

# Marketing Management

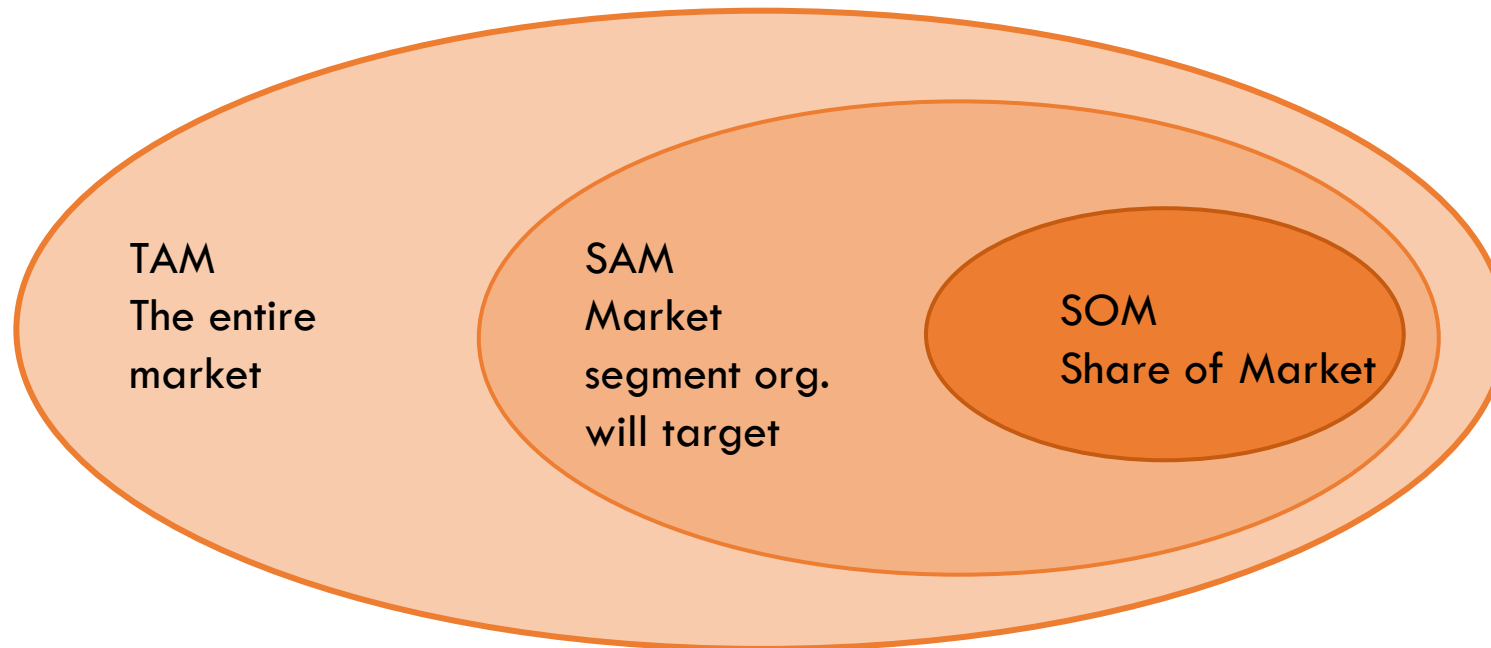
## Understanding Consumers

# A quick recap

- 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.
- Value is the cost-Benefit trade-off between “what consumers get” from “what consumers have to give”
  - Value is relative
- Identifying and Evaluating Opportunities through:
  - Segmentation - Means of aggregating prospective buyers into groups or segments
  - Targeting – Evaluation of Segment Attractiveness
  - Positioning – Involves creating an image of your product for your target customer's mind
- Implementing Marketing Mix
  - Product, Price, Place, Promotion, People, Process, Physical evidence

# Market Sizing

- Market Sizing is the process of estimating the potential market demand for a product or service. It involves three key components:



- Market sizing helps businesses evaluate opportunities, set realistic goals, and allocate resources effectively

# TAM - Total Addressable Market

- TAM represents the revenue opportunity that an organization has if it has the entire market share, and there is no competition
  - If every single potential customer is converted into a paying customer, and each of those customers is providing the full maximum revenue
- Helps in understanding the overall market potential before segmentation
- Estimate of potential for growth

# TAM - Total Addressable Market

- **Top-Down Approach**
- Identify broad market size figure and narrow down based on relevant filters
  - Find a credible market research report that provides the overall market size for the industry [Gartner, IDC, Statista, IBISWorld...]
  - Narrow down the broad market size to your specific market by applying relevant filters such as geography, customer demographics, or product categories.

# TAM - Total Addressable Market

- **Bottom-up Approach**

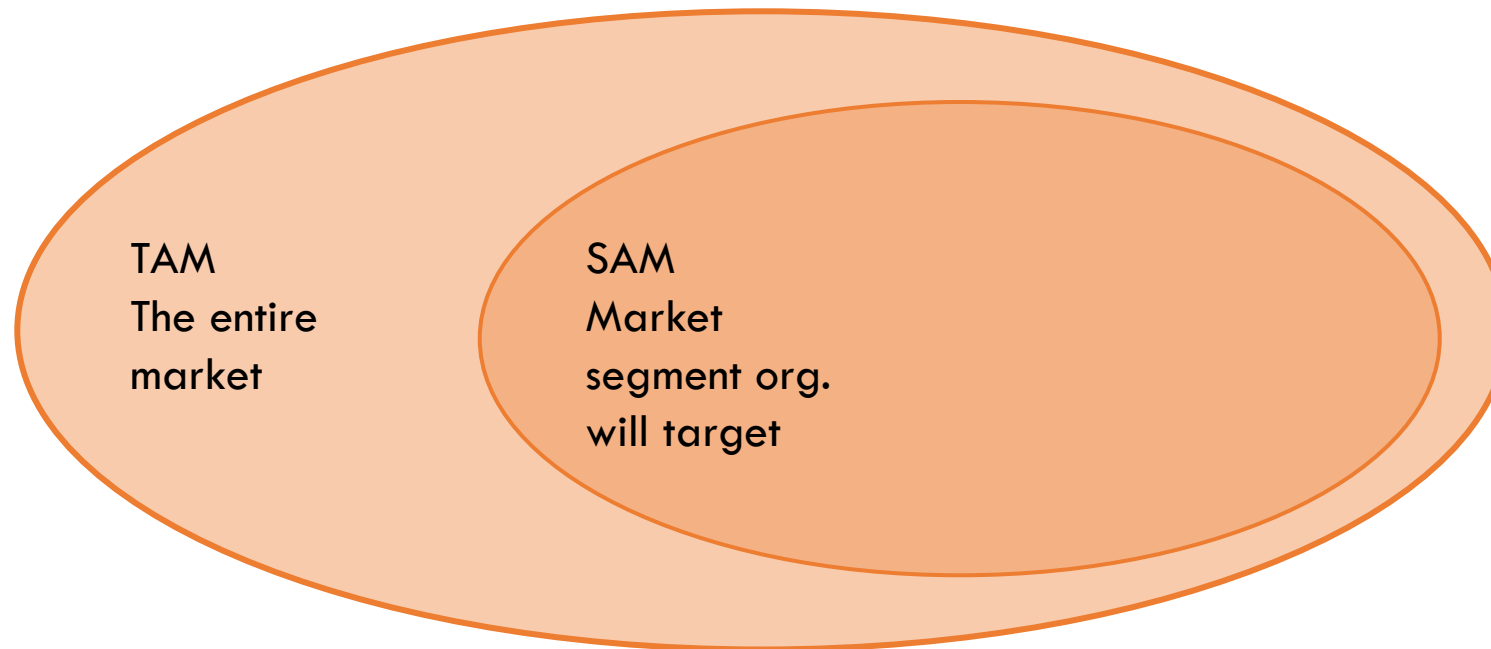
- The bottom-up approach builds up the market size from individual customer data or units sold
  - Identify the total number of potential customers / units that could be sold
  - Determine the average revenue generated from each customer/ unit
  - Multiply the total number of potential customers by the average revenue per customer to get the TAM

# TAM - Total Addressable Market

- **Value Theory Approach**
- Estimates TAM based on the value provided to the customer
  - Understand the problem your product solves and the value it provides to customers - Quantify the value of the benefit in monetary terms
  - Determine the total number of potential customers who would derive this benefit
  - Multiply the number of potential customers by the value of the benefit

# SAM - Serviceable Available Market

- Narrowed down from TAM to reflect the portion of the market that can be served with the organization's current products, technologies, and geographical presence
- Helps in refining the market opportunity to those segments that align with the company's strategic focus and capabilities

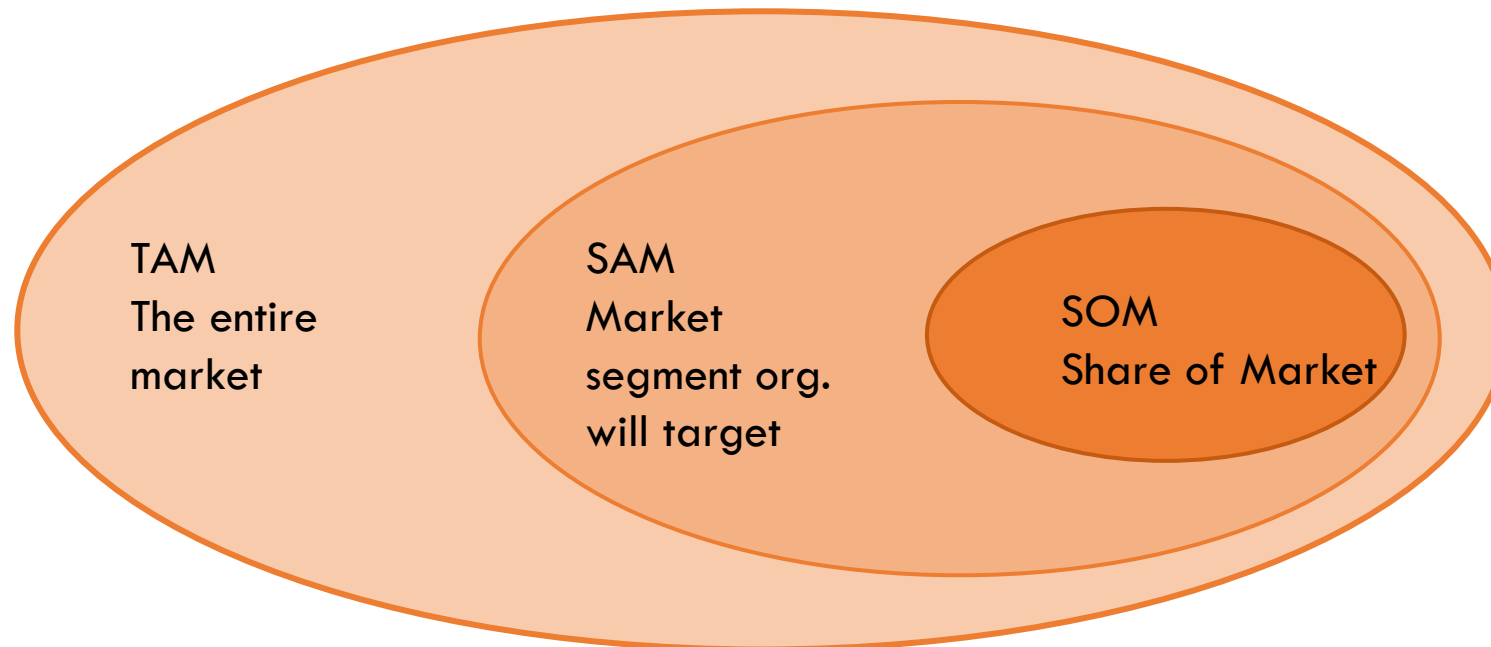


# SAM - Serviceable Available Market

- Understand the Scope of Product / Service
- Identify Market Segments within TAM
- Evaluate Market Reach
- Assess Company Capabilities
- Calculate Potential Customers
- Determine Average Revenue per Customer
- Calculate SAM

# SOM - Serviceable Obtainable Market

- Most realistic and specific market size that the company can achieve, taking into account its competitive position and operational constraints
- Provides a practical goal for market entry and growth, reflecting the company's specific market strategy, competitive advantages, and operational capacity



# SOM - Serviceable Obtainable Market

- Review the organization's SAM
- Assess Competitive Landscape
- Evaluate Market Penetration
- Estimate Your Market Share
- Calculate Number of Obtainable Customers
- Determine Average Revenue per Customer
- Calculate SOM

# Understanding Consumers

# Consumer Behavior

- Consumer behavior is the behavior that the consumers display in :

- Searching for,
- Purchasing,
- Using,
- Evaluating and
- Disposing off

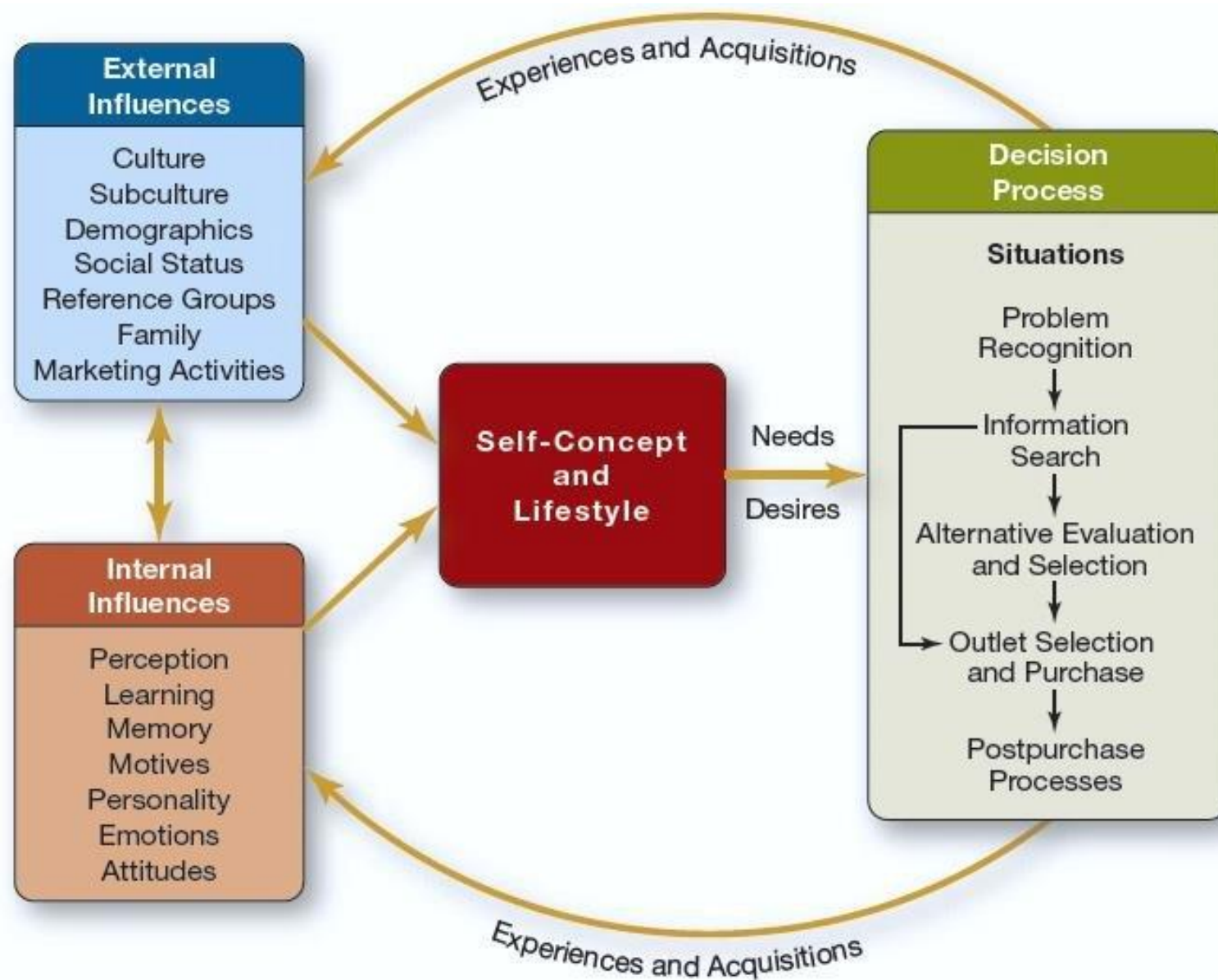
products and services that they expect will satisfy their needs.

- It captures the psychological and behavioral aspects of the consumer's decision-making process, be it individual or be it group level

- Early theories were based on notion that individuals act *rationally* to maximize their benefits (satisfaction) from a purchase decision
- Later research discovered that consumers are just as likely to
  - Purchase impulsively
  - Be influenced by family, friends, advertisers and role models
  - Be influenced just as strongly by mood, situation and emotion

**What impacts and influences this (at times) irrational consumer?**

# What Influences Consumer Decisions?



## Internal Influences

# Perception

How we see the world around us

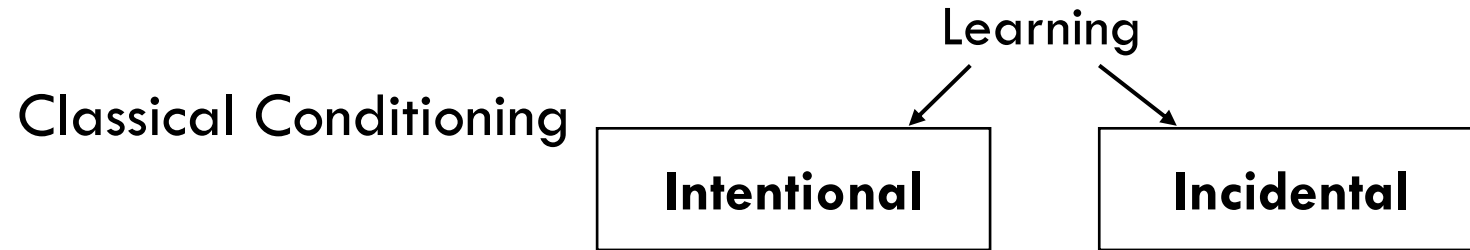
Process by which we select, organize and interpret information inputs to create meaningful picture

Sensation – Immediate response to a stimuli

- Products, packaging, brand names, advertisements etc

# Learning

A relatively permanent change in consumer behaviour arising from experience





A relatively permanent change in consumer behaviour arising from experience

Instrumental conditioning

Learning occurs through a trial-and-error process

Habits form as a result of reward and punishment received from some certain behavior

Reinforcement

**Positive reinforcement**

**Negative reinforcement**

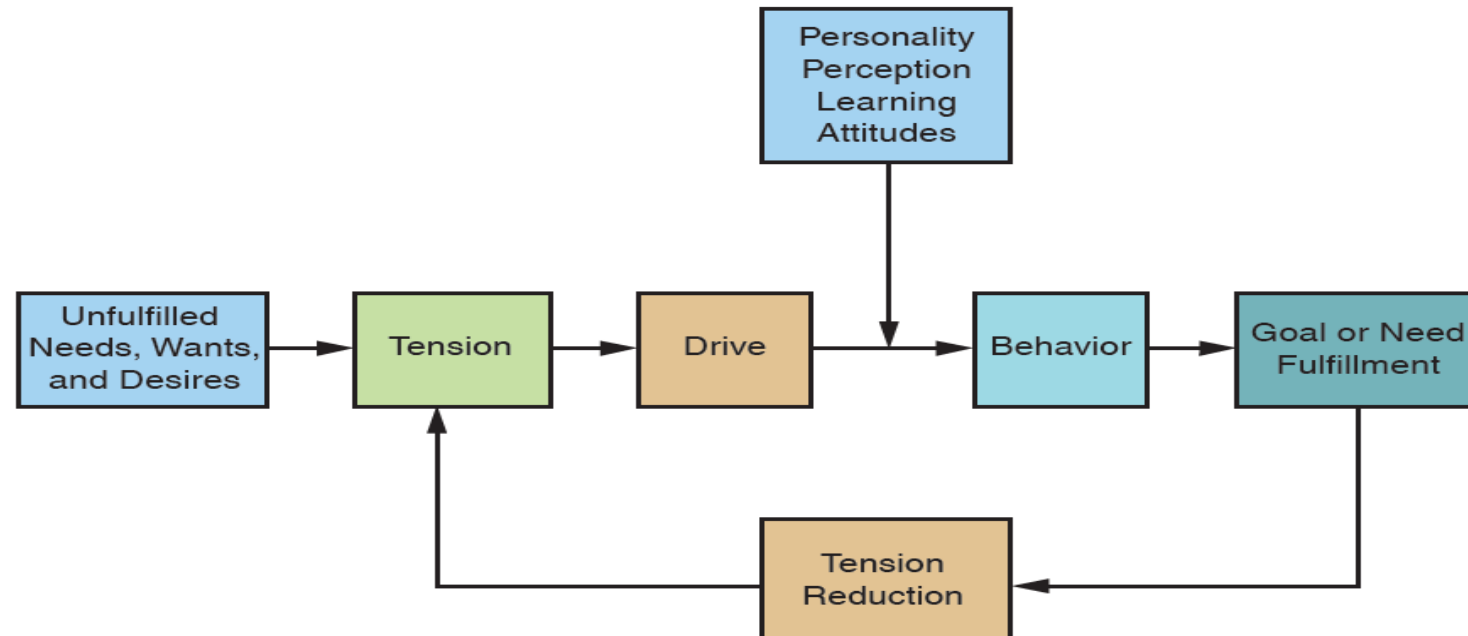
**Punishment**

## Internal Influences

# Motivation

The zeal that drives us to act [Needs, Wants, Demands]

A need becomes a motive when it is aroused to a sufficient level of intensity to drive an action



A **learned predisposition** to behave in a consistently favorable or unfavorable manner with respect to a given object

Component of “intention to act”

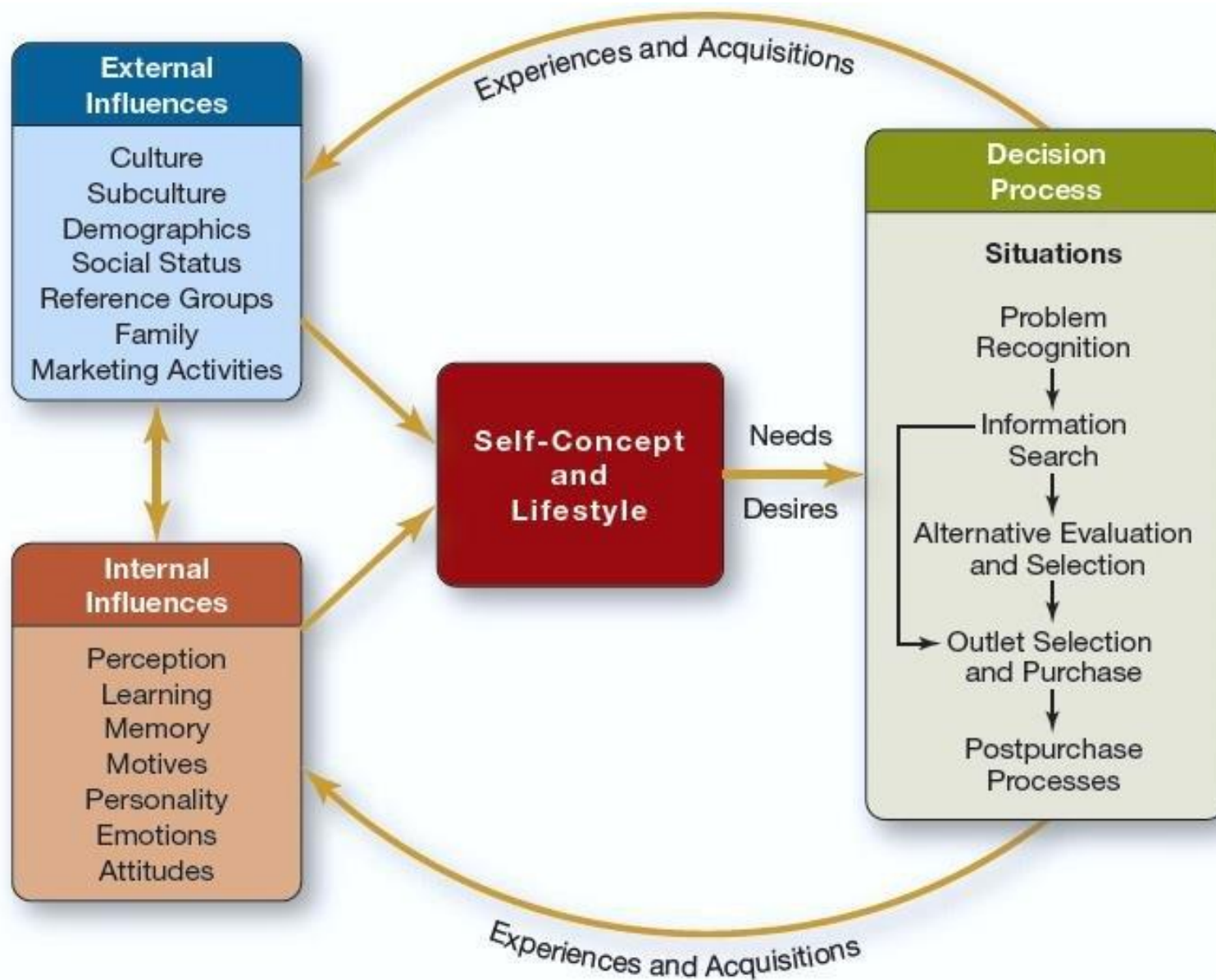
- Attitudes are formed by:
  - Direct experience
  - Word-of-mouth
  - Exposure to mass media advertising, the internet, and direct marketing
- Attitudes are not synonymous with behaviour but might result from behaviour
- Attitudes are not permanent, can change but not easy to change

# Personality

The inner psychological characteristics [specific qualities, traits...] that both determine and reflect how a person responds (reacts and interacts) to his/her environment

- It is an individual's response tendencies across situations and over time
  
- Personality:
  - Reflects individual differences
  - Is generally consistent and enduring
  - Is though enduring, it can change

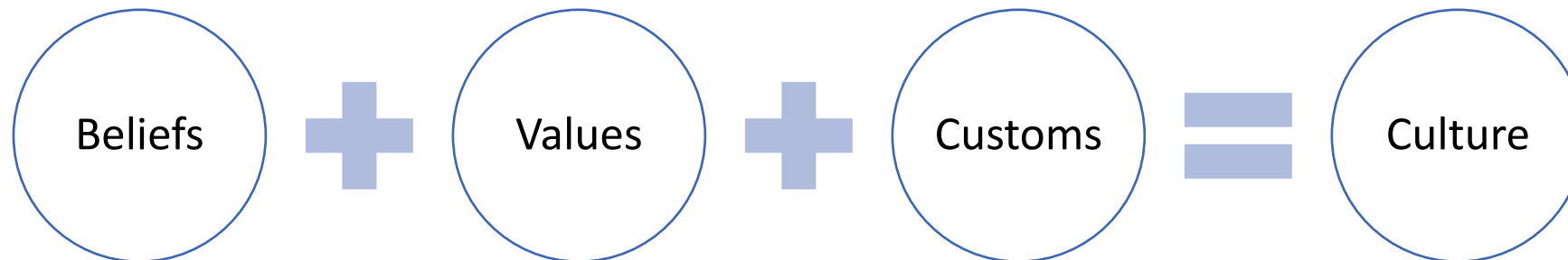
# What Influences Consumers?



## External Influences

# Culture

- Culture is learned
- It is common to members of a specific group and is contextual
- It serves the need of the society and acquired throughout the lifetime
- Culture is transferred from generations to generations



# Social Class

Division of members of society into a hierarchy of distinct social classes so that members of each class have relatively the same status and members of all other classes have either higher or lower status

Hierarchical

Based on Economics, Power, and Social Interaction

# Reference Groups

- All the groups that have a direct or indirect effect on a person's beliefs, decisions, and behavior
  - Individuals (Celebrities, Athletes, Political Leaders)
  - Groups of individuals with Similarities (Musical Groups, Sports Teams)
  
- Aspirational groups
- Dissociative groups
- Opinion leader/ influencer

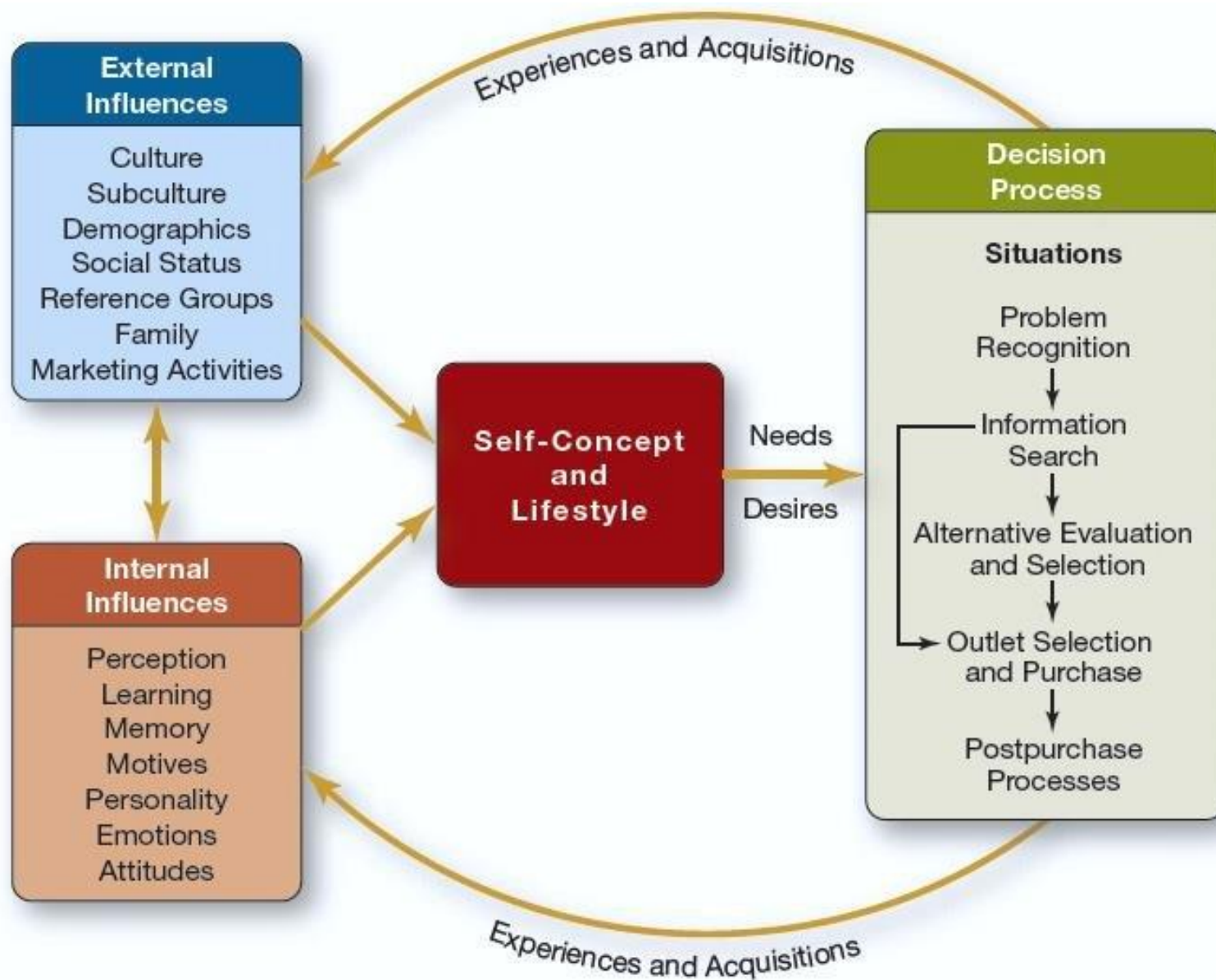
# Reference Groups

- Reference Groups impact Consumers by being:
- Informational – When individuals alter their behaviour/belief to meet expectation of a reference group
- Utilitarian – When individuals have difficulty assessing brand characteristics on their own
- Value-expressive- When need for psychological association causes acceptance of norms, values, attitudes or behaviours

## Self-Concept

- Possible relationship between how individuals perceive themselves and what behaviour they exhibit as consumers
  - **Self Defining products** – Products which are congruent with their personality (actual self) Purchase either symbolic or functional or both
  - **Self Altering products** – Products that consumers seek whenever it is appropriate for them and their personality (ideal self). It arises through vanity.

# What Influences Consumers?



# Individual Decision-making

# Parties involved in Decision-making

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**Initiator:** Who request something be purchased.

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**Users:** Who will use the product or service. Many times, users initiate.

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**Influencers:** Influence buying decision, help define specifications

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**Deciders:** Those who take the final call

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**Approvers:** Authorize proposed actions

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**Buyers:** These have the formal authority to select buyer and arrange purchase terms

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**Gatekeepers:** People that have influence to prevent sellers from reaching buying center

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# The Decision Process

- We make numerous decisions concerning every aspect of our daily lives
  - An average person makes more than 35,000 decisions each day
- What kind of decisions do you make every day?
  - What to wear for which part of what day?
  - What tasks we will plan to accomplish
  - Whom to engage with socially?
  - Which Netflix show to watch?
- How do you make these decisions? What process do you follow?
  - Is the process same for all decisions?

# Decision-making Models

- Inputs
  - Firm marketing efforts
  - Sociocultural influences
  - Communication Sources
- Process
  - Psychological Factors
  - Need Recognition, Decision Type, Pre-purchase Search, Evaluation of Alternatives
  - Learning
- Outputs
  - Purchase
  - Post-purchase evaluation

**INPUT**

**THE MARKETING MIX**  
 Product  
 Promotion  
 Price  
 Distribution

**SOCIOCULTURAL INFLUENCES**  
 Reference Groups  
 Family  
 Social Class  
 Culture and Subculture

**COMMUNICATION SOURCES**  
 Advertising  
 Buzz Agents  
 Customized Messages  
 Social Media:  
 Owned or Paid For

**COMMUNICATION SOURCES**  
 Word-of-Mouth:  
 Advice and Recommendations  
 Social Media:  
 Self-Generated

**PROCESS**

Need Recognition  
 ↓  
 Type of Decision  
 ↓  
 Pre-Purchase Information Search  
 ↓  
 Evaluation of Purchase Alternatives

**PSYCHOLOGICAL INFLUENCES**  
 Needs and Motivation  
 Personality Traits  
 Perception  
 Attitudes

**LEARNING**  
 Knowledge  
 Experience

**OUTPUT**

**PURCHASE**

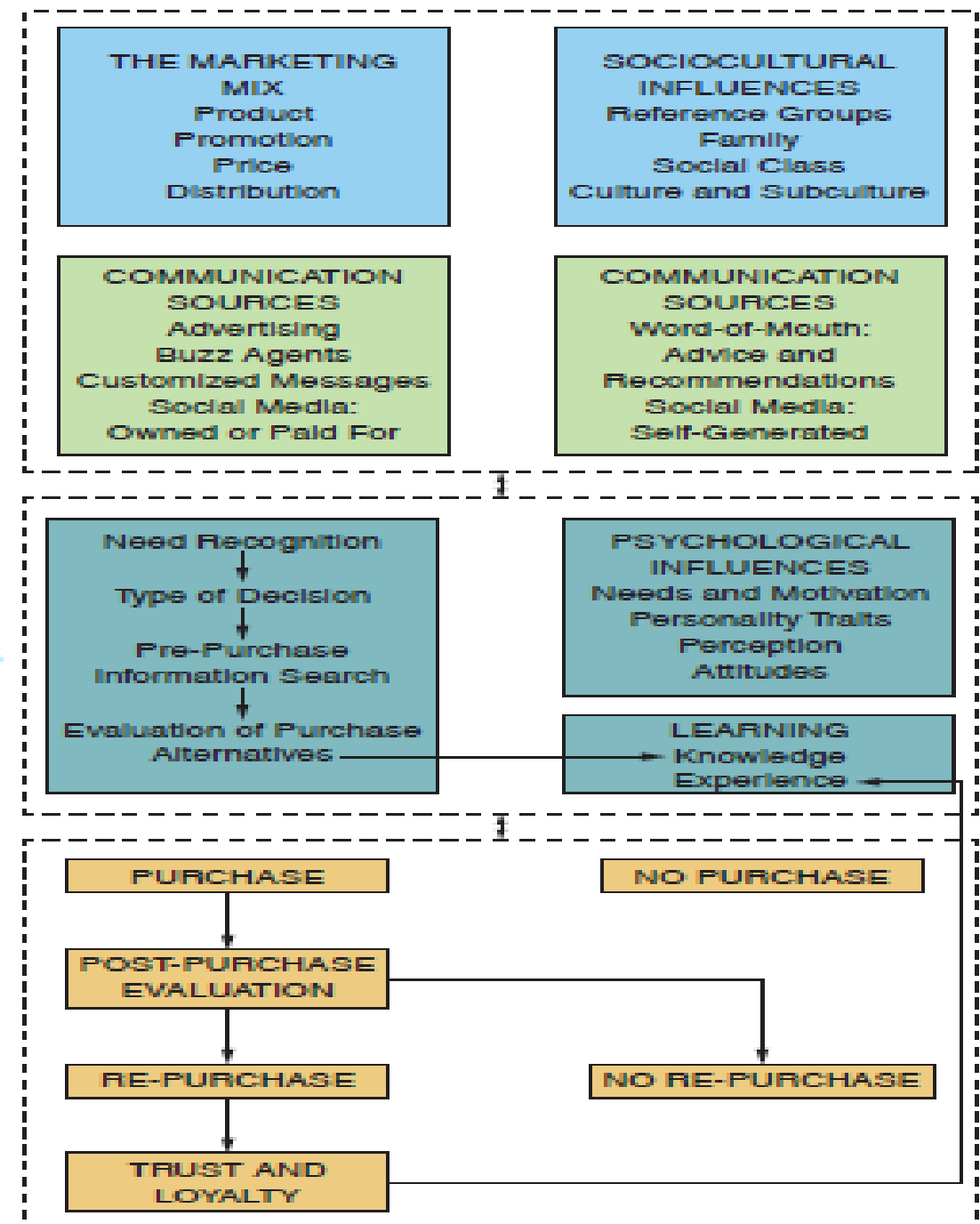
**NO PURCHASE**

**POST-PURCHASE EVALUATION**

**RE-PURCHASE**

**NO RE-PURCHASE**

**TRUST AND LOYALTY**



# Decision Spectrum

## Extensive Problem Solving

- Consumers do not have any established criteria to evaluate a product
- Need a lot of information to establish set of criteria and further to evaluate brands
- Expensive product or for the first time

## Limited Problem Solving

- Established basic criteria for evaluation
- Consumers might search for more information to discriminate among the various brands
- New, Updated version

Non-Programmed decisions

## Routinized Response Behaviour

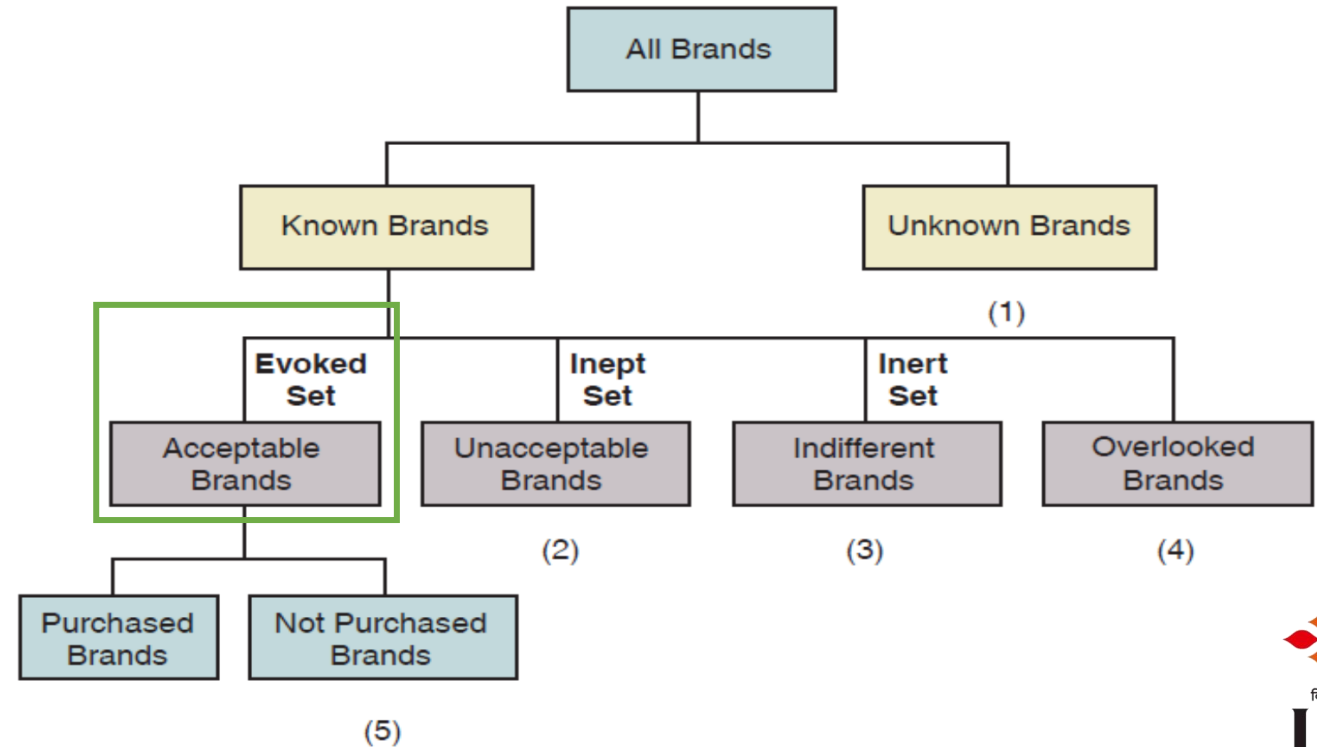
- Consumers have experience with product category
- Established criteria
- Might need slight information
- Habituated
- Brand Loyal

Programmed decisions

# Decision-making Stages

- Need Recognition
- Pre-purchase Search
- Identifying Alternatives

- Evoked set (consideration set)
  - Small number of brands the consumer is familiar with and finds acceptable



- Purchase/Commitment

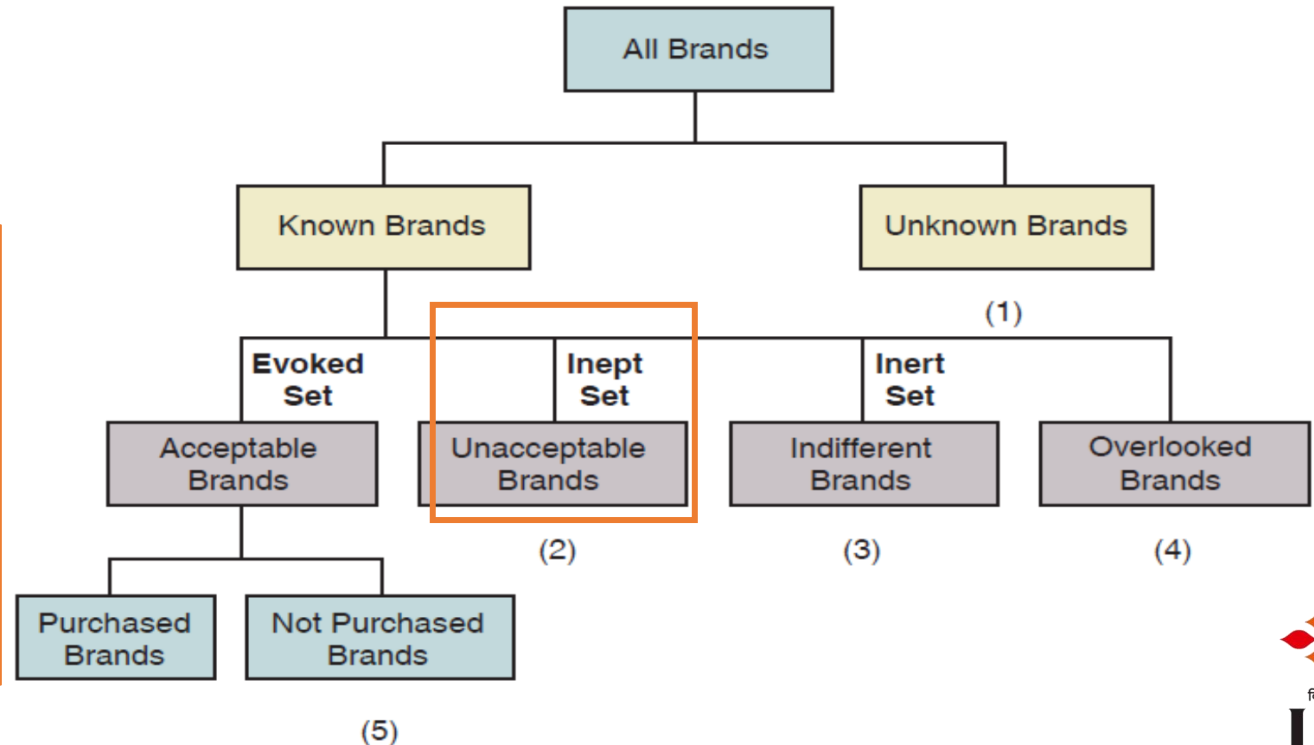
# Decision-making Stages

- Need Recognition
- Pre-purchase Search
- Identifying Alternatives

▪ Inept set

- Includes brands/models that the consumer excludes from their consideration as they are unacceptable/inferior

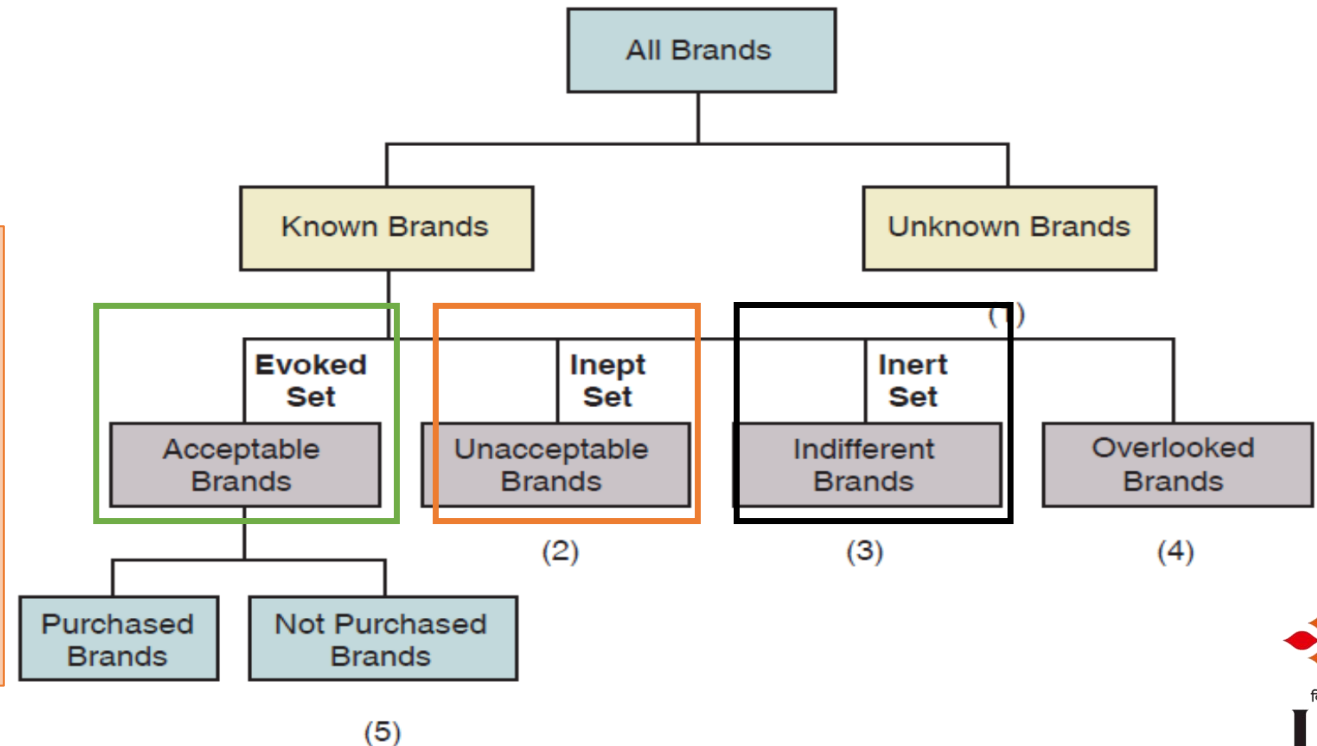
- Purchase/Commitment



# Decision-making Stages

- Need Recognition
- Pre-purchase Search
- Identifying Alternatives

- Inert set
  - Includes brands/ models the consumer is indifferent toward as they are perceived as not having any particular advantages



- Purchase/Commitment

# Cognitive Dissonance

- A psychological phenomenon where a person experiences discomfort due to holding conflicting beliefs or attitudes, often after making a difficult decision
- *Consumer purchases a high-end smartphone despite its high price, believing it is a great investment. After the purchase, they find out that a similar model from a different brand offers the same features at a significantly lower price*
- Conflicting Beliefs!?
  - Belief 1: "I made a good choice by buying this high-end smartphone."
  - Belief 2: "I could have gotten a similar product for less money."

# Consumer Heuristic

- Consumers choose the most familiar product or brand (Cognitive misers)

## **Availability heuristic**

A mental shortcut - people make judgments or decisions based on how easily examples or instances come to mind.

Relies on easily retrievable memory to make a decision.

# Consumer Heuristic – Anchoring Heuristic

Consumers tend to rely heavily on the initial piece of information presented to them, even if it is arbitrary or unrelated to the decision at hand.

This heuristic involves starting with an initial value (anchor) and then adjusting it to reach a final decision.

# Consumer Heuristic – Social Proof

This heuristic involves using other people's behaviors or opinions as a guide for decision-making.

Consumers often rely on the actions or recommendations of others to determine what is appropriate or desirable

# Customer Journey Map

# Customer Journey Map

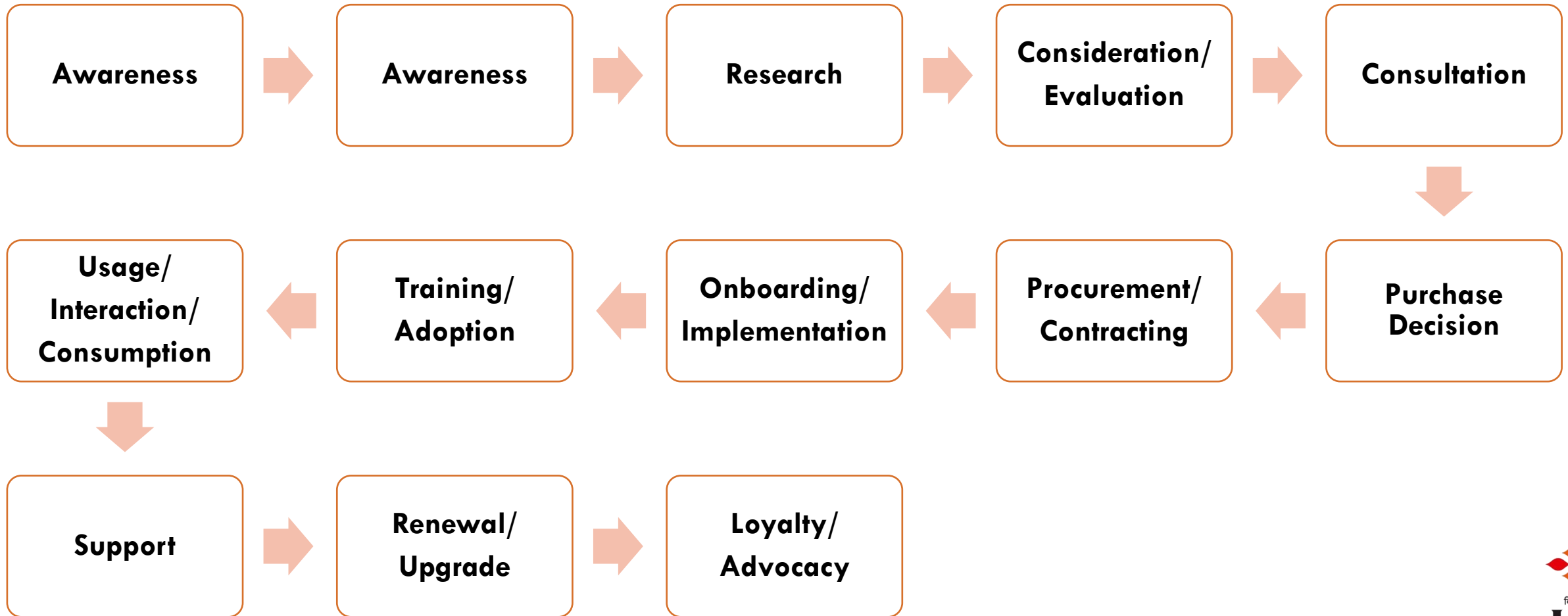
- A diagram that illustrates the steps customers go through in engaging with the company, a product, an online experience, retail experience, or a service, or any combination
- To identify specific moments where customers face challenges, frustration, or confusion to fulfil their needs
- Highlights pain points that might not be obvious through other forms of feedback
- Illustrates individual steps that consumers go through in this journey

# Become the Customer!

- Identify –
  - Their objectives
  - Their motives
  - Their point points
  - Their limitations
  - Their emotionsTo create human-centered solutions

What they want to avoid and what they want to achieve

# Customer Journey Map - Stages



# Customer Journey Map - Process

- Set Objectives for the Journey Map
- Define Customer Personas
  - Generalized representations of the ideal customer
    - Creating personas – increase conversion rates by 10 %
  - Along with demographic information provide:
    - psychographic information (Personality traits, lifestyle, hobbies, values, and attitudes),
    - their motivations,
    - challenges they face,
    - buying behaviour,
    - preferred communication channels and
    - their personal and professional goals

# Customer Journey Map - Process

- Set Objectives for the Journey Map
- Define Customer Personas
- Identify Customer Touchpoints and Moment of Truth
  - A customer sees an ad on social media advertisement (marketing touchpoint), visit to an e-commerce website (digital touchpoint), customer service (support touchpoint), product delivery (post-purchase touchpoint)

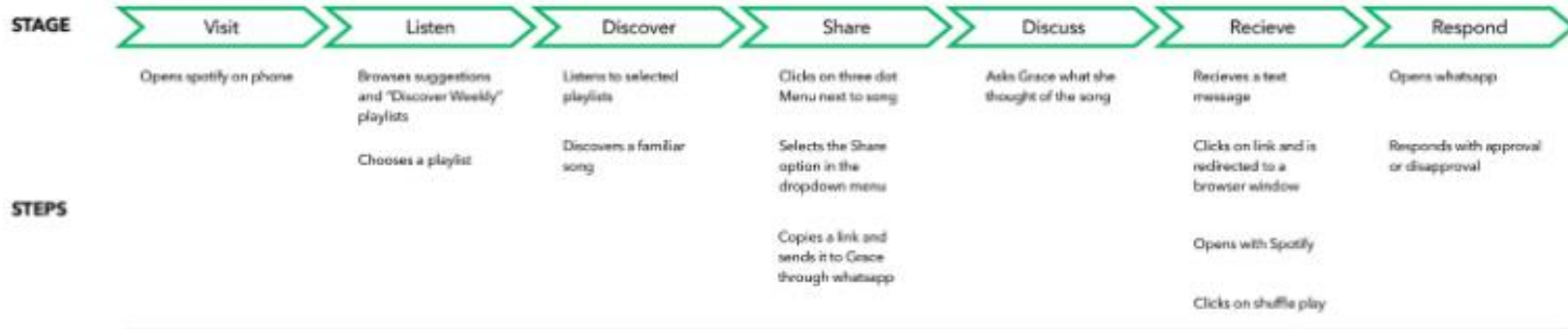
# Customer Journey Map - Process

- Set Objectives for the Journey Map
- Define Customer Personas
- Identify Customer Touchpoints and Moment of Truth
- Map Customer Actions
  - Capture Customer Thoughts and Emotions
  - Identify Pain Points and Friction
  - Identify Opportunities for Improvement and Delight

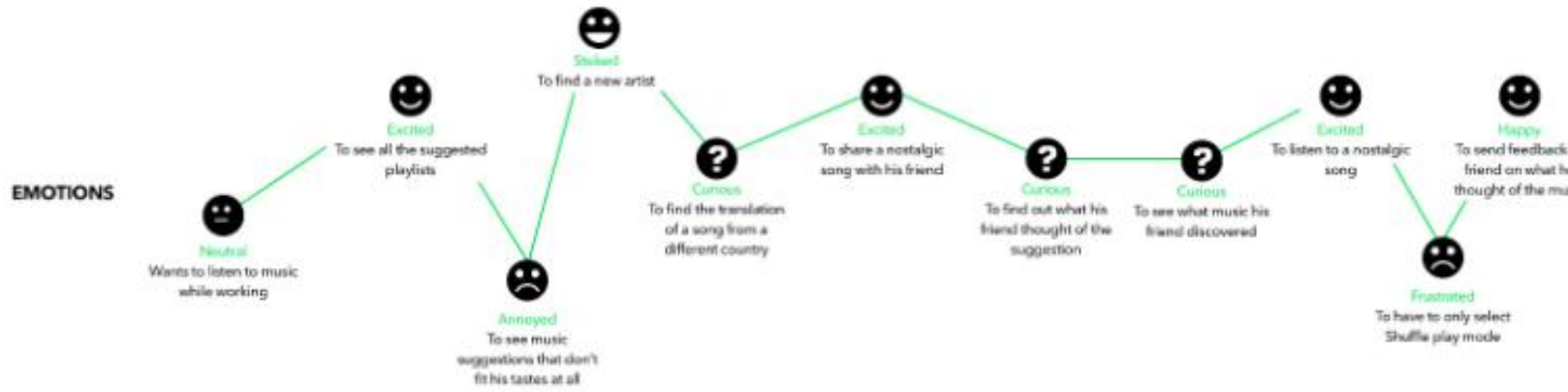
# Customer Journey Map - Process

- Set Objectives for the Journey Map
- Define Customer Personas
- Identify Customer Touchpoints and Moment of Truth
- Map Customer Actions
- Validate the Journey Map
  - Track customer behaviors
    - On the website - Users drop off, time spent on each page, navigation through different stages
    - Feedback - Customer surveys, NPS, post-purchase feedback
    - Experiment with different touchpoints to meet objectives

# Customer Journey Map - Music Sharing Experience



THOUGHTS	Visit	Listen	Discover	Share	Discuss	Recieve	Respond
	"I listen to music to get me through coding certain projects"  "I listen to music all the time. I run to music, commute to music"	"I like the discover weekly playlist. Sometimes, I just don't want to keep searching for songs and this is perfect"  "I usually go to the 'you might also like' section"  "I would have liked to have a way to see what songs were popular at the moment"	"I like alternative rock and indie music, so I like to discover by genre generally"	"I share music with my friends by just sending them a link on whatsapp"  "I like that it is pretty straightforward"  "I like that I have share options in a vertical display"	"I would send a follow up to the text after I shared the link"	"Why do I HAVE to open it on Spotify. That's really annoying"  "Why do I need to only use shuffle play? It's weird that I can't just hit play."	"I wouldn't respond unless it was a particularly nostalgic song"  "I would have liked to just add like an emoticon or something to react to the song."



# Customer Journey Map - Process

- Set Objectives for the Journey Map
- Define Customer Personas
- Identify Customer Touchpoints and Moment of Truth
- Map Customer Actions
- Validate the Journey Map