 organization levels for strategic planning:
  - Corporate
  - Division
  - Strategic business unit (SBU)
  - Product
- With emphasis on budget allocation!

STRATEGIC MARKETING

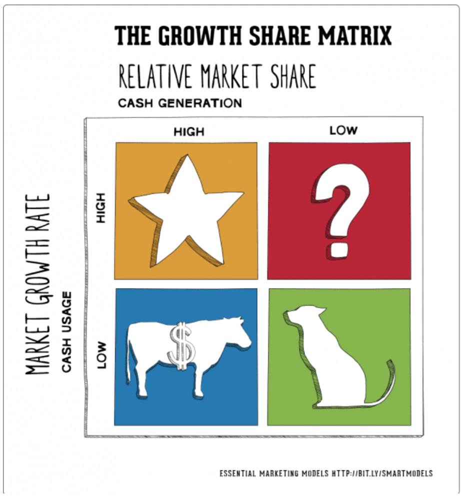
- formulate a customer-focused vision

- determine goals and objectives

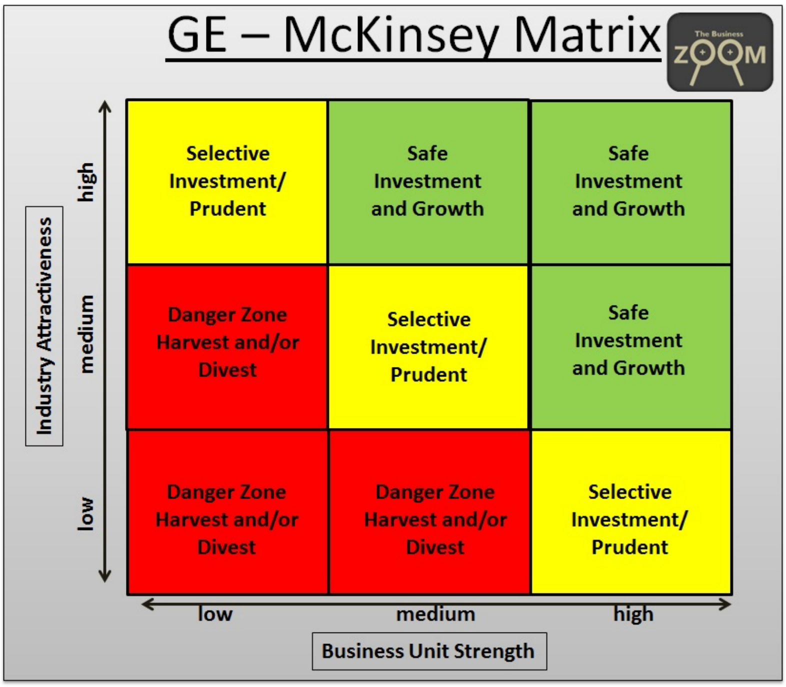
- design a portfolio of businesses and products

- Mission
  - In most cases, the vision is defined first
  - The overarching goal of the company
  - Puts emphasis on the most important corporate values

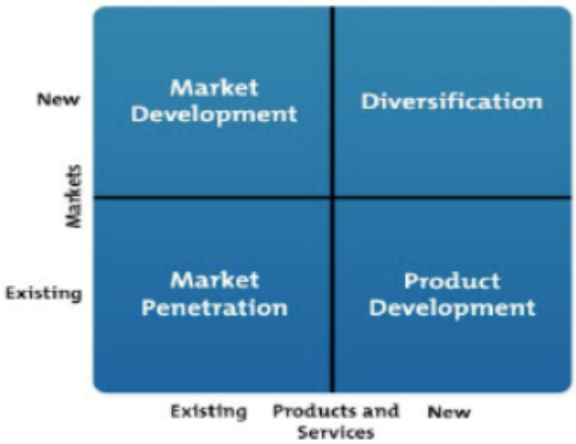
        - “what business are we in?” provides an answer to the questions:
            - **What?** What customer needs do we want to satisfy
            - **Who?** Which customer segments do we want to serve
            - **How?** What do we stand for?
            - **Why?** What is our added value? Why do we exist?
        - Missions have to be **specific, realistic** and based on the unique **competences** of the organization. But above all they have to be **motivating** and **market oriented**!
- Portfolio of businesses and products
    - Portfolio analysis:
        - Boston consulting group matrix (BCG)



            - Strategies:
                - Invest/build
                - Hold
                - Harvest
                - Divest
            - Criticism
                - Too simplistic
                - 10% cut-off for high/low growth is arbitrary
                - Market potential > market share
                - You only compare with the market leader or runner-up
                - Market share ≠ profit
        - General Electric matrix (GE)

- 

    - Devise strategies for future growth
        - Ansoff matrix



            - Market penetration example: existing flavor chips lays
            - Market development example: K3 film
            - Product development example: different flavours coca cola
            - Diversification example: google home & google assistant
        - Other growth strategies:
            - Backward integration (merging with supplier)
            - Forward integration (merging with distributor)
            - Horizontal integration (merging with producers of same products/parts)

2. Marketing planning: engaging in partnerships to build customer relationships

Porter's Value Chain

3. Marketing strategy and the marketing mix

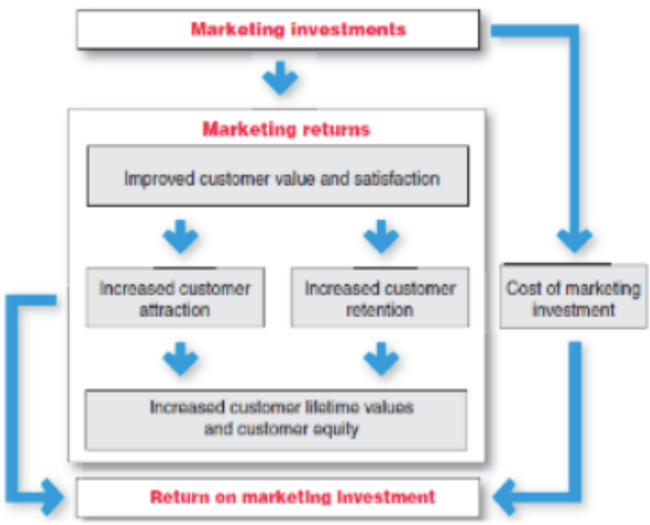
- Competitive strategies
  - Porter's generic strategies

        - Cost leadership eg: colruyt, aldi,…
        - Differentiation eg: pampers, Delhaize
            - Building an "experience"
        - Focus eg: fairtrade
        - Sometimes stuck in the middle
- Customer-centered marketing strategy
    - STP process: Segmenting, Targeting, Positioning
- Marketing mix from a consumer's perspective:
    - Product → solution for the customer
    - Price → cost for the customer
    - Place → ease-of-use
    - Promotion → marketing communication

4. Managing marketing efforts

- Marketing analysis
    - Planning
        - Develop strategic plans
        - Develop marketing plans
    - Implementation
        - Carry out the plans
    - Control (evaluate and adapt)
        - Measure results
        - Evaluate results
        - Take corrective action
- Marketing audit
    - External audit (meso & macro environment): detailed analysis of the markets, the competition, the industry, the economic environment of a company
    - Internal audit (micro-environment): evaluation of the entire supply chain network of the company
- Marketing plan
    - 5 components:
        - Management summary
            - Short overview of the marketing plan
        - Marketing audit
            - Description of the target group and the positioning of the company, including information about the market, product fixtures, competition and the distribution channels, this document includes an internal and external analysis
        - SWOT-analysis
            - Strengths and weaknesses of the company and opportunities and threats of the environment
            - Can form the input of the confrontation matrix to formulate marketing actions

        - Marketing strategy and objectives
            - Corporate objectives and points of interest to achieve them
            - Also includes marketing approach to reach objectives of the marketing plan
        - (operational) marketing plan
            - How the marketing strategy will be transformed in concrete courses of action
            - It contains:
                - The marketing mix
                - Courses of action
                - Budget allocation
                - Control mechanisms
- Implementation
    - Who? Where? When? How?
    - ‘doing the right thing’ AND ‘doing everything right’
    - Importance of the corporate culture and structure → eg the right reward system
    - Looking in the same direction
- Control
    - Operational control
        - Performance vs yearly planning
    - Strategic control
        - Do the core strategies still fit with the current opportunities?
        - Marketing audit
- Marketing return
    - Marketing accountability:



    - Marketing return on investment:
        - $\frac{return}{cost}$
- Key performance indicators: KPI’s
    - A measurable value that demonstrates how effectively a company is achieving key business objectives

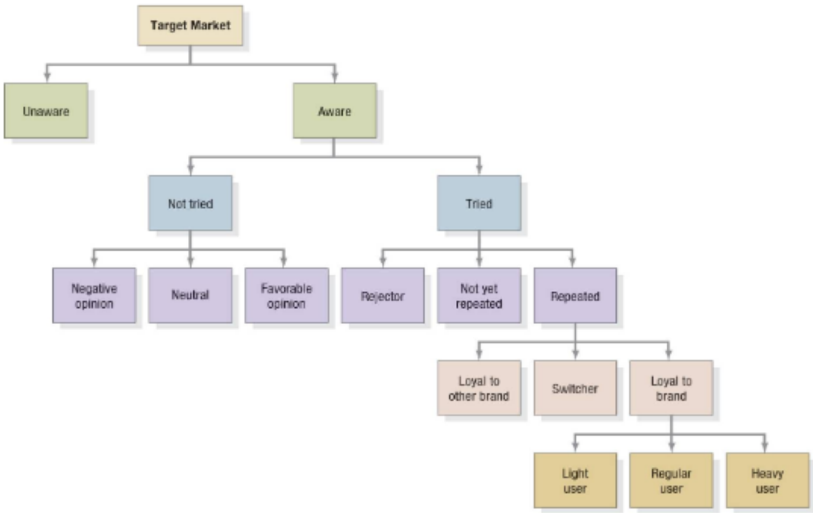
- Market share, profits, costs, cost of goods sold, customer lifetime value, customer acquisition cost, customer satisfaction, employee satisfaction, employee turnover rate, customer complaints, brand recall

Chapter 3: Market segmentation, targeting, and positioning

1. segmentation: determining market segments

- Segmentation = the sub-dividing of the market into homogeneous sub-sections of customers, where any sub-section may conceivably be selected as a market target to be reached with a distinct marketing mix
- Target marketing?
  - Why?
    - Mature markets so high competition
    - Cost of product introductions
    - Higher income → demanding customers
    - Flexible manufacturing systems
    - Communication channels for target groups
  - Costs
    - Design costs
    - Production costs
    - Communication costs
    - Inventory costs
    - Market research costs
- Process of market segmentation:
  - Segmentation
    - Determine segmentation criteria
    - Set up profile of different segments
  - Targeting
    - Determine criteria to measure attractiveness
    - Choose segment(s)
  - Positioning
    - Set up positioning for each segment
    - Set up marketing mix for each segment
- Segmentation criteria B2C
  - Geographic segmentation
    - Region, city size, density, climate,…
  - Demographic segmentation
    - Age & life phase
      - sports
    - Generation
    - Gender
      - Clothing
      - Cosmetics

            - magazines
        - Sexual orientation
        - Family size
        - Family life cycle
        - Income, profession, education
            - Cars & boats
            - Clothing & cosmetics
            - Journeys
            - Sport & relaxation
            - house
        - Nationality, religion, race
            - Halal/kosher
            - burkini
        - Most used-criteria due to:
            - Relevance
            - Easy to measure
            - In any case necessary to describe target group
    - Psychographic segmentation
        - Social class
        - Lifestyle
        - Personality
        - Values
    - * mosaic → multi-attribute segmentation via geoclustering combines multiple variables to achieve smaller, better defined target groups
    - Behavioral segmentation
        - Opportunity → regular/special
        - Searched benefits → quality/ service/ price/ image/ function/ speed
            - Eg different types of toothpaste for fresh breath vs whiter teeth
            - Eg tennis tournament where in one kids are out when they lose vs one where they play for fun
        - User type → non-user/ ex-user/ potential user/ first-time user/ regular user
        - Usage frequency → light/moderate/heavy user
        - Loyalty → switcher/ shifting loyalty/ divided loyalty/ hard-core (absolute) loyalty



	General	Product specific
Observable	Geographic, demographic	Usage frequency, brand loyalty, usage situation
Unobservable	Personality, lifestyle, attitude	Attitude, lifestyle benefits, intentions

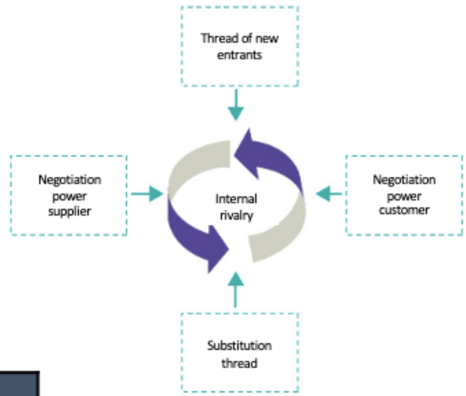
- Using different segmentation criteria:
  - After one criterion, define the target group more narrowly based on one or several additional criteria
  - Drafting personas (motives, desires, goals)

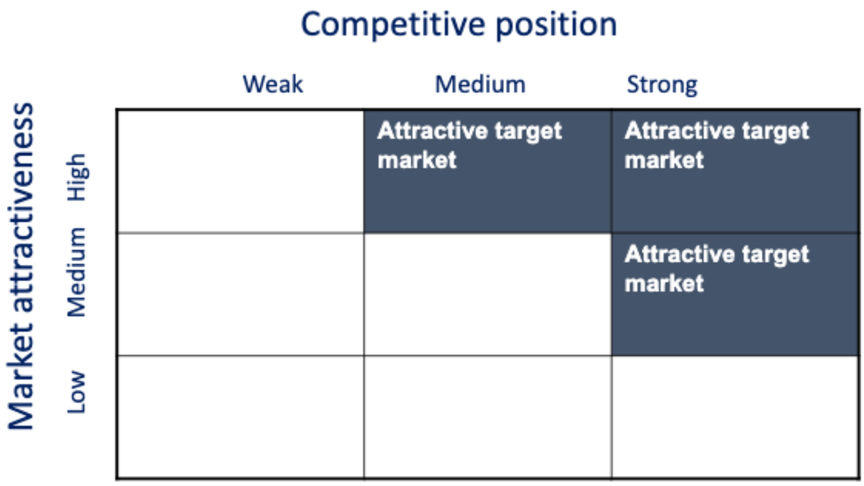
- Segmentation criteria B2B
  - Geographic → location
  - Demographic → industry, company size
  - Searched benefits → quality, service, price, image, function, speed
  - User type → non-user, ex-user, potential user, first-time user, regular user
  - Usage frequency → light, moderate, heavy user
  - Loyalty → none, medium, high, absolute
  - And more specific:
  - Operational characteristic → technology, customer capabilities (need for service)
  - Purchasing policy → organization of purchase, power structure, existing relationships, general purchasing policy, purchasing criteria
  - Situational factor → urgency, specific application, order size
  - Personal characteristics → buyer-seller similarities, attitude towards risk, loyalty
  - Example purchasing criteria lab material
    - Government: low price, but maintenance possible
    - University: price not too high, no maintenance
    - Company: reliability, maintenance and repair
- Segmentation of international markets
  - Geographic location (western Europe, middle east,…)
  - Economic factors
  - Political and legal factors (type of government, stability, openness for foreign companies, degree of bureaucracy,…)

- Cultural factors (language, religion, values, habits, behavioral patterns,…)
  - ≠ intermarket segmentation : clusters of consumers with same international characteristics
- Requirements of effective segmentation
  - MASAD
    - Measurable
    - Accessible
    - Substantial
    - Actionable
    - Differentiable

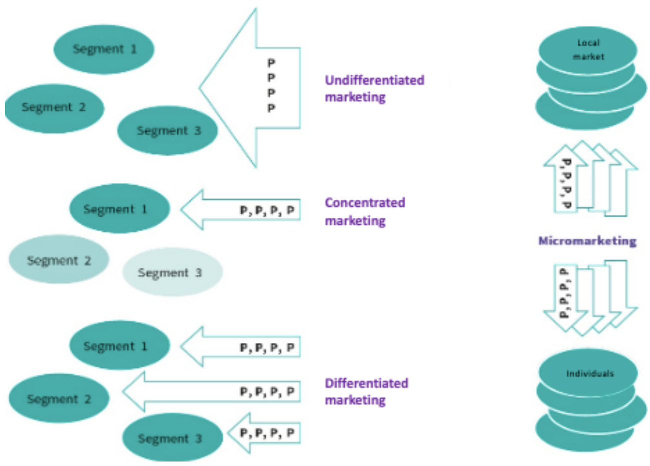
2. targeting: choosing the most attractive segments

- Assess market segments
  - Right size and right growth
  - Structural attractiveness
  - Goals
  - Superior skills and resources
  - Ethical considerations



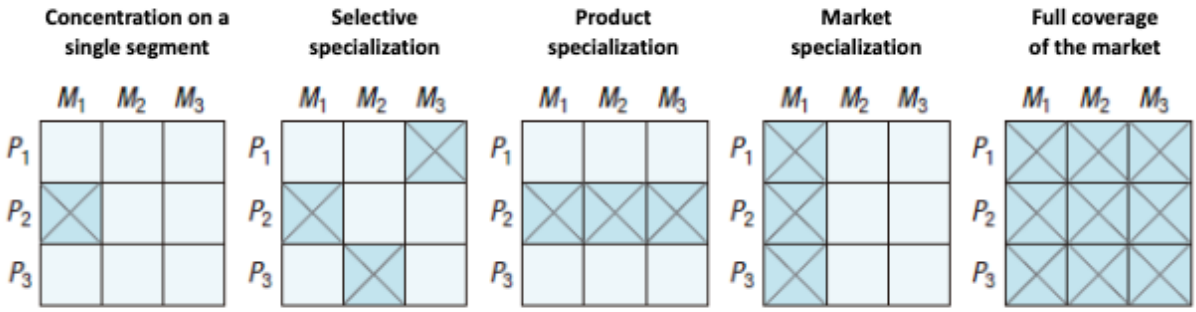


- Select target market



  - 4 strategies in target market choice:

- Undifferentiated marketing
  - Mass marketing strategy
    - Focuses on similarities, not on differences
  - 1 offer for the entire market
    - 1 product, mass distribution, mass advertising
  - Only possible if competitors leave this market alone
- Differentiated marketing
  - Different marketing offers for different target groups
  - More expensive (but often more effective) than mass marketing
    - R&D costs, production costs, market research, sales analysis, promotion campaigns, channel management,… → all for each segment
  - This means keeping an eye on turnover vs costs



  - Balancing the advantages of specialization vs the disadvantages of risk
- Concentrated marketing – niche
  - Focus on large part of a small market
  - Especially interesting when resources are limited
  - Due to limited market size, often less competitors
  - Advantage of expertise and specific reputation with regards to this segment
  - Is often a starting point for new companies
  - Can be very profitable but also very risky
- Micromarketing
  - Tailoring products and marketing programs for specific people and locations
  - Local marketing
    - Higher costs due to lack of economies of scale
    - But is often compensated by a more effective approach
  - Location-based marketing
    - Respond to actual locations of customers via smartphones and GPS and location-based social media
  - Individual marketing
    - One-to-one marketing
    - Technology makes **mass customization** possible

            - =making individually designed products on a large scale to satisfy the requirements of the customer
          - Also **customerization** increases
            - = customer-driven, customized where the customer is involved in every stage of the product development and purchase process
    - Choosing strategy
      - Choice depends on:
        - Company resources
          - If limited, then concentrated marketing most meaningful
        - Product variability
          - Undifferentiated marketing for uniform products (steel), for greater variation differentiation or concentration (cars or cameras)
        - Product life phase
          - At introduction concentration most meaningful, later perhaps differentiation
        - Variation within the market
          - For homogeneous preferences undifferentiated marketing most meaningful
        - Strategy from competitors
          - If competitors undifferentiated then differentiation or concentration, if competitors differentiated then undifferentiated marketing

3. positioning and competitive advantage

- Positioning = designing the product range and image of a company in such a way that it takes a distinct (and preferably better) position in the customer's head than the competitors
- Introduced by Jack Trout
- The consumer positions a product anyway, whether a company wants it or not
- Perceptions are decisive → it is not what you say it is, it is what the customer says it is
- Different kinds of positioning diagrams, they often measure perceived economy against perceived performance
- Choosing positioning strategy
  - 3 steps:
    - Searching for potential competitive advantage
      - Competitive advantage = degree to which a company is able to deliver higher value than the competitor by either lower prices or by additional benefits that justify a higher price
      - To effectively deliver more value, a product must be differentiated
      - For each customer contact, there are ways to differentiate
        - Assuming full customer experience

- How to differentiate?
  - Product
    - Characteristics
    - Shape
    - Performance
    - Style
    - Design
    - Durability
    - Accessories
    - Packaging
  - Services
    - Ease of ordering
    - Delivery
    - Installation
    - Training
    - Information
    - Maintenance and repair
  - Channels
    - Reach
    - Expertise
    - Performance
  - People
    - Competence
    - Motivation
    - Credibility
    - Reliability
    - Reaction speed
    - Communication skills
  - Image
    - Symbols
    - Media
    - Ambiance
    - events

- Choosing the right competitive strategy/advantage
  - How many differences to emphasize?
    - USP or multiple differences?
      - #1 in 1 characteristic is easier to remember + more credible
      - If competition claims same USP, then multiple characteristics required
      - With multiple benefits, you can approach more segments
      - Pay attention to contradictory benefits

            - Which differences to emphasize?
                - Important
                - Unique
                - Superior
                - Communicable
                - Payable
                - Profitable
- Determining positioning strategy and formulating positioning
    - Consumers generally choose products that offer them the most value
        - So positioning on the most important benefits for the customer
    - Value offer/ value proposition = total combination of benefits on which the brand is positioned
        - Indicates why the customer should buy the brand
        - Is included in the positioning statement
    - Value propositions include:
        - Brand and product
        - Target group
        - Advantages
        - Price
        - Value proposition

Winning Value Propositions

- More for more: provides the most upscale product or service
    - Ferrari
- More for the same: high quality at lower prices
    - IPad
- More for less: best winning proposition
    - AH
- The same for less: gives a good deal
    - colruyt
- Less for much less: lower performance or quality at a lower price
    - Witte merk, low cost airlines

- Realizing positioning strategy
  - The marketing mix must support the positioning strategy for 100%
  - Eg a ‘more-for-more’ strategy requires:
    - Quality products
    - High price
    - Quality dealers with good reputation for service (trained and sufficient staff)
    - Advertise in high-quality media with the right message

Chapter 4: Products, services and brand strategies

1. What makes up a product

- A collection of tangible and intangible attributes that can be offered to a market and that can satisfy a certain need or want
- It includes a physical object, service, people, places, organizations and ideas, or a combination
- Services = 70% of GDP
- Levels of product
  - Core product → core benefit
  - Actual product → packaging, brand name, quality, styling, features
  - Augmented product → installation, aftersales service, warranty, delivery and credit
- Product classifications
  - Consumer products

Marketing consideration	Convenience	Shopping	Specialty	Unsought
Customer buying behavior	Frequent purchase, little planning, little comparison or shopping effort, low customer involvement	Less frequent purchase, much planning and shopping effort, comparison of brands on price, quality, style	Strong brand preference and loyalty, special purchase effort, little comparison of brands, low price sensitivity	Little product awareness or knowledge; if aware, little or even negative interest
Price	Low price	Higher price	High price	Varies
Distribution	Widespread distribution, convenient locations	Selective distribution in fewer outlets	Exclusive distribution in only one or a few outlets per market area	Varies
Promotion	Mass promotion by the producer	Advertising and personal selling by both producer and resellers	More carefully targeted promotion by both producer and resellers	Aggressive advertising and personal selling by producer and resellers

Examples	Toothpaste, magazines, laundry detergent	Major appliances, televisions, furniture, clothing	Luxury goods, such Rolex watches or crystal	Life insurance, blood donations

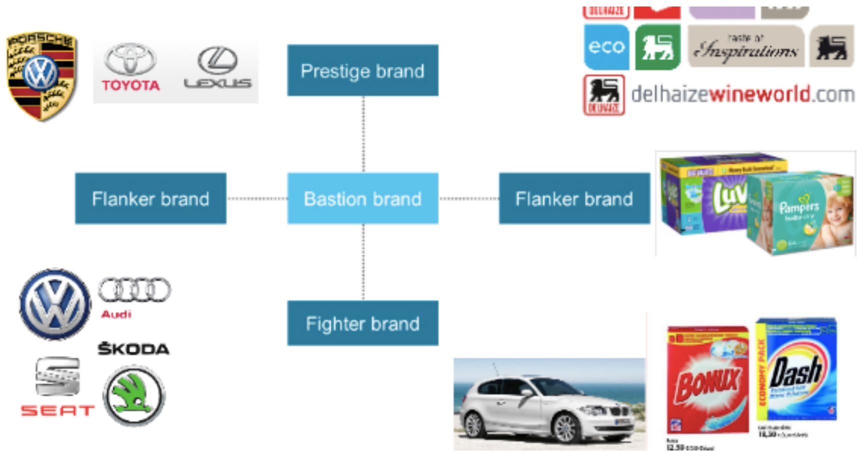
- Industrial products
  - Raw materials and manufactured materials and parts
  - Capital goods
  - Supplies and business services

2. Product and service decisions

- Decisions at 3 levels:
  - Individual product decisions

- Product and service attributes
  - Product quality
    - Closely linked to customer value and satisfaction
    - Total quality management
    - Level and consistency
  - Product features
    - 'stripped-down' model and adding higher-level models later
  - Products style and design
    - Grab the attention
    - Make the product perform better
    - Lower manufacturing cost
    - Provide a competitive advantage
- Branding
  - "a name, term, sign, symbol or design, or a combination of these, intended to identify and differentiate one seller from its competitors"
  - Often a brand adds value to a product
  - Guarantee of reliability and quality
  - Legal protection
- Packaging
  - Product protection
  - Attracting attention
  - Describing the product
  - Differentiation
  - Safety
  - Durable
- Labeling

        - Identifies the product or the brand
        - Who, where, when it was made
        - Perishable date
        - Quality grade
        - Ingredients
        - Promote the product
    - Product support services
        - Services that augment the actual product
        - Can be a minor or major part of the total offer
- Product-line decisions
    - “a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges”
    - Length = the number of items in the product line
    - Line stretching = lengthening the range of the product line



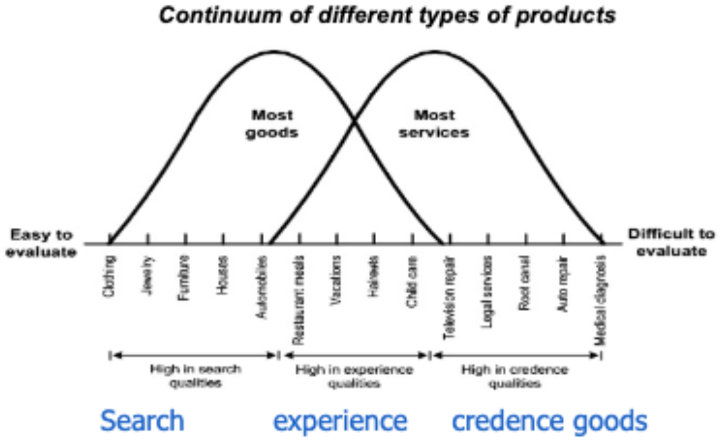
    - Line filling = adding products within the range of the current line
- Product-mix decisions
    - Assortment = product mix = “the set of all product lines and items that a particular seller offers for sale to buyers”
    - 4 important dimensions:
        - Width = the total number of different product lines
        - Depth = number of versions of each product in the line
        - Length = total number of items within the product line
        - Consistency = how closely related are the product lines
    - Possible decisions
        - Widening its product mix
        - Lengthen its product lines
        - Deepen its product mix
        - Pursue more product line consistency

3. Marketing services

- Characteristics

- Ownership → services cannot be owned
- Inseparable → services cannot be separated from their providers
- Perishability → services cannot be stored for later sales or use
- Variability → quality of the service depends on who provides them and when, where and how
- Intangible → customer cannot see, taste, feel, hear or smell the service before purchase

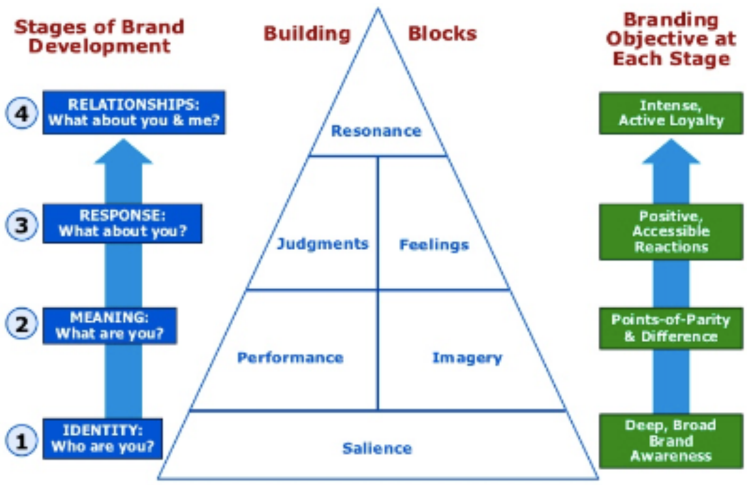
- Search, experience and credence



- Marketing for service firms
  - Service profit chain
    - Internal service quality
    - Satisfied and productive service employees
    - Greater service value
    - Satisfied and loyal customers
    - Healthy service profits and growth
  - 3 types of marketing in service industries
    - Internal marketing
      - Company to employees
    - External marketing
      - Company to customers
    - Interactive marketing
      - Employees to customers
  - 7 instead of 4 P's
    - Price
    - Product
    - Promotion
    - Place
    - Personnel
    - Process
    - Peripheral cues (physical evidence)

4. Marketing/branding strategies

- Brand = "a name, term, sign, symbol or design, or a combination of these, intended to identify and differentiate one seller from the competitors"
- Brands represent perception and feeling; actually, everything that the product means to the customer
- Brands often are a competitive advantage
- Have to be carefully built and managed
- Building a strong brand does not always have to be matched with huge marketing expenditures
- Brand equity
    - "the positive differential effect that knowing the brand name has on customer response to the product"
    - A good indication of brand equity is the willingness to pay more
    - High brand equity is translated into:
        - Higher brand loyalty, margins, elastic response to price decrease, inelastic response to price increase, faster acceptance of new products, robust to promotional actions of competitors
        - Increases the effectiveness of marketing communication, resistance to negative WOM
        - Stronger negotiation power with distributors, higher demand for alliances and partnerships
- Building a strong brand



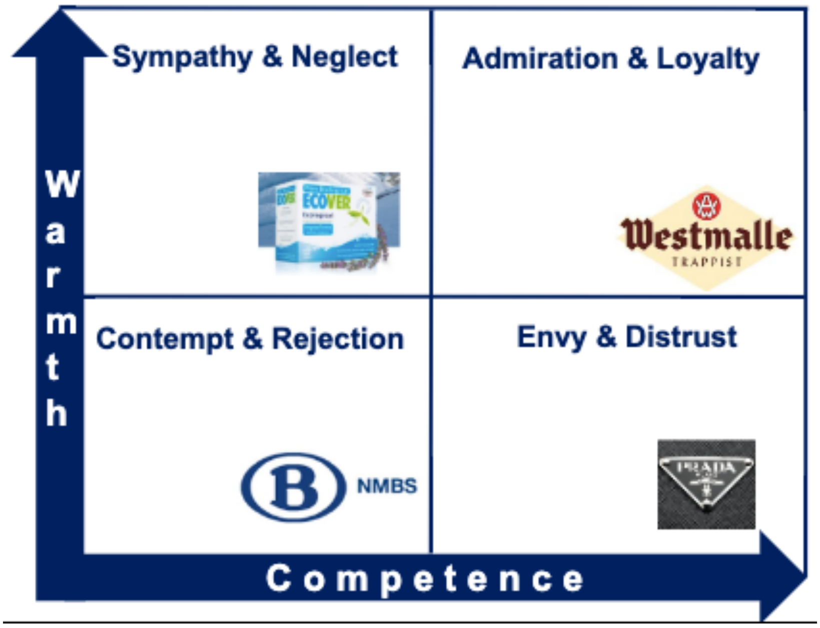
    - Decisions a manager has to take:

Brand positioning	Brand name	Brand sponsorship	Brand development
Attributes	Selection	Manufacturer's brand	Line extensions
Benefits	Protection	Private brand	Brand extensions
Beliefs and values		Licensing	Multibrands
		Co-branding	New brands

    - Brand positioning
        - Attributes
            - Easy to imitate
            - What's in it for me?
        - Benefits

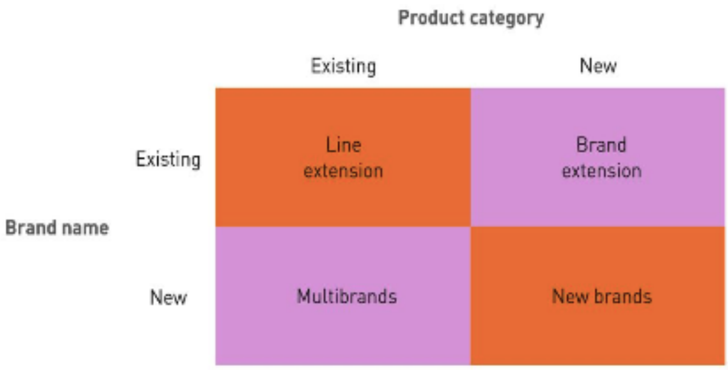
- Indicates what the brand does

▪ Beliefs and values
  - Says something about the buyers' values
  - Great emotional power



- Brand name selection
  - Desirable qualities for a brand name
    - Link to the benefits
    - Easy to pronounce, recognize and remember
    - Distinctive (creating memory structures)
    - Extendable
    - Translate easily into other languages
    - Capable of registration
- Brand sponsor
  - Manufacturer's brand vs private label brands (middlemen, distributor or store brand)
    - 'battle of the brands'
    - Reputation and market share of private brands increase
    - 'three tier' private labels (discount, standard, premium)
  - Licensed brands
    - Licensing names or symbols previously created by other manufacturers
    - Eg: Disney characters, famous designers,…
  - Co-branding
    - Collaboration between 2 established brands
    - Joint MC and/or joint production

    - Brand development



        - Line extension:
            - Different flavors
            - New forms, package sizes and colors
        - Brand extension:
            - Eg Toyota naaimachine, Heinz mayonnaise
            - Pros and cons of brand extension:

Pro	Con
More variation and target groups	Brand dilution
More choice for the customers	Brand name does not fit with the new product
Faster acceptance of new products	If extension fails, it may harm consumer attitudes
Easier to persuade retailers	Brand name saturation
No brand development and building costs	Limited shelf space
Billboard effect	Low turnover to win back the development and introduction costs
Feedback benefits	Cannibalization
	Opportunity risk

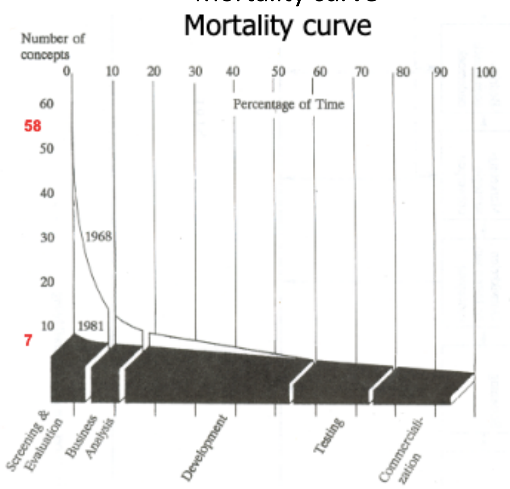
        - Multibranding
            - 2 or more brands in the same product category
            - Possible as a starter, flanker or fighter brand
            - Profitable?
        - New brands
            - When the exisiting brand does not fit
            - Risk of too much diversification of resources
- Managing brands
    - Continuously invest in the brand
    - Consistency is of major importance
    - Repositioning or reviving the brand
    - Creates "brand experience" by means of experiential marketing and brand activation
    - Experience as a route to brand activation
        - Connects your brand with meaningful experiences: sense, feel, think, act and relate
            - Eg: coca cola selfie bottle → automatically on their Instagram and facebook

    - Focus on the moment of consumption and the brand benefits
    - Think of your customer as rational but mainly as emotional creatures
    - Brand experience influences brand personality, customer satisfaction and loyalty, but can also have the following objectives
      - Brand attention
      - Brand comprehension
      - Brand image
      - Brand purchase
      - Brand relationship
    - Examples of brand activation
      - Niveau sunburn campaign
      - → UV sensitive dolls to teach kids importance of sunscreen

5. Strategies for new product development (NPD)

- What is a new product?
  - Completely new products
  - New product lines
  - Additions to an existing product line
  - Improve and revisit existing products
  - Repositioning
  - Cost reductions
- What is a failure?
  - Unprofitable?
    - Very few products are profitable in the first few years
  - Unprofitable over x years?
  - Did it achieve the objectives?
    - Tesla has been unprofitable for many years but attains its objectives
- Why do new products fail?
  - No or bad market research
  - Market size is overestimated
  - Higher development costs than expected
  - Bad design or technology
  - 'me too' product
    - Copycat product
  - Bad positioning
  - Ineffective advertising campaign
  - Wrongly priced
  - No support of the supply chain
  - Fierce reaction by competition
  - Bad timing
- Characteristics of successful new products
  - Strong relative advantage
  - Better understanding of customer needs

    - Fast introduction (‘beat the competition to market’)
        - First mover advantage but make sure it doesn’t end up being a failure
    - Performance/cost ratio is more in balance
    - Better contribution margins
    - Bigger introduction and communication budget
    - More support from top management
- Steps in the NPD process: (how organizations should develop their new product development)
    - Idea generation
        - Only a few are successful
        - Internal sources
            - R&D department
            - Complaint handling department
            - Sales department
            - Manufacturing people
            - Other employees
        - External sources
            - Customers, social media
            - Suppliers and distributors
            - Competitors
            - Marketing advisors
            - Academics
            - Magazines, fairs,…
            - Crowdsourcing
                - Inviting broad communities of people into the new product innovation process
    - Idea screening
        - Importance of screening
            - Mortality curve



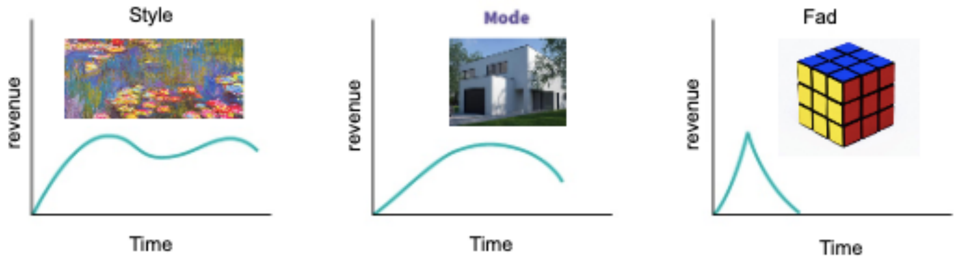
                - In 1968, about 58 new concepts were needed to come to one successful commercialization, in 1981 this process was smoothened and only 7 concepts were needed

            - Errors and risks
                - 2 kinds of mistakes: α when you eliminate an idea that could've grown to be a success, β when you continue with an idea that ends up being a failure
        - Write up new-product ideas on standard form
            - Product
            - Target group
            - Competition
            - Market size
            - Product price
            - Development time
            - Development cost
            - Production cost
            - Return
            - These are evaluated against 3 criteria:
                - R= is it real? → real need? Will customers buy?
                - W= Can we win? → sustainable comparative advantage? Resources?
                - W= Is it worth doing? → company's strategy? Profit potential?
            - Company should be able to answer yes to all 3 RWW questions and only then further develop products
    - Concept development and testing
        - Product idea = idea for a possible product
        - Product concept = detailed version of the idea stated in meaningful consumer terms
        - Product concept is tested with the target group by means of written text or images
    - Develop marketing strategy
        - Description of target group, planned positioning of the product, market share, profit and revenue goals for the first years
        - Planned price, distribution strategy and marketing budget
        - Long-term goals for revenue and profit
    - Business analysis: economic side
        - "analysis of the sales, costs and expected profit for a new product to see if these fit the company goals"
        - Break-even analysis
        - Payback period
        - Risk analysis
        - Estimate cannibalization
    - Product development
        - Development of prototype
        - Alpha testing (internal)

        - Beta testing (with clients)
- Test marketing
    - Product and marketing program are tested in a realistic market environment
    - Goal: discover potential problems with respect to product, position, advertising, distribution, price, brand, packaging,… before the product is launched on large scale
    - Controlled vs complete market test
- Product introduction
    - Is accompanied by high launch costs (advertising, sales promotions, distribution, extra production facilities)
    - Timing
        - First, parallel or late entry?
    - Location
        - Which city or region, national or international?
        - For phased launches (waterfall), which countries first?
            - Cultural similarities
            - Market size
            - Purchasing power
- Organize the development of new products
    - Take client problems as a starting point
    - Sequential product development is slow
        - Use multidisciplinary teams to decrease time to market
    - Innovation management system
        - Systematically collect, discuss, evaluate and manage product ideas
        - Promotes innovation-oriented company culture
        - Leads to a larger number of ideas
    - Product development in dynamic times
        - Anti-cyclical investments
        - Be alert for disruptive innovation

6. Product life cycle (PLC)

- Not all products follow the PLC
- PLC can mean
    - Product category
    - Product form
    - Brand
    - Style (architecture, clothing, art), mode, rage/fad



Characteristics	Stages in life cycle			
	Introduction	Growth	Maturity	Decline
Objective	Attract innovators and opinion leaders to new product	Expand distribution and product line	Maintain differential advantage as long as possible	Cut back, revive, or terminate
Industry sales	Increasing	Rapidly increasing	Stable	Decreasing
Competition	None or small	some	substantial	limited
Industry profit	Negative	Increasing	Decreasing	Decreasing
Customers	Innovative	Affluent mass market	Mass market	Laggards
Product mix	1 or 2 basic models	Expanding line	Full product line	Best sellers
Distribution	Depends on product	Rising # of outlets	Greatest # of outlets	Decreasing # of outlets
Promotion	Informative	Persuasive	Competitive	Informative
Pricing	Depends on product	Greater range of prices	Full line of prices	Selected prices

- Criticism on product lifecycle
    - Concept is not strictly defined

    - No general shape
    - Unclear implications
    - Not exogeneous, no independent variable
    - Product oriented
        - PLC is dependent on the competitive forces defined by Porter
- First-mover/pioneer advantage

Entry Order	Share relative to pioneering brand
First	1.00
Second	0.71
Third	0.58
Fourth	0.51
Fifth	0.45
Sixth	0.41

    - FMCG market = fast moving consumer goods market
- Mechanisms that potentially lead to 'first-mover advantages'
    - Technological leadership
        - R&D, patents,…
        - Learning curve (pricing)
            - You learn how to produce most effectively and can reduce your costs this way, this can be quite significant
    - Pre-emption of scarce inputs
        - Input factors
        - Geographical locations
        - Shelf space (supermarket)
        - Product characteristics
        - Investments in production plants and means
    - Switching costs
        - Initial transaction cost
        - Buyer adapts to the specific characteristics of a product/supplier
        - Contractual switching cost
- Drawbacks for 'first-movers'
    - Free-rider effects
        - Imitation is cheaper than innovation
        - Cheaper to get human resources
        - Education of potential buyers
    - Technological uncertainty has been resolved
        - Make way for industry standards
    - Market uncertainty has been solved
        - Primary demand
    - Changes in technology and client needs

        - Dynamic needs
    - Inertia of established companies
        - Transaction-specific investments
        - Resistance to cannibalize existing product lines
        - Organizational inertia

Filmpjes en papers

The zero moment of truth (Google)

- 3 step mental model of marketing
    - Stimulus: like developing a tv ad
    - Shelf: focusing on point of sale
    - Experience: people take the product home and experience it, they share their good or bad experience → second moment of truth
- Through research a 4th step appeared in the marketing mental model: the zero moment of truth
    - This is when consumers do their research, get smart about alternatives, read reviews, look for coupons and comparison shop all before going to the shelf
- The zero moment of truth is very relevant, consumers have changed the way they make decisions
- New mental model of marketing
    - Stimulus
    - Zero moment of truth
    - First moment of truth → shelf
    - Second moment of truth → experience

The economics of airline class

- Economy class is NOT how airlines make money
    - The real money is in premium cabins
- A vast majority of the revenue comes from a minority of passengers
    - On average 2/3 of any airline's revenue comes from passengers in first, business or premium economy
        - This wasn't always the case → at first there were no classes because every seat was premium, not because luxury but because flying a plane was so expensive that the experience was the luxury
            - Compare to flying to space
- Until a transport method is at a cost where it's attainable to the normal person, it's all first class
- The story of the development of airline classes isn't the story of how airlines developed more and more luxurious seats, it's how they cut costs to allow more and more people to fly

- Airlines have figured out a way to sell the same product for different prices to different people!
    - First form of this was tourist tickets vs standard fare tickets
        - Tourist tickets
            - Cheaper
            - No flexibility
        - Standard fare tickets
            - For business travelers
            - Some flexibility
        - Through this system, the airlines segmented the market into 2 categories, based on what people were willing to pay
- Between 1969 and 1978 three things happened which allowed
    - Space to experiment with luxury
    - A reason to do this
    - And deregulation so ability to do this
- Small focus on first class, higher focus on differentiating business class from economy class due to failure concorde
    - First class is disappearing now, it is less profitable than business class because the experience is largely the same while first class takes up significantly more space than business class
    - Most profitable would be plane full of business class

Nike marketing strategy: how Nike branding flatters athlete egos

- Nike appeals to almost everybody in the entire world
    - "success is not calculated, it's earned" → this works because we all believe this about ourselves, everybody thinks they're above average
- 5 step formula for everything that Nike does
    - First to the challenge → up early
    - In the zone → working hard
    - Doubt & suffering → pain
    - Rededication → get up from the pain, believe in self
    - Victory!
- This works because it's a universal story
    - It's the warrior archetype that Nike brands with

Webinar by Showpad: Aligning sales & marketing for a better buyer experience

- Current state of the customer journey
- Customer challenges we are seeing
    - Customers demand more
        - B2C consumers have higher demands, just because they can

        - B2C consumer behavior is translated into B2B buying behavior – why settle for less?
        - Everybody is obsessed with making the user experience better and faster
    - Customer journey spaghetti
        - People don’t just decide, they switch between many processes like browse, research, transact, share, compare, decide, trust, …
        - Matching and understanding this journey is very complex, that’s why companies are struggling with this
    - Organizations are irritating not helping → 96% of people receive mistargeted promotions or messages
    - Campaigns fail to put the customer first
        - Low engagement
        - Low ROI
    - Organizations struggle to offer an integrated experience → there is a lack of integration related to systems, processes, people & data
        - Systems
            - Lack of integration between systems
            - Lots of new technologies
            - Frustration of it being the bottleneck
        - Processes
            - Inefficient processes
            - Siloed departments
            - Lots of duplicate efforts
        - People
            - Lack of skills
            - Lack of collaboration
            - Restrained in using the latest and greatest
        - Data
            - Overload of data
            - No data insights
            - Overwhelmed with all the data and possibilities
    - Smart conversations that deliver engagement
        - Right message to the right person at the right time through the right channel leads to very powerful engagement
        - It’s all about content and context
    - Demand manufacturing wheel
        - Start from persona and customer decision journey
    - Interesting insights
        - Important to differentiate between what’s interesting and what’s useful
    - “only marketers who are customer-obsessed and adapt to consumers’ changing behaviors in real time will succeed”
        - Customer-obsessed
            - Big challenge

            - Allows you to engage with audience in dramatic way
            - Ask yourself following questions about customer personas:
                - What profile attributes do they have?
                - What drives and motivates them, what makes them and their team successful
                - What are their responsibilities, key priorities and initiatives?
                - What are their frustrations and challenges? What keeps them awake at night?
                - What triggers would cause them to start considering a purchase?
                - What does the buying journey look like, what are the phases, what questions are they asking?
                - Where do they get their information and who are their influencers?
                - What roles do they play, what are the key decision-making criteria?
    - Create conversations that drive engagement
        - Persona
        - Buyer journey
        - Content mapping
        - Engagement strategy
    - Marketing & sales alignment
        - Traditional: marketing does most of the work first, sales finish it
        - Modern: marketing & sales are aligned throughout the whole process
    - Commercial enablement maturity index helps you realize where you need to focus in order to get the best results
- Align sales and marketing to create a smoother buyer experience
    - 30 seconds reality check: → disconnect between marketing and sales
        - Q for marketeer: how do your sellers sell?
        - Q for sales: did you need marketing content to get the order?
    - No customer journey is simple, it is an evolving project
        - When you have developed a customer journey, you can do some content mapping and move on to the buyer journey, these can be easily measured nowadays
            - Then sales behavior is added
    - Top 3 reasons why sales reps hate CRM
        - Is time consuming and tedious
        - Is designed for management
        - Is passive
    - Progress in buyer journey can be more allocated to digital channels than human channels
    - Sales quota issue: inability to articulate value
        - Issues about different sales reps:

                - Different content
                - Different messaging
                - Different relevance
                - No google analytics
            - How it is solved today:
                - Content library
                - Marketing automation for scale
                - CRM for data and reporting
                    - Why not automate tasks in CRM system?
                    - Sales enablement is there for the seller
        - The most complete and flexible sales enablement solutions
            - Prepare sellers
                - Guided experiences
                - Playbooks and access to learning
                - Content & course browse
                - Platform search
                - Proactive recommendations
                - 'discover, use & share the right story, for every opportunity'
            - Engage buyers
                - Personalize
                    - Tailor each conversation with personalized content for every buyer based on CRM
                - Interact
                    - Bring conversations more to life
                - Collaborate
                    - Easily share information and enable seamless collaboration between customer and sellers
            - Optimize with insights
                - Conversation analytics
                    - Invest more in stories that impact revenue
                - Customer analytics
                    - Shorten sales cycle by tracking your customer's level of interest
                - RM analytics
                    - Replicate your top seller's behavior to scale success
            - Showpad platform connects all 3
        - Bridge the disconnect between sales and marketing silos
        - Sales reps are an extension of your digital channels

Forbes article interview on sales enablement

Zie Ufora, ter aanvulling op showpad fimpje

HBR: the good-better-best approach to pricing

- Good-better-best pricing = concept of adding or subtracting product features to create variably priced bundles targeted to customers or varying economic means or those who value features differently
- This can attract new high-spending customers and price-conscious ones
- Although GBB is conceptually simple, implementation can be tricky, if new offerings are constructed and priced incorrectly, existing customers will trade down, hurting profits
- GBB's benefits come from 3 approaches
    - Offensive plays
        - Aimed at generating new growth and revenue
        - Even after implementing a GBB strategy, companies should continue exploring innovations that might lead to new, lower-priced versions of Good
        - 4 ways
            - Creating a high-end Best version that persuades existing customers to spend more or attract new high spenders
            - Creating a low-priced Good offering can make a product accessible to price-sensitive or dormant customers for whom the existing product line is out of reach
                - This limits the need for discounts or sales on existing products → good bc they erode long-term pricing power
            - A new Best offering that boosts the entire brand
            - A lower-priced Good version can spark ancillary revenue from related or complementary goods and services
    - Defensive plays
        - Meant to counter or forestall moves by competitors
        - Common responses to a low-cost rival:
            - Drop prices
            - Launch a fighter brand → a discounted product with entirely new branding
                - Works well but many new resources required
        - In many cases creating a new Good product is a better defensive strategy
            - Can also have mixed results, success not guaranteed
    - Behavioral plays
        - Draw on principles of consumer psychology, whatever the competitive landscape
        - A GBB plan helps potential buyers focus on and understand features and think about which ones they value and how much they're willing to pay for them
        - Can shift customers from a binary buy/don't buy mentality to consideration of incremental value and spending in 2 ways
            - Customers prefer having choices to feeling under an ultimatum → sense of empowerment

            - When faced with multiple options, customers tend to decide more quickly whether they are going to buy something, using their remaining time to focus on what
                - They treat the Good option as a sunk cost which makes them more amenable to upgrading
        - GBB can be used to exploit Goldilocks effect: people's propensity to choose the middle option in a set of 3
        - The simplicity of the GBB strategy makes it highly compelling to senior executives, top management must be committed for change to occur
- 3 steps to implementing GBB
    - Brainstorming about tiers and features
        - Decide how many product versions
            - Common approach = 3
            - Too much choice is risky, consumers become confused or paralyzed with indecision
                - If a company is set on many offerings, it can be useful to group them in a way that turns consumer's decision-making into a two-step process
        - Brainstorm about the features to include in each tier
            - Many of the best GBB plans draw on unexpected features

G-B-B Value Barometer

ATTRIBUTE	GOOD	BEST
Volume	*Low*	*Unlimited*
Service	*Basic*	*High-end*
Experience	*Regular*	*Over-the-top*
Time period	*Off-peak*	*Peak*
Waiting time	*Standard*	*None*
Speed	*Slow*	*Fast*
Brand	*Generic*	*Differentiated*
Warranty	*Limited*	*Extended*
Number of restrictions	*High*	*None*
Relationship	*Distant*	*Close*
Certainty	*Low*	*Guaranteed*
Flexibility	*Low*	*High*
Skill level	*Basic*	*Experienced*

        - Analyze the potential features
            - 3 key questions:
                - Does the feature have mass appeal or low appeal?
                - How would adding or subtracting it affect the cost of producing the good or offering the service?
                - Is it a fence attribute – one that constitutes a barrier preventing existing customers from crossing over to something cheaper?
            - Begin by identifying and analyzing the fence attributes

            - These make the downgrade a difficult, unpleasant or painful choice
    - Defining and pricing bundles
        - Defining bundles
            - Fence attributes should be features that have both wide and deep appeal and are somewhat costly to produce
            - Features that belong in Best should appeal to a wide segment of buyers, but cost relatively little to include → high margins
                - High appeal/ low cost Best features are often less about the actual product and more about the customer experience
                - These attributes also need to be realistic
            - No more than 4 attributes should differ between Good and Better and between Better and Best
            - Maintain a consistent progression of benefits so that every step up the ladder is a clear improvement
            - Consider names for the GBB options, they are essential in helping consumers quickly identify which version best meets their needs
        - Pricing bundles
            - Do not set a Good price that's more than 25% below Better
            - The Best price should not exceed Better by more than 50%
    - Bringing in research
        - Draw on 3 sources of data
            - Expert judgment
                - Executives, salespeople and other frontline employees have a good understanding of customers and their needs
            - General market research
                - Simplicity is crucial when distributing surveys
            - Conjoint analysis
                - This research technique involves giving subjects a series of binary product choices, each with different features and prices, and asking which they prefer
                - Can be a powerful tool

HBR: The innovation equation

The most important variables are structural, not cultural

- When employees feel they have more to gain from the group's collective output, that's where they invest their energy, when they feel their greatest rewards come from moving up the corporate ladder, they stop taking chances on risky new ideas whose failure could harm their careers

- The daily choice between project work or politics is what determines the level of innovation at a company
  - In order for “crazy” ideas to turn into successful products, people across the organization need to be incentivized to invest their time in moving projects, not themselves, forward
- The 4 control parameters of M
  - They are all elements of structure: organization design, not culture
  - Equity fraction
    - The extent to which incentives reflect the outcome of projects as opposed to rank within the organization
    - Equity fraction ties your pay directly to the quality of your work
    - 2 forms of equity:
      - Hard equity = stock options, grants, commissions, …
      - Soft equity = nonfinancial stakes such as peer recognition
    - Higher equity fractions stimulate work on projects rather than politics
  - Fitness ratio
    - The relationship between project-skill fit and return on politics
      - Project skill fit is a measure of the rewards from investing time in your project
      - Return on politics is a measure of the rewards from investing in politics
    - Poor project fit can result from an undermatch (skills not sufficient for the task) or an overmatch (skills far above project needs)
  - Management span
    - The average number of direct reports that executives of the company have
      - Narrow span → organization has many layers → promotions are on everyone’s mind
      - Wide span → very few layers → employees do not worry about promotions
    - Narrow is better if you want low error rates and high operational excellence, wider spans and looser controls are better for experimenting and developing loon shots and new technologies
  - Salary growth
    - The average step-up in base salary (and other executive perks) that employees receive as they ascend the hierarchy is another important factor
    - Low salary step-up rates encourage people to spend time on projects rather than politicking as successful projects will earn them more than a promotion
- Ways companies can enhance innovation:
  - Celebrate results, not rank
    - To increase the equity fraction and lower the salary growth rate, management must structure rewards to be based more on results than on level in the hierarchy
  - Use soft equity

        - Different people are motivated by different things
        - Companies should identify and use all the means at their disposal to increase employees' stakes in the success of their projects
    - Take politics out of the equation
        - Have decisions depend more on impartial assessments by neutral parties
    - Invest in training
        - People get better and training encourages employees to spend more time on projects
    - Perfect employee placement
        - Designate someone to ensure project-skill fit
    - Fine-tune the spans
        - Widen management spans and design looser controls for groups in which radical innovation is the goal
    - Appoint a chief incentives officer
        - For the best compensation system

HBR: why some platforms thrive, and others don't

- The factors affecting the growth and sustainability or platform firms (and digital operating models generally) differ from those of traditional firms
- On many digital networks the cost of serving an additional user is negligible, which makes a business inherently easier to scale up
- In the digitally connected economy, the long-term success of a product or service depends heavily on the health, defensibility, and dominance of the ecosystem in which it operates
- It's often easier for a digital platform to achieve scale than to sustain it
- The reason that some platforms thrive while others struggle really lies in their ability to manage 5 fundamental properties of networks
    - Strength of network effects
        - 2 kinds of network effects:
            - Same-side (direct) network effects: the more people use it, the more likely you are to attract others to use it too
            - Cross-side (indirect) network effects: 2 different groups of participants (users and app developers) attract each other
        - The strength of network effects can vary dramatically and can shape both value creation and capture → when network effects are strong, the value provided by a platform continues to rise sharply with the number of participants
            - Eg Facebook is better with more users bc more interesting content
        - The strength of network effects can change over time
        - When an incumbent's network effects weaken, so does its market position
        - It is possible for firms to design features that strengthen network effects
        - While not usually recognized as a network effect, learning effects operate a lot like same-side effects and can increase barriers to entry
    - Network clustering

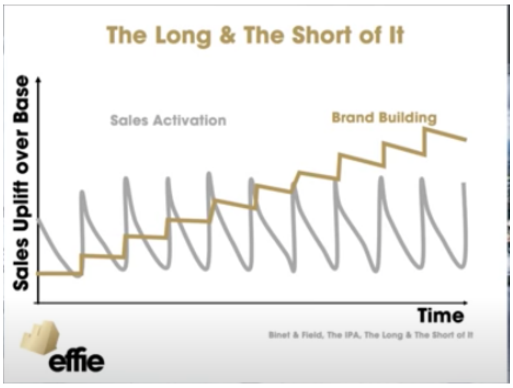
    - The structure of a network influences a platform business' ability to sustain its scale, the more a network is fragmented into local clusters and the more isolated those clusters are from another, the more vulnerable a business is to challenges
    - It's possible to strengthen a network by building global clusters on top of local clusters
    - Platforms on global networks are much less vulnerable to challenges, because it's difficult for new rivals to enter a market on a global scale
  - Risk of disintermediation
    - Disintermediation = where network members bypass a hub and connect directly
    - Platforms have used various mechanisms to deter disintermediation, such as creating terms of service that prohibit users from conducting transactions off the platform, and blocking users from exchanging contact information
    - Some platforms try to avoid disintermediation by enhancing the value of conducting business on them by providing insurance, payment escrow, or communication tools → these become less valuable when trust is established among platform users
    - Some platforms address disintermediation risks by introducing different strategies for capturing value with varying results
    - When disintermediation is a threat, providing complementary services can work a lot better than charging transaction fees
  - Vulnerability of multi-homing
    - When users or service providers form ties with multiple platforms at the same time
      - Happens when low costs of adopting an additional platform
    - When multi-homing is pervasive on each side of a platform, it becomes very difficult for a platform to generate a profit from its core business
    - Incumbent platform owners can reduce multi-homing by locking in one side of the market (or even both sides)
      - Eg encouraging exclusivity through bonuses
    - Attempts to prevent multi-homing can also have unintended side effects
      - Reducing multi-homing on one side of the market may increase multi-homing on the opposite side
  - Network bridging
    - Connect different networks to one another, in any platform business, success hinges on acquiring a high number of users and amassing data on their interactions
    - By leveraging them, firms that have succeeded in one industry vertical often diversify into different lines of business and improve their economics
    - As the most successful platforms connect across more and more markets, they're becoming increasingly effective at tying together industries

Mark Ritson on the power of Apple's brand positioning

- Steve Jobs recognized that Apple's greatest asset was its brand
    - And without a clear positioning, that brand would start to move and deviate and become contradictory
- He defined the positioning of Apple which came down to 3 core tenets
    - Simplicity
    - Creativity
    - Humanity
- He used those 3 core tenets for the advertising campaign of Apple
    - "think different" campaign
        - Extremely powerful
        - Simple message about creative people and it celebrates humanity at its core
            - Very effective positioning
- Second ad campaign to launch ipod
    - Outdoor campaign + print ads
- "get a mac" campaign
    - 2 ways to position a brand:
        - Tell the customer what you stand for
        - Pick an enemy that doesn't have your characteristics and say that you stand against them
            - Apple did this really great "taking an enemy and positioning against them for the benefit of the brand in the customer's mind"
        - These methods are not mutually exclusive
- Main lessons:
    - Positioning is not complicated; it is the intended brand image → what do I want the customer to think about when they think of my brand
    - Positioning provides slogans!
    - Differentiation is possible through positioning
    - Differentiation → price insensitivity → greater profits
    - Execute, execute, execute
        - Ultimate positioning is not the words themselves, but it's the constant execution of them in everything
    - A marriage of equals
        - Apple and shy a day (advertising campaign)

Mark Ritson on how Dove challenged beauty industry stereotypes: short + long term

- Dove showed a more normal naturalistic woman → cream soap
- Unilever wanted to expand the brand and started looking for a new position for the brand

- More than 3000 women around the world were asked to describe how they viewed themselves, more than half used natural or average, the media and advertising industry set an unrealistic and unachievable standard of beauty → more than 72% admitted to feeling worse about themselves after reading a women's magazine
    - Dove wanted to do something about this
        - Simple but revolutionary strategy
        - "make women feel beautiful every day by broadening the narrow definition of beauty, inspiring them to take great care of themselves"
- Campaign began by challenging industry stereotypes
    - Real women with real curves
- Dove had 2 different approaches → dual communications model
    - Standard ads promoting the Dove product using a traditional approach
        - Category
        - Link to the point of view to products
        - Persuasion
        - Mental availability
    - Challenging ads that pushed the idea that the beauty industry was harming women's self-identity
        - Masterbrand
        - Make the point of view famous
        - Emotional connection
        - Cultural resonance
    - When they stopped promoting the Masterbrand and just the products, this was harmful, and sales dropped
    - There's a synergy between these 2 different aspects of Dove's success
- 

    - You need the long term (brand building) and the short term (sales activation), both facets are crucial to your campaign
- Both long and short combined
    - Brand building
        - Creates brand equity
        - Future sales
        - Broad reach
        - Emotional
        - Master-brand

        - 60% budget
    - Sales activation
        - Exploits brand equity
        - Current sales
        - Tightly targeted
        - Persuasion
        - Product line
        - 40% budget
- Problem: most marketers do marketing on short term so little effect of brand building however this is untrue
- Lessons
    - Combining the long and short of it
        - Long: emotional, brand and mass
        - Short: rational, product and targeted
    - The dangers of ROI measures and short term marketing results
    - The 60/40 rule for brand growth
    - Effectiveness takes time (campaign over more than 20 years)

Mark Ritson on the effectiveness of Tourism Australia's award-winning 'Dundee' ad

- Tourism funnel
    - You don't visit the place if you don't have a desire for it
    - You don't have a desire if you don't have the intention
    - Intention can only come from consideration
    - You can't consider a place you haven't heard of
- The problem is at the middle level, many Americans consider visiting Australia however, Australia underperforms at the intention level compared to many other countries
- Barriers to intention → Australia is perceived to be too far
    - Strategy was very straightforward:
        - The aspiration was to grow US tourism numbers
        - Target was the high value US traveler
        - Position: where a beautiful place meets a refreshingly irreverent people
        - Communication objective: increase intention
- Different phases:
    - Tease
    - Reveal
    - Invite
        - Outdoor ad
        - Digital content
        - Digital/performance marketing

- Very effective ad
- Lessons
  - Strategy before tactics
    - Diagnosis → strategy → tactics → profits
      - Strategy
        - Who is target?
        - What is my position?
        - What are my objectives?
  - The continued importance of the funnel
  - The power of articulating objectives
  - Strategy drives superior effectiveness

Mark Ritson on how Lidl used excess share of voice (eSoV) to boost sales and market share (SoM: share of market)

- Why Lidle couldn't grow any more:
  - Brand perception
    - Lidl's low prices meant a low-quality image
    - You cannot tell consumer they are wrong
    - Consumers discovered and then loved Lidl
    - Could Lidl surprise more people?
  - Brand size
    - An almost perfect correlation between share of voice (the proportion of advertising that it contributes to the category) and market share
      - If a brand underspent → lower share of voice than market share, the market share would decline to the level of its share of voice
      - If a brand overspent, the market share would in most cases eventually increase the difference between sov and som
- Small brands had to overspend to retain market share, large brands could get away with underspending a little
- Factors driving advertising profitability
  - Creative execution
  - Brand size & share (MOST IMPORTANT)
- The strategy:
  - Aspiration: accelerate sales and market share growth
  - Target: all British households
  - Position: surprise with truth
  - Communication objective (barrier 1): dispel the myth that Lidl's low prices = low quality
  - Media objective (barrier 2): commit to generating significant excess share of voice
- Results
  - Perception change
  - Double market share in 5 years due to ESoV

- The lessons
    - Lidl had outstanding Insight x Strategy x Tactics
    - But eSoV was a crucial effectiveness factor
    - Bigger brands usually win because:
        - Scale advantages
        - Big brand effects
        - Deep pockets

Mark Ritson on the effectiveness of Febreze's award-winning ad: diagnosis in detail

- Problems for Febreze
    - Vanishing differentiation
        - People couldn't tell apart airwick, glade and Febreze, this is a problem bc Febreze is the premium brand
        - When thinking of odor elimination, people couldn't tell Febreze from the other 2
    - Sales were flagging
- Diagnosis before tactics
    - Understand market, competition, category and brand
    - Work out what the problem is and use that to generate strategy
    - First understanding the problem
        - Focus groups
        - In-home interviews
        - Deprivation research
            - See what people that normally use the product missed, good way of finding out what people love about the product
        - Loyalist research
            - Brand loyalists for each brand were pitted against each other and asked to explain why they love their brand so much and the barriers that would stop them from transferring across to Febreze
        - Shop along
            - Follow consumers to supermarket and ask how, why and where they buy
            - This showed that the perception was that the 3 major brands were all the same and that they had all broken promises to the customer so unreliable
        - Brand tracking
        - Pre-testing of strategy
- The strategy
    - Aspiration: increase in sales
    - Target: moms that want clean fresh homes
    - Position: Febreze makes the filthiest places smell nice

    - Marketing objectives:
        - Reclaim single ownership of odor elimination equity attribute
        - Achieve correct brand attribution for new messaging
- Lessons
    - Diagnosis before everything
    - Find time to understand the problem
    - Qualitative methods: insight and learning
    - Then, quantitative methods for measurement
    - The power of loyalist research

Push vs Pull Advertising

- Pull strategy: inspire end consumers to demand your product
    - Retailers want to keep consumers happy, if they demand a product a retailer will carry it
    - More advertising/commercials
        - Ads inspire purchasing
    - Important to know the key things consumers want from your product → value propositions
        - These should be in ads
- Push strategy: advertise to other members of the supply chain so that they push the product/service onto the end customer
    - Eg company convincing Walmart to sell product
    - Push product down to the next person in the supply chain

Wikipedia: consumer behavior

- = the study of individuals, groups or organizations and all the activities associated with the purchase, use and disposal of goods and services, including the consumer's emotional, mental and behavioral responses that precede or follow these activities
- Inter-disciplinary applied social science
    - Intersection of economic psychology and marketing science
- Examines how emotions, attitudes and preferences affect buying behavior
- Consumer behavior is difficult to predict
    - New research methods: ethnography and consumer neuroscience
- CRM databases enable detailed examination of behavioral factors that contribute to customer re-purchase intentions, consumer retention, loyalty and other behavioral intentions
- Definition and explanation
    - Consumer behavior is concerned with:
        - Purchase activities
        - Use or consumption activities
        - Disposal activities
    - Consumer responses may be:
        - Emotional or affective responses

        - Mental or cognitive responses
        - Behavioral or conative responses
- Purchase decision and its context
    - Types of decision roles
        - The initiator = the person who proposes a brand or product for consideration
        - The influencer = someone who recommends a given brand
            - Their importance should not be underestimated → pester power
        - The decider = the person who makes the ultimate purchase decision
        - The purchaser = the one who orders or physically buys it
        - The user = the person who uses of consumes the product
    - Purchase decisions do not occur in a vacuum, they occur in real time and are affected by other stimuli, including external environmental stimuli and the consumer's monetary situation
    - Elements of the black box model
        - Interpersonal stimuli
        - Intrapersonal stimuli
        - Environmental stimuli
        - Marketing stimuli
    - The black box model considers the buyer's response as a result of conscious, rational decision process, in which it is assumed that the buyer has recognized a problem and seeks to solve it through a commercial purchase
        - Low involvement → routinely purchases
        - High involvement → serious investment
- The consumer's purchase decision process: 5 stages
    - Problem recognition
        - The consumer identifies a need, typically defined as the difference between the consumer's current state and their desired or ideal state
        - 3 classes of problem-solving situations:
            - Extensive problem-solving (expensive purchases)
            - Limited problem-solving (regular purchases)
            - Routinized problem-solving (habitual purchases)
        - Ways to become aware of the problem:
            - Out-of-stock / natural depletion
            - Regular purchase
            - Dissatisfaction
            - New needs or wants
            - Related products
            - Marketer induced-problem recognition
            - New products or categories
    - Information search
        - First: internal search (scan of memory) → evoked set is the set of brands that a consumer can elicit from memory and is typically small (3-5)

            - The fact that a consumer is aware of a brand, does not necessarily mean that it is being considered for purchase
        - Later: consumer will form a consideration set → the small set of brands which a consumer pays close attention to when making a purchase decision
            - Consideration set is much more important than evoked set
    - Evaluation of alternatives
        - Consumers evaluate alternatives in terms of:
            - Functional benefits → tangible outcomes that can be experienced by the consumer (taste/physical appearance)
            - Psycho-social benefits → more abstract outcomes or personality-related attributes of a brand
                - Brand image is very important for this
    - Purchase decision
        - Purchase intent = self-instruction to make a purchase
        - Purchase intent does NOT always result in actual purchase
            - Sales conversion rate measures the extent to which purchase intentions result in actual sales
        - Organizations use a variety of techniques to improve conversion rates
            - Easy credit, payment terms, promotions to enter contest or receive a premium
            - Call to action → happy hour
    - Post-purchase evaluation
        - Important feedback
        - Post purchase stage = where the consumer examines and compares product features, such as price, functionality and quality with their expectations
        - Post-decision dissonance = the feeling of anxiety that occurs in the post purchase stage, as well as the uneasy feelings or concerns as to whether or not the correct decision was made at purchase
- Influences on purchase decision
    - Consumer awareness = the awareness of the consumption of goods formed by consumers in the long-term shopping environment and purchasing activities
    - Internal influences on purchase decision
        - Motivations and emotions
        - Perception
            - Where individuals receive, organize and interpret information in order to attribute some meaning
            - "threshold of perception" → just noticeable difference
                - How much does price need to decrease to be seen as a bargain
        - Prior experience
    - External influences on purchase decision
        - Culture

        - = the complexity of learning meanings, values, norms and customs shared by members of a society
        - Cultural norms are relatively stable so very influential
    - Subcultures
        - Eg: hippies, punks,…
        - Consumption subcultures are based on a shared commitment to a common brand or product, demographics don't matter
            - Eg: Harley Davidson cyclists
    - Social class
    - Reference groups
        - = a group whose presumed perspectives or values are being used by an individual as the basis for his of her judgment, opinions and actions
        - Different kinds:
            - Primary: exert strong influence on attitudes and behaviors
                - Family
            - Secondary: align with a person's ideas or values, less fundamental influence
                - Clubs, societies, …
            - Aspirational: a group someone wants to belong to in the future
            - Dissociative: a group of which someone has a negative image
- Consumer decision styles
    - Decision-making style = a mental orientation characterizing a consumer's approach to making choices
    - 8 distinct styles:
        - Quality conscious/ perfectionist
        - Brand-conscious
        - Recreation-conscious/hedonistic
        - Price-conscious
        - Novelty/fashion-conscious
        - Impulsive
        - Confused (by over-choice)
        - Habitual/brand loyal

Wikipedia: buyer decision process

- = the decision-making process used by consumers regarding the market transaction before, during, and after the purchase of a good or service
    - Form of cost-benefit analysis
- Decision-making is a psychological construct
    - Although a decision cannot be "seen", we can infer from observable behavior that a decision has been made

- Consumers are influenced by emotional and nonrational considerations making attempts to be rational only partially successful
- Stages
  - Problem/need-recognition
    - The need can be triggered by internal or external stimuli
    - According to Maslow, a person can only fulfill needs when needs at a lower level have been satisfied
  - Information search
    - The buyer's effort at searching the internal and external business environments to identify and observe sources of information related to the focal buying decisions
  - Evaluation of alternatives
    - Consumers evaluate different products/brands on the basis of varying product attributes, and whether these can deliver the benefits that the customers are seeking
    - Heavily influenced by:
      - Attitude
      - Degree of involvement

Customer involvement	High	Medium	Low
Characteristics	High	Medium	Low
Number of brands examined	Many	Several	Few
Number of sellers considered	Many	Several	Few
Number of product attributes evaluated	Many	Moderate	One
Number of external information sources used	Many	Few	None
Time spent searching	Considerable	Little	Minimal

  - Purchase decision
    - The final purchase decision can be disrupted by 2 factors:
      - Negative feedback from others
      - Level of motivation to comply or accept the feedback
  - Post-purchase behavior
    - On the basis of either being satisfied or dissatisfied, a customer will spread either positive or negative feedback about the product
- Models of buyer decision-making
  - Economic models → largely quantitative and are based on the assumptions of rationality and near perfect knowledge, the consumer is seen to maximize its utility
  - Psychological models → qualitative, psychological and cognitive processes such as motivation and need recognition, build on sociological factors like cultural influences and family influences
  - Consumer behavior models → practical models, combining economic and psychological models
- Cognitive and personal biases in decision-making
  - Selective search of evidence
  - Selective perception
  - Premature termination of search for evidence

- ….

Wikipedia

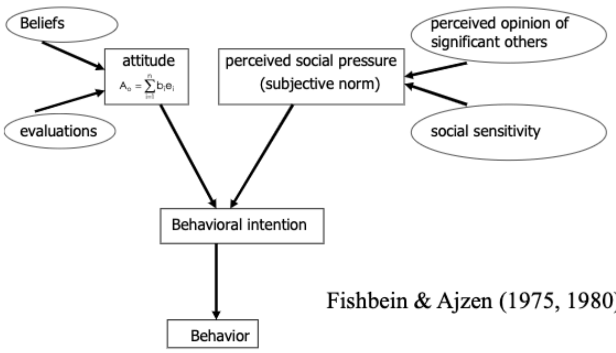
- Zoom in on 3rd phase of the decision-making process: evaluation of alternatives
- How to evaluate alternatives:
    - Compensatory decision rules
        - Ex: multi-attribute attitude model, theory of reasoned action (ToRA), theory of planned behavior (TPB)
    - Non-compensatory decision rules
        - Ex: conjunctive or distinctive
    - Heuristic decision rules
        - Ex: the best, the one on promotion, the cheapest, “best value”,…
- Zoom in on compensatory decision rules
    - Multi-attribute attitude model

Expectancy-Value model (Fishbein model)

$$A_o = \sum_{i=1}^{n} b_{io} e_i$$

A_0 = attitude wrt object o
b_{io} = belief that object o possesses attribute i
e_i = evaluation of attribute i
n = number of relevant attributes

- Theory of reasoned action (ToRA) → Wikipedia

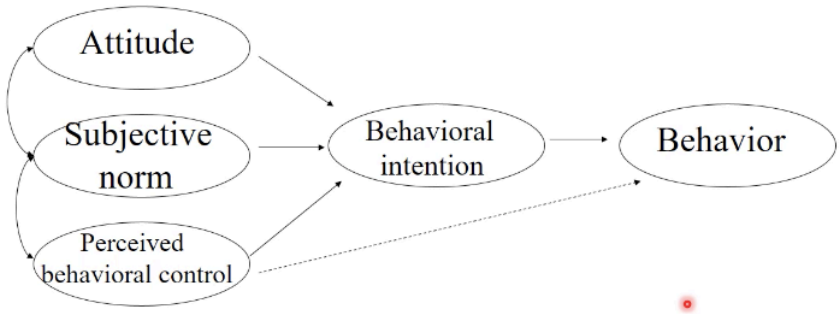


Fishbein & Ajzen (1975, 1980)

- Aims to explain the relationship between attitudes and behaviors within human action, it is mainly used to predict how individuals will behave based on their pre-existing attitudes and behavioral intentions
- A person’s intention to perform a behavior is the main predictor of whether or not they actually perform that behavior
    - The normative component (ex: social norms) also contributes to whether or not the person will actually perform that behavior
- ToRA suggests that stronger intentions lead to increased effort to perform the behavior, which also increases the likelihood for the behavior to be performed
- Key concepts and conditions
    - Behavior

      - Behavioral intention is the main motivator of behavior, while the 2 key determinants on behavioral intention are people's attitudes and norms
    - Attitudes
      - One of the key determinants of behavioral intention
      - The way people feel towards a particular behavior
      - Attitudes are influenced by 2 factors:
        - The strength of behavioral beliefs
          - People tend to associate the performance of a certain behavior with a certain set of outcomes or features
        - Evaluation of potential outcomes
          - The way people perceive and evaluate the potential outcomes
          - Binary good or bad
      - The theory stipulates that there exists a direct correlation between attitudes and outcomes, such that if one believes that a certain behavior will lead to a desirable or favorable outcome, then one is more likely to have a positive attitude towards the behavior
    - Subjective norms
      - Refer to the way perceptions of relevant groups or individuals such as family members, friends and peers may affect one's performance of the behavior
      - Perceived social pressure to perform or not perform the behavior
      - People develop normative beliefs as to whether or not certain behaviors are acceptable
        - These beliefs shape one's perception of the behavior and determine one's intention to perform or not perform the behavior
      - Subjective norms also take into account people's motivation to comply which their social circle's views and perceptions
  - Behavioral intention
    - A function of both attitudes and subjective norms toward that behavior
    - The stronger the attitude and the more positive the subjective norm, the higher the A-B relationship should be
      - Depending on the individual and situation, these factors might have different impacts on behavioral intention
  - 3 conditions that can affect the relationship between behavioral intention and behavior

            - The measure of intention must correspond with respect to their levels of specificity
            - Stability of intention between time of measurement and performance of behavior
            - The degree to which carrying out the intention is under the volitional control of the individual
    - Theory of planned behavior (TPB)



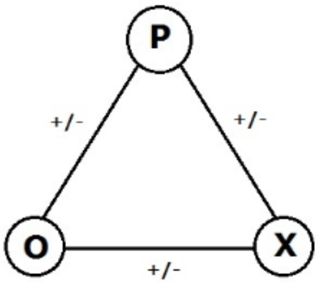
        - Adds another factor into ToRA → perceived behavioral control
            - The perception of the ease or difficulty of a particular behavior
        - States that intention towards attitude, subject norms and perceived behavioral control, together shape an individual's behavioral intentions and behaviors
        - Control beliefs = an individual's beliefs about the presence of factors that may facilitate or hinder performance of the behavior
        - Perceived behavioral control = an individual's perceived ease or difficulty of performing the particular behavior, this is determined by the total set of accessible control beliefs
        - Concept of self-efficacy refers to the conviction that one can successfully execute the behavior required to produce the outcome, it is used as perceived behavioral control
        - Model:
            - Human behavior is guided by 3 kinds of consideration: behavioral beliefs, normative beliefs, and control beliefs
            - In combination, the attitude toward the behavior, the subjective norm and the perceived behavioral control lead to the formation of a behavioral intention, in particular, perceived behavioral control is presumed not only to affect actual behavior directly, but also to affect it indirectly through behavioral intention
            - The more favorable the attitude toward the behavior and the subjective norm, and the greater the perceived behavioral control, the stronger the person's intention to perform the behavior should be
- Attitude and attitude change
    - Attitude = favorable or unfavorable evaluations, feelings, or inclinations for an object or idea

- 3 components
  - Cognitive → rational
  - Affective → emotional
  - Conative → action
- This is also the hierarchy of effects
  - The normal sequence in which we walk through these different elements of attitudes
  - Not for every category this sequence
  - Valid for high involvement big purchases
- These are difficult to change

- Hierarchy of effects models
  - AIDA model
    - A= attention/awareness, I= interest, D=desire and A=action
    - Describes the steps/stages that occur form the time when a consumer first becomes aware of a product or brand through to when the consumer trials a product or makes a purchase decision
    - The AIDA model helps to explain how an advertisement or marketing communications message engages and involves consumers in brand choice
    - Steps:
      - Attention – the consumer becomes aware of a category, product or brand (usually through advertising)
      - Interest – the consumer becomes interested by learning about brand benefits & how the brand fits with lifestyle
      - Desire – the consumer develops a favorable disposition towards the brand
      - Action – the consumer forms a purchase intention, shops around, engages in trial or makes a purchase
    - As consumers move through the hierarchy of effects, they pass through both a cognitive processing stage and affective processing stage before any action occurs
    - According to the model, the steps to be taken by the seller at each stage are as follows:
      - Stage 1: secure attention
      - Stage 2: hold attention through interest
      - Stage 3: arouse desire
      - Stage 4: create confidence and belief
      - Stage 5: secure decision and action
      - Stage 6: create satisfaction
    - Criticisms
      - Absence of post-purchase effects
      - Linear nature of the model
- Models of attitude change

- Elaboration likelihood model
  - A dual process theory describing the change of attitudes
  - 2 major routes to persuasion:
    - The central route: persuasion will likely result from a person's careful and thoughtful consideration of the true merits of the information presented in support of an advocacy
    - Peripheral route: persuasion results form a person's association with positive or negative cues of making a simple inference about the merits of the advocated position
  - Central route
    - Motivation and ability to think about the message and its topic
    - High end of the elaboration continuum
    - People assess object-relevant information and arrive at a reasoned attitude that is supported by information
    - Attitude changes tend to last longer and are more predictive of behavior than the changes from the peripheral route
  - Peripheral route
    - Little or no interest in the subject and/or has a lesser ability to process the message
    - Low end of the elaboration continuum
    - Likely to rely on general impressions
    - Rely on heuristics when processing information
    - Attitude change can be long-lasting, although durable change is less likely to occur than it is with the central route
  - Determinants of route
    - Motivation
      - Attitudes towards a message can affect motivation, drawing from cognitive dissonance theory, when people are presented with new information (a message) that conflicts with existing beliefs, ideas, or values, they will be motivated to eliminate the dissonance, in order to remain at peace with their own thoughts
      - Personal relevance can also affect degree of motivation
      - Additional factor can be an individual's need for cognition → some people take greater pleasure in thinking than others
    - Ability
      - Availability of cognitive resources and the relevant knowledge needed to examine arguments

        - Distractions can decrease a person’s ability to process a message
    - Opportunity
        - Primarily relates to the time available to the individual to make a decision
        - Factors related to ability to think: time pressure, message, repetition, distraction, knowledge, fatigue, social pressure, …
- Core ideas
    - When a person encounters some form of communication, they can process this communication with varying levels of thought
    - There are a variety of psychological processes of change that operate to varying degrees as a function of a person’s level of elaboration
    - The degree of thought used in a persuasion context determines how consequential the resultant attitude becomes
    - Any given variable can have multiple roles in persuasion, including acting as a cue to judgment or as an influence on the direction of thought about a message
- One of the main assumptions of the ELM is that the attitudes formed through the central route rather than the peripheral route are stronger and more difficult to change
- Variables
    - Anything that can increase or decrease the persuasiveness of a message
    - Ex: motivation, ability, attractiveness, mood, expertise,…
    - Under high elaboration (central route), a variable can serve as an argument
    - Under low elaboration (peripheral route), a variable may act as a peripheral cue
- Consequences
    - Peripheral route excels at saving energy, time and mental effort
    - Central route excels at correct judgement
- Issues concerning the ELM
    - The descriptive nature of the model
    - Continuum questions
    - The issue of multi-channel processing
    - The analysis of the different variables which mediate elaboration likelihood



Heider's P-O-X model

    - Balance theory
        - Theory of attitude change that conceptualizes the cognitive consistency motive as a drive towards psychological balance
        - Consistency motive = the urge to maintain one's values and beliefs over time
        - P-O-X model
            - Cognitive balance is achieved when there are 3 positive links or 2 negatives with 1 positive
            - 1 negative and 2 positives create an imbalance, to correct this we can either decide to make the negative a positive or to make 1 positive (the one we have control over) negative
            - To predict the outcome of a situation using Heider's balance theory, one must weigh the effects of all the potential results, and the one requiring the least amount of effort will be the likely outcome

Guest lecture: Roularta & Element 61

- Data warehousing → bring all data collected at different parts of the company together
- Phases from (data) idea to activation (element 61)
    - Identify gaps & opportunities
        - Brainstorm on data applications
        - Build a roadmap
    - Implement platform & technology
        - Support in architecture
        - Implement data platform and MarTech tooling
        - Training in co-development
    - Crunch data & AI
        - Co-develop data and AI use-cases
        - Implement platform to full production
    - Activate your business
        - Train your people
        - Embed data-thinking
- Roularta is a large printing company
    - → magazines such as time, feeling, libelle, ….
- Element 61 was hired by Roularta to help implement data in their company
- A market-perspective: how marketing is changing driven by digital and data
    - What has changed?
        - Increase in data generation
            - Mobile phones, apps and digital tools bring more & more data streams
                - → who has seen what, who has clicked what

            - We have an increased ability to track behavior, and thus a lot more data-to-capture
                - → online cookies to track digital behavior
                - → smart sensors to track offline behavior
        - Access to analytics
            - Complex algorithms have been translated into simple-to-use syntax
            - Low threshold to get started with analytics & AI
    - Business activities to result from these trends
        - Big data: the process of collecting, organizing and using large sets of data
        - Data analytics: the use of new tech & mathematical approaches to turn data into insights & recommendations
    - Customers "want to get personal"
        - End customers expect personalization and companies should use data
            - To bring the right product at the right time at the right price
            - To engage smartly with current customers
            - To convince leads into customers
            - To convince partners to work with us
- Creating the digital strategy of Roularta media group
    - Re-invent our own platforms
        - What are customers expecting?
        - What will they expect?
    - Roularta's digital strategy:
        - Brands are key, audience focus
        - Data driven value creation through customer relationship
        - Engagement is our core metric
            - Measured through recency, frequency and depth
                - Recency → when was the last time you visited
                - Frequency → how often do you visit
                - Depth → how much do you read
            - Allows to know what articles and what magazines generate most engagement
        - Gradually add personalization
    - Communicate this strategy so other employees start to believe it and offer feedback
    - 21 use cases, grouped in 7 tracks, each handled individually
        - Simple to complex, is meant to add value for consumer and Roularta
    - 7 tracks:
        - Data driven newsroom
        - Article recommendation
        - Dynamic data/paywall
            - First registration, getting to know you, learning when it is best to offer a subscription
        - Data driven acquisition

                - Due to previously gathered information do we know exactly when to offer a subscription
            - Targeted advertising
                - Group all people who like football together and generate ads specifically for them
            - Churn prediction
                - Seeing whether behavior changes, reading less, visiting the website less, trying to find out why and attempting to change that
            - Data driven commerce
                - Trying to sell you certain products based on what articles you read
                    - Eg: read pancake recipe on libelle lekker → advertisement to buy a pancake pan
    - These 7 tracks come down to the 4 P's of marketing
- After the digital strategy, Roularta created a data strategy
    - Having data is not the end goal, using it is
    - Data strategy:
        - Launch the Roularta account
            - You have 1 login for all media at Roularta, you use the same one to access Knack as Libelle
        - Build listeners and journeys in customer data platform
            - Get all the different behaviors of consumers in the same place
            - Broad scope
            - This way they can see the clicking behavior and just generally what people do on their website
        - Match & merge algorithms
            - Eg: if you mistype your name
        - Data analytics platform for custom analytics
            - Using artificial intelligence to come to insights humans would not come to
    - Conversion & retention
        - Segment audience
            - Funnel
            - Prospects → social followers → anonymous → email only → registered → single copy sales → trial subscriber → subscriber → ex subscriber
- Start the digital strategy
    - Our websites & apps are data factories
    - Community platforms for future engagement
        - Vriendinnenclub → Libelle, gets people who are alike together
    - Brand extensions based on data
        - Libelle lekker, the website already existed but it was extended to e-commerce
        - Vriendinnenclub is also a brand extension

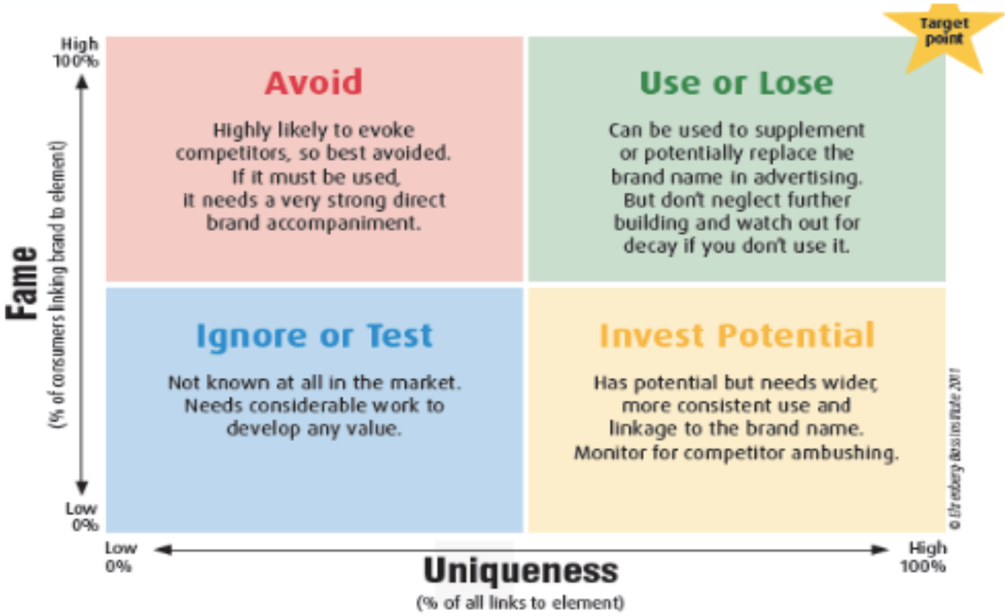
    - Personalized subscription offers
- Create third party strategy
    - 3 party strategy
        - Content API
        - Advertising API
        - Personalization API
        - Subscription API
    - These make it possible to consume their content on other apps/websites
    - Re-invent our own platforms, leverage co-creation opportunities, data & content partnerships
- Lastly create sales strategy
    - Audience
    - Behavior
    - Content
    - Data
- Summary & learnings on modern marketing
    - Marketing has changed, no longer the traditional aspect, more use of data etc
    - Marketing is highly tech-driven

Guest lecture: Daan Raemdonck

- ROI = return on investment
    - Marketing has to become more scientific to decrease the risk of failing marketing campaigns
- "scientific" implies clear objectives, consistent (re)testing & rule generation
    - Hypotheses/objectives
    - Testing/measurement
    - Proven rules & guidelines
- Marketing is typically stuck at the "hypothesis" phase of science
    - Plenty of hypotheses, with very different implications
    - Difficult to measure, as human behavior & situations are complex
    - No consistent (re)tests lead to no or little common accepted rules
        - No one has really written down the things we do know
- 1. Hypotheses/objectives
    - There are plenty of hypotheses about marketing which might or might not be wrong
        - Penetration, lovemarks, influencer marketing → incompatible with each other but each theory has believers
- 2. Testing/measurement
    - People are irrational lying animals
        - Our behavior is not rational, but sensorial and habitual
            - We taste with our eyes much more than we expect
        - We don't know what we want
        - We cannot predict our own behavior
        - We lie, not necessarily on purpose

- We need to step away from claimed behavior, to measured & real behavior
  - From claimed behavior
    - Surveys
    - Qualitative interviews
    - “liking” studies & tastings
  - To big data & neuro science/behavioral science
    - Big data
      - Nielsen/ GfK analysis
      - Shopper data (buying patterns)
      - Social listening / Google search
        - Social listening = trying to figure out how much and in which context people are talking about a product
        - The personality we see through google searches is very different from the one we see when people talk about things
      - Click-through rate, view through rate,…
    - Neuro science/ behavioral science
      - Eye tracking/ facial tracking
        - Facial tracking → when you don’t like a present but have to act like you do, the first second it is hard to hide your real reaction and this is wat facial tracking tries to measure
      - Implicit response tracking (no time to rationalize)
      - Measuring you as you’re unaware (quantum physics)
        - This because as soon as you know you’re being measured, you act differently

- 3. There are already a couple of rules out there, but not yet centralized
- Case study packaging
  - Packaging has “assets” which should be maintained or at most “evolved”
    - Brands logos install assets
    - Similarly with packaging
  - Assets can be measured and ranked for strategic use



- Conclusion
  - Marketing will need to become more scientific, but there's still a long road ahead
  - We've typically been stuck at hypotheses, the time has come to measure more
  - Part of the problem is you and me; we are irrational, lying animals
  - We need to move from measuring claimed behavior to real behavior: using big data & neuroscience

Chapter 12: marketing models

- Introduction
  - What is a model? "A simplified representation of the most important (relevant) elements from reality"
    - When you start simplifying, you omit certain details → "all models are wrong, but some are useful"
  - Complexity of reality:
    - Most relationships are non-linear
      - Ex: the effect of 1 extra euro → different baselines = different effects
    - Interaction-effects
      - Ex: the effect of a price reduction is also influenced by advertising spending
    - Competition
      - Ex: price war
    - Lag effect
      - Ex: advertising, increasing the amount of sales reps
  - The "gut feeling" of managers is not superior to marketing models, managers are just human beings
- Adjustment bias (Tversky & Kahneman)

- People have systematic biases
- 1*2*3*4*5*6*7*8 = 40320
  - Median guess = 512
  - Median guess for other way around (8*7*6*…) = 2250
- The adjustment bias entails that we take the first elements in the computation as an anchor point → that is why the median guess is so much higher when the first numbers are 8,7,6 instead of 1,2,3

- Perception is not always clear-cut
- Motivation example
  - Problem:
    - A marketing manager wants to optimize profits, but isn't spending the optimal amount of advertising
    - Profit = units sold * (sales price – variable costs) – fixed costs
    - Costs:
      - Variable: purchasing price
      - Fixed: advertising
  - What do we learn from this model?
    - S-shaped relationship between profits and advertising spending
    - Optimal advertising spending
    - Can easily be used in practice
  - Assumptions
    - Marketing mix variables
    - Competition
    - In sum… ceteris paribus
- Pros marketing models:
  - To facilitate and improve decision making
    - Not only based on gut feeling
  - A better understanding of the relationship between the variables
  - Better predictions
  - Alarm bell: early detection system of pattern changes
  - Does not replace management
- Marketing models for new products
  - First purchase in a product category
    - Bass diffusion model
      - Takes into account innovation effect and imitation effect
      - Innovation effect is highest when time is lowest
      - Imitation effect is lowest when time is lowest
      - As time progresses, imitation increases and innovation decreases
      - Time for sales to peak is only in function of the innovation and imitation effect, not in terms of the final number of buyers
        - =t
      - Peak sales represent does involve the final number of buyers as well as the innovation and imitiation effect

            - 1/ (p + q)
        - How to estimate the bass model?
            - P, q and m:
                - Similar to other related products
                - Based on the first data points
                - These will get more accurate as time progresses
        - The bass model does not look so accurate if you look year by year, however if you look at cumulative units sold, it does estimate it well
        - This model only works for investment goods, for repeat purchases it is not very good
    - Repeat purchase
        - Parfitt and Collins model
            - S = p * r * b
                - S= final market share
                - P= final penetration level
                    - Cumulative penetration level is an asymptotic function, it will reach a certain level of percentage of new buyers which will not increase as weeks after launch increase (increasing function)
                - R = final repeat purchase level
                    - Also asymptotic function (decreasing), it will reach a certain level op percentage of repeat purchases which will not decrease as weeks after first purchase increases
                - B = buying-rate index
            - X-axis of the repeat purchase level graph plots the time after first purchase
            - How to determine the correct product category?
            - Which repeat purchase? 1st or 2nd?
- Final note
    - There are marketing models for every area of application in marketing
    - It is NOT the manager OR the modeler