



Learning Outcomes

LO 1 Describe business marketing

LO 2 Describe the role of the Internet in business marketing

LO 3 Discuss the role of relationship marketing and strategic alliances in business marketing

LO 4 Identify the four major categories of business market customers

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Learning Outcomes

LO 5 Explain the North American Industry Classification System

LO 6 Explain the major differences between business and consumer markets

LO 7 Describe the seven types of business goods and services

LO 8 Discuss the unique aspects of business buying behavior

3

What Is Business Marketing?

Describe business marketing

LO¹

4

What Is Business Marketing?

Business Marketing

The marketing of goods and services to individuals and organizations for purposes other than personal consumption.



LO¹

5

Business Products

The key is intended use.

Business Products:

- Are used to manufacture other products
- Become part of another product
- Aid the normal operations of an organization
- Are acquired for resale without change in form

LO¹

6

Business Marketing

CONSUMER

- cupboards
- oven
- folder and pen
- Teddy bear

BUSINESS

- cupboards
- Coffee pot
- oven
- photocopier
- folder and pen

LO¹ 7

Business Marketing on the Internet

Describe the role of the Internet in business marketing

LO² 8

Measuring Online Success

Stickiness

A measure of a Web site's effectiveness; calculated by multiplying the frequency of visits times the duration of a visit times the number of pages viewed during each visit.

Stickiness = Frequency x Duration x Site Reach

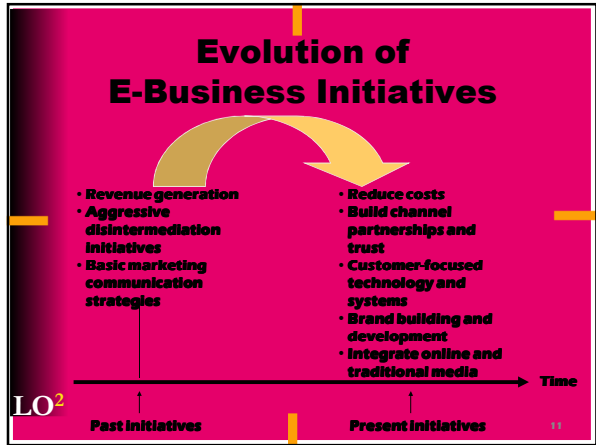
LO² 9

Beyond the Book

Internet Sites for Small Businesses

- ◆ <http://www.allbusiness.com> AllBusiness provides entrepreneurs with the knowledge and tools to start, manage, and grow their business. The site links to hundreds of how-to articles and provides expert answers to questions.
- ◆ <http://www.bcentral.com> Microsoft bCentral offers small business solutions such as assistance in establishing an online business presence, enhancing sales or services, or managing business operations. The site also contains practical tips, advice, and links to how-to articles.
- ◆ <http://office.com> Office.com offers practical information on how to start or run a business and how to transform an existing company into an e-business. Users access over 500 databases for news that affects their companies or industries. Office.com is one of the ten most visited business Web sites on the Internet.
- ◆ http://www.quicken.com/small_business This site offers information on starting, running, and growing a small business. It also provides links to a variety of other Quicken sites that are useful to small-business owners and managers.

LO²



Relationship Marketing and Strategic Alliances

Discuss the role of relationship marketing and strategic alliances in business marketing

LO³

Relationship Marketing

- Loyal customers are more profitable than price-sensitive customers with little brand loyalty
- Long-term relationships build competitive advantage

LO³

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Strategic Alliances

- Licensing or distribution agreements
- Joint ventures
- Research and development consortia
- Partnerships

Alliances succeed with commitment and trust.

LO³

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Subway and Seattle's Best

Seattle's Best doubles locations where its coffee is sold by signing a deal with Subway

- Subway adds coffee to its menu, drawing customers to the shops for their new breakfast menu
- Seattle's Best has higher profile being sold in 9,000 Subway shops
 - Can Subway move away from its pervasive "Five-Dollar Foot-Long" campaign?

LO³

Source: VGR, Emily Bryson, "Subway Breakfast Experience Not Exactly a Wake-Up Call," Adage.com, November 10, 2009.

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Relationships in Other Cultures

Keiretsu relationships are highly integrated:

- Companies sit on each others' boards
- Maintain dedicated trade efforts
- Joint development, finance, and marketing

LO³ 16

Major Categories of Business Customers

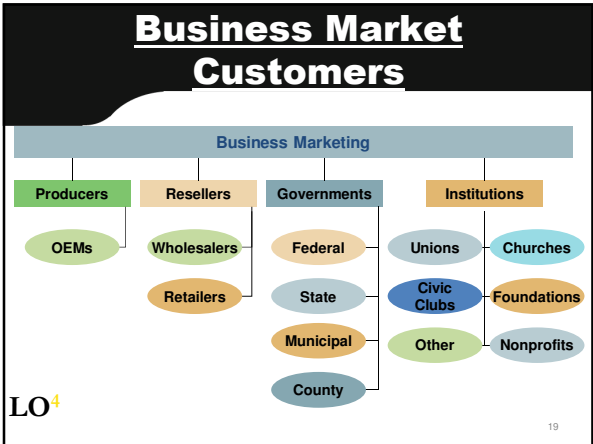
Identify the four major categories of business market customers

LO⁴ 17

Major Categories of Business Customers

Producers	• OEMs	
Resellers	• Wholesalers • Retailers	
Governments	• Federal • Municipal • Local	
Institutions	<ul style="list-style-type: none"> <li style="width: 33%;">• Schools <li style="width: 33%;">• Hospitals <li style="width: 33%;">• Colleges <li style="width: 33%;">• Churches <li style="width: 33%;">• Unions <li style="width: 33%;">• Fraternal groups <li style="width: 33%;">• Civic Clubs <li style="width: 33%;">• Foundations <li style="width: 33%;">• Nonbusiness organizations 	

LO⁴ 18



North American Industry Classification System

Explain the North American Industry Classification System

LO⁵ 20

NAICS

NAICS	A detailed numbering system developed by the U.S., Canada, and Mexico to classify North American business establishments by their main production processes.
<i>North American Industry Classification System</i>	

LO⁵ 21

Example of NAICS Hierarchy

NAICS Level	Sector	Subsector	Industry Group	U.S. Industry
NAICS Code	31-33	334	3346	334611
Description	Manufacturing	Computer electronic product manufacturing	Mfg. and reproduction of magnetic/optical media	Reproduction of software

LO

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NAICS

- Provides a common industry classification system
- Valuable tool for marketers in analyzing, segmenting, and targeting markets
- Data can be used to determine:
 - Number, size, and geographic dispersion of firms
 - Market potential / market share estimates
 - Sales forecasts
 - New customer identification

LO⁵

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Business versus Consumer Markets

Explain the major differences between business and consumer markets

LO⁶

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LO⁶

Business versus Consumer Markets

Characteristic	Business Market	Consumer Market
Demand	Organizational	Individual
Volume	Larger	Smaller
# of Customers	Fewer	Many
Location	Concentrated	Dispersed
Distribution	More Direct	More Indirect
Nature of Buy	More Professional	More Personal
Buy Influence	Multiple	Single
Negotiations	More Complex	Simpler
Reciprocity	Yes	No
Leasing	Greater	Lesser
Promotion	Personal Selling	Advertising

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Demand in Business Markets

Demand is...	Description
Derived	Demand for business products results from demand for consumer products.
Inelastic	A change in price will not significantly affect the demand for product.
Joint	Multiple items are used together in final product. Demand for one item affects all.
Fluctuating	Demand for business products is more volatile than for consumer products.

LO⁶ 26

Fluctuating Demand

Multiplier Effect	Phenomenon in which a small increase or decrease in consumer demand can produce a much larger change in demand for the facilities and equipment needed to make the consumer product.
<i>(Accelerator Principle)</i>	


LO⁶ 27

Types of Business Products

Describe the seven types of business goods and services

LO⁷ 28

Types of Business Products



- Major Equipment
- Accessory Equipment
- Raw Materials
- Component Parts
- Processed Materials
- Supplies
- Business Services

<http://www.sysco.com>
Online

LO⁷ 29

Types of Business Goods and Services



Aluminum ore: raw material

Extruded metal: processed material

Propeller blade: component part

Extruding machine: major equipment

Paper: supply

Tool cart: accessory equipment

Uniforms: contracted service

LO⁷ 30

Business Buying Behavior

Discuss the unique aspects of business buying behavior

LO⁸ 31

Business Buying Behavior

Aspects of Business Buying Behavior

- Buying Centers
- Evaluative Criteria
- Buying Situations
- Business Ethics
- Customer Service

LO⁸ 32

Buying Centers

Buying Center

All those persons in an organization who become involved in the purchase decision.

- Number of people involved varies with each purchase decision
- Buying centers do not appear on formal organization charts

LO⁸ 33

Roles in Buying Centers

Initiator	Influencers	Gatekeepers
Decider	Purchaser	Users

<http://www.loctite.com>
Online

LO⁸ 34

Evaluative Criteria

- ◆ Quality
- ◆ Service
- ◆ Price

LO⁸ 35

Buying Situations

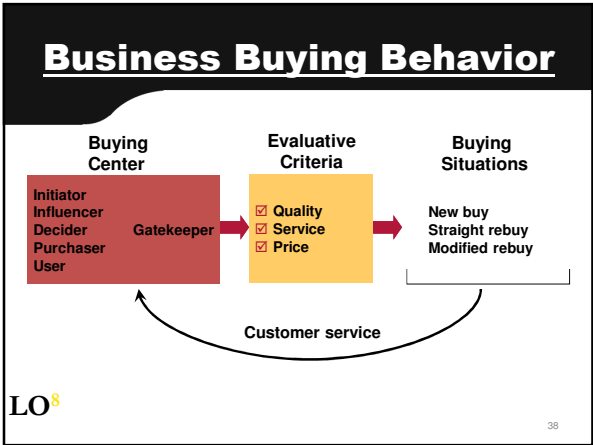
New Buy	A situation requiring the purchase of a product for the first time.
Modified Rebuy	A situation where the purchaser wants some change in the original good or service.
Straight Rebuy	A situation in which the purchaser reorders the same goods or services without looking for new information or investigating other suppliers.

LO⁸ 36

Customer Service

- ◆ Divide customers into groups based on their value
- ◆ Create policies that govern how service will be allocated among groups

LO⁸ 37



Lamb, Hair, McDaniel 2010-2011

CHAPTER 8

Segmenting and Targeting Markets

Learning Outcomes

- LO 1 Describe the characteristics of markets and market segments
- LO 2 Explain the importance of market segmentation
- LO 3 Discuss criteria for successful market segmentation
- LO 4 Describe the bases commonly used to segment consumer markets
- LO 5 Describe the bases for segmenting business markets

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Learning Outcomes

- LO 6 List the steps involved in segmenting markets
- LO 7 Discuss alternative strategies for selecting target markets
- LO 8 Explain one-to-one marketing
- LO 9 Explain how and why firms implement positioning strategies and how product differentiation plays a role

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Market Segmentation


Describe the characteristics of markets and market segments

LO¹

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A Market Is...

- 1) people
- 2)
- 3)
- 4)
- 5)



1

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Market Segmentation

Market	People or organizations with needs or wants and the ability and willingness to buy.
Market Segment	A subgroup of people or organizations sharing one or more characteristics that cause them to have similar product needs.
Market Segmentation	The process of dividing a market into meaningful, relatively similar, identifiable segments or groups.

1

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The Concept of Market Segmentation



No market segmentation



Fully segmented market



Market segmentation by gender: M, F



Market segmentation by age group: 1, 2, 3



Market segmentation by gender and age group

LO¹

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The Importance of Market Segmentation

Explain the importance of market segmentation

LO² 46

The Importance of Market Segmentation

- ◆
- ◆
- ◆



2 47

Criteria for Successful Segmentation

Discuss criteria for successful market segmentation

LO³ 48

Criteria for Segmentation

Substantiality	Segment must be large enough to warrant a special marketing mix.
Identifiability and Measurability	Segments must be identifiable and their size measurable.
Accessibility	Members of targeted segments must be reachable with marketing mix.
Responsiveness	Unless segment responds to a marketing mix differently, no separate treatment is needed.

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Bases for Segmenting Consumer Markets

Describe the bases commonly used to segment consumer markets

LO⁴

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Bases for Segmentation


Geography	
Demographics	
Psychographics	
Benefits Sought	
Usage Rate	

4

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Geographic Segmentation

- ◆ **Region of the country or world**
- ◆ **Market size**
- ◆ **Market density**
- ◆ **Climate**



4


Benefits of Regional Segmentation

- ◆
- ◆
- ◆
- ◆

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Demographic Segmentation



- Age
- Gender
- Income
- Ethnic background
- Family life cycle

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Ethnic Segmentation

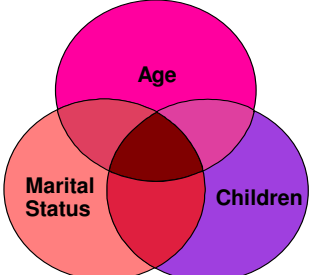
- ◆ Largest ethnic markets are:
 - ◆ Hispanic Americans
 - ◆ African Americans
 - ◆ Asian Americans



Will comprise 1/3 of U.S. population by 2010 with buying power of \$1 trillion annually

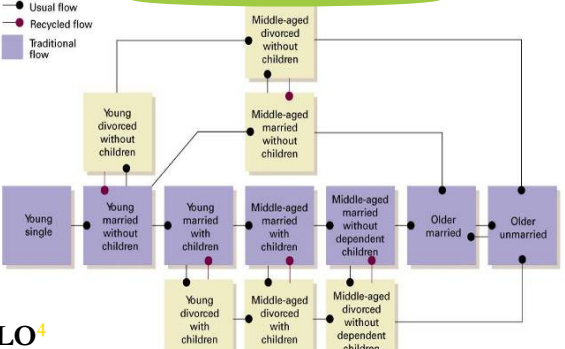
4 55

Family Life Cycle



4 56


Family Life Cycle



LO⁴

Psychographic Segmentation

Psychographic Segmentation



Market segmentation on the basis of personality, motives, lifestyles, and geodemographics.

4 58

Bases for Psychographic

Personality

Motives

Lifestyles


Geodemographics

<http://www.marthastewart.com> <http://www.goodhousekeeping.com>
Online

4 59

Lifestyle Segmentation

- ◆ How time is spent
- ◆ Importance of things around them
- ◆ Beliefs
- ◆ Socioeconomic characteristics




4 60

Geodemographic Segmentation

Geodemographic Segmentation

Segmenting potential customers into neighborhood lifestyle categories.

Combines geographic, demographic, and lifestyle segmentation.




4 61

Benefit Segmentation

Benefit Segmentation

The process of grouping customers into market segments according to the benefits they seek from the product.



4 62

Benefit Segmentation

Usage-Rate Segmentation	Dividing a market by the amount of product bought or consumed.
80/20 Principle	A principle holding that 20 percent of all customers generate 80 percent of the demand.

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Bases for Segmenting Consumer Markets

Geography	Demographics	Psychographics	Benefits	Usage Rate
<ul style="list-style-type: none"> • Region • Market size • Market density • Climate 	<ul style="list-style-type: none"> • Age • Gender • Income • Race/ethnicity • Family life cycle 	<ul style="list-style-type: none"> • Personality • Motives • Lifestyle • Geodemographics 	<ul style="list-style-type: none"> • Benefits sought 	<ul style="list-style-type: none"> • Former • Potential • 1st time • Light or irregular • Medium • Heavy

LO⁴ 64

Economic Crisis and Shifting Targets

Beyond the Book The high spending rates of the baby boom generation have made them a sought-after and profitable customer segment in the U.S., Japan, and Western Europe. But boomers were often borrowing against the "wealth effect" of real estate appreciation and the equity gains from retirement accounts.

In an economy with a depressed housing market and equity losses, many boomers now face an uncertain retirement income and must reprioritize their spending.

A recent survey revealed that boomers are likely to cut spending on clothing, personal care, home furnishings, and travel, so companies in those sectors may need to shift their focus to a target demographic segment with better growth prospects.

LO⁴ Source: David Court, "The Downturn's new rules for marketers," mckinseyquarterly.com, December 2008. 65

Bases for Segmenting Business Markets

Describe the bases for segmenting business markets

LO⁵ 66


Bases for Segmenting Business Markets

Producers

Resellers

Government

Institutions



Company Characteristics

Buying Processes

5

Bases for Segmenting Business Markets

Company Characteristics

- ◆ Geographic location
- ◆ Type of company
- ◆ Company size
- ◆ Volume of purchase
- ◆ Product use

5

Buyer Characteristics

Satisficers

Business customers who place an order with the first familiar supplier to satisfy product and delivery requirements.

Optimizers

Business customers who consider numerous suppliers, both familiar and unfamiliar, solicit bids, and study all proposals carefully before selecting one.

5

Buyer Characteristics

- Demographic characteristics
- Decision style
- Tolerance for risk
- Confidence level
- Job responsibilities



5

Steps in Segmenting a Market

List the steps involved in segmenting markets

LO⁶ 71

Steps in Segmenting Markets

- 1 Select a market for study
- 2 Choose bases for segmentation
- 3 Select descriptors
- 4 Profile and analyze segments
- 5 Select target markets
- 6 Design, implement, maintain marketing mix

Note that steps 5 and 6 are actually marketing activities that follow market segmentation (steps 1 through 4).

LO⁶ 72

Strategies for Selecting Target Markets

Discuss alternative strategies for selecting target markets

LO⁷ 73


Strategies for Selecting Target Markets

Target Market A group of people or organizations for which an organization designs, implements, and maintains a marketing mix intended to meet the needs of that group, resulting in mutually satisfying exchanges.



7 74

Strategies for Selecting Target Markets



Undifferentiated Strategy Concentrated Strategy Multisegment Strategy

7 75


Undifferentiated Targeting Strategy

Undifferentiated Targeting Strategy A marketing approach that views the market as one big market with no individual segments and thus requires a single marketing mix.




7 76



Undifferentiated Targeting Strategy



7 77

Concentrated Targeting Strategy

Concentrated Targeting Strategy A strategy used to select one segment of a market for targeting marketing efforts.

7 78

Concentrated Targeting Strategy

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Multisegment Targeting

Multisegment Targeting Strategy

7

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Beyond the Book

Multisegment Targeting

{Standard Tissue}

You might think a firm producing a standard product like toilet tissue would adopt an undifferentiated strategy. However, this market has industrial segments and consumer segments.

- Industrial buyers –
 - Economical, single-ply product
 - Large boxes
- Consumer market –
 - Versatile product
 - Cushioned or not
 - Soft or tough
 - Scented or unscented
 - economy or luxury price
 - Variable roll sizes
- Small packages, even single rolls
 - Charmin built a campaign based on their many options (www.charmin.com)
 - Fort Howard Corporation only participates in the industrial market

LO⁷

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Multisegment Targeting Strategy

7 82

Costs of Multisegment

7 83

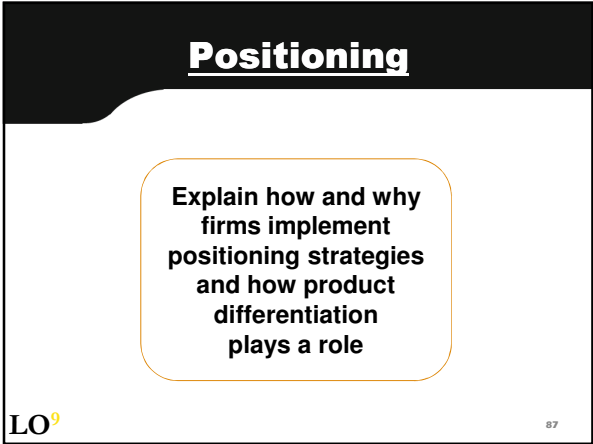
One-to-One Marketing

Explain one-to-one marketing

LO⁸ 84







Positioning

Developing a specific marketing mix to influence potential customers' overall perception of a brand, product line, or organization in general.



9

LO⁹ Positioning of Procter & Gamble Detergents

Brand	Positioning	Market Share
Tide	Tough, powerful cleaning	31.1%
Cheer	Tough cleaning, color protection	8.2%
Bold	Detergent plus fabric softener	2.9%
Gain	Sunshine scent and odor-removing formula	2.6%
Era	Stain treatment and stain removal	2.2%
Dash	Value brand	1.8%
Oxydol	Bleach-boosted formula, whitening	1.4%
Solo	Detergent and fabric softener in liquid form	1.2%
Dreft	Outstanding cleaning for baby clothes, safe	1.0%
Ivory	Fabric & skin safety on baby clothes	0.7%
Ariel	Tough cleaner, aimed at Hispanic market	0.1%

Effective Positioning



1. Assess the positions occupied by competing products
2. Determine the dimensions underlying these positions
3. Choose a market position where marketing efforts will have the greatest

LO⁹ 90

Product Differentiation

A positioning strategy that some firms use to distinguish their products from those of competitors.

Distinctions can be real or perceived.



Eat Fresh!

9 91

Perceptual Mapping

A means of displaying or graphing, in two or more dimensions, the location of products, brands, or groups of products in customers' minds.

9 92

Positioning Bases



- Attribute
- Price and Quality
- Use or Application
- Product User
- Product Class
- Competitor
- Emotion

LO 93

Repositioning

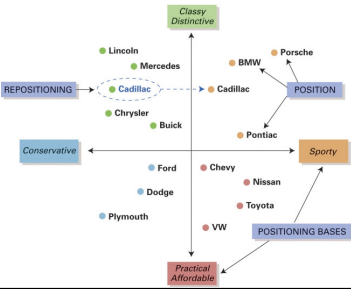
Changing consumers' perceptions of a brand in relation to competing brands.



9

Positioning and Product Differentiation

Each car occupies a position in consumers' minds.
Cars can be positioned according to attribute (sporty, conservative, etc.), to price/quality (affordable, classy, etc.) or other bases.
Cadillac has repositioned itself as a car for younger drivers with edgier ads.



LO⁹
